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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2008

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

For the transition period from_________, 20__, to________, 20__.

Commission File Number: 000-31395

VillageEDOCS, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**33-0668917**
(State or Other Jurisdiction of Incorporation or Organization)	I.R.S. Employer Identification Number
1401 N. Tustin Ave, Ste. 230, Santa Ana, California 92705	**(714) 734-1030**
(Address of principal executive offices)	(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES **X** NO ______

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

Large Accelerated Filer ____ Accelerated Filer ____ Non-accelerated filer ____ (Do not check if a smaller reporting company) Smaller reporting company X

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

YES ______ NO **X**

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Exchange Act subsequent to the distribution of securities under a plan confirmed by a court.

YES ______ NO ______

APPLICABLE ONLY TO CORPORATE ISSUERS

There were 174,770,913 shares of the Registrant's common stock outstanding as of October 31, 2008

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PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

VillageEDOCS, Inc. and subsidiaries

Condensed Consolidated Balance Sheets

	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)
ASSETS		
Current assets:		
Cash	$ 1,033,836	$ 749,911
Accounts receivable, net of allowance for doubtful accounts of approximately $39,000 and $49,000, respectively	1,337,519	899,117
Inventories	38,054	31,988
Prepaid expenses and other current assets	175,677	193,557
Debt issuance costs, net	71,550	-
Total current assets	2,656,636	1,874,573
Property and equipment, net	428,196	379,192
Other assets	60,617	48,611
Goodwill	8,670,898	6,272,457
Other intangibles, net	2,639,658	2,993,449
	$ 14,456,005	$ 11,568,282
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 627,781	$ 561,845
Accrued expenses	2,171,932	2,491,416
Deferred revenue	1,017,838	425,636
Capital lease obligations, current	20,947	19,008
Lines of credit	1,014,561	484,680
Notes payable to related parties, current	635,000	-
Convertible note and accrued interest payable to related party	176,745	171,870
Total current liabilities	5,664,804	4,154,455
Capital lease obligations, net of current portion	5,830	21,918
Notes payable to related parties, net of current portion	680,000	-
Total liabilities	6,350,634	4,176,373
Commitments and contingencies		
Stockholders' equity:		
Series A Preferred stock, par value $0.001 per share:		
Authorized -- 48,000,000 shares		
Issued and outstanding -- 33,500,000 shares (liquidation preference of $1,675,000)	33,500	33,500
Common stock, par value $0.0001 per share:		
Authorized -- 500,000,000 shares		
Issued and outstanding – 174,770,913 and 152,770,913 shares, respectively	17,477	15,277
Additional paid-in capital	33,441,547	32,397,585
Accumulated deficit	(25,387,153)	(25,054,453)
Total stockholders' equity	8,105,371	7,391,909
	$ 14,456,005	$ 11,568,282

See accompanying notes to unaudited condensed consolidated financial statements.

VillageEDOCS, Inc. and subsidiaries

Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	**2007**	**2008**	**2007**
Net sales	$ 4,273,114	$ 3,582,554	$ 10,965,907	$ 10,176,538
Cost of sales	1,661,614	1,362,671	4,444,651	3,801,742
Gross profit	2,611,500	2,219,883	6,521,256	6,374,796
Operating expenses:				
Product and technology development	448,322	420,324	1,219,705	1,339,694
Sales and marketing	492,427	483,310	1,434,132	1,554,703
General and administrative	1,207,825	1,166,269	3,597,800	3,953,982
Depreciation and amortization	188,378	200,905	554,153	605,671
Total operating expenses	2,336,952	2,270,808	6,805,790	7,454,050
Income (loss) from operations	274,548	(50,925)	(284,534)	(1,079,254)
Interest expense, net of interest income	(62,851)	(32,425)	(175,674)	(89,694)
Other income (expense), net	49,968	6,877	103,371	(47,462)
Income (loss) before provision for income taxes	261,665	(76,473)	(356,837)	(1,216,410)
Benefit (provision) for income taxes	57,135	11,162	24,137	(14,910)
Income (loss) from continuing operations	318,800	(65,311)	(332,700)	(1,231,320)
Income from discontinued operations	-	22,042	-	208,214
Net income (loss)	$ 318,000	$ (43,269)	$ (332,700)	$ (1,023,106)
Net income (loss) available to common shareholders:				
Basic	$ 318,800	$ (65,311)	$ (332,700)	$ (1,231,320)
Diluted	$ 318,800	$ (65,311)	$ (332,700)	$ (1,231,320)
Basic earnings (loss) per share:				
Income (loss) from continuing operations	$ -	$ -	$ -	$ (0.01)
Income from discontinued operations	$ -	$ -	$ -	$ -
Net earnings (loss) per share, basic	$ -	$ -	$ -	$ (0.01)
Diluted earnings (loss) per share:				
Income (loss) from continuing operations	$ -	$ -	$ -	$ (0.01)
Income from discontinued operations	$ -	$ -	$ -	$ -
Net earnings (loss) per share, diluted	$ -	$ -	$ -	$ (0.01)
Weighted average shares outstanding -				
Basic	167,118,739	151,187,580	157,606,078	149,380,374
Diluted	201,883,203	151,187,580	157,606,078	149,380,374

See accompanying notes to unaudited condensed consolidated financial statements.

VillageEDOCS, Inc. and subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30, 2008	2007
Cash Flows from Operating Activities:		
Net loss	$ (332,700)	$ (1,023,106)
Adjustments to reconcile net loss to net cash provided by		
(used in) operating activities:		
Depreciation and amortization	554,153	715,665
Recovery of doubtful accounts receivable	(10,000)	(27,000)
Estimated fair value of stock options issued to		
employees for services rendered	221,016	655,409
Estimated fair value of warrants issued to consultants	75,485	8,332
Common stock issued to employees and non-employees		
for services rendered	-	76,211
Amortization of debt discount and debt issuance costs	143,111	11,007
Changes in operating assets and liabilities, net of		
acquisitions and divestitures:		
Accounts receivable	(118,515)	(333,425)
Inventories	(6,066)	21,134
Prepaid expenses and other current assets	(22,672)	(78,375)
Other assets	-	(11,068)
Accounts payable	(18,555)	(104,201)
Accrued expenses and interest	(428,206)	135,471
Deferred revenue	147,797	(94,522)
Net cash provided by (used in) operating activities	204,848	(48,468)
Cash Flows from Investing Activities:		
Purchases of property and equipment	(111,761)	(132,470)
Cash paid in acquisition of QSI, net of cash acquired	(286,435)	-
Costs incurred for purchase of QSI	(227,291)	-
Cash acquired from sale of PFI	53,832	-
Net cash used in investing activities	(571,655)	(132,470)
Cash Flows from Financing Activities:		
Proceeds from lines of credit, net of repayments	429,881	491,146
Proceeds from warrant exercise	-	200,000
Cash paid for debt issuance costs	(65,000)	-
Payments on capital lease obligation	(14,149)	(25,867)
Proceeds from issuance of note payable to related party	300,000	-
Principal payments on notes payable to related parties	-	(30,000)
Principal payments on convertible notes to related parties	-	(200,000)
Net cash provided by financing activities	650,732	435,279
Net change in cash	283,925	254,341
Cash, beginning of period	749,911	568,819
Cash, end of period	$ 1,033,836	$ 823,160
Supplemental disclosure of cash flow information -		
Cash paid during the period for:		
Interest	$ 46,866	$ 73,810
Income taxes	$ 172,340	$ 26,072

continued…

Supplemental Schedule of Noncash Investing and Financing Activities:	Nine Months Ended September 30, 2008	2007
Issuance of common stock as acquisition cost	$ 2,200	$ 92,400
Issuance of note payable to related party in acquisition	$ 900,000	$ -
Estimated fair value of common stock issued in connection with acquisition	$ 547,800	$ -
Acquisition of property and equipment through capital lease obligation	$ -	$ 63,175
Estimated fair value of warrants issued as debt issuance costs	$ 149,661	$ -
Reclassification of warrant from accrued liabilities to additional paid-in capital	$ 50,000	$ -

See accompanying notes to unaudited condensed consolidated financial statements.

VillageEDOCS, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2008 and 2007

1. Management's Representation

The accompanying unaudited condensed consolidated financial statements have been prepared by VillageEDOCS, Inc. (the "Company" or "VillageEDOCS")) in accordance with accounting principles generally accepted in the United States of America for interim financial information, and pursuant to the instructions to Form 10-Q and Article 8 of Regulation S-X promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statement presentation. In the opinion of management, all adjustments (consisting primarily of normal recurring accruals) considered necessary for a fair presentation have been included. These financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2007, contained in the Company's Annual Report on Form 10-KSB, as filed with the SEC.

2. Background, Organization and Basis of Presentation

The Company was incorporated in 1995 in Delaware, reincorporated in California in 1997, and reincorporated in Delaware in September 2007. The Company has historically operated an electronic document delivery service marketed to organizations throughout the United States and internationally. On February 17, 2004, the Company acquired Tailored Business Systems, Inc. ("TBS"). TBS provides various programming, processing and printing services to governmental entities, including installing software, hardware, printing and mailing of property tax forms. On June 16, 2004, the holders of a majority of the voting capital stock of the Company voted to approve a Plan of Restructuring that included the reorganization of the Company's electronic document delivery business into a wholly owned subsidiary of the Company. In connection with the reorganization, the Company formed MessageVision, Inc. ("MVI") on October 25, 2004. Effective April 1, 2005, the Company acquired Phoenix Forms, Inc. dba Resolutions ("PFI" or "Resolutions"), which it subsequently sold effective December 1, 2007. Effective May 1, 2006, the Company acquired GoSolutions, Inc. ("GSI"). GSI provides enhanced voice and data communications services including speech-driven messaging, unified communications, and audio conferencing applications. Effective August 1, 2008, the Company acquired Decision Management Company, Inc. dba Questys Solutions ("QSI" or "Questys"). QSI provides products and services for document and content management, automated data capture, electronic agenda management, and business process workflow. The unaudited condensed consolidated financial statements include the accounts of the Company and those of MVI, TBS, Resolutions, GSI, and QSI, its wholly owned subsidiaries, since October 25, 2004, February 17, 2004, April 1, 2005, May 1, 2006, and August 1, 2008, respectively. The results of operations of Resolutions are included in discontinued operations for the three and nine months ended September 30, 2007. See Note 5 for additional information regarding the accounting for Resolutions as a discontinued operation and for information regarding the Company's acquisition of QSI. All significant inter-company transactions and balances have been eliminated in consolidation.

3. Going Concern

The accompanying unaudited condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred significant losses since inception, and has a working capital deficit ($3,008,168 at September 30, 2008). The Company's losses are continuing and are expected to continue until such time as the Company is able to sufficiently expand its existing businesses or is able to consummate business combination transactions with other businesses whose profits are sufficient to offset any ongoing losses from operating the holding company that owns QSI, GSI, TBS and MVI.

The Company's success is dependent upon numerous items, certain of which are the successful growth of revenues from its products and services, its ability to obtain new customers in order to achieve levels of revenues adequate to support the Company's current and future cost structure, and its success in obtaining financing for equipment and operations, for which there is no assurance. Unanticipated problems, expenses, and delays are frequently encountered in establishing and maintaining profitable operations. These include, but are not limited to, competition, the need to develop customer support capabilities and market expertise, setbacks in product development, technical difficulties, market acceptance and sales and marketing. The failure of the Company to meet any of these conditions could have a materially adverse effect on the Company and may force the Company to reduce or curtail operations. No assurance can be given that the Company can achieve or maintain profitable operations.

The Company believes it will have adequate cash and available borrowing under its lines of credit to maintain operations until it achieves sustained profitability. However, until the Company has a history of maintaining revenue levels sufficient to support its operations and repay its working capital deficit, the Company may require additional financing. Sources of financing could include capital infusions, additional equity financing or debt offerings. Should such cash flows continue to decrease for any reason, management plans to obtain debt and equity financing from new and existing stockholders. There can be no assurance that funding will be available on acceptable terms, if at all, or that such funds, if raised, would enable the Company to achieve or sustain profitable operations.

These factors raise substantial doubt about the Company's ability to continue as a going concern. The unaudited condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the classification of liabilities that might result from the outcome of these uncertainties.

4. Summary of Significant Accounting Policies

Segments of an Enterprise and Related Information

The Company has adopted Statement of Financial Accounting Standards ("SFAS") No. 131, *Disclosures about Segments of an Enterprise and Related Information*. SFAS No. 131 requires the Company to report information about segments of its business in annual financial statements and requires it to report selected segment information in its quarterly reports issued to stockholders. SFAS No. 131 also requires entity-wide disclosures about the products and services that an entity provides, the material countries in which it holds assets and reports revenues and its major customers. The Company's five reportable segments are managed separately based on fundamental differences in their operations. At September 30, 2008, the Company operated in the following five reportable segments (see Note 10):

(a) Electronic document delivery services,
(b) Government accounting solutions,
(c) Electronic content management solutions,
(d) Integrated communications, and
(e) Corporate.

The Company evaluates performance and allocates resources based upon operating income. The accounting policies of the reportable segments are the same as those described in this summary of significant accounting policies.

Concentration of Credit Risk

The Company extends credit to its customers and performs ongoing credit evaluations of such customers. The Company does not obtain collateral to secure its accounts receivable. MVI and GSI generally require a valid credit card or ACH debit account to collateralize credit extended to non-corporate clients. The Company evaluates its accounts receivable on a regular basis for collectibility and provides for an allowance for potential credit losses as deemed necessary. At September 30, 2008 and December 31, 2007, the Company has recorded an allowance for doubtful accounts of approximately $39,000 and $49,000, respectively.

For the three months ended September 30, 2008 and 2007, independent representatives of one enterprise accounted for approximately 21% and 27% of total revenues, respectively.

For the nine months ended September 30, 2008 and 2007, independent representatives of one enterprise accounted for approximately 25% and 28% of total revenues, respectively.

No single customer accounted for more than 10% of accounts receivable at September 30, 2008 or December 31, 2007.

At September 30, 2008 and December 31, 2007, the Company had amounts on deposit with financial institutions in excess of the federally insured limits of $100,000, which approximated $301,000 and $410,000, respectively. Subsequent to September 30, 2008, the federally insured limit was increased to $250,000.

Use of Estimates in the Preparation of Financial Statements

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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by management are, among others, the realizability of accounts receivable, inventories, recoverability of long-lived assets, and valuation of stock options, warrants, and deferred taxes. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, ranging from three to seven years. Equipment under capital lease obligations is depreciated over the shorter of the estimated useful life or the term of the lease. Major betterments and renewals are capitalized, while routine repairs and maintenance are charged to expense when incurred.

Revenue Recognition

The Company recognizes revenue in accordance with Staff Accounting Bulletin ("SAB") No. 101, *Revenue Recognition in Financial Statements*, as revised by SAB No. 104. As such, the Company recognizes revenue when persuasive evidence of an arrangement exists, title transfer has occurred, or services have been performed, the price is fixed or readily determinable and collectibility is probable. Sales are recorded net of sales discounts.

The Company has adopted Statement of Position ("SOP") 97-2, *Software Revenue Recognition*, as well as SOP 98-9, *Modification of SOP 97-2, Software Revenue Recognition with Respect to Certain Transactions*" The SOPs generally require revenue earned on software arrangements involving multiple elements to be allocated to each element based on the relative fair market values of each of the elements. The fair value of an element must be based on vendor-specific objective evidence ("VSOE") of fair value. Software license revenue generated by TBS, QSI and Resolutions (through the date of disposal – see Note 5), allocated to a software product is recognized upon delivery of the product, or deferred and recognized in future periods to the extent that an arrangement includes one or more elements that are to be delivered at a future date and for which VSOE has not been established. Maintenance and support revenue is recognized ratably over the maintenance term. First-year maintenance typically is sold with the related software license and renewed on an annual basis thereafter. Estimated fair values of ongoing maintenance and support obligations are based on separate sales of renewals to other customers or upon renewal rates quoted in the contracts. For such arrangements with multiple obligations, the Company allocates revenue to each component of the arrangement based on the estimated fair value of the undelivered elements. Fair value of services, such as consulting or training, is based upon separate sales of these services. The Company at times may enter into multiple-customer contracts in which the Company allocates revenue based on the number of specified users at each customer, and recognizes revenue upon customer acceptance and satisfying the other applicable conditions of the above described accounting policy.

