ONE VOICE TECHNOLOGIES INC
Form 10QSB
November 14, 2001

As Filed with the Securities and Exchange Commission on November 14, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB
QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE PERIOD ENDED SEPTEMBER 30, 2001
COMMISSION FILE NO. 000-27589

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

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

6333 Greenwich Drive, Ste. 240, San Diego, CA 92122
(Address of Principal Executive Offices)

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

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

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

Yes X No

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

As of November 13, 2001, the registrant had 15,207,386 shares of common stock, $.001 par value, issued and outstanding.

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

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements.

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

BALANCE SHEET - SEPTEMBER 30, 2001

(UNAUDITED)

ASSETS

Current assets:		
Cash and cash equivalents	$ 1,534,376	
Licensing revenue receivable	721	
Inventory	109,451	
Prepaid advertising	33,331	
Prepaid expenses	200,432	
Total current assets		$
Property and equipment, net of accumulated depreciation and amortization		
Other assets:		
Software licensing, net of accumulated amortization	11,525	
Software development costs, net of accumulated amortization	1,196,521	
Deposits	48,302	
Trademarks, net of accumulated amortization	150,557	
Patents	57,140	
Total other assets		
		$

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities - accounts payable and accrued expenses		$
8% convertible note payable, due September 7, 2003	600,000	
Less unamortized discount	(296,050)	
8% convertible note payable, due September 28, 2003	500,000	
Less unamortized discount	(265,350)	
5% convertible note payable, due October 3, 2003	1,000,000	
Less unamortized discount	(744,533)	
Stockholders' equity:		
Preferred stock; $.001 par value, 10,000,000 shares authorized, no shares issued and outstanding	-	
Common stock; $.001 par value, 50,000,000 shares authorized, 14,659,651 shares issued and outstanding	14,659	
Additional paid-in capital	20,457,564	
Deficit accumulated during development stage	(17,547,357)	
Total stockholders' equity		
		$

See accompanying notes to unaudited financial statements.

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

STATEMENTS OF OPERATIONS

(UNAUDITED)

	Nine months ended September 30, 2001	2000	Three months e September 3 2001	
Net revenues	$ 185,678	$ -	$ 60,818	$
Cost of revenues	25,950	-	1,970	
Gross profit	159,728	-	58,848	

General and administrative expenses	6,527,250	5,450,363	2,402,994	
Net loss	$ (6,367,522)	$ (5,450,363)	$ (2,344,146)	$
Net loss per share, basic and diluted	$ (0.46)	$ (0.44)	$ (0.16)	$
Weighted average shares outstanding, basic and diluted	13,723,297	12,338,181	14,582,506	

See accompanying notes to unaudited financial statements.

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

STATEMENT OF STOCKHOLDERS' EQUITY

(UNAUDITED)

	Common stock		Additional	De accu d deve s
	Shares	Amount	paid-in capital	
Balance at January 1, 1999	12,720,000	$ 12,720	$	$
Net proceeds from issuance of common stock in connection with merger	7,000,000	7,000	106,236	
Net proceeds from issuance of common stock	1,500,000	1,500	2,544,422	
Net issuance of common stock in exchange for services	150,000	150	299,850	
Redemption of common stock	(10,000,000)	(10,000)		
Net loss for the year ended December 31, 1999				(1
Balance at December 31, 1999	11,370,000	11,370	2,950,508	(1
Net proceeds from issuance of common stock and warrants	312,500	313	1,779,523	
Net proceeds from issuance of				

	Shares	Amount	Additional paid-in capital	
common stock and warrants	988,560	988	12,145,193	
Issuance of warrants in exchange for services			55,000	
Issuance of options in exchange for services			199,311	
Issuance of warrants in connection with financing			1,576,309	
Net loss for the year ended December 31, 2000				(9
Balance at December 31, 2000	12,671,060	12,671	18,705,844	(11

See accompanying notes to unaudited financial statements.

