ONE VOICE TECHNOLOGIES INC
Form 10QSB
May 13, 2005

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 13, 2005

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

FORM 10-QSB
QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE PERIOD ENDED MARCH 31, 2005

COMMISSION FILE NO. 0-27589

ONE VOICE TECHNOLOGIES, INC.

(Name of Small Business Issuer in Its Charter)

NEVADA	95-4714338
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6333 GREENWICH DRIVE, STE. 240, SAN DIEGO, CA 92122
(Address of Principal Executive Offices)

(858) 552-4466
(Issuer's Telephone Number)

(858) 552-4474
(Issuer's Facsimile Number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock at the latest practicable date.

As of May 13, 2005, the registrant had 275,108,638 shares of common stock, $.001 par value, issued and outstanding.

Transitional small business disclosure format (check one): Yes [ ] No [X]

PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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ONE VOICE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
BALANCE SHEETS

	March 31, 2005 (UNAUDITED)	December 31, 2004 (AUDITED)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 615,664	$ 535,642
Other receivables	3,578	6,274
Inventories	13,017	9,724
Other current assets	38,759	27,756
Total current assets	671,018	579,396
PROPERTY AND EQUIPMENT, net of Accumulated depreciation and amortization	170,050	177,949
OTHER ASSETS:		
Software development costs, net	63,384	77,865
Software licensing costs, net	334	835
Trademarks, net	10,780	13,310
Patents, net	110,964	118,569
Deposits	1,182	2,157
Deferred debt issue costs	100,739	96,954
Total assets	$ 1,128,451	$ 1,067,035
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$ 207,835	$ 162,625
Accrued expenses	86,732	72,887

Security deposits	5,230	12,522
License agreement liability	1,145,000	1,050,000
Current portion of convertible notes payable, net	111,760	92,044
Total current liabilities	1,556,557	1,390,078
LONG-TERM DEBT:		
Long term portion of notes payable, net	100,000	100,000
Long term portion of convertible notes payable	32,550	32,656
Total liabilities	1,689,107	1,522,734
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred stock; $.001 par value, 10,000,000 shares authorized, no shares issued and outstanding	--	--
Common stock; $.001 par value, 990,000,000 shares authorized, 272,410,649 and 246,467,927 shares issued and outstanding at March 31, 2005 and December 31, 2004, respectively	272,410	246,468
Additional paid-in capital	39,073,236	37,139,319
Deficit accumulated during development stage	(39,906,302)	(37,841,486)
Total stockholders' equity (deficit)	(560,656)	(455,699)
Total liabilities and stockholders' equity (deficit)	$ 1,128,451	$ 1,067,035

ONE VOICE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004	January 1, 1999 (Inception) to March 31, 2005
REVENUES	$ 10,363	$ --	$ 712,789
COST OF REVENUES	1,128	--	208,733
GROSS PROFIT	9,235	--	504,056
GENERAL AND ADMINISTRATIVE EXPENSES	2,074,051	1,242,434	40,410,358
NET LOSS	$ (2,064,816)	$ (1,242,434)	$ (39,906,302)

NET LOSS PER SHARE, basic and diluted	$ (0.01)	$ (0.01)
WEIGHTED AVERAGE SHARES OUTSTANDING, basic and diluted	261,139,944	124,527,259

ONE VOICE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (2,064,816)	$ (1,242,434)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Depreciation and amortization	50,782	150,440
Loss on disposal of assets	--	--
Amortization of discount on notes payable	1,059,482	335,889
Options issued in exchange for services	--	--
Warrants issued in exchange for services	--	--
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
(INCREASE) DECREASE IN ASSETS:		
Other receivables	2,696	137,000
Inventories	(3,293)	--
Other current assets	(11,004)	(596)
Deposits	975	7,969
Deferred debt issue costs	(3,785)	--
INCREASE (DECREASE) IN LIABILITIES:		
Accounts payable	45,210	269,966
Accrued expenses	13,845	--
License agreement liability	95,000	--
Security deposit	(7,292)	--
Net cash used in operating activities	(822,200)	(341,766)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(16,566)	(1,777)
Software licensing	--	--
Software development costs	--	(12,640)
Trademarks	--	--
Patents	(1,200)	(5,070)
Loan fees	--	--

