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ONE VOICE TECHNOLOGIES INC
Form 10-Q
August 14, 2008

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2008

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 (I.R.S. Employer
Incorporation or Organization) Identification No.)

4250 Executive Square, Ste 770, 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 (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No []

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

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

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

As of August 14, 2008 the registrant had 976,303,752 shares of common stock,

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\$.001 par value, issued and outstanding.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)	Page No. -----
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Statements of Cash Flows for the six months ended
 June 30, 2008 and 2007
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ONE VOICE TECHNOLOGIES INC. BALANCE SHEETS

	June 30, 2008	DECEMBER 31, 2007
ASSETS	(UNAUDITED)	(AUDITED)
CURRENT ASSETS:		
Cash and cash equivalents	22,791	\$ 14,879
Accounts Receivable, net	122,616	97,242
Inventories	21,566	1,200
Prepaid expenses	49,036	24,172
	-----	-----
TOTAL CURRENT ASSETS	216,009	137,493
Property and equipment, net	36,258	164,294
Patents and trademarks, net	37,062	51,273
	-----	-----
TOTAL FIXED AND INTANGIBLE ASSETS	73,320	215,567
Deposits	22,180	22,180
Deferred debt issue costs	2,862	31,939
	-----	-----
TOTAL ASSETS	\$ 314,371	\$ 407,179
	=====	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	393,935	\$ 337,711
Accrued expenses	566,520	419,097
Settlement agreement liability	208,594	208,594
License agreement liability	1,187,000	1,112,000
Note payable	129,602	29,602
Debt derivative liability	1,654,838	1,629,057
Warrant derivative liability	365,185	2,317,740
Convertible notes payable, net	971,357	--
Revolving line of credit	2,336,462	1,496,462
	-----	-----
TOTAL CURRENT LIABILITIES	7,813,493	7,550,263
	-----	-----
LONG TERM LIABILITIES:		
Note payable	69,070	169,070

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Convertible notes payable, net	--	1,136,801
Deferred rent	3,938	2,721
	-----	-----
TOTAL LIABILITIES	7,886,501	8,858,855
	-----	-----

STOCKHOLDERS' DEFICIT:

Preferred stock; \$.001 par value, 10,000,000 shares authorized, no shares issued and outstanding		
Common stock; \$.001 par value, 1,290,000,000 shares authorized, 888,883,950 and 738,246,749 shares issued and outstanding at June 30, 2008 and December 31, 2007, respectively	888,884	738,247
Additional paid-in capital	43,462,907	42,316,689
Escrow shares	(713,087)	(600,000)
Accumulated deficit	(51,210,834)	(50,906,612)
	-----	-----
TOTAL STOCKHOLDERS' DEFICIT	(7,572,130)	(8,451,676)
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 314,371	\$ 407,179
	=====	=====

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

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ONE VOICE TECHNOLOGIES INC.
STATEMENTS OF OPERATIONS

(UNAUDITED)

	THREE MONTHS ENDED		SIX MONTHS ENDED
	JUNE 30, 2008	JUNE 30, 2007	JUNE 30, 2008
	-----	-----	-----
Net Revenue	\$ 145,373	\$ 152,146	\$ 334,125
Cost of goods sold	99,286	94,999	194,211
	-----	-----	-----
GROSS PROFIT	46,087	57,147	139,914
	-----	-----	-----
General and administrative expenses	1,102,096	708,483	1,851,632
	-----	-----	-----
NET LOSS FROM OPERATIONS	(1,056,009)	(651,336)	(1,711,718)
	-----	-----	-----
OTHER INCOME / (EXPENSE)			
Interest expense	(239,724)	(219,341)	(494,478)
Gain / (loss) on warrant and debt derivatives	601,020	1,507,678	1,902,774

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Other income (expense)	--	21,966	--
	-----	-----	-----
TOTAL OTHER INCOME / (EXPENSE)	361,296	1,310,303	1,408,296
	-----	-----	-----
NET INCOME / (LOSS) BEFORE INCOME TAX	(694,713)	658,967	(303,422)
Income tax expense	--	--	(800)
	-----	-----	-----
NET INCOME / (LOSS)	\$ (694,713)	\$ 658,967	\$ (304,222)
	=====	=====	=====
BASIC INCOME / (LOSS) PER SHARE	\$ (0.01)	\$ 0.01	\$ (0.01)
	=====	=====	=====
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING	856,311,000	624,850,000	804,718,000
	=====	=====	=====

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

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ONE VOICE TECHNOLOGIES INC.
STATEMENTS OF CASH FLOWS
(UNAUDITED)

	SIX MONTHS EN JUNE 30, 2008	JU ---
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		

Net income / (loss)	\$ (304,222)	\$ (5
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES		

Depreciation and amortization	145,468	
Amortization of debt discount and debt issue costs	381,213	
Gain loss on debt derivative liability	25,781	
(Gain) loss on warrant derivative liability	(1,952,555)	4
Common stock issued in exchange for services	552,406	
Common stock issued - liquidated damages	24,000	
Share based compensation expense	61,048	
Non cash interest expense	--	
Accrued license agreement (accounts payable converted into note payable)	75,000	
Gain on sale of equipment	--	
CHANGES IN CERTAIN ASSETS AND LIABILITIES		

Accounts receivable	(25,374)	

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Inventories	(20,366)	
Prepaid expenses	(24,864)	
Accounts payable	56,224	
Accrued expenses	176,157	
Deferred rent	1,217	
	-----	-----
NET CASH (USED) IN OPERATING ACTIVITIES	(828,867)	
CASH FLOW FROM INVESTING ACTIVITIES		
	-----	-----
Purchase of property and equipment	(3,221)	
Proceeds from sale of property & equipment	--	
	-----	-----
NET CASH PROVIDED / (USED) IN INVESTING ACTIVITIES	(3,221)	
CASH FLOWS FROM FINANCING ACTIVITIES		
	-----	-----
Proceeds from warrant exercise	--	
Proceeds from revolving credit line, net of repayment	840,000	
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	840,000	
Net increase (decrease) in cash	7,912	
Cash and cash equivalents, beginning of period	14,879	
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 22,791	\$
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
	-----	-----
Income taxes paid	\$ 800	\$
	=====	=====
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES		
	-----	-----
Common stock issued upon conversion of debt and interest	\$ 546,313	\$
	=====	=====

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

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ONE VOICE TECHNOLOGIES, INC.
NOTES TO FINANCIAL STATEMENTS

ITEM 1a. 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 products in both the telecom and PC multi-media markets. To date, our customers include: Telefonos de Mexico, S.A.B. de C.V. (TELMEX), Intel Corporation, Inland Cellular, Nex-Tec Wireless and several additional telecom service providers throughout the United States. Our telecom solutions allow business and consumer

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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 reading and sending 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.

The Company is traded on the NASD OTC Bulletin Board ("OTCBB") under the symbol ONEV. One Voice is incorporated in the State of Nevada and commenced operations on July 14, 1999.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

INTERIM FINANCIAL STATEMENTS:

The accompanying audited financial statements represent the financial activity of One Voice Technologies, Inc. These financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been included or omitted pursuant to such rules and regulations. These financial statements and the accompanying notes are unaudited and should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007. In the opinion of management, the financial statements herein include adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the Company's financial position as of June 30, 2008, results of operations for the three and six months ended June 30, 2008 and 2007. The results of operations for the three and six months ended June 30, 2008 are not necessarily indicative of the operating results to be expected for the full fiscal year or any future periods.

ORGANIZATION AND BASIS OF PRESENTATION

One Voice Technologies, Inc., ("The Company"), is incorporated under the laws of the State of Nevada. The Company develops voice recognition software and it commenced operations in 1999. The Company's 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 reading and sending e-mail messages, SMS text messaging to mobile phones, PC-to-Phone calling (VoIP) and PC-to-PC audio/video.

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 \$51,210,834 and used cash from operations of \$828,867 during the six months ended June 30, 2008. The Company also has a working capital deficit of \$7,597,484 of which \$2,020,023 represents non-cash warrant and debt derivative liabilities.

ONE VOICE TECHNOLOGIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company also has a stockholders' deficit of \$7,572,130 as of June 30, 2008. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management has instituted a cost reduction program that included a reduction in labor and fringe costs. Historically, management has been able to obtain capital through either the issuance of equity or debt, and is currently seeking such financing. There can be no assurance as to the availability or terms upon which such financing and capital might be available. 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.

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. Significant estimates include valuation of derivative and warrant liabilities. Actual results could differ from those estimates.

REVENUE RECOGNITION

The Company recognizes revenue when persuasive evidence of a sale arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable, and collectability is reasonably assured in accordance with SEC Staff Accounting Bulletin No. 104, "Revenue Recognition in Financial Statements" ("SAB 104").

When a customer order contains multiple items such as hardware, software, and services which are delivered at varying times, the Company determines whether the delivered items can be considered separate units of accounting as prescribed under Emerging Issues Task Force ("EITF") Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" ("EITF 00-21"). EITF 00-21 states that delivered items should be considered separate units of accounting if delivered items have value to the customer on a standalone basis, there is objective and reliable evidence of the fair value of undelivered items, and if delivery of undelivered items is probable and substantially in the Company's control.

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ONE VOICE TECHNOLOGIES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In these circumstances, the Company allocates revenue to each element based on its relative vendor specific objective evidence of fair value ("VSOE"). VSOE for products and software is established based on the Company's approved pricing schedules. To establish VSOE for services, the Company uses standard billing rates based on said services. Generally, the Company is able to establish VSOE for all elements of the sales order and bifurcate the customer order or contract accordingly. In these instances, sales are recognized on each element separately. However, if VSOE cannot be established or if the delivered items do not have stand alone value to the customer without additional services provided, the Company recognizes revenue on the contract as a whole based on either the completed-performance or proportional-performance methods as described below.

In most cases, revenue from hardware and software product sales is recognized when title passes to the customer. Based upon the Company's standard shipping terms, FOB The Company, title passes upon shipment to the customer.

Revenue is recognized on service contracts using either the completed-performance or proportional-performance method depending on the terms of the service agreement. When the amount of services to be performed in the last series of acts is so significant in relation to the entire service contract that performance is deemed not to have occurred until the final act is completed or when there are acceptance provisions based on customer-specified subjective criteria, the completed-performance method is used. Once the last significant act has been performed, revenue is recognized. The Company uses the proportional-performance method when a service contract specifies a number of acts to be performed and the Company has the ability to produce reasonable estimates. The estimates used on these contracts are periodically updated during the term of the contract and may result in the Company's revision of recognized sales in the period in which they are identified.

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.

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. Yearly patent renewal fees are expensed in the year incurred.

