PROTOCALL TECHNOLOGIES INC
Form 10QSB/A
May 16, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB/A

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: **March 31, 2007**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from: _____________ to _____________

PROTOCALL TECHNOLOGIES INCORPORATED

(Exact name of small business issuer as specified in its charter)

NEVADA	**333-_________**	**41-2033500**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

47 Mall Drive, Commack, NY 11725-5717

(Address of Principal Executive Office) (Zip Code)

(631) 543-3655

(Issuer s telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.	X Yes No
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).	Yes X No

As of May 15, 2007, there were 76,370,651 shares of Common Stock issued and 76,290,651 outstanding.

Transitional Small Business Disclosure Format (check one):	Yes X No

Explanatory Note

This Amendment No. 1 on Form 10-QSB/A (Form 10-QSB/A) to our Quarterly Report on Form 10 QSB for the quarterly period ended March 31, 2007, initially filed with the Securities and Exchange Commission (the SEC) on May 21, 2007 (the Original Filing), is being filed to reflect the restatement of our condensed consolidated financial statements at, and for the three months ended, March 31, 2007 and the notes related thereto and the related sections of MD&A and Item 3 Controls and Procedures. The decision to restate these condensed consolidated financial statements was made to reflect the correction of the accounting for warrants issued in connection with a private placement in February 2007. For a more detailed description of the **restatement**, see Note A3 - **Restatement** of March 31, 2007 Financial Results to the accompanying condensed consolidated financial statements contained in this Form 10-QSB/A. The restatement had no impact on total stockholders deficiency.

Although this Form 10-QSB/A sets forth the Original Filing in its entirety, this Form 10-QSB/A only amends and restates Items 1, 2 and 3 of Part I, and Item 6 of Part II of the Original Filing, in each case, solely as a result of, and to reflect the restatement, and no other information in the Original Filing is amended hereby. Accordingly, the items have not been updated to reflect other events occurring after the Original Filing or to modify or update those disclosures affected by subsequent events.

Except for the foregoing amended information, this Form 10-QSB/A continues to describe conditions as of the date of the Original Filing, and we have not updated the disclosures contained herein to reflect events that occurred at a later date. Other events occurring after the filing of the Original Filing or other disclosures necessary to reflect subsequent events have been or will be addressed in our Annual Report on Form 10 KSB for the year ended December 31, 2007, which will be filed concurrently with or shortly after the filing of this Form 10-QSB/A, or other reports filed with the SEC subsequent to the date of this filing.

Protocall Technologies Incorporated and Subsidiaries

Condensed Consolidated Balance Sheet

Part I Financial Information

Item 1 Financial Statements

		March 31, 2007 (Unaudited) Restated see note A 3		December 31, 2006 (Derived from Audited Financial Statements)
ASSETS				
Current assets:				
Cash	$	59,483	$	28,858
Accounts receivable, net		75,985		243,038
Inventory		39,615		44,955
Total current assets		175,083		316,851
Property and equipment, net		75,759		96,240
Patents, net		22,591		23,199
Deferred financing costs, net		316,535		348,875
Deferred lease costs				19,489
Security deposits		20,825		20,825
Other assets		50,000		50,000
TOTAL ASSETS	$	660,793	$	875,479
LIABILITIES AND STOCKHOLDERS DEFICIT				
Current liabilities:				
Accounts payable	$	794,857	$	851,951
Accrued expenses		747,481		550,953
Payroll taxes payable		89,796		69,106
Deferred revenue		16,250		17,500
Loan payable related party		248,986		71,273
Accrued salaries officers/stockholders		317,634		317,634
Loan payable		50,469		52,202
Other notes payable, including accrued interest of $ 7,512 and $8,251 at December 31, 2006 and March 31, 2007 respectively		158,033		157,294
Notes payable related party, including accrued interest of $40,483 and $44,629 at December 31, 2006 and March 31,		459,194		455,048

2007 respectively				
Current portion of obligations under capital leases		287,014		276,412
Total current liabilities		3,169,714		2,819,373
Loans payable, less current portion		50,839		54,304
Obligations under capital leases, less current portion		210,853		277,865
Financial instrument liability		7,070,143		4,717,544
Convertible notes payable, including accrued interest of $31,783 net of discount of $1,698,474 at December 31, 2006 and accrued interest of $62,050, net of discount of $1,593,594 at March 31, 2007		486,997		351,059
Total liabilities		10,988,546		8,220,145
Commitments and contingencies (Note H)				
Stockholders deficit:				
Common stock, $0.001 par value, 200,000,000 shares authorized, 71,399,060 and 76,370,651 issued and 71,319,060 and 76, 290,651 outstanding at December 31, 2006 and March 31, 2007 respectively		76,370		71,398
Treasury stock, 80,000 shares, at cost		(80)		(80)
Additional paid-in capital		36,936,081		36,689,593
Accumulated deficit		(47,340,124)		(44,105,577)
Total stockholders deficit		(10,327,753)		(7,344,666)
TOTAL LIABILITIES AND STOCKHOLDERS DEFICIT	$	660,793	$	875,479

See notes to condensed consolidated financial statements

Protocall Technologies Incorporated and Subsidiaries

Condensed Consolidated Statements of Operations

	Three Months Ended March 31, 2007 (Unaudited) Restated See Note A3	Three Months Ended March 31, 2006 (Unaudited)
Net sales	$ 257,356	$ 194,610
Cost of sales	212,804	149,320
Gross profit	44,552	45,290
Selling, general and administrative expenses	1,071,888	1,034,155
Research and development expenses	52,376	24,597
Operating loss	(1,079,712)	(1,013,462)
Interest expense	(206,187)	(42,750)
Change in fair value of financial instrument liability	(1,952,848)	-
Other income	4,200	4,200
Net loss	$ (3,234,547)	$ (1,052,012)
Per share data-basic and diluted:		
Net loss	$ (.04)	$ (.02)
Weighted average number of shares-basic and diluted	73,915,335	50,510,623

See notes to condensed consolidated financial statements

Protocall Technologies Incorporated and Subsidiaries

Condensed Consolidated Statement of Stockholders' Deficiency

Restated (see Note A3)

	Common Stock		**Treasury Stock at Cost**				
	Shares	**Amount**	**Shares**	**Amount**	**Additional Paid in Capital**	**Accumulated Deficit**	**Total Stockholders' Deficiency**
Balance 12/31/06	71,399,060	$71,398	(80,000)	(80)	$36,689,593	($44,105,577)	($7,344,666)
Common shares issued in private placements- net of costs	4,468,969	4,469			(4,469)		-
Common shares issued due to anti dilution provisions	502,622	503			(503)		
Stock based compensation expense					251,460		251,460
Net Loss						(3,234,547)	(3,234,547)
Balance 3/31/07 (unaudited)	76,370,651	$76,370	(80,000)	(80)	$36,936,081	($47,340,124)	($10,327,753)

See notes to condensed consolidated financial statements

Protocall Technologies Incorporated and Subsidiaries

Condensed Consolidated Statements of Cash Flows

	Three months ended March 31, 2007 (Unaudited) Restated see Note A3	Three months ended March 31, 2006 (Unaudited)
Cash flows from operating activities:		
Net loss from operations	$ (3,234,547)	$ (1,052,012)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	21,089	166,066
Investor services expense	791	68,077
Warrants issued for settlement and subsequent change in fair value	-	49,977
Conversion of accrued salary to note payable	-	75,906
Change in value of derivative financial instrument	1,952,848	-
Equity compensation cost	251,460	170,399
Amortization of deferred financing costs	32,340	-
Amortization of deferred lease costs	19,489	19,479
Amortization of note discounts	104,880	-
Changes in:		
Accounts receivable	167,053	3,052
Inventory	5,341	4,796
Prepaid expenses and other current assets	-	20,512
Accounts payable	(57,095)	(43,939)
Accrued expenses	196,528	(22,904)
Payroll taxes payable	20,690	-
Accrued salaries	-	(76,669)
Deferred revenue	(1,250)	-
Accrued interest on notes payable	35,152	4,939
Net cash used in operating activities	(485,231)	(612,321)
Cash flows from financing activities:		
Proceeds from issuance of common stock	399,751	345,000
Proceeds from loan payable related party	190,913	-

Repayment of loan payable		(5,198)		(1,825)
Repayment of loan payable - related party		(13,200)		-
Repayment of capitalized lease obligations		(56,410)		(57,061)
Net cash provided by financing activities		515,856		286,114
Net increase/(decrease) in cash		30,625		(326,207)
Cash - beginning of period		28,858		402,221
Cash - end of period	$	59,483	$	76,014
Supplemental cash flow information:				
Cash paid for:				
Interest	$	12,651	$	15,804
Income taxes	$	-	$	791
Non cash transactions:				
Stock issued for services	$	-	$	68,077
Stock issued for settlement	$	-	$	140,000
Warrants issued with common stock	$	399,751	$	-
Stock issued for anti-dilution provisions	$	503	$	-

See notes to condensed consolidated financial statements

Basis of Presentation: The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principals generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by accounting principals generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

Note A Summary of Significant Accounting Policies and Related Matters

[1]

Description of business:

The accompanying consolidated financial statements include the accounts of Protocall Technologies Incorporated (PTI) and its wholly-owned subsidiaries, Protocall Software Delivery Systems, Inc. ("PSD"), TitleMatch Entertainment Group, Inc. (TMEG) and Precision Type, Inc. (PRT) (collectively, the "Company"). The Company has recently focused all of its time and resources on its TMEG DVD on-demand service.

