UNITED AMERICAN CORP
Form 10QSB
August 13, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

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

For the quarterly period ended June 30, 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	95-4720231
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

4150 Ste-Catherine Quest, 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 [X] Yes [ ] No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). [ ] Yes [X] 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 shares as of August 13, 2007.

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

Table of Contents

TABLE OF CONTENTS

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

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, 2007 are not necessarily indicative of the results that can be expected for the full year.

Table of Contents

UNITED AMERICAN CORP
CONDENSED CONSOLIDATED BALANCE SHEET
JUNE 30, 2007
(UNAUDITED)

ASSETS		**(IN US$)**
Current Assets:		
Cash and cash equivalents	$	398,400
Accounts receivable, net		1,020,533
Interest receivable		33,000
Prepaid expenses and other current assets		12,643
Loan receivable - related company		435,751
Total Current Assets		1,900,327
Fixed assets, net of depreciation		377,726
TOTAL ASSETS	$	2,278,052
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
LIABILITIES		
Current Liabilities:		
Loans payable - related parties	$	286,757
Other payables		636,631
Convertible debentures		90,961
Derivative liability		18,885
Accounts payable and accrued expenses		1,555,608
Total Current Liabilities		2,588,842
Total Liabilities		2,588,842
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		(5,291,209)
Accumulated other comprehensive income (loss)		63,446
		2,588,842
Total Stockholders' Equity (Deficit)		2,278,052

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 4,866,894

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

F-1

Table of Contents

UNITED AMERICAN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 2007 AND 2006
(UNAUDITED)

	IN US$ SIX MONTHS JUNE 30,		IN US$ THREE MONTHS JUNE 30,	
	2007	**2006**	**2007**	**2006**
OPERATING REVENUES				
Sales	$ 13,170,050	$ 4,347,336	$ 7,686,298	$ 1,884,166
COST OF SALES				
Inventory, beginning of period	-	51,652	-	20,014
Purchases	11,315,659	3,759,996	6,756,746	1,466,103
Inventory, end of period	-	(15,862)	-	(15,862)
Total Cost of Sales	11,315,659	3,795,786	6,756,746	1,470,255
GROSS PROFIT	1,854,391	551,550	929,552	413,911
OPERATING EXPENSES				
Selling and promotion	93,228	56,220	20,417	29,232
Professional and consulting fees	218,315	139,188	95,800	68,352
Commissions and wages	892,380	441,569	296,816	185,985
Other general and administrative expenses	13,727	72,091	8,590	34,562
Depreciation, amortization and impairment	117,835	118,750	59,389	62,005
Total Operating Expenses	1,335,485	827,818	481,012	380,136
GAIN (LOSS) BEFORE OTHER INCOME	518,906	(276,268)	448,540	33,775
OTHER INCOME (EXPENSE)				
Gain on derivative liability	8,803	-	8,803	-
Interest expense	(64,540)	(16,627)	(24,846)	(12,361)
Total Other Income (Expense)	(55,737)	(16,627)	(16,043)	(12,361)

NET INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES AND MINORTY INTEREST		463,169		(292,895)		432,497		21,414
Minority interest		-		47,820		-		19,993
NET INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES		463,169		(245,075)		432,497		41,407
Provision for Income Taxes		-		-		-		-
NET INCOME (LOSS) APPLICABLE TO COMMON SHARES	$	463,169	$	(245,075)	$	432,497	$	41,407
NET INCOME (LOSS) PER BASIC AND DILUTED SHARES								
BASIC	$	0.01	$	(0.00)	$	0.01	$	0.00
FULLY DILUTED	$	0.01		(0.00)	$	0.01		0.00
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC		51,079,985		49,969,985		51,079,985		49,969,985
WEIGHTED AVERANGE NUMBER OF COMMON SHARES OUTSTANDING -- FULLY DILUTED		52,508,556		49,969,985		52,508,556		49,969,985
COMPREHENSIVE INCOME (LOSS)								
Net income (loss)	$	463,169	$	(245,075)	$	432,497	$	41,407
Other comprehensive income (loss)								
		(6,674)		53,777		(1,953)		47,303

Currency translation adjustments				
Comprehensive income (loss)	$ 456,495	$ (191,298)	$ 430,544	$ 88,710

