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ONE VOICE TECHNOLOGIES INC  
Form SB-2  
October 11, 2001

As filed with the Securities and Exchange Commission on October 11, 2001  
An Exhibit List can be found on page II-3.  
Registration No. 333-\_\_\_\_\_

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington D.C. 20549

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FORM SB-2  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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ONE VOICE TECHNOLOGIES, INC.  
(Name of small business issuer in its charter)

Nevada  
(State or other Jurisdiction of  
Incorporation or Organization)

7372  
(Primary Standard Industrial  
Classification Code Number)

95-47  
(I.R.S. Employer I

6333 Greenwich Drive, Suite 240  
San Diego, California 92122  
(858) 552-4466  
(Address and telephone number of principal executive offices and  
principal place of business)

Dean Weber, President  
ONE VOICE TECHNOLOGIES, INC.  
6333 Greenwich Drive, Suite 240  
San Diego, California 92122  
(858) 552-4466  
(Name, address and telephone number of agent for service)

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Copies to:  
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New York, New York 10020  
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Approximate date of proposed sale to the public:  
From time to time after this Registration Statement becomes effective.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. 9 \_\_\_\_\_

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If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. 9 \_\_\_\_\_

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. 9 \_\_\_\_\_

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. 9 \_\_\_\_\_

## CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Dollar Amount to be Registered	Proposed Maximum Offering Price Per Security/(1)/	A
Shares of common stock, \$.001 par value/(2)/	\$696,000	\$.36	
Shares of common stock, \$.001 par value/(3)/	\$ 30,000	\$.36	
Total/(5)/	\$726,000		

/(1)/ Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(c) and Rule 457(g) under the Securities Act of 1933, using the average of the high and low price as reported on the Nasdaq SmallCap Market on October 5, 2001.

/(2)/ Represents shares issuable upon conversion of our 8% convertible debentures issued on September 28, 2001.

/(3)/ Represents 100,000 shares of common stock issuable upon the exercise of outstanding warrants issued on September 28, 2001.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

+++++  
+ The information in this prospectus is not complete and may be changed. This +  
+ prospectus is included in the registration statement that was filed by One +  
+ Voice Technologies, Inc., with the Securities and Exchange Commission. The +

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+ Selling Stockholders may not sell these securities until the registration +  
+ statement becomes effective. This prospectus is not an offer to sell these +  
+ securities and is not soliciting an offer to buy these securities in any +  
+ state where the offer or sale is not permitted. +  
+++++

PRELIMINARY PROSPECTUS

Subject To Completion, Dated October \_\_, 2001

The information in this prospectus is not complete and may be changed.

One Voice Technologies, Inc.  
Up to \$726,000 Worth of  
Common Stock

This prospectus relates to the resale by the selling stockholder of up to \$726,000 worth of our common stock. The selling stockholder may sell common stock from time to time in the principal market on which the stock is traded at the prevailing market price or in negotiated transactions. The selling stockholder is deemed an underwriter of the shares of common stock which they are offering.

We will pay the expenses of registering these shares.

Our common stock is registered under Section 12(g) of the Securities Exchange Act of 1934 and is listed on the Nasdaq SmallCap Market under the symbol "ONEV." The last reported sales price per share of our common stock as reported by the Nasdaq SmallCap Market on October 5, 2001, was \$.36.

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Investing in these securities involves significant risks.  
See "Risk Factors" beginning on page 4.

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The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is October \_\_, 2001.

### PROSPECTUS SUMMARY

The following summary highlights selected information contained in this prospectus. This summary does not contain all the information you should consider before investing in the securities. Before making an investment decision, you should read the entire prospectus carefully, including the "Risk Factors" section, the financial statements and the notes to the financial statements. Some of the statements made in this prospectus discuss future events and developments, including our future business strategy and our ability to generate revenue, income and cash flow. These forward-looking statements involve risks and uncertainties which could cause actual results to differ materially from those contemplated in these forward-looking statements.

One Voice Technologies, Inc.

We are a developer of 4/th/ generation voice solutions for the telecom, telematics, television and Internet appliance, and personal computer markets. Our Intelligent Voice(TM) solutions employ patent-pending technology that allows

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people to use their voice to compose, send and receive messages, purchase products, access information, and control devices.

Our technology allows people to talk with computers and wireless devices, such as cellular phones and personal digital assistants, in a way that has not been seen in any commercial product to date. Our technology engine allows worldwide consumers to talk, as if they were speaking to another person, and instantaneously access and interact with content on the World Wide Web. Internet users can talk with any website to search and find information through an interactive and entertaining experience.

Our development efforts are focused on MobileVoice Messaging in the wireless market. This sector has both business and consumer market applications. MobileVoice Messaging is the only solution available that 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. 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 software system can help clarify and learn from the user's requests.

### The Offering

This prospectus relates to the resale by the selling stockholder of (i) up to \$696,000 worth of our common stock issuable upon conversion of an 8% convertible note and (ii) 83,333 shares of our common stock issuable upon exercise of warrants.

As of August 13, 2001, we had 14,549,651 shares of common stock, \$.001 par value, issued and outstanding.

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### Recent Financings

On September 28, 2001, we entered into a subscription agreement with Stonestreet Limited Partnership for the sale of (i) a \$500,000 convertible note and (ii) warrants to purchase 83,333 shares of our common stock.

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

- a) \$0.34; or
- b) 80% of the average of the three lowest closing prices of our 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:

- a) \$0.515; or
- b) 120% of the three lowest closing price of our common stock for the ten trading days prior to the exercise of the warrant.

#### RISK FACTORS

This investment has a high degree of risk. Before you invest you should carefully consider the risks and uncertainties described below and the other information in this prospectus. If any of the following risks actually occur, our business, operating results and financial condition could be harmed and the value of our stock could go down. This means you could lose all or a part of your investment.

##### Risks Related To Our Business:

We have lost money since inception. We expect future losses and we may never become profitable.

Since inception, we have incurred significant losses. Net loss for the six months ended June 30, 2001, totaled \$4,023,377 and we had an accumulated deficit of \$15,203,212 at June 30, 2001. We expect to continue to incur net losses until sales generate sufficient revenues to fund our continuing operations. We may fail to achieve significant revenues from sales or achieve or sustain profitability. There can be no assurance of when, if ever, we will be profitable or be able to maintain profitability.

If we do not become profitable we may not be able to continue our operations.

Our future sales and profitability depend in part on our ability to demonstrate to prospective customers the potential performance advantages of using voice interface software. To date, commercial sales of our software have been limited. A lack of a proven market or market studies for our product means that while we, software engineers and software magazine writers may believe the public will enthusiastically accept voice interface software, the true market for this product may be minor or nonexistent. This could result in little or no sales revenue without which we will not be able to continue our operations indefinitely.

We have a limited operating history which makes it difficult to evaluate our business.

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

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

- establish and maintain broad market acceptance of our products and services and convert that acceptance into direct and indirect sources of revenues;
- maintain and enhance our brand name;
- continue to timely and successfully develop new products, product features and services and increase the functionality and features of existing products;
- successfully respond to competition from Microsoft and others, including emerging technologies and solutions; and
- develop and maintain strategic relationships to enhance the distribution, features and utility of our products and services.

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If we are unable to obtain additional funding our business operations will be harmed.

We believe that our available short-term assets and investment income will be sufficient to meet our operating expenses and capital expenditures through the end of fiscal year 2001. 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.

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Our operating results are likely to fluctuate significantly.

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

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

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

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

We are a development-stage company and unexpected or uncontrollable business or economic forces are more likely to harm us.

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

Our current and potential competitors, some of whom have greater resources and experience than we do, may develop products and technologies that may cause demand for, and the prices of, our products to decline.

A number of companies have developed, or are expected to develop, products that compete with our products. Competitors in the voice interface software market include IBM, Lernout and Hauspie Speech Products, SpeechWorks and Nuance. We expect additional competition from other companies such as Microsoft, who has recently made investments in, and acquired, voice interface technology companies. Furthermore, our competitors may combine with each other, and other companies may enter our markets by acquiring or entering into strategic relationships with our competitors. Current and potential competitors have established, or may establish, cooperative relationships among

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themselves or with third parties to increase the abilities of their advanced speech and language technology products to address the needs of our prospective customers.

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

Any inability to adequately protect our proprietary technology could harm our ability to compete.

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

We do not currently have any issued patents. We currently have 3 pending patent applications, but there is no guarantee that patents will be issued with respect to our current or future patent applications. Any patents that are issued to us could be invalidated, circumvented or challenged. If

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

Our products may infringe upon the intellectual property rights of others and resulting claims against us could be costly and require us to enter into disadvantageous license or royalty arrangements.

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

If the standards we have selected to support are not adopted as the standards for speech-activated software, businesses might not use our speech-activated software platform for delivery of applications and services, and our revenue growth could be negatively affected.

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

affected. Multiple standards in the marketplace could also make it difficult for us to design our products to support all applicable standards, which could also result in decreased sales of our products.

Our failure to respond to rapid change in the market for speech-activated services software could cause us to lose revenue and harm our business.

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

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

- the ability of our products and technologies to meet and adapt to the needs of our target markets;
- the performance and price of our products as compared to our competitors' products;
- our ability to deliver customer service directly and through our resellers; and
- the ability of our customers to utilize our product.

Our products may not be 100% accurate at recognizing speech or authenticating speaker identities and we could be subject to claims related to the performance of our products. Any claims, whether successful or unsuccessful, could result in significant costs and could damage our reputation.

Speech recognition, natural language understanding and authentication technologies, including our own, are not 100% accurate. Our customers will use our products to provide important services to their customers. Any misrecognition of voice commands or incorrect authentication of a user's voice in connection with these transactions could result in claims against us or our customers for losses incurred. Although our contracts will typically contain provisions designed to limit our exposure to liability claims, a claim brought against us for misrecognition or incorrect authentication, even if unsuccessful, could be time-consuming, divert management's attention, result in costly litigation and harm our reputation. Moreover, existing or future laws or unfavorable judicial decisions could limit the enforceability of the limitation of liability, disclaimer of warranty or other protective provisions contained in our contracts.

There are risks associated with forward-looking statements made by us and actual results may differ.

Some of the information in this Form SB-2 contains forward-looking statements that involve substantial risks and uncertainties. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate," "believe," "estimate" and "continue," or similar words. You should read statements that contain these words carefully because they:

- discuss our future expectations;
- contain projections of our future results of operations or of our financial condition; and
- state other "forward-looking" information.

We believe it is important to communicate our expectations. However, there may be events in the future that we are not able to accurately predict or over which we have no control. The risk factors listed in this section, as well as any cautionary language in this prospectus, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. You should be aware that the occurrence of the events described in these risk factors could have an adverse effect on our business, results of operations and financial condition.

Risks Relating To Our Current Financing Agreement:

There are a large number of shares underlying our convertible note, and warrants that may be available for future sale and the sale of these shares may depress the market price of our common stock.

As of August 13, 2001, we had 14,549,651 shares of common stock issued and outstanding and convertible promissory notes outstanding that may be converted into 4,253,334 shares of common stock at current market prices, and outstanding options and warrants to purchase 2,876,158 shares of common stock. In addition, the number of shares of common stock issuable upon conversion of the outstanding convertible note may increase if the market price of our stock declines. All of the shares, including all of the shares issuable upon conversion of the note and upon exercise of our warrants, may be sold without restriction. The sale of these shares may adversely affect the market price of our common stock.

The issuance of shares upon conversion of the convertible note and exercise of outstanding warrants may cause immediate and substantial dilution to our existing stockholders.

The issuance of shares upon conversion of the convertible note and exercise of warrants may result in substantial dilution to the interests of other stockholders since the selling stockholder may ultimately convert and sell the full amount issuable on conversion. Although the selling stockholder may not convert their convertible note and/or exercise their warrants if such conversion or exercise would cause them to own more than 4.99% of our outstanding common stock, this restriction does not prevent the selling stockholder from converting and/or exercising some of their holdings and then converting the rest of their holdings. In this way, the selling stockholder could sell more than this limit while never holding more than this limit. There is no upper limit on the number of shares that may be issued which will have the effect of further diluting the proportionate equity interest and voting power of holders of our common stock, including investors in this offering.

