

EFFECTIVE PROFITABLE SOFTWARE, INC.  
Form 10QSB  
May 21, 2007

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

\_\_\_\_\_  
**FORM 10-QSB**  
\_\_\_\_\_

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

**For the quarterly period ended March 31, 2007**

- 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**  
(State or other jurisdiction of  
incorporation or organization)

**98-0412432**  
(I.R.S. Employer Identification No.)

**1 Innwood Circle, Suite 209, Little Rock,  
Arkansas**  
(Address of principal executive offices)

**72211**  
(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  No

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  No

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

Yes  No

State the number of shares outstanding of each of the issuer's classes of common equity, as of May 21, 2007:  
53,580,000 shares of common stock.

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

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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Information**

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

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**EFFECTIVE PROFITABLE SOFTWARE, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS OF MARCH 31, 2007**  
**(UNAUDITED)**

**ASSETS**

**CURRENT ASSETS**

Cash	\$	4,165
<b>Total Current Assets</b>		<b>4,165</b>

<b>PROPERTY AND EQUIPMENT, NET</b>		<b>3,499</b>
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**OTHER ASSETS**

Deposits		750
<b>Total Other Assets</b>		<b>750</b>

<b><u>TOTAL ASSETS</u></b>	<b>\$</b>	<b>8,414</b>
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**LIABILITIES AND STOCKHOLDERS' DEFICIENCY**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$	17,036
Stockholder loans		56,418

<b>TOTAL LIABILITIES</b>		<b>73,454</b>
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**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		213,717
Accumulated deficit during development stage		(284,107)
<b>Total Stockholders' Deficiency</b>		<b>(65,040)</b>

<b><u>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY</u></b>	<b>\$</b>	<b>8,414</b>
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See accompanying notes to condensed consolidated financial statements.

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

	For the Three Months Ended March 31, 2007	For the Three Months Ended March 31, 2006	For the Period from February 23, 2004 (Inception) to March 31, 2007
<b>REVENUES</b>	\$ -	\$ -	\$ -
<b>OPERATING EXPENSES</b>			
General and administrative	11,317	9,685	272,026
Total Operating Expenses	11,317	9,685	272,026
<b>LOSS FROM OPERATIONS</b>	(11,317)	(9,685)	(272,026)
<b>OTHER INCOME (EXPENSE)</b>			
Other income	-	-	30
Loss on disposal of assets	-	-	(6,893)
Interest expense	(622)	(828)	(5,218)
Total Other Income (Expense)	(622)	(828)	(12,081)
<b>NET LOSS BEFORE PROVISION FOR INCOME TAXES</b>	(11,939)	(10,513)	(284,107)
Provision for Income Taxes	-	-	-
<b>NET LOSS</b>	\$ (11,939)	\$ (10,513)	\$ (284,107)
Net loss per share - basic and diluted	\$ -	\$ -	\$ -
Weighted average number of shares outstanding during the period - basic and diluted	53,480,000	52,246,667	50,466,449

See accompanying notes to condensed consolidated financial statements.

**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 MARCH 31, 2007**  
**(UNAUDITED)**

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit During 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)

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Balance, December 31, 2005 (restated)	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	-	-	1,248	-	1,248

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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 MARCH 31, 2007**  
**(UNAUDITED)**

In-kind contribution of compensation			54,500		54,500
In-kind contribution of automobile allowance			1,500		1,500
Net loss, 2006	-	-	-	(110,603)	(110,603)
BALANCE, December 31, 2006	53,480,000	5,350	213,231	(272,168)	(53,587)
In-kind contribution of interest of stockholder loans			486		486
Net loss for the three months ended March 31, 2007	-	-	-	(11,939)	(11,939)
BALANCE, March 31, 2007	53,480,000 \$	5,350 \$	213,717 \$	(284,107)\$	(65,040)

See accompanying notes to condensed consolidated financial statements.