Services revenue is recognized as the service is performed assuming that sufficient evidence exists to estimate the fair value of the services. Consulting and training services are billed based on contractual hourly rates and revenues are recognized as the services are performed. Consulting services primarily consist of implementation services related to the installation of the Company's products which do not require significant customization to or modification of the underlying software code.

Revenue from subscription agreements consists of fixed monthly fees and usage charges, generally based on per minute rates. Subscription agreement revenue related to MVI and GSI usage service charges are billed monthly in arrears and the associated revenues are recognized in the month of service. Recurring charges for the GoSolo (TM) platform are billed in advance on a monthly basis and recorded as deferred revenues. The Company recognizes subscription agreement revenue ratably over the service period, which management believes approximates the actual provision of services. Professional service fee revenue consists of consulting fees charged to enterprise clients for GoSolo(TM) platform enhancements. The Company recognizes professional service fee revenue on a time and materials basis over the service period, which management believes approximates the actual provision of services. Wholesale enhanced voicemail services consists of fees charged to telecommunications providers for use of the GoSolo(TM) platform to provide their customers with hosted electronic voicemail, billed monthly in arrears and the associated revenues are recognized in the month of service.

Significant management judgments and estimates must be made in connection with determination of the revenue to be recognized in any accounting period. If the Company made different judgments or utilized different estimates for any period, material differences in the amount and timing of revenue recognized could result.

Product and Technology Development

Product and technology development expense includes personnel costs relating to developing the features, content and functionality of QSI’s electronic content management solutions, MVI's internet-enabled fax services and web site, TBS's government accounting software, and GSI's communications services. Product and technology development costs are expensed as incurred.

Risks and Uncertainties

The Company operates in industries that are subject to intense competition, government regulation and rapid technological change. The Company’s operations are subject to significant risks and uncertainties including financial, operational, technological, regulatory and other risks associated with an expanding business, including the potential risk of business failure.

Fair Value of Financial Statements

The Company’s financial instruments consist principally of cash, accounts receivable, accounts payable, accrued expenses, capital lease obligations and debt instruments. Pursuant to SFAS No. 157, *Fair Value Measurements*, the fair value of the Company’s cash equivalents and investments in marketable securities is determined based on “Level 1” inputs, which consist of quoted prices in active markets for identical assets. The Company believes that the carrying values of all other financial instruments approximate their current values due to their nature and respective durations.

Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing loss available to common stockholders by the weighted average number of common shares assumed to be outstanding during the period of computation. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential shares had been issued and if the additional common shares were dilutive. All potentially dilutive shares, approximately 37,455,000 and 33,915,000 of potentially dilutive shares for the nine months ended September 30, 2008 and 2007, respectively, have been excluded from diluted loss per share, as their effect would be anti-dilutive for the periods then ended.

The following table reconciles basic earnings per share and diluted earnings per share and the related weighted average number of shares outstanding for the three months ended September 30, 2008.

	Numerator (Income)	Denominator (Shares)	Per Share Amount
Basic EPS:			
Net income	$ 318,800	-	$ -
Income available to common shareholders	$ 318,800	167,118,739	$ -
Effect of dilutive securities:			
Convertible note payable to related party	-	1,262,464	-
Convertible preferred stock	-	33,500,000	-
Diluted EPS:			
Income available to common shareholders plus assumed exercises	$ 318,800	201,883,203	$ -

Software Development Costs

The Company capitalizes software development costs pursuant to SFAS No. 86, *Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed*, after technological feasibility of the software is established, which is generally the completion of a working prototype and ends upon general release of the product to the Company's customers. All costs incurred in the research and development of new software and costs incurred prior to the establishment of technological feasibility are expensed as incurred. Capitalized costs consist of direct costs and allocated overhead associated with the development of the software products. Amortization of software development costs commences when the product becomes available for general release to customers and is computed based on the straight-line method over the software's estimated economic life of approximately three years. The Company reviews the unamortized software development costs at each balance sheet date and, if necessary, will write down the balance to net realizable value if the unamortized costs exceed the net realizable value of the asset. At September 30, 2008, management determined that no impairment existed.

Stock-Based Compensation

At September 30, 2008, the Company had two stock-based compensation plans.

The Company has adopted SFAS No. 123 (revised 2004), *Share-Based Payment*, ("SFAS 123(R)") which establishes standards for the accounting of transactions in which an entity exchanges its equity instruments for goods or services, primarily focusing on accounting for transactions where an entity obtains employee services in share-based payment transactions. SFAS 123(R) requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments, including stock options, based on the grant-date fair value of the award and to recognize it as compensation expense over the period the employee is required to provide service in exchange for the award, usually the vesting period. In March 2005, the United States Securities and Exchange Commission ("SEC" or "Commission") issued Staff Accounting Bulletin ("SAB") No. 107 *Share-Based Payment* ("SAB 107") relating to SFAS 123(R). The Company has applied the provisions of SAB 107 in its adoption of SFAS 123(R).

SFAS 123(R) requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's consolidated statements of operations.

Stock-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. Stock-based compensation expense recognized in the Company's unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2008 and 2007 included compensation expense for share-based payment awards granted prior to, but not yet vested as of December 31, 2005 based on the grant date fair value estimated in accordance with the pro forma provisions of SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"), and compensation expense for the share-based payment awards granted subsequent to December 31, 2005 based on the grant date fair value estimated in accordance with the provisions of SFAS 123(R). As stock-based compensation expense recognized in the unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2008 and 2007 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The estimated average forfeiture rates for the three and nine months ended September 30, 2008 and 2007 were based on historical forfeiture experience and estimated future employee forfeitures.

SFAS 123(R) requires the cash flows resulting from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options to be classified as financing cash flows. Due to the Company's loss position, there were no such tax benefits during the nine months ended September 30, 2008 and 2007.

Description of Plans

The Company's stock option plans provide for grants of options to employees and directors of the Company to purchase the Company's shares, as determined by management and the board of directors, at the fair value of such shares on the grant date. The options generally vest over a five-year period beginning on the grant date and have a seven-year term. As of September 30, 2008, the Company is authorized to issue up to 95,000,000 shares under these plans and has approximately 54,000,000 shares available for future issuances.

Summary of Assumptions and Activity

The fair value of stock-based awards to employees and directors is calculated using the Black-Scholes option pricing model even though the model was developed to estimate the fair value of freely tradeable, fully transferable options without vesting restrictions, which differ significantly from the Company's stock options. The Black-Scholes model also requires subjective assumptions, including future stock price volatility and expected time to exercise, which greatly affect the calculated values. The expected term of options granted is derived from historical data on employee exercises and post-vesting employment termination behavior. The risk-free rate selected to value any particular grant is based on the U.S. Treasury rate that corresponds to the pricing term of the grant effective as of the date of the grant. The expected volatility is based on the historical volatility of the Company's stock price. These factors could change in the future, affecting the determination of stock-based compensation expense in future periods. The fair value of options granted was estimated using the following weighted average assumptions:

	Nine Months Ended September 30,	
	2008	2007
Stock options:		
Expected term (in years)	6.0	5.0
Expected volatility	264%	360% - 382%
Risk-free interest rate	3.18%	4.86%
Expected dividends	-	-

A summary of option activity as of September 30, 2008 and changes during the nine months then ended, is presented below:

	September 30, 2008			
		Weighted-Average		
	Shares	Exercise Price	Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding at January 1, 2008	37,230,669	$0.21		
Options granted	12,360,000	$0.06		
Options forfeited	(9,047,792)	$0.16		
Options exercised	-	$ -		
Options outstanding at September 30, 2008	40,542,877	$0.17	5.3	$ -
Options vested or expected to vest at September 30, 2008	37,921,661	$0.16	5.2	$ -
Options exercisable at September 30, 2008	25,391,337	$0.23	4.5	$ -

The weighted average grant date fair value of options granted during the nine months ended September 30, 2008 was $0.04 per option. Upon the exercise of options, the Company issues new shares from its authorized shares.

As of September 30, 2008, there was approximately $912,269 of total unrecognized compensation cost, net of forfeitures, related to employee and director stock option compensation arrangements. That cost is expected to be recognized on a straight-line basis over the next 3.6 weighted average years. The total fair value of vested options issued to employees and directors during the three and nine months ended September 30, 2008 was $98,604 and $221,016, respectively, net of estimated forfeitures, which was recorded as general and administrative expense in the accompanying unaudited condensed consolidated statements of operations. The total fair value of vested options issued to employees and directors during the three and nine months ended September 30, 2007 was $200,923 and $655,409, respectively, net of estimated forfeitures, which was recorded as general and administrative expense in the accompanying unaudited condensed consolidated statements of operations.

Inventories

Inventories consist primarily of supplies, forms, envelopes, and software licenses purchased for resale. Cost is determined on a first-in, first-out basis. The Company periodically reviews its inventory quantities on hand and adjusts for excess and obsolete inventory based primarily on historical usage rates and its estimated forecast of product demand. Actual demand may differ from the Company's estimates. Once established, write-downs of inventory are considered permanent adjustments to the basis of the excess or obsolete inventory.

Goodwill and Other Intangible Assets

Goodwill represents the excess of acquisition cost over the net assets acquired in a business combination and is not amortized in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets.* The provisions of SFAS No. 142 require that the Company allocate its goodwill to its various reporting units, determine the carrying value of those businesses, and estimate the fair value of the reporting units so that a two-step goodwill impairment test can be performed. In the first step of the goodwill impairment test, the fair value of each reporting unit is compared to its carrying value. Management reviews, on an annual basis, the carrying value of goodwill in order to determine whether impairment has occurred. Impairment is based on several factors including the Company's projection of future discounted operating cash flows. If an impairment of the carrying value were to be indicated by this review, the Company would perform the second step of the goodwill impairment test in order to determine the amount of goodwill impairment, if any.

The Company performed an impairment test on goodwill as of December 31, 2007. Based on its analysis as of December 31, 2007, and review at September 30, 2008, the Company's management believes there is no impairment of its goodwill. There can be no assurance, however, that market conditions will not change or demand for the Company's products or services will continue, which could result in impairment of goodwill in the future.

Identifiable intangibles acquired in connection with business acquisitions are recorded at their respective fair values (see Note 5). Deferred income taxes have been recorded to the extent of differences between the fair value and the tax basis of the assets acquired and liabilities assumed.

Long-Lived Assets

In the event that facts and circumstances indicate that equipment or other long-lived assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future discounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment charge is necessary. The amount of long-lived asset impairment, if any, is charged to operations in the period in which long-lived asset impairment is determined. At September 30, 2008, management believes there is no impairment of its long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Company's products or services will continue, which could result in impairment of long-lived assets in the future.

Warranty Costs

The Company provides a limited 90 day warranty on certain products sold. Estimated future warranty obligations related to certain products and services are provided by charges to operations in the period in which the related revenue is recognized. As of September 30, 2008 and December 31, 2007, management of the Company determined that a warranty reserve was not necessary. In addition, the charges to expense during the three and nine months ended September 30, 2008 and 2007 were insignificant.

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after December 15, 2007. The Company adopted SFAS No. 157 effective January 1, 2008. In December 2007, the FASB released a proposed FASB Staff Position (FSP FAS 157-2-Effective Date of FASB Statement No. 157) which, if adopted as proposed, would delay the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We are currently evaluating the effect of SFAS No. 157 on our financial statements.

In October 2008, the FASB issued FASB Staff Position No. 157-3, *Determining Fair Value of a Financial Asset When the Market for That Asset is Not Active* ("FSP No. 157-3"). FSP No. 157-3 clarifies the application of SFAS No. 157 in a market that is not active, and provides an illustrative example intended to address certain key application issues. FSP No. 157-3 is effective immediately, and applies to the Company's September 30, 2008 financial statements. The Company has concluded that the application of FSP No. 157-3 did not have a material impact on its consolidated financial position and results of operations as of and for the periods ended September 30, 2008.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*. SFAS No. 141(R) provides companies with principles and requirements on how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree as well as the recognition and measurement of goodwill acquired in a business combination. SFAS No. 141(R) also requires certain disclosures to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Acquisition costs associated with the business combination will generally be expensed as incurred. SFAS No. 141(R) is effective for business combinations occurring in fiscal years beginning after December 15, 2008. Early adoption of SFAS No.

141(R) is not permitted. The Company is evaluating the impact SFAS No. 141(R) will have on any future business combinations.

Other recent accounting pronouncements issued by the FASB (including the EITF) and the American Institute of Certified Public Accountants did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

5. Acquisitions, Discontinued Operations, Dispositions, and Intangible Assets

Acquisition of Questys ("QSI")

On August 4, 2008, the Company completed the purchase of 100% of the issued and outstanding capital stock of QSI, from its sole shareholder, Vojin Hadzi-Pavlovic and Gloria Hadzi-Pavlovic, Tenants in Common (the "Pavlovics", "Questys Shareholder"). The effective date of the acquisition is August 1, 2008.

The Company purchased Questys with $300,000 in cash, a secured promissory note in the amount of $900,000 (see Note 6), and 22 million shares of the Company's restricted common stock.

The terms of the purchase were the result of arms-length negotiations. The Pavlovics were not previously affiliated with the Company.

Questys is a California corporation formed in 1981 and is headquartered in Mission Viejo, California. The Company purchased Questys to add new products and services for document and content management, document archiving, document imaging, automated data capture, electronic agenda management, and business process workflow. In addition, as Questys has clients in a number of markets, including corporate, government, healthcare, financial services, education, legal, law enforcement, manufacturing, and retail, the Company expects to benefit from the potential expansion into the newly expanded customer base of several of the Company's products and services believed to be complementary.

A finder's fee in the amount of $125,000 is due to Agile Equity in connection with the acquisition of Questys. As of September 30, 2008, the Company had paid $50,000 of such fee and has agreed to pay the remaining $75,000 by December 31, 2008.

In connection with the acquisition of QSI, the Company incurred $227,291 in acquisition-related costs including, but not limited to, expenses incurred for a finder's fee, legal, accounting and travel.

The acquisition price was comprised of the following:

Cash paid at closing	$	300,000
Promissory note to seller		900,000
Estimated fair value of VillageEDOCS' common stock		550,000
Legal, accounting, and other direct costs		227,291
	$	1,977,291

The following represents an allocation of the purchase price over the historical net book value of the acquired assets and liabilities of QSI as of August 1, 2008, the effective date of the acquisition:

Cash	$ 13,565
Accounts receivable	309,887
Prepaid expenses and other current assets	55,298
Property and equipment	95,587
Other assets	12,006
Total liabilities	(907,493)
Net liabilities assumed	(421,150)
Goodwill	2,398,441
	$ 1,977,291

This allocation is preliminary and may be subject to change upon evaluation of the fair value of QSI's acquired assets and liabilities as of the acquisition date as well as the potential identification of certain intangible assets. The Company is in the process of analyzing the components of the intangible assets it acquired and will determine the final purchase price allocation during 2008.

The pro forma combined historical results, as if QSI had been acquired as of January 1, 2007, are estimated as follows:

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Net sales	$ 4,455,104	$ 4,201,268	$ 12,763,450	$ 12,525,160
Net income (loss)	$ 137,181	$ (324,570)	$ (235,818)	$ (1,436,229)
Weighted average common				
shares outstanding:				
basic and diluted	174,770,913	173,187,580	174,770,913	171,380,374
Loss per share:				
basic and diluted	$ -	$ -	$ -	$ (0.01)

The pro forma information has been prepared for comparative purposes only and does not purport to be indicative of what would have occurred had the acquisition actually been made at such date, nor is it necessarily indicative of future operating results.

