

LAW OFFICES OF KEITH J. ROLAND

1 COLUMBIA PLACE  
ALBANY, NEW YORK 12207

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**ORIGINAL**  
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RECEIVED-FPSC  
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COMMISSION  
CLERK

November 9, 2005

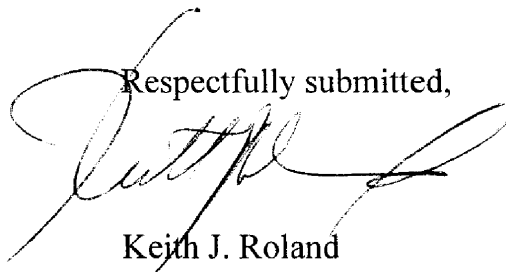
Hon. Blanca Bayo  
Director of the Division  
of the Commission Clerk  
and Administrative Services  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: Alpha Phone Inc. - Application for Authority to Provide  
Alternative Local Exchange Services

Dear Director Bayo:

On behalf of Alpha Phone Inc, enclosed for filing is an original and six copies of its  
Application for Authority along with the required \$250.00 filing fee.

Respectfully submitted,

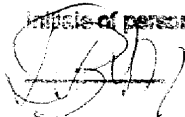


Keith J. Roland

KJR:kpd  
Enclosures

When received with filing and forwarded  
to Fiscal for deposit. Fiscal to forward  
deposit information to Records.

Initials of person who forwarded check.



RECEIVED & FILED

FPSC-BUREAU OF RECORDS

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FPSC-COMMISSION CLERK

**\*\* FLORIDA PUBLIC SERVICE COMMISSION \*\***

**DIVISION OF COMPETITIVE MARKETS AND ENFORCEMENT**  
**CERTIFICATION**

**APPLICATION FORM**

for

**AUTHORITY TO PROVIDE**  
**ALTERNATIVE LOCAL EXCHANGE SERVICE**  
**WITHIN THE STATE OF FLORIDA**

050861-TX

**Instructions**

- This form is used as an application for an original certificate and for approval of the assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Page 12).
- Print or type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.
- Use a separate sheet for each answer which will not fit the allotted space.
- Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of **\$250.00** to:

**Florida Public Service Commission**  
***Division of the Commission Clerk and Administrative Services***  
**2540 Shumard Oak Blvd.**  
**Tallahassee, Florida 32399-0850**  
**(850) 413-6770**

If you have questions about completing the form, contact:

**Florida Public Service Commission**  
**Division of Competitive Markets and Enforcement**  
**Certification**  
**2540 Shumard Oak Blvd.**  
**Tallahassee, Florida 32399-0850**  
**(850) 413-6600**

# APPLICATION

1. This is an application for  (check one):

**Original certificate** (new company).

**Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.

**Approval of assignment of existing certificate:** Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.

**Approval of transfer of control:** Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of company:

Alpha Phone Inc.

3. Name under which the applicant will do business (fictitious name, etc.):

Alpha Phone Inc.

4. Official mailing address (including street name & number, post office box, city, state, zip code):

1279 37<sup>th</sup> Street  
Brooklyn, New York 11218

**5. Florida address (including street name & number, post office box, city, state, zip code):**

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**6. Structure of organization:**

- |  |   |
|--|---|
| <input type="checkbox"/> Individual          | <input checked="" type="checkbox"/> Corporation |
| <input type="checkbox"/> Foreign Corporation | <input type="checkbox"/> Foreign Partnership    |
| <input type="checkbox"/> General Partnership | <input type="checkbox"/> Limited Partnership    |
| <input type="checkbox"/> Other _____         |   |

**7. If individual, provide:**

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Zip: \_\_\_\_\_

Telephone No.: \_\_\_\_\_ Fax No.: \_\_\_\_\_

Internet E-Mail Address: \_\_\_\_\_

Internet Website Address: \_\_\_\_\_

**8. If incorporated in Florida, provide proof of authority to operate in Florida:**

**(a) The Florida Secretary of State corporate registration number:**

P05000120280

**9. If foreign corporation, provide proof of authority to operate in Florida:**

(a) The Florida Secretary of State corporate registration number:

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**10. If using fictitious name-d/b/a, provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:**

(a) The Florida Secretary of State fictitious name registration number:

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**11. If a limited liability partnership, provide proof of registration to operate in Florida:**

(a) The Florida Secretary of State registration number:

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**12. If a partnership, provide name, title and address of all partners and a copy of the partnership agreement.**

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Zip: \_\_\_\_\_

Telephone No.: \_\_\_\_\_ Fax No.: \_\_\_\_\_

Internet E-Mail Address: \_\_\_\_\_

Internet Website Address: \_\_\_\_\_

**13. If a foreign limited partnership, provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.**

(a) The Florida registration number: \_\_\_\_\_

**14. Provide F.E.I. Number(if applicable):** 20-3400010

**15. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:**

(a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. Provide explanation.

The applicant, nor any of its members, have ever been adjudged bankrupt, mentally incompetent, or found guilty of any felony or crime. The applicant has not and is not the subject of any civil or criminal proceeding.

(b) an officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

The applicant, nor any of its members, is not apart of any other Florida certificated telephone company.

**16. Who will serve as liaison to the Commission with regard to the following?**

(a) The application:

Name: Keith J. Roland

Title: Attorney

Address: 1 Columbia Place

City/State/Zip: Albany, New York 12207

Telephone No.: 518-434-8112 Fax No.: 518-434-3232

Internet E-Mail Address: kroland@rfkplaw.com

Internet Website Address: \_\_\_\_\_

(b) Official point of contact for the ongoing operations of the company:

Name: Isaac Honig

Title: President/ CEO

Address: 1279 37<sup>th</sup> Street

City/State/Zip: Brooklyn, New York 11218

Telephone No.: 646-372-3497 Fax No.: 718-436-8034

Internet E-Mail Address: Isaac@alphaphone.com

Internet Website Address: \_\_\_\_\_

(c) Complaints/Inquiries from customers:

Name: Isaac Honig

Title: President/CEO

Address: 1279 37<sup>th</sup> Street

City/State/Zip: Brooklyn, New York 11218

Telephone No.: 888-928-6423 Fax No.: 718-436-8034

Internet E-Mail Address: Isaac@alphaphone.com

Internet Website Address: \_\_\_\_\_

**17. List the states in which the applicant:**

(a) has operated as an alternative local exchange company.

Applicant is a newly formed Florida Corporation, and is not operating as an alternative local exchange company in any other state.

However, applicant's parent company, Alpha Phone NY, is operating as an alternative local exchange company in New York.

(b) has applications pending to be certificated as an alternative local exchange company.

The applicant has no applications pending to be certified as an alternative local exchange company in any other state.

(c) is certificated to operate as an alternative local exchange company.

The applicant is not certificated in any other state to operate as an alternative local exchange company.

However, applicant's parent company, Alpha Phone NY, is certificated as an alternative local exchange company in New York.

(d) has been denied authority to operate as an alternative local exchange company and the circumstances involved.

The applicant has never been denied authority to operate as an alternative local exchange company.

(e) has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

The applicant has not had any regulatory penalties imposed for violations of telecommunications statutes.

(f) has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

The applicant has not been involved in any civil court proceedings with an Interexchange carrier, local exchange company, or any other telecommunications entity.

**18. Submit the following:**

**A. Managerial capability: give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.**

The applicant possesses the managerial qualifications to operate and manage its telecommunications services in the State of Florida. Please see attached resume for Isaac Honig, President/CEO.

**B. Technical capability: give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.**

The applicant possesses the technical capability to operate and manage its telecommunications services in the State of Florida. Please see attached resume for Jay Moskowitz, CIO/CTO.