In accordance with SFAS No. 142, the Company evaluates its operations to ascertain if a triggering event has occurred which would impact the value of finite-lived intangible assets (e.g., patents). Examples of such triggering events include a significant disposal of a portion of such assets, an adverse change in the market involving the business employing the related asset, a significant decrease in the benefits realized from an asset

As of June 30, 2008, no such triggering event has occurred. An impairment test involves a comparison of undiscounted cash flows against the carrying value of the asset as an initial test. If the carrying value of such asset exceeds the undiscounted cash flow, the asset would be deemed to be impaired. Impairment would then be measured as the difference between the fair value of the fixed or amortizing intangible asset and the carrying value to determine the amount of

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the impairment. The Company determines fair value generally by using the discounted cash flow method. To the extent that the carrying value is greater than the asset's fair value, an impairment loss is recognized for the difference.

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ONE VOICE TECHNOLOGIES INC. NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONVERTIBLE NOTES AND FINANCIAL INSTRUMENTS WITH EMBEDDED FEATURES

The Company accounts for conversion options embedded in convertible notes in accordance with Statement of Financial Accounting Standard ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") and EITF 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" ("EITF 00-19"). SFAS 133 generally requires Companies to bifurcate conversion features embedded in convertible notes from their host instruments and to account for them as free standing derivative financial instruments in accordance with EITF 00-19. SFAS 133 provides for an exception to this rule when convertible notes, as host instruments, are deemed to be conventional as that term is described in the implementation guidance under Appendix A to SFAS 133 and further clarified in EITF 05-2 "The Meaning of "Conventional Convertible Debt Instrument" in Issue No. 00-19.

The Company accounts for convertible notes (if deemed conventional) in accordance with the provisions of Emerging Issues Task Force Issue ("EITF") 98-5 "Accounting for Convertible Securities with Beneficial Conversion Features," ("EITF 98-5"), EITF 00-27 "Application of EITF 98-5 to Certain Convertible Instruments," Accordingly, the Company records, as a discount to convertible notes, the intrinsic value of such conversion options based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their earliest date of redemption.

The Company's convertible notes do not have conversion features and other features that are deemed to be embedded derivatives financial instruments or beneficial conversion features based on the commitment date fair value of the underlying common stock.

COMMON STOCK PURCHASE WARRANTS AND OTHER DERIVATIVE FINANCIAL INSTRUMENTS

The Company accounts for the issuance of common stock purchase warrants issued and other free standing derivative financial instruments in accordance with the provisions of EITF 00-19. Based on the provisions of EITF 00-19, the Company classifies as equity any contracts that (i) require physical settlement or net-share settlement or (ii) gives the Company a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement). The Company classifies as assets or liabilities any contracts that (i) require net-cash settlement (including a requirement to net cash settle the contract if

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an event occurs and if that event is outside the control of the Company) (ii) give the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement).

See notes 10 and 11 in the accompanying footnotes to the financial statements for additional details.

DEFERRED DEBT ISSUE COST

The costs relating to obtaining and securing debt financing are capitalized and is expensed over the term of the debt instrument. In the event of settlement in part or whole of such debt in advance of the maturity date, an expense is recognized for the remaining unamortized deferred debt issue cost.

For the six months ended June 30, 2008 and year ended December 31, 2007, the estimated fair value of the Company's deferred debt issue cost was \$2,862 and \$31,939 respectively.

See note 5 in the accompanying footnotes to the financial statements for additional details.

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ONE VOICE TECHNOLOGIES INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET LOSS PER COMMON SHARE

Basic earnings per share ("EPS") 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 six months ended June 30, 2008 and 2007 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.

The following table is a reconciliation of the numerator (net income / (loss)) and the denominator (number of shares) used in the basic and diluted EPS calculations and sets forth potential shares of common stock that are not included in the diluted net loss per share calculation as the effect is antidilutive:

SIX MONTHS ENDED	
JUNE 30,	JUNE 30,
2008	2007
-----	-----

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NUMERATOR - BASIC NET INCOME	\$ (304,222)	\$ (5,994,258)
	=====	=====
Denominator - basic Weighted average common shares outstanding	804,718,000	602,817,000
	-----	-----
TOTAL	804,718,000	602,817,000
	=====	=====
NET LOSS PER SHARE - BASIC	\$ (0.01)	\$ (0.01)
	=====	=====

ANTI-DILUTIVE SECURITIES:

Convertible debentures	754,443,492	67,767,442
Options	62,934,000	55,459,000
Warrants	275,906,909	311,605,032
	-----	-----
TOTAL ANTI-DILUTIVE SHARES	1,093,284,401	434,831,474
	=====	=====

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ONE VOICE TECHNOLOGIES INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTING FOR STOCK-BASED COMPENSATION

On January 1, 2006 the Company adopted "SFAS" No.123 (Revised 2004), "Share Based Payment," ("SFAS 123R"), using the modified prospective method. In accordance with SFAS No. 123R, the Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is recognized over the period during which an employee is required to provide service in exchange for the award - the requisite service period. The Company determines the grant-date fair value of employee share options using the Black-Scholes option-pricing model.

During the six months ended June 30, 2008 and 2007, the Company recorded \$61,048 and \$73,566 respectively, in non-cash charges for stock based compensation.

The fair value of stock options at date of grant was estimated using the Black-Scholes model with the following assumptions: expected volatility of 120.5% and 90.9%, respectively, expected term of 2.0 years, risk-free interest rate of 4.74% and an expected dividend yield of 0%. Expected volatility is based on the historical volatilities of the Company's common stock. The expected life of employee stock options is determined using guidance from SAB 107. As such, the expected life of the options and warrants is the average of the vesting term and the full contractual term of the options and warrants. The risk free

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interest rate is based on the U.S. Treasury notes for the expected life of the stock option.

COMPREHENSIVE INCOME

The Company has adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," which establishes standards for reporting comprehensive income and its components in the financial statements. Comprehensive income consists of net income and other gains and losses affecting shareholders' equity that, under generally accepted accounting principles, are excluded from net income. For the three and six months ended June 30, 2008 and 2007, the Company's comprehensive income (loss) had equaled its net income (loss). Accordingly, a statement of comprehensive loss is not presented.

RECENT ACCOUNTING PRONOUNCEMENTS

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("FAS 161"). FAS 161 requires entities to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133") and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. FAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008, and early adoption is permitted. The Company is in the process of reviewing the additional disclosure. The Company has determined that additional disclosure will have no material impact on our financial statements.

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ONE VOICE TECHNOLOGIES INC. NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In April 2008, the FASB issued FASB Staff Position ("FSP") No. FAS 142-3, "Determination of the Useful Life of Intangible Assets," ("FSP No. 142-3"). The intent of this FSP is to improve consistency between the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"), and the period of expected cash flows used to measure the fair value of the intangible asset under SFAS No. 141R. FSP No. 142-3 will require that the determination of the useful life of intangible assets acquired after the effective date of this FSP shall include assumptions regarding renewal or extension, regardless of whether such arrangements have explicit renewal or extension provisions, based on an entity's historical experience in renewing or extending such arrangements. In addition, FSP No. 142-3 requires expanded disclosures regarding intangible assets existing as of each reporting period. FSP 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. Early adoption is prohibited. The Company is currently evaluating the impact that FSP No. 142-3 will have on our financial statements.

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In May 2008, the FASB issued Financial Accounting Standard (FAS) No. 162, "The Hierarchy of Generally Accepted Accounting Principles." The statement is intended to improve financial reporting by identifying a consistent hierarchy for selecting accounting principles to be used in preparing financial statements that are prepared in conformance with generally accepted accounting principles. Unlike Statement on Auditing Standards (SAS) No. 69, "The Meaning of Present in Conformity With GAAP," FAS No. 162 is directed to the entity rather than the auditor. The statement is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with GAAP," and is not expected to have any impact on the Company's results of operations, financial condition or liquidity.

In June 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) Emerging Issues Task Force (EITF) No. 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." Under the FSP, unvested share-based payment awards that contain rights to receive nonforfeitable dividends (whether paid or unpaid) are participating securities, and should be included in the two-class method of computing EPS. The FSP is effective for fiscal years beginning after December 15, 2008, and interim periods within those years, and is not expected to have a significant impact on the Company's results of operations, financial condition or liquidity.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force ("EITF")), the American Institute of Certified Public Accountants ("AICPA"), and the SEC did not or are not believed by management to have a material impact on the Company's present or future financial statements.

3. PREPAID EXPENSES

	SIX MONTHS ENDED JUNE 30, 2008	YEAR ENDED DECEMBER 31, 2007
	-----	-----
Rents	--	9,736
Business and health insurance	5,376	172
New customer launch	32,160	8,514
Engineering	11,500	5,750
	-----	-----
TOTAL	\$ 49,036	\$ 24,172
	=====	=====

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ONE VOICE TECHNOLOGIES INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	SIX MONTHS ENDED JUNE 30, 2008	YEAR ENDED DECEMBER 31, 2007
	-----	-----
Computer equipment	\$ 731,281	\$ 728,061

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Website development	38,524	38,524
Equipment	1,562	1,562
Furniture and fixtures	9,430	9,430
Telephone equipment	5,365	5,365
Molds and tooling	120,216	120,215
	-----	-----
TOTAL	906,378	903,157
	-----	-----
Less accumulated depreciation	(870,120)	(738,863)
	-----	-----
NET PROPERTY AND EQUIPMENT	\$ 36,258	\$ 164,294
	=====	=====

	SIX MONTHS ENDED JUNE 30, 2008	YEAR ENDED DECEMBER 31, 2007
	-----	-----
Patents	\$ 212,062	\$ 212,062
Trademarks	243,259	243,259
Software licensing	1,145,322	1,145,322
Software development costs	1,675,601	1,675,601
	-----	-----
TOTAL	3,276,244	3,276,244
	-----	-----
Less accumulated amortization	(3,239,182)	(3,224,971)
	-----	-----
NET INTANGIBLE ASSETS	\$ 37,062	\$ 51,273
	=====	=====

Depreciation and amortization expense totaled \$145,468 and \$45,868 for the six months ended June 30, 2008 and 2007, respectively. The increase of \$99,600 was mostly due to the full depreciation of capitalized costs associated the design and development of a product. The products completion and launch timeframe could not be accurately estimated by management, therefore it was decided to fully depreciate the costs.

5. DEFERRED DEBT ISSUE COSTS

These costs relate to obtaining and securing debt financing and financing agreements (legal fees). These costs are amortized over the term of the debt agreement using the straight line method, normally 2 years. A balance of \$2,862 remains as of June 30, 2008.