Risks Relating To Our Common stock:

Our directors and executive officers beneficially own approximately 41.1% of our stock; their interests could conflict with yours; significant sales of stock held by them could have a negative effect on our stock price; stockholders may be unable to exercise control.

As of September 7, 2001, our executive officers, directors and affiliated persons beneficially own approximately 41.1% of our common stock. Dean Weber, our chief executive officer and chairman of the board, beneficially owns approximately 38.2% of our common stock. As a result, our executive officers, directors and affiliated persons will have significant influence to:

- elect or defeat the election of our directors;
- amend or prevent amendment of our articles of incorporation or bylaws;
- effect or prevent a merger, sale of assets or other corporate transaction; and
- control the outcome of any other matter submitted to the stockholders for vote.

As a result of their ownership and positions, our directors and

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executive officers collectively are able to significantly influence all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. In addition, sales of significant amounts of shares held by our directors and executive officers, or the prospect of these sales, could adversely affect the market price of our common stock. Management's stock ownership may discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which in turn could reduce our stock price or prevent our stockholders from realizing a premium over our stock price.

Our Stock Price Has Been and May Continue to Be Volatile.

The trading price of our common stock has been and is likely to continue to be highly volatile. For example, during the 52-week period ended September 7, 2001, the price of our common stock ranged from \$13.0625 to \$.52 per share. Our stock price could be subject to wide fluctuations in response to factors such as:

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- actual or anticipated variations in quarterly operating results;
- announcements of technological innovations, new products or services by us or our competitors;
- changes in financial estimates or recommendations by securities analysts;
- the addition or loss of strategic relationships or relationships with our key customers;
- conditions or trends in the Internet and online commerce markets, including the provision of related speech-activated services;
- changes in the market valuations of other Internet, online service or software companies;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- legal, regulatory or political developments;
- additions or departures of key personnel;
- sales of our common stock by insiders or stockholders; and
- general market conditions.

The historical volatility of our stock price may make it more difficult for you to resell shares when you want at prices you find attractive. Sharp increases in our stock price could have a negative impact on our financial condition.

In addition, the stock market in general, and the Nasdaq SmallCap Market and the market for Internet and technology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. These broad market and industry factors may reduce our stock price, regardless of our operating performance.

We have been advised by The Nasdaq Stock Market that we fail to meet its continued listing criteria; the loss of our Nasdaq listing could negatively impact the price of our common stock and make it more difficult to dispose of.

In August 2001, we received a letter from Nasdaq notifying us that since the bid price of our common stock had fallen below \$1.00 per share, our common stock would be delisted from Nasdaq within 90 days, unless the price increased above \$1.00 prior to that time.

Although we are trying to address this issue with Nasdaq, if we fail

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to comply with the continued listing requirements, our common stock will be delisted from Nasdaq and will commence trading on the over-the-counter electronic bulletin board. The effect of the foregoing would be to make the purchase and sale of our common stock more difficult and would likely depress the price of the stock.

If we fail to meet the expectations of public market analysts and investors, the market price of our common stock may decrease significantly.

Public market analysts and investors have not been able to develop consistent financial models for the Internet market because of the unpredictable rate of growth of Internet use, the rapidly changing models of doing business on the Internet and the Internet's relatively low barriers to entry. As a result, and because of the other risks discussed in this prospectus, it may be likely that our actual results will not meet the expectations of public market analysts and investors in future periods. If this occurs, the price of our common stock will likely fall.

In October 2001, we received a letter from Nasdaq rescinding its August 2001 letter and stating that it will again review us in January 2002.

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### USE OF PROCEEDS

This prospectus relates to shares of our common stock that may be offered and sold from time to time by the selling stockholder of our company. There will be no proceeds to our company from the sale of shares of common stock in this offering, except upon the exercise of warrants.

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### MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

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

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

	Low ---	High ----
1999		
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First Quarter	.13	.60
Second Quarter	.16	5.88
Third Quarter	4.00	10.00
Fourth Quarter	4.00	8.50
2000		
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First Quarter	8.00	27.75
Second Quarter	9.00	24.00
Third Quarter	6.56	17.25
Fourth Quarter	1.13	9.75

2001

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First Quarter	.9375	2.4844
Second Quarter	.34	2.75
Third Quarter	.45	1.20

As of September 30, 2001, our common stock shares were held by 118 stockholders of record. We believe that the number of beneficial owners is substantially greater than the number of record holders because a significant portion of our outstanding common stock is held of record in broker "street names" for the benefit of individual investors. The transfer agent of our common stock is Corporate Stock Transfer, Inc., 3200 Cherry Creek Drive South, Suite 430, Denver, Colorado 80209.

### DIVIDEND POLICY

Our board of directors determines any payment of dividends. We do not expect to authorize the payment of cash dividends in the foreseeable future. Any future decision with respect to dividends will depend on future earnings, operations, capital requirements and availability, restrictions in future financing agreements, and other business and financial considerations.

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### MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion and analysis of our plan of operation should be read in conjunction with the financial statements and the related notes. This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 which are based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors," "Business" and elsewhere in this prospectus. See "Risk Factors."

### 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.

Our technology is based on voice recognition and artificial intelligence that allows people to talk with their wireless devices, such as cellular phones and personal digital assistants, and computers through everyday common speech. Our artificial intelligence technology understands not just simple commands but advanced linguistic concepts such as topic, subject and synonym relationships. Our inference capabilities and adaptive learning allow the system to ask the user relevant questions to help clarify and learn the user's requests.

Our software will be licensed to other businesses such as wireless service providers, long distance service providers and large corporations wanting to provide their customers with access to e-mail and SMS messaging from

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mobile devices. It will also be sold to corporations wanting to provide access to key enterprise information to employees in the field. The solution is highly customizable for a variety of different applications, depending on customer needs. Our solutions today are very unique in the market and have an opportunity to provide important new ways for people to communicate and do business anytime, anywhere.

We have a limited operating history on which to base an evaluation of our business and prospects. You must consider our prospects in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development. To address these risks, we must establish, maintain and expand our customer base, implement and successfully execute our business and marketing strategy, provide superior customer service, anticipate and respond to competitive developments and attract, retain and motivate qualified personnel. We cannot assure that we will be successful in addressing these risks, and our failure to do so could have a negative impact on our business, operating results and financial condition.

### PLAN OF OPERATION

As planned, we have launched and begun testing of our MobileVoice Messaging system with several wireless carriers in August 2001. The goal of this testing process is for carriers to provide feedback on product usability and performance over the course of the next few months with a subsequent goal for a market trial targeted to begin in the fourth quarter of 2001 and eventually a nationwide rollout in the first quarter of 2002. We have recently bolstered our management team with the addition of Mr. James Edson who joins us to head business development worldwide for One Voice. Mr. Edson brings knowledge and experience in the wireless telecom sector with such companies as Qualcomm, Ericsson and Motorola.

During the second quarter of 2001, we raised an additional \$912,943 through a private placement equity offering of restricted stock in June 2001. The offering price was \$1.30 per share. We also issued 702,350 warrants to these investors after the initial placement was secured. These warrants were issued at a one to one ratio with the stock with an exercise price of \$0.86 per share and expire on December 31, 2001. During this same quarter we continued the development and internal testing of the initial MobileVoice Messaging product, which is based on our IVP Intelligent Voice Platform. This IVP Platform has been developed over the course of several years, and there are several patents pending on this technology. Our MobileVoice Messaging product utilizing the IVP Platform was further developed and taken on the road for demonstrations to industry analysts and potential customers in the United States and European

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communities. We received valuable feedback and moved forward in the process of integrating suggested product features.

We continue to talk to PC manufacturers and makers of other computing platforms for distribution of the IVAN Desktop product, but our main emphasis and focus is on the development of our MobileVoice Messaging solution and its integration into the wireless telecommunications sector and their packaged offerings. Assuming we are able to raise additional funds, we plan to spend additional resources to continue to develop and deploy our MobileVoice Solutions for the wireless (cellular telephone) and PDA (Personal Digital Assistant) markets. Due to the current financial uncertainty, management has not determined a budget or timeline for new product research, development, and deployment at this time.

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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 to the carrier. We have considered numerous strategic initiatives in order to achieve our objectives with this goal. We are trying to move our technology and experience into the telecommunication markets. Our initial product, MobileVoice Messaging, allows users to compose and send voice-to-text messages (SMS, email and page) and read and reply to e-mails and messages received on the system. The system allows a user to compose an e-mail or SMS message and broadcast it to an individual or an entire work group.

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 and growing legislative requirements. We plan to pursue this sector following the launch and acceptance of our MobileVoice Messaging system.

We maintain a cash balance that we believe will sustain operations into the fourth quarter of 2001. We continue to explore all possibilities in securing financing sufficient to complete the launch of our MobileVoice Messaging product. The losses through the quarter ended June 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 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.

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### BUSINESS

#### OVERVIEW

We are a developer of 4<sup>th</sup>/ generation voice solutions for the telecom, telematics, television/Internet appliance and PC markets. One Voice's Intelligent Voice(TM) solutions employ, patent-pending technology that allows people to use their voice to compose/send/receive messages, purchase products, access information and control devices.

We commenced operations as Conversational Systems, Inc. on January 1, 1999, and on July 14, 1999, merged into Dead On, Inc., a company originally incorporated in Nevada on August 23, 1995 as Belridge Holdings Corporation. On August 28, 1995, Belridge Broadcasting of Portland, Inc., a company originally incorporated in Delaware on February 4, 1987, merged into Belridge Holdings Corporation. Belridge Holdings Corporation was dormant until March 9, 1998, when it filed a Disclosure Statement pursuant to Rule 15c2-11 with the National Association of Securities Dealers in order to allow trading of its securities on the OTC Electronic Bulletin Board

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On July 30, 1998, Belridge Holdings Corporation acquired the assets, liabilities and operating business of Dead On, LLC in order to manufacture sporting goods equipment and apparel. On September 15, 1998, Belridge Holdings Corporation changed its name to Dead On, Inc. On December 31, 1998, Dead On, Inc. discontinued all business related to the manufacture of sporting goods equipment and apparel.

On June 16, 1999, a special meeting of the stockholders of Dead On, Inc. approved the divestiture of the assets and liabilities of the discontinued sporting goods equipment and apparel manufacturing business. On July 9, 1999, a special meeting of the stockholders of Dead On, Inc. approved the merger of Dead On, Inc. and Conversational Systems, Inc. in order to develop and market a new software system, and approved the name change of Dead On, Inc. to ConversIt.com, Inc. On September 9, 1999, a special meeting of the stockholders of ConversIt.com approved the name change of ConversIt.com, Inc. to One Voice Technologies, Inc.

There have been no bankruptcy, receivership or similar proceedings.

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

### INDUSTRY BACKGROUND

Wireless & Messaging growth. The proliferation of mobile wireless devices and services makes it clearly one of the fastest growing segments and arguably the largest consumer segment in the High Technology market today. Despite having over 700 million people using mobile phones today, the numbers continue to grow at double digit rates. Messaging in all its forms (e-mail, SMS, paging) has also become one of the core drivers of growth not only of wireless services but also the Internet as a whole. Over 500 billion e-mail messages will be sent this year from computers around the world and over 350 billion SMS messages will be sent from mobile phones. Both of these figures are expected to grow significantly in the years to come as messaging becomes a critical method of communication for businesses and consumers.

Voice Technology. The use of voice technology is a natural for mobile products and services because it makes them more mobile. By not requiring users to look at small screens or use arrow keys to navigate, voice makes products simpler, more intuitive and easier to use anytime, anywhere. Industry analysts expect voice technology usage to grow significantly as people use these products and services for work and pleasure. The vast majority of the market is currently focused on 2nd/ generation, menu-based voice technology. This technology works well for simple applications, but has some major inherent limitations that don't allow it to address more advanced applications such as messaging.

