

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC. 20549

**FORM 10-QSB**

Quarterly Report Pursuant to Section 13 or 15 (d)  
of the Securities Exchange Act of 1934

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

Commission File Number **0-19437**

**CELLULAR TECHNICAL SERVICES COMPANY, INC.**  
(Exact Name of Small Business Issuer as Specified in Its Charter)

**Delaware**

**11-2962080**

(State or Other Jurisdiction of  
Incorporation or Organization)

(I.R.S. Employer Identification No.)

**20 East Sunrise Highway, Suite 200, Valley Stream, New York 11581**

(Address of Principal Executive Offices)

Issuer's telephone number, including area code: **(516) 568-0100**

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes  No

4,586,758 Common Shares were outstanding as of April 2, 2007

Transitional Small Business Disclosure Format. Yes  No

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**CELLULAR TECHNICAL SERVICES COMPANY, INC.**  
**PART I. FINANCIAL INFORMATION**

**Item 1.**

**Financial Statements**

**CONSOLIDATED BALANCE SHEET**  
(in 000's)  
(unaudited)

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	<b><u>March 31, 2007</u></b>
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	3,465
Prepaid Expenses	30
Total Current Assets	3,495
LONG-TERM INVESTMENT, net of valuation adjustment of \$1,754	--
<b>TOTAL ASSETS</b>	<b><u>3,495</u></b>
<b>CURRENT LIABILITIES</b>	
Accounts payable and accrued liabilities	215
Total Current Liabilities	215
Commitments and contingencies	
<b>STOCKHOLDERS' EQUITY</b>	
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	5
Additional Paid-in Capital	31,704
Accumulated deficit	(28,429)
Total Stockholders' Equity	3,280
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>3,495</u></b>

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See Notes to Unaudited Condensed Financial Statements

**CELLULAR TECHNICAL SERVICES COMPANY, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in 000's, except per share amounts)  
(unaudited)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2007</b>	<b>2006</b>
REVENUES	\$ --	\$ --
COSTS AND EXPENSES		
General and administrative	33	35
Total Costs and Expenses	33	35
LOSS FROM OPERATIONS	(33)	(35)
OTHER INCOME (EXPENSE) , net	--	--
INTEREST INCOME	43	35
INCOME BEFORE TAX	10	--
PROVISION FOR INCOME TAX	--	--
NET INCOME	10	\$ --
BASIC AND DILUTED SHARE DATA:		
NET INCOME	0.00	\$ 0.00
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Basic	4,587	4,587
Diluted	4,647	4,587

See Notes to Unaudited Condensed Financial Statements

CELLULAR TECHNICAL SERVICES COMPANY, INC.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in 000's)  
(unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
OPERATING ACTIVITIES		
Net Income	\$ 10	\$ 0
Adjustments to reconcile net loss to net cash used in operating activities:		
Changes in operating assets and liabilities:		--
Increase in prepaid expenses	(30)	(38)
(Decrease) / increase in accounts payable and accrued liabilities	(43)	7
NET CASH USED IN OPERATING ACTIVITIES	(63)	(31)
NET CASH PROVIDED BY INVESTING ACTIVITIES	--	--
NET CASH PROVIDED BY FINANCING ACTIVITIES	--	--
NET DECREASE IN CASH AND CASH EQUIVALENTS	(63)	(31)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,528	3,555
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,465	3,524

See Notes to Unaudited Condensed Financial Statements

**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 three month period ended March 31, 2007 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2007. For further information, refer to the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006 and in the Company's other filings with the 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. 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 nine months of 2007 the Company will incur costs of approximately \$0.3 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 no operations. However, management believes that its cash balance as of March 31, 2007 of approximately \$3.5 million is sufficient to fund its current cash flow requirements through at least the next twelve months.

**NOTE B -- STOCK OPTIONS:**

Pursuant to the Company's 1991 Qualified Stock Option and 1991 Non-Qualified Stock Option Plans, as amended (the "1991 Plan"), the Company was authorized to grant options to purchase up to (i) 280,000 shares of Common Stock to its officers and key employees, at a price not less than the fair market value per share of Common Stock on the date of grant; and (ii) 120,000 shares of Common Stock to its directors, officers, key employees and others who rendered services to the Company at such price as fixed by the Compensation and Stock Option Committee. Options granted under the 1991 Plan generally vest to the respective option holders at the rate of 20% per year commencing on the first anniversary date of the grant. No new grants may be made under the 1991 Plan.

The Company's 1993 Non-Employee Director Stock Option Plan allows the Company to grant options to purchase up to 70,000 shares of Common Stock. Each non-employee director is to be granted options to purchase: (i) 2,000 shares of Common Stock upon initial appointment as a director of the Company; and (ii) an additional 1,200 shares, in recurring annual increments, at a price equal to the fair market value per share of Common Stock on the date of grant. Options under the Non-Employee Director Plan vest to the respective option holder after one year and have a term of ten years. No new grants may be made under the 1993 Plan.

The Company's 1996 Stock Option Plan authorizes the grant of both incentive ("ISO") and non-qualified stock options up to a maximum of 335,000 shares of the Company's Common Stock to employees (including officers and directors who are employees) of and consultants to the Company. The exercise price, term and vesting provision of each option grant is fixed by the Compensation and Stock Option Committee with the provision that the exercise price of an ISO may not be less than the fair market value of the Company's Common Stock on the date of grant, and the term of an ISO may not exceed ten years. The Company has not granted any options under this plan during the three months ended March 31, 2007 and year ended December 31, 2006.