PSD was founded in 1998 to develop and commercialize a proprietary service that enables software retailers to produce fully packaged software CDs, on-demand, at their stores and at their web site fulfillment centers. The service is designed to complement physical inventory and enable traditional resellers to create "on demand" inventory at point of sale for walk-in as well as Internet customers. The Company markets its service to major store and online retailers. The Company signs license agreements with owners of software products, movies and television content, allowing the Company to resell the products to one or more of the Company s retail customers.

Although the service is currently utilized for delivery of software products, the Company is vigorously pursuing an expansion of available products to include DVD movie and television content. The Company s management believes its core on-demand technology is readily adaptable to these and other types of digital products without additional significant investment. In connection with movie and television content, the Company recently announced its new TitleMatch system name, which was selected to reflect the inclusion of products other than consumer software.

[2]

Going concern:

The Company incurred net losses for the three months ended March 31, 2007 and 2006 of $(3,234,547) and $(1,052,012), respectively, and has an accumulated deficit of $(47,340,124) at March 31, 2007.

Through March 31, 2007, the Company has been continually dependent upon borrowings through private offerings of convertible and non-convertible debt and equity securities from related and non-related parties to finance its business operations. Our agreements with our suppliers provide for specific payment terms and, as of March 31, 2007, we have not met these payment terms with respect to a number of our suppliers. If these suppliers decline to do business with us as a result of delayed payment, it could possibly result in the loss of substantial business for us and our ability to continue as a going concern.

As of May 17, 2007, the Company had a cash balance of approximately $13,300. Management believes the Company does not have sufficient cash on hand to continue business operations unless additional financing is secured within the near future. The Company is attempting to obtain additional financing from an existing shareholder. The Company is also actively pursuing additional short-term funding from existing shareholders and long-term funding from institutional investors. Management s plan is to secure sufficient short-term capital to fund its operations through the completion of a larger institutional financing, although there can be no assurances that any financing will be available, or if available, that it will be on terms acceptable to the Company. Management believes that its ability to secure short-term and long-term financing is directly related to the Company s progress with new customers and movie content agreements, which are actively being pursued by the Company.

In the event that sufficient short-term or long-term financing is not obtained, in order to enable the company to continue to pursue its customer and content negotiations over a longer term, the Chief Executive Officer has agreed to forgo compensation and to cause the Company to increasingly reduce its operating expenditures by, among other actions, making further personnel reductions.

The accompanying financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and satisfaction of liabilities in the normal course of business. The uncertainties regarding the availability of continued financing and commencement of adequate commercial revenues raise substantial doubt about the Company s ability to continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments relating to the recoverability of the recorded assets or the classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

[3] Restatement:

The Company has restated its condensed consolidated financial statements for the quarter ended March 31, 2007, to correct the accounting for certain tainted warrants issued with a private offering of common stock (private offering) in February 2007. The corrected accounting reclassifies the fair value of the tainted warrants in excess of the cash received in the private offering to change in fair value of financial instruments. Previously the excess fair value was included in additional paid in capital in the quarter ended March 31, 2007.

The effect of the restatement on specific amounts provided in the condensed consolidated financial statements is as follows:

		March 31, 2007		
		As previously		
Condensed Consolidated Balance Sheet		Reported		As restated
Additional Paid in Capital	$	36,411,347	$	36,936,081
Accumulated Deficit	$	(46,815,390)	$	(47,340,124)

	Three Months Ended March 31, 2007	
	As previously	
Condensed Consolidated Statement of Operations	Reported	As restated

Change in fair value of financial instrument liability	$	(1,428,114)	$	(1,952,848)
Net Loss	$	(2,709,813)	$	(3,234,547)

		Three Months Ended March 31, 2007		
Condensed Consolidated Statement of Cash Flows		As previously Reported		As restated
Net Loss from operations	$	(2,709,813)	$	(3,234,547)
Change in fair value of financial instrument liability	$	1,428,114	$	1,952,848
Non cash transactions:				
Warrants issued for finders fee	$	154,081	$	-
Warrants issued with common stock	$	770,404	$	399,751

The Company has also restated footnote C- 2007 Private Offerings to its condensed consolidated financial statements to include the fair value in excess of the cash received in the private offering.

[4]

Revenue recognition:

The Company recognizes revenue from retailers sales of product through the System and through Internet retailers, upon shipment to the retail customer or consumer.

Customer returns, although not material, are also reflected as a reduction in revenue in the period that they are returned or earlier if any such returns are anticipated.

Revenue from the licensing of font software is recognized over the licensing period. Revenue from the sale of software products and font reference guide books is recognized when the product is delivered or shipped to the customers.

In accordance with Emerging Issue Task Force (EITF) Issue No. 99-19 Reporting Revenue Gross as a Principal versus Net as an Agent , we recognize revenue from Internet sales through our TitleMatch subsidiary on a gross basis. Strong indicators are present indicating that we are the principal in our Internet sale transactions. Those indicators are as follows: we are the primary obligor in all transactions, we have latitude in establishing pricing, we are subject to risk of loss when the item is transferred to the freight carrier, title is transferred to us at the time the order is placed with our third party vendor and we are at risk for the billing to our customer. Revenue from these sales is recognized when the product is shipped to the customer.

Revenue from the sale of physical inventory purchased in September 2006 is recognized when the products are shipped to the customer. We invoice these customers at time of shipment. Revenue generated from the sale of prepackaged goods from third party distributors through Internet retailers is recognized when the product is shipped by us or by a third party vendor.

[5]

Use of estimates:

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimations include valuations of warrants issued in connection with various forms of financing by the Company. Actual results could differ from those estimates.

[6]

Accounting for stock options:

The Company adopted the provisions of Statement of Financial Accounting Standards (SFAS), SFAS 123R Share Based Payment (SFAS 123R), effective January 1, 2006, using the modified prospective transition method. Under the modified prospective transition method, non-cash compensation expense is recognized for the portion of outstanding stock option awards granted prior to the adoption of SFAS 123R for which service has not been rendered, and for any future stock option grants. Accordingly, periods prior to adoption have not been restated. The Company recognizes share-based compensation costs on a straight-line basis over the requisite service periods of awards. That cost is recognized as compensation expense over the service period, which would normally be the one to three year vesting period of the options. Under SFAS 123R forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period. Prior to the adoption of SFAS 123R , the Company elected to account for forfeitures when awards were actually forfeited, at which time all previous pro forma expense was reversed to reduce pro forma expense for that period.

[7]

Loss per share and common share equivalent:

The Company's basic and diluted net loss per share is computed by dividing net loss by the weighted average number of outstanding common shares. Potentially dilutive securities, which were excluded from the computation of diluted loss per share because to do so would have been anti-dilutive, are as follows:

	Three Months Ended March 31,	
	2007	**2006**
Stock options	19,715,993	5,366,585
Warrants (1)	55,605,443	11,186,486
Convertible notes	17,600,000	644,263
Total dilutive shares	92,921,436	17,197,334

(1) As of December 31, 2006, 48,187,225 warrants had been issued.

[8]

Inventory

Inventory, consisting primarily of blank CDs, CD cases and other supplies associated with products distributed on the Company's virtual inventory system, are valued at the lower of cost (first-in, first-out) or market. DVD and CD media purchased in the inventory purchase of September 2006 are valued at the lower of cost or market.

[9]

Fair value of financial instruments

The fair values of cash, accounts receivable, accounts payable and accrued expenses approximate their carrying values in the condensed consolidated financial statements because of the short-term maturity of these instruments. The carrying value of notes payable to banks approximates fair value since those instruments carry prime-based interest rates that are adjusted for market rate fluctuations. The fair values of notes and loans payable to related parties and other notes and loans payable are not reasonably determinable.