	For the Three Months Ended March 31, 2007	For the Three Months Ended March 31, 2006	For the Period from February 23, 2004 (Inception) to March 31, 2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$ (11,939)	\$ (10,513)	\$ (284,107)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation	232	231	4,899
Loss on disposal of property and equipment	-	-	6,893
In-kind contribution of interest on stockholder loans	486	685	60,167
Stock issued for payment of services and expenses	-	-	70,000
In-kind contribution of officers compensation	-	-	-
In-kind contribution of automobile allowance	-	-	-
Changes in operating assets and liabilities:			
Deposits	-	-	(750)
Prepaid expenses	250	750	-
Accounts payable and accrued expenses	(2,915)	2,120	15,436
Net Cash Provided By (Used In) Operating Activities	(12,886)	(6,727)	(127,462)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from the sale of property and equipment	-	-	3,425
Purchase of property and equipment	-	-	(18,716)
Net Cash Provided By (Used In) Investing Activities	-	-	(15,291)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Cash overdraft	-	295	-
Proceeds from issuance of loan payable - related party	20,000	-	111,420
Repayment of loan payable - related party	(4,179)	(5,733)	(55,002)
Proceeds from issuance of common stock	-	10,000	90,500
	15,821	4,562	146,918

Net Cash Provided By (Used In) Financing  
Activities

NET INCREASE (DECREASE) IN CASH	2,935	(2,165)	4,165
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CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,230	2,335	-
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**CASH AND CASH EQUIVALENTS**

<b><u>AT END OF PERIOD</u></b>	\$ 4,165	\$ 170	\$ 4,165
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**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

Cash paid during the period for interest	\$ 136	\$ 143	\$ 1,052
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Cash paid during the period for taxes	\$ -	\$ -	\$ -
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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)**

**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<sup>th</sup>, 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.

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 2007 and 2006 financial statements include the accounts of Effective Profitable Software, Inc. and its wholly-owned subsidiary EPS, Inc.

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

**(G) 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.

**(H) 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.

**(I) 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 March 31, 2007 and 2006, the Company does not have any outstanding dilutive securities.

**(J) 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 at March 31, 2007 there were no cash deposits in excess of the FDIC limit.

**(K) Recent Accounting Pronouncements**

In February 2006, the FASB issued SFAS No. 155, "*Accounting for Certain Hybrid Financial Instruments-an amendment of FASB Statements No. 133 and 140*", to simplify and make more consistent the accounting for certain financial instruments. SFAS No. 155 amends SFAS No. 133, "*Accounting for Derivative Instruments and Hedging Activities*", to permit fair value re-measurement for any hybrid financial instrument with an embedded derivative that otherwise would require bifurcation, provided that the whole instrument is accounted for on a fair value basis. SFAS No. 155 amends SFAS No. 140, "*Accounting for the Impairment or Disposal of Long-Lived Assets*", to allow a qualifying special-purpose entity to hold a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 applies to all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006, with earlier application allowed. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, "*Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*". This statement requires all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable, and permits for subsequent measurement using either fair value measurement with changes in fair value reflected in earnings or the amortization and impairment requirements of Statement No.

140. The subsequent measurement of separately recognized servicing assets and servicing liabilities at fair value eliminates the necessity for entities that manage the risks inherent in servicing assets and servicing liabilities with derivatives to qualify for hedge accounting treatment and eliminates the characterization of declines in fair value as impairments or direct write-downs. SFAS No. 156 is effective for an entity's first fiscal year beginning after September 15, 2006. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In June 2006, the FASB issued FASB Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statements No. 109*". FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing a two-step method of first evaluating whether a tax position has met a more likely than not recognition threshold and second, measuring that tax position to determine the amount of benefit to be recognized in the financial statements. FIN 48 provides guidance on the presentation of such positions within a classified statement of financial position as well as on derecognition, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, *“Fair Value Measurements”*. The objective of SFAS 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS No. 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In September 2006, the FASB issued SFAS No. 158, *“Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)”*. This statement requires employers to recognize the over-funded or under-funded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The provisions of SFAS No. 158 are effective for employers with publicly traded equity securities as of the end of the fiscal year ending after December 15, 2006. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In September 2006, the SEC issued Staff Accounting Bulletin (“SAB”) No. 108, *“Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements.”* SAB No. 108 addresses how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. SAB No. 108 requires companies to quantify misstatements using a balance sheet and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. SAB No. 108 is effective for period ending after November 15, 2006. The Company is currently evaluating the impact of adopting SAB No. 108 but does not expect that it will have a material effect on its financial statements.