Commencing January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123R, "Share Based Payment" ("SFAS 123R"), which requires all share-based payments, including grants of stock options, to be recognized in the income statement as an operating expense, based on their fair values.

The Company has applied the modified prospective method in adopting SFAS 123R. Accordingly, periods prior to adoption have not been restated. Under the modified prospective method, awards that were granted, modified, or settled on or after January 1, 2006 are measured and accounted for in accordance with SFAS 123R. Unvested equity-classified awards that were granted prior to January 1, 2006 will continue to be accounted for in accordance with SFAS 123, except that all awards are recognized in the results of operations over the remaining vesting periods. The impact of forfeitures that may occur prior to vesting is also estimated and considered in the amount recognized. In addition, the realization of tax benefits in excess of amounts recognized for financial reporting purposes will be recognized as a financing activity in accordance with SFAS 123R.

No tax benefits were attributed to the stock-based compensation expense because a valuation allowance was maintained for substantially all net deferred tax assets. We elected to adopt the alternative method of calculating the historical pool of windfall tax benefits as permitted by FASB Staff Position (FSP) No. SFAS 123R-3, "Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards." This is a simplified method to determine the pool of windfall tax benefits that is used in determining the tax effects of stock compensation in the results of operations and cash flow reporting for awards that were outstanding as of the adoption of SFAS 123R.

The following summarizes the activity of the Company's stock options for the three months ended March 31, 2007.

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Number of shares under option plans:				
Outstanding at January 1, 2007	173	\$ 6.20	4.75	\$ 37
Granted	--			
Exercised	--			
Canceled or expired	2	189		
Outstanding at March 31, 2007	171	\$ 4.92	4.53	\$ 56
Exercisable at March 31, 2007	170	\$ 4.92	4.53	\$ 55

The Company did not grant any options during the three months period ended March 31, 2007. Stock option compensation expense was \$0 for the three months ended March 31, 2007.

As of March 31, 2007 and December 31, 2006 1,000 stock options with \$0.99 weighted average exercise price per share were non vested and none of the non vested stock options were granted, canceled or expired and vested.

As of March 31, 2007, there was \$1,000 of total unrecognized compensation cost related to non vested share-based compensation arrangements granted under existing stock option plans. This cost is expected to be recognized over a weighted-average period of 0.5 years. No share options vested during the three months ended March 31, 2007.

#### NOTE C -- CONTINGENCIES:

*Legal proceedings:* The Company is not currently a party to any litigation. However, from time to time, the Company could be subject to involvement in legal actions and claims, which management believes will be resolved without a material adverse effect on the Company's business, financial condition or results of operations.

#### NOTE D – INCOME PER SHARE:

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

	Three Months Ended March 31,	
	2007	2006
Net Income (A)	\$ 10	\$ 0
Weighted average number of shares outstanding (B)	4,587	4,587
Add: Dilutive effect of employee options (C)	60	0
Total weighted average number of shares outstanding (C)+(B)=(D)	4,647	4,587
Basic Income per share (A)/(B)	\$ 0.00	\$ 0.00

Diluted Income per share (A)/(D)

\$ 0.00 \$ 0.00

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Outstanding stock options of 112,800 at March 31, 2007 and 174,600 at March 31, 2006, were excluded from the computation of diluted earnings per share because their effect was anti-dilutive.

## NOTE E – OTHER EVENTS

The Company adopted Financial Standards Board Interpretation No. 48 Accounting for Uncertainty in Income Taxes (“FIN 48”) an interpretation of FASB Statement 109 (“SFAS 109”) on January 1, 2007. As a result of the implementation of FIN 48, we recognized no material adjustment in the liability for unrecognized tax benefits. At the adoption date of January 1, 2007, we had \$10,082 of unrecognized tax benefits, all of which would affect our effective tax rate if recognized. At March 31, 2007, we have \$10,082 of unrecognized tax benefits.

We recognize interest and penalties related to uncertain tax positions in general and administrative expense. As of March 31, 2007, we have not recorded any provisions for accrued interest and penalties related to uncertain tax positions.

Tax years 2000-2006 remain open to examination by the major taxing jurisdictions to which we are subject.

### **Item 2. Management’s Discussion and Analysis or 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.

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”). 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 2005 and 2004 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 nine months of 2006 the Company will incur costs of approximately \$0.3 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 March 31, 2007 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 6. Exhibits**

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**

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.

CELLULAR TECHNICAL SERVICES COMPANY, INC.

By: /s/Kenneth Block  
Kenneth Block  
Secretary and Chief Financial Officer  
April 20, 2007

**Rule 13a-14(a) Certification**

I, Kenneth Block, certify that:

1. I have reviewed this quarterly report of Cellular Technical Services Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

By: /s/Kenneth Block  
Kenneth Block  
Secretary and Chief Financial Officer  
April 20, 2007

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**Rule 13a-14(a) Certification**

I, Stephen Katz, certify that:

1. I have reviewed this quarterly report of Cellular Technical Services Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

By: /s/Stephen Katz  
Stephen Katz  
Chief Executive Officer  
April 20, 2007

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**Section 1350 Certification**

In connection with the filing of the Quarterly Report on Form 10-QSB for the quarter ended September 30, 2006 (the "Report") by Cellular Technical Services Company, Inc. ("Registrant"), each of the undersigned hereby certifies that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

By: /s/Stephen Katz  
Stephen Katz  
Chief Executive Officer  
April 20, 2007

By: /s/Kenneth Block  
Kenneth Block  
Secretary and Chief Financial Officer  
April 20, 2007

A signed original of this written statement required by Section 1350 has been provided to Cellular Technical Services Company, Inc. and will be retained by Cellular Technical Services Company, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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