The need for easy access to personalized, relevant information. As the amount of information available has grown, it has become more difficult for users to access and find the information that is most useful and relevant to their needs especially in a mobile environment. With access to the Internet being provided primarily by computers today, the potential for access is significantly lower than it could be with mobile phone access.

A variety of companies have started to provide access to the Mobile Internet from devices, but the methods of using these devices is cryptic and frustrating. Endless menus, small screens, arrow keys and stylus's promise to keep these services from meeting their true market potential.

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### OUR SOLUTION

One Voice Technologies, Inc. is a developer of 4<sup>th</sup>/ generation voice solutions for the telecom, telematics, television/Internet appliance and PC markets. One Voice's Intelligent Voice(TM) solutions employ, patent-pending technology that allows people to use their voice to compose/send/receive messages, purchase products, access information and control devices.

Our development efforts are focused on the wireless market, where our services are particularly attractive to wireless carriers. One opportunity in this sector is MobileVoice Messaging, which has both business and consumer market applications. MobileVoice Messaging is the only solution available that's gives wireless phone users the ability to address, compose and send e-mail, phone to phone and paging messages using only their voice.

The primary features of the voice recognition system are:

- utilizing commercially available speech recognition that relies on how words sound in order to match those sounds to words in a dictionary;
- analyzing words to determine their meaning;
- allowing the computer to listen and then talk back to the user; and
- processing speech at very high speed.

As the user speaks with the system, it continues to "learn" the meaning of what the user says. It asks questions of the user when it is unsure what the user wants. It uses a conversational manner to quickly process information while it keeps the user informed as it is performing requested tasks. As an example, if the system is searching the Internet for the best price available for a particular type of automobile purchase, it will describe its search process and any problems it encounters, such as the unavailability of a needed web page due to heavy Internet demand. It will then ask the user if it should try again. It will offer suggestions, such as using a different time or searching in a different geographical location. We believe that our "two-way" technology built on top of continuous speech technology and operating between the application and the user is an entirely new class of application that allows the user to communicate with the application to refine what the application produces. Our system will automatically "adapt" to the user with each interaction.

We have taken the following steps in our product development:

- raised capital through the sale of securities;
- leased additional commercial office space in San Diego, California;
- filled the following management positions - VP Sales, VP Operations, and VP Engineering;
- filled the following types of staff positions - sales, marketing, engineering, information technology (IT), information services (IS), administrative and human resources; and
- continued development of our software product.

We have completed the development and testing phase of our working prototype of our product and are in the process of establishing agreements with entities for the production, marketing, and distribution of our product.

### OUR STRATEGY

Our goal is to provide wireless service providers with important new

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ways to generate incremental revenue from their user bases. substantially lower the barrier to entry in obtaining information on the Internet, while at the same time increasing productivity through the use of spoken natural language (everyday conversation). Key elements of our strategy include:

Offer superior voice-technology products and services. We seek to provide a superior user experience through distinct and innovative technologies and services. Our future success will depend on our ability to compete and to offer products and services that the wireless community perceives to be superior to our competitors. We will continually strive to find, hire, train and keep qualified personnel to design our products. We will also try to enhance and add to the products and services we offer to keep pace with changing technologies and customer preferences and to seek additional strategic partnerships that will allow us to offer new and improved services.

Leveraging Our First to Market Position. We believe that our position in the current market is a major potential advantage for the company to leverage in the future. The market for voice services will grow significantly and our services are the first of their kind. Our development team brings extensive experience with advanced voice solutions and our core technology is at the forefront of the industry. We intend to increase brand awareness through a combination of online and offline advertising and promotional activities. Specifically, our sales and marketing strategy entails the continuation of our nationwide, consumer-focused advertising campaign using both print and web-based advertisements.

Minimize expenses and maximize revenue through business to business(B2B) model. Our revenues, if any, will come from the licensing of products and services we offer to wireless carriers and enterprise customers. This approach allows us to leverage the market strength of the carriers and supply them with leading edge solutions that can help them differentiate their brands and generate incremental revenue.

Expand to international markets. We plan to expand our operations to international markets to take advantage of the massive opportunities for voice solutions in markets around the world.

### PRODUCTS AND SERVICES

Our services offer the following key features using our advanced voice technology:

- Continuous, free format input for messaging of all kinds;
- Access to large amounts of personal information stored in Expert System databases;
- High levels of security;
- Access to Internet content using only your voice;
- Access to more content than competing systems;
- Faster access to content through advanced recognition;
- Ability to purchase products using only voice;
- Mixed initiative dialogs that give user a conversational experience on the phone

We also offer the creation of interactive voice-maps for our licensed business customers' websites to permit them to use our software for interaction with their customers/users.

### CUSTOMERS

We intend to sell our services primarily through wireless carriers. There are also significant opportunities to offer the services to corporations directly.

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Business to business. We intend to market our product through a business-to-business model of distribution. Our target customers include wireless carriers such as Verizon, Cingular, AT&T, Sprint, Nextel, Alltel and Voicestream. These carriers can then offer the services to their customer bases. We have also had significant interest expressed from Long Distance phone service providers and large corporations

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### SALES AND MARKETING

Our sales efforts target wireless carriers. To reach potential clients, we use a dedicated, in-house sales team. This team seeks out wireless service providers and manages relationships with key service provider departments in order to secure market trials and eventual service rollout.

### DISTRIBUTION

We use multiple distribution channels to market our products and services including:

- our website;
- manufacturers and distributors;
- direct outbound sales efforts;
- co-marketing opportunities.

### COMPETITORS

The size and financial strengths of our competitors, such as Tellme, Bevoval and Hey Anita are substantially greater than ours. However, we believe that we can effectively compete with these other companies because of the unique nature of our product. Our product's uniqueness is primarily its ability to direct computers to follow commands through the use of free format requests using conversational speech. We believe this unique feature will allow our product to compete effectively in the market. None of our competitors currently offer voice interaction using conversational speech. None of our competitors have announced any plans to offer software for voice interaction using conversational speech. We are not aware of any significant barriers to our entry into the speech recognition market; however, we have no market share of the speech recognition product category at this time.

### STRATEGIC BUSINESS PARTNERSHIPS

We plan to develop alliances and partnerships with various companies that offer services and products we believe will assist in the distribution of our products and provide valuable co-marketing opportunities and exposure. We currently have established such a partnerships with Ericsson and Philips.

In addition to these specific partnerships, we have oral and written agreements related to our products and services with various other entities such as Monster.com, Autobytel.com and Samsonite Corp.

### SUPPLIERS

One Voice's suppliers consist primarily of hardware manufacturers for key components of our system architecture. This includes companies such as Natural Micro Systems (NMS), Dell, Cisco and AT&T.

### INTELLECTUAL PROPERTY AND OTHER PROPRIETARY RIGHTS

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We own exclusive rights to three pending United States patents for our software pursuant to the merger agreement on July 9, 1999, between Dead On, Inc. and Conversational Systems, Inc. As of the date of this filing, these patents are still pending. These patents are broad-based with one key patent defining the primary features and unique procedures that comprise our product. Our intellectual property also includes pending trademark applications. We believe that our intellectual property is important to our success, and we try to protect it. We feel that strong name brand recognition through trademark registration and market awareness will make our products stand out and become the recognized name that people think of when they think of voice technology.

We have also hired legal counsel to help us better protect our intellectual property. However, the steps we take to protect our intellectual property may be inadequate. Unauthorized parties may try to disclose, obtain or use our proprietary information, which could harm our business. Others may also claim that we have violated their proprietary rights. This could subject us to significant liability for damages and invalidate our proprietary rights. Any efforts to

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protect or defend our rights could be time-consuming and costly. Other parties may also independently develop similar or competing technology.

### GOVERNMENT REGULATION

Due to the increasing popularity and use of the Internet, the United States government and the governments of various states and foreign countries may attempt to regulate activities on the Internet. They may adopt new laws and regulations or try to apply existing laws to Internet activities. A number of laws and regulations may be adopted to cover issues such as user privacy, advertising, intellectual property, pricing, content and quality of goods and services, taxation and information security. New tax regulations, if adopted, may increase our sales, use and income taxes. Due to the global nature of the Internet, it is possible that, although we principally operate our business in California, the governments of other states and foreign countries may try to regulate our business and may require that we qualify to do business as a foreign corporation in their state or country. The growth of the Internet and the volume of business transacted on the Internet may also prompt stricter consumer protection laws. Some states have already proposed new laws to limit the use of personal user information obtained online or to require online services to establish privacy policies.

The applicability of existing laws to the Internet is also uncertain. Many laws that may be relevant to our business were adopted before wide use of the Internet. These laws do not contemplate or address the unique issues of the Internet and related technologies. Because of the rapidly evolving and uncertain regulatory environment, we cannot predict how new or existing laws and regulations might affect our business. These uncertainties make it more difficult to ensure compliance with the laws and regulations that govern our business and the Internet. They may also decrease the growth of the Internet and the demand for our products and services and could increase our costs or force us to change how we do business.

### RESEARCH AND DEVELOPMENT COSTS

Since inception, our primary focus related to the research and development of our proprietary products, most of which we intend to recoup from customers through normal business operations, fees and markups. We expect to

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continue to commit significant resources to research and development in the future. The market for our products and services is characterized by rapid technological change, frequent new product and service introductions, and rapidly changing customer needs and industry standards. To be successful in the future, we must be able to anticipate changes, enhance our current products and services, develop and introduce new products and services that keep pace with changing Internet technologies and address the increasingly sophisticated needs of our customers.

### EMPLOYEES

At September 30, 2001, we employed 19 full-time employees. None of these employees is subject to a collective bargaining agreement, and there is no union representation within our company. We maintain various employee benefit plans and believe our employee relations are good.

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### 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 is a schedule by years of future minimum rental payments required under operating leases that have non-cancelable lease terms in excess of one year as of September 30, 2001:

Year ending December 31,	
2001	\$ 74,034
2002	299,232
2003	306,396
2004	313,560
2005	293,663
	-----
	1,286,885
Less sublease income	674,750
	-----
	\$ 612,135

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### MANAGEMENT

#### DIRECTORS AND EXECUTIVE OFFICERS

Name	Age	Position
----	---	-----
Dean Weber	40	Chairman of the Board, President, Chief Executive Officer, Director
George H. Kaelin, III	35	Director
Rahoul Sharan	39	Chief Financial Officer, Secretary, Treasurer and Director
Bradley J. Ammon	38	Director

Directors serve until the next annual meeting and until their successors

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are elected and qualified. Officers are appointed to serve for one year until the meeting of the board of directors following the annual meeting of stockholders and until their successors have been elected and qualified, although Dean Weber has an employment agreement and Rahoul Sharan's company has a personal service agreement with us. There are no family relationships between any of our directors or officers.

Dean Weber holds a B.S. in Computer Science from the Central Connecticut State University. With over 19 years of technology experience, Mr. Weber has worked for top IT companies such as United Technologies, Northrop and Xerox. From 1984 to 1987, Mr. Weber was an engineer for United Technologies in Hartford, Connecticut, where he designed and developed real-time software systems for NASA and U.S. Navy projects. Mr. Weber was then employed by Northrop Corporation in Pico Rivera, California, from 1987 to 1989, where he led an engineering team for the B2 Stealth Bomber project. From 1989 to 1991, Mr. Weber was an independent senior consultant to various companies including Xerox and Rockwell Technologies. From 1991 to 1998, Mr. Weber founded and was President of EditPro Corporation in San Diego, California. At EditPro, Mr. Weber developed and marketed one of the original and first Microsoft Windows based development environment tools for both the English and Japanese marketplaces. In 1996 and 1997, Mr. Weber began developing the origins of the current IVAN program. In 1998, Mr. Weber founded Conversational Systems, Inc., now One Voice Technologies, Inc., in San Diego, California, where he has served as our President since that time. Recently, Mr. Weber was nominated as chairperson and keynote speaker of the Voice-Based Commerce tradeshow held in Chicago in September 2000, where participants included IBM, Lucent, Nuance and Speechworks. Mr. Weber was elected to our Board of Directors in July of 1999 as Chairman.

