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FLORIDA PUBLIC SERVICE COMMISSION  
DATE DEPOSIT  
DIVISION OF REGULATORY ANALYSIS

OK# 6174  
\$ 400.00  
6-22-12  
RT

JUN 28 2012 2 51

APPLICATION FORM  
for

AUTHORITY TO PROVIDE COMPETITIVE LOCAL EXCHANGE  
TELECOMMUNICATIONS COMPANY SERVICE  
WITHIN THE STATE OF FLORIDA

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COMMISSION  
CLERK

Instructions

- A. This form is used as an application for an original certificate and for approval of sale, assignment or transfer of an existing certificate. In the case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee (See Page 8).
- B. Print or type all responses to each item requested in the application. If an item is not applicable, please explain.
- C. Use a separate sheet for each answer which will not fit the allotted space.
- D. Once completed, submit the original and one copy of this form along with a non-refundable application fee of **\$400.00** to:

**Florida Public Service Commission  
Office of Commission Clerk  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850  
(850) 413-6770**

- E. A filing fee of **\$400.00** is required for the sale, assignment or transfer of an existing certificate to another company (Chapter 25-24.815, F.A.C.).
- F. If you have questions about completing the form, contact:

**Florida Public Service Commission  
Division of Regulatory Analysis  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850  
(850) 413-6600**

COM	_____
APA	_____
ECR	_____
GCL	_____
RAD	1
SRC	_____
ADM	_____
OPC	_____
CLK	1-NG

FORM PSC/RAD 8 (5/08)  
Commission Rule Nos. 25-24.810,  
and 25-24.815

Note: To complete this interactive form Required  
by using your computer, use the tab key to  
navigate between data entry fields.

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FPSC-COMMUNICATIONS CLERK

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 rather than apply for a new certificate.

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

2. Name of company: **Nettalk .Com Inc.**

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

**Nettalk**

4. Official mailing address:

Street/Post Office Box: **1080 NW 163<sup>rd</sup> Drive**  
City: **Miami**  
State: **Florida**  
Zip: **33169**

5. Florida address:

Street/Post Office Box: **1080 NW 163<sup>rd</sup> Drive**  
City: **Miami**  
State: **Florida**  
Zip: **33169**

6. Structure of organization:

Individual  
 Foreign Corporation  
 General Partnership  
 Other,

Corporation  
 Foreign Partnership  
 Limited Partnership

7. **If individual**, provide:

Name:  
Title:  
Street/Post Office Box:  
City:  
State:  
Zip:  
Telephone No.:  
Fax No.:  
E-Mail Address:  
Website Address:

8. **If incorporated in Florida**, provide proof of authority to operate in Florida. The Florida Secretary of State corporate registration number is: P06000061539

9. **If foreign corporation**, provide proof of authority to operate in Florida. The Florida Secretary of State corporate registration number is:

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

11. **If a limited liability partnership**, please proof of registration to operate in Florida. The Florida Secretary of State registration number is:

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

Name:  
Title:  
Street/Post Office Box:  
City:  
State:  
Zip:  
Telephone No.:  
Fax No.:  
E-Mail Address:  
Website Address:

13. **If a foreign limited partnership**, provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable. The Florida registration number is:

14. Provide **F.E.I. Number**(if applicable): 20-4830633

15. Who will serve as liaison to the Commission in regard to the following?

(a) The application:

Name: Kenneth Hosfeld  
Title: VP  
Street name & number: 1080 NW 163<sup>rd</sup> Drive  
Post office box:  
City: Miami  
State: Florida  
Zip: 33169  
Telephone No.: 305-621-1200  
Fax No.: 305-621-1201  
E-Mail Address: kenneth.hosfeld@nettalk.com  
Website Address: www.nettalk.com

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

Name: Anastasios Kyriakides  
Title: CEO  
Street name & number: 1080 NW 163<sup>rd</sup> Drive  
Post office box:  
City: Miami  
State: Florida  
Zip: 33169  
Telephone No.: 305-621-1200  
Fax No.: 305-621-1201  
E-Mail Address: takis@nettalk.com  
Website Address: www.nettal.com

(c) Complaints/Inquiries from customers:

Name: Bill Rodriguez  
Title: CFO  
Street/Post Office Box: 1080 NW 163<sup>rd</sup> Drive  
City: Miami  
State: Florida  
Zip: 33169  
Telephone No.: 305-621-1200  
Fax No.: 305-621-1201  
E-Mail Address: billrodriguez@nettalk.com  
Website Address: www.nettalk.com

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

(a) has operated as a Competitive Local Exchange Telecommunications Company.