Discontinued Operations and Disposition of Resolutions

On December 10, 2007, the Company sold substantially all of the assets of its wholly-owned subsidiary Phoenix Forms, Inc. d/b/a Resolutions to DocPath Corp. for $970,000 in cash, plus the cancellation of 10,000,000 warrants previously issued with an exercise price of $0.15 per share. The warrants were originally issued to Alexander Riess and William Falcon as consideration in the acquisition of Phoenix Forms, Inc. by VillageEDOCS, Inc. in April 2005 and were valued at $553,000 on the date of cancellation (see below).

The Company's Board of Directors approved the disposal of the assets on December 7, 2007 as part of a strategy to reduce debt and focus on growth at the remaining business units and growth by acquisition. The Company used $845,005 of the proceeds from the asset sale to retire a commercial note with a bank on December 11, 2007.

The purchaser assumed substantially all of the employment agreements of Phoenix Forms, Inc., its office lease, accounts payable, and certain other accrued liabilities and contracts as stipulated by the Assets Purchase Agreement.

In 2007 and in connection with the disposal, the Company recorded a loss from discontinued operations of $1,625,424, net of tax of $485,000. Such loss included income from PFI's operations of $264,099 before income taxes and a loss on the disposal of approximately $1,404,523 (which consisted of net proceeds of $926,835 (net of $43,165 of expenses), plus the fair value of the cancelled warrant of approximately $553,000, less the net assets sold of $2,884,358, which includes the carrying value of goodwill and certain intangible assets with a carrying value of $3,019,916 at the time of disposition, which were written off and $35,493 of cash retained by the seller. The Company received $873,003 in December 2007 and the remaining $53,832 in January 2008.

In accordance with SFAS No. 144, *Accounting for the Impairment of Disposal of Long Lived Assets*, the operations associated with this transaction have been classified as income (loss) from discontinued operations in the accompanying unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2007.

Discontinued operations' results were as follows:

	Three Months Ended September 30, 2007	**Nine Months Ended September 30, 2007**
Results of discontinued operations		
Net sales	$ 454,501	$ 1,493,652
Income before income taxes	$ 22,042	$ 208,214
Income taxes	$ -	$ -
Income from discontinued operations	$ 22,042	$ 208,214

Other Intangible Assets

On May 12, 2006, the Company entered into a Patent License Agreement (the "License Agreement") with Catch Curve, Inc. ("Catch Curve"). Pursuant to the License Agreement, Catch Curve granted the Company a worldwide, non-exclusive, non-divisible, fully paid-up license to use certain patented technology in connection with any facsimile products or services made or sold by the Company or its subsidiaries. The Company is obligated to make aggregate license payments of $600,000 over a period of up to thirty-two months beginning on May 12, 2006, at which time no further payments are required under the License Agreement. License payments of $180,000 are due in each of the years ended December 31, 2007 and 2008. The License Agreement stipulates that $350,000 of the total license fee is attributable to sales of products and services prior to the date of the License Agreement. The remainder of $250,000 is attributable to sales of products and services subsequent to the date of the License Agreement. Accordingly, on May 12, 2006, the Company recorded an intangible asset in the amount of $250,000. The intangible asset is being amortized over 58 months, the current remaining life of the patents covered by the License Agreement. During the three and nine months ended September 30, 2008, the Company made license payments of $45,000 and $135,000, respectively, under the License Agreement. At September 30, 2008 and December 31, 2007, the unpaid balance due was $45,000, and $180,000, respectively. In accordance with the terms of the License Agreement, the Company has classified the total amount due as a current liability on the accompanying condensed consolidated balance sheets.

Other intangibles consist of the following as of September 30, 2008:

	Estimated Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Corporate:				
License agreement	Five	$ 250,000	$ (122,842)	$ 127,158
TBS:				
Customer list	Ten	500,000	(231,250)	268,750
Trade name	Five	50,000	(46,250)	3,750
		550,000	(277,500)	272,500
GSI:				
Customer relationships	Ten	2,200,000	(531,667)	1,668,333
Technology	Five	490,000	(236,833)	253,167
Trade names and marks	Ten	420,000	(101,500)	318,500
		3,110,000	(870,000)	2,240,000
Total other intangible assets		$ 3,910,000	$ (1,270,341)	$ 2,639,658

Amortization of other intangible assets was $117,930 and $146,264, respectively, during the three months ended September 30, 2008 and 2007, and $353,791 and $424,901, respectively, during the nine months ended September 30, 2008 and 2007. During the nine months ended September 30, 2008, the Company did not acquire or dispose of any intangible assets.

Other intangible assets consist of the following as of December 31, 2007:

	Estimated Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Corporate:				
License agreement	Five	$ 250,000	$ (84,051)	$ 165,949
TBS:				
Customer list	Ten	500,000	(193,750)	306,250
Trade name	Five	50,000	(38,750)	11,250
		550,000	(232,500)	317,500
GSI:				
Customer relationships	Ten	2,200,000	(366,667)	1,833,333
Technology	Five	490,000	(163,333)	326,667
Trade names and marks	Ten	420,000	(70,000)	350,000
		3,110,000	(600,000)	2,510,000
Total other intangible assets		$ 3,910,000	$ (916,551)	$ 2,993,449

6. Debt

Bank Lines of Credit

On February 6, 2008, the Company and The Private Bank of The Peninsula ("Bank") entered into an agreement for an asset based line of credit (the "Line"). The Bank's maximum commitment amount for the Line is $1.5 million. Advances will generally be limited to 85% of eligible domestic accounts receivable. The interest rate is floating and is calculated at Wall Street Journal prime rate plus 3% on the cash borrowed. Interest on outstanding borrowings is payable monthly.

A facility fee of $15,000 was paid to the Bank in connection with the Line. A finder's fee in the amount of $50,000 was paid by the Company to Dragonfly Capital Partners LLC ("Dragonfly"). In addition, the Company issued the Bank and Dragonfly warrants to purchase shares of its common stock (see Note 7). The Company recorded the finders' fees and warrants as debt issuance costs in the accompanying unaudited condensed consolidated balance sheet at September 30, 2008, and amortized $16,252 and $43,337, respectively, of the cash fees to interest expense during the three and nine months then ended.

Outstanding advances under the Line are secured by a first lien position on all of the Company's accounts receivable, contract rights, chattel paper, documents, and payment and by a second lien on its inventory, intellectual property, and equipment. As of September, 30, 2008 and December 31, 2007, there were outstanding borrowings of $457,340, and $0, respectively, on the Line and the Company was in compliance with all loan covenants. Availability on the Line as of September 30, 2008 was approximately $116,000.

Effective September 30, 2006, VillageEDOCS obtained a $500,000 revolving line of credit ("VEDO RLOC") with Bank of America. The VEDO RLOC is guaranteed by a shareholder of the Company. Interest on outstanding borrowings is payable monthly at an annual rate of interest equal to LIBOR plus 2%. As of September 30, 2008 and December 31, 2007, there were outstanding borrowings of $457,221, and $484,680, respectively, on the VEDO RLOC and the Company was in compliance with all loan covenants.

Effective November 28, 2005, TBS renewed a $100,000 revolving line of credit ("TBS RLOC)" with BB&T. The TBS RLOC is guaranteed by the assets of TBS. Interest on outstanding borrowings is payable monthly at a variable annual rate equal to the financial institution's prime rate in effect. As of September 30, 2008 and December 31, 2007, there were no outstanding borrowings under TBS RLOC and the Company was in compliance with all loan covenants.

QSI has an unsecured line of credit agreement with a financial institution for borrowings up to the maximum of $100,000 with no maturity date ("QSI RLOC"). Borrowings bear interest at the prime rate, plus 2.775%. QSI had borrowings totaling $100,000 at September 30, 2008 and had $0 available for future borrowings under the line of credit. Pursuant to the QSI acquisition agreements, the Company has agreed to repay all outstanding borrowings under the QSI RLOC on or before August 1, 2009.

Vojin Hadzi-Pavlovic and Gloria Hadzi-Pavlovic

Effective August 1, 2008 and in connection with the acquisition of Questys (see Note 5), the Company issued a secured promissory note to the Pavlovics (the "Pavlovic Note") in the amount of $900,000. The Pavlovics are a related party as a result of the common stock issued to them by the Company in connection with the acquisition of Questys. The Pavlovic Note is non-interest bearing and may be prepaid in whole or in part at any time without penalty and is due on August 1, 2011. Principal payments are due in three equal annual installments of $300,000 each on August 1, 2009, August 1, 2010, and August 1, 2011. The Pavlovic Note is secured by certain assets of Questys as defined in a Security Agreement dated as of August 1, 2008. Payment obligations under the Pavlovic Note are subordinate in certain respects to the rights of the Private Bank of the Peninsula to the extent set forth in a Subordination Agreement dated as of August 1, 2008.

Prior to August 1, 2008 (effective date of acquisition of Questys), the Pavlovic's made aggregate advances to Questys in the amount of $115,000, which were assumed in the acquisition (the "Pavlovic Shareholder Debt"). The Pavlovic Shareholder Debt is non-interest bearing and the Company and the Pavlovics have agreed to the repayment of the outstanding balance as follows: (i) $35,000 on or before August 1, 2009, (ii) $40,000 on or before August 1, 2010, and (iii) $40,000 on or before the August 1, 2011.

The Silver Lake Group, LLC

The Company funded the requirement for the initial $300,000 payment for the purchase of QSI from the proceeds of a $300,000 related party secured promissory note offering subscribed to by The Silver Lake Group, LLC ("SLG") on August 4, 2008 (the "SLG Note"). SLG is owned by Ricardo A. Salas. Mr. Salas is a Director of the Company. The SLG Note was originally due on October 31, 2008 and bore interest at a rate of nine percent (9%) per annum through October 31, 2008.

On October 30, 2008, the Company and SLG entered into an Amendment to Secured Promissory Note ("Amendment") to modify the maturity date, interest rate, and repayment terms of the SLG Note. As of October 31, 2008, the remaining principal balance of the SLG Note, as amended, was $250,000 and no interest was outstanding. Pursuant to the Amendment, the SLG Note matures on March 31, 2009 and bears interest from November 1, 2008 at a rate of twelve percent (12%) per annum. The SLG Note will be repaid in a series of five monthly installments of principal and interest on each of November 28, 2008, December 31, 2008, January 30, 2009, February 27, 2009, and March 31, 2009. The SLG Note is secured by the accounts receivable of GoSolutions, Inc., a wholly-owned subsidiary of the Company, as defined in a Security Agreement dated as of August 1, 2008. Payment obligations under the SLG Note are subordinate in certain respects to the rights of the Private Bank of the Peninsula to the extent set forth in a Subordination Agreement to be entered into as of August 1, 2008.

C. Alan and Joan P. Williams

On February 17, 2004, the Company borrowed $1,700,000 from C. Alan and Joan P. Williams and issued a convertible promissory note, bearing interest at 10 percent per annum. During 2005, all but $65,000 of the principal amount due pursuant to this note was converted into shares of the Company's common stock. The note and accrued interest are due at the earlier of one of three events: 1) October 31, 2009; 2) acquisition of a controlling interest in the Company by a third party; or 3) the Company achieves equity financing of a minimum of $3,000,000. Effective April 14, 2005, pursuant to an amendment to the note, the conversion price was fixed at $0.14 per share. As an incentive for Mr. and Mrs. Williams to provide the loan, the Company issued them a warrant to purchase 5,000,000 shares of the Company's restricted common stock at $0.10 per share exercisable until February 17, 2009. In connection with the issuance of the note, the Company recorded a debt discount of $730,000, consisting of an embedded put option of $280,000 and the fair value of the warrant of $450,000, which were recorded as derivative liabilities upon note issuance and subsequently reclassified to additional paid-in capital.

The Company amortized the discount using the effective interest method through October 31, 2007. During the three and nine months ended September 30, 2007, $3,669 and $11,007, respectively, of interest expense was recognized in connection with the amortization of debt discount related to these notes.

At September 30, 2008, the amount owed by the Company to the Williams pursuant to the unpaid balance of the convertible promissory note payable was $65,000 in principal and $111,745 in unpaid interest.

At December 31, 2007, the amount owed by the Company to the Williams pursuant to the unpaid balance of the convertible promissory note payable was $65,000 in principal and $106,870 in unpaid interest.

Interest Expense

Interest expense recognized on all lines of credit and notes payable was $78,377 and $54,917, respectively, during the three months ended September 30, 2008 and 2007, and $172,332 and $91,684, respectively, during the nine months ended September 30, 2008 and 2007.

Interest expense noted above included non-cash charges (related to amortization of debt discount and debt issuance costs) of $53,667 and $3,669, respectively, during the 2008 and 2007 quarters, and $143,111 and $11,007, respectively, during the 2008 and 2007 nine-month periods.

7. Stockholders' Equity

a. Common and Preferred Stock

Effective September 7, 2007, the Company reincorporated in Delaware under the name VillageEDOCS, Inc. Pursuant to its Articles of Incorporation filed with the State of Delaware, the Company is authorized to issue two classes of shares of stock. The first class is designated as preferred stock. The total number of shares of Series A Preferred stock that the Company is authorized to issue is forty eight million (48,000,000) of $0.001 par value per share. The second class is designated as common stock. The total number of shares of common stock that the Company is authorized to issue is five hundred million (500,000,000) of $0.0001 par value.

On August 1, 2008 and in connection with the acquisition of Questys, the Company issued 22,000,000 shares of its restricted common stock to the Pavlovics (see Note 5). These shares were valued at $0.025 per share (the estimated fair value on the measurement date) and recorded as additional purchase price.

The Company issued no shares of its preferred stock during the nine months ended September 30, 2008.

b. Stock Options

During the nine months ended September 30, 2008, the Company granted to its employees options to purchase shares of its common stock under the 2002 Plan as follows: 2,075,000 shares at $0.15 per share, 1,540,000 shares at $0.05 per share, 275,000 shares at $0.04 per share, 7,300,000 shares at $0.07 per share. 600,000 shares at $0.036 per share, and 570,000 shares at $0.03 per share. All options were issued at or above fair value on the dates of grant and vest on various dates from the dates of grant through September 2015. During the nine months ended September 30, 2008, options to purchase 9,047,792 shares were forfeited due to their expiration.

c. Warrants

From time to time, the Company issues warrants pursuant to various consulting and third party agreements.

In consideration for the Line, (see Note 6) the Company issued the Bank an immediately exercisable warrant to purchase 75,000 shares of its restricted common stock at an exercise price of $0.062 per share through February 6, 2018. The warrants were valued using the Black-Scholes option pricing model at $4,500 and were recorded as debt issuance cost in the accompanying unaudited condensed consolidated balance sheet at September 30, 2008. The Company is amortizing such cost over the one-year life of the related debt instrument. During the three and nine months ended September 30, 2008, the Company recorded $1,125 and $3,000, respectively, of interest expense in the accompanying unaudited condensed consolidated statements of operations.

As a finder's fee for the Line (see Note 6), the Company issued Dragonfly an immediately exercisable warrant to purchase 2,419,355 shares of its restricted common stock at an exercise price of $0.062 per share through February 6, 2013. The warrants were valued using the Black-Scholes option pricing model at $145,161 and were recorded as debt issuance cost in the accompanying unaudited condensed consolidated balance sheet at September 30, 2008. The Company is amortizing such cost over the one-year life of the related debt instrument. During the three and nine months ended September 30, 2008, the Company recorded $36,290 and $96,774, respectively, of interest expense in the accompanying unaudited condensed consolidated statements of operations.

On February 8, 2008, the Company issued Agile Equity LLC an immediately exercisable warrant to purchase 653,214 shares of its restricted common stock at $0.077 per share through February 8, 2009 in consideration for consulting services rendered in connection with acquisition due diligence. The warrant was valued at $50,484 based on the Black Scholes option pricing model. During the year ended December 31, 2007 and the nine months ended September 30, 2008, the Company expensed consulting fees of $50,000 and $484, respectively, in accordance with the timing of the services performed.