George H. Kaelin, III, received a B.B.A. degree summa cum laude with an emphasis in Business Economics from the University of San Diego, California. Mr. Kaelin also has a Juris Doctor degree from the University of California, Davis, where he received the American Jurisprudence Award for excellence in Advanced Business Organizations Law. Mr. Kaelin has clerked for the U.S. District Court, Eastern District, for the Honorable Milton L. Schwartz. He also worked with the Alaska Legislature in drafting the Alaskan Non-Profit Corporations Code. Mr. Kaelin is a partner in the San Diego law firm of Endeman, Lincoln, Turek & Heater where he has worked since 1994. He specializes in business and real estate issues. Mr. Kaelin is admitted to practice before all state and federal courts in California and has served as a member of the Enright Inn of Court. Mr. Kaelin serves as a member of our Audit and Compensation Committees and was elected to the Board in 1999.

Rahoul Sharan holds a Bachelor of Commerce degree from the University of British Columbia and is a member of the Institute of Chartered Accountants of British Columbia. Mr. Sharan was employed by Coopers & Lybrand (now Pricewaterhouse Coopers) from 1984 to 1989. Since 1989, Mr. Sharan has been President and a Director of KJN Management Ltd., a private company which provides a broad range of administrative, management and financial services to both private and public companies. Mr. Sharan has been a partner in S & P Group, a company which specializes in investment financing for venture capital projects and real estate development and construction, since 1988. Mr. Sharan was also a director of Pacific Northern Ventures, Ltd. from 1989 to 1995, and is President and a Director of Bell Coast Capital Corp., an inactive public company to which Mr. Sharan devotes less than 1% of his time. Mr. Sharan was elected to the Board in 1999.

Bradley J. Ammon is a tax attorney in the San Diego law firm of Ernest S. Ryder & Associates, Inc. Mr. Ammon specializes in international tax planning,

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

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### EXECUTIVE COMPENSATION

The following tables set forth certain information regarding our CEO and each of our most highly-compensated executive officers whose total annual salary and bonus for the fiscal year ending December 31, 1999 and 2000 exceeded \$100,000:

#### SUMMARY COMPENSATION TABLE

##### Annual Compensation

Name & Principal Position	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Restricted Stock awards	Options SARs (#) / (1) /
Dean Weber, CEO	2000	252,000	75,000	0	0	0
	1999	180,000	0	0	0	0 / (2) /
Rahoul Sharan, CFO	2000	180,000	75,000 / (3) /	0	0	0
	1999	120,000 / (3) /	0	0	0	50,000

/(1)/ Options were granted pursuant to the Company's 1999 Stock Option Plan.

/(2)/ 75,000 options previously granted to Mr. Weber were rescinded by Mr. Weber.

/(3)/ This payment was made through KJN Management Ltd.

#### EMPLOYMENT AGREEMENT

We entered into a three-year employment agreement with Dean Weber, our Chairman, Chief Executive Officer and President, commencing in July 1999. The Weber employment agreement provides that, in consideration for Mr. Weber's services, he is to be paid an annual salary of \$180,000. His salary was increased to \$252,000 annually in April 2000, with a \$75,000 bonus paid on April 10, 2000.

#### PERSONAL SERVICE AGREEMENT

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We entered into a three-year personal service agreement with KJN Management Ltd. commencing in July 1999 for the services of its CFO, Rahoul Sharan, which provided for the payment of a fee by the Company to KJN Management Ltd. of \$120,000 per year. The service fee was increased to \$180,000 per year on April 10, 2000, and we paid \$75,000 bonus to KJN Management on April 10, 2000.

### COMPENSATION OF DIRECTORS

Non-employee directors receive \$1,000 for each board of directors meeting attended. We pay all out-of-pocket expenses of attendance.

### AMENDED AND RESTATED 1999 STOCK OPTION PLAN

Our Amended and Restated 1999 Stock Option Plan authorizes us to grant to our directors, employees, consultants and advisors both incentive and non-qualified stock options to purchase shares of our common stock. As of September 7, 2001, our board of directors had reserved 3,000,000 shares for issuance under the 1999 Plan, of which 1,427,025 shares were subject to outstanding options and 1,572,975 shares remained available for future grants. Our board of directors or a committee appointed by the board administers the 1999 Plan. The administrators select the recipients to whom options are granted and determine the number of shares to be awarded. Options granted under the 1999 Plan are exercisable at a price determined by the administrators at the time of the grant, but in no event will the option price for any incentive stock option be lower than the fair market value for our common stock on the date of the grant. Options become exercisable at such times and in such installments as the administrators provides in the terms of each individual option agreement. In general, the administrators are given broad discretion

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to issue options and to accept a wide variety of consideration, including shares of our common stock and promissory notes, in payment for the exercise price of options. The 1999 Plan was authorized by our board of directors and stockholders.

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### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Our chief executive officer, Mr. Weber, advanced \$4,500 to us for the purchase of a computer. Our chief financial officer, Mr. Sharan, advanced \$10,000 to us for travel expenses. Both of these cash advances were recorded on our financial statements as current liabilities with no written or verbal agreement regarding loan terms of repayment or stated interest rate. The advances were repaid by us on July 14, 2000.

In May 1999, a group of officers, directors and stockholders of Dead On, Inc., our former corporate entity formed a new company, Dead On Acquisition Company, a California corporation. Subsequent to the formation of Dead On Acquisition Company, the group transferred 6,075,000 shares of our common stock to Dead On Acquisition Company in exchange for shares of Dead On Acquisition Company stock.

On July 14, 1999, 150,000 restricted shares of our common stock were issued as a commission to Compass Investment Management, a non-affiliated entity, for services rendered in connection with the July 1999 private

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placement.

On May 14, 1999, we sold all of our operating assets and liabilities relating to the discontinued operations of our apparel, accessory, and sports equipment division to Dead On Acquisition Company for \$1.00 per an agreement for acquisition resulting in a gain of \$91,785 and a provision for operating losses of \$110,788, equaling a net financial statement loss of \$19,003.

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### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of our common stock as of September 7, 2001 (i) by each person who is known by us to beneficially own more than 5% of our common stock; (ii) by each of our officers and directors; and (iii) by all of our officers and directors as a group. Each person's address is c/o One Voice Technologies, Inc., 6333 Greenwich Drive, Suite 240, San Diego, California 92122.

Name and Address of Beneficial Owner	Shares Beneficially Owned
-----	-----
Dean Weber, CEO, President and Chairman of the Board/(2)/	5,558,000/(3)/
iVantage, Inc./(2)/	1,600,200
Rahoul Sharan, CFO, Secretary, Treasurer and Director	60,000/(4)/
George H. Kaelin, III, Director	345,600/(5)/
Bradley J. Ammon, Director	75,000/(6)/
Total securities held by officers and directors as a group (4 people):	6,060,600/(7)/

/(1)/ Beneficial Ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to options or warrants currently exercisable or convertible, or exercisable or convertible within 60 days of September 7, 2001 are deemed outstanding for computing the percentage of the person holding such option or warrant but are not deemed outstanding for computing the percentage of any other person. Percentages are based on a total of 14,549,611 shares of common stock outstanding on September 7, 2001, and the shares issuable upon the exercise of options and warrants exercisable on or within 60 days of September 7, 2001, as described below.

/(2)/ iVantage, Inc. is wholly owned by Dean Weber, Chairman of the Board, CEO, and President of One Voice Technologies, Inc. Mr. Weber is the beneficial owner of the 1,600,200 shares in the name of iVantage, Inc. and those shares are also included in the amount presented in this table for Mr. Weber.

/(3)/ Includes 1,600,200 shares owned indirectly through iVantage, Inc.

/(4)/ Represents options to purchase (i) 50,000 shares at an exercise price of \$6.080 per share; and (ii) 10,000 shares at an exercise price of \$2.00 per share. These options are currently exercisable.

/(5)/ Includes options to purchase (i) 50,000 shares at an exercise price of \$6.080 per share; (ii) 10,000 shares at an exercise price of \$2.00 per share;

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and (iii) 15,000 shares at an exercise price of \$1.75. These options are currently exercisable.

/(6)/ Includes options to purchase (i) 50,000 shares at an exercise price of \$8.750 per share; and (ii) 25,000 shares at an exercise price of \$2.00 per share. These options are currently exercisable.

/(7)/ Includes options to purchase 210,000 shares as they are currently exercisable.

\* Less than 1%

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### DESCRIPTION OF SECURITIES

The following description of our capital stock is a summary and is qualified in its entirety by the provisions of our Articles of Incorporation, with amendments, all of which have been filed as exhibits to our registration statement of which this prospectus is a part.

Our Articles of Incorporation authorize the issuance of 50,000,000 shares of common stock, \$.001 par value per share, and 10,000,000 shares of preferred stock, \$.001 par value per share. Holders of shares of common stock are entitled to one vote for each share on all matters to be voted on by the stockholders. Holders of common stock have cumulative voting rights. Holders of shares of common stock are entitled to share ratably in dividends, if any, as may be declared, from time to time by the Board of Directors in its discretion, from funds legally available therefor. In the event of a liquidation, dissolution, or winding up of the Company, the holders of shares of common stock are entitled to share pro rata all assets remaining after payment in full of all liabilities. Holders of common stock have no preemptive or other subscription rights, and there are no conversion rights or redemption or sinking fund provisions with respect to such shares. The Board of Directors, from time to time in its sole discretion, has the authority to fix the powers, rights, qualifications, limitations, and restrictions pertaining to the preferred stock.

### INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Under the Nevada General Corporation Law and our Articles of Incorporation, as amended, and our Bylaws, our directors will have no personal liability to us or our stockholders for monetary damages incurred as the result of the breach or alleged breach by a director of his "duty of care." This provision does not apply to the directors' (i) acts or omissions that involve intentional misconduct or a knowing and culpable violation of law, (ii) acts or omissions that a director believes to be contrary to the best interests of the corporation or its stockholders or that involve the absence of good faith on the part of the director, (iii) approval of any transaction from which a director derives an improper personal benefit, (iv) acts or omissions that show a reckless disregard for the director's duty to the corporation or its stockholders in circumstances in which the director was aware, or should have been aware, in the ordinary course of performing a director's duties, of a risk of serious injury to the corporation or its stockholders, (v) acts or omissions that constituted an unexcused pattern of inattention that amounts to an abdication of the director's duty to the corporation or its stockholders, or (vi) approval of an unlawful dividend, distribution, stock repurchase or redemption. This provision would generally absolve directors of personal liability for negligence in the performance of duties, including gross negligence.

The effect of this provision in our Articles of Incorporation and Bylaws is to eliminate the rights of our Company and our stockholders (through stockholder's derivative suits on behalf of our Company) to recover monetary

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damages against a director for breach of his fiduciary duty of care as a director (including breaches resulting from negligent or grossly negligent behavior) except in the situations described in clauses (i) through (vi) above. This provision does not limit nor eliminate the rights of our Company or any stockholder to seek non-monetary relief such as an injunction or rescission in the event of a breach of a director's duty of care. In addition, our Bylaws provide that if the Nevada General Corporation Law is amended to authorize the future elimination or limitation of the liability of a director, then the liability of the directors will be eliminated or limited to the fullest extent permitted by the law, as amended. The Nevada General Corporation Law grants corporations the right to indemnify their directors, officers, employees and agents in accordance with applicable law.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act" or "Securities Act") may be permitted to directors, officers or persons controlling our Company pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

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### PENNY STOCK

The Securities and Exchange Commission (the "Commission") has adopted Rule 15g-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require: (i) that a broker or dealer approve a person's account for transactions in penny stocks; and (ii) the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased. In order to approve a person's account for transactions in penny stocks, the broker or dealer must (i) obtain financial information and investment experience objectives of the person; and (ii) make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks. The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prepared by the Commission relating to the penny stock market, which, in highlight form, (i) sets forth the basis on which the broker or dealer made the suitability determination; and (ii) that the broker or dealer received a signed, written agreement from the investor prior to the transaction. Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

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### PLAN OF DISTRIBUTION

The selling stockholder and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their shares

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of common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. The selling stockholders may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits the purchaser;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately-negotiated transactions;
- short sales;
- broker-dealers may agree with the selling stockholder to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale; and
- any other method permitted pursuant to applicable law.