Arkansas, Florida, Indiana, Kansas, Kentucky, Montana, Nebraska, North Dakota, Oregon, Texas, Washington, Wisconsin, Illinois, South Dakota, Alabama, Ohio, New York, New Mexico, North Carolina, Idaho, Massachusetts, Vermont, Utah

(b) has applications pending to be certificated as a Competitive Local Exchange Telecommunications Company.

(c) is certificated to operate as a Competitive Local Exchange Telecommunications Company.

Arkansas, Indiana, Kansas, Kentucky, Montana, Nebraska, North Dakota, Oregon, Texas, Washington, Wisconsin, Illinois, South Dakota, Alabama, Ohio, New York, New Mexico, North Carolina, Idaho, Massachusetts, Vermont, Utah

(d) has been denied authority to operate as a Competitive Local Exchange Telecommunications Company and the circumstances involved.

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

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

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

(a) adjudged bankrupt, mentally incompetent (and not had his or her competency restored), or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, provide explanation.

(b) granted or denied a competitive local exchange certificate in the State of Florida (this includes active and canceled competitive local exchange certificates). If yes, provide explanation and list the certificate holder and certificate number.

Granted in Florida and canceled for lack of payment basic fee (paid a lower amount by mistake) which has been subsequently sent.

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

18. Submit the following:

(a) Managerial capability: resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

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

(c) Financial Capability: applicant's audited financial statements for the most recent three (3) years. If the applicant does not have audited financial statements, it shall so be stated. 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.

**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.

**Net Talk.com, Inc.**  
**Balance Sheets**

	<b>(audited)</b> <b>December 31,</b> <b>2011</b>	<b>(audited)</b> <b>September 30,</b> <b>2011</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,539,263	\$ 3,583,449
Restricted cash	98,877	140,420
Accounts receivable, net of allowance for bad debts of \$0 and \$0, respectively	576,160	696,341
Inventory	2,205,255	1,911,648
Prepaid expenses	3,511	4,820
Note receivable	43,000	52,000
Total current assets	<u>4,466,066</u>	<u>6,388,678</u>
Building, telecommunications equipment, land and other property, net	3,000,039	2,995,223
Intangible assets, net	132,364	149,137
Other assets	39,754	39,754
Total assets	<u>\$ 7,638,223</u>	<u>\$ 9,572,792</u>
<b>Liabilities, redeemable preferred stock and stockholders' deficit</b>		
Current liabilities:		
Accounts payable	\$ 888,993	\$ 1,201,331
Accrued dividends	701,116	554,767
Accrued expenses	532,159	304,263
Deferred revenue	1,683,948	1,022,890
Current portion of Senior debentures	2,211,483	1,695,404
Total current liabilities	<u>6,017,699</u>	<u>4,778,655</u>
Senior debentures	<u>3,783,692</u>	<u>3,367,020</u>
Total liabilities	<u>9,801,391</u>	<u>8,145,675</u>
Redeemable preferred stock, \$.001 par value, 10,000,000 shares authorized, 500 and 300 issued and outstanding as of September 30, 2011 and 2010, respectively	10,382,957	11,727,701
Stockholders' deficit:		
Common stock, \$.001 par value, 300,000,000 authorized, 39,464,892 and 13,429,300 issued and outstanding as of September 30, 2011 and 2010, respectively	39,465	39,465
Additional paid in capital	29,453,120	28,258,375
Accumulated deficit	<u>(42,038,710)</u>	<u>(38,598,424)</u>
Total stockholders' deficit	<u>(12,546,125)</u>	<u>(10,300,584)</u>
Total liabilities, redeemable preferred stock and stockholders' deficit	<u>\$ 7,638,223</u>	<u>\$ 9,572,792</u>

