

UNITED AMERICAN CORP  
Form 10QSB/A  
May 05, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

**FORM 10-QSB/A**

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

For the quarterly period ended June 30, 2004

☐ Transition Report pursuant to 13 or 15(d) of the Securities Exchange Act of 1934

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

Commission File Number: 000-27621

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

Florida 95-4720231  
(State or other jurisdiction of incorporation or (IRS Employer  
organization) Identification No.)

1080 Beaver Hall, Suite 1555, Montreal, Quebec, Canada H2Z 1S8  
(Address of principal executive offices)

514-313-6010  
(Issuer's telephone number)

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days ☒ Yes ☐ No

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

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:  
49,969,985 shares of common stock as of March 31, 2006

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



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**Explanatory Note**

In our quarterly report on Form 10-QSB for the period ended June 30, 2004 filed with the Securities and Exchange Commission on August 24, 2004, we erred by failing to properly account for shares of common stock issued between July 1, 2003 and December 31, 2003 when compiling the Statement of Stockholder's Deficiency for the year ended December 31, 2003 and the Consolidated Balance Sheet as of December 31, 2003. Consequently, the Condensed Consolidated Balance Sheet as of June 30, 2004 was inaccurate as a result of this error.

We erred by failing to properly include on the Condensed Consolidated Balance Sheet as of June 30, 2004 capital assets acquired pursuant to the share exchange agreement entered into with 3874958 Canada Inc. on July 18, 2003. Consequently, the Condensed Consolidated Balance Sheet as of June 30, 2004 was inaccurate as a result of this error.

We erred by failing to include in the consolidated financial statements for the three and six months ended June 30, 2004 financial information from the operations of our subsidiary, 3894517 Canada Inc. 3894517 Canada Inc. was incorporated in Canada on May 21, 2001 and was acquired by us on January 1, 2004.

We also erred by failing to include in the consolidated financial statements for the three and six months ended June 30, 2004 certain disbursements from banking accounts maintained by our subsidiary, 3894517 Canada Inc.

In this amended quarterly report on Form 10-QSB/A for the period ended June 30, 2004, we are restating the financial statements for the reporting period to provide the financial information set forth above which was previously omitted.

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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

Our unaudited financial statements included in this Form 10-QSB are as follows:

<u>F-1</u>	<u>Balance Sheet as of June 30, 2004 (Unaudited and Restated):</u>
<u>F-2</u>	<u>Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the three and six month periods ended June 30, 2004 (Restated) and 2003 (Unaudited):</u>
<u>F-3</u>	<u>Condensed Consolidated Statements of Cash Flows for the six months periods ended June 30, 2004 (Restated) and 2003 (Unaudited):</u>
<u>F-4</u>	<u>Notes to Condensed Consolidated Financial Statements:</u>

These unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the SEC instructions to Form 10-QSB. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim period ended June 30, 2004 are not necessarily indicative of the results that can be expected for the full year.

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**UNITED AMERICAN CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**JUNE 30, 2004**  
**(UNAUDITED)**

**ASSETS**

**Restated**  
**(IN US\$)**

Current Assets:	
Cash and cash equivalents	\$ 1,080
Accounts receivable, net	4,353
Prepaid expenses and other current assets	746
Total Current Assets	6,179
Fixed assets, net of depreciation	786,713
<b>TOTAL ASSETS</b>	<b>\$ 792,892</b>

**LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)****LIABILITIES**

Current Liabilities:	
Loan payable - related parties	\$ 37,659
Accounts payable and accrued expenses	89,856
Total Current Liabilities	127,515
<b>Total Liabilities</b>	<b>127,515</b>

**STOCKHOLDERS' EQUITY (DEFICIT)**

Common stock, \$.001 Par Value; 50,000,000 shares authorized and 40,943,242 shares issued and outstanding	40,943
Additional paid-in capital	3,324,551
Accumulated deficit	(2,700,598)
Accumulated other comprehensive income (loss)	481
<b>Total Stockholders' Equity (Deficit)</b>	<b>665,377</b>

<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>\$ 792,892</b>
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The accompanying notes are an integral part of the condensed consolidated financial statements.

