

UNITED AMERICAN CORP
Form 10QSB
May 21, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 10-QSB

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

For the quarterly period ended March 31, 2007

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
(State or other jurisdiction of incorporation or organization)

95-4720231
(IRS Employer Identification No.)

4150 Ste-Catherine Ouest, Suite 200, Montreal, Quebec, Canada H3Z 0A1
(Address of principal executive offices)

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

(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: 51,079,985 common shares as of April 15, 2007.

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

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

<u>F-1</u>	<u>Unaudited Condensed Consolidated Balance Sheet as of March 31, 2007</u>
<u>F-2</u>	<u>Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the three months ended March 31, 2007 and 2006</u>
<u>F-3</u>	<u>Unaudited Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2007 and 2006</u>
<u>F-4</u>	<u>Notes to Unaudited 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 March 31, 2007 are not necessarily indicative of the results that can be expected for the full year.

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UNITED AMERICAN CORP
CONDENSED CONSOLIDATED BALANCE SHEET
MARCH 31, 2007
(UNAUDITED)

ASSETS

(IN US\$)

Current Assets:	
Cash and cash equivalents	\$ 381,178
Accounts receivable, net	657,978
Interest receivable	24,000
Prepaid expenses and other current assets	11,610
Loan receivable - related company	429,975
Total Current Assets	1,504,741
 Fixed assets, net of depreciation	 422,964
TOTAL ASSETS	\$ 1,927,704

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

LIABILITIES	
Current Liabilities:	
Loans payable - related parties	\$ 419,081
Other payables	636,631
Convertible debentures	90,961
Derivative liability	27,688
Accounts payable and accrued expenses	1,494,675
Total Current Liabilities	2,669,036
 Total Liabilities	 2,669,036

**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	(5,723,704)

Accumulated other comprehensive income (loss)	65,399
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Total Stockholders' Equity (Deficit)	(741,332)
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 1,927,704
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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 THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(UNAUDITED)

	IN US\$	
	2007	2006
OPERATING REVENUES		
Sales	\$ 5,483,752	\$ 2,463,170
COST OF SALES		
Inventory, beginning of period	-	51,652
Purchases	4,555,235	2,293,893
Inventory, end of period	-	(20,014)
Total Cost of Sales	4,555,235	2,325,531
GROSS PROFIT	928,517	137,639
OPERATING EXPENSES		
Selling and promotion	72,811	26,988
Professional and consulting fees	122,515	70,836
Commissions and wages	595,565	255,584
Other general and administrative expenses	8,814	37,529
Depreciation, amortization and impairment	58,446	56,745
Total Operating Expenses	858,151	447,682
LOSS BEFORE OTHER INCOME (EXPENSE)	70,366	(310,043)
OTHER INCOME (EXPENSE)		
Interest expense	(39,694)	(4,266)
Total Other Income (Expense)	(39,694)	(4,266)
NET INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES AND MINORITY INTEREST	30,672	(314,309)
Minority interest	-	27,828
NET INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	30,672	(286,481)
Provision for Income Taxes	-	-
NET INCOME (LOSS) APPLICABLE TO COMMON	\$ 30,672	\$ (286,481)

SHARES**NET INCOME (LOSS) PER
BASIC AND DILUTED
SHARES**

BASIC	\$	0.00	\$	(0.01)
FULLY DILUTED	\$	0.00		(0.01)

**WEIGHTED AVERAGE
NUMBER OF COMMON
SHARES OUTSTANDING -
BASIC**

51,079,985	49,969,985
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**WEIGHTED AVERAGE
NUMBER OF COMMON
SHARES OUTSTANDING -
FULLY DILUTED**

52,508,556	49,969,985
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**COMPREHENSIVE INCOME
(LOSS)**

Net income (loss)	\$	30,672	\$	(286,481)
Other comprehensive income (loss)				
Currency translation adjustments		(4,721)		6,474
Comprehensive income (loss)	\$	25,951	\$	(280,007)

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 THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(UNAUDITED)

	IN US\$	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 30,672	\$ (286,481)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation, amortization and impairment	58,446	56,745
Changes in assets and liabilities		
Decrease in accounts receivable	755,361	60,878
Decrease in investment tax credits	-	73
Decrease in interest receivable	(9,000)	-
Decrease in inventory	-	31,638
Decrease in prepaid expenses and other current assets	14,215	6,240
(Decrease) in accounts payable and accrued expenses	(363,530)	(9,455)
Total adjustments	455,492	146,119
Net cash provided by (used in) operating activities	486,164	(140,362)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of fixed assets	(59,931)	(7,245)
(Increase) in loan receivable - related company	(9,217)	-
Net cash (used in) investing activities	(69,148)	(7,245)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) in bank overdraft	-	(1,525)
Proceeds from loan payable, net of repayments	-	74
	(95,927)	142,584