**The accompanying notes are an integral part of the financial statements**

### Part III

#### Item 10. Directors, executive officers and corporate governance

The following table sets forth certain information with respect to each of our directors, executive officers and key employees as of December 31, 2011. Their ages, positions, dates of initial election or appointment, and the expiration of their terms are as follows:

Name	Age	Position	Period served
Anastasios Kyriakides	63	Director, Chief Executive Officer, Secretary	Sept. 2008 to present
Kenneth A. Hosfeld	60	Director, Vice President	Sept. 2008 to present
Guillermo Rodriguez	63	Director, Chief Financial Officer	Sept. 2008 to present
Dr. George Gabb,	43	Director, Information Technology	May 2011 to present

Unless expressly indicated in the above table, each director and officer will serve in these capacities until their successors are duly elected, qualified and seated in accordance with the Company's Articles of Incorporation and Bylaws.

#### Background of Executive Officers and Directors

**Anastasios Kyriakides, Director, Chief Executive Officer, Secretary.** Mr. Kyriakides has served as a member of the Company's board of directors and as the Company's Chief Executive Officer and Secretary since September 2008. Mr. Kyriakides received a Bachelor of Science in business from Florida International University in 1975. In 1977, he received a degree in investment banking from the American Institute of Banking. From 1979 until present, Mr. Kyriakides has consulted for numerous companies in the areas of shipping, travel, banking and electronics. Mr. Kyriakides began his career in the electronics development field when, in 1979, he founded and served as Chairman of Lexicon Corporation, producer of the LK300, the first hand held electronic language translator which translated words and phrases into 12 different languages. Lexicon was publicly traded on the NASDAQ, under the symbol LEXI, until it was ultimately acquired by Nixdorf Computers of Germany. Mr. Kyriakides was also the founder of Delcor Industries, established in 1980 in Hollywood, Florida. Delcor was an electronics manufacturing facility employing over 150 employees to assemble OEM products for various electronics companies including IBM mainframe and Gable Division. In 1983, Mr. Kyriakides founded the Mylex Corporation to develop and produce the world's first hand-held optical scanner and VGA card for personal computers. As the President and Chairman, Mr. Kyriakides guided Mylex from its beginning as a private company to its becoming a public company traded on the NASDAQ under the stock symbol MYLX until it was acquired as a wholly owned subsidiary of IBM (NYSE: IBM). In 1983, Mr. Kyriakides was the founder and Chairman of Tower Bank NA, a full service commercial bank, with three offices, headquartered in Dade County, Florida. Mr. Kyriakides also has extensive experience in the cruise line and travel industries. His cruise ship career started with Carnival Cruise line out of the Port of Miami, and continued to a successful start up with Tropicana Cruises; one of the first gaming ships out of the Port of Miami. Mr. Kyriakides founded Regency Cruise Line in 1984, as the world's first publicly traded company in passenger shipping, and served as its Chairman and Secretary until 1987. Mr. Kyriakides also organized the successful start-up of Seawind Cruise Line. In his three years with Seawind Cruise Line, Mr. Kyriakides served as its founder, chairman, chief executive officer and secretary.

From 1994 to 1996, Mr. Kyriakides served as the Chairman of Montgomery Ward Travel, a company created to provide full travel services to eight million Montgomery Ward customers and credit card holders. Immediately prior to joining the Company, Mr. Kyriakides served as Chief Executive Officer of Interlink Global Corporation from 1994 until September, 2008. Interlink Global Corporation provided telecommunications applications utilizing hardware and software that enables its domestic and worldwide users to access the internet as a transmission medium for placing telephone calls.