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

STATEMENT OF STOCKHOLDERS' EQUITY (CONTINUED)

(UNAUDITED)

	Common stock		Additional	De accu d deve s
	Shares	Amount	paid-in capital	
Issuance of stock in exchange for debt	383,732	384	128,999	
Issuance of options in exchange for services			7,841	
Issuance of stock in exchange for debt	515,143	515	86,468	
Net proceeds from issuance of common stock and warrants	702,350	702	839,318	
Issuance of options in exchange for services			7,841	
Issuance of stock from conversion of debt to equity	277,366	277	174,723	
Issuance of warrants in connection with financing			92,400	

Beneficial conversion feature of debt to equity related to financing			325,000	
Issuance of common shares for legal settlement	110,000	110	81,290	
Issuance of options in exchange for services			7,840	
Net loss for the nine months ended September 30, 2001				(6
Balance at September 30, 2001	14,659,651	$ 14,659	$ 20,457,564	$ (17

See accompanying notes to unaudited financial statements.

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

STATEMENTS OF CASH FLOWS

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
(UNAUDITED)

	Nine months ended September 30, 2001	Nine months ende September 30, 200
Cash flows provided by (used for) operating activities:		
Net loss	$ (6,367,522)	$ (5,450,36
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	958,896	686,57
Amortization of discount on note payable	342,892	
Options/shares issued in exchange for services	104,922	160,88
Warrants issued in exchange for services	-	
Impairment loss related to customer lists	500,000	
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Licensing revenue receivable	324,280	
Advertising revenue receivable	-	
Inventory	6,424	(98,03
Prepaid advertising	150,000	(190,55
Prepaid mailing lists	-	
Prepaid expenses	52,824	(644,65
Deposits	(315)	(21,08
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(331,298)	90,53

Deferred revenue	(56,250)	
Total adjustments	2,052,375	(16,34
Net cash used for operating activities	(4,315,147)	(5,466,70
Cash flows used for investing activities:		
Purchase of property and equipment	(63,694)	(1,086,75
Software licensing	-	(667,23
Software development costs	(262,278)	(727,64
Trademarks	(6,357)	(158,32
Patents	(1,790)	(8,17
Loan fees	-	
Increase in escrow account	200,000	
Net cash used for investing activities	(134,119)	(2,648,13
Cash flows provided by (used for) financing activities:		
Proceeds from issuance of common stock, net	840,020	13,964,95
Proceeds from convertible note payable	956,000	
Retirement of common stock, net	-	
Proceeds from (payments on) loans payable including officer-stockholders	(200,000)	(14,50
Net cash provided by financing activities	1,596,020	13,950,45

(Continued)

See accompanying notes to unaudited financial statements.

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

STATEMENTS OF CASH FLOWS (CONTINUED)

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

(UNAUDITED)

	Nine months ended September 30, 2001	Nine months ende September 30, 200
Net increase (decrease) in cash	(2,853,246)	5,835,61
Cash and cash equivalents, beginning of year	4,387,622	904,48

Cash and cash equivalents, end of year	$ 1,534,376	$ 6,740,09
Supplemental disclosure of cash flow information:		
Interest paid	$ 1,266	$ 6
Income taxes paid	$ -	$ 1,60
Supplemental disclosure of non-cash financing activities:		
Warrants issued in exchange for services	$ -	$
Options issued in exchange for services	$ 23,522	$
Common stock issued in exchange for debt	$ 391,365	$
Warrants issued in connection with financing	$ 394,400	$
Beneficial conversion feature of debt to equity	$ 325,000	$
Common shares issued for settlement	$ 81,400	$

See accompanying notes to unaudited financial statements.

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

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2001

(1) Organization:

Conversational Systems, Inc. was incorporated under the laws of the State of California on April 8, 1991. The Company commenced operations in 1999.

Effective June 22, 1999, pursuant to a Merger Agreement and Plan of Reorganization between Dead On, Inc. ("acquiree") and Conversational Systems, Inc. a California corporation ("acquiror" or the "Company"), Dead On, Inc. has been reversed merged into Conversational Systems, Inc. The Company accounted for the acquisition of Dead On, Inc. using the purchase method of accounting. The shares of Conversational Systems were exchanged for 7,000,000 newly issued shares of Dead On, Inc. Because the former shareholders of Conversational Systems, Inc. then became the majority shareholders of Dead On, Inc., Conversational Systems was treated as the acquiror under APB Opinion No. 16, "Business Combinations."

