

Utalk Communications Inc.
Form 10-Q
November 12, 2008

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

FORM 10-Q

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

For the quarterly period ended September 30, 2008

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

For the transition period from _____ to _____

Commission file number 333-148266

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

Nevada 98-0530295
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

Seaford Fifth Avenue Plaza
800 5th Avenue, Suite 4100, Seattle WA
(Address of principal executive offices)

206.224.4108
(Issuer's telephone number)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions in of "large accelerated filer," "accelerated filer" and "smaller reporting

Edgar Filing: Utalk Communications Inc. - Form 10-Q

company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Small reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer’s classes of common equity, as of the latest practicable date: 4,470,000 common shares issued and outstanding as at November 10, 2008.

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

	Page
<u>Unaudited Balance Sheets as of September 30, 2008 and December 31, 2007</u>	3
<u>Unaudited Statements of Expenses for the periods ended September 30, 2008 and 2007</u>	4
<u>Unaudited Statements of Cash Flows for the periods ended September 30, 2008 and 2007</u>	5
<u>Notes to the Unaudited Financial Statements</u>	6

Table of Contents

Utalk Communications Inc.
(A Development Stage Company)
Balance Sheets
Unaudited

	September 30, 2008	December 31, 2007
Assets		
Current:		
Cash	\$ 12,548	\$ 7,552
Prepaid expenses	10,099	299
Total Current Assets	22,647	7,851
Software and website development	15,500	-
Total Assets	\$ 38,147	\$ 7,851
Liabilities		
Current:		
Accounts payable and accrued liabilities	\$ 1,500	\$ 11,299
Due to stockholder	7,000	-
Total Liabilities	8,500	11,299
Stockholders` Equity (Deficit)		
Common stock authorized – 50,000,000 common shares, par value \$0.001, 4,470,000 and 4,000,000 shares issued and outstanding, respectively	4,470	4,000
Additional paid in capital	62,530	16,000
Deficit accumulated during the development stage	(37,353)	(23,448)
Total Stockholders` Equity (Deficit)	29,647	(3,448)
Total Liabilities and Stockholders` Equity(Deficit)	\$ 38,147	\$ 7,851

The accompanying notes are an integral part of these unaudited financial statements

Table of Contents

Utalk Communications Inc.
(A Development Stage Company)
Statements of Expenses
Unaudited

	T h r e e Months Ended S e p t 3 0 , 2008	T h r e e Months Ended S e p t 3 0 , 2007	N i n e Months Ended S e p t 3 0 , 2008	Period from Inception (Jan 30, 07) to S e p t 3 0 , 2007	Period from Inception (Jan 30, 07) to S e p t 3 0 , 2008
Operating expenses:					
Accounting fees	\$ 3,000	\$ 1,279	\$ 7,524	\$ 1,279	\$ 12,597
Legal fees	-	-	-	8,782	16,282
General and administrative	2,624	583	6,383	927	8,474
Net loss	\$ (5,624)	\$ (1,862)	\$ (13,907)	\$ (10,988)	\$ (37,353)
Basic and diluted loss per common share	\$ (a)	\$ (a)	\$ (a)	\$ (a)	
Weighted average number of common shares outstanding – Basic and Diluted	4,470,000	4,000,000	4,375,675	2,649,007	

(a) Less than \$0.01 per share

The accompanying notes are an integral part of these unaudited financial statements

Table of Contents

Utalk Communications Inc.
(A Development Stage Company)
Statements of Cash Flows
Unaudited

	Period from Inception		
	N i n e Months Ended September 30, 2008	January 30, 2007 to September 30, 2007	(January 30, 2007) to September 30, 2008
Cash Flows from Operating Activities			
Net loss	\$ (13,907)	\$ (10,988)	\$ (37,353)
Changes in assets and liabilities:			
Increase in prepaid expenses	(9,800)	(869)	(10,099)
Increase (Decrease) in accounts payable	(9,797)	-	1,500
Net cash used in operating activities	(33,504)	(11,857)	(45,952)
Cash Flows from Investing Activities			
Purchase of software and website development	(15,500)	-	(15,500)
Cash Flows from Financing Activities			
Advances from stockholder	7,000	15	7,000
Sale of stock	47,000	20,000	67,000
Net cash provided by financing activities	54,000	20,015	74,000
Increase in cash	4,996	8,158	12,548
Cash, beginning of period	7,552	-	-
Cash, end of period	\$ 12,548	\$ 8,158	\$ 12,548
Supplemental disclosure of cash flow information:			
Taxes paid	\$ -	\$ -	\$ -
Interest paid	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these unaudited financial statements

