

UNITED AMERICAN CORP  
Form 10KSB  
April 17, 2007

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**FORM 10-KSB**

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the fiscal year ended December 31,  
2006

[ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE  
] SECURITIES EXCHANGE ACT

For the transition period from \_\_\_\_\_  
to \_\_\_\_\_

Commission file number 000-27621

United American Corporation  
(Name of small business issuer in its charter)

Florida  
(State or other jurisdiction of incorporation or  
organization)

95-4720231  
(I.R.S. Employer Identification No.)

4150 Ste-Catherine Street West, Suite 200 , Montreal,  
Quebec, Canada  
(Address of principal executive offices)

H3Z 0A1  
(Zip Code)

Issuer's telephone number: 514-313-6010

Securities registered under Section 12(b) of the Exchange Act:

Title of each class  
None

Name of each exchange on which registered  
Not Applicable

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, par value \$0.001  
(Title of class)

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities 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 [X] No [ ]

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Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB ☐ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ ] No ☒ [X]

State issuer's revenue for its most recent fiscal year. \$19,991,191

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the average bid and asked price of such common equity, as of a specified date within the past 60 days. \$1,015,559 as of April 16, 2007

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. 51,079,985 Common Shares as of April 15, 2007

Transitional Small Business Disclosure Format (Check One): Yes ☐ ] No ☒ [X]

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**PART I**

**Item 1. Description of Business**

**Business Development**

We were incorporated on July 17, 1992, under the laws of the state of Florida. Since our inception, we sought out various business opportunities, none proved successful over a sustained period of time. We explored opportunities to acquire products or businesses that had the potential for profit.

On July 18, 2003, we entered into a share exchange agreement with 3874958 Canada Inc. whereby we agreed to transfer to 3874958 Canada Inc. 26,250,000 common shares of our common stock in exchange for the transfer of 100 shares of American United Corporation, a Delaware corporation ("AUC"). The 100 shares of AUC represent all of the issued and outstanding shares of the company. The agreement was contingent on the parties' due diligence and completion of several conditions prior to sale. On October 6, 2003, these conditions were satisfied and the sale was consummated. Following the consummation of this sale, AUC became a wholly-owned subsidiary of our company. AUC was later dissolved.

Benoit Laliberté, our CEO, CFO, and Director at the time, was also the sole officer, director, and shareholder of American United Corporation at the time that the share exchange agreement was entered into and when the sale was consummated. In addition, Mr. Laliberté was the sole officer, director, and shareholder of 3874958 Canada, Inc. As a result, Mr. Laliberté was the beneficial holder of the 100 shares of AUC held by 3874958 Canada, Inc. and is now the beneficial holder of the 26,250,000 shares we issued to 3874958 Canada, Inc. in the transaction described above.

On January 1, 2004, we acquired 3894517 Canada Inc., a company wholly-owned by Mr. Laliberté at the time of acquisition. No consideration was paid for this company, as it had no assets or liabilities. 3894517 Canada Inc. became a wholly owned subsidiary of ours and was utilized in order to have banking operations within Montreal, Canada, our principal place of business.

On February 3, 2004, a majority of the shareholders approved a change in the name of our company to United American Corporation. Management considered it in the best interests of the company to change our name to reflect the acquisition of American United Corporation shares and the new direction of our business.

**Description of Business**

Following the acquisition of AUC, we revised our business plan and implemented the business plan of AUC. AUC began its operations in 2002 as a holding company focused on the acquisition of network-centric technology and telecommunication companies. Given the rapid changes in the telecommunications marketplace, and the strong need for a competitive edge, they revised their business plan and set out on a new course in 2003 to provide Voice over Internet Protocol (VoIP) solutions.

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VoIP means that the technology used to send data over the Internet is now being used to transmit voice as well. The technology is known as packet switching. Instead of establishing a dedicated connection between two devices (computers, telephones, etc.) and sending the message "in one piece," this technology divides the message into smaller fragments, called 'packets'. These packets are transmitted separately over a decentralized network and when they reach the final destination, they're reassembled into the original message.

VoIP allows a much higher volume of telecommunications traffic to flow at much higher speeds than traditional circuits do, and at a significantly lower cost. VoIP networks are significantly less capital intensive to construct and much less expensive to maintain and upgrade than legacy networks or what is commonly referred to as traditional circuit-switched networks. Since VoIP networks are based on internet protocol, they can seamlessly and cost-effectively interface with the high-technology, productivity-enhancing services shaping today's business landscape. These networks can seamlessly interface with web-based services such as virtual portals, interactive voice response (IVR), and unified messaging packages, integrating data, fax, voice, and video into one communications platform that can interconnect with the existing telecommunications infrastructure.

### *Wholesale VoIP Market*

We constructed our first VoIP network which we refer to as CaribbeanONE. To construct this network, we established servers in Haiti that utilize our intellectual property to connect with our servers located in Montreal, Quebec, Canada. Following the successful testing of our servers in Haiti, the CaribbeanONE network was completed in March 2004. The establishment of the CaribbeanONE network was critical in that it enabled us to charge significantly less than other providers that exclusively utilize established telecommunication lines for calls that originate in North America and terminate in any country in the Caribbean. When one of our consumers originated a call in North America, our VoIP network received the call and transmitted the call to our server in Haiti. An established telecommunication line was then utilized to transmit the call from our server in Haiti to the termination point of the call in the Caribbean. The establishment of the CaribbeanONE network was our first step in strategically establishing computer servers in specified geographical areas to construct an international VoIP network.

In May 2006, we were forced to terminate our CaribbeanOne network due to political changes with government telecommunications regulators in Haiti, the hosting site of our gateway, resulting in our inability to acquire local termination minutes to direct a call from our gateway to its destination point within Haiti. During the reporting period, we were unsuccessful in our efforts to acquire local termination minutes within Haiti. As a result, we no longer utilize our CaribbeanOne network and have focused our operations on other gateways recently developed. The success of our business plan is not dependent on the CaribbeanOne network and we do not anticipate that the shut down of the CaribbeanOne network will negatively impact our results of operations.

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As part of our growth plan, we expanded our long distance VoIP termination services outside of the Caribbean and into additional routes in Africa. During the third quarter of 2005, we built a VoIP gateway in Gabon, Africa. Similar to our CaribbeanONE infrastructure located in Haiti, we offered wholesale termination services to global Tier1 and Tier 2 telecommunications companies to utilize our VoIP link between Montreal, Canada and Gabon in order to terminate their long distance calls. This gateway installation permitted us to expand the number of voice channels that we had in operation in our global network and sell more long distance termination minutes to our existing and future customers.

We further expanded our network by entered into a partnership with Tectacom Inc. of Montreal and established a VoIP gateway in Mali, Africa in May of 2006. As a result, we established a profit-sharing understanding with Tectacom for VoIP long distance termination minutes transiting through our gateways. Tectacom held an agreement with the government-operated telecommunications provider in Mali, permitting them to reserve voice channel capacity within the Mali telecommunications infrastructure. The government-operated telecommunications provider in Mali owns all local landlines within the country and approximately 40% of cellular telephone services provided in the country. This agreement permitted us access to install our gateways and to interconnect the Mali voice channels operated by the government-owned telecommunications provider with our servers in Montreal. This agreement further enabled us to sell this direct route connection to our customers in order for them to offer long distance services to their respective retail customer base.

In October 2006, we entered into an agreement with the government-operated telecommunications provider in Mali to assist it in identifying the origination point of calls utilizing its voice channels. Identifying the original point of a telephone call is important because it will enable the provider to prohibit unauthorized use of its network which is commonly achieved by disguising the original point of a telephone call. In exchange for providing this service, we received more favorable pricing for our use of its voice channels.

In November 2006, again further expanded our network by building a VoIP gateway in Cameroon, Africa.

On December 6, 2006, we entered into an Agreement with Gabon Telecom, a government-operated telecommunications provider in Gabon, primarily for the purposes of assisting Gabon Telecom in regulating its international telecommunications traffic in order to prevent abuse of its existing agreements created by unauthorized use of its voice channels and failure to make payment. This Agreement enabled us to offer termination services through our VoIP gateway in Gabon. This Agreement was for a period of 5 years and renewable upon mutual agreement of the parties.

The Mali, Gabon and Cameroon, Africa networks all commenced service during the year ended December 31, 2006. Due to frequently changing political conditions within each of these African nations, we are experiencing difficulty enforcing the terms of our prior negotiated agreements. The current governments in these countries are not honoring the existing agreements described above in which we acquired termination routes within the country. For this reason, in February

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2007 we were forced to suspend our direct African route operations in Mali, Gabon and Cameroon. We are working to restore these networks to operational in 2007, but we can provide no assurance that we will be successful in reestablishing the Mali, Gabon and Cameroon networks. We anticipate that our failure to provide termination services in Mali, Gabon and Cameroon through our VoIP networks will significantly harm our business and results of operations in the 2007.

During 2007, we our focusing our efforts on adding further routes in countries that do not present that same political risks and instability associated with our operations in Mali, Gabon and Cameroon, Africa.

## **Subsidiary Spin-off**

In April 2005, our management was presented with an opportunity where Telephone would enter into a merger with a wholly-owned subsidiary of OSK Capital II Corp. ("OSK"), a public reporting company under Section 12(g) of the Securities Exchange Act of 1934. On April 28, 2005, OSK completed its acquisition of Telephone, pursuant to an Agreement and Plan of Merger and Reorganization. At the effective time of the merger, OSK acquired all of the outstanding shares of Telephone and Telephone merged with OSK II Acquisition Corp., a Florida corporation and wholly-owned subsidiary of OSK. OSK issued 25,000,000 common shares in exchange for all of the issued and outstanding shares of Telephone and these shares of OSK were issued to the shareholders Telephone shareholders on a pro rata basis. We owned 100 common shares of the 104 common shares issued and outstanding in Telephone. As a result, we received 24,038,462 shares of OSK. Following the effectiveness of the merger, OSK had 30,426,000 common shares issued and outstanding. Consequently, Telephone became a wholly owned subsidiary of OSK and OSK was a majority-owned subsidiary of our company.

On August 21, 2006, OSK changed its name to Telephone Corp. Thereafter, we acquired another 1,699,323 shares of Telephone Corp. in consideration for loans previously advanced.

Our management submitted to our shareholders a proposal to spin-off our majority-owned subsidiary, Telephone Corp., at the annual meeting on October 23, 2006. Our board of directors believed that spinning-off Telephone would accomplish an important objective. The spin-off would enable Telephone to focus on handling the origination, management, and billing of calls and services offered to our retail customers and allow us to concentrate on building an international VoIP focused primarily on call termination services for wholesale customers. This will allow both companies that have operations that are focused on different objectives to better prioritize the allocation of their management and their financial resources for achievement of their corporate objectives. This proposal was approved by our shareholders at the annual meeting on October 23, 2006 and each shareholder received on a pro rata basis restricted shares of Telephone Corp.

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***Industry Overview***

One of the outgrowths from the rapid deployment of broadband connectivity in the United States and abroad has been the accelerated adoption of VoIP. VoIP is a technology that enables voice communications over the Internet through the conversion of voice signals into data packets. The data packets are transmitted over the Internet and converted back into voice signals before reaching their recipient. The Internet has always used packet-switched technology to transmit information between two communicating terminals. For example, packet switching allows a personal computer to download a page from a web server or to send an e-mail message to another computer. VoIP allows for the transmission of voice signals over these same packet switched networks and, in doing so, provides an alternative to traditional telephone networks.

VoIP technology presents several advantages over the technology used in traditional wireline telephone networks that enable VoIP providers to operate with lower capital expenditures and operating costs while offering both traditional and innovative service features. Traditional networks, which require that each user's telephone be connected to a central office circuit switch, are expensive to build and maintain. In contrast, VoIP networks route calls over the Internet using either softswitches or software, both of which are less expensive than circuit switches. In addition, traditional wireline networks use dedicated circuits that allot fixed bandwidth to a call throughout its duration, whether or not the full bandwidth is being used throughout the call to transmit voice signals. VoIP networks use bandwidth more efficiently, allocating it instead based on usage at any given moment. VoIP technology also presents the opportunity to offer customers attractive features that traditional telephone networks cannot easily support, such as online call management and self-provisioning (the ability for customers to change or add service features online).

