ONE VOICE TECHNOLOGIES INC
Form 10-Q
May 20, 2009

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 MARCH 31, 2009

COMMISSION FILE NUMBER 0-27589

ONE VOICE TECHNOLOGIES, INC.
(Name of Small Business Issuer in its Charter)

NEVADA	95-4714338
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

7825 Fay Avenue, Suite 200, La Jolla CA 92037
(Address of principal Executive Offices) (Zip Code)

(866) 823-1432	(858) 754-1276
(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [_] 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 filed," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [_] Accelerated filer [_] on-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 May 20, 2009 the registrant had 1,290,000 shares of common stock, $.001 par value, issued and outstanding.

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

One Voice Technologies, Inc
Balance Sheet

Assets	March 31, 2009 (UNAUDITED)	December 31, 2008 (AUDITED)
Current Assets		
Cash and cash equivalents	$ -	$ 666
Accounts receivable, net	70,937	95,840
Inventories	20,329	20,479
Prepaid expenses	32,160	41,130
Total Current Assets	123,426	158,115
Fixed and Intangible assets		
Property and Equipment, net of accumulated depreciation	22,262	26,455
Intangible assets, net of accumulated amortization	21,101	26,024
Total Fixed and Intangible Assets	43,363	52,479
Other Assets		
Deposits	4,732	4,732
Total Other Assets	4,732	4,732
Total Assets	$ 171,521	$ 215,326
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable	$ 551,154	$ 539,562
Accrued expenses	908,917	821,452
Settlement agreement liability	137,400	173,091
License agreement liability	1,302,000	1,267,500
Current notes payable	176,471	133,264
Debt derivative liability	1,767,342	1,805,482
Warrant derivative liability	128,064	31,266
Convertible notes payable, net	546,000	546,000
Revolving line of credit	2,493,508	2,374,621
Total Current Liabilities	8,010,856	7,692,238
Long term notes payable	24,535	67,742
Total Liabilities	8,035,391	7,759,980
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; 1,290,000,000 and 1,218,581,701 issued and outstanding as of March 31, 2009 and December 31, 2008 respectively		1,290,000		1,218,582
Additional paid-in capital		43,934,875		43,920,439
Escrow Shares		(713,087)		(713,087)
Accumulated deficit		(52,375,658)		(51,970,588)
Total Stockholders' Deficit		(7,863,870)		(7,544,654)
Total Liabilities and Stockholders' Deficit	$	171,521	$	215,326

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

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One Voice Technologies, Inc
Statements of Operations
UNAUDITED

	THREE MONTH ENDED MARCH 31, 2009	2008
Revenue		
Net Revenue	$ 81,316	$ 188,753
Cost of good sold	53,614	94,926
Gross profit	27,702	93,827
Operating Expenses		
Selling, general and administrative	350,478	749,536
Research and development	-	-
Total Operating Expenses	350,478	749,536
Loss from Operations	(322,776)	(655,709)
Other Income (Expense)		
Interest expense	(59,327)	(254,754)
Gains (loss) from change in derivative liability	(58,658)	1,301,754
Other income (expense)	35,691	-
Total Other Income (Expense)	(82,294)	1,047,000
Net income before taxes	(405,070)	391,291
Income taxes	-	(800)
NET INCOME	$ (405,070)	$ 390,491
Income Per Share		
Basic and diluted	$ (0.00)	$ 0.00
Number of shares used in calculation of loss per share		
Basic and diluted	1,267,799,716	753,124,000

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

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One Voice Technologies, Inc
Statements of Cash Flows
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 2009	2008
Cash Flows from Operating Activities:		
Net loss	$ (405,070)	$ 390,491
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	9,116	134,069
Debt issue costs and debt discount amortization	-	200,768
(Gain) loss on debt derivative liability	(38,140)	(399,379)
(Gain) loss on warrant derivative liability	96,798	(926,375)
Common stock issued for services rendered	-	47,405
Common stock issued for liquidated damages	-	24,000
Stock based compensation	14,436	46,187
Non cash interest expense	-	-
Settlement liability	(35,691)	-
License agreement liability	34,500	40,500
Changes in certain assets and liabilities		
Accounts receivable	24,903	(17,213)
Inventory	150	(1,319)
Prepaid expenses	8,970	(30,335)
Accounts payable	11,593	(2,173)
Accrued expenses	94,271	27,886
Deferred rent	-	609
Net Cash Used in Operating Activities	(184,164)	(464,879)
Cash Flows from Financing Activities:		
Proceeds from revolving line	183,498	450,000
Net Cash Provided by Financing Activities	183,498	450,000
Net Increase (Decrease) in Cash and Cash Equivalents	(666)	(14,879)
Cash and Cash Equivalents - Beginning of Year	666	14,879
Cash and Cash Equivalents - End of Year	$ -	$ -
Supplemental Disclosure of Cash Flow Information:		
Cash Paid during the year for:		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ 800
Supplemental Disclosure of Non-cash Investing and Financing Activities:		

Common stock issued upon conversion of debt	$ 71,418	$ 249,582

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

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

1. DESCRIPTION OF BUSINESS

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 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, 2008. 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 March 31, 2009, and results of operations for the three months ended March 31, 2009 and 2008. The results of operations for the three months ended March 31, 2009 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 $52,375,658 and used cash from operations of 184,164 during the three months ended March 31, 2009. The Company also has a working capital deficit of $7,887,430 of which $1,895,406 represents non-cash warrant and debt derivative liabilities.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company also has a stockholders' deficit of $7,863,870 as of March 31, 2009. 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.