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**UNITED AMERICAN CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
**(LOSS)**  
**FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 2004 AND 2003**  
**(UNAUDITED)**

	IN US\$			
	SIX MONTHS ENDED JUNE 30,		THREE MONTHS ENDED JUNE 30,	
	2004	2003	2004	2003
	(Restated)		(Restated)	
<b>OPERATING REVENUES</b>				
Sales	\$ 74,079	\$ -	\$ 71,880	\$ -
<b>COST OF SALES</b>				
Inventory, beginning of period	-	-	-	-
Purchases	59,360	-	22,201	-
Inventory, end of period	-	-	-	-
<b>Total Cost of Sales</b>	59,360	-	22,201	-
<b>GROSS PROFIT (LOSS)</b>	14,719	-	49,679	-
<b>OPERATING EXPENSES</b>				
Selling and promotion	18,159	-	9,896	-
Professional and consulting fees	47,447	-	25,074	-
Other general and administrative expenses	7,661	5,009	3,383	3,500
Depreciation, amortization and impairment	87,412	-	43,706	-
<b>Total Operating Expenses</b>	160,679	5,009	82,059	3,500
<b>LOSS BEFORE OTHER INCOME (EXPENSE)</b>	(145,960)	(5,009)	(32,380)	(3,500)
<b>OTHER INCOME (EXPENSE)</b>				
Interest expense	(1,557)	-	(434)	-
<b>Total Other Income (Expense)</b>	(1,557)	-	(434)	-

NET LOSS BEFORE PROVISION FOR INCOME TAXES								
	(147,517)	(5,009)	(32,814)	(3,500)				
Provision for Income Taxes								
	-	-	-	-				
NET LOSS APPLICABLE TO COMMON SHARES								
\$	(147,517)	\$	(5,009)	\$	(32,814)	\$	(3,500)	
NET LOSS PER BASIC AND DILUTED SHARES								
\$	(0.00)	\$	(0.00)	\$	(0.00)	\$	(0.00)	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING								
	40,943,242	13,703,416	40,943,242	13,703,416				
COMPREHENSIVE INCOME (LOSS)								
Net loss	\$	(147,517)	\$	(5,009)	\$	(32,814)	\$	(3,500)
Other comprehensive income (loss)								
Currency translation adjustments	481	-	1,774	-				
Comprehensive income (loss)	\$	(147,036)	\$	(5,009)	\$	(31,040)	\$	(3,500)

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

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**UNITED AMERICAN CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003**  
**(UNAUDITED)**

	IN US\$	
	2004	2003
	(Restated)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (147,517)	\$ (5,009)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Depreciation, amortization and impairment	87,412	-
<b>Changes in assets and liabilities</b>		
(Increase) in accounts receivable	(4,353)	-
(Increase) in prepaid expenses and other current assets	(746)	-
Increase in accounts payable and accrued expenses	28,144	5,009
Total adjustments	110,457	5,009
<b>Net cash (used in) operating activities</b>	<b>(37,060)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan payable - related parties	37,659	-
<b>Net cash provided by financing activities</b>	<b>37,659</b>	<b>-</b>
Effect of foreign currency	481	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,080</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<b>-</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b>\$ 1,080</b>	<b>\$ -</b>



**CASH PAID DURING THE PERIOD**

**FOR:**

Interest expense	\$	1,557	\$	-
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The accompanying notes are an integral part of the condensed consolidated financial statements.

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**UNITED AMERICAN CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2004 AND 2003**

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

The unaudited condensed consolidated financial statements included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The condensed consolidated financial statements and notes are presented as permitted on Form 10-QSB and do not contain information included in the Company's annual consolidated statements and notes. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these condensed consolidated financial statements be read in conjunction with the December 31, 2003 audited financial statements and the accompanying notes thereto. While management believes the procedures followed in preparing these condensed consolidated financial statements are reasonable, the accuracy of the amounts are in some respects dependent upon the facts that will exist, and procedures that will be accomplished by the Company later in the year.

