ONE VOICE TECHNOLOGIES INC
Form 10KSB
April 17, 2006

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

Annual Report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the year ended December 31, 2005

COMMISSION FILE NUMBER 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.)
4275 Executive Square, Ste 200, La Jolla CA	92037
(Address of principal Executive Offices)	(Zip Code)
(858) 552-4466	(858) 552-4474
(Issuer's Telephone Number)	(Issuer's Facsimile Number)

Securities registered under Section 12(b) of the Exchange Act: None.

Securities registered under Section 12(g) of the Exchange Act:

COMMON STOCK-$.001 PAR VALUE

(Title of Class)

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. [ ]

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) had been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

The issuer's revenues for the year ended December 31, 2005 were $142,285.

The approximate aggregate market value of the voting stock held by non-affiliates of the registrant as of March 24, 2006, based on the average of the closing bid and asked prices of one share of the Common Stock of the Company was $15,400,000.

As of March 24, 2006 the issuer had 468,507,020 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

Transitional Small Business Disclosure Format (check one):

Yes [ ] No [X]

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ITEM 1. DESCRIPTION OF BUSINESS

Introduction

One Voice Technologies, Inc. is a voice recognition technology company with over $43 million invested in Research and Development and deployment of more than 20 million products worldwide in seven languages. To date, our customers include: Walt Disney Internet Group, Warner Home Video, Golden State Cellular, Inland Cellular, Eloqui Wireless, Cell One of Amarillo, Panhandle Telephone Cooperative, Plateau Wireless, West Central Wireless, Telispire PCS, NewEgg.com, PC Alchemy, CompUSA, Dell.com and Cannon PC. Based on our patented technology, One Voice offers voice solutions for the Telecom and Interactive Multimedia markets. Our telecom solutions 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 Original Equipment Manufacturers (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 believe that we are strongly positioned across these markets with our patented voice technology.

Located in San Diego, California, the Company has 12 full-time employees and 5 consultant/part-time employees. The company is traded on the NASD OTC Electronic Bulletin Board ("OTCBB") under the symbol ONEV.OB. One Voice is incorporated in the State of Nevada and commenced operations on July 14, 1999.

MARKET OPPORTUNITY

We believe that the presence of voice technology as an interface in mobile communications and PC computing is of paramount importance. Voice interface technology makes portable communications products mobile, more effective and safer to use and it makes communicating with a PC to play digit content, such as music, videos and photos, easier for consumers. One Voice's development efforts currently are focused on the Telecom and PC multimedia markets and more specifically on mobile communications from a cell phone and in-home digital media access.

In the Telecom sector, we believe that the Mobile Messaging market, which has both business and consumer market applications including: E-mail, Instant Messages, and SMS (Short Message Service), is extremely large and is growing at a rapid rate. Over six trillion text messages are sent globally every year, and messaging has shown the consistent ability to generate significant revenue for wireless carriers. One Voice solutions enable users to send, intelligently route and receive text messages using voice from any type of phone (wired or wireless) anywhere in the world.

In the PC sector, we believe that digital in-home entertainment is rapidly growing with the wide acceptance of digital photography, MP3 music and videos, along with plasma and LCD TV's. Companies including Apple, Microsoft and Intel are actively creating products and technology, which allows consumers to experience the next generation of digital entertainment. One Voice's Media Center Communicator product works with Microsoft Windows XP Media Center Edition 2005 to add voice-navigation and communication features allowing consumers to talk to their Media Center PC to play music, view photo slideshows, watch and record TV, place Voice-Over-IP (VoIP) phone calls, read and send e-mail and Instant Messages, all by voice.

ONE VOICE PRODUCTS

MOBILEVOICE PLATFORM

Our messaging and voice-activated dialing applications are built on our

MobileVoice(TM) platform, which combines patented natural language speech processing with the scalability, redundancy and fault-tolerance of a server based, telco-ready architecture. The result is a completely integrated solution that allows people to:

- Send free-format voice-to-text messages
- Make voice-activated dialing calls
- Access their E-mail from mobile environments - using voice.

MOBILEVOICE ACTIVATED DIALING(TM)

MobileVoice Activated Dialing is server-based and we believe it delivers higher levels of accuracy and reliability than other solutions on the market today. It was designed with a high capacity for contact lists, advanced functionality such as synchronization and import tools that interface with Microsoft Outlook and Lotus Notes, and we believe it requires less setup time than other solutions. It was designed to meet the challenges of today's mobile environments while delivering high accuracy for native and non-native speaking individuals.

We believe an opportunity exists for the adoption of MobileVice Activated Dialing by wireless carriers, as more safety legislation is introduced for hands free communications while operating motor vehicles. MobileVice Activated Dialing allows a user to place calls to members of a contact list using voice commands while employing safe driving techniques.

MOBILECONFERENCE(TM)

On-the-fly group conferencing is a new addition to One Voice's MobileVoice solution. MobileConference allows users to connect up to 64 people on a single conference call by speaking their name, group name or phone number.

MOBILEVOICE EMAIL(TM)

A unique Voice-to-Text Email solution that let's subscribers send free-form email messages to PCs, mobile phones or wireless alphanumeric paging devices while on the road. Available for English and Spanish it delivers some of the highest levels of accuracy in the industry.

MOBILEVOICE SMS(TM)

Short Message Service (SMS) has gained wide popularity in major markets throughout the world. MobileVoice SMS is a mobile Voice-to-Text SMS solution that let's subscribers send free-form messages from phone-to-phone with only their voice. Subscribers can avoid triple-tapping their text messages by dictating the message through the MobileVoice SMS interface. Subscribers can send messages within network or to subscribers on other networks.

MOBILEVOICE INSTANT MESSAGING(TM)

Instant Messaging has long been a popular way for friends and colleagues to communicate on their computers. MobileVoice Instant Messaging takes Instant Messaging mobile, allowing people to chat and send quick messages using free form dictation. Targeted at subscribers and enterprise customers, MobileVoice Instant Messaging allows for voice based instant communications in mobile environments.

MOBILEVOICE VOICE MAIL(TM)

MobileVoice Voice Mail lets subscribers record and send messages in their own voice. The voice recording of a message will be sent as an Email attachment to the recipient or group of recipients. These messages may be retrieved from any computer or phone.

MOBILEVOICE EMAIL READER(TM)

MobileVoice Email Reader allows subscribers to fully manage their Email accounts from any phone. Subscribers can sort and find important messages from specific contacts. The MobileVoice Email Reader offers management tools such as "Reply", "Reply to All", "Forward", "Skip" and "Delete" functionality. Subscribers can access personal and corporate Email accounts from any phone.

MEDIACENTER COMMUNICATOR Version 2

Media Center Communicator Version 2 uses voice recognition to control Windows(R) XP Media Center Edition 2005. Features include:

- Voice Navigate Windows XP Media Center Edition 2005
- Send E-Mail
- Read E-Mail
- SMS Text Messaging
- Text Instant Messaging
- PC-to-PC calls
- Video conferencing
- PC-to-Phone calling

COMMUNICATOR VOICE NAVIGATION

We believe that our Media Center Communicator(TM) Version 2 makes managing digital content easier and more efficient by using voice recognition technology. The user can play a particular song by saying its title, watch TV, read and send E-mail, place a phone call from a PC or Instant Message a friend using intuitive voice commands. Media Center Communicator(TM) Version 2 eliminates the need to navigate through numerous drop down menus to access favorite content which we believe makes the experience faster and more user friendly. The request of a particular song or artist can be done without turning on the television.

Our Media Center Communicator utilizes an open microphone solution where the user has the ability to control his/her Media Center without using a remote control. It can be set up whereby a microphone is constantly scanning the room for a keyword that the user has set. The keyword is a personalized system name used whenever the user wishes to make a command. The default is "One Voice." Example: "One Voice, play artist The Rolling Stones."

COMMUNICATOR E-MAIL

Communicator's E-Mail reader will speak the user's E-Mail messages to him/her eliminating the need to use confining keyboard and mouse interfaces. The user has the ability to control everything using only voice. Communicator's E-Mail reader works with widespread E-Mail accounts, including, but not limited to, Yahoo, EarthLink, Lycos, and SBC.

COMMUNICATOR PC-TO-PHONE

Media Center Communicator's PC-to-phone calling allows full-duplex, high quality phone calling to preset contacts or keyed entries.

COMMUNICATOR INSTANT MESSENGER

Media Center Communicator's Instant Messenger allows for online chat sessions with other users on the One Voice network. Users can text message, talk or video chat using Communicator's high quality, full-duplex PC-to-PC audio and video.

COMMUNICATOR SMS TEXT MESSAGING

Media Center Communicator(TM) allows the user to send a quick message to someone on the road. Users can send SMS text messages to cellular telephones by speaking the name of a contact or entering the cellular phone number, entering or speaking the message and saying the "Send" command.

PATENT PROTECTION

We own exclusive rights to three United States patents on our software. We have filed for international patent protection as well. These patents define the primary features and unique procedures that comprise our products and solutions.

Our future success and ability to compete depends in part upon the proprietary technology and trademarks, which we attempt to protect with a combination of patent, copyright, trademark and trade secret laws, as well as with our confidentiality procedures and contractual provisions. These legal protections afford only limited protection and are time-consuming and expensive to obtain and/or maintain. Further, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property. Additionally, there can be no assurances that others will not develop market and sell products substantially equivalent to our products or utilize technologies similar to those used by us. Although we believe that our products do not infringe on any third-party patents and our patents offer sufficient protection, there can be no assurance that we will not become involved in litigation involving patents or proprietary rights. Patent and proprietary rights litigation entails substantial legal and other costs, and there can be no assurance that we will have the necessary financial resources to defend or prosecute our rights in connection with any litigation. Responding to, defending or bringing claims related to our rights to our intellectual property may require our management to redirect its resources to address these claims, which could have a material adverse effect on our business, financial condition and results of operations.

EMPLOYEES

At April 10, 2006, we employed 12 full-time employees and 5 consultant/part-time employees. None of these employees is subject to a collective bargaining agreement, and there is no union representation within our company. We maintain various employee benefit plans and believe our employee relations are good.

RISK FACTORS

This section summarizes certain risks regarding our business and industry. The following information should be considered in conjunction with the other information included and incorporated by reference in this report on Form 10-KSB before purchasing shares of our stock.

WE HAVE A HISTORY OF LOSSES. WE EXPECT TO CONTINUE TO INCUR LOSSES, AND WE MAY NEVER ACHIEVE AND SUSTAIN PROFITABILITY.

Since inception, we have incurred significant losses and have negative cash flows from operations. For the year ended December 31, 2005 and 2004, we incurred a net loss of $1,546,000 and $8,752,000, respectively. These factors, among others discussed in Note 1 to the financial statements, raise substantial doubt about the ability to continue as a going concern. We expect to continue to incur net losses until sales generate sufficient revenues to fund our continuing operations. We may fail to achieve significant revenues from sales or achieve or sustain profitability. There can be no assurance of when, if ever, we will be profitable or be able to maintain profitability.

IF WE DO NOT BECOME PROFITABLE WE MAY NOT BE ABLE TO CONTINUE OUR OPERATIONS.

Our future sales and profitability depend in part on our ability to demonstrate to prospective customers the potential performance advantages of using voice interface software. To date, commercial sales of our software have been limited.

WE HAVE A LIMITED OPERATING HISTORY WHICH MAKES IT DIFFICULT TO EVALUATE OUR BUSINESS.

Our current corporate entity commenced operations in 1999 and has a limited operating history. We have limited financial results on which you can assess our future success. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by growing companies in new and rapidly evolving markets, such as voice recognition software, media delivery systems and electronic commerce.

To address the risks and uncertainties we face, we must:

-- establish and maintain broad market acceptance of our products and services and convert that acceptance into direct and indirect sources of revenues;

-- maintain and enhance our brand name;

-- continue to timely and successfully develop new products, product features and services and increase the functionality and features of existing products;

-- successfully respond to competition, including emerging technologies and solutions; and

-- develop and maintain strategic relationships to enhance the distribution, features and utility of our products and services.

IF WE ARE UNABLE TO OBTAIN ADDITIONAL FUNDING OUR BUSINESS OPERATIONS WILL BE HARMED.

We believe that our available short-term assets and investment income will be sufficient to meet our operating expenses and capital expenditures through the end of fiscal year 2006. We do not know if additional financing will be available when needed, or if it is available, if it will be available on acceptable terms. Insufficient funds may prevent us from implementing our business strategy or may require us to delay, scale back or eliminate certain contracts for the provision of voice interface software.

OUR OPERATING RESULTS ARE LIKELY TO FLUCTUATE SIGNIFICANTLY.

As a result of our limited operating history and the rapidly changing nature of the markets in which we compete, our quarterly and annual revenues and operating results are likely to fluctuate from period to period. These fluctuations may be caused by a number of factors, many of which are beyond our control. These factors include the following, as well as others discussed elsewhere in this section:

- how and when we introduce new products and services and enhance our existing products and services;
- our ability to attract and retain new customers and satisfy our customers' demands;
- the timing and success of our brand-building and marketing campaigns;
- our ability to establish and maintain strategic relationships;
- our ability to attract, train and retain key personnel;
- the demand for voice recognition applications;
- the emergence and success of new and existing competition;
- varying operating costs and capital expenditures related to the expansion of our business operations and infrastructure, domestically and internationally, including the hiring of new employees;
- technical difficulties with our products, system downtime, system failures or interruptions in Internet access;
- changes in the mix of products and services that we sell to our customers;
- costs and effects related to the acquisition of businesses or technology and related integration; and
- costs of litigation and intellectual property protection.

In addition, because the market for our products and services is relatively new and rapidly changing, it is difficult to predict future financial results.

For these reasons, you should not rely on period-to-period comparisons of our financial results, if any, as indications of future results. Our future operating results could fall below the expectations of public market analysts or investors and significantly reduce the market price of our common stock. Fluctuations in our operating results will likely increase the volatility of our stock price.

We are in the starting stages of our business plan and are therefore more vulnerable to unexpected or uncontrollable business and economic forces. Unknown software errors may not be corrected in time to develop a sustainable customer base. Unfavorable product reviews or news reports could squelch early sales efforts. A competitor may quickly release a better version of a similar product before we can complete our development efforts. Economic conditions such as a national or world recession, international trade restrictions on computer product sales, or a slowdown in new technology growth could reduce our revenues below financially-healthy levels. The risks of a development-stage company include the possible loss of all investment funds by investors.

OUR CURRENT AND POTENTIAL COMPETITORS, SOME OF WHOM HAVE GREATER RESOURCES THAN WE DO, MAY DEVELOP PRODUCTS AND TECHNOLOGIES THAT MAY CAUSE DEMAND FOR, AND THE PRICES OF, OUR PRODUCTS TO DECLINE.

A number of companies have developed, or are expected to develop, products that compete with our products. Competitors in the voice interface software market include IBM, Scansoft and Nuance. We expect additional competition from other companies such as Microsoft, who has recently made investments in, and acquired, voice interface technology companies. Furthermore, our competitors may combine with each other, and other companies may enter our markets by acquiring or entering into strategic relationships with our competitors. Current and potential competitors have established, or may establish, cooperative relationships among themselves or with third parties to increase the abilities of their advanced speech and language technology products to address the needs of our prospective customers.

