CENTERGISTIC SOLUTIONS INC
Form 10KSB/A
June 29, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB/A

MARK ONE

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE OF 1934

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

or

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

FOR THE TRANSITION PERIOD FROM N/A TO N/A

COMMISSION FILE NUMBER: 000-51433

CENTERGISTIC SOLUTIONS, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

CALIFORNIA	95-2873122
(STATE OF INCORPORATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

2045 West Orangewood Avenue, Orange, California 92868-1944
ADDRESS OF PRINCIPAL EXECUTIVE OFFICES

Registrant's telephone number, including area code: (714) 935-9000

Securities registered pursuant to Section 12(g) of the Act: Common Stock

Check whether the Registrant (1) has filed all reports required to be filed by Section 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. YES o NO x

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. x

State issuer's revenues for its most recent fiscal year. $3,169,993

The aggregate market value of the common voting stock held by non-affiliates of the Registrant, based upon the average bid and asked price as of September 30, 2006, was $381,000.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12 b-2 of the Exchange Act). Yes o NO x

As of September 30, 2006 the Registrant had 10,724,312 shares of common stock (no par value) outstanding.

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PART I

Item 1. DESCRIPTION OF BUSINESS

Overview

Centergistic develops, installs and services business performance and intelligence management software used in customer call/contact centers. We are a California corporation originally founded in 1972 as Account-A-Call Corporation. We initially developed proprietary software and hardware which facilitated the collection and processing of data from multiple telephone switches (PBX's) and allowed our customers to track and manage telephone calling patterns. From this technology and the expertise developed to support it, a strong core competency of data collection, integration and analysis evolved. In 1991, we introduced our flagship AgentView product which is currently installed in approximately 3,500 locations around the world. The software monitors customer communications, transactions and service performance. The call accounting business entailed large scale computer centers from which data was collected nightly from various client PBX's located throughout the country. By collecting, processing and analyzing the data collected, we were able to produce reports which analyzed, tracked the routing and priced every outbound telephone call made by our client companies. The business was operated essentially as a subscription, service bureau-based business.

In 1993, we opened our wholly owned subsidiary, Centergistic Solutions Latin America, in Mexico City. This subsidiary is a distribution company that sells, not only our products but other products, mainly to telecom equipment providers in Mexico, Latin and South America.

By 1999, we were operating and supporting two divergent businesses; call accounting, whose revenues had been slowly eroding for years, and contact center performance management systems, whose markets and applications were increasingly in demand. After choosing to focus all of our attention on the growing contact center market, we sold our call accounting business and used the proceeds to expand our flagship AgentView product and develop our new CenterStats product. To emphasize our new focus, we changed our name to Centergistic Solutions, Inc.

In 2001, we completed the development of our new CenterStats product, and began selling and installing it at client facilities in 2002. Our AgentView and CenterStats products help companies improve productivity by providing an integrated, unified view of critical information. This information is provided in the form of real time "smart" alerts and sophisticated reporting tools.

Further information about the company and our products and services can be found at our web site: www.centergistic.com.

The Market

Our products are targeted at the growing number and increasing complexity of customer contact centers, addressing management's need to integrate performance data generated by operations, reporting and CRM (Customer Relationship Management) systems.

Over 75% of all transactions between businesses and with the public interact with a call/contact center. These interactions take place by telephone, email, web, web chat, and fax. They are used for making reservations, ordering, fulfillment, customer support, order tracking, comparison-shopping and product search. The new "multi-media" enabled call/contact centers handle an average of 10 million transactions per day and are growing, both in number and in complexity, with the new mix of choices available to customers.

There are more than 78,000 contact centers in the U.S. and more than 100,000 worldwide. These numbers are projected to grow to 92,000 and 130,000, respectively by the end of 2004. A 2002 research study from Ovum predicts that contact center capacity worldwide will nearly double within five years, growing from 7.3 million seats in 2001 to over 13 million early in 2006. Seats in multi-channel contact centers will also increase as a percentage of

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total contact center seats, from 18% in 2001 to 51% in 2006, representing growth from 1.3 million multi-channel contact center seats to 6.8 million. Moreover, many of the existing contact centers will need system upgrades and enhancements.

The traditional contact centers are becoming multi-channel contact centers, which, in addition to handling traditional inbound and outbound phone calls, must respond to e-mail, faxes, internet-telephony, and, sometimes, surface mail. The Internet allows customers to communicate with a company twenty-four by seven, and receive an immediate notice of receipt with a detailed follow up, usually within 24 hours. The increase in volume of written communication (e-mail, fax, mail) allows management to even out workloads over peak calling periods. This allows for different staffing levels than those needed to maintain a “call only” center. The evolving multi-channel contact center can become more efficient and less costly to staff when properly upgraded to multi-channel capabilities.

The job of managing the customer relationship has, in turn, become more complex. More options for customers create more queues and require different skill sets to handle efficiently. More information about customer demographics and transaction profiles has compelled management to try to identify and tailor service levels to the type of customer. Performance information must be available in real time and must be combined and sorted in a way that empowers agents and their managers to take appropriate actions and make the right decisions.

The systems currently used in the contact centers are of many types, varying from homegrown legacy systems to single-vendor systems. Few of these systems are Internet-enabled and, therefore, will need to be upgraded to perform as efficient multi-channel contact centers.

Several industries have emerged and grown in response to these needs and changing environments. These industries represent software, technology and services. Three industry segments, in particular, contain products and services that fall within Centergistic’s target market. These segments are: Customer Relationship Management (CRM), Business Intelligence (BI) and, to a more limited extent, a third “information technology” category referred to as AIM (Application Integration and Middleware). While CRM and BI cover most of the target market, it is important to note the growth of the emerging AIM market, since sales of Centergistic products are attracting increased attention by IT and system integration professionals as well as contact center managers.

The markets for our products are large and growing. A 2002 Forrester Research report predicts the global CRM sector will grow to $101 billion by the year 2007. According to a 2003 article in Datamonitor, the global market for BI applications is currently $4.5 billion and will grow to $7.8 billion by 2005.

Gartner/Dataquest issued a research brief, “Application Integration, Middleware, and Portal Markets Set for Strong Growth,” in late June, 2002, predicting expansion of the global AIM and portal markets from $5.1 billion in 2001 to $10.5 billion by 2006. In 2002 alone, this market was forecasted to grow almost 17 percent to reach $6 billion. In a slow economy, expenditures on CRM software appear to be one area that is prospering, because it produces cost reductions quickly.

Our software, using sophisticated algorithms, allows call/contact centers to improve performance and thereby customer satisfaction by providing the best possible service, while maintaining the most economical use of resources and overhead. The value behind what we term “The Centergistic Solution” is the real time availability of performance metrics derived by selecting sub-sets of data from critical sources throughout the contact center. These sub-sets are then combined to form a new superset of “smart” performance metrics. Alert thresholds and user-defined filters are applied to create a unique information set, profiled to each viewer. The resulting benefit of this information is faster and more accurate anticipation of clients’ needs, more rapid response to service and/or revenue goals and across-the-board performance improvement through integrated real time and historical reports and analytics.

Our flagship product, AgentView, is a real time performance monitoring and reporting system that is currently installed in over 3,500 contact centers throughout the world, including Fortune 1000/FTSE 500 companies such as British Telecom, Barclay's Bank, ABN-AMRO, MicroSoft, and American Express.

Our CenterStats product is a new enterprise-wide performance reporting system which is currently installed in eleven contact centers in the U.S. CenterStats incorporates a digital executive dashboard component and enables "drill-down" analytics and historical reporting for true company-wide visibility and performance analysis. It is a

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ready-to-install information system that is compatible with all new and legacy systems, and can be installed without disruption to existing systems and hardware. Notable CenterStats accounts include Kaiser Permanente, 20th Century Fox and Petro-Canada.

Our Business Strategy and Marketing

Recognizing the significant potential for both AgentView and CenterStats, over the past two years, we streamlined our company to focus on the two management information software product lines. We cut costs wherever possible and spent any available operating cash on maintaining operations. We also reduced our marketing and our sales force to bare maintenance levels during this refocusing.

Our existing presence in U.K. and European markets positions us to leverage our market share in the high-growth E.U. contact center marketplace through implementation of our strategic marketing and sales plan. Implementing our aggressive sales and marketing programs will require additional direct and distribution sales personnel. Much of the framework is already in place to enable rapid hiring, training and deployment of a larger, more skilled sales force. We have experience in these markets finding geographic pockets of opportunities, and we understand the science of packaging our products for distribution. We have the market and industry knowledge and experience, lacking only the funding to quickly move our plans into action.

Our marketing plan allows for added marketing and product management personnel and programs to enable us to extend our reach, broaden the sphere of influence of existing programs and add new ones directed to a more sophisticated buyer with higher purchase authority and more influence throughout the enterprise. New advertising, public relations, brand building and global distribution capabilities will be expanded in a systematic and consistent manner to support our strategic plan.

Our Products and Services

AgentView

Our flagship product, AgentView, is currently installed in over 3,500 contact centers throughout the world. Its strength is its ability to collect from diverse ACD (automatic call distributors) types and other applications, systems and databases found in today's contact centers. The AgentView system utilizes sophisticated threshold filters, providing managers, supervisors and agents with evolving real time information on all aspects of the contact center. The system is used to measure and take actions to improve performance.

AgentView is unique in its ability to collect critical subsets of data from virtually any data source, create filters and real time alert thresholds, and publish the enriched information to virtually any output media for twenty-four by seven global access. Because of this "open" approach to information, AgentView stands apart from hardware manufacturers and "one stop" application vendors in that it is not centric to a particular system or application. This is attractive to contact centers with applications that span a variety of brands and manufacturers. These centers do not want to replace existing legacy systems. They want to collect and integrate information from those already existing systems within the center because they work and are costly to re-create.

Architecturally, AgentView is comprised of a core system, which includes a data collection engine, a desktop metric ribbon (AgentLink), an advanced threshold template and a performance indicator (PI) building capacity. Modules can be added to AgentView to enable information to be published to a web page, wireless hand held device, plasma or LED (light emitting diode) display. A recently released module, SnapView, provides snapshot reports that allow the comparison of actual performance against forecasts or benchmark goals. Additional data sources can be added to provide greater performance visibility over multi-media transactions. Additional contact center locations can also be added for centralized performance reporting. We also offer professional services to provide training and assistance with building smart metrics. These metrics consist of the combination of two or more data elements to form a more refined metric. An example of this could be combining information from a financial or sales database with an ACD metric to form a “$$ waiting to be answered” as opposed to the more static metric of “Number of calls waiting to be answered”.

AgentView features an open architecture, enabling it to work with many types of LED wallboard displays.

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Third party systems integrators and developers can use our proprietary HTML-like language, which we refer to as LTML, to interface their applications to LED displays using simple English sentences instead of complex codes. LTML is manufacturer-independent, which means that a single LTML statement will drive LED displays from a mix of different manufacturers, saving time and effort. In essence, LTML's universality could be compared to the way Microsoft Windows enables programs to be run on the hardware of various computer manufacturers. This breakthrough technology is in the preliminary patent stages.

AgentView includes the following significant features:

- Open architecture and collections technology to accommodate multiple locations and multiple data sources without adverse impact on the network.
- ODBC data collector (OmniCollector) to collect and combine data from disparate data sources.
- System reliability for virtually flawless performance.
- Cross-brand collection aggregation, alerting and reporting technology, not centric to any hardware or ACD manufacturer.
- Targeted and profiled real time alerts, which provides multiple levels of alarm conditions.
- Combine metrics across disparate sources for unified viewing.

The AgentView products are available in English, Spanish and Portuguese with provisions for additional translations as more international distribution is achieved. Our clients include:

- British Telecom
- NatWest Bank
- Cable & Wireless
- Barclays Bank
- ABN-AMRO Bank
- Esso/Imperial Oil
- American Express
- Citicorp
- Anheuser Busch
- MicroSoft

In 2003, we introduced a portion of our newly developed CenterStats technology into our AgentView product and packaged it as AgentView Enterprise Performance Management (EPM) (in the U.S.). The expanded performance capability resides fully on the CenterStats platform and allows access to incrementally more data sources and provides broader publishing capabilities. EPM provides a new sales opportunity for distributors to revisit existing clients and may lead to future sales of fully loaded versions of CenterStats.

We offer our AgentView products with a variety of annual support arrangements that are a source of recurring revenue for us. Typically, users pay 18% to 25% of the initial license fee for annual support charges.

CenterStats

Our newly released CenterStats architecture is a powerful enterprise information system that combines critical real time alarms with historical information for a 360-degree view of an organization. The system allows the user to define key subsets of information from any data source to review on a regular basis.

Data sources could include:

- Financial
- Inventory
- Sales
- CRM
- Internet, e-commerce systems
- Supply chain, MIS
- Human Resources
- Any other open data source

· Business Intelligence

Categories listed above would include such manufacturers as Nortel, Avaya, SAP, Siebel, Cisco, Remedy, SalesLogix, PeopleSoft, Genesys and others. Each of these applications produces hundreds of reports and voluminous databases, often cumbersome and slow to respond. Senior managers, however, want to quickly access only certain key sets of information from each. The CenterStats architecture maps this selected information to the

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CenterStats database where it is combined with other key subsets from other sources, forming a new superset of rich information. Critical metrics can be displayed instantly on virtually any pre-determined schedule. This information then can be sent to the user's desktop in the form of a "dashboard" of real time and historical information. It also is retrievable from any wireless device or browser. CenterStats is best deployed as a management information tool, ideal in companies where important information must be readily accessible and quickly interpreted.

CenterStats provides these features without disruption to existing systems and hardware. This allows a company to retain legacy systems and applications without undergoing expensive infrastructure re-design. The ability to access mission critical, strategic information anywhere, anytime is extremely important to the successful management and growth of today's companies.

Core to CenterStats architecture is the ability to collect data from multiple and diverse systems across the enterprise. Our CenterStats architecture patent-pending technology enables companies to extract critical subsets of information from virtually any application, database and/or system throughout the enterprise. CenterStats is non-intrusive in that it sits apart from the data sources so that it does not in any way alter or impair the backend system. All this is accomplished without having to dismantle the system or impeding its operation. This allows companies to retain valuable legacy systems and applications, while getting state-of-the-art transmission of vital performance metrics across the enterprise. A separate database, created from the collection subsets, allows the user to combine information from these disparate sources and create real time alerts that are profiled to meet performance metric goals. Additionally, this same collected data is archived to create meaningful historical reports that are enriched by combining critical information together.

The information gathered together is presented to the user by way of a powerful visualization engine that enables viewing of information together over virtually any media. CenterStats provides a measurable improvement in performance, and, we believe, demonstrates a valuable return on investment.

The CenterStats engine has virtually no limit to the type or volume of data it collects. CenterStats can compare and model the assembled information into meaningful real time metrics and reports, with the users selecting only the information they want. This enables employees at all levels to simultaneously understand and interpret performance measurement as it pertains to their particular business issues and goals. We are not aware of any competitive system or application that offers such refined collection, real time profiling and alerting capabilities.

The unique flexibility of the CenterStats architecture has enabled us to create an application developer "tool kit" based on our OmniCollector- engine and DataStor--storage and real time filtering/alerts technology. This tool kit could be used as a stand-alone utility by information technologists, developers, or systems integrators to collect, filter and publish virtually any data from any system and in any industry. The flexibility and portability of this technology has already sparked the interest of some developers and systems integrators who are seeking ways to connect data from various systems in vertical industries such as manufacturing. It is worth noting that, as other markets of opportunity open, we believe our technology is positioned to exploit them.

Our CenterStats architecture includes the following significant features:

- ***Data collection architecture*:** The CenterStats engine has virtually no limit to the type or volume of data it collects. The strength of CenterStats is not only in what it collects but how it collects. Because it is not centric to a certain industry or market, there are no design limits on the type of data collected. It can therefore fit into virtually any industry.
- ***Real time data collector/alarms***: The CenterStats real time data collector is not only powerful, but unique in that it collects data in intervals as frequent as needed (or is available). Alarms data is taken directly from the source and is

not impaired by having to move through duplicated databases. Real time information is constantly updated with each refresh cycle. Furthermore, users can set different types of data to refresh every second, others every hour, day, etc., since mission critical data may be needed more frequently than other types of information. Different individuals can receive different alarms.