On October 1, 2007, and in connection with a retainer agreement dated September 15, 2007, the Company issued a warrant to purchase 2,000,000 shares of its common stock at $0.05 per share (fair value on the measurement date) to a consultant in consideration for public relations services. The warrants are exercisable over a five year period from date of grant. The warrants were valued using the Black-Scholes option pricing model, were valued at $100,000, and is being recorded as general and administrative expense in the Company's statements of operations over the twelve month vesting period that began on September 15, 2007. During the three and nine months ended September 30, 2008, the Company recorded $25,001 and $75,001, respectively, of such expense in the accompanying unaudited condensed consolidated statements of operations.

8. Commitments and Contingencies

Leases

The Company leases certain property and equipment under operating lease agreements (including three related party leases – see Note 9) which expire on various dates through 2012 and provide for monthly lease payments ranging from $108 to $12,653.

The Company also leases equipment under a related party capital lease agreement which expires in January 2010 and provides for a monthly lease payment of $1,746.

Rent expense for the three months ended September 30, 2008 and 2007 was $133,976 (including $109,080 of related party rent) and $81,767 (including $68,269 of related party rent), respectively. Rent expense for the nine months ended September 30, 2008 and 2007 was $368,631 (including $227,361 of related party rent) and $270,784 (including $181,385 of related party rent), respectively.

Legal Proceedings and Claim

The Company is, from time to time, involved in various legal and other proceedings which arise in the ordinary course of operating its business.

In connection with the acquisition of GSI the Company is entitled to certain rights of indemnification from GoSolutions Equity, LLC, which is a former shareholder of GSI that became a shareholder of the Company as a result of our acquisition of GSI. The Company made a claim of indemnification from this entity in connection with the bankruptcy of one of GSI's significant customers – Vartec Telecom, Inc. – and the facts and circumstances relating to the procurement and maintenance of the Primerica Life Insurance account and related Citigroup affiliates. GoSolutions Equity, LLC has indicated that it does not believe that we have a valid basis for making such indemnification claims.

The Company has engaged in limited discussions with GoSolutions Equity, LLC as it relates to the indemnification claims notice and their response to such claims notice. However, the Company is unable to advise whether it will be successful in the indemnification claims against GoSolutions Equity, LLC. Pursuant to the agreement with GSI, if the Company is successful, GoSolutions Equity, LLC would only be required to return up to approximately 4.4 million of our shares issued to that entity to satisfy such indemnification claims. GoSolutions Equity, LLC is not required to contribute cash to satisfy any indemnification claims.

In the opinion of management, the amount of ultimate liability, if any, with respect to these actions will not materially affect the consolidated financial position or results of operations of the Company.

Consulting and Employee Agreements

The Company has entered into a variety of consulting and employee agreements for services to be provided to the Company in the ordinary course of business. These agreements call for minimum salary levels and/or option grants and/or common share issuances and various payments upon performance of services and/or termination of the agreements (except for cause).

Indemnities and Guarantees

During the normal course of business, the Company has made certain indemnities and guarantees under which it may be required to make payments in relation to certain transactions. The Company indemnifies its directors, officers, employees and agents to the maximum extent permitted under the laws of the States of California, Florida, and Georgia. These indemnities include certain agreements with the Company's officers under which the Company may be required to indemnify such person for liabilities arising out of their employment relationship. In connection with its facility leases, the Company has indemnified its lessors for certain claims arising from the use of the facilities. In connection with the Company's acquisition of TBS, the parties have agreed to indemnify each other from claims relating to the acquisition agreement to a maximum of $1,500,000 except in the event of fraud, willful misconduct, or breaches of certain representations and warranties contained in the agreement. In connection with the Company's acquisition of both QSI and GSI, the parties have agreed to indemnify each other from claims relating to the acquisition agreement. The duration of these indemnities and guarantees varies and, in certain cases, is indefinite. The majority of these indemnities and guarantees do not provide for any limitation of the maximum potential future payments the Company could be obligated to make. Historically, the Company has not been obligated to make significant payments for these obligations and no liabilities have been recorded for these indemnities and guarantees in the accompanying unaudited condensed and consolidated balance sheets, respectively.

9. Related Party Transactions

The Company has borrowed significantly from related parties, issued a significant number of options and warrants to related parties, and issued a significant number of shares of its common stock to related parties upon conversion of convertible promissory notes payable as described more fully in Note 6.

TBS has a related party operating lease with Perimeter Center Partners for the rental of the land and building occupied by TBS. The lease, as amended, commenced on February 1, 2004 and has a term of six years, with monthly payments of $6,200. The Company has executed a Guaranty with respect to the lease. Perimeter Center Partners is owned by Stephen A. Garner and James L. Campbell, who are significant employees of the Company and the former owners of TBS.

TBS has a related party capital lease with Perimeter Center Partners for an inserting machine. The lease commenced on May 19, 2007 and ends on January 31, 2010. Monthly payments are $1,746. The Company has executed a Guaranty with respect to the lease.

GSI leases the St. Petersburg office space pursuant to a noncancelable operating lease agreement expiring on April 30, 2011 at a cost of $12,653, $13,232, $13,841, $14,485, and $15,164 per month for each of the twelve month periods ended April 2007, 2008, 2009, 2010, and 2011, respectively. The building in which the office space is located is owned by an entity in which a member of GoSolutions Equity, LLC (a related party) owns an interest.

10. Segment Reporting

The Company's operations are classified into five principal reportable segments that provide different products or services. Separate management of each segment is required because each business unit is subject to different marketing, production, and technology strategies. The Company operates in the following five reportable segments:

(a) Electronic document delivery services,
(b) Government accounting solutions,
(c) Electronic content management solutions,
(d) Integrated communications, and
(e) Corporate.

The Company evaluates performance and allocates resources based upon operating income. The accounting policies of the reportable segments are the same as those described in the summary of accounting policies. Inter-segment sales are eliminated upon consolidation.

The following table summarizes segment asset and operating balances by reportable segment, has been prepared in accordance with the internal accounting policies, and may not be presented in accordance with accounting principles generally accepted in the United States of America:

	Three Months ended / As of September 30, 2008	Three Months ended September 30, 2007	Nine Months ended / As of September 30, 2008	Nine Months ended September 30, 2007
Net revenue from external customers:				
Electronic document delivery	$ 742,117	$ 789,319	$ 2,124,344	$ 2,336,329
Government accounting solutions	1,530,089	1,289,135	3,873,142	3,316,973
Electronic content management	447,408	-	447,408	-
Integrated communications	1,553,500	1,504,100	4,521,013	4,523,236
Corporate	-	-	-	-
Total net revenue from external customers:	$ 4,273,114	$ 3,582,554	$ 10,965,907	$ 10,176,538
Operating income (loss) from continuing operations:				
Electronic document delivery	$ 148,514	$ 71,932	$ 325,150	$ 304,896
Government accounting solutions	259,028	163,974	353,122	271,519
Electronic content management	13,244	-	13,244	-
Integrated communications	407,724	407,521	854,405	660,727
Corporate	(553,962)	(694,352)	(1,830,455)	(2,316,396)
Total operating income (loss) from continuing operations:	$ 274,548	$ (50,925)	$ (284,534)	$ (1,079,254)
Depreciation and amortization:				
Electronic document delivery	$ 22,566	$ 17,272	$ 62,999	$ 45,753
Government accounting solutions	24,824	29,626	75,524	85,606
Electronic content management	6,739	-	6,739	-
Integrated communications	121,319	142,366	369,522	436,811
Corporate	12,930	11,641	39,369	37,501
Total depreciation and amortization:	$ 188,378	$ 200,905	$ 554,153	$ 605,671
Interest expense, net of interest income:				
Electronic document delivery	$ 2,678	$ -	$ 3,634	$ -
Government accounting solutions	2,791	750	6,152	1,008
Electronic content management	(5,470)	-	(5,470)	-
Integrated communications	(77)	(314)	(350)	(648)
Corporate	62,929	31,989	171,708	89,334
Total interest expense, net of interest income:	$ 62,851	$ 32,425	$ 175,674	$ 89,694

continued…

	Three Months ended / As of September 30, 2008	Three Months ended September 30, 2007	Nine Months ended / As of September 30, 2008	Nine Months ended September 30, 2007
Income (loss) from continuing operations:				
Electronic document delivery	$ 145,836	$ 70,980	$ 308,448	$ 304,447
Government accounting solutions	253,943	162,597	344,676	276,184
Electronic content management	60,494	-	60,494	-
Integrated communications	405,933	427,434	879,913	597,119
Corporate	(547,406)	(726,322)	(1,926,231)	(2,409,070)
Total income (loss) from continuing operations:	$ 318,800	$ (65,311)	$ (332,700)	$ (1,231,320)
Identifiable assets:				
Electronic document delivery	$ 806,997		$ 806,997	
Government accounting solutions	4,019,706		4,019,706	
Electronic content management	2,961,734		2,961,734	
Integrated communications	6,427,063		6,427,063	
Corporate	240,505		240,505	
Total identifiable assets:	$ 14,456,005		$ 14,456,005	
Capital expenditures:				
Electronic document delivery	$ 35,095	$ 23,625	$ 60,456	$ 75,842
Government accounting solutions	3,864	-	8,664	63,175
Electronic content management	3,131	-	3,131	-
Integrated communications	(4,165)	3,573	39,510	49,686
Corporate	-	181	-	5,969
Total capital expenditures:	$ 37,925	$ 27,379	$ 111,761	$ 194,672

ITEM 2 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

IMPORTANT NOTIFICATIONS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. All statements that do not directly and exclusively relate to historical facts constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You are cautioned not to put undue reliance on any forward-looking statements. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in Section 21E of the Exchange Act. For important additional and specific information regarding these statements, we strongly urge you to refer to the caption below entitled "CAUTIONARY INFORMATION ABOUT FORWARD-LOOKING STATEMENTS" and the caption entitled "CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS" which can be found in Item 6. Management's Discussion and Analysis or Plan of Operation of the Annual Report on Form 10-KSB filed with the U.S. Securities and Exchange Commission ("SEC") on March 31, 2008.

The Company's Internet website address is www.villageedocs.com. The Company's annual reports on Form 10-KSB, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments thereto, are available free of charge on the Company's website as soon as reasonably practical after such reports are electronically filed with, or furnished to, the U.S. Securities and Exchange Commission.

INTRODUCTION

The following Management's Discussion and Analysis or Plan of Operations ("MD&A") is intended to help the reader understand VillageEDOCS. MD&A is presented in the following six sections:

- Business Overview
- Critical Accounting Policies and Estimates
- Results of Operations
- Liquidity and Capital Resources
- Cautionary Information About Forward-Looking Statements, and
- Recent Accounting Standards and Pronouncements

MD&A is provided as a supplement to, and should be read in conjunction with, the unaudited condensed consolidated balance sheet as of September 30, 2008, and the unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2008 and 2007, the unaudited condensed consolidated statements of cash flows for the nine months ended September 30, 2008 and 2007, and the related notes thereto as well as the audited consolidated financial statements of the Company for the year ended December 31, 2007 included in the Company's Annual Report on Form 10-KSB filed with the SEC on March 31, 2008.

In MD&A, we use "we," "our," "us," "VillageEDOCS," and "the Company" to refer to VillageEDOCS, Inc. and its wholly-owned subsidiaries, unless the context requires otherwise. Amounts and percents in tables may not total due to rounding. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. The Company cautions readers that important facts and factors described in MD&A and elsewhere in this document sometimes have affected, and in the future could affect our actual results, and could cause our actual results for the remainder of 2008 and beyond to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Company.

Our Internet web site address is www.villageedocs.com. Our annual reports on Form 10-KSB, quarterly reports on Form 10-Q, and current reports of Form 8-K, and all amendments thereto, are available free of charge on our website as soon as reasonably practical after such reports are electronically filed with, or furnished to, the U.S. Securities and Exchange Commission. The information on our web site is not incorporated by reference in this quarterly report on Form 10-Q.

As reported in the Report of Independent Registered Public Accounting Firm on our December 31, 2007 consolidated financial statements, we have suffered recurring losses from operations and have a working capital deficit that raises substantial doubt about our ability to continue as a going concern.

Our business and results of operations are affected by a wide variety of factors, as we discussed under the caption "*Certain Factors That May Affect Future Results*" in Item 6. Management's Discussion and Analysis or Plan of Operations of our Annual Report on Form 10-KSB filed with the SEC on March 31, 2008 and elsewhere in this report, which could materially and adversely affect us and our actual results. As a result of these factors, we may experience material fluctuations in future operating results on a quarterly or annual basis, which could materially and adversely affect our business, financial condition, operating results and stock price.

Effective August 1, 2008, we purchased Decision Management Company, Inc. d/b/a Questys Solutions ("Questys," "QSI"). This acquisition has caused our results of operations for the third quarter of 2008 to vary significantly from those reported for the first six months of 2008. See Note 5 to our unaudited condensed consolidated financial statements contained elsewhere in this report for additional information regarding the acquisition.

Effective December 1, 2007, we sold Resolutions. Our Board of Directors approved the disposal of the assets and liabilities on December 7, 2007 as part of a strategy to reduce debt and focus on growth at the remaining business units and growth by acquisition. We closed the transaction on December 10, 2007. The sale of Resolutions in 2007 will cause our results of operations for 2008 to vary significantly from those reported for the first three quarters of 2007 due to the classification of Resolutions as discontinued operations. See Note 5 to our unaudited condensed consolidated financial statements contained elsewhere in this report for additional information regarding the accounting for this segment as discontinued operations.

Any forward-looking statements herein speak only as of the date hereof. Except as required by applicable law, we undertake no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Please refer to the discussion below under the caption entitled *Liquidity and Capital Resources*.

BUSINESS OVERVIEW

General

We have been in business since 1995. From inception until September 7, 2007, we were a California corporation. As the result of a merger into our wholly-owned Delaware subsidiary, we became a Delaware corporation. In 2003, we implemented a strategy to acquire profitable companies to improve our ability to bring new service offerings more rapidly, provide surgical market penetration, and accelerate our growth. Building on the MVI foundation, we acquired TBS in 2004. In 2006, we acquired GSI. Effective August 1, 2008, we acquired QSI.

We operate four subsidiaries. QSI provides products and Software as a Service ("SaaS") offerings for document and content management, automated data capture, electronic agenda management, and business process workflow. MVI provides a SaaS offering that remotely prints critical business documents such as orders, invoices, just-in-time manufacturing documents, and medical claims. Additionally, MVI receives fax documents for clients and then delivers the documents electronically via the internet. GSI provides a SaaS full-featured virtual office product fully integrated into its clients' business processes with unified messaging, a conferencing bridge, automated call routing/forwarding and online address book. TBS specializes in fully featured municipal business management systems for local and county government, either SaaS or customer premise software, including printing and mailing of tax and utility bills. From April 2005 through November 2007, Resolutions sold and operated our e-forms, archiving, imaging, and workflow products and services.

We provide services that range from document management, email, faxing, and unified messaging to physical printing and mailing. The information we move for clients includes medical reports, orders, invoices, employment verifications, and documents related to just-in-time manufacturing, mortgage, and insurance.

We generate revenue, operating income, and cash flows from:

- subscription agreements for enhanced voice, data, and conferencing services;
- usage charges for delivery and other services involving electronic documents;

- usage charges for our governmental accounting and online payment hosted application services;
- recurring fixed monthly service fees for access to voice, data, or application services;
- per item and flat fee charges for volume printing and mailing services to governmental entities;
- fees for professional services such as custom application development;
- wholesale enhanced voicemail services;
- the sale of licenses for proprietary software and third party software;
- fees for maintenance and support agreements;
- fees for training and installation services; and
- sales of third party computer hardware.

Our Objective

A core component of our mission is to provide solutions that facilitate the movement of business information between business enterprises using a dynamic and diverse set of delivery methods and content formats. Our products and services have been designed to help enterprises meet various communications challenges, including the need to:

- communicate with an ever-expanding number of trading partners, customers, and enterprises;
- increase the control, management, speed, accuracy and security of the information delivered;
- manage an increasing set of methods used to communicate (print/mail, email, web, fax, XML, and wireless);
- cost-effectively implement a solution that will allow the enterprise to endure the slow acceptance of a common set of delivery methods;
- meet the communications challenges with a service that is more robust than available commercial grade proprietary technologies; and
- mitigate the negative impact of delivery methods on workflow, business process and security requirements.