CASH AND CASH EQUIVALENTS

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

ACCOUNTS RECEIVABLE

Trade accounts receivable are stated at amounts billed to and due from clients, net of an allowance for doubtful accounts. Credit is extended based on evaluation of a client’s financial condition, and collateral is not required. In determining the adequacy of the allowance, management identifies specific receivables for which collection is not certain and estimates the potentially uncollectible amount based on the most recently available information. We write off accounts receivable when they are determined to be uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. As of March 31, 2009 and December 31, 2008, the Company had a reserve for doubtful accounts of 174,952 and 135,289, respectively.

CONCENTRATION OF CUSTOMER

The Company generated 82% of total revenues from three major customers in the period ended March 31, 2009. The accounts receivable balance for these customers at March 31, 2009 represented 77% of the total net accounts receivable.

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").

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. The Company ships a portion of its hardware and software products on consignment. Revenue for these products is recognized when title passes to the end consumer. These products are included in the Company's inventory totals for the years ended December 31, 2008 and 2007.

Revenue is recognized on service contracts using the proportional-performance method. The Company uses the proportional-performance method when a service contract involves an unspecified number of acts over a fixed time period for performance. Revenue is recognized over the period during which the acts will be performed by using the straight-line method.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 March 31, 2009, 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 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.

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 host 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 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 9 and 10 in the accompanying footnotes to the financial statements for additional details.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED DEBT ISSUE COST

The costs relating to obtaining and securing debt financing are capitalized and 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 three months ended March 31, 2009 and year ended December 31, 2008, the Company has no deferred debt issue costs outstanding.

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 three months ended March 31, 2009 and 2008 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:

	THREE MONTHS ENDED MARCH 31, 2009	THREE MONTHS ENDED MARCH 31, 2008
NUMERATOR - basic net income (loss)	$ (405,070)	$ 390,491
DENOMINATOR- BASIC		
Weighted average common shares outstanding	1,267,799,716	753,124,000
DENOMINATOR-DILUTIVE		
Weighted average common shares outstanding	--	851,252,000
TOTAL BASIC AND DILUTED SHARES	1,267,799,716	1,604,376,000
NET INCOME (LOSS) PER SHARE- BASIC	$ (0.00)	$ 0.00
NET INCOME (LOSS) PER SHARE- DILUTED	$ (0.00)	$ 0.00

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET LOSS PER COMMON SHARE (CONTINUED)

	THREE MONTHS ENDED MARCH 31,	
	2009	2008
POTENTIAL DILUTIVE COMMON SHARES:		
Convertible debentures	2,963,487,784	144,543,651
Options	61,434,000	55,459,000
Warrants	262,923,939	331,979,838
Escrow shares	41,878,896	0
TOTAL POTENTIAL DILUTIVE SHARES	3,287,845,723	531,982,489

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 three months ended March 31, 2009 and 2008, the Company recorded $14,436 and $46,187 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 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 months ended March 31, 2009 and 2008, the Company's comprehensive income (loss) had equaled its net income (loss). Accordingly, a statement of comprehensive loss is not presented.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS

In April 2009, the FASB issued FSP FAS 157-4, “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly.” This FSP provides additional guidance for estimating fair value in accordance with FASB Statement No. 157, Fair Value Measurements, when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. This FSP emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. FSP FAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and is applied prospectively. We do not believe that the implementation of this standard will have a material impact on our financial statements.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, “Interim Disclosures about Fair Value of Financial Instruments”. This FSP amends FASB Statement No. 107, “Disclosures about Fair Value of Financial Instruments” to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion No. 28, Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods. FSP FAS 107-1 and APB 28-1 are effective for interim and annual reporting periods ending after June 15, 2009. We do not believe that the implementation of this standard will have a material impact on our financial statements.

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, “Recognition and Presentation of Other-Than-Temporary Impairments”. This FSP amends the other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments in the financial statements. The most significant change the FSP brings is a revision to the amount of other-than-temporary loss of a debt security recorded in earnings. FSP FAS 115-2 and FAS 124-2 are effective for interim and annual reporting periods ending after June 15, 2009. We do not believe that the implementation of this standard will have a material impact on our financial statements.

In March 2009, FASB unanimously voted for the FASB “Accounting Standards Codification” (the “Codification”) to be effective beginning on July 1, 2009. Other than resolving certain minor inconsistencies in current United States Generally Accepted Accounting Principles (“GAAP”), the Codification is not supposed to change GAAP, but is intended to make it easier to find and research GAAP applicable to particular transactions or specific accounting issues. The Codification is a new structure which takes accounting pronouncements and organizes them by approximately ninety accounting topics. Once approved, the Codification will be the single source of authoritative U.S. GAAP. All guidance included in the Codification will be considered authoritative at that time, even guidance that comes from what is currently deemed to be a non-authoritative section of a standard. Once the Codification becomes effective, all non-grandfathered, non-SEC accounting literature not included in the Codification will become non-authoritative.