Many of our current and potential competitors have longer operating histories, significantly greater financial, technical, product development and marketing resources, greater name recognition and larger customer bases than we do. Our present or future competitors may be able to develop products comparable or superior to those we offer, adapt more quickly than we do to new technologies, evolving industry trends and standards or customer requirements, or devote greater resources to the development, promotion and sale of their products than we do. Accordingly, we may not be able to compete effectively in our markets, competition may intensify and future competition may harm our business.

ANY INABILITY TO ADEQUATELY PROTECT OUR PROPRIETARY TECHNOLOGY COULD HARM OUR ABILITY TO COMPETE.

Our future success and ability to compete depends in part upon our proprietary technology and our trademarks, which we attempt to protect with a combination of patent, copyright, trademark and trade secret laws, as well as with our confidentiality procedures and contractual provisions. These legal protections afford only limited protection and are time-consuming and expensive to obtain and/or maintain. Further, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property.

We have recently been issued three patents covering the United States, Australia, China and parts of Europe. Any patents that are issued to us could be invalidated, circumvented or challenged. If challenged, our patents might not be upheld or their claims could be narrowed. Our intellectual property may not be adequate to provide us with competitive advantage or to prevent competitors from entering the markets for our products. Additionally, our competitors could independently develop non-infringing technologies that are competitive with, equivalent to, and/or superior to our technology. Monitoring infringement and/or misappropriation of intellectual property can be difficult, and there is no guarantee that we would detect any infringement or misappropriation of our proprietary rights. Even if we do detect infringement or misappropriation of our proprietary rights, litigation to enforce these rights could cause us to divert financial and other resources away from our business operations. Further, we license our products internationally, and the laws of some foreign countries do not protect our proprietary rights to the same extent as do the laws of the United States.

OUR PRODUCTS MAY INFRINGE UPON THE INTELLECTUAL PROPERTY RIGHTS OF OTHERS AND RESULTING CLAIMS AGAINST US COULD BE COSTLY AND REQUIRE US TO ENTER INTO DISADVANTAGEOUS LICENSE OR ROYALTY ARRANGEMENTS.

The software industry is characterized by the existence of a large number of patents and frequent litigation based on allegations of patent infringement and the violation of intellectual property rights. Although we attempt to avoid infringing upon known proprietary rights of third parties, we may be subject to legal proceedings and claims for alleged infringement by us or our licensees of third-party proprietary rights, such as patents, trade secrets, trademarks or copyrights, from time to time in the ordinary course of business. Any claims relating to the infringement of third-party proprietary rights, even if not successful or meritorious, could result in costly litigation, divert resources and management's attention or require us to enter into royalty or license agreements which are not advantageous to us. In addition, parties making these claims may be able to obtain injunctions, which could prevent us from selling our products. Furthermore, former employers of our employees may assert that these employees have improperly disclosed confidential or proprietary information to us. Any of these results could harm our business. We may be increasingly subject to infringement claims as the number of, and number of features of, our products grow.

IF THE STANDARDS WE HAVE SELECTED TO SUPPORT ARE NOT ADOPTED AS THE STANDARDS FOR SPEECH-ACTIVATED SOFTWARE, BUSINESSES MIGHT NOT USE OUR SPEECH-ACTIVATED SOFTWARE PLATFORM FOR DELIVERY OF APPLICATIONS AND SERVICES, AND OUR REVENUE GROWTH COULD BE NEGATIVELY AFFECTED.

The market for speech-activated services software is new and emerging. Certain industry software standards have, however, been established but may change as the technology evolves. We may not be competitive unless our products support changing industry software standards. The emergence of industry standards other than those we have selected to support, whether through adoption by official standards committees or widespread usage, could require costly and time consuming redesign of our products. If these standards become widespread and our products do not support them, our clients and potential clients may not purchase our products, and our revenue growth could be adversely affected. Multiple standards in the marketplace could also make it difficult for us to design our products to support all applicable standards, which could also result in decreased sales of our products.

OUR FAILURE TO RESPOND TO RAPID CHANGE IN THE MARKET FOR SPEECH-ACTIVATED SERVICES SOFTWARE COULD CAUSE US TO LOSE REVENUE AND HARM OUR BUSINESS.

The speech-activated services software industry is relatively new and rapidly evolving. Our success will depend substantially upon our ability to enhance our existing products and to develop and introduce, on a timely and cost-effective basis, new products and features that meet changing end-user requirements and incorporate technological advancements. If we are unable to develop new products and enhanced functionalities or technologies to adapt to these changes, or if we cannot offset a decline in revenue from existing products with sales of new products, our business will suffer.

Commercial acceptance of our products and technologies will depend, among other things, on:

-- the ability of our products and technologies to meet and adapt to the needs of our target markets;

-- the performance and price of our products as compared to our competitors' products;

-- our ability to deliver customer service directly and through our resellers; and

-- the ability of our customers to utilize our product.

RISKS RELATING TO OUR COMMON STOCK

OUR COMMON STOCK IS SUBJECT TO "PENNY STOCK" RULES.

The Securities and Exchange Commission (the "Commission") has adopted Rule 15g-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than $5.00 per share or with an exercise price of less than $5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

(i) that a broker or dealer approve a person's account for transactions in penny stocks; and

(ii) the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must

(i) obtain financial information and investment experience objectives of the person; and

(ii) make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks. The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prepared by the Commission relating to the penny stock market, which, in highlight form, (i) sets forth the basis on which the broker or dealer made the suitability determination; and (ii) that the broker or dealer received a signed, written agreement from the investor prior to the transaction. Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks

IF WE FAIL TO REMAIN CURRENT ON OUR REPORTING REQUIREMENTS, WE COULD BE REMOVED FROM THE OTC BULLETIN BOARD WHICH WOULD LIMIT THE ABILITY OF BROKER-DEALERS TO SELL OUR SECURITIES AND THE ABILITY OF STOCKHOLDERS TO SELL THEIR SECURITIES IN THE SECONDARY MARKET

Companies trading on the OTC Bulletin Board, such as us, must be reporting issuers under Section 12 of the Securities Exchange Act of 1934, as amended, and must be current in their reports under Section 13 in order to maintain price quotation privileges on the OTC Bulletin Board. If we fail to remain current on our reporting requirements, we could be removed from the OTC Bulletin Board. As a result, the market liquidity for our securities could be severely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

FUTURE CAPITAL REQUIREMENTS

We will require and are in the process of negotiating additional funds to finance our operations. The precise amount and timing of our funding needs cannot be determined at this time and will largely depend upon a number of factors, including the market demand for our products and our management of our cash, accounts payable, inventory and other working capital items. There can be no assurance that those funds will be available or on terms satisfactory to us. Any inability to obtain needed funding on satisfactory terms may require us to reduce planned capital expenditures, to scale back our product offerings or other operations or to enter into financing agreements on terms which we would not otherwise accept, and could have a material adverse effect on our business, financial condition and results of operations.

ITEM 2. DESCRIPTION OF PROPERTY

FACILITIES

The Company's headquarters are located at 4275 Executive Square, Suite 200, La Jolla, California.

The Company leases its facility under a lease that expires in November 2010. The size of our office is 5,162 square feet.

Rent expense, net of sublease income, amounted to $193,503 for the year ended December 31, 2005.

ITEM 3. 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 previously disclosed to the public in our reports filed with the Securities and Exchange Commission, we were the subject of a legal proceeding in the San Diego County Superior Court (the "Court") entitled La Jolla Cove Investors, Inc. ("La Jolla") vs. One Voice Technologies, Inc., Case No. GIC850038 (the "Action") which was filed with the Court for an unspecified amount of damages. La Jolla held our convertible debentures related to our past financings. La Jolla claimed that we failed to honor its conversion notices resulting in damages. La Jolla filed a similar suit in 2004 and dismissed the suit after we transferred shares pursuant to conversion notices and an interim settlement agreement. In particular, we agreed to and did register 8,425,531 shares of our common stock to honor the past conversion notice and an additional 8,425,531 shares pursuant to such interim settlement agreement. Part of the resolution of the first lawsuit restrained La Jolla from tendering additional conversion notices for a specified period of time. During that time period, La Jolla requested that we amend the terms of the outstanding debentures, but we refused to do so. We tendered back the outstanding debenture amounts to La Jolla on two occasions. We secured alternative financing and did not honor further conversion notices from La Jolla. The Action was thereafter commenced by La Jolla.

On January 6, 2006, La Jolla and the Company entered into a Settlement Agreement and Mutual Release (the "Settlement Agreement") in which La Jolla and we agreed to forever settle, resolve and dispose of all claims, demands and causes of action asserted, existing or claimed to exist between the parties because of or in any way related to the Action. Under the Settlement Agreement, La Jolla and the Company agreed that the parties shall bear their own costs and attorney's fees associated with the Action. In addition, we agreed to pay to La Jolla:

- 10,000,000 restricted shares of our common stock upon the execution of the Settlement Agreement;
- $300,000 within 90 days of the date of the Settlement Agreement; and
- $400,000 within 150 days of the date of the Settlement Agreement.

Interest shall accrue on the $700,000 unpaid balance at 8% per annum commencing on the date of the Settlement Agreement until paid in full. If any payment is not made within 30 days of its due date, La Jolla may enter a judgment against us for the then unpaid balance, plus accrued interest and $100,000, upon the filing of a declaration of default by La Jolla.

In exchange for the aforementioned settlement payments, La Jolla shall cause a request for dismissal with prejudice to be filed with the Court which will dismiss the Action subject to our compliance with the terms of the Settlement Agreement.

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

None.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

Our common stock began trading on the NASDAQ SmallCap Market on October 24, 2000, under the symbol ONEV. Our common stock is currently traded on NASD OTC Electronic Bulletin Board under the symbol ONEV.OB. The OTC Electronic Bulletin Board is sponsored by the National Association of Securities Dealers (NASD) and is a network of security dealers who buy and sell stocks.

The following table sets forth the high and low bid prices per share of common Stock in the quarter indicated. These prices represent inter-dealer quotations without retail markup, markdown, or commission and may not necessarily represent actual transactions.

	Low	High
2004		
First Quarter	.02	.05
Second Quarter	.01	.22

Third Quarter	.08	.16
Fourth Quarter	.01	.12
2005		
First Quarter	.04	.06
Second Quarter	.03	.06
Third Quarter	.03	.05
Fourth Quarter	.02	.03
2006		
First Quarter	.02	.05

As of March 24, 2006, our common stock shares were held by 180 stockholders of record. We believe that the number of beneficial owners is substantially greater than the number of record holders because a significant portion of our outstanding common stock is held of record in broker street names for the benefit of individual investors. The transfer agent of our common stock is Corporate Stock Transfer, Inc., 3200 Cherry Creek Drive South, Suite 430, Denver, Colorado 80209.

DIVIDEND POLICY

We have not declared any dividends to date. We have no present intention of paying any cash dividends on our common stock in the foreseeable future, as we intend to use earnings, if any, to generate growth. The payment by us of dividends, if any, in the future, rests within the discretion of our Board of Directors and will depend, among other things, upon our earnings, our capital requirements and our financial condition, as well as other relevant factors. There are no restrictions in our articles of incorporation or bylaws that restrict us from declaring dividends.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The securities described below represent our securities sold by us for the period starting January 1, 2005 and ending December 31, 2005 that were not registered under the Securities Act of 1933, as amended. Underwriters were involved in none of these transactions.

PRIVATE PLACEMENTS OF COMMON STOCK AND WARRANTS FOR CASH

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.

On May 6, 2005, the Company held a closing with one accredited investor pursuant to which the investor subscribed to purchase an aggregate of 2,500,000 shares of restricted common stock for a total purchase price of $66,000. In addition, the investor received an aggregate of 2,500,000 Class A common stock purchase warrants and 2,500,000 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.

On July 11, 2005, the Company held a closing with one accredited investor pursuant to which the investor subscribed to purchase an aggregate of 3,000,000 shares of restricted common stock for a total purchase price of $98,400. In addition, the investor received an aggregate of 3,000,000 Class A common stock purchase warrants and 3,000,000 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.

On October 13, 2005, the Company held its first closing with one accredited investor pursuant to which the investor subscribed to purchase an aggregate of 6,000,000 shares of restricted common stock for a total purchase price of $196,800. In addition, the investor received an aggregate of 6,000,000 Class A common stock purchase warrants and 6,000,000 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. The Company received $98,400 of the purchase price on the initial closing date of October 13, 2005 and received an additional $98,400 of the purchase price pursuant to the second closing, which took place on October 25, 2005.

* All of the above offerings and sales were deemed to be exempt under Rule 506 of Regulation D and Section 4(2) of the Securities Act of 1933, as amended. 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.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION OR PLAN OF OPERATION

THE FOLLOWING DISCUSSION AND ANALYSIS OF OUR PLAN OF OPERATION SHOULD BE READ IN CONJUNCTION WITH THE FINANCIAL STATEMENTS AND THE RELATED NOTES. THIS ANNUAL REPORT CONTAINS FORWARD- LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933 AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934 WHICH ARE BASED UPON CURRENT EXPECTATIONS THAT INVOLVE RISKS AND UNCERTAINTIES, SUCH AS OUR PLANS, OBJECTIVES, EXPECTATIONS AND INTENTIONS. OUR ACTUAL RESULTS AND THE TIMING OF CERTAIN EVENTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF CERTAIN FACTORS, INCLUDING THOSE SET FORTH UNDER "RISK FACTORS," "BUSINESS" AND ELSEWHERE IN THIS ANNUAL REPORT. SEE "RISK FACTORS."

OVERVIEW OF THE BUSINESS

One Voice Technologies, Inc. is a voice recognition technology company with over $43 million invested in Research and Development and deployment of more than 20 million products worldwide in seven languages. To date, our customers include: Walt Disney Internet Group, Warner Home Video, Golden State Cellular, Inland Cellular, Eloqui Wireless, Cell One of Amarillo, Panhandle Telephone Cooperative, Plateau Wireless, West Central Wireless, Telispire PCS, NewEgg.com, PC Alchemy, CompUSA, Dell.com and Cannon PC. Based on our patented technology, One Voice offers voice solutions for the Telecom and Interactive Multimedia markets. Our telecom solutions 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 Original Equipment Manufacturers (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.

We believe that the presence of voice technology as an interface in mobile communications and PC computing is of paramount importance. Voice interface technology makes portable communications products mobile, more effective and safer to use and it makes communicating with a PC to play digital content, such as music, videos and photos, easier for consumers. One Voice's development efforts currently are focused on the Telecom and PC multimedia markets and more specifically on mobile communications from a cell phone, directory assistance and in-home digital media access.

TELECOM SECTOR

In the Telecom sector, the Mobile Messaging market, which has both business and consumer market applications including: E-mail, Instant Messages, and SMS (Short Message Service), is extremely large and is growing at an astonishing rate. Over six trillion text messages are sent globally every year, and messaging has also shown the consistent ability to generate significant revenue for carriers. One Voice solutions enable users to send, intelligently route and receive text messages using voice from any type of phone (wired or wireless) anywhere in the world.