Our target markets include Financial Services, Healthcare, Manufacturing, and Local Government, and we serve approximately 1,400 active clients with over 25,000 users.

While we do have some sources of non-recurring revenue, such as hardware sales and third party software, we focus on developing and maintaining sources of monthly recurring revenue, such as providing subscribers with solutions for their critical day to day business processes for the movement of business information.

Key Items in First Nine Months of 2008

- Acquired Questys (2007 revenue: $3.1 million), thereby adding new products and SaaS solutions for document and content management, automated data capture, electronic agenda management, and business process workflow;

- Consolidated net revenue for the nine months ended September 30, 2008 increased by 8% over the 2007 period. QSI contributed $447,408 of revenue from August 1, 2008 (date of acquisition) through September 30, 2008. While revenue at TBS increased by 17%, GSI revenue was flat and revenue at MVI decreased by 9% compared to the nine months ended September 30, 2007;

- Gross margin dipped to 59% compared to 63% in the 2007 period due to a combination of sales mix differences and increases in sales commission and telephony costs;

- Operating expenses decreased by 9% compared to the prior year period. Consolidated operating expenses during the 2008 period were 62% of sales compared to 73% of sales in the 2007 period;

- Operating expenses decreased at Corporate (-21%), MVI (-12%), TBS (-11%), and GSI (-8%);
- Net income increased significantly at GSI to $879,913 compared to $597,119 for the 2007 period;
- Net loss for the nine months ended September 30, 2008 was $332,700, a 67% improvement from the $1,023,106 reported for the 2007 period;
- For the quarter ended September 30, 2008, we reported net income of $318,800 compared to net loss of $43,269 for the 2007 quarter;
- Net borrowings on our lines of credit during the nine months ended September 30, 2008 were $429,881, compared to $491,146 during the 2007 period; and
- Received additional cash proceeds of $53,832 from the sale of Resolutions.

Areas of Focus

Growth Strategy

Our current and future growth strategy is focused on acquiring intellectual and technology assets that improve our ability to take a client's unstructured content and documents and deliver it to the other party through the method preferred by each party, presenting the content in a manner that surpasses our client's goals. In essence, we strive to bring a Business Process Management discipline to their information. We believe that if we are successful in executing this strategy, our clients will enjoy improved compliance, collaboration, cost containment, and superior continuity of business processes.

Our ultimate vision is to become a business process management/workflow service that provides competency and functionality in the following areas:

- Web Content Management;
- Digital Asset Management;
- Email Management;
- Records Management;
- Documentation Management;
- Information Indexing;
- Categorization/Taxonomy;
- Recognition;
- Document Imaging;
- Form Processing;
- Scanning;
- Collaboration;
- Repositories;
- Archival Storage;
- Content Integration,;
- Search and Retrieval;
- Content Syndication;
- Localization and Personalization; and
- Publication (paper or electronic).

We intend to continue our focus on obtaining growth from sales of higher margin products and services at QSI, GSI, MVI, and TBS and by acquiring companies that consistently generate net income and positive cash flows. We believe that this strategy offers the best opportunity for our operations to generate positive operating income and cash flows from operations and to achieve net income.

Our acquisition strategy is focused in two areas: service infrastructure and vertical market silo. The service infrastructure area is our focus to acquire enterprises that fulfill our identified strategic technological core competencies. The vertical market silo acquisition strategy is to acquire companies that assist us in penetrating our target market segments of financial services, healthcare, manufacturing, and local government.

Capital Formation

During the remainder of 2008, we are actively seeking additional financing by issuing equity or obtaining a combination of equity and debt financing from new shareholders and/or lenders. Although we believe we will generate adequate cash to sustain operations at current levels in conjunction with borrowings from our operating lines of credit, we will require additional funding to invest in resources that will enable us to operate profitably on a consistent, month-over-month basis. In addition, we may be required to repay certain of our debt instruments in which case we will require additional funding. We continue to caution that there can be no assurance that funding will be available on acceptable terms, if at all, or that any such funds we raise would enable us to achieve or maintain profitable operations.

In spite of the impact of new laws, regulations, and accounting pronouncements that have significantly increased our cost of operating as a public company, we intend to contain general and administrative costs where possible. However, we expect to incur significant costs during 2009 related to compliance with Section 404 of the Sarbanes-Oxley Act of 2002, including new infrastructure required to improve our internal controls over financial reporting. Should additional growth capital become available during 2008 and 2009, we intend to direct the capital toward increasing sales and marketing while holding down costs for non-essential general and administrative as well as product and technology expenses to the extent possible.

Organizational Enhancements

Our goal is to drive efficiency and effectiveness throughout our group of companies. We continue to work to align each business unit around shared goals and performance targets. In addition, we are striving to maximize cross-selling activities and we are devoting strategic product management and technical resources both to strengthening the integration of our existing products and services and to developing new products and services that will allow us to offer our clients powerful new solutions comprised of the best that each of our business units has to offer.

Challenges and Risks

Looking forward, management has identified certain challenges and risks that demand our attention. Of these, three key challenges and risks are discussed below.

Economic Environment

The current deteriorating macroeconomic environment combined with the unusual and exigent circumstances affecting financial markets present a challenging market for our businesses, in which it will be difficult for us to achieve cash flow growth in the short term. However, we believe increased value to our shareholders can still be achieved through a combination of a focus on innovation to support productivity and disciplined expense control, while we continue to invest prudently in sales and marketing and product development to support long-term profitable growth.

Increased Competition and Capabilities in the Marketplace

We face strong competition from well-established national and global companies as well as from relatively new companies. We must continue to selectively expand into other profitable segments of our markets and offer powerful product and service offerings in order to increase our share of the marketplace. The introduction of new technologies could render our existing products and services obsolete or unmarketable or require us to invest in research and development at much higher rates with no assurance of developing competitive products. Changes in technologies or customer requirements also may cause the development cycle for our new products and services to be lengthy and result in significant development costs. Competitive pressures may impair our ability to achieve profitability.

Capital Resources

We believe that current and future available capital resources, including the net proceeds from sale of our products and services, will be sufficient to fund our operations at current levels for the foreseeable future, but will be insufficient to allow us to repay our debt in full. We believe that it is desirable to maintain greater cash reserves than we have in prior periods. The exact amount of funds that we will require will depend upon many factors, and it is likely that we will require additional financing. Such sources of financing could include capital infusions, additional equity financing, or debt offerings. In addition, since our revenues and cash flows have historically been subject to seasonality, we believe that it is important to secure greater access to short term borrowing facilities, such as operating lines of credit. There can be no assurance that additional funding or borrowing facilities will be available to us on acceptable terms, if at all. There can be no assurance that additional funds, if raised, would enable us to achieve or maintain profitable operations. The inability to secure new sources of working capital during the remainder of 2008 or 2009 could have a material adverse effect on our business, financial condition and results of operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our consolidated financial statements, we make estimates, assumptions and judgments that can have a significant effect on our revenues, income/loss from operations, and net income/net loss, as well as on the value of certain assets on our consolidated balance sheet. There were no significant changes in critical accounting policies or estimates from those at December 31, 2007.

RESULTS OF OPERATIONS

The following discussion of our performance is organized by reportable operating segments, which is consistent with the way we manage our business. In 2007, we completed the sale of substantially all of the assets and liabilities of Resolutions. The sale has resulted in the reclassification of the revenues and expenses of Resolutions to discontinued operations for all periods presented through the date of sale. Effective August 1, 2008, we completed the acquisition of QSI. Accordingly, we have included the results of operations of QSI from the date of acquisition.

<u>Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007</u>

<u>Net Revenue from External Customers</u>

Net revenue from external customers for the three months ended September 30, 2008 was $4,273,114, a 19% increase over net revenue for the prior year quarter of $3,582,554.

For the three months ended September 30, 2008, QSI, GSI, TBS, and MVI generated 10%, 36%, 36% and 17% of our net revenue, respectively. For the three months ended September 30, 2007, QSI, GSI, TBS, and MVI generated 0%, 42%, 36% and 22% of our net revenue, respectively.

The following is a comparison of the components of consolidated net revenue from external customers:

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Variance Amount	Variance Percent
Net revenue from external customers:				
Electronic document delivery services (MVI)	$ 742,117	$ 789,319	$ (47,202)	-6%
Government accounting solutions (TBS)	1,530,089	1,289,135	240,954	19%
Electronic content management (QSI)	447,408	-	447,408	*
Integrated communications (GSI)	1,553,500	1,504,100	49,400	3%
Corporate	-	-	-	
Total net revenue from external customers	$ 4,273,114	$ 3,582,554	$ 690,560	19%
* calculation is not meaningful				

Revenue increased 19% at TBS due to increases in revenue from printing, hardware sales, and support services. These increases were partially offset by decreases in software which resulted in part from our strategy to promote online, usage-based services rather than single unit product sales.

Revenue increased 3% at GSI due to increases in user subscription fees, which were partially offset by decreases in revenue from professional service fees revenue and sales to corporate clients.

Revenue decreased 6% at MVI due to a decrease in inbound revenue as a result of banking industry customer attrition and, to a lesser extent, a reduction in supplemental services revenue.

QSI contributed $447,408 in revenue from August 1, 2008 (date of acquisition) through September 30, 2008.

Cost of Sales

The following is a comparison of the components of consolidated cost of sales:

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Variance Amount	Percent
Cost of sales:				
Electronic document delivery services (MVI)	$ 269,002	$ 371,207	$ (102,205)	-28%
Government accounting solutions (TBS)	1,003,456	798,596	204,860	26%
Electronic content management (QSI)	111,256	-	111,256	*
Integrated communications (GSI)	277,900	192,868	85,032	44%
Corporate	-	-	-	
Total cost of sales:	$ 1,661,614	$ 1,362,671	$ 298,943	22%

* calculation is not meaningful

Total cost of sales represented 39% and 38% of net sales during the 2008 and 2007 quarters, respectively.

Cost of sales for MVI for the three months ended September 30, 2008 represented 36% of MVI's net sales as compared with 47% in the 2007 quarter as a result of negotiated reductions in telephony costs.

Cost of sales for TBS for the three months ended September 30, 2008 represented 66% of TBS' net sales as compared with 62% in the 2007 quarter. The increased costs at TBS were attributable to increased costs related to the sale of third party hardware, and an increase in sales commissions.

Cost of sales for GSI for the three months ended September 30, 2008 represented 18% of GSI's net sales as compared with 13% in the 2007 quarter. Telephony charges were up slightly; however, the increases were offset by reduced staff costs.

Cost of sales for QSI for the three months ended September 30, 2008 represented 25% of QSI's net sales.

Gross Profit

Gross profit for the three months ended September 30, 2008 increased 18% to $2,611,500 as compared to $2,219,883 for the 2007 quarter. The increase in the 2008 quarter of $391,617 resulted from a decrease of $35,632 from GSI as offset by increases of $55,003 and $36,094 from MVI and TBS, respectively, as well as the addition of $336,152 in gross profit from QSI. Gross profit margin for the 2008 and 2007 quarters was 61% and 62%, respectively.

Operating Expenses

The following is a comparison of the components of consolidated operating expenses:

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Variance Amount	Percent
Operating expenses:				
Electronic document delivery services (MVI)	$ 324,601	$ 346,180	$ (21,579)	-6%
Government accounting solutions (TBS)	267,605	326,565	(58,960)	-18%
Electronic content management (QSI)	322,908	-	322,908	*
Integrated communications (GSI)	867,876	903,711	(35,835)	-4%
Corporate	553,962	694,352	(140,390)	-20%
Total operating expenses:	$ 2,336,952	$ 2,270,808	$ 66,144	3%

* calculation is not meaningful

During the three months ended September 30, 2008, the operating expenses of Corporate decreased 20% as a result of decreased compensation, insurance, travel, printing, and legal expenses. These decreases were offset by increases in accounting fees and recruiting fees. Operating expenses in the 2008 quarter included $98,604 in compensation expense related to the vesting of stock options, compared to $200,923 in the 2007 quarter.

During the three months ended September 30, 2008, MVI's operating expenses decreased 6% compared to the 2007 quarter. Product and technology development decreased $54,095 (-40%) as a result of reduced staffing. Sales and marketing decreased by $49,383 (-36%) as a result of reduced staff expenses and advertising. General and administrative increased by $76,605 (+133%) due to increased rent, bad debt, and recruiting fees as offset by decreased insurance costs. Depreciation and amortization expense increased $5,294 (+31%).

During the three months ended September 30, 2008, operating expenses at TBS decreased 18% compared to the 2007 quarter. Product and technology development decreased $8,938 (-20%) due to reduced staffing. Sales and marketing decreased by $32,667 (-31%) due to lower bonus expenses and advertising. General and administrative decreased by $12,553 (-9%) on lower insurance and maintenance expenses. Depreciation and amortization expenses decreased by $4,802 (-16%).

During the three months ended September 30, 2008, GSI's operating expenses decreased 4% compared to the 2007 quarter. Product and technology development decreased $45,802 (-19%) due to staffing changes. Sales and marketing increased $14,815 (+6%) due to increased travel and commission expense, as offset by decreased salaries. General and administrative increased by $16,199 (+6%) due to higher travel and banking costs. Depreciation and amortization expenses decreased by $21,047 (-15%).

During the three months ended September 30, 2008, QSI incurred $322,908 of operating expenses. Product and technology, sales and marketing, general and administrative, and depreciation expenses were $136,833, $40,015, $139,321, and $6,739, respectively.

Operating Income (Loss)

As a result of the foregoing, the Company reported an operating income for the three months ended September 30, 2008 of $274,548, compared to an operating loss of $50,925 for the three months ended September 30, 2007.

The following is a comparison of the components of consolidated income (loss) from operations:

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Variance Amount	Percent
Operating income (loss):				
Electronic document delivery services (MVI)	$ 148,514	$ 71,932	$ 76,582	106%
Government accounting solutions (TBS)	259,028	163,974	95,054	58%
Electronic content management (QSI)	13,244	-	13,244	*
Integrated communications (GSI)	407,724	407,521	203	0%
Corporate	(553,962)	(694,352)	140,390	20%
Total operating income (loss)	$ 274,548	$ (50,925)	$ 325,473	*
* calculation is not meaningful				

Each of MVI, TBS, GSI, and Corporate reported improvements in operating income (loss) compared to the prior year quarter.

Interest Expense, net

Interest expense, net for the three months ended September 30, 2008 increased by $30,426 to $62,851 from the $32,425 reported in the 2007 quarter. The most significant factor in the increase was amortization of debt issue costs incurred in connection with finders' fees for a new operating line of credit.

Other Income, net

Other income, net for the three months ended September 30, 2008 was $49,968 compared to other income, net of $6,877 reported in the 2007 quarter. In each of the quarters, we recorded other income and expense related to settlement of liabilities related to prior years.

Discontinued Operations

For the three months ended September 30, 2007, income from discontinued operations was $22,042, and included the results of operations of PFI, our electronic forms segment. See Note 5 to our unaudited condensed consolidated financial statements contained elsewhere in this Report for additional information related to discontinued operations.

Net Income (Loss)

As a result of the foregoing, net income for the three months ended September 30, 2008 was $318,800, compared to a net loss of $43,269, for the three months ended September 30, 2007

Basic earnings (loss) per share for the three months ended September 30, 2008 and 2007 was $0.00 in each of the respective periods on weighted average shares of 167,118,739 and 151,187,500, respectively. Diluted earnings (loss) per share for the three months ended September 30, 2008 and 2007 was $0.00 in each of the respective periods on weighted average shares of 203,309,774 and 151,187,500, respectively.