In February 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 159, *“The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115”*. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS No. 159 apply only to entities that elect the fair value option. However, the amendment to SFAS No. 115 *“Accounting for Certain Investments in Debt and Equity Securities”* applies to all entities with available-for-sale and trading securities. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provision of SFAS No. 157, *“Fair Value Measurements”*. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

## **NOTE 2      RELATED PARTY TRANSACTIONS**

The Company's officers have loaned the Company working capital in the form of unsecured demand notes. At March 31, 2007 the Company owed \$56,418. 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 3      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 the year ended December 31, 2005 the company issued 1,700,000 shares to two investors for cash of \$34,000, or \$0.02 per share.

**(C) Stock Issued in Reverse Merger**

On May 10, 2005, Effective Profitable Software, Inc. exchanged 2,500,000 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.

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 year ended December 31, 2006, \$1,248 of in-kind contributions relating to imputed interest on related party loans was recorded.

During the year ended December 31, 2006, \$54,500 of in-kind contributions relating to compensation of officers was recorded.

During the year ended December 31, 2006, \$1,500 of in-kind contributions relating to automobile allowance was recorded.

During the three months ended March 31, 2007, \$486 of in-kind contribution relating to imputed interest on related party loans was recorded.

**(F) Stock Split**

On May 20, 2005, the Board of Directors approved a 5 for 1 forward stock split for all shareholders of the Company as of May 10, 2005. Per share weighted average share amounts have been retroactively restated in the accompanying audited financial statements and related notes to reflect this split

**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 \$69,289, a stockholder's deficiency of \$65,040 and has a negative cash flow from operations of \$127,462 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.

**NOTE 5**      **SUBSEQUENT EVENT**

During May 2007, the Company sold 100,000 shares of common stock for cash of \$10,000 (\$0.10 per share).

## **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 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 an evaluation software company which focuses on bringing affordable evaluation tools to the general public. We are based in Little Rock, Arkansas and are led 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 financial markets 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 are 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 51,280,000 shares.

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### 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. Link exchange means placing your website address on another website for advertising. You can opt to pay on a "per-click" basis or by allowing the other website to advertise on your website.

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. We anticipate additional subscriptions from word of mouth.

Once the trading system (Timingwave) is built on Trade Station and E-signal, which we expect to be completed in 3 to 5 months, a free 30-day trial will be offered to all existing platform subscribers for both signal and trade station clients, which total 540,000 clients. We expect the cost to build the Timingwave on Trade Station and Signal to be \$25,000 to \$40,000. Once we achieve our goal of 1,000 subscribers, we should have the funds to advertise and hire salesmen to solicit enough funds to reach our next goal of 10,000 additional subscribers. Our ultimate goal is

\$100,000,000 in managed money for clients using the Timingwave signals.

Tutorials to use the indicators will be provided on the website. Those satisfied with the indicators may subscribe online. Links will be provided to trade platforms to allow the subscribers to access the Timingwave signals. Certified Fund managers will solicit clients on the website and by seminars and direct contact with Money managers and wealthy individuals, with a performance incentive of 20% profit per quarter. Advertising will be done on the internet through Google, and in print ads that will refer potential customers to our website for detailed explanations of fees and historical results. We anticipate acquiring 1000 subscribers from the free trial period. In the first quarter of 2007, we intend to charge a subscription fee of \$300 per quarter for our services. We intend to inform our existing customers when they subscribe that this is an initial offer and prices will increase. Income from initial subscribers will provide funds for advertising for additional subscribers and salesmen to be hired to contact wealthy individuals and money managers to solicit funds and subscriptions. A model Portfolio of \$100,000 will be created and results will be posted daily. Our current hypothetical portfolio is up 55%.

