

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM SB-2**

**REGISTRATION STATEMENT**  
**UNDER THE**  
**SECURITIES ACT OF 1933**

**GlobalTel IP, Inc.**

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(Name of Small Business Issuer as Specified in its Charter)

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|--|--|--|
| <b>Florida</b>   | <b>4813</b>  | <b>65-0958798</b>                                |
| <hr/> (State or Other Jurisdiction<br>of<br>Incorporation or Organization) | <hr/> (Primary Standard<br>Industrial Classification<br>Code Number) | <hr/> (I.R.S. Employer<br>Identification Number) |

**7999 North Federal Highway, Suite 401**  
**Boca Raton, FL 33487**  
**(561) 939-3300**

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(Address and Telephone Number of  
Principal Executive Offices and Principal Place of Business)

**Steven M. Williams**  
**7999 North Federal Highway, Suite 401**  
**Boca Raton, FL 33487**  
**(561) 939-3300**

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(Name, Address and Telephone Number of Agent for Service)

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*With Copies to:*  
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Approximate date of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [x]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. [ ]

#### CALCULATION OF REGISTRATION FEE

| Title of each<br>class of securities<br>to be<br>registered | Amount of shares to be<br>registered | Proposed<br>maximum<br>offering<br>price per share | Proposed<br>maximum<br>aggregate<br>offering price | Amount of<br>registration fee |
|---|--------------------------------------|--|--|-------------------------------|
| Common Stock, \$.001 par<br>value                           | 12,825,425                           | \$.30 (1)  | \$3,847,628 (1)                                    | \$411.70                      |
| Common Stock, \$.001 par<br>value (2)                       | 425,000                              | \$.12  | \$51,000   | \$5.46                        |
| Common Stock, \$.001 par<br>value (2)                       | 275,000                              | \$.20  | \$55,000   | \$5.89                        |
| Common Stock, \$.001 par<br>value (2)                       | 112,500                              | \$.22  | \$24,750   | \$2.65                        |

(1) Estimated solely for purpose of calculating the registration fee based upon the average of the bid and asked prices of a share of the registrant's common stock on June 28, 2006 pursuant to the provisions of Rule 457(c) under the Securities Act of 1933.

(2) Represents shares which may be issued upon exercise of outstanding warrants.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

**PROSPECTUS**  
**GLOBALTEL IP, INC.**

**13,637,925 shares of Common Stock**

This prospectus relates to (a) 5,722,500 shares of our outstanding common stock which may be offered for sale by selling stockholders named in this prospectus, (b) 812,500 shares of our common stock which may be acquired upon exercise of outstanding warrants and (c) 7,102,925 shares of our common stock which will be distributed by Interactive Media Technologies, Inc. to its stockholders. The exercise prices of the warrants range from \$.12 per share to \$.22 per share and the weighted average exercise price is approximately \$.16 per share.

We will not receive any proceeds from sales of shares to be sold by the selling stockholders or shares which will be distributed by Interactive Media Technologies, Inc. We will bear the costs and expenses of registering all the common stock to which this prospectus relates.

In connection with the offering of the 812,500 shares underlying warrants, there is no minimum amount of shares that must be sold if any shares are to be sold, the offering will terminate not later than June 30, 2008 and there are no arrangements to place any funds in an escrow, trust or similar account and there is no provision for any refund of any funds received by us in the offering.

The selling stockholders may sell their shares in one or more transactions on the over-the-counter market, in negotiated transactions, or through a combination of those methods of distribution, at prices related to prevailing market prices or at negotiated prices.

Each of the selling stockholders may be deemed to be an “underwriter” as that term is defined in the Securities Act of 1933.

**An investment in the shares involves substantial risks and is highly speculative. See “Risk Factors” beginning on page 9 of this prospectus.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is           , 2006.

In making a decision whether to buy our common stock, you should only rely on the information contained in this prospectus. The information in this prospectus may only be accurate on the date of this prospectus.

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We have not taken any action to permit a public offering of our shares of common stock outside of the United States or to permit the possession or distribution of this prospectus outside of the United States. Persons outside of the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of the shares of common stock and the distribution of this prospectus outside of the United States.

No person has been authorized to give any information or to make any representations in connection with this offering other than those contained in this prospectus and, if given or made, such other information and representations must not be relied upon as having been authorized by us. Neither the delivery of this prospectus nor any sale made will, under any circumstances, create any implication that there has been no

change in our affairs since the date of this prospectus or that the information contained in this prospectus is correct as of any time subsequent to its date. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the registered securities to which it relates. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful.

In this prospectus, “GlobalTel IP,” “we,” “us,” “our” and “our company” refer to GlobalTel IP, Inc., a Florida corporation, unless the context otherwise requires.

Until \_\_\_\_\_, 2006, all dealers that effect transactions in our common stock whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers’ obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

## **PROSPECTUS SUMMARY**

This summary does not contain all the information you should consider before investing in our shares. You should carefully read the entire prospectus, including the documents incorporated by reference into this prospectus, before making an investment decision. In this prospectus, unless the context otherwise requires, references to “we” “us” and “our” refer to GlobalTel IP, Inc., a Florida corporation.

### ***Our business***

We are development stage telecommunications services company. We are primarily engaged in providing voice over internet protocol, or VoIP, call processing services using independent foreign resellers and sales agents serving foreign customers. In providing VoIP services, we outsource substantially all of our technical and service functions to others.

Unlike many other VoIP service companies, substantially all of our sales are made to or through independent resellers and sales agents. We do not intend to market our services directly to retail customers. Accordingly, our success depends, in substantial part, on our ability to retain our existing resellers and agents and recruit new resellers and agents.

We do not have the capital to further significantly fund or develop our business activities and we have never realized any significant revenues. As stated in the notes to our financial statements, because we have suffered recurring losses and have experienced severe liquidity problems, there is substantial doubt about our ability to continue as a going concern. Our auditors have included a statement to that effect in their report dated December 12, 2005.

### ***Corporate information***

We were incorporated in Florida on November 15, 1999. Our principal office is located at 7999 North Federal Highway, Boca Raton, FL 33487 and our telephone number is (561) 939-3300. Any information contained in, or that can be accessed through, our website is not part of this prospectus.

### ***The offerings***

This prospectus relates to (a) 5,722,500 shares of our outstanding common stock which may be offered for sale by selling stockholders named in this prospectus, (b) 812,500 shares of our common stock which may be acquired upon exercise of outstanding warrants and (c) 7,102,925 shares of our common stock which will be distributed by Interactive Media Technologies, Inc. to its stockholders. The sale and resale of the shares can be expected to depress the market price, if any, of our shares.

We will not receive any proceeds from this offering from sales of shares to be sold by the selling stockholders or shares which will be distributed by Interactive Media Technologies, Inc.

|  |  |
|--|--|
| Common Stock to be offered by the selling stockholders other than Interactive Media Technologies, Inc. | 5,722,500 shares   |
| Common Stock to be distributed by Interactive Media Technologies, Inc. to its shareholders             | 7,102,925 shares   |
| Common Stock which may be sold by us upon exercise of outstanding warrants.                            | 812,500 shares   |
| Common Stock outstanding before the offering   | 22,301,425 shares (1)  |
| Common Stock outstanding after the offering  | 23,113,925 shares (1) (2)  |
| Proceeds   | We will not receive any proceeds from the sale of the shares by the selling stockholders or the distribution of our shares by Interactive Media Technologies, Inc. to its shareholders. Any net proceeds we receive from the sale of the shares underlying the warrants referred to in note (1) below will be used for working capital and other corporate purposes. |
| Risk Factors   | The securities offered by this prospectus involve a high degree of risk. See "Risk Factors."   |

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- (1) Does not include 1,850,000 shares which may be issued upon exercise of outstanding derivative securities which shares have not been registered by the registration statement of which this prospectus is a part.
- (2) Assumes the exercise of all outstanding warrants with respect to which the underlying shares have been registered in the registration statement of which this prospectus is a part.

### ***Summary Financial Information***

The following table summarizes our statements of operations and balance sheet data for and as of the periods indicated. The summary should be read in conjunction with Management's Plan of Operation and our financial statements and notes thereto included elsewhere in this prospectus.

The amounts for the fiscal years ended September 30, 2005 and 2004 have been derived from our audited financial statements.

|  | March 31,<br>2006<br>(Unaudited) | September 30,<br>2005        | September 30,<br>2004        |
|--|----------------------------------|------------------------------|------------------------------|
| <b>BALANCE SHEET DATA:</b>                   |                                  |                              |                              |
| Cash   | \$ 86,172                        | \$ 113,185                   | \$ -                         |
| Total current assets                         | 90,355                           | 117,368                      | 1,027                        |
| Property and equipment, net                  | 315,893                          | 94,553                       | -                            |
| Total assets                                 | 419,783                          | 211,921                      | 1,027                        |
| Accounts payable and accrued liabilities     | 204,964                          | 50,997                       | -                            |
| Due to related party                         | 30,152                           | 66,303                       | -                            |
| Deferred revenue                             | 73,618                           | 44,935                       | -                            |
| Total liabilities                            | 321,123                          | 173,084                      | -                            |
| Capital stock                                | 20,801                           | 18,073                       | 6,920                        |
| Additional paid-in-capital                   | 1,190,882                        | 846,025                      | 448,743                      |
| Deficit accumulated during development stage | (1,103,023)                      | (825,261)                    | (454,636)                    |
| Less: subscription receivable                | (10,000)                         | -                            | -                            |
| Total liabilities and stockholders' equity   | 419,783                          | 211,921                      | 1,027                        |
|  | For the<br>six months ended      | For the<br>fiscal year ended | For the<br>fiscal year ended |

|   | March 31,<br>2006<br>(Unaudited) | September 30,<br>2005 | September 30,<br>2004 |
|---|----------------------------------|-----------------------|-----------------------|
| <b>STATEMENT OF OPERATIONS DATA:</b>                    |                                  |                       |                       |
| Revenues  | \$ 645,732                       | \$ 268,783            | \$ -                  |
| Cost of sales   | 499,274                          | 184,538               | -                     |
| Selling expenses  | 77,832                           | 64,094                | -                     |
| Engineering and development costs                       | 137,662                          | 78,837                | -                     |
| Payroll and consulting fees                             | 107,934                          | 179,223               | -                     |
| Professional fees                                       | 64,413                           | 43,469                | -                     |
| Other administrative expenses                           | 21,717                           | 78,602                | -                     |
| Depreciation and amortization                           | 14,662                           | 10,645                | -                     |
| Net profit (loss)                                       | (277,762)                        | (370,625)             | -                     |
| Net profit (loss) per share                             | (0.014)                          | (0.030)               | -                     |
| Weighted average number of<br>common shares outstanding | 19,486,488                       | 12,368,979            | 6,920,000             |

## RISK FACTORS

An investment in our common stock involves substantial risks. You should consider carefully the following information about these risks, together with the financial and other information, including additional risks, contained elsewhere in this prospectus, before you decide whether to buy our common stock. If any of the following risks and uncertainties develops into actual events, our business, financial condition or results of operations could be materially and adversely affected and the market price of our shares, if any, would likely decline significantly. In such case, you may lose all or part of your investment.

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***Because we have an extremely limited operating history, there is no meaningful basis on which you can evaluate our proposed business and prospects.*** We did not realize any revenues from our telecommunications business until March 2005. Prospective investors customarily consider a company's operating history as a factor in determining whether to make an investment. Prospective investors who decide to purchase our shares may have decided not to purchase the shares if they had a significant operating history to review.

***We have had losses since inception and expect losses to continue for the foreseeable future.*** We incurred net losses of \$370,625 \$0.00 and \$3,368 during the fiscal years ended September 30, 2005, 2004 and 2003, respectively and \$277,762 and \$ 42,658 during the six month periods ended March 31, 2006 and 2005, respectively. Since our inception through March 31, 2006, we have incurred aggregate net losses of \$1,103,023. In addition, since we began to engage in the voice over Internet business in March 2005, we have incurred aggregate net losses of \$648,387. Any future operations may not be sufficient to generate the revenues necessary to reach profitability.

***Because of our limited capital, unless we obtain substantial additional capital we may not have sufficient capital to continue to engage in or to expand our proposed business activities.*** On December 31, 2005, we had current assets of \$100,869 and current liabilities of \$ 111,785. We do not have adequate capital to significantly fund, develop or expand our business activities.

Unless we are able to realize a significant increase in our revenues, we will not be able to continue development or administrative functions for more than a few months. In addition, we will require substantial additional capital to pursue our business strategy, to respond to new competitive pressures or to respond to opportunities to acquire complementary businesses or technologies. Our losses to date and our limited tangible assets may prevent us from obtaining additional funds on terms not unfavorable to us, if at all. Because we do not fit traditional credit lending criteria, it is difficult if not impossible for us to obtain loans or to access capital markets.

There can be no assurance any capital will be available to us on terms not unfavorable to us if at all. It is difficult and very often impossible for development stage companies to obtain adequate financing on any terms.

***Because of our limited capital, unless we obtain substantial additional capital we may not have sufficient***

*capital to continue as a going concern.* As stated in the notes to our financial statements, because we have suffered recurring losses and have experienced severe liquidity problems, there is substantial doubt about our ability to continue as a going concern. Our auditors have included a statement to that effect in their report on our fiscal 2005 financial statements dated December 12, 2005.

***If we raise additional funds through the issuance of our equity securities, the percentage ownership of our stockholders will be reduced, we may undergo a change in control and stockholders may experience dilution which could substantially diminish the value of their common stock.*** One of the factors which generally affects the market price of publicly traded equity securities is the number of shares outstanding in relationship to assets, net worth, earnings or anticipated earnings and other financial items. If a public market is sustained for our shares, a material amount of dilution can be expected to cause the market price of our shares to decline. Furthermore, the public perception of future dilution can have the same effect even if the actual dilution does not occur.

***If we are unable to compete successfully, we could lose or fail to gain market share and revenue.*** The voice over Internet industry is intensely competitive. Over the past year, the number companies entering our industry have increased dramatically. Competitive pricing pressures can impact profit margins, if any, negatively.

We face intense competition from traditional telephone companies, wireless companies, cable companies and alternative voice communication providers. Our principal competitors are traditional telephone service providers which provide telephone service based on the public switched telephone network. Some of these traditional providers also have added or are planning to add VoIP services to their existing telephone and broadband offerings. We also face, or expect to face, competition from cable companies which have added or are planning to add VoIP services to their existing cable television, voice and broadband offerings. Further, certain wireless providers offer services that some customers may prefer over wireline service. In the future, as wireless companies offer more minutes at lower prices, their services may become more attractive to customers as a replacement for wireline service. Some of these providers may be developing a dual mode phone that will be able to use VoIP where suitable internet access is available and cellular phone service elsewhere, which will pose additional competition to us.

The traditional wireline and wireless telephone service providers and cable companies are substantially larger and better capitalized than we are and have the advantage of a large existing customer base. Because most of our end users are already purchasing communications services from one or more of these providers, our success is dependent upon our ability to attract target customers away from their existing providers.

Attracting customers away from their existing providers will become more difficult as mainstream customers make up more of our target market. These competitors could focus their substantial financial resources to develop competing technology that may be more attractive to potential customers than what we offer. Our competitors' financial resources may allow them to offer services at prices below cost or without charge in order to maintain and gain market share or otherwise improve their competitive positions. Our competitors also could use their greater financial resources to offer VoIP services with more attractive service packages that include on-site installation and more robust customer service. In addition, because of the other services our competitors provide, they may choose to offer VoIP services as part of a bundle that includes other products, such as video, high speed Internet access and wireless telephone service, which we do not and cannot offer. This bundle may enable our competitors to offer VoIP service at price levels with which we may not be able to compete or to offer functionality that integrates VoIP service with their other offerings, both of which may be more desirable to consumers. Any of these competitive factors could make it more difficult or impossible for us to attract and retain customers, cause us to lower our prices in order to compete and reduce our market share and revenues.

We also compete against established alternative voice communication providers, such as Skype (a service of eBay Inc.), and face competition from other large, well-capitalized Internet companies, such as America Online, Inc., Google Inc., Microsoft Corporation and Yahoo! Inc., which have recently launched or plan to launch VoIP-enabled instant messaging services. In addition, we compete with independent VoIP service providers. Some of these service providers may choose to sacrifice revenue in order to gain market share and have offered their services at lower prices or without charge. In order to compete with such service providers, we may have to significantly reduce our prices, which would delay or prevent our profitability or prevent us from remaining in business.

There can be no assurance that we will be able to increase our revenues or achieve profitability.

***Because the telecommunications industry has experienced a sharp contraction in the availability of capital and dramatic reductions in capital expenditures by service providers, our business can be adversely affected.*** Prior to 2001, the telecommunications market experienced rapid growth spurred by a number of factors, including deregulation in the industry, entry of a large number of new emerging service providers, growth in data traffic and the availability of significant capital from the financial markets. Commencing in 2001 and continuing thereafter, the telecommunications industry experienced a reversal of some of these trends. Many service providers have experienced financial difficulties and, in some cases, bankruptcies. We expect the developments described above to continue to affect our business in the

following manner:

- our ability to accurately forecast revenues is diminished;
- intense competition could adversely affect our profit margins, if any;
- our revenues could be reduced; and
- we may continue to incur losses, even if our revenues increase, because a high percentage of our operating expenses are and will continue to be fixed in the short-term.

Any one or a combination of the above could materially and adversely affect our business, operating results and financial condition as well as our ability to remain in business.

***Because the international market for VoIP telecommunication services is evolving, our business will suffer if that market does not develop as we expect.*** VoIP technology may not be widely accepted as a platform for voice or it may become obsolete. Accordingly, a viable market for our services may not develop or be sustainable. If the market does not develop, or develops more slowly than we expect, we may not be able to sell our services in significant volume, if at all.

***Because the market for VoIP services is likely to be characterized by rapid technological change, if we do not respond rapidly to technological changes or to changes in industry standards, our services could become obsolete.*** We may be unable to respond quickly or effectively to new developments because of our limited capital or otherwise. We may experience difficulties with software development, hardware procurement, or marketing strategies that could delay or prevent our development, introduction or marketing of new services and enhancements. The introduction of new services by our competitors, the market acceptance of services based on new or alternative technologies or the emergence of new industry standards could render our existing or future services obsolete. If the standards adopted are different from those that we have chosen to support, market acceptance of our services may be significantly reduced or delayed. If our services become technologically obsolete, we may be unable to sell our products in the marketplace and generate revenues.

***If we are not able to obtain necessary licenses of third-party technology at acceptable prices, or at all, our products and services could become obsolete.*** From time to time, we may be required to license technology from third parties to develop new products or product enhancements. Third-party licenses may not be available or continue to be available to us on commercially reasonable terms. The inability to maintain or re-license any third-party licenses or to obtain any new third-party licenses to develop new products, services and product enhancements could require us to obtain substitute technology of lower quality or performance standards or at greater cost, and delay or prevent us from offering these products, services or enhancements, any of which could seriously harm the competitiveness of our services.

***Because competition in our business is intense, we may not be able to effectively compete with other VoIP service providers.*** Over the last year, the number of companies entering our industry has increased dramatically. Competition is very intense and pricing pressures can impact profit margins, if any, negatively. Substantially all of our competitors are larger, established and well financed companies which have greater financial resources, technical expertise and managerial capabilities than we do.

***Decreasing telecommunications prices may cause us to lower our prices to remain competitive, which could delay or prevent our future profitability.*** Domestic and international telecommunications prices have decreased significantly over the last few years, and we anticipate that prices will continue to decrease. Users who select our service offerings to take advantage of our prices may switch to another service provider as the difference between prices diminishes or disappears, and we may be unable to use our price as a distinguishing feature to attract new customers in the future. Such competition or continued price decreases may require us to lower our prices to remain competitive, may result in reduced revenue and a loss of customers and may delay or prevent our future profitability, if any.

***If VoIP technology fails to gain acceptance among mainstream consumers, our ability to grow our business will be limited.*** We believe that a significant portion of our revenue currently comes from consumers who are early adopters of VoIP technology. In order for our business to grow and to become profitable, VoIP technology must gain acceptance among mainstream consumers, who tend to be less technically knowledgeable and more resistant to new technology or unfamiliar services. Because potential VoIP customers must connect additional hardware at their location and take other technical steps not required for the use of traditional telephone service, mainstream consumers may be reluctant to use our service. If mainstream consumers choose not to utilize our technology, our ability to grow our business will be limited.

***Certain aspects of our service are not the same as traditional telephone service, which may limit the acceptance of our services by mainstream consumers and our potential for growth.*** Our growth is dependent in significant part on the adoption of our services by mainstream customers, therefore the differences are becoming increasingly important. For example:

- Our basic emergency calling services in areas which services are available are different in significant respects from the 911 or other such service associated with traditional wireline and wireless telephone providers and, in certain cases, with other VoIP providers.
- Our customers may experience lower call quality than they are used to from traditional wireline telephone companies, including static, echoes and delays in transmissions.
- Our customers may experience higher dropped-call rates than they are used to from traditional wireline telephone companies.
- Customers who obtain new phone numbers from us do not appear in the phone book and their phone numbers are not available through directory assistance services offered by traditional telephone companies.
- In the event of a power loss or Internet access interruption experienced by a customer, our service is interrupted. Unlike some of our competitors, we do not install any equipment at customers' premises or provide emergency power for our customers' equipment if they lose power.

If customers do not accept the differences between our service and traditional telephone service, they may choose to remain with their current telephone service provider or may choose to return to service provided by traditional telephone companies.

***Our basic emergency calling services are more limited than those offered by traditional wireline telephone companies and may expose us to significant liability.*** Our emergency calling service is more limited, in significant respects, than the emergency calling services offered by traditional wireline telephone companies. In each case, those differences may cause significant delays, or even failures, in callers' receipt of the emergency assistance they need.

If one of our customers experiences an Internet or power outage, or if a network failure were to occur, the customer will not be able to reach an emergency services provider. Any ability or delay in reaching an emergency services provider or the inability of the answering point to automatically recognize the caller's location or telephone number can have devastating consequences. Customers may in the future attempt to hold us responsible for any loss, damage, personal injury or death suffered as a result. This liability could be significant. In addition, we may lose, existing and prospective customers because of the limitations inherent in our emergency calling services. Any of these factors could cause us to lose revenues, incur greater expenses or cause our reputation or financial results to suffer.

***Flaws in our technology and systems could cause delays or interruptions of service, damage our reputation, cause us to lose customers and limit our growth.*** Our service may be disrupted by problems with our technology and systems, such as malfunctions in our software or other facilities and overloading of our network. Our customers have experienced interruptions in the past and may experience interruptions in the future as a result of these types of problems. Interruptions may cause us to lose customers and offer substantial customer credits, which could adversely affect our revenue and profitability. We have had outages that affected our customers at various times. In addition, because our systems and our customers' ability to use our services are Internet-dependent, our services may be subject to "hacker attacks" from the Internet, which could have a significant impact on our systems and services. If service interruptions adversely affect the perceived reliability of our service, we may have difficulty attracting and retaining customers and our brand reputation and growth may suffer.

***Our ability to provide our service is dependent upon third-party facilities and equipment, the failure of which could cause delays or interruptions of our service, damage our reputation, cause us to lose customers and limit our growth.*** Our future success depends in significant part upon our ability to provide quality and reliable service, which, in turn, is in part dependent upon the proper functioning of facilities and equipment owned and operated by third parties and is, therefore, beyond our control. Unlike traditional wireline telephone service or wireless service, our service requires our customers to have an operative Internet connection and an electrical power supply, which are provided by the customer's Internet service provider and electric utility company, respectively, and not by us. The quality of some Internet connections may be too poor for customers to use our services properly. In addition, if there is any interruption to a customer's Internet service or electrical power supply, that customer will be unable to make or receive calls, including emergency calls, using our service. We also outsource our network functions to third-party providers. For example, we outsource the maintenance of our regional data connection points, which are the facilities at which our network interconnects with the public switched telephone network. If our third-party service providers fail to maintain these facilities properly, or fail to respond quickly to problems, our customers may experience service interruptions. Our customers have experienced such interruptions in the past and will experience interruptions in the future. If interruptions adversely affect the perceived reliability of our service, we may have difficulty attracting new customers and our brand, reputation and growth will be negatively impacted.

***Because our executive offices and equipment are located in South Florida, our service has and may, in the future, be disrupted by hurricanes or other catastrophic events.*** During the summer of 2005, as a result of a relatively minor hurricane, we lost power and were unable to provide service to our customers for approximately 24 hours. Future hurricanes or other events could result in substantially longer interruptions in service through power outages and damage or destruction to our equipment and our inability to have access to our premises.

***If Interactive Media Technologies, Inc. were to stop terminating traffic for us, our business would be severely adversely impacted.*** Substantially all of the terminations of our customers' VoIP calls are handed off to Interactive Media Technologies, Inc., or IMT, which terminates the calls with carriers of its choice. If IMT were to stop terminating traffic for us, our business would be severely adversely impacted. IMT is not obligated to continue terminating our traffic. We can not assure you that IMT will continue to terminate our traffic or that we can locate carriers to deal directly with us at prices similar to those charged to us by IMT, if at all.

***We may not be able to maintain adequate customer care which could adversely affect our ability to grow and cause our financial results to be negatively impacted.*** Good customer care is important to acquiring and retaining customers. We may not be able to maintain or expand our customer care operations quickly enough to meet the needs of our greatly customer base, in which case the quality of our customer care will suffer. If we are unable to hire, train and retain sufficient personnel to provide adequate customer care, we may fail to retain existing customers, experience slower or no growth and increased costs, any of which would cause us to be negatively impacted.

***If we are unable to improve our process for local number portability provisioning, our growth may be negatively impacted.*** We support local number portability for our customers, which allows our customers to retain their existing telephone numbers when subscribing to our services. Transferring numbers is a manual process that could take 20 business days or longer and, in many foreign countries, it may not be possible to transfer a number. A new customer must maintain both our VoIP service and the customer's existing telephone service during the transferring process. By comparison, transferring wireless telephone numbers among wireless service providers generally takes several hours or less, and transferring wireline telephone numbers among traditional wireline service providers generally takes not more than a few days. The additional delay that our customers experience is due to reliance on the telephone company from which the customer is transferring and to the lack of automation in our process. Further, because we are not a regulated telecommunications provider, we must rely on the telephone companies, over whom we have no control, to transfer numbers. Local number portability is considered an important feature by many potential customers, and if we fail to reduce related delays, we may experience increased difficulty in acquiring new customers.

***A higher rate of customer terminations would negatively impact our business by reducing our revenue or requiring us to spend more money to grow our customer base.*** Our termination or churn rate could increase in the future if customers are not satisfied with our service. Other factors, including increased competition from other providers, also influence our churn rate. Because of churn, we have to acquire new customers on an ongoing basis just to maintain our existing level of customers and revenues. As a result, marketing expense is an ongoing requirement of our business. If our churn rate increases, we will have to acquire even more new customers in order to maintain our existing revenues. We incur significant costs to acquire new customers, and those costs are an important factor in determining our net losses and achieving future profitability. Therefore, if we are unsuccessful in retaining customers or are required to spend significant amounts to acquire new customers beyond those budgeted, our revenue could decrease and our net losses could increase.

***Because a significant portion of our revenues has been generated through a small number of independent sales agents and resellers, the loss of any of them would cause us to be materially negatively impacted.*** During our fiscal year ended September 30, 2005, seven agents or resellers accounted for approximately 88% of our revenues. During the six months ended March 31, 2006, fifteen agents or resellers accounted for approximately 89% of our revenues. We do not have any agreement with any of our resellers or sales agents to continue to solicit customers on our behalf and any of them may terminate its relationship with us without penalty. Furthermore, any of them may decide not to sell our services and, instead, to sell the services of our competitors. Because our competitors have greater financial resources than we have, they are financially able to provide more favorable pricing to resellers and sales agents than we do and sell VoIP services at lower rates.

***Because a significant number of our independent sales agents and resellers have been acquired through the efforts of one person, the loss of his services would cause us to be materially negatively impacted.***

During our fiscal year ended September 30, 2005 and the six months ended March 31, 2006, one employee of IMT accounted for independent sales agents and resellers that generated approximately 38% and 73% of our revenues, respectively. Neither IMT nor that individual is obligated to assist in finding or maintaining any sales agents or resellers.

***If we do not expand our reseller and agent base to market our services, our revenues will not grow significantly, if at all.*** We will not retain resellers and agents or attract new resellers and agents if we do not anticipate and meet consumer requirements and expectations for VoIP telecommunication services. Even if we are able to do so, we cannot assure you that we will be able to retain resellers and agents or attract new resellers and agents.

***As a result of being a reporting company, we will incur increased costs that may place a strain on our resources or divert our management's attention from other business concerns.*** Because we are now required to file reports with the SEC, we will incur additional legal, accounting and other expenses that we did not incur in the past. The Exchange Act requires us to file annual, quarterly and current reports with respect to our business and financial condition, which will require us to incur legal and accounting expenses. The Sarbanes-Oxley Act requires us to maintain effective disclosure controls and procedures and internal controls for financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, significant resources and management oversight will be required. We expect the corporate governance rules and regulations of the SEC will increase our legal and financial compliance costs and make some activities more time consuming and costly. These requirements may place a strain on our systems and resources and may divert our management's attention from other business concerns, which could have a material adverse effect on our business, financial condition and results of operations. In addition, we may have to hire legal, accounting and financial staff with appropriate public company experience and technical accounting knowledge, which will increase our operating expenses in future periods.

We also expect these rules and regulations to make it difficult, if not impossible, and expensive for us to obtain director and officer liability insurance. Because we do not now and may not be able to obtain such insurance, we may not be able to attract and retain qualified persons to serve on our board of directors or as executive officers.

***If we experience growth, there will be substantial demands on our management and operations.*** If we are not able to hire, train and retain the necessary personnel, or if these operational and reporting improvements are not implemented successfully, we may have to make significant additional expenditures and further draw management attention away from running our business to address these issues. The quality of our services could suffer, which could negatively affect our operating results and financial position.

***If we are not be able to develop international market demand for our services, our ability to increase our revenues will be significantly impaired.*** International operations are subject to many risks, including.

- greater difficulty collecting accounts receivable and longer collection periods;
- difficulties and costs of staffing and managing international operations;
- the impact of differing technical standards;
- the impact of recession in economies;
- changes in regulatory requirements and currency exchange rates;
- certification and licensing requirements;
- reduced protection for intellectual property rights;
- potentially adverse tax consequences; and
- political and economic instability.

***Because much of our potential success and value lie in our use of our software, if we fail to protect it, our business could be materially adversely affected.*** Our ability to compete effectively is dependent in large part upon the maintenance and protection of our software. We have no patents and we believe that we cannot patent the technology that is important to us. To date, we have relied on trade secret laws, as well as confidentiality procedures and licensing arrangements, to establish and protect our rights to the technology. Have not entered into any confidentiality or license agreements. We intend, in the future, to enter into confidentiality or license agreements in an effort to control access to and distribution of our software and other information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the technology without authorization. Policing unauthorized use of the technology is difficult. The steps we take may not prevent misappropriation of the technology we rely on. In addition, effective protection may be unavailable or limited in many jurisdictions outside the United States. Litigation may be necessary in the future to enforce or protect our rights or to determine the validity and scope of the rights of others. Even if we have the financial resources to pursue litigation, it could cause us to incur substantial costs and divert resources away from our daily business, which in turn could materially adversely affect our business.

***We may be subject to damaging and disruptive intellectual property litigation.*** Intellectual property litigation could be time-consuming and expensive, divert attention and resources away from our daily business, impede or prevent delivery of our products and services; and require us to pay significant royalties, licensing fees and damages.

Parties making claims of infringement may be able to obtain injunctive or other equitable relief that could effectively block our ability to provide our services and could cause us to pay substantial damages. In the event of a successful claim of infringement, we may need to obtain one or more licenses from third parties, which may not be available at a reasonable cost, if at all. The defense of any lawsuit could result in time-consuming and expensive litigation, regardless of the merits of such claims, and could also result in damages, license fees, royalty payments and restrictions on our ability to provide our services, any of which could harm our business. See “Our Business – Intellectual Property.”

***The most effective use of our service requires an operative broadband connection, and if the adoption of broadband does not progress as expected, the market for our services will not grow and we may not be able to grow our business and increase our revenue.*** Although our service is available with a dial-up connection, to most effectively use our service a subscriber must utilize an existing broadband Internet service, most typically provided through a cable or digital subscriber line, or DSL, connection. Although the number of broadband subscribers worldwide has grown significantly over the last five years, the service has not yet been adopted by a majority of consumers. If the adoption of broadband services does not continue to grow, the market for our services may not grow. As a result, we may not be able to increase our revenue and become profitable.

***Future disruptive new technologies could have a negative effect on our businesses.*** VoIP technology, which our business is based upon, did not exist and was not commercially viable until relatively recently. VoIP technology is having a disruptive effect on traditional telephone companies, whose businesses are based on other technologies. We also are subject to the risk of future disruptive technologies. If new technologies develop that are able to deliver competing voice services at lower prices, better or more conveniently, it could have a material adverse effect on us.

***We are dependent on a small number of individuals, and if we lose the services of any person upon whom we are dependent, we will be adversely affected.*** Our future success depends to a considerable degree on the vision, skills, experience and effort of our management. We do not have an employment agreement with any members of our management. If we lose the services of any of them, or if members of our management do not work well together, it would have an adverse effect on our business.

***The unpredictability of our quarterly results may adversely affect the market price, if any, of our common stock.*** We expect that our revenues and operating results will vary significantly from quarter to quarter due to a number of factors, many of which are outside of our control. The primary factors that may affect our revenues and operating results include the following:

- fluctuation in demand for our VoIP services and the timing and size of our reseller and agent bases;
- cancellations or defections of existing resellers and agents or the renegotiation of existing reseller and agent contracts;
- the length and variability of the sales cycle for our services;
- new product introductions and service enhancements by our competitors;
- the timing of revenue recognition and amount of deferred revenues;
- changes in our pricing policies, the pricing policies of our competitors and the prices of the vendors we buy services from;
- our ability to develop, introduce and activate new services with our resellers and agents;
- costs related to acquisitions of complementary services, technologies or businesses; and
- general economic conditions, as well as those specific to the telecommunications, networking and related industries.

***Because we are dependant upon our contractual relationship with Interactive Media Technologies, Inc., if that relationship terminates, our business will be materially adversely affected.*** We have entered into a Software Support Agreement with IMT which IMT may terminate without penalty in April 2007 or at the end of any subsequent twelve month period. Although IMT is presently our principal stockholder, IMT will distribute all the shares of our common stock owned by it to its stockholders. See “Security Ownership of Certain Beneficial Owners and Management,” “Certain Transactions” and “Plans of Distribution.”

If IMT fails to perform the required services under or terminates the Software Support Agreement and we are not able to retain a third party to perform such services on similar terms, we may be unable to provide adequate service, if any, to our customers.

***Fraudulent acts committed against us could adversely impact our financial condition and results of operations.*** International telecommunications providers are susceptible to fraudulent acts that are committed by their customers, resellers and agents. During our fiscal year ended September 30, 2006, we incurred a loss of approximately \$30,000 through the fraudulent use of our service. We have since taken steps to better detect and prevent fraudulent acts. We cannot, however, prevent all future attempts to fraudulently use our service.

***We may be unable to successfully integrate any products, technologies, businesses or personnel that we might acquire in the future without significant costs or disruption to our business.***

***Because companies in our industry whose employees accept positions with competitors frequently claim that their competitors have engaged in unfair hiring practices, we may be faced with material litigation.*** We could incur substantial costs defending ourselves or our employees against those claims, regardless of their merits. In addition, defending ourselves from those types of claims could divert our management's attention from our operations. If we are found liable in connection with any employment claim, we may incur significant costs that could adversely impact our financial condition and results of operations.

***Because of the concentration of ownership of our common stock by our management, it is unlikely that any other holder of common stock will be able to affect our management or direction.*** On March 31, 2006, our officers and directors were deemed to beneficially own approximately 49% of our outstanding common stock. Accordingly, if these stockholders act together as a group, they would likely be able to control the outcome of stockholder votes, including votes concerning the election of directors, the adoption or amendment of provisions in our articles of incorporation and bylaws and the approval of significant corporate transactions. The existence of ownership concentrated in a few persons may have the effect of delaying or preventing a change in management or voting control. Furthermore, the interests of our controlling stockholders could conflict with those of our other stockholders.

***Because our common stock is considered to be a "penny stock," our stockholders' ability to sell their shares in a public market may be significantly impaired by the Securities and Exchange Commission's penny stock rules.*** The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules generally require that prior to a transaction in a penny stock the broker-dealer make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that is or becomes subject to the penny stock rules. In addition the burdens imposed upon broker-dealers by the penny stock rules may discourage broker-dealers from effecting transactions in our common stock, which could severely limit its liquidity.

## FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements relating to events anticipated to or which may happen in the future. These forward-looking statements are based on the beliefs of our management, as well as assumptions made by and information currently available to our management. Forward-looking statements also may be included in other written and oral statements made or released by us. You can identify forward-looking statements because they do not relate strictly to historical or current facts. The words "believe," "anticipate," "intend," "expect," "estimate," "project" and similar expressions are intended to identify forward-looking statements. Forward-looking statements describe our present expectations of what we believe are most likely to occur or may be reasonably achievable in the future, but they do not predict or assure any future occurrence and may turn out to be wrong. Forward-looking statements are subject to both known and unknown risks and uncertainties and can be affected by inaccurate assumptions we might make. Consequently, no forward-looking statement can be guaranteed. Actual future results may and most likely will vary materially. We may not publicly update any forward-looking statements to reflect new information or future events or occurrences. The statements reflect our current views with respect to future events and are subject to risks and uncertainties about us, including, among other things:

- our ability to market our services successfully to and through existing as well as new resellers and

agents;

- the ability of our resellers and agents to attract new customers and retain a high percentage of their present customers;
- the possibility of unforeseen capital expenditures and other investments required to maintain our business, deploy new technologies or to effect new business initiatives;
- our ability to access markets and finance network developments and operations;
- our expansion, including reseller, agent and consumer acceptance of new price plans and bundled offerings;
- additions or departures of key personnel;
- competition, including the introduction of new products, services and pricing plans by our present and prospective competitors;
- existing and future laws or regulations affecting us and our business and our ability to comply with these laws or regulations;
- our reliance on the other telecommunications companies' operating systems and provisioning processes;
- technological innovations;
- the outcome of legal and regulatory proceedings;
- general economic and business conditions, both nationally and in the countries in which our present and prospective resellers and agents operate; and
- other factors described in this prospectus.

We caution you not to place undue reliance on our forward-looking statements, which speak only as of the date of this prospectus.

### **DILUTION**

The following table sets forth certain information relating to the immediate and substantial dilution in our net tangible book value to be absorbed by purchasers of the 812,500 shares being offered by us upon exercise of warrants.

|   |           |
|---|-----------|
| Net tangible book value per share on March 31, 2006   | \$ .005   |
| Net tangible book value per share on March 31, 2006 if the shares offered by us through this prospectus were sold on that date *          | \$ .008   |
| Amount of increase in net tangible book value per share attributable to cash payments made by purchasers of the shares being offered us * | \$ .003   |
| Amount of the immediate per share dilution from the public offering price which will be absorbed by purchasers *                          | \$ .152   |
| Cash contribution of purchasers *   | \$130,750 |

\* Assumes all of the 812,500 shares underlying warrants being offered by this prospectus are purchased.

The immediate and substantial dilution could adversely affect the value of our shares.

### **USE OF PROCEEDS**

If all of the 812,500 shares underlying warrants which are being offered by this prospectus are purchased, we will receive gross proceeds of approximately \$131,000. We estimate that our offering expenses will be \$65,000. We intend to use any net proceeds we receive from the sale of such shares for working capital and other corporate purposes. We cannot assure you that any of the shares will be purchased or that sufficient shares will be purchased to cover our cost of the offerings made by this prospectus.