Traditional telephone companies originally avoided the use of VoIP networks for transmitting voice signals due to the potential for data packets to be delayed or lost, preventing real-time transmission of the voice data and leading to poor sound quality. While a delay of several seconds in downloading a webpage or receiving an e-mail generally is acceptable to a user, a delay of more than a millisecond during a live, two-way voice conversation is not satisfactory. Original VoIP services, which were pioneered in the mid-1990s, were typically only PC-to-PC, requiring two personal computers to be in use at the same time. Early international calling card services, which allowed users to dial abroad for significantly discounted rates, also relied on a form of VoIP technology. These initial VoIP services often suffered from dropped calls, transmission delays and poor sound quality because of bandwidth limitations. As a result, VoIP initially developed a poor reputation for service quality relative to traditional fixed line telephone service. Subsequent increases in bandwidth, driven by increased broadband penetration, and improvements in packet switching, signaling, and compression technology have significantly enhanced the quality and reliability of VoIP calls.

Today, VoIP technology is used in the backbone of many traditional telephone networks, and VoIP services are offered to residential and business users by a wide array of service providers, including established telephone service providers. These VoIP providers include traditional local and long distance phone companies, established cable companies, Internet service providers and alternative voice communications providers.



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While all of these companies provide residential VoIP communications services, each group provides those services over a different type of network, resulting in important differences in the characteristics and features of the VoIP communications services that they offer. Traditional wireline telephone companies offering VoIP services to consumers do so using their existing broadband DSL networks. Similarly, cable companies offering VoIP communications services use their existing cable broadband networks. Because these companies own and control the broadband network over which the VoIP traffic is carried between the customer and public switched telephone network, they have the advantage of controlling a substantial portion of the call path and therefore being better able to control call quality. In addition, many of these providers are able to offer their customers additional bandwidth dedicated solely to the customer's VoIP service, further enhancing call quality and preserving the customer's existing bandwidth for other uses. However, these companies typically have high capital expenditures and operating costs in connection with their networks. In addition, depending on the structure of their VoIP networks, the VoIP services provided by some of these companies can only be used from the location at which the broadband line they provide is connected.

Like traditional telephone companies and cable companies offering VoIP services, alternative voice communications providers also connect their VoIP traffic to the public switched telephone network so that their customers can make and receive calls to and from non-VoIP users. Unlike traditional telephone companies and cable companies, however, alternative voice communications providers do not own or operate a private broadband network. Instead, the VoIP services offered by these providers use the customer's existing broadband connection to carry call traffic from the customer to their VoIP networks. These companies do not control the "last mile" of the broadband connection, and, as a result, they have less control over call quality than traditional telephone or cable companies do. However, these companies have the operating advantage of low capital expenditure requirements and operating costs.

Internet service providers generally offer or have announced intentions to offer VoIP services principally on a PC-to-PC basis. These providers generally carry their VoIP traffic for the most part over the public Internet, with the result that VoIP services are often offered for free, but can only be used with other users of that provider's services. Many of these providers offer a premium service that allows customers to dial directly into a public switched telephone network. In addition, while no special adapters or gateways are required, often customers must use special handsets, headsets or embedded microphones through their computers, rather than traditional telephone handsets.

### ***Reliance on Technology and Computer Systems***

We rely on specialized telecommunications and computer technology to meet the needs of our consumers. We will need to continue to select, invest in and develop new and enhanced technology to remain competitive. Our future success will also depend on our operational and financial ability to develop information technology solutions that keep pace with evolving industry standards and changing client demands. Our business is highly dependent on our computer and telephone equipment and software systems, the temporary or permanent loss of which could materially and adversely affect our business.

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***Competition***

The telecommunications industry is highly competitive, rapidly evolving and subject to constant technological change and to intense marketing by different providers of functionally similar services. Since there are few, if any, substantial barriers to entry, except in those markets that have not been subject to governmental deregulation, we expect that new competitors are likely to enter our markets. Most, if not all, of our competitors are significantly larger and have substantially greater market presence and longer operating history as well as greater financial, technical, operational, marketing, personnel and other resources than we do.

Our use of VoIP technology and our proprietary systems and products enables us to provide customers with competitive pricing for telecommunications services. Nonetheless, there can be no assurance that we will be able to successfully compete with major carriers in present and prospective markets. While there can be no assurances, we believe that by offering competitive pricing we will be able to compete in our present and prospective markets.

***Patents, Licenses, Trademarks, Franchises, Concessions, Royalty Agreements, or Labor Contracts***

We do not own, legally or beneficially, any patent or trademark.

***Research and Development***

We did incur research and development expenditures of \$124,232 in the fiscal year ended December 31, 2006 and \$103,006 in the fiscal year ended December 31, 2005.

***Existing and Probable Governmental Regulation***

***Overview of Regulatory Environment***

Traditional telephone service historically has been subject to extensive federal and state regulation, while Internet services generally have been subject to less regulation. Because some elements of VoIP resemble the services provided by traditional telephone companies and others resemble the services provided by Internet service providers, the VoIP industry has not fit easily within the existing framework of telecommunications law and until recently has developed in an environment largely free from regulation.

The Federal Communications Commission, or FCC, the U.S. Congress and various regulatory bodies in the states and in foreign countries have begun to assert regulatory authority over VoIP providers and are continuing to evaluate how VoIP will be regulated in the future. In addition, while some of the existing regulation concerning VoIP is applicable to the entire industry, many rulings are limited to individual companies or categories of service. As a result, both the application of existing rules to us and our competitors and the effects of future regulatory developments are uncertain.

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***Regulatory Classification of VoIP Services***

On February 12, 2004, the FCC initiated a rulemaking proceeding concerning the provision of voice and other services and applications utilizing Internet Protocol technology. As part of this proceeding, the FCC is considering whether VoIP services like ours should be classified as information services or telecommunications services. We believe our service should be classified as an information service. If the FCC decides to classify VoIP services like ours as telecommunications services, we could become subject to rules and regulations that apply to providers of traditional telephony services. This could require us to restructure our service offering or raise the price of our service, or could otherwise significantly harm our business.

While the FCC has not reached a decision on the classification of VoIP services like ours, it has ruled on the classification of specific VoIP services offered by other VoIP providers. The FCC has drawn distinctions among different types of VoIP services, and has concluded that some VoIP services are telecommunications services while others are information services. The FCC's conclusions in those proceedings do not determine the classification of our service, but they likely will inform the FCC's decision regarding VoIP services like ours.

***International Regulation***

The regulation of VoIP services is evolving throughout the world. The introduction and proliferation of VoIP services have prompted many countries to reexamine their regulatory policies. Some countries do not regulate VoIP services, others have taken a light-handed approach to regulation, and still others regulate VoIP services the same as traditional telephony. In some countries, VoIP services are prohibited. Several countries have recently completed or are actively holding consultations on how to regulate VoIP providers and services. We primarily provide VoIP services internationally in Canada and various African nations.

***Other Foreign Jurisdictions***

Our operations in foreign countries must comply with applicable local laws in each country we serve. The communications carriers with which we associate in each country is licensed to handle international call traffic, and takes responsibility for all local law compliance. For that reason we do not believe that compliance with the laws of foreign jurisdictions will affect our operations or require us to incur any significant expense.

***Compliance with Environmental Laws***

We did not incur any costs in connection with the compliance with any federal, state, or local environmental laws.

***Employees***

We, together with our subsidiary entities, currently have 1 full-time employee. We retain consultants to assist in our operations as needed. Our employees are not represented by labor unions or collective bargaining agreements.

Table of Contents**Item 2. Description of Property**

We currently lease our executive offices located at 4150 Ste-Catherine Street West, Suite 200, Montreal, Quebec, Canada, H3Z 0A1. We pay monthly rent for this property in the amount of \$500.

**Item 3. Legal Proceedings**

We are not a party to any pending legal proceeding. We are not aware of any pending legal proceeding to which any of our officers, directors, or any beneficial holders of 5% or more of our voting securities are adverse to us or have a material interest adverse to us.

**Item 4. Submission of Matters to a Vote of Security Holders**

On October 23, 2006, we held the annual meeting of our security holders. The meeting was called for the purpose of electing directors, confirming the appointment of Michael Pollack, CPA as the company's independent certified public accountant for the fiscal year ended December 31, 2006, to consider a proposal to amend the Articles of Incorporation to increase the number of shares of common stock authorized for issuance from 50,000,000 to 100,000,000, to consider a plan to spin-off Telephone Corp., a majority owned subsidiary. The total number of shares of common stock outstanding on the record date, September 12, 2006, was 49,969,985 shares. The number of votes represented at the meeting was 28,853,345 shares, or 57.74% of the shares eligible to vote.

The following individuals were elected as directors with the votes being as follows:

<u>Nominee</u>	<u>Votes Cast</u> <u>For</u>	<u>Votes</u> <u>Cast</u> <u>Against</u>	<u>Abstain</u>
George Metrakos	28,746,645	0	106,700
Simon Lamarche	28,746,645	0	106,700

The appointment of Michael Pollack, CPA as the Company's independent certified public accountant for the fiscal year ended December 31, 2006 was confirmed, with the votes cast being as follows:

<u>Votes Cast</u> <u>For</u>	<u>Votes</u> <u>Cast</u> <u>Against</u>	<u>Abstain</u>
28,737,545	0	115,800

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With respect to the proposed Amendment to the Articles of Incorporation to increase the number of shares of common stock authorized for issuance from 50,000,000 to 100,000,000, votes were cast for confirmation as follows:

<u>Votes Cast</u>	<u>Votes</u>	<u>Abstain</u>
<u>For</u>	<u>Cast</u>	
	<u>Against</u>	
28,813,334	40,011	0

With respect to the proposal to approve the spin-off of Telephone Corp., our majority-owned subsidiary, votes were cast for confirmation as follows:

<u>Votes Cast</u>	<u>Votes</u>	<u>Abstain</u>
<u>For</u>	<u>Cast</u>	
	<u>Against</u>	
28,847,845	5,500	0

No other matters were acted upon by our security holders at our annual meeting.

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Our common stock is currently quoted on the OTC Bulletin Board ("OTCBB"), which is sponsored by the NASD. The OTCBB is a network of security dealers who buy and sell stock. The dealers are connected by a computer network that provides information on current "bids" and "asks", as well as volume information. Our shares are quoted on the OTCBB under the symbol "UAMA."

The following table sets forth the range of high and low bid quotations for our common stock for each of the periods indicated as reported by the OTCBB. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Fiscal Year Ending December 31, 2006		
Quarter Ended	High \$	Low \$
March 31, 2006	0.08	0.052
June 30, 2006	0.0651	0.042
September 30, 2006	0.07	0.042
December 31, 2006	0.071	0.04

Fiscal Year Ended December 31, 2005		
Quarter Ended	High \$	Low \$
March 31, 2005	0.155	0.102
June 30, 2005	0.112	0.05
September 30, 2005	0.075	0.043
December 31, 2005	0.07	0.04

**Penny Stock**

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a market price of less than \$5.00, other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the SEC, that: (a) contains a description of the nature and level of risk in the market for penny stocks in

both public offerings and secondary trading; (b) contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation of such duties or other requirements of the securities laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price;

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(d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and (f) contains such other information and is in such form, including language, type size and format, as the SEC shall require by rule or regulation. The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; (c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) a monthly account statement showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement as to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

These disclosure requirements may have the effect of reducing the trading activity for our common stock. Therefore, stockholders may have difficulty selling our securities.

## **Holders of Our Common Stock**

As of December 31, 2006, we had approximately three hundred and seventy holders (370) of record of our common stock which includes those stockholders who hold shares in street name.

## **Dividends**

We have not declared any dividends since our incorporation. There are no dividend restrictions that limit our ability to pay dividends on our common stock in the Articles of Incorporation or Bylaws. Chapter 607 of Title 36 of the Florida Statutes does provide limitations our ability to declare dividends. Section 607.06401 of Chapter 607 prohibits us from declaring dividends where, after giving effect to the distribution of the dividend:

1. We would not be able to pay our debts when they became due in the usual course of business; or
2. Our total assets would be less than the sum of its total liabilities plus the amount that would be needed, if we were to be dissolved at the time of distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution.

At the present time, we have no shareholders who have rights preferential to those of the common shareholders.

Section 607.0623 of Chapter 607 allows the board of directors to issue shares of stock pro rata to our shareholders as a share dividend.



Table of Contents**Recent Sales of Unregistered Securities**

The information set forth below relates to our issuances of securities without registration under the Securities Act of 1933 during the reporting period which were not previously included in a Quarterly Report on Form 10-QSB or Current Report on Form 8-K.

In November 2006, we issued 1,110,000 shares of restricted common stock to four consultants for services rendered. Included in this issuance were 500,000 shares of our common stock issued to Metrtech Business Solutions, a private company controlled by Mr. George Metrakos, as compensation for services rendered. These shares were issued pursuant to Section 4(2) of the Securities Act. We did not engage in any general solicitation or advertising. We issued the stock certificates and affixed the appropriate legends to the restricted stock.