- ***Refined information databases***: The database created on the CenterStats server is comprised of only information that is identified as being critical to the user. Unlike other systems, which replicate entire databases, CenterStats only brings together information that is already identified as being useful. This results in an “intelligent” database that allows faster throughput and more refined data mining. The

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database created by CenterStats is literally a new information set, whose access can be user defined and automated. The result is the right information, delivered to the right individual at the right time.

- ***Expertise in telecommunications and ACDs***: The CenterStats collectors are able to connect and extract data from the most popular ACD/Contact Center systems.

In addition to its broad functionality, CenterStats' ability to access information from diverse systems, legacy or new, will be increasingly important. We have already invested the resources to make it easier to deploy collector interface by developing vendor independent connector modules. These modules allow for quick implementation of data acquisition and loading interfaces for increased reliability, flexibility scheduling and management options.

We believe that this unique transparent sourcing capability will be increasingly valuable as corporate consolidations or acquisitions bring together more non-homogenous systems. We believe that CenterStats is the fastest, easiest and most cost effective solution to bring such diverse systems together as a unified management resource.

CenterStats is currently installed and being used by the following clients:

- Kaiser Permanente
- County of Fairfax, Virginia
- Wellness Plan
- 20th Century Fox
- CEI
- Petro Canada

Professional Services

We offer consulting services to complement our product offerings. Our Professional Services Group provides contact center systems design, integration, and implementation as well as ongoing training.

As we continue our strategy of adding locations and data sources to existing clients and transitioning them to the new CenterStats architecture, the opportunity for added consulting services is expected to rise. The process of identifying key performance metrics and creating new reports is ideally suited to our consultants who have the knowledge of the products and understand the needs and issues of the contact center.

Our Professional Services Group generates incremental revenue, develops customer loyalty, and is an important source of market intelligence for Centergistic.

Marketing and sales

Marketing

We have sold our data management system products primarily through distributors of related automatic call distribution (ACD) systems and hardware. Since the sale of our Account-A-Call unit in September 1999, we have operated with a streamlined sales force of two people in the United States and five in Mexico. One of our two U.S. salespersons focuses on direct sales to end-users and the other is focused on relationships with distributors in the U.S. and abroad.

The five Mexico-based salespersons focus on both distributors and end-users throughout Mexico and South America, and also offer a small line of administrative software products that is not cost-effective for us to sell in the U.S. In March 2002, we added two people to our California-based sales staff in order to begin development of our direct sales force that will be necessary to support our strategic marketing plan. At present, the corporate marketing function and associated services are performed by a senior marketing manager.

We promote our products at general telecommunications, computer telephony, contact center, and Customer Relationship Management (CRM) shows throughout the U.S. and abroad. We have a print advertising campaign and a monthly direct mail “Fresh Start” program that reaches over 1,000 top prospects with each mailing. We also

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have an active web site, which describes our products and permits our distributors to order additional copies of the product or to expand an existing license by simply entering purchase requests. Distributors are automatically issued a key code to permit upgrades of licenses without the intervention of any personnel.

We espouse a customer-driven marketing philosophy. AgentView clients have been instrumental in effecting many of the enhancements to this product line over the years. We regularly visit our clients, and conduct focus group sessions to keep abreast of their changing environments and needs. As an example, the AgentView Web publishing capability was developed to meet real world needs of customers for twenty-four by seven internet access to metrics and reports. We believe this gives us a competitive advantage over other vendors sharing this market space.

Our customers regularly receive communications in the form of targeted direct mail programs, special electronic sales memos, monthly technical webinars and a monthly electronic newsletter, The RealTime Reporter™.

Marketing Plan

To date, no advertising of any kind has been undertaken for our new CenterStats product. Our limited marketing department of one full time professional and a part time intern requires added resources to execute our strategic marketing plan. Our sales staff currently operates without a sales manager. The two person staff is fully involved in selling the AgentView product line and also attempting to transition some existing AgentView clients over to the more robust CenterStats platform. Clearly, substantial resources are required to build a sales force and rollout the CenterStats product.

The initial part of our strategic plan calls for assembling a direct sales team to focus on the U.S. market. The second part of the plan is to enhance our already highly successful distribution capability by replicating current relationships such as those we have with British Telcom, BellSouth and Rockwell with other major contact center providers such as Verizon, Siemens and SBC.

To execute the sales/distribution plan, we intend to initiate a professional search for a Senior Sales V.P. with prior experience in building a sales force and selling to high level corporate executives in Centergistic's Fortune 1000/FTSE 500 market space. This Vice President will be tasked with building selected geographic regions in the U.S. and staffing them. Each region will be comprised of a sales team including a senior salesperson/supervisor, two other sales people and one pre-sales engineer.

In the distribution segment of this plan, the newly hired Vice President of Sales will add resources with a distribution manager and a distribution account representative to be placed in each regional sales office, with an additional distribution account representative to be located in the U.K. A distribution pre sales engineer will also be hired to work directly with the distribution manager to focus on key major accounts. The plan also calls for the addition of two distribution sales representatives in the Latin America Division to serve the growing markets in Brazil and Argentina.

Heretofore, all marketing activities have revolved around the selling of the AgentView system into the contact center industry. The new marketing plan addresses the need to increase our sphere of influence in terms of reaching a new, more sophisticated buyer, building brand awareness, creating a strong value proposition and executing programs that will support a strong product launch of CenterStats. Additionally the plan allows for the packaging of the CenterStats architecture for distribution in the U.S., in Latin America, through Centergistic Latina America, in Europe through Dacon and British Telecom, and in other emerging markets such as India.

The plan will involve the expansion of some existing programs such as print advertising, trade show participation and web-based promotion, along with the addition of new programs and promotions. Additional programs will be added in the areas of marketing research and public relations activities. These programs must be international in scope to ensure uniformity of the brand and value proposition, along with closed loop coordination of efforts.

Successful execution of this plan calls for the addition of two product specialists who will focus exclusively on the CenterStats product line. These individuals will be responsible for product positioning and promotional programs. They will work closely with the VP of Sales to ensure all efforts are coordinated and maximized for hand

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off to sales and distribution channels. They will also be responsible for gathering customer research and working with development to make sure downstream enhancements and added interfaces are profitable to produce and supported by client demand.

Sales

In the last three years, 75%-90% of AgentView sales have been made through a network of distributors who are major providers of telecommunications hardware, software, and support services. In approximately 80% of the installations, the AgentView system is delivered with the contact center hardware and software.

We have developed a strong platform for international sales of our products, especially in Europe and Latin America. In Europe, we use our U.S.-based sales force to develop close ties with our distributors who have established a significant market presence for AgentView.

Our largest re-seller, Dacon, who sells to British Telecom (BT), located in the United Kingdom, accounts for over 2,000 existing AgentView installations. The AgentView system is represented as a line item on the BT ordering sheet. When a real time system is needed AgentView is the default choice, in the form of a "checked box" on the order form. The solid relationship between Centergistic and BT is further evidenced in the commitment to add CenterStats as a new "line item" to their order sheet as BT's recommended enterprise reporting dashboard tool. Centergistic, in conjunction with our European distributor, has recently qualified CenterStats at the BT labs in Burmingham, U.K.

The following table lists our largest distributors and the revenue generated from each over the past two fiscal years:

Distributor	FY2006	FY2005
Dacon (British Telecom)	$ 399,466	$ 671,916
America Latina Tecnologia	358,524	0
Alcatel	82,367	82,940
Avaya de Mexico	255,222	261,571
First Point Contact/Rockwell	60,939	196,253
Siemens de Mexico	91,714	159,371

In addition to our existing distributors, we plan to generate additional revenue through direct sales efforts. These efforts will include selling additional locations and subsidiaries as well as additional data sources of existing customers. We believe that successful implementation of this strategy will not only increase revenues but will also gain greater visibility of our products and provide a sort of "critical mass" that will facilitate transitioning to our new CenterStats enterprise-wide system.

Over the past year, we have been steadily attracting the attention of a higher profile client, as evidenced by our recent contracts with Anheuser Busch and American Express. Both of these clients have a high degree of potential for sales of additional locations and data sources. We have installed our software into several locations of these two customers which, we believe, potentially may become the corporate management performance reporting standard. We believe that if this occurs, it would generate significant revenue opportunities from all the company locations and related companies.

We plan to sell our new CenterStats product through three channels: approximately 40% through our direct sales staff to end-users; approximately 40% through large systems integrators (e.g. EDS, Perot Systems, Unisys, IBM Global Services, Accenture) and about 20% through equipment distributors. As of the date of this filing, we have not entered into any agreement or had any discussions with any of the above-named or other large systems integrator.

The European contact center market is projected to grow to $10 billion by 2005, and we believe we are well positioned to share in such growth. In Latin America, we have relied on our wholly owned subsidiary in Mexico City to build distributor and end-user relationships. Latin American contact centers have been expanding with the growth in regional telecommunications capacity, and we believe that our Mexico-based sales staff is making good progress outside Mexico, in large markets like Brazil and Argentina.

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Competition

AgentView

AgentView, our primary software product for the past four years, currently is installed in over 3,500 contact centers worldwide. Competitors can be divided into the following categories:

ACD Low-End Embedded Software: The largest number of these software products can be found embedded as a component of the "reporting" module of the major ACD manufacturers. The ability to send statistics from the ACD to a display, such as an LED wallboard, is now considered a mandatory capability of today's sophisticated ACDs. These products, by design, lack sophistication and were created to provide rudimentary statistical output from the ACD primarily for display to a supervisor screen or a 1-2 line LED wallboard. The ACD manufacturers have strategically opted to offer more robust real time monitoring through partner relationships with third party vendors, such as Centergistic. All of these installations present excellent upgrade opportunities for our AgentView product.

Small Low-End Software Providers: In addition to the bundled ACD statistical packages, there currently exist over 40 small companies, ranging in annual revenues from $1 million to over $5 million, providing low-end real time contact center statistical output. These niche players often distribute their products through VARs (value added resellers) and distributors, or align their product with a particular CRM manufacturer, service provider or within a vertical market. The average unit sale for these products falls between $1,000-$3,000. While there are no published revenue numbers for this highly fragmented sub-set of the industry, the overall size of this level of the market has been estimated at $100-$150 million.

Higher Level Software Providers: There are approximately seven vendors who provide software with marked value added features and functionality. Some of these vendors are themselves visual display manufacturers (high definition screens, multiple line wallboards, gas plasma) who have developed statistical software as a component to drive display sales. This software requires a degree of sophistication to support some of the graphics capabilities, but lacks the advanced thresholding and filtering capability, not to mention the multi-source collection technology, of AgentView. Contact centers with embedded ACD software or visual display driven software continue to turn to Centergistic because they recognize the following limitations:

1. Not as flexible in collecting across multiple ACD brands;
2. Lack of sophisticated threshold alerting and key performance indicator (KPI) building;
3. Unable to collect and combine metrics from other media such as e-mail, IVR, Workforce Management systems, CRM systems, Web service, etc;
4. Weak capability to create "smart" metrics as combined performance indicators; and
5. Lack of publishing options such as ability for metrics to be browser-viewed and accessible via wireless devices.

A few of these vendors have more robust capabilities providing more sophisticated threshold and KPI creation. They publish information to a variety of devices and claim to be able to collect and combine data from various systems. At this level, our two primary competitors are Symon Corporation and Inova Corporation. Both of these companies offer products with closed systems restrictions which we believe may be seen as limiting by companies in dynamic environments where changes in software are routine.

CenterStats

We are not aware of any system that provides the breadth of data acquisition and loading functionality and flexibility on a real time basis as CenterStats. Given the limited functionality and high cost of the competitive data

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systems, none are viewed by us as direct competition from a user benefit standpoint.

In addition to having limited or constrained functionality or feature sets, some of the competing products are proprietary and, therefore, are unable to accept data from outside systems. For example, Avaya's CenterVU Analyst is only effective in a complete Avaya system. BI (Business Intelligence) competitors, MicroStrategy and Cognos, have powerful data mining, cube analysis and ad hoc query capability, but they lack the ability to capture perishable data, along with the filtering and alarms technology necessary to support real time reporting applications. Furthermore, these companies are recognizing the growing importance and purchasing clout of today's mission critical contact centers. In addition to our strong real time architecture, Centergistic has something else that many of the BI giants lack--- a multi-faceted understanding of the technology and telecommunications-based infrastructure that is unique to the contact center.

Neither MicroStrategy nor Cognos products are as cost effective as CenterStats. The unique architecture of CenterStats is built around a combination of standard components and core technologies. Open standards allow CenterStats to integrate easily with input-end data sources and output-end interfaces.

Intellectual Property

We rely primarily on a combination of copyright, trademark, trade secret and confidential information laws and employee and third-party non-disclosure agreements and other methods to establish and protect our proprietary rights. There can be no assurance that these protections will be adequate to protect against technologies that are substantially equivalent or superior to our technologies. We currently have one patent application pending for "Method and System for Managing Real Time Data". This application is related to the Provisional U.S. Patent Application entitled, "Information Management Systems" No. 60/353,646 filing date January 31, 2002. There can be no assurance that our patent application will result in any patent being issued. If issued, any patent claims allowed may not be sufficiently broad to protect our technology. In addition, any patent may be challenged, invalidated or circumvented and any right granted thereunder may not provide meaningful protection to us.

The following table sets forth a list of our trademarks, both registered and unregistered, that are currently being used in the conduct of our business.

Registered Trademarks	Unregistered Trademarks
Centergistic Solutions	AgentView Enterprise
CenterStats	AgentView Enterprise EPM
AgentView	AgentView Web
AgentLink	AgentView WAP
	PowerUser
	Advanced Threshold Handling
	Performance Indicator Builder
	CenterStats OmniCollector

We have not conducted an exhaustive search of possible prior users of the unregistered trademarks listed above and, therefore, it is possible that our use of some of these trademarks may conflict with others.

We enter into non-disclosure and invention assignment agreements with certain of our employees and enter into non-disclosure agreements with certain of our consultants and subcontractors. However, there can be no assurance that such measures will protect our proprietary technology, or that our competitors will not develop software with features based upon, or otherwise similar to our software or that we will be able to prevent competitors from developing similar software.

Risk Factors

Any investment in our common stock involves a high degree of risk. Investors should consider carefully the risks and uncertainties described below, and all other information in this Form 10-KSB and in any reports we file with the S.E.C. after we file this Form 10-KSB, before deciding whether to purchase or hold our common stock.

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Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also become important factors that may harm our business. The occurance of any of the following risks could harm our business.

The trading price of our common stock could decline due to any of these risks and uncertainties, and investors may lose part or all of their investments.

We have experienced losses in the past, anticipate losses for the foreseeable future and may never achieve profitability.

We incurred a net loss of $314,189 for our fiscal year ended June 30, 2006, and as of such date our accumulated deficit was $3,068,354. We expect that our operating expenses will increase significantly as we continue to expand our business. As a result, we will need to generate significantly more revenues from sales of our new CenterStats product to achieve profitability. We have a limited operating history with our new CenterStats product and we are not able to estimate when, if ever, our revenues will increase sufficiently to cover these expenses. We cannot assure you that our revenue will grow in the future. If revenues grow slower than we anticipate, or if operating expenses exceed our expectations or cannot be reduced accordingly, or if we cannot obtain additional capital, our business, operating results and financial condition will be materially and adversely affected, which could cause you to lose all or part of your investment in our common stock.

We have not generated any significant revenues from the sale of our new CenterStats product and if we are unable to increase sales, our business, operating results and financial condition will be materially adversely affected.

We began marketing our CenterStats product in March 2002. Our marketing efforts to date have been very limited because we lack sufficient capital to implement our sales and marketing strategy. Revenues for our fiscal year ended June 30, 2006 were $3,169,993.

Our future revenues will depend significantly on our ability to penetrate the call/contact center or business intelligence software market space. We have developed a sales and marketing strategy to achieve revenue growth, but we need additional capital to implement it. If we are not successful in selling our products in our targeted market due to insufficient additional capital or other factors including competitive pressures or technological advances by others, our business, operating results and financial condition will be materially and adversely affected.