The Company has adopted all recently issued accounting pronouncements. The adoption of the accounting pronouncements, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

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.

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

3. PREPAID EXPENSES

	THREE MONTHS ENDED March 31, 2009	YEAR ENDED December 31, 2008
Rents	8,514	8,514
Business and health insurance	--	8,971
Assets held for use in 2009 launch	23,646	23,645
TOTAL	$ 32,160	$ 41,130

4. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	THREE MONTHS ENDED March 31, 2009	YEAR ENDED December 31, 2008
Computer equipment	731,281	731,281
Website development	38,524	38,524
Equipment	1,565	1,565
Furniture and fixtures	9,430	9,430
Telphone equipment	5,365	5,365
Molds and tooling	120,217	120,214
TOTAL	906,382	906,379
Less accumulated depreciation	(884,120)	(879,924)
NET PROPERTY AND EQUIPMENT	$ 22,262	$ 26,455

	THREE MONTHS ENDED March 31, 2009	YEAR ENDED December 31, 2008
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	(3,255,143)	(3,250,220)
NET INTANGIBLE ASSETS	$ 21,101	$ 26,024

Depreciation and amortization expense totaled $9,116 and $134,069 for the three months ended March 31, 2009 and 2008, respectively.

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

5. ACCRUED EXPENSES

	THREE MONTHS ENDED March 31, 2009		YEAR ENDED December 31, 2008	
Accrued salaries	$	283,094	$	260,154
Accrued vacation & 401k		106,273		101,468
Accrued interest		437,651		385,129
Accrued commission		1,026		1,026
Accrued taxes		28,460		25,917
Bank overdraft		4,580		--
Accrued payables (other)		47,833		47,758
TOTAL	$	908,917	$	821,452

6. 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:

- 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;

- 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.

- 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.

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

6. SETTLEMENT AGREEMENT LIABILITY (CONTINUED)

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.

7. 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 March 31th and December 31st of each year). In lieu of scheduled payments, in 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:

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 March 31, 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 March 31, 2009 the note payable balance due Philips Speech Processing was $1,302,000.

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

8. 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 March 31, 2009 the short term note payable balance due Maguire Properties-Regents Square LLC was $76,471 with the remaining balance classified as long term notes payable. The Company has not made any payments towards this note, but has continued to accrue interest at the stated rate of 10% per annum.

On August 8, 2003 the Company entered into a note payable in the amount of $100,000 with an interest rate of 8% per annum. The note matured on August 8, 2008, but remains outstanding in full at March 31, 2009 . As of March 31, 2009, the Company is on default on this note.

9. 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:

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

As a result of the valuation conducted as of March 31, 2009 the Company has incurred a net non-cash gain of $38,140 for the three months ended March 31, 2009.

The liability valuation calculated at March 31, 2009 and December 31, 2008, resulted in the fair value of the debt derivative liability being $1,767,342 and $1,805,482 respectively.

10. 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 March 31, 2009 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 net non-cash (loss) of ($96,798) for the three months ended March 31, 2009.

The liability valuation calculated at March 31, 2009 and December 31, 2008, resulted in the fair value of the warrant derivative liability being $128,064 and $31,266, respectively.

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

11. 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, 2008 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 [c1] account belonging to Investors. The lockbox proceeds are to be 100% applied towards any outstanding principal amount owed by the Company. On January 10, 2008 the lockbox was terminated and subsequently all future "Receivables" go directly to the Company and the Company is no longer obligated to apply any Receivables towards paying outstanding amount owed. In addition, 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 seventeen times since inception. The amendments increased the maximum borrowing by the Company to an amount of $2,851,000. 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.

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 $2,851,000 against the revolving note. During the same period the Company paid $357,492 against the outstanding balance for a total net borrowing of $2,493,508 since inception. All borrowings are used to cover recurring operating expenses by the Company.

As of March 31, 2009 the outstanding principal amount owed to the Investors is $2,493,508. Interest accrued on the outstanding principal is $255,546 as of March 31, 2009.

12. 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 March 31, 2009 the long term notes payable balance due Maguire Properties-Regents Square LLC. was $24,535 with the remaining balance of $76,471 being classified as short term notes payable.

At March 31, 2009 and December 31, 2008 the principal balance on the notes payable was $24,535 and $67,742, respectively. Accrued interest as of March 31, 2009 is $8,873.

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

13. CONVERTIBLE NOTES PAYABLE SUMMARY

ISSUANCE SUMMARY

	THREE MONTHS ENDED MARCH 31, 2009	YEAR ENDED DECEMBER 31, 2008
Principal	$ -	$ 420,000
Warrants issued A&B	-	10,000,000

CONVERSION SUMMARY

	THREE MONTHS ENDED MARCH 31, 2009	YEAR ENDED DECEMBER 31, 2008
Principal Converted	$ 71,418	$ 1,304,671
Shares converted	71,418,299	406,250,697
Average share conversion price	$ 0.001	$ 0.003

During the three months ended March 31, 2009 and year ended December 31, 2008, $71,418 and $1,304,671 of notes payable and accrued interest was converted into 71,418,299 and 406,250,697 shares of the Company's common stock at an average conversion price of $0.001 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 three months ended March 31, 2009.