**Securities Authorized for Issuance Under Equity Compensation Plans**

The following table provides information about our compensation plans under which shares of common stock may be issued upon the exercise of options as of December 31, 2006.

**Equity Compensation Plans as of December 31, 2006**

Plan Category	A	B	C
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and right	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A))
Equity compensation plans approved by security holders	-	-	-
Equity compensation plans not approved by security holders	-	-	-
Total	-	-	-

As of December 31, 2006, we had no existing equity compensation plans and had not issued as compensation for services rendered to any employee, executive officer, member of our board of directors, or consultant any options, warrants, or other convertible securities exercisable into shares of our common stock.



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**Item 6. Management's Discussion and Analysis**

**Forward-Looking Statements**

Certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words "believes," "project," "expects," "anticipates," "estimates," "intends," "strategy," "plan," "may," "will," "would," "will be," "will continue," "will likely result," and similar expressions. V such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and are including this statement for purposes of complying with those safe-harbor provisions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on our operations and future prospects on a consolidated basis include, but are not limited to: changes in economic conditions, legislative/regulatory changes, availability of capital, interest rates, competition, and generally accepted accounting principles. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Further information concerning our business, including additional factors that could materially affect our financial results, is included herein and in our other filings with the SEC.

**Overview**

We were incorporated under the laws of the State of Florida on July 17, 1992 under the name American Financial Seminars, Inc. On February 5, 2004, our name was changed to United American Corporation. On July 18, 2003, we entered into a share exchange agreement with 3874958 Canada Inc. (a Canadian corporation and an affiliate of the Company by common officers) to transfer 26,250,000 shares of its common stock for 100 shares of American United Corporation (a Delaware corporation and wholly owned subsidiary of 3874958 Canada Inc.) which represented 100% of the outstanding shares of American United Corporation. In this transaction we acquired internet telecommunications equipment valued at \$874,125 which we utilizes to provide VoIP (Voice-over-Internet-Protocol) telecommunications services to wholesale providers worldwide.

Our revenues are derived primarily from the sale of international call termination services to wholesale customers. We also sold call local call termination services to retail customers in the domestic North American market, but have since ceased this area of our business since we completed the spin-off of our majority-owned subsidiary, Telephone Corp., on October 30, 2006.

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Our management believes that we can successfully operate within the Wholesale Telecommunications Market as a result of the following:

- There is a natural migration in the wholesale telecommunications marketplace to utilize the internet as the main network between telecommunications carriers due to its lower cost of operation than traditional networks. We specialize in the deployment of internet-based technologies.
- Developing nations, primarily in Africa, Latin and South America, are confronted with the need to upgrade their telecommunications technologies resulting in a need for support in this venture over the next 3-5 years, producing solid opportunities for us to leverage our knowledge in order to solidify long term consulting mandates and direct route termination capabilities with these countries.

Since we first launched our direct wholesale termination services with our CarribeanONE network in 2003, we added additional networks in the countries of Mali, Gabon and Cameroon, Africa, as direct route destinations. We have also grown in our other business segment, which is brokered routes. Brokered routes refer to the re-sale of other companies' direct routes to our customers.

The CarribeanONE route terminated operation in February of 2006. The Mali, Gabon and Cameroon, Africa networks all commenced service during the year ended December 31, 2006. Due to frequently changing political conditions within each of these African nations, we are experiencing difficulty enforcing the terms of our prior negotiated agreements. The current governments in these countries are not honoring existing agreements in which we acquired termination routes within the country. For this reason, in February 2007 we were forced to suspend our direct African route operations in Mali, Gabon and Cameroon. We are working to restore these networks to operational in 2007, but we can provide no assurance that we will be successful in reestablishing the Mali, Gabon and Cameroon networks. We anticipate that our failure to provide termination services in Mali, Gabon and Cameroon through our VoIP networks will significantly harm our business and results of operations in the 2007.

During 2007, we are focusing our efforts on adding further routes in countries that do not present that same political risks and instability associated with our operations in Mali, Gabon and Cameroon, Africa.

## **Results of Operations for the Years Ended December 31, 2006 and 2005**

For the year ended December 31, 2006, we generated total revenue of \$19,991,191, compared to revenue of \$4,845,485 for the year ended December 31, 2005. Our revenue was generated by sales of retail domestic and international voice and data products and services using VoIP. Our increase in revenue for the year ended December 31, 2006 when compared to the same reporting period in the prior year is primarily attributable to increases in sales of VoIP termination services in our both our brokered international telecom routes as well as our direct routes. A brokered route is one where we purchase from a supplier who has direct termination capabilities with the local wireline and mobile operators in the country and re-sell the termination destination to our customers. A direct route is when we have the ability to directly terminate the traffic with the

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local wireline and mobile operators, such as our direct routes in Mali, Gabon and Cameroon, Africa. During the year ending December 31, 2006, \$17,146,798 of revenues were attributed to our brokered routes and \$2,555,337 of revenues were attributed to our direct routes, compared to the previous year where the wholesale revenue of \$4,611,979 was generated entirely from our CaribbeanONE network, our first direct route which is no longer operational. Our remaining revenues were generated from our majority-owned subsidiary, Telephone Corp., during the first 10 months of the year ended December 31, 2006 of \$372,335 compared to 12 months of operations of Telephone Corp. in 2005 of \$233,506. In October 2006, we completed the spin-off of our majority-owned subsidiary, Telephone Corp.

Our total cost of sales for the year ended December 31, 2006 was \$18,307,252 compared to \$4,640,709 for the year ended December 31, 2005. This resulted in a gross profit of \$1,683,939 and \$204,776 for the years ended December 31, 2006 and 2005 respectively. The increase in gross profit is a result of increase sales of our wholesale termination services.

We incurred operating expenses in the amount of \$2,291,498 for the year ended December 31, 2006, compared to \$1,726,296 for the year ended December 31, 2005. The increase in our operating expenses is primarily attributable to increases in commissions paid on the increased revenues as well as increases in management fees. We incurred research and development expenditures of \$124,232 in the year ended December 31, 2006, while incurring \$103,006 in research and development expenditures in the prior year. These research and development expenditures were incurred by our majority-owned subsidiary, Telephone Corp., in connection with its efforts to continuously develop its core call management and call routing technology. As a result of spinning-off our majority-owned subsidiary, Telephone Corp. on October 30, 2006, there will be no further consolidation of their results of operations. We paid \$1,177,397 in commissions and wages and management fees for the year ended December 31, 2006, compared to \$573,446 for the year ended December 31, 2005. We paid commissions and management fees based upon sales of VoIP termination services. As a result of a significant increase in the sales of VoIP termination services, our commission and management fees paid correspondingly increased.

Our net loss for the year ended December 31, 2006 was \$614,269, compared to a net loss of \$1,442,255 in the prior year.

## **Liquidity and Capital Resources**

As of December 31, 2006, we had current assets of \$1,938,407. Our current assets consisted of accounts receivable in the amount of \$1,396,332 and prepaid expenses and other current assets of \$40,795. Our total current liabilities as of December 31, 2006 were \$3,125,632. As a result, on December 31, 2006 we had working capital deficit of \$1,187,225.

Operating activities used \$26,211 in cash for the year ended December 31, 2006. Our net loss of \$614,269 for the year ended December 31, 2006 was the primary component of our negative operating cash flow. Investing activities during the year ended December 31, 2006 used \$202,389 for the acquisition of fixed assets. Cash flows provided by financing activities during the year ended December 31, 2006 primarily consisted of \$249,003 for proceeds from loans payable-

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related parties in the amount of \$196,470. We primarily relied on revenues and debt financing to fund our operations during the year ended December 31, 2006.

The underlying drivers that resulted in material changes and the specific inflows and outflows of cash in the year ended December 31, 2006 are as follows:

- a. Property acquisition costs,
- b. Increase in accounts payable attributable to increased sales, and
- c. We obtained financing from the issuance of loans from related parties. Our management believes that additional issuance of stock and/or debt financing may be required to satisfy our projected expenditures in 2007.

As of the time of this Annual Report, our management believes that we have insufficient capital to support our operations at the current level over the next twelve months. The success of our business is contingent upon us obtaining additional financing. We intend to fund operations through debt and/or equity financing arrangements, which may be insufficient to fund our capital expenditures, working capital, or other cash requirements for the year ending December 31, 2007. There can be no assurance that any additional financing will be available to us on acceptable terms, or at all. We do not have any formal commitments or arrangements for the sales of stock or the advancement or loan of funds at this time.

## **Off Balance Sheet Arrangements**

As of December 31, 2006, there were no off balance sheet arrangements.

## **Going Concern**

As shown in the accompanying consolidated financial statements, we have incurred recurring losses of \$614,269 and \$1,422,255 for the years ended December 31, 2006 and 2005, and have a working capital deficiency of \$1,187,225 as of December 31, 2006. We have recently emerged from the development stage and have just started generating revenues. There is no guarantee that we will be able to raise enough capital or generate revenues to sustain our operations. These conditions raise substantial doubt about our ability to continue as a going concern for a reasonable period.

Management believes that our capital requirements will depend on many factors. These factors include the increase in sales through existing channels as well as our ability to continue to expand our presence in the international wholesale market with direct routes and consulting mandates with developing countries. Our strategic relationships with telecommunications carriers has permitted us to achieve consistent quarterly growth in revenues.

In the near term, we will continue to pursue bridge financing to assist us in meeting our current working capital needs. Our ability to continue as a going concern for a reasonable period is dependent upon management's ability to raise additional interim capital and, ultimately, achieve

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profitable operations. There can be no assurance that management will be able to raise sufficient capital, under terms satisfactory to us, if at all.

### **Critical Accounting Policies**

In December 2001, the SEC requested that all registrants list their three to five most “critical accounting policies” in the Management Discussion and Analysis. The SEC indicated that a “critical accounting policy” is one which is both important to the portrayal of a company’s financial condition and results, and requires management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We believe that the following accounting policies fit this definition.

### **Currency Translation**

For subsidiaries outside the United States that prepare financial statements in currencies other than the U.S. dollar, we translate income and expense amounts at average exchange rates for the year, translates assets and liabilities at year-end exchange rates and equity at historical rates. Our reporting currency is that of the US dollar while our functional currency is that of the Canadian dollar for our subsidiaries. We record these translation adjustments as accumulated other comprehensive income (loss). Gains and losses from foreign currency transactions commenced in 2004 when we utilized a Canadian subsidiary to record all of the transactions. We recognized a gain (loss) of \$31,098 and \$112,350 for the years ended December 31, 2006 and 2005, respectively.

### **Revenue Recognition**

In 2004, when we emerged from the development stage with the acquisition of American United Corporation/ 3874958 Canada Inc. and after assuming ownership of 3894517 Canada Inc., we began to recognize revenue from VoIP services when the services were rendered and collection was reasonably assured in accordance with SAB 101.

There are limited estimates required in connection with recognition of revenue because voice traffic is measured in automated switches and routers, and contractual rates for traffic are used to bill or declare revenue on a monthly basis. However, for certain voice contracts, historical traffic may be retroactively re-rated within a contract period. This traffic re-rating is calculated and recognized immediately in the month the new contractual rate is established. Although relatively infrequent, there can be material disputes with customers over volume or traffic recognized on our customers’ switches. Our practice is to maintain recorded revenue based on our traffic data until the merits of a dispute are identified.

### **Impairment of Long-Lived Assets**

Long-lived assets, primarily fixed assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. We do not perform a periodic assessment of assets for impairment in the

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absence of such information or indicators. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or a significant adverse change that would indicate that the carrying amount of an asset or group of assets is not recoverable. For long-lived assets to be held and used, we recognize an impairment loss only if its carrying amount is not recoverable through its undiscounted cash flows and measures the impairment loss based on the difference between the carrying amount and estimated fair value. We, determined based upon an independent valuation performed on our equipment acquired from American United Corporation that there was impairment of \$1,750,875 (on October 6, 2003) based upon the fair value of the stock issued for the equipment. This amount is reflected as impairment in the December 31, 2003 financial statements. There has been no further impairment since this date.

## **Recently Issued Accounting Pronouncements**

In February 2006, the FASB issued Statement of Financial Accounting Standard No. 155, "*Accounting for Certain Hybrid Instruments*" ("SFAS 155"). FASB 155 allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) if the holder elects to account for the whole instrument on a fair value basis. This statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. We will evaluate the impact of SFAS 155 on our consolidated financial statements.