The selling stockholder may also sell shares under Rule 144 under the Securities Act, if available, rather than under this prospectus.

The selling stockholder may pledge their shares to their brokers under the margin provisions of customer agreements. If a selling stockholder defaults on a margin loan, the broker may, from time to time, offer and sell the pledged shares.

The selling stockholders may also engage in short sales against the box, puts and calls and other transactions in our securities or derivatives of our securities and may sell or deliver shares in connection with these trades. The selling stockholder may pledge their shares of common stock to their brokers under the margin provisions of customer agreements. If a selling stockholder defaults on a margin loan, the broker may, from time to time, offer and sell the pledged shares.

Broker-dealers engaged by the selling stockholder may arrange for other broker-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. The selling stockholders do not expect these commissions and discounts to exceed what is customary in the types of transactions involved.

The selling stockholders and any broker-dealers or agents that are involved in selling the shares may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act.

We are required to pay all fees and expenses incident to the registration of the shares, including fees and disbursements of counsel to the selling stockholder, but excluding brokerage commissions or underwriter discounts. We and the selling stockholders have agreed to indemnify each other against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

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## SELLING STOCKHOLDER

The table below sets forth information concerning the resale of the shares of common stock by the selling stockholders. We will not receive any proceeds from the resale of the common stock by the selling stockholders. We will receive proceeds from the exercise of the warrants. Assuming all the shares registered below are sold by the selling stockholders, none of the selling stockholders will continue to own any shares of our common stock.

The following table also sets forth the name of each person who is offering the resale of shares of common stock by this prospectus, the number of shares of common stock beneficially owned by each person, the number of shares of common stock that may be sold in this offering and the number of shares of common stock each person will own after the offering, assuming they sell all of the shares offered.

Name	Total Shares of Common Stock Issuable Upon Conversion of Notes and/or Warrants (2)	Total Percentage of Common Stock, Assuming Full Conversion (2)	Shares of Common Stock Included in Prospectus (1)	Beneficial Ownership Before the Offering	Percentage of Common Stock Owned Before Offering
Stonestreet Limited Partnership	2,016,666	12.17%	Up to \$726,000 worth of common stock	764,159	4.99%

The number and percentage of shares beneficially owned is determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rule, beneficial ownership includes any shares as to which the selling stockholder has sole or shared voting power or investment power and also any shares which the selling stockholder has the right to acquire within 60 days. The actual number of shares of common stock issuable upon the conversion of the convertible preferred stock is subject to adjustment depending on, among other factors, the future market price of the common stock, and could be materially less or more than the number estimated in the table.

- (1) Because the number of shares of common stock issuable upon conversion of the convertible note is dependent in part upon the market price of the common stock prior to a conversion, the actual number of shares of common stock that will be issued upon conversion will fluctuate daily and cannot be determined at this time. However the selling stockholder has contractually agreed to restrict its ability to convert or exercise its warrants and receive shares of our common stock such that the number of shares of common stock held by it and its affiliates after such conversion or exercise does not exceed 4.99% of the then issued and outstanding shares of common stock. As a result of the contractual agreement not to exceed 4.99% beneficial ownership, the selling stockholder does not believe it is a control person as defined in the Securities Exchange Act of 1934 or is required to file a Schedule 13D.
- (2) Assumes that the 80% average of the three lowest closing prices of our common stock for the thirty days immediately prior to this conversion

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date is \$0.36. Includes 83,333 shares underlying warrants that are currently exercisable at an exercise price of \$0.515 per share. In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, Michael Finkelstein may be deemed a control person of the shares owned by such entity.

(3) Assumes that all securities registered will be sold.

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### LEGAL MATTERS

The validity of the shares of common stock being offered hereby will be passed upon for us by Sichenzia, Ross, Friedman & Ference LLP, New York, New York.

### EXPERTS

Our financial statements at December 31, 1999 and 2000 appearing in this prospectus and registration statement have been audited by Stonefield Josephson, Inc., independent auditors, as set forth on their report thereon appearing elsewhere in this prospectus, and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

### AVAILABLE INFORMATION

We have filed a registration statement on Form SB-2 under the Securities Act of 1933, as amended, relating to the shares of common stock being offered by this prospectus, and reference is made to such registration statement. This prospectus constitutes the prospectus of One Voice Technologies, Inc., filed as part of the registration statement, and it does not contain all information in the registration statement, as certain portions have been omitted in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC").

We are subject to the informational requirements of the Securities Exchange Act of 1934 (the "Exchange Act") which requires us to file reports, proxy statements and other information with the Securities and Exchange Commission. Such reports, proxy statements and other information may be inspected at public reference facilities of the SEC at Judiciary Plaza, 450 Fifth Street N.W., Washington D.C. 20549; Northwest Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661; 7 World Trade Center, New York, New York, 10048; and 5670 Wilshire Boulevard, Los Angeles, California 90036. Copies of such material can be obtained from the Public Reference Section of the SEC at Judiciary Plaza, 450 Fifth Street N.W., Washington, D.C. 20549 at prescribed rates. Because we file documents electronically with the SEC, you may also obtain this information by visiting the SEC's Internet website at <http://www.sec.gov>.

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We furnish our stockholders with annual reports containing audited financial statements.

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### INDEX TO FINANCIAL STATEMENTS

# Edgar Filing: ONE VOICE TECHNOLOGIES INC - Form SB-2

ONE VOICE TECHNOLOGIES, INC.

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DECEMBER 31, 1999 and 2000

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
One Voice Technologies, Inc.  
San Diego, California

We have audited the accompanying balance sheet of One Voice Technologies, Inc., a Nevada Corporation (a development stage enterprise) as of December 31, 2000, and the related statements of operations, stockholders' equity and cash flows for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of One Voice Technologies, Inc. as of December 31, 2000, and the results of its operations and its cash flows for the years ended December 31, 2000 and 1999, in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown on the financial statements, the Company has incurred net losses from operations and has negative cash flows from operations. These factors, among others as discussed in Note 1 to the financial statements, raise substantial doubt about the Company's ability to

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continue as a going concern. Managements plans regarding those matters also are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

/s/ Stonefield Josephson, Inc.  
CERTIFIED PUBLIC ACCOUNTANTS

Santa Monica, California  
February 27, 2001 (except for Note 15, which is  
as of March 5, 2001)

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

#### BALANCE SHEET - DECEMBER 31, 2000

##### ASSETS

###### Current assets:

Cash and cash equivalents	\$ 4,387,622
Cash - restricted	200,000
Licensing revenue receivable	250,000
Advertising revenue receivable	75,000
Inventory	115,875
Prepaid advertising	183,331
Prepaid mailing lists	750,000
Prepaid expenses	253,256
	-----

Total current assets

6,215,  
-----

Property and equipment, net of  
accumulated depreciation and amortization

1,064,

###### Other assets:

Software licensing, net of accumulated amortization	361,974
Software development costs, net of accumulated amortization	1,219,844
Deposits	47,987
Trademarks, net of accumulated amortization	183,141
Patents	55,350
Loan fees, net of accumulated amortization	183,333
	-----

Total other assets

2,051,  
-----

\$ 9,330,  
=====

##### LIABILITIES AND STOCKHOLDERS' EQUITY

###### Current liabilities:

Accounts payable and accrued expenses	\$ 798,674
Deferred revenue	306,250
Loan payable, related parties	200,000
	-----

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Total current liabilities		1,304,
		-----
5% convertible note payable, due October 3, 2003	2,000,000	
Unamortized discount	1,512,726	
	-----	
		487,
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, 12,671,060 shares issued and outstanding	12,671	
Additional paid-in capital	18,705,844	
Deficit accumulated during development stage	(11,179,835)	
	-----	
Total stockholders' equity		7,538,
		-----
		\$ 9,330,
		=====

See accompanying independent auditors' report and notes to financial statements.

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

### STATEMENTS OF OPERATIONS

	Year ended December 31, 2000	Year ended December 31, 1999	From inception on January 1, 1999 to December 31, 2000
	-----	-----	-----
Net revenues	\$ 51,193	\$ 25,423	\$ 76,616
Cost of revenues	110,390	2,790	113,180
	-----	-----	-----
Gross profit	(59,197)	22,633	(36,564)
General and administrative expenses	9,338,423	1,804,848	11,143,271
	-----	-----	-----
Net loss	\$ (9,397,620)	\$ (1,782,215)	\$ (11,179,835)
	=====	=====	=====
Net loss per share, basic and diluted	\$ (.76)	\$ (.15)	
	=====	=====	

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Weighted average shares outstanding, basic and diluted	12,421,172 =====	12,156,986 =====
---	---------------------	---------------------

See accompanying independent auditors' report and notes to financial statements.

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

### STATEMENT OF STOCKHOLDERS' EQUITY

	Common stock -----		Additional paid-in	Def accum dur devel
	Shares -----	Amount -----	capital -----	st --
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

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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 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 independent auditors' report and notes to financial statements.

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

### STATEMENTS OF CASH FLOWS

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

	Year ended December 31, 2000	Year ended December 31, 1999
	-----	-----
Cash flows provided by (used for) operating activities:		
Net loss	\$ (9,397,620)	\$ (1,782,21
	-----	-----
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,029,990	126,25
Amortization of discount on note payable	63,583	
Options issued in exchange for services	199,311	
Warrants issued in exchange for services	55,000	
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Licensing revenue receivable	(250,000)	
Advertising revenue receivable	(75,000)	
Inventory	(115,875)	

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Prepaid advertising	(183,331)	
Prepaid mailing lists	(750,000)	
Prepaid expenses	(253,256)	
Deposits	(41,091)	(6,89
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	391,780	406,89
Deferred revenue	306,250	
	-----	-----
Total adjustments	377,361	526,25
	-----	-----
Net cash used for operating activities	(9,020,259)	(1,255,96
	-----	-----
Cash flows used for investing activities:		
Purchase of property and equipment	(1,169,499)	(153,96
Software licensing	(679,314)	(459,99
Software development costs	(1,129,928)	(168,01
Trademarks	(207,986)	
Patents	(21,394)	(33,95
Loan fees	(200,000)	
Increase in escrow account	-	(200,00
	-----	-----
Net cash used for investing activities	(3,408,121)	(1,015,93
	-----	-----
Cash flows provided by (used for) financing activities:		
Proceeds from issuance of common stock, net	13,926,017	2,971,87
Retirement of common stock, net	-	(10,00
Proceeds from (payments on) loan payable, officer-stockholder	(4,500)	4,50
Proceeds from (payments on) loan payable, officer	(10,000)	10,00
Proceeds from loans payable	-	200,00
Proceeds from convertible note payable	2,000,000	
	-----	-----
Net cash provided by financing activities	15,911,517	3,176,37
	-----	-----

(Continued)

See accompanying independent auditors' report and notes to financial statements.

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

STATEMENTS OF CASH FLOWS (CONTINUED)

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

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	Year ended December 31, 2000 -----	Year ended December 31, 1999 -----
Net increase in cash	3,483,137	904,485
Cash and cash equivalents, beginning of year	904,485 -----	-----
Cash and cash equivalents, end of year	\$ 4,387,622 =====	\$ 904,485 =====
Supplemental disclosure of cash flow information:		
Interest paid	\$ 653 =====	\$ 17,125 =====
Income taxes paid	\$ 1,600 =====	\$ 1,825 =====
Supplemental disclosure of non-cash financing activities:		
Options issued in exchange for services	\$ 199,311 =====	\$ ----- =====
Warrants issued in exchange for services	\$ 55,000 =====	\$ ----- =====
Warrants issued in connection with financing	\$ 1,576,309 =====	\$ ----- =====

See accompanying independent auditors' report and notes to financial statements.