The following is a comparison of the components of consolidated net income (loss):

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Variance Amount	Percent
Net income (loss):				
Electronic document delivery services (MVI)	$ 145,836	$ 70,980	$ 74,856	105%
Government accounting solutions (TBS)	253,943	162,597	91,346	56%
Electronic content management (QSI)	60,494	-	60,494	*
Integrated communications (GSI)	405,933	427,434	(21,501)	-5%
Corporate	(547,406)	(726,322)	178,916	25%
Discontinued operations	-	22,042	(22,042)	-100%
Total net income (loss)	$ 318,800	$ (43,269)	$ 362,069	*
* calculation is not meaningful				

Nine months Ended September 30, 2008 Compared to Nine months Ended September 30, 2007

Net Revenue from External Customers

Net revenue from external customers for the nine months ended September 30, 2008 was $10,965,907, an 8% increase over net revenue for the prior year period of $10,176,538.

For the nine months ended September 30, 2008, QSI, GSI, TBS, and MVI generated 4%, 41%, 35% and 19% of our net revenue, respectively. For the nine months ended September 30, 2007, QSI, GSI, TBS, and MVI generated 0%, 44%, 33% and 23% of our net revenue, respectively.

The following is a comparison of the components of consolidated net revenue from external customers:

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007	Variance Amount	Percent
Net revenue from external customers:				
Electronic document delivery services (MVI)	$ 2,124,344	$ 2,336,329	$ (211,985)	-9%
Government accounting solutions (TBS)	3,873,142	3,316,973	556,169	17%
Electronic content management (QSI)	447,408	-	447,408	*
Integrated communications (GSI)	4,521,013	4,523,236	(2,223)	0%
Corporate	-	-	-	
Total net revenue from external customers	$ 10,965,907	$ 10,176,538	$ 789,369	8%
* calculation is not meaningful				

Revenue increased 17% at TBS due to increases in revenue from printing, hardware sales, and support services. These increases were partially offset by decreases in software which resulted in part from our strategy to promote online, usage-based services rather than single unit product sales.

Revenue at GSI was flat due to decreases in revenue from professional service fees revenue and sales to corporate clients, which were partially offset by an increase from user subscription fees.

Revenue decreased 9% at MVI due to a decrease in inbound revenue as a result of banking industry customer attrition and, to a lesser extent, a reduction in supplemental services revenue.

QSI contributed $447,408 in revenue from August 1, 2008 (date of acquisition) through September 30, 2008.

Cost of Sales

The following is a comparison of the components of consolidated cost of sales:

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007	Variance Amount	Percent
Cost of sales:				
Electronic document delivery services (MVI)	$ 846,127	$ 950,033	$ (103,906)	-11%
Government accounting solutions (TBS)	2,616,323	2,030,091	586,232	29%
Electronic content management (QSI)	111,256	-	111,256	*
Integrated communications (GSI)	870,945	821,618	49,327	6%
Corporate	-	-	-	
Total cost of sales:	$ 4,444,651	$ 3,801,742	$ 642,909	17%

* calculation is not meaningful

Total cost of sales represented 41% and 37% of net sales during the 2008 and 2007 periods, respectively.

Cost of sales for MVI for the nine months ended September 30, 2008 represented 40% of MVI's net sales as compared with 41% in the 2007 period as a result of negotiated reductions in telephony costs during the third quarter.

Cost of sales for TBS for the nine months ended September 30, 2008 represented 68% of TBS' net sales as compared with 61% in the 2007 period. The increased costs at TBS were attributable to higher revenue and increased costs related to the sale of third party hardware, and an increase in sales commissions.

Cost of sales for GSI for the nine months ended September 30, 2008 represented 19% of GSI's net sales as compared with 18% in the 2007 period. Telephony charges increased slightly; however, the increases were partially offset by reduced staff costs.

Cost of sales for QSI for the nine months ended September 30, 2008 represented 25% of QSI's net sales

Gross Profit

Gross profit for the nine months ended September 30, 2008 increased 2% to $6,521,256 as compared to $6,374,796 for the 2007 period. The increase in the 2008 period of $146,460 resulted from decreases of $108,079, $51,550, and $30,063 from MVI, GSI, and TBS, respectively, as offset by the contribution of $336,152 in gross profit of QSI. Gross profit margin for the 2008 and 2007 periods was 59% and 63%, respectively.

Operating Expenses

The following is a comparison of the components of consolidated operating expenses:

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007	Variance Amount	Percent
Operating expenses				
Electronic document delivery services (MVI)	$ 953,067	$ 1,081,400	$ (128,333)	-12%
Government accounting solutions (TBS)	903,697	1,015,363	(111,666)	-11%
Electronic content management (QSI)	322,908	-	322,908	*
Integrated communications (GSI)	2,795,663	3,040,891	(245,228)	-8%
Corporate	1,830,455	2,316,396	(485,941)	-21%
Total operating expenses:	$ 6,805,790	$ 7,454,050	$ (648,260)	-9%

* calculation is not meaningful

During the nine months ended September 30, 2008, the operating expenses of Corporate decreased 21% as a result of decreased compensation, insurance, travel, printing, and legal expenses. These decreases were offset by increases in accounting fees and recruiting fees. Operating expenses in the 2008 period included $221,016 in compensation expense related to the vesting of stock options, compared to $655,409 in the 2007 quarter.

During the nine months ended September 30, 2008, MVI's operating expenses decreased 12% compared to the 2007 period. Product and technology development decreased $142,260 (-33%) as a result of reduced staffing. Sales and marketing decreased by $126,566 (-35%) as a result of reduced staff expenses and advertising. General and administrative increased by $123,247 (+53%) due to increased rent and recruiting fees as offset by decreased bad debt charges. Depreciation and amortization expense increased $17,246 (+38%).

During the nine months ended September 30, 2008, operating expenses at TBS decreased 11% compared to the 2007 period. Product and technology development decreased $72,307 (-41%) due to reduced staffing. Sales and marketing decreased by $15,962(-5%) due to reduced bonus compensation and travel costs. General and administrative decreased by $13,315 (-3%) on lower insurance, maintenance, and supplies. Depreciation and amortization expenses decreased by $10,082 (-12%).

During the nine months ended September 30, 2008, GSI's operating expenses decreased 8% compared to the 2007 period. Product and technology development decreased $42,255 (-6%). Sales and marketing decreased $132,798 (-15%) due to decreased sales management staff expense and commission expense, as offset by increased outside marketing services. General and administrative expenses were flat compared to the 2007 period. Depreciation and amortization expenses decreased by $67,289 (-15%).

During the nine months ended September 30, 2008, QSI incurred $322,908 of operating expenses. Product and technology, sales and marketing, general and administrative, and depreciation expenses were $136,833, $40,015, $139,321, and $6,739, respectively.

Operating Loss

As a result of the foregoing, the Company reported an operating loss for the nine months ended September 30, 2008 of $284,534, compared to an operating loss of $1,079,254 for the nine months ended September 30, 2007.

The following is a comparison of the components of consolidated income from operations:

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007	Variance Amount	Percent
Operating income (loss):				
Electronic document delivery services (MVI)	$ 325,150	$ 304,896	$ 20,254	7%
Government accounting solutions (TBS)	353,122	271,519	81,603	30%
Electronic content management (QSI)	13,244	-	13,244	*
Integrated communications (GSI)	854,405	660,727	193,678	29%
Corporate	(1,830,455)	(2,316,396)	485,941	21%
Total operating income (loss)	$ (284,534)	$ (1,079,254)	$ 794,720	74%

* calculation is not meaningful

Each of TBS, GSI and Corporate reported a significant improvement in operating income (loss) compared to the prior year period. These improvements were supplemented by a more modest increase at MVI.

Interest Expense, net

Interest expense, net for the nine months ended September 30, 2008 increased by $85,980 to $175,674 from the $89,694 reported in the 2007 period. The most significant factor in the increase was amortization of debt issue costs incurred in connection with finders' fees for a new operating line of credit.

Other Income, net

Other income, net for the nine months ended September 30, 2008 was $103,371 compared to other income, net of $(47,462) reported in the 2007 period. In each of the periods, we recorded other income and expense related to settlement of liabilities related to prior years.

Discontinued Operations

For the nine months ended September 30, 2007, income from discontinued operations was $208,214, and included the results of operations of PFI, our electronic forms segment. See Note 5 to our unaudited condensed consolidated financial statements contained elsewhere in this Report for additional information related to discontinued operations.

Net Loss

As a result of the foregoing, net loss for the nine months ended September 30, 2008 was $332,700, or $0.00 per share, compared to a net loss of $1,023,106, or $0.01 per share, for the nine months ended September 30, 2007 on weighted average shares of 157,606,078 and 149,380,374, respectively.

The following is a comparison of the components of consolidated net loss:

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007	Variance Amount	Percent
Net income (loss):				
Electronic document delivery services (MVI)	$ 308,448	$ 304,447	$ 4,001	1%
Government accounting solutions (TBS)	344,676	276,184	68,492	25%
Electronic content management (QSI)	60,494	-	60,494	*
Integrated communications (GSI)	879,913	597,119	282,794	47%
Corporate	(1,926,231)	(2,409,070)	482,839	20%
Discontinued operations	-	208,214	(208,214)	-100%
Total net loss	$ (332,700)	$ (1,023,106)	$ 690,406	67%

* calculation is not meaningful

LIQUIDITY AND CAPITAL RESOURCES

During the nine months ended September 30, 2008, our net cash position increased by $283,925 to $1,033,836. Although our operating and financing activities provided net cash of $204,848 and $650,732, respectively, our investing activities used net cash of $571,655.

We do not currently have any material commitments for capital expenditures other than those expenditures incurred in the ordinary course of business.

Our sources of capital include cash flow from operations, available credit facilities, and the issuance of debt and equity securities. During 2008, we have relied heavily on cash reserves and our operating lines of credit to fund the negative operating cash flows we experienced during the first two quarters. Should we experience further negative operating cash flows during the fourth quarter of 2008 or in 2009, we expect to make use of available borrowing capability under our operating lines of credit.

On February 6, 2008, we entered into an agreement with The Private Bank of The Peninsula (“Bank”) for an asset based line of credit (the “Line”). The Bank’s maximum commitment amount for the Line is $1.5 million. Advances are generally limited to 85% of eligible domestic accounts receivable. The interest rate is floating and is calculated at Wall Street Journal prime plus 3% on the cash borrowed. Interest on outstanding borrowings is payable monthly. As of September 30, 2008, outstanding borrowings on the Line were approximately $457,000. Outstanding advances under the Line are secured by a first lien position on all of our accounts receivable, contract rights, chattel paper, documents, and payment and by a second lien on our inventory, intellectual property, and equipment.

In consideration for the Line, we paid a facility fee of $15,000 to the Bank and we issued the Bank a warrant to purchase 75,000 shares of our restricted common stock at an exercise price of $0.062 per share through February 6, 2018. In addition, we paid a finder’s fee in the amount of $50,000 to Dragonfly Capital Partners LLC (“Dragonfly”) and issued Dragonfly a warrant to purchase 2,419,355 shares of our restricted common stock at an exercise price of $0.062 per share through February 6, 2013.

TBS has a $100,000 unsecured operating line of credit with BB&T that it had not utilized as of November 14, 2008. During July 2008, VillageEDOCS renewed a $500,000 operating line of credit with Bank of America guaranteed by a shareholder on which it owed approximately $457,000 as of September 30, 2008.

QSI has an unsecured line of credit agreement with a financial institution for borrowings up to the maximum of $100,000 with no maturity date ("QSI RLOC"). Borrowings bear interest at the prime rate, plus 2.775%. QSI had borrowings totaling $100,000 at September 30, 2008 and had $0 available for future borrowings under the line of credit. Pursuant to the QSI acquisition agreements, we have agreed to repay all outstanding borrowings under the QSI RLOC on or before August 1, 2009.

Effective August 1, 2008 and in connection with the acquisition of Questys, we issued a secured promissory note to the Pavlovics (the "Pavlovic Note"). The Pavlovics are a related party as a result of the shares of the Company's common stock issued to them in connection with the acquisition of Questys. The Pavlovic Note is non-interest bearing and may be prepaid in whole or in part at any time without penalty and is due on August 1, 2011. Principal payments are due in three equal annual installments of $300,000 each on August 1, 2009, August 1, 2010, and August 1, 2011. The Pavlovic Note is secured by certain assets of Questys as defined in a Security Agreement dated as of August 1, 2008. Payment obligations under the Pavlovic Note are subordinate in certain respects to the rights of the Bank to the extent set forth in a Subordination Agreement dated as of August 1, 2008.

Prior to August 1, 2008 (effective date of acquisition of Questys), the Pavlovic's made aggregate advances to Questys in the amount of $115,000, which were assumed in the acquisition (the "Pavlovic Shareholder Debt"). The Pavlovic Shareholder Debt is non-interest bearing and the Company and the Pavlovics have agreed to the repayment of the outstanding balance as follows: (i) $35,000 on or before August 1, 2009, (ii) $40,000 on or before August 1, 2010, and (iii) $40,000 on or before the August 1, 2011.

We funded the requirement for the initial $300,000 payment for the purchase of QSI from the proceeds of a $300,000 related party secured promissory note offering subscribed to by The Silver Lake Group, LLC ("SLG") on August 4, 2008 (the "SLG Note"). SLG is owned by Ricardo A. Salas. Mr. Salas is a Director of VillageEDOCS, Inc. The SLG Note was originally due on October 31, 2008 and bore interest at a rate of nine percent (9%) per annum through October 31, 2008.

On October 30, 2008, VillageEDOCS, Inc. and SLG entered into an Amendment to Secured Promissory Note ("Amendment") to modify the maturity date, interest rate, and repayment terms of the SLG Note. As of October 31, 2008, the remaining principal balance of the SLG Note, as amended, was $250,000 and no interest was outstanding. Pursuant to the Amendment, the SLG Note matures on March 31, 2009 and bears interest from November 1, 2008 at a rate of twelve percent (12%) per annum. The SLG Note will be repaid in a series of five monthly installments of principal and interest on each of November 28, 2008, December 31, 2008, January 30, 2009, February 27, 2009, and March 31, 2009. The SLG Note is secured by the accounts receivable of GoSolutions, Inc., our wholly-owned subsidiary, as defined in a Security Agreement dated as of August 1, 2008. Payment obligations under the SLG Note are subordinate in certain respects to the rights of the Bank to the extent set forth in a Subordination Agreement to be entered into as of August 1, 2008.

Our inability to repay outstanding borrowings when due would have a material adverse effect on us.

Substantial risk exists that a decrease in demand for our products and services would reduce the availability of cash from this source since our operating cash flows are derived from products and services that are subject to rapid technological change.

Since our inception, our operating and investing activities have used substantially more cash than they have generated. We believe that we have made considerable progress toward achieving profitable operations by increasing revenues from electronic document delivery services and through our acquisition of TBS and GSI. In addition, we are actively seeking opportunities to acquire or otherwise combine with businesses that are operating profitably and generating positive cash flows. However, at present and for the foreseeable future, we believe that we will continue to need working capital to fund the growth of our businesses and to absorb the increasing costs associated with operating as a fully reporting company in the prevailing regulatory environment. Accordingly, we anticipate negative operating and investing cash flows during the remainder of 2008 and at least until QSI, MVI, TBS, and GSI consistently generate net cash flows sufficient to offset the projected expense to operate the holding company.

We expect to use cash flow generated from operations, the Line, and potentially other sources, to fund any such negative operating cash flows during the remainder of 2008.

While we believe that our available cash resources combined with our current revenue streams and lines of credit will be sufficient to meet our anticipated working capital requirements for the next twelve months, we would likely require new sources of debt or equity financing during the remainder of 2008 should we be required to expand or significantly upgrade our technology infrastructure through additional capital expenditures. Should our current revenue streams or margins be subjected to even minor decreases, our external funding requirements would likely be greater.