In February 2007, the FASB issued FAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115", ("FAS 159") which permits entities to choose to measure many financial instruments and certain other items at fair value at specified election dates. A business entity is required to report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. This statement is expected to expand the use of fair value measurement. FAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years.

In July 2006, the FASB issued Interpretation No. 48 (FIN No. 48), "Accounting for Uncertainty in Income Taxes." This interpretation requires recognition and measurement of uncertain income tax positions using a "more-likely-than-not" approach. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. Management is still evaluating what effect this will have on our consolidated financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants, and the SEC did not or are not believed by management to have a material impact on our present or future consolidated financial statements included elsewhere herein.



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**Item 7. Financial Statements**

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**Audited Financial Statements:**

<u>F-1</u>	<u>Report of Independent Registered Public Accounting Firm</u>
<u>F-2</u>	<u>Balance Sheet as of December 31, 2006</u>
<u>F-3</u>	<u>Statements of Operations - Years Ended December 31, 2006 and December 31, 2005</u>
<u>F-4</u>	<u>Statement of Stockholders' Equity (Deficit) and Comprehensive Loss for the Years Ended December 31, 2006 and December 31, 2005</u>
<u>F-5</u>	<u>Statements of Cash Flows for the Years Ended December 31, 2006 and December 31, 2005</u>
<u>F-6</u>	<u>Notes to Financial Statements</u>

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors  
United American Corporation  
Montreal, Quebec CANADA

I have audited the accompanying consolidated balance sheet of United American Corporation (the "Company") as of December 31, 2006 and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for the years ended December 31, 2006 and 2005. These consolidated financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these consolidated financial statements based on my audits.

I conducted my audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. I was not engaged to perform an audit of the Company's internal control over financial reporting. My audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, I express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of United American Corporation as of December 31, 2006, and the results of its consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for the years ended December 31, 2006 and 2005 in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has sustained operating losses and capital deficits that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Notes 1 and 13 to the consolidated financial statements, the Company has restated its consolidated financial statements for the extinguishment of payables that the Company wrote off in the year ended December 31, 2003. The Company has received legal opinions that determine these liabilities to no longer be outstanding, however, is performing revised lien searches and performing further due diligence on the existence of these liabilities. Until the time that the Company receives further documented evidential matter that these liabilities are in fact no longer considered to be liabilities, the Company has re-instated these liabilities.

/s/ Michael Pollack CPA  
Cherry Hill, NJ  
April 16, 2007

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**UNITED AMERICAN CORP**  
**CONSOLIDATED BALANCE SHEET**  
**DECEMBER 31, 2006**

**ASSETS**

(IN US\$)

## Current Assets:

Cash and cash equivalents	\$	69,553
Accounts receivable, net		1,396,332
Interest receivable		15,000
Prepaid expenses and other current assets		40,795
Loan receivable - related company		416,727

Total Current Assets		1,938,407
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Fixed assets, net of depreciation		419,942
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<b>TOTAL ASSETS</b>	\$	2,358,349
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**LIABILITIES AND**  
**STOCKHOLDERS'**  
**EQUITY (DEFICIT)**

**LIABILITIES**

## Current Liabilities:

Loans payable - non-related parties	\$	138,429
Loans payable - related parties		373,225
Other payables		625,964
Convertible debentures		90,961
Derivative liability		27,688
Accounts payable and accrued expenses		1,869,365

Total Current Liabilities		3,125,632
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<b>Total Liabilities</b>		3,125,632
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**STOCKHOLDERS'**  
**EQUITY (DEFICIT)**

Common stock, \$.001 Par Value; 100,000,000 shares authorized and 51,079,985 shares issued and outstanding		51,080
Additional paid-in capital		4,865,893

Accumulated deficit	(5,754,376)
Accumulated other comprehensive income (loss)	70,120
<b>Total Stockholders' Equity (Deficit)</b>	<b>(767,283)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>\$ 2,358,349</b>

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

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**UNITED AMERICAN CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND**  
**COMPREHENSIVE INCOME (LOSS)**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	IN US\$	
	2006	2005
<b>OPERATING REVENUES</b>		
Sales	\$ 19,991,191	\$ 4,845,485
<b>COST OF SALES</b>		
Inventory, beginning of period	51,652	44,059
Purchases	18,255,600	4,648,302
Inventory, end of period	-	(51,652)
<b>Total Cost of Sales</b>	<b>18,307,252</b>	<b>4,640,709</b>
<b>GROSS PROFIT</b>	<b>1,683,939</b>	<b>204,776</b>
<b>OPERATING EXPENSES</b>		
Selling and promotion	43,659	135,274
Research and development	124,232	103,006
Professional and consulting fees	474,364	642,902
Commissions and wages	1,177,397	573,446
Other general and administrative expenses	218,096	81,116
Depreciation, amortization and impairment	253,700	190,552
<b>Total Operating Expenses</b>	<b>2,291,448</b>	<b>1,726,296</b>
<b>LOSS BEFORE OTHER INCOME (EXPENSE)</b>	<b>(607,509)</b>	<b>(1,521,520)</b>
<b>OTHER INCOME (EXPENSE)</b>		
Loss on derivative liability	(18,649)	-
Interest income	15,000	-
Interest expense	(124,505)	(12,000)
<b>Total Other Income (Expense)</b>	<b>(128,154)</b>	<b>(12,000)</b>
<b>NET LOSS BEFORE PROVISION FOR INCOME TAXES AND MINORITY INTEREST</b>	<b>(735,663)</b>	<b>(1,533,520)</b>
Minority interest	121,394	111,265
<b>NET LOSS BEFORE PROVISION FOR INCOME TAXES</b>	<b>(614,269)</b>	<b>(1,422,255)</b>
<b>Provision for Income Taxes</b>	<b>-</b>	<b>-</b>

<b>NET LOSS APPLICABLE TO COMMON SHARES</b>	\$	(614,269)	\$	(1,422,255)
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<b>NET LOSS PER BASIC AND DILUTED SHARES</b>	\$	(0.01)	\$	(0.03)
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<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>		50,109,875		48,067,108
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<b>COMPREHENSIVE INCOME (LOSS)</b>				
Net loss	\$	(614,269)	\$	(1,422,255)
Other comprehensive income (loss)				
Currency translation adjustments		31,098		112,350
Comprehensive income (loss)	\$	(583,171)	\$	(1,309,905)

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

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**UNITED AMERICAN CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	IN US\$					Total
	Common Stock		Additional Paid-in	Accumulated	Other Comprehensive Income	
	Shares	Amount	Capital	Deficit	(Loss)	
Balance January 1, 2005, as previously reported	44,119,985	\$ 44,120	\$ 3,751,548	\$ (3,091,888)	\$ (73,328)	\$ 630,452
Prior period adjustment, see Note 13	-	-	-	(625,964)	-	(625,964)
Balance January 1, 2005, as restated	44,119,985	44,120	3,751,548	(3,717,852)	(73,328)	4,488
Shares issued for services	5,850,000	5,850	467,900	-	-	473,750
Net loss for the year ended December 31, 2005	-	-	-	(1,533,520)	112,350	(1,421,170)
Balance December 31, 2005	49,969,985	49,970	4,219,448	(5,251,372)	39,022	(942,932)
Shares issued for services	1,110,000	1,110	65,490	-	-	66,600
Spin off of Telephone Corp., see Note 10	-	-	580,955	232,659	-	813,614
Net loss for the year ended December 31, 2006	-	-	-	(735,663)	31,098	(704,565)

Balance								
December 31,								
2006	51,079,985	\$	51,080	\$	4,865,893	\$	(5,754,376)	\$ 70,120 \$ (767,283)

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

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**UNITED AMERICAN CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	IN US\$	
	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (614,269)	\$ (1,422,255)
<b>Adjustments to reconcile net loss to net cash (used in) operating activities:</b>		
Depreciation, amortization and impairment	253,700	188,979
Shares issued for services	66,600	473,750
Loss on derivative liability	18,649	-
<b>Changes in assets and liabilities</b>		
(Increase) in accounts receivable	(1,228,387)	(171,725)
(Increase) in interest receivable	(15,000)	-
(Increase) decrease in inventory	39,140	(7,593)
(Increase) in prepaid expenses and other current assets	(132,746)	(56,086)
Increase in deferred revenue	10,720	-
Increase in accounts payable and accrued expenses	1,575,382	454,058
Total adjustments	588,058	881,383
<b>Net cash (used in) operating activities</b>	<b>(26,211)</b>	<b>(540,872)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of fixed assets	(149,077)	(108,673)
(Increase) in loan receivable - related company	(53,312)	-
<b>Net cash (used in) investing activities</b>	<b>(202,389)</b>	<b>(108,673)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in bank overdraft	(8,195)	16,905
Proceeds from loan payable, net of repayments	60,728	48,987
	196,470	(43,760)

Proceeds from loan payable - related parties, net of repayments		
Proceeds from convertible debentures	-	331,760
<b>Net cash provided by financing activities</b>	249,003	353,892
Effect of foreign currency	49,150	211,399
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	69,553	(84,254)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	-	84,254
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 69,553	\$ -
<b>CASH PAID DURING THE YEAR FOR:</b>		
Interest expense	\$ 117,973	\$ 12,000
<b>NONCASH TRANSACTIONS:</b>		
Spin-off of Telephone Corp. at October 30, 2006		
Cash	\$ (8,710)	\$ -
Accounts receivable	18,885	-
Inventory	12,512	-
Other assets	142,007	-
Fixed assets	97,484	-
Loans payable -related company	(363,415)	-
Accounts payable and accrued expenses	(313,993)	-
Loans payable - related	(155,005)	-
Deferred revenue	(10,720)	-
	\$ (580,955)	\$ -

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

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**UNITED AMERICAN CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**NOTE 1- ORGANIZATION AND BASIS OF PRESENTATION**

United American Corporation (the “Company”) was incorporated under the laws of the State of Florida on July 17, 1992 under the name American Financial Seminars, Inc. with authorized common stock of 1,000 shares at \$1.00 par value. Since its inception the Company has made several name changes and increased the authorized common stock to 50,000,000 shares with a par value of \$.001. On February 5, 2004, the name was changed to United American Corporation.

The Company was first organized for the purpose of marketing a software license known as “Gnotella”, however, in late 2001 this activity was abandoned.

On July 18, 2003, the Company entered into a share exchange agreement with 3874958 Canada Inc. (a Canadian corporation and an affiliate of the Company by common officers) to transfer 26,250,000 shares of its common stock for 100 shares of American United Corporation (a Delaware corporation and wholly owned subsidiary of 3874958 Canada Inc.) which represented 100% of the outstanding shares of American United Corporation. The Company in this transaction acquired internet telecommunications equipment valued at \$874,125. These assets did not go into service until 2004. The 26,250,000 shares of the Company were issued into an escrow account on October 6, 2003, the effective date of the transaction. Later, American United Corporation was dissolved. The equipment value was based on an independent valuation. The shares issued were to 3874958 Canada Inc., whose sole owner at the time, was the President and CEO of the Company. This transaction did not constitute a reverse merger even though the Company issued in excess of 50% of its then current issued and outstanding shares.

The transaction was viewed as a reorganization of equity under common control since the beneficial owner of the majority shares in the Company was the same before and after the transaction.

In January 2004, the Company took ownership of all 100 shares issued and outstanding of 3894517 Canada, Inc. (a Canadian corporation), whose 100% owner was at the time President and CEO of the Company. At this time, 3894517 Canada, Inc. became the operating unit of the Company for the services they were providing utilizing the equipment acquired in 2003 from American United Corporation. There was no consideration paid for these 100 shares.

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**UNITED AMERICAN CORPORATION  
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**NOTE 1- ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)**

On August 27, 2004, the Company entered the telecommunications business by the creation of United American Telecom, a division focused on terminating call traffic in the Caribbean, and by the creation of Telephone, a division focused on providing Voice-over-Internet -Protocol (VoIP) calling services to residential and business customers.

Telephone, Inc. was founded in order to develop a VoIP network which enables users to connect an electronic device to their internet connection at the home or office which permits them to make telephone calls to any destination phone number anywhere in the world. VoIP is currently growing in scale significantly in North America. Industry experts predict the VoIP offering to be one of the fastest growing sectors from now until 2009. This innovative new approach to telecommunications has the benefit of drastically reducing the cost of making these calls as the distances are covered over the Internet instead of over dedicated lines such as traditional telephony. Telephone has grown primarily in the Province of Quebec, Canada through the sale of its product offering in retail stores and over the internet.