In July 1999, the Company repurchased and retired 10,000,000 shares of its common stock, $.001 par value per share. Due to the retirement of shares, the former shareholders of Conversational Systems, Inc. have significant control in Dead On, Inc.

Due to the contemplation and timing of the merger between Dead On, Inc. and Conversational Systems, Inc. and the retirement of 10,000,000 shares of the Company's common stock, these events were accounted for as a single transaction.

Conversational Systems, Inc. was liquidated with and into Dead On, Inc., which then changed its legal name to One Voice Technologies, Inc.

(2) Summary of Significant Accounting Policies:

Interim Financial Statements:

The accompanying financial statements include all adjustments (consisting of only normal recurring accruals) which are, in the opinion of management, necessary for a fair presentation of the results of operations for the periods presented. Interim results are not necessarily indicative of the results to be expected for a full year. The financial statements should be read in conjunction with the financial statements included in the annual report of One Voice Technologies, Inc. (the "Company") on Form 10-KSB for the year ended December 31, 2000.

Business Activity:

The Company develops and markets computer software using Intelligent Voice Interactive Technology (IVIT(TM)) to website owners in the United States and other countries.

(2) Summary of Significant Accounting Policies, Continued:

Revenue Recognition:

The Company recognizes revenues when earned in the period in which the service is provided. Service fees are deferred and recognized over the life of the service agreement. Initial distribution fees are recognized when the software is delivered.

(3) Convertible Notes Payable:

5% Convertible Note Payable

For the three quarterly periods ended September 30, 2001, listed below are the principal balances that were converted from debt to equity. The original debt securities were issued in 2000.

Month of Conversion	Principal Converted	Shares Converted To	Avg. rate
March 2001	$500,000	383,732	$ 1.
May 2001	40,000	61,471	0.
May 2001	135,000	215,639	0.
May 2001	100,000	158,541	0.
June 2001	50,000	79,492	0.
July 2001	175,000	277,366	0.

8% Convertible Note Payable

On September 7, 2001, the Company entered into a subscription agreement with Laurus Master Fund, Ltd., a Cayman Island corporation for the sale of (i) a $600,000 convertible note and (ii) warrants to purchase 100,000 shares of the Company's common stock. The Company recorded net proceeds of $511,750.

The note bears interest at 8% and is convertible into common stock at the lesser of:

a) $0.51; or
b) 80% of the average of the three lowest closing prices of the common stock for the thirty trading days immediately prior to the conversion date.

The unconverted portion of the note is due September 7, 2003.

The warrants have an exercise price of:

a) $0.82; or
b) 120% of the three lowest closing price of the common stock for the ten trading days prior to the exercise of the warrant.

(3) Convertible Notes Payable, Continued:

Using the Black Scholes Option Pricing Model, the fair value of the warrant amounted to $0.578 per share or total consideration of $57,800. This amount has been recorded as a discount against the face value of the note payable. In addition, since this debt is convertible into equity at the option of the note holder at conversion rates mentioned above, a beneficial conversion feature of $175,000 has been recorded as a debt discount and is being amortized using the effective interest rate over the life of the debt in accordance with EITF 00-27.

8% Convertible Note Payable

On September 28, 2001, the Company entered into a subscription agreement with Stonestreet Limited Partnership, an Ontario limited partnership, for the sale of (i) a $500,000 convertible note and (ii) warrants to purchase 83,333 shares of the Company's common stock. The Company recorded net proceeds of $444,250.

The note bears interest at 8% and is convertible into common stock at the lesser of:

a) $0.34; or
b) 80% of the average of the three lowest closing prices of the common stock for the thirty trading days immediately prior to the conversion date.

The unconverted portion of the note is due September 28, 2003.

The warrants have an exercise price of:

c) $0.515; or
d) 120% of the three lowest closing prices of the common stock for the ten trading days prior to the exercise of the warrant.

Using the Black Scholes Option Pricing Model, the fair value of the warrant amounted to $0.415 per share or total consideration of $34,600. This amount has been recorded as a discount against the face value of the note payable. In addition, since this debt is convertible into equity at the option of the note holder at conversion rates mentioned above, a beneficial conversion feature of $150,000 has been recorded as a debt discount and is being amortized using the effective interest rate over the life of the debt in accordance with EITF 00-27.