Table of Contents

Utalk Communications Inc.
(A Development Stage Company)
Notes to Unaudited Financial Statements
September 30, 2008

Note 1 – Basis of Presentation

The accompanying unaudited interim financial statements of Utalk, have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with the audited financial statements and notes thereto contained in Utalk's Annual Report filed with the SEC on Form 10-KSB. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for fiscal 2007 as reported in the form 10-KSB have been omitted.

Accounting Policies

Capitalized Website and Software Costs

Utalk follows AICPA Statement of Position 98-1: "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" as well as EITF 00-02: "Accounting for Web Site Development Costs". In accordance with SOP 98-1 and EITF 00-02, internal costs incurred to develop a web site to be used for commercial purposes are charged to expense when incurred until technological feasibility has been established for the web site. Technological feasibility is established upon completion of a detailed program design or, in its absence, completion of a working model. After technological feasibility is established, the costs of coding and testing and other costs of producing product masters are capitalized. Cost capitalization ceases when the product is available for general release to customers.

Capitalized website development costs are amortized over the web sites estimated useful life once it is available for general use by customers. Annual amortization is the greater of straight-line over the product's estimated useful life or the percent of the product's current-year revenues as compared to the product's anticipated future revenues. Capitalized software costs are amortized using the straight line method over the software's estimated useful life once it is available for use.

Capitalized website development costs are evaluated for impairment on a product-by-product basis by a comparison of the unamortized capitalized costs to the product's net realizable value. The amount by which the unamortized capitalized costs exceed the net realizable value is recognized as an impairment charge.

Note 2 – Going Concern

These financial statements have been prepared on a going concern basis. As of September 30, 2008, Utalk has not generated any revenue since inception and has accumulated losses of \$37,353. The continuation of Utalk as a going concern is dependent upon the continued financial support from its shareholders, the ability to obtain necessary equity financing to continue operations, and the attainment of profitable operations. These factors raise substantial doubt regarding Utalk's ability to continue as a going concern.

Common Stock

Utalk sold 470,000 common shares for cash at \$0.10 per share during the three months ended March 31, 2008.

Table of Contents

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

FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements as that term is defined in the Section 27A of the Securities Act and Section 21E of the Securities Exchange Act. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as “may”, “should”, “expects”, “plans”, “anticipates”, “believes”, “estimates”, “predicts”, “potential” or “continue” or the negative of these terms or comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled “Risk Factors”, that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States dollars and are prepared in accordance with United States Generally Accepted Accounting Principles. In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars. All references to “common shares” refer to the common shares in our capital stock.

As used in this quarterly report, the terms “we”, “us”, “our”, and “Utalk” means Utalk Communications, Inc., unless otherwise indicated.

General

We are in the process of developing our call-back services. We expect that we will be able to offer service toward the end of 2008. We were incorporated in the State of Nevada on January 30, 2007.

The address of our principal executive office is Seaford Fifth Avenue Plaza, 800 5th Avenue, Suite 4100, Seattle, WA. Our telephone number is 206-224-4108.

Our Current Business

We were incorporated in the State of Nevada on January 30, 2007, and are a development stage company. From our inception to date, we have not generated any revenues, and our operations have been limited to organizational, start-up, and capital formation activities. We currently have no employees other than our sole officer, who is also our sole director.

We are engaged in the development and marketing of call-back services using a call-back platform. Generally, our anticipated call-back service will enable a customer to call a designated telephone number and disconnect. The system will automatically identify the caller as a customer, call the user back and provide the customer with a dial-tone to place an outbound call. In doing so, our service will enable our customers to realize cost savings when there is a substantial differential between the cost of placing and receiving calls.

Table of Contents

As an example of how our call-back services may be utilized, some cellular providers allow their customers to receive many minutes for free (some offer unlimited free incoming minutes) but allow only a limited number of outgoing minutes for free and charge a substantial amount for minutes exceeding the number of free minutes. If such customer also subscribes to our service, they will be able to initiate a call from our system to their phone which will appear as an incoming call rather than an outbound one, potentially providing the customer with cost savings.