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

Table of Contents

UNITED AMERICAN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006
(UNAUDITED)

	IN US$ 2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 463,169	$ (245,075)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation, amortization and impairment	117,835	118,750
Gain on derivative liability	(8,803)	-
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	480,558	(138,966)
Decrease in investment tax credits	-	(689)
Decrease in interest receivable	-	-
(Increase) decrease in prepaid expenses and other current assets	(3,698)	12,298
(Decrease) in accounts payable and and accrued expenses	(390,247)	(339,600)
Total adjustments	195,645	(312,417)
Net cash provided by (used in) operating activities	658,814	(557,492)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of fixed assets	(59,931)	(50,110)
(Increase) decrease in loan receivable - related company	18,443	-
Net cash (used in) investing activities	(41,488)	(50,110)
CASH FLOWS FROM FINANCING ACTIVITES		
(Decrease) in bank overdraft	-	(16,905)
	-	9,225

Proceeds from loan payable, net of repayments				
Proceeds from loan payable - related parties, net of repayments		(250,654)		594,417
Net cash provided by (used in) financing activities		(250,654)		586,737
Effect of foreign currency		(37,825)		53,777
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		328,847		32,912
CASH AND CASH EQUIVALENTS - BEGINNING YEAR		69,553		-
CASH AND CASH EQUIVALENTS - END OF PERIOD	$	398,400	$	32,912
CASH PAID DURING THE PERIOD FOR:				
Interest expense	$	64,540	$	6,000

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

Table of Contents

UNITED AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 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.

Table of Contents

UNITED AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006 (UNAUDITED)

NOTE 1- ORGANIZATION AND BASIS OF PRESENTATION (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 Teliphone, a former division focused on providing Voice-over-Internet -Protocol (VoIP) calling services to residential and business customers.

Teliphone, 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. Teliphone has grown primarily in the Province of Quebec, Canada through the sale of its product offering in retail stores and over the internet.

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%.

Table of Contents

UNITED AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006 (UNAUDITED)

NOTE 1- ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

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 Teliphone Corp. with an effective date of October 30, 2006. In accordance with APB 29, "Accounting for Nomonetary Transactions", the Company distributed the capital stock they owned in Teliphone 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).

Subsequently on July 1, 2007, the Company dissolved its wholly-owned subsidiary 3894517 Canada Inc. as it was no longer required for the Company to effectuate its normal day-to-day operations See Note 12- Subsequent Events.

Going Concern

As shown in the accompanying consolidated financial statements the Company has started to show net profits ($463,169 for the six months ended June 30, 2007), but prior to this time, the Company had incurred significant net losses, and accumulated a deficit of $5,2915,209 through June 30, 2007 and has a working capital deficiency of $688,515 as of June 30, 2007.

Despite the prior 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 customer base in the international telecommunications market.

In the near term, the Company does not require additional financing to continue its operations as it has achieved a profitable level of operations. The Company's ability to continue as a going concern for a reasonable period is dependent upon management's ability to continue to achieve profitable operations. There can be no assurance that management will be able to continue operations at a profitable level and hence, the Company would have to raise sufficient capital, under terms satisfactory to the Company, if at all.

Table of Contents

UNITED AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006 (UNAUDITED)

NOTE 1- ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

Going Concern (Continued)

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.

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.

Table of Contents

UNITED AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006 (UNAUDITED)

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 ($5,889) and $53,777 for the six months ended June 30, 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.

Table of Contents

UNITED AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006 (UNAUDITED)

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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.

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 June 30, 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.

Table of Contents

UNITED AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006 (UNAUDITED)

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 six months ended June 30, 2007 and 2006 are included in general and administrative expenses in the condensed consolidated statements of operations.

Concentration Risk

In the six months ended June 30, 2007 and 2006, the Company generated 97% and 98% of their sales from one customer. A major customer is a customer that represents greater than 10% of the total sales.

In the six months ended June 30, 2007 and 2006, the Company incurred 99% and 67% 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.

Table of Contents

UNITED AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006 (UNAUDITED)

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Table of Contents

UNITED AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006 (UNAUDITED)

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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:

	June 30, 2007	June 30, 2006
Net income (loss)	$ 463,169	$ (245,075)
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.