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

### NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2000 AND 1999

#### (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

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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.

### Going Concern:

The Company's financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company incurred a net loss of \$9,397,620 during the year ended December 31, 2000. The Company had an accumulated deficit of \$11,179,835. The Company had working capital of \$4,910,160 at December 31, 2000 and negative cash flows from operations totaling \$9,020,259 for the year ended December 31, 2000. These factors raise substantial doubt about the Company's ability to continue as a going concern unless the Company enters into a significant revenue bearing contract. Management is currently seeking additional equity or debt financing. Additionally, management is currently pursuing revenue bearing contracts utilizing various applications of its technology including wireless technology. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

### (2) Summary of Significant Accounting Policies:

#### 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.

See accompanying independent auditors' report.

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

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2000 AND 1999

### (2) Summary of Significant Accounting Policies, Continued:

#### Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported

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amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Development Stage Enterprise:

The Company is a development stage company as defined in Statement of Financial Accounting Standards No. 7, "Accounting and Reporting by Development Stage Enterprises." The Company is devoting substantially all of its present efforts to establish a new business, which is unrelated to the business of Dead On, and its planned principal operations have not yet commenced. All losses accumulated since inception of One Voice Technologies, Inc. have been considered as part of the Company's development stage activities.

### Fair Value:

The Company's financial instruments consist principally of accounts payable and notes payable to an individual and related parties as defined by Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments." The carrying value of the financial instruments approximate their fair value due to the short-term nature of these instruments.

### Inventory:

Inventory, consisting primarily of headphones, is valued at lower of cost (first-in, first-out) or market.

### Cash:

#### Equivalents -----

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

#### Concentration -----

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

See accompanying independent auditors' report.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## Edgar Filing: ONE VOICE TECHNOLOGIES INC - Form SB-2

YEARS ENDED DECEMBER 31, 2000 AND 1999

### (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 and license fees are deferred and recognized over the life of the agreement. Initial distribution fees are recognized when the software is delivered.

The Company's revenue recognition policies are in compliance with the American Institute of Certified Public Accountants ("AICPA") Statement of Position ("SOP") 97-2, Software Revenue Recognition, as amended by SOP 98-4 and SOP 98-9.

#### Deferred Revenue:

The Company sells licensing contracts, which in most instances cover a period of one year or more. The amount of deferred revenue, as presented in the financial statements, represents licensing contracts which have yet been fulfilled.

#### Nonmonetary Transactions:

The Company accounts for nonmonetary transactions based on the fair values of the assets or services involved in accordance with APB No. 29, "Accounting for Nonmonetary Transactions." The cost of a nonmonetary asset acquired in exchange for another nonmonetary asset is the fair value of the asset surrendered to obtain it, and a gain or loss is recognized on the exchange. At December 31, 2000, the Company recognized \$25,000 in revenues and expenses resulting from nonmonetary transactions.

#### Advertising and Promotion Costs:

Advertising and promotion costs are expensed as incurred and totaled \$899,727 and \$80,488 for the years ended December 31, 2000 and 1999, respectively.

#### Property and Equipment:

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

#### Debt with Stock Purchase Warrants:

The proceeds received from debt issued with stock purchase warrants is allocated between the debt and the warrants, based upon the relative fair values of the two securities and the balance of the proceeds is accounted for as additional paid-in capital. The resulting debt discount is amortized to expense over the term of the debt instrument, using the interest method. In the event of settlement of such debt in advance of the maturity date, an expense is recognized based upon the difference between the then carrying amount (i.e., face amount less unamortized discount) and amount of payment.

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See accompanying independent auditors' report.

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

#### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2000 AND 1999

#### (2) Summary of Significant Accounting Policies, Continued:

##### Software Development Costs:

The Company has adopted Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed," ("SFAS No. 86"). SFAS No. 86 requires the Company to capitalize the direct costs and allocate overhead associated with the development of software products. Initial costs are charged to operations as research prior to the development of a detailed program design or a working model. Costs incurred subsequent to the product release, and research and development performed under contract are charged to operations. Capitalized costs are amortized over the estimated product life of four years on the straight line basis. Unamortized costs are carried at the lower of book value or net realizable value.

Amortization expense totaled \$78,102 and \$0 for the years ended December 31, 2000 and 1999, respectively.

##### Trademarks and Patents:

The Company's trademark costs consist of legal fees paid in connection with trademarks pending. The Company amortizes trademarks using the straight-line method over the period of estimated benefit, generally four years. Amortization expense charged for the years ended December 31, 2000 and 1999 totaled \$24,845 and \$0, respectively.

The Company's patent costs consist of legal fees paid in connection with a patent pending. The Company amortizes patents using the straight-line method over the period of estimated benefit, generally five years. There was no amortization expense charged for the year ended December 31, 2000, as the patents are pending.

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

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flows generated.

### Loan Fees:

Deferred loan costs are being amortized using the straight-line method over the life of the loan (three years). Accumulated amortization totaled \$16,667 for the year ended December 31, 2000.

See accompanying independent auditors' report.

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

#### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2000 AND 1999

#### (2) Summary of Significant Accounting Policies, Continued:

##### Comprehensive Loss:

Comprehensive loss consists of net loss only.

##### Net Income (Loss) Per Share:

For the years ended December 31, 2000 and 1999, the per share data is based on the weighted average number of common and common equivalent shares outstanding, and are calculated in accordance with Staff Accounting Bulletin of the Securities and Exchange Commission (SAB) No. 98 whereby common stock, options or warrants to purchase common stock or other potentially dilutive instruments issued for nominal consideration must be reflected in basic and diluted per share calculation for all periods in a manner similar to a stock split, even if anti-dilutive. Accordingly, in computing basic earnings per share, nominal issuances of common stock are reflected in a manner similar to a stock split or dividend.

##### Income Taxes:

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

##### New Accounting Pronouncements:

In December 1999, the Securities and Exchange Commission (the "Commission") issued Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements, which is to be

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applied beginning with the fourth fiscal quarter of fiscal years beginning after December 15, 1999, to provide guidance related to recognizing revenue in circumstances in which no specific authoritative literature exists. Adoption of this pronouncement did not materially impact the Company's financial statements.

In March 2000, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 44 (Interpretation 44), "Accounting for Certain Transactions Involving Stock Compensation". Interpretation 44 provides criteria for the recognition of compensation expense in certain stock-based compensation arrangements that are accounted for under APB Opinion No. 25, Accounting for Stock-Based Compensation. Interpretation 44 is effective July 1, 2000, with certain provisions that are effective retroactively to December 15, 1998 and January 12, 2000. Interpretation 44 is not expected to have an impact on the Company's financial statements.

See accompanying independent auditors' report.

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

#### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2000 AND 1999

#### (2) Summary of Significant Accounting Policies, Continued:

##### New Accounting Pronouncements, Continued:

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, as amended by SFAS No. 137, is effective for fiscal years beginning after June 15, 2000. SFAS No. 133 requires the Company to recognize all derivatives as either assets or liabilities and measure those instruments at fair value. It further provides criteria for derivative instruments to be designated as fair value, cash flow and foreign currency hedges and establishes respective accounting standards for reporting changes in the fair value of the derivative instruments. Upon adoption, the Company will be required to adjust hedging instruments to fair value in the balance sheet and recognize the offsetting gains or losses as adjustments to be reported in net income or other comprehensive income, as appropriate. The Company is evaluating its expected adoption date and currently expects to comply with the requirements of SFAS 133 in fiscal year 2001. The Company does not expect the adoption will be material to the Company's financial position or results of operations since the Company does not believe it participates in such activities.

#### (3) Cash Restricted:

In connection with an Escrow Agreement dated July 14, 1999, former officers of Dead On, Inc. have placed \$200,000 in an escrow account. The funds are to be used for prior obligations of Dead On, Inc. relating to its apparel, accessory and sports equipment division which was discontinued in December

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1998 (Note 1). The funds are restricted through January 2001 or until all legal matters have been resolved (Note 14). In the case that no claims are made against the Company for the prior obligation, the funds will be repaid to the former officers. Accordingly, the amount has been recorded as a loan payable at December 31, 2000.

### (4) Property and Equipment:

A summary is as follows:

Web host computer equipment	\$ 443,868
Computer equipment	386,399
Equipment	321,755
Furniture and fixtures	120,243
Website development	35,974
Leasehold improvements	15,222
	-----
	1,323,461
Less accumulated depreciation and amortization	259,296
	-----
	\$ 1,064,165
	=====

Depreciation and amortization expense totaled \$246,374 and \$12,922 for the years ended December 31, 2000 and 1999, respectively.

See accompanying independent auditors' report.

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

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2000 AND 1999

### (5) Software Licensing Agreements:

In September and October 1999, the Company entered into a 24-month software licensing agreement with two software developers. The agreement can be cancelled by either party by giving 60 days written notice. The asset is being amortized using the straight-line method over the life of the agreement.

In March 2000, the Company entered into a 36-month software licensing agreement with a software developer. The agreement can be cancelled by mutual agreement of the parties at any time. The asset is being amortized using the straight-line method over the life of the agreement.

Amortization expense related to software licensing agreements totaled \$664,002 and \$113,333 for the years ended December 31, 2000 and 1999, respectively.

### (6) Convertible Note Payable:

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In October 2000, the Company entered into a purchase agreement with an investment company to issue a total of \$10,000,000 convertible notes payable with interest at 5% per annum and 231,884 common stock purchase warrants. Each warrant entitles the holder to purchase one share of the Company's common stock at an exercise price of \$9.76 per share. In October 2000, the Company issued \$2,000,000 of convertible notes and the warrants. A payment of interest only is payable on the conversion dates, as defined in the agreement. The remaining principal balance of the note is payable in full in October 2003, at which time the remainder of the note will be automatically converted to shares of the Company's common stock. The note is convertible at the option of the holder at any time at the lesser of \$9.76 per share or the average of the 7 lowest volume weighted average sales prices of the common stock during the past 50 trading days immediately preceding the notice of conversion. Included in accrued expenses is approximately \$24,000 of accrued interest. The fair value of the associated warrant was determined based on the Black-Scholes pricing method at the date of grant. The value of the warrants totaled \$1,576,309 and is included in paid-in capital at December 31, 2000. The note, net of discounts, has an effective interest rate of 75.7%. The discount is being amortized to interest expense over the life of the note using the interest rate method. Amortization of the discount totaled approximately \$64,000 at December 31, 2000.

Additional notes may be issued in increments of \$2,000,000 provided that, among other items, the per share market value of the Company's common stock is not less than \$10.00 per share.

In January 2001, \$400,000 of the outstanding note was converted to 298,078 shares of the Company's common stock at an average rate of \$1.36 per share.

See accompanying independent auditors' report.

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

#### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### YEARS ENDED DECEMBER 31, 2000 AND 1999

##### (7) Common Stock:

In May 1999, the Company commenced a private placement of 1,500,000 shares of the Company's common stock at a purchase price of \$2.00 per share. The Private Placement was exempt from the registration provisions of the Act by virtue of Section 4(2) of the Act, as transactions by an issuer not involving any public offering. The securities issued pursuant to the Private Placement were restricted securities as defined in Rule 144. The offering generated proceeds of approximately \$2,846,000, net of offering costs of approximately \$154,000. An additional 150,000 shares of the Company's common stock was issued for services rendered in connection with this private placement, which was valued at \$2.00 per share.

On June 22, 1999, in connection with a Merger Agreement and Plan of Reorganization with Dead On, Inc., the Company exchanged all of its outstanding shares of common stock for 7,000,000 newly issued shares of the common stock of Dead On, Inc. (Note 1).

