

Edgar Filing: VOIP INC - Form 10QSB/A

VOIP INC  
Form 10QSB/A  
November 15, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-QSB/A

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(Mark one)  
X QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2004

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT  
OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
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Commission File Number: 0-28985

VoIP, Inc.  
(Exact name of small business issuer as specified in its charter)

Texas

75-2785941

-----  
(State of incorporation)

(IRS Employer ID Number)

12330 SW 53rd Street, Suite 712, Fort Lauderdale, FL 33330

-----  
(Address of principal executive offices)

(954) 434-2000

(Issuer's telephone number)  
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Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO

State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date: November 12, 2004: 23,251,482

Transitional Small Business Disclosure Format (check one): YES NO X

Registrant is an accelerated filer (check one): YES NO X

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VoIP, Inc.

Form 10-QSB for the Quarter ended September 30, 2004

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PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

VoIP Inc.  
Consolidated Balance Sheets  
September 30, 2004 and December 31, 2003

(Unaudited)  
Sept.30,2004

(Audite  
Dec.31,2

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	-----	-----
ASSETS		
Current Assets		
Cash on hand and in bank	\$ 237,524	\$ 3
Accounts receivable	806,686	
Due from related parties	--	
Inventory	369,944	251
Other current assets	133,412	4
	-----	-----
Total Current Assets	1,547,566	259
	-----	-----
Property and equipment, net	385,405	
Goodwill	6,618,864	
Investment DTNet	--	
Investment Voipamericas	--	
Other assets	15,572	
	-----	-----
TOTAL ASSETS	\$ 8,567,407	\$ 259
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 1,169,840	\$ 151
Amounts due to affiliates	--	
Other current liabilities	726,676	
	-----	-----
Total Liabilities	1,896,516	151
	-----	-----
Commitments and contingencies	--	
Stockholders' equity Common stock - \$0.01 par value 100,000,000 shares authorized 20,859,434 and 1,730,939 issued and outstanding respectively	20,859	1
Additional paid in capital	11,885,049	731
Accumalitive deficit	(5,235,017)	(624)
	-----	-----
Total stockholders' equity	6,670,891	108
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 8,567,407	\$ 259
	=====	=====

The financial information presented herein has been prepared by management without audit by independent certified public accountants. The accompanying notes are an integral part of these financial statements.

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VoIP Inc.

Consolidated Statements of Operations and Comprehensive Income  
 Nine and Three months ended September 30, 2004 and December 31, 2003  
 (Unaudited)

	Nine months ended September 30, 2004	Nine months ended September 30, 2003	Three months ended September 30, 2004	Three ended 30
	-----	-----	-----	-----
Revenues	\$ 1,015,065	\$ 5,075	\$ 929,767	\$
Cost of Sales	737,904	1,268	678,981	
	-----	-----	-----	-----
Gross Profit	277,161	3,807	250,786	
Operating expenses				
General and administrative expenses	4,887,531	57,428	4,430,175	
	-----	-----	-----	-----
Gain (Loss) from operations	(4,610,370)	(53,621)	(4,179,389)	
Other income (expenses)	--	--	--	
	-----	-----	-----	-----
Gain (Loss) before income taxes	(4,610,370)	(53,621)	(4,179,389)	
Provision for income taxes	--	--	--	
	-----	-----	-----	-----
Net Gain (Loss)	\$ (4,610,370)	\$ (53,621)	\$ (4,179,389)	\$
	=====	=====	=====	=====
Loss per weighted average share of common stock outstanding computed on net loss - basic and fully diluted	\$ (0.42)	\$ (0.03)	\$ (0.21)	\$
Weighted average number of shares of common stock outstanding-basic and fully diluted	10,989,990	1,730,939	19,642,390	1,

The financial information presented herein has been prepared by management without audit by independent certified public accountants. The accompanying notes are an integral part of these financial statements.

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VoIP Inc.  
 Consolidated Statements of Cash Flows  
 Nine months ended September 30, 2004 and 2003  
 (Unaudited)

	Nine months ended September 30, 2004 -----	Nine months ended September 30, 2003 -----
Cash flows from operating activities		
Net loss	\$ (4,610,370)	\$ (53,621)
Adjustments to reconcile net loss to net cash used in operating activities	--	--
Depreciation	2,964	--
Common shares issued for services	344,166	--
Warrants issued to employees	3,520,000	--
Changes in operating assets and liabilities net of assets and liabilities acquired		
Accounts receivable	(4,583)	--
Inventory	(37,580)	1,229
Other current assets	(76,760)	(5,801)
Accounts payable	(10,618)	--
Other current liabilities	87,949	--
	-----	-----
Net cash used in operating activities	(784,832)	(58,193)
	-----	-----
Cash flows from investing activities		
Cash from acquisitions	104,862	--
Purchase of property and equipment	(43,550)	--
Purchase of other assets	(13,092)	--
	-----	-----
Net cash provided by investing activities	48,220	--
	-----	-----
Cash flows from financing activities		
Proceeds from sales of common stock	1,121,803	58,896
Due to affiliates	(151,166)	--
	-----	-----
Net cash flow provided by financing activities	970,637	58,896
	-----	-----
Net increase in cash	234,025	703
Cash at beginning of period	3,499	9
	-----	-----
Cash at end of period	\$ 237,524	\$ 712
	=====	=====
Supplemental cash flow information:		
Common stock issued for cash received by and services to affiliates	\$ 337,000	\$ --
	=====	=====

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The financial information presented herein has been prepared by management without audit by independent certified public accountants. The accompanying notes are an integral part of these financial statements.

