

ORIGINAL
EARLY, LENNON, CROCKER & BARTOSIEWICZ



ATTORNEYS AT LAW
900 COMERICA BUILDING
KALAMAZOO, MICHIGAN 49007-4752
TELEPHONE (269) 381-8844
FACSIMILE (269) 381-8822

GEORGE H. LENNON
DAVID G. CROCKER
MICHAEL D. O'CONNOR
HAROLD E. FISCHER, JR.
LAWRENCE M. BRENTON
GORDON C. MILLER
GARY P. BARTOSIEWICZ
BLAKE D. CROCKER

ROBERT M. TAYLOR
RON W. KIMBREL
PATRICK D. CROCKER
THOMAS A. BIRKHOLO
RUSSELL B. BAUGH
ANDREW J. VORBRICH
TYREN R. CUDNEY
STEVEN M. BROWN

OF COUNSEL

JOHN T. PETERS, JR.

VINCENT T. EARLY
(1922-2001)

JOSEPH J. BURGIE
(1926-1992)

THOMPSON BENNETT
(1912-2004)

February 23, 2006

Brian McNeil, Executive Secretary
Arizona Corporation Commission
Telecommunications Division
1200 West Washington
Phoenix, AZ 85007

RE: Staff's Second Set of Data Requests to Global Touch Telecom, Inc.
Docket No. T-20428A-05-0800

Dear Mr. McNeil:

In accordance with the request of John Bostwick, enclosed for filing with the Commission, please find an original and thirteen (13) copies of Staff's Second Set of Data Requests in the above-referenced Docket.

In addition, enclosed is a duplicate copy of this filing. Please date-stamp the duplicate and return it to me in the enclosed postage-paid envelope.

Should you have any questions concerning this filing, please contact my assistant, Beth Ronfeldt, or me.

Very truly yours,

EARLY, LENNON, CROCKER & BARTOSIEWICZ, P.L.C.

Patrick D. Crocker

PDC/bmr

enc

AZ CORP COMMISSION
DOCUMENT CONTROL

2006 FEB 27 P 4: 11

RECEIVED

STAFF'S SECOND SET OF DATA REQUESTS TO
GLOBAL TOUCH TELECOM, INC.
DOCKET NO. T-20428A-05-0800

JFB 2-1. Please submit a non-PDF file of your responses to this data request to jbostwick@cc.state.az.us

An electronic copy of the response to this data request was filed with Mr. Bostwick on February 23, 2006.

JFB 2-2. In Question (B-1) you indicated that you have financial statements for the two most recent years. Question (B-2) asked you, for the two most recent years, to provide a copy of your balance sheet, income statement, audit report, retained earnings balance, and all related notes to the financial statements and information. In response, you furnished a balance sheet for the years ending December 31, 2003 and December 31, 2004; and an income statement for the **nine months ending December 31, 2003 and December 31, 2004**. A retained earnings statement and an audit report were not furnished with your Application. **Please provide all financial information requested in Question (B-2) for the years ending December 31, 2005 and December 31, 2004.**

Financials for 2004 and 2005, with notes, are attached. Because "Retained Earnings" is an accumulation of Net Profit, year-to-year, no additional statement is drafted. Please note that the financial statements are not audited as Applicant is a small company and the owners have not requested or required an audit to date.

GlobalTouch Telecom, Inc.
Statement of Earnings
For the Years Ending December 31, 2004 and 2005

	<u>Jan - Dec 04</u>	<u>Jan - Dec 05</u>
Ordinary Income/Expense		
Income		
3010 · Consulting Income	-	9,150
3030 · Commission Income	1,057	2,008
3100 · Usage Revenue	1,513,720	3,391,723
3200 · SIPTalk Income	500	183,243
3500 · Non-Usage/Fees Revenue	99,901	175,213
3600 · Taxes/Reg. Related Revenue	207,385	-
3800 · Prepaid Card Income	8,604	-
Total Income	<u>1,831,167</u>	<u>3,761,336</u>
Cost of Goods Sold		
4100 · Retail Usage	678,342	1,268,443
4200 · Circuit Charges	9,275	18,085
4400 · Partition Charges	15,318	-
4500 · Commissions - Agents/Reps	206,614	368,195
4600 · Taxes/Reg.-Related Costs	116,729	-
4700 · Customer Refunds	979	2,474
4800 · PrePaid Calling Cards	3,000	-
4900 · SIPTalk COGS	6,798	187,112
Total COGS	<u>1,037,055</u>	<u>1,844,310</u>
Gross Profit	794,112	1,917,027