## MANAGEMENT'S PLAN OF OPERATION

We have been dependant upon cash from sales of our equity securities to provide working capital and to fund operating expenses in excess of operating cash flow. Our continued existence is dependent, in substantial part, upon our ability to generate sufficient cash flows from operations to support our daily operations as well as provide sufficient resources to retire any incurred liabilities and/or obligations on a timely basis.

We generate revenues from our existing agents and resellers. In order to increase our revenues, we must secure additional agents and resellers. Generally, our agents sell our services and are paid a commission while our resellers purchase our services, usually on a prepaid basis, and resell the services to their customers at a markup determined exclusively by the resellers. There can be no assurance that our revenues will increase or not decrease or that we will ever gain profitability.

We also plan to increase our revenues through the efforts of sales representatives. The sales representatives attempt to convert prospects into active agents and resellers. Because we have only recently begun to utilize sales representatives, we can not determine if their efforts will be successful.

Most of our prospective agent/reseller leads have been generated through the our website and by referral from existing agent/resellers. We believe that increasing website traffic will generate more qualified prospects. Accordingly, we intend to hire a consulting firm which specializes in search engine optimization. Search engine optimization is the enhancement of a website with the goal of having it appear towards the top of relevant industry/product/services search result pages. We have budgeted the consulting fees in our current operating plan. By having sales representatives contact prospective agents and resellers directly, we have increased our agent and reseller base during the past twelve months but we are still at a very low level.

We intend to explore other sales and marketing opportunities which may bring us increased revenue and grow our agent and reseller base, although we cannot forecast the results

We have begun to outsource our customer service functions to an unaffiliated firm working exclusively for us. The firm provides customer service and technical support directly to our resellers through multilingual telephone communication, web-based customer service as well as e-mail support. Our resellers are responsible for providing customer support directly to their sub-resellers and end users. We have been satisfied with the results and plan to continue our arrangements with the firm.

We believe that we have sufficient cash to sustain our operations for the next six months. In the event that our revenues do not significantly increase during that period, we will need to obtain additional capital to sustain our operations and remain in business. There is no assurance that the we will be able to obtain any additional capital on terms not unfavorable to us, if at all.

We are currently considering the use of Voice Interoperability technology which, if successful, would allow disparate communication devices to communicate with each other using the Internet. The technology is still in the development phase and will require additional capital to complete its development. We have invested approximately \$84,000 in that technology as of March 31, 2006. We believe we have sufficient resources to complete the development of the technology and to begin to test market the technology. In the event the test marketing is successful, we will require substantial additional capital to market the technology.

We believe we have adequate equipment to continue to our VoIP business during the next six months. However, should our business significantly increase, we will need to acquire additional equipment and software and will need to seek additional capital to acquire that equipment and software.

We do not expect any significant changes in the number of our employees.

### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements.

## **OUR BUSINESS**

### ***Background***

From November 1999 until December 2001, we were a development stage company that was unsuccessful in our business activities. Between December 2001 and October 2004 we were inactive. In October 2004 we began the process of engaging in the Voice over Internet Protocol, or VoIP, business.

On February 25, 2005 we acquired the VoIP business then being conducted by Interactive Media Technologies, Inc., or IMT. In addition to the VoIP business, we also acquired from IMT certain equipment and software necessary to operate the VoIP business. On March 31, 2005, we changed our name to GlobalTel IP, Inc. See "Security Ownership of Certain Beneficial Owners and Management," "Certain Transactions" and "Plans of Distribution."

We are a development stage company and have never realized any significant revenues.

### ***VoIP Technology***

VoIP is a technology that enables voice communications over the Internet through the conversion of voice signals into data packets. The data packets are transmitted over the Internet and converted back into voice signals before reaching their recipient. The Internet has always used packet-switched technology to transmit information between two communicating terminals. For example, packet switching allows a personal computer to download a page from a web server or to send an email message to another computer. VoIP allows for the transmission of voice signals over these same packet switched networks and, in doing so, provides an alternative to traditional telephone networks.

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VoIP technology presents several advantages over the technology used in traditional wireline telephone networks that have enabled VoIP providers to operate with lower capital expenditures and operating costs. Traditional networks, which require that each user's telephone be connected to a central office circuit switch, are expensive to build and maintain. In contrast, VoIP networks route calls over the Internet using either softswitches or software, both of which are less expensive than circuit switches. In addition, traditional wireline networks use dedicated circuits that allot fixed bandwidth to a call throughout its duration, whether or not the full bandwidth is being used throughout the call to transmit voice signals. VoIP networks use bandwidth more efficiently, allocating it instead based on usage at any given moment.

Traditional telephone companies originally avoided the use of VoIP networks for transmitting voice signals due to the potential for data packets to be delayed or lost, preventing real-time transmission of the voice data and leading to poor sound quality. While a delay of several seconds in downloading a web page or receiving an email is generally acceptable to a user, a delay of more than a few milliseconds during a live, two-way voice conversation is not satisfactory. Original VoIP services, which were pioneered in the mid-1990s, were typically only PC-to-PC, requiring two personal computers to be in use at the same time. Early international calling card services, which allowed users to dial abroad for significantly discounted rates, also relied on a form of VoIP technology. These initial VoIP services often suffered from dropped calls, transmission delays and poor sound quality because of bandwidth limitations. As a result, VoIP initially developed a poor reputation for service quality relative to traditional fixed line telephone service. Subsequent increases in bandwidth, driven by increased broadband penetration, and improvements in packet switching, signaling,

and compression technology have significantly enhanced the quality and reliability of VoIP calls.

VoIP technology is now used by many traditional telephone networks, and VoIP services are offered to residential and business users by a wide array of service providers, including established telephone service providers. VoIP providers include traditional local and long distance phone companies (such as AT&T, BellSouth, Qwest and Verizon), established cable companies (such as Cablevision, Charter Communications, Comcast, Cox and Time Warner Cable), competitive telephone companies (such as Time Warner Telecom), Internet service providers (such as AOL, EarthLink and MSN) and alternative voice communications providers (such as Vonage and Skype).

The type of network used by a VoIP provider can result in important differences in the characteristics and features of VoIP communications services. Traditional wireline telephone companies offering VoIP services to consumers do so using their existing broadband DSL networks. Similarly, cable companies offering VoIP communications services use their existing cable broadband networks. Because these companies own and control the broadband network over which their VoIP traffic is carried between the customer and public switched telephone network, they have the advantage of controlling a substantial portion of the call path and therefore being better able to control call quality. In addition, many of these providers are able to offer their customers additional bandwidth dedicated solely to the customer's VoIP service, further enhancing call quality and preserving the customer's existing bandwidth for other uses. These companies, however, typically have high capital expenditures and operating costs in connection with their networks. In addition, depending on the structure of their VoIP networks, the VoIP services provided by some of these companies can only be used from the location at which the broadband line they provide is connected.

As do traditional telephone companies and cable companies offering VoIP services, we also connect our VoIP traffic to the public switched telephone network so that our customers can make and receive calls to and from non-VoIP users. Unlike traditional telephone companies and cable companies, however, we do not own or operate a private broadband network. Instead, the VoIP services offered by us use the customers' existing Internet connection to carry call traffic from the customers to the VoIP network. As a result, we have less control over call quality than traditional telephone or cable companies do.

A third group of VoIP providers, such as America Online, Google, Microsoft, Skype (a service of eBay) and Yahoo!, generally offers or has announced intentions to offer VoIP services principally on a PC-to-PC basis. These providers generally carry their VoIP traffic for the most part over the public Internet, with the result that VoIP services are often offered without charge to customers, but can only be used with other users of the provider's services. Many of these providers offer a premium service that allows customers to dial directly into a public switched telephone network. In addition, while no special adapters or gateways are required, often customers must use special handsets, headsets or embedded microphones through their computers, rather than traditional telephone handsets.

### ***VoIP Industry Overview***

The VoIP industry has grown dramatically from its early days in which calls were made exclusively through personal computers. We believe that the growth of VoIP has been and continues to be driven primarily by:

- increasing consumer demand for lower cost phone service;
- improved quality and reliability of VoIP calls fueled by technological advances, increased network development and greater bandwidth capacity;
- continuing domestic and international deregulation, opening new market opportunities for VoIP services;
- new product innovations that allow VoIP providers to offer services not currently offered by traditional phone service companies; and
- growing demand for long distance communication services driven by the increased mobility of the global workforce.

Consumers, particularly in emerging markets, are increasingly using VoIP-enabled services, such as calling cards and Internet Protocol (“IP”) telephones, to realize significant cost savings on long distance calls. Enterprises can reduce telephony expenses by using VoIP to link users within offices and around the world. VoIP enables telecommunications providers to reduce their network costs and to deliver new products and services that cannot be supported by traditional networks.

Our business has developed in an environment largely free from regulation. However, the United States and other countries have begun to examine how VoIP services should be regulated, and a number of initiatives could have an adverse impact on our business. These initiatives include the assertion of state regulatory authority over us, Federal Communications Commission, or FCC, rulemaking regarding emergency calling services and proposed reforms for the intercarrier compensation system. Complying with regulatory developments will impact our business by increasing our operating expenses, including legal fees, requiring us to make significant capital expenditures or increasing the taxes and regulatory fees we pay. We may impose additional fees on our customers in response to these increased expenses. As a result our revenues per customer will increase, but not our profitability, if any, and the cost of our services to our customers will increase, which would have the effect of decreasing any price advantage we may have. See “Regulation.”

### ***Our VoIP Operations***

We provide telecommunications services to our customers employing VoIP technology. We utilize software that we acquired from IMT to run our VoIP platform. We do not employ any engineers or technical personnel and outsource substantially all of our technical and service functions.

Our VoIP platform is built to the Session Initiation Protocol, or SIP, standard which is a signaling protocol for Internet telephony. SIP can establish sessions for features such as audio/video conferencing, interactive gaming, and call forwarding to be deployed over Internet Protocol, or IP, networks thus enabling service providers to integrate basic IP telephony services with Web, email, and chat services. In addition to user authentication, redirect and registration services, SIP supports traditional telephony features such as personal mobility, time-of-day routing and call forwarding based on the geographical location of the person being called. The use of SIP eliminates the need for TCP—the robust “Transmission Control Protocol” used by many IP applications to “virtualize” and manage the network link. Other than SIP, the other most common call setup protocol is H.323. Our platform works with both SIP and H.323.

We can supply our customers with soft-phones. A soft-phone is a software application that can be downloaded and installed on computers, laptops and WiFi-enabled personal digital assistant devices. It enables a user to use a computer as a full-functioning telephone, with its own phone number, through a screen-based interface that works like a telephone keypad.

We offer our end-users the following benefits:

- quality connections using tier 1 carriers such as AT&T, MCI, Sprint, Verizon and Quest;
- worldwide long distance calling;
- calls can be made from any computer using a soft-phone supplied by us;
- connections using different types of telephones designed for VoIP use; and
- features such as call forwarding, call waiting, voicemail, and caller ID.

Although our VoIP technology works with a dial-up connection, in order to take full advantage of VoIP technology a broadband Internet connection is required.

Our customers can place VoIP calls to locations anywhere in the world using their Internet connections. The calls are routed over the Internet to our switch in Miami, Florida where they are then handed off to a carrier for termination. Substantially all of the terminations are handed off to IMT, which terminates the calls with carriers of its choice. IMT bills us for the terminations and IMT is responsible for paying the carriers. If IMT were to stop terminating traffic for us, our business would be severely adversely impacted. IMT is not obligated to continue terminating our traffic. We can not assure you that IMT will continue to terminate our traffic or that we can locate carriers to deal directly with us at prices similar to those charged to us by IMT, if at all.

### ***Our VoIP Service Offerings***

#### **Offerings to Resellers**

We offer our VoIP services to resellers. The resellers purchase our services and resell the services to their customers at a markup determined exclusively by the resellers. The resellers are primarily foreign operators of public call centers located abroad, including call centers located within Internet cafes. Public call centers are popular in emerging markets where telecommunications infrastructure is limited and consumers may not have access to a telephone or the Internet. We provide the resellers with a billing software platform that allows their call centers to create their own rate tables, bill in their local currencies and print customized bills with their company's information. Through our VoIP network, we offer resellers what we believe is a competitive cost, high quality alternative for the transport and termination of voice and fax communications.

We do not have any agreement with any of our resellers to continue to solicit customers on our behalf and any of them may terminate its relationship with us without penalty. Furthermore, any of them may decide not to sell our services and, instead, to sell the services of our competitors. Because our competitors have greater financial resources than we have, they are financially able to provide more favorable pricing to resellers and sales agents than we do and sell VoIP services at lower rates.

We have recently purchased a software platform that allows call centers to offer a number of VoIP connections within a single establishment and monitor each connection's length of call, and price.

Our resellers generally pay us in advance for the services we provide. Each reseller determines the price to be charged to its respective customers. Our resellers currently resell our VoIP services in Bahrain, South Africa, Kuwait, Lebanon, Saudi Arabia, Brunei, Guinea, and Angola.

During our fiscal year ended September 30, 2005 and the six months ended March 31, 2006, approximately 41% and 79% of our revenues, respectively, were received from resellers. During our fiscal year ended September 30, 2005, three of our resellers located in Saudi Arabia, Kuwait and South Africa accounted for 18%, 4% and 1% of such revenues respectively. During the six months ended March 31, 2006, three resellers located in Bahrain, Brunei, and Saudi Arabia accounted for 34%, 5% and 5% of such revenues respectively.

### **Offerings to Sales Agents**

Our sales agents are primarily located abroad and sell our VoIP services to individual end users for which they receive commissions. The agents or their customers generally pay us in advance for the services we provide. Each agent selects a rate of commission and our call use statements to the respective agent or the agents' customers include the appropriate commission. We do not have any agreement with any of our sales agents to continue to solicit customers on our behalf and any of them may terminate its relationship with us without penalty. Furthermore, any of them may decide not to sell our services and, instead, to sell the services of our competitors. Because our competitors have greater financial resources than we have, they are financially able to provide more favorable pricing to resellers and sales agents than we do and sell VoIP services at lower rates.

During our fiscal year ended September 30, 2005 and the six months ended March 31, 2006, approximately 59% and 21% of our revenues, respectively, were received from agents or their customers. During our fiscal year ended September 30, 2005, two agents located in Africa and one agent located in India accounted for 26%, 19% and 11% of such revenues respectively. During the six months ended March 31, 2006, three agents located in Bahrain, Gabon, and South Africa accounted for 34%, 9% and 6% of such revenues respectively.

### **Marketing**

Our marketing efforts are primarily focused on the international markets with an emphasis on Asia, the Middle East, Africa, Central and South America as well as Europe. We believe that certain foreign markets presently have among the highest cost of long distance service and thus provide some of the best opportunities for us to offer significant cost savings. Our ability to engage in marketing activities is substantially dependant on the amount of capital available to use for that purpose.

We solicit sales agents and resellers directly through two salaried full time employees dedicated to selling the our services. We also utilize one sales person employed by IMT who introduces our VoIP services to agents who are selling other services of IMT and encourages them to sell our services During our fiscal year ended September 30, 2005 and the six months ended March 31, 2006, one employee of IMT accounted for independent sales agents and resellers that generated approximately 38% and 73% of our revenues, respectively. Neither IMT nor that individual is obligated to assist in finding or maintaining any sales agents or resellers. We have paid or agreed to pay IMT commissions of 2% of revenues generated through the efforts of its employee, which commissions through March 31, 2006 amounted to \$11,752. Neither IMT nor its employees are under any obligation to continue to introduce our services to others and may discontinue doing so at any time.

### ***Customer Service***

Prior to March 15, 2006, customer service personnel had been provided to us by IMT without charge. On March 15, 2006, we entered into a Customer Support Arrangement with Cofrec, Inc., an independent contractor, whereby Cofrec, Inc. provides us with customer support for forty hours per week for a weekly fee of \$600. Cofrec, Inc. also provides after hours support at \$15 per hour and weekend support at an on call rate of \$200 per weekend. Highly technical support is handled by IMT pursuant to our Software Support Agreement with IMT.

We intend to develop an Internet website which will serve as both a showroom and a customer information access point. The website, if it operates as we plan, will be the cornerstone for domestic and international information retrieval, service plans and call rates for specific countries as well as frequently asked questions. It will also function as a full e-commerce site through its ability to support provisioning, account set up, the addition of pre-paid minutes to accounts, account status and account inquiry.

### ***Competition***

We face strong competition from incumbent telephone companies, cable companies, alternative voice communication providers and wireless companies. Because most of our target customers are already purchasing communications services from one or more of these providers, our success is dependent upon our ability to attract these customers away from their existing providers. As the early adopter market becomes saturated and mainstream customers make up more of our target market, our ability to attract new customers will become more difficult. We believe that the principal competitive factors affecting our ability to attract and retain customers are price, call quality, reliability, customer service, and enhanced services and features.

Companies that own Internet connections of our customers could detect and interfere with the completion of our customers' calls. These companies may degrade the quality of, give low priority to or block entirely the information packets and other data we transmit over their lines. In addition, these companies may attempt to charge their customers more for using our services.

### **Incumbent telephone companies**

The incumbent telephone companies are our primary competitors and have historically dominated their regional markets. These competitors include AT&T (formerly SBC Communications), BellSouth, Qwest Communications and Verizon Communications as well as rural incumbents, such as Citizens Communications and similar companies operating abroad. These competitors are substantially larger and better capitalized than we are and have the advantage of a large existing customer base. Many of their customers either do not have a broadband Internet connection or are very satisfied with their current service. In addition, many users of traditional phone service who might otherwise switch to our service do not have the ability to cancel their traditional phone service without also losing their broadband DSL service. While a majority of broadband users today subscribe to cable modem service, recent trends suggest that DSL providers are gaining broadband market share. Others are not willing to accept the limitations of our emergency calling service, forgo service during power outages or trust a new company such as us with a vital service. Before subscribing to our service, a substantial majority of our new customers must first decide to terminate their service from their incumbent telephone company or pay for our service in addition to their existing service.

The incumbent phone companies own networks that include a “last mile” connection to substantially all of our existing and potential customers as well as the places our customers call. As a result, the vast majority of the calls placed by our customers are carried over the “last mile” by an incumbent phone company, and we indirectly pay access charges to these competitors for each of these calls. In contrast, traditional wireline providers do not pay us when their customers call our customers. Their “last mile” connections may enable these competitors to bundle phone service with Internet access and, potentially, television at prices with which we will find difficult or impossible to compete.

We currently charge prices that are significantly lower than prices charged by the incumbent phone companies. The incumbent phone companies have significant overhead expenses, which have resulted in the high prices they charge. However, their marginal cost to complete each additional call on their networks is negligible which could lead them to decrease the prices they charge, which would have an adverse effect on our ability to attract and retain their customers. We also currently compete with the incumbent phone companies on the basis of the features we offer that they do not (such as area code selection and virtual phone numbers). If the incumbent phone companies are able to offer those features, it will have an adverse effect on our ability to attract and retain customers. Furthermore, the incumbent phone companies could offer broadband communications through subsidiaries that are not burdened with their overhead and legacy equipment. Given their ability to offer DSL last mile connections, this would significantly enhance their ability to compete with us on the basis of price and features.

The incumbent phone companies, as well as the cable companies, are well-financed and have large legal departments. They have long-standing relationships with regulators, legislators, lobbyists and the media. This can be an advantage for them because legislative, regulatory or judicial developments in our rapidly evolving industry and public perception could have a material effect on the value of our stock.

### **Cable companies**

Companies such as Cablevision, Comcast, Cox Communications and Time Warner Cable and similar companies operating abroad have made and are continuing to make substantial investments in delivering “last mile” broadband Internet access to their customers. As a result, they can be expected to compete intensely for the money that their customers spend for phone service over that connection. They provide Internet access and cable television to many of our existing and potential customers which allows them to engage in highly targeted, low-cost direct marketing and may enhance their image as trusted providers of services.

Cable companies are using their existing customer relationships to bundle services. For example, they bundle Internet access, cable television and phone service with an implied price for the phone service that may be significantly below ours. In addition to their existing bundling capabilities, Advance/Newhouse Communications, Comcast, Cox Communications and Time Warner Cable announced on November 2, 2005 that they will form a joint venture with Sprint Nextel which will enable these cable companies to offer wireless services as a fourth element of their bundle of service offerings. We believe this joint venture will further enhance the competitive offering of cable companies. Cable companies operating in foreign markets may enter into similar arrangements.

Many cable companies send technicians to customers’ premises to initiate service. Although relatively expensive, it can be more attractive to customers than installing their own router and cable modem. In addition, the technicians may install an independent source of power, which can give customers assurance that their phone service will not be interrupted during power outages.

Cable companies are able to advertise on their local access channels with no significant out-of-pocket cost and through mailings in bills with little marginal cost. They also receive advertising time as part of their relationships with television networks, and they are able to use this time to promote their telephone service offerings.

### **Wireless telephone companies**

We also compete with wireless phone companies, such as Cingular Wireless LLC, Sprint Nextel Corporation, T-Mobile USA, Inc. and Verizon Wireless and similar companies operating abroad. Some consumers use wireless phones, instead of VoIP phones, as a replacement for a wireline phone. Also, wireless phone companies increasingly are providing wireless broadband Internet access to their customers and may in the future offer VoIP service to their customers. We believe some of these companies are developing a dual mode phone that will be able to use VoIP where broadband access is available and cellular phone service elsewhere. Wireless telephone companies have a strong retail presence and have significant financial resources.

### **Alternative voice communication providers**

Many alternative voice communication providers are small companies with limited resources that seek to offer a primary line replacement service. Although these providers have not achieved significant market penetration, they may do so in the future.

In addition to the competitors described above, we also compete with companies that offer computer-based VoIP services. Computer-based VoIP services typically are not marketed as a primary line replacement, but because they offer their users the ability to call and be called from any phone using a dedicated phone number, they may be used to replace traditional phone service. We believe that Skype (a service of eBay), in particular, has a large group of users, many of whom may potentially use Skype as their only phone service. With Skype, however, the ability to make and receive calls over the public switched telephone network is a feature that costs extra and which only a fraction of Skype users purchase, as compared to Skype's free service that has a larger market penetration.

We may also increasingly face competition from large, well-capitalized Internet companies, such as America Online, Google, Microsoft and Yahoo!, which have launched or plan to launch VoIP-enabled instant messaging services. While not all of these competitors currently offer the ability to call or be called from anyone not using their service, in the future they may integrate such capabilities into their service offerings. In addition, a continuing trend toward consolidation of telecommunications companies and the formation of strategic alliances within the telecommunications industry, as well as the development of new technologies, could give rise to significant new competition.

Internationally, the competitive marketplace varies from region to region. In markets where the telecommunications marketplace has been fully deregulated, the competition continues to increase. Even a newly deregulated market allows new entrants to establish a foothold and offer competitive services relatively easily. Internationally, our competitors include both government-owned and incumbent phone companies and emerging competitive carriers. As consumers and telecommunications providers have come to understand the benefits that may be realized from transmitting voice over the Internet, a substantial number of companies have emerged to provide VoIP services. The principal competitive factors in the international market include: price, quality of service, distribution, customer service, reliability, network capacity, the availability of enhanced communications services and brand recognition.

Substantially all of our competitors have substantially greater resources than we do. Intense competitive pressures could have a material adverse effect on our business.

Companies with substantially greater expertise and resources than those available to us may develop or market new, similar or virtually identical products that directly compete with us. Competitors may also develop technologies or products that render our products less marketable or obsolete. If we are unable to continually enhance and improve our products, we may be unable to compete with others. We may not be able to successfully enhance or improve any product or develop or acquire new products, because of our limited resources.

### ***Intellectual Property***

Our business is dependent on the development, maintenance and protection of our intellectual property. We do not have any patents, trademarks or trade secret confidentiality agreements. In the future, we intend to rely on intellectual property rights afforded by trademark and trade secret laws, as well as confidentiality procedures and licensing arrangements, to establish and protect our rights to our technology and other intellectual property.

In June 2006, Verizon instituted legal proceedings against Vonage in the United States District Court in the Eastern District of Virginia. Verizon alleged that Vonage is currently infringing, as well as contributing to and inducing the infringement, of at least seven of Verizon's patents relating to VoIP technology. Verizon is seeking a judgment which would enjoin Vonage from using the technologies which are the subject of the patents and to pay to Verizon substantial monetary damages. We do not know if any of the technologies we are using or may use in the future are the subject of Verizon's or others' patents. If, however, any of them are the subject of such patents or any future patents, we could be materially adversely affected to the extent that we would not be able to continue our business.

### ***Physical Property***

We lease approximately 1,500 square feet for our principal offices in Boca Raton, Florida from IMT at a monthly rental of approximately \$3,500. The lease expires on March 1, 2007. We believe that other suitable facilities are available at comparable rates.

We also have a co-location sublease with IMT for premises in Miami, Florida expiring on February 28, 2007 with a monthly rental of approximately \$1,850. Substantially all of our technical equipment is located on those premises.

We believe that other suitable facilities will be available to us upon the expiration of the leases at comparable rates.

We own computer servers routers and telephony switches as well as office equipment such as computers, printers and software.

IMT has listed us as an insured on an insurance policy that provides us with property insurance coverage of \$100,000. IMT has not charged us for the insurance and may discontinue the insurance at any time.

### ***Employees***

On June 28, 2006, we had five full-time and two part-time employees, inclusive of our three executive officers.

## REGULATION

The use of the Internet and private Internet Protocol networks to provide voice communications services is a relatively recent market development. Although the provision of such services is currently generally not as regulated as traditional telephony services within the United States, the FCC is reviewing whether to apply additional regulations to VoIP services, and the United States Congress is considering several bills that would, if passed, impose new and additional regulations on providers of VoIP services, including us. In addition, several foreign governments have adopted or proposed laws and/or regulations that could be interpreted to restrict or prohibit the provision of VoIP services. Other countries, however, have begun to open their markets to competition from new Internet-based voice services. Regulation of Internet telephony providers and services may materially and adversely affect our business, financial condition, operating results and future prospects, particularly if increased numbers of governments impose regulations restricting the use and sale of IP telephony services. This additional regulation could have a material adverse effect on many of our primary business lines.

### *United States*

#### *Federal Regulation*

##### *FCC IP-Enabled Notice of Proposed Rulemaking, or NPRM*

To date, the FCC has not imposed broad-based regulatory charges or traditional common carrier regulation upon providers of Internet communications services, but it has begun regulating this area on a limited basis as outlined in this section. On March 10, 2004, the FCC opened a proceeding (Docket No. 04-36) to examine several regulatory and policy issues regarding the regulation of IP-enabled services (such as VoIP), technologies, and providers. This proceeding could result in the FCC determining, for instance, that certain types of Internet telephony should be regulated like basic telecommunications services. Thus, Internet telephony could no longer be exempt from access charges, which reimburse local carriers for use of their local telephone network and other telecommunications related fees and regulatory obligations. The FCC could also conclude that Internet telephony providers should contribute to the Universal Service Fund, which provides support to ensure universal access to telephone service.

The imposition of access charges, regulatory fees, or universal service contributions could substantially increase our costs of serving our customers in the U.S. We may have to increase our prices to cover these costs, which could have a negative impact on our ability to compete with other telephony providers. The imposition of regulation and contribution requirements might also negatively affect the incentives for companies to continue to develop IP technologies to offer VoIP services because companies may need to divert resources from research and development to comply with regulatory and contribution requirements. It is also possible that the FCC might adopt a regulatory framework that is unique to IP telephony providers or one where IP telephony providers are subject to reduced regulatory requirements, which we believe would be good for us. Although the FCC has indicated it will preempt state regulation for some types of VoIP services, the FCC may decline to preempt all state regulation over various types of IP-enabled services, which may result in the imposition of additional regulation of VoIP services at the state level. We cannot predict what regulations, or the extent of regulation, if any, the FCC may impose. The FCC has, however, explained that it intends to rely wherever possible on competition and apply discrete regulatory requirements only where such requirements are necessary to fulfill important policy objectives. We cannot predict when the FCC will issue a final decision, the outcome of the decision, or the result of any subsequent proceedings or actions that may arise out of the FCC's decision.

## **E911 Order**

On June 3, 2005 (in Docket 05-196) the FCC issued an Order, the E911 Order, requiring, among other things, that as of November 28, 2005, certain VoIP service providers offer enhanced 911 service, or E911 in a manner similar to that of traditional carriers. The E911 Order applies to those services that: (1) enable real-time, two-way voice communications; (2) require a broadband connection from the user's location; (3) require Internet protocol-compatible customer premises equipment; and (4) permit users generally to receive calls that originate on the public switched telephone network and to terminate calls to the public switched telephone network, together the interconnected VoIP services. The E911 Order also places several other obligations on providers of interconnected VoIP services, such as customer notification requirements.

Several of our services fall within the type of services covered by the FCC's E911 Order. First, the order requires us to notify our customers of the differences between the emergency services available through us and those available through traditional telephony providers. We also must receive affirmative acknowledgment from all of our customers that they understand the nature of the emergency services available through our service. On September 27, 2005, the FCC's Enforcement Bureau released an order stating that the Enforcement Bureau will not pursue enforcement actions against VoIP providers, like us, that have received affirmative acknowledgement from at least 90% of their subscribers.

Second, the order requires us to provide enhanced emergency dialing capabilities, or E911, to all of our customers by November 28, 2005. Under the terms of the order, we are required to use the dedicated wireline E-911 network to transmit customers' 911 calls, callback number and customer-provided location information to the emergency authority serving the customer's specified location. On November 7, 2005, the FCC's Enforcement Bureau issued a Public Notice with respect to that requirement. The Public Notice indicated that providers who have not fully complied with the enhanced emergency dialing capabilities requirement are not required to discontinue the provision of services to existing clients, but that the FCC expects that such providers will discontinue marketing their services and accepting new customers in areas in which the providers cannot offer enhanced emergency dialing capabilities.

To date, the FCC has declined to extend the statutory liability protections applied to traditional wireline and wireless carriers to VoIP providers for offering emergency services. As part of the Order, the FCC issued a Notice of Proposed Rulemaking, or NPRM, to examine, among other things, whether the additional E911 requirements should be imposed on VoIP providers and whether more types of Internet services should be obligated to offer E911. There are several petitions for clarification and appeals pending on the E911 Order.

We expect to expend significant resources to comply with the E911 Order. We rely on third party underlying service providers to offer E911. We may not be able to comply with the E911 Order or aid our other service provider clients to comply with the E911 Order if we cannot maintain our agreements with underlying E911 service providers. In addition, if these service providers are not available in a geographic location, or if it is not otherwise technically feasible, we may not be able to comply or assist our service provider clients to comply with the E911 Order. If we cannot comply with the Order, we may become subject to regulatory action, including fines and other penalties, and we may decide to or be required to disconnect customers, or to renegotiate or terminate our agreements with our customers. Ambiguities in the E911 Order and the proceedings arising from the E911 Order result in added regulatory uncertainty that may have a negative impact on our business.

As we deploy E911 services, we may have an increased risk of liability resulting from provision of these services, or the failure of these services to function as required. We intend to comply with the E911 Order and expect to continue to develop technologies to support emergency access and enhanced emergency services.

### **Communications Assistance for Law Enforcement Act, or CALEA**

On September 23, 2005, the FCC released an Order requiring certain broadband and VoIP providers to accommodate wiretaps pursuant to CALEA. The FCC found that these services can essentially replace conventional telecommunications services currently subject to wiretap rules. The FCC reasoned that the definition of “telecommunications carrier” in CALEA is broader than the definition of that term in the Communications Act and can encompass providers of services that are not regulated as telecommunications services providers under the Communications Act. The CALEA Order also encompassed a NPRM to determine whether certain classes or categories of facilities-based broadband Internet access should be exempt from CALEA. The FCC established a deadline of 18 months from the effective date of the Order, by which time newly covered entities and providers of newly covered services must be in full compliance. While GlobalTel IP intends to comply with the FCC CALEA Order and continues to cooperate with law enforcement to enable authorities to accomplish lawful wiretaps, we may be required to expend significant resources to comply with CALEA. If we do not comply, the FCC may subject us to fines and penalties, and we may decide to or be required to disconnect customers, or to renegotiate or terminate our agreements with our customers.

### **Other VoIP Proceedings**

On October 18, 2002, AT&T filed for a declaratory ruling from the FCC that would prevent incumbent local exchange carriers, or ILECs, from imposing traditional circuit-switched access charges on AT&T’s phone-to-phone IP services. On April 21, 2004 the FCC ruled on AT&T’s petition that AT&T’s particular phone-to-phone service was a regulated telecommunications service and was therefore subject to access charges. The FCC may extend its findings in the AT&T Order to other VoIP services and providers, thereby imposing additional and burdensome regulatory requirements on some of our services.

On February 5, 2003 pulver.com filed a petition with the FCC seeking a declaratory ruling that its “Free World Dialup,” (which facilitates point-to-point broadband Internet protocol voice communications), is neither telecommunications nor a telecommunications service. On February 19, 2004 the FCC issued an order holding that Free World Dialup is more properly classified as an information service and not subject to regulations governing traditional telecommunications providers. In another proceeding, on November 12, 2004, the FCC ruled that services similar to Vonage’s broadband Internet telephony service are interstate in nature, thereby preempting states from imposing entry regulations on providers of these services. The FCC, however, declined to preempt state laws governing taxation, fraud, commercial dealings, marketing, advertising and other business. The FCC's decision was based on its conclusion that Internet telephony service is interstate in nature and cannot be separated into interstate and intrastate components. While this ruling does not exempt us from all state oversight of our service, it effectively prevents state telecommunications regulators from imposing certain burdensome and inconsistent market entry requirements and certain other state utility rules and regulations on such services. In these proceedings, the FCC has demonstrated its preference for minimal regulation of nascent VoIP services in order to promote technological and competitive development, which is beneficial to us.

On February 12, 2004, the FCC opened a broad rulemaking proceeding concerning VoIP and other IP-based services. The rulemaking includes a myriad of issues relating to VoIP services. For example, the FCC is seeking comment in this proceeding on whether to subject VoIP services to disability access requirements set out in the Telecommunications Act of 1996, the potential application of certain consumer protection rules that currently apply only to telecommunications carriers and other issues relating to use and assignment of numbering resources, universal service requirements, intercarrier compensation arrangements, and the impact of the proliferation of VoIP services on rural carriers. The outcome of this proceeding may affect the way we operate our business. There also are several recent or ongoing FCC proceedings initiated by various persons that relate to VoIP and other Internet services. Certain of the FCC's conclusions in these proceedings could have an indirect effect on the VoIP industry generally and on our business.

#### *Inter-carrier Compensation*

Currently, the FCC treats providers of Internet telephony services no differently from providers of other information and enhanced services that are exempt from payment of interstate access and other fees and charges. On April 19, 2001, in Docket No. CC 01-92, the FCC adopted a proposal to begin a fundamental examination of all forms of intercarrier compensation — the payments among telecommunications carriers resulting from their interconnecting networks. In March 2005, the FCC released a further NPRM regarding intercarrier compensation reform. The FCC could adopt an intercarrier compensation mechanism and other regulations that could result in an increase in the cost of the local transmission facilities necessary to complete our calls or a decrease in the costs of such facilities to traditional long distance telephone companies. An increase in our rates as a result of new FCC regulations could have a material adverse effect on our ability to compete with other carriers. Additionally, our rates from underlying carriers may increase due to regulatory fees such as the Universal Service Fee.

Other aspects of our services may be subject to state or federal regulation, such as regulations relating to the confidentiality of data and communications, intellectual property issues, taxation of services, and licensing.

#### *Universal Service Fund*

FCC regulations require providers of interstate telecommunications services, but not providers of information services, to contribute to the federal Universal Service Fund, or USF. USF contributions are currently calculated as a percentage of interstate and international revenue. Currently, we are not required to contribute directly to the USF, although we do contribute indirectly to the USF through our purchase of telecommunications services from our suppliers. If VoIP services like ours are considered telecommunications services, we may be required to contribute directly to the USF. In addition, the FCC is considering a number of proposals that could alter the way that the USF is assessed. For instance, the FCC is considering an assessment based on the use of telephone numbers. In the future, we may be required to contribute directly to the USF or may face additional costs due to an increase in the contribution obligations of our suppliers.

#### *Access to Telephone Numbers and Local Number Portability*

Our service and features depend on our ability to assign to customers the phone numbers they want. FCC regulations affect our ability to do this and the cost at which we can do it.

#### *Access to New Telephone Numbers*

Current FCC rules prohibit VoIP providers from directly obtaining telephone numbers from the entities that control them, which are the North American Numbering Plan Administrator and the Pooling Administrator. Instead, VoIP providers must obtain numbers indirectly through licensed telecommunications carriers. SBC Internet Services, Inc., an unlicensed VoIP provider, filed a petition with the FCC seeking limited waiver of rules that limit the direct assignment of telephone numbers to licensed telecommunications carriers. The FCC granted SBC Internet Services' petition and stated that it will provide similar relief in response to petitions from other similarly-situated VoIP providers. We may file a similar petition requesting similar relief.

### *Local Number Portability*

We currently offer "local number portability," a service that allows customers to move their existing telephone numbers from another provider to our service. Only regulated telecommunications providers have access to the centralized number databases that facilitate this process. Because we are not a regulated telecommunications provider, we must rely on telecommunications providers to process our local number portability requests.

### ***State Regulation***

State governments and their regulatory authorities may assert jurisdiction over the provision of intrastate IP communications services where they believe that their telecommunications regulations are broad enough to cover regulation of IP services. Various state regulatory authorities have initiated proceedings to examine the regulatory status of Internet telephony services. While a majority of state commissions have not imposed traditional telecommunications regulatory requirements on IP telephony at this time, some states have issued rulings that may be interpreted differently. For instance, a state court in Colorado has ruled that the use of the Internet to provide certain intrastate services does not exempt an entity from paying intrastate access charges. Prior to imposing any regulatory burdens on VoIP providers, however, the Colorado Public Utilities Commission, or CPUC, opened a docket to investigate whether it has jurisdiction to regulate VoIP services. On December 17, 2003, the CPUC closed its investigatory docket pending the outcome of the FCC's various VoIP-related proceedings. The New York State Public Service Commission, or NYPSC, has ruled that another company's particular IP telephony services may be considered telecommunications services subject to access charges. The NYPSC has to date, however, declined to issue a broad regulatory policy related to all types of VoIP services, although it is currently considering the regulatory framework for VoIP services as part of a larger proceeding on the state of competition in New York. On May 24, 2004, the NYPSC found that another provider's particular broadband VoIP service was a telecommunications service subject to New York telecommunications regulations. On July 16, 2004, a federal district court issued a preliminary injunction against the NYPSC pending outcome of relevant FCC proceedings.

Following an investigative workshop held by the Florida Public Service Commission on VoIP, the Florida Legislature passed a bill that exempts VoIP from regulation, but some local exchange companies have attempted to interpret the new law as leaving open the issue of access charges. On October 16, 2003, a Federal court in Minnesota issued a permanent injunction against the MNPUC preventing the MNPUC from imposing state regulations on another provider's VoIP services offered over broadband connections. There are approximately 30 states and U.S. territories that have examined or are in the process of examining the regulatory status of VoIP to some extent, and many have sent us inquiries about our services. We have responded to these letters by asserting that we are an information service and not a telecommunications provider and, therefore, are not subject to regulation under their laws. If the states require us to register as a telecommunications provider, we may become subject to significant additional fees and charges, although we may decide to challenge these charges or the regulations establishing them.

There can be no assurance that these states, or others that may contact us in this regard, will accept our position or that our challenges will be successful.

### ***International***

The regulatory treatment of IP communications outside the United States varies significantly from country to country. GlobalTel IP operates on a global scale. The regulations we are subject to in many jurisdictions change from time to time, and they may be difficult to obtain in a timely manner and to interpret as applied to new technologies. This is especially true for developing markets. Additionally, in our experience, the enforcement of these regulations does not always track the letter of the law. Accordingly, although we devote considerable resources to maintaining compliance with these regulations, we cannot be certain that we are in compliance with all of the relevant regulations at any given point in time.