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.

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

14. COMMON STOCK

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

	THREE MONTHS ENDED MARCH 31, 2008			YEAR ENDED DECEMBER 31, 2008		
	SHARES ISSUED	AVERAGE SHARE PRICE	VALUE	SHARES ISSUED	AVERAGE SHARE PRICE	VALUE
Debt conversions	71,418,299	0.001	71,418	406,250,697	0.003	1,304,671
Issuance of stock in exchange for services	-	-	-	59,205,359	0.009	552,407
Stock issued for liquidated damages	-	-	-	3,000,000	0.007	24,000
Shares in escrow	-	-	-	11,878,896	0.010	113,087
Total	71,418,299	0.001	71,418	480,334,952	0.004	1,994,165

CONVERTIBLE DEBT CONVERSION BY INVESTOR

During the three months ended March 31, 2009 the Company issued 71,418,299 shares of its restricted common stock having a market value of $71,418 as settlement of convertible debt.

15. OTHER INCOME (EXPENSE)

Other income / (expense) totaled $(82,294) and $1,047,000 for the three months ended March 31, 2009 and 2008, respectively.

Other income (expense) consist of:

OTHER INCOME / (EXPENSE) SUMMARY

	THREE MONTH ENDED MARCH 31, 2009	2008
Interest expense	$ (59,327)	$ (254,754)
Gain / (Loss) on warrant and debt derivatives	(58,658)	1,301,754
Other income	35,691	--
Total other income / (expense)	$ (82,294)	$ 1,047,000

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

15. OTHER INCOME (EXPENSE) (CONTINUED)

INTEREST EXPENSE

INTEREST EXPENSE SUMMARY

	THREE MONTHS ENDED MARCH 31,	
	2009	2008
Debt issue cost	--	17,313
Discount amortization	--	183,455
Interest	59,327	253,986
TOTAL	$ 59,327	$ 254,754

For three months ended March 31, 2009 and 2008, interest expense was $59,327 compared to $254,754 respectively. A decrease of $195,427 or 77%.

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 March 31, 2009 and 2008, interest expense related to debt issue costs was $0 compared to $17,313, respectively.

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

This represents a non-cash transaction.

For the three months ended March 31, 2009, and 2008, interest expense related to the amortization of discount was $0 compared to $183,455 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 March 31,2009 and 2008.

For the three months ended March 31, 2009 and 2008, interest expense related to notes payable and convertible notes payable was $59,327 compared to $253,986, respectively.

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

15. OTHER INCOME / (EXPENSE) (CONTINUED)

GAIN ON DEBT DERIVATIVES

For the three months ended March 31, 2009 and 2008, non-cash gain recorded on debt derivatives were $38,140 and $375,379 respectively.

See Note 9 in the accompanying notes to the financial statements for a full description of the nature of debt derivative transactions.

LOSS ON WARRANT DERIVATIVES

For the three months ended March 31, 2009 and 2008, non-cash losses recorded on warrant derivatives were ($96,798) and ($5,913,154) respectively.

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

16. COMMITMENTS AND CONTINGENCIES

The Company leases its facilities under a leases that expires in 2009. The Company does not have future minimum rental payments required under operating leases that have non cancelable lease terms in excess of one year as of March 31, 2009.

Rent expense amounted to $17,026 and $31,783 for the three months ended March 31, 2009 and 2008 respectively. The decrease of 14,757 is attributed to the relocation of the corporate office in March 2009 to a less expensive facility.

17. INCENTIVE AND NONQUALIFIED STOCK OPTION PLAN

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

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

17. 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.

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 March 31, 2009 was $0. The intrinsic value of $0 is due to the closing stock price at March 31, 2009 of $0.007 being lower than any vested option grant price.

For the three months ended March 31, 2009 and 2008, there was approximately $14,436 and $46,187 of total compensation expense recorded by the Company related to share-based compensation.

As of March 31, 2009, there was approximately $28,872 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 March 31, 2009 was $0.0016 per share.

STOCK OPTIONS ACTIVITY

The following table is a summary for the two stock compensation plans adopted by the Company as of March 31, 2009.

	THREE MONTHS ENDED MARCH 31, 2009		
	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

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

17. 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 March 31, 2009 and 2008, respectively.

	THREE MONTHS ENDED MARCH 31, 2009		THREE MONTHS ENDED MARCH 31, 2008	
	NUMBER OF SHARES OUSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES OUSTANDING	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	61,434,000	$ 0.054	62,934,000	$ 0.054
Options granted	0	N/A	0	N/A
Options exercised	0	N/A	0	N/A
Options terminated	0	N/A	0	N/A
OPTIONS OUTSTANDING AT END OF 1ST QUARTER	61,434,000	0.054	62,934,000	0.054
OPTIONS EXERCISABLE AT END OF 1ST QUARTER	57,809,000	$ 0.017	52,928,444	$ 0.061

The following table summarizes the number of options authorized by the plan and available for distribution as of March 31, 2009 and 2008, respectively.