A sample call flow would occur as follows: A customer dials a telephone number that is owned by us which automatically forwards the call to our call-back switch. The customer hangs up after three rings. Our system does not answer the call (so that the customer is not charged for a call by their phone company) but rather detects the customer's phone number. The system automatically checks our customer database and identifies whether the phone number belongs to a customer. If the answer is no, then the system takes no action. If the caller is a customer and has sufficient funds on balance with us, our system will place a call to the customer (we intend that such call will be through a Voice over IP company) and prompts the customer to enter the number they would like to call. The customer enters the destination number and our system will send the call to the VoIP carrier's network. Our system will then track the duration and cost of the call and deduct the appropriate funds from the customer account. If the balance reaches zero, customers will receive a voice prompt notifying them that their funds are running low and the call will be terminated.

The callback system is a software program that resides on a computer server that is connected to the public Internet. It will be connected with a VoIP provider across the Internet (if our system is not located in the same facility as the VoIP service provider) or directly to their equipment (if we are located in the same facility). The VoIP company will provide us with phone numbers that customers can call to initiate a call back. They will also provide us with the ability to place calls in North America and internationally.

The callback system will also have a database of all of our customers and their particular information such as name, email, address, phone numbers, account balance and call history. The system will also have telephony software that is able to receive calls, initiate calls, play prompts (messages) and connect to outside parties during a call.

We have not yet developed our call-back system. As discussed below, our initial focus will be to engage in the development of our call-back system. This is described below in our "Products and Services" section. Management intends to outsource the development of this product offshore to reduce costs. However, the intellectual property rights over our software will be retained by the Company. We expect that this will be completed within approximately eight months following the termination of this offering, after which we intend to begin marketing our services. All our services will be based on a pre-paid model where a customer must pre-pay for services. We will be marketing our services primarily through a network of regional resellers and distributors in Canada. We also plan to hire a sales/support assistant in approximately eleven months from development of our service to help our executive officer provide support to our end-users and resellers.

We have outsourced the development and deployment of our Call-back service to Netfone Inc. We have paid Netfone Inc. USD \$12,000 to perform these tasks. We anticipate the delivery of the product in the forth quarter of 2008. We may opt to use Netfone Inc. to host and maintain the service on our behalf, we will pay them USD \$200 per month.

We have retained the services of Island Capital Management, LLC dba as Island Stock Transfer to act as our transfer agent on April 25, 2008.

Table of Contents

Industry Background

There are instances when a phone call placed in one direction is considerably cheaper than a phone call placed in the opposite direction. For example, if a person in one region places a call to someone in a different region, the cost may be several times lower than if the call originated from the opposite location. This difference provides an opportunity to offer what is referred to as a call-back service. Call-back services have been used in the international long distance market to bypass expensive long distance charges in certain countries (such as the Philippines, Lebanon, United Arab Emirates, and numerous others). A more recent development is the use of call-back services in conjunction with cellular phone plans. This allows customers to take advantage of the proliferation of unlimited incoming cellular plans in certain countries, such as Canada, and use call-back systems to initiate free or low cost outgoing calls. We plan to focus on the provision of call-back services for cellular phones. We anticipate that our initial focus will be directed to the Canadian market.

Call-back services:

A call-back system enables a user to call in a number and hang up. The system will then call the person and provide him (or her) with a dial-tone to place a call.

Some cellular companies offer plans where the customer receives an unlimited or a large quantity of incoming minutes for free, while only is able to make a limited number of free outgoing minutes. After customers exhaust the free outgoing minutes, they are charged a high rate per minute, depending on the carrier and whether a call is placed locally or long distance in the USA and Canada. A call-back system allows the customer to initiate a call-back from our system. This makes it an incoming call for the customer and therefore, free.

The Market

Cellular market:

The cellular market is immensely large worldwide with 2.5 billion cellular connections as of September 2006 (GSM Association and Ovum – a market research company as quoted by IDG News Service on September 7, 2006). Cellular connections do not represent the number of cellular users, since many subscribers have more than one cellular connection. In addition, these figures include prepaid accounts that may no longer be active. EtForecast, another market research company, provides similar figures at just over 2 billion subscribers in 2005 (<http://www.etforecasts.com/>). EtForecast figures refer to cellular subscribers rather than cellular connections.