### C. Financial capability.

The application **should contain** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated.

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer affirming that the financial statements are true and correct and should include:

1. the balance sheet:
2. income statement: and
3. statement of retained earnings.

The applicant is a newly formed Florida Corporation that currently has no financials. In lieu of applicant's balance sheet, please see attached projected operating statement, notes to financial forecast, along with a letter from applicant's accountant, Jacob Glick, CPA.

In addition, please see attached balance sheet and financial statements for applicant's parent company, Alpha Phone NY, along with a letter from Jacob Glick, CPA.

**NOTE:** *This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.*

Further, the following (which includes supporting documentation) should be provided:

1. **written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

The applicant has sufficient financial capability to provide alternative local exchange service within the State of Florida. Please refer to applicant's attached financial documents, and the balance sheet and financial statements of applicant's parent company, Alpha Phone NY.

2. **written explanation** that the applicant has sufficient financial capability to maintain the requested service.

The applicant has sufficient financial capability to maintain alternative local exchange service within the State of Florida. Please refer to applicant's attached financial documents, and the balance sheet and financial statements of applicant's parent company, Alpha Phone NY.

3. **written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

The applicant has sufficient financial capability to meet their lease or ownership obligations. Please refer to applicant's attached financial documents, and the balance sheet and financial statements of applicant's parent company, Alpha Phone NY.

**THIS PAGE MUST BE COMPLETED AND SIGNED  
APPLICANT ACKNOWLEDGMENT STATEMENT**

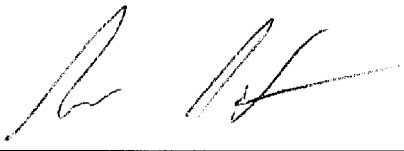
1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of \$50 is required.
  
2. **APPLICATION FEE:** I understand that a non-refundable application fee of \$250.00 must be submitted with the application.

UTILITY OFFICIAL:

Isaac Honig  
Print Name

President/CEO  
Title

646-372-3497  
Telephone No.

  
Signature

11/26/05  
Date

718-436-8034  
Fax No.

Address: 1279 37<sup>th</sup> Street  
Brooklyn, New York 11218  
\_\_\_\_\_

**THIS PAGE MUST BE COMPLETED AND SIGNED**

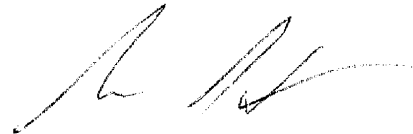
**AFFIDAVIT**

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange company service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

UTILITY OFFICIAL:

Isaac Honig  
Print Name

  
Signature

President/CEO  
Title

11/6/05  
Date

646-372-3497  
Telephone No.

718-436-8034  
Fax No.

Address: 1279 37<sup>th</sup> Street

Brooklyn, New York, 11218

**CERTIFICATE OF INCORPORATION**

# *Certified Copy*

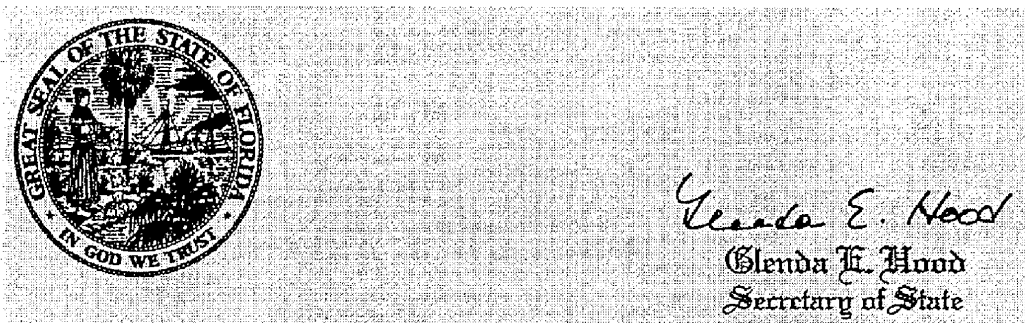
I certify the attached is a true and correct copy of the Articles of Incorporation of ALPHA PHONE INC., a Florida corporation, filed electronically on August 30, 2005, as shown by the records of this office.