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VoIP, Inc.

### Notes to Financial Statements

#### Note A - Organization and Description of Business

The Company was incorporated on August 3, 1998 under its original name of Millennia Tea Masters, Inc. under the laws of the State of Texas.

The Company began operations in October 1998 with its initial order of imported teas from Sri Lanka, has elected a year-end of December 31 and uses the accrual method of accounting.

On April 13, 2004 the Company changed its name to VoIP, Inc. The Company and its subsidiaries develop and manufacture innovative IP telephony customer premise equipment in addition to premium voice over the internet subscriber based telephony services and state of the art long range WiFi technology solutions, for residential and enterprise customers, including multimedia applications.

On February 27, 2004 the Company entered into a stock purchase agreement that provided for the sale of 12,500,000 shares of its common stock in exchange for \$12,500 and a commitment by the purchaser to contribute the assets of two start-up companies, eGloblaphone, Inc. and VOIP Solutions, Inc., which occurred effective April 15, 2004.

On June 25, 2004, the Company closed the acquisition of VCG Technology, Inc. d/b/a DTNet Technologies, Inc. ("DTNet") a Florida corporation. The acquisition took the form of the issuance of 2,500,000 shares of VoIP, Inc. restricted common stock in exchange for all issued and outstanding shares of DTNet common stock.

On August 4th, 2004, the Company issued 4,400,000 warrants to two executives to acquire 4,400,000 shares at \$1.00 per share.

Effective September 1st, 2004, VoIP Inc. closed the acquisition of Vox Consulting Group, Inc., d/b/a VoIP Americas, a Florida corporation. The acquisition took the form of an exchange of 1,000,000 shares of VoIP restricted common stock in exchange the all issued and outstanding shares of Voip Americas common stock.

During interim periods, the Company follows the accounting policies set forth in its Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-KSB filed with the United States Securities and Exchange Commission. The information presented herein may not include all disclosures required by generally accepted accounting principles, and the users of financial information provided for interim periods should refer to the annual financial information and footnotes contained in its Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-KSB when reviewing the interim financial results presented herein.

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In the opinion of management, the accompanying interim financial statements, prepared in accordance with the instructions for Form 10-QSB, are unaudited and contain all material adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial condition, results of operations and cash flows of the Company for the respective interim periods presented. The current period results of operations are not necessarily indicative of results which ultimately will be reported for the full fiscal year ending December 31, 2004.

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

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### Note B - Going Concern Uncertainty

The Company commenced operations during the fourth quarter of 1998 and focused significant resources during prior periods in procuring and importing inventory and developing sales and distribution channels. Accordingly, the Company had generated only minimal revenues through first quarter 2004.

Management has taken actions directly related to the acquisition of new business concept to provide, from their operations, sufficient working capital to preserve the entity. Management anticipates that the company will attempt to obtain additional funds from private placements of debt and equity securities.

The revenues through third quarter 2004 are \$1,015,065 and show an increase of 19,901% compared to the same period of 2003.

Accordingly, with the acquisitions consummated during last quarters and the projected results for the year, management considers that the Company is no longer in the development stage.

### Note C - Summary of Significant Accounting Policies

#### 1. Principles of Consolidation

-----  
The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, eGlobalPhone, Inc., VoIP Solutions, Inc., DTNet Technologies, Inc., and VoIP Americas from their respective dates of acquisition. All significant intercompany balances and transactions have been eliminated in consolidation.

#### 2. Cash and cash equivalents

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For Statement of Cash Flows purposes, the Company considers all cash on hand and in banks, including accounts in book overdraft positions, certificates of deposit and other highly-liquid investments with maturities of three months

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or less, when purchased, to be cash and cash equivalents.

Cash overdraft positions may occur from time to time due to the timing of making bank deposits and releasing checks, in accordance with the Company's cash management policies.

### 3. Inventory

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Inventory consists of finished goods and is valued at the lower of cost or market using the first-in, first-out method.

### 4. Organization costs

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The Company has adopted the provisions of AICPA Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" whereby all organization and initial costs incurred with the incorporation and initial capitalization of the Company was charged to operations as incurred.

### 5. Advertising expenses

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Advertising and marketing expenses are charged to operations as incurred.

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### 6. Income Taxes

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The Company uses the asset and liability method of accounting for income taxes. At September 30, 2004 and December 31, 2003, the deferred tax asset and deferred tax liability accounts, as recorded when material, are entirely the result of temporary differences. Temporary differences represent differences in the recognition of assets and liabilities for tax and financial reporting purposes.

At September 30, 2004 and December 31, 2003 deferred tax assets are related solely to the Company's net operating loss carry forward of approximately \$1,400,000 and \$303,000, respectively, which is fully reserved. If these carry forwards are not utilized, they will begin to expire in 2018.