(4) Common Stock:

In June 2001, the Company raised proceeds of approximately $840,000, which is net of offering costs of approximately $73,000, from the issuance of 702,350 shares through a private placement offering of its restricted stock. The offering price was $1.30 per share. The Company also issued 702,350 warrants (valued using the Black-Scholes method at the date of grant) to the investors, which have an exercise price of $0.86 per share and expire on June 30, 2002.

Item 2. Management's Plan of Operations.

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are often, but not always, made through the use of words or phrases such as "will," "will likely result," "expect," "anticipate," "estimate," and "believe." Accordingly, these statements involve estimates, assumptions and uncertainties which could cause actual results to differ materially from those expressed in such statements. Actual results could differ materially from those projected in the forward-looking statements as a result of the risk factors set forth in this report, our Annual Report on Form 10-KSB and other reports and documents that we file with the Securities and Exchange Commission.

Overview

We are an early growth stage company and plan to be a leading provider of voice recognition applications for messaging, access to content and mobile commerce on wireless devices.

We are a developer of fourth generation voice solutions for the telecom, telematics, television, Internet appliance, and personal computer markets. Our Intelligent Voice(TM) solutions employ patent-pending technology that allows people to use their voice to compose, send and receive messages, purchase products, access information, and control devices.

Our development efforts are focused on MobileVoice Messaging in the wireless market. This sector has both business and consumer market applications. The MobileVoice Messaging solution gives wireless phone users the ability to address, compose and send e-mail, phone to phone and paging messages using only their voice.

Our initial product is the first in our line of intelligent voice interactive solutions. Our software is based on artificial intelligence that allows people to talk with their computers and wireless devices through everyday common speech. We believe that our artificial intelligence technology is so advanced that it understands not only simple phrases, but advanced linguistic concepts such as topic, subject and synonym relationships. By asking the user relevant questions, our system can help clarify and learn from the user's requests.

Our software will be licensed to other businesses such as local, long distance and wireless carriers, e-mail and Internet service providers and large corporations wanting to provide their customers with access to e-mail, SMS, and Instant Messaging from mobile devices. It will also be licensed to corporations wanting to provide mobile access to enterprise information. Our solutions are highly customizable for a variety of different applications, depending on customer needs. These solutions are very unique in the market and have an opportunity to provide important new ways for people to communicate and do business anytime, anywhere.

Management's Discussion and Analysis

As planned, we launched and began testing our MobileVoice Messaging system with several major wireless carriers in August 2001. This testing process allows for carriers to provide feedback on product usability and performance. We are continuing to work closely with these carriers to develop features and product characteristics that meet the market needs. This product refinement process will continue over the course of the next few months with a goal for a market trial and a subsequent nationwide rollout in 2002.

In the last quarter, our company's Mobile Voice Platform has been selected to be featured in Ericsson's CDMA Solutions Center. This new facility has attracted top wireless carriers from around the world to experience the latest in wireless technology. Our company's voice-enabled mobile applications will continue to be showcased in demonstrations at this new state of the art facility.

In the telecom sector, we plan to license our technology to wireless carriers to provide voice-activated services for their subscribers allowing for increased revenue streams. Although we intend to sell our services primarily through wireless carriers, we believe there are also significant opportunities to offer these services to corporations directly. We continue to consider strategic initiatives in order to achieve our objectives with this goal.

In September 2001, we began working closely with a Unified Messaging/Presence Management company to develop a wireless voice interface to their Unified Messaging system. Once completed, this will allow for wide access to the user's contact list for composing Instant Messages through a wireless phone. Our goal is to work jointly with this company and to offer this solution to their current wireless carrier customers.

In October 2001, we entered into a marketing agreement with a third party for representation of the IVAN Desktop product for the purpose of sourcing various retail opportunities including QVC, The Home Shopping Network and

Q-Direct. Our goal is to work closely with this third party to create wide exposure to consumers through these various sales channels.