	THREE MONTHS ENDED MARCH 31, 2009 NUMBER OF SHARES	THREE MONTHS ENDED MARCH 31, 2008 NUMBER OF SHARES
Beginning options available for grant	1,566,000	66,000
Add: Additional options authorized	--	--
Less: Options granted	--	--
Add: Options terminated	--	--
ENDING OPTIONS AVAILABLE FOR DISTRIBUTION	1,566,000	66,000

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

17. 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 March 31, 2009 and 2008, respectively.

THREE MONTHS ENDED MARCH 31, 2009

	TOTAL OUSTANDING			TOTAL EXERCISABLE		
PRICE RANGE	# OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	LIFE	# OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	LIFE
\$6.08 - \$12.80	240,000	\$ 7.158	2.63	240,000	\$ 7.158	2.63
\$0.32 - \$2.00	694,000	0.867	3.53	694,000	0.867	3.53
\$0.016 - \$ 0.19	60,500,000	0.017	7.23	56,875,000	0.017	7.57
TOTAL	61,434,000	\$ 0.054	7.17	57,809,000	\$ 0.054	7.46

THREE MONTHS ENDED MARCH 31, 2008

	TOTAL OUSTANDING			TOTAL EXERCISABLE		
PRICE RANGE	# OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	LIFE	# OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	LIFE
\$6.08 - \$12.80	240,000	\$ 7.15	2.38	240,000	\$ 7.16	2.38
\$0.32 - \$2.00	694,000	0.867	3.28	694,000	0.867	3.28
\$0.016 - \$ 0.19	62,000,000	0.017	6.98	51,994,444	0.017	7.47
TOTAL	62,934,000	\$ 0.05	6.92	52,928,444	\$ 0.06	7.39

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

17. 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 March 31, 2009 and 2008, respectively is presented below:

	THREE MONTHS ENDED MARCH 31, 2009				
OPTIONS RELATING OT EMPLOYEE, CONSULTANTS AND DIRECTOR COMPENSATION	# OF SHARES		WEIGHTED AVERAGE GRANT-DATE FAIR VALUE	LIFE	AVERAGE INTRINSIC VALUE
Outstanding at beginning of year	61,434,000	$	0.009	7.17	N/A
Options granted	-		N/A	N/A	N/A
Options exercised	-		N/A	N/A	N/A
Options terminated	-		N/A	N/A	N/A
OPTIONS OUTSTANDING AT END OF 1ST QUARTER	61,434,000	$	0.054	7.17	N/A
OPTIONS EXERCISABLE AT END OF 1ST QUARTER	57,809,000	$	0.054	7.46	N/A

	THREE MONTHS ENDED MARCH 31, 2008				
OPTIONS RELATING OT EMPLOYEE, CONSULTANTS AND DIRECTOR COMPENSATION	# OF SHARES		WEIGHTED AVERAGE GRANT-DATE FAIR VALUE	LIFE	AVERAGE INTRINSIC VALUE
Otstanding at beginning of year	62,934,000	$	0.054	0.05	N/A
Options granted	-		N/A	N/A	N/A
Options exercised	-		N/A	N/A	N/A
Options terminated	-		N/A	N/A	N/A
OPTIONS OUTSTANDING AT END OF 1ST QUARTER	62,934,000	$	0.054	6.92	N/A
OPTIONS EXERCISABLE AT END OF 1ST QUARTER	52,928,444	$	0.061	7.39	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 $ 0.002 per share dated March 31, 2009 and $ 0.007 per share dated March 31, 2008.

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

17. 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 March 31, 2009 and 2008, and changes during the period ended March 31, 2009 and 2008, respectively is presented below:

	THREE MONTHS ENDED MARCH 31,					
	2009			2008		
NON VESTED OPTIONS RELATING OT EMPLOYEE, CONSULTANTS AND DIRECTOR COMPENSATION	# OF SHARES	WEIGHTED AVERAGE GRANT-DATE FAIR VALUE		# OF SHARES	WEIGHTED AVERAGE GRANT-DATE FAIR VALUE	
Otstanding at beginning of year	4,833,333	$	0.009	62,934,000	$	0.054
Options granted	-		N/A	-		N/A
Options exercised	-		N/A	-		N/A
Options vested	(1,208,333)		N/A	(52,928,444)		0.061
Options terminated	-		N/A	-		N/A
NON VESTED AT END OF 1ST QUARTER	3,625,000	$	0.016	10,005,556	$	0.019

In addition to the assumptions in the below table, 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.

Expected dividend yield	0.00%
Expected volatility	113.00%
Average risk-free interest rate	4.74%
Expected life (in years)	2.16 to 8.07

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.

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

17. 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. 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.

18. 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 March 31, 2009, the Company had warrants outstanding that allow the holders to purchase up to 5,906,909 shares of common stock.