### 7. Earnings (loss) per share

-----

Basic earnings (loss) per share are computed by dividing the net income (loss) by the weighted-average number of shares of common stock and common stock equivalents (primarily outstanding options and warrants). Common stock equivalents represent the dilutive effect of the assumed exercise of the outstanding stock options and warrants, using the treasury stock method. The calculation of fully diluted earnings (loss) per share assumes the dilutive effect of the exercise of outstanding options and warrants at either the beginning of the respective period presented or the date of issuance, whichever is later.

Note D - Fair Value of Financial Instruments



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The carrying amount of cash, accounts receivable, accounts payable and notes payable, as applicable, approximates fair value due to the short term nature of these items and/or the current interest rates payable in relation to current market conditions.

### Note E - Related Party Transactions

As of December 31, 2003, the Company has amounts payable to affiliated entities and/or officers of approximately \$151,000. These advances are unsecured, due upon demand and are non-interest bearing.

### Note F - Acquisitions

On May 25, 2004 (but effective for all purposes as of April 15, 2004), the Company completed the acquisition of two Florida-based subsidiaries, eGlobalphone, Inc. and VoIP Solutions, Inc. Contribution of these start-up companies was the basis for the original decision to issue a controlling block of shares of common stock to Mr. Ivester. eGlobalphone, Inc. and VoIP Solutions Inc. both Florida corporations.

In June 2004, the Company acquired DTNet Technologies, Inc. a Florida Corporation. The acquisition took the form of an exchange of 2,500,000 shares of the company's common stock in exchange for all issued and outstanding shares of DTNet common stock. The Goodwill amounting to \$5,210,563 is the difference between the fair market value of the DTNet assets as of the date of acquisition, and the valuation of 2,500,000 Company shares at market value at that date.

In September 2004, VoIP Inc. closed the acquisition of Vox Consulting Group, Inc., d/b/a VoIP Americas, a Florida corporation. The acquisition took the form of an exchange of 1,000,000 shares of VoIP restricted common stock in exchange for all issued and outstanding shares of VoIP Americas common stock. The Goodwill amounting to \$1,408,301 is the difference between the fair market value of the Voip Americas assets as of the date of acquisition, and the valuation of 1,000,000 company shares at market value at that date.

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### Note G - Warrants

On August 4th, 2004, the Company issued 4,400,000 warrants to two executives to acquire 2,200,000 shares at \$1.00 per share each. The additional compensation of \$3,520,000, shown in General and Administrative expenses in the Consolidated Statement of Operations, is the difference between the market price of the shares and the \$1.00 purchase price.

### Note H - Subsequent Events

On November 11th, 2004, the Company closed a subscription agreement to sell 1,937,500 shares of common stock to four investors for net proceeds to the Company of approximately \$1,400,000. The Company also issued Class A 5 year warrants to purchase a total of 589,250 shares at an exercise price of \$1.75 per share, and Class B warrants to purchase a total of 968,700 shares for an exercise price of \$1.20 per share during a 30 day period following the effectiveness of a registration statement to register the resale of all shares issued.

## PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS - UNAUDITED

Following the summarized unaudited pro forma consolidated statement of operations for the nine months ended September 30, 2004 assuming the acquisitions of eGlobalphone Inc., VoIP Solutions, Inc., DTNet Technologies, Inc., and Voip Americas had taken place at the beginning of the year. The unaudited pro forma results are not necessarily indicative of future earnings or earnings that would have been reported had the acquisition been completed when assumed.

	VoIP Inc.				
	Unaudited Proforma Cons				
	Nine months ended September				
	VoIP Inc.	eGlobalphone	Voip Solutions	DTNet	Voip A
	(1)	(1)	(2)	(2)	(1)
	-----	-----	-----	-----	-----
Revenues	\$ 1,015,065	\$ --	\$ 19,510	\$ 1,048,672	\$ 1,2
Cost of Sales	737,904	--	12,031	824,635	1,3
Gross Profit	277,161	--	7,479	224,037	(1)
Operating expenses					
General and administrative (4)	4,887,531	64,273	1,562	479,352	1
Income (Loss) from operations	(4,610,370)	(64,273)	5,917	(255,315)	(2)
Other income (expenses)	--	--	--	--	--
Income (Loss) before income taxes	(4,610,370)	(64,273)	5,917	(255,315)	(28)
Provision for income taxes	--	--	930	--	--
Net Income (Loss)	\$ (4,610,370)	\$ (64,273)	\$ 4,987	\$ (255,315)	\$ (2)
	=====	=====	=====	=====	=====

Loss per weighted share of  
common stock outstanding,  
computed on net income (loss)  
- basic and fully diluted

Weighted average number of  
shares of common stock  
outstanding - basic and

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fully diluted

Footnotes to pro forma consolidated statement of operations - unaudited

- 1) Represents the results of operations form January 1, 2004 to April 15, 2004.
- 2) Represents the results of operations form January 1, 2004 to June 25, 2004.
- 3) Represents the results of operations form January 1, 2004 to August 31, 2004.

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### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The financial information set forth in the following discussion should be read in conjunction with, and qualified in its entirety by, the financial statements of the Company included elsewhere herein.