The telematics sector encompasses voice-activated devices, which could be installed in a motor vehicle to access information on the Internet. Voice capabilities of these in-car devices are vital since they allow users to remain focused on driving, therefore supporting new safety initiatives. We plan to pursue this sector following the launch and acceptance of our MobileVoice Messaging system.

In September 2001, we entered into a securities purchase agreement with the Laurus Master Fund, Ltd. for the issuance of a $600,000 8% convertible debenture and 100,000 common stock purchase warrants in reliance on Section 4(2) of the Act and Rule 506. Each warrant entitles the holder to purchase one share of common stock at an exercise price of $.515. The commission for the transaction was 10% ($60,000). Proceeds amounted to $511,750, which is net of debt issue costs of $88,250.

In September 2001, we entered into a securities purchase agreement with the Stonestreet Limited Partnership for the issuance of a $500,000 8% convertible note and 83,333 common stock purchase warrants in reliance on Section 4(2) of the Act and Rule 506. Each warrant entitles the holder to purchase one share of common stock at an exercise price of $.515. The commission for the transaction was 10% ($50,000). Proceeds amounted to $444,250, which is net of debt issue costs of $55,750.

We maintain a cash balance that we believe will sustain operations into 2002. We continue to explore all possibilities in securing financing sufficient to cover operating expenses until such time the company reaches profitability. The losses through the quarter ended September 30, 2001 were due to minimal revenue and our operating expenses, with the majority of expenses in the areas of: salaries, legal fees, consulting fees, as well as amortization expense relating to software development, debt issue costs and licensing costs. We face considerable risk in completing each of our business plan steps, including, but not limited to: a lack of funding or available credit to continue development and undertake product rollout; potential cost overruns; a lack of interest in its solutions in the market on the part of wireless carriers or other customers; potential reduction in wireless carriers which could lead to significant delays in consummating revenue bearing contracts; and/or a shortfall of funding due to an inability to raise capital in the securities market. Since further funding is required, and if none is received, we would be forced to rely on our existing cash in the bank or secure short-term loans. This may hinder our ability to complete our product development until such time as necessary funds could be raised. In such a restricted cash flow scenario, we would delay all cash intensive activities including certain product development and strategic initiatives described above.

Facilities

Our principal executive office address is 6333 Greenwich Drive, Suite 240, San

Diego, California 92122. We lease our facilities under leases that expire at various times through November 2005. Our rent expense was $183,231 for the year ended December 31, 2000. We also sublease certain space to third parties.

The following table sets forth selected information from the statements of operations for the three months ended September 30, 2001 and 2000.

Selected Statement of Operations Information

	Three Months ended September 30, 2001	2000
Net Revenues	$ 60,818	$ --
Operating expenses	2,402,994	2,222,451
Net loss	2,344,146	2,222,451

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Discussion of the three months ended September 30, 2001 compared with the three months ended September 30, 2000.

Net revenues totaled $60,818 for the quarter ended September 30, 2001, primarily from barter transactions. No revenue was earned for the quarter ended September 30, 2000. The recognition of revenues resulted primarily from product licensing in exchange for advertising and sales of our initial Ivan desktop software product.

Operating expenses increased to $2,402,994 for the quarter ended September 30, 2001 from $2,222,451 for the same quarter in 2000. The increase in operating expenses was a direct result of inclusion of non-cash expenses totaling $1,117,866 which covered entries for: depreciation and amortization; amortization of discount on Note Payable; options/shares issued for services; and impairment loss related to customer lists. Salary and wage expense was $437,284 for the third quarter of 2001 compared to $582,758 for the third quarter in 2000. The decrease reflects our new direction into the telecom, telematics and TV/Internet appliance initiatives with a restructured work force. Advertising and promotion expense totaled $92,335 for the three months ended September 30, 2001 from $195,519 for the same quarter in 2000. The decrease in advertising and promotion expense results from the limited marketing activities related to the new products which are in development stage for the telecom, telematics and TV/Internet appliance markets. Legal and consulting expenses decreased to $258,638 for the three months ended September 30, 2001 from $279,601 for the same quarter in 2000. Depreciation and amortization expenses increased to $303,047 for the quarter ended September 30, 2001 from $291,176 for the same period in the prior year.