In March 2005, Telephone Inc. issued 4 shares of stock to management. After this transaction, the Company owned 96% of Telephone, Inc. Therefore, a minority interest is reflected in the consolidated financial statements. Subsequently, on April 28, 2005, the Company entered into a merger and reorganization agreement with OSK Capital II Corp., a Nevada corporation, where OSK Capital II Corp. became a 79% majority owned subsidiary of the Company, and Telephone, Inc. became a wholly owned subsidiary of OSK Capital II Corp. OSK Capital II Corp. changed its name to Telephone Corp. on August 21, 2006.

The only related party transactions the Company has entered into are advances to the entities consolidated within Telephone Corp. and with 3894517 Canada, Inc. which is a wholly-owned subsidiary, all of which have been eliminated herein. Additionally, from time to time shareholders or entities under common control will advance amounts to the Company to assist in cash flow. These are all short-term amounts and interest bearing at rates ranging between 10-20%.

Telephone Inc., at the time, a wholly owned subsidiary of the Company's subsidiary Telephone Corp., 3901823 Canada Inc., the holding company of Intelco Communications ("3901823"), and Intelco Communications ("Intelco") entered into an agreement (the "Agreement") on July 14, 2006. Pursuant to the terms of the Agreement, Telephone Inc. agreed to issue 35 class A voting shares of its common stock representing 25.2% of Telephone Inc.'s issued shares to 3901823 in exchange for office rent, use of Intelco's data center for Telephone Inc.'s equipment, and use of Intelco's broadband telephony network valued at approximating \$144,000 (CDN\$) for the period August 1, 2006 through July 31, 2007, a line of credit of \$75,000 (CDN\$), of which \$25,000 (CDN\$) was already drawn upon in July 2006 and repaid on December 2006.

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**UNITED AMERICAN CORPORATION  
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**NOTE 1- ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)**

Telephone Inc. also agreed to make available to the customers of Intelco certain proprietary software for broadband telephony use. In lieu of receiving cash for the licensing of this software, Telephone Inc. will apply \$1 per customer per month at a minimum of \$5,000 per month. Following a twelve month period, Intelco will receive additional shares of class A voting common stock of Telephone Inc. for the difference in the value between \$144,000 and the total payments credited back to Telephone Inc. The maximum amount of additional shares that can be issued to Intelco after the twelve month period is an additional 8.34% of Telephone Inc.'s issued and outstanding shares. In the event that the total payments credited back to Telephone Inc. exceeds \$144,000, Intelco will not be entitled to the issuance of any additional shares of Telephone Inc. common stock.

Telephone Inc. recognized a prepaid expense for the fair value of the shares issued to Intelco. The value of the prepaid expense was determined based on the estimated cost of the services that Telephone Inc. is to receive under the Joint Venture Agreement entered into for a one-year period of time. The cost was estimated at \$12,000 (CDN\$) per month. Telephone Inc. up through October 30, 2006, the date that Telephone Corp. was spun-off as noted herein, had not used the \$12,000 (CDN\$) per month. Prior to the spin-off, the balance remaining in the prepaid expense for Intelco was \$115,588 US\$..

On October 23, 2006, the Company's shareholders voted in the majority to spin-off its entire holdings of 25,737,785 shares of the common stock of Telephone Corp. with an effective date of October 30, 2006. In accordance with APB 29, "Accounting for Nonmonetary Transactions", the Company distributed the capital stock they owned in Telephone Corp. to their stockholders (a "spin-off"). As a result, the Company recognized the value of the assets and liabilities spun-out based on the respective recorded amounts after reduction for any impairment of value due to the fact that this was a nonreciprocal transfer to owners. (See Note 10).

**Going Concern**

As shown in the accompanying consolidated financial statements the Company has incurred losses of \$614,269 and \$1,422,255 for the years ended December 31, 2006 and 2005, and has a working capital deficiency of \$1,187,225 as of December 31, 2006.

Despite, the recurring losses, the Company has been successful in establishing distribution channels in Africa and generating significant revenue growth in the past six months. There is no guarantee that the Company will be able to continue to grow at this pace, raise enough capital or generate revenues from other areas of the world to sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period.

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**UNITED AMERICAN CORPORATION  
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**NOTE 1- ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)**

**Going Concern (Continued)**

Management believes that the Company's capital requirements will depend on many factors. These factors include the increase in sales through existing channels as well as the Company's ability to continue to expand its distribution points and leveraging its technology into the commercial small business segments. The Company's strategic relationships with telecommunications interconnection companies, internet service providers and retail sales outlets has permitted the Company to achieve consistent monthly growth in acquisition of new customers.

In the near term, the Company will continue to pursue bridge financing, in addition to the approximately \$100,000 it raised through convertible debentures in 2004 to assist them in meeting their current working capital needs. The Company's ability to continue as a going concern for a reasonable period is dependent upon management's ability to raise additional interim capital and, ultimately, achieve profitable operations. There can be no assurance that management will be able to raise sufficient capital, under terms satisfactory to the Company, if at all.

The consolidated financial statements do not include any adjustments relating to the carrying amounts of recorded assets or the carrying amounts and classification of recorded liabilities that may be required should the Company be unable to continue as a going concern.

As discussed in Note 13 to the consolidated financial statements, the Company has restated its consolidated financial statements for the extinguishment of payables that the Company wrote off in the year ended December 31, 2003. The Company has received legal opinions that determine these liabilities to no longer be outstanding, however, is performing revised lien searches and performing further due diligence on the existence of these liabilities. Until the time that the Company receives further documented evidential matter that these liabilities are in fact no longer considered to be liabilities, the Company has re-instated these liabilities.

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and all of its wholly owned and majority owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. All minority interests are reflected in the consolidated financial statements.

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**UNITED AMERICAN CORPORATION  
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**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, the Company evaluates its estimates, including, but not limited to, those related to bad debts, income taxes, foreign currency risks, derivative liabilities and contingencies. The Company bases its 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 value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Company considers all highly liquid debt instruments and other short-term investments with an initial maturity of three months or less to be cash equivalents.

**Comprehensive Income**

The Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," (SFAS No. 130). SFAS No. 130 requires the reporting of comprehensive income in addition to net income from operations.

Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of information that historically has not been recognized in the calculation of net income.

**Inventory**

Inventory is valued at the lower of cost or market determined on a first-in-first-out basis. Inventory consisted only of finished goods.

**Fair Value of Financial Instruments (other than Derivative Financial Instruments)**

The carrying amounts reported in the consolidated balance sheet for cash and cash equivalents, and accounts payable approximate fair value because of the immediate or short-term maturity of these financial instruments. For the notes payable, the carrying amount reported is based upon the incremental borrowing rates otherwise available to the Company for similar borrowings. For the convertible debentures, fair values were calculated at net present value using the Company's weighted average borrowing rate for debt instruments without conversion features applied to total future cash flows of the instruments.

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**UNITED AMERICAN CORPORATION  
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**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Currency Translation**

For subsidiaries outside the United States that prepare financial statements in currencies other than the U.S. dollar, the Company translates income and expense amounts at average exchange rates for the year, translates assets and liabilities at year-end exchange rates and equity at historical rates. The Company's reporting currency is that of the US dollar while its functional currency is that of the Canadian dollar for its subsidiaries. The Company records these translation adjustments as accumulated other comprehensive income (loss). Gains and losses from foreign currency transactions commenced in 2004 when the Company utilized a Canadian subsidiary to record all of the transactions. The Company recognized a gain (loss) of \$31,098 and \$112,350 for the years ended December 31, 2006 and 2005, respectively.

**Research and Development**

The Company annually incurs costs on activities that relate to research and development of new products. Research and development costs are expensed as incurred. Certain of these costs are reduced by government grants and investment tax credits where applicable.

**Revenue Recognition**

In 2004, when the Company emerged from the development stage with the acquisition of American United Corporation/ 3874958 Canada Inc. and after assuming ownership of 3894517 Canada Inc. they began to recognize revenue from their VoIP services when the services were rendered and collection was reasonably assured in accordance with SAB 101.

There are limited estimates required in connection with recognition of revenue because voice traffic is measured in automated switches and routers, and contractual rates for traffic are used to bill or declare revenue on a monthly basis. However, for certain voice contracts, historical traffic may be retroactively re-rated within a contract period. This traffic re-rating is calculated and recognized immediately in the month the new contractual rate is established. Although relatively infrequent, there can be material disputes with customers over volume or traffic recognized on our customers' switches. The Company's practice is to maintain recorded revenue based on our traffic data until the merits of a dispute are identified.

**Accounts Receivable**

The Company conducts business and extends credit based on an evaluation of the customers' financial condition, generally without requiring collateral. Exposure to losses on receivables is expected to vary by customer due to the financial condition of each customer. The Company monitors exposure to credit losses and maintains allowances for anticipated losses considered necessary under the circumstances.



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**UNITED AMERICAN CORPORATION  
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**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable (Continued)**

Accounts receivable are generally due within 30 days and collateral is not required. Unbilled accounts receivable represents amounts due from customers for which billing statements have not been generated and sent to the customers. The Company has not established an allowance for doubtful accounts as of December 31, 2006.

**Income Taxes**

The Company accounts for income taxes utilizing the liability method of accounting. Under the liability method, deferred taxes are determined based on differences between financial statement and tax bases of assets and liabilities at enacted tax rates in effect in years in which differences are expected to reverse. Valuation allowances are established, when necessary, to reduce deferred tax assets to amounts that are expected to be realized.

**Convertible Instruments**

The Company reviews the terms of convertible debt and equity securities for indications requiring bifurcation, and separate accounting, for the embedded conversion feature. Generally, embedded conversion features where the ability to physical or net-share settle the conversion option is not within the control of the Company are bifurcated and accounted for as a derivative financial instrument. (See Derivative Financial Instruments below). Bifurcation of the embedded derivative instrument requires allocation of the proceeds first to the fair value of the embedded derivative instrument with the residual allocated to the debt instrument. The resulting discount to the face value of the debt instrument is amortized through periodic charges to interest expense using the Effective Interest Method.

**Derivative Financial Instruments**

The Company generally does not use derivative financial instruments to hedge exposures to cash-flow or market risks. However, certain other financial instruments, such as warrants or options to acquire common stock and the embedded conversion features of debt and preferred instruments that are indexed to the Company's common stock, are classified as liabilities when either (a) the holder possesses rights to net-cash settlement or (b) physical or net share settlement is not within the control of the Company. In such instances, net-cash settlement is assumed for financial accounting and reporting, even when the terms of the underlying contracts do not provide for net-cash settlement. Such financial instruments are initially recorded at fair value and subsequently adjusted to fair value at the close of each reporting period.

**Advertising Costs**

The Company expenses the costs associated with advertising as incurred. Advertising expenses for the years ended December 31, 2006 and 2005 are included in general and administrative expenses in the consolidated statements of operations.

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**UNITED AMERICAN CORPORATION  
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**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Concentration Risk**

In the years ended December 31, 2006 and 2005, the Company generated 93% and 100% of their sales from one customer. A major customer is a customer that represents greater than 10% of the total sales.

In the years ended December 31, 2006 and 2005, the Company incurred 52% and 80% of their purchases from one vendor. A major vendor is a vendor that represents greater than 10% of the total purchases.

**Fixed Assets**

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets; automobiles - 3 years, computer and internet telecommunications equipment - 5 years, and furniture and fixtures - 5 years.

When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments.

**Impairment of Long-Lived Assets**

Long-lived assets, primarily fixed assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. The Company does not perform a periodic assessment of assets for impairment in the absence of such information or indicators. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or a significant adverse change that would indicate that the carrying amount of an asset or group of assets is not recoverable. For long-lived assets to be held and used, the Company recognizes an impairment loss only if its carrying amount is not recoverable through its undiscounted cash flows and measures the impairment loss based on the difference between the carrying amount and estimated fair value. The Company, determined based upon an independent valuation performed on its equipment acquired from American United Corporation that there was impairment of \$1,750,875 (on October 6, 2003) based upon the fair value of the stock issued for the equipment. This amount is reflected as impairment in the December 31, 2003 financial statements. There has been no further impairment since this date.

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**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(Loss) Per Share of Common Stock**

Basic net (loss) per common share is computed using the weighted average number of common shares outstanding. Diluted earnings per share (EPS) includes additional dilution from common stock equivalents, such as stock issuable pursuant to the exercise of stock options and warrants as well as from convertible debentures. Common stock equivalents were not included in the computation of diluted earnings per share when the Company reported a loss because to do so would be antidilutive for periods presented.

