



CELLULAR TECHNICAL SERVICES COMPANY, INC.

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CELLULAR TECHNICAL SERVICES COMPANY, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS  
(in 000's)

	September 2005 ----- (unaudi
	ASSETS
CURRENT ASSETS	
Cash and cash equivalents	\$
Prepaid expenses, deposits and other current assets	-----
Total Current Assets	
LONG-TERM INVESTMENT, net of valuation adjustment of \$1,754 in 2005 and 2004	-----
TOTAL ASSETS	\$ =====

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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable and accrued liabilities \$

Total Current Liabilities

Commitments and contingencies

STOCKHOLDERS' EQUITY

Preferred Stock, \$.01 par value per share, 5,000 shares authorized, none issued and outstanding

Common Stock, \$.001 par value per share, 30,000 shares authorized, 4,587 shares issued and outstanding at September 30, 2005 and 2,487 shares issued and outstanding at December 31, 2004

Additional Paid-in Capital

Accumulated deficit

Total Stockholders' Equity

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

\$

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The accompanying notes are an integral part of these condensed consolidated financial statements.

CELLULAR TECHNICAL SERVICES COMPANY, INC.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
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(in 000's, except per share amounts)  
(unaudited)

	Three Months Ended September 30,		Nine Mon
	2005	2004	2005
REVENUES			
Phonecards	\$ --	\$ --	\$
COSTS AND EXPENSES			
General and administrative	112	170	
Total Costs and Expenses	112	170	

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LOSS FROM OPERATIONS	(112)	(170)	
OTHER INCOME (EXPENSE) , net	--	(4)	
INTEREST INCOME, net	28	9	
	-----	-----	-----
LOSS BEFORE TAX	(84)	(165)	
PROVISION FOR INCOME TAX	--	--	
	-----	-----	-----
NET LOSS	\$ (84)	\$ (165)	
	=====	=====	=====
BASIC AND DILUTED SHARE DATA:			
Net Loss	\$ (0.02)	\$ (0.07)	\$ (0.00)
	=====	=====	=====
WEIGHTED AVERAGE SHARES OUTSTANDING:			
Basic and diluted	4,587	2,450	3,000
	=====	=====	=====

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The accompanying notes are an integral part of these condensed consolidated financial statements.

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CELLULAR TECHNICAL SERVICES COMPANY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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(in 000's)  
(unaudited)

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2005  
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OPERATING ACTIVITIES

Net loss

Adjustments to reconcile net loss to net cash used in operating activities:

Non cash compensation expense (restricted stock)

Loss on disposal of assets

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Changes in operating assets and liabilities:

Decrease in accounts receivable, net  
Decrease (Increase) in prepaid expenses and deposits  
(Decrease) in accounts payable and accrued liabilities  
Decrease in payroll related liabilities

NET CASH USED IN OPERATING ACTIVITIES

NET CASH PROVIDED BY INVESTING ACTIVITIES

FINANCING ACTIVITIES

Issuance of Common Stock

NET CASH PROVIDED BY FINANCING ACTIVITIES

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD

CASH AND CASH EQUIVALENTS AT END OF PERIOD

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The accompanying notes are an integral part of these condensed consolidated financial statements.

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CELLULAR TECHNICAL SERVICES COMPANY, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE A -- BASIS OF PRESENTATION AND LIQUIDITY:

The accompanying unaudited condensed consolidated financial statements of Cellular Technical Services Company, Inc. ("CTS" or the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles 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. The operating results for the nine month period ended September 30, 2005 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2005. For further information, refer to the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2004 and in the Company's other filings with the

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Securities and Exchange Commission. Unless the context otherwise requires, all references to "CTS" or the "Company" herein include Cellular Technical Services Company, Inc. and any entity over which it has or shares operational control.

CTS has no current business. Management currently has no plan to liquidate the Company and distribute the remaining assets to stockholders. As of early 2004, the Company may be considered as a dormant enterprise in accordance with Statement of Financial Accounting Standards No. 7. The Company has been and will be evaluating alternative businesses and acquisitions. There is no assurance that such alternative businesses and acquisitions can be accomplished before CTS spends all of its remaining cash balances, that CTS will be able to raise money at acceptable terms, if at all, to fund the acquisitions and/or the operating activities of the businesses it may acquire, and that the acquired businesses will represent viable business strategies and/or will be consistent with the expectations and risk profiles of CTS' stockholders.

Based on management plans, these financial statements have been prepared under the "going concern" assumption which presumes that the Company will continue its existence.

Management expects that during the remaining three months of 2005 the Company will incur costs of approximately \$0.20 million, primarily related to costs of maintaining the business as a public entity and insurance. The Company does not expect to have any current source of revenues and has de minimis operations. Accordingly, management believes that its cash balances as of September 30, 2005 of approximately \$3.5 million are sufficient to fund its current cash flow requirements through at least the next twelve months.

### NOTE B -- STOCK OPTIONS

As provided for by FAS No. 123 - Accounting for Stock-Based Compensation, the Company has chosen to measure stock-based compensation cost under the intrinsic-value method prescribed under Accounting Principles Board Opinion No. 25 and has adopted only the disclosure provisions of FAS 123. As the Company issues options with exercise prices equal to market value on the date of grant, compensation expense is not recognized. Stock compensation expense for options granted to non-employees has been determined in accordance with FAS 123 and Emerging Issues Task Force ("EITF") Issue No. 96-18 as the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measured. The fair value of options granted to non-employees is periodically re-measured as the underlying options vest.