These condensed consolidated unaudited financial statements reflect all adjustments, including normal recurring adjustments which, in the opinion of management, are necessary to present fairly the consolidated operations and cash flows for the periods presented.

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.

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**UNITED AMERICAN CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2004 AND 2003**

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

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.

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. During this time, Telephone also expanded its network in order to offer services outside of the Province of Quebec, mainly in the Province of Ontario and the State of New York.

In March 2005, Telephone Inc., issued 4 shares of stock to management. After this transaction, the Company owned 96% of Telephone, Inc. 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 majority owned subsidiary of the Company, and Telephone, Inc. became a wholly owned subsidiary of OSK Capital II Corp.

As discussed in Note 10 to the condensed consolidated financial statements, the Company has restated its financial statements for the six months ended June 30, 2004.

**Going Concern**

As shown in the accompanying condensed consolidated financial statements the Company has incurred recurring losses of \$147,517 and \$5,009 for the six months ended June 30, 2004 and 2003, and has a working capital deficiency of \$121,336 as of June 30, 2004. The Company has recently emerged from the development stage and has just started generating revenues. There is no guarantee that the Company will be able to raise enough capital or generate revenues to sustain its operations.

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**UNITED AMERICAN CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2004 AND 2003**

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

**Going Concern (Continued)**

These conditions raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period.

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 condensed 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.

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

**Principles of Consolidation**

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

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**UNITED AMERICAN CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2004 AND 2003**

**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 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 condensed 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**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2004 AND 2003**

**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. 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 of \$481 and \$0 for the six months ended June 30, 2004 and 2003.

**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. as well as the establishment of Telephone, 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.

The Company also sells hardware components. These components are recognized upon delivery to the subscriber.

**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. The Company has not recorded an allowance for doubtful accounts as of June 30, 2004.

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.

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**UNITED AMERICAN CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2004 AND 2003**

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

**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. Fair value for option-based derivative financial instruments is determined using the Black-Scholes Valuation Method.

**Advertising Costs**

The Company expenses the costs associated with advertising as incurred. Advertising expenses for the six months ended June 30, 2004 and 2003 are included in general and administrative expenses in the condensed consolidated statements of operations.

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**UNITED AMERICAN CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2004 AND 2003**

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

**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 their 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.

**Earnings (Loss) Per Share of Common Stock**

Basic net earnings (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. 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.



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**UNITED AMERICAN CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2004 AND 2003**

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

**Earnings (Loss) Per Share of Common Stock (Continued)**

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

**Stock-Based Compensation**

The Company measures compensation expense for its employee stock-based compensation using the intrinsic-value method. Under the intrinsic-value method of accounting for stock-based compensation, when the exercise price of options granted to employees and common stock issuances are less than the estimated fair value of the underlying stock on the date of grant, deferred compensation is recognized and is amortized to compensation expense over the applicable vesting period. In each of the periods presented, the vesting period was the period in which the options were granted. All options were expensed to compensation in the period granted rather than the exercise date.

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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**UNITED AMERICAN CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2004 AND 2003**

**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. For 2004 and 2003, the Company operated in one segment and one geographical location.

**Recent Accounting Pronouncements**

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 interim period after December 15, 2005.

**NOTE 3- FIXED ASSETS**

Fixed assets as of June 30, 2004 were as follows:

	Estimated Useful Lives (Years)	
C o m p u t e r	5	\$874,125
equipment		
L e s s :		(87,412)
accumulated depreciation		
Fixed assets, net		\$786,713

There was \$87,412 and \$0 depreciation charged to operations for the six months ended June 30, 2004 and 2003, respectively.

The Company acquired telecommunications equipment in its acquisition of American United Corporation valued at \$874,125, net of impairment of \$1,750,875 in the issuance of the 26,250,000 shares of common stock. This equipment however, was not placed into service until 2004, therefore no depreciation was recorded for those assets in 2003.