While some countries prohibit IP telecommunications, others have determined that IP services offer a viable alternative to traditional telecommunications services. As the Internet telephony market has expanded, regulators have begun to reconsider whether to regulate Internet telephony services. Some countries currently impose little or no regulation on Internet telephony services. Other countries, however, are beginning to take a more structured approach to regulating VoIP. For instance, in 2002 the European Union, or EU, adopted several directives that revamp the existing EU telecommunications policies and regulations (Directives). The EU Directives, collectively referred to as the New Regulatory Framework (NRF), require Member States to adopt laws that implement the provisions of the NRF and that promote its key objectives, which include fostering competition and innovation, liberalizing markets and simplifying market entry; promoting the single European market and the interest of citizens. While the European Commission (EC) monitors and supervises the Member States of the EU to ensure they properly apply the provisions of the Directives, the primary responsibility for implementing the provisions of specific EU legislation lies with the legislatures and regulatory authorities of the Member States. Accordingly, although Member States are required to adhere to the EU laws, Member States do not necessarily take a uniform approach toward a particular service such as VoIP. Moreover, one of the key tenants of the NRF is technological neutrality, which means that a given service should in theory be subject to the same kind of regulation, regardless of the technological platform or network over which the service is delivered. The level of regulation in a given situation will depend principally on market analysis conducted by each regulatory authority. The heaviest regulatory burden will fall on providers that are found to hold a dominant position on the relevant market. Certain consumer protection, quality of service and public safety obligations may be imposed on providers of publicly available voice services, even if the providers do not hold a dominant position on the market.

There is considerable uncertainty as to how this last aspect of the NRF would apply to providers of VoIP services such as GlobalTel IP. Many countries are choosing to regulate VoIP like traditional phone service if the subscriber to the VoIP service is allocated a geographical telephone number of the same type as that given to users of traditional telephone service. Currently, we intend to offer our cable telephony platform, and other services, in several EU countries, including France, Belgium, and Luxemburg. We cannot guarantee that these or other EU Member States where we may elect to do business will refrain from imposing additional regulations on our VoIP services as they implement and interpret the NRF. The EU and several Member States have issued consultation documents requesting industry comments on the applicability of aspects of the NRF to various VoIP services in their respective countries. We cannot predict the outcome of these consultations or the manner in which Member States will implement the NRF with respect to VoIP services such as ours.

Other countries, including those in which the governments prohibit or limit competition for traditional voice telephony services, generally do not permit Internet telephony services or strictly limit the terms under which those services may be provided. Still other countries regulate Internet telephony services like traditional voice telephony services, requiring Internet telephony companies to, among other things, apply for the same types of licenses and pay the same regulatory fees as traditional telecommunications service providers in those countries. While some countries subject IP telephony providers to reduced regulations, others have moved towards liberalization of the IP communications sector and have lifted bans on provision of IP communications services. We believe that while increased prohibitions and restrictions could materially threaten our ability to provide services, the lifting of prohibitive regulations in a country generally will enable us to expand our services and presence in that country. On the other hand, in countries where there exists substantial regulatory uncertainty with respect to VoIP, limited and narrowly tailored regulation may enable providers such as GlobalTel IP to enter these markets with greater certainty. We cannot predict how a regulatory or policy change of a particular country might affect the provision of our services.

In addition, as we expand into additional foreign countries, some countries may conclude that we are required to qualify to do business in their country, that we are otherwise subject to regulation, or that we are prohibited from conducting our business in such countries. Our failure to qualify as a foreign corporation in certain jurisdictions, or to comply with foreign laws and regulations, may materially and adversely affect our business.

Moreover, our resellers, underlying providers, and wholesale clients in various foreign countries may be or may become subject to various regulatory requirements. We cannot be certain that our partners are currently in compliance with every regulatory or other legal requirement in their respective countries, or that they will be able to comply with existing or future requirements. Failure of our partners to comply with these requirements could materially and adversely affect our business.

## ***Regulation of the Internet***

In addition to regulations addressing Internet telephony, cable modem and broadband services, other regulatory issues relating to the Internet in general could affect our ability to provide our services. Congress has adopted legislation that regulates certain aspects of the Internet, including online content, user privacy, taxation, liability for third-party activities and jurisdiction. In addition, a number of initiatives pending in Congress and state legislatures would prohibit or restrict advertising or sale of certain products and services on the Internet, which may have the effect of raising the cost of doing business on the Internet generally. The European Union has also enacted several directives relating to the Internet, one of which addresses online commerce. International governments are adopting and implementing privacy and data protection regulations that establish certain requirements with respect to, among other things, the confidentiality, processing and retention of personally identifiable subscriber information and usage patterns. The potential effect, if any, of these data protection rules on the development of our business remains uncertain.

Federal, state, local and foreign governmental organizations are considering other legislative and regulatory proposals that would regulate or tax the Internet. We cannot predict whether new taxes will be imposed on our services both nationally and internationally, and depending on the type of taxes imposed, whether and how our services would be affected thereafter. Increased regulation of the Internet may decrease its growth and hinder technological development, which may negatively impact the cost of doing business via the Internet or otherwise materially adversely affect our business, financial condition and results of operations.

### ***Other Regulations that Might Affect Our Services***

We are also subject to federal and state laws and regulations regarding consumer protection and disclosure regulations. Changes in these rules could substantially increase the cost of doing business nationally and in any particular state. Authorities having jurisdiction may bring claims against us pursuant to the relevant consumer protection laws in the event we do not meet our legal requirements. The FCC also requires service providers that enable users to place toll-free calls from payphones in the United States to compensate the payphone operator for each call placed from a payphone. Changes in FCC payphone compensation rules and/or the failure of GlobalTel IP to properly compensate payphone operators for use of their payphones could subject us to legal actions, or otherwise negatively affect our revenues.

In addition to specific telecommunications regulation, we are subject to other laws. For example, the Office of Foreign Asset Control of the U.S. Department of the Treasury, or OFAC, administers the United States' sanctions against certain countries. OFAC rules restrict many business transactions with such countries and, in some cases, require that licenses be obtained for such transactions. Companies that export products or services out of the United States are also subject to the export regulations of the Bureau of Industry and Security (BIS) of the U.S. Department of Commerce. Failure to obtain proper authority from these regulators could expose us to legal and criminal liability.

## MANAGEMENT

### *Executive Officers and Directors*

Set forth below are the name, age, position, and a brief account of the business experience of each of our executive officers and directors. Each of our directors holds office until the next annual meeting of shareholders and until the director's successor is elected and qualified or until the director's resignation or removal. Each of our executive officers holds office until the next annual meeting of shareholders.

| NAME                | AGE | POSITIONS  |
|---------------------|-----|--|
| Steven M. Williams  | 45  | Chairman of the Board of Directors, Chief Executive Officer and a director |
| Larry M. Reid       | 61  | Executive Vice President, Chief Financial Officer and a director           |
| Michael J. Gutowski | 48  | Vice President of Sales and Marketing and a director                       |

*Steven M. Williams* has held his present positions with us since March 2005. Mr. Williams has been the President, Chief Executive Officer of IMT for more than five years. IMT is principally engaged in the business of providing of international telecommunications services other than VoIP services. Mr. Williams intends to devote approximately 80 hours per month to his duties as our Chief Executive Officer.

*Larry M. Reid* has been a member of our Board of Directors since 1999. He was our President from 1999 to March, 2005 at which time he became our Executive Vice President and Chief Financial Officer. From December 2001 until September 2005, Mr. Reid was the Chief Financial Officer and a director of Connectivity Inc., which was primarily engaged in the manufacture and distribution of emergency call boxes. In April 2003, Connectivity Inc. was acquired by Arrow Resources Development, Inc. at which time Mr. Reid became the Executive Vice President and a director of that company. Mr. Reid left Arrow Resources Development, Inc. because, notwithstanding the terms of his written employment agreement with Arrow, his salary was not paid. After Mr. Reid left Arrow, he instituted litigation against Arrow Resources Development, Inc. based upon non-payment of his salary. Arrow Resources Development, Inc. asserted counterclaims against Mr. Reid to the effect that Mr. Reid had engaged in fraudulent activities against Arrow Resources Development, Inc. Mr. Reid denied all of Arrow Resources Development, Inc.'s substantive counterclaims. The parties settled the litigation without any admission of wrongdoing by Mr. Reid.

*Michael J. Gutowski* has held his present positions with us since March 2005. From November 1999 to December 2002 Mr. Gutowski was the Chief Executive Officer and a director of Connectivity Inc., which was primarily engaged in the manufacture and distribution of emergency call boxes. In April, Connectivity Inc. was acquired by Arrow Resources Development, Inc. at which time Mr. Gutowski became the President, Chief Operating Officer and a director of that company. Mr. Gutowski left Arrow Resources Development, Inc. in September 2004 because, notwithstanding the terms of his written employment agreement with Arrow, his salary was not paid. After Mr. Gutowski left Arrow, he instituted litigation against Arrow Resources Development, Inc. based upon non-payment of his salary. Arrow Resources Development, Inc. asserted counterclaims against Mr. Gutowski to the effect that Mr. Gutowski had engaged in fraudulent activities against Arrow Resources Development, Inc. Mr. Gutowski denied all of Arrow Resources Development, Inc.'s substantive counterclaims. The parties settled the litigation. The parties settled the litigation without any admission of wrongdoing by Mr. Gutowski.

There are no family relationships among our directors, executive officers, or persons nominated or chosen by us to become directors or executive officers.

None of the following events occurred during the past five years that is material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer, promoter or control person:

- Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- Any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or
- Being found by a court of competent jurisdiction (in a civil action), the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

## ***Executive Compensation***

### ***Summary Compensation Table***

The following table discloses all plan and non-plan compensation awarded to, earned by, or paid to the following for all services rendered in all capacities to us: (a) all individuals serving as our chief executive officer (CEO) or acting in a similar capacity during the fiscal year ended September 30, 2005, regardless of compensation level and (b) our four most highly compensated executive officers other than the CEO who were serving as executive officers at September 30, 2005 and whose total annual salary and bonus, as so determined, was in excess of \$100,000; (c) up to two additional individuals for whom disclosure would have been provided pursuant to (b) of this paragraph but for the fact that the individual was not serving as an executive officer of us at September 30, 2005 and whose total annual salary and bonus, as so determined, was in excess of \$100,000 (the "Named Executive Officers"):

| <b>Name and Principal Position</b>   | <b>Fiscal Year</b> | <b>Annual Compensation</b>        |
|--|--------------------|-----------------------------------|
|  |                    | <b>Salary and Consulting Fees</b> |
| Steven M. Williams – CEO   | 2005               | -0-                               |
|  | 2004               | -0-                               |
|  | 2003               | -0-                               |
| Larry M. Reid – President, CEO, Executive Vice President and Chief Financial Officer | 2005               | \$48,000                          |
|  | 2004               | -0-                               |
|  | 2003               | -0-                               |

The aggregate amount of any perquisites and other personal benefits, securities or property paid or given by us to any of the Named Executive Officers in any of the fiscal years was less than 10% of the total of annual salary of the respective Named Executive Officer.

During the fiscal year ended September 30, 2005, we did not adjust or amend the exercise price of stock options previously awarded to any of the Named Executive Officers, whether through amendment, cancellation or replacement grants, or any other means.

Larry M. Reid and Michael J. Gutowski each presently receive salaries from us of \$104,000 per year.

### ***Option Grants***

There were no individual grants of stock options made during the fiscal year ended September 30, 2005 to any of the Named Executive Officers.

We have never granted any stock appreciation rights to the Named Executive Officers and during the fiscal year ended September 30, 2005 we did not reprice any options previously granted to them.

### ***Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values***

During the fiscal year ended September 30, 2005, none of the Named Executive Officers exercised any stock options issued by us or held any such unexercised options on that date.

### ***Long-Term Incentive Plans - Awards in Last Fiscal Year***

The GlobalTel IP, Inc. 2005 Incentive Equity Plan, or the Plan, was adopted and approved by our Board of Directors and our stockholders in October 2005. The following summary of the Plan is qualified in its entirety by the terms and conditions of the Plan which has been filed as an exhibit to the registration statement of which this prospectus is a part.

The purpose of the Plan is to promote long-term profitability and to enhance value for our stockholders by offering incentives and rewards to our key employees, directors and officers, including those of its subsidiaries, to retain their services and to encourage them to acquire stock ownership in us.

The Plan will terminate in October 2010 unless terminated earlier by our Board of Directors or a Committee composed of two or more of members of our Board of Directors to administer the Plan. All references below to the "Board" in connection with the Plan refer to our Board of Directors and any such Committee.

After termination of the Plan, no future awards may be granted, but previously granted awards shall remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of the Plan.

The Plan may be amended only by the Board as it deems necessary or appropriate to better achieve the purposes of the Plan, except that no such amendment shall be made without the approval of our stockholders which would increase the number of shares available for issuance in accordance with the Plan.

The Board has the discretion, exercisable at any time before a sale, merger, consolidation, reorganization, liquidation or change in control of us, as defined by the Board, to provide for the acceleration of vesting and for settlement, including cash payment, of an award granted under the Plan upon or immediately before such event is effective. However, the granting of awards under the Plan shall in no way affect our right to adjust, reclassify, reorganize, or otherwise change our capital or business structure, or to merge, consolidate, dissolve, liquidate, sell or transfer all or any portion of our businesses or assets.

The Board is responsible for administering the Plan. The Board has full and exclusive power to interpret the Plan and to adopt such rules, regulations and guidelines for carrying out the Plan as it may deem necessary or proper. This power includes but is not limited to selecting award recipients, establishing all award terms and conditions and adopting modifications, amendments and procedures, as well as rules and regulations governing awards under the Plan, and to make all other determinations necessary or advisable for the administration of the Plan. The interpretation and construction of any provision of the Plan or any option or right granted under the Plan and all determinations by the Board in each case shall be final, binding and conclusive with respect to all interested parties.

Subject to adjustment as provided in the Plan, 5,000,000 shares of our common stock, \$.001 par value, may be issued to participants under the Plan. As of March 31, 2006, options to purchase an aggregate of 1,850,000 shares of our common stock had been granted under the Plan.

All of our key employees, directors and officers are eligible to receive awards under the Plan as well as those of any entity that is directly or indirectly controlled by us, as determined by the Board.

The period of time within which employees may elect to participate in the plan shall be determined by the Board at the time an award is granted. The purchase price per share shall be not less than 100% of "Current Value" on the date of grant (except if a stock option is granted retroactively in tandem with or as a substitution for an SAR, the exercise price may be no lower than the exercise price per share for such tandem or replaced SAR).

For purposes of the Plan, Current Value of a security shall be determined as follows:

(a) If the security is listed on a national securities exchange or admitted to unlisted trading privileges on such exchange or listed for trading on NASDAQ or the NASD Bulletin Board, the Current Value of a share or other unit shall be the last reported sale price of such security on such exchange; or

(b) If the security is not so listed or admitted to unlisted trading privileges but bid and asked prices are reported by the National Quotation Bureau, Inc. or any successor thereto, the Current Value shall be the average of last reported high bid and low asked prices reported by the National Quotation Bureau, Inc.; or

(c) If the security is not so listed or admitted to unlisted trading privileges and bid and asked prices are not so reported, the Current Value shall be the book value of a share or other unit as at the end of our immediately prior fiscal quarter determined in accordance with generally accepted accounting principles consistently applied.

The exercise price for a stock option shall be paid in full by the optionee at the time of the exercise in cash or such other method permitted by the Board, including (i) tendering (either actually or by attestation) shares, (ii) authorizing a third party to sell the shares (or a sufficient portion thereof) acquired upon exercise of a stock option and assigning the delivery to us of a sufficient amount of the sale proceeds to pay for all the shares acquired through such exercise, or (iii) any combination of the above.

If approved by the Board, the purchase price for shares purchased under the Plan may be paid in cash or a finite number of shares at the option of the Employee. Payment must be made at such time as determined by the Board.

The purchase price of securities purchased under the Plan will be received by us and may be used to pay compensation to our affiliates and to reimburse them for amounts advanced by them to us or on our behalf.

We made no awards to a Named Executive Officer in the fiscal year ended September 30, 2005 under any long-term incentive plan. In 2006, we granted options to purchase 250,000 shares at \$.22 per share each to Michael J. Gutowski, Larry M. Reid and Steven M. Williams under The GlobalTel IP, Inc. 2005 Incentive Equity Plan. The options expire on February 28, 2010.

#### ***Compensation of Directors***

We have no arrangements pursuant to which any of our directors were compensated during the fiscal year ended September 30, 2005 or are expected to be compensated in the future for any service provided as a director.

#### ***Employment Contracts and Termination of Employment and Change in Control Arrangements.***

We have no employment contracts with any of our employees or any compensatory plan or arrangement, including payments to be received from us, with respect to a Named Executive Officer, if such plan or arrangement results or will result from the resignation, retirement or any other termination of such executive officer's employment with us or from a change in control of us or a change in the Named Executive Officer's responsibilities following a change-in-control. In addition, we have no termination of employment or change in control arrangements.

#### ***Equity Securities Authorized for Issuance With Respect to Compensation Plans***

As of September 30, 2005 none of our equity securities was authorized for issuance under a compensation plan (including individual compensation arrangements).

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of June 28, 2006 with respect to any person (including any “group”) who is known to us to be the beneficial owner of more than 5% of any class of our common stock and as to each class of our equity securities beneficially owned by our directors and directors and officers as a group:

| <b>Name and<br/>Address of Beneficial Owner</b>  | <b>Shares of Common<br/>Stock<br/>Beneficially Owned<br/>(1)(2)</b> | <b>Approximate<br/>Percent of Class</b> |
|--|---|---|
| Steven M. Williams<br>7999 North Federal Highway<br>Boca Raton, FL 33487                   | 7,852,925 (3)   | 35.6% (3)                               |
| Interactive Media Technologies, Inc.<br>7999 North Federal Highway<br>Boca Raton, FL 33487 | 7,102,925   | 32.6%                                   |
| Larry M. Reid<br>7999 North Federal Highway<br>Boca Raton, FL 33487                        | 2,003,400 (4)   | 9.1% (4)                                |
| Global Trading Inc. of South Florida<br>6540 Sutton Court<br>Parkland, FL 33067            | 1,500,000   | 6.9%                                    |
| Michael Gutowski<br>7999 North Federal Highway<br>Boca Raton, FL 33487                     | 1,218,500 (5)   | 5.5% (5)                                |
| Officers and directors as a group (3<br>persons)   | 11,074,825 (6)  | 49.1% (6)                               |

- (1) Unless otherwise noted below, we believe that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them.
- (2) For purposes hereof, a person is deemed to be the beneficial owner of securities that can be acquired by such person within 60 days from the date hereof upon the exercise of warrants or options or the conversion of convertible securities. Each beneficial owner’s percentage ownership is determined by assuming that any such warrants, options or convertible securities that are held by such person (but not those held by any other person) and which are exercisable within 60 days from the date hereof, have been exercised.

- (3) Includes (a) 7,102,925 shares owned by Interactive Media Technologies, Inc. of which Mr. Williams is the President, Chief Executive Officer and sole member of its Board of Directors and (b) 250,000 shares that can be acquired by Mr. Williams upon exercise of an option. Mr. Williams is also the beneficial owner of approximately 24% of IMT's outstanding voting securities.
- (4) Includes 250,000 shares that can be acquired by Mr. Reid upon exercise of an option.
- (5) Includes 250,000 shares that can be acquired by Mr. Gutowski upon exercise of an option.
- (6) See notes above.

## **MARKET FOR COMMON EQUITY AND CERTAIN RELATED STOCKHOLDER MATTERS**

Since November 7, 2005, our common stock is principally traded in the over-the-counter market and has been quoted by the Pink Sheets® LLC under the symbol GIPI. The trading market is extremely limited and sporadic and should not be considered to constitute an established trading market. The following table sets forth the range of high and low bid prices for the common stock for the fiscal quarters indicated. The quotations were obtained from the Pink Sheets® LLC.

| <b>Quarter Ended</b> | <b>Low</b> | <b>High</b> |
|----------------------|------------|-------------|
| December 31, 2005    | \$.05      | \$.75       |
| March 31, 2006       | \$.15      | \$.40       |

All quotes reflect inter-dealer prices without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

On March 31, 2006 our common stock was held of record by approximately 100 holders.

We have never paid dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. We intend to retain any earnings for the operation and expansion of our business. Other than financial ability, we have no legal, contractual or corporate constraints against the payment of dividends. Commitments we may make in the future may, however, contractually limit or prohibit the payment of dividends.

## DESCRIPTION OF COMMON STOCK

Our authorized capital stock consists of 750,000,000 shares of common stock, \$.001 par value.

The holders of outstanding shares of our common stock are entitled to receive dividends out of assets legally available therefor at such times and in such amounts, if any, as our Board of Directors from time to time may determine. Holders of common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders which means that the holders of a majority of the shares voted can elect all of the directors then standing for election. Holders of the common stock are not entitled to preemptive rights and the common stock is not subject to conversion or redemption.

Our directors and executive officers beneficially own approximately 50.2% of our outstanding shares.

These stockholders may be able to effectively determine the outcome of stockholder votes, including votes concerning the election of directors, amendments to our charter and bylaws, and the approval of significant corporate transactions such as a merger or a sale of our assets. In addition, their controlling influence could have the effect of delaying, deferring or preventing a change in control of our company.

### ***Control-Share Acquisitions***

We may become subject to the control-share acquisition provisions of the Florida Business Corporation Act.

Those provisions could have the effect of discouraging offers to acquire us and of increasing the difficulty of consummating any such offer. The provisions may also discourage bids for our common stock at a premium over the market price.

### ***Transfer agent***

The transfer agent for our common stock is Florida Atlantic Stock Transfer, Inc., 7130 Nob Hill Road, Tamarac, Florida 33321.

## CERTAIN TRANSACTIONS

Other than as set forth under this caption and elsewhere in this prospectus, during the last two years there have been no transactions, or are there any proposed transactions, to which we were or are to be a party, in which any of the following persons had or is to have a direct or indirect material interest and the amount involved in the transaction or a series of similar transactions does not exceed \$60,000

- Any of our directors or executive officers;
- Any nominee for election as a director;
- Any security holder named in this prospectus as beneficially owning more than 5% of our outstanding common stock; and
- Any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any of the above persons.

In October 2004, we issued 668,500 shares to Michael J. Gutowski for consulting services which we valued at \$6,680.

In February 2005, pursuant to an Asset Purchase Agreement with IMT we issued 7,000,000 shares to IMT. The assets purchased consisted primarily of hardware and software used by us in providing VoIP Services. A schedule of the assets has been filed as an exhibit to our registration statement filed with the SEC of which this prospectus is a part. Included in the assets we purchased from IMT, were assets acquired by IMT within two years prior to our purchase having an aggregate cost to IMT of \$125,000 which we valued at \$70,000 at the time of our purchase.

In March 2005, we entered into a Software Support Agreement with IMT. Pursuant to the agreement, IMT agreed to provide support for the software we purchased from IMT that we utilize in our VoIP business. The particular services to be provided to us and the price we pay to IMT are described in a software support order. IMT's cumulative liability under the agreement is limited to the amounts we pay to IMT under the agreement. On May 20, 2005 we submitted a software support order to IMT which was accepted by IMT. Pursuant to the order, IMT agreed to provide 150 hours per month of billing, development and support for a monthly fee of \$10,500. IMT had the right to increase the fee with our consent, which we cannot unreasonably withhold. We agreed to reimburse IMT for travel, accommodations and certain other expenses. A subsequent similar agreement and order was entered into in March 2006. As of June 28, 2006, IMT advised us that it had not incurred any such expenses.

In April 2005, we entered into a one year Office Lease Agreement with IMT pursuant to which we leased approximately 1,000 square feet of office space from IMT for approximately \$2,000 per month.

In April 2005, we entered into a one year Co-Location Lease Agreement with IMT pursuant to which we leased space for our equipment in Miami, Florida from IMT for approximately \$1,850 per month.

From October 1, 2005 to March 31, 2006, we paid IMT approximately \$465,000 for terminating the VoIP calls of our customers with carriers of IMT's choice. On March 31, 2006, we owed IMT approximately \$140,000 for amounts billed for call terminations and not yet paid and accrued amounts for call terminations which had not then been billed.

In December 2005, we issued 500,000 shares of our common stock to Steven M. Williams for services rendered to us in lieu of a cash payment of \$5,000.

In March 2006, pursuant to a second Asset Purchase Agreement with IMT we issued 102,925 shares to IMT. The assets purchased consisted of hardware used by us in providing VoIP Services. A schedule of the assets has been filed as an exhibit to our registration statement filed with the SEC of which this prospectus is a part. Included in the assets we purchased from IMT, were assets acquired by IMT within two years prior to the purchase having an aggregate cost to IMT of \$45,000 which we valued at \$20,585 the time of our purchase.

In March 2006, we entered into a one year Co-Location Lease Agreement with IMT pursuant to which we lease space for our equipment in Miami, Florida from IMT for \$1,850 per month.

In April 2006, we entered into a one year Office Lease Agreement with IMT pursuant to which we lease approximately 1,500 square feet of office space in Boca Raton, Florida from IMT for approximately \$3,500 per month.

### **SHARES ELIGIBLE FOR FUTURE SALE**

Prior to this offering, there has been a limited public market for our common stock, and we cannot assure you that a significant public market for our common stock will develop or be sustained after this offering. Future sales of significant amounts of our common stock, including shares of our outstanding common stock and shares of our common stock issued upon exercise of outstanding options and warrants, in the public market after this offering could adversely affect the prevailing market price of our common stock and could impair our future ability to raise capital through the sale of our equity securities.

All of the shares sold in this offering by the selling stockholders, including those shares distributed by IMT to its shareholders, will be freely tradable without restriction under the Securities Act of 1933 unless acquired by an affiliate of us, as that term is defined in Rule 144 under that Act.

On March 31, 2006, we had outstanding 20,801,425 shares of common stock. Of the 10,476,600 shares held by persons who are not our affiliates on that date, approximately 3,366,600 shares were freely tradable without restriction or further registration under the Securities Act of 1933. In addition, approximately 1,500,000 additional shares held by non-affiliates were then eligible to be sold in accordance with Rule 144 under that Act and approximately 5,610,000 more shares will be able to be sold within the ensuing twelve month period.

In general, Rule 144 allows a stockholder (or stockholders where shares are aggregated) who has owned shares which have been acquired from us or an affiliate of us at least one year prior to resale and who files a requisite notice with the SEC to sell within any three month period a number of those shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding; or
- the average weekly trading volume of the common stock on a national securities exchange and/or reported through the automated quotation system of a registered securities association during the four calendar weeks preceding the filing of the notice with respect to such sale.

Any shares registered in the registration statement of which this prospectus is a part and which are acquired by any of our affiliates in accordance with the any of the plans of distribution described below will not be subject to the one year holding period although they cannot be publicly resold by such affiliates for at least ninety days subsequent to the effective date of such registration statement.

Sales under Rule 144, however, generally are subject to specific manner of sale provisions, notice requirements, and the availability of current public information about our company. If, however, a stockholder (or stockholders where shares are aggregated) has owned shares which have been acquired from us or an affiliate of us at least two years prior to resale and who is not then and has not been an affiliate of us at any time during the immediately preceding three months, the stockholder(s) may sell the shares without complying with the manner of sale provisions, notice requirements, public information requirements, or volume limitations of Rule 144.

We may file a registration statement with the SEC for shares of our common stock issued or reserved for issuance under our present or future compensatory plans. Any shares registered under that registration statement will be available for sale in the open market.

## THE SELLING STOCKHOLDERS

The following table sets forth information as of June 28, 2006 with respect to our common stock held by each selling stockholder:

| <b>Name of Selling Stockholder</b>   | <b>Number of Shares Owned Before the Offering (1)</b> | <b>Number of Shares Being Offered</b> | <b>Number of Shares to be Owned After the Offering</b> | <b>Percentage of Outstanding Shares to be Owned After the Offering (assuming the sale of all shares being offered by the selling stockholders)</b> |
|--------------------------------------|---|---------------------------------------|--|--|
| Interactive Media Technologies, Inc. | 7,102,925   | 7,102,925                             | -0-  | -0-  |
| Margherita Colello                   | 1,000,000   | 1,000,000                             | -0-  | -0-  |
| Dino Natali                          | 750,000   | 750,000                               | 75,000 (2)   | 0.3%   |
| Santo Sciarrino                      | 500,000   | 500,000                               | -0-  | -0-  |
| Jopat Enterprise, Inc.               | 500,000   | 500,000                               | -0-  | -0-  |
| James Drew                           | 500,000   | 500,000                               | -0-  | -0-  |
| Judith Holding, Ltd.                 | 500,000   | 500,000                               | -0-  | -0-  |
| Paul & Nancy Williams                | 500,000   | 500,000                               | -0-  | -0-  |
| Dominic Albi                         | 25,000  | 25,000                                | 537,500 (2)  | 2.4%   |
| Tremont Ventures LLC                 | 1,000,000   | 500,000                               | 500,000  | 2.2%   |
| Philippi Trading, Inc.               | 500,000   | 250,000                               | 250,000  | 1%   |
| Family Medicine Clinics              | 250,000   | 125,000                               | 125,000  | 0.5%   |
| EVoice International, Inc.           | 250,000   | 125,000                               | 125,000  | 0.5%   |
| Andre Larabie, Inc.                  | 125,000   | 62,500                                | 62,500   | 0.25%  |
| The Bowditch Corporation             | 125,000   | 62,500                                | 62,500   | 0.25%  |
| John Sciarrino                       | 125,000   | 62,500                                | 62,500   | 0.25%  |
| Richard Banconi                      | 50,000  | 50,000                                | -0-  | -0-  |
| Neal Vaccaro                         | 50,000  | 50,000                                | -0-  | -0-  |
| Carl Feuerstein                      | 30,000  | 30,000                                | -0-  | -0-  |
| Marilyn Gerstein                     | 30,000  | 30,000                                | -0-  | -0-  |
| Irwin Dwoskin                        | 30,000  | 30,000                                | -0-  | -0-  |
| Phillip Goldberg                     | 30,000  | 30,000                                | -0-  | -0-  |
| Allen Feuerstein                     | 20,000  | 20,000                                | -0-  | -0-  |
| Jack S. Rizzo                        | 10,000  | 10,000                                | -0-  | -0-  |
| Sari Dwoskin                         | 10,000  | 10,000                                | -0-  | -0-  |

(1) Does not include shares underlying derivative securities which shares are being offered for sale by us pursuant to this prospectus.

(2) Represent shares underlying warrants which have been registered in the registration statement of which this prospectus is a part.

We have been advised that the respective persons identified below have voting and investment control of the following entities:

| <b>ENTITY</b>                       | <b>NAME OF PERSON</b> |
|-------------------------------------|-----------------------|
| Interactive Media Technologies, Inc | Steven M. Williams    |

Jopat Enterprise, Inc.  
Philippi Trading, Inc  
Tremont Ventures LLC

Santo Sciarrino  
Brian Kane  
Robert Seaman

Dominic Albi has been our financial advisor and has introduced us to certain of the selling stockholders for which he has received compensation from us.

In June 2006 we entered into a one year management agreement with Tremont Ventures LLC . We have agreed to pay Tremont 8,000 shares of our common stock for each of twelve months plus reasonable expenses for services rendered and to be rendered. The services consist primarily of advice relating to possible acquisitions and sources of additional capital. Tremont anticipates that it will spend approximately ten hours per month providing the services to us.

In addition, subsequent to July 1, 2007 and for a period of four years thereafter, Tremont has agreed to be available on a continuing basis to provide advice and guidance in consideration of the foregoing compensation and such other compensation as may be agreed to between Tremont and us.

Except for the relationships and transactions described in this prospectus, none of the selling stockholders has had any position, office or other material relationship with us or any of our affiliates or any of our predecessors within the past three years.

### **PLANS OF DISTRIBUTION**

IMT intends to distribute 7,102,925 of our shares to its 285 stockholders in proportion to the number of shares of IMT that each of them holds. Steven M. Williams beneficially owns approximately 24% of such shares.

The other selling stockholders have advised us that the sale or distribution of our common stock which may be effected by them or by pledgees, transferees or other successors in interest, as principals or through one or more underwriters, brokers, dealers or agents from time to time in one or more transactions, will take place either (a) on the over-the-counter market or in any other market on which the price of our shares is quoted or (b) in transactions otherwise than on the over-the-counter market or in any other market on which the price of our shares is quoted. Such transactions may be effected at or about prevailing market prices at the time of sale, at prices related to such prevailing market prices, at varying prices determined at the time of sale or at negotiated or fixed prices, in each case as determined by the selling stockholders or by agreement between the selling stockholders and underwriters, brokers, dealers or agents, or purchasers. If the selling stockholders effect such transactions by selling their shares of common stock to or through underwriters, brokers, dealers or agents, such underwriters, brokers, dealers or agents may receive compensation in the form of discounts, concessions or commissions from the selling stockholders or commissions from purchasers of common stock for whom they may act as agent (which discounts, concessions or commissions as to particular underwriters, brokers, dealers or agents may be in excess of those customary in the types of transactions involved). The selling stockholders may be deemed to be underwriters and any brokers, dealers or agents that participate in the distribution of the common stock may also be deemed to be underwriters, and any profit on the sale of common stock by them and any discounts, concessions or commissions received by any such underwriters, brokers, dealers or agents may be deemed to be underwriting discounts and commissions under the Securities Act of 1933.

Under the securities laws of certain states, the shares may be sold in such states only through registered or licensed brokers or dealers. In addition, in certain states the shares may not be sold unless the shares have been registered or qualified for sale in such state or an exemption from registration or qualification is available and is complied with.

The shares to be offered by upon exercise of outstanding warrants will be sold directly by us without the payment of any commission.

We have or will pay for all costs and expenses incident to the registration of the shares offered by the selling stockholders. We will not pay sales or brokerage commissions or underwriter or dealer discounts with respect to sales of the shares offered by the selling stockholders.

Our shares are subject to the “penny stock rules” adopted pursuant to Section 15(g) of the Securities Exchange Act of 1934 (the “Exchange Act”). Such rules require, among other things, that brokers who trade “penny stock” to persons other than “established customers” complete certain documentation, make suitability inquiries of investors and provide investors with certain information concerning trading in the security, including a risk disclosure document and quote information under certain circumstances. Penny stocks sold in violation of the applicable rules may entitle the buyer of the stock to rescind the sale and receive a full refund from the broker.

Many brokers have decided not to trade “penny stock” because of the requirements of the penny stock rules and, as a result, the number of broker-dealers willing to act as market-makers in such securities is limited. In the event that our shares remain subject to the “penny stock rules” for any significant period, there may develop an adverse impact on the market, if any, for our shares. Because our shares are subject to the “penny stock rules,” investors will find it more difficult to dispose of them and the liquidity of the shares, if any, may be significantly diminished. Further, for companies whose securities are quoted on the OTC Bulletin Board or the “Pink Sheets,” it is more difficult: (i) to obtain accurate quotations, (ii) to obtain coverage for significant news events because major wire services, such as the Dow Jones News Service, generally do not publish press releases about such companies, and (iii) to obtain needed capital.

## **INDEMNIFICATION**

We have agreed to indemnify our executive officers and directors to the fullest extent permitted by the Florida Business Corporation Act. That law generally permits us to indemnify any person who is, or is threatened to be made, a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that the person is or was an officer or director or is or was serving at our request as an officer or director. The indemnity may include expenses (which we may pay in advance of a final disposition), including attorney’s fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with the action, suit or proceeding, provided that the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to our best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person’s conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, will not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to our best interests and, with respect to any criminal action or proceeding, had reasonable cause to believe that the person’s conduct was unlawful approval if the officer or director is adjudged to be liable to us. The indemnification provisions of the Florida Business Corporation Act are not exclusive of any other rights to which an officer or director may be entitled under our bylaws, by agreement, vote, or otherwise.

Insofar as indemnification arising under the Securities Act of 1933 may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable.

### **LEGAL PROCEEDINGS**

We are not a party to any pending legal proceeding that primarily involves a claim for damages and the amount involved in such proceeding, exclusive of interest and costs, exceeds 10% of our current assets nor is any of our property the subject of such a pending legal proceeding. We are not aware of any such proceeding that a governmental authority is contemplating.

### **LEGALITY OF SHARES**

The legality of the shares of common stock offered by this prospectus has been passed upon for us by Reisman & Associates, P.A. to the extent set forth in its opinion filed as an exhibit to the registration statement of which this prospectus is a part. An affiliate of such firm beneficially owns 600,000 shares of our common stock.

### **LEGAL PROCEEDINGS**

We are not a party to any pending legal proceeding that primarily involves a claim for damages and the amount involved in such proceeding, exclusive of interest and costs, exceeds 10% of our current assets nor is any of our property the subject of such a pending legal proceeding. We are not aware of any such proceeding that a governmental authority is contemplating.

### **EXPERTS**

The financial statements included in the Prospectus have been audited by Ribotsky, Levine & Company, CPAs, an independent public accounting firm, to the extent and for the periods set forth in their report appearing elsewhere herein and are included in reliance upon such report given upon the authority of said firm as experts in auditing and accounting.

### **ADDITIONAL INFORMATION**

We have electronically filed a registration statement on Form SB-2 and amendments thereto with the SEC with respect to the shares of common stock to be sold in this offering. This prospectus, which forms a part of that registration statement, does not contain all of the information included in the registration statement. Certain information is omitted and you should refer to the registration statement and its exhibits for complete information. With respect to references made in this prospectus to any contract or other document, the references are not necessarily complete and you should refer to the exhibits attached to the registration statement for copies of the actual contract or document. You may read and copy the registration statement and other materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy statements and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is <http://www.sec.gov>.

We are subject to the information and reporting requirements of the Securities Exchange Act of 1934 and file periodic reports, proxy soliciting material and other information with the SEC.

We intend to furnish our stockholders with annual reports containing audited financial statements.