The pro forma information regarding net income (loss) and earnings (loss) per share is required by FAS 123, which has been updated by FAS No. 148 - Accounting for Stock-Based Compensation - Transition and Disclosure, and has been determined as if the Company had accounted for its employee stock options under the fair value method of those statements. In that regard, the fair value for options granted during the period September 30, 2004 was estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions: (No options were granted during the period ended September 30, 2005)

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	Three Months Ended September 30		Nine M Sep
	2005 ----	2004 ----	2005 ----
Risk-free interest rate	--	--	--
Dividend yield	--	--	--
Volatility factor	--	--	--
Expected life of the options (years)	--	--	--
Fair value of options granted during the period	--	--	--

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows (in 000's, except per share amounts):

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nin Sep
Net loss	\$ (84)	\$ (165)	
Add: Stock-based compensation as reported	--	7	
Deduct: Total stock-based compensation expense determined under fair value method for all awards, net of taxes	--	(11)	
Net loss - pro forma	\$ (84)	\$ (169)	
Basic and diluted loss per share - as reported	\$ (0.02)	\$ (0.07)	
Basic and diluted loss per share - pro forma	\$ (0.02)	\$ (0.07)	

NOTE D -- LOSS PER SHARE:

The calculation of basic and diluted loss per share is as follows (in 000's, except per share amounts):

	Three Months Ended September 30	
	2005 ----	2004 ----
Net loss (A)	\$ (84)	\$ (165)
Weighted average number of shares outstanding (B)	4,587	2,450
Basic and diluted loss per share (A)/(B)	\$ (0.02)	\$ (0.07)

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Outstanding stock options of 192,800 and 191,065 at September 30, 2005 and 2004, respectively, were excluded from the computation of diluted earnings per share because their effect was anti-dilutive.

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### NOTE E - OTHER EVENTS

On April 12, 2005 the Company entered into a Securities Purchase Agreement (the "Agreement") with Frost Gamma Investments Trust (the "Frost Trust"), Dr. Jane Hsiao and Richard C. Pfenniger, Jr., among others. Pursuant to the Agreement, the Company sold an aggregate of 2,100,000 shares of the Common Stock of the Company. The purchase price for the sale of the Common Stock was \$0.75 per share in cash for an aggregate price of \$1,575,000. The Company's cost for this transaction was \$15,000, resulting in an increase in Cash of \$1,560,000. Pursuant to the Agreement, the Frost Trust, Dr. Hsiao and Mr. Pfenniger purchased 1,400,000 shares, 200,000 shares and 100,000 shares, respectively, of Common Stock. Dr. Phillip Frost controls the Frost Trust. Dr. Frost, Dr. Hsiao and Mr. Pfenniger were elected to the board of directors of the Company pursuant to the provisions of the Agreement.

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Item 2. Management's Plan of Operations

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-QSB contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect the Company's views with respect to future events and financial performance. The Company uses words and phrases such as "anticipate," "expect," "intend," "the Company believes," "future," and similar words and phrases to identify forward-looking statements. Reliance should not be placed on these forward-looking statements. These forward-looking statements are based on current expectations and are subject to risks, uncertainties and assumptions that could cause, or contribute to causing, actual results to differ materially from those expressed or implied in the applicable statements. Readers should pay particular attention to the descriptions of risks and uncertainties described in this report and in the Company's other filings with the Securities and Exchange Commission. All forward-looking statements included in this report are based on information available to the Company on the date of this report. The Company assumes no obligation or duty to update any such forward-looking statements.

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The Company files its periodic reports with the SEC in compliance with the "small business issuer" provisions of Regulation S-B, under the Securities Exchange Act of 1934 (the "Exchange Act"). Prior to the quarter ended March 31, 2004, the Company had filed its periodic reports under Regulation S-K and Regulation S-X, under the Exchange Act. Generally, a Small Business Issuer cannot file under Regulation S-B if its annual revenues or public float exceed \$25.0 million for two consecutive years. The Company qualifies as a Regulation S-B filer since its annual revenues for both 2004 and 2003 were less than \$25.0 million and its public float has not exceeded \$25.0 million. Regulation S-B is tailored for the small business issuer, and although it requires accurate and complete disclosure, it does not require certain specific disclosures which are required under Regulation S-K and Regulation S-X.

Management expects that during the last Three Months of 2005 the Company will incur costs of approximately \$0.2 million, primarily related to costs of maintaining the business as a public entity and insurance. The Company is not expected to have any significant revenues or operations. There can be no assurance that the Company's operations will be profitable on a quarterly or annual basis in the future or that revenue levels can be enhanced. Existing revenue levels should not be considered indicative of future operating results. Accordingly, subject to a potential acquisition or other investment, management believes that its cash balances as of September 30, 2005 are sufficient to fund its current cash flow requirements through at least the next twelve months; however, unanticipated changes may require additional financing.

The Company has no current business. It is not engaged in any planned product research and development and it does not anticipate doing so in the future. The Company has disposed of all of its equipment, and has one part time employee.

### Item 3. Controls and Procedures

The Company maintains a system of disclosure controls and procedures that is designed to provide reasonable assurance that information, which is required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, is accumulated and communicated to management in a timely manner. The Company's Chief Executive Officer and Chief Financial Officer have evaluated this system of disclosure controls and procedures as of the end of the period covered by this quarterly report, and believe that the system is operating effectively to ensure appropriate disclosure. There have been no changes in the Company's internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 4. Exhibits

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Exhibit 31.1 Rule 13a-14(a) Certification by Chief Financial Officer  
Exhibit 31.2 Rule 13a-14(a) Certification by Chief Executive Officer  
Exhibit 32.1 Section 1350 Certification

SIGNATURES  
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In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CELLULAR TECHNICAL SERVICES COMPANY, INC.

By: /s/Kenneth Block  
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Kenneth Block  
Secretary and Chief Financial Officer  
November 10, 2005