I further certify that this is an electronically transmitted certificate authorized by section 15.16, Florida Statutes, and authenticated by the code noted below.

The document number of this corporation is P05000120280.

Authentication Code: 050830163954-600059126746#1

Given under my hand and the  
Great Seal of the State of Florida  
at Tallahassee, the Capital, this the  
Thirtieth day of August, 2005



**Electronic Articles of Incorporation  
For**

P05000120280  
FILED  
August 30, 2005  
Sec. Of State  
vingram

ALPHA PHONE INC.

The undersigned incorporator, for the purpose of forming a Florida profit corporation, hereby adopts the following Articles of Incorporation:

**Article I**

The name of the corporation is:

ALPHA PHONE INC.

**Article II**

The principal place of business address:

1279 37TH STREET  
BROOKLYN, NY. 11218

The mailing address of the corporation is:

1279 37TH STREET  
BROOKLYN, NY. 11218

**Article III**

The purpose for which this corporation is organized is:

ANY AND ALL LAWFUL BUSINESS.

**Article IV**

The number of shares the corporation is authorized to issue is:

200

**Article V**

The name and Florida street address of the registered agent is:

BLUMBERGEXCELSIOR CORPORATE SERVICES, INC.  
4435 OLD WINTER GARDEN ROAD  
ORLANDO, FL. 32811

I certify that I am familiar with and accept the responsibilities of registered agent.

Registered Agent Signature: MARC MOEL

P05000120280  
FILED  
August 30, 2005  
Sec. Of State  
vingram

### Article VI

The name and address of the incorporator is:

ISAAC HONIG  
1279 37TH STREET  
BROOKLYN NY 11218

Incorporator Signature: ISAAC HONIG



# *Certificate of Status*

I certify from the records of this office that ALPHA PHONE INC. is a corporation organized under the laws of the State of Florida, filed electronically on August 30, 2005.

The document number of this corporation is P05000120280.

I further certify that said corporation has paid all fees due this office through December 31, 2005, and its status is active.

I further certify that said corporation has not filed Articles of Dissolution.

I further certify that this is an electronically transmitted certificate authorized by section 15.16, Florida Statutes, and authenticated by the code noted below.

Authentication Code: 050830163954-600059126746#1

Given under my hand and the  
Great Seal of the State of Florida  
at Tallahassee, the Capital, this the  
Thirtieth day of August, 2005



*Glenda E. Hood*  
Glenda E. Hood  
Secretary of State

**TECHNICAL AND MANAGEMENT QUALIFICATIONS**

JAY MOSKOWITZ.  
CIO/CTO,  
ALPHA PHONE INC.

TECHNICAL EXPERIENCE

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2004-Present Alpha Phone Inc. Brooklyn, NY

*CIO/CTO*

- Expert in Public Switched Telephone Networks and next-generation services, Class 4 and Class 5 access and core carrier networks, Telephones, key systems and PBXs PRI/T1 circuits, GR-303 links for POTS lines and VoIP. Expert in Trunking applications, complete PSTN interoperability signaling protocols including Feature Group C and D, T1 CAS, CAMA for E911 and PRI NI-2.
- Implemented, setup, and distributed all network related products and devices within the Alpha Phone structure, Local Service, Long distance, International, Telephony Call Blend Dialers, Phone systems.
- Expert in, wired, wireless, and cabling technologies.
- Designed Turnkey VoIP systems for residential and Business customers.