Net cash used in investing activities	(17,766)	(19,487)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock, net	--	--
Retirement of common stock, net	--	--
Proceeds from loans payable	--	--
Proceeds from convertible note payable	919,988	325,000
Proceeds from warrant exercise	--	--

ONE VOICE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
STATEMENTS OF CASH FLOWS
(UNAUDITED)

Net cash provided by financing activities	919,988	325,000
NET INCREASE (DECREASE) IN CASH	80,022	(36,253)
CASH AND CASH EQUIVALENTS, beginning of period	535,642	53,709
CASH AND CASH EQUIVALENTS, end of period	$ 615,664	$ 17,456

	Three Months Ended March 31, 2005	2004
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$ 26,603	$ --
Income taxes paid	$ 800	$ 804
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:		
Options issued in exchange for services	$ --	$ --
Shares Issued for re-pricing of conversion rate	$ --	$ --
Common shares and warrants issued for settlement	$ --	$ --
Warrants issued in connection with financing	$ 724,305	$ --
Beneficial conversion feature of convertible debt	$ 275,695	$ --

Common stock issued in exchange for debt	$ 959,858	$ 341,798

See accompanying notes.

ONE VOICE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO FINANCIAL STATEMENTS

(1) DESCRIPTION OF BUSINESS

One Voice Technologies, Inc. (the "Company") is a voice recognition technology company. Based on our patented technology, One Voice offers voice solutions for the Telecom and Interactive Multimedia markets which allow business and consumer phone users to voice dial, group conference call, read and send e-mail and instant message, all by voice. We offer PC OEM's the ability to bundle a complete voice interactive computer assistant which allows PC users to talk to their computers to quickly play digital media (music, videos, DVD) along with read and send e-mail messages, SMS text messaging to mobile phones, PC-to-Phone calling (VoIP) and PC-to-PC audio/video. We feel we are strongly positioned across these markets with our patented voice technology.

Located in San Diego, California, the Company has 11 full-time employees and 6 consultant/part-time employees. The company is traded on the NASD OTC Electronic Bulletin Board ("OTCBB") under the symbol ONEV.OB. One Voice commenced operations on July 14, 1999.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

INCENTIVE AND NONQUALIFIED STOCK OPTION PLAN:

Pro forma information regarding the effect on operations as required by SFAS 123 and SFAS 148, has been determined as if the Company had accounted for its employee stock options under the fair value method of that statement. Pro forma information using the Black-Scholes method at the date of grant is based on the following assumptions:

Expected life	3 Years
Risk-free interest rate	5.0%
Dividend yield	-
Volatility	100%

This option valuation model requires input of highly subjective assumptions. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing model does not necessarily provide a reliable single measure of fair value of its employee stock options.

For purposes of SFAS 123 pro forma disclosures, the estimated fair value of the options is amortized to expense over the option's vesting period. The Company's pro forma information is as follows:

ONE VOICE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	For the Three Months Ended March 31, 2005	2004
Net loss, as reported	$(2,064,816)	$(1,242,434)
Stock compensation	(100)	(21,663)
Pro forma net loss	$(2,064,916)	$(1,264,097)
Basic and diluted historical loss per share	$ (0.01)	$ (0.01)
Pro forma basic and diluted loss per share	$ (0.01)	$ (0.01)

INTERIM FINANCIAL STATEMENTS:

The accompanying financial statements include all adjustments (consisting of only normal recurring accruals) which are, in the opinion of management, necessary for a fair presentation of the results of operations for the periods presented. Interim results are not necessarily indicative of the results to be expected for the full year ending December 31, 2005. The financial statements should be read in conjunction with the financial statements included in the Company's annual report on Form 10-KSB for the year ended December 31, 2004.

GOING CONCERN:

The Company's financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company incurred a net loss of $2,064,816 during the three months ended March 31, 2005 and had an accumulated deficit of $39,906,302. The Company had negative working capital of $885,539 at March 31, 2005. Cash flows used for operations amounted to $822,200 for the three months ended March 31, 2005. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management is currently seeking additional equity or debt financing and is currently pursuing revenue-bearing contracts utilizing various applications of its technology including wireless technology. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

ONE VOICE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

REVENUE RECOGNITION:

The Company recognizes revenues when earned in the period in which the service is provided or product shipped. Service and license fees are deferred and recognized over the life of the agreement.