**Kenneth Hosfeld, Director, Vice President .** Mr. Hosfeld was appointed to serve on the Company's board of directors in September 2008. Mr. Hosfeld has over twenty-two years of international sales, marketing, and business management experience in the telecommunications industry. Most recently, Mr. Hosfeld served as a member of the board of directors and the executive vice president for Interlink Global Corporation (OTC: ILKG), a provider of private and public telecommunication network and internet services. Prior to joining Interlink, Mr. Hosfeld co-founded NetExpress. He has also served as the Regional Director of Brazil, the Andinos, and the Caribbean for Tellabs, Inc., a global supplier to the dynamic telecommunications industry that designs, manufactures, markets and services voice, data a video transportation tools and networks. While with Tellabs, Mr. Hosfeld secured that company's first "turn-key" contract which involved a complete, fully managed network deployment including all products and services and project financing. He also opened Tellabs' offices in Brazil and regularly exceeded revenue targets. Prior to that, Kenneth was Vice President of Nera Latin America, a subsidiary of Nera Telecommunications (formerly ABB), a telecommunications and IT solutions provider for microwave, satellite, wireless broadband access, networking and broadcasting. Mr. Hosfeld had full production and logistic responsibility for the Latin American region, including responsibilities for opening offices throughout Latin America including such countries as Brazil, Colombia, Mexico, and Venezuela. While with the company, Mr. Hosfeld was also able to penetrate the Mexican and Chilean markets. Prior to his work with Nera Latin America, Mr. Hosfeld was responsible for similar product sales in Africa and in China. Mr. Hosfeld speaks over six languages including fluent Spanish and Portuguese. Immediately prior to joining the Company, Mr. Hosfeld served as Executive Vice President of Interlink Global Corporation from 1994 until September, 2008. Interlink Global Corporation provided telecommunications applications utilizing hardware and software that enables its domestic and



**NetTalk.com, Inc.**  
**Statement of Stockholders' Deficit**

	Preferred Stock		Common Stock		Additional Paid	Accumulated	Total
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
<b>Balance at October 1, 2010</b>	4,000	\$ 2,000,000	13,429,300	\$ 13,430	\$ 3,314,488	\$ (12,421,859)	\$ (7,093,941)
Cancellation of common shares for services	-	-	(1,000,000)	(1,000)	(249,000)	-	(250,000)
Accretion of preferred stock	-	-	-	-	(2,782,132)	-	(2,782,132)
Reclass of preferred stock to mezzanine and derivative liabilities	(4,000)	(2,000,000)	-	-	-	-	(2,000,000)
Preferred stock dividends	-	-	-	-	(586,667)	-	(586,667)
Settlement shares	-	-	750,000	750	366,750	-	367,500
Reclassification of warrants from liability to equity	-	-	-	-	6,963,800	-	6,963,800
Conversion of convertible notes to common stock	-	-	19,995,092	19,995	13,776,618	-	13,796,613
Inducement warrants to convert debt to equity	-	-	-	-	390,800	-	390,800
Modification of Mezzanine preferred stock and compound embedded derivatives treated as an extinguishment	-	-	-	-	553,391	-	553,391
Settlement of accrued interest	-	-	-	-	416,014	-	416,014
Warrants issued with debt financings	-	-	-	-	6,053,418	-	6,053,418
Stock issuance related to 2010 stock option plan	-	-	6,290,500	6,290	40,895	-	47,185
Net loss	-	-	-	-	-	(26,176,565)	(26,176,565)
<b>Balance at September 30, 2011 (audited)</b>	-	-	39,464,892	39,465	28,258,375	(38,598,424)	(10,300,584)
Accretion of preferred stock	-	-	-	-	1,194,745	-	1,194,745
Net loss	-	-	-	-	-	(3,440,286)	(3,440,286)
<b>Balance at December 31, 2011 (audited)</b>	-	-	39,464,892	\$ 39,465	\$ 29,453,120	\$ (42,038,710)	\$ (12,546,125)