We will need additional capital to implement our current business strategy, which may not be available to us, and if we raise additional capital, it may dilute your ownership in us.

We believe that the proceeds of our possible capital raise or possible sale of the public shell, together with cash generated from operations, will be sufficient to meet our anticipated needs for business expansion, capital expenditures, working capital and general corporate purposes for the foreseeable future, but no less than a period of 12 months after the date of this report. Thereafter, we may need to raise additional funds.

If additional funds are raised through the issuance of equity or convertible debt securities, the percentage ownership of our shareholders will be reduced, shareholders may experience additional dilution and such securities may have rights, preferences and privileges senior to those of the Common Stock and may have covenants which impose restrictions on our operations. There can be no assurance that any necessary additional financing will be available on terms favorable to us or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to fund our marketing needs or expansion, to take advantage of unanticipated acquisition opportunities, to develop or enhance services or products or to respond to competitive pressures. This inability could have a material adverse effect on our value, prospects, business, results of operations and financial condition.

Our quarterly operating results, revenues and expenses may fluctuate significantly which could have an adverse effect on the market price of our common stock.

Our operating results, revenues and expenses may fluctuate significantly from quarter to quarter due to a variety of factors including:

- market acceptance of our CenterStats product,

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- the timing, size and execution of orders and shipments,
- lengthy and unpredictable sales cycles,
- the timing of introduction and market acceptance of new products or product enhancements by us or our competitors,
- product and price competition,
- the relative proportions of revenues derived from license fees and services,
- changes in our operating expenses,
- our success in increasing our direct sales force,
- our success in maintaining relationships with our third-party distributors and adding new ones, and
- fluctuations in general economic conditions.

We believe that period-to period comparisons of our results of operations are not a good indication of future performance. There can be no assurance that future revenues and results of operations will not vary substantially. It is also possible that in future quarters, our operating results will be below the expectations of public market analysts and investors. In that event, the trading price of our common stock may fall.

The loss of Dacon PLC as a customer would materially adversely affect our business, operating results and financial condition.

We sell a substantial portion of our products to Dacon PLC, which is based in the United Kingdom and has been a distributor of our products for the past 13 years. For the fiscal years ended June 30, 2006 and 2005, Dacon accounted for 13% and 20%, respectively, of total net revenues, and for 8% and 2% of total trade receivables at June 30, 2006 and 2005, respectively. The loss of Dacon PLC as a customer would have a material adverse effect on our business, operating results and financial condition.

We face risks associated with operations in Mexico, Latin America and South America which could adversely affect our business, operating results and financial condition.

We derive a substantial portion of our revenues from sales to customers in Mexico, Latin America and South America. For the fiscal years ended June 30, 2006 and 2005, these customers represented approximately 49% and 41%, respectively, of our total net revenues.

We face certain risks inherent in conducting business internationally, and such specific risks in Mexico, Latin America and South America as languages and cultural differences, legal and governmental regulatory requirements and potential political and economic unrest. Any of these factors could seriously harm our ability to generate future revenues from these customers, and, consequently, our business, operating results and financial condition.

We operate in a competitive business environment and if we cannot compete effectively, we may face price reductions and decreased demand for our products.

The market for our products and services is intensely competitive and subject to technological change. Competitors vary in size and in the scope and breadth of the products and services they offer. We encounter competition from a number of sources, all of which offer performance management reporting systems to the call/contact center market. We expect additional competition from other established and emerging companies as the market for performance management reporting solutions and complementary products continues to develop and expand. We encounter competition in the United States for our AgentView product from a number of sources, including Symon and Innova, all of which offer performance management reporting systems to the call/contact center market. Some of our current and many of our potential competitors have longer operating histories, greater name recognition, larger client bases and significantly greater financial, engineering, technical, marketing and other

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resources than we do. As a result, these companies may be able to respond more quickly to new or emerging technologies and changes in customer demands or to devote greater resources to the development, promotion and sale of their products than we can.

In addition, current potential competitors have established or may establish cooperative relationships among themselves or with third parties to increase the ability of their products to address the needs of our prospective customers. Accordingly, it is possible that new competitors or alliances among competitors may emerge and acquire significant market share. We expect that the call/contact center market will continue to attract new competitors and new technologies, possibly involving alternative technologies that are more sophisticated and cost-effective than our technology. New product introductions by our competitors could cause a decline in sales, a reduction in the sales price, or a loss of market acceptance of our existing products. There can be no assurance that we will be able to compete successfully against current or future competitors or that competitive pressures faced by us will not materially adversely affect our business, financial condition and results of operations.

We rely in part, on third-party distributors to market and distribute our products, and their failure to do so successfully could significantly harm our ability to maintain and expand our customer base, which would adversely affect our operating results and financial condition.

Our sales and marketing strategy includes channels of third party distributors. We have developed a number of these relationships and intend to develop new ones. Our inability to attract new distributors or their inability to penetrate their respective market segments or the loss of any of our third-party distributors as a result of competitive products offered by other companies, or products similar to ours that are developed internally by them or otherwise, could harm our ability to maintain and expand our customer base. Our ability to achieve revenue growth in the future will depend in part on our success in developing and maintaining successful relationships with these third-party distributors. If we are unable to develop or maintain our relationships with these third-party distributors, our operating results and financial condition will suffer.

We must increase our direct sales force to sell our products, and if we are unable to hire and train new sales personnel, our future growth will be impaired.

Our direct sales force currently consists of three persons. Our sales and marketing strategy includes increasing the level of direct sales. Our ability to achieve revenue growth in the future will depend on our ability to recruit, train, and retain qualified direct sales personnel. If we are not able to obtain additional capital, we will not be able to increase the size of our direct sales force. Even if we are successful in obtaining additional capital, there is no assurance that we will be successful in recruiting and retaining qualified sales personnel. Our inability to increase the size and productivity of our direct sales force could impair our growth and adversely affect our operating results and financial condition.

If we fail to keep pace with rapid technological changes in our industry, we could lose existing customers and be unable to attract new business.

Our market is characterized by rapidly changing technologies, frequent new product and service introductions and evolving industry standards. The introduction of products embodying new technologies and the emergence of new industry standards can render our existing products obsolete and unmarketable in short periods of time. We expect new products and services, and enhancements to existing products and services to continue to be developed and introduced by others, which will compete with, and reduce the demand for, our products and services. Our future success will depend, in part, on our ability to enhance the performance features and reliability of our current products and introduce new products that keep pace with technological developments and emerging industry standards and to address the increasingly sophisticated needs of our customers. We may have to raise additional capital to successfully improve the features and reliability of our products and services. We may not be able to obtain the capital or obtain it on terms acceptable to us. There can be no assurance that we will be successful in developing, marketing and selling new products or product enhancements that meet these changing demands, that we will not experience difficulties that could delay or prevent the successful development, introduction and marketing of these products or that our new products and product enhancements will adequately meet the demands of the marketplace and achieve market acceptance.

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We may lose sales, or sales may be delayed, due to the long sales cycle for our products, which would reduce our revenues.

Our customers generally involve many people in the decision to purchase our products and consulting and other services. As a result, we may wait many months before a sale can actually be completed. During this long sales cycle, events may occur that affect the size or timing of the order or even cause it to be canceled. For example, our competitors may introduce new products, or the customer's own budget and purchasing priorities may change. If these events were to occur, sales of our products may be cancelled or delayed, which would reduce our revenues.

If we do not retain our senior management and other key employees, we may not be able to successfully implement our business strategy.

Our future success depends to a significant extent on the continued services of our senior management, particularly, Ricardo Brutocao, Chief Executive Officer, and David Cunningham, Chief Operating and Financial Officer, and other key personnel, particularly, Rama Iyer, Vice President, Technology and Product Management. The loss of the services of any of these persons could have a material adverse effect on our business, results of operations and financial condition. We have no employment agreement with Mr. Iyer. We do not maintain "key person" life insurance for any of our personnel at this time but may decide to in the future. Competition for qualified personnel in our industry is intense and we compete for these personnel with other companies that have greater financial and other resources than we do. Our future success will depend in large part upon on our ability to attract, retain and motivate highly qualified personnel, and there can be no assurance that we will be able to do so. If we have any difficulty in hiring needed qualified personnel, our business, financial condition and results of operations could be materially adversely affected.

Our success depends on growth in the telecommunications industry.

While the Company as a whole is not dependent upon the telecommunications industry, our AgentView legacy products are substantially positioned in the sector. Our business would be adversely affected to the extent that the telecommunications industry continues to contract through consolidation and advances in technology, or does not achieve sustainable growth, particularly usage by companies who use multiple software applications. A number of factors may inhibit the telecommunications industry's growth, including:

- financial difficulties and bankruptcies of major providers such as Global Crossing and Worldcom;
- competitive concerns centered around large-scale price cutting;
- reluctance of industry companies to place purchase orders for capital expenditures; and
- lack of increasing customer demand for premium and high-speed services.

If these conditions continue to occur in the future, the telecommunications industry, as well as the purchase of our products by it, could grow more slowly or decline.

Our limited ability to protect our proprietary technology and other rights may adversely affect our ability to compete.

We rely on a combination of trademarks, copyrights, trade secret laws and contractual provisions to protect our intellectual rights. We also have a patent pending for an information management system. We cannot assure you that our patent application will result in any patent being issued to us or, if issued, that any patent claims will be of sufficient scope or strength to provide any meaningful protection or any competitive advantage to us. There can be no assurance that these protections will be adequate to prevent our competitors from misappropriating our technology, or that our competitors will not independently develop technologies that are substantially equivalent or superior to our technology. To protect our trade secrets and other proprietary information, we require employees, consultants and others to enter into confidentiality agreements. We cannot assure you that these agreements will provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information.

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If we are found to infringe the proprietary rights of others, we could be required to redesign our products, pay royalties or enter into license agreements with third parties.

Although we have never been the subject of a material intellectual property dispute, there can be no assurance that a third party will not assert that our technology violates its intellectual property rights in the future. As the number of software products in our target market increases and the functionality of these products further overlap, we believe that software developers may become increasingly subject to infringement claims. Any claims, whether with or without merit, could:

- be expensive and time consuming to defend,
- cause us to cease making, licensing or using products that incorporate the challenged intellectual property,
- require us to redesign our products, if feasible,
- divert management's attention and resources, and
- require us to enter into royalty or licensing agreements in order to obtain the right to use necessary technologies.

There can be no assurance that third parties will not assert infringement claims against us in the future with respect to our current or future products or that any such assertion will not require us to enter into royalty arrangements (if available) or litigation that could be costly to us.

A large percentage of our stock is owned by relatively few people, including officers and directors, and their interest may be different from and conflict with yours.

As of June 30, 2006, our officers and directors beneficially owned a total of 6,890,686 shares (including shares issuable upon exercise of options, warrants or convertible securities beneficially owned by them that are exercisable or convertible within 60 days after June 30, 2006), or approximately 58% of our outstanding common stock. If you purchase our common stock, you may be subject to certain risks due to the concentrated ownership of our common stock. For example, these stockholders, if acting together, would be able to influence or control matters requiring approval by our stockholders, including the election of directors and the approval of mergers, acquisitions or other extraordinary transactions. They may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. The concentration of ownership may have the effect of delaying, preventing or deterring a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock.

Future sales of shares of our common stock which are eligible for sale by our stockholders may decrease the price of our common stock.

We had 10,724,312 shares of common stock outstanding on June 30, 2006. An additional 2,547,310 shares underlying options and warrants outstanding on June 30, 2006 will be restricted securities if and when they are issued. Restricted securities may be sold only if they are registered under the Securities Act or if an exemption from the registration requirements of the Securities Act is available. Generally, stockholders may sell restricted securities without registration after holding them for one year and subject to certain volume limitations. Actual sales, or the prospect of sales by our present stockholders or by future holders of restricted securities under Rule 144, or otherwise, may, in the future, have a depressive effect on the market price of our common stock. A decline in the price of shares of our common stock might impede our ability to raise capital through the issuance of additional shares of our common stock or other equity securities.

There is a limited market for our common stock and we cannot assure you that a market will be sustained.

Our common stock has recently begun trading in the over-the-counter market on the OTC Electronic Bulletin Board. If an active trading market is not developed and sustained, it may be difficult for you to sell your shares of common stock at an attractive price or at all. We cannot predict the prices at which our common stock will trade. It

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is possible that in future quarters our operating results may be below the expectations of public market analysts and investors and, as a result of these and other factors, the price of our common stock may decline.

No dividends anticipated to be paid.

We have never paid any cash dividends on our common stock and we do not anticipate paying cash dividends on our common stock in the future. The future payment of dividends is directly dependent upon our future earnings, capital requirements, financial requirements and other factors to be determined by our Board of Directors. It is anticipated that future earnings, if any, which may be generated from our operations will be used to finance our growth, and that cash dividends will not be paid to our stockholders.

We are in default on a note payable.

We are in default under a note payable to a former employee in connection with a stock repurchase agreement that requires monthly payments of $2,750. The current balance of the note is $18,022 and our last payment on the note was made in August 2004. The note is secured by substantially all of the Company’s assets.

Special Note Regarding Forward-Looking Statements

This Report contains certain forward-looking statements that involve risks and uncertainties. We use words such as “anticipate,” “believe”, “expect”, “future”, “intend”, “plan”, and similar expressions to identify forward-looking statements. Th statements are only predictions. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this Report. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including the risks faced by us and described on the preceding pages and elsewhere in this Report.

We believe it is important to communicate our expectations to our investors. However, there may be events in the future that we are not able to predict accurately or over which we have no control. The risk factors listed above, as well as any cautionary language in this Report, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we described in our forward-looking statements. Before you invest in our securities, you should be aware that the occurrence of the events described in these risk factors and elsewhere in this Report could have a material adverse effect on our business, operating results, financial condition and stock price.

Item 2. DESCRIPTION OF PROPERTY

Our corporate administrative office is located at 2045 W. Orangewood Avenue, Orange, California 92868, where we lease approximately 3,097 square feet of space. The current monthly rent is $5,367 with annual increases. Our lease for this space ends on May 6, 2007. We believe this space is sufficient to meet our requirements for the foreseeable future.

Our Mexican subsidiary leases office space located at Hamburgo 135-Suite 102, Col.Juarez, D.F. 06600 Mexico. The lease for this space is on a month-to-month basis. We believe that we will be able to obtain a suitable replacement for this lease on commercially reasonable terms if our lease is terminated.

Item 3. LEGAL PROCEEDINGS

We are not aware of any material litigation or proceeding currently pending or threatened against us.

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Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Part II

Item 5. MARKET FOR COMMON EQUITY/ RELATED STOCKHOLDER MATTERS AND SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES

During the fiscal year ended June 30, 2006, there was limited public trading market for our common stock. Since March 18, 2006, our common stock has been moved to the OTC Bulletin Board pink sheets and trades under the symbol CGSO.PK.

As of August 31, 2006, there were approximately 60 holders of our common stock.

We have never declared or paid any cash dividends on our common stock. We do not intend to declare or payout dividends in the foreseeable future, as it is our current policy to retain all earnings, if any, to support future growth and expansion.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following information contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward- looking statements as a result of certain factors, including those set forth under "Risk Factors" and elsewhere in this report. This discussion should be read in conjunction with our consolidated financial statements and footnotes included elsewhere in this report.

Overview

We are a provider of business performance and intelligence management software that enables companies to translate data into critical and meaningful metrics allowing for improved financial and operational performance. Our software provides managers with customizable reporting and analysis tools. These tools allow for real-time monitoring of and reporting against crucial benchmarks in an organization. This enables constant monitoring of a company's progress against financial and operational goals, and helps achieve optimal operational performance.

Business performance and intelligence management software uses historical and real-time data and metrics to provide managers with visibility on the business operations in real-time. We provide call/contact center managers with powerful reporting and analytic tools allowing the constant monitoring of the operational effectiveness and efficiency. While our current market focus is on the call/contact center space, we offer software to all operational areas of the enterprise to gauge performance and profitable improvement. We also offer consulting, training, technical support and programming services for our customers and partners.