The Company's revenue recognition is in accordance of applicable accounting regulations, including American Institute of Certified Public Accountants ("AICPA") Statement of Position ("SOP") 97-2, Software Revenue Recognition, as amended by SOP 98-4 and SOP 98-9. Any revenues from software arrangements with multiple elements are allocated to each element of the arrangement based on the relative fair values using specific objective evidence as defined in the SOPs. If no such objective evidence exists, revenues from the arrangements are not recognized until the entire arrangement is completed and accepted by the customer. Once the amount of the revenue for each element is determined, the Company recognizes revenues as each element is completed and accepted by the customer. For arrangements that require significant production, modification or customization of software, the entire arrangement is accounted for by the percentage of completion method, in conformity with Accounting Research Bulletin ("ARB") No. 45 and SOP 81-1.

(3) NOTES PAYABLE:

On August 8, 2003 the Company entered into a note payable in the amount of $100,000, with principal and interest at 8.0% per annum, due on August 8, 2008. At March 31, 2005 the balance on the note payable was $100,000.

(4) LICENSE AGREEMENT LIABILITY:

In March 2000 the Company entered into a Software License Agreement ("License Agreement")with Phillips Speech Processing, a division of Philips Electronics North America ("Phillips"). Pursuant to the License Agreement, the Company received a world-wide, limited, nonexclusive license to certain speech recognition software owned by Phillips. The initial term of the License Agreement was three (3) years, and the License Agreement included an extended term provision under which the License Agreement was automatically renewable for successive one (1) year periods, unless terminated by either party upon a minimum of sixty (60) days written notice prior to the expiration of the initial term or any extended.

The License Agreement provides for the Company to pay a specified commission on revenues from products incorporating licensed software, and includes minimum royalty payment obligations over the initial three (3) year term of the License Agreement in the aggregate amount of $1,100,000.

Under an amendment to the License Agreement entered into in March 2002, the initial term of the License Agreement was extended for two (2) years, and the aggregate minimum royalty payment was increased to $1,500,000. The amendment also included a revised payment schedule of the minimum royalty payment obligation that provided for semi-annual payments of $250,000 (due on June 30th and December 31st of each year) during 2002, 2003 and 2004. In lieu of scheduled

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ONE VOICE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

payments, in May, 2003, based on a verbal agreement with Phillips, the Company began making monthly payments of $15,000, of which $10,000 is being applied against the remaining minimum royalty payment due and $5,000 is being applied as interest.

(5) CONVERTIBLE NOTES PAYABLE:

On March 18, 2005, the Company held its first closing pursuant to a subscription agreement it entered into with several accredited investors as of March 18, 2005, pursuant to which the investors subscribed to purchase an aggregate principal amount of $2,000,000 in 6% convertible promissory notes, and 100 Class A and Class B common stock purchase warrants for each 100 shares which would be issued on each closing date assuming full conversion of the convertible notes issued on each such closing date.

The Company received $1,000,000 of the purchase price on the initial closing date of March 18, 2005 and will receive an additional $1,000,000 of the purchase price pursuant to the second closing, which will take place on the 5th day after the Company's registration statement registering the shares of our common stock, issuable upon conversion of the promissory notes and exercise of the warrants is declared effective by the Securities and Exchange Commission.

The convertible notes bear simple interest at 6% per annum payable June 1, 2005 and semi-annually thereafter and mature 3 years after the date of issuance. Each investor shall have the right to convert the convertible notes after the date of issuance at any time, until paid in full, at the election of the investor into fully paid and nonassessable shares of our common stock. The conversion price per share shall be the lower of (i) $0.047 or (ii) 80% of the average of the three lowest closing bid prices for our common stock for the 30 trading days prior to, but not including, the conversion date.

The Company issued an aggregate of 29,069,768 Class A common stock purchase warrants and 29,069,768 Class B common stock purchase warrants to the investors, representing 100 Class A and Class B warrants issued for each 100 shares which would be issued on each closing date assuming full conversion of the convertible notes issued on each such closing date. The Class A warrants are exercisable until four years from the initial closing date at an exercise price of $0.045 per share. The Class B warrants are exercisable until four years from the initial closing date at an exercise price of $0.06 per share. The holder of the Class B warrants will be entitled to purchase one share of common stock upon exercise of the Class B warrants for each share of common stock previously purchased upon exercise of the Class A warrants.