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Pursuant to a plan approved by One Voice Technologies' Board of Directors in July 1999, the Company repurchased and retired 10,000,000 shares of its common stock, \$.001 par value per share.

In January 2000, the Company entered into a Subscription Agreement with an unrelated foreign party providing for the sale of 312,500 shares of the Company's common stock at \$6.40 per share and 156,250 common stock purchase warrants. Each warrant entitles the holder to purchase one share of common stock at an exercise price of \$8.00. The warrants expired on January 5, 2001. Proceeds raised from the shares and warrants total approximately \$1,800,000, net of offering costs of approximately \$200,000.

In March 2000, the Company commenced a private placement of approximately 1,000,000 units consisting of 1 share of the Company's common stock and 1/2 common stock purchase warrant for each unit purchased. The Company raised proceeds totaling approximately \$12,146,000, net of offering costs of approximately \$902,000, from the issuance of 988,560 shares of common stock and 494,280 common stock purchase warrants. Each warrant entitles the holder to purchase one share of common stock at an exercise price of \$18.00. The warrants expire at various times through April 2001.

### (8) Income Taxes:

For federal income tax return purposes, the Company has available net operating loss carryforwards of approximately \$11,500,000, which includes approximately \$323,000 acquired from Dead On, Inc. The net operating loss carryforwards expire through 2019 and are available to offset future income tax liabilities.

Temporary differences which give rise to deferred tax assets and liabilities at December 31, 2000 are as follows:

Net operating loss carryforwards	\$ 4,600,000
Valuation allowance	(4,600,000)
	-----
Net deferred taxes	\$ -
	=====

See accompanying independent auditors' report.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2000 AND 1999

### (9) Employment Agreement:

In July 1999, the Company entered into an employment agreement with an officer stockholder of the Company to pay an annual base salary of \$180,000 through July 2002. In April 2000, the Board of Directors approved an increase in the annual base salary to \$252,000 and a \$75,000

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bonus paid in 2000. Increases are determined annually by the Board of Directors.

Under this agreement, salaries totaled \$230,686 and \$104,505 for the years ended December 31, 2000 and 1999, respectively.

(10) Consulting Agreement:

In July 1999, the Company entered into a consulting agreement with a personal service corporation owned by an officer of the Company to pay an annual consulting fee of \$120,000 through July 2002. In April 2000, the Board of Directors approved an increase in the annual consulting salary to \$180,000 per year and a \$75,000 bonus paid in 2000.

Consulting fees totaled \$240,000 and \$76,650 for the years ended December 31, 2000 and 1999, respectively.

(11) Commitments:

The Company leases its facilities under leases that expire at various times through October 2005. The following is a schedule by years of future minimum rental payments required under operating leases that have noncancellable lease terms in excess of one year as of December 31, 2000:

Year ending December 31,	
2001	\$ 287,681
2002	294,849
2003	304,615
2004	313,291
2005	266,053
	-----
	1,466,489
Less sublease income	443,545
	-----
	\$ 1,022,944
	=====

Rent expense amounted to \$183,231 and \$28,280 for the years ended December 31, 2000 and 1999, respectively.

See accompanying independent auditors' report.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2000 AND 1999

(12) Incentive and Nonqualified Stock Option Plan:

On July 14, 1999, the Company enacted an Incentive and Nonqualified Stock Option Plan (the "Plan") for its employees and consultants under which a maximum of 1,000,000 options may be granted to purchase common stock of

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

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

During 2000, the Company granted 53,725 stock options exercisable at an average exercise price of \$10.22 to consultants for professional services provided to the Company. The options expire at various times through 2003. The options were valued using the Black-Scholes method at the date of grant. The Company recorded consulting service expense totaling \$199,311 for the year ended December 31, 2000.

The number and weighted average exercise prices of options granted under the plan for the years ended December 31, 2000 and 1999 are as follows:

	2000		1999	
	Number	Average Exercise Price	Number	Average Exercise Price
Outstanding at beginning of the year	400,500	\$ 6.01	-	\$ -
Outstanding at end of the year	916,325	6.51	400,500	6.01
Exercisable at end of the year	338,395	6.76	225,000	6.08
Granted during the year	563,825	6.86	400,500	6.01
Terminated during the year	48,000	5.85	-	-
Exercised during the year	-	-	-	-

See accompanying independent auditors' report.

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2000 AND 1999

### (12) Incentive and Nonqualified Stock Option Plan, Continued:

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

Expected life	3 Years
Risk-free interest rate	5.88%
Dividend yield	-
Volatility	126%

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

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

	December 31, 2000
	-----
Net loss, as reported	\$ (9,397,620)
Pro forma net loss	\$ (10,087,271)
Basic and diluted historical loss per share	\$ (.76)
Pro forma basic and diluted loss per share	\$ (.81)

### (13) Warrants:

At December 31, 2000, the Company had warrants outstanding that allow the holders to purchase up to 882,414 shares of common stock at exercise prices ranging from \$8 to \$18, expiring through October 2005.

See accompanying independent auditors' report.

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2000 AND 1999

### (13) Warrants, Continued:

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The number and weighted average exercise prices of the warrants for the year ended December 31, 2000 are as follows:

	2000	
	Number	Average Exercise Price
	-----	-----
Outstanding at beginning of the year	-	\$ -
Outstanding at end of the year	882,414	14.06
Exercisable at end of the year	882,414	14.06
Granted during the year	882,414	14.06
Exercised during the year	-	-
Terminated during the year	-	-

(14) Contingencies:

During 2000, a financial consulting firm filed a Complaint against the Company, alleging that the Company entered into an exclusive financing agreement wherein the plaintiff agreed to assist in the placement of common stock financing for the Company. The Complaint also alleges that the Company subsequently consummated a financing with a third party. The plaintiff alleges that this financing created a duty on the part of the Company to compensate the plaintiff to the extent provided in the financing agreement. The Complaint seeks damages of \$160,000, and warrants to purchase 100,000 shares at \$16.50 per share of the Company's common stock. At present, the litigation is in the preliminary stages, and management and legal counsel are presently unable to predict the outcome.

The Company is party to various legal proceedings arising from the continued and discontinued operations of the Company. Although the ultimate disposition of these proceedings is not determinable, management, based on advice of legal counsel, does not believe that adverse determinations in any or all of such proceedings will have a material adverse effect on the financial position of the Company.

(15) Subsequent Event:

In March 2001, \$100,000 of the outstanding debenture in Note 6 was converted to 85,654 shares of the Company's common stock at an average rate of \$1.19 per share.

See accompanying independent auditors' report.

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

BALANCE SHEET - JUNE 30, 2001

(UNAUDITED)

ASSETS

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## Current assets:

Cash and cash equivalents	\$	1,77
Cash - restricted		20
Licensing revenue receivable		
Inventory		10
Prepaid advertising		8
Prepaid mailing lists		75
Prepaid expenses		40
		-----

Total current assets

Property and equipment, net of  
accumulated depreciation and amortization

## Other assets:

Software licensing, net of accumulated amortization		9
Software development costs, net of accumulated amortization		1,28
Deposits		4
Trademarks, net of accumulated amortization		16
Patents		5
Loan fees, net of accumulated amortization		15
		-----

Total other assets

## LIABILITIES AND STOCKHOLDERS' EQUITY

### Current liabilities:

Accounts payable and accrued expenses	\$	64
Deferred revenue		26
Loan payable, related parties		20
		-----

Total current liabilities

5% convertible note payable, due October 3, 2003		1,17
Less unamortized discount		(83)
		-----

### 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, 14,272,285 shares issued and outstanding		1
Additional paid-in capital		19,77
Deficit accumulated during development stage		(15,20)
		-----

Total stockholders' equity

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See accompanying notes to financial statements.

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

### STATEMENTS OF OPERATIONS

(UNAUDITED)

	Six months ended June 30,		Three mon Jun
	2001	2000	2001
	----	----	----
Net revenues	\$ 124,860	\$ -	\$ 61,162
Cost of revenues	23,980	-	3,329
	-----	-----	-----
Gross profit	100,880	-	57,833
General and administrative expenses	4,124,257	3,227,912	1,832,494
	-----	-----	-----
Net loss	\$ (4,023,377)	\$ (3,227,912)	\$ (1,774,661)
	=====	=====	=====
Net loss per share, basic and diluted	\$ (0.31)	\$ (0.27)	\$ (0.13)
	=====	=====	=====
Weighted average shares outstanding, basic and diluted	13,106,333	12,169,912	13,301,047
	=====	=====	=====

See accompanying notes to financial statements.

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

### STATEMENT OF STOCKHOLDERS' EQUITY

(UNAUDITED)

Common stock	Additional paid-in	Defi accumu duri develo
--------------	-----------------------	----------------------------------

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	Shares -----	Amount -----	capital -----	sta -----
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 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 financial statements.

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

STATEMENT OF STOCKHOLDERS' EQUITY (CONTINUED)

(UNAUDITED)

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	Common stock		Additional	accumul
	-----		paid-in	durin
	Shares	Amount	capital	develop
	-----	-----	-----	stage
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	
Net loss for the six months ended June 30, 2001				(4,
	-----	-----	-----	-----
Balance at June 30, 2001	14,272,285	\$14,272	\$ 19,776,311	\$ (15,
	=====	=====	=====	=====

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

(UNAUDITED)

	Six months ended June 30, 2001	Six months ended June 30, 2000
	-----	-----
Cash flows provided by (used for) operating activities:		
Net loss	\$ (4,023,377)	\$ (3,227,91
	-----	-----
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	705,849	395,39
Amortization of discount on note payable	67,313	

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Options issued in exchange for services	15,682	
Warrants issued in exchange for services	-	
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Licensing revenue receivable	323,156	
Advertising revenue receivable	-	
Inventory	6,330	(95,61)
Prepaid advertising	100,000	(231,38)
Prepaid mailing lists	-	
Prepaid expenses	(148,883)	(506,58)
Deposits	(315)	(20,97)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(152,286)	252,55
Deferred revenue	(37,500)	
	-----	-----
Total adjustments	879,346	(206,61)
	-----	-----
Net cash used for operating activities	(3,144,031)	(3,434,52)
	-----	-----
Cash flows used for investing activities:		
Purchase of property and equipment	(50,362)	(714,23)
Software licensing	-	(202,91)
Software development costs	(255,878)	(408,44)
Trademarks	(5,603)	(145,71)
Patents	-	(7,24)
Loan fees	-	
Increase in escrow account	-	
	-----	-----
Net cash used for investing activities	(311,843)	(1,478,56)
	-----	-----
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	-	
Retirement of common stock, net	-	
Proceeds from loans payable	-	
	-----	-----
Net cash provided by financing activities	840,020	13,964,95
	-----	-----

(Continued)

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS (CONTINUED)

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## INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

(UNAUDITED)

	Six months ended June 30, 2001 -----	Six months ended June 30, 2000 -----
Net increase (decrease) in cash	(2,615,854)	9,051,870
Cash and cash equivalents, beginning of year	4,387,622 -----	904,485 -----
Cash and cash equivalents, end of year	\$ 1,771,768 =====	\$ 9,956,355 =====
Supplemental disclosure of cash flow information:		
Interest paid	\$ 1,266 =====	\$ 46 =====
Income taxes paid	\$ - =====	\$ 1,600 =====
Supplemental disclosure of non-cash financing activities:		
Warrants issued in exchange for services	\$ - =====	\$ - =====
Options issued in exchange for services	\$ 15,682 =====	\$ - =====
Common stock issued in exchange for debt	\$ 216,366 =====	\$ - =====
Warrants issued in connection with financing	\$ 302,000 =====	\$ - =====

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 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"),

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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.

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

#### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SIX MONTHS ENDED JUNE 30, 2001

### (2) Summary of Significant Accounting Policies, Continued:

#### Revenue Recognition:

The Company recognizes revenues when earned in the period in which the

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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 Note Payable:

In March 2001, \$500,000 of the outstanding note payable was converted to 383,732 shares of the Company's common stock at an average rate of \$1.30 per share.