We believe that sustainable profitability is achievable; however, we have a history of losses. While GSI, MVI, and TBS each reported net income for the first nine months of 2008, and while QSI reported net income from August 1, 2008 (date of acquisition) through September 30, 2008, this income was not sufficient to offset operating losses, interest expense and corporate overhead. If we are not successful in sustaining and increasing operating profits from our three operating segments, or in reducing expenses of the holding company as a percentage of revenue, we may not achieve profitability on a consolidated basis.

This estimate is a forward-looking statement that involves risks and uncertainties. The actual time period may differ materially from that indicated as a result of a number of factors so that we cannot assure you that our cash resources will be sufficient for anticipated or unanticipated working capital and capital expenditure requirements for this period. We have advised that we will need to raise additional capital in the future to meet our operating and investing cash requirements. Such sources of financing could include capital infusions, additional equity financing, or debt offerings. There can be no assurance that additional funding will be available on acceptable terms, if at all, or that such funds if raised, would enable us to achieve and maintain profitable operations. If we are not able to obtain sufficient additional funds from investors, we may be unable to sustain all or part of our operations. If we raise additional funds through the issuance of securities, these securities may have rights, preferences or privileges senior to those of our common stock, and our stockholders may experience additional dilution to their equity ownership.

The Report of Independent Registered Public Accounting Firm on our December 31, 2007 consolidated financial statements includes an explanatory paragraph stating that the recurring losses incurred from operations and a working capital deficit raise substantial doubt about our ability to continue as a going concern. The unaudited condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

CAUTIONARY INFORMATION ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. All statements that do not directly and exclusively relate to historical facts constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Our forward-looking statements are based on our plans, intentions, expectation, and belief and are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected or expressed herein. You can identify these statements by forward-looking words such as "may", "will", "expect", "intend", "anticipate", "believe", "expect", "plan", "seek", "estimate", "project", "could", and "continue" or similar words. You should read statements that contain these words carefully because they discuss our expectations about our future performance, contain projections of our future operating results or of our future financial condition, or state other "forward-looking" information. These statements include, among others, information regarding future operations, future capital expenditures, and future net cash flow. Such statements reflect the Company's current views with respect to future events and financial performance and involves risks and uncertainties, including, without limitation, general economic and business conditions, changes in foreign, political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, the ability to achieve further market penetration and additional customers, and various other matters, many of which are beyond the Company's control, including, without limitation, the risks described under the caption "*Certain Factors That May Affect Future Results"* in Item 6 of the Company's Annual Report on Form 10-KSB filed with the Commission on March 31, 2008. Our future results and stockholder values may differ materially from those expressed in these forward- looking statements. Many of the factors that will determine these results and values are beyond our ability to control or predict. We assume no obligation to update any forward-looking statements. Investors are cautioned not to put undue reliance on any forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. Readers should also consult the cautionary statements and risk factors listed from time to time in our Reports, and all amendments thereto, on Forms 10-K, 10-KSB, 10-Q, 10-QSB, 8-K, and other SEC filings. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in Section 21E of the Exchange Act.

Forward looking statements in this Quarterly Report on Form 10-Q include, without limitation:

The statements in MD&A under the captions *Introduction* and *Business Overview* of our strategies, beliefs, plans, expectations, anticipations and hopes with respect to (1) our expectations about the benefits we may derive from acquisitions, (2) our current and future growth strategy to acquire intellectual and technology assets and our expectations about the benefits we may derive, (3) our beliefs about our vision to become a business process management/workflow service and the benefits we expect to derive, (4) our acquisition strategy, and (5) our belief that obtaining planned financings will allow us to generate adequate cash flows to sustain operations at current levels until we being to operate profitably on a consistent, month-over month basis, which statements are subject to various risks and uncertainties, including, without limitation, our limited operating history, risks that we may not be able to obtain any additional financing at terms acceptable to us, or at all, risks that we may not successfully implement our acquisition program, risks associated with assimilating acquired personnel and technology into the Company, and the risk that we will not be able to compete effectively because our market place is highly competitive and has low barriers to entry.

The statements in MD&A under the caption *Results of Operations* of our strategies, beliefs, plans, expectations, anticipations and hopes with respect to Net Revenue, Gross Profit, Operating Expenses, Income (Loss) from Operations, and Net Loss and our strategies, beliefs, plans, expectations, anticipations and hopes with respect to Liquidity and Capital Resources set forth in MD&A under the caption *Liquidity and Capital Resources*, including, without limitation (1) our belief that we have made considerable progress toward achieving profitable operations by increasing revenues from electronic document delivery services and through our acquisitions, (2) our strategy of actively seeking to combine with business that operate profitably and generate positive cash flows, (3) our belief that sustainable profitability is achievable, (4) our expectations about future funding requirements, and (5) our belief that current cash position, cash generated through operations and equity offerings and available borrowings will be sufficient to meet our needs through at least the next twelve months, which statements are subject to various risks and uncertainties, including, without limitation, our limited operating history, risks that we may not be able to obtain any additional financing at terms acceptable to us, or at all, the risk that we may be unable to sustain all or part of our operations if we are not able to obtain sufficient additional funds from investors, the risk that our funding requirements could be greater should our current revenue streams or margins decrease, risks that we may not successfully implement our acquisition program, risks associated with assimilating acquired personnel and technology into the Company, and the risk that we will not be able to compete effectively because our market place is highly competitive and has low barriers to entry.

The statements in Part II under the heading *Item 4 Controls and Procedures*, of our belief that we are addressing the deficiencies that affected our internal control over financial reporting and the time we estimate we will require before we would be able to conclude that all material weaknesses have been remediated or our belief regarding the potential impact to us, which statements are subject to various risks and uncertainties including, without limitation the risk that for financial or other reasons we will be unable to effect some or all of the changes we believe are required within the time periods estimated, or at all.

RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after December 15, 2007. The Company adopted SFAS No. 157 effective January 1, 2008. In December 2007, the FASB released a proposed FASB Staff Position (FSP FAS 157-2- Effective Date of FASB Statement No. 157) which, if adopted as proposed, would delay the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We are currently evaluating the effect of FAS 157 on our financial statements.

In October 2008, the FASB issued FASB Staff Position No. 157-3, *Determining Fair Value of a Financial Asset When the Market for That Asset is Not Active* ("FSP No. 157-3"). FSP No. 157-3 clarifies the application of SFAS No. 157 in a market that is not active, and provides an illustrative example intended to address certain key application issues. FSP No. 157-3 is effective immediately, and applies to the Company's September 30, 2008 financial statements. The Company has concluded that the application of FSP No. 157-3 did not have a material impact on its consolidated financial position and results of operations as of and for the periods ended September 30, 2008.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*. SFAS No. 141(R) provides companies with principles and requirements on how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree as well as the recognition and measurement of goodwill acquired in a business combination. SFAS No. 141(R) also requires certain disclosures to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Acquisition costs associated with the business combination will generally be expensed as incurred. SFAS No. 141(R) is effective for business combinations occurring in fiscal years beginning after December 15, 2008. Early adoption of SFAS No. 141(R) is not permitted. We are currently evaluating the impact SFAS No. 141(R) will have on any future business combinations.

ITEM 4 – CONTROLS AND PROCEDURES

(a) As of September 30, 2008, an evaluation was carried out under the supervision and with the participation of the Company's management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). As a result of this evaluation, we identified material weaknesses in our internal control over financial reporting as of September 30, 2008. Accordingly, although we continue to make progess toward our goal to remediate significant deficiencies, we concluded that our disclosure controls and procedures were not effective as of September 30, 2008. For more information regarding the material weaknesses identified and our remediation plans, we encourage you to read Item 8A *Controls and Procedures* included in the Annual Report on Form 10-KSB that we filed with the SEC on March 31, 2008.

(b) Changes in internal control over financial reporting: There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

LIMITATIONS ON THE EFFECTIVENESS OF INTERNAL CONTROLS

The Company's management, including the CEO and CFO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of the control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the internal control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, and/or the degree of compliance with the policies or procedures may deteriorate.

PART II

ITEM 1 – LEGAL PROCEEDINGS.

Claim

In connection with our acquisition of GSI, we are entitled to certain rights of indemnification from GoSolutions Equity, LLC, which is a former shareholder of GSI that became a shareholder of VillageEDOCS, Inc. as a result of our acquisition of GSI. We have made a claim of indemnification from this entity in connection with the bankruptcy of one of GSI's significant customers – Vartec Telecom, Inc. – and the facts and circumstances relating to the procurement and maintenance of the Primerica Life Insurance account and related Citigroup affiliates. GoSolutions Equity, LLC has indicated that it does not believe that we have a valid basis for making such indemnification claims.

We have engaged in limited discussions with GoSolutions Equity, LLC as it relates to the indemnification claims notice and their response to such claims notice. However, we are unable to advise whether we will be successful in the indemnification claims against GoSolutions Equity, LLC. Pursuant to the agreement with GSI, if we are successful, GoSolutions Equity, LLC would only be required to return up to approximately 4.4 million of our shares issued to that entity to satisfy such indemnification claims. GoSolutions Equity, LLC is not required to contribute cash to satisfy any indemnification claims.

In the opinion of management, the amount of ultimate liability, if any, with respect to these actions will not materially affect our consolidated financial position or results of operations.

ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

On August 1, 2008 and in connection with the acquisition of Questys, we issued 22,000,000 shares of our restricted common stock to the owners of Questys. These shares were valued at $0.025 per share (the estimated fair value on the measurement date).

The offer and sale of our securities described above was made pursuant to Section 4(2) of the Securities Act of 1933 and Regulation D promulgated thereunder.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4 – SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS.

None.

ITEM 5 – OTHER INFORMATION.

On November 13, 2008, we entered into employment agreements with K. Mason Conner, our President and Chief Executive Officer, H. Jay Hill, our Executive Vice President - Corporate Development, and Michael Richard, our Chief Financial Officer. These agreements supersede the employment agreements dated June 10, 2004, as amended. Following is a summary of the significant terms of each of the employment agreements approved by the Company's Board of Directors ("Board"):

K. MASON CONNER. Mr. Conner's employment agreement provides for Mr. Conner to serve as our President and Chief Executive Officer for a term ending November 12, 2012. The employment agreement provides that, the term of the agreement shall automatically be extended for successive one year renewal terms, provided that if either Mr. Conner or the Company gives the other party at least one hundred twenty (120) days advance written notice of his or its intention to not renew the agreement for an additional term, the agreement will terminate upon the expiration of the current term.

Pursuant to the employment agreement, Mr. Conner's present base salary of $236,250 will remain in effect through November 12, 2009. The Board will review his salary at annual intervals, and may adjust his annual base salary from time to time as the Board or its Compensation Committee deems to be appropriate, provided, however, that the salary for the twelve month period beginning November 13, 2009 and each succeeding year shall not be less than 105% of the salary for the prior year. Mr. Conner is entitled to an incentive bonus based upon the Company's adjusted earnings before interest, taxes, amortization and depreciation. For the years 2008 and 2009, the percentage bonus will be 7% of the adjusted earnings before interest, taxes, amortization and depreciation paid in Company shares. For each year subsequent to 2009, the Board will establish the percentage and form of payment.

H. JAY HILL. Mr. Hill's employment agreement provides for Mr. Hill to serve as our Executive Vice President – Corporate Development for a term ending November 12, 2012. The employment agreement provides that, the term of the agreement shall automatically be extended for successive one year renewal terms, provided that if either Mr. Hill or the Company gives the other party at least one hundred twenty (120) days advance written notice of his or its intention to not renew the agreement for an additional term, the agreement will terminate upon the expiration of the current term.

Pursuant to the employment agreement, Mr. Hill's present base salary of $210,000 will remain in effect through November 12, 2009. The Board will review his salary at annual intervals, and may adjust his annual base salary from time to time as the Board or its Compensation Committee deems to be appropriate, provided, however, that the salary for the twelve month period beginning November 13, 2009 and each succeeding year shall not be less than 105% of the salary for the prior year. Mr. Hill is entitled to an incentive bonus based upon the Company's adjusted earnings before interest, taxes, amortization and depreciation. For the years 2008 and 2009, the percentage bonus will be 6% of the adjusted earnings before interest, taxes, amortization and depreciation paid in Company shares. For each year subsequent to 2009, the Board will establish the percentage and form of payment.

MICHAEL A. RICHARD. Mr. Richard's employment agreement provides for Mr. Richard to serve as our Chief Financial Officer for a term ending November 12, 2010. The employment agreement provides that, the term of the agreement shall automatically be extended for successive one year renewal terms, provided that if either Mr. Richard or the Company gives the other party at least one hundred twenty (120) days advance written notice of his or its intention to not renew the agreement for an additional term, the agreement will terminate upon the expiration of the current term.

Pursuant to the employment agreement, Mr. Richard's present base salary of $160,000 will remain in effect through November 12, 2009. The Board will review his salary at annual intervals, and may adjust his annual base salary from time to time as the Board or its Compensation Committee deems to be appropriate, provided, however, that the salary for the twelve month period beginning November 13, 2009 and each succeeding year shall not be less than 105% of the salary for the prior year. Mr. Richard, at the discretion of the Board, is entitled to receive an annual incentive bonus in an amount to be determined by the Board.

The agreements with Messrs. Conner, Hill, and Richard provide for continuation of certain benefits, modification of vesting and exercise terms for stock and option awards, and for certain payments, either in lump sum or in a series of from six to twelve payments, to Messrs. Conner, Hill and Richard in the event their employment is involuntarily terminated for disability, without cause, or in the event that the agreement is not renewed. The amounts of such payments range from 50% to 200% of annual salary and bonus in effect upon termination. In the event of a Change in Corporate Control, any restricted stock, stock options or other awards granted to Messrs. Conner, Hill, or Richard shall become immediately vested in full and, in the case of stock options, exercisable in full. If each of Messrs. Conner, Hill, or Richard is terminated for cause, he shall be entitled to receive his base salary through the date of termination and any non-forfeitable benefits earned and payable to him under the terms of deferred compensation or incentive plans maintained by the Company.

The foregoing description of the employment agreements with Messrs. Conner, Hill and Richard is qualified in its entirety by reference to the actual terms of each agreement, copies of which are attached hereto as Exhibits and which are incorporated by reference herein.

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ITEM 6 – EXHIBITS.

2.1 Agreement and Plan of Merger dated January 31, 2004 by and among VillageEDOCS, VillageEDOCS Merger Sub, Inc., Tailored Business Systems, Inc., Stephen A. Garner, and James L. Campbell previously filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on February 18, 2004 and incorporated herein by reference. **

2.2 Plan of Internal Restructuring previously filed as Exhibit B to the Company's Schedule 14C Information Statement filed on July 23, 2004 and incorporated herein by reference. **

2.3 Stock Purchase Agreement dated as of April 1, 2005 and executed April 15, 2005 by and among VillageEDOCS Acquisition Corp, Phoenix Forms, Inc., and Its Shareholders. Previously filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on April 19, 2005. **

2.4 Merger Agreement, dated as of February 17, 2006, by and among VillageEDOCS, VEDO Merger Sub, Inc., GoSolutions, Inc. and certain stockholders of GoSolutions. Previously filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on February 21, 2006. **

2.5 Articles of Merger and Plan of Merger. Previously filed as Exhibit 99.2 to the Company's Current Report on Form 8-K filed on May 4, 2006. **

2.6 Assets Purchase Agreement dated December 10, 2007 by and between Phoenix Forms, Inc. and DocPath Corp. Previously filed as Exhibit 2.1 to the Company’s Current Report on Form 8-K filed on December 11, 2007. **

2.7 Assets Purchase Agreement dated December 10, 2007 by and between Phoenix Forms, Inc. and DocPath Corp. Previously filed as Exhibit 2.1 to the Companys’s Current Report on Form 8-K filed on December 11, 2007.**

2.8 Stock Purchase Agreement dated as of August 1, 2008 by and among VillageEDOCS, Inc. and Decision Management Company, Inc. d/b/a Questys Solutions, Inc. and Its Sole Shareholder, Vojin Hadzi-Pavlovic and Gloria Hadzi-Pavlovic, Tenants In Common. Previously filed as Exhibit 99.1 to the Company’s Current Report on Form 8-K filed on August 6, 2008. **

3.1 Articles of Incorporation, as amended. Previously filed with the Company's Form 10-SB filed on August 29, 2000. **

3.2 By-laws. Previously filed with the Company's Form 10-SB filed on August 29, 2000. **

3.3 Article of Amendment to Articles of Incorporation to increase authorized number of common shares. Previously filed with the Company's 14C Information Statement filed on July 23, 2004. **

3.4 Article of Amendment to Articles of Incorporation to increase authorized number of common shares and to create a class of preferred stock. Previously filed with the Company's 14C Information Statement filed on June 7, 2005. **

3.5 Form of Certificate of Designations of Preferences, Rights and Limitations of Series A Convertible Preferred Stock. Previously filed as Exhibit 4.8 to the Company's Current Report on Form 8-K filed on April 19, 2005. **

3.6 Certificate of Amendment of Articles of Incorporation to increase authorized number of common shares. Previously filed with the Company's Current Report on Form 8-K filed on January 20, 2006. **

3.7 Form of Certificate of Incorporation of VillageEDOCS, Inc. Previously filed with the Company's Definitive Information Statement on Schedule 14A filed on May 24, 2007.**

3.8 Form of Bylaws of VillageEDOCS, Inc. Previously filed with the Company's Definitive Information Statement on Schedule 14A filed on May 24, 2007.