In 2002, we completed development on our new product, CenterStats. During fiscal year ("FY") 2002 and 2003, we devoted what little internally generated capital was available to actively promote, market, and sell CenterStats. However, due to limited resources, we have never conducted a formal product launch and kickoff for CenterStats. In addition, during 2002 and 2003, there was a global economic slowdown, and particularly, a decrease in corporate spending on infrastructure and technology. These factors have had an adverse impact on our ability to market and sell CenterStats, as well as the results of our operations.

During the year ended June 30, 2004, we completed a private funding round of convertible promissory notes.

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The gross proceeds generated from this raise were $490,000. The proceeds were primarily used to implement our sales and marketing plan for bringing CenterStats to the market and to pay the fees and costs associated with the completion of a registration statement on Form SB-2 filed with the S.E.C. relating to a selling stockholder offering or sale of the public shell. If a capital raise or sale of the public shell is successful, as to which there is no assurance, those proceeds will be used to more fully implement our sales and marketing plan. However, we have created several different cost cutting measures and will reduce operating expenses as necessary should the offering not be successful and operating conditions necessitate such actions.

In November 2004, we entered into a line of credit agreement with Venture Communications Corporation, a shareholder and related party. The terms of the agreement, which were amended in March 2005, call for a maximum advance of $400,000 secured by a lien on all the assets of the Company. On October 12, 2005, the agreement was amended to extend the maturity date of the line of credit to July 1, 2007. The line is personally guaranteed in equal amounts by the President/CEO and Vice President/COO/CFO of the Company. We believe that the line and cash flow from operations will provide us sufficient working capital through the remainder of our next fiscal year. The balance of the line at June 30, 2006 was $396,000.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and equity and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results may differ from these estimates under different assumptions or conditions.

Revenue Recognition

Our revenue recognition policy is significant because revenue is a key component of our results of operations. We derive our revenue primarily from sales of our various products. As described below, significant management judgments and estimates must be made and used in connection with revenue recognized in any accounting period. If our management makes judgments or uses different estimates, material differences may result in the amount and timing of our revenue for any period. We recognize revenue from the sales of our products when:

- we have persuasive evidence that an arrangement exists. For all sales, we use a binding purchase order and sales order confirmation as evidence of an arrangement. Sales through certain of our distributors are evidenced by a master agreement governing the relationship, together with binding purchase orders on a transaction by transaction basis;

- the product is delivered to the customer under the terms of the arrangement and title passes. Passage of title generally occurs when the product is delivered to a common carrier, but in some cases occurs when the customer receives the product;

- the revenue is fixed and determinable. At the time of the transaction, we assess whether the fee associated with our revenue transactions is fixed and determinable based on the payment terms associated with the transaction. If a significant portion of a fee is due after our normal payment terms, which are 30 to 75 days from invoice date, then we account for the fee as not being fixed and determinable. In these cases, we recognize revenue as the fees become due; and

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collection of the resulting receivable is reasonably assured. We assess collection based on a number of factors, including past transaction history with the customer and the credit-worthiness of the customer. We do not request collateral from our customers. If we determine that collection of a fee is not reasonably assured, then we defer the fee and recognize revenue at the time collection becomes reasonably assured, which generally is upon receipt of cash.

We derive revenues from licensing our software products, selling computer and display hardware, and providing customer support, training, installation, and consulting services. Software license fees for site licenses and master license agreements, including those sold through distributors, are recognized as revenue upon delivery of the software, and when remaining obligations are not significant. Our software licensing agreement provides the customer with certain warranty provisions, including a limited time to test the software. If the customer can prove the software is not functioning, we have the opportunity to remedy the problem, and if not resolved, the customer can return the software. Historically, returns have not been significant.

Advance contract payments for services, consisting primarily of software customer support, are recorded as deferred income until the services are provided, at which time revenue is recorded. Under the terms of our license agreements, we bundle support during the first 90 days with the initial license fee. This bundled revenue is recognized with the sale of the license. All subsequent software support is billed separately and recognized ratably over the life of the support period.

Revenue from computer and display hardware is recognized upon shipment, and consulting service revenue is recognized as services are rendered.

Allowance for Doubtful Accounts

Our management estimates the uncollectibility of our accounts receivable for losses that may result from the inability of our customers to make required payments. Management specifically analyzes accounts receivable and analyzes historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. If our customers' financial condition deteriorates such that it impairs their ability to make payments to us, additional allowances may be required. As of June 30, 2006 and 2005, our accounts receivable balances were $772,750 and $558,915, respectively, net of our estimated allowances for doubtful accounts of $59,250 and $30,500.

Capitalized Software Development Costs

We account for software development costs in accordance with Statement of Financial Accounting Standards ("SFAS") No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed." SFAS No. 86 specifies that software development costs incurred internally should be expensed as incurred until technological feasibility has been established. Once technological feasibility has been established, all software development costs should be capitalized until the product is available for general release to customers. Technological feasibility is defined as a completion of detail program design.

Long-Lived Assets

The Company accounts for the impairment and disposition of long-lived assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." In accordance with SFAS No. 144, long-lived assets to be held are reviewed whenever events or changes in circumstances indicate that their carrying value may not be recoverable. The Company reviews the carrying value of long-lived assets to determine whether or not an impairment to such value has occurred. Based on the Company's analysis at June 30, 2006, there were no indicators of impairment of long-lived assets.

Stock-Based Compensation

From time to time, we provide compensation in the form of shares of our common stock as well as options or warrants to acquire shares of our common stock.

In accordance with SFAS No. 123, "Accounting for Stock Based Compensation", we derive the value of rights to acquire our common stock granted to non-employees, such as options or warrants, from pricing models that consider current market and contractual prices for our stock, as well as time value and yield curve or volatility factors. Pricing models and their underlying assumptions impact the amount and timing of unrealized gains and losses we recognize, and use of different pricing models or assumptions could produce different financial results.

Options granted to employees are valued using the intrinsic value method which bases compensation on the difference between the market value of the underlying shares of common stock and the exercise price at the date of grant.

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123

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(revised 2004), Share-Based Payment, which is a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation* . Statement 123(R) supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees* , and amends FASB Statement No. 95, *Statement of Cash Flows* . Generally, the approach in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statements based on their fair values beginning with fiscal years beginning after December 15, 2005, with early adoption encouraged. The pro forma disclosures previously permitted under SFAS No. 123 no longer will be an alternative to financial statement recognition. Under SFAS No. 123(R), the company must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The permitted transition methods include either retrospective or prospective adoption. Under the retrospective option, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options at the beginning of the first quarter of adoption of SFAS No. 123(R), while the retrospective methods would record compensation expense for all unvested stock options beginning with the first period presented. The company is currently evaluating the requirements of SFAS No. 123(R) and expects that adoption of SFAS No. 123(R) will have a material impact on the company's consolidated financial position and consolidated results of operations. The company has not yet determined the method of adoption or the effect of adopting SFAS No. 123(R), and it has not determined whether the adoption will result in amounts that are similar to the current pro forma disclosures under SFAS No. 123.

Results of Operations for the Year Ended June 30, 2006 as Compared to the Year Ended June 30, 2005

Revenues

	Year Ended June 30, (In thousands)					
		2006	% Of Revenue		2005	% Of Revenue
Centergistic Solutions	$	1,629	51.4%	$	2,019	59.4%
Mexico and Latin America	$	1,541	48.6%	$	1,381	40.6%
Total	$	3,170	100.0%	$	3,400	100.0%

Centergistic Solutions is the U.S. based company selling products and services to the call/contact center marketplace. Mexico and Latin America represents revenue generated by our Mexican limited liability company subsidiary sold to Mexican, Latin and South American companies.

Total revenues decreased 6.8% or $230,000 in FY 2006 compared to FY 2005. Centergistic based revenues declined 19.3%, but Mexican revenues increased 11.6% from FY 2005. Although there continues to be decreased corporate spending on information technology, we believe that demand in the business intelligence market has remained relatively flat. We believe that our revenues declined due to our distributors' continued weakness in the telecom sector and the reduced corporate spending. In 2004, Joseph Stevens & CO. was quoted as saying, "What you're seeing in every one of these tech earnings releases is that corporate spending has been postponed." The decrease in U.S. business was offset by the increase in our Mexican subsidiary. We do expect this increasing revenue trend to continue in this upcoming fiscal year.

Revenues from Centergistic declined 19.3% or $390,000 as compared to FY 2005. Revenues from our largest distributor, Dacon , accounted for a $272,000 drop or 41%. We expect to see continued weakness from Dacon for the next one or two quarters, but eventually increasing after that. We expect to see increases in revenues from Dacon as our new CenterStats product has been formally accepted into the British Telecom portfolio as of April 2005.

We also saw a decrease in revenue from our direct sales effort. Direct sales of our AgentView software and hardware declined $181,000 or 39%. We saw turnover in our sales staff during the fiscal year and a continued stagnation in corporate infrastructure technology spending. We have focused on stabilizing and increasing our

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direct sales staff in our current fiscal year and expect to increase sales during this fiscal year. We have also elected to stop selling hardware products and concentrated specifically on selling software and service products to our AgentView end users because of the low margin associated with hardware. The decline of $181,000 in AgentView sales includes a $109,000 reduction in hardware sales as compared to FY 2005. We expect this declining revenue trend in hardware sales to continue next fiscal year and we will continue to see improved gross profit margins.

We saw increases in our maintenance revenue and professional services during this fiscal year. Maintenance revenues increased by $78,000 or 20% from FY 2005 as larger sized software sales produced higher maintenance fees. Professional service revenues increased by $63,000 or 371% from FY 2005 as we made a concerted effort to sell services into our customer base. We expect this trend to continue next fiscal year.

Revenues from our Mexican subsidiary in FY 2006 increased 11.6% or $160,000 as compared to FY 2005. The increase is attributable to increased activity from our distributors in Mexico. A majority of the increase came from Avaya (a $102,000 increase or 63.8%) and Alcatel (a $75,000 increase or 916.4%). We also saw a resurgence of the South America market in FY 2005. Revenues from South America aggregated $100,000 in FY 2005 with negligible sales in FY 2004.

Cost of Sales

Cost of sales includes specific hardware and third party software costs along with the labor and associated costs of consulting. Cost of sales improved to 27.8% of sales in FY 2006 ($881,000) as compared to 30.2% in FY 2005 ($1,028,000). The improvement in cost of sales resulted from lower hardware sales, distribution sales, company cost cutting measures, and improved product mix of higher value product items. The lower mix of hardware and distribution sales, which carry a higher cost component, helped improve the gross profit percentage.

Gross profit percentage improved to 72.2% in FY 2006 as compared to 69.8% in FY 2005. We anticipate this trend to continue as the sales of our CenterStats product continue to grow and sales of hardware continue to decline. This product carries a higher software component, thereby creating higher gross profit as compared to hardware or distribution sales.

Operating Expenses

Sales and Marketing

Sales and marketing decreased to 18.2% of revenue in FY 2005 ($578,000) as compared to 21.7% of revenue in FY 2005 ($738,000), and actual dollar expenses decreased by $160,000, a 21.7% decrease. The reduction in expense was created by reductions in sales salaries ($133,000) due to lower staff levels during FY 2005, lower advertising costs ($39,000), and lower travel costs ($34,000). These decreases were offset by an increase in commissions of $30,000 due to higher sales in Mexico with highly leveraged sales staff. If we are successful in implementing our plan, we will substantially increase our sales and marketing expenses during the next two fiscal years.

Research and Development

Research and development expenses decreased to 9.1% of revenue in FY 2006 ($288,000) as compared to 11.7% of revenue in FY 2005 ($398,000), and actual dollar expenses decreased by $110,000, a 27.6% decrease. The decrease was attributable to closing our India development office during the year. Salaries and wages decreased by $83,000 and the India office related expenses of rent ($8,000), professional fees ($8,000), and travel ($7,000) all decreased during FY 2006. If we are successful in implementing our plan, we expect to add development staff during the next two fiscal years.

General and Administrative

General and administrative expenses consist of all employee related benefit costs, occupancy costs, company insurance costs, professional fees, network and telecommunication costs, and depreciation and amortization expenses. General and administrative costs were 53.1% of revenues in FY 2006 ($1,685,000) as compared to 54.8% in FY 2005 ($1,862,000), and actual dollar expenses declined by $177,000, a 9.5% decline. The decrease in the

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percentage of revenues was substantially attributable to the decline in salaries and wages ($138,000) and payroll taxes ($36,000) as staff and salaries to management personnel were reduced.

We anticipate general and administrative costs to increase as we add staff (mainly employee benefit and related costs). We will eventually have to add administrative staff, but do not plan to do so in fiscal year 2007.

Interest Expense

The expense in this classification in FY 2006 and 2005 was almost entirely attributable to interest expense related to our related party borrowings.

Liquidity and Capital Resources

Prior to FY 2003, we were primarily financed through cash flow from operations, sale of company assets, and to a lesser extent, limited bank financing. During FY 2003, we received approximately $25,000 in loans from officers, and in FY 2004, we received gross proceeds of $490,000 through a private placement of convertible subordinated debt. We primarily used the proceeds to implement our sales and marketing plan for bringing CenterStats to the market and to pay the fees and costs associated with the completion of a registration statement on Form SB-2 filed with the S.E.C. relating to a selling stockholder offering. We intend to raise additional capital or sell our public shell. If this raise or sale of the shell is successful, as to which there is no assurance, those proceeds will be used to more fully implement our sales and marketing plan.

In November 2004, the Company entered into a line of credit agreement with Venture Communications, a shareholder and related party. The agreement, which was amended in March 2005, calls for a maximum borrowing of $400,000. We are using the remainder of this line to finance our working capital needs as they arise during the next fiscal year. On October 12, 2005, the agreement was amended such that the maturity date of the line of credit is July 1, 2007. The balance of the line at June 30, 2006 was $396,000.

We are in default under a note payable to a former employee in connection with a stock repurchase agreement that requires monthly payments of $2,750. The current balance of the note is $18,022 and our last payment on the note was made in August 2004. The note is secured by substantially all of the Company’s assets.

Net cash used in operating activities was $112,000 in FY 2006 as compared to $274,000 in FY 2005. The net cash used for operations in FY 2006 was comprised primarily of depreciation and amortization of $144,000, a net decrease in assets and liabilities of $11,000 and a net loss of $281,000.

Net cash from investing activities used $7,000 in FY 2006 and $23,000 in FY 2005. The cash used in both FY 2006 and FY 2005 was primarily for the purchase of fixed assets.

Net cash flows from financing activities generated $98,000 in FY 2006 and $227,000 in FY 2005. In FY 2006, we received $80,000 from short term financing and a reduction in deferred offering costs of $14,000. In FY 2005, we received $319,000 from short term borrowings and used $86,000 for deferred offering costs.

Recent Accounting Pronouncement

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), Share-Based Payment, which is a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation* . Statement 123(R) supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees* , and amends FASB Statement No. 95, *Statement of Cash Flows* . Generally, the approach in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statements based on their fair values beginning with fiscal years beginning after December 15, 2005, with early adoption encouraged. The pro forma disclosures previously permitted under SFAS No. 123 no longer will be an alternative to financial statement recognition. Under SFAS No. 123(R), the company must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The permitted transition methods include either retrospective or prospective adoption. Under the retrospective option, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options at the beginning of the first quarter of adoption of SFAS No. 123(R), while the retrospective methods would record compensation expense for all unvested stock options beginning with the first period presented. The company is currently evaluating the requirements of SFAS No. 123(R) and expects that adoption of SFAS No. 123(R) will have a material impact on the company's consolidated financial position and consolidated results of operations. The company has not yet determined the method of adoption or the effect of adopting SFAS No. 123(R), and it has not determined whether the adoption will result in amounts that are similar to the current pro forma disclosures under SFAS No. 123.

Item 7. FINANCIAL STATMENTS

Our consolidated financial statements required to be included in Item 8 are set forth in the Index to Financial Statements set forth on page F-1 of this report.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

(A) PREVIOUS INDEPENDENT ACCOUNTANTS.