We had a net loss of $2,344,146 or basic and diluted net loss per share of $0.16 for the three months ended September 30, 2001 compared to $2,222,451 or basic and diluted net loss per share of $0.18 for the same quarter in 2000.

Discussion of the nine months ended September 30, 2001 compared with the nine months ended September 30, 2000.

Net revenues totaled $185,678 for the nine months ended September 30, 2001, primarily from barter transactions. No revenues were earned for the nine months ended September 30, 2000. The recognition of revenues resulted primarily from product licensing in exchange for advertising and sales of our initial Ivan desktop software product.

Operating expenses increased to $6,527,250 for the nine months ended September 30, 2001 from $5,450,363 for the same period in 2000. The increase in operating expenses was a direct result of inclusion of non-cash expenses totaling $1,906,710 for the nine months ended September 30, 2001 as compared to $847,453 for the same period in 2000, which covered entries for: depreciation and amortization; amortization of discount on Note Payable; options/shares issued for services; and impairment loss related to customer lists. Salary and wage expense was $1,677,305 for the nine months ended September 30, 2001 as compared to $1,383,066 for the same period in 2000. The increase in 2001 as compared to 2000 arose primarily from the increased labor force during the first and second quarters of 2001, which we have restructured to accommodate our new direction into the telecom, telematics and TV/Internet appliance initiatives. Advertising and promotion expense totaled $499,594 for the nine months ended September 30, 2001 as compared to $493,281 for the same period in 2000. Advertising and promotion expense resulted from the limited marketing activities related to the new products which are in development stage for the telecom, telematics and TV/Internet appliance markets. Legal and consulting expenses decreased to $574,104 for the nine months ended September 30, 2001 from $783,321 for the same period in 2000. Depreciation and amortization expenses increased to $958,896 for the nine months ended September 30, 2001 from $686,570 for the same period in the prior year, primarily due to increased capitalized costs which were non-existent in 2000.

We had a net loss of $6,367,522 or basic and diluted net loss per share of $0.46 for the nine months ended September 30, 2001 compared to $5,450,363 or basic and diluted net loss per share of $0.44 for the same period in 2000.

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Liquidity and Capital Resources

At September 30, 2001 we had working capital of $1,410,935 as compared with $7,176,033 at September 30, 2000.

Notes payable had a face value of $2,000,000 at December 31, 2000. Notes payable had a face value of $1,000,000 at September 30, 2001 as a result of a partial conversion to stock of the notes described below.

Month of Conversion	Principal Converted	Shares Converted To	Avg. rate per
March 2001	$500,000	383,732	$ 1.30
May 2001	40,000	61,471	0.65
May 2001	135,000	215,639	0.63
May 2001	100,000	158,541	0.63
June 2001	50,000	79,492	0.63
July 2001	175,000	277,366	0.63

In September 2001, we entered into a securities purchase agreement with the Laurus Master Fund, Ltd. for the issuance of a $600,000 8% convertible debenture and 100,000 common stock purchase warrants in reliance on Section 4(2) of the Act and Rule 506. Each warrant entitles the holder to purchase one share of common stock at an exercise price of $.515. The commission for the transaction was 10% ($60,000). Proceeds amounted to $511,750, which is net of debt issue costs of $88,250.

In September 2001, we entered into a securities purchase agreement with the Stonestreet Limited Partnership for the issuance of a $500,000 8% convertible note and 83,333 common stock purchase warrants in reliance on Section 4(2) of the Act and Rule 506. Each warrant entitles the holder to purchase one share of common stock at an exercise price of $.515. The commission for the transaction was 10% ($50,000). Proceeds amounted to $444,250, which is net of debt issue costs of $55,750.

PART II
OTHER INFORMATION

Item 1. Not applicable.

Items 2-5. Not applicable.

Item 6. Exhibits and Reports on 8-K:

(a) None.

(b) No reports on Form 8-K were filed during the fiscal quarter ended September 30, 2001.

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: November 14, 2001 By: /s/ Dean Weber

DEAN WEBER, Chairman & Chief Executive Officer

Date: November 14, 2001 By: /s/ Rahoul Sharan

RAHOUL SHARAN, Chief Financial Officer