Proceeds from loan payable - related parties, net of repayments		
Net cash provided by (used in) financing activities	(95,927)	141,133
Effect of foreign currency	(9,464)	6,474
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	311,625	-
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	69,553	-
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 381,178	\$ -
CASH PAID DURING THE PERIOD FOR:		
Interest expense	\$ 39,694	\$ 3,000

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
MARCH 31, 2007 AND 2006 (UNAUDITED)

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, 2006 audited consolidated 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
MARCH 31, 2007 AND 2006 (UNAUDITED)

NOTE ORGANIZATION AND BASIS OF PRESENTATION

1- (CONTINUED)

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.

In 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 former division focused on providing Voice-over-Internet -Protocol (VoIP) calling services to residential and business customers.

Telephone, Inc. was founded on August 27, 2004 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.

Related party transactions the Company has entered into are advances to the entities consolidated within 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%.

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UNITED AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 AND 2006 (UNAUDITED)

NOTE ORGANIZATION AND BASIS OF PRESENTATION

1- (CONTINUED)

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.

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 a net income of \$30,672 and a loss of \$286,481 for the three months ended March 31, 2007 and 2006, and has a working capital deficiency of \$1,164,295 as of March 31, 2007.

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UNITED AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 AND 2006 (UNAUDITED)

NOTE ORGANIZATION AND BASIS OF PRESENTATION

1- (CONTINUED)

Going Concern (Continued)

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.

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 and majority owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. All minority interests are reflected in the condensed consolidated financial statements.

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UNITED AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 AND 2006 (UNAUDITED)

NOTESUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
2- (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.

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
MARCH 31, 2007 AND 2006 (UNAUDITED)

NOTESUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2- (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 (\$4,721) and \$6,474 for the three months ended March 31, 2007 and 2006, respectively.

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
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 AND 2006 (UNAUDITED)

NOTESUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2- (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 March 31, 2007.

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 three months ended March 31, 2007 and 2006 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
MARCH 31, 2007 AND 2006 (UNAUDITED)

NOTESUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2- (CONTINUED)

Concentration Risk

In the three months ended March 31, 2007 and 2006, the Company generated 98% of their sales from one customer. A major customer is a customer that represents greater than 10% of the total sales.

In the three months ended March 31, 2007 and 2006, the Company incurred 98% and 78% of their purchases from two vendors and one vendor, respectively. 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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UNITED AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 AND 2006 (UNAUDITED)

NOTESUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2- (CONTINUED)

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 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 the period presented.

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

	March 31, 2007	March 31, 2006
Net income (loss) \$	30,672	\$ (286,481)
Weighted-average common shares Outstanding (Basic)	51,079,985	49,969,985
Weighted-average common stock Equivalents		
Convertible debentures	1,428,571	500,000
Stock options	-	-
Warrants	-	-
Weighted-average common shares Outstanding (Diluted)	52,508,556	50,469,985

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
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 AND 2006 (UNAUDITED)

NOTESUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2- (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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NOTESUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
2- (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 condensed 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 condensed 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 condensed consolidated financial statements.

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NOTESUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
2- (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 condensed 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 condensed 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 condensed consolidated financial statements.

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NOTE
3- **FIXED ASSETS**

Fixed assets as of March 31, 2007 were as follows:

	Estimated Useful Lives (Years)	
Computer equipment	5	\$ 1,137,971
Less:		
accumulated depreciation		(\$715,007)
Fixed assets, net		\$ 422,964

There was \$58,446 and \$56,745 depreciation charged to operations for the three months ended March 31, 2007 and 2006, 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 \$24,000 of interest receivable through March 31, 2007. In addition, there are approximately \$129,975 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 \$330,263 outstanding as of March 31, 2007. These loans are short-term in nature.

The Company had \$136,542 in short-term related party loans payable that accrue interest at rates ranging between 8% and 12% per annum. As of March 31, 2007, \$11,538 in interest is accrued. The Company has expensed \$4,873 and \$0 in interest expense for the three months ended March 31, 2007 and 2006, respectively. There were no amounts outstanding at March 31, 2006.

The Company paid commissions to a company with common ownership in the amount of \$519,795 and \$208,597 in the three months ended March 31, 2007 and 2006, respectively.

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

The Company has \$95,208 in loans payable with non-related parties that are due on demand, non-interest bearing and unsecured. Of this amount approximately \$88,604 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 March 31, 2007 and 2006; no annual dividends, volatility of 125%, risk-free interest rate of 3.28%, and expected life of 1 year. For disclosure purposes as of March 31, 2007 the derivative call option was approximately \$0.0194 per share.