(i) On October 20, 2006, the Board of Directors approved the dismissal of Haskell & White LLP as its independent registered public accounting firm effective immediately. During the two most recent fiscal years and the subsequent interim period through October 20,2006, there were no disagreements between us and Haskell & White LLP, whether resolved or not resolved, on any matter of accounting principles or practices, financial statements disclosures or auditing scope and procedures, which would cause them to make reference to the subject matter of a disagreement in connection with their report. On October 20, 2006 the Company provided Haskell & White LLP with its disclosures in this Form 8-K and requested in writing that Haskell & White LLP furnish the Company with a letter addressed to the Securities and Exchange Commission stating whether or not they agree with such disclosures. Such letter is included as an Exhibit of this filing.

(ii) The report of Haskell & White LLP, on the financial statements for the fiscal year ended June 30, 2005, contained no adverse opinion or disclaimer of opinion and was not qualified or modified as to audit scope or accounting principle.

(iii) In connection with its audit for the fiscal year ended June 30, 2005 and through October 20, 2006, there have been no disagreements with Haskell & White LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Haskell & White LLP, would have caused them to make reference thereto in their report on the financial statements for such year.

(iv) During the fiscal year ended June 30, 2005, and through October 20, 2006, there have been no reportable events (as defined in Regulation S-K, Item 304(a)(1)(v)).

(B) NEW INDEPENDENT ACCOUNTANTS.

On October 20, 2006, Moore & Associates, Chartered Accountants and Advisors, were engaged to provide Auditors' Reports on the annual financial statements of the Company for the fiscal year end 2006, and to conduct review engagements on the Company's non-annual quarterly financial statements on an ongoing basis thereafter. The change of accountant was unanimously approved by the Board of Directors. During the two most recent fiscal years and through October 20, 2006, the Registrant has not consulted with Moore & Associates regarding:

(i) the application of accounting principles to a specific transaction, either completed or proposed; nor the type of audit opinion that might be rendered on the Registrant's financial statements; nor has any written report or oral advice been provided to the Registrant by Moore & Associates.

(ii) any matter that was either the subject of a disagreement, as that term is defined in Item 304(a) (1) (iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K, or a reportable event, as that term is defined in Item 304(a) (1) (iv) of Regulation S-K. The Registrant has engaged Moore & Associates as its new independent accountants as of October 20, 2006.

Item 8A. CONTROLS AND PROCEDURES

The Company maintains a system of disclosure controls and procedures which are designed to ensure that information required to be disclosed by the Company in the reports filed under the Securities Act of 1934 is recorded, processed, summarized and reported within the time periods specified under the Securities and Exchange Commission's rules and forms. Based on an evaluation performed, the Company's certifying officers have concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report to provide reasonable assurance of the achievement of these objectives. There have been no significant changes in the Company's internal controls or in other factors which could significantly affect internal control subsequent to the date we carried out our evaluation.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable and not absolute assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there is only reasonable assurance that our controls will succeed in achieving their stated goals under all potential future conditions.

PART III

Item 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Directors and Executive Officers

The following table sets forth information regarding our executive officers and directors:

Name	Age	Office
Ricardo G. Brutocao	60	Chief Executive Officer and Director
David M. Cunningham	46	President, Chief Operating Officer, Chief Financial Officer, Secretary and Director
Jerome Fahey	78	

		Chairman of the Board and Director
Jay Kurtz	69	Director
William J. Battison	56	Director

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Directors hold office for a period of one year from their election at the annual meeting of stockholders and until their successors are duly elected and qualified. Officers are elected by, and serve at the discretion of, the Board of Directors. None of the above individuals has any family relationship with any other.

Ricardo G. Brutocao joined Centergistic as President, Chief Executive Officer and a director in 1988. Prior to joining Centergistic, Mr. Brutocao served as President and CEO of Logical Data Management, a firm he co-founded which served the then burgeoning Cable TV industry from 1976 to 1988. Prior to 1976, Mr. Brutocao served as Director of International Operations for Whittaker Corporation, where he was a member of a small team that started a $400 million International Hospital Management Division. In 1972, while a young engineer at the Burroughs Corporation, Mr. Brutocao was selected to be the Project Manager for a new main-frame class computer system that was subsequently the first system at Burroughs released and delivered on schedule. Mr. Brutocao earned a BSEE from Santa Clara University and an MBA in Finance from California State University, Los Angles.

David M. Cunningham joined Centergistic as Controller in September 1991 and Secretary in 1992 and was appointed Chief Financial Officer and Chief Operating Officer in 1995 and 2000, respectively. He has served on the Centergistic Board of Directors since April 2001. Prior to joining Centergistic, he was employed by Frazer & Torbet, public accounting firm, from 1987 to 1991. In addition to being a CPA, Mr. Cunningham holds a BS in Business from California State University, Northridge.

Jerome Fahey has served on the Centergistic Board since 1994. Mr. Fahey formerly held the positions within VONS Grocery Company of President from 1983 to 1985 and Chief Operating Officer from 1975 to 1983, and is now retired.

Jay Kurtz has served on the Centergistic Board since 1996. Mr. Kurtz is the founder and President of Kappa West Incorporated. He is an internationally acclaimed authority on the application of military concepts and principals in the competitive business environment. Mr. Kurtz helped to pioneer and popularize the concepts of “Business Warfare” worldwide as a speaker and lecturer in over thirty countries on five continents and as a consultant to more than 150 companies (more than 100 of which are high technology ventures who sought out Mr. Kurtz for consulting intended to increase their strategic and operational effectiveness).

William J. Battison has served on the Centergistic Board since 2001. Mr. Battison has served as Managing Director of Angeles Capital Group, LLC, an investment banking firm and NASD licensed broker dealer, since January 2002. From February 2001 to January 2002, he served as CEO of RXN Radio Systems, an internet radio/technology company. From March 2000, to February 2001, he served as CEO of BuyItNow, Inc., an internet E-commerce company. In January 2001, a petition in bankruptcy was filed against BuyItNow, Inc. under Chapter 7 of the Bankruptcy Act in the U.S. Bankruptcy Court in New Jersey. The company was dissolved on June 25, 2001. From March 1999 to March 2000, Mr. Battison served as senior vice president of Valence Technology, a company involved in portable energy storage technology.

Committee of the Board of Directors

We established an audit committee in November 1993. The audit committee reviews with our independent registered public accounting firm (the “auditors”) the scope and timing of the auditors’ services, the auditors’ report on our financial statements following completion of the auditors’ audit, and our internal accounting and financial control policies and procedures. In addition, the audit committee will make annual recommendations to our board of directors for the appointment of independent auditors for the ensuing year. The audit committee will report to the board of directors with respect to the selection of our independent auditors, the scope of our annual audits, fees to be paid to the auditors, the performance of our independent auditors, compliance with our accounting and financial policies, and management’s procedures and policies relating to the adequacy of our internal accounting controls. The members of

our audit committee are Messrs. Fahey, Kurtz and Battison. Mr. Battison has been designated as our financial expert.
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We do not have any standing nomination committee or standing compensation committee.

Code of Ethics

We have adopted a code of ethics that applies to the Company's principal executive officer, principal financial officer, principal accounting officer or controller, or person performing similar functions. The Company hereby undertakes to provide a copy of the code of ethics to any person without charge upon request. Requests for a copy of the code of ethics may be made in writing addressed to: Secretary, Centergistic Solutions, Inc., 2045 West Orangewood Avenue, Orange, California 92868.

Item 10. EXECUTIVE COMPENSATION

Executive Compensation

The following table sets forth certain summary information concerning the compensation we paid to our chief executive officer and each of our other most highly compensated executive officers whose total annual salary and bonus exceeded $100,000 for services rendered during each of the three fiscal years ended June 30, 2006. Except as listed in the table below, no executive officer holding office in fiscal year 2006 received total annual salary and bonus exceeding $100,000. All other annual compensation in the form of perquisites and other personal benefits has been omitted because the aggregate amount of such perquisites and other personal benefits constituted less than 10% of the total annual salary and bonus received by our chief executive officer and other executive officers named in the table in fiscal year 2006.

Summary Compensation Table

		Annual Compensation		Long Term Compensation Awards
Name and Principal Position	Fiscal Year	Salary	Bonus	Securities Underlying Options
Ricardo G. Brutocao,	2006	$ 113,243	—	—
Chief Executive Officer	2005	$ 205,575	—	100,000
	2004	$ 185,625	—	96,000
David M. Cunningham, President and	2006	$ 99,479	—	—
Chief Operating Officer and Chief Financial Officer	2005	$ 106,500	—	100,000
	2004	$ 89,100	—	80,000

Stock Option Grants in Fiscal Year 2006
Individual Grants

Name	Number of Securities Underlying Options Granted	Percentage of Total Options Granted to Employees in	Exercise Price ($ per share)	Market Price ($ per share)	Expiration Date

	(#) (1)	Fiscal Year (%)				
Ricardo G. Brutocao		—	—	—	—	—
David M. Cunningham		—	—	—	—	—

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(1) Both Mr. Brutocao's and Mr. Cunningham's stock options become 50% vested on the 2-year anniversary of the option grant, and another 25% vested on the 3rd and 4th year anniversary of the option grant.

No options were issued or exercised in fiscal 2006 by either of the named executive officers.

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Employment Agreements

Mr. Ricardo Brutocao is employed by us as our Chief Executive Officer under an employment agreement entered into as of May 1, 1988. The agreement may be terminated by us at any time upon 120 days prior written notice. Under the agreement, Mr. Brutocao is entitled to receive an annual base salary of $225,000 (voluntarily reduced by him during each of the last three fiscal years) and 5% of the total consideration received by us in a transaction involving the sale or transfer of a majority of our equity securities resulting in a change of control of Centergistic. He is entitled to health, welfare, disability and retirement insurance benefits and other fringe benefits in accordance with our policies in effect from time to time. He is also entitled to a car allowance of $900 per month. In addition, Mr. Brutocao received an option, which is now fully vested, to purchase 284,000 shares of common stock at an exercise price of $0.4925. When Mr. Brutocao exercised the option in 1988, we loaned him an amount equal to the exercise price. The loan was evidenced by a promissory note that was due and payable, together with accrued interest at the rate of 8% per annum, in four years. During the four year term of the loan we forgave 25% of the original principal amount of the loan at the end of each year, and by the end of 1992 the entire loan had been forgiven. Upon termination of Mr. Brutocao's employment, we have the right to purchase all, but not less than all, of the shares Mr. Brutocao acquired upon exercise of the option at a price per share equal to the greater of the option exercise price or fair market value.

Mr. Cunningham is employed by us as our President and Chief Operating and Financial Officer under an employment agreement entered into as of May 1, 2005. The term of the agreement is through June 30, 2008. Mr. Cunningham is to receive compensation of not less than $112,000 per year during the term of the agreement. If Mr. Cunningham is terminated without cause during the term of the agreement, he is entitled to receive one year's compensation. If he is terminated after the initial term, he is to receive 90 days compensation.

Director Compensation

Each of our non-employee directors receives $500 cash and an option to purchase 3,200 shares of common stock for each meeting of our Board of Directors attended by such non-employee director. The options are nonqualified stock options and are exercisable at a price equal to fair market value as of the date of grant. All of the options are granted under our 1998 Non-Employee Directors Stock Option Plan and vest immediately.

Stock Option Plans

1998 Plan

Our Board of Directors adopted the 1998 Nonemployee Directors Stock Option Plan (the 1998 plan) and reserved an aggregate of 800,000 shares of common stock for grants of stock options under the 1998 plan. The purpose of the 1998 plan is to enhance our ability to retain qualified persons who are neither officers nor employees to serve as members of our board of directors by offering them the opportunity to acquire and maintain stock ownership in Centergistic by the grant of stock options.

As of June 30, 2006, options to purchase 323,200 shares of common stock were outstanding under the 1998 plan with exercise prices of $0.36 to $0.715 per share, options to purchase 476,800 shares were available for grants and no options had been exercised.

The 1998 plan is currently administered by our Board of Directors, which has the authority to specify the number of option shares, the exercise price, the vesting provisions, the option term and the other terms and conditions of each option to be granted. An option granted under the 1998 plan expires 10 years from the date of grant or, if earlier, three months after the optionee's termination of service as a director or 12 months after the optionee's death or disability.

Options granted under the 1998 plan are not generally transferable by the optionee except by will or the laws of descent and distribution and generally are exercisable during the lifetime of the optionee only by such optionee. The 1998 plan is not subject to approval of our stockholders.

The 1998 plan will remain in effect for 10 years after the date of its adoption by our Board of Directors. The number of shares reserved under the 1998 plan and the number of shares subject to outstanding options are subject to adjustments in the event of stock splits, stock dividends and other extraordinary corporate events.

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1996 Plan

Our Board of Directors adopted the 1996 Stock Option Plan (the 1996 plan) and reserved an aggregate of 2,000,000 shares of common stock, subsequently increased to 2,800,000 shares by an amendment approved by our Board of Directors and shareholders, for grants of stock options under the 1996 plan. The purpose of the 1996 plan is to enhance the long-term stockholder value of Centergistic by offering opportunities to our employees, directors, officers, and consultants, to participate in our growth and success, and to encourage them to remain in the service of Centergistic and acquire and maintain stock ownership in Centergistic.

As of June 30, 2006, options to purchase 2,113,000 shares of common stock were outstanding under the 1996 plan with exercise prices of $0.2975 to $0.78625 per share, options to purchase 687,000 shares were available for grants and no options had been exercised.

The 1996 plan is currently administered by our Board of Directors, which has the authority to select individuals who are to receive options under the 1996 plan and to specify the terms and conditions of each option to be granted (incentive or nonqualified), the vesting provisions, the option term and the exercise price. Unless otherwise provided by the Board of Directors, an option granted under the 1996 plan expires 10 years from the date of grant (5 years in the case of an incentive option granted to a holder of 10% or more of the shares of Centergistic's outstanding common stock) or, if earlier, three months after the optionee's termination of employment or service or 12 months after the optionee's death or disability. Options granted under the 1996 plan are not generally transferable by the optionee except by will or the laws of descent and distribution and generally are exercisable during the lifetime of the optionee only by such optionee. The 1996 plan has been approved by our stockholders.

The 1996 plan will remain in effect for 10 years after the date of its adoption by our Board of Directors. The 1996 plan may be amended by our Board of Directors without the consent of our stockholders, except that any amendment, although effective when made, will be subject to stockholder approval if required by any Federal or state law or regulation or by the rules of any stock exchange or any automated quotation system on which our common stock may then be listed or quoted. The number of shares reserved under the 1996 plan and the number of shares subject to outstanding options are subject to adjustment in the event of stock splits, stock dividends and other extraordinary corporate events.

Employee Benefit Plans

Employee Stock Ownership Plan

We have an employee stock ownership plan (ESOP) which covers substantially all of our employees. All costs of administering the ESOP are borne by us. Contributions to the employee stock ownership trust (Trust), which may be made in cash or shares of our common stock, are made at the discretion of our Board of Directors. Substantially all of the Trust's assets are invested in shares of our common stock. ESOP participants become 20% vested in their account balances after three years of continuous service, and 20% per year thereafter, and are fully vested upon completion of seven years of service. We did not make any contributions to the ESOP during the years ended June 30, 2006 and 2005.

If a terminated ESOP participant desires to sell his or her shares of Centergistic common stock, we may be required to repurchase the shares from the participant at their fair market value. During the years ended June 30, 2006 and 2005, the total shares repurchased by us were 0. The estimated fair market value of the 2,031,792 shares owned by the ESOP at June 30, 2006, including those shares not vested, is approximately $731,000, which is based upon an independent appraisal as of June 30, 2004.

401(k) Plan

We offer a 401(k) plan to all employees with at least three months of service. We will match 50% of each employee's contributions, up to 4% of the employee's salary. We paid matching contributions of $7,833 and $17,289 during the years ended June 30, 2006 and 2005, respectively.

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Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of our common stock as of June 30, 2006 by (i) each person who is known by us to own beneficially more than 5% of our outstanding common stock; (ii) each of our executive officers and directors; and (iii) all of our directors and executive officers as a group. Except as otherwise indicated, we believe that the beneficial owners of the common stock listed below, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable.