The Company evaluates its convertible debt, options, warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for under SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) and related interpretations including EITF 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" (EITF 00-19). The result of this accounting treatment is that the fair value of the embedded derivative is marked-to-market each reporting date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the consolidated statement of operations as other income or expense. Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity.

In circumstances where the embedded conversion feature in a convertible instrument is required to be bifurcated and there are also other embedded derivative elements in the convertible instrument that are required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound derivative instrument.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Equity instruments that are initially classified as equity that become subject to reclassification under SFAS 133 are reclassified to liability at the fair value of the instrument on the reclassification date. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument is expected within 12 months of the balance sheet date.

[10]

Recent Accounting Pronouncements

On February 15, 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). The guidance in SFAS 159 allows reporting entities to choose to measure many financial instruments and certain other items at fair value. The objective underlying the development of this literature is to improve financial reporting by providing reporting entities with the opportunity to reduce volatility in reported earnings that results from measuring related assets and liabilities differently without having to apply complex hedge accounting provisions, using the guidance in SFAS 133, as amended. The provisions of SFAS 159 are applicable to all reporting entities and is effective as of the beginning of the first fiscal year that begins subsequent to November 15, 2007. The adoption of SFAS 159 is not expected to have a material effect on the Company s consolidated financial position, results of operations and cash flows.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements and accordingly, does not require any new fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is in the process of evaluating the impact of the adoption of SFAS 157 on the Company s consolidated financial position, results of operations and cash flows.

In July 2006, the FASB released FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting and reporting for uncertainties in income tax law and prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. FIN 48 shall be effective for fiscal years beginning after December 15, 2006. The Company adopted FIN 48 effective January 1, 2007, and its adoption did not have a material effect on our consolidated financial position, results of operations and cash flows. The statute of limitations is still open with respect to federal and state jurisdictions for tax years 2003-2006. The Company is in the process of determining if there are any section 382 limitations to be applied to the net operating loss carryforwards. If it is determined that such limitations are applicable, the Company s deferred tax assets and related valuation allowance will be reduced. The Company has provided for a 100% valuation allowance against its deferred tax asset.

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[11]

Basis of consolidation:

The consolidated financial statements include the accounts of Protocall Technologies Incorporated and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

[12]

Income taxes:

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income for the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Note B Derivative Liabilities and Convertible Notes Payable

The Company sold Convertible notes in August 2006, September 2006 and November 2006, at a total face value of $2,017,750. The notes are reflected in the condensed consolidated financial statements net of discounts of $1,698,474 and $1,593,594 at December 31, 2006 and March 31, 2007 respectively. The noteholders were also issued warrants to purchase an aggregate of 23,281,730 shares of common stock at an exercise price of $.10 per share. The warrants were valued at $1,428,955 at March 31, 2007.

Due to the floorless conversion feature of the Convertible Notes, the Company cannot necessarily share settle the existing debt or any outstanding warrants/options. This is due to the fact that the Company may not have sufficient authorized and un-issued shares available to settle these obligations. Therefore, all existing outstanding warrants as of August 8, 2006 and all warrants issued thereafter, are tainted and have been treated as derivative liabilities under SFAS 133 and EITF 00-19.

The derivative financial instrument in connection with the Convertible Notes have been accounted for in accordance with SFAS 133. These derivative financial instruments are recorded as liabilities in the condensed consolidated balance sheets and measured at fair value. The Company will mark to market these derivative liabilities each quarter and record the change in fair value in the statement of operations. The recorded value of these debt features may fluctuate based on fluctuations in the fair value of the Company s common stock, as well as the volatility of the stock price during the term used for observation and the term remaining for the warrants. These fluctuations can create significant impact on the financial statements of the Company.

The Convertible Notes described above contain more than one embedded derivative feature which would individually warrant separate accounting as derivative instruments under SFAS 133. The various embedded derivative features have been bundled together as a single, compound embedded derivative instrument that has been bifurcated from the debt host contract, and referred to as the "Single Compound Embedded Derivatives within Convertible Note". The single compound embedded derivative features include the conversion feature with the reset provisions within the Convertible Notes, the call/redemption options, the interest rate adjustment, the cash prepayment penalties, and liquidated damages. The value of the single compound embedded derivative liability was bifurcated from the debt host contract and recorded as a derivative liability, which results in a reduction of the initial carrying amount (as unamortized discount) of the Convertible Notes of the value at inception. The unamortized discount has been amortized to interest expense using the effective interest method over the life of the Convertible Notes. At March 31, 2007, $212,532 has been amortized with an unamortized discount balance remaining of $1,593,594.

The warrants outstanding as of March 31, 2007 not associated with the convertible notes described above (referred to as Tainted Warrants) in aggregate allow the Holders to purchase 30,572,463 shares with various expirations dates ending December 31, 2010 (3 and 5 year terms). The Tainted Warrants were valued at $2,891,261 at March 31, 2007 using a Black Scholes valuation model with the following assumptions: volatility of 220%, risk free rates between 4.54 5.09% and a remaining term ranging from .31-6.50 years.

The following table summarizes the change in the value of the convertible notes and all outstanding warrants at March 31, 2007:

Value of Financial Instrument Liability at 12/31/06	$	4,717,544
Value of warrants issued during the three months ended 3/31/07		924,485
Change in value		1,428,114
Value at 3/31/07	$	7,070,143

The mark to market change in the value of the Convertible Note Warrants is $662,456. The mark to market change in the Compound Embedded Derivatives is $280,498 and the mark to market change in the value of the Tainted Warrants is $485,160.

The Company incurred legal and finder s fees totaling $388,083 (of which $180,583 is the value at issuance of a warrant issued to the finder to purchase 1,751,250 shares of common stock at an exercise price of $.10 per share) associated with these Convertible Notes. These fees are treated as deferred financing costs and are being amortized over the term of the Convertible Notes. As of March 31, 2007, $71,548 has been amortized.

Note C 2007 Private Offerings:

In February 2007, the Company entered into a securities purchase agreement with accredited investors in a private placement. In connection with the private placement, the Company sold an aggregate of 2,764,423 shares of common stock, at a share price of $.104 per share and warrants (the February 2007 Warrants) to purchase up to 2,764,423 shares of common stock, for an aggregate subscription amount of $287,500. Additionally, in February 2007 the Company had another private placement and sold an aggregate of 1,704,545 shares of common stock at a share price of $.088 and warrants (the February 2007 Warrants) to purchase up to 3,409,091 shares of common stock, for an aggregate subscription of $150,000.

The February 2007 Warrants have an exercise price of $.20 per share of common stock, are exercisable immediately and expire on the third year anniversary of the initial warrant date. The exercise price of the February 2007 Warrants is subject to adjustment in the event of specified dilutive or accretive events, such as stock splits and stock combinations. The exercise price, as well as the per share price of the common stock sold in the private placement is subject to further adjustment if the Company issues any shares of common stock or securities convertible or exercisable into common stock (subject to customary exceptions such as securities issued pursuant to equity incentive plans) through February 2008 at a price per share less than the per share price of the common stock and/or the exercise price of the February 2007 Warrants, in which case the per share price and/or the exercise price, as applicable, will be adjusted to equal the price of the securities in the new issuance. The adjustment in the share price would result in the issuance of additional shares of common stock to the holders. Due to the subsequent February private offering entered into at a share price of $.088, the Company issued an additional 502,622 shares of common stock and adjusted the February 2007 Warrants exercise price to $.088 per share pursuant to anti-dilution provisions contained in the February 2007 securities purchase agreement.

Warrants to purchase 1,234,704 shares of common stock were also issued to a finder in connection with the February 2007 private placement under the same terms as those provided to the investors. All warrants issued in connection with the February 2007 private offering are considered Tainted Warrants as discussed in Note B.

The warrants issued to the finder and those issued to the investors were valued at $154,081 and $770,404 respectively at issuance using a Black Scholes valuation model with the following assumptions: volatility of 220%, risk free rate of 4.54% and a term of three years. The fair value of the warrants, received in connection with this private offering, was $524,734 in excess of cash received. This is included in the change in fair value of the financial instrument liability in the condensed consolidated statement of operations on the date of issuance.

Note D Consulting Agreement

On January 3, 2007, the Company issued a third party consultant a four year warrant to purchase 10,000 shares of common stock at an exercise price of $.19 per share. The fair value of the warrant at issuance was $791. The warrant was valued using a Black Scholes method with the following assumptions: 220% volatility, 4.54% risk free rate and term of 4 years. This charge was recorded as an investor relations expense in selling, general and administrative expense on the consolidated statement of operations. Due to the warrants discussed in Note B, the warrants are considered a derivative liability.