In May 2001, \$40,000 of the outstanding note payable was converted to 61,471 shares of the Company's common stock at an average rate of \$0.65 per share.

In May 2001, \$135,000 of the outstanding note payable was converted to 215,639 shares of the Company's common stock at an average rate of \$0.63 per share.

In May 2001, \$100,000 of the outstanding note payable was converted to 158,541 shares of the Company's common stock at an average rate of \$0.63 per share.

In June 2001, \$50,000 of the outstanding note payable was converted to 79,492 shares of the Company's common stock at an average rate of \$0.63 per share.

### (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.

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from the information contained in this prospectus. This document may only be used where it is legal to sell the securities. The information in this document may only be accurate on the date of this document.

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UP TO \$726,000 WORTH  
OF OUR  
OF COMMON STOCK

One Voice  
Technologies, Inc.

6333 Greenwich Drive, Suite 240  
San Diego, California 92122  
(858) 552-4466

-----  
PROSPECTUS  
-----

October \_\_, 2001

=====

### PART II

#### INFORMATION NOT REQUIRED IN PROSPECTUS

##### Item 24. Indemnification of Directors and Officers.

Under the Nevada General Corporation Law and our Articles of Incorporation, as amended, and our Bylaws, our directors will have no personal liability to us or our stockholders for monetary damages incurred as the result

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of the breach or alleged breach by a director of his "duty of care." This provision does not apply to the directors' (i) acts or omissions that involve intentional misconduct or a knowing and culpable violation of law, (ii) acts or omissions that a director believes to be contrary to the best interests of the corporation or its stockholders or that involve the absence of good faith on the part of the director, (iii) approval of any transaction from which a director derives an improper personal benefit, (iv) acts or omissions that show a reckless disregard for the director's duty to the corporation or its stockholders in circumstances in which the director was aware, or should have been aware, in the ordinary course of performing a director's duties, of a risk of serious injury to the corporation or its stockholders, (v) acts or omissions that constituted an unexcused pattern of inattention that amounts to an abdication of the director's duty to the corporation or its stockholders, or (vi) approval of an unlawful dividend, distribution, stock repurchase or redemption. This provision would generally absolve directors of personal liability for negligence in the performance of duties, including gross negligence.

The effect of this provision in our Articles of Incorporation and Bylaws is to eliminate the rights of our Company and our stockholders (through stockholder's derivative suits on behalf of our Company) to recover monetary damages against a director for breach of his fiduciary duty of care as a director (including breaches resulting from negligent or grossly negligent behavior) except in the situations described in clauses (i) through (vi) above. This provision does not limit nor eliminate the rights of our Company or any stockholder to seek non-monetary relief such as an injunction or rescission in the event of a breach of a director's duty of care. In addition, our Bylaws provide that if the Nevada General Corporation Law is amended to authorize the future elimination or limitation of the liability of a director, then the liability of the directors will be eliminated or limited to the fullest extent permitted by the law, as amended. The Nevada General Corporation Law grants corporations the right to indemnify their directors, officers, employees and agents in accordance with applicable law.

### Item 25. Other Expenses of Issuance and Distribution.

The following table sets forth an itemization of all estimated expenses, all of which we will pay, in connection with the issuance and distribution of the securities being registered:

Nature of Expense	Amount
-----	-----
SEC Registration fee	\$ 185
Accounting fees and expenses	5,000*
Legal fees and expenses	8,000*
Printing and related expenses	3,000*
TOTAL	\$16,185*
	=====

\* Estimated.

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### Item 26. Recent Sales of Unregistered Securities.

In September 1998, we offered and sold 220,000 shares of common stock at \$.25 per share to a non-affiliated investor for net proceeds of \$55,000. The Company relied on an exemption from registration pursuant to Regulation S as the basis of exemption from registration. Regulation S was available to this investor as the sale was made outside of the United States to an investor who

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was not a U.S. resident, citizen or corporation, nor were any officers or directors of the investing corporation U.S. residents or citizens.

From the period of approximately May 1, 1999 until July 14, 1999, we offered and sold 1,500,000 shares of restricted stock at \$2.00 per share to thirty-two non-affiliated private investors. Each investor completed a subscription confirmation letter and private placement subscription agreement whereby the investors certified that they were purchasing the shares for their own accounts and that the investors were accredited as defined. This offering was not accompanied by general advertisement or general solicitation. The Company relied on Section 4(2) of the Securities Act of 1993, as amended (the "Act") as the basis of exemption from registration. The offering generated proceeds, net of offering costs, of approximately \$2,846,000. An additional 150,000 shares of the Company's common stock was issued for services rendered in connection with this private placement, which was valued at \$2.00 per share.

On June 22, 1999, in connection with a Merger Agreement and Plan of Reorganization with Dead On, Inc., all of the outstanding shares of common stock of Conversational Systems, Inc. were exchanged for 7,000,000 newly-issued shares of our common stock. We relied on Section 4(2) of the Act as the basis of exemption from registration.

In January 2000, we offered and sold 312,500 shares of common stock at \$6.40 per share and 156,250 common stock purchase warrants to a non-affiliated institutional investor raising net proceeds of \$1,800,000. Each warrant entitles the holder to purchase one share of common stock at an exercise price of \$8.00. The institutional investor completed a subscription confirmation letter and private placement subscription agreement whereby the investor certified that it was purchasing the shares for its own account and that the investor was accredited and sophisticated as defined. This offering was not accompanied by general advertisement or general solicitation. We relied on Section 4(2) of the Act as the basis of exemption from registration.

In March 2000, we offered approximately 1 million units consisting of one share of our common stock and one-half common stock purchase warrant for each unit purchased. We received net proceeds of \$12,146,181 from the issuance of 988,560 shares of common stock and 494,280 common stock purchase warrants in reliance on Section 4(2) of the Act as the basis of exemption from registration. Each warrant entitles the holder to purchase one share of our common stock at an exercise price of \$18.00.

In October 2000, we entered into an agreement for the issuance of an initial amount of \$2,000,000 worth of 5% Convertible Debentures and 231,884 common stock purchase warrants with the Selling Stockholders 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 \$9.76. Under the Securities Purchase Agreement, additional 5% Convertible Debentures and common stock purchase warrants may be offered to the Selling Stockholders for total gross proceeds from this offering of up to \$10,000,000. The Selling Stockholders represented to us that they were accredited investors as defined in the Act and that they were able to protect their own interests in connection with the investment. The shares underlying this private placement are being registered in this registration statement. The commission for the transaction was 10% (\$200,000) and a common stock purchase warrant for 23,188 shares of our stock at an exercise price per share of \$9.76.

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) and a common stock purchase warrant for 100,000

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shares of our stock at an exercise price per share of \$.515.

In September 2001, we entered into a securities purchase agreement with the Stonestreet Limited Partnership for the issuance of a \$500,000 8% convertible debenture 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

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price of \$.515. The commission for the transaction was 10% (\$50,000) and a common stock purchase warrant for 83,333 shares of our stock at an exercise price per share of \$.515.

Except as expressly set forth above, the individuals and entities to whom we issued securities as indicated in this section of the registration statement are unaffiliated with us.

### Item 27. Exhibits.

The following exhibits are included as part of this Form SB-2. References to "the Company" in this Exhibit List mean One Voice Technologies, Inc., a Nevada corporation.

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

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- 3.5 Bylaws of Belridge Holdings Corp. (incorporated by reference to Exhibit 3(ii) of our Form 10-SB, filed October 7, 1999).
- 3.6 Amendment to Bylaws dated July 11, 2000 (excerpted) (incorporated by reference to Exhibit 4.3 of our Form S-8, filed October 3, 2000).

### INSTRUMENTS DEFINING RIGHTS OF SECURITY HOLDERS

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

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Exhibit No. -----	Description -----
4.3	Securities Purchase Agreement ("SPA") with Nevelle Investors LLC dated October 3, 2000, and Form of Debenture (Exhibit A to the SPA), Form of Warrant (Exhibit B to the SPA), Conditional Warrant dated October 3, 2000 (Exhibit C to the SPA) and Registration Rights Agreement dated October 3, 2000 (Exhibit E to the SPA), each with Nevelle Investors LLC (incorporated by reference to Exhibit 4 to our Form 10-QSB, filed November 14, 2000).
4.4	\$600,000 8% Convertible Note issued to the Laurus Master Fund, Ltd. (incorporated by reference to Exhibit 4.4 to our Form SB-2 filed September 20, 2001).
4.5	Common Stock Purchase Warrant issued to the Laurus Master Fund, Ltd. (incorporated by reference to Exhibit 4.4 to our Form SB-2 filed September 20, 2001).
4.6	Securities Purchase Agreement with the Laurus Master Fund, Ltd. (incorporated by reference to Exhibit 4.4 to our Form SB-2 filed September 20, 2001).
4.7	\$500,000 8% Convertible Note issued to the Stonestreet Limited Partnership. (filed herewith).
4.8	Common Stock Purchase Warrant issued to the Stonestreet Limited Partnership. (filed herewith).
4.9	Securities Purchase Agreement with the Stonestreet Limited Partnership. (filed herewith).

### OPINION REGARDING LEGALITY

- 5.1 Sichenzia, Ross, Friedman & Ference LLP Opinion and Consent (filed herewith).

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### MATERIAL CONTRACTS

- 10.1 Employment Agreement with Dean Weber dated July 14, 1999 (incorporated by reference to Exhibit 10 to our Form 10-SB, filed October 7, 1999). This agreement was amended on April 10, 2000, to increase Mr. Weber's annual salary to \$252,000.
- 10.2 Consulting Agreement with KJN Management Ltd. For the services of Rahoul Sharan dated July 14, 1999 (incorporated by reference to Exhibit 10 to our Form 10-SB, filed October 7, 1999). This agreement was amended on April 10, 2000, to increase the annual consulting fee to \$180,000.
- 10.3 Software Agreement with IBM/OEM dated September 21, 1999 (filed herewith).
- 10.4 Software License Agreement with Philips Speech Processing dated March 3, 2000 (filed herewith).
- 10.5 Amended and Restated 1999 Stock Option Plan (incorporated by reference to

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Exhibit No. -----	Description -----
	Exhibit 4.4 to our Form S-8, Amendment No. 1, filed October 4, 2000).

### CONSENTS OF EXPERTS AND COUNSEL

- 23.1 Consent of independent auditors (filed herewith).
- 23.2 Consent of legal counsel (see Exhibit 5).

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### Item 28. Undertakings.

The undersigned registrant hereby undertakes to:

(1) File, during any period in which offers or sales are being made, a post-effective amendment to this registration statement to:

(i) Include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended (the "Securities Act");

(ii) Reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of the securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) under the Securities Act if, in the aggregate, the changes in volume and

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price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement, and

(iii) Include any additional or changed material information on the plan of distribution.

(2) For determining liability under the Securities Act, treat each post-effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time to be the initial bona fide offering.

(3) File a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

(4) For purposes of determining any liability under the Securities Act, treat the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act as part of this registration statement as of the time it was declared effective.

(5) For determining any liability under the Securities Act, treat each post-effective amendment that contains a form of prospectus as a new registration statement for the securities offered in the registration statement, and that offering of the securities at that time as the initial bona fide offering of those securities.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

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### SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements of filing on Form SB-2 and authorizes this registration statement to be signed on its behalf by the undersigned, in the City of San Diego, State of California, on October 11, 2001.

ONE VOICE TECHNOLOGIES, INC.

Date: October 11, 2001

By: /s/ Dean Weber

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-----  
Dean Weber, President

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

Signature	Title	Date
/s/ Dean Weber ----- Dean Weber	Chief Executive Officer and Director	October 11, 2001
/s/ Rahoul Sharan ----- Rahoul Sharan	Chief Financial Officer and Director	October 11, 2001
/s/ George H. Kaelin, III ----- George H. Kaelin, III	Director	October 11, 2001
/s/ Bradley J. Ammon ----- Bradley J. Ammon	Director	October 11, 2001

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