During the three months ended March 31, 2005, $959,858 of notes payable was converted into approximately 26,000,000 shares of the Company's common stock at an average conversion price of $0.036 per share.

ONE VOICE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Convertible notes payable at March 31, 2005 consists of the following:

	Due Date	Principal Amount	Unamortized Discount
CURRENT PORTION			
La Jolla Cove Investors, Inc.	December 12, 2005	$ 157,728	$ (45,968)
LONG-TERM PORTION			
Stonestreet Limited Partnership	October 28, 2007	$ 40,000	$ (35,766)
Alpha Capital Aktiengesellschaft	December 23, 2007	$ 75,000	$ (68,121)
Stonestreet Limited Partnership	December 23, 2007	$ 100,000	$ (90,211)
Alpha Capital Aktiengesellschaft	March 18, 2008	$ 400,000	$ (395,341)
Ellis International Limited	March 18, 2008	$ 125,000	$ (123,544)
Whalehaven Capital Fund Limited	March 18, 2008	$ 400,000	$ (395,341)
Omega Capital Small Cap Fund	March 18, 2008	$ 45,000	$ (44,476)
Osher Capital, Inc.	March 18, 2008	$ 30,000	$ (29,650)
TOTAL LONG TERM PORTION		$ 1,215,000	$ (1,182,450)

ONE VOICE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(6) COMMON STOCK:

During the quarter ended March 31, 2005, Alpha Capital Akteingesellschaft converted Approximately $433,000 of notes payable into approximately 11,928,000 shares of the Company's common stock at an average conversion price of $0.036.

During the quarter ended March 31, 2005, Stonestreet Limited Partnership converted approximately $326,000 of notes payable into approximately 8,970,000 shares of the Company's common stock at an average conversion price of $0.036.

During the quarter ended March 31, 2005, Whalehaven Fund, Limited converted $41,000 of notes payable into approximately 1,026,000 shares of the Company's common stock at an average conversion price of $0.039.

During the quarter ended March 31, 2005, Ellis International Ltd. converted approximately $84,500 of notes payable into approximately 2,098,000 shares of the Company's common stock at an average conversion price of $0.04.

During the quarter ended March 31, 2005, Momona Capital Corp. converted approximately $76,000 of notes payable into approximately 1,938,000 shares of the Company's common stock at an average conversion price of $0.038.

(7) SUBSEQUENT EVENTS:

During April 2005, Alpha Capital Akteingesellschaft converted notes payable in the amount of $75,000 at an average conversion price of $0.028 into approximately 2,693,000 common shares.

On April 22, 2005, the Company held a closing with one accredited investor pursuant to which the investor subscribed to purchase an aggregate of 5,500,000 shares of restricted common stock for a total purchase price of $145,200. In addition, the investor received an aggregate of 5,500,000 Class A common stock purchase warrants and 5,500,000 Class B common stock purchase warrants to the investor, representing 100 Class A and Class B warrants issued for each 100 shares which were issued on the closing date. The Class A warrants are exercisable until four years from the closing date at an exercise price of $0.045 per share. The Class B warrants are exercisable until four years from the closing date at an exercise price of $0.06 per share. The holder of the Class B warrants will be entitled to purchase one share of common stock upon exercise of the Class B warrants for each share of common stock previously purchased upon exercise of the Class A warrants.

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

WITH THE EXCEPTION OF HISTORICAL MATTERS, THE MATTERS DISCUSSED HEREIN ARE FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. FORWARD LOOKING STATEMENTS INCLUDE, BUT ARE NOT LIMITED TO STATEMENTS CONCERNING ANTICIPATED TRENDS IN REVENUES. OUR ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THE RESULTS DISCUSSED IN SUCH FORWARD LOOKING STATEMENTS. THERE IS ABSOLUTELY NO ASSURANCE THAT WE WILL ACHIEVE THE RESULTS EXPRESSED OR IMPLIED IN FORWARD LOOKING STATEMENTS.