**Net Talk.com, Inc.**  
**Statements of Operations**

	<b>Three months ended December 31,</b>	
	<b>(audited) 2011</b>	<b>(unaudited) 2010</b>
Revenues	\$ 1,298,623	\$ 470,374
Cost of sales	<u>1,787,815</u>	<u>724,988</u>
Gross margin	<u>(489,192)</u>	<u>(254,614)</u>
Advertising and marketing	606,209	109,996
Compensation and benefits	289,652	104,750
Professional fees	136,118	68,094
Depreciation and amortization	60,765	90,033
Research and development	270,782	185,558
General and administrative expenses	<u>497,986</u>	<u>184,282</u>
Total operating expenses	<u>1,861,512</u>	<u>742,713</u>
Loss from operations	(2,350,704)	(997,327)
Other income (expenses):		
Interest expense	(1,090,735)	(126,000)
Derivative (expense)	-	(105,778)
Interest income	<u>1,153</u>	<u>1,556</u>
	<u>(1,089,582)</u>	<u>(230,222)</u>
Net loss	(3,440,286)	(1,227,549)
Reconciliation of net loss to loss applicable to common stockholders:		
Accretion of preferred stock	<u>-</u>	<u>(139,667)</u>
Loss applicable to common stockholders	<u>\$ (3,440,286)</u>	<u>\$ (1,367,216)</u>
Loss per common shares:		
Basic and diluted earnings per common share	<u>\$ (0.09)</u>	<u>\$ (0.11)</u>
Weighted average shares:		
Basic and diluted	<u>39,464,892</u>	<u>12,429,300</u>

**The accompanying notes are an integral part of the financial statements**

**THIS PAGE MUST BE COMPLETED AND SIGNED**

**REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee. Regardless of the gross operating revenue of a company, a minimum annual assessment fee, as defined by the Commission, is required.

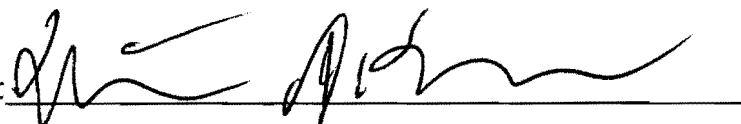
**RECEIPT AND UNDERSTANDING OF RULES:** I acknowledge receipt and understanding of the Florida Public Service Commission's rules and orders relating to the provisioning of competitive local exchange telecommunications company (CLEC) service in Florida.

**APPLICANT ACKNOWLEDGEMENT:** 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 competitive local exchange telecommunications 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.**"

**Company Owner or Officer**

Print Name: Kenneth Hosfeld  
Title: VP  
Telephone No.: 305-621-1200  
E-Mail Address: kenneth.hosfeld@nettalk.com

Signature: 

Date: JUNE 22, 2012

**Net Talk.com, Inc.**  
**Balance Sheets**

	<b>(unaudited)</b> <b>March 31,</b> <b>2012</b>	<b>December 31,</b> <b>2011</b>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 511,345	\$ 1,539,263
Restricted cash	118,256	98,877
Accounts receivable, net of allowance for bad debts of \$0 and \$0, respectively	802,520	576,160
Inventory	2,013,181	2,205,255
Prepaid expenses	4,131	3,511
Note receivable	34,000	43,000
Total current assets	<u>3,483,433</u>	<u>4,466,066</u>
Building, telecommunications equipment, land and other property, net	3,010,764	3,000,039
Intangible assets, net	115,591	132,364
Other assets	39,754	39,754
Total assets	<u>\$ 6,649,542</u>	<u>\$ 7,638,223</u>
<b>Liabilities, redeemable preferred stock and stockholders' deficit</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 1,112,833	\$ 888,993
Accrued dividends	851,116	701,116
Accrued expenses	755,459	532,159
Deferred revenue	1,952,311	1,683,948
Demand note	150,010	-
Current portion of senior debentures	3,384,655	2,211,483
Total current liabilities	<u>8,206,384</u>	<u>6,017,699</u>
Senior debentures	4,254,505	3,783,692
Total liabilities	<u>12,460,889</u>	<u>9,801,391</u>
Redeemable preferred stock, \$.001 par value, 10,000,000 shares authorized, 500 and 300 issued and outstanding as of March 31, 2012 and December 31, 2011, respectively.	9,192,406	10,382,957
<b>Stockholders' deficit:</b>		
Common stock, \$.001 par value, 300,000,000 authorized, 42,948,392 and 39,464,892 issued and outstanding as of March 31, 2012 and 2011, respectively	42,948	39,465
Additional paid in capital	30,525,022	29,453,120
Accumulated deficit	(45,571,723)	(42,038,710)
Total stockholders' deficit	<u>(15,003,753)</u>	<u>(12,546,125)</u>
Total liabilities, redeemable preferred stock and stockholders' deficit	<u>\$ 6,649,542</u>	<u>\$ 7,638,223</u>