#### (1) Caution Regarding Forward-Looking Information

This quarterly report contains certain forward-looking statements and information relating to the Company that are based on the beliefs of the Company or management as well as assumptions made by and information currently available to the Company or management. When used in this document, the words "anticipate," "believe," "estimate," "expect" and "intend" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the current view of the Company regarding future events and are subject to certain risks, uncertainties and assumptions, including the risks and uncertainties noted. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. In each instance, forward-looking information should be considered in light of the accompanying meaningful cautionary statements herein.

#### (2) Results of Operations

For the respective quarters ended September 30, 2004 and 2003, the Company had revenues of \$929,767 and \$4,291.

For the respective nine month periods ended September 30, 2004 and 2003, the Company had revenues of \$1,015,065 and \$5,075.

The significant increase in revenues was provided primarily by Voipamericas and DTNet. As mentioned in Note A, the company acquired DTNet Technologies, Inc. in June 2004 and Voipamericas in September 2004. DTNet provides customer premises equipment to cable and DSL Internet providers throughout North America. DTNet sales were approximately \$4.7 million in 2003. Voipamericas revenues for the first nine months of the year were \$1.4 million. Management believes that the acquisitions of DTNet and Voipamericas will provide proven distribution channels and leadership in sales throughout the Americas. DTNet and Voipamericas complement the company's strategy to deliver Voice over Internet Protocol over a wireless local loop and deliver service provider solutions to cable operators.

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Net losses for the respective quarters ended September 30, 2004 and 2003 were \$4,179,389 and \$21,955. Net loss per share was approximately \$0.21 and \$0.01 respectively for each period. Total net losses for the respective nine months ended September 30, 2004 and 2003 were \$4,610,370 and \$53,621. Net loss per share was approximately (\$0.42) and \$(0.03) respectively for each nine month period. This included the one time event of the issuance of 4,400,000 warrants to two executives to acquire 2,200,000 Company shares at \$1.00 for each. The difference between the market value and the \$1.00 share price is \$3,520,000. Additionally, there is an increase of \$ 884,937 in operating costs attributable basically to start up operations.

### (3) Liquidity and Capital Resources

Liquidity for the period from inception through September 30, 2004 has been mainly provided by sales of common stocks through private placements and borrowing from affiliates. Management has taken actions directly related to the generation of product sales during calendar 2004 and anticipates that these efforts will be sufficient to provide sufficient resources to sustain its operations during 2005.

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The Company anticipates that all working capital requirements for the current annual period will be satisfied from the operation of the newly acquired business and the sales of additional common shares through private placements.

As mentioned in Note H - Subsequent Events in the financial statements, in November the Company formalized funding in the amount of \$1,550,000 by issuing 1,973,500 shares of common stock to four subscribers.

The plans of operations are as follows:

eGlobalphone - a wholly owned subsidiary of VoIP Inc. The Company will market its subscriber bases broadband telephony service to business and residential consumers through its eGlobalphone, Inc. subsidiary. eGlobalphone service requires that customers have a high-speed Internet connection to their home or business. A growing number of households and business both in the United States and abroad have access to these broadband connections through their local cable or Telephone Company. Broadband penetration in the United States is about 58 percent and is expected to reach 70 percent by 2007.

The company plans to expand its service footprint monthly concentrating primary on the major United States metropolitan areas. The company's plans is to launch service in over 200 markets by year's end as part of VoIP, Inc.'s strategic focus on IP-based communications services. International markets will be opened in parallel with domestic US markets, but at a slower pace and only as market demand is evidenced. Even with the speed constraints of such an international expansion, it is anticipated that a significant portion of customers added to the network will not be based in the United States. Due to the nature of IP telephony, these markets are not significantly more complex to weave into the existing back-office design, though often there are regulatory issues in each nation which must be managed appropriately.

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eGlobalphone plans to support the marketing of eGlobalphone Service with an extensive communications campaign that will include mass market advertising on television, radio and in print and through direct mail, virtual marketing and online advertising in addition to an extensive network of resellers through out the world. We have emphasized sales in the international marketplace through resellers and wholesalers, believing that the need for a less expensive service is vital in many countries globally. We will seek marketing partners in each country that is identified as a potential market in order to provide a local presence. Manuals, interfaces, voice prompts, and operators will be tailored for the primary language of the nationality, and the sales force will operate locally to provide "high-touch" comfort to these localized markets. A major opportunity for resale is being developed with a private retail wireless vendor, to allow for a very "high-touch" interaction with customers. This model has proven to be successful in wireless sales, and it is believed that the same marketing strategy and distribution channel will be successful for other telephony services that the company can offer consumers.

Customers can access the eGlobalphone network for long-distance telephony from any high speed Internet connection anywhere in the world. The eGlobalphone service provides a two line patent-pending MTA (Multimedia Terminal Adaptor) with built-in router and many enhanced functions such as Quality of Service (QoS) bandwidth management, failure-resistant backup systems, and low-bandwidth codec support. The MTA is manufactured by iCable System Co. Ltd. a Korean company that is contractually tied to VoIP Solutions, Inc a wholly owned subsidiary of VoIP, Inc. By having our own propriety MTA with custom designed enhanced features we feel that we have a distinct advantage over our competition based on these enhancements and our patent pending 911 emergency access. eGlobalphone is believed to be the only VoIP (voice over internet protocol) company offering 911 emergency access and integration with the existing infrastructure without the use of a third party database. This proprietary system utilizes an automated switching circuit to route the call to the user's local emergency service provider (911 call center) and will also "fail safe" in the event of a power outage or Internet service interruption.