## FINANCIAL STATEMENTS

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
GlobalTel IP, Inc.  
Boca Raton, Florida

We have audited the accompanying balance sheet of GlobalTel IP, Inc. (a development stage company) as of September 30, 2005, and the related statements of operations, stockholders' equity, cash flows and the supplemental schedule of selling and administrative expenses for the year then ended and for the cumulative period from inception (November 15, 1999) through September 30, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GlobalTel IP, Inc., as of September 30, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the accompanying financial statements, the Company has incurred net losses since its inception and has experienced severe liquidity problems. Those conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to those matters also are described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Ribotsky Levine & Company, CPAs  
Certified Public Accountants  
Weston, Florida

December 12, 2005 (Except Note 10 which is dated January 15, 2006)

**GLOBALTEL IP, INC.**  
(A Development Stage Company)

**FINANCIAL STATEMENTS**

**GLOBALTEL IP, INC.**  
(A Development Stage Company)  
Balance Sheets

**ASSETS**

|                                    | September 30,<br>2005    | September 30,<br>2004  |
|------------------------------------|--------------------------|------------------------|
| <b>CURRENT ASSETS</b>              |                          |                        |
| Cash                               | \$ 113,185               | \$ -                   |
| Accounts receivable, net           | 2,510                    | -                      |
| Due from shareholder               | -                        | 1,027                  |
| Inventory                          | <u>1,673</u>             | <u>-</u>               |
| Total Current Assets               | <u>117,368</u>           | <u>1,027</u>           |
| <b>PROPERTY AND EQUIPMENT, NET</b> | <u>94,553</u>            | <u>-</u>               |
| <b>TOTAL ASSETS</b>                | <u><u>\$ 211,921</u></u> | <u><u>\$ 1,027</u></u> |

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**CURRENT LIABILITIES**

|                           |                |          |
|---------------------------|----------------|----------|
| Accrued expenses          | \$ 36,158      | \$ -     |
| Accounts payable          | 14,839         | -        |
| Commissions payable       | <u>10,849</u>  | <u>-</u> |
| Total Current Liabilities | <u>61,846</u>  | <u>-</u> |
| Due to related party      | 66,303         | -        |
| Deferred revenue          | <u>44,935</u>  | <u>-</u> |
| Total Liabilities         | <u>173,084</u> | <u>-</u> |

**STOCKHOLDERS' EQUITY**

|  |                          |                        |
|--|--------------------------|------------------------|
| Preferred stock: 200,000,000 shares authorized;<br>no par value; no shares issued or outstanding.  |                          |                        |
| Common stock: 750,000,000 shares authorized; \$.001<br>par value; 20,801,425, 19,823,500 and 6,920,000<br>shares issued and outstanding. | 18,073                   | 6,920                  |
| Additional paid-in-capital   | 846,025                  | 448,743                |
| Accumulated (deficit)  | <u>(825,261)</u>         | <u>(454,636)</u>       |
| Total Stockholders' Equity   | <u>38,837</u>            | <u>1,027</u>           |
| <b>TOTAL LIABILITIES AND<br/>STOCKHOLDERS' EQUITY</b>  | <u><u>\$ 211,921</u></u> | <u><u>\$ 1,027</u></u> |

(See accompanying notes to condensed consolidated financial statements)

**GLOBALTEL IP, INC.**  
(A Development Stage Company)  
Statements of Operations

|  | For the<br>Fiscal Year Ended<br>September 30, |                   | From inception<br>(Nov. 15, 1999)<br>to September 30, |
|--|---|-------------------|---|
|  | 2005  | 2004              | 2005  |
| <b>Revenue</b>                               | \$ 268,783                                    | \$ -              | \$ 268,783  |
| <b>Cost of Sales</b>                         | <u>184,538</u>                                | <u>-</u>          | <u>184,538</u>  |
| <b>Gross Profit</b>                          | <u>84,245</u>                                 | <u>-</u>          | <u>84,245</u>   |
| <b>Selling and Administrative Expenses:</b>  |   |                   |   |
| Selling expenses                             | 64,094  | -                 | 107,812   |
| Administrative expenses                      | 380,131                                       | 3,368             | 737,884   |
| Depreciation and amortization                | <u>10,645</u>                                 | <u>-</u>          | <u>61,037</u>   |
| Total Selling and Admin Expenses             | <u>454,870</u>                                | <u>3,368</u>      | <u>906,733</u>  |
| <b>Other Income (Expenses)</b>               |   |                   |   |
| Interest                                     | -   | -                 | 21  |
| (Loss) on disposal of property and equipment | <u>-</u>                                      | <u>-</u>          | <u>(2,794)</u>  |
| Total Other Income (Expense)                 | <u>-</u>                                      | <u>-</u>          | <u>(2,773)</u>  |
| <b>NET (LOSS)</b>                            | <u>\$ (370,625)</u>                           | <u>\$ (3,368)</u> | <u>\$ (825,261)</u>                                   |
| <b>Earnings (Loss) per Common Share</b>      |   |                   |   |
| Basic  | <u>\$ 0.03</u>                                | <u>\$ -</u>       | <u>\$ 0.13</u>  |
| Diluted                                      | <u>\$ 0.03</u>                                | <u>\$ -</u>       | <u>\$ 0.13</u>  |

(See accompanying notes to condensed consolidated financial statements)

**GLOBALTEL IP, INC.**  
(A Development Stage Company)  
Statements of Cash Flows

|  | For the<br>Fiscal Year Ended<br>September 30, |             | From inception<br>(Nov. 15, 1999)<br>to September 30,<br>2005 |
|--|---|-------------|---|
|  | 2005  | 2004        |   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |   |             |   |
| <b>NET LOSS</b>  | <b>\$ (370,625)</b>                           | <b>\$ -</b> | <b>\$ (825,261)</b>   |
| <b>Adjustments to reconcile net loss to net cash used by operating activities:</b> |   |             |   |
| Depreciation and amortization  | 10,645  | -           | 61,037  |
| Stock and warrants exchange for services   | 12,435  | -           | 249,785   |
| <b>(Increase) decrease in assets:</b>  |   |             |   |
| Accounts receivable  | (2,510)                                       | -           | (2,510)   |
| Prepaid expenses   | 1,027   | -           | -   |
| Inventory  | (1,673)                                       | -           | (1,673)   |
| Due from related party   | -   | -           | -   |
| <b>Increase (decrease) in liabilities:</b>   |   |             |   |
| Accounts payable   | 25,688  | -           | 25,688  |
| Accrued expenses   | 36,158  | -           | 36,158  |
| Deferred revenue   | 44,935  | -           | 44,935  |
| Due to related party   | 66,303  | -           | 66,303  |
| <b>Net Cash (Used In) Operating Activities</b>                                     | <b>(177,617)</b>                              | <b>-</b>    | <b>(345,538)</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |   |             |   |
| (Loss) on disposal of property and equipment                                       | -   | -           | 2,794   |
| Acquisition of intangible assets   | -   | -           | (26,600)  |
| Purchase of property and equipment   | (35,198)                                      | -           | (61,784)  |
| <b>Net Cash (Used In) Operating Activities</b>                                     | <b>(35,198)</b>                               | <b>-</b>    | <b>(85,590)</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |   |             |   |
| Proceeds from issuance of common stock and from issuance of warrants and options   | 326,000                                       | -           | 544,313   |
| <b>Net Cash Provided by Financing Activities</b>                                   | <b>326,000</b>                                | <b>-</b>    | <b>544,313</b>  |
| <b>NET INCREASE IN CASH</b>  | <b>113,185</b>                                | <b>-</b>    | <b>113,185</b>  |
| <b>CASH - BEGINNING OF PERIOD</b>  | <b>-</b>                                      | <b>-</b>    | <b>-</b>  |
| <b>CASH - END OF PERIOD</b>  | <b>\$ 113,185</b>                             | <b>\$ -</b> | <b>\$ 113,185</b>   |
| <b>CASH PAID FOR:</b>  |   |             |   |
| Interest   | \$ -  | \$ -        | \$ 152  |
| Taxes  | \$ -  | \$ -        | \$ -  |

**Non-Cash Transactions:**

The Company issued 1,600,000 shares in payment for organizational costs incurred during the year ended September 30, 2000 valued at \$1,600.  
The Company issued 893,500 shares in October 2004 for services rendered valued at \$8,935.  
The Company issued 4,416,000 shares from November 1999 (inception) through August 2002 in exchange for services rendered valued at \$244,686.  
The Company issued 7,000,000 shares in 2005 for \$70,000 in equipment and software in connection with the Asset Purchase Agreement with Interactive Media Technologies, Inc., a related party.

(See accompanying notes to condensed consolidated financial statements)

**GLOBALTEL IP, INC.**  
(A Development Stage Company)  
Statement of Stockholders Equity

|   | Common stock      |                  | Additional        | (Deficit)           |
|---|-------------------|------------------|-------------------|---------------------|
|   | Shares            | Amount           | paid-in           | accumulated         |
|   |                   |                  | capital           | during the          |
|   |                   |                  |                   | development         |
|   |                   |                  |                   | stage               |
| Shares issued for organizational costs    | 1,600,000         | \$ 1,600         | \$ -              | \$ -                |
| Shares issued for cash                    | 792,500           | 792              | 157,708           | -                   |
| Shares issued for non-employee services   | 197,500           | 198              | 39,303            | -                   |
| Net (Loss) year ending September 30, 2000 | -                 | -                | -                 | (177,868)           |
| <b>BALANCE AT SEPTEMBER 30, 2000</b>      | <b>2,590,000</b>  | <b>2,590</b>     | <b>197,010</b>    | <b>(177,868)</b>    |
| Shares issued for cash                    | 785,000           | 785              | 48,028            | -                   |
| Shares issued for non-employee services   | 580,000           | 580              | 58,420            | -                   |
| Net (Loss) year ending September 30, 2001 | -                 | -                | -                 | (115,829)           |
| <b>BALANCE AT SEPTEMBER 30, 2001</b>      | <b>3,955,000</b>  | <b>3,955</b>     | <b>303,458</b>    | <b>(293,697)</b>    |
| Shares issued for cash                    | 220,000           | 220              | 10,780            | -                   |
| Shares issued for non-employee services   | 2,745,000         | 2,745            | 134,505           | -                   |
| Net (Loss) year ending September 30, 2002 | -                 | -                | -                 | (157,571)           |
| <b>BALANCE AT SEPTEMBER 30, 2002</b>      | <b>6,920,000</b>  | <b>6,920</b>     | <b>448,743</b>    | <b>(451,268)</b>    |
| Net (Loss) year ending September 30, 2003 | -                 | -                | -                 | (3,368)             |
| <b>BALANCE AT SEPTEMBER 30, 2003</b>      | <b>6,920,000</b>  | <b>6,920</b>     | <b>448,743</b>    | <b>(454,636)</b>    |
| Net (Loss) year ending September 30, 2004 | -                 | -                | -                 | -                   |
| <b>BALANCE AT SEPTEMBER 30, 2004</b>      | <b>6,920,000</b>  | <b>6,920</b>     | <b>448,743</b>    | <b>(454,636)</b>    |
| Shares issued for cash                    | 3,260,000         | 3,260            | 322,740           | -                   |
| Shares issued for non-employee services   | 893,500           | 893              | 8,042             | -                   |
| Warrants issued for non-employee services | -                 | -                | 3,500             | -                   |
| Shares issued for assets                  | 7,000,000         | 7,000            | 63,000            | -                   |
| Net (Loss) year ending September 30, 2005 | -                 | -                | -                 | (370,625)           |
| <b>BALANCE AT SEPTEMBER 30, 2005</b>      | <b>18,073,500</b> | <b>\$ 18,073</b> | <b>\$ 846,025</b> | <b>\$ (825,261)</b> |

(See accompanying notes to condensed consolidated financial statements)

**GLOBALTEL IP, INC.**  
(A Development Stage Company)

**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2005**

**NOTE 1 - ORGANIZATION, CAPITALIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

GlobalTel IP, Inc. (the "Company") formerly CNE Industries, Inc., was incorporated in the state of Florida on November 15, 1999. Originally formed as a developer of unique websites the Company ceased operations in 2002. In 2005, the Company became a provider of Voice Over Internet Protocol (VOIP) services and an authorized re-seller of international pre-paid telecommunication services through Interactive Media Technologies, Inc. ("IMT"), a related party.

The Company is in the development stage as defined in Financial Accounting Standards Board Statement No. 7, Accounting and Reporting for Development Stage Companies. To date, the Company has generated minimal revenue and has devoted its efforts primarily to implementing its business strategy and raising working capital through equity financing or short-term borrowings.

**Use of Estimates**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and operations for the reporting period. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

**Cash and Cash Equivalents**

For financial statement purposes, the Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Company did not own any cash equivalents at September 30, 2005.

**Accounts Receivable**

The Company provides an allowance for uncollectible accounts based upon a periodic review and analysis of outstanding accounts receivable balances. Uncollectible receivables are charged to the allowance when deemed uncollectible. Recoveries of accounts previously written off are used to credit the allowance account in the periods in which the recoveries are made.

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**Long-lived Assets**

The Company periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of long-lived assets. If and when such factors, events or circumstances indicate possible impairment to long lived-assets the Company would make an estimate of undiscounted cash flows over the remaining lives of the respective assets in measuring recoverability from future operations.

**Inventory**

Inventory is valued at the lower of cost (first-in, first-out) or market. Market represents the lower of replacement cost or net realizable value on inventory (as a whole). Inventories are principally comprised of high tech telephone equipment, which facilitates the transfer of electronic data though Voice Over Internet Protocol (VOIP). Due to rapid technological advances in the industry inventories may, from time to time, be subject to impairment and even obsolescence. The Company records an allowance for slow moving and obsolete inventory based upon a periodic review and analysis of inventories on hand. As of September 30, 2005 the Company reported no impairment of its current inventories.

**Concentration of Credit Risk**

The Company currently maintains cash balances at one banking institution. Balances maintained are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. From time to time, the Company maintained cash balances in excess of federally insured limits. At September 30, 2005 cash balances in excess of (FDIC) limits totaled \$13,185.

**Major Supplier**

During the year ended September 30, 2005, the Company had one major supplier (IMT, a related party), which represented 100% of cost of sales.

**Revenue Recognition**

Revenue is recognized as earned. Monies received from customers in advance are recorded as customer deposits and classified under liabilities as deferred revenue. Services rendered are recognized in the accounting period in which the services are performed.

**Earnings Per Share**

Net income (loss) per common share is calculated using the weighted average number of shares outstanding during the periods reported. Diluted earnings per share include the weighted average effect of all dilutive securities outstanding during the periods. Diluted per share loss is the same as basic per share loss when there is a loss from continuing operations. Accordingly, for purposes of dilutive earnings per share, the Company excluded the effect of warrants for 350,000 shares that were anti-dilutive.

**Fair Value of Financial Instruments**

The Company's financial instruments consist primarily of cash, accounts receivable, accounts payable, accrued liabilities and loans payable. The carrying amounts of such financial instruments approximate their respective estimated fair value due to the short-term maturities and approximate market interest rates of these instruments.

**Property and Equipment**

Property and equipment are recorded at cost. For financial statement purposes depreciation of furniture and equipment is computed using the straight-line method over their estimated useful lives.

Expenditures for replacements, maintenance and repairs that do not extend the lives of the respective assets are charged to expense as incurred. When assets are retired, sold or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are recognized.

**Income Taxes**

The Company recognizes income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a tax rate change on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. The Company records valuation allowance to reduce net deferred tax assets to the amount considered more likely than not to be realized. Changes in estimates of future taxable income can materially change the amount of such valuation allowances.

**Compensated Absences**

The Company does not accrue for compensated absences and recognizes the costs of compensated absences when actually paid to employees. Accordingly, no liability for such absences has been recorded in the accompanying financial statements. Management believes the effect of this policy is not material to the accompanying financial statements.

**Advertising Costs**

Advertising costs are expenses as incurred, except for costs associated with items such as brochures and collateral materials, which are charged to operations as consumed. The Company had no advertising costs in the year ended September 30, 2005. Advertising costs incurred since inception (November 15, 1999) totaled \$26,410.

**Deferred Revenue**

The Company occasionally receives cash advances and payables from customers in excess of revenue recognized. These advances and payments are reported as deferred revenue on the balance sheet.

**SFAS No. 123R**

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS), No. 123R, "Share-Based Payment," which replaces SFAS 123 and supersedes APB 25. SFAS 123R requires the measurement of all share-based payments to employees, including grants of employee stock options, using a fair-value based method and recognized as expenses in our statement of operations. On April 14, 2005 the Securities and Exchange Commission (SEC) announced the adoption of a new rule that amends the compliance dates for SFAS 123R. The effective date of the new standard for our financial statement is our first quarter in 2006. Our adoption of SFAS 123R is not expected to have a material impact on our financial position, results of operations or cash flows.

The Company also accounts for equity instruments issued in exchange for the receipt of goods or services from other than employees in accordance SFAS 123R and the conclusions reached by the Emerging Issues Task Force (EITF) in Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services."

**SFAS No. 153**

SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB opinion No. 29," was issued in December 2004. This statement amends and clarifies financial accounting for nonmonetary exchanges. The amendments eliminate certain previous exceptions to the use of fair value and are intended to improve the comparability of cross-border financial reporting by narrowing the differences with existing International Accounting Standards Board standards. This statement is effective for the third quarter of 2005. The Company had no qualifying exchanges impacted by the adoption of this standard during the relevant period. Our adoption of SFAS 153 is not expected to have a material impact on our financial position, results of operations or cash flows.

**SFAS No. 154**

On June 1, 2005, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards, or SFAS, No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3". SFAS 154 applies to all voluntary changes in accounting principle and to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. APB, Opinion No. 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. SFAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change.

When it is impracticable to determine the period-specific effects of an accounting change on one or more individual prior periods presented, SFAS 154 requires that the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that period rather than being reported in the statement of operations. When it is impracticable to determine the cumulative effect of applying a change in accounting principle to all prior periods, SFAS 154 requires that the new accounting principle be applied as if it were adopted prospectively from the earliest date practicable. SFAS 154 redefines restatement as the revising of previously issued financial statements to reflect the correction of an error. SFAS 154 also requires that a change in depreciation, amortization, or depletion method for long-lived, non-financial assets be accounted for as a change in accounting estimate effected by a change in accounting principle. SFAS 154 applies to accounting changes and error corrections that are made in fiscal years beginning after December 15, 2005. The Company had no qualifying changes in its accounting policies, thus accordingly, SFAS 154 did not have a material impact on our financial position, results of operations or cash flows.

#### **FASB No. 46-R**

FASB Interpretations No. 46-R ("FIN 46-R"), "Consolidation of Variable Interest Entities – an interpretation of ARB 51 (revised December 2003)," was issued to amend certain provision of FASB Interpretation No. 46, which provides guidance on the consolidation of variable interest entities, and delayed implementation for entities that were not considered special purpose entities until the first quarter of 2004. The Company had no qualifying transactions. Accordingly, our adoption of FIN 46-R did not have a material impact on our financial position, results of operations or cash flows.

#### **NOTE 3 - LIQUIDITY AND PROFITABILITY**

During the year ended September 30, 2005, and since its inception on November 15, 1999, the Company experienced cash flow problems. From, time-to-time, the Company has experienced difficulties meeting its obligations as they became due. As reflected in the accompanying financial statements, the Company incurred net losses of approximately \$825,000 since its inception. Organizational and structural changes implemented during fiscal 2005 have improved the Company's performance as well as increased cash flow from operations. Management believes that changes to its core business have changed the Company's long-term outlook. To that end, the Company is aggressively seeking new merger opportunities that compliment and broaden its current services and operational coverage. Management believes that by expanding its operations and achieving certain economies of scale it will alleviate some of the liquidity and profitability issues addressed above.

NOTE 4 - PROPERTY AND EQUIPMENT

The Company's property and equipment as of September 30, 2005 consist of the following:

|                                |                 | Estimated<br>Useful Life<br>(in years) |
|--------------------------------|-----------------|--|
| Software                       | \$ 52,000       | 4                                      |
| Network equipment              | 25,500          | 5                                      |
| VOIP equipment and software    | 24,463          | 5                                      |
| Office equipment and furniture | <u>3,236</u>    | 5                                      |
|                                | 105,199         |  |
| Less accumulated depreciation  | <u>(10,645)</u> |  |
| Net property and equipment     | \$ 94,553       |  |

Depreciation expense totaled \$10,645 for the year ended September 30, 2005. Prior to 2005, the Company acquired certain tangible and intangible assets totaling \$53,186 related to business development of an Internet service unrelated to VOIP, which the Company discontinued in 2002. The Company recognized a loss of \$2,794 on the disposal of these assets and the balance of \$50,392 was fully depreciated in the ordinary course of business. Accordingly, the Company's cumulative amortization and depreciation since inception November 15, 1999, totals \$61,037.

NOTE 5 - DEFERRED INCOME TAXES

For Federal income tax purposes, The Company's net operating losses available to offset future federal taxable income of approximately \$825,000, subject to limitations, expire at various times through 2024. Net deferred income tax asset as of September 30, 2005, consist of the following:

|                                       |                  |
|---------------------------------------|------------------|
| Deferred income tax asset arising     |                  |
| from net operating loss carry forward | \$ 330,000       |
| Less valuation allowance              | <u>(330,000)</u> |
| Net deferred tax asset                | <u>\$ -</u>      |

The effective tax rate varies from the U.S. Federal statutory rate for the period ended September 30, 2005 principally due to the following:

|                       |           |
|-----------------------|-----------|
| US Statutory Rate     | 34%       |
| State and local taxes | <u>6%</u> |
| Effective tax rate    | 40%       |

#### NOTE 6 - EQUITY TRANSACTIONS

During the year ended September 30, 2005 the Company issued warrants to non- employees to purchase 350,000 shares of common stock in exchange for services rendered as follows:

| Date     | # of<br>Warrants | Value    | Exercise<br>Price | Expiring |
|----------|------------------|----------|-------------------|----------|
| 07/12/05 | 50,000           | \$ 500   | \$0.20            | 07/12/07 |
| 07/12/05 | 50,000           | \$ 500   | \$0.12            | 07/12/07 |
| 07/26/05 | 150,000          | \$ 1,500 | \$0.12            | 07/26/07 |
| 09/06/05 | 100,000          | \$ 1,000 | \$0.12            | 09/06/07 |

The Company accounted for these transactions pursuant to FASB 123 and EITF 96-18. Costs are measured at the estimated fair market value of the consideration received or equities issued which ever is more readily determinable. Accordingly, due to the lack of marketability of its equities at the time the warrants were issued, the Company valued these transactions at the estimated value of the services received.

#### NOTE 7 - RELATED PARTY TRANSACTIONS

The Company, prior to the year ended September 30, 2005, incurred \$159,000 in consulting fees to an officer of the Company. The Company issued 2,475,000 shares of common stock as compensation for these services.

The Company, prior to the year ended September 30, 2005, incurred \$4,935 in consulting fees to an individual who thereafter became an officer of the Company. The Company issued 493,500 shares of common stock as compensation for these services.

The Company, prior to the year ended September 30, 2005, incurred \$5,000 in consulting fees to a former officer of the Company. The Company issued 25,000 shares of common stock as a compensation for these services.

The Company purchased assets related to development of its VOIP business from IMT valued at \$70,000. The Company issued 7,000,000 shares of common stock for these assets and other consideration as defined under the terms of an Asset Purchase Agreement dated February 25, 2005 between the Company and IMT. The Company is also obligated under two property sub-lease agreements (Note 8) to IMT.

The Company has engaged two consultants who are also officers and shareholders. Non-employee cash compensation paid to these individuals totaled \$48,000 for the year ended September 30, 2005, and has totaled \$48,000 since inception on November 15, 1999.

#### NOTE 8 - OBLIGATIONS UNDER OPERATING LEASES

The Company currently sub-leases all of its operating and office facilities from IMT (a related party) who also supplies the Company with certain administrative, billing, marketing and web site support and software support under a separate agreement.

Under its Office Lease Agreement with IMT the Company is obligated to pay \$1,950 per month through the end of the lease term in March 2006. Under its current Co-Location Lease Agreement the Company is obligated to pay \$1,850 per month through the end of the lease term in February 2006.

#### NOTE 9 - REGULATORY MATTERS

The telecommunications industry is subject to federal, state and local regulation. Additionally, the Company operates in several foreign countries. Any change in those regulations or enforcement of those regulations could impact the Company's future ability to continue its current operations.

#### NOTE 10 - SUBSEQUENT EVENTS

On October 17, 2005, the Company established the GlobalTel IP, Inc. 2005 Incentive Equity Plan ("Plan"). Under the Plan the Company has allocated five million shares of common stock to offer incentives and rewards to key employees, contractors, directors and officers of the Company. The purpose of the plan is to retain the services of these individuals and to encourage them to acquire and maintain stock ownership in the Company.

On November 30, 2005, the Company sold 1,250,000 shares of common stock at \$ .10 per share. Additionally, the Company granted warrants to purchase 150,000 shares of common stock (at a price of \$ .12 for 125,000 shares and \$ .20 for 25,000 shares in lieu of payment for services rendered to the Company. These warrants expire two years after their issue date.

On December 15, 2005, the Company issued 500,000 restricted shares of common stock to an officer as payment for services rendered to the Company during 2005. Additionally, the Company also issued warrants to purchase 200,000 shares of common stock (at a price of \$ .20) in lieu of payment for services rendered to the Company. These warrants expire two years after their issue date.

On January 15, 2006, the Company sold 500,000 shares of common stock at \$ .20 per share.

**GLOBALTEL IP, INC.**  
(A Development Stage Company)  
March 31, 2006 (unaudited)  
**FINANCIAL STATEMENTS**

**GLOBALTEL IP, INC.**  
(A Development Stage Company)  
Balance Sheets

**ASSETS**

|                                    | March 31,<br>2006<br>(Unaudited) | December 31,<br>2005<br>(Unaudited) | September 30,<br>2005    |
|------------------------------------|----------------------------------|-------------------------------------|--------------------------|
| <b>CURRENT ASSETS</b>              |                                  |                                     |                          |
| Cash                               | \$ 86,172                        | \$ 93,551                           | \$ 113,185               |
| Accounts receivable, net           | 3,800                            | 4,160                               | 2,510                    |
| Inventory                          | <u>383</u>                       | <u>3,158</u>                        | <u>1,673</u>             |
| Total Current Assets               | <u>90,355</u>                    | <u>100,869</u>                      | <u>117,368</u>           |
| <b>PROPERTY AND EQUIPMENT, NET</b> | <u>315,893</u>                   | <u>153,582</u>                      | <u>94,553</u>            |
| <b>OTHER ASSETS</b>                |                                  |                                     |                          |
| Prepaid expenses                   | <u>13,535</u>                    | <u>8,452</u>                        | <u>-</u>                 |
| Total Other Assets                 | <u>13,535</u>                    | <u>8,452</u>                        | <u>-</u>                 |
| <b>TOTAL ASSETS</b>                | <u><u>\$ 419,783</u></u>         | <u><u>\$ 262,903</u></u>            | <u><u>\$ 211,921</u></u> |

**LIABILITIES AND STOCKHOLDERS' EQUITY**

|   |                          |                          |                          |
|---|--------------------------|--------------------------|--------------------------|
| <b>CURRENT LIABILITIES</b>  |                          |                          |                          |
| Accrued expenses  | \$ 24,000                | \$ 19,000                | \$ 36,158                |
| Accounts payable  | 180,964                  | 85,828                   | 14,839                   |
| Commissions payable   | <u>12,389</u>            | <u>6,957</u>             | <u>10,849</u>            |
| Total Current Liabilities   | <u>217,353</u>           | <u>111,785</u>           | <u>61,846</u>            |
| Due to related party  | 30,152                   | 30,153                   | 66,303                   |
| Deferred revenue  | <u>73,618</u>            | <u>64,614</u>            | <u>44,935</u>            |
| Total Liabilities   | <u>321,123</u>           | <u>206,552</u>           | <u>173,084</u>           |
| <b>STOCKHOLDERS' EQUITY</b>   |                          |                          |                          |
| Preferred stock: 200,000,000 shares authorized;<br>no par value; no shares issued or outstanding.   |                          |                          |                          |
| Common stock: 750,000,000 shares authorized; \$.001<br>par value; 20,801,425, 19,823,500 and 18,073,500<br>shares issued and outstanding. | 20,801                   | 19,824                   | 18,073                   |
| Additional paid-in-capital  | 1,190,882                | 977,775                  | 846,025                  |
| Accumulated (deficit)   | <u>(1,103,023)</u>       | <u>(941,248)</u>         | <u>(825,261)</u>         |
| Less: Subscription receivable   | <u>(10,000)</u>          | <u>-</u>                 | <u>-</u>                 |
| Total Stockholders' Equity  | <u>98,660</u>            | <u>56,351</u>            | <u>38,837</u>            |
| <b>TOTAL LIABILITIES AND<br/>STOCKHOLDERS' EQUITY</b>   | <u><u>\$ 419,783</u></u> | <u><u>\$ 262,903</u></u> | <u><u>\$ 211,921</u></u> |

(See accompanying notes to condensed consolidated financial statements)

**GLOBALTEL IP, INC.**  
(A Development Stage Company)  
**Statements of Operations**  
(Unaudited)

|  | For the<br>Three Months Ended<br>March 31, |                    | For the<br>Six Months Ended<br>March 31, |                    | From inception<br>(Nov. 15, 1999)<br>to March 31, |
|--|--|--------------------|--|--------------------|---|
|  | 2006                                       | 2005               | 2006                                     | 2005               | 2006  |
| <b>Revenue</b>                               | \$ 434,878                                 | \$ 18,773          | \$ 645,732                               | \$ 18,773          | \$ 914,515  |
| <b>Cost of Sales</b>                         | <u>351,276</u>                             | <u>12,708</u>      | <u>499,274</u>                           | <u>12,708</u>      | <u>683,812</u>                                    |
| <b>Gross Profit</b>                          | <u>83,602</u>                              | <u>6,065</u>       | <u>146,458</u>                           | <u>6,065</u>       | <u>230,703</u>                                    |
| <b>Selling and Administrative Expenses:</b>  |  |                    |  |                    |   |
| Selling expenses                             | 39,226                                     | 28,843             | 77,832                                   | 28,843             | 185,644   |
| Administrative expenses                      | 198,811                                    | 19,880             | 331,726                                  | 19,880             | 1,069,610   |
| Depreciation and amortization                | <u>9,339</u>                               | <u>-</u>           | <u>14,662</u>                            | <u>-</u>           | <u>75,699</u>                                     |
| Total Selling and Admin Expenses             | <u>247,376</u>                             | <u>48,723</u>      | <u>424,220</u>                           | <u>48,723</u>      | <u>1,330,953</u>                                  |
| <b>Other Income (Expenses)</b>               |  |                    |  |                    |   |
| Interest                                     | -  | -                  | -  | -                  | 21  |
| (Loss) on disposal of property and equipment | <u>-</u>                                   | <u>-</u>           | <u>-</u>                                 | <u>-</u>           | <u>(2,794)</u>                                    |
| Total Other Income (Expense)                 | <u>-</u>                                   | <u>-</u>           | <u>-</u>                                 | <u>-</u>           | <u>(2,773)</u>                                    |
| <b>NET (LOSS)</b>                            | <u>\$ (163,774)</u>                        | <u>\$ (42,658)</u> | <u>\$ (277,762)</u>                      | <u>\$ (42,658)</u> | <u>\$ (1,103,023)</u>                             |

(See accompanying notes to condensed consolidated financial statements)

**GLOBALTEL IP, INC.**  
(A Development Stage Company)  
Statements of Cash Flows  
(Unaudited)

|  | For the<br>Three Months Ended<br>March 31, |                    | For the<br>Six Months Ended<br>March 31, |                    | From inception<br>(Nov. 15, 1999)<br>to March 31, |
|--|--|--------------------|--|--------------------|---|
|  | 2006                                       | 2005               | 2006                                     | 2005               | 2006  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |                    |  |                    |   |
| <b>NET LOSS</b>  | <u>\$ (163,774)</u>                        | <u>\$ (42,658)</u> | <u>\$ (277,762)</u>                      | <u>\$ (42,658)</u> | <u>\$ (1,103,023)</u>                             |
| <b>Adjustments to reconcile net loss to net cash used by operating activities:</b> |  |                    |  |                    |   |
| Depreciation and amortization  | 9,339                                      | -                  | 14,662                                   | -                  | 75,699  |
| Stock and warrants exchange for services   | 18,500                                     | -                  | 27,000                                   | -                  | 276,785   |
| <b>(Increase) decrease in assets:</b>  |  |                    |  |                    |   |
| Accounts receivable  | 360  | (2,892)            | (1,290)                                  | (2,892)            | (3,800)   |
| Prepaid expenses   | (5,084)                                    | -                  | (13,535)                                 | -                  | (13,535)  |
| Inventory  | 2,775                                      | -                  | 1,290                                    | -                  | (383)   |
| Subscription receivable  | (10,000)                                   | -                  | (10,000)                                 | -                  | (10,000)  |
| Due from related party   | -  | (26,055)           | -  | (26,055)           | -   |
| <b>Increase (decrease) in liabilities:</b>   |  |                    |  |                    |   |
| Accounts payable   | 95,134                                     | -                  | 166,123                                  | -                  | 180,962   |
| Accrued expenses   | 4,999                                      | -                  | (12,159)                                 | -                  | 23,999  |
| Notes payable  | -  | 21,100             | -  | 21,100             | -   |
| Commissions payable  | 5,432                                      | 847                | 1,540                                    | 847                | 12,389  |
| Deferred revenue   | 9,004                                      | 17,869             | 28,683                                   | 17,869             | 73,618  |
| Due to related party   | (1)  | 23,208             | (36,151)                                 | 23,208             | 30,152  |
| <b>Net Cash (Used In) Operating Activities</b>                                     | <u>(33,316)</u>                            | <u>(8,581)</u>     | <u>(111,599)</u>                         | <u>(8,581)</u>     | <u>(457,137)</u>                                  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |  |                    |  |                    |   |
| (Loss) on disposal of property and equipment                                       | -  | -                  | -  | -                  | 2,794   |
| Acquisition of intangible assets   | -  | -                  | -  | -                  | (26,600)  |
| Purchase of property and equipment   | <u>(171,649)</u>                           | <u>(70,000)</u>    | <u>(236,000)</u>                         | <u>(70,000)</u>    | <u>(297,784)</u>                                  |
| <b>Net Cash (Used In) Operating Activities</b>                                     | <u>(171,649)</u>                           | <u>(70,000)</u>    | <u>(236,000)</u>                         | <u>(70,000)</u>    | <u>(321,590)</u>                                  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |  |                    |  |                    |   |
| Proceeds from issuance of common stock and from issuance of warrants and options   | <u>197,586</u>                             | <u>78,685</u>      | <u>320,586</u>                           | <u>78,685</u>      | <u>864,899</u>                                    |
| <b>Net Cash Provided by Financing Activities</b>                                   | <u>197,586</u>                             | <u>78,685</u>      | <u>320,586</u>                           | <u>78,685</u>      | <u>864,899</u>                                    |
| <b>NET (DECREASE) INCREASE IN CASH</b>   | <u>(7,379)</u>                             | <u>104</u>         | <u>(27,013)</u>                          | <u>104</u>         | <u>86,172</u>                                     |
| <b>CASH - BEGINNING OF PERIOD</b>  | <u>93,551</u>                              | <u>-</u>           | <u>113,185</u>                           | <u>-</u>           | <u>-</u>  |
| <b>CASH - END OF PERIOD</b>  | <u>\$ 86,172</u>                           | <u>\$ 104</u>      | <u>\$ 86,172</u>                         | <u>\$ 104</u>      | <u>\$ 86,172</u>                                  |
| <b>CASH PAID FOR:</b>  |  |                    |  |                    |   |
| Interest   | <u>\$ -</u>                                | <u>\$ -</u>        | <u>\$ -</u>                              | <u>\$ -</u>        | <u>\$ 152</u>                                     |
| Taxes  | <u>\$ -</u>                                | <u>\$ -</u>        | <u>\$ -</u>                              | <u>\$ -</u>        | <u>\$ -</u>                                       |

(See accompanying notes to condensed consolidated financial statements)

**GLOBALTEL IP, INC.**  
(A Development Stage Company)  
Statement of Stockholders Equity

|   | Common stock      |                  | Additional          | (Deficit)             |
|---|-------------------|------------------|---------------------|-----------------------|
|   | Shares            | Amount           | paid-in             | accumulated           |
|   |                   |                  | capital             | during the            |
|   |                   |                  |                     | development           |
|   |                   |                  |                     | stage                 |
| Shares issued for organizational costs          | 1,600,000         | \$ 1,600         | \$ -                | \$ -                  |
| Shares issued for cash                          | 792,500           | 792              | 157,708             | -                     |
| Shares issued for non-employee services         | 197,500           | 198              | 39,303              | -                     |
| Net (Loss) year ending September 30, 2000       | -                 | -                | -                   | (177,868)             |
| <b>BALANCE AT SEPTEMBER 30, 2000</b>            | <b>2,590,000</b>  | <b>2,590</b>     | <b>197,010</b>      | <b>(177,868)</b>      |
| Shares issued for cash                          | 785,000           | 785              | 48,028              | -                     |
| Shares issued for non-employee services         | 580,000           | 580              | 58,420              | -                     |
| Net (Loss) year ending September 30, 2001       | -                 | -                | -                   | (115,829)             |
| <b>BALANCE AT SEPTEMBER 30, 2001</b>            | <b>3,955,000</b>  | <b>3,955</b>     | <b>303,458</b>      | <b>(293,697)</b>      |
| Shares issued for cash                          | 220,000           | 220              | 10,780              | -                     |
| Shares issued for non-employee services         | 2,745,000         | 2,745            | 134,505             | -                     |
| Net (Loss) year ending September 30, 2002       | -                 | -                | -                   | (157,571)             |
| <b>BALANCE AT SEPTEMBER 30, 2002</b>            | <b>6,920,000</b>  | <b>6,920</b>     | <b>448,743</b>      | <b>(451,268)</b>      |
| Net (Loss) year ending September 30, 2003       | -                 | -                | -                   | (3,368)               |
| <b>BALANCE AT SEPTEMBER 30, 2003</b>            | <b>6,920,000</b>  | <b>6,920</b>     | <b>448,743</b>      | <b>(454,636)</b>      |
| Net (Loss) year ending September 30, 2004       | -                 | -                | -                   | -                     |
| <b>BALANCE AT SEPTEMBER 30, 2004</b>            | <b>6,920,000</b>  | <b>6,920</b>     | <b>448,743</b>      | <b>(454,636)</b>      |
| Shares issued for cash                          | 3,260,000         | 3,260            | 322,740             | -                     |
| Shares issued for non-employee services         | 893,500           | 893              | 8,042               | -                     |
| Warrants issued for non-employee services       | -                 | -                | 3,500               | -                     |
| Shares issued for assets                        | 7,000,000         | 7,000            | 63,000              | -                     |
| Net (Loss) year ending September 30, 2005       | -                 | -                | -                   | (370,625)             |
| <b>BALANCE AT SEPTEMBER 30, 2005</b>            | <b>18,073,500</b> | <b>\$ 18,073</b> | <b>\$ 846,025</b>   | <b>\$ (825,261)</b>   |
| Shares issued for cash                          | 2,125,000         | 2,125            | 297,875             | -                     |
| Shares issued for non-employee services         | 500,000           | 500              | 4,500               | -                     |
| Warrants issued for non-employee services       | -                 | -                | 3,500               | -                     |
| Options issued under 2005 Incentive Equity Plan | -                 | -                | 18,500              | -                     |
| Shares issued for assets                        | 102,925           | 103              | 20,482              | -                     |
| Net (Loss) for six months ending March 31, 2006 | -                 | -                | -                   | (277,762)             |
| <b>BALANCE AT MARCH 31, 2006</b>                | <b>20,801,425</b> | <b>\$ 20,801</b> | <b>\$ 1,190,882</b> | <b>\$ (1,103,023)</b> |

(See accompanying notes to condensed consolidated financial statements)

**GLOBALTEL IP, INC.**  
(A Development Stage Company)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)  
March 31, 2006

**NOTE 1 - ORGANIZATION, CAPITALIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

GlobalTel IP, Inc. (the "Company") formerly CNE Industries, Inc., was incorporated in the state of Florida on November 15, 1999. Originally formed as a developer of unique websites the Company ceased operations in 2002. In 2005, the Company became a provider of Voice Over Internet Protocol (VOIP) services and an authorized re-seller of international pre-paid telecommunication services through Interactive Media Technologies, Inc. ("IMT"), a related party.

The Company is in the development stage as defined in Financial Accounting Standards Board Statement No. 7, Accounting and Reporting for Development Stage Companies. To date, the Company has generated minimal revenue and has devoted its efforts primarily to implementing its business strategy and raising working capital through equity financing or short-term borrowings.

**Use of Estimates**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and operations for the reporting period. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

**Cash and Cash Equivalents**

For financial statement purposes, the Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Company did not own any cash equivalents at March 31, 2006.

**Accounts Receivable**

The Company provides an allowance for uncollectible accounts based upon a periodic review and analysis of outstanding accounts receivable balances. Uncollectible receivables are charged to the allowance when deemed uncollectible. Recoveries of accounts previously written off are used to credit the allowance account in the periods in which the recoveries are made.

**Long-lived Assets**

The Company periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of long-lived assets. If and when such factors, events or circumstances indicate possible impairment to long lived-assets the Company would make an estimate of undiscounted cash flows over the remaining lives of the respective assets in measuring recoverability from future operations.

**Concentration of Credit Risk**

The Company currently maintains cash balances at one banking institution. Balances maintained are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. From time to time, the Company maintained cash balances in excess of federally insured limits. At September 30, 2005 cash balances in excess of (FDIC) limits totaled \$13,185.

**Major Supplier and Customer**

For the three months and six months ended March 31, 2006, the Company had one major supplier (IMT, a related party), which represented 100% of cost of sales.

For the three months and six months ended March 31, 2006, the Company had one customer that represented 37% and 29% of revenue respectively.