OVERVIEW

One Voice Technologies, Inc. is a voice recognition technology company with over $30 million invested in Research and Development and deployment of more than 20 million products worldwide in seven languages. To date, our customers include: ABS Computer Technologies, Central Texas Telephone Cooperative, Golden State Cellular, Hector Communications, Inland Cellular, Niveus Media, Panhandle Telephone Cooperative, Plateau Wireless, Rural Cellular Corporation, Rural Telecommunications Group, Tata Infotech, Telispire PCS, Walt Disney Internet Group, Warner Home Video, West Central Wireless and Ztar Mobile. Based on our patented technology, One Voice offers voice solutions for the Telecom and Interactive Multimedia PC markets.

In the telecom sector, we have products for both wireless and wireline carriers. For wireless carriers, our MobileVoice(TM) product offers wireless subscribers the ability to read and send e-mail, group conference call, voice dial and generate voice-to-text SMS messages, all by voice. For residential landline carriers, our Voice-Enabled Directory Assistance (VEDA) offers residential subscribers the ability to call business and residential numbers by simply speaking the business or resident's name. In the telecom sector, there are over 150 wireless operators in the United States and over 1,200 ILEC's (Incumbent Local Exchange Carriers) providing landline services to both business and residential subscribers. Our market strategy has been to contract with local wireless and landline carriers to quickly generate revenue from our services and to demonstrate the market demand and readiness for our products. We currently have several local carriers (each with under 100,000 subscribers) which have either launched our services or are in the process of launching our services. By creating market awareness and competition at the local carrier level, we have begun closing deals with regional carriers, which have under 1,000,000 subscribers, and have also begun focusing on national carriers. During the first quarter of 2005, we signed an agreement with Rural Cellular Corporation (RCC) which is a large regional carrier in the eastern United States having approximately 800,000 subscribers. We anticipate RCC to launch our services to their subscribers in the third quarter of 2005. By partnering with a large regional carrier, such as RCC, it has already generated competition and market awareness for our services at the national carrier level. We believe this bottom up market penetration approach will generate substantial long-term recurring revenue streams for our company and position One Voice as a dominant leader in voice services for the telecom industry. Upcoming MobileVoice deployments for wireless carriers include: Plateau Wireless, Tata Teleservices in India, RCC and Ztar Mobile (7-Eleven Speak Out service). Upcoming landline VEDA deployments include: Panhandle Telephone Cooperative, Hector Communications and Central Texas Telephone Cooperative.

In the PC sector, our Media Center Communicator(TM) (MCC) product allows consumers to use their voice to play music, view photos and slideshows, read and send e-mail and place Voice-Over-IP (VoIP) phone calls, all from their in-home digital entertainment system - using voice commands. During the first quarter of 2005, both Microsoft and Intel demonstrated our MCC product at several major consumer tradeshows. Additionally, Microsoft has performed user focus group testing of our MCC product with very positive results and at the request of Intel, we have integrated our MCC product on their next generation mobile PC platform. This platform is currently being shown by Intel to PC OEM's for future production and distribution commitments. Our market strategy has been to work with PC OEM's to either bundle or sell our MCC product as an add-on sale of their Windows XP Media Center PC's. Additionally, we anticipate our MCC product will be sold both in-store and online by national retailers beginning this summer, 2005.

In 2004, One Voice was selected by Tata Infotech, a leading Indian IT company and part of the Tata Group, India's most trusted and best-known industrial group, to co-develop a customized MobileVoice solution for the high growth Indian telecom market. We have subsequently worked closely with members of their team to tune our MobileVoice platform to increase voice recognition rates for English speaking Indian users. Our mutual goal is to perform a pilot test of our MobileVoice platform to telecom providers in India in the fourth quarter of 2005, with a potential launch in 2006. The wireless industry in India is one of the fastest growing markets globally and we hope to position our products to align with this growth. We see a tremendous opportunity to generate substantial revenue with Tata and will continue to apply resources to make this a successful venture in the Indian market.

In summary, One Voice has closed several contracts with telecom carriers and we have begun generating revenue from local carriers including Golden State Cellular and Inland Cellular. We anticipate this revenue stream to grow rapidly with additional deployments from both local and regional carriers for our wireless and landline telecom products along with upcoming national retail sales of our Media Center Communicator PC product. Our focus is to generate a substantial recurring revenue stream and to become operationally break-even in the first quarter of 2006.

RESULTS OF OPERATIONS

The following table sets forth selected information from the statements of operations for the three months ended March 31, 2005 and 2004.