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**UNITED AMERICAN CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2004 AND 2003**

**NOTE 4- RELATED PARTY LOANS**

Beginning in 2004, the Company's subsidiary entered into non-interest bearing loans with OSK Capital II Corp, a company with common officers and directors. There were no amounts outstanding as of June 30, 2004.

Additionally, the Company had loans with various directors that were interest bearing at various rates. There was \$37,659 outstanding as of June 30, 2004. Interest expense for the six months ended June 30, 2004 was \$1,557.

**NOTE 5- 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 have a maturity date of October 31, 2006, and incur interest at a rate of 12% per annum, payable every six months.

The Debentures can either be paid to the holders on October 31, 2006 or converted at the holders' option any time up to maturity at a conversion price equal of \$.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 embedded derivative did not qualify as a fair value or cash flow hedge under SFAS No. 133.

Interest for the year ended December 31, 2004 was approximately \$2,419 and was accrued at December 31, 2004. There was no interest accrued or paid in the six months ended June 30, 2004 and 2003.

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**UNITED AMERICAN CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2004 AND 2003**

**NOTE 6- COMMITMENTS**

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.

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.

On March 1, 2005, the Company entered into a distribution agreement with MSBR Communication Inc. for the purpose of accessing the retail consumer portion of the Company's target market through retail and Internet-based sales. The territory for this distribution is the Province of Quebec in Canada exclusive of Sherbrooke, Quebec. This is a renewable two-year agreement.

On March 11, 2005, the Company entered into a marketing and distribution rights with Podar Infotech Ltd. The five-year renewable agreement grants Podar the exclusive marketing and distribution rights for the Company's products and services for India, China, Sri Lanka, Russia and UAE for which the Company will receive contractually agreed payments.

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**UNITED AMERICAN CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2004 AND 2003**

**NOTE 7- STOCKHOLDERS' EQUITY (DEFICIT)**

**Common Stock**

As of June 30, 2004, the Company has 50,000,000 shares of common stock authorized with a par value of \$.001.

The Company has 40,983,242 shares issued and outstanding as of June 30, 2004.

During the six months ended June 30, 2004, the Company did not issue any shares of stock.

In the year ended December 31, 2003, the Company issued 989,826 shares for services at a fair market value of \$.10 per share or \$98,983; and 26,250,000 shares in the acquisition of American Untied Corporation (equipment) for \$874,125.

The Company has not issued any options or warrants.

**NOTE 8- 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 June 30, 2004 and 2003, deferred tax assets consist of the following:

At June 30, 2004, the Company had a net operating loss carryforward in the approximate amount of \$2,700,598, available to offset future taxable income through 2024. 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2004 AND 2003**

**NOTE 8- 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 periods ended June 30, 2004 and 2003 is summarized as follows:

	2004	2003
Federal statutory rate	(34.0)%	(34.0)%
State income taxes, net of federal benefits	3.3	3.3
Valuation allowance	30.7	30.7
	0%	0%

**NOTE 9- SUBSEQUENT EVENTS**

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. During this time, Telephone also expanded its network in order to offer services outside of the Province of Quebec, mainly in the Province of Ontario and the State of New York.

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**UNITED AMERICAN CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2004 AND 2003**

**NOTE 9- SUBSEQUENT EVENTS (CONTINUED)**

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 majority owned subsidiary of the Company, and Telephone, Inc. became a wholly owned subsidiary of OSK Capital II Corp.

On March 1, 2005, the Company entered into a distribution agreement with MSBR Communication Inc. for the purpose of accessing the retail consumer portion of the Company's target market through retail and Internet-based sales. The territory for this distribution is the Province of Quebec in Canada exclusive of Sherbrooke, Quebec. This is a renewable two-year agreement.

On March 11, 2005, the Company entered into a marketing and distribution rights with Podar Infotech Ltd. The five-year renewable agreement grants Podar the exclusive marketing and distribution rights for the Company's products and services for India, China, Sri Lanka, Russia and UAE for which the Company will receive contractually agreed payments.