F-12

Table of Contents

UNITED AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006 (UNAUDITED)

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Stock-Based Compensation (Continued)

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

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

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

Table of Contents

UNITED AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006 (UNAUDITED)

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segment Information

The Company follows the provisions of SFAS No. 131, "*Disclosures about Segments of an Enterprise and Related Information*". This standard requires that companies disclose operating segments based on the manner in which management disaggregates the Company in making internal operating decisions. Commencing with the creation of Teliphone, 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 adoption of SFAS 154 has not had 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 adoption of SFAS 155 has not had a material impact 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 has not had a material impact on its condensed consolidated financial statements.

Table of Contents

UNITED AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006 (UNAUDITED)

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

In September 2006, the FASB issued SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements 87, 88, 106 and 132(R)" ("SFAS 158"). SFAS 158 requires an employer to recognize the over-funded or under-funded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS 158 also requires the measurement of defined benefit plan assets and obligations as of the date of the employer's fiscal year-end statement of financial position (with limited exceptions). The adoption of SFAS 158 has not had a material impact on its 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. The adoption of SFAS 159 has not had a material impact on its condensed consolidated financial statements.

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. The adoption of FIN No. 48 has not had a material impact on its 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 adoption of SAB 108 has not had a material impact on its condensed consolidated financial statements.

Table of Contents

UNITED AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006 (UNAUDITED)

NOTE 3- FIXED ASSETS

Fixed assets as of June 30, 2007 were as follows:

	Estimated Useful Lives (Years)		
Computer equipment	5	$	1,137,971
Less: accumulated depreciation			($760,245)
Fixed assets, net		$	377,726

There was $117,835 and $118,750 depreciation charged to operations for the six months ended June 30, 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 Teliphone 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 $33,000 of interest receivable through June 30, 2007. In addition, there are approximately $137,170 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 $288,171 outstanding as of June 30, 2007. These loans are short-term in nature.

The Company has expensed $64,540 and $16,627 in interest expense for the six months ended June 30, 2007 and 2006, respectively. There were no amounts outstanding at June 30, 2006.

The Company paid commissions to a company with common ownership in the amount of $102,206 and $208,597 in the six months ended June 30, 2007 and 2006, respectively.

Table of Contents

UNITED AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006 (UNAUDITED)

NOTE 5- LOANS PAYABLE - NON-RELATED PARTIES

The Company has $98,065 in loans payable with non-related parties that are due on demand, non-interest bearing and unsecured. Of this amount approximately $9,908 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 June 30, 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 June 30, 2007 the derivative call option was approximately $0.0132 per share.

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

Interest expense for the six months ended June 30, 2007 and 2006 was approximately $3,000 for each period. At June 30, 2007, there was no interest accrued.

Table of Contents

UNITED AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006 (UNAUDITED)

NOTE 7- COMMITMENTS

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:

2007 (6 months)	$ 16,115
2008	31,655
2009	23,229
Total	$ 70,999

Table of Contents

UNITED AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006 (UNAUDITED)

NOTE 8-STOCKHOLDERS' EQUITY (DEFICIT)

Common Stock

As of June 30, 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 June 30, 2007.

The Company has not issued any shares in the six months ended June 30, 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 June 30, 2007, deferred tax assets consist of the following:

Net operating losses	$	1,589,500
Valuation allowance		(1,589,500)
	$	-

At June 30, 2007, the Company had a net operating loss carryforwards of approximately $4,675,000, 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.

F-19

Table of Contents

UNITED AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006 (UNAUDITED)

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 six months ended June 30, 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 Teliphone Corp. with an effective date of October 30, 2006. In accordance with APB 29, "Accounting for Nomonetary Transactions", the Company distributed the capital stock they owned in Teliphone 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 Teliphone Corp. at October 30, 2006:

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

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

F-20

Table of Contents

UNITED AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006 (UNAUDITED)

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 Teliphone 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 Teliphone 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 six months ended June 30, 2007 are as follows:

	Corporate	Wholesale Services Brokered	Wholesale Services Direct	Connection Services	Total
Sales	$ -	$ 12,368,212	$ 801,838	$ -	$ 13,170,050
Cost of sales	-	11,264,017	51,642	-	11,315,659
Gross profit	-	1,104,195	750,196	-	1,854,391
Operating expenses	118,536	1,043,873	46,438	-	1,208,847
Depreciation, amortization and impairment	89,220	28,615	-	-	117,835
Interest (net)	(36,000)	-	(28,540)	-	(64,540)
Net income (loss)	(243,756)	31,707	675,218	-	463,169
Segment assets	-	2,026,277	251,775	-	2,278,052
Fixed Assets, net of depreciation	-	173,846	203,880	-	377,726

Operating segment data for the six months ended June 30, 2006 are as follows:

	Corporate	Wholesale Services Brokered	Wholesale Services Direct	Connection Services	Total
Sales	$ -	$ -	$ 4,143,624	$ 203,712	$ 4,347,336
Cost of sales	-	-	3,601,033	194,753	3,795,786
	-	-	542,591	8,959	551,550

Gross profit (loss)					
Operating expenses	60,045	-	470,450	178,573	709,068
Depreciation, amortization and impairment	89,220	-	8,511	21,019	118,750
Interest (net)	(6,000)	-	(647)	(9,980)	(16,627)
Net income (loss)	(155,265)	-	62,983	(200,613)	(292,895)
Segment assets	356,880	-	433,786	193,811	984,477
Fixed Assets, net of depreciation	356,880	-	87,043	127,537	571,460

F-21

Table of Contents

UNITED AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006 (UNAUDITED)

NOTE 11- SEGMENT INFORMATION (CONTINUED)

In addition, the segment data broken out by geographical location for the six months ended June 30, 2007 are as follows:

	North, Central and South America	Europe, Middle East and Africa	Asia	Total
Sales	$ 1,871,576	$ 11,033,589	$ 264,885	$ 13,170,050
Cost of sales	1,608,052	9,480,019	227,588	11,315,659
Gross profit (loss)	263,525	1,553,569	37,297	1,854,391
Operating expenses	171,787	1,012,746	24,313	1,208,847
Depreciation, amortization and impairment	16,745	98,720	2,370	117,835
Interest (net)	(9,172)	(54,070)	(1,298)	(64,540)
Net income (loss)	65,820	388,033	9,316	463,169
Segment assets	323,731	1,908,504	45,818	2,278,052
Fixed Assets, net of depreciation	53,678	316,451	7,597	377,726

The geographical location segmentation information for the six months ended June 30, 2006 is as follows:

	North, Central and South America	Europe, Middle East and Africa	Asia	Total
Sales	$ 572,106	$ 1,284,200	$ 2,491,030	$ 4,347,336
Cost of sales	499,522	1,121,273	2,174,991	3,795,786
Gross profit (loss)	72,583	162,927	316,038	551,549
Operating expenses	95,501	214,370	415,824	725,695
Depreciation, amortization and impairment	15,627	35,079	68,044	118,750
Interest (net)	(2,188)	(4,912)	(9,527)	(16,627)
Net income (loss)	(38,545)	(86,521)	(167,830)	(292,896)
Segment assets	131,055	294,178	570,632	995,865
Fixed Assets, net of depreciation	75,204	168,809	327,447	571,460

NOTE 12- SUBSEQUENT EVENTS

On July 1, 2007, the Company dissolved its wholly-owned subsidiary 3894517 Canada Inc. as it no longer required the Canadian operating subsidiary for banking operations. The Company established its own banking operations in the State of Florida. There are no changes to the consolidated financial statements due to the dissolution, as all operations will now run through the parent company.

Table of Contents

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 utilized 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 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, Teliphone Corp., on October 30, 2006.

Table of Contents

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 Tier 1 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.

Table of Contents

We further expanded our network by entering 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 bases.

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 status 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 2007.

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

Table of Contents

Results of Operations for the three and six months ended June 30, 2007 and 2006

For the three months ended June 30, 2007, we generated total revenue of $7,686,298, compared to revenue of $1,884,166 for the three months ended June 30, 2006. Our total revenue reported for the six months ended June 30, 2007 was $13,170,050, compared to revenue of $4,347,336 for the six months ended June 30, 2007. 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 and six months ended June 30, 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 brokered international telecom 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 six months ended June 30, 2007, $12,368,212 of revenues were attributed to our brokered routes and $801,838 of revenues were attributed to our direct routes, as compared to the six months ended June 30, 2006 where $0.00 of revenues were generated from brokered routes and $4,143,624 were generated from direct routes.