SELECTED STATEMENT OF OPERATIONS INFORMATION

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Gross revenues	$ 10,363	$ --
Cost of sales	(1,128)	--
General and administrative expenses	(2,074,051)	(1,242,434)
Net loss	$ (2,064,816)	$ (1,242,434)

Discussion of the three months ended March 31, 2005 compared with the three months ended March 31, 2004.

We had revenues of $10,363 for the three months ended March 31, 2005. There were no revenues for the three months ended March 31, 2004.

General and administrative expenses increased to $2,074,051 for the three months ended March 31, 2005 from $1,242,434 for the same period in 2004. The increase in general and administrative expenses over the same quarter in 2004 was due primarily to the amortization of debt discounts during the first quarter. Salary and wage expense was $327,500 for the three months ended March 31, 2005 as

compared to $277,000 for the same period in 2004. The increase in 2005 as compared to 2004 arose primarily from an increase in our labor force. Legal and consulting expenses increased to $89,000 for the three months ended March 31, 2005 as compared to $61,000 for the same period in 2004. Depreciation and amortization expenses decreased to $51,000 for the three months ended March 31, 2004 from $150,000 for the same period in the prior year, primarily due to the retirement of fixed assets. Amortization and Depreciation expenses consisted of patent and trademarks, computer equipment and software development fees. Interest expense increased to $1,057,000 in 2005, as compared to $345,000 in 2004, primarily due to amortization of debt discounts.

We had a net loss of $2,064,816, or basic and diluted net loss per share of $0.01, for the three months ended March 31, 2005 compared to $1,242,434, or basic and diluted net loss per share of $0.01, for the same period in 2004.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2005, we had a negative working capital of $885,539 as compared to negative working capital of $1,124,263 at March 31, 2004.

Net cash used in operating activities was $822,200 for the quarter ended March 31, 2005 compared to $341,766 for the quarter ended March 31, 2004. We believe that our average monthly cash requirements approximate $260,000. From inception on January 1, 1999 to March 31, 2005, net cash used for operating activities was $25,025,429.

Net cash used in investing activities was $17,766 for the quarter ended March 31, 2005 compared to $19,487 for the quarter ended March 31, 2004. During the three months ended March 31, 2005, cash was primarily used for capitalized computer equipment and patents. From inception on January 1, 1999 to March 31, 2005, net cash used for investing activities was $4,948,978.

Net cash provided by financing activities was $919,988 for the quarter ended March 31, 2005 compared to $325,000 for the quarter ended March 31, 2004. From inception on January 1, 1999 to March 31, 2005 net cash provided by financing activities was $30,590,071.

We incurred a net loss of $2,064,816 during the quarter ended March 31, 2005, and had an accumulated deficit of $39,906,302. Our losses through March 31, 2005 included interest expense, development costs and operational and promotional expenses.

We anticipate maintaining a cash balance through our financial partners that will sustain operations up to December 2005. We continue to rely heavily on our current method of convertible debt and equity funding, which has financed us since 2001, until we are operationally breakeven. The losses through the quarter ended March 31, 2005 were due to minimal revenue and our operating expenses, with the majority of expenses in the areas of: salaries, legal fees, consulting fees, as well as amortization expense relating to software development, debt issue costs and beneficial conversion features. We face considerable risk in completing each of our business plan steps, including, but not limited to: a lack of funding or available credit to continue development and undertake product rollout; potential cost overruns; a lack of interest in its solutions in the market on the part of wireless carriers or other customers; potential reduction in wireless carriers which could lead to significant delays in consummating revenue bearing contracts; and/or a shortfall of funding due to an inability to raise capital in the securities market. Since further funding is required, and if none is received, we would be forced to rely on our existing cash in the bank or secure short-term loans. This may hinder our ability to complete our product development until such time as necessary funds could be raised. In such a restricted cash flow scenario, we would delay all cash intensive activities including certain product development and strategic initiatives described above.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There has been no bankruptcy, receivership or similar proceedings.

There have been no material reclassifications, mergers, consolidations, or purchase or sale of a significant amount of assets not in the ordinary course of business.