1994-2004 New York Cellular. Brooklyn, NY

*Director of Operations*

- Designed and installed multi CDPD networks, running cohesively with existing analog spectrums and radio channels.
- Managed the Circuit switched Class 4 and Class 5 networks.
- Networked Multiplexers within Cellular trunking groups.
- Repaired end-user equipment, expert troubleshooter RF Spectrum.

1992-1994 Eagle Electronics Inc. Brooklyn, NY

*Networks Administrator*

- Oversaw and directed the entire IT staff.
- Managed the PBX and key systems.
- Built a VPN for the electronics division.

Maintained a hierarchy database with sub-masking levels

FAX (800) 930-8647 • E-MAIL [JAY@ALPHAPHONE.COM](mailto:JAY@ALPHAPHONE.COM)  
1279 37<sup>TH</sup> STREET • BROOKLYN, NEW YORK 11218-1974  
PHONE (888) 928-6423

## **Isaac Honig – President and CEO**

Mr. Honig has over 7 years of experience in the Telecom Sector. He has held senior positions at Exprimer Telecom, a long distance telephone provider. He has also managed E-Z Care, a health care software provider. Mr. Honig has also co-founded Connect Tel, a leading local telephone provider, serving as president and COO, and leading its growth to 12 million dollars annually. Mr. Honig has also developed provision technology software Corp. Administered the provisioning department and the programming departments, which needed a very cohesive design and flow process to insure that the provisioning software packages would work seamlessly with other products and protocols in order to smooth over the provisioning and migration process for other CLEC's. Mr. Honig founded, and serving as CEO, of Alpha Phone, a CLEC that is geared and marketed to a customer base that is being ignored and abandoned by the major ILEC's.

## **FINANCIALS**

# JACOB GLICK CPA, P.C. CERTIFIED PUBLIC ACCOUNTANT

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Member N.Y.S.S.C.P.A.

1454 42nd Street  
Brooklyn, NY 11219  
(718) 972-0187  
Fax: (718) 436-5997  
Email: JACKCPA@VERIZON.NET

Board of Directors  
Alpha Phone

We have compiled the accompanying forecasted balance sheet, and statements of income of Alpha Phone as of September 23, 2005, and for the next five years, in accordance with standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of a forecast information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecast and, accordingly, do not express an opinion or any other form of assurance on the accompanying statements or assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Respectfully,

*Jacob Glick CPA PC*

September 23, 2005

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# Alpha Phone Projected Operating Statement

	First Year	Second Year	Third Year	Forth Year	Fifth Year
Total Income	2,688,065	8,718,678	13,118,112	19,737,311	29,696,180
Total Expenses	753,504	2,458,080	3,719,520	5,627,880	8,514,720
Gross Profit	1,934,561	6,260,598	9,398,592	14,109,431	21,181,460
Operating Expenses:					
Rent	24,000	24,000	24,000	24,000	24,000
Insurance	4,800	4,800	4,800	4,800	4,800
Security	900	900	900	900	900
Advertising	150,000	187,500	234,375	292,969	366,211
Professional Fees	9,000	11,250	14,063	17,578	21,973
Receptionists	12,000	12,000	12,000	12,000	12,000
Management	18,000	18,000	18,000	18,000	18,000
Maintenance	1,200	1,200	1,200	1,200	1,200
Officer Wages	60,000	90,000	135,000	202,500	303,750
Employment Taxes	13,500	18,000	24,750	34,875	50,063
Office Expenses	10,752	34,875	52,472	78,949	118,785
Billing	33,400	108,000	162,000	243,000	364,500
Collections	8,350	27,000	40,500	60,750	91,125
Telephone & Utilities	25,000	25,000	25,000	25,000	25,000
Total Expenses	\$ 370,902	\$ 562,525	\$ 749,060	\$ 1,016,521	\$ 1,402,306
NET INCOME	\$ 1,563,659	\$ 5,698,073	\$ 8,649,532	\$ 13,092,909	\$ 19,779,154

See summary of significant assumptions and accounting policies and accountant's report.