In 2005, the Company realized it's first recurring revenues from our MobileVoice(TM) suite of voice solutions. In addition, the Company deployed and realized recurring revenues from our proprietary ADA(TM) Alternative to Directory Assistance(TM) solution with deployments covering multiple regions. Management believes we are well positioned in this sector to increase our client base, deploy services to the wireless and landline carriers and realize continued growth from this sector.

The company's strategy, in the telecom sector, is to continue aggressive sales and marketing activities for our voice solutions which we believe may result in increased deployments and revenue stream. The product offerings will encompass both MobileVoice(TM) suite of solutions as well as our ADA(TM) Alternative to Directory Assistance(TM).

In 2005, the Company continued to work closely with Tata Infotech, an Indian information technology 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 Indian telecom market. We have subsequently completed the early phase of testing and tuning of our MobileVoice platform, increasing 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 early 2006 with a potential launch later this year upon successful outcome of the tests. 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 revenue with Tata and will continue to apply resources to make this a successful venture in the Indian market.

PC SECTOR

In the PC sector, digital in-home entertainment is rapidly growing with the wide acceptance of digital photography, MP3 music and videos, along with plasma and LCD TV's. Companies including Apple, Microsoft and Intel are actively creating products and technology, which allow consumers to experience the next generation of digital entertainment. The company's Media Center Communicator(TM) product works with Microsoft Windows XP Media Center Edition 2005 to add voice-navigation and a full suite of communication features allowing consumers to talk to their Media Center PC to play music, view photo slideshows, watch and record TV, place Voice-Over-IP (VoIP) phone calls, read and send e-mail and Instant Message friends and family, all by voice.

In 2005, the Company released Version 2 of the Media Center Communicator. This version continues to deliver on the company's vision of total voice automation of the digital home including the management of one's digital content. To further this vision, the company has introduced mceSpeechTools.(TM) The mceSpeechTools(TM) is a set of tools designed for opening Media Center Communicator's API(Application Programming Interface) to other new and existing third-party applications. Opening up the application's API, enables other third-party applications such as home automation, uploading MP3 media content and "Movies on Demand" to be voice enabled. In addition, the company upgraded Version 2 of MCC to integrate with SKYPE(R) for placing VOIP calls through television and voice enabled messaging functionality.

The Company's strategy, in the PC Sector, is to continue its aggressive marketing efforts to sign-up system integrators, such as those engaged in the business of home theatre installation and value-added resellers under the company's reseller program launched in 2005. The company will continue to pursue OEMs for bundling agreements of its' Media Center Communicator product. These OEM agreements may include revenue share business models as well as discounted individual user license fees. The company will continue to use industry associations, forums and tradeshow events such as CES, CEDIA, EHX and Digital Life to promote awareness of our products and build strategic alliances.

The company has recently teamed up with Intel Corporation to launch an online training program for Intel Resellers worldwide. The Intel Reseller Channel represents hundreds of thousands of certified resellers of Intel products and solutions. The training program, entitled "How to Sell Intel Digital Home Platforms" is designed to educated Intel Resellers on the products and solutions currently available to build the ultimate Digital Home experience. This training program will also highlight the company's Media Center Communicator(TM) product.

In summary, since the beginning of 2005, the company has deployed services with telecom carriers and began recognizing recurring revenue. Management believes the company's transition into the revenue recognition phase was very important as it signifies acceptance of our solutions and the value they deliver to the customer and their subscribers. The management team remains committed to generating near and long term revenues significant enough to fund daily operations, building shareholder value, expand the intellectual property portfolio and developing cutting edge solutions and applications for the emerging speech recognition market sector.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to impairment of property, plant and equipment, intangible assets, deferred tax assets and fair value computation using Black Scholes option pricing model. We base our estimates on historical experience and on various other assumptions, such as the trading value of our common stock and estimated future undiscounted cash flows, that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions; however, we believe that our estimates, including those for the above-described items, are reasonable.

RESULTS OF OPERATIONS

Discussion of the year ended December 31, 2005 compared with the year ended December 31, 2004.

Revenues totaled $142,000 for the year ended December 31, 2005. Revenues of $2,100 were earned for the year ended December 31, 2004. The recognition of increased revenues for the year ended 2005 resulted primarily from work performed in the MobileVoice/ADA sector.

Operating expenses decreased to $3,433,000 for the year ended December 31, 2005 from $3,734,000 for the same period in 2004.

Salary and wage expense was $1,326,000 for the year ended December 31, 2005 as compared to $1,229,000 for the same period in 2004. Advertising and promotion expense totaled $77,000 for the year ended December 31, 2005 as compared to $27,000 for the same period in 2004. Advertising and promotion expense increase resulted from the company increasing it's travel budget. Legal and consulting expenses decreased to approximately $231,000 for the year ended December 31, 2005 from approximately $263,000 for the same period in 2004. Depreciation and amortization expenses decreased to approximately $172,000 for the year ended December 31, 2005 from approximately $499,000 for the same period in the prior year. Amortization and depreciation expenses consisted of patent and trademarks, computer equipment, consultant fees, and tradeshow booth.

For the year ended December 31, 2005, other income was approximately $1,776,000 compared to other expense of approximately $5,018,000 for the same period in 2004. Other income (expenses) consisted of interest expense, settlement expense and gain (loss) on warrant derivative liability. Interest expense increased to approximately $2,487,000 for the year ended December 31, 2005, as compared to approximately $1,650,000 for the same period in 2004, primarily due to a warrant re-pricing in October 2005. Settlement expense increased to approximately $760,000 for the year ended December 31, 2005, as compared to $0 for the same period in 2004, due to a settlement agreement liability the Company entered into in the beginning of 2006. Gain on warrant derivative increased to approximately $5,070,000 for the year ended December 31, 2005, as compared to a loss of approximately $3,369,000 for the same period in 2004, due to a change in warrant valuation.

We had a net loss of $1,546,000 or basic and diluted net loss per share of $0.01 for the year ended December 31, 2005 compared to a net loss of $8,752,000 or basic and diluted net loss per share of $0.05 for the same period in 2004.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2005, we had a working capital deficit of $3,731,000 as compared with a working capital deficit of $5,752,000 at December 31, 2004.

Net cash used for operating activities was $3,149,000 for the year ended December 31, 2005 compared to $2,644,000 for the year ended December 31, 2004.

Net cash used for investing activities was $58,000 for the year ended December 31, 2005 compared to net cash used of $151,000 for the year ended December 31, 2004.

Net cash provided by financing activities was $3,011,000 for the year ended December 31, 2005 and resulted from sales by the Company of convertible debt securities and common stock, and proceeds from the exercise of warrants during the year. This compares to proceeds of $3,277,000 from financing activities for the year ended December 31, 2004.

We incurred a net loss of $1,546,000 during the year ended December 31, 2005 and had an accumulated deficit of $42,664,000. Our losses through December 2005 included interest expense, amortization of software licensing agreements and development costs and operational and promotional expenses.

FINANCING TRANSACTIONS

On August 18, 2004, the Company entered into a securities purchase agreement with four accredited investors, Alpha Capital Aktiengesellschaft, Greenwich Growth Fund Limited, Whalehaven Capital, LP and Whalehaven Fund Limited for the issuance of 7% convertible debentures in the aggregate amount of $700,000. The notes bear interest at 7% (effective interest rate of 146% on the aggregate amount), mature on August 18, 2007, and are convertible into the Company's common stock, at the holders' option, at the lower of (i) $0.085 or (ii) 80% of the average of the three lowest closing bid prices for the common stock on a principal market for the 30 trading days before but not including the conversion date. The note may not be paid, in whole or in part, before August 18, 2007 without the consent of the holder. The full principal amount of the convertible notes is due upon default under the terms of convertible notes. In addition, the Company issued an aggregate of 7,063,774 warrants to the investors (3,531,887 Class A warrants and 3,531,887 Class B warrants).The Class A warrants are exercisable until August 18, 2009 at a purchase price of $.0935 per share. The Class B warrants are exercisable until August 18, 2009 at a purchase price of $.10625 per share. Net proceeds amounted to approximately $621,000, net of debt issue cash cost of $79,000. The fair value of the warrants of $323,000 using Black Scholes option pricing model and the beneficial conversion feature of approximately $298,000 will be amortized over the life of the debt using the interest method. Upon conversion of the debt, unamortized debt issue costs are charged to expense.

On October 28, 2004, the Company entered into a securities purchase agreement with four accredited investors, Alpha Capital Aktiengesellschaft, Stonestreet Limited Partnership, Ellis International Ltd. and Momona Capital Corp. for the issuance of 7% convertible debentures in the aggregate amount of $596,000. The notes bear interest at 7% (effective interest rate of 100% on the aggregate amount), mature on October 28, 2007 and are convertible into the Company's common stock, at the holders' option, at the lower of (i) $0.074 or (ii) 80% of the average of the three lowest closing bid prices for the common stock on a principal market for the 30 trading days before but not including the conversion date. The note may not be paid, in whole or in part, before October 28, 2007 without the consent of the holder. The full principal amount of the convertible note is due upon default under the terms of convertible notes. In addition, the Company issued an aggregate of 11,825,398 Class A warrants and 11,825,398 Class B warrants to the investors. The warrants are exercisable until October 28, 2009 at a purchase price of $0.07 per share. Net proceeds amounted to approximately $532,000, net of debt issue cash cost of $64,000. The relative value (limited to the face amount of the debt) of all the warrants of $276,000 using Black Scholes option pricing model and the beneficial conversion feature of approximately $319,000 will be amortized over the life of the debt using the interest method. As of December 31, 2004, the balance owed was $266,000 and the unamortized discount amounted to $250,000. Upon conversion of the debt mentioned above, any unamortized debt issue costs will be charged to expense.

On December 23, 2004, the Company entered into a securities purchase agreement with Alpha Capital Aktiengesellschaft, Stonestreet Limited Partnership, Ellis International Ltd. and Momona Capital Corp. for the issuance of 7% convertible debentures in the aggregate amount of $894,000. The notes bear interest at 7% (effective interest rate of 100% on the aggregate amount), mature on December 23, 2007 and are convertible into the Company's common stock, at the holders' option, at the lower of (i) $0.074 or (ii) 80% of the average of the three lowest closing bid prices for the common stock on a principal market for the 30 trading days before but not including the conversion date. The note may not be paid, in whole or in part, before December 23, 2007 without the consent of the holder. The full principal amount of the convertible note is due upon default under the terms of convertible notes. In addition, the Company issued an aggregate of 22,183,622 Class A warrants and 22,183,622 Class B warrants to the investors. The warrants are exercisable until December 23, 2009 at a purchase price of $0.07 per share. Net proceeds amounted to approximately $835,000, net of debt issue cash cost of $59,000. The relative value (limited to the face amount of the debt) of all the warrants of $682,000 using Black Scholes option pricing model and the beneficial conversion feature of approximately $210,000 will be amortized over the life of the debt using the interest method. As of December 31, 2004, the balance owed was $854,000 and the unamortized discount amounted to $848,000. Upon conversion of the debt mentioned above, any unamortized debt issue costs will be charged to expense.

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. 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.

On July 13, 2005, we held our second closing pursuant to the Subscription Agreement we entered into with several accredited investors dated as of March 18, 2005. On the second closing date, the Company received approximately $935,000, net of debt issue cash cost of approximately $65,000. The convertible notes bear simple interest at 6% per annum payable upon each conversion, 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 and 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) $0.043 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 as reported by Bloomberg, L.P. on any principal market or exchange where our common stock is listed or traded.

The Company issued an aggregate of 38,461,537 Class A common stock purchase warrants and 38,461,537 Class B common stock purchase warrants to their investors. 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 fair value of the warrants of approximately $675,000 using Black Scholes option pricing model and the beneficial conversion feature of approximately $325,000 will be amortized over the life of the debt using the interest method.

SUBSEQUENT EVENTS

On January 24, 2006, we issued nonstatutory options to purchase an aggregate of 57,200,000 shares of our common stock at a price equal to $0.016 per share to certain of our employees, directors and consultants. The aforementioned options were issued pursuant to our 2005 Stock Incentive Plan.

On February 15, 2006, we voluntarily determined to reduce the exercise prices of 29,069,968 Class A warrants issued pursuant to the first closing of our March 2005 Subscription Agreement from an exercise price of $0.02 to $0.014 per share.

On March 16, 2006, the Company held a closing with one accredited investor pursuant to which the investor subscribed to purchase an aggregate of 3,000,000 shares of restricted common stock for a total purchase price of $60,000. In addition, the investor received an aggregate of 3,000,000 Class A common stock purchase warrants and 3,000,000 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.

On March 20, 2006, we completed a private placement pursuant to a Subscription Agreement which we entered into with several accredited and/or qualified institutional investors dated as of dated as of March 17, 2006, pursuant to which the investors subscribed to purchase an aggregate principal amount of $700,000 in 6% secured convertible promissory notes and one Class A common stock purchase warrant for each one share which would be issued on the closing date assuming full conversion of the secured convertible notes issued on the closing date.

The secured convertible notes bear simple interest at 6% per annum payable upon each conversion, June 1, 2006 and semi-annually thereafter, and mature 2 years after the date of issuance. Each investor shall have the right to convert the secured convertible notes after the date of issuance and 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) $0.043 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 as reported by Bloomberg, L.P. on any principal market or exchange where our common stock is listed or traded. The conversion price is adjustable in the event of any stock split or reverse stock split, stock dividend, reclassification of common stock, recapitalization, merger or consolidation. In addition, the conversion price of the secured convertible notes will be adjusted in the event that we spin off or otherwise divest ourselves of a material part of our business or operations or dispose all or a portion of our assets. Our obligation to repay all principal, and accrued and unpaid interest under the convertible notes is secured by all of our assets pursuant to a certain Security Agreement dated as of February 16, 2006, which also secures the remaining principal amount of our convertible notes in the aggregate amount of $1,115,000 which we issued on March 18, 2005 and July 13, 2005 to certain of the investors participating in this new private placement.

We issued an aggregate of 50,972,111 Class A common stock purchase warrants to the investors, representing one Class A warrant issued for each one share which would be issued on the closing date assuming full conversion of the secured convertible notes 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 exercise price of the Class A warrants will be adjusted in the event of any stock split or reverse stock split, stock dividend, reclassification of common stock, recapitalization, merger or consolidation. In addition, the exercise price of the warrants will be adjusted in the event that we spin off or otherwise divest ourselves of a material part of our business or operations or dispose all or a portion of our assets.

We anticipate maintaining a cash balance through our financial partners that will sustain operations up to December 2006. We continue to rely heavily on our current method of convertible debt and equity funding, which have financed us since 2001. The losses through the year ended December 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 licensing costs. 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.

OFF BALANCE SHEET ARRANGEMENTS

We do not have any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, results of operations, liquidity or capital expenditures.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

ONE VOICE TECHNOLOGIES, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2005 AND 2004

CONTENTS

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
One Voice Technologies, Inc.