At March 31, 2009, the weighted average remaining contractual life of the warrants was approximately 22 months.

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

18. WARRANTS (CONTINUED)

The number and weighted average exercise prices of the warrants for the six months ended March 31, 2009 and 2008 are as follows:

	THREE MONTHS ENDED MARCH 31, 2009		THREE MONTHS ENDED MARCH 31, 2008	
	# OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	# OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	275,906,909	$ 0.016	276,052,744	$ 0.014
Warrants granted	-	N/A	-	N/A
Warrants exercised	-	N/A	-	N/A
Warrants terminated	(12,982,970)	N/A	-	N/A
WARRANTS OUSTANDING AT END OF 1ST QUARTER	262,923,939	$ 0.016	276,052,744	$ 0.014
WARRANTS EXERCISABLE AT END OF 1ST QUARTER	262,923,939	$ 0.016	276,052,744	$ 0.014

19. SUBSEQUENT EVENTS

AMENDMENTS OF LOAN AGREEMENT AND REVOLVING CREDIT NOTE

Subsequent to March 31, 2009, the Company entered into the 18th and 19th amendments of the original Loan Agreement and Revolving Credit Note dated December 21, 2006, with Alpha Capital Anstalt and Whalehaven Capital Fund Limited. The amendments state that in the aggregate, the principal sums as defined in the preamble of the notes issued to Alpha Capital Anstalt and Whalehaven Capital Fund Limited shall be amended to $1,258,500 and $1,469,000, respectively.

On April 14, 2009, the Company filed a Definitive Proxy Statement on Schedule 14A which was subsequently mailed to all shareholders of record as of April 8, 2009, giving notice of a Special Meeting of Stockholders to be held on May 22, 2009 (the “Special Meeting”). At the Special Meeting, stockholders of record will be asked to vote upon a proposal to amend the Articles of Incorporation to implement a reverse stock split of the Company’s common stock, par value $0.001 per share, at a ratio of one for twenty.

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: Mahanagar Telephone Nigam Ltd. ("MTNL") of India, Telefonos de Mexico, S.A.B. de C.V. (TELMEX), Intel Corporation, Fry's Electronics, Nex-Tec Wireless,
Rural Independent Networks, Mohave Wireless, Inland Cellular 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.

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 currently working with TELNOR to relaunch IRIS as a standard bundle included with all new and existing TELNOR Package customers and anticipate this happening during 2009. Subsequent to this relaunch within TELNOR, TELMEX will evaluate the results and make a determination regarding a national launch as a bundle to all TELMEX Package customers.

In October 2007 both the Company and Mantec Consultants ("Mantec") entered into a contract with Mahanagar Telephone Nigam Ltd. ("MTNL") of India to provide 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 $Rs. 50/- (Rupees) 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 launched by MTNL in May, 2009. The revenue generated from this launch with MTNL should have a material impact on the Company.

The Company has finalized initial system and acceptance testing with a domestic US based carrier with over 10 million subscribers. We are currently negotiating terms and conditions and anticipate a national launch in 2009.

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 2007 Consumer Electronics Show, Mobile World Congress and 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 worldwide. Currently the MID market is very small and has not gained enough traction for One Voice to focus resources on this market. One Voice is currently focusing all our resources on Telecom launches during 2009 and will wait until the MID market matures and gains industry acceptance before we readdress this market. We have evaluated launching applications on the iPhone and BlackBerry but the current state for voice control applications for these devices from competitors offering free software is not in line with our focus on near-term revenue generating opportunities that we currently have in the Telecom sector.

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(TM) product works with Microsoft Windows XP Media Center Edition 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 Instant Message friends and family, all by voice. 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. In addition, the Company launched a voice controlled PC gaming software called Say2Play. Say2Play gives gamers a tremendous advantage by adding voice command for common game macros while allowing the gamer to keep their hands and fingers on the keyboard and mouse for rapid motion movements. Say2Play has recently received several very positive editorial reviews and is available for purchase online.

The Company has changed our focus from in-store on-shelf retail sales to only offering online downloadable retail versions. The Company's retail products are now available for immediate purchase and download on the new Dell Download Store at http://downloadstore.dell.com as the only products in the category of Voice Control.

In summary, since the beginning of 2007, the Company has deployed services with telecom carriers and began recognizing a recurring revenue stream. 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.

The following is a discussion that relates to certain financial transactions and the results of operations for the three months ended March 31, 2009 and 2008.

RESULTS OF OPERATION FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008.