The following is a reconciliation of the computation for basic and diluted EPS:

	December 31, 2006	December 31, 2005
Net loss	\$ (614,269)	\$ (1,422,255)
Weighted-average common shares Outstanding (Basic)	50,109,875	48,067,108
Weighted-average common stock Equivalents		
Convertible debentures	1,428,571	500,000
Stock options	-	-
Warrants	-	-
Weighted-average common shares Outstanding (Diluted)	51,538,446	48,567,108

**Stock-Based Compensation**

On December 16, 2004, the Financial Accounting Standards Board ("FASB") published Statement of Financial Accounting Standards No. 123 (Revised 2004), "*Share-Based Payment*" ("SFAS 123R"). SFAS 123R requires that compensation cost related to share-based payment transactions be recognized in the financial statements. Share-based payment transactions within the scope of SFAS 123R include stock options, restricted stock plans, performance-based awards, stock appreciation rights, and employee share purchase plans. The provisions of SFAS 123R, as amended, are effective for small business issuers beginning as of the next fiscal year after December 15, 2005. The Company has adopted the provisions of SFAS 123R for its fiscal year ended December 31, 2006. The adoption of this principle had no effect on the Company's operations.



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**UNITED AMERICAN CORPORATION**  
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**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Stock-Based Compensation (Continued)**

On January 1, 2006, the Company adopted the provisions of FAS No. 123R "Share-Based Payment" ("FAS 123R") which requires recognition of stock-based compensation expense for all share-based payments based on fair value. Prior to January 1, 2006, the Company measured compensation expense for all of its share-based compensation using the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations. The Company has provided pro forma disclosure amounts in accordance with FAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123" ("FAS 148"), as if the fair value method defined by FAS No. 123, "Accounting for Stock Based Compensation" ("FAS 123") had been applied to its stock-based compensation.

The Company has elected to use the modified-prospective approach method. Under that transition method, the calculated expense in 2006 is equivalent to compensation expense for all awards granted prior to, but not yet vested as of January 1, 2006, based on the grant-date fair values estimated in accordance with the original provisions of FAS 123. Stock-based compensation expense for all awards granted after January 1, 2006 is based on the grant-date fair values estimated in accordance with the provisions of FAS 123R. The Company recognizes these compensation costs, net of an estimated forfeiture rate, on a pro rata basis over the requisite service period of each vesting tranche of each award. The Company considers voluntary termination behavior as well as trends of actual option forfeitures when estimating the forfeiture rate

The Company measures compensation expense for its non-employee stock-based compensation under the Financial Accounting Standards Board (FASB) Emerging Issues Task Force (EITF) Issue No. 96-18, "*Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*". The fair value of the option issued is used to measure the transaction, as this is more reliable than the fair value of the services received. The fair value is measured at the value of the Company's common stock on the date that the commitment for performance by the counterparty has been reached or the counterparty's performance is complete. The fair value of the equity instrument is charged directly to compensation expense and additional paid-in capital.

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**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Segment Information**

The Company follows the provisions of SFAS No. 131, “*Disclosures about Segments of an Enterprise and Related Information*”. This standard requires that companies disclose operating segments based on the manner in which management disaggregates the Company in making internal operating decisions. Commencing with the creation of Telephone, Inc. the Company began operating in two segments, and three geographical locations.

**Recent Accounting Pronouncements**

In May 2005, the FASB issued Statement of Financial Accounting Standard No. 154, “*Accounting Changes and Error Corrections*” (“SFAS 154”). SFAS 154 is a replacement of APB No. 20, “*Accounting Changes*”, and SFAS No. 3, “*Reporting Accounting Changes in Interim Financial Statements*”. SFAS 154 applies to all voluntary changes in accounting principle and changes the requirements for accounting and reporting of a change in accounting principle. This statement establishes that, unless impracticable, retrospective application is the required method for reporting of a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. It also requires the reporting of an error correction which involves adjustments to previously issued financial statements similar to those generally applicable to reporting an accounting change retrospectively. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company believes the adoption of SFAS 154 will not have a material impact on its consolidated financial statements.

In February 2006, the FASB issued Statement of Financial Accounting Standard No. 155, “*Accounting for Certain Hybrid Instruments*” (“SFAS 155”). FASB 155 allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) if the holder elects to account for the whole instrument on a fair value basis. This statement is effective for all financial instruments acquired or issued after the beginning of an entity’s first fiscal year that begins after September 15, 2006. The Company will evaluate the impact of SFAS 155 on its consolidated financial statements.

In September 2006, the FASB issued SFAS 157, “*Fair Value Measurements*.” This standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosure about fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. Early adoption is encouraged. The adoption of SFAS 157 is not expected to have a material impact on the consolidated financial statements.

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**UNITED AMERICAN CORPORATION  
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**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recent Accounting Pronouncements (Continued)**

In September 2006, the FASB issued SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements 87, 88, 106 and 132(R)" ("SFAS 158"). SFAS 158 requires an employer to recognize the over-funded or under-funded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS 158 also requires the measurement of defined benefit plan assets and obligations as of the date of the employer's fiscal year-end statement of financial position (with limited exceptions). Management does not expect adoption of SFAS 158 to have a material impact on the Company's consolidated financial statements.

In February 2007, the FASB issued FAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115", ("FAS 159") which permits entities to choose to measure many financial instruments and certain other items at fair value at specified election dates. A business entity is required to report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. This statement is expected to expand the use of fair value measurement. FAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years.

In July 2006, the FASB issued Interpretation No. 48 (FIN No. 48), "Accounting for Uncertainty in Income Taxes." This interpretation requires recognition and measurement of uncertain income tax positions using a "more-likely-than-not" approach. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. Management is still evaluating what effect this will have on the Company's consolidated financial statements.

In September 2006, the United States Securities and Exchange Commission ("SEC") issued SAB 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements."

This SAB provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB 108 establishes an approach that requires quantification of financial statement errors based on the effects of each of the company's financial statements and the related financial statement disclosures. SAB 108 permits existing public companies to record the cumulative effect of initially applying this approach in the first year ending after November 15, 2006 by recording the necessary correcting adjustments to the carrying values of assets and liabilities as of the beginning of that year with the offsetting adjustment recorded to the opening balance of retained earnings. Additionally, the use of the cumulative effect transition method requires detailed disclosure of the nature and amount of each individual error being corrected through the cumulative adjustment and how and when it arose. The Company does not anticipate that SAB 108 will have a material impact on its consolidated financial statements.

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**UNITED AMERICAN CORPORATION**  
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**NOTE 3-****FIXED ASSETS**

Fixed assets as of December 31, 2006 were as follows:

	Estimated Useful Lives (Years)	
Computer equipment	5	\$ 1,075,896
Less: accumulated depreciation		(655,954)
Fixed assets, net		\$ 419,942

There was \$253,700 and \$190,552 depreciation charged to operations for the years ended December 31, 2006 and 2005, respectively.

**NOTE 4-****RELATED PARTY LOANS AND TRANSACTIONS**

On August 1, 2006, the Company converted \$421,080 of the \$721,080 of its loans receivable into Telephone Corp. (formerly OSK Capital II Corp) common stock. The \$300,000 remaining on the loan has become interest bearing at 12% per annum, payable monthly with a maturity date of August 1, 2009. No interest has been paid since the \$300,000 became interest bearing. The Company has recognized \$15,000 of interest receivable through December 31, 2006. In addition, there are approximately \$116,727 of non-interest bearing loans that were incurred after August 2006. These loans are considered as advances and are not interest bearing and due upon demand.

The Company had loans with various directors and companies that are related to those directors that were non-interest bearing. There was \$77,499 outstanding as of December 31, 2006. These loans are short-term in nature.

The Company had \$295,726 in short-term related party loans payable that accrue interest at rates ranging between 8% and 12% per annum. As of December 31, 2006, \$6,532 in interest expense is accrued and for the year ended December 31, 2006, the Company has expensed \$25,332 in interest expense. There were no amounts outstanding at December 31, 2005.

The Company paid commissions to a director and a company with common ownership in the amount of \$692,865 and \$274,045 in the years ended December 31, 2006 and 2005, respectively.



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**UNITED AMERICAN CORPORATION  
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**NOTE 5- LOANS PAYABLE - NON-RELATED PARTIES**

The Company has \$138,429 in loans payable with non-related parties that are due on demand, non-interest bearing and unsecured. Of this amount approximately \$128,342 is being repaid monthly, based on 50% of the profits generated on certain international routes to a private company that provided financing towards the development of those international routes.

**NOTE 6- CONVERTIBLE DEBENTURES**

On October 18, 2004, the Company entered into 12% Convertible Debentures (the "Debentures") with Strathmere Associates International Limited in the amount of \$100,000. The Debentures had a maturity date of October 18, 2006, and incurred interest at a rate of 12% per annum, payable every six months.

On November 14, 2006, the Company and Strathmere Associates International Limited agreed to extend the maturity date to October 31, 2007, while maintaining the same interest rate of 12% per annum, payable every month.

The Debentures can either be paid to the holders on October 31, 2007 or converted at the holders' option any time up to maturity at a conversion price equal of \$0.07 per share (the original conversion rate was \$.20 per share). The convertible debentures met the definition of hybrid instruments, as defined in SFAS 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133). The hybrid instruments are comprised of a i) a debt instrument, as the host contract and ii) an option to convert the debentures into common stock of the Company, as an embedded derivative. The embedded derivative derives its value based on the underlying fair value of the Company's common stock. The Embedded Derivative is not clearly and closely related to the underlying host debt instrument since the economic characteristics and risk associated with this derivative are based on the common stock fair value. The Company has separated the embedded derivative from the hybrid instrument based on an independent valuation.

For disclosure purposes, the fair value of the derivative is estimated on the date of issuance of the debenture (October 18, 2004), with the following weighted-average assumptions used for December 31, 2006 and 2005; no annual dividends, volatility of 125%, risk-free interest rate of 3.28%, and expected life of 1 year for 2006 and 2 years for 2005. For disclosure purposes as of December 31, 2006 and 2005 the derivative call option was approximately \$0.0194 per share. The (loss) on the derivative liability for the year ended December 31, 2006 was (\$18,649).

The embedded derivative did not qualify as a fair value or cash flow hedge under SFAS No. 133.

Interest expense for the years ended December 31, 2006 and 2005 was approximately \$12,000, respectively. At December 31, 2006, there was no interest accrued.

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**NOTE 7-**

**COMMITMENTS**

**Agreements**

On October 12, 2004, the Company entered into a carrier agreement with XO Communications, Inc. This carrier agreement provides the Company with the ability to purchase telephone numbers in any of thirty-seven major metropolitan markets in the United States. As a result, services can be provided to consumers in any of these markets with each consumer being assigned a telephone number with a local area code. Prior to this agreement, we were only able to provide phone numbers with Canadian area codes. This contract was cancelled in July 2006.

Additionally, the Company in 2004 and 2005 entered into various agreements with wireless Internet access providers, to provide VoIP services to the Company's customers. On November 3, 2004, the Company also entered into a telecommunications agreement with Kore Wireless Canada, Inc., a supplier of global systems for mobile communications.

**Operating Lease**

The Company has entered into operating lease agreements which mature between November 11, 2008 and December 19, 2009. Minimum rentals for the next three years and in the aggregate are:

Year  
Ending  
December  
31,

2007	\$ 32,229
2008	31,655
2009	23,229

Total	\$ 87,113
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**UNITED AMERICAN CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006 AND 2005**

**NOTE 8- STOCKHOLDERS' EQUITY (DEFICIT)**

**Common Stock**

As of December 31, 2006, the Company has 100,000,000 shares of common stock authorized with a par value of \$.001. The Company's shareholders approved an increase of 50,000,000 authorized shares from 50,000,000 to 100,000,000 shares on October 23, 2006.

The Company has 51,079,985 shares issued and outstanding as of December 31, 2006.

During the year ended December 31, 2006, the Company issued 1,110,000 for services at \$.06 per share for a value of \$66,600.

During the year ended December 31, 2005, the Company issued 1,400,000 for services at \$.10 per share and 4,450,000 at \$.075 per share for a value of \$473,750.

**Stock Options and Warrants**

The Company has not issued any options or warrants.