We have audited the accompanying balance sheets of One Voice Technologies, Inc. (the "Company") as of December 31, 2005 and 2004, and the related statements of operations, stockholders' equity (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of One Voice Technologies, Inc. as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has reported recurring losses from operations aggregating $42,644,000, and had a working capital deficit of $3,731,000. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans as to these matters are described in Note 1. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

PETERSON & CO., LLP

San Diego, California
March 31, 2006

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ONE VOICE TECHNOLOGIES, INC.
BALANCE SHEETS
DECEMBER 31, 2005 & 2004

ASSETS

	2005	2004
		(Restated)
CURRENT ASSETS:		
Cash and cash equivalents	$ 338,811	535,642
Accounts receivable	42,696	6,274
Inventories	5,254	9,724
Prepaid expenses	40,574	27,756
Total current assets	427,335	579,396
PROPERTY AND EQUIPMENT, net	84,703	177,949
OTHER ASSETS:		
Software development and licensing, net	40,552	78,700
Trademarks, net	5,517	13,310
Patents, net	94,200	118,569
Deposits	18,665	2,157
Deferred debt issue costs	69,970	96,954
Total assets	$ 740,942	$ 1,067,035

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	2005	2004
CURRENT LIABILITIES:		
Accounts payable	$ 128,630	$ 162,625
Accrued expenses	147,305	72,887
Security deposits	--	12,522
Settlement agreement liability	920,000	--
License agreement liability	930,000	1,050,000

Warrant derivative liability	2,032,299	4,941,415
Current portion of convertible debt, net	--	92,044
Total current liabilities	4,158,234	6,331,493
LONG-TERM DEBT:		
Long term portion of notes payable,	100,000	100,000
Long term portion of convertible debt, net	221,850	32,656
Total liabilities	4,480,084	6,464,149
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 and 250,000,000 Shares authorized at December 31, 2005 and 2004, respectively; 363,590,152 and 246,467,927 shares issued and outstanding at December 31, 2005 and 2004, respectively	363,590	246,468
Additional paid-in capital	38,561,381	35,474,238
Accumulated deficit	(42,664,113)	(41,117,820)
Total stockholders' equity (deficit)	(3,739,142)	(5,397,114)
Total liabilities and stockholders' equity (deficit)	$ 740,942	$ 1,067,035

The accompanying notes form an integral part of these financial statements.

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ONE VOICE TECHNOLOGIES, INC.

STATEMENTS OF OPERATIONS

	Year ended December 31, 2005	Year ended December 31, 2004
		(Restated)
REVENUE	$ 142,285	$ 2,105
COST OF REVENUE	31,467	1,930
GROSS PROFIT	110,818	175
GENERAL AND ADMINISTRATIVE EXPENSES	3,433,281	3,733,753
NET LOSS FROM OPERATIONS	(3,322,463)	$ (3,733,578)

OTHER INCOME (EXPENSES)		
Interest expense	(2,487,116)	(1,649,641)
Settlement expense, net	(760,387)	--
Gain (loss) on warrant derivative	5,070,081	(3,369,412)
Other, net	(46,408)	741
NET LOSS	$ (1,546,293)	$ (8,751,890)
NET LOSS PER SHARE, basic and diluted	$ (.01)	$ (.05)
WEIGHTED AVERAGE SHARES OUTSTANDING, basic and diluted	299,279,000	188,236,940

The accompanying notes form an integral part of these financial statements.

ONE VOICE TECHNOLOGIES, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	Common stock Shares	Common stock Amount	Additional paid-in capital	Accu de
Balance at December 31, 2003 (Restated)	107,130,615	$ 107,131	$ 31,851,609	$(32
Issuance of warrants in connection with debt financing			1,281,550	
Beneficial conversion feature embedded in debt securities			827,626	
Exercise of warrants for cash	12,008,067	12,008	1,368,121	
Conversion of debt to equity - Alpha Capital	25,720,939	25,721	587,172	
Conversion of debt to equity - Bristol Investments	4,317,308	4,317	96,708	
Conversion of debt to equity - Ellis Enterprise	5,229,575	5,230	165,230	
Conversion of debt to equity - Greenwich Funds	2,541,700	2,542	99,889	
Conversion of debt to equity - Whalehaven Capital	2,639,175	2,639	124,834	
Conversion of debt to				

	Shares	Amount	Additional paid-in capital	
Conversion of debt to equity - Whalehaven Fund	2,009,448	2,009	84,787	
Conversion of debt to equity - Momona Capital	375,994	376	14,777	
Conversion of debt to equity - Stonestreet Limited	6,067,844	6,068	239,640	
Conversion of debt to equity - La Jolla Cove	78,427,262	78,427	13,845	
Reclassification of warrants to current liabilities			(1,281,550)	
Net loss for the year ended December 31, 2004				(8
Balance at December 31, 2004 (Restated)	246,467,927	246,468	35,474,238	(41

ONE VOICE TECHNOLOGIES, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

	Common stock		Additional	
	Shares	Amount	paid-in capital	Accu de
Issuance of common stock in connection with private placement	17,000,000	17,000	--	
Issuance of warrants in connection with private placement			489,400	
Issuance of warrants in connection with debt financing			1,399,637	
Beneficial conversion feature embedded in debt securities			600,363	
Exercise of warrants for cash	31,552,521	31,553	617,658	
Expenses incurred in connection with warrant re-pricing			271,898	
Conversion of debt to equity - Alpha Capital	25,945,668	25,945	714,676	
Conversion of debt to equity - Momona Capital	1,938,262	1,938	74,215	

Conversion of debt to equity - Ellis Enterprise	11,522,589	11,523	257,446	
Conversion of debt to equity - Omega Capital	3,488,833	3,489	61,511	
Conversion of debt to equity - Whalehaven Capital	9,110,077	9,110	235,769	
Conversion of debt to equity - Whalehaven Fund	1,026,466	1,026	40,032	
Conversion of debt to equity - Osher Capital	1,714,932	1,715	43,631	
Conversion of debt to equity - Stonestreet Limited	13,822,877	13,823	441,842	
Reclassification of warrants to current liabilities			(2,160,935)	
Net loss for the year ended December 31, 2005				(1
Balance at December 31, 2005	363,590,152	$ 363,590	$ 38,561,381	$(42

The accompanying notes form an integral part of these financial statemen

ONE VOICE TECHNOLOGIES, INC.

STATEMENTS OF CASH FLOWS

	Year ended December 31, 2005	Year ended December 31, 2004 (Restated)
Cash flows from operating activities:		
Net loss	$ (1,546,293)	$ (8,751,890)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	172,426	499,216
Loss on disposal of assets	49,332	--
Amortization of debt discount and debt issue costs	2,351,877	1,917,203
Warrant re-pricing	271,898	--
(Gain)loss on warrant derivative liability	(5,070,081)	3,369,412

Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(36,422)	130,726
Inventories	4,470	(9,724)
Prepaid expenses and other assets	(157,844)	(191,021)
Deposits	(16,508)	7,769
Increase (decrease) in liabilities:		
Accounts payable	(33,965)	(10,463)
Accrued expenses	74,418	14,468
Settlement agreement liability	920,000	--
License agreement liability	(120,000)	380,000
Deposit	(12,522)	--
Net cash used in operating activities	(3,149,214)	(2,644,304)
Cash flows from investing activities:		
Purchase of property and equipment	(45,768)	(63,046)
Software development costs	--	(22,080)
Trademarks	(528)	--
Patents	(11,906)	(65,718)
Net cash used in investing activities	(58,202)	(150,844)

(Continued)

The accompanying notes form an integral part of these financial statements.

ONE VOICE TECHNOLOGIES, INC.

STATEMENTS OF CASH FLOWS (CONTINUED)

	Year ended December 31, 2005	Year ended December 31, 2004
		(Restated)
Cash flows from financing activities:		
Proceeds from issuance of common stock	506,400	--
Proceeds from convertible debt	2,000,000	2,109,000
Proceeds from warrant exercise	649,210	1,369,044
Payments for debt issue costs	(145,025)	(200,963)

Net cash provided by financing activities	3,010,585	3,277,081
Net increase (decrease) in cash	(196,831)	481,933
Cash and cash equivalents, beginning of year	535,642	53,709
Cash and cash equivalents, end of year	$ 338,811	$ 535,642
Supplemental disclosure of cash flow information:		
Interest paid	$ 74,727	$ 74,621
Income taxes paid	$ 800	$ 800
Supplemental disclosure of non-cash financing activities:		
Issuance of warrant derivative in connection with private placement and debt financing	$ 2,160,935	$ 1,281,550
Beneficial conversion feature of debt	$ 600,363	$ 827,626
Common Stock issued upon conversion of debt	$ 1,937,691	$ 1,554,211

ONE VOICE TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ORGANIZATION AND BASIS OF PRESENTATION:

One Voice Technologies, Inc. is incorporated under the laws of the State of Nevada. The Company develops voice recognition software and it commenced operations in 1999.

Prior to the fourth quarter of 2005, the Company's financial statements had been prepared and presented as those of a development stage enterprise. Based on the commercialization of its Mobile Voice product during 2005, the Company believes that such presentation is no long necessary. Cumulative disclosures required for development stage enterprises that were included in the previously filed December 31, 2004 financial statements have been omitted in the comparative financial statements presented here in.

GOING CONCERN:

The accompanying financial statements have been prepared assuming 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 has incurred significant losses since inception of $42,664,000 and used cash for operations of $ 3,149,000 during the year ended December 31, 2005. The

Company also has a working capital deficit of $3,731,000 and a stockholders' deficit of $3,739,000 as of December 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. Additionally, management 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.

RESTATEMENT TO PRIOR YEAR FINANCIAL STATEMENTS

Subsequent to the issuance of the financial statements for the years ended December 31, 2004 and 2003, management determined that the Company's previous accounting for its warrants did not comply with Emerging Issues Task Force 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock ("EITF 00-19"). As a result, the Company determined that the fair value of the warrants should have been reclassified from additional paid in capital, to a current liability, and that the warrant fair value should have been marked to market as of the balance sheet date with the corresponding non-cash gain or loss reflected in the results of operations. Accordingly, the accompanying financial statements for the years ended December 31, 2004 and 2003 have been restated from the amounts previously reported.

The impact of this restatement will change net income within the various periods covered. This correction in the accounting for its warrants had no impact on the Company's net sales, net cash flows, cash balances or debt covenant compliance.

A summary of the significant effects of the restatements is as follows:

	As Previously Reported	Adjustments	As Restated
Year Ended December 31, 2004			
Net loss	$ (5,382,478)	$ (3,369,412)	$ (8,751,890)
Net loss per share, basic and diluted	$ (0.03)	$ (0.02)	$ (0.05)
Year Ended December 31, 2003			
Net loss	$ (5,931,972)	$ 93,078	$ (5,838,894)
Net loss per share, basic and diluted	$ (0.09)	$ --	$ (0.09)

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ONE VOICE TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BUSINESS ACTIVITY:

The Company develops voice recognition based software for both the Telecom and Interactive Multimedia PC sectors.

RECLASSIFICATIONS:

Certain reclassifications have been made to prior years' disclosures to conform to current year classifications.

USE OF ESTIMATES:

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

FAIR VALUE:

The Company's financial instruments consist principally of cash and cash equivalents, accounts receivable, accounts payable and notes payable and convertible debt. The carrying value of cash and cash equivalents, accounts receivable and accounts payable, approximates their fair value due to their short term nature. The carrying value of notes payable and convertible debt approximate their fair value, as interest approximates market rates.

CASH AND CASH EQUIVALENTS:

For purposes of the statement of cash flows, cash equivalents include all highly liquid debt instruments with original maturities of three months or less which are not securing any corporate obligations.

CONCENTRATION:

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

REVENUE RECOGNITION:

The Company recognizes revenues when earned in the period in which the service is provided.

Service and license fees are deferred and recognized over the life of the agreement. Revenues from the sale of products will be recognized upon shipment of the product.

ADVERTISING AND PROMOTION COSTS:

Advertising and promotion costs are expensed as incurred. For the years ended December 31, 2005 and 2004, advertising and promotion costs were $77,000 and $27,000 respectively.

PROPERTY AND EQUIPMENT:

Property and equipment are recorded at cost. Depreciation is being provided by use of the straight-line method over the estimated useful lives of the assets, ranging from three to seven years.

ONE VOICE TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

INVENTORIES:

Inventories are valued at the lower of cost or market based on actual cost.

WARRANT DERIVATIVE LIABILITY

The Company accounts for warrants issued in connection with financing arrangements in accordance with Emerging Issues Task Force ("EITF") Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock ("EITF 00-19"). Pursuant to EITF 00-19, an evaluation of specifically identified conditions is made to determine whether the fair value of warrants issued is required be classified as a derivative liability. The fair value of warrants classified as derivative liabilities is adjusted for changes in fair value at each reporting period, and the corresponding non-cash gain or loss is recorded in current period earnings.

DEBT WITH STOCK PURCHASE WARRANTS:

Proceeds received from debt issued with stock purchase warrants are allocated between the debt and the warrants, based upon the relative fair values of the two securities. The balance allocated to warrants is accounted for either as additional paid-in capital or as a warrant derivative liability. The resulting debt discount is amortized to expense over the term of the debt instrument, using the interest method. In the event of settlement of such debt in advance of the maturity date, an expense is recognized for the remaining unamortized discount.

DEBT WITH BENEFICIAL CONVERSION FEATURE:

We account for convertible debt in accordance with Financial Accounting Standards Board Emerging Issues Task Force ("EITF") Issue No. 98-5 and Issue 00-27. These pronouncements require the use of the intrinsic value method for recognition of the beneficial conversioin feature included with indebtedness, and requires amortization of the amount associated with the convertibility feature over the life of the debt instrument. Upon conversion of the debt, any unamortized beneficial conversion discount will be charged to expense.

SOFTWARE DEVELOPMENT COSTS:

The Company accounts for their software development costs in accordance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed," ("SFAS No. 86"). SFAS No. 86 requires the Company to capitalize the direct costs and allocate overhead associated with the development of software products. Initial costs are charged to operations as research prior to the development of a detailed program design or a working model. Costs incurred subsequent to the product release, and research and development performed under contract are charged to operations. Capitalized costs are amortized over the estimated product life of four years on the straight-line basis. The Company evaluates for impairment losses annually or when economic circumstances necessitate. The Company will recognize an impairment loss in the amount by which the unamortized capitalized cost of a computer software product exceeds the net realizable value of that asset. No impairment losses were recognized during the years ended December 31, 2005 and 2004.

Amortization expense totaled $37,000 and $338,000 for the years ended December 31, 2005 and 2004, respectively. Accumulated amortization as of December 31, 2005 amounted to $1,635,000.

ONE VOICE TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

TRADEMARKS AND PATENTS:

The Company's trademark costs consist of legal fees paid in connection with trademarks. The Company amortizes trademarks using the straight-line method over the period of estimated benefit, generally four years. Amortization expense charged for the years ended December 31, 2005 and 2004 totaled $8,000 and $34,000, respectively. Accumulated amortization as of December 31, 2005 amounted to $238,000.

The Company's patent costs consist of legal fees paid in connection with patents pending. The Company amortizes patents using the straight-line method over the period of estimated benefit, generally five years. Amortization expense charged for the years ended December 31, 2005 and 2004 totaled $36,000 and $25,000, respectively. Accumulated amortization as of December 31, 2005 amounted to $93,000.