We do not have enough cash to satisfy our minimum cash requirements for the next twelve months. We require additional funds to increase marketing, to expand operations, and for further development of our website. Gary Moore, our President, has agreed to provide us with the funds that we need until we start producing revenue or can acquire funds from other sources. 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 and have not yet commenced 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.

EPS, Inc. continues to record real time trades in order to give a history of the software's performance. The industry standard is a minimum of one year's results. We have now 9 months of data. Rosenthal & Collins, our only client, is independently testing the system. We are working on building its software on the trade station platform which will enable us to offer it to over 500,000 subscriber. We do not have a target date for this completion. However once this is completed we intend to commence a print and internet based marketing program.

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### **Capital Resources and Liquidity**

Our audited balance sheet as of March 31, 2007 reflects assets of \$8,414, consisting of cash of \$4,165, property and equipment of \$3,499 and deposits of \$750. Total liabilities as of March 31, 2007 were \$73,454, consisting of accounts payable of \$17,036 and stockholder loans of \$56,418.

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.

### **Recent Financial Pronouncements**

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments-an amendment of FASB Statements No. 133 and 140", to simplify and make more consistent the accounting for certain financial instruments. SFAS No. 155 amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", to permit fair value re-measurement for any hybrid financial instrument with an embedded derivative that otherwise would require bifurcation, provided that the whole instrument is accounted for on a fair value basis. SFAS No. 155 amends SFAS No. 140, "Accounting for the Impairment or Disposal of Long-Lived Assets", to allow a qualifying special-purpose entity to hold a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 applies to all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006, with earlier application allowed. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". This statement requires all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable, and permits for subsequent measurement using either fair value measurement with changes in fair value reflected in earnings or the amortization and impairment requirements of Statement No. 140. The subsequent measurement of separately recognized servicing assets and servicing liabilities at fair value eliminates the necessity for entities that manage the risks inherent in servicing assets and servicing liabilities with

derivatives to qualify for hedge accounting treatment and eliminates the characterization of declines in fair value as impairments or direct write-downs. SFAS No. 156 is effective for an entity's first fiscal year beginning after September 15, 2006. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statements No. 109". FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing a two-step method of first evaluating whether a tax position has met a more likely than not recognition threshold and second, measuring that tax position to determine the amount of benefit to be recognized in the financial statements. FIN 48 provides guidance on the presentation of such positions within a classified statement of financial position as well as on derecognition, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". The objective of SFAS 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS No. 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)". This statement requires employers to recognize the over-funded or under-funded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The provisions of SFAS No. 158 are effective for employers with publicly traded equity securities as of the end of the fiscal year ending after December 15, 2006. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In September 2006, the SEC issued Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB No. 108 addresses how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. SAB No. 108 requires companies to quantify misstatements using a balance sheet and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. SAB No. 108 is effective for period ending after November 15, 2006. The Company is currently evaluating the impact of adopting SAB No. 108 but does not expect that it will have a material effect on its financial statements.

In February 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115". This statement permits entities to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS No. 159 apply only to entities that elect the fair value option. However, the amendment to SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities" applies to all entities with available-for-sale and trading securities. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provision of SFAS No. 157, "Fair Value Measurements". The adoption of this statement is not expected to have a material effect on the Company's 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 \$69,289, a stockholder's deficiency of \$65,040 and a negative cash flow from operations of \$127,462 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 of 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 March 31, 2007. 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 March 31, 2007 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 first quarter of fiscal 2007 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 March 31, 2007, 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

<u>Exhibit Number</u>	<u>Exhibit Title</u>
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

May 21, 2007