4.1 Letter Agreement dated July 30, 2002 by and between the Company, C. Alan Williams, and Joan P. Williams previously filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-QSB for the period ended June 30, 2002 and incorporated herein by reference. **

4.2 Form of Unsecured Convertible Promissory Note. Previously filed as Exhibit 4.5 to the Registrant's Quarterly Report on Form 10-QSB filed with the Securities and Exchange Commission on May 15, 2002 and incorporated herein by reference. **

4.3 Form of Convertible Secured Promissory Note. Previously filed as Exhibit 4.6 to the Registrant's Quarterly Report on Form 10-QSB filed with the Securities and Exchange Commission on May 15, 2002 and incorporated herein by reference. **

4.4 2002 Equity Incentive Plan dated as of January 30, 2002. Previously filed as Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-QSB filed with the Securities and Exchange Commission on May 15, 2002 and incorporated herein by reference. **

4.5 Form of Stock Option Agreement. Previously filed as Exhibit 4.2 to the Registrant's Quarterly Report on Form 10-QSB filed with the Securities and Exchange Commission on May 15, 2002 and incorporated herein by reference. **

4.6 Promissory Note Modification Agreement dated May 9, 2002 by and among the Company, Joan P. Williams and C. Alan Williams. Previously filed as Exhibit 4.3 to the Registrant's Quarterly Report on Form 10-QSB filed with the Securities and Exchange Commission on May 15, 2002 and incorporated herein by reference. **

4.7 Security Agreement dated May 9, 2002 by and among the Company, Joan P. Williams and C. Alan Williams. Previously filed as Exhibit 4.4 to the Registrant's Quarterly Report on Form 10-QSB filed with the Securities and Exchange Commission on May 15, 2002 and incorporated herein by reference. **

4.8 Promissory Note to Stephen A. Garner dated February 17, 2004 previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on February 18, 2004 and incorporated herein by reference. **

4.9 Promissory Note to James L. Campbell dated February 17, 2004 previously filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed on February 18, 2004 and incorporated herein by reference. **

4.10 Guaranty by Tailored Business Systems, Inc. to Stephen A. Garner dated February 17, 2004 previously filed as Exhibit 4.3 to the Company's Current Report on Form 8-K filed on February 18, 2004 and incorporated herein by reference. **

4.11 Guaranty by Tailored Business Systems, Inc. to James L. Campbell dated February 17, 2004 previously filed as Exhibit 4.4 to the Company's Current Report on Form 8-K filed on February 18, 2004 and incorporated herein by reference. **

4.12 Form of Security Agreement dated February 17, 2004 by and between Tailored Business Systems, Inc. and Stephen A. Garner previously filed as Exhibit 4.5 to the Company's Current Report on Form 8-K filed on February 18, 2004 and incorporated herein by reference. **

4.13 Form of Security Agreement dated February 17, 2004 by and between Tailored Business Systems, Inc. and James L. Campbell previously filed as Exhibit 4.6 to the Company's Current Report on Form 8-K filed on February 18, 2004 and incorporated herein by reference. **

4.14 Registration Rights Agreement dated February 17, 2004 by and between VillageEDOCS and Stephen A. Garner previously filed as Exhibit 4.7 to the Company's Current Report on Form 8-K filed on February 18, 2004 and incorporated herein by reference. **

4.15 Registration Rights Agreement dated February 17, 2004 by and between VillageEDOCS and James L. Campbell previously filed as Exhibit 4.8 to the Company's Current Report on Form 8-K filed on February 18, 2004 and incorporated herein by reference. **

4.16 Form of Stock Pledge Agreement dated February 17, 2004 by and between Tailored Business Systems, Inc. and Stephen A. Garner previously filed as Exhibit 4.9 to the Company's Current Report on Form 8-K filed on February 18, 2004 and incorporated herein by reference. **

4.17 Form of Stock Pledge Agreement dated February 17, 2004 by and between Tailored Business Systems, Inc. and James L. Campbell previously filed as Exhibit 4.10 to the Company's Current Report on Form 8-K filed on February 18, 2004 and incorporated herein by reference. **

4.18 Notice of Intent to Exercise Conversion Right dated February 10, 2005 by Joan P. Williams and C. Alan Williams. Previously filed as Exhibit 4.5 to the Company's Current Report on Form 8-K filed on February 14, 2005. **

4.19 Note Purchase Agreement dated April 13, 2005 by and between VillageEDOCS and Barron Partners LP. Previously filed as Exhibit 4.5 to the Company's Current Report on Form 8-K filed on April 19, 2005. **

4.20 Convertible Note to Barron Partners LP dated April 13, 2005. Previously filed as Exhibit 4.6 to the Company's Current Report on Form 8-K filed on April 19, 2005. **

4.21 Registration Rights Agreement dated April 13, 2005 by and between VillageEDOCS and Barron Partners LP. Previously filed as Exhibit 4.7 to the Company's Current Report on Form 8-K filed on April 19, 2005. **

4.22 Form of Certificate of Designations of Preferences, Rights and Limitations of Series A Convertible Preferred Stock. Previously filed as Exhibit 4.8 to the Company's Current Report on Form 8-K filed on April 19, 2005. **

4.24 Form of Note Assignment. Previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on July 6, 2005. **

4.25 Form of Promissory Note Modification Agreement. Previously filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed on July 6, 2005. **

4.26 Form of Notice of Intent to Exercise Conversion Right. Previously filed as Exhibit 4.3 to the Company's Current Report on Form 8-K filed on July 6, 2005. **

4.27 Notice of conversion by Barron Partners LP dated September 30, 2005. Previously filed as Exhibit 4.6 to the Company's Current Report on Form 8-K filed on October 5, 2005. **

4.28 Form of Convertible Secured Promissory Note by and among C. Alan Williams, Joan P. Williams, and the Company previously filed as Exhibit 4.19 to the Company's Annual Report on Form 10-KSB filed on April 14, 2006 and incorporated herein by reference. **

4.29 Convertible Secured Promissory Note dated February 16, 2004 by and among C. Alan Williams, Joan P. Williams, and the Company previously filed as Exhibit 4.20 to the Company's Annual Report on Form 10-KSB filed on April 14, 2006 and incorporated herein by reference. **

4.30 Notice of conversion by Barron Partners LP dated October 21, 2005. Previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on October 24, 2005 and incorporated herein by reference. **

4.31 Notice of conversion by Barron Partners LP dated March 8, 2006. Previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on March 9, 2006 and incorporated herein by reference. **

4.32 Registration Rights Agreement dated as of April 28, 2006 by and among VillageEDOCS and the principal stockholders of GoSolutions, Inc. Previously filed as Exhibit 99.5 to the Company's Current Report on Form 8-K filed on May 4, 2006. **

4.33 Principal VEDO Stockholders Voting Agreement dated as of April 28, 2006 by and among Barron Partners, LP, C. Alan Williams, Joan P. Williams and GoSolutions, Inc. Previously filed as Exhibit 99.6 to the Company's Current Report on Form 8-K filed on May 4, 2006. **

4.34 Indemnity/Contribution Agreement effective April 30, 2006, by and among VillageEDOCS, GoSolutions Equity, LLC (the "LLC"), and the principals of the LLC identified on the signature page thereto. Previously filed as Exhibit 99.7 to the Company's Current Report on Form 8-K filed on May 4, 2006. **

4.35 Settlement and Release Agreement dated as of April 28, 2006 by and among VillageEDOCS, GoSolutions, Inc., The Zant Group Trust and Louis J. Zant. Previously filed as Exhibit 99.9 to the Company's Current Report on Form 8-K filed on May 4, 2006. **

4.36 Second Extension Agreement dated as of April 28, 2006 by and between The Zant Group Trust and GoSolutions, Inc. Previously filed as Exhibit 99.9 to the Company's Current Report on Form 8-K filed on May 4, 2006. **

4.37 Settlement and Release Agreement dated as of June 30, 2006, by and among VillageEDOCS, GoSolutions, Inc., Bruce H. Bennett and Sandra G. Bennett. Previously filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on July 12, 2006. **

4.38 Warrant Exchange Agreement dated as of November 20, 2006 by and between the Company and Barron Partners, LP. Previously filed as Exhibit 10.1 to the Company’s Amended Current Report on Form 8-K/A filed on November 22, 2006.**

4.39 Promissory Note of VillageEDOCS, Inc. dated August 1, 2008 for $900,000 held by Vojin Hadzi-Pavlovic and Gloria Hadzi-Pavlovic, Tenants In Common. Previously filed as Exhibit 99.2 to the Company's Current Report on Form 8-K filed on August 6, 2008. **

4.40 Security Agreement dated as of August 1, 2008, by and among VillageEDOCS, Inc, Decision Management Company, Inc. d/b/a Questys Solutions, Inc. and Vojin Hadzi-Pavlovic and Gloria Hadzi-Pavlovic, Tenants In Common. Previously filed as Exhibit 99.3 to the Company's Current Report on Form 8-K filed on August 6, 2008. **

4.41 Subordination Agreement dated as of August 1, 2008 by and between The Private Bank of the Peninsula and Vojin Hadzi-Pavlovic and Gloria Hadzi-Pavlovic, Tenants In Common. Previously filed as Exhibit 99.4 to the Company's Current Report on Form 8-K filed on August 6, 2008. **

4.42 Form of Promissory Note of VillageEDOCS, Inc. dated August 1, 2008 for $300,000 held by The Silver Lake Group, LLC. Previously filed as Exhibit 99.6 to the Company's Current Report on Form 8-K filed on August 6, 2008. **

4.43 Form of Security Agreement dated as of August 1, 2008, by and among VillageEDOCS, Inc, GoSolutions, Inc., and The Silver Lake Group LLC. Previously filed as Exhibit 99.7 to the Company's Current Report on Form 8-K filed on August 6, 2008. **

4.44 Form of Subordination Agreement dated as of August 1, 2008 by and between The Private Bank of the Peninsula and The Silver Lake Group LLC. Previously filed as Exhibit 99.8 to the Company's Current Report on Form 8-K filed on August 6, 2008. **

4.45 Amendment to Secured Promissory Note dated October 31, 2008 by and between VillageEDOCS, Inc. and The Silver Lake Group, LLC. Previously filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed on October 31, 2008.**

10.1 General Release and Noncompetition Agreement dated February 17, 2004 by Stephen A. Garner in favor of Tailored Business Systems, Inc. previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on February 18, 2004 and incorporated herein by reference. **

10.2 General Release and Noncompetition Agreement dated February 17, 2004 by James L. Campbell in favor of Tailored Business Systems, Inc. previously filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed on February 18, 2004 and incorporated herein by reference. **

10.3 Lease Agreement dated February 17, 2004 by and between Perimeter Center Partners and Tailored Business Systems, Inc. previously filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed on February 18, 2004 and incorporated herein by reference. **

10.4 Release of Claims Agreement dated as of April 1, 2005 by Alexander Riess in favor of Phoenix Forms, Inc. Previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 19, 2005. **

10.5 Release of Claims Agreement dated as of April 1, 2005 by William R. Falcon in favor of Phoenix Forms, Inc. Previously filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed on April 19, 2005. **

10.6	Executive Employment Agreement, dates as of March 1, 2006, by and between the Company and Jerry T. Kendall. Previously files as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 1, 2006. **
10.7	Thor Bendickson Employment Agreement effective as of May 1, 2006. Previously filed as Exhibit 99.14 to the Company's Current Report on Form 8-K filed on May 4, 2006. **
10.8	Patent License Agreement, dated as of May 12, 2006, by and between VillageEDOCS and Catch Curve, Inc.. Previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 16, 2006. **
10.9	Office Lease Agreement effective June 1, 2007 by and between the Company and Tustin Avenue Investors, LLC. Previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 25, 2007. **
10.10	Placement Agency Agreement effective October 13, 2006 by and between the Company and Stonegate Securities, Inc. Previously filed as Exhibit 10.28 to the Company's Quarterly Report on Form 10-QSB filed on August 14, 2007. **
10.11	Engagement Agreement effective July 10, 2007 by and between the Company and GemStone Securities, LLC. Previously filed as Exhibit 10.29 to the Company's Quarterly Report on Form 10-QSB filed on August 14, 2007. **
10.12	Settlement Agreement dated June 6, 2007 by and among Jeffrey H. Mims, VarTec Telecom, Inc, Excel Telecommunications, Inc., VarTec Solutions, Inc., and GoSolutions, Inc. Previously filed as Exhibit 10.29 to the Company's Quarterly Report on Form 10-QSB filed on August 14, 2007. **
10.13	Form of Loan and Security Agreement dated February 6, 2008 by and between The Private Bank of the Peninsula and each of the Registrant, MessageVision, Inc., and Tailored Business Systems, Inc. Previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 11, 2008. **
10.14	Employment Agreement dated as of August 1, 2008 by and between VillageEDOCS, Inc. and Andre Hadzi-Pavlovic. Previously filed as Exhibit 99.5 to the Company's Current Report on Form 8-K filed on August 6, 2008. **
10.15	Employment Agreement dated November 13, 2008 by and between VillageEDOCS, Inc. and K. Mason Conner.*
10.16	Employment Agreement dated November 13, 2008 by and between VillageEDOCS, Inc. and H. Jay Hill.*
10.17	Employment Agreement dated November 13, 2008 by and between VillageEDOCS, Inc. and Michael A. Richard.*
14.1	Code of Ethics. Previously filed as Exhibit 14.1 to the Company's Annual Report on Form 10-KSB filed on March 29, 2004 and incorporated herein by reference. **
21.1	Subsidiaries of the Registrant.*
31.1	Certification Under Section 302 of The Sarbanes-Oxley Act of 2002 signed and dated November 14, 2008 by K. Mason Conner, Chief Executive Officer.*
31.2	Certification Under Section 302 of The Sarbanes-Oxley Act of 2002 signed and dated November 14, 2008 by Michael A. Richard, Chief Financial Officer.*
32.1	Certification Pursuant To 18 U.S.C. §1350, As Adopted Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002 signed and dated November 14, 2008 by K. Mason Conner, Chief Executive Officer.***
32.2	Certification Pursuant To 18 U.S.C. §1350, As Adopted Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002 signed and dated November 14, 2008 by Michael A. Richard, Chief Financial Officer.***

*	Filed herewith
**	Previously filed
***	Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned, thereto duly authorized, in the capacities and on the dates indicated:

VillageEDOCS (Registrant)

Dated: November 14, 2008	**By: /s/ K. Mason Conner** **K. Mason Conner** **Chief Executive Officer, President, and Director**
Dated: November 14, 2008	**By: /s/ Michael A. Richard** **Michael A. Richard** **Chief Financial Officer** **(Principal Accounting Officer)**