In accordance with SFAS 142, the Company periodically evaluates whether events or circumstances have occurred that may affect the estimated useful life or the recoverability of the remaining balance of the patent and trademarks. Impairment of the assets is triggered when the estimated future undiscounted cash flows do not exceed the carrying amount of the intangible asset. If the events or circumstances indicate that the remaining balance of the assets may be permanently impaired, such potential impairment will be measured based upon the difference between the carrying amount of the assets and the fair value of such assets, determined using the estimated future discounted cash flows generated.

NET LOSS PER COMMON SHARE:

Basic earnings per share is calculated using the weighted-average number of outstanding common shares during the period. Diluted earnings per share is calculated using the weighted-average number of outstanding common shares and dilutive common equivalent shares outstanding during the period, using either the as-converted method for convertible notes and convertible preferred stock or the treasury stock method for options and warrants.

The net loss per common share for the years ended December 31, 2005 and 2004 is based on the weighted average number of shares of common stock outstanding during the periods. Potentially dilutive securities include options, warrants and convertible debt; however, such securities have not been included in the calculation of the net loss per common share as their effect is antidilutive.

INCOME TAXES:

Deferred income taxes are reported using the asset/liability method. Deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

ONE VOICE TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED:

INCENTIVE AND STOCK BASED COMPENSATION:

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 those statements. 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. No expense was recognized under APB 25. The Company's pro forma information is as follows:

	December 31, 2005	December 31, 2004
Net loss, as reported	$(1,546,293)	$(8,751,890)
Stock compensation calculated under SFAS 123	$ (1,000)	$ (51,500)
Pro forma net loss	$(1,547,293)	$(8,803,390)

Basic and diluted historical loss per share	$ (0.01)	$ (0.05)
Pro forma basic and diluted loss per share	$ (0.01)	$ (0.05)

RESEARCH AND DEVELOPMENT

Expenses related to the company's internal research and development efforts, are expensed in the year incurred. Research and development expense were $701,000 and $633,000 for the years ended December 31, 2005 and 2004 respectively.

ONE VOICE TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED:

NEW ACCOUNTING PRONOUNCEMENTS:

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS No. 154"), which replaces APB Opinion No. 120, "Accounting Changes," and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements." SFAS No. 154 changes the requirements for accounting and reporting a change in accounting principle, and applies to all voluntary changes in accounting principles, as well as changes required by an accounting pronouncement. In the unusual instance it does not include specific transition provisions. Specifically, SFAS No. 154 requires retrospective application to prior periods' financial statements, unless it is impracticable to determine the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the effects of the change, the new accounting principle must be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and a corresponding adjustment must be made to the opening balance of retained earnings for that period rather than being reported in an income statement. When it is impracticable to determine the cumulative effect of the change, the new principle must be applied as if it were adopted prospectively from the earliest date practicable. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. SFAS No. 154 does not change the transition provisions of any existing pronouncements. The Company has evaluated the impact of SFAS No. 154 and does not expect the adoption of this statement to have a significant impact on its statement of income or financial condition. The Company will apply SFAS No. 154 in future periods, when applicable.

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123(R), "Share-Based Payment". SFAS No. 123(R) replaces SFAS No. 123 "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". SFAS No. 123(R) requires compensation costs related to share-based payment transactions to be recognized in the financial statements over the period that an employee provides service in exchange for the award. SFAS No. 123(R) is effective for fiscal year beginning after June 15, 2005. The Company plans to adopt SFAS No. 123(R) on January 1, 2006. SFAS 123(R) eliminates the alternative to use the intrinsic value method of accounting that was provided in SFAS 123 as originally issued. In accordance with SFAS No. 148, the Company has been disclosing the impact on net income and earnings per share had the fair value based method been adopted.

(2) PROPERTY AND EQUIPMENT:

A summary is as follows:

	2005	2004
Computer equipment	$ 687,365	$ 974,837
Website development	38,524	38,524
Equipment	1,562	197,049
Furniture and fixtures	46,431	122,020
Leasehold improvements	--	15,222
Telephone equipment	4,293	99,910
	778,175	1,447,562
Less accumulated depreciation and amortization	(693,472)	(1,269,613)
	$ 84,703	$ 177,949

Depreciation expense totaled $89,682 and $99,448 for the years ended December 31, 2005 and 2004, respectively.

ONE VOICE TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(3) ACCRUED LIABILITIES

Accrued expenses at December 31 consist of the following:

	Year ended December 31, 2005	Year ended December 31, 2004
Accrued paid time off	$ 74,961	$ 54,172
Accrued interest	72,109	18,715
Other	235	--
Accrued expenses	$ 147,305	$ 72,887

(4) 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 December 31, 2005 and 2004 the balance on the note payable was $100,000.

(5) LICENSE AGREEMENT LIABILITY

In March 2000 the Company entered into a Software License Agreement ("License Agreement")with Philips Speech Processing, a division of Philips Electronics North America ("Philips"). Pursuant to the License Agreement, the Company received a world-wide, limited, nonexclusive license to certain speech recognition software owned by Philips. 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 term.

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). In lieu of scheduled payments, in May, 2003, based on a verbal agreement with Philips, 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.

As of December 31, 2005 and 2004, the outstanding minimum royalty obligations pursuant to the License Agreement were $930,000 and $1,050,000, respectively.

(6) SETTLEMENT AGREEMENT LIABILITY

On January 6, 2006, La Jolla Cove Investors, Inc. ("La Jolla") and the Company entered into a Settlement Agreement and Mutual Release (the "Settlement Agreement") in which La Jolla and we agreed to forever settle, resolve and dispose of all claims, demands and causes of action asserted, existing or claimed to exist between the parties because of or in any way related to the Action. Under the Settlement Agreement, La Jolla and the Company agreed that the parties shall bear their own costs and attorney's fees associated with the Action and that the outstanding principle balance of convertible notes payable and accrued interest owed to La Jolla in the aggregate amount $159,613, would be extinguished. In addition, we agreed to pay to La Jolla:

- 10,000,000 restricted shares of our common stock upon the execution of the Settlement Agreement;
- $300,000 within 90 days of the date of the Settlement Agreement; and
- $400,000 within 150 days of the date of the Settlement Agreement.

Interest shall accrue on the $700,000 unpaid balance at 8% per annum commencing on the date of the Settlement Agreement until paid in full. If any payment is not made within 30 days of its due date, La Jolla may enter a judgment against us for the then unpaid balance, plus accrued interest and $100,000, upon the filing of a declaration of default by La Jolla.

As the finalization of the Settlement Agreement provided additional evidence with respect to conditions that existed at the balance sheet date, the effects of the Settlement agreement, as discussed below, have been reflected in the December 31, 2005 financial statements.

Balance Sheet- As of December 31, 2005, a total of $900,000 has been accrued as a Settlement Agreement liability, and included as a current liability, based on the cash obligation and the estimated fair value of the stock to be issued. In addition, convertible notes and accrued interest payable have been reduced by a total of $159,613.

Statement of Operations- A Settlement Expense totaling $760,387, which represents the net amount of the $920,000 payout obligation and the $159,613 reduction of notes payable and accrued interest payable, has been recorded as a component of Other Income (Expense) for the year ended December 31, 2005.

(7) WARRANT DERIVATIVE LIABILITY

During the years ended December 31, 2005 and 2004 the Company issued warrants in connection with convertible debt agreements and private placements that required analysis in accordance with EITF 00-19. EITF 00-19 specifies the conditions which must be met in order to classify warrants issued in a company's own stock as either equity or as a derivative liability. Evaluation of these conditions under EITF 00-19 resulted in the determination that these warrants are classified as a derivative liability. In accordance with EITF 00-19, warrants which are determined to be classified as derivative liabilities are marked-to-market each reporting period, with a corresponding non-cash gain or loss charged to the current period. The Company valued all warrant derivative liabilities as of December 31, 2005 using a Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0.0%, expected stock price volatility of 100%, risk free interest rate of 4.35% and a remaining contractual life ranging from 0.30 years to 4.00 years. The Company valued all warrant derivative liabilities as of December 31, 2004 using a Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0.0%, expected stock price volatility of 215%, risk free interest rate of 5.50% and a remaining contractual life ranging from 1.30 years to 5.00 years. The valuation conducted as of December 31, 2005 resulted in a non-cash gain of $5,070,000 with a corresponding decrease in the warrant derivative liability. The valuation conducted as of December 31, 2004 resulted in a non-cash loss of $3,369,000 with a corresponding increase in the warrant derivative liability. As of December 31, 2005 and 2004, the fair value of the warrant derivative liability was $2,032,000 and $4,941,000, respectively.

(8) CONVERTIBLE NOTES PAYABLE:

On August 18, 2004, the Company entered into a securities purchase agreement with four accredited investors, Alpha Capital Aktiengesellschaft, Greenwich Growth Fund Limited, Whalehaven Capital, LP and Whalehaven Fund Limited for the issuance of 7% convertible debentures in the aggregate amount of $700,000. The notes bear interest at 7% (effective interest rate of 146% on the aggregate amount), mature on August 18, 2007, and are convertible into the Company's common stock, at the holders' option, at the lower of (i) $0.085 or (ii) 80% of the average of the three lowest closing bid prices for the common stock on a principal market for the 30 trading days before but not including the conversion date. The note may not be paid, in whole or in part, before August 18, 2007 without the consent of the holder. The full principal amount of the convertible notes is due upon default under the terms of convertible notes. In addition, the Company issued an aggregate of 7,063,774 warrants to the investors (3,531,887 Class A warrants and 3,531,887 Class B warrants).The Class A warrants are exercisable until August 18, 2009 at a purchase price of $.0935 per share. The Class B warrants are exercisable until August 18, 2009 at a purchase price of $.10625 per share. Net proceeds amounted to approximately $621,000, net of debt issue cash cost of $79,000. The fair value of the warrants of $323,000 using Black Scholes option pricing model and the beneficial conversion feature of approximately $298,000 have been recorded as debt discount and is being amortized over the life of the debt using the interest method. Upon conversion of the debt, any unamortized debt discount costs will be charged to expense.

On October 28, 2004, the Company entered into a securities purchase agreement with four accredited investors, Alpha Capital Aktiengesellschaft, Stonestreet Limited Partnership, Ellis International Ltd. and Momona Capital Corp. for the issuance of 7% convertible debentures in the aggregate amount of $596,000. The notes bear interest at 7% (effective interest rate of 100% on the aggregate amount), mature on October 28, 2007 and are convertible into the Company's common stock, at the holders' option, at the lower of (i) $0.074 or (ii) 80% of the average of the three lowest closing bid prices for the common stock on a principal market for the 30 trading days before but not including the conversion date. The note may not be paid, in whole or in part, before October 28, 2007 without the consent of the holder. The full principal amount of the convertible note is due upon default under the terms of convertible notes. In addition, the Company issued an aggregate of 11,825,398 Class A warrants and 11,825,398 Class B warrants to the investors. The warrants are exercisable until October 28, 2009 at a purchase price of $0.07 per share. Net proceeds amounted to approximately $532,000, net of debt issue cash cost of $64,000. The relative value (limited to the face amount of the debt) of all the warrants of $276,000 using Black Scholes option pricing model and the beneficial conversion feature of approximately $319,000 have been recorded as debt discount and is being amortized over the life of the debt using the interest method. Upon conversion of the debt, any unamortized debt discount will be charged to expense.

On December 23, 2004, the Company entered into a securities purchase agreement with Alpha Capital Aktiengesellschaft, Stonestreet Limited Partnership, Ellis International Ltd. and Momona Capital Corp. for the issuance of 7% convertible debentures in the aggregate amount of $894,000. The notes bear interest at 7% (effective interest rate of 100% on the aggregate amount), mature on December 23, 2007 and are convertible into the Company's common stock, at the holders' option, at the lower of (i) $0.074 or (ii) 80% of the average of the three lowest closing bid prices for the common stock on a principal market for the 30 trading days before but not including the conversion date. The note may not be paid, in whole or in part, before December 23, 2007 without the consent of the holder. The full principal amount of the convertible note is due upon default under the terms of convertible notes. In addition, the Company issued an aggregate of 22,183,622 Class A warrants and 22,183,622 Class B warrants to the investors. The warrants are exercisable until December 23, 2009 at a purchase price of $0.07 per share. Net proceeds amounted to approximately $835,000, net of debt issue cash cost of $59,000. The relative value (limited to the face amount of the debt) of all the warrants of $682,000 using Black Scholes option pricing model and the beneficial conversion feature of approximately $210,000 have been recorded as debt discount and is being amortized over the life of the debt using the interest method. Upon conversion of the debt mentioned above, any unamortized debt discount will be charged to expense.

(8) 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 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. Net proceeds amounted to $920,000, net of debt issue cash cost of $80,000.

The convertible notes bear simple interest at 6% per annum payable upon each conversion, 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 and 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 as reported by Bloomberg, L.P. on any principal market or exchange where our common stock is listed or traded. In addition, 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 the 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.

On July 13, 2005, we held our second closing pursuant to the Subscription Agreement we entered into with several accredited investors dated as of March 18, 2005.

On the second closing date, the Company received approximately $935,000, net of debt issue cash cost of approximately $65,000. The convertible notes bear simple interest at 6% per annum payable upon each conversion, 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 and 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) $0.043 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 as reported by Bloomberg, L.P. on any principal market or exchange where our common stock is listed or traded. In addition, the Company issued an aggregate of 38,461,537 Class A common stock purchase warrants and 38,461,537 Class B common stock purchase warrants to their investors. 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 fair value of the warrants of approximately $675,000 using Black Scholes option pricing model and the beneficial conversion feature of approximately $325,000 have been recorded as debt discount and is being amortized over the life of the debt using the interest method. Upon conversion of the debt, any unamortized discount will be charged to expense.

A summary of convertible debt at December 31, 2005 is as follows:

	Due Date	Principal Amount	Unamortized Discount
LONG-TERM PORTION			
Stonestreet Limited Partnership	December 23, 2007	$ 10,000	$ (6,873)
Alpha Capital Aktiengesellschaft	March 18, 2008	$ 175,000	$ (134,073)
Whalehaven Capital Fund Limited	March 18, 2008	$ 160,000	$ (122,581)
Alpha Capital Aktiengesellschaft	July 13, 2008	$ 400,000	$ (337,995)
Ellis International Limited	July 13, 2008	$ 65,572	$ (55,407)
Whalehaven Capital Fund Limited	July 13, 2008	$ 400,000	$ (337,993)

Omega Capital Small Cap Fund	July 13, 2008	$ 25,000	$ (21,125)
Osher Capital, Inc.	July 13, 2008	$ 15,000	$ (12,675)
TOTAL LONG TERM PORTION		$ 1,250,572	$ (1,028,722)

A summary of convertible debt at December 31, 2004 is as follows:

	Due Date	Principal Amount	Unamortized Discount
CURRENT PORTION			
La Jolla Cove Investors, Inc.	December 12, 2005	$ 157,728	$ (65,684)
LONG-TERM PORTION			
Whalehaven Fund Limited	August 18, 2007	$ 40,000	$ (30,538)
Alpha Capital Aktiengesellschaft	October 28, 2007	$ 200,000	$ (186,764)
Momona Capital Corp.	October 28, 2007	$ 21,000	$ (20,104)
Stonestreet Limited Partnership	October 28, 2007	$ 40,000	$ (38,295)
Ellis International Limited	October 28, 2007	$ 4,841	$ (4,634)
Alpha Capital Aktiengesellschaft	December 23, 2007	$ 300,000	$ (297,487)
Momona Capital Corp.	December 23, 2007	$ 54,000	$ (53,548)
Stonestreet Limited Partnership	December 23, 2007	$ 420,000	$ (416,483)
Ellis International Limited	December 23, 2007	$ 79,700	$ (79,032)

TOTAL LONG TERM PORTION	$ 1,159,541	$ (1,126,885)

ONE VOICE TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(9) COMMON STOCK:

During the twelve months ended December 31, 2005, Alpha Capital Akteingesellschaft converted approximately $741,000 of notes payable into approximately 25,946,000 shares of the Company's common stock at an average conversion price of $0.029. During the same period, Alpha Capital Akteingesellschaft exercised warrants to purchase 2,000,000 shares of common stock for cash in the amount of $48,000.