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There are significant new features that the company will introduce in the next year which are currently under development. These features will further extend the abilities of the platform to function as a flexible telephony tool for end users and not merely be a replacement for traditional telephony. Much in the same way that cell phone features have driven the successful launch of new companies in the mobile market, eGlobalphone believes that a combination of features in the hardware and service will quickly develop the customer base.

VoIP Solutions, Inc. - a wholly owned subsidiary of VoIP Inc. The Company's VoIP Solutions subsidiary is an emerging global service provider of Voice over IP based solutions to Internet Service Providers, Telecommunications Service Providers and Cable Operators in strategic countries around the world. VoIP, Inc, through its subsidiary, provides a comprehensive portfolio of IP multimedia-based solutions ranging from subscriber based voice services, to SIP based infrastructure design and deployment, to broadband customer premise equipment design and implementation services, as well as engineering design, manufacturing and distribution of wireless broadband technology. VoIP, Inc. has applied for a patent for its state of the art VoIP Multimedia Terminal Adaptor which today supports the FCC Commission's desire for VoIP providers to deliver Emergency 911 Calling to the marketplace.

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SERVICES (Virtual Service Provider)  
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VoIP, Inc. plans to support marketing of the VoIP-Solutions subsidiary with an extensive communications campaign that will include mass market advertising directly to industry leaders, and through direct mail, viral marketing and online advertising in addition to an extensive network of value added resellers through out the world. The biggest problem facing small carriers and cable operators is that they lack the money to build a telephone network. Prior to this year, getting into voice was considered capital and staff intensive, which put it out of reach for small and medium-level operators, thus one of the primary reasons that VoIP Solutions has been created. We have entered into the market to offer the 'back office' infrastructure to make voice possible for small and medium-sized cable companies, IPS's and MSO's. There are significant cost savings provided by the economy of scale realized by combining many operators into a single yet compartmentalized product offering. Each customer remains in control of their customer base and product offerings, yet needs to spend only a tiny fraction of what would be required to implement such a system in-house. We term this product offering our "VSP" (Virtual Service Provider" model.

More and more cable companies want to get into phone service as a way to remain competitive, especially as satellite companies and even local telephone carriers are taking customers by offering video and high-speed Internet capability. It is very competitive in the home telephone market and one of the reasons that we have put so much emphasizes on our VSP model. This product is a perfect fit for the small and medium-sized cable companies, IPS's and MSO's allowing them to maintain customer ownership and increase revenues while eliminating the cost of network infrastructure and the learning curve that is sometimes an expensive lesson.

On July 14, 2004 the company announced its first Virtual Service Provider partner; and continues to establish its products in a niche market with small- and medium-sized cable companies, IPS's and MSO's. The company plans to add over 10 Virtual Service Provider partners by the December 31, 2004, year end.

We have emphasized sales in the international marketplace through resellers and wholesalers, believing that the need for a less expensive service is vital in many countries across the globe. We will seek marketing partners in each country that is identified as a potential market, in order to provide a local presence. Manuals, interfaces, voice prompts, and operators will be tailored for the primary language of the nationality, and the sales force will operate locally to provide "high-touch" comfort to these localized markets.

Our experience in the IP networking and VoIP technology arenas allow us to offer rapid project assessment and subsequent deployment of a voice services infrastructure to a customer with an existing IP network such as an ISP (Internet Service Provider), CLEC (Competitive Local Exchange Company), PTT (Public Telephone and Telegraph) and PCO, (Private Cable Operator.) Our solutions involve delivery of portions of a SIP-based infrastructure (cost-effective media gateways, transcoding solutions, SIP proxies) or a full turn-key system with components that are custom designed to work with each other

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as parts of our outsourced service offering (Billing system, invoice system, least-cost-routing, rate import/exports, etc.) Our combined technology, expertise, resources within the telephony community, and ability to provide

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right-priced solutions comprise a strong value combination for our customers as they bring their existing base of Internet Users into a VoIP product line.

Services provided in a potential VoIP Solutions package to customer include:

- o Billing systems/Platform
- o Customer Premise Equipment (CPE)
- o Service and application design
- o Switching platforms
- o Back Office/OSS systems
- o Telephone number management applications
- o Auto CPE provisioning systems
- o Wholesale call termination
- o Installation and training
- o Support agreements
- o Consultancy

### HARDWARE

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Our strategy is to be a recognized worldwide leader in providing IP telephony, customer premise equipment in addition to premium voice over the Internet subscriber based telephony services. Our VSP customers require extremely close integration of equipment and services, so we have designed and implemented provisioning systems and device firmware that matches our product offerings precisely. However, this same provisioning and firmware design is also applicable to other VOIP networks if appropriately marketed. Our experience with various SIP (Session Initiation Protocol) customer premise devices has led us to develop specific feature sets and innovative designs which have applications outside of our VSP service offering. It is clear that capturing the entire market with a combined service and hardware platform is overly ambitious, but there has been significant demand for the hardware platform by itself for integration into enterprise or other wholesale SIP solutions offered by other vendors. Rather than deny that demand, we have developed a marketing strategy that sells our hardware and provisioning systems as "standalone" products for those customers who have specific requirements for high-quality and scalable volume customer premise equipment.