**The accompanying notes are an integral part of the financial statements**

**Net Talk.com, Inc.**  
**Statements of Operations**

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>2012</b>	<b>2011</b>
<b>Revenues</b>	<b>\$ 1,056,321</b>	<b>\$ 611,779</b>
<b>Cost of sales</b>	<b>1,412,297</b>	<b>972,577</b>
<b>Gross margin</b>	<b><u>(355,976)</u></b>	<b><u>(360,798)</u></b>
Advertising and marketing	429,243	373,701
Compensation and benefits	321,996	104,917
Professional fees	141,635	77,642
Depreciation and amortization	62,559	90,914
Research and development	337,393	149,119
General and administrative expenses	582,490	232,686
<b>Total operating expenses</b>	<b><u>1,875,316</u></b>	<b><u>1,028,979</u></b>
<b>Loss from operations</b>	<b>(2,231,292)</b>	<b>(1,389,777)</b>
<b>Other income (expenses):</b>		
Interest expense	(1,301,969)	(149,964)
Derivative (expense)	-	(22,260,451)
Settlement (expense)	-	(367,500)
Interest income	248	615
	<b><u>(1,301,721)</u></b>	<b><u>(22,777,300)</u></b>
<b>Loss applicable to common stockholders</b>	<b><u>\$ (3,533,013)</u></b>	<b><u>\$ (24,167,077)</u></b>
<b>Loss per common shares:</b>		
Basic and diluted earnings per common share	<b><u>\$ (0.08)</u></b>	<b><u>\$ (1.83)</u></b>
<b>Weighted average shares:</b>		
Basic and diluted	<b><u>42,948,392</u></b>	<b><u>13,179,300</u></b>

**The accompanying notes are an integral part of the financial statements**

**Net Talk.com, Inc.**  
**Statements of Cash Flows**

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>2012</b>	<b>2011</b>
<b>Cash flow from operating activities:</b>		
Net loss	\$ (3,533,013)	\$ (24,167,077)
Adjustments to reconcile net loss to net cash (used) in operations:		
Depreciation	45,786	33,196
Amortization	16,773	57,718
Amortization of debt discount	993,985	-
Bad debt expense	-	(23,739)
Derivative fair value adjustments	-	21,973,784
Changes in assets and liabilities:		
Accounts receivables	(226,360)	(65,256)
Prepaid expenses and other assets	8,380	204
Inventories	192,074	(650,952)
Deferred revenues	268,363	81,164
Accounts payable	223,840	376,652
Accrued expenses	373,300	57,381
Net cash (used) in operating activities	<u>(1,636,872)</u>	<u>(2,326,925)</u>
Cash flow used in investing activities:		
Restricted cash	(19,379)	(73,674)
Acquisition of corporate offices and operations center and fixed assets	(56,511)	(38,355)
Decrease in deposits	-	2,500
Net cash (used) in investing activities:	<u>(75,890)</u>	<u>(109,529)</u>
Cash flow from financing activities:		
Notes payables - Demand notes	650,010	2,500,000
Issuance of common stock (net)	34,834	367,500
Net cash provided from financing activities	<u>684,844</u>	<u>2,867,500</u>
Net decrease in cash	(1,027,918)	431,046
Cash and equivalents, beginning	<u>1,539,263</u>	<u>1,438,090</u>
Cash and equivalents, ending	<u>\$ 511,345</u>	<u>\$ 1,869,136</u>
Supplemental disclosures:		
Cash paid for interest	\$ -	\$ 149,953
Cash paid for income taxes	\$ -	\$ -
Cash paid for preferred stock dividends	\$ -	\$ 289,667

**The accompanying notes are an integral part of the financial statements**