One Voice Technologies, Inc
Statements of Operations
UNAUDITED

	THREE MONTHS ENDED MARCH 31, 2009		2008	FAV/ (UN FAV) CHANGE	PERCENTAGE CHANGE
Net Revenue	$	81,316	188,753	(107,437)	-57%
Cost of good sold		53,614	94,926	(41,312)	-44%
Gross profit		27,702	93,827	(66,125)	-70%
Selling, general and administrative		350,478	749,536	(399,058)	-53%
Other Income (Expense)		(82,294)	1,047,000	(1,129,294)	-108%
Net income (loss) before taxes		(405,070)	391,291		
Income taxes		-	(800)		
NET INCOME (LOSS)	$	(405,070)	390,491	(795,561)	-204%

REVENUES

Net revenues totaled $81,316 and $188,753 for the three months ended March 31, 2009 and 2008, respectively. The decrease of 107,437 or 57% was due to certain Telecom contracts expired in 2008 after their initial 3-year term

COST OF GOODS SOLD

Cost of goods sold for the three months ended March 31, 2009 and 2008 totaled $53,614 and $94,926, respectively. The decrease of $41,312 or 44% was primarily due to the decrease in revenues during the year and a decreased employee headcount. These expenses specifically relate to licensing agreements and telecommunication expenses that allow the voice recognition products offered to be functional.

GENERAL AND ADMINISTRATIVE EXPENSE

General and administrative expenses totaled $350,478 and $749,536 for the three months ended March 31, 2009 and 2008, respectively. The decrease of $399,058 or 53% was primarily due to decreases in salary and compensation, a decrease in accounting and legal fees, and a decrease in depreciation and amortization for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008.

SALARY AND COMPENSATION

Salary and wage related expenses totaled $178,248 and $340,167 for the three months ended March 31, 2009 and 2008, respectively. The decrease of $161, 919 or 48% was primarily due to voluntary reductions in salaries for current employees, paired with headcount reductions.

ACCOUNTING AND LEGAL

The Company incurred accounting and legal fees of $11,000 and $74,580 for the three months ended March 31, 2009 and 2008, respectively. The decrease of $63,580 or 85% between the two periods was due to the timing of the expense for the two periods as the related accounting and legal fees during 2009 were incurred during April 2009.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense totaled $9,116 and $134,069 for the three months ended March 31, 2009 and 2008, respectively. The decrease of 124,953 or 93% was due to the full amortization of capitalized costs associated with the design and development of a product for which the completion and launch time frame could not be accurately estimated by management during the three months ended March 31, 2008 .

OTHER INCOME (EXPENSE)

Other income / (expense) totaled (82,294) and $1,047,000 for the three months ended March 31, 2009 and 2008, respectively. The expense decrease of 1,129,294 or 108% can be directly related to non cash income / (expense) activity, more specifically the revaluation of both debt and warrant derivatives.

GAIN ON DEBT DERIVATIVES

For the three months ended March 31, 2009 and 2008, gains recorded on debt derivatives were $38,140 compared to $399,379 respectively.

See Note 9 in the accompanying notes to the financial statements for a brief description of the nature of debt derivative transactions.

GAIN / (LOSS) ON WARRANT DERIVATIVES

For the three months ended March 31, 2009, loss of (96,798) were recorded on warrant derivatives, compared to gains of $926,375 for the same period in 2008. See

Note 10 in the accompanying notes to the financial statements for a brief description of the nature of warrant derivative transactions.

LIQUIDITY AND CAPITAL RESOURCES

NON-CASH ITEMS EFFECTING THE COMPANY'S NET INCOME/(LOSS)

Non-cash related items of 90,400 and ($873,325) are reflected in the net income / (loss) for the three months ended March 31, 2009 and 2008 respectively, consisted of the following items:

	THREE MONTHS ENDED MARCH 31,	
	2009	2008
Depreciation and amortization	9,116	134,069
Stock compensation expense	14,436	46,187
Stock issuance for exchange of debt and other obligations	--	47,406
Stock issuance for interest conversion	--	--
Stock issuance for liquidated damages	--	24,000

Amortization of note discount	8,190	200,768
Interest payable related to convertible debt	--	--
(gain) / Loss on warrants and debt derivatives	58,658	(1,301,754)
TOTAL NON -CASH RELATED (INCOME) / EXPENSE ITEMS	90,400	(849,324)

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.

At March 31, 2009, the Company had a working capital deficit of $7,887,430 as compared with a working capital deficit of $ 7,534,123 at December 31, 2008. The decrease in working capital deficit of $353,303 consists primarily of the following:

o Decrease in debt derivative liability of $38,140

o Increase in warrant derivative liability of $96,798

o Increase in revolving line of credit of $118,887

Net cash used for operating activities is $184,164 for the three months ended March 31, 2009 compared to $464,879 for the three months ended March 31, 2008. The decrease of $280,715 or 60% was primarily due to the timing of cash management during the three months ended March 31, 2009 as compared to the three months ended March 31, 2008.

Net cash used for investing activities is $0 for the three months ended March 31, 2009 and 2008.

Net cash provided by financing activities is $183,498 for the three months ended March 31, 2009 compared to $450,000 for the three months ended March 31, 2008. The decrease of $266,502 or 59% was due to a decrease in the proceeds from the revolving line.

See financing transaction details below.

FINANCING TRANSACTIONS

The following is a discussion that summarizes the net financing and conversion activities for the three months ended March 31, 2009 and year ended December 31, 2008.