**Revenue Recognition**

Revenue is recognized as earned. Monies received from customers in advance are recorded as customer deposits and classified under liabilities as deferred revenue. Services rendered are recognized in the accounting period in which the services are performed.

**Earnings Per Share**

Net income (loss) per common share is calculated using the weighted average number of shares outstanding during the periods reported. Diluted earnings per share include the weighted average effect of all dilutive securities outstanding during the periods. Diluted per share loss is the same as basic per share loss when there is a loss from operations. Accordingly, for purposes of dilutive earnings per share, the Company excluded the effect of warrants for 700,000 shares and options for 1,850,000 shares of common stock that were anti-dilutive.

**Fair Value of Financial Instruments**

The Company's financial instruments consist primarily of cash, accounts receivable, accounts payable, accrued liabilities and loans payable. The carrying amounts of such financial instruments approximate their respective estimated fair value due to the short-term maturities and approximate market interest rates of these instruments.

**Property and Equipment**

Property and equipment are recorded at cost. For financial statement purposes depreciation of furniture and equipment is computed using the straight-line method over there estimated useful lives.

Expenditures for replacements, maintenance and repairs that do not extend the lives of the respective assets are charged to expense as incurred. When assets are retired, sold or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are recognized.

**Income Taxes**

The Company recognizes income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a tax rate change on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. The Company records valuation allowance to reduce net deferred tax assets to the amount considered more likely than not to be realized. Changes in estimates of future taxable income can materially change the amount of such valuation allowances.

**Compensated Absences**

The Company does not accrue for compensated absences and recognizes the costs of compensated absences when actually paid to employees. Accordingly, no liability for such absences has been recorded in the accompanying financial statements. Management believes the effect of this policy is not material to the accompanying financial statements.

**Advertising Costs**

Advertising costs are expenses as incurred, except for costs associated with items such as brochures that are charged to operations as consumed. The Company had \$366 and \$1,766 in advertising costs in the three months and six months ended March 31, 2006 respectively and total advertising costs of \$28,176 since inception.

**Deferred Revenue**

The Company occasionally receives cash advances and payables from customers in excess of revenue recognized. These advances and payments are reported as deferred revenue on the balance sheet.

**SFAS No. 123R**

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS), No. 123R, "Share-Based Payment," which replaces SFAS 123 and supersedes APB 25. SFAS 123R requires the measurement of all share-based payments to employees, including grants of employee stock options, using a fair-value based method and recognized as expenses in our statement of operations. On April 14, 2005 the Securities and Exchange Commission (SEC) announced the adoption of a new rule that amends the compliance dates for SFAS 123R. The effective date of the new standard for our financial statement is our first quarter in 2006. Our adoption of SFAS 123R is not expected to have a material impact on our financial position, results of operations or cash flows.

The Company also accounts for equity instruments issued in exchange for the receipt of goods or services from other than employees in accordance SFAS 123R and the conclusions reached by the Emerging Issues Task Force (EITF) in Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services."

**SFAS No. 153**

SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB opinion No. 29," was issued in December 2004. This statement amends and clarifies financial accounting for nonmonetary exchanges. The amendments eliminate certain previous exceptions to the use of fair value and are intended to improve the comparability of cross-border financial reporting by narrowing the differences with existing International Accounting Standards Board standards. This statement is effective for the third quarter of 2005. The Company had no qualifying exchanges impacted by the adoption of this standard during the relevant period. Our adoption of SFAS 153 is not expected to have a material impact on our financial position, results of operations or cash flows.

**SFAS No. 154**

On June 1, 2005, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards, or SFAS, No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3". SFAS 154 applies to all voluntary changes in accounting principle and to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. APB, Opinion No. 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. SFAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change.

When it is impracticable to determine the period-specific effects of an accounting change on one or more individual prior periods presented, SFAS 154 requires that the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that period rather than being reported in the statement of operations. When it is impracticable to determine the cumulative effect of applying a change in accounting principle to all prior periods, SFAS 154 requires that the new accounting principle be applied as if it were adopted prospectively from the earliest date practicable. SFAS 154 redefines restatement as the revising of previously issued financial statements to reflect the correction of an error. SFAS 154 also requires that a change in depreciation, amortization, or depletion method for long-lived, non-financial assets be accounted for as a change in accounting estimate effected by a change in accounting principle. SFAS 154 applies to accounting changes and error corrections that are made in fiscal years beginning after December 15, 2005. The Company had no qualifying changes in its accounting policies, thus accordingly, SFAS 154 did not have a material impact on our financial position, results of operations or cash flows.

#### **FASB No. 46-R**

FASB Interpretations No. 46-R ("FIN 46-R"), "Consolidation of Variable Interest Entities – an interpretation of ARB 51 (revised December 2003)," was issued to amend certain provision of FASB Interpretation No. 46, which provides guidance on the consolidation of variable interest entities, and delayed implementation for entities that were not considered special purpose entities until the first quarter of 2004. The Company had no qualifying transactions. Accordingly, our adoption of FIN 46-R did not have a material impact on our financial position, results of operations or cash flows.

#### **NOTE 3 - LIQUIDITY AND PROFITABILITY**

During the six months ended March 31, 2006, and since its inception on November 15, 1999, the Company experienced cash flow problems. From, time-to-time, the Company has experienced difficulties meeting its obligations as they became due. As reflected in the accompanying financial statements, the Company incurred net losses of approximately \$1,100,000 since its inception. Management believes that changes to its core business in 2005 have changed the Company's long-term outlook. To that end, the Company is aggressively seeking new opportunities that compliment and broaden its current services and operational coverage. Management believes that by expanding its operations and achieving certain economies of scale will alleviate some of the liquidity and profitability issues addressed above.

#### NOTE 4 - PROPERTY AND EQUIPMENT

The Company's property and equipment as of September 30, 2005 consist of the following:

|                                |                 | Estimated<br>Useful Life<br>(in years) |
|--------------------------------|-----------------|--|
| Software                       | \$ 160,954      | 4                                      |
| Network equipment              | 89,059          | 5                                      |
| VOIP equipment and software    | 84,118          | 5                                      |
| Office equipment and furniture | <u>7,068</u>    | 5                                      |
|                                | 341,199         |  |
| Less accumulated depreciation  | <u>(25,306)</u> |  |
| Net property and equipment     | \$ 315,893      |  |

Depreciation expense totaled \$9,339 and \$14,662 for the three months and six months ended March 31, 2006, respectively. Prior to 2005, the Company acquired certain tangible and intangible assets totaling \$53,186 related to business development of an Internet service unrelated to its VOIP business, which the Company discontinued in 2002. The Company recognized a loss of \$2,794 on the disposal of these assets and the balance of \$50,392 was fully depreciated in the ordinary course of business. Accordingly, the Company's cumulative amortization and depreciation since inception November 15, 1999, totals \$75,699.

#### NOTE 5 - DEFERRED INCOME TAXES

For Federal income tax purposes, The Company's net operating losses available to offset future federal taxable income of approximately \$1,100,000, subject to limitations, expire at various times through 2024. Net deferred income tax asset as of March 31, 2006, consist of the following:

|                                       |                  |
|---------------------------------------|------------------|
| Deferred income tax asset arising     |                  |
| from net operating loss carry forward | \$ 440,000       |
| Less valuation allowance              | <u>(440,000)</u> |
| Net deferred tax asset                | <u>\$ -</u>      |

The effective tax rate varies from the U.S. Federal statutory rate for the period ended March 31, 2006 principally due to the following:

|                       |           |
|-----------------------|-----------|
| US Statutory Rate     | 34%       |
| State and local taxes | <u>6%</u> |
| Effective tax rate    | 40%       |

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#### NOTE 6 - EQUITY TRANSACTIONS

During the year ended September 30, 2005 the Company issued warrants to non- employees to purchase 350,000 shares of common stock in exchange for services rendered as follows:

| Date     | # of Warrants<br>and Options | Value     | Exercise<br>Price | Expiring |
|----------|------------------------------|-----------|-------------------|----------|
| 11/30/05 | 125,000                      | \$ 1,250  | \$0.12            | 11/30/07 |
| 11/30/05 | 25,000                       | \$ 250    | \$0.20            | 11/30/07 |
| 12/15/06 | 200,000                      | \$ 2,000  | \$0.20            | 12/31/07 |
| 02/28/06 | 1,850,000                    | \$ 18,500 | \$0.22            | 03/01/10 |

The Company accounted for these transactions pursuant to FASB 123 and EITF 96-18. Costs are measured at the estimated fair market value of the consideration received or equities issued which ever is more readily determinable. Accordingly, due to the lack of marketability of its equities at the time the warrants were issued, the Company valued these transactions at the estimated value of the services received.

During the six months ended March 31, 2006 the Company issued 500,000 restricted shares to an officer of the Company for services rendered and 102,925 shares to a related party for assets related to its VOIP business. On March 24, 2006 the Company accepted a subscription agreement for 75,000 shares of common stock, which are being held in escrow pending satisfaction of a note payable in the amount of \$10,000.

#### NOTE 7 - RELATED PARTY TRANSACTIONS

The Company, prior to the current fiscal year, incurred \$159,000 in consulting fees to an officer of the Company. The Company issued 2,475,000 shares of common stock as compensation for these services.

The Company, prior to the current fiscal year, incurred \$4,935 in consulting fees to an individual who thereafter became an officer of the Company. The Company issued 493,500 shares of common stock as compensation for these services.

The Company, prior to the current fiscal year, incurred \$5,000 in consulting fees to a former officer of the Company. The Company issued 25,000 shares of common stock as a compensation for these services.

The Company, prior to the current fiscal year, purchased assets related to its VOIP business from IMT valued at \$70,000 and issued 7,000,000 shares of common stock for these assets pursuant to a Asset Purchase Agreement dated February 25, 2005. In 2006, the Company issued 102,925 shares for \$20,585 in assets from IMT. The Company is also obligated under two property sub-lease agreements to IMT. (Note 8).

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The Company has engaged two consultants who are also officers and shareholders. Non-employee cash compensation paid to these has totaled \$48,000 since inception on November 15, 1999. No amount was accrued or paid for the six months ended March 31, 2006.

The Company's Chairman and CEO who also holds like positions with IMT was issued on December 15, 2005, 500,000 shares of restricted shares of the corporation's common stock for services rendered to the Company during the development stage. On March 8, 2006 the Company issued 102,925 shares of common stock to IMT in exchange for assets valued at \$20,585.

#### NOTE 8 - OBLIGATIONS UNDER OPERATING LEASES

The Company currently sub-leases all of its operating and office facilities from IMT (a related party) who also supplies the Company with certain administrative, billing, marketing and web site support and software support under a separate agreement.

Under its Office Lease Agreement with IMT the Company is obligated to pay \$1,950 per month through the end of the lease term in March 2006. Under its current Co-Location Lease Agreement the Company is obligated to pay \$1,850 per month through the end of the lease term in February 2006.

#### NOTE 9 - REGULATORY MATTERS

The telecommunications industry is subject to federal, state and local regulation. Additionally, the Company operates in several foreign countries. Any change in those regulations or enforcement of those regulations could impact the Company's future ability to continue its current operations.

#### NOTE 10 - INCENTIVE EQUITY PLAN

In October 2005 the Company adopted the GlobalTel IP, Inc. 2005 Incentive Equity Plan (the "Plan") allocating up to five million shares of common stock to offer incentives to key employees, contractors, directors and officers of the Company. Pursuant to the Plan, on February 28, 2006, the Board of Directors granted options to eight individuals and one entity to purchase various amounts of stock totaling 1,850,000 shares at an exercise price of \$0.22 per share. All options under the Plan expire March 1, 2010.

#### NOTE 11 - SUBSEQUENT EVENTS

On April 1, 2006, the Company entered into a new Office Lease Agreement with IMT. Under the new lease

agreement, the Company is obligated to pay \$3,500 per month for a term ending March 2007.

On April 12, 2006, the Company sold 500,000 restricted shares common stock for \$100,000 pursuant to a subscription agreement.

On June 1, 2006, the Company entered into a five-year Management Agreement with Tremont Ventures, LLC (“Tremont”) to provide international financial consulting commencing July 1, 2006. The Company is obligated to compensate Tremont 8,000 shares of common stock per month for a period of one year plus related expenses.

On June 9, 2006, the Company sold 1,000,000 restricted shares of common stock for \$200,000 pursuant to a subscription agreement with Tremont.

On June 13, 2006, the Company granted a warrant to purchase 112,500 shares of common stock at an exercise price of \$0.22 per share expiring June 30, 2008.

**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**ITEM 24. INDEMNIFICATION OF DIRECTORS AND OFFICERS.**

The registrant had agreed to indemnify its executive officers and directors the fullest extent permitted by the Florida Business Corporation Act. That Act permits the registrant to indemnify any person who is, or is threatened to be made, a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by the registrant or in its right) by reason of the fact that the person is or was an officer or director or is or was serving our request as an officer or director. The indemnity may include expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with the action, suit or proceeding, provided that he acted in good faith and in a manner he reasonably believed to be in or not opposed to our best interests, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The registrant may indemnify officers and directors in an action by the Registrant or in its right under the same conditions, except that no indemnification is permitted without judicial approval if the officer or director is adjudged to be liable to the registrant. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the registrant must indemnify him against the expenses which he actually and reasonably incurred. The foregoing indemnification provisions are not exclusive of any other rights to which an officer or director may be entitled under a our bylaws, by agreement, vote, or otherwise.

**ITEM 25. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.**

The expenses to be paid by the registrant in connection with this offering are as follows. All amounts other than the Securities and Exchange Commission registration fee are estimates.

|   |              |
|---|--------------|
| Securities and Exchange Commission        |              |
| registration fee                          | \$426        |
| Printing and engraving                    | \$1,250      |
| Accounting and auditing fees and expenses | \$15,000     |
| Legal fees and expenses                   | \$47,000     |
| Blue sky fees and expenses                | \$500        |
| Transfer agent fees                       | \$250        |
| Miscellaneous                             | <u>\$574</u> |
| Total.....                                | \$65,000     |
|   | =====        |

## **ITEM 26. RECENT SALES OF UNREGISTERED SECURITIES.**

From June 2005 to and September 2005, the registrant sold an aggregate of 3,260,000 shares to 15 private investors and warrants to purchase 50,000 shares to one private investor for an aggregate of \$326,000. The warrants are exercisable at \$.20 per share and expire on July 12, 2007.

In February 2005, pursuant to an Asset Purchase Agreement with Interactive Media Technologies, Inc. (“IMT”), the registrant issued 7,000,000 shares to IMT. The assets purchased consisted primarily of hardware and software which the registrant valued at \$70,000.

In June 2005, the registrant issued 25,000 shares to Dominic Albi for financial advisory services.

In September 2005, the registrant issued 668,500 shares to Michael J. Gutowski for consulting services and 200,000 shares to Jonathan B. Reisman for legal services.

From July 2005 to June 2006, the registrant issued warrants to Dominic Albi to purchase 425,000 shares at \$.12 per share and 112,500 shares at \$.22 per share as partial consideration for introducing certain private investors to the registrant. The warrants expire from July 7, 2007 to June 30, 2008.

In November 2005, the registrant sold an aggregate of 1,250,000 shares and warrants to purchase 25,000 shares to three private investors for \$125,000. The warrants are exercisable at \$.20 per share and expire on November 30, 2007.

In December 2005, the registrant issued 500,000 shares of common stock to Steven M. Williams for services rendered to us in lieu of a cash payment of \$5,000.

In January and February 2006, the registrant sold an aggregate of 875,000 shares to five private investors for \$175,000.

In March 2006, pursuant to a second Asset Purchase Agreement with IMT, the registrant issued 102,925 shares of common stock to IMT. The assets purchased consisted of hardware which the registrant valued at \$20,585.

In April and June 2006, the registrant sold an aggregate of 1,500,000 shares to two private investors for \$300,000.

There were no principal underwriters.

The registrant claimed exemption from the registration provisions of the Securities Act of 1933 with respect to the securities pursuant to Section 4(2) thereof inasmuch as no public offering was involved. The shares were not offered or sold by means of: (i) any advertisement, article, notice or other communication published in any newspaper, magazine or similar medium, or broadcast over television or radio, (ii) any seminar or meeting whose attendees have been invited by any general solicitation or general advertising, or (iii) any other form of general solicitation or advertising and the purchases were made for investment and not with a view to distribution.

## **ITEM 27. EXHIBITS.**

- 3.01 Articles of Incorporation. \*
- 3.02 Articles of Amendment to Articles of Incorporation filed March 12, 2001.\*
- 3.03 Articles of Amendment to Articles of Incorporation filed October 4, 2004.\*
- 3.04 Articles of Amendment to Articles of Incorporation filed March 31, 2005.\*
- 3.05 Bylaws. \*
- 4.01 Form of Specimen Stock Certificate for the registrant's Common Stock. \*
- 4.02 Form of Common Stock Purchase Warrant.\*
- 4.03 GlobalTel, Inc. 2005 Incentive Equity Plan. \*
- 4.04 Form of option issued pursuant to GlobalTel, Inc. 2005 Incentive Equity Plan.\*
- 5.01 Opinion of Reisman & Associates, P.A. regarding legality of securities being registered. \*\*
- 10.01 Asset Purchase Agreement of February 25, 2005 by and between Interactive Media Technologies, Inc. and the registrant. \*
- 10.02 Asset Purchase Agreement of March 8, 2006 by and between Interactive Media Technologies, Inc. and the registrant. \*
- 10.03 Software Support Agreement of March 1, 2005 by and between Interactive Media Technologies, Inc. and the registrant and related Software Support Order. \*
- 10.04 Software Support Agreement of March 1, 2006 by and between Interactive Media Technologies, Inc. and the registrant and related Software Support Order. \*
- 10.05 Office Lease Agreement of April 1, 2005 by and between Interactive Media Technologies, Inc. and the registrant. \*

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- 10.06 Co-Location Lease Agreement of March 1, 2006 by and between Interactive Media Technologies, Inc. and the registrant. \*
  - 10.07 Co-Location Lease Agreement of April 15, 2005 by and between Interactive Media Technologies, Inc. and the registrant. \*
  - 10.08 Office Lease Agreement of April 1, 2006 by and between Interactive Media Technologies, Inc. and the registrant. \*
  - 10.09 Management Agreement as of June 16, 2006 by and between the Registrant and Tremont Ventures, LLC. \*
  - 23.01 Consent of Reisman & Associates, P.A. \*\*
  - 23.02 Consent of Ribotsky, Levine & Company, CPAs. \*
-

- \* Filed herewith.
- \*\* To be filed by amendment.

## ITEM 28. UNDERTAKINGS.

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement to:

- (i) include any prospectus required by Section 10(a)(3) of the Securities Act;
- (ii) except as otherwise permitted by Item 512 (a)(1)(ii) of Regulation S-B, reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement; and
- (iii) include any additional or changed material information on the plan of distribution.

(2) For determining liability under the Securities Act, each such post-effective amendment shall be treated as a new registration statement of the securities offered, and the offering of the securities at that time to be the initial *bona fide* offering

(3) To file a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

For determining liability of the undersigned small business issuer under the Securities Act to any purchaser in the initial distribution of the securities, the undersigned small business issuer undertakes that in a primary offering of securities of the undersigned small business issuer pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned small business issuer will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

- (i) Any preliminary prospectus or prospectus of the undersigned small business issuer relating to the offering required to be filed pursuant to Rule 424 (§230.424 of this chapter);
- (ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned small business issuer or used or referred to by the undersigned small business issuer;
- (iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned small business issuer or its securities provided by or on behalf of the undersigned small business issuer; and
- (iv) Any other communication that is an offer in the offering made by the undersigned small business issuer to the purchaser.

Each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

## SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form SB-2 and has authorized this registration statement to be signed on its behalf by the undersigned, in the City of Boca Raton, State of Florida, on the 30<sup>th</sup> day of June, 2006.

GlobalTel IP, Inc.

/s/ Steven M. Williams

By: Steven M. Williams, Chief Executive Officer

In accordance with the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the date indicated.

| <u>Signatures</u>                                     | <u>Title</u>                             | <u>Date</u>   |
|---|--|---------------|
| <u>/s/ Steven M. Williams</u><br>Steven M. Williams   | Chief Executive Officer, Director        | June 30, 2006 |
| <u>/s/ Larry M. Reid</u><br>Larry M. Reid             | Principal Financial Officer and Director | June 30, 2006 |
| <u>/s/ Michael J. Gutowski</u><br>Michael J. Gutowski | Director                                 | June 30, 2006 |

**Exhibit 3.01**

**ARTICLES OF INCORPORATION  
OF  
MENU SITES, INC.**

FIRST: The name of the corporation is Menu Sites, Inc. (the “Corporation”)

SECOND: The aggregate number of shares which the Corporation shall have authority to issue is FORTY MILLION (40,000,000) SHARES of capital stock, \$.001 par value.

THIRD: The Corporation is organized for the purpose of transacting any and all lawful business.

FOURTH: The number of directors constituting the initial Board of Directors of the Corporation is one and the name and address of the person to serve as the initial director is:

Larry M. Reid  
4 Via Lucindia North  
Stuart, Florida 34996

FIFTH: The name and address of the incorporator, the street address of the Corporation’s initial registered office and the name of its initial registered agent at that office are:

Larry M. Reid  
4 Via Lucindia North  
Stuart, Florida 34996

SIXTH: The street address of the initial principal office and the mailing address of the Corporation is:

4149 Burns Road  
Palm Beach Gardens, Florida 33410

SEVENTH: The Corporation elects not to be governed by Section 607.0901 of the Florida Business Corporation Act.

Dated: November 4, 1999

/s/ Larry M. Reid

Incorporator and Initial Registered Agent

#### ACCEPTANCE OF REGISTERED AGENT

The undersigned registered agent for Menu Sites, Inc. hereby accepts such appointment and is familiar with, and accepts the obligations of that position.

/s/ Larry M. Reid

Larry M. Reid

**Exhibit 3.02**

**ARTICLES OF AMENDMENT  
TO  
ARTICLES OF INCORPORATION  
OF  
MENU SITES, INC.**

Pursuant to the provisions of section 607.1006, Florida Statutes, this Florida Profit Corporation adopts the following amendments to its Articles of Incorporation:

- FIRST:** The first of the articles of incorporation is amended to change the name of the corporation from Menu Sites, Inc. to CNE Communications, Inc.
- SECOND:** The date of the first amendment's adoption is March 9, 2001.
- THIRD:** The amendment was approved by the shareholders. The number of votes cast for the amendments by the shareholders was sufficient for approval.

Signed this ninth day of March, 2001

/s/ Larry M. Reid  
By: Larry M. Reid, President

**Exhibit 3.03**

**ARTICLES OF AMENDMENT  
to  
ARTICLES OF INCORPORATION  
of  
CNE COMMUNICATIONS, INC.  
Document Number P99000101137**

Pursuant to the provisions of section 607.1006, Florida Statutes, this Florida Profit Corporation adopts the following amendments to its Articles of Incorporation:

**NEW CORPORATE NAME:**

The first article of the Articles of Incorporation is amended to change the name of the Corporation from CNE Communications, Inc. to CNE Industries, Inc.

The second article of the Articles of Incorporation is amended to increase the number of shares which the Corporation shall have the authority to issue and shall read: The aggregate number of shares which the Corporation shall have authority to issue is SEVEN HUNDRED FIFTY MILLION (750,000,000) Shares of common stock, \$.001 par value and TWO HUNDRED MILLION (200,000,000) shares of preferred stock, no par value.

The date of each amendments adoption is October 1, 2004.

The amendments were approved by the shareholders. The number of votes cast for the amendments by the shareholders was sufficient for approval.

Signed this 1<sup>st</sup> day of October, 2004.

/s/ Larry M. Reid  
Larry M. Reid  
President

**Exhibit 3.04**

**ARTICLES OF AMENDMENT  
to  
ARTICLES OF INCORPORATION  
of  
CNE COMMUNICATIONS, INC.  
Document Number P99000101137**

Pursuant to the provisions of section 607.1006, Florida Statutes, this Florida Profit Corporation adopts the following amendments to its Articles of Incorporation:

**NEW CORPORATE NAME:**

The first article of the Articles of Incorporation is amended to change the name of the Corporation from CNE Industries, Inc. to GlobalTel IP, Inc.

The date of each amendments adoption is March 29, 2005.

The amendments were approved by the shareholders. The number of votes cast for the amendments by the shareholders was sufficient for approval.

Signed this 29<sup>th</sup> day of March, 2005.

/s/ Larry M. Reid  
Larry M. Reid  
Secretary

**BY LAWS  
OF  
GLOBALTEL IP, INC.**

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**BY-LAWS**  
**OF**  
**GLOBALTEL IP, INC.**

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**ARTICLE I.**  
**MEETINGS OF SHAREHOLDERS**

Section 1. Annual Meeting

The Annual Meeting of the shareholders of the Corporation shall be held annually on a date and at a time and place fixed from time to time by the Board of Directors of the Corporation. Business transacted at the Annual Meeting shall include the election of directors of the Corporation and the transaction of any proper business. If any date so designated by the Board of Directors shall fall on a Sunday or legal holiday, then the Annual Meeting shall be held on the first business day thereafter.

Section 2. Special Meetings

Special Meetings of the shareholders shall be held when called by the President of the Corporation or the Board of Directors, or when requested in a writing signed, dated and delivered to the Corporation's Secretary describing the purpose or purposes for which it is to be held by the holders of not less than ten (10%) percent of all of the shares of stock entitled to be cast on any issue proposed to be considered at any such meeting. Any meeting so requested shall be held not less than ten (10) nor more than sixty (60) days after such request is made. Notice for such meeting shall be issued by the Secretary of the Corporation, unless the President, Board of Directors or shareholders duly requesting the meeting shall designate another person to do so.

Section 3. Place

Shareholder meetings shall be held at the principal place of business of the Corporation or at such other place as may be designated by the Board of Directors.

Section 4. Notice

Written notice stating the place, day and hour of the meeting and, in the case of a Special Meeting, the purpose or purposes for which the meeting is called, shall be given to each shareholder of record entitled to vote at such meeting, not less than ten (10) nor more than sixty (60) days before the meeting, either personally or by first class mail, by or at the direction of the President, the Secretary or the officer or persons calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mails addressed to the shareholder at his address as it appears on the stock transfer books of the Corporation, with postage thereon prepaid.

## Section 5. Notice of Adjourned Meeting

When a meeting is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken; and any business may be transacted at the adjourned meeting that might have been transacted on the original date of the meeting. If, however, after the adjournment the Board of Directors fixes a new record date for the adjourned meeting, a notice of the adjourned meeting shall be given as provided in Section 4 of this Article to each shareholder of record on the new record date entitled to vote at such meeting.

## Section 6. Shareholder Quorum and Voting

Except as otherwise required by law, a majority of the shares entitled to be cast, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. If a quorum is present, the affirmative vote of a majority of the shares represented at the meeting and entitled to vote on the subject matter, including, but not limited to, amendments to the Corporation's Articles of Incorporation, shall be the act of the shareholders unless otherwise provided by law.

## Section 7. Voting of Shares

Each outstanding share shall be entitled to one (1) vote on each matter submitted to a vote at a meeting of shareholders.

## Section 8. Proxies

A shareholder may vote either in person or by proxy executed by the shareholder or his duly authorized attorney-in-fact. No appointment of a proxy shall be valid after the duration of eleven (11) months from the date thereof unless otherwise provided in the appointment form.

## Section 9. Action by Shareholders Without a Meeting

Any action required by the Florida Business Corporation Act to be taken at any annual or special meeting of shareholders, or any action which may be taken at any annual or special meeting of shareholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of the outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Within ten (10) days after obtaining such authorization by written consent, notice must be given to those shareholders who have not consented in writing. The notice shall fairly summarize the material features of the authorized action and, if the action be such for which dissenters' rights are provided under the Florida Business Corporation Act, the notice shall contain a clear statement of the right of shareholders dissenting therefrom to be paid the fair value of their shares upon compliance with certain further provisions of such Act regarding the rights of dissenting shareholders.

# **ARTICLE II.**

## **DIRECTORS**

### **Section 1. Function**

All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be managed under the direction of, the Board of Directors.

### **Section 2. Qualification**

Directors must be natural persons who are 18 years of age or older but need not be residents of the State of Florida or shareholders of the Corporation.

### **Section 3. Compensation**

The Board of Directors of the Corporation shall have the authority to fix the compensation of the directors.

### **Section 4. Presumption of Assent**

A director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless he votes against such action or abstains from voting in respect thereto because of an asserted conflict of interest.

### **Section 5. Number of Directors**

The number of directors shall be fixed from time to time by action of the Board of Directors, but the Corporation shall always have a minimum of one (1) director.

### **Section 6. Election and Term**

The term of all each director expires at the next annual shareholders' meeting following his or her election, and until his or her successor shall have been elected and qualified, or until his or her earlier resignation, removal from office or death.

### **Section 7. Vacancies**

Any vacancy occurring in the Board of Directors, including any vacancy created by reason of any increase in the number of directors, may be filled by the affirmative vote of a majority of the remaining directors, though less than a quorum of the Board of Directors, or by shareholders. A director elected to fill a vacancy shall hold office only until the next election of directors by the shareholders.

### **Section 8. Removal of Directors**

The shareholders may remove one or more directors with or without cause, by a vote of the holders of a majority of the shares then entitled to vote at any election of directors.

### **Section 9. Quorum and Voting**

A majority of the number of directors fixed by or in the manner provided in these By-Laws shall continue a quorum for the transaction of business. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 10. Executive and Other Committees

The Board of Directors, by resolution adopted by a majority of the entire Board of Directors, may designate from among its members an Executive Committee and one or more other committees, each of which, to the extent provided in such resolution, shall have and may exercise all of the authority of the Board of Directors, except as is otherwise provided by law.

Section 11. Place of Meeting

Regular and special meetings of the Board of Directors shall be held at the principal place of business of the Corporation or at such other place as may be designated by the Board of Directors.

Section 12. Time, Notice and Call of Meetings

Written notice of the time and place of special meetings of the Board of Directors shall be given to each director by either personal delivery, mail, telegram or cablegram, at least two (2) days before such meeting. Regular meetings of the Board of Directors may be held without notice. Notice of a special meeting of the Board of Directors need not be given to any director who signs a waiver of notice either before or after the meeting. Attendance of a director at a special meeting shall constitute a waiver of notice of such meeting and a waiver of any and all objections to the place of the meeting, the time of the meeting or the manner in which such meeting was called or convened, except when a director states at the beginning of the meeting, any objection to the transaction of business because the meeting has not been legally called or convened. Neither the business to be transacted at, nor the purpose of, any special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting. A majority of the directors present, whether or not a quorum exists, may adjourn any meeting of the Board of Directors to another time and place. Notice of any such adjourned meeting shall be given to the directors who were not present at the time of the adjournment. Meetings of the Board of Directors may be called by the Chairman of the Board, by the President of the Corporation or by any two (2) directors. Members of the Board of Directors may participate in a meeting of such Board through the use of any means of communication by which all directors participating may simultaneously hear each other during the meeting. Participation by such means shall constitute presence in person at a meeting.

Section 13. Action Without a Meeting

Any action required to be taken at a meeting of the Board of Directors, or any action which may be taken at a meeting of the Board of Directors or a committee thereof, may be taken without a meeting if a consent in writing setting forth the action so to be taken is signed by all directors, or all of the committee members, as the case may be.

**ARTICLE III.**

**OFFICERS**

## Section 1. Officers

The officers of the Corporation shall consist of a President, a Secretary and a Treasurer, each of whom shall be elected by the Board of Directors. Such other officers and assistant officers and agents as may be deemed necessary may be elected or appointed by the Board of Directors from time to time. Any two (2) or more offices may be held by the same person.

## Section 2. Duties

The officers of the Corporation shall have the following duties: The President shall be the chief executive officer of the Corporation; shall have general and active management responsibility for the business affairs of the Corporation, subject to the direction of the Board of Directors; and shall preside at all meetings of the shareholders and Board of Directors. The Secretary shall have custody of, and shall maintain all of the corporate records, except the financial records; shall record the minutes of all meetings of the shareholders and the Board of Directors; shall send notices of all meetings and shall perform such other duties as may be prescribed by the Board of Directors or the President of the Corporation. The Treasurer shall have custody of all corporate funds and financial records; shall keep full and accurate records of all corporate financial records and shall render reports thereof at the annual meetings of shareholders and at any other time when requested to do so by the Board of Directors or the President; and shall perform such other duties as may be prescribed by the Board of Directors or the President of the Corporation.

## Section 3. Removal of Officers

An officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors with or without cause. Any vacancy, however occurring, in any office may be filled by the Board of Directors.

# **ARTICLE IV.**

## **SHARE CERTIFICATES**

### Section 1. Issuance

Unless otherwise determined by the Board of Directors, every holder of shares in the Corporation shall be entitled to have a certificate representing all shares to which he is entitled.

### Section 2. Form

Certificates representing shares in the Corporation shall be signed by the President or a Vice President and the Secretary or Assistant Secretary of the Corporation, and may be sealed with the seal of the Corporation or a facsimile thereof.

### Section 3. Transfer of Stock; Restrictions

Every certificate representing shares which are restricted as to sale, disposition or other transfer shall state that such shares are restricted as to transfer and shall set forth or fairly summarize upon the certificate, or state that the Corporation will furnish to any shareholder, upon request and without charge, a full statement of such restrictions. Subject to any such restriction, the Corporation shall register any stock certificate presented to it for transfer if the certificate is properly endorsed by the holder of record or by his duly authorized attorney.

### Section 4. Lost, Stolen or Destroyed Certificates

If any shareholder shall claim to have lost a certificate of shares issued by the Corporation, or that

such a certificate has been stolen or destroyed, a new certificate shall be issued upon the making of an appropriate affidavit by the person claiming the occurrence of any such event, and at the discretion of the Board of Directors, upon the deposit of a bond or other indemnity and with such sureties, if any, as the Board may reasonably require.

## **ARTICLE V.**

### **BOOKS AND RECORDS**

#### **Section 1. Books and Records**

The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its shareholder, Board of Directors and committees of directors. The Corporation shall keep at its registered office or principal place of business or at the office of its transfer agent a record of its shareholders, giving the names and addresses of all shareholders and the number of shares held by each of them. Any books, records and minutes may be in written form or in any other form capable of being converted into written form within a reasonable period of time.

#### **Section 2. Shareholders' Inspection Rights**

The right to inspect or make copies of the records of the Corporation is limited to those persons entitled to do so in accordance with applicable law.

## **ARTICLE VI.**

### **DISTRIBUTIONS**

The Board of Directors of the Corporation may, from time to time, declare, and the Corporation may make distributions in respect of any of the Corporation's shares except to the extent otherwise restricted by applicable law.

## **ARTICLE VII.**

### **CORPORATE SEAL**

The Board of Directors of the Corporation shall adopt a corporate seal in such form as the Board shall prescribe.

## **ARTICLE VIII.**

### **INDEMNIFICATION**

Subject only to limitations provided in the Florida Business Corporation Act, each director or officer of the Corporation, whether or not then in office shall be indemnified by the Corporation against all costs and expenses reasonably incurred by or imposed upon such director or officer in connection with or arising out of any claim, demand, action, suit or proceeding, whether civil, criminal, administrative or investigative, in which he or it may be involved or to which he or it may be made a party by reason of his or its being or having been a director or officer of the Corporation, said costs and expenses to include (without limitation) attorneys' fees and the costs of reasonable settlement made with a view to curtailment of costs of litigation, if such director, officer or legal counsel acted in good faith and in a manner he or it reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or its conduct was unlawful. Such right of indemnification shall not be exclusive of any other rights to which the indemnified person may be entitled, pursuant to other agreements, or as a matter of law, and the foregoing right of indemnification shall inure to the benefit of the heirs, successors, personal representatives, executors and administrators of any such director or officer.

## **ARTICLE IX.**

## **AMENDMENT**

These By-Laws may be altered, amended or repealed and new By-Laws may be adopted, by a vote of a majority of the Board of Directors or by a majority of the shareholders of the Corporation.

# SPECIMEM

Number

Par Value \$ .001  
Shares

## GlobalTel IP, Inc.

INCORPORATED UNDER THE LAWS OF THE STATE OF FLORIDA

**COMMON STOCK**  
**37946F 10 5**

**CUSIP**

REVERSE FOR CERTAIN DEFINITIONS

SEE

THIS CERTIFIES THAT

Atlantic Stock Transfer, Inc.  
Is the owner of  
Nob Hill Road  
  
FL 33321

Countersigned:  
Florida

7130

Tamarac,

**Fully Paid and Non-Assessable Shares of Common Stock** of GlobalTel IP, Inc.  
transferable only on the books of the Corporation by the holder hereof in  
person or by duly authorized attorney upon surrender of this Certificate properly endorsed.  
This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.  
**Witness** the facsimile seal of the Corporation and the facsimile signatures  
of its duly authorized officers.

Dated:

**GlobalTel IP, Inc.**  
**Corporate**  
**Seal**

Chairman

**Florida**

Secretary

# SPECIMEN

The following abbreviation, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

UNIF GIFT MIN ACT - \_\_\_\_\_ Custodian

TEN ENT - as tenants by the entireties

(Cust) (Minor)  
under Uniform Gifts to Minors  
Act

JT TEN - as joint tenants with right of  
survivorship and not as  
tenants in common

(State)

Additional abbreviations may also be used though not on the above list.

For value received, \_\_\_\_\_ hereby sell, assign and transfer unto

\_\_\_\_\_  
(Please insert Social Security Number or other identifying number of assignee)

\_\_\_\_\_  
(Please print or typewrite name and address including postal zip of assignee)

\_\_\_\_\_  
(Shares of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint)

\_\_\_\_\_  
(Attorney to transfer the said stock on the books of the within-named Corporation with full power of substitution in the premises.)

Dated, \_\_\_\_\_

\_\_\_\_\_  
**NOTICE:** The signature to this assignment must correspond with the name as written upon the face of the Certificate, in every particular, without alteration or enlargement, or any change whatever. **IMPORTANT:** The signature(s) on the Certificate must be **guaranteed** (not notarized) by a representative of a financial institution or a registered securities dealer having membership in the Medallion signature program. A notarized signature is not an acceptable substitute for a guaranteed signature.

**THIS WARRANT AS WELL AS THE COMMON STOCK ISSUABLE UPON THE EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE OFFERED OR SOLD UNLESS REGISTERED UNDER THE ACT OR AN EXEMPTION FROM REGISTRATION UNDER THE ACT IS AVAILABLE.**

Void after 5:00 P.M., Boca Raton, Florida Time, on \*\_\_\_\_\_\*

**WARRANT TO PURCHASE \*\_\_\_\_\_\* SHARES OF THE COMMON STOCK OF  
GLOBALTEL IP, INC.**

This is to certify that, FOR VALUE RECEIVED, \_\_\_\_\_ (the "Holder") is entitled to purchase, subject to the provisions of this Warrant, from **GLOBALTEL IP, INC.**, a Florida corporation (the "Company"), \*\_\_\_\_\_\* shares of the common stock of the Company, \$0.001 par value (the "Common Stock"), at an exercise price of \$.\*\_\_\_\_\_\* per share at any time or from time to time from the date hereof until 5:00 P.M., Boca Raton, Florida Time on \*\_\_\_\_\_\* ("the Termination Date"). The number of shares to be received upon the exercise of this Warrant and the price to be paid for each such share shall be adjusted from time to time as hereinafter set forth. The shares deliverable upon such exercise, and as adjusted from time to time, are hereinafter as well as any other securities that may be deliverable upon such exercise are sometimes referred to as "Warrant Shares" and the exercise price of this Warrant as in effect at any time as adjusted from time to time is hereinafter sometimes referred to as the "Exercise Price."