Name and Address of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned (1)	Percentage of Shares of Common Stock Outstanding (2)
Ricardo G. Brutocao (Chief Executive Officer and director) 2045 W. Orangewood Avenue Orange, California 92868	5,881,227 (3)(4)	52.4%
David M. Cunningham (President, Chief Operating Officer, Chief Financial Officer, Secretary and director) 2045 W. Orangewood Avenue Orange, California 92868	2,596,499 (4)(5)	23.5%
Jerome Fahey (director) 920 Spring Meadow Dr. West Covina, California 91791	259,152 (6)	2.4%
Jay Kurtz (director) 2616 Queda Way Laguna Beach, California 92652	112,000 (7)	1.0%
William J. Battison (director) 334 Meadow Grove La Cãnada Flintridge, CA 91011	73,600(8)	0.7%
Michael Atlas 13036 Lake Wildwood Dr. Penn Valley, California 95946	1,958,720(9)	18.3%
Venture Communications Corporation 5362 Runningbrook Road Las Vegas, Nevada 89120	1,894,776	17.7%
MKB Associates, Inc. 25412 Wagon Wheel Circle Laguna Hills, California 92653	707,416	6.6%
All executive officers and directors as a group (5 persons)	11,867,512(4)(10)	58.1%

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to options, warrants and convertible notes currently exercisable or convertible, or exercisable or convertible within 60 days after June 30, 2006, are deemed beneficially owned and outstanding for computing the percentage of the

person holding such securities, but are not considered outstanding for computing the percentage of any other person.

(2) Percentage of ownership is based on 10,724,312 shares of common stock outstanding on June 30, 2006.

(3) Includes 508,000 shares subject to options currently exercisable or convertible within 60 days after June 30, 2006. Includes 55,555 shares issuable upon exercise of warrants for guarantee of line of credit. Includes 707,416 shares owned by MKB Associates, Inc., a corporation owned by Mr. Brutocao's children and of which Mr. Brutocao's wife is president. Mr. Brutocao disclaims beneficial ownership of such securities held by MKB Associates, Inc. Includes 1,894,776 shares owned by Venture Communications Corporation of which Mr. Brutocao is a director. Mr. Brutocao disclaims beneficial ownership of such securities held by Venture Communications Corporation, except to the extent of his pecuniary interest therein. Does not include 198,104 shares held by the Centergistic ESOT for the benefit of Mr. Brutocao, since these shares are already included in the total number of shares held in the Centergistic ESOT and deemed to be beneficially owned by him by virtue of his shared voting power as described in footnote (4) to this table.

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(4) Includes 2,031,792 shares held by the Centergistic ESOT, of which Mr. Brutocao and Mr. Cunningham are co-trustees and have shared voting power as to certain matters, including election of the Centergistic Board of Directors. Messrs. Brutocao and Cunningham disclaim beneficial ownership of the shares held by the Centergistic ESOT except to the extent of their respective pecuniary interests therein.

(5) Includes 312,000 shares subject to options currently exercisable or convertible within 60 days after June 30, 2006. Includes 55,555 shares issuable upon exercise of warrants for guarantee of line of credit. Does not include 72,936 shares held by the Centergistic ESOT for the benefit of Mr. Cunningham, since these shares are already included in the total number of shares held in the Centergistic ESOT and deemed to be beneficially owned by him by virtue of his shared voting power as described in footnote (4) to this table.

(6) Includes 137,600 shares subject to options currently exercisable or exercisable within 60 days after June 30, 2006.

(7) Includes 112,000 shares subject to options currently exercisable or exercisable within 60 days after June 30, 2006.

(8) Includes 73,600 shares subject to options currently exercisable or exercisable within 60 days after June 30, 2006.

(9) Includes 1,768,176 shares held by the Atlas Family Trust. Also includes 181,072 shares held by the Centergistic ESOT for the benefit of Mr. Atlas and 9,472 shares held by the Centergistic ESOT for the benefit of Mr. Atlas' wife.

(10) Includes an aggregate of 1,143,200 shares subject to options, warrants and convertible notes held by all executive officers and directors that are currently exercisable or convertible or exercisable or convertible within 60 days after June 30, 2006. Includes 111,110 shares issuable upon exercise of warrants for guarantee of line of credit. Includes the 707,416 shares owned by MKB Associates, Inc., as to which Mr. Brutocao disclaims beneficial ownership. Includes the 1,894,776 shares owned by Venture Communications Corporation, as to which Mr. Brutocao disclaims beneficial ownership, except to the extent of his pecuniary interest therein. Does not include an aggregate of 271,040 shares held by the Centergistic ESOT for the benefit of our executive officers since these shares are already included in the total number of shares held in the Centergistic ESOT and deemed to be beneficially owned by Messrs. Brutocao and Cunningham by virtue of their shared voting power as described in footnote (4) to this table. Messrs. Brutocao and Cunningham disclaim beneficial ownership of the shares held by the Centergistic ESOT except to the extent of their respective pecuniary interests therein.

The following table provides information as of June 30, 2006 with respect to shares of our common stock that may be issued under our existing equity compensation plans.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance
Equity compensation plans approved by security holders	2,436,200	$ 0.51	1,163,800
Equity compensation plans not approved by security holders	—	—	—
Total	2,436,200	$ 0.51	1,163,800

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Since July 1, 2002, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we were or are to be a party in which the amount involved exceeds $60,000 and in which any director, executive officer or holder of more than 5% of our common stock, or any member of the immediate family of any such persons, had or will have a direct or indirect interest other than the transactions described below.

In November 2004, the Company entered into a line of credit agreement with Venture Communications, a shareholder and related party. The agreement, which was amended in March 2005, calls for a maximum borrowing of $400,000. The line is personally guaranteed in equal amounts by the CEO and President/COO/CFO of the Company. The balance of the line at June 30, 2006 was $396,000. On October 12, 2005, the agreement was amended such that the maturity date of the line of credit is July 1, 2007.

In connection with their personal guarantees of the line of credit, we issued 111,110 shares issuable upon exercise of warrants to our CEO and President/COO/CFO. These warrants may be exercised at any time, are priced at $0.36, and expire January 19, 2010.

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Item 13. EXHIBITS

(a) **Exhibit Index:**

EXHIBIT NO.	TITLE
3.1	Articles of Incorporation of the Registrant.*
3.2	Certificate of Amendment of Articles of Incorporation of the Registrant.*
3.3	Certificate of Amendment of Articles of Incorporation of the Registrant.*
3.4	Certificate of Amendment of Articles of Incorporation of the Registrant.*
3.5	Certificate of Amendment of Articles of Incorporation of the Registrant.*
3.6	Certificate of Amendment of Articles of Incorporation of the Registrant.*
3.7	Certificate of Amendment of Articles of Incorporation of the Registrant.*
3.8	Certificate of Amendment of Articles of Incorporation of the Registrant.*
3.9	Certificate of Amendment of Articles of Incorporation of the Registrant.*
3.9.1	Certificate of Amendment of Articles of Incorporation of the Registrant.*
3.10	Bylaws of the Registrant*
10.1	Lease Agreement with Park Orangewood LLC dated June 17, 2003.*
10.2	Consulting Agreement with Hanover Capital Corp dated July 1, 2003.*
10.3	Consulting Agreement with Hanover Capital Corp. dated July 1, 2003.*
10.4	Consulting Agreement with The Bosphorous Group, Inc. dated August 1, 2002.*
10.5	Consulting Agreement with The Bosphorous Group, Inc. dated October 1, 2003.*
10.6	Common Stock Purchase Warrant with The Bosphorous Group dated September 1, 2003.*
10.7	Common Stock Purchase Warrant with Venture Communications Corporation dated June 26, 1998.*
10.8	Common Stock Purchase Warrant with Lenawee Trust dated June 26, 1998.*
10.9	Common Stock Purchase Warrant with Venture Communications Corporation dated September 27, 2000.*
10.10	1996 Stock Option Plan and First Amendment thereto.*
10.11	1998 Non-Employee Directors Stock Option Plan.*
10.12	Executive Employment Agreement with Ricardo G. Brutocao dated May 1, 1988.*
10.13	Form of Convertible Subordinated Promissory Note of the Registrant dated September 1, 2003 issued to certain lenders to evidence loans in the aggregate principal amount of $490,000.*
10.14	Form of Common Stock Purchase Warrant of the Registrant dated September 1, 2003 issued to holders of the Registrant’s Convertible Subordinated Promissory Notes to purchase an aggregate of 74,016 shares of the Registrant’s common stock.*
10.15	Secured Promissory Note of the Registrant dated July 1, 2003 payable to Al Wild in the principal amount of $44,220.28.*
10.16	Secured Promissory Note of the Registrant dated December 31, 2002 payable to Ricardo G. Brutocao in the principal amount of $16,875.*
10.17	Secured Promissory Note of the Registrant dated December 31, 2002 payable to David M. Cunningham in the principal amount of $8,100.*
10.18†	Distribution Agreement with Dacon Electronics Limited dated August 1, 2000.*
10.19	Judgment Purchase Agreement with Venture Communications Corporation dated September 27, 2000.*
10.20	Agreement between Lynch, Young & Co. and Los Angeles Department of Water and Power dated September 1, 2002.*
10.21	Entry into Material Definitive Agreement**

21	Subsidiaries of the Registrant.*
31.1	Certification of the President and Chief Executive Officer
31.2	Certification of the Chief Financial Officer
32.1	Certificate of the President and Chief Executive Officer pursuant to 18 U.S.C §1350
32.2	Certificate of the Chief Financial Officer pursuant to 18 U.S.C §1350

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* Incorporated by reference to exhibits of the same number filed with our Registration Statement on Form SB-2 (File No. 333-111378), which became effective on April 28, 2004.

** Incorporated by reference to exhibit file as Form 8-K on September 7, 2005.

† We obtained confidential treatment from the Securities and Exchange Commission with respect to certain portions of this exhibit. A complete version of this exhibit has been filed separately with the Commission.

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Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

The aggregate fees Haskell & White LLP billed us for the last fiscal year for professional services for the audit of our annual financial statements and review of financial statements included in our Reports on Form 10-QSB or services normally provided by Haskell & White LLP in connection with filings or engagements for such years were $45,500.

Audit-Related Fees

The aggregate fees Haskell & White LLP billed us in the last fiscal year for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under the caption "Audit Fees" were $1,350, most of which was for audit-related services in connection with Board of Directors communication.

Tax Fees

The aggregate fees Haskell & White LLP billed us in the last fiscal year for compliance, tax advice, or tax planning were $7,000, of which all was for the year ended June 30, 2004.

All Other Fees

Haskell & White LLP did not bill us any additional fees for the last fiscal year for products and services provided by Haskell & White LLP, other than the services reported above.

Audit Committee Pre-Approval Policies

General

The Audit Committee has adopted an Audit and Non-Audit Services Pre-Approval Policy, which sets forth the procedures and the conditions pursuant to which services to be performed by the independent auditor are to be pre-approved. Under the Policy, proposed services either may be pre-approved by agreeing to a framework with descriptions of allowable services with the Audit Committee ("general pre-approval"), or require the specific pre-approval of the Audit Committee ("specific pre-approval"). Unless a type of service has received general pre-approval, it requires specific pre-approval by the Audit Committee if it is to be provided by the independent auditor.

The Policy describes the Audit, Audit-related, Tax and All Other Services that are subject to the general pre-approval of the Audit Committee. The Audit Committee will annually review and pre-approve the services that may be provided by the independent auditor that are subject to general pre-approval. Under the Policy, the Audit Committee may delegate either type of pre-approval authority to its chairperson or any other member or members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next meeting. The Policy does not delegate the Audit Committee's responsibilities to pre-approve services performed by the independent auditor to management.

Audit Services

The annual Audit services engagement scope and terms are subject to the general pre-approval of the Audit Committee. Audit services include the annual financial statement audit (including required quarterly reviews) and other procedures required to be performed by the independent auditor to be able to form an opinion on the Company's consolidated financial statements. Audit services also include the attestation engagement for the independent registered public accounting firm's (the "auditor') report on management's assertion on internal controls for financial reporting. The Policy provides that the Audit Committee will monitor the Audit services

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engagement throughout the year and will also approve, if necessary, any changes in terms and conditions resulting from changes in audit scope or other items. The Policy provides for Audit Committee pre-approval of specific Audit services.

Audit-related Services

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements or that are traditionally performed by the independent auditor. Under the Policy, the Audit Committee grants general pre-approval to specified Audit-related services. All other Audit-related services not specified must be specifically pre-approved by the Audit Committee.

Tax Services

Under the Policy, the Audit Committee grants general pre-approval to specific tax compliance, planning and advice services that have historically been provided by the independent registered public accounting firm, that the Audit Committee has reviewed and believes would not impair the independence of the independent registered public accounting firm, and that are consistent with the SEC's rules on independent registered public accounting firm independence. Other tax services must be specifically approved by the Audit Committee.

All Other Services

Under the Policy, the Audit Committee grants general pre-approval to specific permissible non-audit services classified as All Other Services that it believes are routine and recurring services, would not impair the independence of the independent registered public accounting firm and are consistent with the SEC's rules on independent registered public accounting firm independence. Services permissible under applicable rules but not specifically approved in the Policy require further specific pre-approval by the Audit Committee.

Procedures

The Policy provides that at the beginning of each year, the chief financial officer and the Company's independent registered public accounting firm will jointly submit to the Audit Committee a schedule of audit, audit-related, tax and other non-audit services that are subject to general pre-approval. This schedule will provide a description of each type of service that is subject to general pre-approval and, where possible, will provide projected fees (or a range of projected fees) for each service. The Audit Committee will review and approve the types of services and review the projected fees for the next fiscal year. Any changes to the fee amounts listed in the schedule will be subject to further specific approval of the Audit Committee. The Policy prohibits the independent auditor from commencing any project not described in the schedule approval by the Audit Committee until specific approval has been given.

The Audit Committee pre-approved all of the services described above under the captions "Audit Related Fees" and "Tax Fees" pursuant to paragraphs (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on behalf by the undersigned, thereunto duly authorized.

REGISTRANT

CENTERGISTIC SOLUTIONS, INC.

Date: June 28, 2007
By: /s/ Ricardo G. Brutocao

Name: Ricardo G. Brutocao
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Date: June 28, 2007
By: /s/ Ricardo G. Brutocao

Name: Ricardo G. Brutocao
Title: Chief Executive Officer

Date: June 28, 2007
By: /s/ David M. Cunningham

Name: David M. Cunningham
Title: President and Chief Financial Officer

Date: June 28, 2007
By: /s/ Jerome C Fahey

Director

Date: June 28, 2007
By: /s/ C.J. Kurtz

Director

Date: June 28, 2007
By: /s/ William J. Battison

Director

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MOORE & ASSOCIATES, CHARTERED
ACCOUNTANTS AND ADVISORS
PCAOB REGISTERED

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Centergistic Solutions, Inc.
Las Vegas, Nevada

We have audited the accompanying balance sheet of Centergistic Solutions, Inc. as of June 30, 2006, and the related statements of operations, stockholders' equity and cash flows through June 30, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Centergistic Solutions, Inc. as of June 30, 2006 and the results of its operations and its cash flows through June 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

/s/ Moore & Associates, Chartered

Moore & Associates Chartered
Las Vegas, Nevada
February 20, 2007

2675 S. Jones Blvd. Suite 109, Las Vegas, NV 89146 (702) 253-7511 Fax (702) 253-7501

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Centergistic Solutions, Inc.

We have audited the accompanying consolidated statements of operations and comprehensive income (loss), stockholders' equity (deficit), and cash flows of Centergistic Solutions, Inc. (the "Company") for the year ended June 30, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated results of its operations and its cash flows for the year ended June 30, 2005 in conformity with accounting principles generally accepted in the United States of America.

/s/ HASKELL & WHITE LLP

Irvine, California
October 12, 2005

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CENTERGISTIC SOLUTIONS, INC.