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ONE VOICE TECHNOLOGIES INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. ACCRUED EXPENSES

	SIX MONTHS ENDED JUNE 30,	YEAR ENDED DECEMBER 31,
--	------------------------------	----------------------------

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	2008	2007
	-----	-----
Accrued salaries	\$ 54,846	\$ 17,594
Accrued vacation	98,940	82,006
Accrued interest	306,216	221,684
Accrued audit and SOX fees	78,918	70,313
Accrued legal fees	--	3,500
Accrued investor relations fees	10,000	7,000
Accrued cost of goods sold	9,600	--
Accrued consulting	3,000	--
Accrued marketing	3,000	3,000
Accrued license fees	--	14,000
Accrued other	2,000	--
	-----	-----
TOTAL	\$ 566,520	\$ 419,097
	=====	=====

7. SETTLEMENT AGREEMENT LIABILITY

On August 23, 2007, One Voice Technologies, Inc. (the "Company") entered into a Settlement Agreement and Mutual Release with La Jolla Cove Investors, Inc. ("LJCI") pursuant to which we agreed with LJCI 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 a legal proceeding in the San Diego County Superior Court (the "Court") entitled La Jolla Cove Investors, Inc. vs. One Voice Technologies, Inc., Case No. GIC850038 (the "Action"). LJCI received a judgment in its favor against the Company in connection with the Action whereby the Company owes LJCI an amount equal to \$408,594.48 (the "Owed Amount"). Under the Settlement Agreement, the parties reached a final resolution with respect to such Owed Amount whereby (i) LJCI shall receive \$200,000 within 15 days of the date of the Agreement and (ii) the difference between the Owed Amount and \$200,000 shall be payable at a later date (the "Remaining Owed Amount"). The payment of the Remaining amount owed of \$208,594 shall be made to LJCI in the following manner:

- o Concurrently with the execution of the Agreement, the Company shall transfer to an independent escrow agent, on behalf of LJCI, all right, title and interest to 30,000,000 shares of Common Stock of the Company (the "Escrow Shares"), issued in 30 increments of 1,000,000 shares. On the one year anniversary of the Agreement, 1,000,000 Escrow Shares shall be released to LJCI whereby LJCI shall be able to sell such shares in open market transactions provided such sales do not exceed more than 14% of the corresponding daily volume of such shares on the trading market on which the Company's securities are sold. LJCI shall continue to receive the Escrow Shares, provided they satisfy the volume limitation set forth above and LJCI's ownership of the Company's common stock does not exceed 4.99% of the Company's then issued and outstanding shares of common stock, until the Remaining Owed Amount is satisfied;

- o Upon notice from LJCI that the Remaining Owed Amount has been satisfied by the sale of the Escrow Shares either (i) Alpha Capital Ansalt ("Alpha") shall have the ability within 15 business days to purchase any remaining Escrow Shares at a 20% discount to the current market price of the shares or (ii) if Alpha does not exercise its right to purchase the shares, the Company shall have the ability to redeem the remaining Escrow Shares within 5 business days.

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ONE VOICE TECHNOLOGIES INC. NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. SETTLEMENT AGREEMENT LIABILITY (CONTINUED)

- o At anytime while the Remaining Owed Amount is outstanding, the Company or Alpha may pay in cash to LJCI an amount equal to the Remaining Owed Amount and either (i) Alpha shall have the ability within 15 business days to purchase any remaining Escrow Shares at a 20% discount to the current market price of the shares or (ii) if Alpha does not exercise its right to purchase the shares, the Company shall have the ability to redeem the remaining Escrow Shares within 5 business days.

LJCI has contractually agreed to restrict their ability to exercise the Escrow Shares such that the number of shares of the Company common stock held by it does not exceed 4.99% of the Company's then issued and outstanding shares of common stock.

Upon receipt of the Owed Amount, LJCI will file a Satisfaction of Judgment in the appropriate court and grant the Company a release from any and all actions related to the Action.

8. 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.

The License Agreement has been amended as follows:

The first amendment to the License Agreement was entered into during March 2002.

- o The initial term of the License Agreement was extended for two (2) years.
- o The aggregate minimum royalty payment was increased from \$1,100,000 to \$1,500,000.

The amendment also included a revised payment schedule of the minimum royalty payment obligation due 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

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May, 2003, based on a verbal agreement with the Company and 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.

The second amendment to the License Agreement was entered into on February 1, 2007.

The following payment terms are as follows:

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ONE VOICE TECHNOLOGIES INC. NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. LICENSE AGREEMENT LIABILITY (CONTINUED)

The 2006 past due amounts owed by the Company of \$70,000 were allocated as follows:

- o The Company paid \$20,000 on February 23, 2007 to Philips.
- o The remaining balance of \$50,000 is to be paid in the form of a non-interest bearing note payable to Philips Speech Processing.
- o During the period of January 1, 2007 thru June 30, 2008 the following payments will be allocated as follows: \$6,000 is to be paid monthly by the Company to Philips Speech Processing. The monthly remaining balance of \$11,500 due to Philips Speech Processing is to be paid by the Company in the form of a non-interest bearing note payable to Philips Speech Processing.

As of June 30, 2008 the note payable balance due Philips Speech Processing was \$1,187,000.

9. SHORT TERM NOTE PAYABLE

On June 8, 2007 the Company entered into agreement with Maguire Properties-Regents Square LLC. ("Landlord"). The agreement relates to past due office rents owed by the Company to the Landlord. The landlord has agreed to accept payment in the form of a promissory note for \$103,605.59. The promissory note has a term of 42 months and bears an interest rate of 10.0% per annum, due December 1, 2010. Monthly payments of \$2,933.78 are to be paid to the Landlord. All rent expenses related to the note have been fully expensed in the proper periods.

As of June 30, 2008 the short term note payable balance due Maguire Properties-Regents Square LLC. was \$29,602 with the remaining balance classified as long term notes payable.

On August 8, 2003 the Company entered into a 5 year promissory note with a private investor. The note carries a principal balance of \$100,000 with an

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interest rate of 8% per annum. The note matures on August 8, 2008 and was previously classified as a long term liability.

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ONE VOICE TECHNOLOGIES INC. NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. DEBT DERIVATIVE LIABILITY

Since inception, the Company has entered into several convertible debt financing agreements with several institutional investors. Embedded within these convertible financing transactions are derivatives which require special treatment pursuant with SFAS No. 133 and EITF 00-19. The derivatives include but are not limited to the following characteristics:

- o Beneficial conversion features
- o Early redemption option
- o Registration rights and associated liquidated damage clauses

As a result of the valuation conducted as of June 30, 2008 the Company has incurred a net non-cash (loss) of (\$49,781) for the six months ended June 30, 2008.

The liability valuation calculated at June 30, 2008 and December 31, 2007, resulted in the fair value of the debt derivative liability being \$1,654,838 and \$1,629,057 respectively.

11. WARRANT DERIVATIVE LIABILITY

Since inception, the Company has issued warrants in connection with convertible debt financing 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 June 30, 2008 using a Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0.0%, expected stock price volatility of 79%, risk free interest rate of 2.91% and a remaining contractual life ranging from .014 years to 3.19 years.

As a result of the valuation conducted, the Company incurred a net non-cash gain of \$1,952,555 for the six months ended June 30, 2008.

The liability valuation calculated at June 30, 2008 and December 31, 2007, resulted in the fair value of the warrant derivative liability being \$365,185 and \$2,317,740 respectively.

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ONE VOICE TECHNOLOGIES INC. NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. REVOLVING CREDIT NOTE PAYABLE

On December 21, 2006, the Company completed a private placement pursuant to a Revolving Credit Note Agreement which the Company entered into with several institutional Investors, pursuant to which the Investors subscribed to advance up to a maximum amount of \$640,000 bearing an interest rate of 7%. The term of the agreement shall be effective as of December 21, 2006 and shall be in full force and effect until the earliest to occur of (a) 12 months from December 21, 2006 (B) a date not less than thirty days after Lender gives notice of termination to the Company. In connection with the Revolving Credit Note Agreement, the Company also issued 20,000,000 shares of its common stock to the related investors. Interest shall be calculated daily on the outstanding principal balance due, and is to be reimbursed to the Investors a monthly basis. The reimbursement of the interest shall be in the form of the Company's restricted shares of common stock. The stock is to be valued at the month end stock closing price. The advances to the Company are to be based on an amount of up to 75% of the face value of the current and future invoices "Receivables" submitted for borrowing. All proceeds paid relating to the previously mentioned invoices are to be deposited into a lockbox account belonging to Investors. The lockbox proceeds are to be 100% applied towards any outstanding principal amount owed by the Company. The Company's obligation to repay all principal and accrued and unpaid interest under the convertible notes is secured by the Company's assets pursuant to a certain Security Agreement dated February 16, 2006, which also secures the remaining unconverted principal amount of the Company's convertible notes in the aggregate amount of \$1,114,220 which the Company issued on March 18, 2005, July 13, 2005, March 17, 2006 May 5, 2006, July 6, 2006 and August 29, 2006 to certain of the investors participating in this new private placement.

The original Revolving Credit Note agreement has been amended eleven times since inception. The amendments increased the maximum borrowing by the Company to an amount of \$2,270,000 and extended the maturity date to June 21, 2009. On the second amendment the principal and interest payment terms by the Company to the lender had changed. The original note payment terms were that all outstanding principal and interest were to be paid in cash by the Company upon maturity of the note.

Second amended payment terms are as follows:

The amendment provided an option to convert the outstanding balance into shares of the Company's restricted common stock. The following conversion privileges apply:

The lender may elect to convert at a conversion rate of the lower of (i)\$0.015 or (ii)80% of the lowest 3 day trading price of the past 30 trading days.

Since inception the Company has borrowed \$2,395,000 against the revolving note. During the same period the Company paid \$58,538 against the outstanding balance for a total net borrowing of \$2,336,462 since inception. All borrowings are used to cover recurring operating expenses by the Company.

As of June 30, 2008 the outstanding principal amount owed to the Investors is \$2,336,462. Interest accrued on the outstanding principal is \$135,745 as of

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June 30, 2008.

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ONE VOICE TECHNOLOGIES INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. LONG TERM NOTES PAYABLE

On June 8, 2007 the Company entered into agreement with Maguire Properties-Regents Square LLC. ("Landlord"). The agreement relates to past due office rents owed by the Company to the Landlord. The landlord has agreed to accept payment in the form of a promissory note for \$103,605.59. The promissory note has a term of 42 months and bears an interest rate of 10.0% per annum, due December 1, 2010. Monthly payments of \$2,933.78 are to be paid to the Landlord. All rent expenses related to the note have been fully expensed in the proper periods. As of June 30, 2008 the long term note payable balance due Maguire Properties-Regents Square LLC. was \$69,070 with the remaining balance of \$29,602 being classified as short term notes payable.

At June 30, 2008 and December 31, 2007 the principal balance on the notes payable was \$69,070 and \$169,070, respectively. Accrued interest as of June 30, 2008 is \$4,670.