The Company entered into a letter of intent to acquire Dialek Telecom on May 16, 2005. The parties were unable to come to an agreement and the letter of intent was terminated.

**NOTE 10- RESTATED FINANCIAL STATEMENTS**

The Company has restated its previously issued condensed consolidated financial statements for the six months ended June 30, 2004 to include:

- The \$2,625,000 of equipment acquired for the 26,250,000 shares issued in 2003, previously reflected in 2004 and the related impairment of \$1,750,875 based on an independent valuation, the related depreciation of \$87,412;
- The issuance of 374,826 shares of stock for legal services valued at \$37,483 in 2003; and
- The consolidation of 3894517 Canada Inc.

The net effect of these changes resulted in an increase in the net loss and accumulated deficit of \$638,466 to bring the restated loss to \$147,517 and the restated accumulated deficit to \$2,700,598 as of and for the six months ended June 30, 2004.



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**Item 2. Management's Discussion and Analysis**

**Forward-Looking Statements**

Historical results and trends should not be taken as indicative of future operations. Management's statements contained in this report that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934 (the "Exchange Act"), as amended. Actual results may differ materially from those included in the forward-looking statements. The Company intends 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 is including this statement for purposes of complying with those safe-harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," "prospects," or similar expressions. The Company's 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 the operations and future prospects of the Company 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 be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Further information concerning the Company and its business, including additional factors that could materially affect the Company's financial results, is included herein and in the Company's other filings with the SEC.

**Overview**

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 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.

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### **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.

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.

Initially, we sought to provide retail consumers and small and medium sized companies with a mobile or landline phone that utilizes VoIP as opposed to traditional cell phone technology. A mobile phone that is connected to a Wi-Fi router, which is interconnected to a hi-speed Internet modem, cable or ADSL transmits telephone calls by connecting to the Internet using a high-speed Internet connection. Use of this technology offers large savings to consumers because a majority of the telephone call is now being transmitted over the Internet replacing what was previously an established telecommunication line. When a VoIP network is utilized, an established telecommunication line is only utilized to transmit the call from our servers to the termination point of a call. The VoIP network is utilized with intellectual property to transmit the call from its origination point to our servers. The ability to minimize the use of established telecommunication lines reduces the cost of transmitting telephone calls. As a result, our ability to strategically establish computer servers in specified geographical areas will maximum the cost-savings benefit to those that utilize our service.

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 enables 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 originates a call in North America, our VoIP network will receive the call and transmit the call to our server in Haiti and an established telecommunication line will only be 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. Since the establishment of the CaribbeanONE network, we have worked to improve this VoIP network by added additional capacity.

In August 2004, we incorporated Telephone, Inc. ("Telephone"), a Canadian corporation, which became a wholly-owned subsidiary of our company. We formed Telephone as a wholly-owned subsidiary for the purpose handling the

origination, management, and billing of calls. Telephone also handles servicing and providing businesses and individuals with a mobile or landline phone to access our VoIP network. The management of calls refers to the routing of calls from the origination point to the termination point. The billing of calls refers to the collection of charges for utilization of our VoIP network.

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At this stage of our business plan, we were successfully able to provide businesses and individuals with the ability to utilize our VoIP network to transmit communications through the use of a mobile and landline phone that connects to the Internet. Our ability to grow beyond the Montreal, Quebec geographical area was inhibited at this point because we were only able to provide our consumers with telephone numbers that contained Canadian area codes. Consumers generally desire area codes for the telephone numbers they are assigned which are consistent with the geographical area where they primarily conduct business or reside.

In recognition of this limitation, our management entered into a carrier agreement with XO Communications, Inc. ("XO"), a Delaware corporation, on October 12, 2004. This carrier agreement with XO provides us with the ability to purchase telephone numbers in any of thirty seven (37) major metropolitan markets in the United States. As a result, we are capable of providing our service to consumers in any of these major metropolitan markets in the United States and each consumer could now be assigned a telephone number with a local area code.