As of our fiscal quarter ended March 31, 2005, we are aware of one pending litigation matter. That matter was filed by La Jolla Cove Investors, Inc. ("LJCI") for $2.4 million in damages. LJCI holds convertible debentures related to past financings. LJCI contends that One Voice Technologies, Inc. failed to honor its conversion notices resulting in damages. It has been explained to LJCI that there is an ambiguity on the date of our conversion obligation and that damages are speculative. A part of that dispute has been resolved by our settlement agreement to register 8,425,531 shares to honor the past conversion notice and an additional 8,425,531 shares pursuant to such agreement. A lawsuit was filed but is currently stayed by stipulation while the parties work out a resolution. It is difficult to access the potential liability or likelihood of success of such a claim. It does appear that a resolution involving registration of additional stock in favor of LJCI is probable. An Interim Settlement agreement was entered into between LJCI and One Voice on July 29th, 2004 and further amended on August 13, 2004. The parties agreed that One Voice shall include 16,851,062 shares of its common stock, on behalf of LJCI, in the next registration statement which was filed by One Voice. Such registration statement went effective with the Securities and Exchange Commission on October 15, 2004. In addition, the Interim Settlement Agreement includes a provision whereby LJCI will never institute any action or suit at law or in equity against any other parties with whom we may enter into financing transactions provided that we comply with the Interim Settlement Agreement.

As of our fiscal quarter ended March 31, 2005, we are aware of four claims asserted against us that may result in litigation. The first is a claim by Genuity Inc. ("Genuity") for alleged failure to pay for a functioning dial-up service for a virtual ISP product we had planned on offering in the fall of 2000. The initial Genuity Claim was for $231,935.36. That claim dropped to

$102,816.00 when we provided the Genuity agent with evidence that Genuity never delivered the promised service and we received no benefit from the contract. We have offered nothing to settle the claim. Approximately two years have passed since the last communication to us on this matter. No litigation has been filed. It is difficult to determine the likelihood of the matter being pursued by Genuity or the probability of success should it be pursued.

The Second Claim is by Penton Media for cancellation fees related to the following trade shows: Spring Internet World 2001; Wireless West 2001; and Wireless East 2002. We signed up for and paid $60,000.00 for Spring Internet World 2001. We changed the scope of our presence at that show (i.e., used a much smaller space) and reached a verbal agreement to have the balance of the $60,000 to be used toward space at the remaining two shows. We and Penton were never able to come to terms regarding the credit to be applied for those shows, booth size, or location. The necessary additional agreements were not signed. We did

not use any space at the two subsequent shows. We have been contacted by an agent for Penton claiming a balance due of $19,980.00. We have attempted to have Penton provide information to substantiate its claim in light of the fact that we actually used considerably less space than we actually paid to use. We need to further investigate this claim to determine if the amount claimed is owed or whether we are due a refund. There has been no contact or activity related to this matter during the past two years.

The Third Claim involves Alpha Tech Stock Transfer Company ("Alpha Tech"). Alpha Tech has asserted a claim against us in the amount of $200,000.00. In a subsequent phone conversation, Alpha Tech's counsel clarified that the claim was actually $150,000.00. The nature of the claim is as follows: Alpha Tech is the former transfer agent for us. Alpha Tech was sued. That claim was settled and Alpha Tech has now made a claim to us pursuant to a letter dated May 16, 2003. In that claim, Alpha Tech contends that we should cover its litigation costs from the prior proceeding. Alpha Tech's claim appears to center around an indemnity agreement signed by Dean Weber, our CEO, on behalf of us requesting that Alpha Tech replace lost shares of a shareholder Stephanie Jackson. We investigated Alpha Tech (which we replaced some time ago) and learned that Alpha Tech has been removed as a stock transfer agent by the SEC for prior illegal conduct. Alpha Tech had been the transfer agent for the corporation that preceded us and we subsequently retained a new transfer agent. This is a matter related to activities of our shareholders, the shareholders of our predecessor corporation and of the transfer agent. We intend to investigate the claim and to inform counsel for Alpha Tech that there is no basis for a claim against us. It is difficult to determine if Alpha Tech will pursue the matter further. There has been no activity on this claim in well over a year.

The Fourth Claim involves a request for indemnity from Warner Brothers regarding the Harry Potter DVD. We provided technology as part of a "special feature" for the Harry Potter DVD. Under the agreement between us and Warner Brothers, we agreed to indemnify Warner Brothers if a claim was made that the technology licensed by us to Warner Brothers infringed on some third party's rights. A claim was made to Warner Brothers regarding infringement. Warner Brothers contacted us to make us aware of the claim. Our counsel contacted the claimant who contended that it was not our technology which was infringing. This was explained to Warner Brothers' counsel. Warner Brothers explained that it did not feel that there was any infringement and that this was a nuisance claim. It stated that it intended to settle the matter for a nuisance payment and then would look to us for contribution. It is hard to estimate the extent of liability, if any. There has been no activity on this matter in nearly two years.