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

Interest expense for the three months ended March 31, 2007 and 2006 was approximately \$3,000 for each period. At March 31, 2007, there was no interest accrued.

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UNITED AMERICAN CORPORATION
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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 (9 months)	\$ 24,172
2008	31,655
2009	23,229
Total	\$ 79,056

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UNITED AMERICAN CORPORATION
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NOTE
8- STOCKHOLDERS' EQUITY (DEFICIT)

Common Stock

As of March 31, 2007, 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 March 31, 2007.

The Company has not issued any shares in the three months ended March 31, 2007.

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.

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 March 31, 2007, deferred tax assets consist of the following:

Net operating losses	\$ 1,734,000
Valuation allowance	(1,734,000)
	\$ -

At March 31, 2007, the Company had a net operating loss carryforwards of approximately \$5,100,000, available to offset future taxable income through 2027. 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
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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 three months ended March 31, 2007 and 2006 is summarized as follows:

	2007	2006
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	97,484

assets	
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
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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 three months ended March 31, 2007 are as follows:

	Corporate	Wholesale Services Brokered	Wholesale Services Direct	Connection Services	Total
Sales	\$ -	\$ 4,690,914	\$ 792,838	\$ -	\$ 5,483,752
Cost of sales	-	3,997,613	557,622	-	4,555,235
Gross profit	-	693,301	235,216	-	928,517
Operating expenses	53,002	635,236	111,467	-	799,705
Depreciation, amortization and impairment	44,610	13,836	-	-	58,446
Interest (net)	-	(16,822)	(22,872)	-	(39,694)
Net income (loss)	(97,612)	27,407	100,877	-	30,672
Segment assets	273,071	1,282,269	372,364	-	1,927,704
Fixed Assets, net of depreciation	248,490	174,474	-	-	422,964

Operating segment data for the three months ended March 31, 2006 are as follows:

	Corporate	Wholesale Services Brokered	Wholesale Services Brokered	Connection Services	Total
Sales	\$ -	\$ -	\$ 2,355,452	\$ 107,718	\$ 2,463,170
Cost of sales	-	-	2,220,013	105,518	2,325,531
	-	-	135,439	2,200	137,639

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Gross profit (loss)					
Operating expenses	25,368	-	260,970	104,599	390,937
Depreciation, amortization and impairment	44,610	-	3,480	8,655	56,745
Interest (net)	(3,000)	-	(1,010)	(256)	(4,266)
Net income (loss)	(72,978)	-	(130,021)	(111,310)	(314,309)
Segment assets	401,490	-	136,551	242,269	780,310
Fixed Assets, net of depreciation	401,490	-	42,942	146,149	590,601

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UNITED AMERICAN CORPORATION
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NOTE
11- SEGMENT INFORMATION (CONTINUED)

In addition, the segment data broken out by geographical location for the three months ended March 31, 2007 are as follows:

	North, Central and South America	Europe, Middle East and Africa	Asia	Total
Sales	\$ 1,376,899	\$ 3,918,251	\$ 188,602	\$ 5,483,752
Cost of sales	1,144,684	3,253,757	156,794	4,555,235
Gross profit (loss)	232,215	664,494	31,808	928,517
Operating expenses	199,805	572,532	27,368	799,705
Depreciation, amortization and impairment	14,675	41,761	2,010	58,446
Interest (net)	(9,967)	(28,362)	(1,365)	(39,694)
Net income (loss)	7,768	21,839	1,065	30,672
Segment assets	484,022	1,377,383	66,299	1,927,704
Fixed Assets, net of depreciation	106,201	302,216	14,547	422,964

The geographical location segmentation information for the three months ended March 31, 2006 is as follows:

	North, Central and South America	Europe, Middle East and Africa	Asia	Total
Sales	\$ 2,463,170	-	-	\$ 2,463,170
Cost of sales	2,325,531	-	-	2,325,531
Gross profit (loss)	137,639	-	-	137,639
Operating expenses	390,937	-	-	390,937
Depreciation, amortization and impairment	56,745	-	-	56,745
Interest (net)	(4,266)	-	-	(4,266)
Net income (loss)	(314,309)	-	-	(314,309)
Segment assets	780,310	-	-	780,310
	590,601	-	-	590,601

Fixed Assets, net
of depreciation

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Item 2. 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.

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 CarribbeanOne 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. We were unsuccessful in our efforts to acquire local termination minutes within Haiti. As a result, we no longer utilize our CarribbeanOne network and have focused our operations on other gateways recently developed.

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.

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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, we 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 have experienced 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 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.