Note E   Loan Payable   Related Party

Loans payable   related party consist of the following:

	December 31, 2006	
Loan payable (1)	$	7,927
Balance due on consulting agreement (2)		9,733
Bridge loan payable (3)		175,000
Credit card payable (4)		56,326
	$	248,986

(1)

Non interest bearing demand loan payable to officer.

(2)

Balance due to Bruce Newman, CEO, in connection with resignation/consulting agreement of 2005, payable monthly with final payment due in April 2007.

(3)

In March 2007, a shareholder lent the company $175,000 to use as working capital until the Company collected its outstanding subscription receivables. The $175,000, plus interest calculated at a rate of 10% per annum, will be returned to the shareholder upon the collection of its outstanding subscription receivables. As of March 31, 2007, interest totaling $1,007 has been accrued and was included in accrued expenses on the consolidated balance sheet.

(4)

Represents purchases made by the Company on an officer   s personal credit card.

Note F   Stock Option Plans

On March 24, 2000, the Company adopted a stock plan for the issuance of up to 3,000,000 shares of common stock to employees, directors and consultants (the 2000 Plan). The 2000 Plan provides that the exercise price per share of all incentive stock options granted shall not be less than 100% of the fair value of the stock and for non-incentive options shall not be less than 85% of their fair value of the stock on the date of grant. Options become exercisable at such time or times as determined by the Compensation Committee of the Board (the "Committee"). Outstanding options must generally be exercised within ten years from the date of grant. The Committee may at any time cause the Company to offer to buy out an option previously granted, based on such terms and conditions set forth by the Committee. In addition, the 2000 Plan provides for the grant of stock appreciation rights and stock awards subject to such terms and conditions as shall be determined at the time of grant. Through March 31, 2007, no stock appreciation rights or shares of stock have been awarded under the 2000 Plan.

Upon the closing of the reverse merger, the board of directors of the Company adopted the 2004 Stock Option Plan (the 2004 Plan) under which a total of 1,000,000 shares of common stock were reserved for issuance, subject to approval by stockholders at the Company s 2005 annual meeting of stockholders. In November 2004, the Board of Directors increased the number of shares available under the Plan to 2,000,000 and, in March 2005, the Board of Directors authorized a further increase to 4,500,000 shares. In August 2006, holders of approximately 63% of our common stock voted to increase the stock option pool of the 2004 Plan to 19,000,000. As of March 31, 2007, options to purchase 17,640,342 shares of common stock are outstanding pursuant to the 2004 Plan including 5,610,000 options to directors, with exercise prices ranging between $.10 and $1.35 per share. Non-employee director options vest monthly or quarterly over a one-year period and are exercisable over either five or ten year periods. Most employee options vest annually or quarterly over a three-year period, and are exercisable over either five or ten year periods. Stock options granted pursuant to the 2004 Plan were ratified during the Company s annual stockholder meeting held on May 18, 2005. Since the Company s stock price was $.89 on May 18, 2005, there was no intrinsic value of the options on the date of ratification and accordingly there was no charge against earnings.

Option transactions as of March 31, 2007 are summarized as follows:

	2000 Plan		
	# Shares		Weighted Average Exercise Price
Outstanding at beginning of period	2,075,651	$	1.70
Granted	-	$	-
Exercised	-	$	-
Forfeited		$	-
Outstanding at end of period	2,075,651	$	1.70
Exercisable at end of period	2,075,651	$	1.70

	2004 Plan		
	# Shares		Weighted Average Exercise Price
Outstanding at beginning of period	18,390,342	$	0.22
Granted	-	$	-
Exercised	-	$	-
Forfeited	(750,000)	$	0.20
Outstanding at end of period	17,640,342	$	.24
Exercisable at end of period	8,802,506	$	.32

The following summarizes information about non-vested stock options at March 31, 2007:

	# of Shares	Weighted Average Exercise Price	Weighted Remaining Life in Years

Non vested at 12/31/06	11,125,756	$0.16	9.85
Granted			
Vested	(1,787,921)	0.15	9.64
Forfeited	(500,000)	0.20	9.68
Non vested at 3/31/07	8,837,835	0.16	9.62

The Company recognizes share-based compensation costs on a straight-line basis over the requisite service periods of awards. That cost is recognized as compensation expense over the service period, which would normally be the one to three year vesting period of the options. The fair value of options at date of grant was estimated using the Black Scholes option pricing model using the following weighted average assumptions:

	Three Months Ended March 31, 2006
Risk-free interest rate	4.52%
Expected life of options	5 years
Expected dividend yield	0.00%
Expected volatility	168.23%
Weighted average fair value	$.10

The Company did not issue any additional stock options during the three months ended March 31, 2007. The expected life of options granted represents the period of time that options granted are expected to be outstanding. Expected volatilities are based on historical volatility of the Company s stock.

Stock based compensation expense recognized in the consolidated statement of operations for the three months ended March 31, 2007 was $251,460, $195,681 of which relates to employee compensation, $5,135 is for options issued to consultants and $50,644 is for options issued to directors. All of these expenses are recorded in selling general and administrative expense. The unrecognized compensation cost of $1,019,656 for non-vested options at March 31, 2007 will be recorded over the remaining 1.1 years. As of March 31, 2007, there was no intrinsic value associated with the Company s outstanding and exercisable stock options.

Note G   Income Taxes

The Company adopted the provisions of FIN 48 on January 1, 2007. The implementation of FIN 48 did not result in any adjustment to the Company s tax positions. The Corporation continues to fully recognize its tax benefits which are offset by a valuation allowance to the extent that it is more likely than not that the deferred tax assets will not be realized. As of January 1, 2007 and March 31, 2007, the Company did not have any unrecognized tax benefits.

Note H-Commitments and Contingencies

As of March 31, 2007, the Company was in arrears $14,541 in March 2007 payroll taxes which were subsequently paid in May 2007. Additionally, the Company is in arrears $56,120 in April 2007 and May 2007 payroll taxes.

Upon the termination of employment of one of the officers of the company in October 2005, $75,907 of accrued, but unpaid, salary was converted to a note bearing interest at the rate of 12% per year. Interest is payable monthly. All interest owed as of March 31, 2007 has been paid. The principal of the note is payable in four equal quarterly installments beginning January 2007. As of May 15, 2007, no portion of the principal amount has been paid and, as a result, the note is currently in default although the Company continues to make monthly interest payments. Provisions in the note state that upon default, the entire principal amount plus any accrued interest become immediately due and payable by the Company. The Company will seek to renegotiate the note sometime in 2007.

Note I-Subsequent Events

In May 2007, the Company collected $262,500 in additional subscriptions from the February 2007 private placement (See Note C). The Company issued an additional 2,982,955 shares of common stock at a share price of $.088 and warrants to purchase 5,823,864 shares of common stock at an exercise price of $.20 under the same terms as the February 2007 private placement. The finder who assisted with the private placement was issued a warrant to purchase 1,164,773 shares of common stock at an exercise price of $.20 under the same terms as the investors.

Item 2 - Management s Discussion and Analysis or Plan of Operation

Unless the context otherwise requires, we, our , us and similar phrases refer to Protocall Technologies Incorporated together with is wholly-owned subsidiaries, Protocall Software Delivery Systems, Inc., TitleMatch Entertainment Group, Inc. and Precision Type, Inc.

Overview

Protocall Technologies Incorporated was formed in New York in December 1992. Until 1998, Protocall was focused primarily on licensing proprietary font software to large businesses and operated through its recently discontinued Precision Type, Inc. subsidiary. Active marketing of Protocall's font software licensing business was discontinued in 2001, when Protocall determined to focus solely on developing its current software distribution business (SoftwareToGo); however, revenues from the font software business continued through June 2004. For much of 2006 and 2007, we have focused on supporting our current SoftwareToGo service, pursuing new customers and publishers and developing our new TitleMatch DVD on-demand service.

Our system is currently utilized for delivery of software products under the product name SoftwareToGo®; however, we are vigorously pursuing an expansion of available products to include DVD movie and television content. We believe our technology is readily adaptable to these and other types of digital products without additional significant investment. In connection with movie and television content, we recently announced our new TitleMatch system name, which was selected to reflect the inclusion of products other than consumer software.

Due to very limited revenues to date, management has not yet developed nor relied on any key performance indicators to assess our business.

Risk Factors

We have incurred significant losses in the past and expect losses in the future, which can have a detrimental effect on the long-term capital appreciation of our common stock.

We have a limited operating history on which to base an evaluation of our business and prospects. Our prospects must be considered in light of inherent risks, expenses and difficulties encountered by companies in their early stage of development, particularly companies in new and evolving markets. Such risks include acceptance by content providers, retailers and consumers in an evolving and unpredictable business environment, the lack of a well developed brand identity and the ability to bring products to market on a timely basis. No assurance can be given that we will ever generate significant revenue or become profitable. This could have a detrimental effect on the long-term capital appreciation of our capital stock.