The company maintains a stock of all VoIP-Solution's products for sale to end-users, carriers and resellers. Included is the Flag Ship product "MTA" (Multimedia Terminal Adaptor) the MTA's are manufactured with varying options to meet the demands of today's network operators for tomorrows future IP networks, products include:

### VoIP MTA (SIP)

- o MTA-102 - 2 lines VoIP
- o MTA-102C - 1 line VoIP, 1 line PSTN
- o MTA-102W - 2 lines VoIP / LAN (802.11b) or (g)
- o MTA-102CW - 1 line VoIP, 1 line PSTN / LAN (802.11b) or (g)
- o A201C - 1 line VoIP, 1 line PSTN  
MTA-A201W - 2 lines VoIP / LAN (802.11b)

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or (g)MTA-

- o A201CW - 1 line VoIP, 1 line PSTN / LAN (802.11b) or (g)

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The Company has developed intellectual property and software for the soft switch platform and associated applications developed for the eGlobalphone service. This includes source code for the switching servers and related application servers. An agreement with Porta One provides access to software source code and database schemas that permit custom application, layer development and integration. Along with the billing and back office application, VoIP Solutions can supply all of the components, services and customization to fully equip a VoIP Telco.

VoIP Americas - a wholly owned subsidiary of VoIP Inc.

In September 2004, VoIP, Inc. acquired VoIP Americas, a Miami-based firm providing services and long-distance call termination/origination via VoIP protocols. Their focus has been to sell to wholesale and large enterprise VoIP-enabled gateway operators as a cost-effective alternative to switched (TDM) termination. Their products are as follows:

VoIP Americas is firmly committed to applying state of the art business practices to all aspects of operations including a strong alternate channel program for sales and marketing. By partnering with leading IP PBX manufacturers, distributors, and integrators - VoIP Americas will be able to easily and efficiently target this lucrative and underserved market. By enhancing the value proposition of owning a next generation PBX, channel partners will be able to increase adoption and enjoy residual revenue streams. In return, VoIP Americas will enjoy ready access to this explosive segment, and be able to leverage built-in VoIP adoption.

VoIP800(TM) & VoIPDID(TM)

VoIP800(TM) and VoIPDID(TM) allows emerging carriers to offer US local numbers and toll free numbers to their customer base. The key differentiator of these services is the instant on-line provisioning, which reduces the time to market from months to minutes. Three service levels will be offered:

1. Basic -- Intended for the end-user or development phase for service provider. This level of service allows the user to provision a total of 10 DID's and toll free numbers.
2. Service Provider Basic -- This option allows an unlimited number of DID's and Toll Free numbers.
3. Service Provider API--This will be the most complete option and will allow the service provider to display VoIP Americas' inventory of numbers to their end users, and have the numbers provisioned in real time.

Wholesale VoIP

VoIP Americas highest revenue generating product is wholesalevoip(TM), which allows emerging carriers from around the world to terminate US, Canada and International traffic via SIP and H323. Setup is performed online allowing customers to interconnect immediately. Typical carrier customers are small to mid-sized ITSP firms seeking good rates and high quality of service. Often, it is possible for these carriers to achieve better rates to directly neighboring



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nations by looping their calls through the United States due to volume discounts, which means VoIP Americas is well-positioned to terminate this international traffic for existing customers as well as new customers brought on by the VSP offering. The features of Wholesale VoIP are:

- o Immediate Provisioning
- o Real Time Billing
- o H323 and SIP support
- o Competitive Pricing
- o Low Volume Commitments

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### Corporate VoIP

Perhaps the most exciting product offering in the line up, corporatevoip(TM) is intended to fill the wide niche that is currently being ignored by the large traditional TDM carriers. This product is simply intended to provide dial tone and termination services to existing users of IP PBX's via voiptrunking(TM) over the Internet. While many service providers including XO, MCI and Bell South offer IP Centrex, the existing IP PBX operator has no alternative but to provision expensive gateways, typically on PRI lines which cost hundreds or thousands of dollars per month depending on location and hardware requirements. The corporatevoip(TM) offering allows almost instant configuration of trunking to IP-enabled PBX systems and delivery of products over existing broadband corporate Internet connectivity. The advantages of the products are:

- o Immediate self service on-line Provisioning
- o Full Access to DID & Toll Free Inventory
- o Real Time CDR's
- o "Try before you buy" - Service has very little cost associated and does not require any physical provisioning.
- o Extensive cost, and provisioning cycle savings for end user

Going forward, this product can easily be extended to support a VoIP Appliance for legacy PBX users. This appliance can come in multiple configurations (FXS; FXO; 1 T-1; 4 T-1's). Sample production cost for the appliance is \$1,100.00 for 1 T-1 configuration. Development and feature specifications on a product of this type, if offered, are still pending.