**SECTION 1. EXERCISE OF WARRANT.**

This Warrant may be exercised by the Holder of this Warrant in whole or in part at any time or from time to time during the period commencing on the date hereof and terminating at 5:00 P.M., Boca Raton, Florida Time, on the Termination Date (the "Exercise Period") provided, however, that if the Termination Date is a day on which banking institutions in the State of Florida are authorized by law to close, then on the next succeeding day which shall not be such a day. This Warrant may be exercised by presentation and surrender hereof to the Company at its principal office, or at the office of its stock transfer agent, if any, with the Purchase Form annexed hereto duly executed and accompanied by payment of the Exercise Price for the number of Warrant Shares specified in such form. Such payment may be made, at the option of the Holder by check or wire transfer. As soon as practicable after each such exercise of the Warrant, but not later than two business days from the date of such exercise, the Company shall issue and deliver to the Holder a certificate or certificates representing the Warrant Shares issuable upon such exercise, registered in the name of the Holder. If this Warrant should be exercised in part only, the Company shall, upon surrender of this Warrant for cancellation, execute and deliver a new Warrant evidencing the rights of the Holder thereof to purchase the balance of the Warrant Shares purchasable thereunder. Upon receipt by the Company of this Warrant at its office, or by the stock transfer agent of the Company at its office, in proper form for exercise, the Holder shall be deemed to be the holder of record of the Warrant Shares issuable upon such exercise, notwithstanding that the stock transfer books of the Company shall then be closed or that certificates representing such shares shall not then be physically delivered to the Holder.

**SECTION 2. RESERVATION OF SHARES.**

The Company shall at all times reserve for issuance and/or delivery upon exercise of this Warrant such number of Warrant Shares as shall be required for issuance and delivery upon exercise of this Warrant.

**SECTION 3. FRACTIONAL SHARES.**

No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this

Warrant. With respect to any fraction of a share called for upon any exercise hereof, the Company shall pay to the Holder an amount in cash equal to such fraction multiplied by the value of a full share determined as follows (the "Current Market Value"):

(a) If the Common Stock is listed on a national securities exchange or admitted to unlisted trading privileges on such exchange or listed for trading on NASDAQ, the Current Market Value shall be the last reported sale price of the Common Stock on such exchange or system on the last business day prior to the date of exercise of this Warrant or if no such sale is made on such day, the average of the closing high bid and low asked prices for such day on such exchange or system; or

(b) If the Common Stock is not so listed or admitted to unlisted trading privileges but bid and asked prices are reported by the OTC Bulletin Board or the National Quotation Bureau, Inc. or any successor thereto, the Current Market Value shall be the average of last reported high bid and low asked prices reported by the OTC Bulletin Board or, if not so reported, then by the National Quotation Bureau, Inc. on the last business day prior to the date of the exercise of this Warrant; or

(c) If the Common Stock is not so listed or admitted to unlisted trading privileges and bid and asked prices are not so reported, the Current Market Value shall be the book value of a share thereof as at the end of the fiscal quarter of the Company ending immediately prior to the date of the exercise of the Warrant for which financial statements of the Company are then available, determined in accordance with generally accepted accounting principles consistently applied.

#### **SECTION 4. EXCHANGE, TRANSFER, ASSIGNMENT OR LOSS OF WARRANT.**

This Warrant is exchangeable, without expense, at the option of the Holder, upon presentation and surrender hereof to the Company for other Warrants of different denominations entitling the Holder thereof to purchase in the aggregate the same number of shares of Common Stock purchasable hereunder. The term "Warrant" as used herein includes any Warrants into which this Warrant may be divided or exchanged. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Warrant, if mutilated, the Company will execute and deliver a new Warrant of like tenor and date.

#### **SECTION 5. RIGHTS AND LIABILITIES OF THE HOLDER.**

The Holder shall not, by virtue hereof, be entitled to any rights of a shareholder in the Company, either at law or equity, and the rights of the Holder are limited to those expressed in the Warrant and are not enforceable against the Company except to the extent set forth herein. No provision of this Warrant, in the absence of affirmative action by the Holder to purchase the Warrant Shares, and no mere enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the Exercise Price or as a shareholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

#### **SECTION 6. ADJUSTMENTS, NOTICE PROVISIONS AND RESTRICTIONS ON ISSUANCE OF ADDITIONAL SECURITIES.**

**SECTION 6.1** Adjustment of Exercise Price. The Exercise Price in effect from time to time shall be subject to adjustment, as follows:

(a) In case the Company shall (i) declare a dividend or make a distribution on the outstanding shares of its capital stock that is payable in shares of its Common Stock, (ii) subdivide, split or reclassify the outstanding shares of its Common Stock into a greater number of shares of the same class, or (iii) combine or reclassify the outstanding shares of its Common Stock into a smaller number of shares of the same class, the

Exercise Price in effect immediately after the record date for such dividend or distribution or the effective date of such subdivision, combination or reclassification shall be adjusted so that it shall equal the price determined by multiplying the Exercise Price in effect immediately prior thereto by a fraction, of which the numerator shall be the number of shares of Common Stock outstanding immediately before such dividend, distribution, split, subdivision, combination or reclassification, and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such dividend, distribution, split, subdivision, combination or reclassification. Any shares of Common Stock issuable in payment of a dividend shall be deemed to have been issued immediately prior to the record date for such dividend for purposes of calculating the number of outstanding shares of Common Stock of the Company under this Section 6. Such adjustment shall be made successively upon the occurrence of each event specified above, but any such adjustment shall be effective only upon the effective date of such dividend, distribution, split, subdivision, combination or reclassification.

(b) In case the Company fixes a record date for the issuance to holders of its Common Stock of rights, options, warrants or convertible or exchangeable securities generally entitling such holders to subscribe for or purchase shares of Common Stock at a price per share less than the Current Market Price (as such term is defined in Subsection 6.1(e) hereof) per share of Common Stock on such record date, the Exercise Price shall be adjusted immediately thereafter so that it shall equal the price determined by multiplying the Exercise Price in effect immediately prior thereto by a fraction, of which the numerator shall be the number of shares of Common Stock outstanding on such record date plus the number of shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered would purchase at the Current Market Price per share, and of which the denominator shall be the number of shares of Common Stock outstanding on such Record Date plus the number of additional shares of Common Stock offered for subscription or purchase. Such adjustment shall be effective on the effective date of such issue and shall be made successively on each date whenever a record date is fixed.

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(c) In case the Company fixes a record date for the making of a distribution to all holders of shares of its Common Stock of (i) of shares of any class of capital stock other than its Common Stock or (ii) of evidences of its indebtedness or (iii) of assets (other than dividends or distributions referred to in Subsection 6.1(a) hereof) or (iv) of rights, options, warrants or convertible or exchangeable securities (excluding those rights, options, warrants or convertible or exchangeable securities referred to in Subsection 6.1(b) hereof), then in each such case the Exercise Price in effect immediately thereafter shall be determined by multiplying the Exercise Price in effect immediately prior thereto by a fraction, of which the numerator shall be the total number of shares of Common Stock outstanding on such record date multiplied by the Current Market Price (as such term is defined in Subsection 6.1(e) hereof) per share on such record date, less the aggregate fair value as determined in good faith by the Board of Directors of the Company of said shares or evidences of indebtedness or assets or rights, options, warrants or convertible or exchangeable securities so distributed, and of which the denominator shall be the total number of shares of Common Stock outstanding on such record date multiplied by such Current Market Price per share. Such adjustment shall be effective on the date of such distribution and shall be made successively each time such a record date is fixed. In the event that such distribution is not so made, the Exercise Price then in effect shall be readjusted to the Exercise Price which would then be in effect if such record date had not been fixed.

(d) In the event of any merger, consolidation or sale of substantially all the assets of the Company resulting in any distribution to the Company's stockholders on or before the Termination Date, shall have the right to exercise this Warrant commencing at such time through the Termination Date which shall entitle the Holder to receive, in lieu of Warrant Shares, the kind and amount of securities and property (including cash) receivable by a holder of the number of shares of Warrant Shares into which this Warrant might have been exercisable immediately prior thereto.

(e) For the purpose of any computation under Subsection 6.1(b) or 6.1(c) hereof, the "Current Market Price" per share at any date (the "Computation Date") shall be deemed to be the average of the daily Current Market Value over 20 consecutive trading days ending the trading day before such date.

- (f) All calculations under this Section 6.1 shall be made to the nearest cent.

**SECTION 6.2 Adjustment of Number of Shares.** Upon each adjustment of the Exercise Price pursuant to Section 6.1 other than pursuant to Subsection 6.1(d) hereof, this Warrant shall thereupon evidence the right to purchase, in addition to any other securities to which the Holder is entitled to purchase, that number of Warrant Shares (calculated to the nearest one-hundred thousandth of a share) obtained by multiplying the number of shares of Common Stock purchasable upon exercise of the Warrant immediately prior to such adjustment by the Exercise Price in effect immediately prior to such adjustment and dividing the product so obtained by the Exercise Price in effect immediately after such adjustment.

**SECTION 6.3 Verification of Computations.** The Company may select a firm of independent public accountants, which may be the Company's independent auditors, and which selection may be changed from time to time, to verify the computations made in accordance with this Section 6. The certificate, report of other written statement of any such firm shall be conclusive evidence of the correctness of any computation made under this Section 6. Promptly upon its receipt of such certificate, report or statement from such firm of independent public accountants, the Company shall deliver a copy thereof to the Holder.

**SECTION 6.4 Warrant Certificate Amendments.** Irrespective of any adjustments pursuant to this Section 6, Warrant Certificates theretofore or thereafter issued need not be amended or replaced, but Warrant Certificates thereafter issued shall bear an appropriate legend or other notice of any adjustments and which legend and/or notice has been provided by the Company to the Holder.

## **SECTION 7. NOTICES TO THE HOLDER**

So long as this Warrant shall be outstanding, (i) if the Company proposes to pay any dividend or make any distribution upon the Common Stock, (ii) if the Company shall offer to holders of its Common Stock rights to subscribe for, purchase, or exchange property for any shares of any class of stock, or any other rights or Warrants or (iii) if any capital reorganization of the Company, reclassification of the capital stock of the Company, consolidation or merger of the Company with or into another corporation (other than a merger with a subsidiary in which merger the Company is the continuing corporation and which does not result in any reclassification, capital reorganization or other change of outstanding shares of Common Stock of the class issuable upon exercise of this Warrant), sale, lease or transfer of all or substantially all of the property and assets of the Company to another corporation, or voluntary or involuntary dissolution, liquidation or winding up of the Company shall be effected, then in any such case, the Company shall cause to be sent by overnight mail or courier service to the Holder, at least five days prior to the date specified in (x) or (y) below, as the case may be, a notice containing a brief description of the proposed action and stating the date on which (x) a record is to be taken for the purpose of such dividend, distribution or subscription rights, or (y) such reclassification, reorganization, consolidation, merger, conveyance, lease, dissolution, liquidation or winding up is to take place and the date, if any is to be fixed, as of which holders of Common Stock or other securities shall receive cash or other property deliverable upon such reclassification, reorganization, consolidation, merger, conveyance, dissolution, liquidation or winding up.

## **SECTION 8. RECLASSIFICATION, REORGANIZATION OR MERGER.**

In case of any reclassification, capital reorganization or other change of outstanding shares of Common Stock of the Company, or in case of any consolidation or merger of the Company with or into another corporation (other than a merger with a subsidiary in which merger the Company is the continuing corporation and which does not result in any reclassification, capital reorganization or other change of outstanding shares of Common Stock of the class issuable upon exercise of this Warrant) or in case of any sale, lease or conveyance to another corporation of the property of the Company as an entirety (collectively such actions being hereinafter referred to as "Reorganizations"), the Company shall, as a condition precedent to such Reorganization transaction, cause effective provisions to be made so that the Holder shall have the right thereafter by exercising this Warrant at any time prior to the expiration of the Warrant, to receive in lieu of the amount of securities otherwise deliverable, the kind and amount of shares of stock and other securities and property receivable upon such Reorganization by a holder of the number of shares of Common Stock which might have been purchased upon exercise of this Warrant and the Warrants included in the Shares immediately prior to such Reorganization. Any such provision shall include provision for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Warrant. The foregoing provisions of this Section 9 shall similarly apply to successive Reorganizations.

## **SECTION 9. ISSUE TAX.**

The issuance of certificates representing the Warrant Shares upon the exercise of this Warrant as well as securities underlying the Share Warrants shall be made without charge to the Holder for any original issuance tax in respect thereof.

## **SECTION 10.GOVERNING LAW, JURISDICTION AND VENUE.**

This Warrant shall be governed by and construed and enforced in accordance with the laws of the State of Florida. The Company and by acceptance hereof, the Holder, hereby consent to the exclusive jurisdiction and venue of the courts of the State of Florida located in Palm Beach County, Florida or the United States Federal District Court for the Southern District of Florida with respect to any matter relating to this Warrant and the performance of the Company's or the Holder's obligations hereunder and the Company and the Holder hereby further consent to the personal jurisdiction of such courts. Any action suit or proceeding brought by or on behalf of the Company or the Holder relating to such matters shall be commenced, pursued, defended and resolved only in such courts and any appropriate appellate court having jurisdiction to hear an appeal from any judgment entered in such courts.

**[Signature Page Follows]**

**GLOBALTEL IP, INC.**

By: \_\_\_\_\_

Dated: \*\_\_\_\_\_\*

Attest:

\_\_\_\_\_  
Secretary

## PURCHASE FORM

Dated \_\_\_\_\_, \_\_\_\_\_

The undersigned hereby irrevocably elects to exercise the within Warrant to the extent of purchasing \_\_\_\_\_ Warrant Shares and hereby makes payment of \_\_\_\_\_ in payment of the actual exercise price thereof.

## INSTRUCTIONS FOR REGISTRATION OF STOCK

(Please typewrite or print in block letters)

Name \_\_\_\_\_

Address \_\_\_\_\_

Signature \_\_\_\_\_

## **GLOBALTEL IP, INC. 2005 INCENTIVE EQUITY PLAN**

### **1. Purpose**

The purpose of the GlobalTel IP, Inc., Inc. 2005 Incentive Equity Plan (the “Plan”) is to promote the long-term profitability GlobalTel IP, Inc (the Company”) and to enhance value for its stockholders by offering incentives and rewards to key employees, contractors, directors and officers of the Company, to retain their services and to encourage them to acquire and maintain stock ownership in the Company.

### **2. Term**

The Plan shall become effective upon its approval by the Company’s stockholders having a majority of the Company’s outstanding voting securities at the time of such approval and shall terminate at the close of business on the fifth anniversary of such approval date unless terminated earlier by the Board (as defined in Section 3 hereof). After termination of the Plan, no future awards may be granted, but previously granted awards shall remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of the Plan.

### **3. Plan Administration**

The Board of Directors of the Company (the “Board”) shall be responsible for administering the Plan. Notwithstanding the foregoing, the Board may appoint a Committee composed of two or more of members of the Board to administer the Plan and, in the event of such appointment, the Committee shall be responsible for administering the Plan and shall have the powers otherwise granted to the Board under the Plan. The Board shall have full and exclusive power to interpret the Plan and to adopt such rules, regulations and guidelines for carrying out the Plan as it may deem necessary or proper, all of which power shall be executed in the best interests of the Company and in keeping with the objectives of the Plan. This power includes but is not limited to selecting award recipients, establishing all award terms and conditions and adopting modifications, amendments and procedures, as well as rules and regulations governing awards under the Plan, and to make all other determinations necessary or advisable for the administration of the Plan. The interpretation and construction of any provision of the Plan or any option or right granted hereunder and all determinations by the Board in each case shall be final, binding and conclusive with respect to all interested parties.

### **4. Eligibility**

All key employees, directors and officers of the Company shall be eligible to receive awards under the Plan (each, an “Employee”). “Employee” shall also include any former employee of the Company eligible to receive an assumed or replacement award as contemplated in Sections 5 and 8 hereof, and “Company” includes any entity that is directly or indirectly controlled by the Company, as determined by the Board.

## **5. Shares of Common Stock Subject to the Plan**

Subject to the provisions of Section 6 hereof, the aggregate number of shares of Common Stock, , \$.001 par value par value of the Company ("shares") which may be issued to participants under the Plan shall be \* \_\_\_\_\_\* .

Shares subject to awards under the Plan which expire, terminate or are canceled prior to purchase or exercise and which do not vest shall thereafter be available for the granting of other awards. Shares otherwise issuable pursuant to an award which have been exchanged by a participant as full or partial payment to the Company in connection with any award under the Plan also shall thereafter be available for the granting of other awards. In instances where an SAR or other award is settled in cash, the shares covered by such award shall remain available for the granting of other awards. Likewise, the payment of cash dividends and dividend equivalents paid in cash in conjunction with outstanding awards shall not be counted against the shares available for issuance.

Any shares issued under the Plan may consist in whole or in part of authorized and unissued shares or of treasury shares, and no fractional shares shall be issued under the Plan. Cash may be paid in lieu of any fractional shares in settlements of awards under the Plan.

## **6. Adjustments and Reorganizations**

In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other change affecting shares or share price, the Board shall make a proportionate adjustment with respect to: (a) the aggregate number of shares that may be issued under the Plan; (b) each outstanding award made under the Plan; (c) the exercise price per share for any outstanding stock options, SARs or similar awards under the Plan and (d) the then unpaid purchase price per share in connection with stock purchase grants under the plan to the extent that the purchase price may be paid in shares.

## **7. Current Value**

For purposes hereof, Current Value of a security shall be determined as follows:

- (a) If the security is listed on a national securities exchange or admitted to unlisted trading privileges on such exchange or listed for trading on NASDAQ or the NASD Bulletin Board, the Current Value of a share or other unit shall be the last reported sale price of such security on such exchange or system or Bulletin Board or if no such sale is made on such day, the average of the closing high bid and low asked prices for such day on such exchange or system or Bulletin Board; or
- (b) If the security is not so listed or admitted to unlisted trading privileges but bid and asked prices are reported by the National Quotation Bureau, Inc. or any successor thereto, the Current Value shall be the average of last reported high bid and low asked prices reported by the National Quotation Bureau, Inc.; or

- (c) If the security is not so listed or admitted to unlisted trading privileges and bid and asked prices are not so reported, the Current Value shall be the book value of a share or other unit as at the end of the immediately prior fiscal quarter of the Company determined in accordance with generally accepted accounting principles consistently applied.

## **8. Awards**

The Board shall determine the type or types of award(s) to be made to each participant. Awards may be granted singly, in combination or in tandem. Awards also may be made in combination or in tandem with, in replacement of, as alternative to, or as the payment form for grants or rights under any other compensation plan or individual contract or agreement of the Company including those of any acquired entity. The types of awards that may be granted under the Plan are:

- (a) Options - This is a grant of a right to purchase a specified number of shares during a specified period as determined by the Board. The purchase price per share for each stock option shall be not less than 100% of Current Value on the date of grant (except if a stock option is granted retroactively in tandem with or as a substitution for an SAR, the exercise price may be no lower than the exercise price per share for such tandem or replaced SAR). The exercise price for a stock option shall be paid in full by the optionee at the time of the exercise in cash or such other method permitted by the Board, including (i) tendering (either actually or by attestation) shares, (ii) authorizing a third party to sell the shares (or a sufficient portion thereof) acquired upon exercise of a stock option and assigning the delivery to the Company of a sufficient amount of the sale proceeds to pay for all the shares acquired through such exercise, or (iii) any combination of the above.
- (b) SARs - This is a right to receive a payment, in cash and/or shares, equal to the excess of the Current Value of a specified number of shares on the date the SAR is exercised over the Current Value on the date the SAR was granted (except that if an SAR is granted retroactively in tandem with or in substitution for a stock option, the designated Current Value shall be no lower than the exercise price per share for such tandem or replaced stock option).
- (c) Stock Awards - This is an award made or denominated in shares or units equivalent in value to shares. All or part of any stock award may be subject to conditions and restrictions established by the Board which may be based on continuous service with the Company or the achievement of performance goals related to profits, profit growth, profit-related return ratios, cash flow or shareholder returns, where such goals may be stated in absolute terms or relative to comparison companies.
- (d) Stock Purchase – This is a right to purchase a specified number of shares during a specified period as determined by the Board. The purchase price per share shall be not less than 100% of Current Value on the date of grant and may, if approved by the Board, be paid in cash or a finite number of shares at the option of the Employee.

## **9. Dividends and Dividend Equivalents**

The Board may provide that any awards under the Plan earn dividends or dividend equivalents. Such dividends or dividend equivalents may be paid currently or may be credited to a participant's account. Any crediting of dividends or dividend equivalents may be subject to such restrictions and conditions as the Board may establish, including reinvestment in additional shares or share equivalents.

## **10. Deferrals and Settlements**

Payment of awards may be in the form of cash, stock, other awards or combinations thereof as the

Board shall determine, and with such restrictions as it may impose. The Board also may require or permit participants to elect to defer the issuance of shares or the settlement of awards in cash under such rules and procedures as it may establish under the Plan. It also may provide that deferred settlements include the payment or crediting of interest on the deferral amounts, or the payment or crediting of dividend equivalents where the deferral amounts are denominated in shares.

#### **11. Transferability and Exercisability**

Awards granted under the Plan shall not be transferable or assignable other than by will or the laws of descent and distribution, except to the extent permitted by the Board, in its sole discretion. Any award so transferred shall continue to be subject to all the terms and conditions contained in the instrument evidencing such award.

#### **12. Evidence of Awards**

Awards under the Plan shall be evidenced by instruments as approved by the Board that set forth the terms, conditions and limitations for each award which may include the term of an award, the provisions applicable in the event the participant's employment terminates, and the Board's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind any award.

#### **13. Acceleration and Settlement of Awards**

The Board shall have the discretion, exercisable at any time before a sale, merger, consolidation, reorganization, liquidation or change in control of the Company, as defined by the Board, to provide for the acceleration of vesting and for settlement, including cash payment, of an award granted under the Plan upon or immediately before such event is effective. However, the granting of awards under the Plan shall in no way affect the right of the Company to adjust, reclassify, reorganize, or otherwise change its capital or business structure, or to merge, consolidate, dissolve, liquidate, sell or transfer all or any portion of its businesses or assets.

#### **14. Plan Amendment**

The Plan may be amended only by the Board as it deems necessary or appropriate to better achieve the purposes of the Plan, except that no such amendment shall be made without the approval of the Company's stockholders which would increase the number of shares available for issuance in accordance with Sections 5 and 6 of the Plan.

#### **15. Tax Withholding**

The Company shall have the right to deduct from any settlement of an award made under the Plan, including the delivery or vesting of shares, a sufficient amount to cover withholding of any federal, state or local taxes required by law, or to take such other action as may be necessary to satisfy any such withholding obligations. The Board may, in its discretion and subject to such rules as it may adopt, permit participants to use shares to satisfy required tax withholding, and such shares shall be valued at the Fair Market Value as of the settlement date of the applicable award.

#### **16. Other Benefit and Compensation Programs**

Unless otherwise specifically determined by the Board and not inconsistent with the terms of any benefit

plan, severance program or severance pay law, settlements of awards received by participants under the Plan shall not be deemed a part of a participant's regular, recurring compensation for purposes of calculating payments or benefits from any Company benefit plan, severance program or severance pay law. Further, the Company may adopt other compensation programs, plans or arrangements as it deems appropriate or necessary.

#### **17. Unfunded Plan**

Unless otherwise determined by the Board, the Plan shall be unfunded and shall not create (or be construed to create) a trust or a separate fund or funds. The Plan shall not establish any fiduciary relationship between the Company and any participant or other person. To the extent any person holds any rights by virtue of an award granted under the Plan, such rights (unless otherwise determined by the Board) shall be no greater than the rights of an unsecured general creditor of the Company.

#### **18. Use of Proceeds**

The cash proceeds received by the Company from the issuance of shares pursuant to awards under the Plan shall constitute general funds of the Company.

#### **19. Future Rights**

No person shall have any claim or rights to be granted an award under the Plan, and no participant shall have any rights under the Plan to be retained in the employ of the Company.

#### **20. Successors and Assigns**

The Plan shall be binding on all successors and assigns of a participant including, without limitation, the estate of such participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the participant's creditors.

**THE OPTION AND THE UNDERLYING SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. NEITHER THIS OPTION NOR SUCH SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED IN THE UNLESS THEY HAVE BEEN REGISTERED IN AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS, OR AN OPINION OF COUNSEL IN A FORM REASONABLY SATISFACTORY TO THE ISSUER THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAWS.**

**OPTION TO PURCHASE SHARES  
OF COMMON STOCK OF GLOBALTEL IP, INC.**

**GLOBALTEL IP, INC.** a Florida corporation (the “Company”) hereby grants to \_\_\_\_\_ (hereinafter the “Holder”), an Option (the “Option”) to purchase \_\_\_\_\_ shares (the “Shares”) of the common stock of the Company, \$.001 par value, (the “Common Stock”) at the purchase prices per Share set forth in Section 1 below (the “Exercise Prices”) (the number of Shares and Exercise Prices being subject to adjustment, as hereinafter provided) upon the terms and conditions herein set forth.

**1. Exercise of Option.**

(a) Except as otherwise set forth in this Section 1, this Option may be exercised upon presentation and surrender of this Option Certificate, with the attached Purchase Form (Exhibit A hereto) duly executed, at the principal office of the Company, at 7999 North Federal Hwy, Suite 401, Boca Raton, FL 33487 or at such other place as the Company may designate by notice to the Holder, together with a certified bank or cashier’s check payable to the order of Inc. in the amount of the Exercise Price times the number of Shares being purchased. This Option may be exercised in whole or in part. In case of exercise hereof in part only, the Company, upon surrender hereof, will deliver to the Holder a new Option Certificate of like tenor entitling the Holder to purchase the number of Shares as to which this Option has not been exercised.

(b) This Option to purchase the common stock of the Company may be exercised in whole or in part at any time beginning on the respective dates follows:

| Number of Shares | Exercise Price | Beginning Dates |
|------------------|----------------|-----------------|
| *_*              | *_*            | *_*             |
| *_*              | *_*            | *_*             |
| *_*              | *_*            | *_*             |
| *_*              | *_*            | *_*             |

***(c) Notwithstanding anything herein to the contrary,***

***i. The Option expires at 5 P.M. Eastern Time on February 28, 2010 and cannot be exercised thereafter (the “Expiration Date”);***

***ii. Prior to the Expiration Date, the Option shall be exercisable only during the time, if any, in which the Company is required to file reports with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and is then current in the filing of such reports.***

## **2. Purchased and Underlying Shares.**

(a) Upon surrender of this Option Certificate and payment of the Exercise Price as aforesaid, the Company shall issue and cause to be delivered with all reasonable dispatch to the Holder, a certificate or certificates for the number of full shares of Common Stock comprising the applicable number of Shares so purchased upon the exercise of this Option (the “Purchased Shares”), together with cash, as provided in Section 9 hereof, in respect of any fractional Shares otherwise issuable upon such surrender. Such certificate or certificates shall be deemed to have been issued, and any person named therein shall be deemed to have become a holder of record of such Shares, as of the date of surrender of this Option and payment of the Exercise Price, as aforesaid, notwithstanding that the certificates representing such Shares shall not actually have been delivered or that the transfer shall not have been reflected on the stock transfer books of the Company.

(b) The Company shall at all times keep reserved so long as this Option remains outstanding, out of its authorized shares of Common Stock, such number of Shares as shall continue to be subject to purchase under this Option (the “Underlying Shares”). Every transfer agent for the Common Stock issuable upon the exercise of this Option shall be irrevocably authorized and directed at all times to reserve such number of authorized Shares as shall be requisite for such purpose.

## **3. Rights and Obligations of Option Holder.**

(a) The Holder of this Option shall not, by virtue hereof, be entitled to any rights of a shareholder in the Company, either at law or in equity. The rights of the Holder of this Option are limited to those expressed herein and the Holder of this Option, by its acceptance hereof, consents to and agrees to be bound by and to comply with all the provisions of this Option Certificate, including, without limitation, all the obligations imposed upon the Holder by Section 5 hereof.

(b) The Holder of this Option, as such, shall not be entitled to vote or receive dividends or to be deemed the holder of Shares for any purpose, nor shall anything contained in this Option Certificate, as such, confer upon the Holder any of the rights of a shareholder of the Company including, but not limited to, any right to vote, give or withhold consent to any action by the Company, whether upon any recapitalization, issue of stock, reclassification of stock, consolidation, merger, share exchange, conveyance or otherwise, receive notice of meetings or other action affecting shareholders (except for the notices provided for herein), receive dividends, receive subscription rights, or any other right until this Option shall have been exercised and the Holder shall have become the record holder of the Shares, as provided herein.

**4. Purchased Shares.** The Company covenants and agrees that all Purchased Shares to be delivered upon proper exercise of this Option shall be recorded on the books of the Company in the name of the Holder and shall be duly and validly authorized and issued, fully paid and non-assessable, and free from all preemptive rights, taxes (other than transfer taxes), liens, charges and security interests created by the Company with respect to the issuance thereof.

#### **5. Disposition of Options or Shares.**

(a) The Holder of this Option and/or any transferee hereof or of the Purchased Shares by its acceptance hereof or thereof, hereby understands and agrees that neither this Option nor the Purchased Shares have been registered under either the Securities Act of 1933 (the “1933 Act”) or applicable state securities laws (the “State Acts”) and shall not be sold, pledged, hypothecated, donated or otherwise transferred (whether or not for consideration) except upon the issuance to the Company of a favorable opinion of counsel or submission to the Company of such evidence as may be reasonably satisfactory to counsel to the Company, in each such case, to the effect that any such transfer shall not be in violation of the 1933 Act of and the State Acts. In addition, it shall be a condition to the transfer of this Option that any transferee hereof deliver to the Company its written agreement to accept and be bound by all of the representations, terms and conditions of this Option Certificate. This Option shall not be assignable except upon the express written consent of the Company.

(b) The stock certificates of the Company that will evidence the Purchased Shares may be imprinted with a conspicuous legend in substantially the following form:

“The securities represented by this certificate have not been registered under either the Securities Act of 1933 or applicable state securities laws and shall not be sold, pledged, hypothecated, donated or otherwise transferred (whether or not for consideration) by the holder except upon the issuance to the Company of a favorable opinion of its counsel or submission to the Company of such other evidence as may be reasonably satisfactory to counsel to the Company, in each such case, to the effect that any such transfer shall not be in violation of the Securities Act of 1933 and applicable state securities laws.”

The Company has not agreed to register the Option or any of the Purchased Shares for distribution under the 1933 Act or the State Acts. Accordingly, the Option and the Purchased Shares may be required to be held indefinitely, unless and until registered under the 1933 Act and the State Acts, or unless an exemption from such registration is available (in which case the Holder may still be limited as to the number of such Shares that may be sold).

## 6. Representations.

(a) *Risk Factors.* The Holder understands and acknowledges that (i) this Option and the Purchased Shares are unregistered, restricted securities and are not readily marketable, (ii) the Company has never operated on a profitable basis and that there can be no assurance that it will operate profitably in the future, and (iii) there is an extremely high degree of risk in investing in the Shares and the Holder must be able to bear the economic risk of the loss of the entire investment in the Shares upon any exercise of the Option.

(b) *Knowledge and Experience; Financial Capability and Net Worth.* The Holder has (i) such knowledge and experience in financial and business matters that the Holder is capable of evaluating the merits and risk of the investment in the Shares, (ii) had such risks explained to the Holder and has determined that such investment is suitable for the Holder in view of his financial circumstances and available investment opportunities, (iii) sufficient net worth and income to bear the economic risk of investment in the Purchased Shares, and (iv) no need for liquidity of the investment and no reason to anticipate any change in the Holder's financial circumstances which may cause or require any sale, transfer or other distribution of the Purchased Shares.

(c) *Information.* The Holder agrees that it shall be the Holder's responsibility to request such information with respect to the Company as the Holder and the Holder's advisors deem appropriate to evaluate the risks and merits of investment in the Purchased Shares at the time that the Holder exercises this Option.

**7. Adjustments.** The number of Shares purchasable upon the exercise of this Option, and the Exercise Prices, shall be subject to adjustment from time to time upon the occurrence of any of the events enumerated below at any time prior to the exercise of this Option in full.

(a) In case the Company shall: (i) pay a dividend, or make a distribution on the Common Stock, in shares of Common Stock or any other of its capital stock, (ii) subdivide its outstanding shares of Common Stock into a greater number of shares of Common Stock, (iii) combine its outstanding shares of its capital stock into a smaller number of shares of Common Stock, or (iv) issue, by reclassification of its shares of Common Stock, any shares of capital stock (including any reclassification in connection with a consolidation or merger in which the Company is the continuing corporation), the amount of Shares purchasable upon the exercise of this Option immediately prior thereto shall be adjusted so that the Holder shall be entitled to receive upon exercise of this Option that number of Shares (or other capital stock of the Company) which the Holder would have owned or would have been entitled to receive after the happening of such event had the Holder exercised this Option immediately prior to the record date, in the case of any such dividend, or the effective date, in the case of any such subdivision, combination or reclassification. An adjustment made pursuant to this subsection (a) shall be made whenever any of such events shall occur, but shall become effective retroactively after such record date or such effective date, as the case may be, as to any portion of this Option exercised between such record date or effective date and the date of happening of any such event.

(b) If the Company shall issue, by reorganization or reclassification of its Common Stock (including any such reorganization or reclassification in connection with a consolidation or merger of the Company with another corporation, provided the Company is the surviving corporation) other securities or property of the Company, the Holder shall thereafter have the right to receive upon exercise of this Option the kind and number of shares of stock or other securities or property which he would have been entitled to receive upon the happening of any such reorganization or reclassification, had this Option been exercised immediately prior thereto; and, in any case, appropriate adjustment (as determined by the Board of Directors in good faith) shall be made in the application of the provisions herein set forth with respect to rights and interests thereafter of the Holder, to the end that the provisions set forth herein shall thereafter be applicable, as near as reasonably practical, in relation to any shares of stock or other securities or other property thereafter deliverable upon the exercise of this Option. Any adjustment made pursuant to this subparagraph (b) shall become effective retroactively to the effective date of such reorganization or reclassification.

(c) If the Company shall issue, sell, grant or distribute to all or substantially all holders of shares of Common Stock evidences of indebtedness, any other securities of the Company (including, without limitation, rights, Options, warrants or convertible or exchangeable securities entitling the holders thereof to subscribe for, purchase, or convert or exchange securities into, shares of Common Stock, whether or not immediately exercisable) or any property or other assets (other than cash), and if such issuance, sale, grant or distribution does not otherwise constitute an event requiring adjustment under this Section 7 (any such nonexcluded event being herein called a "Special Dividend"), then, effective upon the record date of the Special Dividend, the Holder shall be entitled to receive, upon exercise of this Option (and the payment of the consideration, if any, payable to the Company for such Special Dividend under the terms of its issuance, sale, grant or distribution), the Special Dividend which the Holder would have been entitled to receive if this Option had been exercised immediately prior to the record date of the Special Dividend.

(d) In case the Company shall make a distribution to all holders of the Common Stock of stock of a subsidiary of the Company or securities convertible into or exercisable for such stock, then in lieu of an adjustment in the Exercise Price or the number of Shares purchasable upon the exercise of the Option, the Holder, upon the exercise of this Option at any time after such distribution, shall be entitled to receive from the Company, such subsidiary or both, as the Company shall determine, the stock or other securities to which such Holder would have been entitled if such Holder had exercised this Option immediately prior thereto, all subject to further adjustment as provided in this Section 7, and the Company shall reserve, for the life of this Option, such securities of such subsidiary.

(e) If there shall be any consolidation or merger to which the Company is a party, other than a consolidation or a merger in which the Company is a continuing corporation and which does not result in any reclassification of, or change (other than a change in respect of which an adjustment is required under any other provision of this Section 7 or a change in par value) in, outstanding shares of Common Stock, or any sale or conveyance of the property of the Company as an entirety or substantially as an entirety (any such event being called a “Capital Reorganization”), then, effective upon the effective date of such Capital Reorganization, the Holder shall have the right to purchase, upon exercise of this Option, the kind and amount of shares of stock and other securities and property (including cash) which the Holder would have owned or have been entitled to receive after such Capital Reorganization if this Option had been exercised immediately prior to such Capital Reorganization (assuming the Holder failed to exercise his rights of election, if any, as to the kind or amount of securities, cash or other property receivable upon such Capital Reorganization). As a condition of effecting any Capital Reorganization, the Company or the successor or surviving corporation, as the case may be, shall execute and deliver to the Holder and to the Company an agreement as to the Holder’s rights in accordance with this Section 7, providing for subsequent adjustments as nearly equivalent as may be practicable to the adjustments provided for in this Section 7. The provisions of this subparagraph shall similarly apply to successive Capital Reorganizations.

(f) After any adjustment of the number or kind of shares or other securities or property issuable upon exercise of this Option pursuant to the provisions of this Section, the respective Exercise Prices shall also be adjusted so that the aggregate Exercise Prices thereafter payable upon exercise of the then unexercised portion of the Option shall be equal to the aggregate Exercise Price which would have been payable upon exercise of this Option immediately prior to such adjustment.

(g) No adjustment shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the number of the Underlying Shares; provided, however, that any adjustments which by reason of this subsection are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 7 shall be made to the nearest one-hundredth of a Share.

(h) Whenever the number of Shares purchasable hereunder is adjusted as herein provided, the Company shall cause to be mailed to the Holder in accordance with the provisions of this Section a notice (i) stating that the number of Shares purchasable upon exercise of this Option has been adjusted, (ii) setting forth the adjusted number of Underlying Shares, (iii) setting forth the adjusted Exercise Price, and (iv) showing in reasonable detail the computations and the facts, including the amount of consideration, if any, received or deemed to have been received by the Company, upon which such adjustments are based. Such notice shall be conclusive as to the correctness of the adjustment of the Underlying Shares and Exercise Price unless objected to by the Holder within 30 days following the receipt of such notice by such Holder. If the Holder objects to the adjustment as set forth in such notice a representative of the Company shall meet with the Holder at such mutually convenient time or times as shall be mutually acceptable to the parties in order to agree as to the correct adjustment. If the Company and the Holder are unable to agree as to the correctness of the adjustment, the matter shall be submitted to a mutually acceptable firm of independent certified public accountants, whose determination as to the correct adjustment shall be conclusive and binding upon the Company and the Holder.

(i) The Company shall cause written notice of any Special Dividend to be mailed to the Holder at the earliest practicable time (and, in any event, not less than 10 days before the date fixed as a record date or the date of closing the transfer books for the determination of the shareholders entitled to such Special Dividend).

**8. Liquidation or Dissolution.** In case the Company dissolves or liquidates, the Company shall make appropriate provision so that the securities or property, as the case may be, which would be received by the Holder upon the exercise of this Option at the time immediately prior to the effective date of such dissolution or liquidation, will be available to the Holder from the liquidating trust; provided that the Holder shall make the determination as to whether to exercise this Option within six months of the effective date of dissolution or liquidation, at which time this Option shall be terminated and of no further force or effect and the Holder's rights under this Option shall be automatically terminated.

**9. Fractional Shares.** No fraction of a Share shall be required to be delivered upon the exercise of this Option or any portion hereof. If any fractional interest in a Share shall be deliverable upon the exercise of this Option, the Company shall make an adjustment therefor in cash equal to such fraction multiplied by the Current Market Price of the Shares on the business day next preceding the day of exercise. For purposes of this Option, the "Current Market Price" per share of Common Stock at any date shall be (i) if the shares of Common Stock are listed on any national securities exchange, the daily closing price on the date of determination; (ii) if the shares of Common Stock are not listed on any national securities exchange but are quoted or reported on the National Association of Securities Dealers, Inc., Automated Quotation System ("NASDAQ"), the last quoted price or, if not quoted, the average of the high bid and low asked price as reported by NASDAQ, as the case may be; and (iii) if the shares of Common Stock are neither listed on any national securities exchange nor quoted or reported on NASDAQ, the closing bid price in the over-the-counter market as furnished by any NASDAQ member firm that is selected from time to time by the Company.

**10. No Impairment.** The Company shall not by any action including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Option, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of the Holder against impairment. Without limiting the generality of the foregoing, the Company will (a) not increase the par value of any shares of Common Stock receivable upon the exercise of this Option above the amount payable therefor upon such exercise immediately prior to such increase in par value, and (b) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Option.