14. CONVERTIBLE NOTES PAYABLE SUMMARY

ISSUANCE SUMMARY	SIX MONTHS ENDED JUNE 30, 2008	YEAR ENDED DECEMBER 31, 2007
	-----	-----
Principal	\$ --	\$ 420,000
Warrants issued A&B	--	10,000,000
CONVERSION SUMMARY	SIX MONTHS ENDED JUNE 30, 2008	YEAR ENDED DECEMBER 31, 2007
	-----	-----
Principal and interest converted	\$ 546,313	\$ 481,359
Shares converted	76,552,946	49,190,842
Average share conversion price	\$ 0.007	\$ 0.010

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ONE VOICE TECHNOLOGIES INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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14 A. CONVERTIBLE NOTES PAYABLE DETAIL (CONTINUED)

During the six months ended June 30, 2008 and year ended December 31, 2007, \$546,313 and \$481,359 of notes payable and accrued interest was converted into 76,552,946 and 49,190,842 shares of the Company's common stock at an average conversion price of \$0.007 and \$0.010 per share.

On September 7, 2007, the Company entered into a subscription agreement (the "Agreement") with accredited investors and/or qualified institutional investors (the "Investors") pursuant to which the investors subscribed to purchase an aggregate principal amount of \$420,000 in convertible promissory notes for an aggregate purchase price of \$210,000. The Company also issued 10,000,000 Class A common stock purchase warrants to the Investors. The Class A warrants are exercisable until four years from the closing date at an exercise price of \$0.02 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. The initial discount of \$412,410 will be expensed over the term of the agreement using the straight line method. The fair value of the warrants of \$153,369 using the Black Scholes option pricing model is recorded as a derivative liability. The proceeds of the offering were used to make payment towards a legal settlement agreement.

The secured convertible notes mature 1 year 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) \$0.015 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.

No convertible debt agreements have been entered into during the six months ended June 30, 2008.

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ONE VOICE TECHNOLOGIES INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

14 A. CONVERTIBLE NOTES PAYABLE DETAIL (CONTINUED)

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The Company must file a registration statement (Form SB-2) with the SEC for all the above financing transactions. Filing date is typically between 90 and 120 days of the transaction date.

A SUMMARY OF OUTSTANDING CONVERTIBLE DEBT AT JUNE 30, 2008 IS AS FOLLOWS:

	DUE DATE	PRINCIPAL AMOUNT REMAINING	UNAMORTIZED DISCOUNT
	-----	-----	-----
STONESTREET LIMITED PARTNERSHIP	DECEMBER 23, 2007	\$ 10,000	\$ --
ALPHA CAPITAL AKTIENGESELLSCHAFT	MARCH 17, 2008	250,000	--
ALPHA CAPITAL AKTIENGESELLSCHAFT	MAY 5, 2008	108,000	--
ALPHA CAPITAL AKTIENGESELLSCHAFT	JULY 6, 2008	105,500	(418)
BRISTOL INVESTMENT FUND LTD	JULY 6, 2008	10,140	(51)
CENTURION MICROCAP L.P	JULY 6, 2008	92,500	(324)
WHALEHAVEN CAPITAL FUND LIMITED	JULY 6, 2008	25,500	(84)
ELLIS INTERNATIONAL LIMITED	AUGUST 29, 2008	70,000	(3,829)
WHALEHAVEN CAPITAL FUND LIMITED	AUGUST 29, 2008	105,000	(4,222)
ALPHA CAPITAL AKTIENGESELLSCHAFT	SEPTEMBER 7, 2007	110,000	(20,123)
OSHER CAPITAL	SEPTEMBER 7, 2007	40,000	(7,938)
CENTURION MICROCAP L.P	SEPTEMBER 7, 2007	100,000	(18,294)
TOTAL OUTSTANDING LONG TERM CONVERTIBLE DEBT JUNE 30, 2008		\$ 1,026,640	\$ (55,283)
		=====	=====

ONE VOICE TECHNOLOGIES INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

15. COMMON STOCK

The following is a summary of transactions that had an impact on equity:

	SIX MONTHS ENDED		
	SHARES ISSUED	AVERAGE SHARE PRICE	VALUE
Debt conversions	76,552,946	\$0.007	\$ 546,313
Issuance of stock in exchange for services	62,205,359	0.009	576,406
Stock to be issued in exchange for interest conversion	--	--	--
Warrant exercise	--	--	--
Warrant exercise cashless	--	--	--
Shares in escrow	11,878,896	0.010	113,087
Total	150,637,201	\$0.008	\$ 1,235,806

o ISSUANCE OF COMMON STOCK IN EXCHANGE OF SERVICES AND DEBT OBLIGATIONS

During the six months ended June 30, 2008 the Company issued 62,205,359 shares of its restricted common stock having a market value of \$576,406 in exchange for past and future services to be rendered.

16. OTHER INCOME (EXPENSE)

Other income / (expense) totaled \$1,408,296 and (\$4,821,689) for the six months ended June 30, 2008 and 2007, respectively. A expense decrease of (\$6,229,985) or -129%.

Note that a majority of the expense decrease in 2008 can be directly related to non cash income / (expense) activity, more specifically the revaluation of both debt and warrant derivatives.

A brief explanation of the expense decrease is provided below.

Other income (expense) consist of:

- o Interest expense

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- o Settlement expense
- o Gain (loss) on warrant / debt derivative liability
- o Other misc.

See details below.

OTHER INCOME / (EXPENSE) SUMMARY

	SIX MONTHS ENDED	
	JUNE 30, 2008	JUNE 30, 2007
	-----	-----
Interest (expense)	\$ (494,478)	\$ (489,963)
Gain (loss) on warrant and debt derivative	1,902,774	(4,353,739)
Other income / (expense)	--	22,013
	-----	-----
TOTAL OTHER INCOME / (EXPENSE)	\$ 1,408,296	\$ (4,821,689)

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ONE VOICE TECHNOLOGIES INC. NOTES TO FINANCIAL STATEMENTS (CONTINUED)

16. OTHER INCOME (EXPENSE) (CONTINUED)

INTEREST EXPENSE

INTEREST EXPENSE SUMMARY

	SIX MONTHS ENDED	
	JUNE 30, 2008	JUNE 30, 2007
	-----	-----
Debt issue cost	\$ 29,077	\$ 162,222
Discount amortization	352,136	242,134
Accrued interest	113,265	82,206
Other / penalties	--	3,401
	-----	-----
TOTAL	\$ 494,478	\$ 489,963

For six months ended June 30, 2008 and 2007, interest expense was \$494,478 compared to \$489,963 respectively. A increase of \$4,515 or 1%.

Interest expense is composed of three very distinct transactions, which vary in their financial treatment. Below is a brief explanation of the nature and treatment of these expenses.

1. Monthly amortization of debt issue costs related to securing convertible debt Financing (legal fees etc...).

This represents a cash related transaction.

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For the six months ended June 30, 2008 and 2007, interest expense related to debt issue costs was \$29,077 compared to \$162,222, respectively.

2. Monthly amortization of the embedded discount features within convertible debt financing.

This represents a non-cash transaction.

For the six months ended June 30, 2008, and 2007, interest expense related to the amortization of discount was \$352,136 compared to \$242,134 respectively.

3. Monthly accrued interest related to notes payable and convertible notes payable financing.

This represents a future cash transaction if the convertible interest accrued is not converted into common stock. No accrued interest related to convertible notes payable has been paid in cash during the six months ended June 30, 2008 and 2007.

For the six months ended June 30, 2008 and 2007, interest expense related to notes payable and convertible notes payable was \$113,265 compared to \$82,206, respectively.

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ONE VOICE TECHNOLOGIES INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

16. OTHER INCOME / (EXPENSE) (CONTINUED)

4. Other / misc. (expense) for the six months ended June 30, 2008 and 2007, was approximately \$0 compared to (\$3,401) respectively.

GAIN ON DEBT DERIVATIVES

For the six months ended June 30, 2008 and 2007, non-cash losses recorded on debt derivatives were (\$49,781) and (\$45,638) respectively.

See Note 10 in the accompanying notes to the financial statements for a full description of the nature of debt derivative transactions.

GAIN / (LOSS) ON WARRANT DERIVATIVES

For the six months ended June 30, 2008 and 2007, non-cash gains of \$1,952,555 were recorded, compared to non-cash (losses) of (\$4,308,101) respectively.

See Note 11 in the accompanying notes to the financial statements for a brief description of the nature of warrant derivative transactions.

OTHER INCOME / (EXPENSE)

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For six months ended June 30, 2008 and 2007, the Company incurred \$0 and other income of \$22,013 respectively.

17. 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 year, of future minimum rental payments required under operating leases that have non cancelable lease terms in excess of one year as of June 30, 2008:

2008	53,138
2009	109,618
2010	103,546

	\$ 266,302
	=====

Rent expense including parking amounted to \$66,259 and \$110,479 for the six months ended June 30, 2008 and 2007 respectively. The decrease of 44,260 is attributed to the relocation of the corporate office in June 2007 to a less expensive facility.

18. 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.

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ONE VOICE TECHNOLOGIES INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

18. 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.

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Upon termination of employment or service contract, all options vested or non-vested expire unless the options have been exercised in full, or in part within 90 days of such event. Management reserves the right to extend vested options under certain circumstances, given approval by the Board of Directors.

On September 12, 2007 the Company granted 15,000,000 stock options to its employees and Board of Directors. The stock options issued are pursuant to the 2005 stock option plan.

The total intrinsic value of vested options relating to employee and director compensation at June 30, 2008 was \$0. The intrinsic value of \$0 is due to the closing stock price at June 30, 2008 of \$0.007 being lower than any vested option grant price.

For the six months ended June 30, 2008 and 2007, there was approximately \$61,048 and \$73,566 of total compensation expense recorded by the Company related to share-based compensation.

As of June 30, 2008, there was approximately \$72,180 of total unrecognized compensation cost related to share-based compensation arrangements with employees, directors and contractors.

The Company's closing stock price reported by NASDAQ listed under symbol ONEV at June 30, 2008 was \$0.007 per share.

STOCK OPTIONS ACTIVITY

The following table is a summary for the two stock compensation plans adopted by the Company as of June 30, 2008.

	SIX MONTHS ENDED JUNE 30, 2008		
	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES OUTSTANDING	NUMBER OF SHARES AVAILABLE FOR GRANT
Year 1999 plan	3,000,000	3,000,000	--
Year 2005 plan	60,000,000	59,934,000	66,000
TOTAL	63,000,000	62,934,000	66,000

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ONE VOICE TECHNOLOGIES INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

18. INCENTIVE AND NONQUALIFIED STOCK OPTION PLAN (CONTINUED)

A summary of the Company's stock option activity and related information is as follows for the year ended June 30, 2008 and 2007, respectively.

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	SIX MONTHS ENDED			
	JUNE 30, 2008		JUNE 30, 2007	
	NUMBER OF SHARES OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	62,934,000	\$ 0.054	58,059,000	\$ 0.06
Options granted	0	N/A	0	N/A
Options exercised	0	N/A	0	N/A
Options terminated	0	N/A	(2,600,000)	0.016
OPTIONS OUTSTANDING AT END OF 2ND QUARTER	62,934,000	0.054	55,459,000	0.065
OPTIONS EXERCISABLE AT END OF 2ND QUARTER	52,934,000	\$ 0.061	37,495,111	\$ 0.089

The following table summarizes the number of options authorized by the plan and available for distribution as of June 30, 2008 and 2007, respectively.