**JACOB GLICK**  
CERTIFIED PUBLIC ACCOUNTANT

## Alpha Phone Notes to Financial Forecast

### NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Alpha Phone is presented to assist in the understanding of the Company's financial forecast. The financial forecast and notes are representations of the Company's management that is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the presentation of the financial forecast.

1) **Organization**

Alpha Phone was incorporated in 2005 under the laws of Florida with an authorized capitalization of 200 shares of common stock with no par value, all of which were issued and outstanding.

2) **Business Activities**

The Company is engaged in the resale of local telephone access which is bought from the major local carrier. Customers include residential as well as commercial users.

3) **Assumptions**

This forecast is based on figures the Company believes it can attain. The target market is residential users and some commercial users. The following assumptions are made:

• **Income**

The first year income is based on obtaining by the end of the first year 6,000 lines. Of these lines 80% would be residential with 20% commercial. Commercial lines are more expensive and more profitable. Additional features are assumed to be requested by 90% of residential customers and 98% of commercial customers. Such features are very profitable.

• **Growth**

Growth is forecasted at 50% a year. The break down between residential and commercial is as follows: second year residential 75% with commercial 25%, The third year residential 70% with commercial 30%, The fourth year residential 65% with commercial 35%, The fifth year residential 60% with commercial 40%. No assumptions have been made for price increases which are possible.

• **Cost of sales**

Cost of sales is based on the known rates charged by the major carrier with no assumptions for rate increases.

• **Operating Expenses**

Operating Expenses have been forecasted to be fixed except for advertising at a 25% annual increase, officer wages at 50%, office expense as a percentage of revenue, and billing & collections as a percent of lines.



FINANCIALS OF ALPHA PHONE NY

# JACOB GLICK CERTIFIED PUBLIC ACCOUNTANT

Member and NYSSCPA

1454 42nd Street  
Brooklyn, NY 11219  
(718) 972-0187  
Fax: (718) 436-5997

To the Stockholders  
Alpha Phone  
Brooklyn, NY

Gentlemen:

We have reviewed the accompanying balance sheet of Alpha Phone as of May 31, 2005, and the related statements of income, retained earnings, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Alpha Phone.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

August 3, 2005

Respectfully,

*Jacob Glick C.P.A.*

**Financial Statements**  
**Alpha Phone**  
**May 31, 2005**

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**Alpha Phone  
Balance Sheet  
May 31, 2005**

**Assets**

**Current Assets:**

Cash In Banks	\$	196,081	
Accounts Receivable		<u>120,397</u>	
Total Current Assets			316,478

**Fixed Assets**

Furniture & Fixtures		5,244	
Improvements		74,664	
Startup Costs		1,000	
Less : Depreciation & Amortization		<u>(2,752)</u>	
Total Fixed Assets			78,157

**Other Assets**

Prepaid Expenses		97,680	
Security Deposit - Rent		<u>5,000</u>	
Total Other Assets			102,680
Total Assets	\$		<u><u>497,315</u></u>

**Liabilities and Stockholders Equity**

**Current Liabilities**

Accounts Payable	\$	95,695	
Taxes Payable		<u>22,838</u>	
Total Current Liabilities			118,534

**Long Term Liabilities**

Loans from officers		<u>330,489</u>	
Total Long Term Liabilities			330,489

**Stockholders Equity**

Common Stock		10,000	
Retained Earnings		<u>38,292</u>	
			48,292
	\$		<u><u>497,315</u></u>

See accompanying notes and Accountants review report

**Alpha Phone**  
**Statement of Income and Retained Earnings**  
**For the Year ended May 31, 2005**

Net Sales	\$ 546,695	100.00%
Cost of Goods Sold:	<u>248,901</u>	45.53%
<b>Gross Profit</b>	297,794	54.47%
General and Administrative Expenses :	<u>240,230</u>	43.94%
Net Income From Operations	57,564	10.53%
Other income and Expenses	<u>3,037</u>	0.56%
Net Income Before Provision for Income Tax	54,527	9.97%
Allowance for Corporate Taxes	<u>16,235</u>	2.97%
<b>Net Income</b> to Retained Earnings	38,292	7.00%
Retained Earnings Beginning	<u>-</u>	
Retained Earnings Ending	<u><u>\$ 38,292</u></u>	