11. **Remedies.** The Company stipulates that the remedies at law of the Holder in the event of any default or threatened default by the Company in the performance of or compliance with any of the terms of this Option are not and will not be adequate and that, without limiting any other remedy available at law, such terms may be specifically enforced by a decree for the specific performance of any agreement contained herein or by an injunction against a violation of any of the terms hereof. The rights and remedies of the Holder are cumulative and not exclusive of any rights or remedies which the Holder might otherwise have.

12. **Loss or Destruction.** Upon receipt of evidence satisfactory to the Company of the loss, theft, mutilation or destruction of this Option Certificate, the Company shall, upon its receipt of an indemnity agreement or bond reasonably satisfactory in form, substance and amount to the Company or, in the case of any such mutilation, upon surrender and cancellation of this Option Certificate, the Company at its expense will execute and deliver to the Holder, in lieu thereof, a new Option Certificate of like tenor.

13. **Survival.** The various rights and obligations of the Holder hereof as set forth herein shall survive the exercise of this Option at any time or from time to time and the surrender of this Option Certificate.

14. **Notices.** Whenever any notice, payment of any purchase price or other communication (any such notice, payment or other communication, a "Delivery") is required to be given or delivered under the terms of this Option, it shall be in writing and delivered by hand delivery or Federal Express or registered or certified United States mail, postage prepaid and return receipt requested, and will be deemed to have been given or delivered on the date such notice, purchase price or other communication is so delivered. Any Delivery to the Company, shall be addressed to the Company at its then principal place of business or to such other address as the Company may hereafter designate to the Holder in writing; any Delivery to the Holder shall be addressed to such Holder at the address set forth in the Company's records or such other address as the Holder may hereafter designate to the Company in writing.

15. **Change; Waiver.** Neither this Option nor any term hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought. No failure or delay of the Holder in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power.

16. **Covenants to Bind Successor and Assigns.** The terms of this Option shall bind the successors and permitted assigns of the Holder and the Company.

17. **Severability.** In case any one or more of the provisions contained in this Option shall be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. The parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

**GLOBALTEL IP, INC**

By: \_\_\_\_\_

Name:

Title:

Date Signed: \_\_\_\_\_

**AGREED TO THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2006**

\_\_\_\_\_

**EXHIBIT A PURCHASE FORM**

**TO: GLOBALTEL IP, INC**

The undersigned hereby irrevocably elects to exercise the Option evidenced by the attached Option Certificate to the extent of [NUMBER] shares of the Common Stock of INC., and hereby makes payment of [AMOUNT] in accordance with the provisions of Section 1 of the Option Certificate in payment of the purchase price thereof.

Name of Holder: \_\_\_\_\_

(Please type or print)

Signature of Holder: \_\_\_\_\_

Address of Holder: \_\_\_\_\_

**ASSET PURCHASE AGREEMENT**

**between**

**CNE INDUSTRIES, INC.**

**and**

**INTERACTIVE MEDIA TECHNOLOGIES, INC.**

## ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "Agreement") is entered into this 25th day of February 2005, by and between **CNE INDUSTRIES, INC.**, a Florida corporation, ("CNE") and **INTERACTIVE MEDIA TECHNOLOGIES, INC.**, a Florida corporation ("IMT").

### WITNESSETH:

**WHEREAS**, IMT has developed a global voice over internet protocol business (the "VoIP Business") and utilized certain assets in connection with the VoIP Business as described in Schedule 1 hereto (the "VoIP Assets"); and

**WHEREAS**, CNE desires to purchase the VoIP Business and the VoIP Assets from IMT upon the terms and conditions contained herein; and

**WHEREAS**, IMT desires to sell the VoIP Business and the VoIP Assets to CNE on the terms and conditions contained herein;

**NOW THEREFORE**, in consideration of the foregoing and of the mutual covenants and agreements contained herein, the parties hereto covenant and agree as follows:

1. Assets, Properties and Rights to be Purchased. On the terms and subject to the conditions set forth herein, effective on the Closing Date (as defined below), IMT shall sell, assign, convey, transfer and deliver to CNE, its successors and assigns, and CNE shall purchase and acquire from IMT, the VoIP Assets and the VoIP Business free and clear of any and all liens, claims and encumbrances.
2. Consideration. In full consideration of the sale and transfer of the VoIP Business and VoIP Assets, CNE shall deliver to IMT 7,000,000 shares of CNE's common stock, \$.001 par value (the "CNE Shares") registered in the name of IMT.
3. Liabilities Not Assumed. CNE does not assume or agree to pay or discharge any debts, liabilities or obligations of IMT.

4. Effective Date and Closing Date. The Effective Date of this Agreement shall be the date this Agreement is executed by all parties. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place as of the close of business at the offices of IMT at 1801 North Military Trail, Suite 203, Boca Raton, FL 33431 not more than ten days after all of the conditions to Closing hereinbelow set forth are satisfied or waived (the date on which the Closing takes place being the "Closing Date") or at such other time and place as the parties hereto shall agree. If the Closing has not occurred on or before March 31, 2005, each party shall have the right to terminate this Agreement as hereinbelow provided.
5. Execution and Delivery of Closing Documents. At the Closing, (a) IMT will deliver to CNE such assignments, consents to assignments and good and sufficient instruments of transfer and conveyance as shall be necessary to transfer, assign and convey to, and to vest in, CNE good and merchantable title to the VoIP Business and VoIP Assets, free and clear of all liens, claims and encumbrances and such lists and descriptions of the VoIP Business and VoIP Assets and such other documents as CNE may reasonably request and (ii) CNE will deliver to IMT the CNE Shares. At the Closing, each party also will execute and deliver such other appropriate and customary documents as any other party reasonably may request for the purpose of consummating the transactions contemplated by this Agreement. All actions taken at the Closing will be deemed to have been taken simultaneously at the time the last of any such actions is taken or completed.
6. Covenant to Defend Title. Effective as of the Closing Date, IMT hereby binds itself, and its successors and assigns, at IMT's sole cost and expense, to warrant and defend title to the VoIP Assets and the VoIP Business unto CNE, and its successors and assigns against every person whomsoever lawfully claiming the same or any part thereof.
7. Further Assurances. After the Closing, the parties hereto shall execute and deliver such additional documents and take such additional actions as either party may reasonably deem to be practical and necessary or advisable in order to consummate the transactions contemplated by this Agreement and to vest more fully in CNE the ownership of and rights to the VoIP Business and VoIP Assets granted hereunder as they existed immediately prior to the Closing and to vest more fully in IMT the ownership of and rights to the CNE Shares.
8. Representations and Warranties of IMT. IMT represents and warrants to CNE as follows, which representations and warranties shall survive the Closing:
  - a. Organization and Good Standing of IMT. IMT is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida.
  - b. Power and Authority. IMT has the corporate power and authority to own, lease and operate the VoIP Business and VoIP Assets and to carry on the VoIP Business as currently being conducted.

- c. Authorization and Validity. IMT has the corporate power and authority to execute, deliver and perform its obligations under this Agreement and any other documents executed or required to be executed by it in connection with this Agreement. This Agreement and the other documents executed or required to be executed by IMT in connection with this Agreement have been or will be duly authorized by all necessary corporate action.
- d. Binding Effect. This Agreement and the other documents executed or required to be executed by IMT in connection with this Agreement have been or will have been duly executed and delivered by IMT and are or will be, when executed and delivered, the legal, valid and binding obligations of IMT enforceable in accordance with their terms except to the extent that:
- i. enforceability may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights;
  - ii. the availability of equitable remedies may be limited by equitable principles of general applicability; and
  - iii. rights to indemnification may be limited by considerations of public policy.
- e. No Violation. Neither the execution and performance of this Agreement or the agreements described herein nor the consummation of the transactions described herein or therein will:
- i. result in a violation or breach of (a) the articles of incorporation or by-laws of IMT; or (b) any material agreement or other material instrument under which IMT is bound or to which any of the Assets are subject, or result in the creation or imposition of any lien, charge or encumbrance upon any of the Assets, or
  - ii. violate, in any material respect, any applicable law or regulation or any judgment or order of any court or governmental agency.
  - iii. To the best of its knowledge, IMT has complied in all material respects with all applicable laws, regulations and licensing requirements, and has filed with the proper authorities all necessary statements, applications, notices, reports and any other filings with respect to the VoIP Business, except where the failure to do so would not reasonably be expected to have a material adverse effect on the Assets, the intended use thereof by CNE or the VoIP Business.

- f. Permits and Licenses; Compliance. To the best of its knowledge, IMT possesses and, at the Closing, will transfer and assign to CNE all necessary governmental licenses, franchises, permits, approvals, authorizations, and rights necessary for CNE to engage in the VoIP Business and that, if not possessed, could not reasonably be expected to have a material adverse effect on the VoIP Business and VoIP Assets or the intended use thereof by CNE. To the best of its knowledge, IMT is in compliance with all such governmental licenses, franchises, permits, approvals, authorizations, or rights, and all federal, state or local laws or regulations applicable to the VoIP Business and VoIP Assets except where the failure to be in compliance would not reasonably be expected to have a material adverse effect on the Assets or the intended use thereof by CNE.
- g. Title to VoIP Assets. IMT owns the VoIP Assets free and clear of all liens, claims and encumbrances. Upon consummation of the transactions contemplated hereby, CNE shall receive good and valid title to the VoIP Assets, free and clear of all liens, claims and encumbrances.
- h. Consents. No authorization, consent, approval, permit or license of, or filing with, any governmental or public body or authority, any lender or lessor or any other person or entity is required to authorize, or is required in connection with, the execution, delivery and performance of this Agreement or the agreements or transactions contemplated hereby on the part of IMT.
- i. Description of the VoIP Assets and VoIP Business. No document heretofore furnished by IMT or any person acting on its behalf to CNE or any person acting on its behalf with respect to the VoIP Assets and the VoIP Business (collectively, the “Disclosure Documents”) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statement therein, in light of the circumstances under which they were made, not misleading. Since the date of which information has been furnished in the Disclosure Documents, respectively, there has not been any material adverse change in or event affecting any of the VoIP Assets and the VoIP Business.
- j. IMT will retain the right to utilize VoIP as a method of transport for originating and terminating calls on and off it’s network. Nothing construed in the agreement will prohibit IMT from providing wholesale termination services to CNE or any other new or existing wholesale customer.

- k. Litigation. No legal or administrative or other adversary proceeding or investigation is currently pending against IMT and, to the best knowledge of IMT, none is threatened or contemplated by any governmental agency or other third party with respect to the VoIP Assets and the VoIP Business. IMT is not subject to any continuing court or administrative order, writ, injunction or decree applicable specifically to the VoIP Assets and the VoIP Business which would affect the obligations of IMT or the rights of CNE hereunder.
- l. Patents, Trademarks and Copyrights. Other than as expressly set forth in Exhibit 8K. hereto, IMT owns or is licensed to use all patents, trademarks, and copyrights, if any, necessary to engage in the VoIP Business and utilize the VoIP assets in connection therewith without conflict with the rights of others and following the Closing, CNE shall be entitled to use all such patents, trademarks and copyrights as are necessary to engage in the VoIP Business and utilize the VoIP Assets in connection therewith. Exhibit 8K. hereto contains a true and correct description of the following:
- i. all trademarks, trade names, service marks, and other trade designations, common law rights, registrations, and applications for registration, and all patents, copyrights, and applications currently utilized in the VoIP Business and utilization of the VoIP Assets in connection therewith; and
  - ii. all material agreements relating to technology, know-how or processes that IMT is licensed or authorized to use by others and used in connection with the VoIP Business and the VoIP Assets in connection therewith.
- m. Full Disclosure. There are no facts pertaining to the VoIP Business or the VoIP Assets in connection that are reasonably likely to have a material adverse effect on either of them that have not been disclosed by IMT to CNE.
- n. Liens on Assets. There are no liens held by any party on the VoIP Assets. The lienholder (Gregory T. Kruglak Revocable Trust) has granted a release of lien on these assets.

- o. Financial Statements. IMT has furnished financial statements of the VoIP Business to CNE as set forth in Exhibit 8o. hereto (the “IMT Financial Statements”). The IMT Financial Statements are true, complete and correct in all material respects and were prepared in accordance with generally accepted accounting principles applied on a consistent basis, and fairly present the financial position of the VoIP Business as of the dates and for the periods indicated. Since the latest date of the IMT Financial Statements, (i) no event or condition has occurred that may reasonably be expected to result in a material adverse effect on the condition (financial or otherwise) of the VoIP Business or on the VoIP Assets, or prospects, and (ii) the VoIP Business has not incurred any material liabilities other than liabilities incurred in the ordinary and usual course of business consistent with past practice.
- p. Disclaimer. Notwithstanding anything in this Agreement or elsewhere to the contrary, IMT does not warrant that CNE will be successful, either in a business or a technical sense (for example, the sales and marketing methods used by IMT), as a result of purchasing the VoIP Assets and the VoIP Business or exercising the rights granted by IMT to CNE hereunder. IMT has advised CNE that there are many competing and overlapping patents, proprietary rights and trade secret claims in the VoIP business, and that CNE shall rely on its own independent evaluation of the patents, proprietary rights and trade secrets in the conduct of its business.
- q. Investment Representations and Warranties.
- i. The CNE Shares will be acquired by IMT for its own account and not with a view to or for sale or other disposition in connection with any transaction that will not be exempt from the registration requirements of the Securities Act of 1933 (the “Securities Act”) and any applicable state securities laws.
  - ii. IMT is capable of evaluating the merits and risks of an investment in the CNE Shares and has such knowledge, experience and skill in financial and business matters that it is capable of evaluating the merits and risks of the investment in CNE Shares and the suitability of the CNE Shares as an investment and can bear the economic risk of an investment therein for an indefinite period of time. No guarantees have been made or can be made with respect to the future value, if any, of the CNE Shares or the profitability or success of the business of CNE.

iii. IMT understands that the CNE Shares will not have been registered under the Securities Act or any applicable state securities laws, that the CNE Shares will be characterized as “restricted securities” under federal securities laws, and that under such laws and applicable regulations the CNE Shares cannot be sold or otherwise disposed of without registration under the Securities Act or an exemption therefrom.

In this connection, IMT represents that it is familiar with Rule 144 promulgated under the Act, as currently in effect, and understands the resale limitations imposed thereby and by the Securities Act. Stop transfer instructions may be issued to the transfer agent for securities of CNE (or a notation may be made in the appropriate records of CNE) in connection with the CNE Shares, but only to the extent customary for securities which are “restricted securities.”

iv. IMT understands that CNE is the only person that can register the CNE Shares under the Securities Act and CNE has no obligation or intention to do so, however, CNE agrees to register the legal maximum allowable number of shares as agreed by IMT. A share registration agreement will be created within 90 days of the execution of this agreement.

v. IMT consents to the placement of a legend on the certificate evidencing the CNE Shares stating that they have not been registered under the Securities Act or under any other applicable securities laws, setting forth or referring to the restrictions on transferability and sale thereof and including placement of any additional language as may be required by applicable state securities laws.

9. CNE represents and warrants to IMT as follows, which representations and warranties shall survive the Closing:

a. Organization and Good Standing. CNE is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida..

b. Power and Authority. CNE has the corporate power and authority to issue the CNE Shares as herein provided.

c. Authority and Validity. CNE has the corporate power and authority to execute, deliver and perform its respective obligations under this Agreement and the other documents executed or required to be executed by it in connection with this Agreement, and this Agreement and the other documents executed or required to be executed by CNE in connection with this Agreement have been duly authorized by all necessary corporate action of CNE.

- d. Binding Effect. This Agreement and the other documents executed or required to be executed by CNE in connection with this Agreement have been or will have been duly authorized, executed and delivered by CNE and are or will be, when executed and delivered, the legal, valid and binding obligations of CNE enforceable in accordance with their terms except to the extent that:
- i. enforceability may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights;
  - ii. the availability of equitable remedies may be limited by equitable principles of general applicability; and
  - iii. rights to indemnification may be limited by considerations of public policy.
- e. No Violation. Neither the execution and performance of this Agreement or the agreements described herein nor the consummation of the transactions described herein or therein will:
- i. result in a violation or breach of (a) the articles of incorporation or by-laws of CNE or (b) any material agreement or other material instrument under which CNE is bound or to which the assets of CNE are subject, or result in the creation or imposition of any lien, charge or encumbrance upon any of the assets or properties of CNE; or
  - ii. violate, in any material respect, any applicable law or regulation or any judgment or order of any court or governmental agency.
- f. Consents. Other than those to be transferred and assigned to CNE by IMT at the Closing, no authorization, consent, approval, permit or license of, or filing with, any governmental or public body or authority, any lender or lessor or any other person or entity is required to authorize, or is required in connection with, the execution, delivery and performance of this Agreement or the agreements or transactions contemplated hereby on the part of CNE.

- g. Financial Statements. CNE has furnished its financial statement to IMT as set forth in Exhibit 9g. hereto (the “CNE Financial Statements”). The CNE Financial Statements are true, complete and correct in all material respects and were prepared in accordance with generally accepted accounting principles applied on a consistent basis, and fairly present the financial position of CNE as of the dates and for the periods indicated. Since the latest date of the CNE Financial Statements, (i) no event or condition has occurred that may reasonably be expected to result in a material adverse effect on the condition (financial or otherwise) of CNE or on its assets, properties or prospects, and (ii) CNE has not incurred any material liabilities other than liabilities incurred in the ordinary and usual course of business consistent with past practice.
- h. Capitalization. CNE has outstanding 7,788,500 shares of common stock, \$.001 par value shares. There are no outstanding securities, rights, subscriptions, warrants, options, stock appreciation rights or other agreement or other security that is convertible into, exercisable for, or entitles the holder to purchase or acquire any capital stock from CNE.
- i. Absence of Certain Changes. Since the latest date of the CNE Financial Statements, CNE has not:
- i. suffered any damage or destruction or loss that could reasonably be expected to or does materially and adversely affect the condition of CNE (financial or otherwise) or its prospects;
  - ii. acquired or disposed of any assets or properties; or
  - iii. entered into any other commitment or transaction or experienced any other event that is material to this Agreement or to any of the other agreements and documents executed or to be executed pursuant to this Agreement or to the transactions described herein or therein, or that could reasonably be expected to have, or has had, a material adverse effect on the condition of CNE (financial or otherwise) or on its prospects.
  - iv. Litigation. No material legal or administrative or other adversary proceeding or investigation is currently pending against CNE and, to the best knowledge of CNE, none is threatened or contemplated by any governmental agency or other third party. CNE is not subject to any continuing court or administrative order, writ, injunction or decree.

10. Covenants of IMT. IMT hereby covenants with CNE that

- a. Exclusive Negotiations. Until the earlier of the Closing Date or the termination of this Agreement, and subject to the fiduciary duties of the directors of IMT, IMT agrees that none of IMT or any of the officers, directors or other agents of IMT will, directly or indirectly, solicit or accept from any person or entity any offer or expression of interest in, or with respect to an acquisition, combination, merger or similar transaction involving IMT with respect to the VoIP Assets or the VoIP Business. Upon receipt of any unsolicited bona fide offer or expression of interest in or with respect to any such transaction, IMT agrees to promptly inform CNE of the existence and terms of such offer or expression of interest.
- b. Non-Compete. For a period of five years from the Closing or until this Agreement is terminated, IMT agrees not to engage in a business substantially similar to the VoIP Business other than through its interest in CNE.
- c. Sales and Use Tax. Although, CNE shall be responsible for any sales or use tax payable in connection with the sale of the Assets hereunder; IMT will reasonably assist CNE to minimize any such sales or use tax.
- d. Use of Globaltel Name. Immediately after the Closing,, IMT shall furnish such consents as may be reasonably required to permit CNE to change its name to \*Global Tel IP, Inc.\_\_\_\_\_\* .

11. Covenant of CNE. Exclusive Negotiations. CNE hereby covenants with IMT that until the earlier of the Closing Date or the termination of this Agreement, and subject to the fiduciary duties of the directors of CNE, CNE agrees that none of CNE or any of the officers, directors or other agents of CNE will, directly or indirectly, solicit or accept from any person or entity any offer or expression of interest in, or with respect to a similar transaction involving CNE with respect to a product or a business that competes, directly or indirectly, with the VoIP Business.

12. Conditions to Obligations of IMT. The obligations of IMT to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing of each of the following conditions in all material respects:

- a. Representations, Warranties and Covenants. The representations and warranties of CNE contained in this Agreement shall have been true and correct as of the date they were made or deemed to have been made and shall be true and correct as of the Closing Date, with the same force and effect as if made as of the Closing Date, except for such changes as are permitted or contemplated by this Agreement, and other than such representations and warranties as are made as of another date. The covenants and agreements contained in this Agreement to be complied with by CNE on or before the Closing Date shall have been complied with. IMT shall have received a certificate from CNE to such effect, dated as of the Closing Date and signed by the Chief Executive Officer of CNE.
- b. No Proceeding or Litigation. No legal or regulatory action shall have been commenced or threatened by or before any court or any federal, state or local governmental authority (collectively, "Governmental Authority") against IMT or CNE seeking to restrain or adversely alter the transactions contemplated by this Agreement or which is likely to render it impossible or unlawful to consummate such transactions, or which could reasonably be expected to have a material adverse effect on the condition of CNE (financial or otherwise) or on its assets, properties or prospects.

13. Conditions to Obligations of CNE. The obligations of CNE to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions in all material respects:

- a. Representations, Warranties and Covenants. The representations and warranties of IMT contained in this Agreement shall have been true and correct as of the date as of which they were made or deemed to have been made and shall be true and correct as of the Closing Date, with the same force and effect as if made as of the Closing Date except for such changes as are permitted or contemplated by this Agreement, other than such representations and warranties as are made as of another date. The covenants and agreements contained in this Agreement to be complied with by IMT on or before the Closing Date shall have been complied with. CNE shall have received a certificate from IMT to such effect dated as of the Closing Date and signed by the Chief Executive Officer of IMT.
- b. No Proceeding or Litigation. No legal or regulatory action shall have been commenced or threatened by or before any Governmental Authority against IMT or CNE seeking to restrain or adversely alter the transactions contemplated hereby or which is likely to render it impossible or unlawful to consummate the transactions contemplated by this Agreement or which could have a material adverse effect on the Assets.

14. Indemnification

- a. Subject to the terms and conditions of this Section 14, CNE hereby agrees to indemnify, defend and hold each of IMT and its officers, directors, agents, attorneys and affiliates harmless from and against all losses, obligations, assessments, penalties, liabilities, costs, damages, reasonable attorneys' fees and expenses (collectively, "Damages") asserted against or incurred by IMT or such identified persons by reason of or resulting from (i) a representation or warranty made by CNE herein being materially incorrect or untrue or (ii) a breach by CNE of any covenant contained herein or in any of the agreements executed pursuant hereto.
- b. Subject to the terms and conditions of this Section 14, IMT hereby agrees to indemnify, defend and hold each of CNE, its assignee and its officers, directors, agents, attorneys and affiliates harmless from and against all Damages asserted against or incurred by CNE or such identified persons by reason of or resulting from (i) a representation or warranty made by

IMT herein being materially incorrect or untrue or (ii) a breach by IMT of any covenant made by IMT contained herein or in any of the agreements executed pursuant hereto.

- c. The parties agree to cooperate with each other in the event of any settlement negotiated with regard to the indemnification provided herein. In no event shall the total amount payable pursuant to this Section 14 with respect to the incorrectness of a representation or warranty exceed the Purchase.

- d. Any permitted indemnitee under Sections 14a. or 14b. hereof (an "Indemnified Party") shall give notice to the person responsible for indemnification (an "Indemnifying Party") of any claim as to which indemnification may be sought as soon as possible after the Indemnified Party has actual knowledge thereof and the amount thereof, if known. The Indemnified Party shall supply to the Indemnifying Party any other information in the possession of the Indemnified Party regarding such claim, and will permit the Indemnifying Party (at its expense) to assume the defense of any third party claim and any litigation resulting therefrom, provided that counsel for the Indemnifying Party who shall conduct the defense of such claim or litigation shall be reasonably satisfactory to the Indemnified Party, and provided further that the failure by the Indemnified Party to give notice as provided herein will not relieve the Indemnifying Party of its indemnification obligations hereunder except to the extent that the Indemnifying Party is damaged as a result of the failure to give notice. If the Indemnifying Party has assumed the defense of a third party claim, the Indemnifying Party shall not be entitled to settle such third party claim without the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld, provided that such consent shall not be required if such settlement involves only the payment of money and the claimant provides to the Indemnified Party, in form and substance reasonably satisfactory to such Indemnified Party, a release from all liability in respect of such third party claim.
- e. The Indemnified Party shall have the right at all times to participate in the defense, settlement, negotiations or litigation relating to any third party claim or demand at its own expense. If the Indemnifying Party does not assume the defense of any matter as above provided, then the Indemnified Party shall have the right to defend any such third party claim or demand, and will be entitled to settle any such claim or demand in its discretion for the account or benefit of the Indemnified Party. In any event, the Indemnified Party will cooperate in the defense of any such action at the expense of the Indemnifying Party and the records of each party shall be available to the other with respect to such defense.
- f. The indemnification provided in this Section 14 shall be applicable whether or not negligence of the indemnified party is alleged or proven.

15. Termination by IMT. IMT shall have the right to terminate this Agreement if the conditions in Section 12 hereof have not been satisfied or waived by IMT on or before March 31, 2005.

16. Termination by CNE. CNE shall have the right to terminate this Agreement if the conditions in Section 13 have not been satisfied or waived by CNE on or before March 31, 2005.

17. Termination by Agreement of IMT and CNE. IMT and CNE may terminate this Agreement at any time by their mutual written consent.

18. Damages. If this Agreement is terminated, the parties shall retain any rights they may have against each other for any breach of any of the terms and conditions of this Agreement.

19. Expenses. Each party hereto shall pay its own expenses incurred in connection with this Agreement and the transactions contemplated hereby.

20. Entire Agreement. This Agreement and the exhibits hereto contain the complete agreement among the parties with respect to the transactions contemplated hereby and supersede all prior agreements and understandings among the parties with respect to such transactions.

21. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and such counterparts together shall constitute only one original.

22. Notices. All notices, demands, requests, or other communications that may be or are required to be given, served or sent by any party to any other party pursuant to this Agreement shall be in writing and shall be mailed by first-class, registered or certified mail, return receipt requested, postage prepaid, or transmitted by hand delivery, telegram, facsimile, or telex, addressed as follows:

If to IMT:

Interactive Media Technologies, Inc.  
1801 North Military Trail  
Suite 203  
Boca Raton, Florida 33431

If to CNE:

CNE Industries, Inc.  
101 Briny Avenue  
Suite 1410  
Pompano Beach, Florida 33062

Each party may designate by notice in writing a new address to which any notice, demand, request or communication may thereafter be so given, served or sent. Each notice, demand, request or communication that is mailed, delivered or transmitted in the manner described above shall be deemed sufficiently given, served, sent and received for all purposes at such time as it is delivered to the addressee, with the return receipt, the delivery receipt, the affidavit of messenger, or (with respect to a telecopy or telex) the answerback or confirmation of receipt being deemed conclusive evidence of such delivery, or at such time as delivery is refused by the addressee upon presentation.

23. Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term hereof, the provision shall be fully severable and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision were never a part hereof; and the remaining provisions hereof shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as part of this Agreement a provision as similar in its terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

24. Successors and Assigns. This Agreement and the rights, interests and obligations hereunder shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

25. Governing Law. This Agreement and the rights and obligations of the parties hereto shall be governed, construed and enforced in accordance with the laws of the State of Florida and exclusive venue shall lie in the state and federal courts in the State of Florida.

26. Amendment, Waiver and Other Action. This Agreement may be amended, modified or supplemented only by a written instrument executed by the parties against which enforcement of the amendment, modification or supplement is sought.

27. Legal Representation. All of the parties to this Agreement acknowledge that they have been advised that they should seek and have had the opportunity to seek counsel to review this Agreement and to obtain the advice of such counsel relating thereto.

28. Assignment. Neither this Agreement nor any right created hereby shall be assignable by either party hereto without the consent of the other party, which consent shall not be unreasonably withheld, provided that CNE may assign this Agreement to a wholly owned subsidiary which has not yet been formed.

29. Confidentiality. Other than as required by law, each party shall maintain the confidentiality of, and not divulge or disclose to any other person, the existence of or any terms and conditions of this Agreement or any of the financial or other information provided to it by the other party to this Agreement.

30. Captions. The captions in this Agreement are for convenience of reference only and shall not limit or otherwise affect any of the terms or provisions hereof.

31. Number and Gender. Whenever the context requires, references in this Agreement to the singular number shall include the plural; the plural number shall include the singular; and words denoting gender shall include the masculine, feminine, and neuter.

32. Public Announcements. Except to the extent that IMT or CNE believes on the advice of counsel that public disclosure is required by law, no party to this Agreement shall make, or cause to be made, any press release or public announcement in respect of this Agreement or the transactions contemplated hereby or otherwise communicate with any news media without prior notification to

the other parties. The parties shall cooperate as to the time and contents of any such press release or public announcement, but if they are unable to reach an agreement as to the time and contents of such press release or public announcement, each shall be free to make such press release or public announcement as it deems necessary.

33. Survival of Representations and Warranties. The representations and warranties of the respective parties shall survive the Closing or termination of this Agreement, as the case may be.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of the day and year set forth above.

**CNE INDUSTRIES, INC.**

By: /s/ Larry M. Reid

Name: Larry M. Reid

Title: President

**INTERACTIVE MEDIA TECHNOLOGIES, INC.**

**By:** /s/ Steve Williams  
**Name:** Steve Williams  
**Title:** President

**GRGORY T. KRUGLAK REVOCABLE TRUST**

**By:** /s/ Gregory T. Kruglak  
**Name:** GREGORY T. KRUGLAK  
**Title:** MANAGING TRUSTEE

**ASSET PURCHASE AGREEMENT**

**between**

**GLOBALTEL IP, INC.**

**and**

**INTERACTIVE MEDIA TECHNOLOGIES, INC.**

## ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "Agreement") is entered into this 8th day of March 2006, by and between **GLOBALTEL IP, INC.**, a Florida corporation, ("GTIP") and **INTERACTIVE MEDIA TECHNOLOGIES, INC.**, a Florida corporation ("IMT").

### WITNESSETH:

**WHEREAS**, IMT has acquired certain assets that are used in connection with the Voice Over Internet Protocol ("VoIP") business as described in Schedule A attached hereto (the "Nextone Assets"); and

**WHEREAS**, GTIP desires to purchase the Nextone Assets from IMT upon the terms and conditions contained herein; and

**WHEREAS**, IMT desires sell the Nextone Assets to GTIP upon the terms and conditions contained herein;

**NOW THEREFORE**, in consideration of the foregoing and of the mutual covenants and agreements contained herein, the parties hereto covenant and agree as follows:

1. Assets, Properties and Rights to be Purchased. On the terms and subject to the conditions set forth herein, effective on the Closing Date (as defined below), IMT shall sell, assign, convey, transfer and deliver to GTIP, its successors and assigns, and GTIP shall purchase and acquire from IMT, the Nextone Assets free and clear of any and all liens, claims and encumbrances.
2. Consideration. In full consideration of the sale and transfer of the Nextone Assets, GTIP shall deliver to IMT 102,925 shares of GTIP's common stock, \$.001 par value (the "GTIP Shares") registered in the name of IMT.
3. Liabilities Not Assumed. GTIP does not assume or agree to pay or discharge any debts, liabilities or obligations of IMT.
4. Effective Date and Closing Date. The Effective Date of this Agreement shall be the date this Agreement is executed by all parties. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place as of the close of business at the offices of IMT at 7999 N. Federal Highway, Suite 401, Boca Raton, FL 33487 not more than ten days after all of the conditions to Closing hereinbelow set forth are satisfied or waived (the date on which the Closing takes place being the "Closing Date") or at such other time and place as the parties hereto shall agree. If the Closing has not occurred on or before March 31, 2006, each party shall have the right to terminate this Agreement as hereinbelow provided.

5. Execution and Delivery of Closing Documents. At the Closing, (a) IMT will deliver to GTIP such assignments, consents to assignments and good and sufficient instruments of transfer and conveyance as shall be necessary to transfer, assign and convey to, and to vest in, GTIP good and merchantable title to the Nextone Assets, free and clear of all liens, claims and encumbrances and such lists and descriptions of the Nextone Assets and such other documents as GTIP may reasonably request and (ii) GTIP will deliver to IMT the GTIP Shares. At the Closing, each party also will execute and deliver such other appropriate and customary documents as any other party reasonably may request for the purpose of consummating the transactions contemplated by this Agreement. All actions taken at the Closing will be deemed to have been taken simultaneously at the time the last of any such actions is taken or completed.
6. Covenant to Defend Title. Effective as of the Closing Date, IMT hereby binds itself, and its successors and assigns, at IMT's sole cost and expense, to warrant and defend title to the Nextone Assets unto GTIP, and its successors and assigns against every person whomsoever lawfully claiming the same or any part thereof.
7. Further Assurances. After the Closing, the parties hereto shall execute and deliver such additional documents and take such additional actions as either party may reasonably deem to be practical and necessary or advisable in order to consummate the transactions contemplated by this Agreement and to vest more fully in GTIP the ownership of and rights to the Nextone Assets granted hereunder as they existed immediately prior to the Closing and to vest more fully in IMT the ownership of and rights to the GTIP Shares.
8. Representations and Warranties of IMT. IMT represents and warrants to GTIP as follows, which representations and warranties shall survive the Closing:
- a. Organization and Good Standing of IMT. IMT is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida.
  - b. Power and Authority. IMT has the corporate power and authority to own, lease and operate the Nextone Assets.
  - c. Authorization and Validity. IMT has the corporate power and authority to execute, deliver and perform its obligations under this Agreement and any other documents executed or required to be executed by it in connection with this Agreement. This Agreement and the other documents executed or required to be executed by IMT in connection with this Agreement have been or will be duly authorized by all necessary corporate action.

- d. Binding Effect. This Agreement and the other documents executed or required to be executed by IMT in connection with this Agreement have been or will have been duly executed and delivered by IMT and are or will be, when executed and delivered, the legal, valid and binding obligations of IMT enforceable in accordance with their terms except to the extent that:
- i. enforceability may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights;
  - ii. the availability of equitable remedies may be limited by equitable principles of general applicability; and
  - iii. rights to indemnification may be limited by considerations of public policy.
- e. No Violation. Neither the execution and performance of this Agreement or the agreements described herein nor the consummation of the transactions described herein or therein will:
- i. result in a violation or breach of (a) the articles of incorporation or by-laws of IMT; or (b) any material agreement or other material instrument under which IMT is bound or to which any of the Assets are subject, or result in the creation or imposition of any lien, charge or encumbrance upon any of the Assets, or
  - ii. violate, in any material respect, any applicable law or regulation or any judgment or order of any court or governmental agency.
- f. Title to Nextone Assets. IMT owns the Nextone Assets free and clear of all liens, claims and encumbrances. Upon consummation of the transactions contemplated hereby, GTIP shall receive good and valid title to the Nextone Assets, free and clear of all liens, claims and encumbrances.
- g. Consents. No authorization, consent, approval, permit or license of, or filing with, any governmental or public body or authority, any lender or lessor or any other person or entity is required to authorize, or is required in connection with, the execution, delivery and performance of this Agreement or the agreements or transactions contemplated hereby on the part of IMT.

- h. Description of the Nextone Assets. No document heretofore furnished by IMT or any person acting on its behalf to GTIP or any person acting on its behalf with respect to the Nextone Assets (collectively, the “Disclosure Documents”) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statement therein, in light of the circumstances under which they were made, not misleading. Since the date of which information has been furnished in the Disclosure Documents, respectively, there has not been any material adverse change in or event affecting any of the Nextone Assets.
- i. Litigation. No legal or administrative or other adversary proceeding or investigation is currently pending against IMT and, to the best knowledge of IMT, none is threatened or contemplated by any governmental agency or other third party with respect to the Nextone Assets. IMT is not subject to any continuing court or administrative order, writ, injunction or decree applicable specifically to the Nextone Assets which would affect the obligations of IMT or the rights of GTIP hereunder.
- j. Full Disclosure. There are no facts pertaining to the Nextone Assets that are reasonably likely to have a material adverse effect on them that have not been disclosed by IMT to GTIP.
- k. Liens on Assets. There are no liens held by any party on the Nextone Assets other than the lien held by Gregory T. Kruglak Revocable Trust. The lienholder (Gregory T. Kruglak Revocable Trust) has granted a release of lien on the Nextone assets.
- l. Investment Representations and Warranties.

  - i. The GTIP Shares will be acquired by IMT for its own account and not with a view to or for sale or other disposition in connection with any transaction that will not be exempt from the registration requirements of the Securities Act of 1933 (the “Securities Act”) and any applicable state securities laws.
  - ii. IMT is capable of evaluating the merits and risks of an investment in the GTIP Shares and has such knowledge, experience and skill in financial and business matters that it is capable of evaluating the merits and risks of the investment in GTIP Shares and the suitability of the GTIP Shares as an investment and can bear the economic risk of an investment therein for an indefinite period of time. No guarantees have been made or can be made with respect to the future value, if any, of the GTIP Shares or the profitability or success of the business of GTIP.

iii. IMT understands that the GTIP Shares will not have been registered under the Securities Act or any applicable state securities laws, that the GTIP Shares will be characterized as “restricted securities” under federal securities laws, and that under such laws and applicable regulations the GTIP Shares cannot be sold or otherwise disposed of without registration under the Securities Act or an exemption therefrom.

In this connection, IMT represents that it is familiar with Rule 144 promulgated under the Act, as currently in effect, and understands the resale limitations imposed thereby and by the Securities Act. Stop transfer instructions may be issued to the transfer agent for securities of GTIP (or a notation may be made in the appropriate records of GTIP) in connection with the GTIP Shares, but only to the extent customary for securities which are “restricted securities.”

iv. IMT understands that GTIP is the only person that can register the GTIP Shares under the Securities Act and GTIP has no obligation or intention to do so.

v. IMT consents to the placement of a legend on the certificate evidencing the GTIP Shares stating that they have not been registered under the Securities Act or under any other applicable securities laws, setting forth or referring to the restrictions on transferability and sale thereof and including placement of any additional language as may be required by applicable state securities laws.

9. GTIP represents and warrants to IMT as follows, which representations and warranties shall survive the Closing:

a. Organization and Good Standing. GTIP is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida..

b. Power and Authority. GTIP has the corporate power and authority to issue the GTIP Shares as herein provided.

c. Authority and Validity. GTIP has the corporate power and authority to execute, deliver and perform its respective obligations under this Agreement and the other documents executed or required to be executed by it in connection with this Agreement, and this Agreement and the other documents executed or required to be executed by GTIP in connection with this Agreement have been duly authorized by all necessary corporate action of GTIP.