	SIX MONTHS ENDED	
	JUNE 30, 2008 NUMBER OF SHARES	JUNE 30, 2007 NUMBER OF SHARES
Beginning options available for grant	66,000	4,941,000
Add: Additional options authorized	--	--
Less: Options granted	--	--
Add: Options terminated	--	2,600,000
ENDING OPTIONS AVAILABLE FOR DISTRIBUTION	66,000	7,541,000

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ONE VOICE TECHNOLOGIES INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

18. INCENTIVE AND NONQUALIFIED STOCK OPTION PLAN (CONTINUED)

The following tables summarize the number of option shares, the weighted average exercise price and the weighted average life (by years) by price range for both total outstanding options and total exercisable options as of June 30, 2008 and

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2007, respectively.

SIX MONTHS ENDED JUNE 30, 2008

PRICE RANGE	# OF SHARES	TOTAL OUTSTANDING		TOTAL EXERCISABLE		
		WEIGHTED AVERAGE EXERCISE PRICE	LIFE	# OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	LIFE
\$6.08 - \$ 12.80	240,000	\$ 7.158	2.14	240,000	\$ 7.158	2.14
\$0.32 - \$2.00	694,000	0.867	3.03	694,000	0.867	3.03
\$0.016 - \$0.19	62,000,000	0.017	6.73	52,000,000	0.017	7.22
TOTAL	62,934,000	\$ 0.054	6.67	52,934,000	\$ 0.061	7.14

SIX MONTHS ENDED JUNE 30, 2007

PRICE RANGE	# OF SHARES	TOTAL OUTSTANDING		TOTAL EXERCISABLE		
		WEIGHTED AVERAGE EXERCISE PRICE	LIFE	# OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	LIFE
\$6.08 - \$ 12.80	270,000	\$ 7.170	3.19	270,000	\$ 7.170	3.19
\$0.32 - \$2.00	839,000	0.911	4.03	839,000	0.911	4.03
\$0.016 - \$0.19	54,350,000	0.017	8.54	36,386,111	0.018	8.52
TOTAL	55,459,000	\$ 0.065	8.44	37,495,111	\$ 0.089	8.63

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ONE VOICE TECHNOLOGIES INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

18. INCENTIVE AND NONQUALIFIED STOCK OPTION PLAN (CONTINUED)

A summary of option activity and the average intrinsic value that relate to employee, director and contractor compensation as of June 30, 2008 and 2007, respectively is presented below:

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OPTIONS RELATING TO EMPLOYEE, CONSULTANTS AND DIRECTOR COMPENSATION	SIX MONTHS ENDED JUNE 30, 2008			
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	LIFE	AVERAGE INTRINSIC VALUE
Outstanding at beginning of year	62,934,000	\$ 0.054	0.05	N/A
Options granted	0	N/A	N/A	N/A
Options exercised	0	N/A	N/A	N/A
Options terminated	0	N/A	N/A	N/A
OPTIONS OUTSTANDING AT END OF 2ND QUARTER	62,934,000	0.054	6.67	N/A
OPTIONS EXERCISABLE AT END OF 2ND QUARTER	52,934,000	\$ 0.061	7.14	N/A

Note: Assumes only options above water are to be exercised, the closing stock price is under the price of any options granted. Calculation is based on closing stock price of \$ 0.007 per share dated June 30, 2008.

Outstanding at beginning of year Options granted Options exercised Options terminated	SIX MONTHS ENDED JUNE 30, 2007			
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	LIFE	AVERAGE INTRINSIC VALUE
Outstanding at beginning of year	58,059,000	\$ 0.060	8.44	928,944
Options granted	0	N/A	N/A	N/A
Options exercised	0	N/A	N/A	N/A
Options terminated	(2,600,000)	0.020	N/A	(41,600)
OPTIONS OUTSTANDING AT END OF 2ND QUARTER	55,459,000	0.065	8.44	887,344
OPTIONS EXERCISABLE AT END OF 2ND QUARTER	37,495,111	\$ 0.089	8.38	599,922

Note: Assumes only options above water are to be exercised.

Calculation is based on closing stock price of \$ 0.03 per share dated June 30, 2007.

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ONE VOICE TECHNOLOGIES INC. NOTES TO FINANCIAL STATEMENTS (CONTINUED)

18. INCENTIVE AND NONQUALIFIED STOCK OPTION PLAN (CONTINUED)

A summary of the status of the Company's non-vested option shares relating to employee and director compensation as of June 30, 2008 and 2007, and changes during the period ended June 30, 2008 and 2007, respectively is presented below:

	SIX MONTHS ENDED JUNE 30, 2008	
NON VESTED OPTIONS RELATING TO EMPLOYEE, CONSULTANTS AND DIRECTOR COMPENSATION	SHARES	WEIGHTED AVERAGE GRANT-DATE FAIR VALUE
Outstanding at beginning of year	62,934,000	\$ 0.016
Options granted	0	N/A
Options exercised	0	N/A
Options vested	(52,934,000)	0.017
Options terminated	0	
NON VESTED AT END OF 2ND QTR	10,000,000	\$ 0.0185

	SIX MONTHS ENDED JUNE 30, 2007	
NON VESTED OPTIONS RELATING TO EMPLOYEE, CONSULTANTS AND DIRECTOR COMPENSATION	SHARES	WEIGHTED AVERAGE GRANT-DATE FAIR VALUE
Outstanding at beginning of year	58,059,000	\$ 0.060
Options granted	0	N/A
Options exercised	0	N/A
Options vested	(37,495,111)	0.089
Options terminated	(2,600,000)	0.016
NON VESTED AT END 2ND QUARTER	17,963,889	\$ 0.016

In addition to the assumptions in the above tables, the Company applies a forfeiture-rate assumption in its estimate of fair value that is primarily based on historical annual forfeiture rates of the Company.

	2008
Expected dividend yield	0.00%
Expected volatility	113%
Average risk-free interest rate	4.74%
Expected life (in years)	1.58 to 7.58

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The above options carry vesting date's as follows: 1/3 of the options vest on the grant date, 1/3 of the options vest one year after the grant date, the final 1/3 of the options vest two years after the grant date.

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.

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ONE VOICE TECHNOLOGIES INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

18. INCENTIVE AND NONQUALIFIED STOCK OPTION PLAN (CONTINUED)

Stock options: The Company generally grants stock options to employees at exercise prices equal to the fair market value of the Company's stock at the dates of grant. Stock options may be granted throughout the year, vest immediately, vest based on years of continuous service, or vest upon completion of specified performance conditions. Stock options granted prior to September 12, 2007 expire 10 years following the initial grant date. Stock options granted on or after September 12, 2007 expire 5 years following the initial grant date. The Company recognizes compensation expense for the fair value of the stock options over the requisite service period for each separate vesting portion of the stock option award, or, for awards with performance conditions, when the performance condition is met.

Warrant options: The Company generally grants warrant options to directors and consultants at exercise prices equal to the fair market value of the Company's stock at the dates of grant. Stock warrants and options may be granted throughout the year, vest immediately, vest based on years of continuous service, or vest upon completion of specified performance conditions, and expire 10 years following the initial grant date. The Company recognizes compensation expense for the fair value of the stock options over the requisite service period for each separate vesting portion of the stock option award, or, for awards with performance conditions, when the performance condition is met.

The fair value of each option and warrant award is estimated on the date of grant using the Black-Scholes option-pricing model that uses the assumptions noted in the following table. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options and warrants have characteristics significantly different from those of traded options, and because changes in the subjective assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options and warrants. The expected dividend yield assumption is based on the Company's expectation of dividend payouts. Expected volatilities are based on historical volatility of the Company's stock. The average risk-free interest rate is based on the U.S. treasury yield curve in effect as of the grant date.

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The expected life is primarily determined using guidance from SAB 107. As such, the expected life of the options and warrants is the average of the vesting term and the full contractual term of the options and warrants.

SFAS 123(R) requires the cash flows resulting from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options to be classified as financing cash flows. Due to the Company's loss position, there were no such tax benefits for the years ended December 31, 2007 and 2006. Prior to the adoption of SFAS 123(R), those benefits would have been reported as operating cash flows had the Company received any tax benefits related to stock option exercises.

19. WARRANTS

As a normal business practice, the Company grants warrants to Investors who participate in the financing of the Company. Warrants issued are an additional incentive to the Investors and also provide additional cashflow for the Company upon exercise.

At June 30, 2008, the Company had warrants outstanding that allow the holders to purchase up to 275,906,909 shares of common stock.

At June 30, 2008, the weighted average remaining contractual life of the warrants was approximately 19 months.

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ONE VOICE TECHNOLOGIES INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

19. WARRANTS (CONTINUED)

The number and weighted average exercise prices of the warrants for the six months ended June 30, 2008 and 2007 are as follows:

	SIX MONTHS ENDED			
	JUNE 30, 2008		JUNE 30, 2007	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	276,052,744	\$ 0.014	339,979,838	\$ 0.014
Warrants granted	0	N/A	0	N/A
Warrants exercised	0	N/A	(28,374,806)	N/A
Warrants terminated	(145,835)	N/A	0	N/A
WARRANTS OUTSTANDING AT END OF 2ND QUARTER	275,906,909	\$ 0.014	311,605,032	\$ 0.014

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WARRANTS EXERCISABLE AT END OF 2ND QUARTER	275,906,909	\$ 0.014	311,605,032	\$ 0.
	=====	=====	=====	=====

20. RESTATEMENT OF FINANCIAL STATEMENTS

The Company has restated the financial statements previously issued on Form 10-QSB for period September 30, 2007. The restatement was due to matters relating to the treatment of the issuance of warrants on a cashless basis to our investors that occurred during Q3 of 2007. The restatement and valuation is pursuant to the guidance of FASB 123R.