Consolidated Balance Sheet
As of June 30, 2006

ASSETS		
Current		
Cash and cash equivalents	$	58,992
Trade receivables, less allowance for doubtful accounts of $59,250		772,750
Inventories		120,245
Prepaid expenses		33,703
Miscellaneous receivables		37,329
Total current assets		1,023,019
Property, equipment, and leasehold improvements, net of accumulated depreciation of $731,396		70,234
Capitalized software development costs, net of accumulated amortization of $1,823,322		30,265
Other assets		
Deferred offering costs		540,754
Other		21,035
Total other assets		561,789
	$	1,685,307

See accompanying notes to consolidated financial statements.

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CENTERGISTIC SOLUTIONS, INC.

Consolidated Balance Sheet (Continued)
As of June 30, 2006

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current liabilities		
Notes payable - related parties	$	47,997
Line of credit - related party		396,000
Accounts payable		459,539
Accrued expenses		220,812
Deferred income		306,301
Total liabilities, all current		1,430,649
Commitments and contingencies		
(Notes 4 through 7)		
Stockholders' equity (deficit)		
Common stock, no par value, 80,000,000 shares authorized; 10,724,312 shares issued and outstanding		3,058,510
Additional paid-in capital		296,462
Accumulated deficit		(3,068,354)
Unearned stock compensation		(6,202)
Common stock to be redeemed		(25,758)
Total stockholders' equity (deficit)		254,658
Total liabilities and stockholders' equity (deficit)	$	1,685,307

See accompanying notes to consolidated financial statements.

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CENTERGISTIC SOLUTIONS, INC.

Consolidated Statements of Operations and Comprehensive (Loss)

	Years Ended June 30, 2006		Years Ended June 30, 2005
Revenues:			
Software and service revenues	$	2,749,083	$ 3,018,436
Professional services		80,199	16,560
Hardware sales		340,711	365,366
Total revenues		3,169,993	3,400,362
Cost of revenues:			
Software and service costs		584,852	674,708
Professional services		20,011	4,780
Hardware costs		275,896	348,858
Total cost of revenues		880,759	1,028,346
Gross profit		2,289,234	2,372,016
Operating expenses:			
Selling and marketing		578,133	737,764
Research and development		287,947	397,815
General and administrative		1,685,010	1,862,192
Total operating expenses		2,551,090	2,997,771
Operating loss		(261,856)	(625,755)
Other expense		(4,843)	(5,130)
Interest expense		(44,290)	(27,982)
Loss before income taxes		(310,989)	(658,867)
Income tax provision		(3,200)	(3,200)
Net loss		(314,189)	(662,067)
Other comprehensive income, net of tax		—	—
Comprehensive loss	$	(314,189)	$ (662,067)
Basis and diluted net loss per share	$	(0.03)	$ (0.06)
Weighted-average number of common shares outstanding		10,710,065	10,555,389

See accompanying notes to consolidated financial statements.

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CENTERGISTIC SOLUTIONS, INC.

Consolidated Statements of Stockholders' Equity (Deficit)
For the Years Ended June 30, 2006 and 2005

	Common Stock		Common Stock Issuable	Common Stock to be Redeemed	Additional Paid-In Capital	Unearned Stock Compensation	Accumulated Deficit	Notes Receivable	Total Stockholders' Equity (Deficit)
	Shares	Amount							
Balance, June 30, 2004	9,142,864	2,432,196	$ 634,375	$ (20,635)	284,892	$ (21,106)	$ (2,092,098)	$ (2,840)	$ 1,214,784
Warrants issued in cooenection with related party line of credit					6,570		—	—	— 6,570
Stock compensation	—	—	—	—	—	7,452	—	—	7,452
Note receivable reduction	—	—	—	—	—	—	—	2,840	2,840
Stock redemption payable	—	—	—		—	—	—	—	—
Redemption of shares	(26,184)	(8,061)	—	8,061	—	—	—	—	—
Stock buyback payable	—	—	—	(13,184)		—	—	—	(13,184)
Common stock issuable (Note 7)	1,582,632	634,375	(634,375)	—	—	—	—	—	—
Net loss for the year	—	—	—	—	—	—	(662,067)	—	(662,067)
Balance, June 30, 2005	10,699,312	3,058,510	—	(25,758)	291,462	(13,654)	(2,754,165)	—	556,395
Stock compensation	—	—	—	—	—	7,452	—	—	7,452
Stock issued	25,000	—	—		5,000	—	—	—	5,000
Stock buy-back payable	—	—	—	—	—	—	—	—	—
Net loss for the year	—	—	—	—	—	—	(314,189)	—	(314,189)
Balance, June 30, 2006	10,724,312	$ 3,058,510	$ —	$ (25,758)	$ 296,462	$ (6,202)	$ (3,068,354)	$ —	$ 254,658

See accompanying notes to consolidated financial statements.

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CENTERGISTIC SOLUTIONS, INC.

Consolidated Statements of Cash Flows

	Years Ended June 30, 2006	2005
Cash flows from operating activities		
Net loss	$ (314,189)	$ (662,067)
Adjustments to reconcile net loss to net cash (used) provided by operating activities:		
Depreciation and amortization	144,034	177,225
Provision for doubtful accounts	28,750	(29,700)
Stock compensation	7,452	7,452
Non-cash interest expense	—	6,570
Increase (decrease) from changes in assets and liabilities:		
Trade receivables	(242,585)	134,904
Inventories	34,891	23,491
Prepaid expenses	29,975	12,840
Miscellaneous receivables	(4,579)	(8,591)
Deposits	1,655	—
Accounts payable	(14,138)	59,839
Accrued expenses	91,610	(19,681)
Deferred income	124,684	24,235
Net cash (used) provided by operating activities	(112,440)	(273,483)
Cash flows from investing activities		
Proceeds from sale of securities	—	—
Additions to capitalized software development costs	—	—
Purchase of equipment	(7,384)	(23,193)
Net cash used by investing activities	(7,384)	(23,193)

See accompanying notes to consolidated financial statements.

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CENTERGISTIC SOLUTIONS, INC.

Consolidated Statements of Cash Flows (continued)

	Years Ended June 30,	
	2006	**2005**
Cash flows from financing activities		
Deferred offering costs	13,580	(86,463)
Stock issuance	5,000	
Borrowings on short-term debt	79,750	319,000
Repurchase of common stock	—	(8,061)
Payments received on note receivable	—	2,840
Net cash provided by financing activities	98,330	227,316
Net (decrease) increase in cash and cash equivalents	(21,494)	(69,360)
Cash and cash equivalents, beginning of period	80,486	149,846
Cash and cash equivalents, end of period	$ 58,992	$ 80,486
Supplemental Disclosures of Cash Flow Information:		
Cash payments for:		
Interest	$ 42,490	$ 28,187
Income tax payments	$ 3,200	$ 3,997

See accompanying notes to consolidated financial statements.

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CENTERGISTIC SOLUTIONS, INC.

Notes to Consolidated Financial Statements (continued)

1. Nature of Business

Nature of Business

Centergistic Solutions, Inc. (the "Company") was incorporated in the State of California on March 10, 1972.

The Company provides integrated information distribution and reporting systems, serving both general business and contact center environments. The products provide critical information throughout the enterprise to help companies improve performance and increase personnel productivity.

Substantially all of the remaining operations are conducted by the Company's wholly-owned Mexican subsidiary, Centergistic Solutions, S. DE R.L. DE D.V. (formerly known as AAC de Latin America) ("CALA"). The Mexican operations distribute products of its parent, as well as other telecommunications products from third parties.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements for the years ended June 30, 2006 and 2005 include the accounts of the Company and its wholly owned subsidiaries, Affinitec Corporation ("Affinitec"), Centergistic Solutions, S. DE R.L. DE D.V. ("Centergistic Solutions - Mexico") and LYA, Inc. ("LYA"). All significant intercompany accounts and transactions have been eliminated.

Management's Plans / Liquidity

During the year ended June 30, 2006, the Company incurred a net loss of $314,189 and an operating loss of $261,856, which includes depreciation and amortization of $144,034, and, as of June 30, 2006, the Company had a working capital deficit of $407,630. The Company increased margins and decreased costs during the year and continues to reduce operating expenses in fiscal year 2007. The Company anticipates operating with improved revenues, margins and cash flows during fiscal year 2007 and believes that the operating plan will provide the necessary capital to sustain operations throughout fiscal year 2007. In the event that revenue does not materialize in the manner the Company has forecasted, several cost cutting measures have been identified and are ready to be implemented as necessary to achieve sufficient operating levels.

Additionally, the Company plans to catch up and file all delinquent reports during FY 2007. The Company then plans to renew its listing on the NASD bulletin board. The Company then anticipates selling the public shell and raising funds through the sale or raising additional capital. The Company plans to use these funds to reduce debt and fund operations.

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CENTERGISTIC SOLUTIONS, INC.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Segment Reporting

The Company adopted Statement of Financial Accounting Standard ("SFAS") No. 131, "Disclosures About Segment of an Enterprise and Related Information," beginning July 2003. SFAS 131 establishes standards for the way to report information about operating segments and related disclosures about products and services, geographic areas, and major customers in financial statements. The Company views its operations and manages its business in two segments: Centergistic Solutions, and Centergistic Solutions - Mexico.

The following represents the total assets by segment as of June 30, 2006:

Centergistic Solutions	$ 4,099,795
Centergistic Solutions - Mexico	627,934
	4,727,729
Eliminations	(3,042,422)
Total consolidated assets	$ 1,685,307

The following represents the revenues, gross profit and net income (loss) by segment:

	Year Ended June 30, 2006	Year Ended June 30, 2005
Centergistic Solutions		
Revenues	$ 1,629,037	$ 2,019,384
Gross profit	$ 1,333,130	$ 1,662,200
Net income (loss)	$ (295,843)	$ (712,539)
Centergistic Solutions - Mexico		
Revenues	$ 1,540,956	$ 1,380,978
Gross profit	$ 956,104	$ 709,816
Net income (loss)	$ (18,346)	$ 50,472

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CENTERGISTIC SOLUTIONS, INC.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Net Loss Per Share

In accordance with the provisions of SFAS No. 128, "Earnings Per Share," the Company is required to disclose basic and diluted earnings (loss) per share. Basic earnings (loss) per share is computed by dividing net income (loss), by the weighted average number of common shares outstanding during each period. Diluted earnings (loss) per share is similar to basic earnings (loss) per share, except that the weighted average number of common shares outstanding is increased to reflect the dilutive effect of potential common shares, such as those issuable upon the exercise of stock options or warrants, and the conversion of preferred stock or notes payable, as if they had been issued.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less, when acquired, to be cash equivalents.

Reserve for Uncollectible Accounts

Management evaluates accounts receivable periodically for potential uncollectible receivables based on contractual due dates. As of June 30, 2006, management estimated the reserve for uncollectible accounts to be $59,250. The Company does not require collateral on its accounts receivables.

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CENTERGISTIC SOLUTIONS, INC.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and trade accounts receivable.

The Company maintains its domestic cash balances at financial institutions that management believes possess high-credit quality, and related cash balances are insured by the Federal Deposit Insurance Corporation up to $100,000 and the Securities Investor Protection Corporation up to $500,000. At June 30, 2006, the Company did not have any amounts held in banks in excess of federally insured limits.

Management believes that concentrations of credit, with respect to trade receivables, are minimized by the Company's customer base. As of June 30, 2006, the Company's largest customer accounted for 8% of total trade receivables. For each of the years ended June 30, 2006 and 2005, the Company's largest customer accounted for 13% and 20%, respectively, of the total Company net revenues. One other customer with no trade receivable balance at June 30, 2006 accounted for 11% and 0% of revenues for the years ended June 30, 2006 and 2005, respectively. There were no other customers that exceeded 10% of such amounts for each respective period.

As of June 30, 2006, customers of the Company's Mexican subsidiary accounted for 57% of total trade receivables. For each of the years ended June 30, 2006 and 2005, sales to customers of the Company's Mexican subsidiary accounted for 49% and 41%, respectively, of total Company net revenues.

Inventories

Inventories consist primarily of purchased computer hardware and software, which are stated at the lower of cost (specific identification method) or market value.

Property, Equipment, and Leasehold Improvements

Depreciation is provided using the straight-line method over the following estimated useful lives:

Office and computer equipment	3 - 7 years
Trade show equipment	5 - 10 years

Improvements to leased property are amortized over the lesser of the life of the lease, or the estimated life of the improvements. Repairs and maintenance expenditures that do not significantly add to the value of the property, or prolong its life, are charged to expense, as incurred. Gains and losses on dispositions of property and equipment are included in the operating results of the related period.

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CENTERGISTIC SOLUTIONS, INC.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Capitalized Software Development Costs

Research and development, which includes design, development, and testing of new software, software maintenance, and enhancement costs, is expensed as incurred until technological feasibility has been established for the product. Technological feasibility is defined as a completion of detail program design. Thereafter, certain costs, such as coding and testing, are capitalized until the product is available for general release to customers.

Software costs are amortized on a product-by-product basis using the straight-line method over the remaining estimated economic life of the software product, which is typically three to five years. Actual future sales and remaining economic life of the product could differ significantly from these estimates. Amortization of software costs for the years ended June 30, 2006 and 2005 was $81,835 and $81,833, respectively, and is included in general and administrative expenses in the accompanying consolidated statements of operations and comprehensive income (loss).

The following describes the components of capitalized software development costs as of June 30, 2006 and the related estimated lives:

	Date Technological Feasibility Established	Estimated Life
CenterStats	December 2001	5 years
AgentView	June 1999	5 years

The following summarizes the costs capitalized by product as of June 30, 2006:

	June 30, 2006
CenterStats	$ 401,498
AgentView (fully amortized)	307,476
Other fully amortized products	1,144,177
	1,853,151
Accumulated amortization	(1,822,886)
	$ 30,265

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CENTERGISTIC SOLUTIONS, INC.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Deferred Offering Costs

The Company has engaged the services of investment bankers to assist with the potential funding of future operations through private investors. As of June 30, 2006, the Company capitalized a net amount of $540,754 for these services and such are included in the accompanying consolidated balance sheet as deferred offering costs. The remaining capitalized deferred offering costs relate to a pending equity transaction or sale of the public shell. There can be no assurance that the Company will receive funding from private investors or sell the shell. If the Company is able to receive private funding or sell the shell, the deferred offering costs will be offset against the proceeds received; otherwise, such will be expensed when the offering efforts or attempted sale of the shell are terminated.

Fair Value of Financial Instruments

SFAS No. 107, “Disclosures About Fair Value of Financial Instruments,” requires management to disclose the estimated fair value of certain assets and liabilities defined by SFAS No. 107 as financial instruments. Financial instruments are generally defined by SFAS No. 107 as cash and cash equivalents, evidence of ownership interest in equity, or a contractual obligation that both conveys to one entity a right to receive cash or other financial instruments from another entity and imposes on the other entity the obligation to deliver cash or other financial instruments to the first entity. At June 30, 2006, management believes that the carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, other current liabilities, and notes payable approximate fair value because of the short maturity of these financial instruments.

Long-Lived Assets

The Company accounts for the impairment and disposition of long-lived assets in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.” In accordance with SFAS No. 144, long-lived assets to be held are reviewed whenever events or changes in circumstances indicate that their carrying value may not be recoverable. The Company reviews the carrying value of long-lived assets to determine whether or not an impairment to such value has occurred. During the year ended June 30, 2006, management believes that there have been no indicators of impairment.

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CENTERGISTIC SOLUTIONS, INC.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Accounting for Stock-based Compensation

The Company has adopted SFAS No. 123, “Accounting for Stock-based Compensation,” as amended by SFAS No. 148, “Accounting for Stock-based Compensation-Transition and Disclosure,” which establishes financial accounting and reporting standards for stock-based compensation. SFAS No. 123 generally suggests, but does not require, stock-based employee compensation transactions be accounted for based on the fair value of the consideration received, or the fair value of the equity instruments issued, whichever is more reliably measurable. Companies that do not elect to change their accounting for stock-based employee compensation are required to disclose the effect on net income as if the provisions of SFAS No. 123 were followed. The Company has decided to retain the provisions of APB Opinion No. 25, and related interpretations thereof, for recognizing stock-based employee compensation expense, which includes members of the board of directors. Non-employee stock compensation is recorded at fair value in accordance with SFAS No. 123.