During the twelve months ended December 31, 2005, Omega Capital Small Cap Fund converted $65,000 of notes payable into approximately 3,489,000 shares of the Company's common stock at an average conversion price of $0.019.

During the twelve months ended December 31, 2005, Ellis International Ltd. converted approximately $269,000 of notes payable into approximately 11,523,000 shares of the Company's common stock at an average conversion price of $0.023. During the same period, Ellis International exercised warrants to purchase approximately 1,500,000 shares of common stock for cash in the amount of $37,000.

During the twelve months ended December 31, 2005, Stonestreet Limited Partnership converted approximately $456,000 of notes payable into approximately 13,823,000 shares of the Company's common stock at an average conversion price of $0.033.

During the twelve months ended December 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 $0.040.

During the twelve months ended December 31, 2005, Whalehaven Capital Fund, Ltd. converted $245,000 of notes payable into approximately 9,110,000 shares of the Company's common stock at an average conversion price of $0.027. During the same period, Whalehaven Capital Fund, Ltd. exercised warrants to purchase approximately 27,000,000 shares of common stock for cash in the amount of $540,000.

During the twelve months ended December 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 $0.039. During the same period, Momona Capital Corp. exercised warrants to purchase 1,000,000 shares of common stock for cash in the amount of $24,000.

During the twelve months ended December 31, 2005, Osher Capital Inc. converted approximately $45,000 of notes payable into approximately 1,715,000 shares of the Company's common stock at an average conversion price of $0.026.

During the twelve months ended December 31, 2005, an accredited investor purchased an aggregate of 17,000,000 shares of restricted common stock for a total purchase price of $506,400. In addition, the investor received an aggregate of 17,000,000 Class A and 17,000,000 Class B common stock purchase warrants with an exercise price of $0.045 and $0.06 per share respectively.

ONE VOICE TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(10) INCOME TAXES:

At December 31, 2005 and December 31, 2004, the Company had net operating loss carry forwards available to reduce future taxable income, if any, of approximately $ 35,300,000 and $30,800,000 respectively, for Federal income tax purposes. It also had net operating loss carry forwards available to reduce future taxable income, if any, of approximately $ 32,500,000 and $ 28,000,000 for state purposes at December 31, 2005 and 2004 respectively. The Federal and state net operating loss carry forwards will begin expiring in 2020 and 2007, respectively. The carryforwards may be limited if a cumulative change in ownership of more than 50% occurs within a three year period.

The expected income tax provision, computed based on the Company's pre-tax income (loss) and the statutory Federal income tax rate, is reconciled to the actual tax provision reflected in the accompanying financial statements as follows:

	2
Expected tax provision (benefit) at statutory rates	$ (
State taxes, net of Federal benefit	
Meals & Entertainment	
Change in Valuation Allowance	1,
Warrant derivative liability	(2,
Amortization of beneficial conversion feature	
Other permanent differences	
Totals	$

The provision (benefit) for income taxes in 2005 and 2004 consists of the following:

	2
Current:	
Federal	$
State	
Totals	

Deferred:	
Federal	
State	

Totals	

Totals	$

Significant components of the Company's deferred tax assets and liabilities as of December 31, 2005 and December 31, 2004 are shown below:

	2

Deferred tax assets:	
Accrued vacation	$
Basis Difference in Fixed Assets	
Net operating loss	14,
Other	

Totals	$ 14,

Deferred tax liabilities:	
Deferred State Taxes	(
Fixed assets	

Totals	(
Deferred tax asset (liability)	$ 13,
Valuation Allowance	(13,

Net Deferred Tax Asset (Liability)	

ONE VOICE TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(11) COMMITMENTS AND CONTINGENCIES:

The Company leases its facilities and certain equipment under leases that expire at various times through 2010. The following is a schedule by years of future minimum rental payments required under operating leases that have noncancellable lease terms in excess of one year as of December 31, 2005:

Year ending December 31,	
2006	188,685
2007	194,259
2008	199,886
2009	206,081
2010	193,515

	$ 982,426
	==========

Rent expense, net of sublease income, amounted to $193,503 for the year ended December 31, 2005.

(12) INCENTIVE AND NONQUALIFIED STOCK OPTION PLAN:

On July 14, 1999, the Company adopted an Incentive and Nonqualified Stock Option Plan (the "Plan") for its employees and consultants under which a maximum of 3,000,000 options (Amendment to increase the available shares from 1,500,000 to 3,000,000 approved by the shareholders in December 2001) and approved by the shareholders may be granted to purchase common stock of the Company. On July 29, 2005 the Company adopted the 2005 Stock Incentive Plan and reserved 60,000,000 shares of the Company's common stock for issuance under the 2005 Plan.

ONE VOICE TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(12) INCENTIVE AND NONQUALIFIED STOCK OPTION PLAN, CONTINUED

Two types of options may be granted under the 2005 Plan: (1) Incentive Stock Options (also known as Qualified Stock Options) which may only be issued to employees of the Company and whereby the exercise price of the option is not less than the fair market value of the common stock on the date it was reserved for issuance under the Plan; and (2) Nonstatutory Stock Options which may be issued to either employees or consultants of the Company and whereby the exercise price of the option is greater than 85% of the fair market value of the common stock on the date it was reserved for issuance under the plan. Grants of options may be made to employees and consultants without regard to any performance measures. All options issued pursuant to the Plan vest at a rate of at least 20% per year over a 5-year period from the date of the grant or sooner if approved by the Board of Directors. All options issued pursuant to the Plan are nontransferable and subject to forfeiture.

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for its employee stock options because the alternative fair value accounting provided for under SFAS No. 123, "Accounting for Stock-Based Compensation," requires use of option valuation models. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized. The Company follows SFAS No. 123 for stock options granted to non-employees and records a consulting expense equal to the fair value of the options at the date of grant.

During the year ended December 31, 2005 the Company granted 225,000 stock options at an average exercise price of
$0.032 to employees and consultants of the Company. Throughout 2005, 25,000 options were terminated.

The number and weighted average exercise prices of options granted under the plan for the years ended December 31, 2005 and 2004 are as follows:

	2005	2004

	Number	Average Exercise Price	Number	Average Exercise Price
Outstanding at beginning of the year	1,721,500	$ 2.70	1,900,500	$ 1.54
Granted during the year	225,000	.04	--	--
Terminated during the year	25,000	.09	179,000	1.12
Exercised during the year	--	--	--	--
Outstanding at end of the year	1,921,500	1.47	1,721,500	2.70
Exercisable at end of the year	1,720,806	1.61	1,701,361	2.70

The exercise prices for options outstanding as of December 31, 2005 range from $0.03 to $12.80. The weighted average remaining contractual life of these options is approximately 6 years.

ONE VOICE TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(13) WARRANTS:

At December 31, 2004, the Company had warrants outstanding that allow the holders to purchase up to 215,373,361 shares of common stock.

The number and weighted average exercise prices of the warrants for the years ended December 31, 2005 and 2004 are as follows:

	2005		2004	
	Number	Average Exercise Price	Number	Average Exercise Price
Outstanding at beginning of the year	79,429,673	$ 0.10	16,355,921	$ 0.22
Granted during the year	169,062,610	0.05	75,081,815	0.07
Terminated during the year	1,566,400	--		--
Exercised during the year	31,552,522	0.02	12,008,063	0.03
Outstanding at end of the year	215,373,361	0.05	79,429,673	0.10
Exercisable at end of the year	181,373,361	0.05	79,429,673	0.10

As an incentive to exercise warrants early, the Company reduced the exercise price to $0.02 Per share for Series A warrants issued in 2005. As a result, the Company raised approximately $540,000. In connection with the re-pricing of warrants to the investors, the Company recorded a charge of approximately $272,000 to reflect the additional benefit created for these investors.

At December 31, 2005, the weighted average remaining contractual life of the warrants was approximately 42 months.

(14) SUBSEQUENT EVENTS:

Subsequent to December 31, 2005, note holders converted additional note principal into common shares as follows:

	Amount Converted	Converted Shares Into	Average Exercise Price
Alpha Capital Akteingesellschaft	$ 150,000	11,518,586	$ 0.013
Whalehaven Capital	270,000	20,368,134	$ 0.013
Ellis Enterprise Limited	65,572	5,855,167	$ 0.013
Omega Capital	25,000	2,167,075	$ 0.013
Osher Capital	15,000	1,134,088	$ 0.013
	$ 525,572	41,043,050	$ 0.013

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

On April 19, 2004, we notified Stonefield Josephson, Inc., ("SJ ") that we had engaged Peterson & Co., LLP as our auditor and as a consequence, was dismissed as our auditors. On April 12, 2004, we engaged Peterson & Co., LLP as our independent auditor for the fiscal year ending December 31, 2004. The action to engage Peterson & Co., LLP was taken upon the unanimous approval of the Audit Committee of our Board of Directors.

During the two fiscal years ended December 31, 2003 and December 31, 2002 and through April 19, 2004, (i) there were no disagreements between us and SJ on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure which, if not resolved to the satisfaction of SJ would have caused SJ to make reference to the matter in its reports on our financial statements, and (ii) SJ's reports did not contain an adverse opinion or a disclaimer of opinion, or was qualified or modified as to uncertainty, audit scope, or accounting principles. During the two fiscal years ended December 31, 2003 and 2002 and through April 19, 2004, there were no reportable events as the term described in Item 304(a)(1)(iv) of Regulation S-B. SJ 's opinion in its report on our financial statements for the years ended December 31, 2002 and 2003, included an explanatory paragraph which expressed substantial doubt with respect to our ability to continue as a going concern.

We obtained a letter from SJ addressed to the Securities and Exchange Commission stating whether they agreed with the above statements, as it relates to them. A copy of such letter, dated April 28, 2004, is filed as Exhibit 16.1 to the Form 8-K filed with the Commission on May 3, 2004 and is hereby incorporated by reference.

During the two fiscal years ended December 31, 2003 and 2004, we have not consulted with Peterson & Co. LLP regarding either:

1. the application of accounting principles to any specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, and neither a written report was provided to us nor oral advice was provided that Peterson & Co., LLP concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue; or

2. any matter that was either subject of disagreement or event, as defined in Item 304(a)(1)(iv)(A) of Regulation S-B and the related instruction to Item 304 of Regulation S-B, or a reportable event, as that term is explained in Item 304(a)(1)(iv)(A) of Regulation S-B.

We obtained a letter from SJ addressed to the Securities and Exchange Commission stating whether they agreed with the above statements, as it relates to them. A copy of such letter, dated April 28, 2004, is filed as Exhibit 16.1 to the Form 8-K filed with the Commission on May 3, 2004 and is hereby incorporated by reference.

ITEM 8A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based upon this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms.

(b) Changes in Internal Controls

There was no change in our internal controls or in other factors that could affect these controls during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 8B. OTHER INFORMATION

None.

PART III

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

DIRECTORS AND EXECUTIVE OFFICERS

NAME	AGE	POSITION
Dean Weber	43	Chairman of the Board, President, Chief Executive Officer, Director
James Hadzicki	44	Chief Financial Officer
Bradley J. Ammon	42	Director
Rahoul Sharan	44	Director

Directors serve until the next annual meeting and until their successors are elected and qualified. Officers are appointed to serve for one year until the meeting of the board of directors following the annual meeting of stockholders and until their successors have been elected and qualified. There are no family relationships between any of our directors or officers.

Dean Weber brings an extensive background to One Voice with over 20 years of technology and management experience. He is responsible for developing the company's strategic vision and pioneering its products, patented technology and business strategies. He was elected to our Board of Directors in July of 1999 as Chairman. Before founding One Voice in 1998, Mr. Weber played key roles in many high profile technology companies including Northrop, United Technologies and Xerox. Throughout his career, Mr. Weber has developed a comprehensive knowledge of Human Computer Interaction, Cognitive Science, Artificial Intelligence and Natural Language Processing. Mr. Weber currently has numerous patents in Artificial Intelligence, Natural Language Processing and other related technologies. As CEO of One Voice, Mr. Weber has been instrumental in the growth and development of the company, successfully raising over $30 million of institutional funding, taking One Voice public, winning the Deloitte and Touche Technology Fast 50 award, and has been featured in Forbes, Time, and on CNN. Mr. Weber holds a Bachelor of Science degree in Computer Science from Central Connecticut State University.

Mr. James Hadzicki has been our Vice President of Operations since June 2002. From January 2000 to June of 2002, Mr. Hadzicki served as Director of Operations for our company. Mr. Hadzicki is actively involved in all financial, administrative and operational decisions regarding accounting, quarterly and annual audits, public filings and SEC activities. Prior to joining the One Voice team, James served as the United States Directing Manager for HPK, a multi-national marketing company. In this role, Jim opened and oversaw seven regional offices throughout the U.S. and led many key promotional efforts with major retailers, including Wal-Mart, K-Mart, and Target. Mr. Hadzicki received a B.S. in New Venture Management / Entrepreneurial Sciences from the University of Southern California in 1984.

Rahoul Sharan brings over 18 years of finance and accounting experience to One Voice. He was elected to our Board of Directors in July of 1999. Prior to joining the One Voice team, Mr. Sharan was a partner of the S&P Group, which specializes in investment financing for venture capital projects, real estate development and construction. At S&P Group, Mr. Sharan led the successful financing efforts for over 15 companies in several industries. Mr. Sharan was also the President of KJN Management Ltd., which provides a broad range of administrative, management and financial services. He also worked in public accounting for six years with Coopers & Lybrand. At C&L, Mr. Sharan worked in both the tax and audit groups for a wide variety of large and small clients. Mr. Sharan holds a Bachelor of Commerce degree from the University of British Columbia and is a member of the Institute of Chartered Accountants of British Columbia.

Bradley J. Ammon is a tax attorney in the Washington, D.C. office of Deloitte Tax LLP. Mr. Ammon specializes in international tax planning, including restructuring of international operations, domestic mergers and acquisitions, and developing business plans to minimize worldwide taxation. Prior to joining the firm, Mr. Ammon was with SAIC as an International Tax Manager. He previously was with KPMG, LLP in the International Corporate Services department since 1998 where his principal practice consisted of clients in the information, communications and entertainment ("ICE") industry. Prior to joining KPMG, Mr. Ammon worked from 1995 to 1998 at Deloitte & Touche, LLP in their tax services department where he provided corporate, partnership, and personal tax and business planning services to clients. Mr. Ammon also worked several years as a staff accountant where his responsibilities included the compilation and consolidation of monthly financial statements for multiple subsidiaries. Mr. Ammon has a Juris Doctor and a Master's of Law in taxation (LL.M.) from the University of San Diego, and received his undergraduate degree from the University of California, San Diego. He is admitted to the California Bar. Mr. Ammon is a member of our Audit Committee and Compensation Committee and was appointed to our Board on June 9, 2000.