NINE MONTHS ENDED SEPTEMBER 30, 2007

THE FOLLOWING IS A SUMMARY OF THE RESTATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 (UNAUDITED):

(decrease) in other expense	\$ (393,119)
(decrease) additional paid in capital	(393,119)
(decrease) accumulated deficit	(393,119)

THE FOLLOWING IS A SUMMARY OF THE RESTATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 (UNAUDITED):

Total decrease of 2007 net loss	\$ 393,119
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THE EFFECT ON THE COMPANY'S PREVIOUSLY ISSUED SEPTEMBER 30, 2007 FINANCIAL STATEMENTS ARE SUMMARIZED AS FOLLOWS:

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ONE VOICE TECHNOLOGIES INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

20. RESTATEMENT OF FINANCIAL STATEMENTS (CONTINUED)

	PREVIOUSLY REPORTED	CHANGE	RESTATED
	----- (unaudited)	-----	----- (unaudited)
BALANCE SHEET			

Additional paid in capital	42,391,578	(393,119)	41,998,459
Accumulated deficit	(52,664,176)	393,119	(52,271,057)
	-----	-----	-----
TOTAL STOCKHOLDERS EQUITY	(10,272,598)	--	(10,272,598)
	=====	=====	=====

STATEMENT OF OPERATIONS - THREE MONTHS

Other Income / (Expense)	(223,842)	223,842	-
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NET INCOME / (LOSS)	(223,842)	223,842	-
	=====	=====	=====
STATEMENT OF OPERATIONS - NINE MONTHS			
Other Income / (Expense)	(371,906)	393,119	21,21
	-----	-----	-----
NET INCOME / (LOSS)	(371,906)	393,119	21,21
	=====	=====	=====

21. SUBSEQUENT EVENTS

o CONVERTIBLE DEBT CONVERSIONS

During the period of July 1, 2008 through August 14, 2008 accredited investors converted \$308,286 of convertible debt and accrued interest into 87,419,802 shares of the Company's common stock.

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

OF OPERATIONS

FORWARD-LOOKING STATEMENTS

The information in this report contains forward-looking statements. All statements other than statements of historical fact made in this report are forward looking. In particular, the statements herein regarding industry prospects and future results of operations or financial position are forward-looking statements. These forward-looking statements can be identified by the use of words such as "believes," "estimates," "could," "possibly," "probably," "anticipates," "projects," "expects," "may," "will," or "should" or other variations or similar words. No assurances can be given that the future results anticipated by the forward-looking statements will be achieved. Forward-looking statements reflect management's current expectations and are inherently uncertain. Our actual results may differ significantly from management's expectations.

The following discussion and analysis should be read in conjunction with our financial statements, included herewith. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only the best present assessment of our management.

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: Telefonos de Mexico, S.A.B. de C.V. (TELMEX), Intel Corporation, the Government

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of India, Fry's Electronics, OfficeMax, Inland Cellular, Nex-Tec Wireless, Rural Independent Networks and several additional telecom service providers throughout the United States.

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 messages, 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.

The Company believes 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 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.

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TELECOM SECTOR

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 an astonishing rate. One Voice solutions enable users to send, route and receive text messages using voice from any type of phone (wired or wireless) anywhere in the world.

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 Directory Assistance 411 service.

In 2006, the Company signed a deployment contract with the residential group within TELMEX for deployment of One Voice's MobileVoice solutions to the over 19 million TELMEX subscribers throughout Mexico. The MobileVoice service was launched to TELNOR subscribers, a TELMEX subsidiary, in October, 2007 as a TELNOR branded service called IRIS. For information on IRIS visit <http://www.yosoyiris.com> or <http://www.telnor.com>. The MobileVoice (IRIS) service has tested and performed very well as anticipated. We are working closely with TELNOR to ensure the IRIS service is very successful and the feedback to date has been very positive. We are now working with both the residential and small, medium business (SMB) groups within TELMEX to coordinate a national launch for IRIS in both groups. We are confident this national launch will happen in the coming months. The revenue generated from of a national launch with TELMEX is expected to have a material impact on the Company.

In October 2007 both the Company and Mantec Consultants ("Mantec") entered into a contract with Mahanagar Telephone Nigam Ltd. ("MTNL") of India to provide

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MobileVoice services to MTNL's over 6 million subscribers. Mantec is One Voice's local sales associate in India. MTNL is owned and operated by the Government of India. The Company and Mantec are currently working on deployment of hardware and systems integration with MTNL. According to MTNL, the MobileVoice service will be made available to MTNL's existing 6.13 million subscribers for MobileVoice email by phone service and the total expected customers for this service is .92 million within the first two years. MTNL has set the monthly subscription price of \$1.25 USD monthly per subscriber out of which the Company has a 30% share. We anticipate the MTNL revenue stream to grow as we launch additional MobileVoice services including voice dialing, group call and voice-to-SMS services. In order to expedite the launch with MTNL we decided to initially launch email by phone and the revenue projections given by the marketing department of MTNL reflect the email by phone service only. We anticipate this revenue projection to grow as additional MobileVoice services are launched to MTNL subscribers. We are planning on having our service ready for testing by MTNL by the end of October, 2008. MTNL will then have a 3 month testing period after which revenue generation to the Company will commence. The revenue generated from this launch with MTNL is expected to have a material impact on the Company.

The Company has successfully passed the testing phase with a national yellow pages provider and is now discussing commercial deployment and licensing terms. We anticipate this service would be deployed by year-end 2008.

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EMBEDDED SECTOR

On August 15, 2007 the Company signed a Memorandum of Understanding ("MOU") with Intel Corporation in which both companies will work together to add One Voice's voice technology to a Linux based handheld device. The Company sees a potential opportunity with this mass consumer electronics (CE) device and will apply the necessary resources to co-develop this project. We have been working closely with Intel engineers to add voice control to their Moblin operating system. We have recently demonstrated this capability in the Intel booth at the 2008 Consumer Electronics Show, Mobile World Congress and plan to attend the upcoming Intel Developers Forum. We have also ported our software to RedFlag Linux. Both RedFlag Linux and Moblin are the primary operating systems used on Mobile Internet Devices (MIDs). Both One Voice and Intel have jointly presented our voice solution to several MID OEM's and we have initial confirmation that our software will be bundled on a major OEM's MID for launch in Q4 of 2008.

PC SECTOR

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. We believe that 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 "MCC" (TM) product works with Microsoft Windows XP Media Center Edition 2005 and Microsoft Windows Vista 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

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Instant Message friends and family, all by voice. In May 2008 the company shipped 4,000 units of its Media Center Communicator to Office Max, the Company considers this as the milestone of the products future distribution potential. If successful, this could produce significant future revenue streams.

The Company recently launched a new retail product called VoiceTunes. VoiceTunes allows users to voice control their entire music library including Apple iTunes and Windows Media. This product is similar to our flagship product Media Center Communicator but is very focused on music. VoiceTunes is currently available in major retail stores, examples include FRY's Electronics and Office Max.

In summary, the Company has several products and services that are commercially available today and we will continue to grow our business both domestically and internationally. Management believes the Company's transition into the revenue recognition phase is 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 short and long-term revenues significant enough to fund daily operations, expand the intellectual property portfolio and development of cutting edge solutions and applications for the emerging speech recognition market sector which should build shareholder value.

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, fair value of derivative liabilities and fair value of options or warrants 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.

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The following is a discussion that relates to certain financial transactions and the results of operations for the three months ended June 30, 2008 and 2007.

RESULTS OF OPERATION FOR THE THREE MONTHS ENDED JUNE 30, 2008 AND 2007.

ONE VOICE TECHNOLOGIES INC. SELECTED STATEMENT OF OPERATIONS INFORMATION

THREE MONTHS ENDED	FAV/ (UN FAV) PERCENTAGE
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	JUNE 30, 2008	JUNE 30, 2007	CHANGE	CHANGE
	-----	-----	-----	-----
Net Revenue	\$ 145,373	\$ 152,146	\$ (6,773)	-4%
Cost of goods sold	99,286	94,999	(4,287)	-5%
	-----	-----	-----	-----
GROSS PROFIT	46,087	57,147	(11,060)	-19%
General and administrative expenses	1,102,096	708,483	(393,613)	-56%
Other income (expense)	361,296	1,310,303	(949,007)	-72%
	-----	-----	-----	-----
NET LOSS BEFORE INCOME TAX	(694,713)	658,967	(1,353,680)	-205%
Income tax expense	--	--	--	0%
	-----	-----	-----	-----
Net income / (loss)	\$ (694,713)	\$ 658,967	\$ (1,353,680)	-205%
	=====	=====	=====	=====

REVENUES

Net revenues totaled \$145,373 and \$152,146 for the three months ended June 30, 2008 and 2007, respectively.

COST OF GOODS SOLD

Cost of goods sold for the three months ended June 30, 2008 and 2007 totaled \$99,286 and \$94,999, respectively. The majority of expenses in cost of goods sold relate to monthly recurring licensing agreements and telecommunication expenses that allow our voice recognition products offered to be functional.

GENERAL AND ADMINISTRATIVE EXPENSE

General and administrative expenses totaled \$1,102,096 and \$708,483 for the three months ended June 30, 2008 and 2007, respectively, a expense increase of \$393,613 or 56%. A majority of the increase is attributed to shares being issued in exchange for services. This represents a non-cash expense transaction.

SALARY AND COMPENSATION

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Salary and wage related expenses totaled \$369,016 and \$331,125 for the three months ended June 30, 2008 and 2007, respectively, an increase of \$37,891 or 11%.

ACCOUNTING AND LEGAL

The Company incurred accounting and legal fees of \$84,673 and \$104,393 for the three months ended June 30, 2008 and 2007, respectively, a decrease of \$19,720 or 19%.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense totaled \$11,397 and \$20,628 for the three months ended June 30, 2008 and 2007, respectively, a decrease of \$9,231 or 45%.

OTHER INCOME

Other income totaled \$361,296 and \$1,310,303 for the three months ended June 30, 2008 and 2007, respectively. A income decrease of (\$949,007) or -72%.

Note that a majority of the expense decrease in 2008 can be directly related to non cash income / (expense) activity, more specifically the revaluation of both debt and warrant derivatives.

A brief explanation of the expense decrease is provided below.

Other income (expense) consist of:

- o Interest expense
- o Settlement expense
- o Gain (loss) on warrant / debt derivative liability o Other misc.

See details below.

OTHER INCOME SUMMARY

	THREE MONTHS ENDED	
	JUNE 30, 2008	JUNE 30, 2007
	-----	-----
Interest (expense)	\$ (239,724)	\$ (219,341)
Gain on warrant and debt derivative	601,020	1,507,678
Other (expense)	--	21,966
	-----	-----
TOTAL OTHER INCOME	\$ 361,296	\$ 1,310,303

OTHER INCOME (EXPENSE) (CONTINUED)

INTEREST EXPENSE

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INTEREST EXPENSE SUMMARY

	THREE MONTHS ENDED	
	JUNE 30, 2008	JUNE 30, 2007
	-----	-----
Debt issue cost	\$ 11,764	\$ 79,508
Discount amortization	168,681	93,593
Accrued interest	59,279	45,406
Other / penalties	--	834
	-----	-----
TOTAL	\$ 239,724	\$ 219,341

For three months ended June 30, 2008 and 2007, interest expense was \$239,724 compared to \$219,341 respectively. A increase of \$20,383 or 9%.

Interest expense is composed of three very distinct transactions, which vary in their financial treatment. Below is a brief explanation of the nature and treatment of these expenses.

1. Monthly amortization of debt issue costs related to securing convertible debt Financing (legal fees etc...).

This represents a cash related transaction.