Our cost of sales for the three months ended June 30, 2007 was $6,756,746, a 360% increase from $1,470,255 for the three months ended June 30, 2006. Our cost of sales for the six months ended June 30, 2007 was $11,315,659, a 198% increase from $3,795,786 for the six months ended June 30, 2006. The increase in cost of sales is primarily attributable to increased sales of brokered routes in the reporting period. Our lack of inventory purchase for the three months and six months periods are due to our no longer consolidating Teliphone Corp, formerly majority-owned subsidiary and spun off on October 30, 2006.

We incurred operating expenses in the amount of $481,012 for the three months ended June 30, 2007, compared to $380,136 for the three months ended June 30, 2006. We incurred operating expenses in the amount of $1,335,485 for the six months ended June 30, 2007, compared to $827,818 for the six months ended June 30, 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, Teliphone Corp, on October 30, 2006, there will be no further consolidation of their results of operations. We paid $296,816 in commissions and wages and management fees for the three months ended June 30, 2007, compared to $185,985 for the three months ended June 30, 2006. We paid $892,380 in commissions and wages and management fees for the six months ended June 30, 2007, compared to $441,569 for the six months ended June 30, 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.

Table of Contents

Our net income for the three months ended June 30, 2007 was $432,497, compared to a net income of $41,407 in the prior year. Net income for the six months ended June 30, 2007 was $463,169, compared to a net loss of $245,075 for the six months ended June 30, 2006. The reporting of net income during the three months ended June 30, 2007 was primarily attributable to increased sales with a higher profit margin.

Liquidity and Capital Resources

As of June 30, 2007, we had current assets of $1,900,327. Our current assets consisted of cash and cash equivalents of $398,400, accounts receivable in the amount of $1,020,533, a loan receivable from our now related party Teliphone Corp. (formerly majority-owned subsidiary until its spin-off on October 30, 2006) of $435,751 and prepaid expenses and other current assets of $12,643. Our total current liabilities as of June 30, 2007 were $2,588,842. As a result, on June 30, 2007 we had working capital deficit of $688,515.

Operating activities provided $658,814 in cash for the six months ended June 30, 2007. A decrease in our accounts receivable of $480,558 was the primary component of our positive operating cash flow. Investing activities during the six months ended June 30, 2007 used $41,488, respectively, primarily for the acquisition of fixed assets. Cash flows used in\ financing activities during the six months ended June 30, 2007 primarily consisted of $250,654 for proceeds from loans payable- related parties. We primarily relied on revenues to fund our operations during the three and six months ended June 30, 2007.

As of June 30, 2007, our management believes that we have sufficient capital to support our operations at the current level over the next twelve months. The growth 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 June 30, 2007, there were no off balance sheet arrangements.

Going Concern

As shown in the accompanying consolidated financial statements the Company has started to show net profits ($463,169 for the six months ended June 30, 2007), but prior to this time, the Company had incurred significant net losses, and accumulated a deficit of $5,2915,209 through June 30, 2007 and has a working capital deficiency of $688,515 as of June 30, 2007.

Despite, the prior recurring losses, the Company has been successful in establishing distribution channels in Africa and generating significant revenue growth in the past six

Table of Contents

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 customer base in the international telecommunications market.

In the near term, the Company does not require additional financing to continue its operations as it has achieved a profitable level of operations. The Company's ability to continue as a going concern for a reasonable period is dependent upon management's ability to continue to achieve profitable operations. There can be no assurance that management will be able to continue operations at a profitable level and hence, the Company would have to raise sufficient capital, under terms satisfactory to the Company, if at all

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

Table of Contents

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

SEE NOTE 2 IN FINANCIALS - RECENT ACCOUNTING PRONOUNCEMENTS

Item 3. Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure

Table of Contents

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, 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 June 30, 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 June 30, 2007.
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, Teliphone 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.

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, 2007.

Item 5. Other Information

None

Item 6. Exhibits

Exhibit Number	Description of Exhibit
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

Table of Contents

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: August 13, 2007

By: /s/George Metrakos
George Metrakos
Title: **Chief Executive Officer and Director**