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Results of Operations for the three months ended March 31, 2007 and 2006

For the three months ended March 31, 2007, we generated total revenue of \$5,483,752, compared to revenue of \$2,463,170 for the three months ended March 31, 2006. 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 three months ended March 31, 2007 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 local wireline and mobile operators, such as our direct routes in Mali, Gabon and Cameroon, Africa. Our ability to generate future revenues from the sale of direct routes has been significantly impaired as a result of the suspension of our Mali, Gabon, and Cameroon networks. During the three months ended March 31, 2007, \$4,690,914 of revenues were attributed to our brokered routes and \$792,838 of revenues were attributed to our direct routes, as compared to the three months ended March 31, 2006 where the wholesale revenue of \$2,355,452 was generated entirely from our CaribbeanONE network, our first direct route which is no longer operational. Our remaining revenues for the three months ended March 31, 2006 were generated from our majority-owned subsidiary, Telephone Corp. In October 2006, we completed the spin-off of our majority-owned subsidiary, Telephone Corp.

Our total cost of sales for the three months ended March 31, 2007 was \$4,555,235 compared to \$2,325,531 for the three months ended March 31, 2006. This resulted in a gross profit of \$928,517 and \$137,639 for the three months ended March 31, 2007 and 2006 respectively. The increase in gross profit is a result of increase sales of brokered routes.

We incurred operating expenses in the amount of \$854,473 for the three months ended March 31, 2007, compared to \$447,682 for the three months ended March 31, 2006. 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. 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 \$595,565 in commissions and wages and management fees for the three months ended March 31, 2007, compared to \$255,584 for the three months ended March 31, 2006. 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 income for the three months ended March 31, 2007 was \$30,672, compared to a net loss of (\$286,481) in the prior year.

Liquidity and Capital Resources

As of March 31, 2007, we had current assets of \$1,504,741. Our current assets consisted of cash and cash equivalents of \$381,178, accounts receivable in the amount of \$657,978, a loan receivable from our now related party Telephone Corp. (formerly majority-owned subsidiary until

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its spin-off on October 30, 2006) of \$429,975 and prepaid expenses and other current assets of \$35,610. Our total current liabilities as of March 31, 2007 were \$2,669,036. As a result, on March 31, 2007 we had working capital deficit of \$1,164,295.

Operating activities provided \$455,492 in cash for the three months ended March 31, 2007. A decrease in our accounts receivable of \$755,361 was the primary component of our positive operating cash flow. Investing activities during the three months ended March 31, 2007 used \$69,148 primarily for the acquisition of fixed assets. Cash flows provided by financing activities during the three months ended March 31, 2007 primarily consisted of \$95,927 for proceeds from loans payable- related parties. We primarily relied on revenues to fund our operations during the three months ended March 31, 2007.

As of April 30, 2007, 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 March 31, 2007, there were no off balance sheet arrangements.

Going Concern

As shown in the accompanying consolidated financial statements, we have a net income of \$34,350 and a net loss of \$286,481 for the three months ended March 31, 2007 and 2006, and have a working capital deficiency of \$1,164,295 as of March 31, 2007. 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 profitable operations. There can be no assurance that management will be able to raise sufficient capital, under terms satisfactory to us, if at all.

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Critical Accounting Policies

In December 2001, the SEC requested that all registrants list their most “critical accounting polices” 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., 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 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,

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“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.

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 March 31, 2007. 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 March 31, 2007, our disclosure controls and procedures are not effective. There have been no changes in our internal controls over financial reporting during the quarter ended March 31, 2007.

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In particular, management has identified certain limitations in specific critical controls in our accounting system that are increasingly resulting in lengthier time lapses required in order for us to accurately disclose our financial statements. In particular, these lengthier time lapses occur for the following reasons:

- Lack of dedicated resources to track and keep records of supplier invoices on a daily basis;
- Lack of dedicated resources to track and keep records of daily disbursements against these invoices;
- Surplus accounting entries required to track intercompany expenses, post spin-off of our majority-owned subsidiary, Telephone Corp.; and
 - Lack of a dedicated resource person to oversee daily record keeping.

Management will look to dedicate resources to these tasks in the coming months in order to accelerate the reporting of our financial statements. This resource dedication will result in the Company incurring additional costs which will affect the Company's profitability going forward. The Company's management anticipates that these costs will be up to \$50,000 per year in order to maintain compliance with timely financial reporting requirements.

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.

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 the 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.

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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 March 31, 2007.

Item 5. Other Information

None

Item 6. Exhibits

**Exhibit Description of Exhibit
Number**

- 31.1 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
- 31.2 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
- 32.1 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

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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 21, 2007

By: /s/ Simon Lamarche
Simon Lamarche

Title: **Chief Executive Officer
and Director**