For the three months ended June 30, 2008 and 2007, interest expense related to debt issue costs was \$11,764 compared to \$79,508, respectively.

2. Monthly amortization of the embedded discount features within convertible debt financing.

This represents a non-cash transaction.

For the three months ended June 30, 2008, and 2007, interest expense related to the amortization of discount was \$168,681 compared to \$93,593 respectively.

3. Monthly accrued interest related to notes payable and convertible notes payable financing.

This represents a future cash transaction if the convertible interest accrued is not converted into common stock. No accrued interest related to convertible notes payable has been paid in cash during the three months ended June 30, 2008 and 2007.

For the three months ended June 30, 2008 and 2007, interest expense related to notes payable and convertible notes payable was \$59,279 compared to \$45,406, respectively.

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OTHER INCOME / (EXPENSE) (CONTINUED)

4. Other / misc. (expense) for the three months ended June 30, 2008 and 2007,

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was approximately \$0 compared to \$834 respectively.

(LOSS) ON DEBT DERIVATIVES

For the three months ended June 30, 2008 and 2007, (losses) recorded on debt derivatives were (\$425,160) and (\$97,375) respectively.

GAIN ON WARRANT DERIVATIVES

For the three months ended June 30, 2008 and 2007, gains of \$1,026,180 and 1,605,053 respectively.

OTHER INCOME

For three months ended June 30, 2008 and 2007, the Company incurred \$0 compared to other income \$21,966 respectively.

LIQUIDITY AND CAPITAL RESOURCES

NON-CASH ITEMS AFFECTING THE COMPANY'S NET LOSS

Non-cash related (income) / expense items of items of (\$346,801) are reflected in the net (loss) for the three months ended June 30, 2008. In this example the non-cash expense items are added back, and non cash income items are deducted from the Company's net income / (loss).

Non-cash items consisted of the following items:

	THREE MONTHS ENDED JUNE 30, 2008

Depreciation and amortization	11,397
Stock compensation expense	14,862
Amortization of note discount	168,681
Interest payable related to convertible debt	59,279
(Gain) on warrant and debt derivatives	(601,020)

TOTAL NON-CASH RELATED (INCOME) / EXPENSE ITEMS	(346,801)

The above information is intended to illustrate the impact that these specific expenses have on the Company's net income/(loss). There are no cash transactions that related to these expenses. More specifically, this table is shown to demonstrate the impact that the re-valuation of warrant and debt derivatives have on the income statement. Please note that this table is not in conformity with auditing standards generally accepted in the United States of America.

The following is a discussion that relates to certain financial transactions and

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the results of operations for the six months ended June 30, 2008 and 2007.

RESULTS OF OPERATION FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007.

ONE VOICE TECHNOLOGIES INC. SELECTED STATEMENT OF OPERATIONS INFORMATION

	SIX MONTHS ENDED JUNE 30, 2008	SIX MONTHS ENDED JUNE 30, 2007	FAV/ (UN FAV) CHANGE	PERCENTAGE CHANGE
Net Revenue	\$ 334,125	\$ 362,539 (RESTATED)	\$ (28,414)	-8%
Cost of goods sold	194,211	194,220	(9)	0%
GROSS PROFIT	139,914	168,319	(28,405)	-17%
General and administrative expenses	1,851,632	1,340,088	(511,544)	-38%
Other income (expense)	1,408,296	(4,821,689)	6,229,985	129%
NET LOSS BEFORE INCOME TAX	(303,422)	(5,993,458)	5,690,036	95%
Income tax expense	800	800	--	0%
Net loss	\$ (304,222)	\$ (5,994,258)	\$ 5,690,036	95%

REVENUES

Net revenues totaled \$334,125 and \$362,539 for the six months ended June 30, 2008 and 2007, respectively. The decrease of (\$28,414) or -8% is partially attributable to a sales reserve being recorded in 2008.

COST OF GOODS SOLD

Cost of goods sold for the six months ended June 30, 2008 and 2007 totaled \$194,211 and \$194,220 respectively. The majority of expenses in cost of goods sold relate to monthly recurring licensing agreements and telecommunication expenses that allow our voice recognition products offered to be functional.

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GENERAL AND ADMINISTRATIVE EXPENSE

General and administrative expenses totaled \$1,851,632 and \$1,340,088 for the six months ended June 30, 2008 and 2007, respectively, an expense increase of \$511,544 or 38%. A majority of the increase is attributed to shares being issued in exchange for services. This represents a non-cash expense transaction.

SALARY AND COMPENSATION

Salary and wage related expenses totaled \$709,184 and \$640,325 for the six months ended June 30, 2008 and 2007, respectively, an increase of \$68,859 or 11%.

ACCOUNTING AND LEGAL

The Company incurred accounting and legal fees of \$159,094 and \$215,513 for the six months ended June 30, 2008 and 2007, respectively, a decrease of \$56,419 or 26%. A majority of the decrease in 2008 is attributable to decreased legal fees in 2008.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense totaled \$145,468 and \$45,868 for the six months ended June 30, 2008 and 2007, respectively, an increase of \$99,600 or 217%. The increase of \$99,600 was mostly due to the full depreciation of capitalized costs associated the design and development of a product. The products completion and launch timeframe could not be accurately estimated by management, therefore it was decided to fully depreciate the costs.

OTHER INCOME (EXPENSE)

Other income / (expense) totaled \$1,408,296 and (\$4,821,689) for the six months ended June 30, 2008 and 2007, respectively. A expense decrease of \$6,229,985 or 129%.

Note that a majority of the expense decrease in 2008 can be directly related to non cash income / (expense) activity, more specifically the revaluation of both debt and warrant derivatives.

A brief explanation of the expense decrease is provided below.

Other income (expense) consist of:

- o Interest expense
- o Settlement expense
- o Gain (loss) on warrant / debt derivative liability
- o Other misc.

See details below.

OTHER INCOME / (EXPENSE) SUMMARY

SIX MONTHS ENDED	
JUNE 30,	JUNE 30,
2008	2007

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Interest (expense)	\$ (494,478)	\$ (489,963)
Gain (loss) on warrant and debt derivative	1,902,774	(4,353,739)
Other income	--	22,013
	-----	-----
TOTAL OTHER INCOME / (EXPENSE)	\$ 1,408,296	\$ (4,821,689)

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OTHER INCOME (EXPENSE) (CONTINUED)

INTEREST EXPENSE

INTEREST EXPENSE SUMMARY

	SIX MONTHS ENDED	
	JUNE 30, 2008	JUNE 30, 2007
	-----	-----
Debt issue cost	\$ 29,077	\$ 162,222
Discount amortization	352,136	242,134
Accrued interest	113,265	82,206
Other / penalties	--	3,401
	-----	-----
TOTAL	\$ 494,478	\$ 489,963

For six months ended June 30, 2008 and 2007, interest expense was \$494,478 compared to \$489,963 respectively. A increase of \$4,515 or 1%.

Interest expense is composed of three very distinct transactions, which vary in their financial treatment. Below is a brief explanation of the nature and treatment of these expenses.

1. Monthly amortization of debt issue costs related to securing convertible debt Financing (legal fees etc...).

This represents a cash related transaction.

For the six months ended June 30, 2008 and 2007, interest expense related to debt issue costs was \$29,077 compared to \$162,222, respectively.

2. Monthly amortization of the embedded discount features within convertible debt financing.

This represents a non-cash transaction.

For the six months ended June 30, 2008, and 2007, interest expense related to the amortization of discount was \$352,136 compared to \$242,134 respectively.

3. Monthly accrued interest related to notes payable and convertible notes payable financing.

This represents a future cash transaction if the convertible interest accrued is

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not converted into common stock. No accrued interest related to convertible notes payable has been paid in cash during the six months ended June 30, 2008 and 2007.

For the six months ended June 30, 2008 and 2007, interest expense related to notes payable and convertible notes payable was \$113,265 compared to \$82,206, respectively.

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OTHER INCOME / (EXPENSE) (CONTINUED)

4. Other / misc. (expense) for the six months ended June 30, 2008 and 2007, was approximately \$0 compared to (\$3,401) respectively.

GAIN ON DEBT DERIVATIVES

For the six months ended June 30, 2008 and 2007, non-cash losses recorded on debt derivatives were (\$49,781) and (\$45,638) respectively.

GAIN / (LOSS) ON WARRANT DERIVATIVES

For the six months ended June 30, 2008 and 2007, non-cash gains of \$1,952,555 were recorded, compared to non-cash (losses) of (\$4,308,101) respectively.

OTHER INCOME / (EXPENSE)

For six months ended June 30, 2008 and 2007, the Company incurred \$0 compared to other income \$22,013 respectively.

LIQUIDITY AND CAPITAL RESOURCES

NON-CASH ITEMS AFFECTING THE COMPANY'S NET LOSS

Non-cash related (income) / expense items of items of (\$1,230,857) are reflected in the net (loss) for the six months ended June 30, 2008. In this example non-cash expense items are added back, and non-cash income items are deducted from the Company's net income / (loss).

Non-cash items consisted of the following items:

	SIX MONTHS ENDED JUNE 30, 2008 -----
Depreciation and amortization	145,468
Stock compensation expense	61,048
Amortization of note discount	352,136
Interest payable related to convertible debt	113,265
(Gain) on warrant and debt derivatives	(1,902,774)

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TOTAL NON-CASH RELATED (INCOME) / EXPENSE ITEMS (1,230,857)

The above information is intended to illustrate the impact that these specific expenses have on the Company's net income/(loss). There are no cash transactions that related to these expenses. More specifically, this table is shown to demonstrate the impact that the re-valuation of warrant and debt derivatives have on the income statement. Please note that this table is not in conformity with auditing standards generally accepted in the United States of America.

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CASH FLOW AND WORKING CAPITAL

At June 30, 2008, the Company had a working capital deficit of \$7,597,484 as compared with a working capital deficit of \$7,412,770 at December 31, 2007.

Net cash used for operating activities is \$828,867 for the six months ended June 30, 2008 compared to \$698,500 for the six months ended June 30, 2007.

Net cash used for investing activities is (\$3,221) for the six months ended June 30, 2008 compared to net cash provided of \$2,151 for the six months ended June 30, 2007.

Net cash provided by financing activities is \$840,000 for the six months ended June 30, 2008 compared to \$696,157 for the three months ended June 30, 2007.

See financing transaction details below.

FINANCING TRANSACTIONS

The following is a discussion that summarizes the net financing and conversion activities for the six months ended June 30, 2008 and year ended December 31, 2007.