**NOTE 9- PROVISION FOR INCOME TAXES**

Deferred income taxes are determined using the liability method for the temporary differences between the financial reporting basis and income tax basis of the Company's assets and liabilities. Deferred income taxes are measured based on the tax rates expected to be in effect when the temporary differences are included in the Company's tax return. Deferred tax assets and liabilities are recognized based on anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

At December 31, 2006, deferred tax assets consist of the following:

Net operating losses	\$ 1,734,000
----------------------	--------------

Valuation allowance	(1,734,000)
---------------------	-------------

\$	-
----	---

At December 31, 2006, the Company had a net operating loss carryforwards of approximately \$5,100,000, available to offset future taxable income through 2026. The Company established valuation allowances equal to the full amount of the deferred tax assets due to the uncertainty of the utilization of the operating losses in future periods.

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**UNITED AMERICAN CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 9- PROVISION FOR INCOME TAXES (CONTINUED)**

A reconciliation of the Company's effective tax rate as a percentage of income before taxes and federal statutory rate for the years ended December 31, 2006 and 2005 is summarized as follows:

	2006	2005
Federal statutory rate	(34.0)%	(34.0)%
State income taxes, net of federal benefits	0.0	0.0
Valuation allowance	34.0	34.0
	0%	0%

**NOTE 10- SPIN-OFF OF TELIPHONE CORP.**

On October 23, 2006, the Company's shareholders voted in the majority to spin-off its entire holdings of 25,737,785 shares of the common stock of Telephone Corp. with an effective date of October 30, 2006. In accordance with APB 29, "Accounting for Nonmonetary Transactions", the Company distributed the capital stock they owned in Telephone Corp. to their stockholders (a "spin-off"). As a result, the Company recognized the value of the assets and liabilities spun-out based on the respective recorded amounts after reduction for any impairment of value due to the fact that this was a nonreciprocal transfer to owners. As noted in the chart below, the net result was \$580,955 recognized as contributed capital, an increase to the Company's additional paid in capital at October 30, 2006, due to the Company's shareholders receipt of common shares of a Company that had net liabilities as of the date of spin-off. In addition, the Company's minority interest of \$232,659 were adjusted to earnings in the spin-off.

Balances of  
Telephone  
Corp. at  
October 30,  
2006:

Cash	\$ (8,710)
Accounts receivable	18,885
Inventory	12,512
Other assets	142,007
Fixed assets	97,484
Loans payable	(363,415)
Accounts payable and accrued expenses	(126,125)

Current notes payable - related	(155,005)
Deferred revenue	(10,720)
Other payables	(187,868)
	\$ (580,955)

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**UNITED AMERICAN CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006 AND 2005**

**NOTE 11-****SEGMENT INFORMATION**

The Company's reportable operating segments include wholesale VoIP services which is the physical buying of minutes (3894517 Canada Inc.) over brokered routes and direct routes. A brokered route is one where the Company purchases from a supplier who has direct termination capabilities with the local wireline and mobile operators in the country and re-sell the termination destination to the Company's customers. A direct route is when the Company has the ability to directly terminate the traffic with the local wireline and mobile operators, such as the Company's direct routes in Mali, Gabon and Cameroon, Africa. During 2006, the Company also recorded retail interconnection services through its majority owned subsidiary Telephone Corp (Formerly OSK Capital II Corp.). These revenues and expenses are listed below for the consolidation period from January 1, 2006 to October 30, 2006 only, as the Company spun off its holdings of Telephone Corp. to its shareholders on October 30, 2006. The Company also has corporate overhead expenses. The wholesale direct route services are essentially provided in Africa, and the wholesale brokered route services are supplied to customers in North America. The segment data presented below details the allocation of cost of revenues and direct operating expenses to these segments.

Operating segment data for the year ended December 31, 2006 are as follows:

	Corporate	Wholesale Services Brokered	Wholesale Services Direct	Connection Services	Total
Sales	\$ -	\$ 17,063,519	\$ 2,555,337	\$ 372,335	\$ 19,991,191
Cost of sales	-	15,748,848	2,299,181	259,223	18,307,252
Gross profit	-	1,314,671	256,156	113,112	1,683,939
Operating expenses	85,250	1,291,064	221,616	439,818	2,037,7483
Depreciation, amortization and impairment	184,800	29,858	-	39,042	253,700
Other income (expense)	(3,649)	(54,776)	(48,000)	(21,729)	(128,154)
Net (loss)	(273,699)	(61,027)	(13,460)	(387,477)	(735,663)
Segment assets	308,100	2,014,521	35,728	-	2,358,349
Fixed Assets, net of depreciation	293,100	126,842	-	-	419,942

Operating segment data for the year ended December 31, 2005 are as follows:

	Corporate	Wholesale Services Brokered	Wholesale Services Direct	Connection Services	Total
Sales	\$ -	\$ 4,611,979	\$ 233,506	\$ -	\$ 4,845,485
Cost of sales	-	4,163,319	477,390	-	4,640,709
Gross profit (loss)	-	448,660	(243,884)	-	204,776
Operating expenses	543,682	658,359	333,703	-	1,535,744
Depreciation,	148,700	10,023	31,829	-	190,552

amortization and impairment				
Interest (net)	(12,000)	-	-	(12,000)
Net income (loss)	(704,382)	(219,722)	(609,416)	(1,533,520)
Segment assets	446,100	180,858	301,681	928,639
Fixed Assets, net of depreciation	446,100	38,871	155,130	640,101

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**UNITED AMERICAN CORPORATION**  
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**SEGMENT INFORMATION (CONTINUED)**

**NOTE 11-**

In addition, the segment data broken out by geographical location for the year ended December 31, 2006 are as follows:

	North, Central and South America	Europe, Middle East and Africa	Asia	Total
Sales	\$ 4,748,034	\$ 15,148,848	\$ 94,309	\$ 19,991,191
Cost of sales	4,348,088	13,872,800	86,365	18,307,252
Gross profit (loss)	399,946	1,276,049	7,944	1,683,939
Operating expenses	4,839,781	15,441,571	96,131	2,037,7483
Depreciation, amortization and impairment	60,255	192,248	1,197	253,700
Interest (net)	(30,437)	(97,112)	(605)	(128,154)
Net income (loss)	(174,725)	(557,468)	(3,470)	(735,663)
Segment assets	560,123	1,787,101	\$ 11,126	2,358,349
Fixed Assets, net of depreciation	99,739	318,222	1,981	419,942

The geographical location segmentation information for the year ended December 31, 2005 is as follows:

	North, Central and South America	Europe, Middle East and Africa	Asia	Total
Sales	\$ 4,845,485	-	-	\$ 4,845,485
Cost of sales	4,640,709	-	-	4,640,709
Gross profit (loss)	204,776	-	-	204,776
Operating expenses	1,535,744	-	-	1,535,744
Depreciation, amortization and impairment	190,552	-	-	190,552
Interest (net)	(12,000)	-	-	(12,000)
Net income (loss)	(1,533,520)	-	-	(1,533,520)
Segment assets	928,639	-	-	928,639
Fixed Assets, net of depreciation	640,101	-	-	640,101

**NOTE 12-****SUBSEQUENT EVENTS**

On February 20, 2007, the Company temporarily ceased operations in its wholesale direct routes in Mali, Gabon and Cameroon Africa due to political changes in all of the countries.



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**UNITED AMERICAN CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**NOTE 13- RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS**

The Company has restated its consolidated financial statements for the extinguishment of \$625,964 of payables that the Company wrote off in the year ended December 31, 2003. The Company has received legal opinions that determine these liabilities to no longer be outstanding, however, is performing revised lien searches and performing further due diligence on the existence of these liabilities. Until the time that the Company receives further documented evidential matter that these liabilities are in fact no longer considered to be liabilities, the Company has re-instated these liabilities. The \$625,964 is included in the consolidated balance sheet at December 31, 2006 as "Other payables". The restatement has no impact on net income (loss) or earnings per share calculations, or changes in the Company's cash flows for the years ended December 31, 2006 and 2005, respectively.

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**Item 8. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure**

No events occurred requiring disclosure under Item 304(b) of Regulation S-B.

On August 31, 2005, we dismissed Madsen & Associates, CPA's Inc. (the "Madsen & Associates") as our principal accountant. We engaged Schwartz Levitsky Feldman LLP ("Schwartz") as our principal accountants effective August 31, 2005. The decision to change accountants was approved by our board of directors. We did not consult with Schwartz on any matters prior to retaining such firm as our principal accountants.

Madsen & Associates' report dated April 27, 2005 on our balance sheet as of December 31, 2004, and the statement of operations, statement of changes in stockholders' equity, and statement of cash flows for the years ended December 31, 2004 and 2003, and for the cumulative period from inception, July 17, 1992, to December 31, 2004 did not contain an adverse opinion or disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope, or accounting principles.

In connection with the audited balance sheet as of December 31, 2004, and the statement of operations, statement of changes in stockholders' equity, and statement of cash flows for the years ended December 31, 2004 and 2003, and for the cumulative period from inception, July 17, 1992, to December 31, 2004, to December 31, 2003, there were no disagreements with Madsen & Associates on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to the satisfaction of Madsen & Associates would have caused them to make reference thereto in their report on the financial statements for such periods.

In connection with the audited balance sheet as of December 31, 2004, and the statement of operations, statement of changes in stockholders' equity, and statement of cash flows for the years ended December 31, 2004 and 2003, and for the cumulative period from inception, July 17, 1992, to December 31, 2004, to December 31, 2003, and the subsequent reviews of interim periods through August 31, 2005, Madsen & Associates did not advise us with respect to any of the matters described in paragraphs (a)(1)(iv)(B) of Item 304 of Regulation S-B.

On February 6, 2006, Schwartz Levitsky Feldman LLP (the "Schwartz") resigned as our principal accountant. We engaged Michael Pollack, CPA as our principal accountant effective February 7, 2006. The decision to change accountants was approved by our board of directors. We did not consult with Michael Pollack, CPA on any matters prior to retaining such firm as our principal accountants.

Schwartz did not report on the financial statements for either of the past two years, but did review our financial statements included in our amended quarterly report for the period ended September 30, 2004 and the quarterly reports for the periods ended June 30, 2005 and September 30, 2005.

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From the time that Schwartz was engaged on August 31, 2005 and through the interim period ended February 6, 2006, Schwartz did not advise us with respect to any of the matters described in paragraphs (a)(1)(iv)(B) of Item 304 of Regulation S-B.

On February 6, 2006, Schwartz Levitsky Feldman LLP (the "Former Accountant") resigned as the Company's accountant. The Company has engaged Michael Pollack, CPA as its principal accountants effective February 7, 2006. The decision to change accountants was approved by the Company's board of directors. The Company did not consult with Michael Pollack, CPA on any matters prior to retaining such firm as its principal accountants.

The Former Accountant did not report on the financial statements for either of the past two years, but did review the Company's financial statements included in the Company's amended quarterly report for the period ended September 30, 2004 and the quarterly reports for the periods ended June 30, 2005 and September 30, 2005.

From the time that the Former Accountant was engaged on August 31, 2005 and through the interim period ended February 6, 2006, the Former Accountant did not advise the Company with respect to any of the matters described in paragraphs (a)(1)(iv)(A) or (B) of Item 304 of Regulation S-B.

### **Item 8A. Controls and Procedures**

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2006. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, Mr. Simon Lamarche. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2006, our disclosure controls and procedures are not effective. There have been no significant changes in our internal controls over financial reporting during the quarter ended December 31, 2006 that have materially affected or are reasonably likely to materially affect such controls.

Our board of directors are currently working towards implementing significant changes in our internal controls over financial reporting that are expected to materially affect such controls. Our board of directors is seeking to retain a consultant to recommend for implementation specific disclosure controls and procedures to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

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Limitations on the Effectiveness of Internal Controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving our objectives and our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at that reasonable assurance level. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the internal control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

**Item 8B. Other information**

None.

Table of Contents**PART III****Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act**

The following information sets forth the names of our current directors and executive officers, their ages and their present positions.

<u>Name</u>	<u>Age</u>	<u>Position(s) and Office(s) Held</u>
S i m o n Lamarche	52	Chief Executive Officer, Chief Financial Officer, and Director
G e o r g e Metrakos	35	Director

Set forth below is a brief description of the background and business experience of each of our current executive officers and directors.

**Simon Lamarche.** On November 8, 2005, Mr. Lamarche was appointed as our Chief Executive Officer, Chief Financial Officer and as a member of our board of directors. Since June 2004, Mr. Lamarche has acted as an independent consultant with our subsidiary, Telephone, Inc. From January 2004 to June of 2004, Mr. Lamarche was Director of Sales of MicroQuest, a company specializing in retail and business sales and integration of computers and networking equipment. From January 2002 to the end of 2003, Mr. Lamarche was President of Vectoria Informatiques Telecommunications Inc., a company specializing in advanced, internet-based telecommunications and specialized computer networking within business and residential applications. Prior to 2002, Mr. Lamarche was Director of Sales at Jitec Corporation, a company specializing in software development, computer networking and retail sales.