Also under the terms of this carrier agreement with XO, we acquired the ability to purchase and utilize voice channels that XO maintains within the United States. The ability to purchase and utilize these voice channels is beneficial to our consumers that originate calls that terminate in the United States. Use of these voice channels enables us route calls to their termination point without utilizing carriers outside of our network that would likely charge higher fees to route the call to its termination point. This completion of the carrier agreement with XO further established our VoIP network and positioned us with the ability to compete with other providers of VoIP in certain major metropolitan markets in the United States.

Our management identified that another limitation of our service is that access to our VoIP network requires individuals or businesses to utilize a mobile and landline phone that connects to the Internet. Traditional cellular phones do not require an Internet connection for their utilization. As a result, users of traditional cellular phones can physically be more mobile while maintaining telephone service. In contrast, the mobility of our consumers is limited to areas where an Internet connection can be maintained. Our management concluded that the appeal of our service will be enhanced by broadening the physical areas in which our consumers can utilize their mobile phone while maintaining service. To broaden the physical areas in which our consumers can utilize their mobile phone, our management began to negotiate agreements with retail establishments that have a Wi-Fi router. A Wi-Fi router is interconnected to a hi-speed Internet modem, cable or ADSL enabling telephone calls made in their retail establishment to connect to the Internet. As a result, our consumers would be able access our VoIP network through the use their mobile phone when physically present in a particular retail establishment.

On November 13, 2004, we entered into an agreement with Ta-Daa High Speed Wireless. (Ta-Daa), a provider of wireless Internet access in various retail establishments located in Montreal, Quebec. At the present time, our consumers do not incur any additional cost for originating calls from these cafés. Additional agreements were entered into for the same purpose on substantially the same terms with other providers of wireless Internet access in various retail establishments throughout Montreal, Quebec. On November 30, 2004, we entered into a similar agreement with Eye-In Inc. and also on March 10, 2005 we entered into a similar agreement with Experience Wifi Inc.

In an attempt to further broaden the physical areas in which our consumers can utilize their mobile phone, we entered into a telecommunications services agreement on November 3, 2004 with Kore Wireless Canada Inc. ("Kore"), a supplier of global systems for mobile communications ("GSM"). This agreement will enable us to offer a mobile phone that is compatible with both our VoIP network and a GSM network utilized for traditional cellular phone use. Our consumers will benefit because they will now be able to utilize one mobile phone that integrates the use of both a VoIP and GSM network resulting in an expanding coverage area for mobile phones which we provide service to. When an Internet connection cannot be maintained, calls can still be placed using traditional cellular phone technology. For our consumers that utilize this service, we have the ability to integrate into a single bill charges for calls placed utilizing both the VoIP and GSM networks. Prior to this agreement with Kore, we were unable to offer

phone service to consumers at times when they did not maintain an Internet connection.

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Once the requisite infrastructure was in place and operational, we sought to establish agreements and incentives for retailers of telephone products to make available to retail consumers and small and medium sized companies a mobile or landline phone that utilizes our VoIP network. In furtherance of this objective to provide our target market with a product that is compatible with our VoIP network, we entered into a distribution agreement with Distribution Car-Tel, Inc. ("Car-Tel") on July 28, 2004. During Q4 2004, unfortunately, our agreement with Car-Tel did not result in the volume of increased sales of our service that was originally contemplated. As a result, we terminated our agreement with Car-Tel, and sought to renew our efforts to build our retail distribution network in the Montreal, Quebec area.