Due to our continual dependence upon outside financing, there is substantial doubt as to whether we can continue as a Going Concern.

We do not have sufficient cash on hand to continue business operations unless additional financing is secured within the near future. We expect to seek additional financing to meet our short-term and long-term liquidity requirements, although there can be no assurances that such financing will be available, or if available, that it will be on terms acceptable to us. The accompanying consolidated financial statements have been prepared on the basis that we will continue as a going concern, which assumes the realization of assets and satisfaction of liabilities in the normal course of business. The uncertainties regarding the availability of continued financing and commencement of adequate commercial revenues raise substantial doubt about our ability to continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As a result, our independent auditors have issued a going concern opinion for the year ended December 31, 2006.

We depend on continuing relationships with our content providers, and if we lose these relationships our product offerings would be limited and less desirable to consumers and retailers.

We generate revenue as a just-in-time distributor of software and movie products to retail stores and e-commerce retailers. If we cannot develop and maintain satisfactory relationships with content providers on acceptable commercial terms, we will likely experience a decline in revenue. We also depend on these content providers to create, support and provide updates and/or new products for that consumers will purchase. If we are unable to license a sufficient number of titles from content providers, or if the quality of titles provided by these content providers does not reach a satisfactory level, we may not be able to generate adequate interest among retailers or consumers to utilize the system. Our contracts with our content provider clients are generally one to two years in duration, with an automatic renewal provision for additional one-year periods, unless we are provided with a written notice at least 90 days before the end of the contract. As is common in our industry, we have no long-term or exclusive contracts or arrangements with any content provider that guarantee the availability of products. Content providers that currently supply products to us may not continue to do so and we may be unable to establish new relationships with content providers to supplement or replace existing relationships.

Our agreements with our suppliers of products and services provide for specific payment terms, and if we miss those payment terms, our suppliers could decline to continue to do business with us.

Our agreements with our suppliers provide for specific payment terms and, as of March 31, 2007, we have not met these payment terms with respect to a number of our suppliers. If these suppliers decline to do business with us as a result of delayed payment, it could possibly result in the loss of substantial business for us and our ability to continue as a going concern.

Our content license acquisition process is lengthy, which may cause us to incur substantial expenses and expend management time without generating corresponding revenue, which would impair our cash flow.

We market our services directly to content providers and retailers. These relationships are typically complex and take time to finalize. Due to operating procedures in many organizations, a significant amount of time may pass between selection of our products and services by key decision-makers and the signing of a contract. The period between the initial sales call and the signing of a contract with significant sales potential is difficult to predict and typically ranges from one to twelve months for content providers. If, at the end of a sales effort, a prospective content provider does not license its products to us, we may have incurred substantial expenses and expended management time that cannot be recovered and that will not generate corresponding revenue. As a result, our cash flow and our ability to fund expenditures incurred during the content license acquisition process may be impaired.

Software-on-demand and movie-on-demand technology is still evolving and unproven and the industry may ultimately fail to accept this technology, resulting in our products not being in demand.

Our success will depend in large part on the growth in consumer acceptance of software-on-demand and movie-on-demand technology as a method of distributing products. Our business model is based on a relatively new method of distributing products to consumers, and unless it gains widespread market acceptance, we will be unable to achieve our business plan. Factors that will influence the market acceptance of the technology include:

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The willingness of software publishers and movie and television content providers to license content for distribution through our system.

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Continuing demand by consumers for software products distributed on CD media and movie and television content on DVD media;

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Consumer behavior relating to product selection through touch-screen terminals for walk-in store deployments; and

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Consumer acceptance of DVD-style packages, which are the same as traditional packages for movie and television content on DVD, but smaller than traditional software packages.

Even if our technology achieves widespread acceptance, we may be unable to overcome the substantial existing and future technical challenges associated with on-site delivery of software and movies reliably and consistently on a long-term basis. Our failure to do so would impair our ability to execute our business plan.

Our industry is characterized by rapid technological change that may make our technology and systems obsolete or cause us to incur substantial costs to adapt to these changes.

To remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our system and the underlying network infrastructure. If we incur significant costs without adequate results, or are unable to adapt rapidly to technological changes, we may fail to achieve our business plan. The electronic commerce industry is characterized by rapid technological change, changes in user and client requirements and preferences, frequent new product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render our technology and systems obsolete. To be successful, we must adapt to rapid technological change by licensing and internally developing leading technologies to enhance our existing services, developing new products, services and technologies that address the increasingly sophisticated and varied needs of our clients, and responding to technological advances and emerging industry standards and practices on a cost-effective and timely basis. The development of our system and other proprietary technologies involves significant technical and business risks. We may fail to use new technologies effectively or fail to adapt our proprietary technology and systems to client requirements or emerging industry standards.

System failures could reduce the attractiveness of our service offerings; any prolonged interruptions in our operations could cause consumers to seek alternative providers of software.

We provide electronic delivery of digital media products and product marketing services to our clients and end-users through our proprietary technology and rights management systems. These systems also maintain an electronic inventory of products. The satisfactory performance, reliability and availability of the technology and the underlying network infrastructure are critical to our operations, level of client service, reputation and ability to attract and retain clients. While we have engaged an outside service company to perform regular service on the systems in the field, we have experienced periodic interruptions, affecting all or a portion of our systems, which we believe will continue to occur from time to time. Any systems damage or interruption that impairs our ability to accept and fill client orders could result in an immediate loss of revenue to us, and could cause us to lose clients. In addition, frequent systems failures could harm our reputation.

We may become liable to clients who are dissatisfied with our system, which would directly impact our prospects.

We design, develop, implement and manage electronic commerce solutions that are crucial to the operation of our clients businesses. Defects in the solutions we develop could result in delayed or lost revenue, adverse consumer reaction, and/or negative publicity which could require expensive corrections. As a result, clients who experience these adverse consequences either directly or indirectly as a result of our services could bring claims against us for substantial damages. Any claims asserted could exceed the level of any insurance coverage that may be available to us. Moreover, the insurance we carry may not continue to be available on economically reasonable terms, or at all. The successful assertion of one or more large claims that are uninsured, that exceed insurance coverage or that result in changes to insurance policies (including premium increases) could adversely affect our operating results or financial condition.

Because of the relatively small number of employees each of whom possess specialized knowledge about our business we would be adversely impacted if any one of those employees were to become unavailable.

We do not currently carry key-man life insurance on the lives of any of our executive officers.

We are and will continue to be dependent on Bruce Newman, our president and chief executive officer, the loss of whose services would likely impair our business operations unless he is adequately replaced within a short time frame.

Our president and chief executive officer, Bruce Newman, is responsible for the development and execution of our business. He is under no contractual obligation to remain employed by us. If he should choose to leave us for any reason before we have hired additional qualified personnel, our operations may fail. Even if we are able to find additional personnel, it is uncertain whether we could find someone who could develop our business along the same lines. Our business may fail without Mr. Newman or an appropriate replacement(s). Accordingly, it is important that we are able to attract, motivate and retain highly qualified and talented personnel.

Our liability insurance may not be adequate in a catastrophic situation.

Substantially all of our products are produced at our headquarters in Commack, New York or assembled in retailers stores. We currently maintain property damage insurance covering our inventory, furniture and equipment in our corporate headquarters. We maintain liability insurance, products and completed operations liability insurance and an umbrella liability policy. We also maintain insurance coverage for liability claims resulting from the use of our equipment located in retail stores and for equipment in-transit to and from retail stores. We also purchase business interruption insurance for losses relating to our facilities. Nevertheless, material damage to, or the loss of, our facilities, equipment or system data files, due to fire, severe weather, flood or other catastrophe, even if insured against, could result in a significant loss to us. We are currently preparing a disaster recovery plan.

Our failure to protect our intellectual property could cause an erosion of our current competitive strengths.

We regard the protection of our patents, trademarks, copyrights, trade secrets and other intellectual property as critical to our success. We rely on a combination of patent, copyright, trademark, service mark and trade secret laws and contractual restrictions to protect our proprietary rights. We have entered into confidentiality and non-disclosure agreements with our employees and contractors, and non-disclosure agreements with parties with whom we conduct business, in order to limit access to and disclosure of our proprietary information. See Business Patents and Intellectual Property. These contractual arrangements and the other steps taken by us to protect our intellectual property may not prevent misappropriation of our technology or deter independent third-party development of similar technologies. We also seek to protect our proprietary position by filing U.S. and foreign patent applications related to our proprietary technology, inventions and improvements that are important to the development of our business.