In accordance with APB Opinion No. 25, the Company has incurred compensation cost aggregating $76,884 through June 30, 2006 for employee stock option grants, of which $7,452 was recognized in each of fiscal years 2006 and 2005, respectively. Had compensation cost for the employee stock-based compensation awards been determined based on the fair value of awards (the method described in SFAS No. 123), the reported net loss would have been as shown below:

	Years Ended June 30,	
	2006	2005
Net loss, as reported	$ (314,189)	$ (662,067)
Add: Stock compensation expense recorded in accordance with APB Opinion No. 25	7,452	7,452
Deduct: Total stock-based employee compensation expense determined under fair value based method for all stock options, net of related tax effects	(18,052)	(23,644)
Pro forma net loss	$ (324,789)	$ (678,259)

The fair value of each grant is estimated at the grant date using the following assumptions: no stock price volatility; no dividends for all years; risk-free interest rates of 4.39% and 4.00% in fiscal years 2006 and 2005, respectively; and expected lives of ten years for all grants.

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CENTERGISTIC SOLUTIONS, INC.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Income Taxes

The Company utilizes the liability method of accounting for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Deferred income taxes are recognized based on the differences between financial statement and income tax bases of assets and liabilities using the enacted statutory rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes represents the tax payable for the period and the change during the period in deferred tax assets and liabilities.

Revenue Recognition

The Company typically provides bundled software and services through a distributor network. Each component of a bundled solution is separately identified based upon vendor specific objective evidence. The components of revenue are recognized as follows:

§ Software license fees for site licenses and master license agreements are recognized as revenue upon delivery of the software, and when remaining obligations are not significant. The Company's software licensing agreement provides the customer with a 90-day warranty and return provision, including a limited time to test the software. If the customer can prove that the software is not functioning, the Company has the opportunity to remedy the problem and, if not resolved, the customer may return the software. The Company considers the need for a reserve for warranty and returns on a quarterly basis; however, such occurrences have historically not been significant.

§ Advance contract payments for software services, consisting primarily of software maintenance and support, are recorded as deferred income until the services are provided. After the expiration of the software license warranty period, the Company commences recognition of the contract payments ratably over the term of the maintenance period. All subsequent software maintenance and support is billed separately and recognized ratably over the life of the maintenance period.

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CENTERGISTIC SOLUTIONS, INC.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

§ Revenues from software sold to distributors are recognized upon delivery since title passes upon delivery. The distributor is subject to a restocking fee of 10%-25% if an order is returned; however, historically, such returns have been insignificant. Special orders are non-cancelable.

§ Software and service revenues include services related to maintenance, time and materials contracts, installation and training. Such revenues are recognized as the services are rendered.

§ Revenues from the sale of computer and display hardware are recognized upon shipment, which is generally concurrent with the passage of title.

§ Professional services revenues are derived from the services provided by the Company’s consulting business. Such revenues are recognized as the services are rendered.

Recent Accounting Pronouncements

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), “Share-Based Payment”, which is a revision of FASB Statement No. 123, “Accounting for Stock-Based Compensation”. Statement 123(R) supersedes APB Opinion No. 25, “Accounting for Stock Issued to Employees”, and amends FASB Statement No. 95, “Statement of Cash Flows”. Generally, the approach in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statements based on their fair values beginning with fiscal years beginning after December 15, 2005, with early adoption encouraged. The pro forma disclosures previously permitted under SFAS No. 123 no longer will be an alternative to financial statement recognition. Under SFAS No. 123(R), the Company must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The permitted transition methods include either retrospective or prospective adoption. Under the retrospective option, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options at the beginning of the first quarter of adoption of SFAS No. 123(R), while the retrospective methods would record compensation expense for all unvested stock options beginning with the first period presented. The Company is currently evaluating the requirements of SFAS No. 123(R) and expects that adoption of SFAS No. 123(R) will have a material impact on the Company’s consolidated financial position and consolidated results of operations. The Company has not yet determined the method of adoption or the effect of adopting SFAS No. 123(R), and it has not determined whether the adoption will result in amounts that are similar to the current pro forma disclosures under SFAS No. 123.

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CENTERGISTIC SOLUTIONS, INC.

Notes to Consolidated Financial Statements (continued)

3. Income Taxes

Net deferred income taxes as of June 30, 2006 consist of the following components:

Deferred tax liabilities:		
Capitalized software development costs	$	(45,800)
Deferred tax assets:		
Net operating loss carryforwards		763,000
Accrued expenses		10,500
Allowance for doubtful accounts		8,800
Stock-based compensation		45,800
Depreciation and amortization		2,000
		830,100
Less valuation allowance		(784,300)
Net deferred tax assets (liabilities)	$	—

Components of income tax provision for the years ended June 30 are as follows:

		2006		2005
Current:				
Federal	$	—	$	—
State		3,200		3,200
		3,200		3,200
Deferred:				
Federal	$	—	$	—
State		—		—
		—		—
	$	3,200	$	3,200

The income tax provision for the years ended June 30 differs from the amount of income tax determined by applying the statutory income tax rate due to the following:

		2006		2005
Computed expected statutory expense (benefit)	$	(95,600)	$	(225,100)
Increase in rate resulting from:				
State income taxes, net of federal benefit		3,200		2,100
		91,500		172,600

Change in valuation allowance				
Other		4,100		53,600
	$	3,200	$	3,200

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CENTERGISTIC SOLUTIONS, INC.

Notes to Consolidated Financial Statements (continued)

3. Income Taxes (continued)

The Company's Mexican subsidiary was reorganized in 1997 to be treated for U.S. tax purposes as a pass-through entity. For Mexican tax purposes, this subsidiary files separate income tax returns, which include only the taxable income of that subsidiary. The U.S. federal income tax return includes only domestic taxable income.

At June 30, 2006 the Company had federal and state net operating loss carryforwards of approximately $3.8 million and $2.3 million, respectively, expiring through 2021 and 2011, respectively. Realization of future tax benefits from utilization of the net operating loss carryforwards may be subject to certain limitations if ownership changes occur in the future. At June 30, 2006, the Company had fully reserved for the net deferred tax assets since management could not determine that they are more likely than not to be realized.

4. Related Party Borrowings

On November 30, 2004, and as amended on March 31, 2005, the Company entered into a line of credit agreement with Venture Communications, a shareholder and related party. The terms of the agreement call for a maximum advance of $400,000 secured by a lien on all the assets of the Company. Interest on the advances are payable monthly at 10% per annum. Advances and unpaid interest on the line were due July 1, 2005, but subsequently amended to July 1, 2006. On October 12, 2005, the due date was extended to July 1, 2007.

Advances on the line are personally guaranteed in equal amounts by the CEO and President/COO/CFO of the Company. The balance of the line at June 30, 2006 is $396,000.

On April 16, 2004, the Company entered into a note payable with one of its employees for $5,000. Such note bears interest at 6% and the principal and interest are due and payable on demand. This note is secured by all of the assets of the Company.

On December 31, 2002, the Company entered into two notes payable to two of its officers for an aggregate $24,975. Such notes bear interest at 6% and the principal and interest are due and payable on demand. These notes are secured by all of the assets of the Company.

In July 2003, the Company agreed to purchase 148,328 shares of common stock from a former employee for $44,220 and issued a secured promissory note payable in such amount. The note bears interest at 5% per annum, and monthly payments in the amount of $2,750 commenced October 1, 2003. As each payment is made, the Company may cancel and retire 8,728 shares. Payment of the note is secured by substantially all of the Company's assets. The balance of the note at June 30, 2006 is $18,022.

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CENTERGISTIC SOLUTIONS, INC.

Notes to Consolidated Financial Statements (continued)

5. Commitments and Contingencies

Lease Commitments

The Company leases office space and certain office equipment under various operating leases, which expire on various dates through 2008. Total rent expense for the years ended June 30, 2006 and 2005 was $148,492, and $159,451, respectively.

As of June 30, 2006, future commitments under noncancelable operating leases are as follows:

Year Ending June 30,	
2007	$ 67,038
2008	13,368
2009	8,514
2010	7,140
2011	3,018
	$ 99,078

Off-Balance Sheet Arrangement

The Company provides indemnifications of varying scope and size to certain customers against claims of intellectual property infringement made by third parties arising from the use of the Company's products. Management evaluates estimated losses for such indemnifications under SFAS No. 5, "Accounting for Contingencies," as interpreted by FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees." Management considers such factors as the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of the loss. As of June 30, 2006, the Company has not encountered material costs as a result of such obligations and has not accrued any liabilities related to such indemnifications in the accompanying consolidated financial statements.

401(k) Plan

The Company offers a 401(k) plan to all employees with at least three months of service and will match 50% of each employee's contributions, up to 4% of the employee's salary. The Company paid $7,833 and $17,289 in matching contributions for the years ended June 30, 2006 and 2005, respectively.

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CENTERGISTIC SOLUTIONS, INC.

Notes to Consolidated Financial Statements (continued)

5. Commitments and Contingencies (continued)

Employee Stock Ownership Plan

The Company has an employee stock ownership plan ("ESOP"), which covers substantially all employees. A portion of the costs of administrating the ESOP are borne by the Company. Annual contributions to the employee stock ownership trust (the "Trust"), which may be made in cash or common stock of the Company, are made at the discretion of the Company's board of directors. Participants become 20% vested in their account balances after three years of continuous service, and 20% per year thereafter, and become fully vested upon completion of seven years of service. The Company made no contributions to the ESOP during the years ended June 30, 2006 and 2005. Substantially all of the Trust's assets are invested in the common stock of the Company.

In the event that a terminated plan participant desires to sell his or her shares of the Company's stock, the Company may be required to repurchase the shares from the participant at their fair market value. There were no such shares purchased by the Company during the years ended June 30, 2006 and 2005. The estimated fair value of the 2,031,792 shares owned by the ESOP at June 30, 2006, including those shares not vested, is approximately $731,600, which is based upon an independent appraisal as of June 30, 2004.

Employment Agreements

In May 1988, the Company entered into an employment agreement with its CEO and director, pursuant to which this individual is currently entitled to receive monthly compensation of $19,500. He is also entitled to health insurance and other employee benefits generally available to other employees. His employment agreement as amended, terminates on the conclusion of his employment. If the Company terminates him without cause, his employment agreement provides that he is entitled to continue to receive the monthly salary for one year after termination.

In May 2005, the Company entered into an employment agreement with its President/COO/CFO and director, pursuant to which this individual is currently entitled to receive annual compensation of not less than $112,000 per year. He is also entitled to health insurance and other benefits generally available to other employees. His employment agreement terminates on June 30, 2008, unless sooner if terminated upon the occurrence of certain events specified therein. If the Company terminates him without cause, his employment agreement provides that he is entitled to continue to receive the monthly salary for one year after termination.

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CENTERGISTIC SOLUTIONS, INC.

Notes to Consolidated Financial Statements (continued)

6. Stockholders' Equity

Stock Option Plans

The stockholders of the Company have approved the Centergistic Solutions, Inc. Incentive Stock Option Plan (the "Plan"), which provides for the issuance of up to 2,800,000 shares of its common stock. Options granted under the Plan are not exercisable until two years after they are issued and expire ten years after the date of issue. The options vest at a rate of 25% per year over a four-year period. At June 30, 2006, 687,000 shares were available for grant under the terms of this Plan.

In January 1998, the stockholders of the Company approved a nonqualified stock option plan for the directors of the Company. The plan provides for issuance of up to 800,000 shares of its common stock to directors. Options are granted based on attendance at board meetings. At June 30, 2006, 476,800 shares were available for grant under the terms of this plan.

A summary of the status of the plans, and changes during the year ended June 30, is as follows:

	2006		2005	
Fixed Options	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	2,623,400	$ 0.53	2,418,800	$ 0.56
Granted	83,200	0.36	537,200	0.42
Expired	(270,400)	(0.60)	(332,600)	(0.42)
Outstanding at end of period	2,436,200	$ 0.51	2,623,400	$ 0.53
Exercisable at end of period	1,649,500	$ 0.57	1,638,600	$ 0.61
Weighted average fair value of options granted during the period		$ 0.36		$ 0.42

A summary of stock options outstanding at June 30, 2006 is as follows:

	Options Outstanding			Options Exercisable	
Fixed Options	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.30 to $0.47	1,487,400	7.10	$ 0.38	700,700	$ 0.37
$0.52 to $0.79	948,800	2.15	0.71	948,800	0.71
	2,436,200		$ 0.51	1,649,500	$ 0.57

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CENTERGISTIC SOLUTIONS, INC.

Notes to Consolidated Financial Statements (continued)

6. Stockholders' Equity (continued)

Common Stock Purchase Warrants

In conjunction with a subordinated debt financing with a related party in 1998, the Company issued warrants to purchase 480,000 shares of common stock at $0.676 per share, which are exercisable at any time prior to September 2005. All of these warrants expired in September 2005.

In connection with the agreement to sell the rights to the proceeds from an outstanding lawsuit in fiscal year 2001, the Company issued warrants (the "Fiscal 2001 Warrants") to purchase 4,528,000 shares of common stock at $0.4375 per share, which are exercisable at any time prior to September 2005. Pursuant to the terms of the Fiscal 2001 Warrants, should the Company issue a warrant or stock option to any person or entity who is not an employee, director or consultant of the Company providing for an exercise price of less than $0.654 per share, then the exercise price of the Fiscal 2001 Warrants shall be reduced to 110% of the lowest such exercise price (the "Anti-dilution Provision") (Note 7). In accordance with the provisions of SFAS No. 123, the value of the Fiscal 2001 warrants was estimated to be $101,332. All of these warrants expired in September 2005.

In connection with the personal guarantee of the line of credit (Note 4), the Company issued warrants to the CEO and the President/COO/CFO to purchase 111,110 shares of common stock at $0.36 per share, which are exercisable at any time prior to January 19, 2010. In accordance with the provisions of SFAS No. 123, the value of these warrants was estimated to be $6,570. All of the warrants were outstanding at June 30, 2006.

See Note 7 for discussion of additional stock purchase warrants.

7. Private Placement of Debt

During the year ended June 30, 2004, the Company entered into a total of 16 Note and Warrant Purchase Agreements (the "Agreements"). Under the Agreements, the lenders agreed to loan the Company an aggregate $490,000 ($30,000 of which was issued upon conversion of accounts payable) in exchange for convertible subordinated promissory notes (the "Notes"). The Notes, excluding all accrued interest, were convertible into shares of common stock of the Company. The principal amount of the Notes were convertible at any time, at the option of the holder, at a price of $0.3975 per share. The Notes were to automatically convert upon the earlier of the following events: i) the first anniversary date of the Notes or ii) 30 days from the effective date of a registration statement filed by the Company under the Securities Act of 1933, as amended, and the trading of the Company's common stock on the OTC Bulletin Board. Interest accrued at a rate of 6% per annum was payable in arrears on February 1, 2004, May 1, 2004 and

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CENTERGISTIC SOLUTIONS, INC.

Notes to Consolidated Financial Statements (continued)

7. Private Placement of Debt (continued)

August 1, 2004. The notes contained a beneficial conversion feature, the value of which has been determined to be $8,618. Such was recorded as a component of the debt discount and was accreted as non-cash interest expense over the term of the Notes. Of the aggregate loan amount of $490,000, an aggregate $70,000 was loaned by two officers and a relative of an officer with an aggregate of 10,576 warrants being issued to such individuals. Pursuant to agreements reached with all the note holders, these Notes were converted into common stock issuable on June 15, 2004. These shares were subsequently issued in August 2004.

In consideration for entering into the Notes, the Company also issued warrants (the "Notes Warrants") entitling the note holder to purchase shares up to an aggregate of 74,016 shares of the Company's common stock that were to be received by the note holder upon conversion of the Notes discussed above. The Notes Warrants are exercisable in whole, but not in part, at any time from the date of issuance of the Notes Warrants and ending on August 31, 2005 at a price of $0.3975 per share of common stock. The Company estimated the value of these warrants at $8,618, which was accreted as non-cash interest expense over the term of the Notes, and were fully amortized upon conversion of the Notes. All of the Notes Warrants expired in August 2005.