We succeeded in meeting our objectives when we entered into a distribution agreement with MSBR Communication Inc. ("MSBR") on March 1, 2005, for the purpose accessing the retail consumer portion of our target market through retail and Internet-based sales. Under the terms of this agreement, MSBR was granted the exclusive right to distribute mobile or landline phones that utilize our VoIP network via Internet-based sales or direct sales to retail establishments in the territory consisting of the Province of Quebec in Canada exclusive of Sherbrooke, Quebec. This agreement was entered into for a term of two (2) years with automatic renewals for additional one year terms unless either party provides notice within 90 days of the initial two year term. This agreement is subject to termination upon the occurrence of specified events triggering default. MSBR will receive a pre-determined commission based upon sales of mobile or landline phones that utilize our VoIP network and revenues derived from retailer consumers who activated their VoIP service through distribution channels used by MSBR. As a result of this agreement, MSBR Communications Inc. has succeeded in building a distribution network of over 70 points of retail sale, telemarketing sales partners and small business telecommunications interconnect companies. This distribution network is the current driver of our new customer acquisition in the retail segment of our business.

On March 11, 2005, we continued our attempt to build an international VoIP network by entering into a marketing and distribution agreement with Podar Enterprise ("Podar") of Mumbai, India. Podar is a distributor of telecommunications that will make mobile or landline phones that utilize our VoIP network available to consumers in Central, South, and East Asia, Eastern Europe, and parts of the Middle East. Under the terms of this agreement, Podar was granted the exclusive marketing and distribution rights for our products and services in India, China, Sri Lanka, United Arab Emirates, and Russia. The term of this agreement is five (5) years subject to early termination with 60 days notice following any default under the agreement.

Accounts activated in any of the geographical markets serviced by Podar will be assigned a North American telephone number. For this reason, we anticipate that our target market in these geographical areas will be small and medium sized businesses that frequently transact business in North America.

As part of our growth plan in 2005, we expanded our long distance VoIP termination services outside of the Caribbean and into additional routes in South and Central America, as well as Africa.

During the third quarter of 2005, we expanded our Long Distance VoIP termination services into Africa, expanding our current infrastructure to build a VoIP gateway in Gabon, Africa. Similar to our CaribbeanONE infrastructure located in Haiti, we are now able to offer 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 permits us to expand the number of voice channels that we have in operation in our global network and hence sell more long distance termination minutes to our existing and future customers.

## **Subsidiary Spin-off**

In March 2005, our management proposed to spin-off one of our subsidiaries, Telephone, Inc., subject to the approval of the stockholders. At the time of this proposal, we owned 100 common shares of the 104 common shares issued and

outstanding in Teliphone. Under the terms of this proposal, our shareholders would have received 1 share of Teliphone for each share of our company they owned.

Our board of directors believed that spinning-off Teliphone would accomplish an important objective. The

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spin-off would enable Telephone to focus on handling the origination, management, and billing of calls and allow us to concentrate on building an international VoIP focused primarily on call termination. 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.

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. As a result of this opportunity, we did not present our original proposal to the shareholders for their consideration and approval.

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 Capital II, Corp. Following the merger, Telephone was the surviving corporation. 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 is currently a majority-owned subsidiary of our company.

Our management proposed to spin-off our majority-owned subsidiary, OSK. To complete the spin-off, we propose to distribute the 24,038,462 shares of OSK that we own on a pro rata basis to our shareholders. A record date to present the proposed spin-off to our shareholders has not yet been set.

## **Results of Operations for Three and Six Months Ending June 30, 2004 and 2003**

For the three month period ended June 30, 2004, we generated total revenue of \$71,880. We did not generate any revenue in the three months ended June 30, 2003. For the six month period ended June 30, 2004, we generated total revenue of \$74,079. We did not generate any revenue in the six months ended June 30, 2003. Our revenue was generated by sales of retail domestic and international voice and data products and services using VoIP. Our generation of revenue for the three and six month periods ended June 30, 2004 when compared to the same reporting periods in the prior year is primarily attributable to the acquisition of American United Corporation/ 3874958 Canada Inc. and the implementation of their business plan.

Our cost of revenues for the three months ended June 30, 2004 was \$22,201. Our cost of revenues for the six months ended June 30, 2004 was \$59,360. We reported no cost of revenues in the three and six months ended June 30, 2003 because we had no operations at this time. Our cost of revenues relate to purchases of voice and data products that utilize VoIP.