Proprietary rights relating to our technologies will be protected from unauthorized use by third parties only to the extent they are covered by valid and enforceable patents or are effectively maintained as trade secrets. We pursue the registration of our trademarks and service marks in the United States and internationally. Effective patent, trademark, service mark, copyright and trade secret protection may not be available in every country in which our services are made available online.

The steps we have taken to protect our proprietary rights may be inadequate and third parties may infringe or misappropriate our trade secrets, trademarks and similar proprietary rights.

Any significant failure on our part to protect our intellectual property could make it easier for our competitors to offer similar services and thereby adversely affect our market opportunities. In addition, litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Litigation could result in substantial costs and diversion of management and technical resources and may not be successful.

Claims against us related to the products that we deliver electronically and the products that we deliver physically could also require us to expend significant resources.

Claims may be made against us for negligence, copyright or trademark infringement, product liability or other theories based on the nature and content of software products or tangible goods that we deliver electronically and physically. Because we did not create these products, we are generally not in a position to know the quality or nature of the content of these products. Although we carry general liability insurance that requires our customers to indemnify us against consumer claims, our insurance and indemnification measures may not cover potential claims of this type, may not adequately cover all costs incurred in defense of potential claims, or may not reimburse us for all liability that may be imposed. Any costs or imposition of liability that are not covered by insurance or indemnification measures could be expensive and time-consuming to address, distract management and/or delay product deliveries, even if we are ultimately successful in the defense of these claims.

Security breaches could hinder our ability to securely transmit confidential information and could harm our clients.

A significant barrier to electronic commerce and communications is the secure transmission of confidential information over public networks. Any compromise or elimination of our security could be costly to remedy, damage our reputation and expose us to liability, and dissuade existing and new clients from using our services. We rely on encryption and authentication technology licensed from third parties to provide the security and authentication necessary for secure transmission of confidential information, such as consumer credit card numbers. A party who circumvents our security measures could misappropriate proprietary information or interrupt our operations.

We may be required to expend significant capital and other resources to protect against security breaches or address problems caused by breaches.

Concerns over the security of the Internet and other online transactions and the privacy of users could deter people from using the Internet to conduct transactions that involve transmitting confidential information, thereby inhibiting the growth of our business. To the extent that our activities or those of third-party contractors involve the storage and transmission of proprietary information, such as credit card numbers, security breaches could damage our reputation and expose us to a risk of loss or litigation and possible liability. Our security measures may not prevent security breaches and failure to prevent security breaches could lead to a loss of existing clients and deter potential clients away from our services.

We rely to a large degree on third parties for the manufacture and maintenance of our system, who could subject us to delays in satisfying customer needs.

We rely heavily upon third parties to perform such tasks as assembly and on-site maintenance of our system. Our ability to enter new markets and sustain satisfactory levels of sales in each market will depend in significant part upon the ability of these companies to perform effectively on our behalf. There can be no assurance that we will be successful in entering into agreements with all of these companies when necessary. In addition, once we enter into such manufacturing contracts, we face the possibility that such contracts will not be extended or replaced. We anticipate that we can obtain in a timely manner alternative third party services and that the failure to extend or replace existing contracts would not have a material adverse effect on us, although we can give no assurance in this regard.

Implementation of our system requires capital, which we may not be able to provide, which could preclude us from entering into otherwise promising agreements.

Utilizing our system in a retail environment requires a capital commitment for equipment and deployment costs, which we may not be able to provide. In agreements that call for users of our system to fund equipment and deployment costs themselves, we may be required to reduce our selling prices when compared to agreements in which we finance equipment and deployment costs. The retailer s financial risk/reward decision might prevent it from entering an agreement with us or it may demand price concessions to mitigate the financial risk, which may ultimately result in the agreement not being economically feasible for us to perform.

Sales are highly dependent on obtaining license rights, the failure of which would result in insufficient revenue to pay for system equipment and deployment costs.

Sales of products through our system are highly dependent on the qualitative mix of titles that we are able to license from software publishers and movie studios for inclusion on our system. Although we have executed licensing agreements with more than 200 software publishers covering approximately 1,000 titles, our current product offering is not adequate to achieve sufficient revenue for either a retailer or us to pay for system equipment and deployment costs. In order for us to be successful, we will need to improve the quality of titles on our system.

Risk related to our common stock:

The liquidity of our common stock is affected by its limited trading market.

Shares of our common stock are quoted on the OTC Bulletin Board under the symbol PCLI.OB. We expect our shares to continue to be quoted in that market and not to be de-listed, as we have no intention to stop publicly reporting. An established trading market may never develop or be maintained. Active trading markets generally result in lower price volatility and more efficient execution of buy and sell orders. The absence of an active trading market reduces the liquidity of an investment in our shares. The trading volume of our common stock historically has been limited and sporadic. As a result of this trading activity, the quoted price for our common stock on the OTC Bulletin Board is not necessarily a reliable indicator of its fair market value, and the low trading volume may expose the price of our common stock to volatility.

Further, if we cease to be quoted, holders would find it more difficult to dispose of, or to obtain accurate quotations as to the market value of, our common stock and the market value of our common stock would likely decline.

Our common stock may be considered a penny stock and may be difficult to sell when desired.

The SEC has adopted regulations which generally define penny stock to be an equity security that has a market price of less than $5.00 per share or an exercise price of less than $5.00 per share, subject to specific exemptions. The market price of our common stock is less than $5.00 per share and therefore may be designated as a penny stock according to rules of the SEC. This designation requires any broker or dealer selling these securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities. These rules may restrict the ability of brokers or dealers to sell our common stock and may affect the ability of our stockholders to sell their shares. In addition, since our common stock is currently quoted on the OTC Bulletin Board, stockholders may find it difficult to obtain accurate quotations of our common stock and may experience a lack of buyers to purchase the stock or a lack of market makers to support the stock price.

A significant number of our shares have become eligible for sale and their sale or potential sale may depress the market price of our common stock.

On October 22, 2005 14,551,268 shares of our common stock held under lock-up agreements became eligible for sale and their sale or potential sale may depress the market price of our common stock. As shares of our common stock become available for resale in the public market, the supply of our common stock will increase, which could decrease its price. We could also register further shares in connection with future financings. As of March 31, 2007, there were an additional 19,715,993 shares of our common stock issuable upon exercise of outstanding stock options and an additional 55,605,443 shares of our common stock issuable upon exercise of outstanding warrants. Some or all of the shares of common stock may be offered from time to time in the open market pursuant to Rule 144, and these sales may have a depressive effect on the market for our shares of common stock. In general, a person who has held restricted shares for a period of one year may, upon filing with the SEC a notification on Form 144, sell into the market common stock in an amount equal to the greater of 1% of the outstanding shares or the average weekly number of shares sold in the last four weeks prior to such sale. Such sales may be repeated once each three months, and any of the restricted shares may be sold by a non-affiliate after they have been held two years.

Our principal stockholders have significant voting power and may take actions that may not be in the best interest of other stockholders.

Our officers, directors and principal stockholders control 63.8% of our outstanding common stock (excluding presently exercisable stock options and warrants), of which Peter Greenfield, our Chairman, controls approximately 10.9% and another significant stockholder controls approximately 33.7%. If these stockholders act together, they may be able to exert significant control over our management and affairs requiring stockholder approval, including approval of significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing a change in control and might adversely affect the market price of our common stock. This concentration of ownership may not be in the best interests of all our stockholders.

Investors should not anticipate receiving cash dividends on our common stock.

We have never declared or paid any cash dividends or distributions on our capital stock. We currently intend to retain any future earnings to support operations and to finance expansion and, therefore, we do not anticipate paying any cash dividends on our common stock in the foreseeable future.

Risks related to our current financing arrangement:

There are a large number of shares underlying our convertible notes 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 May 15, 2007, we had 76,370,651 shares of common stock issued and 76,290,651 shares of common stock outstanding, and convertible notes outstanding that may be converted into an estimated 17,600,000 shares of common stock at current market prices. In addition, the number of shares of common stock issuable upon conversion of the outstanding convertible notes may increase if the market price of our stock declines. All of the shares, including all of the shares issuable upon conversion of the notes, may be sold without restriction once the registration statement recently filed becomes effective. The sale of these shares may adversely affect the market price of our common stock.

Anti dilution provisions contained in recent private offerings may trigger substantial dilution to our existing shareholders.

The issuance of shares due to anti dilution provisions contained in recent private offerings may trigger substantial dilution to our existing shareholders. The price per share of recent private offerings is contingent upon our stock price. In the event that our stock price declines, we may have to issue a substantial amount of additional shares to these investors. This may cause substantial dilution to existing shareholders.