CODE OF ETHICS

The Company has adopted its Code of Ethics and Business Conduct for Officers, Directors and Employees that applies to all of the officers, directors and employees of the Company.

CODE OF ETHICS AND BUSINESS CONDUCT FOR OFFICERS, DIRECTORS AND EMPLOYEES OF ONE VOICE TECHNOLOGIES, INC.

1. TREAT IN AN ETHICAL MANNER THOSE TO WHOM ONE VOICE TECHNOLOGIES, INC. HAS AN OBLIGATION

The officers, directors and employees of ONE VOICE TECHNOLOGIES, INC. (the "Company") are committed to honesty, just management, fairness, providing a safe and healthy environment free from the fear of retribution, and respecting the dignity due everyone. For the communities in which we live and work we are committed to observe sound environmental business practices and to act as concerned and responsible neighbors, reflecting all aspects of good citizenship.

For our shareholders we are committed to pursuing sound growth and earnings objectives and to exercising prudence in the use of our assets and resources.

For our suppliers and partners we are committed to fair competition and the sense of responsibility required of a good customer and teammate.

2. PROMOTE A POSITIVE WORK ENVIRONMENT

All employees want and deserve a workplace where they feel respected, satisfied, and appreciated. We respect cultural diversity and will not tolerate harassment or discrimination of any kind -- especially involving race, color, religion, gender, age, national origin, disability, and veteran or marital status.

Providing an environment that supports honesty, integrity, respect, trust, responsibility, and citizenship permits us the opportunity to achieve excellence in our workplace. While everyone who works for the Company must contribute to the creation and maintenance of such an environment, our executives and management personnel assume special responsibility for fostering a work environment that is free from the fear of retribution and will bring out the best in all of us. Supervisors must be careful in words and conduct to avoid placing, or seeming to place, pressure on subordinates that could cause them to deviate from acceptable ethical behavior.

3. PROTECT YOURSELF, YOUR FELLOW EMPLOYEES, AND THE WORLD WE LIVE IN

We are committed to providing a drug-free, safe and healthy work environment, and to observing environmentally sound business practices. We will strive, at a minimum, to do no harm and where possible, to make the communities in which we work a better place to live. Each of us is responsible for compliance with environmental, health and safety laws and regulations.

4. KEEP ACCURATE AND COMPLETE RECORDS

We must maintain accurate and complete Company records. Transactions between the Company and outside individuals and organizations must be promptly and accurately entered in our books in accordance with generally accepted accounting practices and principles. No one should rationalize or even consider misrepresenting facts or falsifying records. It will not be tolerated and will result in disciplinary action.

5. OBEY THE LAW

We will conduct our business in accordance with all applicable laws and regulations. Compliance with the law does not comprise our entire ethical responsibility. Rather, it is a minimum, absolutely essential condition for performance of our duties. In conducting business, we shall:

A. STRICTLY ADHERE TO ALL ANTITRUST LAWS

Officer, directors and employees must strictly adhere to all antitrust laws. Such laws exist in the United States and in many other countries where the Company may conduct business. These laws prohibit practices in restraint of trade such as price fixing and boycotting suppliers or customers. They also bar pricing intended to run a competitor out of business; disparaging, misrepresenting, or harassing a competitor; stealing trade secrets; bribery; and kickbacks.

B. STRICTLY COMPLY WITH ALL SECURITIES LAWS

In our role as a publicly owned company, we must always be alert to and comply with the security laws and regulations of the United States and other countries.

I. DO NOT ENGAGE IN SPECULATIVE OR INSIDER TRADING

Federal law and Company policy prohibits officers, directors and employees, directly or indirectly through their families or others, from purchasing or selling company stock while in the possession of material, non-public information concerning the Company. This same prohibition applies to trading in the stock of other publicly held companies on the basis of material, non-public information. To avoid even the appearance of impropriety, Company policy also prohibits officers, directors and employees from trading options on the open market in Company stock under any circumstances.

Material, non-public information is any information that could reasonably be expected to affect the price of a stock. If an officer, director or employee is considering buying or selling a stock because of inside information they possess, they should assume that such information is material. It is also important for the officer, director or employee to keep in mind that if any trade they make becomes the subject of an investigation by the government, the trade will be viewed after-the-fact with the benefit of hindsight. Consequently, officers, directors and employees should always carefully consider how their trades would look from this perspective.

Two simple rules can help protect you in this area: (1) Do not use non-public information for personal gain. (2) Do not pass along such information to someone else who has no need to know.

This guidance also applies to the securities of other companies for which you receive information in the course of your employment at The Company.

II. BE TIMELY AND ACCURATE IN ALL PUBLIC REPORTS

As a public company, the Company must be fair and accurate in all reports filed with the United States Securities and Exchange Commission. Officers, directors and management of The Company are responsible for ensuring that all reports are filed in a timely manner and that they fairly present the financial condition and operating results of the Company.

Securities laws are vigorously enforced. Violations may result in severe penalties including forced sales of parts of the business and significant fines against the Company. There may also be sanctions against individual employees including substantial fines and prison sentences.

The principal executive officer and principal financial Officer will certify to the accuracy of reports filed with the SEC in accordance with the Sarbanes-Oxley Act of 2002. Officers and Directors who knowingly or willingly make false certifications may be subject to criminal penalties or sanctions including fines and imprisonment.

6. AVOID CONFLICTS OF INTEREST

Our officers, directors and employees have an obligation to give their complete loyalty to the best interests of the Company. They should avoid any action that may involve, or may appear to involve, a conflict of interest with the Company. Officers, directors and employees should not have any financial or other business relationships with suppliers, customers or competitors that might impair, or even appear to impair, the independence of any judgment they may need to make on behalf of the Company.

HERE ARE SOME WAYS A CONFLICT OF INTEREST COULD ARISE:

o Employment by a competitor, or potential competitor, regardless of the nature of the employment, while employed by the Company.
o Acceptance of gifts, payment, or services from those seeking to do business with the Company.
o Placement of business with a firm owned or controlled by an officer, director or employee or his/her family.
o Ownership of, or substantial interest in, a company that is a competitor, client or supplier.
o Acting as a consultant to a the Company customer, client or supplier.
o Seeking the services or advice of an accountant or attorney who has provided services to the Company.

Officers, directors and employees are under a continuing obligation to disclose any situation that presents the possibility of a conflict or disparity of interest between the officer, director or employee and the Company. Disclosure of any potential conflict is the key to remaining in full compliance with this policy.

7. COMPETE ETHICALLY AND FAIRLY FOR BUSINESS OPPORTUNITIES

We must comply with the laws and regulations that pertain to the acquisition of goods and services. We will compete fairly and ethically for all business opportunities. In circumstances where there is reason to believe that the release or receipt of non-public information is unauthorized, do not attempt to obtain and do not accept such information from any source.

If you are involved in Company transactions, you must be certain that all statements, communications, and representations are accurate and truthful.

8. AVOID ILLEGAL AND QUESTIONABLE GIFTS OR FAVORS

The sale and marketing of our products and services should always be free from even the perception that favorable treatment was sought, received, or given in exchange for the furnishing or receipt of business courtesies. Officers, directors and employees of the Company will neither give nor accept business courtesies that constitute, or could be reasonably perceived as constituting, unfair business inducements or that would violate law, regulation or policies of the Company, or could cause embarrassment to or reflect negatively on the Company's reputation.

9. MAINTAIN THE INTEGRITY OF CONSULTANTS, AGENTS, AND REPRESENTATIVES

Business integrity is a key standard for the selection and retention of those who represent the Company. Agents, representatives and consultants must certify their willingness to comply with the Company's policies and procedures and must never be retained to circumvent our values and principles. Paying bribes or kickbacks, engaging in industrial espionage, obtaining the proprietary data of a third party without authority, or gaining inside information or influence are just a few examples of what could give us an unfair competitive advantage and could result in violations of law.

10. PROTECT PROPRIETARY INFORMATION

Proprietary Company information may not be disclosed to anyone without proper authorization. Keep proprietary documents protected and secure. In the course of normal business activities, suppliers, customers and competitors may sometimes divulge to you information that is proprietary to their business. Respect these confidences.

11. OBTAIN AND USE COMPANY ASSETS WISELY

Personal use of Company property must always be in accordance with corporate policy. Proper use of Company property, information resources, material, facilities and equipment is your responsibility. Use and maintain these assets with the utmost care and respect, guarding against waste and abuse, and never borrow or remove Company property without management's permission.

12. FOLLOW THE LAW AND USE COMMON SENSE IN POLITICAL CONTRIBUTIONS AND ACTIVITIES

The Company encourages its employees to become involved in civic affairs and to participate in the political process. Employees must understand, however, that their involvement and participation must be on an individual basis, on their own time and at their own expense. In the United States, federal law prohibits corporations from donating corporate funds, goods, or services, directly or indirectly, to candidates for federal offices -- this includes employees' work time. Local and state laws also govern political contributions and activities as they apply to their respective jurisdictions.

13. BOARD COMMITTEES.

The Company shall establish an Audit Committee empowered to enforce this CODE OF ETHICS. The Audit Committee will report to the Board of Directors at least once each year regarding the general effectiveness of the Company's CODE OF ETHICS, the Company's controls and reporting procedures and the Company's business conduct.

The company does have an independent board member who is represented to be a financial expert as defined by the SEC.

14. DISCIPLINARY MEASURES.

The Company shall consistently enforce its CODE OF ETHICS and Business Conduct through appropriate means of discipline. Violations of the Code shall be promptly reported to the Audit Committee. Pursuant to procedures adopted by it, the Audit Committee shall determine whether violations of the Code have occurred and, if so, shall determine the disciplinary measures to be taken against any employee or agent of the Company who has so violated the Code.

The disciplinary measures, which may be invoked at the discretion of the Audit Committee, include, but are not limited to, counseling, oral or written reprimands, warnings, probation or suspension without pay, demotions, reductions in salary, termination of employment and restitution.

Persons subject to disciplinary measures shall include, in addition to the violator, others involved in the wrongdoing such as (i) persons who fail to use reasonable care to detect a violation, (ii) persons who if requested to divulge information withhold material information regarding a violation, and (iii) supervisors who approve or condone the violations or attempt to retaliate against employees or agents for reporting violations or violators.

COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

During the year ended December 31, 2005, there were certain directors, officers or beneficial owners of more than 10 percent of any class of equity securities of the Company registered pursuant to Section 12 of the Exchange Act that failed to file on a timely basis, reports required by Section 16(a) of the Exchange Act during the year ended December 31, 2005. With the exception of the Form 4 filed for Dean Weber on December 5, 2005, none of our officers or Directors have filed form 4's which they were required to file for fiscal year ended December 31, 2005. The aforementioned is based solely upon a review of Form 3, Form 4 and Form 5 filings furnished to the Company during the year ended December 31, 2005, certain written representations and shareholders who, to the best of our knowledge, hold 10 percent or more of our shares.

ITEM 10. EXECUTIVE COMPENSATION

The following tables set forth certain information regarding our CEO and each of our executive officers whose total annual salary and bonus for the fiscal year ending December 31, 2005, 2004 and 2003:

SUMMARY COMPENSATION TABLE
ANNUAL COMPENSATION

Name & Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Restricted Stock awards	Options SARs	LTIP Payouts ($)
Dean Weber, CEO	2005	277,000	-	-	-	-	-
	2004	252,000	-	-	-	-	-
	2003	241,629	-	-	-	-	-
James Hadzicki, CFO	2005	136,250	-	-	-	-	-
	2004	120,000	-	-	-	-	-
	2003	113,123	-	-	-	-	-

OPTIONS/SAR GRANTS IN THE LAST FISCAL YEAR

No individual grants of stock options, whether or not in tandem with stock appreciation rights ("SARs") and freestanding SARs have been made to any executive officer or any director during our fiscal year ended December 31, 2005.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR END OPTION/SAR VALUES

No individual exercises of stock options, whether or not in tandem with stock appreciation rights ("SARs") and freestanding SARs have been made by executive officer or any director during our fiscal year ended December 31, 2005.

LONG-TERM INCENTIVE PLANS - AWARDS IN LAST FISCAL YEAR

We had no long-term incentive plans and made no stock awards during our fiscal year ended December 31, 2005.

On July 29, 2005 the Company adopted the 2005 Stock Incentive Plan and reserved 60,000,000 shares of the Company's common stock for issuance under the 2005 Plan.

COMPENSATION OF DIRECTORS

Non-employee directors receive $1,000 for each Board of Directors meeting attended. The Company pays all out-of-pocket expenses of attendance.

AMENDED AND RESTATED 1999 STOCK OPTION PLAN

Our Amended and Restated 1999 Stock Option Plan (the 1999 Plan) authorizes us to grant to our directors, employees, consultants and advisors both incentive and non-qualified stock options to purchase shares of our Common Stock. As of December 31, 2001, our Board of Directors had reserved 3,000,000 shares for issuance under the 1999 Plan, of which 1,900,500 shares were subject to outstanding options and 1,099,500 shares remained available for future grants. Our Board of Directors or a committee appointed by the Board (the Plan Administrator) administers the 1999 Plan. The Plan Administrator selects the recipients to whom options are granted and determines the number of shares to be awarded. Options granted under the 1999 Plan are exercisable at a price determined by the Plan Administrator at the time of the grant, but in no event will the option price for any incentive stock option be lower than the fair market value for our Common Stock on the date of the grant. Options become exercisable at such times and in such installments as the Plan Administrator provides in the terms of each individual option agreement. In general, the Plan Administrator is given broad discretion to issue options and to accept a wide variety of consideration (including shares of our Common Stock and promissory notes) in payment for the exercise price of options. The 1999 Plan was authorized by the Board of Directors and stockholders.

2005 Incentive Stock Plan

On July 29, 2005 the Company adopted the 2005 Stock Incentive Plan and reserved 60,000,000 shares of the Company's common stock for issuance under the 2005 Plan. Two types of options may be granted under the 2005 Plan: (1) Incentive Stock Options (also known as Qualified Stock Options) which may only be issued to employees of the Company and whereby the exercise price of the option is not less than the fair market value of the common stock on the date it was reserved for issuance under the Plan; and (2) Nonstatutory Stock Options which may be issued to either employees or consultants of the Company and whereby the exercise price of the option is greater than 85% of the fair market value of the common stock on the date it was reserved for issuance under the plan. Grants of options may be made to employees and consultants without regard to any performance measures. All options issued pursuant to the Plan vest at a rate of at least 20% per year over a 5-year period from the date of the grant or sooner if approved by the Board of Directors. All options issued pursuant to the Plan are nontransferable and subject to forfeiture. In addition, Stock Awards and restricted Stock Purchase Offers may be granted under the 2005 Stock Incentive Plan.