NET CASH PROCEEDS RECEIVED DUE TO FINANCING ACTIVITY

	THREE MONTHS ENDED MARCH 31,	
	2009	2008
Revolving line of credit net of pay down	$ 183,498	$ 450,000
TOTAL FINANCING ACTIVITY	$ 183,498	$ 450,000

ISSUANCE OF CONVERTIBLE NOTES PAYABLE SUMMARY

ISSUANCE SUMMARY

	THREE MONTHS ENDED MARCH 31,	
	2009	2008
Principal	$ -	$ -
Warrants issued A&B	-	-

CONVERSION SUMMARY

	THREE MONTHS ENDED MARCH 31,	
	2009	2008

Principal and interest Converted	$ 71,418	$ 249,582
Shares converted	71,418,299	31,508,528
Average share conversion price	$ 0.001	$ 0.01

COMMON STOCK

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

	THREE MONTHS ENDED MARCH 31, 2009			2008		
	SHARES ISSUED	AVERAGE SHARE PRICE	VALUE	SHARES ISSUED	AVERAGE SHARE PRICE	VALUE
Debt conversions	71,418,299	0.001	71,418	31,508,528	0.008	249,582
Issuance of stock in exchange for services	-	-	-	7,919,609	0.009	71,405
Stock to be issued in exchange for interest conversion	-	-	-	-	-	-
Total	71,418,299	0.001	71,418	39,428,137	0.008	320,987

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 seventeen times during the term of the agreement. The amendments increased the maximum borrowing by the Company to an amount of $2,851,000.

Since inception the Company has borrowed $2,851,000 against the revolving note. During the same period the Company paid $357,492 against the outstanding balance for a total net borrowing of $2,493,508 since inception. All borrowings are used to cover recurring operating expenses by the Company.

As of March 31, 2009 the outstanding principal amount owed to the Investors is $2,493,508. Interest accrued on the outstanding principal is $255,546 as of March 31, 2009.

FUTURE CAPITAL OUTLOOK

The Company will continue to rely heavily on our current method of convertible debt and equity funding, and proceeds borrowed from the revolving line of credit. The losses of $405,070 through the period ended March 31, 2009 are due to minimal revenues and recurring operating expenses, with a majority of expenses in the areas of: salaries, marketing consulting fees, and licensing costs, along with non-cash expenses related to derivative revaluations. 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.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our management is responsible for establishing and maintaining a system of disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that is designed to ensure that information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Pursuant to Rule 13a-15(b) under the Exchange Act, the Company carried out an evaluation with the participation of the Company's management, including Dean Weber, the Company's Chief Executive Officer and Interim Chief Financial Officer ("CEO/CFO"), of the effectiveness of the Company's disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the three months ended March 31, 2009. Based upon that evaluation, the Company's CEO /CFO concluded that the Company's disclosure controls and procedures are ineffective and cannot ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's CEO /CFO, as appropriate, to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROLS.

Our management, with the participation the Principal Executive Officer and Principal Accounting Officer performed an evaluation as to whether any change in our internal controls over financial reporting occurred during the Quarter ended March 31, 2009. Based on that evaluation, the Company's CEO/CFO concluded that no change occurred in the Company's internal controls over financial reporting during the Quarter ended March 31, 2009 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

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 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.

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-K for the year ended December 31, 2008, other than to update certain financial information as of and for the three months ended March 31, 2009 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 three months ended March 31, 2009 and 2008, we incurred a net loss of $405,070 compared to a net income of $390,491, respectively. A large part of the 2009 loss is due to non-cash related expense items of ($90,400), whereas non-cash related income items of $849,324 were reflected in 2008.

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

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

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

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

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.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES

UNREGISTERED SALES OF EQUITY SECURITIES HOLDERS

The securities described below represent our securities sold by us for the period starting January 1, 2007 and March 31, 2008 that were not registered under the Securities Act of 1933, as amended, all of which were issued by us pursuant to exemptions under the Securities Act.

SALES OF WARRANTS FOR CASH

During the year ended December 31, 2008 and the three months ended March 31, 2009, no warrants were exercised. As a result, the Company received no cash proceeds in relation to warrants.

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, 2008 no warrants were issued on a cashless basis and no warrants were forfeited

No cashless warrants were exercised during the three months ended March 31, 2009 or 2008.

SHARES IN ESCROW

On August 23, 2007, the Company issued 30,000,000 shares of the Company's restricted common stock valued at $600,000. 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.

On May 2, 2008, the company issued 11,878,896 shares of the Company’s restricted common stock valued at $113,087. The shares were also 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 year ended December 31, 2008, the Company issued a total of 59,205,359 shares of restricted common stock in exchange for services rendered. Services included financial advisor fees and consulting. The services were valued at approximately $552,000.

During the three months ended March 31, 2009 the Company did not issue any shares of restricted common stock in exchange for services rendered.

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

Not Applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY

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.

SIGNATURES

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

ONE VOICE TECHNOLOGIES, INC.,
A NEVADA CORPORATION

Date: May 20, 2009 By:/s/ DEAN WEBER
DEAN WEBER, CHAIRMAN, CHIEF EXECUTIVE OFFICER
(PRINCIPAL EXECUTIVE OFFICER) AND INTERIM
CHIEF FINANCIAL OFFICER (PRINCIPAL ACCOUNTING
AND FINANCIAL OFFICER)