GlobalTouch Telecom, Inc.
Statement of Earnings
For the Years Ending December 31, 2004 and 2005

	<u>Jan - Dec 04</u>	<u>Jan - Dec 05</u>
Expense		
6310 · Advertising	2,387	12,802
6330 · Marketing Expense	26,907	68,611
6350 · Charitable Contribution	1,000	250
6410 · Dues & Subscriptions	1,192	895
6420 · Postage/Shipping	26,052	18,849
6450 · Bank Charges	25,023	41,474
6600 · Office Expenses	11,985	34,078
6610 · Stationery & Printing	2,227	8,351
6630 · Computer Expense	154,300	237,745
6650 · Rent or Lease	105,937	158,389
6655 · Repair & Maintenance	-	94
6660 · Utilities	33,406	38,247
6670 · Shipping, Delivery Expense	-	1,899
6675 · Equipment Rental	2,200	26,400
6690 · Other General and Admin Expense	-	-
6700 · Payroll & Employee Expenses	713,375	1,666,242
6740 · Insurance	5,748	9,377
6750 · Consulting Fees	57,372	209,119
6755 · Temporary Hire	35,621	-
6765 · Meals and Entertainment	9,356	30,126
6766 · Parking Expense	5,949	17,483
6767 · Travel	31,600	99,685
6770 · Legal & Professional Fees (Note 4)	66,209	38,280
6900 · Bad Debts	124,746	126,007
7000 · Taxes & Licenses	927	60
7010 · State Registration Fees	2,649	149
7020 · Filing Fees	3,193	14,187
Total Expense	1,449,359	2,858,796
Net Ordinary Income	(655,247)	(941,770)
Other Income/Expense		
Other Income		
8100 · Interest Earned	2	12
8101 · Taxes/Reg. Related Income (Note 2)	-	135,745
Total Other Income	2	135,757
Other Expense		
7100 · Interest Expense	80,141	186,689
9001 · Depreciation	10,764	20,344
9002 · Amortization (Note 3)	-	225,000
9200 · Taxes	800	800
9999 · Miscellaneous	-	-
Total Other Expense	91,705	432,833
Net Other Income	(91,703)	(297,076)
Net Income	(746,950)	(1,238,846)

The accompanying notes are an integral part of this statement

GlobalTouch Telecom, Inc.

Balance Sheet

As of December 31, 2005

	<u>Dec 31, 04</u>	<u>Dec 31, 05</u>
ASSETS		
Current Assets		
Checking/Savings		
1021 · Checking-US Bank	68,497	7,699
1022 · Checking-NEW-US Bank	-	(14,946)
1030 · Lockbox-US Bank	13,213	53,039
1035 · Merchant-US Bank	1,293	17,132
1040 · Money Market-US Bank	3,002	3,014
Total Checking/Savings	<u>86,005</u>	<u>65,938</u>
Accounts Receivable		
1110 · Accounts Receivable	280,102	772,565
1999 · Allowance for Doubtful Accounts	(34,312)	(82,772)
Total Accounts Receivable	<u>245,790</u>	<u>689,793</u>
Other Current Assets		
1324 · Agent/Commission Advance	-	20,000
1325 · Employee Advance	-	1,000
1326 · A/R due from Agent (TTL)	-	8,846
Total Other Current Assets	<u>-</u>	<u>29,846</u>
Total Current Assets	331,795	785,577
Fixed Assets, net of depreciation		
1500 · Furniture & Fixtures	14,472	12,589
1600 · Machinery & Equipment	36,364	79,355
Total Fixed Assets	<u>50,836</u>	<u>91,944</u>
Other Assets		
1350 · Deposits	19,953	46,112
1425 · Investment in XCast	-	10,123
1455 · Purchased VoIP Technology, net of amortization	-	4,274,877
Total Other Assets	<u>19,953</u>	<u>4,331,112</u>
TOTAL ASSETS	<u><u>402,584</u></u>	<u><u>5,208,632</u></u>