As of the date of this letter, we do not have a material outstanding balance for legal services.

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

The securities described below represent our securities sold by us for the period starting December 31, 2004 and ending March 31, 2005 that were not registered under the Securities Act of 1933, as amended, all of which were issued by us pursuant to exemptions under the Securities Act. Underwriters were involved in none of these transactions.

PRIVATE PLACEMENTS OF COMMON STOCK AND WARRANTS FOR CASH

None

SALES OF DEBT AND WARRANTS FOR CASH

On March 18, 2005, the Company held its first closing pursuant to a Subscription Agreement it entered into with several accredited investors dated as of March 18, 2005, pursuant to which the investors subscribed to purchase an aggregate principal amount of $2,000,000 in 6% convertible promissory notes, and 100 Class A and Class B common stock purchase warrants for each 100 shares which would be issued on each closing date assuming full conversion of the convertible notes issued on each such closing date.

The Company received $1,000,000 of the purchase price on the initial closing date of March 18, 2005 and will receive $1,000,000 of the purchase price pursuant to the second closing, which will take place on the 5th day after the Company's registration statement registering the shares of our common stock, issuable upon conversion of the promissory notes and exercise of the warrants is declared effective by the Securities and Exchange Commission. The convertible notes bear simple interest at 6% per annum payable June 1, 2005 and semi-annually thereafter and mature 3 years after the date of issuance. Each investor shall have the right to convert the convertible notes after the date of issuance at any time, until paid in full, at the election of the investor into fully paid and nonassessable shares of our common stock. The conversion price per share shall be the lower of (i) $0.047 or (ii) 80% of the average of the three lowest closing bid prices for our common stock for the 30 trading days prior to, but not including, the conversion date.

The Company issued an aggregate of 29,069,768 Class A common stock purchase warrants and 29,069,768 Class B common stock purchase warrants to the investors, representing 100 Class A and Class B warrants issued for each 100 shares which would be issued on each closing date assuming full conversion of the convertible notes issued on each such closing date. The Class A warrants are exercisable until four years from the initial closing date at an exercise price of $0.045 per share. The Class B warrants are exercisable until four years from the initial closing date at an exercise price of $0.06 per share. The holder of the Class B warrants will be entitled to purchase one share of common stock upon exercise of the Class B warrants for each share of common stock previously purchased upon exercise of the Class A warrants.

The above offering and sales were deemed to be exempt under Regulation D and Section 4(2) of the Securities Act. No advertising or general solicitation was employed in offering the securities. The offerings and sales were made to a limited number of persons, all of whom were accredited investors, business associates of One Voice or executive officers of One Voice, and transfer was restricted by One Voice in accordance with the requirements of the Securities Act of 1933. In addition to representations by the above-referenced persons, we have made independent determinations that all of the above-referenced persons were accredited or sophisticated investors, and that they were capable of analyzing the merits and risks of their investment, and that they understood the speculative nature of their investment. Furthermore, all of the above-referenced persons were provided with access to our Securities and Exchange Commission filings.

OPTION GRANTS

There were no option grants during the first quarter of 2005.

ISSUANCES OF STOCK FOR SERVICES OR IN SATISFACTION OF OBLIGATIONS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable.

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

Not Applicable.

ITEM 5. OTHER INFORMATION

Not Applicable.

ITEM 6. EXHIBITS:

Exhibit Number	Description
31.1	Certification of the Chief Executive Officer of One Voice Technologies, Inc. Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer of One Voice Technologies, Inc. Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

In accordance with the requirements of the Exchange Act of 1933, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ONE VOICE TECHNOLOGIES, INC., A NEVADA CORPORATION

DATE: MAY 13, 2005 BY: /S/ DEAN WEBER

DEAN WEBER, CHAIRMAN & CHIEF EXECUTIVE OFFICER

DATE: MAY 13, 2005 BY: /S/ RAHOUL SHARAN

RAHOUL SHARAN, CHIEF FINANCIAL OFFICER