On February 15, 2006, we entered into an Employment Agreement with Dean Weber, our Chief Executive Officer. Pursuant to the Employment Agreement, we will employ Mr. Weber unless the Agreement is terminated by either party as set forth therein. Mr. Weber will be paid an annual base salary of $282,000 (the "Base Salary"). In addition, Mr. Weber will be eligible to earn an annual cash bonus as may be deemed appropriate by our Board of Directors. Further, Mr. Weber may be awarded incentive stock options pursuant to the Company's stock option plan as may be deemed appropriate by our Board of Directors.

If the Employment Agreement is terminated as set forth therein, Mr. Weber will be entitled to a severance package equal to no more than 100% of his Base Salary for up to two years after the date of termination. In addition, all unvested stock options shall immediately vest on the date of termination. During the term of his employment, Mr. Weber will be subject to non-competition and non-solicitation provisions, subject to standard exceptions.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of our common stock as of April 10, 2006 (i) by each person who is known by us to beneficially own more than 5% of our common stock; (ii) by each of our officers and directors; and (iii) by all of our officers and directors as a group. Each person's address is c/o One Voice Technologies, Inc., 4275 Executive Square, Suite 200, La Jolla, California 92037.

Shares Beneficially Owned (1)

Name and Address of Beneficial Owner	Number	Percent
Dean Weber, CEO, President and Chairman of the Board (2)	12,473,800 (3)	2.66%
IVantage, Inc. (2)	900,200	*
James Hadzicki, CFO	2,782,300	*
Rahould Sharan, Director	1,386,000 (4)	*
Bradley J. Ammon, Director	959,000 (5)	*
Jocobo Kaloyan	21,050,000 (6)	4.49%
Total securities held by officers and directors as a group (4 people):	18,501,300	3.95%

(1) Beneficial Ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to options or warrants currently exercisable or convertible, or exercisable or convertible within 60 days of April 10, 2006 are deemed outstanding for computing the percentage of the person holding such option or warrant but are not deemed outstanding for computing the percentage of any other person.

(2) IVantage, Inc. is wholly owned by Dean Weber, Chairman of the Board, CEO, and President of One Voice Technologies, Inc. Mr. Weber is the beneficial owner of the 900,200 shares in the name of IVantage, Inc. and those shares are also included in the amount presented in this table for Mr. Weber.

(3) Includes 900,200 shares owned indirectly through IVantage, Inc. (4) Represents options to purchase (i) 50,000 shares at an exercise price of $6.080 per share; and (ii) 10,000 shares at an exercise price of $2.00 per share. These options are currently exercisable.

(4) Includes options to purchase (i) 50,000 shares at an exercise price of $6.080 per share; and (ii) 10,000 shares at an exercise price of $2.00 per share; and (iii) 1,326,000 shares at an exercise price of $0.016 per

share. These options are currently exercisable.

(5) Includes options to purchase (i) 50,000 shares at an exercise price of $8.750 per share; and (ii) 25,000 shares at an exercise price of $2.00 per share; and 884,000 shares at an exercise price of $0.016 per share. These options are currently exercisable.

(6) Jocobo Kaloyan is an individual investor.

* Less than 1%

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There were no material related transactions during the year.

ITEM 13. EXHIBITS

Exhibit No.	Description
	PLANS OF ACQUISITION
2.1	Merger Agreement and Plan of Reorganization with Conversational Systems, Inc. dated June 22, 1999 (filed herewith).
	ARTICLES OF INCORPORATION AND BYLAWS
3.1	Articles of Incorporation of Belridge Holdings Corp. filed with the Nevada Secretary of State on August 23, 1995 (incorporated by reference to Exhibit 3(i) to our Form 10-SB filed October 7, 1999).
3.2	Certificate of Amendment of Articles of Incorporation of Belridge Holdings Corp. changing its name to Dead On, Inc. (incorporated by reference to Exhibit 3(i) to our Form 10-SB filed October 7, 1999). The Certificate originally filed on September 25, 1998, was canceled and re-filed with the Nevada Secretary of State on June 10, 1999.
3.3	Articles of Merger for the merger of Conversational Systems, Inc. into Dead On, Inc. filed with the Nevada Secretary of State on July 14, 1999 with supporting documents (incorporated by reference to Exhibit 2 to our Form 10-SB, filed October 7, 1999). This document changed the name of the surviving entity, Dead On, Inc., to ConversIt.com, Inc.
3.4	Certificate of Amendment of Articles of Incorporation of ConversIt.com, Inc. changing its name to One Voice Technologies, Inc. (incorporated by reference to Exhibit 2 to our Form 10-SB filed October 7, 1999).
3.5	Bylaws of Belridge Holdings Corp. (incorporated by reference to Exhibit 3(ii) of our Form 10-SB, filed October 7, 1999).
3.6	Amendment to Bylaws dated July 11, 2000 (excerpted) (incorporated by reference to Exhibit 4.3 of our Form S-8, filed October 3, 2000).
3.7	Certificate of Amendment of Articles of Incorporation increasing One Voice's common stock to 250,000,000.

INSTRUMENTS DEFINING RIGHTS OF SECURITY HOLDERS

4.1 Common Stock Purchase Warrant with Veritas SG Investments from the January 2000 offering (incorporated by reference to Exhibit 4.1 of our Form SB-2, filed November 11, 2000).

4.2 Form of Common Stock Purchase Warrant from the March 2000 offering (incorporated by reference to Exhibit 4.1 of our Form SB-2, filed November 11, 2000).

4.3 Securities Purchase Agreement ("SPA") with Nevelle Investors LLC dated October 3, 2000, and Form of Debenture (Exhibit A to the SPA), Form of Warrant (Exhibit B to the SPA), Conditional Warrant dated October 3, 2000 (Exhibit C to the SPA) and Registration Rights Agreement dated October 3, 2000 (Exhibit E to the SPA), each with Nevelle Investors LLC (incorporated by reference to Exhibit 4 to our Form 10-QSB, filed November 14, 2000).

MATERIAL CONTRACTS

10.1 Employment Agreement with Dean Weber dated July 14, 1999 (incorporated by reference to Exhibit 10 to our Form 10-SB, filed October 7, 1999). This agreement was amended on April 10, 2000, to increase Mr. Weber's annual salary to $252,000.

10.2 Consulting Agreement with KJN Management Ltd. For the services of James Hadzicki dated July 14, 1999 (incorporated by reference to Exhibit 10 to our Form 10-SB, filed October 7, 1999). This agreement was amended on April 10, 2000, to increase the annual consulting fee to $180,000.

10.3 Software Agreement with IBM/OEM dated September 21, 1999 (incorporated by reference to Exhibit 4.4 to our Form SB-2 filed November 20, 2000).

10.4 Software License Agreement with Philips Spech Processing dated March 3, 2000 (incorporated by reference to Exhibit 4.4 to our Form SB-2 filed November 20, 2000).

10.5 Amended and Restated 1999 Stock Option Plan (incorporated by reference to Exhibit 4.4 to our Form S-8, Amendment No. 1, filed October 4, 2000).

10.6 Subscription Agreement dated August 8, 2002 (incorporated by reference to our registration statement on Form SB-2 filed September 12, 2002).

10.7 Alpha Capital Note dated August 8, 2002 (incorporated by reference to our registration statement on Form SB-2 filed September 12, 2002)

10.8 Alpha Capital Warrant dated August 8, 2002 (incorporated by reference to our registration statement on Form SB-2 filed September 12, 2002)

10.9 Stonestreet Note dated August 8, 2002 (incorporated by reference to our registration statement on Form SB-2 filed September 12, 2002)

10.10 Stonestreet Warrant dated August 8, 2002 (incorporated by reference to our registration statement on Form SB-2 filed September 12, 2002)

10.11 Subscription Agreement dated November 14, 2002 (incorporated by reference to our registration statement on Form SB-2 filed September 12, 2002)

10.12 Alpha Capital Note dated August 8, 2002 (incorporated by reference to our registration statement on Form SB-2 filed September 12, 2002)

10.13 Alpha Capital Warrant dated August 8, 2002 (incorporated by reference to our registration statement on Form SB-2 filed September 12, 2002)

10.14 Ellis Note dated August 8, 2002 (incorporated by reference to our registration statement on Form SB-2 filed September 12, 2002)

10.15 Ellis Warrant dated August 8, 2002 (incorporated by reference to our registration statement on Form SB-2 filed September 12, 2002)

10.16 Bristol Note dated August 8, 2002 (incorporated by reference to our registration statement on Form SB-2 filed September 12, 2002)

10.17 Bristol Warrant dated August 8, 2002 (incorporated by reference to our registration statement on Form SB-2 filed September 12, 2002)

10.18 Subscription Agreement dated April 10, 2003 (incorporated by reference to our registration statement on Form SB-2 filed April 30, 2003)

10.19 Form of Warrant dated June 30, 2003 (incorporated by reference to our registration statement on Form SB-2 filed April 30, 2003)

10.20 Subscription Agreement dated September 17, 2003 (incorporated by reference to our registration statement on Form SB-2 filed October 20, 2003)

10.21 Form of convertible note dated September 17, 2003 (incorporated by reference to our registration statement on Form SB-2 filed October 20,2003)

10.22 Form of Warrant dated September 17, 2003 (incorporated by reference to our registration statement on Form SB-2 filed October 20, 2003)

10.23 Security Agreement dated September 17, 2003 (incorporated by reference to our registration statement on Form SB-2 filed October 20, 2003)

10.24 Modification Agreement dated September 17, 2003 (incorporated by reference to our registration statement on Form SB-2 filed October 20, 2003)

10.25 La Jolla Convertible Debenture (incorporated by Reference to our registration statement on Form SB-2 filed December 22, 2003)

10.26 La Jolla Registration Rights Agreement (incorporated by reference to our registration statement on Form SB-2 filed December 22, 2003)

10.27 La Jolla Letter Agreement (incorporated by reference to our registration statement on Form SB-2 filed December 22, 2003)

10.28 La Jolla Securities Purchase Agreement (incorporated by reference to our registration statement on Form SB-2 filed December 22, 2003)

10.29 La Jolla Warrant (incorporated by reference to our registration statement on Form SB-2 filed December 22, 2003)

10.30 La Jolla Letter Agreement (incorporated by reference to our registration statement on Form SB-2 filed December 22, 2003)

10.31 Subscription Agreement dated August 18, 2004 (incorporated by reference to our registration statement on Form SB-2 filed September 7, 2004)

10.32 Form of Convertible Note dated August 18, 2004 (incorporated by reference to our registration statement on Form SB-2 filed September 7, 2004)

10.33 Form of Class A Warrant dated August 18, 2004 (incorporated by reference to our registration statement on Form SB-2 filed September 7, 2004)

10.34 Form of Class B Warrant dated August 18, 2004 (incorporated by reference to our registration statement on Form SB-2 filed September 7, 2004)

10.35 Subscription Agreement, dated October 28, 2004, by and among One Voice Technologies, Inc., Alpha Capital Aktiengesellschaft, Stonestreet Limited Partnership, Ellis International Ltd., and Momona Capital Corp. (incorporated by reference to our current report on Form 8-K filed November 9, 2004)

10.36 Fund Escrow Agreement dated October 28, 2004, by and among One Voice Technologies, Inc., Alpha Capital Aktiengesellschaft, Stonestreet Limited Partnership, Ellis

International Ltd., Momona Capital Corp., and Grushko & Mittman, P.C. (incorporated by reference to our current report on Form 8-K filed November 9, 2004)

10.37 Form of Convertible Note issued to Alpha Capital Aktiengesellschaft, Stonestreet Limited Partnership, Ellis International Ltd., and Momona Capital Corp. (incorporated by reference to our current report on Form 8-K filed November 9, 2004)

10.38 Form of Class A Share Purchase Warrant issued to Alpha Capital Aktiengesellschaft, Stonestreet Limited Partnership, Ellis International Ltd., and Momona Capital Corp. (incorporated by reference to our current report on Form 8-K filed November 9, 2004)

10.39 Form of Class B Share Purchase Warrant issued to Alpha Capital Aktiengesellschaft, Stonestreet Limited Partnership, Ellis International Ltd., and Momona Capital Corp. (incorporated by reference to our current report on Form 8-K filed November 9, 2004)

10.40 Subscription Agreement, dated March 18, 2005, by and among One Voice Technologies, Inc. and the investors named on the signature pages thereto. (incorporated by reference to our current report on Form 8-K filed March 24, 2005)

10.41 Form of Convertible Note of One Voice Technologies, Inc. issued to the investors named on the signature pages thereto. (incorporated by reference to our current report on Form 8-K filed March 24, 2005)

10.42 Form of Class A Common Stock Purchase Warrant of One Voice Technologies, Inc. issued to the investors named on the signature pages thereto. (incorporated by reference to our current report on Form 8-K filed March 24, 2005)

10.43 Form of Class B Common Stock Purchase Warrant of One Voice Technologies, Inc. issued to the investors named on the signature pages thereto. (incorporated by reference to our current report on Form 8-K filed March 24, 2005)

10.44 Subscription Agreement, dated March 17, 2006, by and among One Voice Technologies, Inc. and the investors named on the signature pages thereto. (incorporated by reference to our current report on Form 8-K filed March 23, 2006)

10.45 Form of Convertible Note of One Voice Technologies, Inc. issued to the investors named on the signature pages thereto. (incorporated by reference to our current report on Form 8-K filed March 23, 2006)

10.46 Form of Class A Common Stock Purchase Warrant of One Voice Technologies, Inc. issued to the investors named on the signature pages thereto. (incorporated by reference to our current report on Form 8-K filed March 23, 2006)

31.1 Certification by Chief Executive Officer pursuant to Sarbanes -Oxley Section 302

31.2 Certification by Chief Financial Officer pursuant to Sarbanes -Oxley Section 302

32.1 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.

32.2 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.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The aggregate fees billed for professional services rendered by our principal accountants for the audit of our financial statements and for the reviews of the financial statements included in our annual report on Form 10-KSB and 10-QSBs respectively, and for other services normally provided in connection with statutory filings were $104,141 and $47,737, respectively, for the years ended December 31, 2005 and December 31, 2004.

All Other Fees

We incurred tax fees of $4,200 and $4,925 rendered by our independent auditors during the years ended December 31, 2005 and December 31, 2004 respectively.

SIGNATURES

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

ONE VOICE TECHNOLOGIES, INC.

DATE: APRIL 17, 2006 BY: /S/ DEAN WEBER

DEAN WEBER, PRESIDENT, CHIEF EXECUTIVE OFFICER & DIRECTOR

In accordance with the requirements of the Securities Act of 1933, this registration statement was signed by the following persons in the capacities and on the dates stated.

SIGNATURE	TITLE	DATE
/S/ DEAN WEBER ------------------------- DEAN WEBER	CHIEF EXECUTIVE OFFICER AND DIRECTOR	APRIL 17, 2006

/S/ JAMES HADZICKI ------------------------- JAMES HADZICKI	CHIEF FINANCIAL OFFICER	APRIL 17, 2006
/S/ Rahoul Sharan ------------------------- Rahoul Sharan	DIRECTOR	APRIL 17, 2006
/S/ BRADLEY J. AMMON ------------------------- BRADLEY J. AMMON	DIRECTOR	APRIL 17, 2006