GlobalTouch Telecom, Inc.
Balance Sheet
As of December 31, 2005

	Dec 31, 04	Dec 31, 05
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
2110 · Accounts Payable	328,178	467,166
Total Accounts Payable	328,178	467,166
Other Current Liabilities		
2100 · Payroll Liabilities	151,500	191,500
2107 · Accrued Consulting Fees	-	25,625
2115 · Sirius - Service offset of A/P	9,074	6,599
2120 · FSA Benefit Plan Contribution	-	2,559
2200 · Commission Liability	-	137,445
2210 · Installment Contract-Current	-	211
2216 · Interest Payable	8,750	15,250
2300 · Prepaid Revenue	-	-
2400 · Revolving Credit Line	11,442	13,600
2450 · CitiCorp Lease	-	59,020
2600 · Taxes/Reg. Related Liability (Note 2)	-	250,262
Total Other Current Liabilities	180,766	702,072
Total Current Liabilities	508,943	1,169,238
Long Term Liabilities		
2750 · Secured Promissory Notes	695,000	695,000
2751 · XCast Prom Note due 3/28/07 (Note 4)	-	512,341
2820 · Installment Contract-Long Term	2,742	-
2930 · Shareholder Note	100,000	100,000
2940 · Bridge Round	-	560,000
Total Long Term Liabilities	797,742	1,867,341
Total Liabilities	1,306,686	3,036,579
Equity		
2710 · Common Stock	283,360	3,378,360
2720 · Contingent Common Stock O/S (Note 3)	-	1,220,000
3900 · Retained Earnings	(440,511)	(1,187,461)
Net Income	(746,950)	(1,238,846)
Total Equity	(904,101)	2,172,053
TOTAL LIABILITIES & EQUITY	402,584	5,208,632

The accompanying notes are an integral part of this statement

Notes to Financial Statements - December 31, 2005

Note 1 Statements are Unaudited

Note 2 A tax of approximately 13.5% (varies by state) is added to a telephone users billing for regulatory taxes, and is recorded in A/C 2600-Taxes/Reg. Related Liability, as shown under Other Current Liabilities on the Balance Sheet, to be paid at a later date to the taxing authorities. In the past, it has not been necessary to pay approximately 25% of the recorded liability. Beginning with the June 2005 statements, the estimated excess liability is shown as an Offset to the recorded liability account, and treated as Other Income on the Statement of Earnings (loss). Periodically, the Offset and Income will be adjusted to reflect the actual tax paid. The adjustment totaled \$ 35,287, and is included in the fourth quarter Statement of Loss.

Note 3 The Xcast merger was completed on March 28, 2005, at a total cost of \$4,510,000, as follows:

Deferred cash payable on March 28, 2007, at 10% interest	\$ 610,000
1,950,000 shares of Common shares at a stated value of \$2.00 per share	<u>3,900,000</u>
Total Cost	4,510,000
Net Book Value of Xcast at date of merger	<u>10,123</u>
Net Value of Purchased VoIP Technology	\$ 4,499,877

The Value of Purchased VoIP Technology is being amortized over 60 months, or \$74,998 per month, for book purposes, and 180 months for tax purposes. The monthly amortization is shown under Other Expenses on the Statement of Earnings (Loss). Accumulated amortization is shown under Other Expenses on the Statement of Earnings (Loss). Accumulated amortization totals \$75,000 at September 30, 2005, and \$150,000 at December 31, 2005.

Of the 1,950,000 shares, 1,340,001 shares are issued and outstanding, and 609,999 are escrowed, and are to be issued prorata to the exercise of warrants now outstanding and held by the Investors. As shown on the Balance Sheet, the escrowed shares are classified as Contingent. Under GAAP accounting, these shares and their value as included in the asset Purchased VoIP Technology would not be recorded until such time as the shares were issued, and the monthly amortization would be recalculated. For internal accounting purposes it is assumed that the escrowed shares have been issued. The escrowed shares equal \$1,220,000 and represent \$6,778 of the monthly amortization of \$25,000 shown herein.

Note 4 Legal fees incurred to defend X Cast Software Rights reduce amount of X Cast Promissory Note of \$610,000 due 11/30/07.