- d. Binding Effect. This Agreement and the other documents executed or required to be executed by GTIP in connection with this Agreement have been or will have been duly authorized, executed and delivered by GTIP and are or will be, when executed and delivered, the legal, valid and binding obligations of GTIP enforceable in accordance with their terms except to the extent that:
- i. enforceability may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights;
  - ii. the availability of equitable remedies may be limited by equitable principles of general applicability; and
  - iii. rights to indemnification may be limited by considerations of public policy.
- e. No Violation. Neither the execution and performance of this Agreement or the agreements described herein nor the consummation of the transactions described herein or therein will:
- i. result in a violation or breach of (a) the articles of incorporation or by-laws of GTIP or (b) any material agreement or other material instrument under which GTIP is bound or to which the assets of GTIP are subject, or result in the creation or imposition of any lien, charge or encumbrance upon any of the assets or properties of GTIP; or
  - ii. violate, in any material respect, any applicable law or regulation or any judgment or order of any court or governmental agency.
- f. Consents. Other than those to be transferred and assigned to GTIP by IMT at the Closing, no authorization, consent, approval, permit or license of, or filing with, any governmental or public body or authority, any lender or lessor or any other person or entity is required to authorize, or is required in connection with, the execution, delivery and performance of this Agreement or the agreements or transactions contemplated hereby on the part of GTIP.
- g. Capitalization. GTIP has outstanding 20,698,500 shares of common stock, \$.001 par value shares.

h. Absence of Certain Changes. Since the latest date of the GTIP Financial Statements, GTIP has not:

i. suffered any damage or destruction or loss that could reasonably be expected to or does materially and adversely affect the condition of GTIP (financial or otherwise) or its prospects;

ii. acquired or disposed of any assets or properties; or

iii. entered into any other commitment or transaction or experienced any other event that is material to this Agreement or to any of the other agreements and documents executed or to be executed pursuant to this Agreement or to the transactions described herein or therein, or that could reasonably be expected to have, or has had, a material adverse effect on the condition of GTIP (financial or otherwise) or on its prospects.

iv. Litigation. No material legal or administrative or other adversary proceeding or investigation is currently pending against GTIP and, to the best knowledge of GTIP, none is threatened or contemplated by any governmental agency or other third party. GTIP is not subject to any continuing court or administrative order, writ, injunction or decree.

10. Termination by Agreement of IMT and GTIP. IMT and GTIP may terminate this Agreement at any time by their mutual written consent.

11. Damages. If this Agreement is terminated, the parties shall retain any rights they may have against each other for any breach of any of the terms and conditions of this Agreement.

12. Expenses. Each party hereto shall pay its own expenses incurred in connection with this Agreement and the transactions contemplated hereby.

13. Entire Agreement. This Agreement and the exhibits hereto contain the complete agreement among the parties with respect to the transactions contemplated hereby and supersede all prior agreements and understandings among the parties with respect to such transactions.

14. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and such counterparts together shall constitute only one original.

15. Notices. All notices, demands, requests, or other communications that may be or are required to be given, served or sent by any party to any other party pursuant to this Agreement shall be in writing and shall be mailed by first-class, registered or certified mail, return receipt requested, postage prepaid, or transmitted by hand delivery, telegram, facsimile, or telex, addressed as follows:

If to IMT:

Interactive Media Technologies, Inc.  
7999 North Federal Highway  
Suite 400  
Boca Raton, Florida 33487

If to GTIP:

GlobalTel IP, Inc.  
7999 North Federal Highway  
Suite 401  
Boca Raton, Florida 33487

Each party may designate by notice in writing a new address to which any notice, demand, request or communication may thereafter be so given, served or sent. Each notice, demand, request or communication that is mailed, delivered or transmitted in the manner described above shall be deemed sufficiently given, served, sent and received for all purposes at such time as it is delivered to the addressee, with the return receipt, the delivery receipt, the affidavit of messenger, or (with respect to a telecopy or telex) the answerback or confirmation of receipt being deemed conclusive evidence of such delivery, or at such time as delivery is refused by the addressee upon presentation.

16. Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term hereof, the provision shall be fully severable and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision were never a part hereof; and the remaining provisions hereof shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as part of this Agreement a provision as similar in its terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

17. Successors and Assigns. This Agreement and the rights, interests and obligations hereunder shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.
18. Governing Law. This Agreement and the rights and obligations of the parties hereto shall be governed, construed and enforced in accordance with the laws of the State of Florida and exclusive venue shall lie in the state and federal courts in the State of Florida.
19. Amendment, Waiver and Other Action. This Agreement may be amended, modified or supplemented only by a written instrument executed by the parties against which enforcement of the amendment, modification or supplement is sought.
20. Legal Representation. All of the parties to this Agreement acknowledge that they have been advised that they should seek and have had the opportunity to seek counsel to review this Agreement and to obtain the advice of such counsel relating thereto.
21. Assignment. Neither this Agreement nor any right created hereby shall be assignable by either party hereto without the consent of the other party, which consent shall not be unreasonably withheld, provided that GTIP may assign this Agreement to a wholly owned subsidiary which has not yet been formed.
22. Confidentiality. Other than as required by law, each party shall maintain the confidentiality of, and not divulge or disclose to any other person, the existence of or any terms and conditions of this Agreement or any of the financial or other information provided to it by the other party to this Agreement.
23. Captions. The captions in this Agreement are for convenience of reference only and shall not limit or otherwise affect any of the terms or provisions hereof.
24. Number and Gender. Whenever the context requires, references in this Agreement to the singular number shall include the plural; the plural number shall include the singular; and words denoting gender shall include the masculine, feminine, and neuter.
25. Public Announcements. Except to the extent that IMT or GTIP believes on the advice of counsel that public disclosure is required by law, no party to this Agreement shall make, or cause to be made, any press release or public announcement in respect of this Agreement or the transactions contemplated hereby or otherwise communicate with any news media without prior notification to the other parties. The parties shall cooperate as to the time and contents of any such press release or public announcement, but if they are unable to reach an agreement as to the time and contents of such press release or public announcement, each shall be free to make such press release or public announcement as it deems necessary.

26. Survival of Representations and Warranties. The representations and warranties of the respective parties shall survive the Closing or termination of this Agreement, as the case may be.

(SIGNATURE PAGE FOLLOWS)

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of the day and year set forth above.

**GLOBALTEL IP, INC.**

**By:** /s/ Larry M. Reid

**Name:** LARRY M. REID

**Title:** EXECUTIVE VICE PRESIDENT

**INTERACTIVE MEDIA TECHNOLOGIES, INC.**

**By:** /s/ Steve Williams

**Name:** STEVE WILLIAMS

**Title:** PRESIDENT

**GREGORY T. KRUGLAK REVOCABLE TRUST**

**By:** /s/ Gregory T. Kruglak

**Name:** GREGORY T. KRUGLAK

**Title:** MANAGING TRUSTEE

## Schedule A

| Description                                  | Value     |
|--|-----------|
| Nextone – H323 Gate Keeper 500 Ports         | 12,938.00 |
| Nextone – 100 Port Media Routing Option      | 2,013.00  |
| Nextone Intel Server (Includes Installation) | 5,634.00  |
| Total  | 20,585.00 |

# Software Support Agreement

Agreement between Interactive Media Technologies, Inc. (Seller) and (Buyer):

Company Name: Globaltel IP, Inc.  
Address: 7999 N. Federal Highway Suite 401  
City, State, ZIP/Postcode: Boca Raton, FL 33487  
Country: USA  
Contact: Larry Reid

This Software Support Agreement ("SSA") is entered into as of March 1, 2005 ("Effective Date") by and between **GlobalTel IP, Inc. (Buyer)**, and **Interactive Media Technologies Inc.**, an Florida company, located at 7999 North Federal Highway, Suite 400, Boca Raton, Florida 33487 USA. This agreement supersedes all previous support agreements between Buyer and Interactive Media Technologies, Inc. The terms of this agreement are based upon the following articles:

Buyer operates GTIP system software (the "System") and wishes to purchase Software Support. The enclosed Software Support Order for Software Support summarizes the current software products in use by Buyer, which are to be covered.

## 1. SCOPE OF THE AGREEMENT

### 1.1. Term of the SSA

The term of the SSA commences with the Effective Date noted above and remains in effect until terminated as provided in this agreement.

### 1.2. Software Support Orders

The Services to be delivered to Buyer are summarized in the enclosed Software Support Order.

### 1.3. Service Order Term

For each Service Order, Seller shall provide services for twelve (12) months from the Effective Date of the Service Order, unless otherwise specified on the Service Order (the "Term").

### 1.4. Renewal of Support Service Order

The last day of the Term is considered the "Renewal Date" for the Service Order. On the Renewal Date, Support Services will renew automatically for an additional year of service and with the same maintenance package, unless either party notifies the other of its desire to either revise or terminate the Service Order for the following Term. Notification shall be in writing and sent by regular mail or facsimile at the addresses set forth above. Notification shall be given within sixty (60) days of the Renewal Date.

### 1.5. Additional Orders for Services

If during the Term of a Service Order, Buyer wishes to order additional service not provided under the Service Order, Buyer may request additional services pursuant to written purchase orders.

### 1.6. Additional Equipment Purchases During Service Order Year

If during the Term of the Service Order, Buyer purchases additional System Equipment or Upgrades, Seller will enroll the components in the Service Order plan, according to the terms of the Service order in effect for that System at the time. The succeeding Software Support Invoice will show an added charge for the added component(s).

## 2. CHANGES TO SERVICES AND PRICE LISTS

Seller may amend or revise prices and services at any time upon thirty (30) days written notice to Buyer, subject to Buyer's consent, which shall not be unreasonably denied. Seller agrees not to amend annual support agreement pricing until completion of initial term. If Buyer does not consent to suggested modifications by Seller, both parties shall use reasonable efforts to reach an amended schedule of services and prices agreeable to both parties.

### 2.1. Annual Charges

Annual charges for Software Support are set forth in the Software Support Order attached to this SSA.

## **2.2. Invoice and Payment Schedule**

The annual charges for Software Support shall be payable quarterly or monthly in advance of the period for which support services are rendered. Any charges for any other products or services will be invoiced when provided and are due and payable upon receipt of such invoice.

## **2.3. Taxes and Related Expenses**

Buyer shall pay all sales, use and other taxes (including VAT-value added tax), duty emissions testing charges, and customs storage charges applicable to the charges.

## **2.4. Travel and Expense Charges**

Buyer shall pay travel, accommodations, and other reasonable expenses including but not limited to meals, laundry, local transportation, and business communications of Seller personnel for all On-Site services provided by Seller or its representatives, except as expressly provided in the Software Support Order.

## **2.5. Insurance and Risk of Loss**

For all shipments of Hardware and Software, Seller shall be responsible for the shipping and insurance of the property CIF to the Buyer's designated destination airport. From the point of arrival through customs and transport to the site, Buyer shall be responsible for risk of loss, insurance, freight, customs, VAT, and other charges as described above in Section 2.3.

# **3. PAYMENTS AND CORRESPONDENCE**

## **3.1. Payments and Payee**

Buyer may issue payments for Software Support fees through Wire Transfer, Bank Draft, Letter of Credit, or by Company Check. The following is the procedure for payment by wire transfer of funds:

(1) Apply a value date (date when funds are available in Seller account) to the wire transfer.

|                        |                 |  |
|------------------------|-----------------|--|
| (2) Submit payment to: | Address:        | Interactive Media Technologies, Inc.<br>Wachovia Bank<br>Jacksonville, Florida |
|                        | Routing Number: | 063000021  |
|                        | Account Number: | 20001911112  |
|                        | Beneficiary:    | Interactive Media Technologies, Inc.   |

(3) Advise Seller of date and transfer via facsimile to: 561.999.0518

For check payment, make Company Check payable to: Interactive Media Technologies, Inc. and express mail to:

Interactive Media Technologies, Inc.  
7999 North Federal Highway, Suite 400  
Boca Raton, FL 33487 USA

## **3.2. Inquiries and Correspondence**

Inquiries about the SSA and the Service Order may be addressed to:

Interactive Media Technologies, Inc.  
7999 North Federal Highway, Suite 400  
Boca Raton, FL 33487 USA  
Telephone: 561.999.9116  
Fax: 561.999.0518

# **4. LIMITATION OF SERVICES**

## **4.1. System Operation Must Be According to Documentation**

Software Support shall not apply unless the System is operated in strict accordance with the documentation furnished with the System, and any subsequent updates to the documentation provided by Seller.

## **4.2. Services Do Not Extend to Non-GTIP Software**

Software Support is void in cases where Buyer has made unauthorized use of Non-system hardware or unapproved Software, or anything which is not directly a part of the System, as supported by Seller.

## **4.3. Maintaining Current Software**

As part of your software support agreement, Seller will continue to supply you with upgrades that will update the latest versions of your existing software modules.

#### **4.4. Unauthorized Use**

Software Support shall not be rendered for any defects, malfunctions, problems or questions concerning the System arising because of:

- a. Negligence of Buyer or Third parties– Misuse, accident or improper maintenance and/or application by Buyer or third parties, inclusive of operation outside Hardware or Software System design specifications;
- b. Unauthorized Modifications and/or Repairs– Buyer's direct performance of, or Buyer allowing the modification, repair, or alteration of either Hardware or Software except as authorized in writing by Seller;
- c. Inadequate Controls – Environmental and Infrastructural– Buyer's failure to provide and maintain a suitable installation environment with all facilities prescribed by Seller, [including but not limited to failure of or failure to provide: (1) adequate electrical power with appropriate protection against local anomalies; and (2) air temperature or humidity control, high quality leased lines, etc.];
- d. Regional Infrastructural Failures– Hardware and/or Software failures caused by power failures, fluctuations, or brownouts; telecommunication line disruptions and outages;
- e. Unauthorized Deployment of Spares, Materials, Equipment and Supplies– Unauthorized incorporation of Seller spare parts into the System, regardless of whether Buyer performs such unauthorized actions directly or allows such unauthorized actions to occur; or Buyer's direct use of, or Buyer allowing the use of supplies or materials not meeting Seller specifications, inclusive of the attachment of any hardware whatsoever not authorized by Seller;
- f. Buyer acknowledges that any failure to comply with the recommendation of Seller management in this regard may prevent the successful resolution of Seller software irregularities and system failures. *Seller services do not include the development of new applications to "work around" problems known to be caused by hardware.*

### **5. LIMITATION OF LIABILITIES**

#### **5.1. Consumable Accessories**

Except as specifically provided for in this SSA, Seller extends no warranty, express or implied, including any warranty of merchantability or fitness for a particular purpose, to Buyer for the services or any other maintenance or support or for any consumable or supply product (such as ribbon, cable, magnetic tape, or similar material provided under this SSA) which Buyer may order through Seller for use in conjunction with the services or any other maintenance or support.

4

#### **5.2. Cumulative Liability**

Neither Seller nor any of its subcontractors' agents shall be liable for any loss or damage to the equipment or other property or injury or death to Buyer's agents, employees, or Buyer arising in connection with the Services or any other maintenance or support provided by Seller or its subcontractor under this SSA. Notwithstanding any other provision of the Agreement or this SSA, under no circumstances shall Seller or any of its subcontractors be liable to Buyer or any third party claiming under Buyer, for special, incidental, indirect or consequential damages as a result of a breach of any provision of the SSA, or for any loss, damage, or any expense directly or indirectly arising from Buyer's use or inability to use or a third party's use, or inability to use, whether or not authorized, of the software or its components, either separately or in combination with other equipment, or for commercial loss of any kind, including costs of procurement of substitute services, loss of profits, and interruption of services. Seller's cumulative liability under the SSA for all causes of action shall be limited to and shall not exceed the amounts paid by Buyer under the SSA, and in no event shall Seller be liable to Buyer for any amount exceeding amounts paid under the SSA on a monthly basis.

#### **5.3. Non-Performance Recourse**

In all situations involving performance or non-performance by Seller under this SSA, Buyer's sole and exclusive remedy is (1) to terminate this SSA by written notice to Seller and (2) to receive a pro-rated refund for the pre-paid Services, less any sum due and owing to Seller.

### **6. MISCELLANEOUS**

#### **6.1. Time Limitation for Action**

Any action for breach or to enforce any provision of this SSA shall be brought within two years after the cause of action accrues or it will be deemed waived and barred.

#### **6.2. Renegotiation of Unenforceable Provisions**

If any provision of this SSA is held to be unenforceable or invalid, the remaining provisions shall be given full effect, and the parties shall negotiate, in good faith, a substitute valid provision which most nearly approximates the parties' intent of the unenforceable or invalid provision.

### **6.3. Force Majeure**

Seller shall have no liability whatsoever for any delay or failure in providing Software Support or any other maintenance or support attributable to fires, strikes, embargoes, earthquakes, storms, wars, acts of war, governmental or state or United Nations or EU or Trilateral regulations or any other contingency beyond the reasonable control of Seller.

### **6.4. Severability of Provisions**

The provisions of this SSA are severable, and if any provision hereof is held invalid or unenforceable, the remaining provisions of this SSA shall not be affected thereby. Furthermore, failure by either party at any time to require the other party to perform any obligation under this SSA shall not affect the party's right subsequently to require the other party to perform that obligation.

### **6.5. Assignment**

Buyer shall not assign this SSA or any of its rights or obligations hereunder without the prior written consent of Seller; such consent shall not be unreasonably withheld. Seller may assign any obligation or Order placed under this SSA to an affiliate, subcontractor, or other third party, provided that a comparable quality of service is provided to Buyer.

### **6.6. Waiver**

No provision of this SSA may be waived by either party, except in writing signed by that party. The waiver of any portion of this SSA with respect to any person or invention, discovery, improvement, or work of authorship shall be construed narrowly and shall not affect the right of the party granting the waiver to enforce any other provision of this SSA or to enforce any provision of this SSA with respect to any other person or invention, discovery, improvement, or work of authorship.

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### **6.7. Governing Law, Venue, and Dispute Arbitration**

The English language shall govern all interpretations of this SSA. This Agreement and any amendments hereto will be governed by the laws of the State of Florida. The proper venue for any proceeding at law or in equity or under a mediation or arbitration provision (if any) will be Palm Beach County, Florida, and the parties waive any right to object to the venue.

The parties agree that prior to any legal action the parties in good faith will mediate any disputes between them. If any suit or action is filed by any party to enforce this SSA, the prevailing party shall be entitled to recover reasonable attorney fees incurred in preparation or in prosecution or defense of such suit or action as fixed by the trial court, and if any appeal is taken from the decision of the trial court, reasonable attorney fees as fixed by the appellate court.

### **6.8. Entire Agreement**

If any conflicting Order or invoice arises which does not comply with the terms of this SSA, the terms identified in this SSA will prevail. This SSA represents the complete and entire agreement between Seller and Buyer and supersedes all prior agreements, statements, or negotiations with respect to the subject of Software Support.

### **6.9. System Access**

It is the responsibility of Buyer to provide access to all servers that are running GTIP software. This includes computers that are running Windows and computers that are running Unix. Access to Windows computers will be through Symantec's pcAnywhere, preferably through an externally accessible IP address (through a firewall, and not through VPN if this is feasible). It is also preferable that all server computers should be available through distinct externally accessible IP addresses, to prevent the necessity to use two or more pcAnywhere "hops", since the multiple "hops" causes additional overhead when transferring files.

## **7. ERROR RESOLUTION RESPONSE**

Our engineering personnel will respond to reported troubles under the following guidelines:

### **7.1 Trouble Priorities**

- Priority 1* A fatal error that has no work around. Generally, these errors will not allow a user to complete a required function.
- Priority 2* An error that prevents a function from being completed as normally processed, but that has a work around that allows the user to complete the task at hand.
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### **7.2 Error Resolution Response**

Once an error's priority has been established and the relevant information has been collected, Seller will respond

within the following guidelines:

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- Priority 2* a resolution will be provided within 5 working days. The resolution could be a work around, or some other interim measure, if that interim measure is considered acceptable.
- Priority 3* a resolution will be provided in a future release of the product.

Although Seller plans to resolve all problems in less time than the goals; some troubles will simply take longer than the guidelines due to their complexity. Seller will make its best effort to provide trouble resolution within these response time goals. In cases where there is a problem that is outside Seller's control, for example, a problem with the operating system, database software, or any other part of the system that is not part of GTIP, Seller will not be held liable or responsible for the problem.

## **SOFTWARE SUPPORT ORDER**

### **System Support:**

- Includes support for **150 hours of billing, development, and support**: USD \$10,500 per month.

### **Software Support Services:**

- Help Desk: Monday – Friday, 7:00am – 6:00pm in Florida.  
Outside of these standard hours, emergency help is provided for switch outages 24 x 7.
- Error Resolution, Patches, Fixes, Workarounds.
- Software Diagnostics, Remote Analysis via Secure line provided by Buyer.
- Upgrades to update your existing software modules.

### **Total Annual Rate: USD \$126,000**

- Monthly advance payments of \$10,500 are required as noted in Section 3.2
- Rates subject to change as noted in Section 2; additional purchase(s) may result in increased rates.

### **Approvals:**

-----  
Buyer: **GlobalTel IP, Inc.**

Seller: **Interactive Media Technologies, Inc.**

Signature: /s/ Larry Reid

Signature: /s/ Steve Williams

Name: Larry Reid

Name: Steve Williams

Title: Executive Vice President

Title: CEO & President

Date: March, 1, 2006

Date: March, 1, 2006

# Software Support Agreement

Agreement between Interactive Media Technologies, Inc. (Seller) and (Buyer):

Company Name: Globaltel IP, Inc.  
Address: 7999 N. Federal Highway Suite 401  
City, State, ZIP/Postcode: Boca Raton, FL 33487  
Country: USA  
Contact: Larry Reid

This Software Support Agreement ("SSA") is entered into as of March 1, 2006 ("Effective Date") by and between **GlobalTel IP, Inc. (Buyer)**, and **Interactive Media Technologies Inc.**, an Florida company, located at 7999 North Federal Highway, Suite 400, Boca Raton, Florida 33487 USA. This agreement supersedes all previous support agreements between Buyer and Interactive Media Technologies, Inc. The terms of this agreement are based upon the following articles:

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## **2.5. Insurance and Risk of Loss**

For all shipments of Hardware and Software, Seller shall be responsible for the shipping and insurance of the property CIF to the Buyer's designated destination airport. From the point of arrival through customs and transport to the site, Buyer shall be responsible for risk of loss, insurance, freight, customs, VAT, and other charges as described above in Section 2.3.

# **3. PAYMENTS AND CORRESPONDENCE**

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(1) Apply a value date (date when funds are available in Seller account) to the wire transfer.

|                        |                 |  |
|------------------------|-----------------|--|
| (2) Submit payment to: | Address:        | Interactive Media Technologies, Inc.<br>Wachovia Bank<br>Jacksonville, Florida |
|                        | Routing Number: | 063000021  |
|                        | Account Number: | 20001911112  |
|                        | Beneficiary:    | Interactive Media Technologies, Inc.   |

(3) Advise Seller of date and transfer via facsimile to: 561.999.0518

For check payment, make Company Check payable to: Interactive Media Technologies, Inc. and express mail to:

Interactive Media Technologies, Inc.  
7999 North Federal Highway, Suite 400  
Boca Raton, FL 33487 USA

## **3.2. Inquiries and Correspondence**

Inquiries about the SSA and the Service Order may be addressed to:

Interactive Media Technologies, Inc.  
7999 North Federal Highway, Suite 400  
Boca Raton, FL 33487 USA  
Telephone: 561.999.9116  
Fax: 561.999.0518

# **4. LIMITATION OF SERVICES**

## **4.1. System Operation Must Be According to Documentation**

Software Support shall not apply unless the System is operated in strict accordance with the documentation furnished with the System, and any subsequent updates to the documentation provided by Seller.

## **4.2. Services Do Not Extend to Non-GTIP Software**

Software Support is void in cases where Buyer has made unauthorized use of Non-system hardware or unapproved Software, or anything which is not directly a part of the System, as supported by Seller.

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As part of your software support agreement, Seller will continue to supply you with upgrades that will update the latest versions of your existing software modules.

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Software Support shall not be rendered for any defects, malfunctions, problems or questions concerning the System arising because of:

- a. Negligence of Buyer or Third parties– Misuse, accident or improper maintenance and/or application by Buyer or third parties, inclusive of operation outside Hardware or Software System design specifications;
- b. Unauthorized Modifications and/or Repairs– Buyer's direct performance of, or Buyer allowing the modification, repair, or alteration of either Hardware or Software except as authorized in writing by Seller;
- c. Inadequate Controls – Environmental and Infrastructural– Buyer's failure to provide and maintain a suitable installation environment with all facilities prescribed by Seller, [including but not limited to failure of or failure to provide: (1) adequate electrical power with appropriate protection against local anomalies; and (2) air temperature or humidity control, high quality leased lines, etc.];
- d. Regional Infrastructural Failures– Hardware and/or Software failures caused by power failures, fluctuations, or brownouts; telecommunication line disruptions and outages;
- e. Unauthorized Deployment of Spares, Materials, Equipment and Supplies– Unauthorized incorporation of Seller spare parts into the System, regardless of whether Buyer performs such unauthorized actions directly or allows such unauthorized actions to occur; or Buyer's direct use of, or Buyer allowing the use of supplies or materials not meeting Seller specifications, inclusive of the attachment of any hardware whatsoever not authorized by Seller;
- f. Buyer acknowledges that any failure to comply with the recommendation of Seller management in this regard may prevent the successful resolution of Seller software irregularities and system failures. *Seller services do not include the development of new applications to "work around" problems known to be caused by hardware.*

### **5. LIMITATION OF LIABILITIES**

#### **5.1. Consumable Accessories**

Except as specifically provided for in this SSA, Seller extends no warranty, express or implied, including any warranty of merchantability or fitness for a particular purpose, to Buyer for the services or any other maintenance or support or for any consumable or supply product (such as ribbon, cable, magnetic tape, or similar material provided under this SSA) which Buyer may order through Seller for use in conjunction with the services or any other maintenance or support.

4

#### **5.2. Cumulative Liability**

Neither Seller nor any of its subcontractors' agents shall be liable for any loss or damage to the equipment or other property or injury or death to Buyer's agents, employees, or Buyer arising in connection with the Services or any other maintenance or support provided by Seller or its subcontractor under this SSA. Notwithstanding any other provision of the Agreement or this SSA, under no circumstances shall Seller or any of its subcontractors be liable to Buyer or any third party claiming under Buyer, for special, incidental, indirect or consequential damages as a result of a breach of any provision of the SSA, or for any loss, damage, or any expense directly or indirectly arising from Buyer's use or inability to use or a third party's use, or inability to use, whether or not authorized, of the software or its components, either separately or in combination with other equipment, or for commercial loss of any kind, including costs of procurement of substitute services, loss of profits, and interruption of services. Seller's cumulative liability under the SSA for all causes of action shall be limited to and shall not exceed the amounts paid by Buyer under the SSA, and in no event shall Seller be liable to Buyer for any amount exceeding amounts paid under the SSA on a monthly basis.

#### **5.3. Non-Performance Recourse**

In all situations involving performance or non-performance by Seller under this SSA, Buyer's sole and exclusive remedy is (1) to terminate this SSA by written notice to Seller and (2) to receive a pro-rated refund for the pre-paid Services, less any sum due and owing to Seller.

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### **6.6. Waiver**

No provision of this SSA may be waived by either party, except in writing signed by that party. The waiver of any portion of this SSA with respect to any person or invention, discovery, improvement, or work of authorship shall be construed narrowly and shall not affect the right of the party granting the waiver to enforce any other provision of this SSA or to enforce any provision of this SSA with respect to any other person or invention, discovery, improvement, or work of authorship.

5

### **6.7. Governing Law, Venue, and Dispute Arbitration**

The English language shall govern all interpretations of this SSA. This Agreement and any amendments hereto will be governed by the laws of the State of Florida. The proper venue for any proceeding at law or in equity or under a mediation or arbitration provision (if any) will be Palm Beach County, Florida, and the parties waive any right to object to the venue.

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### **6.8. Entire Agreement**

If any conflicting Order or invoice arises which does not comply with the terms of this SSA, the terms identified in this SSA will prevail. This SSA represents the complete and entire agreement between Seller and Buyer and supersedes all prior agreements, statements, or negotiations with respect to the subject of Software Support.

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### **Software Support Services:**

- Help Desk: Monday – Friday, 7:00am – 6:00pm in Florida.  
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- Error Resolution, Patches, Fixes, Workarounds.
- Software Diagnostics, Remote Analysis via Secure line provided by Buyer.
- Upgrades to update your existing software modules.

### **Total Annual Rate: USD \$126,000**

- Monthly advance payments of \$10,500 are required as noted in Section 3.2
- Rates subject to change as noted in Section 2; additional purchase(s) may result in increased rates.

### **Approvals:**

-----  
Buyer: **GlobalTel IP, Inc.**

Seller: **Interactive Media Technologies, Inc.**

Signature: /s/ Larry Reid

Signature: /s/ Steve Williams

Name: Larry Reid

Name: Steve Williams

Title: Executive Vice President

Title: CEO & President

Date: March, 1, 2006

Date: March, 1, 2006

## CO-LOCATION LEASE AGREEMENT

**THIS LEASE** is made this 15th day of April, 2005, by and between, InterActive Media Technologies, Inc., a Florida Corporation (hereinafter referred to as "IMT/TENANT"), and GlobalTel IP Inc., a Florida company, (hereinafter referred to as "SUB-TENANT").

The consideration for this agreement is the agreement to pay rent and the mutual promises and covenants set forth herein.

1. **Property.** The legal description of the location where co-location space is to be subleased is 1001 Brickell Bay Drive, Suite 1520, Miami , FL 33131
2. **USE OF PREMISES:** The property shall be used as an office for co-location of computer and VoIP systems.
3. **SIZE AND RATES:** Rack space is \$500.00 per rack including \$500.00 for electricity and A/C per rack, 1 MB of IP @\$350.00 per mo/mb and \$500.00 for on site human support fees. Initial quantity delivered is one (1) rack and one (1) MB or \$1850.00.
4. **DELIVERY:** Beginning available on March 1, 2006.
5. **SUBLEASE TERM:** The Sublease Term shall commence on March 1, 2005 and shall expire on February 28, 2006.
6. **EXTENSION OPTIONS:** SUBTENANT will need to negotiate any additional lease term with the LANDLORD.
7. **DEPOSITS:** No deposits are required.
8. **RENT AMOUNT AND SCHEDULE:** Rent for the initial twelve (12) month period shall be \$1850.00 per month and includes maintenance, utilities, and other related office expenses.
9. **SIGNAGE:** No Signage..
10. **PARKING:** SUBTENANT shall be provided a minimum of one (1) parking spaces per one thousand (1500) square feet of subleased space.
11. **ACCESS:** SUBTENANT and its employees shall have access to the premises twenty-four (24) hours per day, seven (7) days per week, subject to 12 hours prior notice.
12. **ASSIGNMENT AND SUB-LETTING:** The SUBTENANT has no rights to assign or sublet.
13. **BROKERS AND BROKER'S COMMISSION:** As it pertains to this agreement, neither Tenant nor SUBTENANT has utilized the services of a real estate Broker.

14. **FAILURE TO PAY RENT OR COMPLY WITH TERMS.** The SUB-TENANT hereby covenants with the IMT/TENANT that the SUB-TENANT will pay the rent and comply with all of the provisions of the original lease between LANDLORD AND TENANT, in the same manner as if SUB-TENANT were the TENANT. Should said rent or charges for utilities or other expenses provided under the original lease, at any time remain due and unpaid for a period of ten days after the same shall have become due, the said IMT/TENANT may at IMT/TENANT's option, consider the said SUB-TENANT a tenant at sufferance and immediately re-enter upon the premises and the entire rent for the rental period then next ensuing shall at once be due and payable and may be immediately collected by distress or otherwise. The SUB-TENANT will not use or permit the premises to be used for any illegal or improper purposes, nor permit the disturbance, noise or annoyance whatsoever, detrimental to the premises or to the comfort of the other habitants of said building or its neighbors.

15. **PLEDGE OF PERSONAL PROPERTY AS SECURITY.** The SUB-TENANT hereby pledges and assigns to the IMT/TENANT all furniture, fixtures, goods and chattels of the SUB-TENANT on the premises, as security for the payment of the rent reserved herein and the SUB-TENANT agrees that said lien may be enforced by distress, foreclosure or otherwise, at the election of the IMT/TENANT; and said SUB-TENANT hereby waives all rights of homestead or exemption in said furniture, fixtures, goods and chattels to which the SUB-TENANT may be entitled under the Constitution and laws of this State.

16. **ATTORNEY'S FEES AND COSTS.** In case of the failure of the SUB-TENANT to pay the rent or other charges herein reserved when due, and same is collected by suit or through an attorney, the SUB-TENANT agrees to pay the IMT/TENANT reasonable attorney's fees, together with all costs incurred. This lease shall bind the IMT/TENANT and the SUB-TENANT and their respective heirs, assigns, administrators, legal representatives and executors.

17. **WAIVER OF TRIAL BY JURY.** The parties hereto waive trial by jury and agree to submit to the personal jurisdiction and venue of a court of subject matter jurisdiction located in Palm Beach County, Florida. No action hereunder may be commenced if more than one year after the cause of action giving rise thereto has elapsed.

18. **WAIVER OF DEFENSES.** SUB-TENANT hereby waives any and all right to assert affirmative defenses or counterclaims in any eviction action instituted by TENANT with the exception of an affirmative defense based upon payment of all amounts claimed by TENANT not to have been paid by SUBTENANT. Any other matters may only be advanced by a separate suit instituted by SUB-TENANT.

19. **INJUNCTIVE RELIEF.** To the extent cognizable at law, the parties hereto, in the event of breach and in addition to any and all other remedies available thereto, may obtain injunctive relief, regardless of whether the injured party can demonstrate that no adequate remedy exists at law.

**IN WITNESS WHEREOF,** the said parties have hereunto set their hands and seals this 1st day of March, 2006.

/s/ Steve Williams

"IMT/TENANT"

/s/ Larry Reid

"SUB-TENANT"



## CO-LOCATION LEASE AGREEMENT

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4. **DELIVERY:** Beginning available on March 1, 2006.
5. **SUBLEASE TERM:** The Sublease Term shall commence on March 1, 2006 and shall expire on February 28, 2007.
6. **EXTENSION OPTIONS:** SUBTENANT will need to negotiate any additional lease term with the LANDLORD.
7. **DEPOSITS:** No deposits are required.
8. **RENT AMOUNT AND SCHEDULE:** Rent for the initial twelve (12) month period shall be \$1850.00 per month and includes maintenance, utilities, and other related office expenses.
9. **SIGNAGE:** No Signage..
10. **PARKING:** SUBTENANT shall be provided a minimum of one (1) parking spaces per one thousand (1500) square feet of subleased space.
11. **ACCESS:** SUBTENANT and its employees shall have access to the premises twenty-four (24) hours per day, seven (7) days per week, subject to 12 hours prior notice.
12. **ASSIGNMENT AND SUB-LETTING:** The SUBTENANT has no rights to assign or sublet.
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16. **ATTORNEY'S FEES AND COSTS.** In case of the failure of the SUB-TENANT to pay the rent or other charges herein reserved when due, and same is collected by suit or through an attorney, the SUB-TENANT agrees to pay the IMT/TENANT reasonable attorney's fees, together with all costs incurred. This lease shall bind the IMT/TENANT and the SUB-TENANT and their respective heirs, assigns, administrators, legal representatives and executors.

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19. **INJUNCTIVE RELIEF.** To the extent cognizable at law, the parties hereto, in the event of breach and in addition to any and all other remedies available thereto, may obtain injunctive relief, regardless of whether the injured party can demonstrate that no adequate remedy exists at law.

**IN WITNESS WHEREOF**, the said parties have hereunto set their hands and seals this 1st day of March, 2006.

Steve Williams

"IMT/TENANT"

/s/ Larry Reid

"SUB-TENANT"



## OFFICE LEASE AGREEMENT

**THIS LEASE** is made this 1st day of April, 2005, by and between, InterActive Media Technologies, Inc., a Florida Corporation (hereinafter referred to as "IMT/TENANT"), and Globaltel IP, Inc., (hereinafter referred to as "SUB-TENANT").

The consideration for this agreement is the agreement to pay rent and the mutual promises and covenants set forth herein.

1. **Property. The legal description** of the real estate to be subleased is 7999 North Federal Highway, Suite 401, Boca Raton, Florida 33431
2. **USE OF PREMISES:** The property shall be used as an office for administration, systems design and general business uses.
3. **SIZE:** 1,000 rentable square feet +/-.
4. **DELIVERY:** 1,000 rentable square feet shall be available on or about April 1, 2005. All space will be delivered in "as is" condition.
5. **SUBLEASE TERM:** The Sublease Term shall commence on April 1, 2005 and shall expire on March 1, 2006.
6. **EXTENSION OPTIONS:** SUBTENANT will need to negotiate any additional lease term with the LANDLORD.
7. **DEPOSITS:** No deposits are required.
8. **RENT AMOUNT AND SCHEDULE:** Rent for the initial twelve (12) month period shall be \$1,950.00 per month and includes maintenance, utilities, and other related office expenses. As of January 1, 2006, the Modified Gross Rent shall increase at a rate of 3.0% per year for the remaining term of the Sublease.
9. **SIGNAGE:** SUBTENANT'S business name can be placed at appropriate interior locations and lobby directory, with the approval of the LANDLORD, at SUBTENANT'S sole cost. SUBTENANT'S name shall be placed on the exterior pylon sign, with the approval of the LANDLORD, at SUBTENANT'S sole cost.
10. **PARKING:** SUBTENANT shall be provided a minimum of five (5) parking spaces per one thousand (1500) square feet of subleased space.
11. **ACCESS:** SUBTENANT and its employees shall have access to the premises twenty-four (24) hours per day, seven (7) days per week, subject to exceptions provided and set-forth in the Lease Agreement.
12. **ASSIGNMENT AND SUB-LETTING:** The SUBTENANT has no rights to assign or sublet.



\_\_\_\_\_/s/ Larry Reid  
Witness "SUB-TENANT"

Witness

## OFFICE LEASE AGREEMENT

**THIS LEASE** is made this 1st day of April, 2006, by and between, InterActive Media Technologies, Inc., a Florida Corporation (hereinafter referred to as "IMT/TENANT"), and Globaltel IP, Inc., (hereinafter referred to as "SUB-TENANT").

The consideration for this agreement is the agreement to pay rent and the mutual promises and covenants set forth herein.

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3. **SIZE:** 1,000 rentable square feet +/-.
4. **DELIVERY:** 1,000 rentable square feet shall be available on or about April 1, 2005. All space will be delivered in "as is" condition.
5. **SUBLEASE TERM:** The Sublease Term shall commence on April 1, 2006 and shall expire on March 1, 2007.
6. **EXTENSION OPTIONS:** SUBTENANT will need to negotiate any additional lease term with the LANDLORD.
7. **DEPOSITS:** No deposits are required.
8. **RENT AMOUNT AND SCHEDULE:** Rent for the initial twelve (12) month period shall be \$3500.00 per month and includes maintenance, utilities, and other related office expenses. As of January 1, 2006, the Modified Gross Rent shall increase at a rate of 3.0% per year for the remaining term of the Sublease.
9. **SIGNAGE:** SUBTENANT'S business name can be placed at appropriate interior locations and lobby directory, with the approval of the LANDLORD, at SUBTENANT'S sole cost. SUBTENANT'S name shall be placed on the exterior pylon sign, with the approval of the LANDLORD, at SUBTENANT'S sole cost.
10. **PARKING:** SUBTENANT shall be provided a minimum of five (5) parking spaces per one thousand (1500) square feet of subleased space.
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12. **ASSIGNMENT AND SUB-LETTING:** The SUBTENANT has no rights to assign or sublet.



\_\_\_\_\_/s/ Larry Reid  
Witness "SUB-TENANT"



Marvin H. Ribotsky, CPA  
Norman Levine, CPA  
David A. Heller, CPA  
Elliott W. Starman, CPA  
John L. Abitante, CPA, MST



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## CONSENT OF INDEPENDENT AUDITORS'

**The Board of Directors  
GLOBALTEL IP, INC.  
Boca Raton, FL**

We hereby consent to the use of our report dated December 12, 2005, (except Note 10 therein, as to which the date is January 15, 2006), with respect to the balance sheet as of September 30, 2005 and the related statements of operations, changes in stockholders' equity and cash flows for the year then ended and for the period from November 15, 1999 (inception) to September 30, 2005 of GlobalTel IP, Inc., and which appear in this Form SB-2 Registration Statement.

We also consent to the reference to our Firm under the headings "Summary Financial Information" and "Experts" in the Prospectus, which is part of this Registration Statement.

Respectfully submitted,

A handwritten signature in maroon ink that reads "Ribotsky, Levine &amp; Co." in a cursive script.

RIBOTSKY, LEVINE & COMPANY, CPAs  
Certified Public Accountants  
Miami, Florida  
June 29, 2006