**George Metrakos.** Mr. Metrakos was appointed to our board of directors on September 6, 2005. Mr. Metrakos holds a Bachelor's of Engineering from Concordia University located in Montreal, Canada and a Master's of Business Administration from The John Molson School of Business at Concordia University. Mr. Metrakos has worked with such organizations as Philips B.V. located in the Netherlands, The Dow Chemical Company, and Hydro Quebec. Mr. Metrakos was appointed as President and Chief Executive Officer of Telephone, Inc. in September 2004. Telephone, Inc. was formed as a subsidiary of the Company in September 2004. Mr. Metrakos was appointed as President, Chief Executive Officer and a member of the board of directors of Telephone Corp., formerly known as OSK Capital II Corp., in June 2005. Telephone Corp. was a subsidiary of the Company until spun-off on October 30, 2006.

**Term of Office**

Our directors are appointed for a one-year term to hold office until the next annual meeting of our shareholders or until removed from office in accordance with our bylaws.

Our executive officers are appointed by our board of directors and hold office until removed by the board.

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**Significant Employees**

We have no significant employees other than our officers and directors.

**Family Relationships**

There are no family relationships between or among the directors, executive officers or persons nominated or chosen by us to become directors or executive officers.

**Involvement in Certain Legal Proceedings**

Other than as disclosed below, during the past five years, none of the following occurred with respect to a present director, person nominated to become director, executive officer, or control person: (1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (2) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his or her involvement in any type of business, securities or banking activities; and (4) being found by a court of competent jurisdiction (in a civil action), the SEC or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

On October 8, 2004 the Autorité des marchés financiers (the “AMF”) launched penal proceedings before the Court of Québec (Criminal and Penal Division) against, our former CEO and CFO, Benoit Laliberté, in the matter of Jitec Inc. Benoit Laliberté faces 48 counts and is liable to fines totaling \$1,760,180. He is accused of insider trading in the securities of Jitec Inc., while having privileged information about the company, thereby violating section 187 of the Securities Act (the “Act”), assisting Jitec Inc. in making a misrepresentation in press releases in violation of section 196 of the Act, and failing to file a report disclosing a change in his control over the securities of Jitec Inc., which is a reporting issuer, in violation of section 97 of the Act. A trial date for this matter has not been set. There are several preliminary defense Motions which are now pending and after these Defense Motions have been dealt with, if necessary, the Court will then set a Trial date.

On May 23, 2003, Vectoria Information Technology and Telecommunications Inc. filed a bankruptcy petition with the Canadian Federal Bankruptcy Court and was declared bankrupt and liquidated on May 7, 2004. Mr. Simon Lamarche, our sole executive officer, acted as President to Vectoria Information Technology and Telecommunications Inc. from January 2002 to the end of 2003.

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**Audit Committee**

We do not have a separately-designated standing audit committee. The entire board of directors performs the functions of an audit committee, but no written charter governs the actions of the board of directors when performing the functions of that would generally be performed by an audit committee. The board of directors approves the selection of our independent accountants and meets and interacts with the independent accountants to discuss issues related to financial reporting. In addition, the board of directors reviews the scope and results of the audit with the independent accountants, reviews with management and the independent accountants our annual operating results, considers the adequacy of our internal accounting procedures and considers other auditing and accounting matters including fees to be paid to the independent auditor and the performance of the independent auditor.

We do not have an audit committee financial expert because of the size of our company and our board of directors at this time. We believe that we do not require an audit committee financial expert at this time because we retain outside consultants who possess these attributes as needed.

For the fiscal year ending December 31, 2006, the board of directors:

1. Reviewed and discussed the audited financial statements with management, and
2. Reviewed and discussed the written disclosures and the letter from our independent auditors on the matters relating to the auditor's independence.

Based upon the board of directors' review and discussion of the matters above, the board of directors authorized inclusion of the audited financial statements for the year ended December 31, 2006 to be included in this Annual Report on Form 10-KSB and filed with the Securities and Exchange Commission.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors and executive officers and persons who beneficially own more than ten percent of a registered class of the Company's equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent beneficial shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. To the best of our knowledge based solely on a review of Forms 3, 4, and 5 (and any amendments thereof) received by us during or with respect to the year ended December 31, 2006, the following

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persons have failed to file, on a timely basis, the identified reports required by Section 16(a) of the Exchange Act during fiscal year ended December 31, 2006:

Name and principal position	Number of late reports	Transactions not timely reported	Known failures to file a required form
Simon Lamarche CEO, CFO, & Director	0	0	0
George Metrakos Director	1	1	0

**Code of Ethics Disclosure**

We adopted a Code of Ethics for Financial Executives, which include our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The code of ethics was filed as an exhibit to the annual report on Form 10-KSB for the fiscal year ended December 31, 2005 and filed with the SEC on April 17, 2006.



Table of Contents**Item 10. Executive Compensation****Summary Compensation Table**

The table below summarizes all compensation awarded to, earned by, or paid to our former or current executive officers for the fiscal years ended 2006 and 2005.

Name and principal position	SUMMARY COMPENSATION TABLE							Total
	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	
Mr. Lamarche	34,660	-	-	-	-	-	-	34,660
Mr. Lamarche	42,000	-	-	-	-	-	-	42,000
(1) CEO & CFO								

(1) Mr. Lamarche was appointed to serve as our Chief Executive Officer and Chief Financial Officer on November 8, 2005. The information provided in the summary compensation table includes all compensation paid to Mr. Lamarche for the full fiscal years ended December 31, 2006 and 2005.

**Narrative Disclosure to the Summary Compensation Table**

We have not entered into an employment agreement with Mr. Lamarche. Salary paid is recorded in the summary compensation table above in the column titled "Salary." Of the total salary reported for the fiscal year ended December 31, 2006, \$6,180 was paid in connection with services rendered to us, and \$28,480 was paid in connection with services to our subsidiary entities. Mr. Lamarche was not granted any stock option or stock awards during the fiscal year ended December 31, 2006 or 2005.

At no time during the last fiscal year was any outstanding option repriced or otherwise modified. There was no tandem feature, reload feature, or tax-reimbursement feature associated with any of the stock options we granted to our executive officers or otherwise.

**Outstanding Equity Awards at Fiscal Year-End**

The table below summarizes all unexercised options, stock that has not vested, and equity incentive plan awards for each named executive officer as of December 31, 2006.

Table of Contents**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END****OPTION AWARDS****STOCK AWARDS**

Name	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Exercise Price (\$)	Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$)
Simon Lamarche	-	-	-	-	-	-	-	-	-

**Compensation of Directors**

The table below summarizes all compensation of our directors as of December 31, 2006.

Name	Fees Earned or Paid in Cash			Non-Equity Incentive Plan Compensation		Non-Qualified Deferred Compensation		All Other Compensation	Total
	Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Compensation (\$)	Compensation (\$)	Earnings (\$)	Earnings (\$)		
Simon Lamarche	-	-	-	-	-	-	-	-	-
George Metrakos	-	30,000	-	-	-	-	-	132,905	162,905

**Narrative Disclosure to the Director Compensation Table**

The all fees earned or paid in cash to Simon Lamarche as were earned in connection with his employment agreement as an executive officer. Mr. Lamarche received no compensation for his service as a member of our board of directors. We only compensate outside directors for the service as members of our board of directors.

During the year ended December 31, 2006, we issued 500,000 shares of our common stock to Metrtech Business Solutions, a private company controlled by Mr. George Metrakos, as compensation for services rendered. The aggregate value of these shares was computed in accordance with FAS 123R and is reported in the summary compensation table above in the column titled "Stock Awards." During the fiscal year ended December 31, 2006, Mr. Metrakos was paid cash compensation of \$132,905 in consideration for consulting services rendered to us and our

subsidiary entities. The fees are disclosed in the director compensation table above as “All Other Compensation.”

Table of Contents**Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The following table sets forth, as of April 15, 2007, the beneficial ownership of our common stock by each executive officer and director, by each person known by us to beneficially own more than 5% of the our common stock and by the executive officers and directors as a group. Except as otherwise indicated, all shares are owned directly and the percentage shown is based on 51,079,985 shares of common stock issued and outstanding on April 15, 2007. Except as otherwise indicated, the address of each person named in this table is c/o United American Corporation, 4150 Ste-Catherine Street West, Suite 200, Montreal, Quebec, Canada H3Z 0A1.

<b>Title of class</b>	<b>Name and address of beneficial owner <sup>(1)</sup></b>	<b>Amount of beneficial ownership</b>	<b>Percent of class*</b>
<b>Executive Officers &amp; Directors:</b>			
Common	Simon Lamarche	0 shares	0 %
Common	George Metrakos	650,000 shares <sup>(2)</sup>	1.3%
<b>Total of All Directors and Executive Officers:</b>		650,000 shares	1.3%
<b>More Than 5% Beneficial Owners:</b>			
Common	Benoit Laliberté 220 de la Coulee Mont-Saint-Hilaire, Quebec, Canada J3H 5Z6	26,250,000 shares <sup>(3)</sup>	52.0%

<sup>(1)</sup> As used in this table, "beneficial ownership" means the sole or shared power to vote, or to direct the voting of, a security, or the sole or shared investment power with respect to a security (i.e., the power to dispose of, or to direct the disposition of, a security). In addition, for purposes of this table, a person is deemed, as of any date, to have "beneficial ownership" of any security that such person has the right to acquire within 60 days after such date.

<sup>(2)</sup> Mr. Metrakos is the indirect beneficial owner of 650,000 shares of common stock held by Metrtech Business Solutions Inc.

<sup>(3)</sup> Mr. Laliberté is the indirect beneficial owner of 26,250,000 shares on common stock held by 3874958 Canada Inc.

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### **Item 12. Certain Relationships and Related Transactions**

Except as disclosed below, none of our directors or executive officers, nor any proposed nominee for election as a director, nor any person who beneficially owns, directly or indirectly, shares carrying more than 5% of the voting rights attached to all of our outstanding shares, nor any members of the immediate family (including spouse, parents, children, siblings, and in-laws) of any of the foregoing persons has any material interest, direct or indirect, in any transaction since the beginning of our last fiscal year on January 1, 2006 or in any presently proposed transaction which, in either case, has or will materially affect us.

Mr. Benoit Laliberté, our majority shareholder, provides consulting services to us. We retain Mr. Laliberté to primarily assist us in establishing networks and to negotiate sales agreements. We have no written agreement with Mr. Laliberté. During the fiscal year ended December 31, 2006, we paid Mr. Laliberté \$460,630 in consulting fees for services rendered.

### **Item 13. Exhibits**

Exhibit Number	Description
-------------------	-------------

- |             |                                                                                                                                                                                      |
|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 14.1        | Code of Ethics <sup>(1)</sup>                                                                                                                                                        |
| <u>31.1</u> | <u>Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>   |
| <u>31.2</u> | <u>Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>   |
| <u>32.1</u> | <u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> |
| <u>99.1</u> | <u>Agreement with Gabon Telecom</u>                                                                                                                                                  |

<sup>(1)</sup> Incorporated by reference to Annual report on Form 10-KSB for the year ended December 31, 2005 filed with the SEC on April 17, 2007

### **Item 14. Principal Accountant Fees and Services**

#### **Audit Fees**

The aggregate fees billed by our auditors for professional services rendered in connection with a review of the financial statements included in our quarterly reports on Form 10-QSB and the audit of our annual consolidated financial statements for the fiscal years ended December 31, 2006 and December 31, 2005 were approximately \$108,507 and \$28,000 respectively.

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**Audit-Related Fees**

Our auditors did not bill any additional fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements.

**Tax Fees**

The aggregate fees billed by our auditors for professional services for tax compliance, tax advice, and tax planning were \$0 and \$0 for the fiscal years ended December 31, 2006 and 2005.

**All Other Fees**

The aggregate fees billed by our auditors for all other non-audit services, such as attending meetings and other miscellaneous financial consulting, for the fiscal years ended December 31, 2006 and 2005 were \$0 and \$0 respectively.

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**SIGNATURES**

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**United American Corporation**

By: /s/ Simon Lamarche  
Simon Lamarche  
Chief Executive  
Officer,  
Chief Financial Officer  
and Director  
April 16, 2007

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

By: <u>/s/ Simon</u>	By: <u>/s/ George</u>
<u>Lamarche</u>	<u>Metrakos</u>
Simon	George
Lamarche	Metrakos
Director	Director
April 16,	April 16,
2007	2007