See accompanying notes and Accountants review report

**Alpha Phone**  
**Schedule of Income and Expenses**  
**For the Year ended May 31, 2005**

Local & Long Distance Fees	\$ 248,901	45.53%
<b>Total Cost of Goods Sold</b>	<u>248,901</u>	

**General and Administrative Expenses :**

Bank Service Charges	\$ 2,663	0.49%
Consulting	28,345	5.18%
Insurance	905	0.17%
Fees	7,722	1.41%
Office Expenses	1,970	0.36%
Operators	3,960	0.72%
Payroll Expenses	57,018	10.43%
Postage and Delivery	3,487	0.64%
Professional Development	32,428	5.93%
Advertising	21,928	4.01%
Professional Fees	19,668	3.60%
Rent	19,100	3.49%
Taxes	30,810	5.64%
Telephone	7,430	1.36%
Travel & Entertainment	2,200	0.40%
Utilities	595	0.11%
<b>Total General and Administrative Expenses :</b>	<u>240,230</u>	<u>43.94%</u>

**Other Income and Expenses**

Interest Expense	285	0.05%
Amortization	167	0.03%
Depreciation	2,585	0.47%
<b>Total Other Expenses</b>	<u>3,037</u>	<u>0.56%</u>
<b>Total Other Income and Expense</b>	<u>3,037</u>	

See accompanying notes and Accountants review report

**Alpha Phone**  
**Statement of Cash Flows**  
**For the Year ended May 31, 2005**

**Cash Flow From Operating Activities :**

Net Income		\$38,292
Adjustments to reconcile net income to net cash provided by operating activities :		
Change in accounts receivable	(120,397)	
Change in accounts payable	95,695	
Change in accumulated depreciation	2,585	
Change in accumulated amortization	167	
Change accrued expenses	(97,680)	
Change in security deposit	(5,000)	
Change in payroll tax payable	42	
Change in corp. tax payable	22,797	
		<u>(101,791)</u>
Cash flow from operating activities		(63,499)

**Cash Flow From Investing Activities :**

Purchase of Furniture & Fixtures	(5,244)	
Startup Costs	(1,000)	
Common Stock	10,000	
Improvements	(74,664)	
Cash flow from Investing activities		(70,909)

**Cash Flow From Financing Activities :**

Change in officers loans	330,489	
Cash flow from Financing activities		<u>330,489</u>

Net increase in cash		196,081
Cash at beginning of year		0
Cash at May 31, 2005		<u>\$ 196,081</u>

See accompanying notes and Accountants review report



**Alpha Phone**  
Notes to Financial Statements

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

This summary of significant accounting policies of Alpha Phone is presented to assist in the understanding of the Company's financial statements. The financial statements and notes are representations of the Company's management that is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the presentation of the financial statements.

1) **Organization**

Alpha Phone was incorporated in June of 2004 under the laws of New York with an authorized capitalization of 200 shares of common stock with no par value, all of which were issued and outstanding.

2) **Business Activities**

The Company is engaged in the resale of telephone access which is bought from the major local carrier. Customers include residential as well as commercial users.

3) **Accounts Receivable**

Accounts receivable consist primarily of the Company's steady ongoing customers. Terms are according to industry standards and are usually paid net 30.

4) **Fixed Assets**

Fixed Assets are stated at cost. Maintenance and repairs are charged to operating expenses, and improvements are capitalized. Depreciation is computed under the straight line method for financial purposes and the modified accelerated cost recovery system for tax reporting purposes.