Gross profit for the three months ended June 30, 2004 was \$49,679. Gross profit for the six months ended June 30, 2004 was \$14,719. No gross income or loss was reported for the three or six months ended March 31, 2003.

For the three month period ended June 30, 2004, we incurred operating expenses in the amount of \$82,059 compared to operating costs of \$3,500 in the same three month period in the prior year. For the six month period ended June 30, 2004, we incurred operating expenses in the amount of \$160,679 compared to operating costs of \$5,009 in the same six month period in the prior year. The increase in operating expenses for the three and six months ended June 30, 2004 when compared to the same reporting period in the prior year is attributable to commencing operations following the acquisition of American United Corporation/ 3874958 Canada Inc.



For the three month period ended June 30, 2004, we had a net loss of \$32,814 compared to our net loss of \$3,500 for the three month period ended June 30, 2003. For the six month period ended June 30, 2004, we had a net loss of \$147,517 compared to our net loss of \$5,009 for the six month period ended June 30, 2003.

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### **Liquidity and Capital Resources**

As of June 30, 2004, we had total current assets of \$6,179 of which \$1,080 consisted of cash on hand. Our total current liabilities as of June 30, 2004 were \$127,515. As a result, we had a working capital deficit of \$121,336 as of June 30, 2004.

Operating activities used \$37,060 in cash for the six months ended June 30, 2004. Our net loss of \$147,517 for the six months ended June 30, 2004 was the primary component of our negative operating cash flow. There were no investing activities during the six months ended June 30, 2004. Cash flows provided by financing activities during the six months ended June 30, 2004 consisted of \$37,659 for proceeds from a loan payable from a related party. We primarily relied on loans to fund our operations during the six months ended June 30, 2004.

As of the time of this Amended Quarterly Report, our management believes that we have insufficient capital to support our operations at their 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, 2006. 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 June 30, 2004, there were no off balance sheet arrangements.

### **Going Concern**

Our independent auditors have stated in their Auditor's Report included in the Form 10-KSB that we do not have the necessary working capital to service its debt and for our planned activities. These factors, among others, raise substantial doubt about our ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might result from this uncertainty.

### **Critical Accounting Policies**

In December 2001, the SEC requested that all registrants list their 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.

### **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. as well as the establishment of Telephone, Inc., we began to recognize revenue from our VoIP services when the services were rendered and collection was reasonably assured in accordance with SAB 101.

We also sell hardware components. These components are recognized upon delivery to the subscriber.

### **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.

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### **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 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 based upon the fair value of the stock issued for the equipment. This amount is reflected as impairment in the 2003 financial statements.

### **Recently Issued Accounting Pronouncements**

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 interim period after December 15, 2005.

### **Item 3. 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 June 30, 2004. This evaluation was carried out under the supervision and with the participation of our board of directors at that time. Based upon that evaluation, our board of directors concluded that, as of June 30, 2004, our disclosure controls and procedures were effective.

Subsequent to this reporting period, there was a change in management and new members were appointed to our board of directors. Our current management, under the supervision and with the participation of our board of directors, has reviewed the disclosure controls and procedures in place as of June 30, 2004 and concluded that they were not effective. This conclusion was reached as a result of our failure to include certain financial information in the condensed consolidated financial statements for the reporting period and subsequent reporting periods.

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.



Table of Contents**PART II - OTHER INFORMATION****Item 1. 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 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None

**Item 3. Defaults upon Senior Securities**

None

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

No matters have been submitted to our security holders for a vote, through the solicitation of proxies or otherwise, during the quarterly period ended June 30, 2004.

**Item 5. Other Information**

None

**Item 6. Exhibits**

<b>E x h i b i t Number</b>	<b>Description of Exhibit</b>
<u>31.1</u>	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, 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 18 U.S.C. Section 1350, 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>

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**SIGNATURES**

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

**UNITED AMERICAN CORPORATION**

Date: May 1, 2006

By: /s/ Simon Lamarche  
Simon Lamarche

Title: **Chief Executive Officer, Chief Financial  
Officer, and Director**