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

The issuance of shares upon conversion of the convertible notes and exercise of warrants may result in substantial dilution to the interests of other stockholders since the selling stockholders may ultimately convert and sell the full amount issuable on conversion. Although the selling stockholders may not convert their convertible notes 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 stockholders from converting and/or exercising some of their holdings and then converting the rest of their holdings. In this way, the selling stockholders 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.

We are currently in default under the Registration Rights Agreement related to convertible notes issued in August, September and November 2006 and could incur substantial penalties as a result.

Pursuant to the Securities Purchase Agreement dated August 8, 2006 as amended, we had until November 17, 2006 to file a registration statement. Since we did not file a registration statement until February 12, 2007, we are currently in breach of that requirement. As of May 15, 2007, we have incurred a cash penalty of $121,065 due to the late filing. This penalty may also be paid via issuance of common stock which could result in substantial dilution.

In the event that our stock price declines, the shares of common stock allocated for conversion of the convertible notes and registered pursuant to this prospectus may not be adequate and we may be required to file a subsequent registration statement covering additional shares. If the shares we have allocated and are registering are not adequate and we are required to file an additional registration statement, we may incur substantial costs.

Based on our current market price and the potential decrease in our market price as a result of the issuance of shares upon conversion of the convertible notes, we have made a good faith estimate as to the amount of shares of common stock that we are required to register and allocate for conversion of the convertible notes. Accordingly, we have allocated and are registering 17,600,000 shares to cover the conversion of the convertible notes. In the event that our stock price decreases, the shares of common stock we have allocated for conversion of the convertible notes and are registering hereunder may not be adequate. If the shares we have allocated to the registration statement are not adequate and we are required to file an additional registration statement, we may incur substantial costs in connection with the preparation and filing of that registration statement. We are required to maintain the effectiveness of this registration statement until the earliest of (i) the date of which all of the registrable securities have been sold and (ii) the date on which the registrable securities may be immediately sold to the public without registration or restriction.

We have agreed, pursuant to the terms of the registration rights agreements with the investors, to (i) file a shelf registration statement with respect to the resale of shares of our common stock sold to the investors and shares of our common stock issuable upon exercise of the warrants with the SEC within 45 days after the initial closing date; (ii) use our best efforts to have the shelf registration statement declared effective by the SEC as soon as practicable after the initial filing, and in any event no later than 120 days after the final closing date, (iii) promptly respond to any and all comments received from the SEC, (iv) promptly file an acceleration request as soon as practicable following the resolution or clearance of all SEC comments, (v) promptly file with the SEC a final prospectus pursuant to SEC Rule 424(b) as soon as practicable following the effective date of the registration statement; and (vi) keep the shelf registration statement effective until the earlier of (x) the date on which all of the registrable securities have been sold and (y) the date on which the registrable securities may be immediately sold to the public without registration or restriction. If we are unable to comply with any of the above covenants, we will be required to issue the investors additional shares of our common stock in an amount of .02% of the number of shares sold to the investors for the first 30-day period in which we fail to comply with any of the above covenants, with additional shares being issued at a rate of .02% of the number of shares sold for each week in which we fail to comply. In no event, however, will such additional shares exceed 6.0% of the number of shares issued to the investors.

Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could prevent us from producing reliable financial reports or identifying fraud. In addition, shareholders could lose confidence in our financial reporting, which could have an adverse effect on our stock price.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud, and a lack of effective controls could preclude us from accomplishing these critical functions. Commencing December 15, 2007, we will be required to document and test our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent registered public accounting firm addressing these assessments. Assigned to accounting issues at present are only our Chief Financial Officer and staff accountants, which may be deemed to be inadequate. Although we intend to augment our internal controls procedures and expand our accounting staff, there is no guarantee that this effort will be adequate.

During the course of our testing, we may identify deficiencies which we may not be able to remediate in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. In addition, if we fail to maintain the adequacy of our internal accounting controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404. Failure to achieve and maintain an effective internal control environment could cause us to face regulatory action and also cause investors to lose confidence in our reported financial information, either of which could have an adverse effect on our stock price.

Revenue Model

We employ two revenue models in our Protocall and TitleMatch businesses: one for conventional (bricks and mortar) retailers, and another for online/catalog retailers. Under the bricks and mortar revenue model, which is applicable to our agreement with CompUSA, we license content, integrate, install and maintain system site equipment, provide system training to store personnel, supply the physical deliverables (CD, case, packaging and labeling), provide system help desk support during store hours and act as an on-demand distributor to the retailer. The retailer, in accordance with store configuration and consumer merchandising/promotion plans developed jointly with us, supplies prominent space for the Product Preview Stations within their stores as well as an appropriate location for the Order Fulfillment Station, and provides promotion for products available through our system. Prior to deployment, we and the retailer jointly develop plans relating to sales reporting procedures, communication line setup, network wiring, POS system integration and product pricing.

For online and catalog retailers, which is applicable to our agreement with TigerDirect.com, the business model differs somewhat. For these retailers, a high-capacity Order Fulfillment Station is used without the need for a Product

Preview Station. The system can be installed either at our facilities or at the customer s shipping center. If the system is installed at our facility, the system is operated by us and our employees drop-ship products to the retailer s customer. Under this model, we expect much higher capacity utilization for the Order Fulfillment Station and, consequently, a faster payback on deployed capital.

We secure the right to replicate titles through licensing agreements with content providers, paying a licensing fee to each provider per product vended. In instances where a consumer returns a system-produced product, the content license fee is credited to us.

We expect to be able to improve our licensing terms as the number of installed system sites increase. Because our agreements with content providers typically allow for a longer time period to pay the licensing fees due for products sold than the period of time provided to the retailers to pay us for the products produced by the system, we do not anticipate an increase to working capital requirements from this aspect of the business as the business grows. We do not usually prepay or guarantee any minimum license fees to publishers. Our agreements provide for a fixed selling price for each product licensed through our system. We invoice our customers on a monthly basis, based on 30-day payment terms, for each unit sold during the prior month.

Revenue from the sale of physical inventory purchased in September 2006 is recognized when the products are shipped to the customer. We invoice these customers at time of shipment. Revenue generated from the sale of prepackaged goods from third party distributors through Internet retailers is recognized when the product is shipped by us or by a third party vendor.

Critical Accounting Policies

Our discussion and analysis of results of operations and financial condition are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We evaluate our estimates on an ongoing basis, including those related to provisions for uncollectible accounts receivable, inventories, and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The accounting policies that we follow are set forth in Note A to our consolidated financial statements as included herein. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements.

Revenue Recognition

We recognize revenue from retailers sales of product through our system and through Internet retailers, upon shipment to the retail customer or consumer.

Customer returns, although not material, are also reflected as a reduction in revenue in the period that they are returned or earlier if any such returns are anticipated.

Revenue from the licensing of font software is recognized over the licensing period. Revenue from the sale of software products and font reference guide books is recognized when the product is delivered or shipped to the customer.

Revenue from the sale of physical inventory purchased in September 2006 is recognized when the products are shipped to the customer. We invoice these customers at time of shipment. Revenue generated from the sale of prepackaged goods from third party distributors through Internet retailers is recognized when the product is shipped by us or by a third party vendor.

In accordance with EITF Issue No. 99-19, we recognize revenue from Internet sales through our TitleMatch subsidiary on a gross basis. Strong indicators are present indicating that we are the principal in our Internet sale transactions. Those indicators are as follows: we are the primary obligor in all transactions, we have latitude in establishing pricing, we are subject to risk of loss when the item is transferred to the freight carrier, title is transferred to us at the time the order is placed with our third party vendor and we are at risk for the billing to our customer. Revenue from these sales is recognized when the product is shipped to the customer.

Seasonality

We anticipate that the fourth quarter of each fiscal year (October to December) will show higher revenues due to the holiday shopping season.

Software Development Costs

Costs associated with the development and enhancement of proprietary software incurred between the achievements of technological feasibility and availability for general release to the public were insignificant, and therefore not capitalized.

Research and Product Development Costs

We expense research and product development costs as incurred.

Principles of Consolidation

The consolidated financial statements include the accounts of Protocall Technologies Incorporated and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Results of Operations

Three months ended March 31, 2007 compared to three months ended March 31, 2006

Net Loss from Operations. We had net losses from operations of $(3,234,547) and $(1,052,012) for the three months ended March 31, 2007 and 2006, respectively. During these periods, operations were financed through various equity and debt private financing transactions.

Net Sales. Net sales for the three months ended March 31, 2007 increased $62,746, or 32.24%, to $257,356 compared to $194,610 for the three months ended March 31, 2006. This increase is principally due to increased sales to TigerDirect.com and sales from our new TitleMatch division.

Gross Profit. Gross profit for the three months ended March 31, 2007 was $44,552, or 17.3% of net sales, as compared to $45,290, or 23.3% of net sales, for the comparable period ended March 31, 2006 due to a change in our product mix.