NET CASH PROCEEDS RECEIVED DUE TO FINANCING ACTIVITY

	SIX MONTHS ENDED JUNE 30, 2008	YEAR ENDED DECEMBER 31, 2007
	-----	-----
Warrant exercise	--	253,360
Convertible debt financing	--	195,000
Revolving line of credit net of pay down	840,000	1,256,462
	-----	-----
TOTAL FINANCING ACTIVITY	\$ 840,000	\$ 1,704,822
	=====	=====

ISSUANCE OF CONVERTIBLE NOTES PAYABLE SUMMARY

SIX MONTHS ENDED	YEAR ENDED
------------------	------------

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ISSUANCE SUMMARY	JUNE 30, 2008 -----	DECEMBER 31, 2007 -----
Principal	\$ --	\$ 420,000
Warrants issued A&B	--	10,000,000

CONVERSION SUMMARY	SIX MONTHS ENDED JUNE 30, 2008 -----	YEAR ENDED DECEMBER 31, 2007 -----
Principal and interest Converted	\$ 546,313	\$ 481,359
Shares converted	76,552,946	49,190,842
Average share conversion price	\$ 0.007	\$ 0.010

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COMMON STOCK

The following is a summary of transactions that had an impact on equity:

	SIX MONTHS ENDED JUNE 30, 2008		
	SHARES ISSUED	AVERAGE SHARE PRICE	VALUE
	-----	-----	-----
Debt conversions	76,552,946	\$0.007	\$ 546,313
Issuance of stock in exchange for services	62,205,359	0.009	576,406
Stock to be issued in exchange for interest conversion	--	--	--
Warrant exercise	--	--	--
Warrant exercise cashless	--	--	--
Shares in escrow	11,878,896	0.010	113,087
	-----	-----	-----
Total	150,637,201	\$0.008	\$ 1,235,806

REVOLVING CREDIT NOTE PAYABLE

On December 21, 2006, the Company completed a private placement pursuant to a Revolving Credit Note Agreement which the Company entered into with several institutional investors, pursuant to which the Investors subscribed to advance up to a maximum amount of \$640,000 bearing an interest rate of 7%. The term of the agreement shall be effective as of December 21, 2006 and shall be in full force and effect until the earliest to occur of (a) 12 months from December 21, 2006 (B) a date not less than thirty days after Lender gives notice of termination to the Company.

The original Revolving Credit Note agreement has been amended eleven times during the term of the agreement. The amendments increased the maximum borrowing

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by the Company to an amount of \$2,270,000 and extended the maturity date to June 21, 2009.

Since inception the Company has borrowed \$2,395,000 against the revolving note. During the same period the Company paid \$58,538 against the outstanding balance for a total net borrowing of \$2,336,462 since inception. All borrowings are used to cover recurring operating expenses by the Company.

As of June 30, 2008 the outstanding principal amount owed to the Investors is \$2,336,462. Interest accrued on the outstanding principal is \$135,745 as of June 30, 2008.

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FUTURE CAPITAL OUTLOOK

The Company will continue to rely heavily on our current method of convertible debt and equity funding, proceeds borrowed from the revolving line of credit and the sale of warrants. The (losses) of (\$51,210,834) through the period ended June 30, 2008 are due to minimal revenues and recurring operating expenses, with a majority of expenses in the areas of: salaries, accounting fees, legal fees, licensing costs along with a majority of expense incurred being non-cash related. The Company faces 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, collection of monthly accounts receivable 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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

N/A

ITEM 4T. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer ("CEO"), President, and Interim Chief Financial Officer ("CFO"), has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by

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this Report (June 30, 2008). Based on such evaluation, our Chief Executive Officer, President, and Interim Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer, President, and Interim Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15 (f) under the Exchange Act) during the second quarter of 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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Part II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm business. Except as disclosed below we are currently not aware of any such legal proceedings or claims that will have, individually or in the aggregate, a material adverse affect on business, financial condition or operating results. There has been no bankruptcy, receivership or similar proceedings.

On August 23, 2007, the Company entered into a Settlement Agreement and Mutual Release with La Jolla Cove Investors, Inc. ("LJCI") pursuant to which we agreed with LJCI 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 a legal proceeding in the San Diego County Superior Court (the "Court") entitled La Jolla Cove Investors, Inc. vs. One Voice Technologies, Inc., Case No. GIC850038 (the "Action") for a total amount owed of \$408,594.48 (the "Owed Amount"). Under the Settlement Agreement dated August 23, 2007, the parties reached a final resolution with respect to such Owed Amount whereby (i) LJCI shall receive \$200,000 within 15 days of the date of the Agreement and (ii) the difference between the Owed Amount and \$200,000 shall be payable at a later date (the "Remaining Owed Amount"). The payment of the Remaining Owed Amount shall be made to LJCI in the following manner:

- o Concurrently with the execution of the Agreement, the Company shall transfer to an independent escrow agent, on behalf of LJCI, all right, title and interest to 30,000,000 shares of Common Stock of the Company (the "Escrow Shares"), issued in 30 increments of 1,000,000 shares. On the one year anniversary of the Agreement, 1,000,000 Escrow Shares shall be released to LJCI whereby LJCI shall be able to sell such shares in open market transactions provided such sales do not exceed more than 14% of the corresponding daily

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volume of such shares on the trading market on which the Company's securities are sold. LJCI shall continue to receive the Escrow Shares, provided they satisfy the volume limitation set forth above and LJCI's ownership of the Company's common stock does not exceed 4.99% of the Company's then issued and outstanding shares of common stock, until the Remaining Owed Amount is satisfied;

- o Upon notice from LJCI that the Remaining Owed Amount has been satisfied by the sale of the Escrow Shares either (i) Alpha Capital Ansalt ("Alpha") shall have the ability within 15 business days to purchase any remaining Escrow Shares at a 20% discount to the current market price of the shares or (ii) if Alpha does not exercise its right to purchase the shares, the Company shall have the ability to redeem the remaining Escrow Shares within 5 business days.
- o At anytime while the Remaining Owed Amount is outstanding, the Company or Alpha may pay in cash to LJCI an amount equal to the Remaining Owed Amount and either (i) Alpha shall have the ability within 15 business days to purchase any remaining Escrow Shares at a 20% discount to the current market price of the shares or (ii) if Alpha does not exercise its right to purchase the shares, the Company shall have the ability to redeem the remaining Escrow Shares within 5 business days.

LJCI has contractually agreed to restrict their ability to exercise the Escrow Shares such that the number of shares of the Company common stock held by it does not exceed 4.99% of the Company's then issued and outstanding shares of common stock.

Upon receipt of the Owed Amount, LJCI will file a Satisfaction of Judgment in the appropriate court and grant the Company a release from any and all actions related to the Action.

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ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in Part I, "Risk Factors," of the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007, other than to update certain financial information as of and for the six months ended June 30, 2008 regarding the following risk factors.

WE HAVE A HISTORY OF LOSSES. WE MAY 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 six months ended June 30, 2008 and 2007, we incurred a net (loss) of (304,222) compared to a net (loss) of (\$5,994,258), respectively.

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.

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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:

- o Establish and maintain broad market acceptance of our products and services and convert that acceptance into direct and indirect sources of revenues.
- o Maintain and enhance our brand name.
- o Continue to timely and successfully develop new products, product features and services and increase the functionality and features of existing products.
- o Successfully respond to competition, including emerging technologies and solutions.
- o 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 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.

As a result of 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.

For these reasons, you should not rely solely 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.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES

UNREGISTERED SALES OF EQUITY SECURITIES

The securities described below represent our securities sold by us for the period starting January 1, 2007 thru June 30, 2008 that were not registered

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under the Securities Act of 1933, as amended, all of which were issued by us pursuant to exemptions under the Securities Act.

SALES OF WARRANTS FOR CASH

During the year ended December 31, 2007 a total of 39,126,855 warrants were exercised at an average price of \$0.006. As a result the Company received cash proceeds of \$253,360. The shares were issued pursuant to an exemption under Section 4(2) of the Securities Act of 1933.

No warrants were sold during the six months ended June 30, 2008.

All proceeds from the above transactions were used to fund normal operating expenses incurred by the Company.

ISSUANCE OF WARRANTS ON A CASHLESS BASIS

From time to time warrants can be exercised on a cashless basis if certain conditions exist. If warrants are held for a certain period of time and there is no effective registration statement for these warrants, the holder of these warrants may exercise them on a cashless basis. The result is the Company issuing restricted shares pursuant to rule 144 or 144K, no cash is received by the Company. The number of shares issued are discounted according the subscription agreement formula. EX: The Company issues 1,000,000 restricted shares and the holder forfeits 1,500,000 of their warrants.

During the year ended December 31, 2007 approximately 23,971,458 warrants were issued on a cashless basis and 34,566,902 warrants were forfeited.

No cashless warrants were exercised during the six months ended June 30, 2008.

The shares were issued pursuant to an exemption under Section 4(2) of the Securities Act of 1933.

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SHARES IN ESCROW

On May 2, 2008 and August 23, 2007, the Company issued 11,878,896 and 30,000,000 shares of the Company's restricted common stock valued at \$113,087 and \$600,000, respectively. The shares were put into an independent 3rd party escrow account on behalf of La Jolla Cove Investors Inc. These shares relate to a legal settlement on August 23, 2007 between the Company and La Jolla Cove Investors Inc. The shares were issued pursuant to an exemption under Section 4(2) of the Securities Act of 1933.

See Item 1 Legal Proceedings for additional details.

ISSUANCES OF STOCK FOR SERVICES OR IN SATISFACTION OF OBLIGATIONS

During the six months ended June 30, 2008 and the year ended December 31, 2007, the Company issued a total of 62,205,359 and 11,443,921 shares of restricted common stock to in exchange for services rendered. The services are related to

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monthly licensing fees, outside consulting fees, convertible note documentation and administration fees, interest owed and other monetary obligations. The services were valued at approximately \$576,406 and \$220,534, respectively.

The above transactions were granted in lieu of cash payment to satisfy the debt and obligation.

The shares were issued pursuant to an exemption under Section 4(2) of the Securities Act of 1933.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

The Company is currently in default of a portion of the following Convertible debt financing agreements as of June 30, 2008:

Entered into -----	Maturity Date -----	Principal balance in default -----
March 17, 2006	March 17, 2008	\$250,000
May 5, 2006	May 5, 2008	\$108,000
Total		\$358,000

The Company is currently negotiating an amended maturity date with investors in default and feels confident that the either the unconverted balance will be converted in the near future, or the maturity date will be extended.

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

Not Applicable.

ITEM 5. OTHER INFORMATION

Not Applicable.

ITEM 6. EXHIBITS:

- 31 Certification of the Chief Executive Officer and Interim Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32 Certification Chief Executive Officer and Interim Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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

ONE VOICE TECHNOLOGIES, INC.,
A NEVADA CORPORATION

DATE: August 14, 2008

BY: /S/ DEAN WEBER

DEAN WEBER, CHAIRMAN, CHIEF EXECUTIVE OFFICER
(PRINCIPAL EXECUTIVE OFFICER) AND INTERIM
CHIEF FINANCIAL OFFICER (PRINCIPAL ACCOUNTING
AND FINANCIAL OFFICER)