The combination of VoIP Americas' current long-distance contracts and infrastructure are a perfect compliment to the VSP offerings of the VoIP Solutions VSP offerings. By bundling minute termination/origination at even better wholesale rates, plus hardware and back office, the customer is served by this combined offering on a single bill instead of negotiating separately for each component. VoIP Americas is currently blending its network and termination infrastructure with the rest of the Company, and significant cost savings have already been realized since September due to better rates and reduction of redundant expenses.

DTNet Technologies Inc. - a wholly owned subsidiary of VoIP Inc.  
DTNet Technologies Inc. is a primary importer and distributor of cable network components, cable modems, ADSL modems, wireless products and other Customer Premise Equipment for the cable and Telco industries. Established in 1999, their 1000 plus clients include AT&T, Comcast, Cox Cable, Bell South, Time Warner as

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well as regional and local Multiple Service Operators (MSO's). With the addition of the products from VoIP, Inc., specifically the Multi Media Terminal Adaptor and the Virtual Service Provider solution, 2005 sales are projected to reach \$7.5 million. DTNet has established itself as a respected supplier to the cable industry. This includes a strong relationship with the National Cable Television Cooperative (NCTC) representing over 1000 cable operator members.

VoIP Inc. acquired 100% of DTNet on June 25, 2004 through a stock purchase. In addition to the existing business and revenues, the acquisition provided VoIP Inc. with direct access to a valuable market and a nationwide sales force to sell products and services from other VoIP Inc. companies. There is also a demand within the group for the existing products distributed by DTNet. Additionally, the existing customer base of DTNet consists of firms which are the primary target for other VoIP, Inc. products. This customer base and the existing relationships that DTNet has developed is one of the primary benefits of the acquisition strategy.

The strong 5 year relationship DTNet has developed with the NCTC has positioned DTNet to be a leader in marketing VoIP-Solutions, Inc. products and services into this valuable channel. The NCTC is in the process of evaluating DTNet as the preferred VoIP vendor and contracts are in progress with over 20 members for the supply of outsourced services, Customer Premise Equipment (CPE), and wholesale long-distance, local, and international call termination/origination.

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The desire of cable companies to diversify their service offerings to increase their revenue and profitability will be the motivation for interest in the combined offerings of DTNet and VoIP, Inc.'s newly combined abilities and product lines.

The Company previously announced a joint venture arrangement known as iMax Solutions with iCable Co., Ltd. to market iCable products in the Western Hemisphere. Such venture required a \$5 million capital contribution from the Company in exchange for sales contracts and leads from iCable that would be divided 51% to VoIP and 49% to iCable. The Company determined that its resources would be better utilized by terminating the arrangement and developing its own wireless fidelity technology through proprietary research and development and smaller scale acquisitions.

On September 01, 2004 VoIP Inc. negotiated the relationship with iCable for a distribution agreement for North America and South America. This agreement appoints VoIP Inc. as the exclusive distributor for certain iCable products including VoIP ADSL Modems A201, A201C, A201W, A201CW, VoIP Cable Modems C102, C101C, C102W, C101CW, and MTAs G102, G102C, G102W, and G101CW. As part of the new Agreement in principle, iCable is no longer obliged to warrant the sales revenue of iMax. This increases VoIP Inc.'s holding to 100% of iMax Solutions Inc.

### Recent Developments

We have recently made a number of announcements regarding key business development milestones that should start to materially contribute to our revenues and profitability improvement during the last quarter of 2004.

On October 19, 2004, VoIP Inc. announced at the Fall VON 2004 conference that it has signed a Virtual Service Provider contract with J & N Cable Systems a Private Cable Operator (PCO) located in the western US serving 10 cities in 2 states. J & N Cable Systems will offer voice over IP (VoIP) telephone service to

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its customer base, allowing those customers to bypass traditional phone companies, signaling the start of a technological shift that could change the cable industry--one of the biggest and most important industries in the US economy.

On October 8, 2004, VoIP Inc. announced the company has been awarded a VoIP Service Provider Award by Technology Marketing Corporation (TMC(R))'s INTERNET TELEPHONY(R) magazine at the INTERNET TELEPHONY Conference and EXPO Fall 2004 in Los Angeles. The three day event is the largest VoIP trade show in the world. The INTERNET TELEPHONY VoIP Service Provider Award is presented to companies whose VoIP visions have delivered on the promise of excellence for their clients in a genuine and measurable way.

On October 7, 2004, VoIP Inc. announced the company has been awarded a VoIP Service Provider Award by Technology Marketing Corporation (TMC(R))'s INTERNET TELEPHONY(R) magazine at the INTERNET TELEPHONY Conference and EXPO Fall 2004 in Los Angeles. The three day event is the largest VoIP trade show in the world. The INTERNET TELEPHONY VoIP Service Provider Award is presented to companies whose VoIP visions have delivered on the promise of excellence for their clients in a genuine and measurable way.

On September 29, 2004, VoIP Inc. announced that VoIP-Americas has been named to the 2004 "pulver100" - which is the VoIP industry's premiere listing of growth companies that represent the future of the communications ecosystem. VoIP-Americas has been named to the list due to its most prestigious listing of growth companies that represent the future of the communications ecosystem.

On September 24, 2004, VoIP Inc. announced a 1 million minute increase in its wholesale traffic division VoIP-Americas. VoIP Americas is a wholly-owned subsidiary of VoIP, Inc. and comprise the wholesale VoIP traffic division.