Research and Development Expenses. Research and development expense, or R&D, increased $27,779 or 112.94%, from $24,597 to $52,376, for the three months ended March 31, 2007 as compared to the three months ended March 31, 2006, respectively. The increase in R&D from 2006 was primarily due to the ongoing development of the TitleMatch system in 2007.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $37,733, or 3.6%, to $1,071,888 for the three months ended March 31, 2007 from $1,034,155 for the three months ended March 31, 2006.

Employee compensation increased $215,929, or 76.19%, to $499,321 from $283,392 for the three months ended March 31, 2007 as compared to the three months ended March 31, 2006, respectively, due to a FAS 123R equity compensation charge of $195,681 for the first quarter of 2007 as compared to a charge of $55,092 for the three months ended March 31, 2006 as well as an increase in personnel in the last quarter of 2006.

Depreciation and amortization expense decreased $144,977 in 2007, or 87.3%, to $21,089 from $166,066 for the three months ended March 31, 2007 as compared to the three months ended March 31 2006 due primarily to equipment being fully depreciated in 2006. Consulting expenses increased $8,885 in 2007, or 10.9%, to $90,704 from $81,819 in 2006. Marketing expenses decreased $18,239 in 2007, or 63.5%, to $46,957 from $28,718 in 2006, due to an effort to reduce costs in 2007. Professional fees decreased $6,672 in 2007, or 23.14%, to $22,165 from $28,837 in 2006. Investor Relations decreased $92,188 in 2007, or 90.3% from $102,139 for the three months ended March 31,2006 to $9,951 for the three months ended March 31, 2007 due primarily to a charge of $68,077 for stock issued a third party IR firm in 2006 and an effort to reduce costs. Accounting expense increased $108,750 or 332.57% to $141,450 from $32,700 for the three months ended March 31, 2007 as compared to the three months ended March 31, 2006 due to additional audit fees incurred for the audit of the 2006 financial statements and review of the registration statement submitted in 2007.

Interest and Finance Charges. Interest and finance expenses combined increased by $163,437, or 382.3%, to $206,187 from $42,750 for the three months ended March 31, 2007 compared to the three months ended March 31, 2006 due primarily to the amortization of deferred financing costs associated with convertible notes issued in August, September and November 2006.

Change in Fair Value of Financial Instrument Liability. The net change in the fair value of derivatives increased $1,952,848 for the three months ended March 31, 2007, or 100% as compared to none for the three months ended March 31, 2006, due to the valuation of convertible notes issued in August, September and November 2006.

Liquidity and Capital Resources

At March 31, 2007 we had a working capital deficit of $(2,994,631). At March 31, 2007, we had an accumulated deficit in the amount of $(47,340,124). The accumulated losses resulted principally from costs incurred in developing our business plan, research and development, general and administrative expenses, seeking and establishing sales channels and capital raising activities. As of May 17, 2007, we had a cash balance of approximately $13,300.

In May 2007, we collected $262,500 in additional subscriptions from the February 2007 private placement (See Note C). We issued an additional 2,982,955 shares of common stock at a share price of $.088 and warrants to purchase 5,823,864 shares of common stock at an exercise price of $.20 under the same terms as the February 2007 private placement.

We do not have sufficient cash on hand to continue business operations unless additional financing is secured within the near future. We are attempting to obtain additional financing from an existing shareholder and collect customer accounts receivable. We are also actively pursuing additional short-term funding from existing shareholders and long-term funding from institutional investors. Our plan is to secure sufficient short-term capital to fund our operations through the completion of a larger institutional financing, although there can be no assurances that any financing will be available, or if available, that it will be on terms acceptable to us. We believe that our ability to secure short-term and long-term financing is directly related to our progress with new customers and movie content agreements, which are actively being pursued by us.

In the event that sufficient short-term or long-term financing is not obtained, in order to enable us to continue to pursue our customer and content negotiations over a longer term, we will reduce our operating expenditures by, among other actions, making further personnel reductions.

The accompanying financial statements have been prepared on the basis that we will continue as a going concern, which assumes the realization of assets and satisfaction of liabilities in the normal course of business. The uncertainties regarding the availability of continued financing and commencement of adequate commercial revenues raise substantial doubt about our ability to continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As a result, our independent auditors have issued a going concern opinion for the year ended December 31, 2006. The financial statements do not include any adjustments relating to the recoverability of the recorded assets or the classification of liabilities that may be necessary should we be unable to continue as a going concern.

Item 3 - Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, or the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Rule 13a-15(b) under the Exchange Act, we carried out an evaluation, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were not effective at the reasonable assurance level to ensure that information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. This is due to the lack of segregation of duties due to the limited number of personnel and the lack of an adequate sales reporting and accounting system.

As a result of the restatements noted on April 8, 2008 our principal executive officer and principal financial officer concluded that a material weakness existed at March 31, 2007 with regard to accounting for complex transactions such as derivatives associated with the Company s convertible notes.

There have been no other changes in our internal controls over financial reporting during the fiscal quarter ended March 31, 2007, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Part II Other Information

Item 1 Legal Proceedings

The case of Code Ventures LLC v. Protocall Software Delivery Systems, Inc., et al. was filed in the Superior Court of the State of California, San Diego Judicial District, on or about August 31, 2005. The complaint asserts claims for: (i) breach of a software development agreement between the parties dated October 13, 1999; (ii) quantum merit; and (iii) goods sold, and seeks damages of at least $200,000, plus interest, attorneys fees, and cost. The plaintiff also seeks a judgment declaring that it is entitled to exercise certain options for stock in PSD. We filed a cross complaint asserting claims for breach of contract, restitution of money and declaratory relief. We also sought recovery of $43,700 for the value of equipment not returned to us by Code Ventures. On September 13, 2006, the parties participated in mediation. As a result of the mediation, the parties settled the matter for $100,000, with payments to be made by the Company in four installments from October 16, 2006 through February 20, 2007. On January 26, 2007, the court heard the plaintiff s two post-settlement motions, for attorneys fees and costs, and to add an additional judgment debtor. Both motions were granted and the plaintiff was awarded an additional $5,520 in attorneys fees and costs. All payments have been made through March 31, 2007. The plaintiff was required to file an Acknowledgement of Satisfaction of Judgment in Full with the court and the matter will be concluded.

Item 2 Recent Sales of Unregistered Securities

In February 2007, we entered into a securities purchase agreement with accredited investors in a private placement. In connection with the private placement, we sold an aggregate of 2,764,423 shares of common stock, at a share price of $.104 per share and warrants (the February 2007 Warrants) to purchase up to 2,764,423 shares of common stock, for an aggregate subscription amount of $287,500. In a subsequent private placement, we sold an aggregate of 1,704,545 shares of common stock at a share price of $.088 and warrants (the February 2007 Warrants) to purchase up to 3,409,091 shares of common stock, for an aggregate subscription amount of $150,000.

The February 2007 Warrants have an exercise price of $.20 per share of common stock, are exercisable immediately and expire on the third year anniversary of the initial warrant date. The exercise price of the February 2007 Warrants is subject to adjustment in the event of specified dilutive or accretive events, such as stock splits and stock combinations. The exercise price, as well as the per share price of the common stock sold in the private placement, is subject to further adjustment if we issue any shares of common stock or securities convertible or exercisable into common stock (subject to customary exceptions such as securities issued pursuant to equity incentive plans) through February 2008 at a price per share less than the per share price of the common stock and/or the exercise price of the February 2007 Warrants, in which case the per share price and/or the exercise price, as applicable, will be adjusted to equal the price of the securities in the new issuance. Due to the subsequent February private offering entered into at a share price of $.088, the Company issued an additional 502,622 shares of common stock and adjusted the February 2007 Warrants exercise price to $.088 per share pursuant to anti-dilution provisions contained in the February 2007 securities purchase agreement.

Item 3 Default Upon Senior Securities

None

Item 4 Submission of Matters to a Vote of Security Holders

None

Item 5 - Other Information

None

Item 6 - Exhibits and Reports On Form 8-K

Exhibits

31.1

Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2

Certification of Principal Financial and Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1

Certificate Pursuant To 10 U.S.C. Section 1350, Section 906 of the Sarbanes-Oxley Act of 2002.

Reports on Form 8-K

For the three months ended March 31, 2007;

1.

We filed a Current Report on Form 8-K on January 31, 2007 regarding year end results of operations.

SIGNATURES

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

Date:

PROTOCALL TECHNOLOGIES INCORPORATED

By: /s/ Bruce Newman
Bruce Newman
Chief Executive Officer
(Principal Executive and Financial Officer and Principal Accounting Officer)