On September 15, 2004, VoIP Inc. announced that it's wholly owned subsidiary, VoIP Solutions, Inc., has received a purchase contract for its MTA-V102 Multimedia Terminal Adapters valued at more than \$1 million (USD) from FMC Telecom of Davie, Florida.

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On August 16, 2004, VoIP Inc. announced the expansion of its residential and business Voice over Internet Protocol (VoIP) phone service, eGlobalphone. The expansion includes Texas, Ohio, Washington, Pennsylvania, North Carolina, Michigan, Minnesota and Missouri. The availability of the eGlobalphone Service to residents and businesses in 8 additional states marks the commitment by VoIP, Inc. the parent company of eGlobalphone to meet the needs of customers globally; offering a high-tech alternative for their communications needs.

On July 14, 2004, VoIP Inc. announced that it has signed a Virtual Service Provider (VSP) Agreement with VOIP-4U, a United Kingdom-based Telco. Under the Agreement, VoIP Inc. will supply their proprietary media gateways for local Interconnection with British Telecommunications service providers in addition to supplying MTA's (Multimedia Terminal Adaptors) from its wholly owned subsidiary, VoIP-Solutions Inc. Additional equipment supplied will include ADSL Modems with built in Multimedia Terminal Adaptor & router function that combines a DSL modems with Voice.

On July 13, 2004, VoIP, Inc. announced the unveiling of their Virtual Service Provider (VSP) resale model for service providers. Using the industry-leading SIP protocol and a flexible back-end billing and call routing service, VoIP Inc. today announced a new service for network service providers. VoIP, Inc. will be

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offering a complete Voice over Internet Protocol (VoIP) solution that enables Internet service providers to offer low cost VoIP services to their customers quickly and without the normal high cost of a program rollout.

### Item 3. Controls and Procedures

Within the 90 days prior to the filing date of this report, the Company performed an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. This evaluation was done under the supervision and with the participation of the Company's President and Chief Financial Officer. Based upon that evaluation, they concluded that the Company's disclosure controls and procedures are effective in gathering, analyzing and disclosing information needed to satisfy the Company's disclosure obligations under the Exchange Act. The two executive officers responsible for the financial reporting and disclosure are also in control of the books and records of the Company and are involved first hand in the decision making process of material transactions.

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## Part II - OTHER INFORMATION

### Item 1 - Legal Proceedings

#### SCHEDULE 5(h) LITIGATION

VOIP Corp. v. VoIP, Inc., Case No. 04-CA-8140-35, in the Circuit Court of the Ninth Judicial Circuit, Orange County, Florida. Plaintiff accuses VOIP of deceptive trade practices and unfair competition in using a name deceptively similar to Plaintiff's and seeks unspecified damages and injunctive relief. VoIP intends to defend the case and believes it has meritorious defenses based upon (i) VoIP, Inc. is qualified to do business in Florida under the name VoIP Holdings; (ii) VoIP also conducts business in Florida under the name VoIP Solutions; (iii) VoIP is a generic and unprotectable term - every federal trademark using "VOIP" requires that the applicant disaffirm any protection of "VOIP"; (iv) there are 24 other Florida companies using the name "VOIP" as part of its name; and (v) the original Florida corporation known as "VOIP, Inc.", which predates the Plaintiff's name filing, is now owned by VoIP.

### Item 2 - Changes in Securities

The following unregistered securities have been issued during the third quarter of 2004:

Effective July 2004, registrant issued 668,688 shares to six individual existing accredited investors. Also effective July 2004, registrant issued 41,688 shares to four accredited individual investors.

Effective August 2004, registrant issued 50,000 shares to one individual accredited investor in satisfaction of accounts payable totaling \$50,000.

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Effective August 2004, registrant issued 653,319 shares to 46 individual accredited investors.

Effective September 10th, 2004, registrant issued 1,000,000 shares to acquire all issues and outstanding shares of Voipamericas Inc., common stock.

Effective September 2004, registrant issued 38,461 shares to one accredited investor.

All securities described herein were issued in transactions exempt from registration pursuant to Section 4(2) of the Securities Act of 1933

### Item 3 - Defaults on Senior Securities

None

### Item 4 - Submission of Matters to a Vote of Security Holders

The Company has held no regularly scheduled, called or special meetings of shareholders during the reporting period.

### Item 5 - Other Information

None

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### Item 6 - Exhibits and Reports on Form 8-K

#### (a) Exhibits

No.	Description
31.1	Certification by CEO pursuant to 18 USC Section 1350 as adopted by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by CFO pursuant to 18 USC Section 1350 as adopted by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by CEO pursuant to 18 USC Section 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by CFO pursuant to 18 USC Section 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.

#### (b) Reports on Form 8-K

Form 8-K filed with the SEC on July 07, 2004  
Form 8-K filed with the SEC on August 06, 2004  
Form 8-K filed with the SEC on September 13, 2004  
Form 8-K filed with the SEC on September 16, 2004

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SIGNATURES

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

VoIP, INC.

November 12, 2004

/s/ Steven Ivester

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Steven Ivester  
President and CEO

/s/ Osvaldo Pitters

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Osvaldo Pitters  
Chief Financial Officer