It is impossible to verify the number of subscriptions to specific plans as cellular companies do not disclose this information and provide only total numbers of subscribers. “Unlimited” (or a very large number of) incoming minute plans are popular with plans being offered by nearly every major cellular service provider. We intend to pursue the Canadian cellular market through a series of regional distributors and resellers. We do not plan on allocating any resources at this point to penetrate the U.S. market and will instead focus exclusively on the Canadian market.

Our Products and Services

We have reviewed available call-back solutions currently in the market in order to determine how best to develop, deploy and offer our services, and have narrowed our options to two solutions:

- The first is to purchase licenses for a commercial call-back package such as that offered by VoipSwitch (www.VoipSwitch.com).

- The second is to use an open source product such as Asterisk2billing (www.asterisk2billing.org). The software includes call-back functionality. However, it will require a significant level of customization (See below under Product Development) and does not include a multi-level reseller module.

We decided that the second option presents the best and most cost effect opportunity for the Company to develop our service for the following reasons:

- We will have license-free software to deploy on as many servers as we need, whereas choosing the first option will force us to buy software licenses for every server we deploy.
- We have the ability to customize the second product and continuously introduce new products.
- Asterisk2billing runs over the Linux operating system while VoipSwitch runs over the Microsoft Windows operating system. Our management believes that Windows systems are more expensive and require more powerful, and therefore more expensive, servers as compare to the Linux operating system. As of April 4, 2007, a single CPU license for Microsoft Server 2003 (Datacenter Server Edition) costs \$2,999. Linux operating systems are free.

Table of Contents

What is Asterisk2Billing?

Asterisk2Billing is an open source project (available for download and use for free) with a web site at www.asterisk2billing.org. Asterisk2billing is a fully featured calling card platform running on an Asterisk server (Asterisk is an open source free telephone software available at www.asterisk.org) providing a complete solution for both prepaid (a customer must pre-pay for service which means that they must have a positive balance in their account to place a call) and post-paid (a customer typically pays for services at the end of the month) calling card services. Its main disadvantage is that it does not have a multiple reseller module.

We will be making substantial modifications and additions to the software to meet our needs as described in our Platform Development section below.

Utalk's Call-Back Packages:

We anticipate that our pricing packages will be either flat-fee, usage-based, or a combination of the two:

- Flat-fee packages: A user is charged a flat monthly fee for the service. We anticipate offering several local and national packages.
- Usage-based package: A user is charged by the minute based upon a specified rate.
- Hybrid Packages: Hybrid packages combine the above two options. A customer may have a local or national package which makes his calls to these areas free. However, he is charged by the minute based upon a specified rate for calls outside the free calling area of his plan.

All packages will be pre-paid, meaning that a customer must pre-pay for all of the services used on our web site. All payments will be converted received on our web site by Paypal (our payment processor) into US funds at the prevailing rate which will in turn be deposited in our US bank account.

Utalk's Call-Back Platform Development:

We must customize the Asterisk2billing software in order to meet our needs. Our software development will be primarily conducted by outside contractors supervised closely by our sole officer and director. The development of our product will commence as soon as the minimum funding has been secured. Our development tasks and the approximate durations of these tasks are described below:

- Selection of Software Development Contractor: Mr. Hleiss will lead the selection of one or more contractors in order to install and modify the software to fit our needs. Mr. Hleiss will develop a request for quotations that will be sent to several contractors. The selection will be based on price, experience and track record. We expect the selection process to take 1 month following the offering.
- Specifications and high-level design: We expect that we will complete specifications for the product and finish high-level design 2 months after the selection of a software contractor. This will include the development of specifications for new software elements (referred to as modules) to be developed and those to be modified. This will be an interactive process between our management and the software contractor.

- Development Infrastructure deployment: This will include the purchase of two servers. One server will be used for development while the other one is used for the deployment of the product. The installation of the operating system, Asterisk software and the Asterisk2 billing software is believed to take two weeks. This task will be performed by the software contractor.

Table of Contents

Reseller Portals: We will be designing a reseller portal (a portal is a web site where resellers can track their sales, customers and balances) which does not currently exist in Asterisk2Billing. We will be supporting up to 3 levels of resellers. Our software will also support affiliates. Affiliates are those who simply refer customers to our service. These can be individuals, web sites or companies who do not want to directly sell the service.

Rather, affiliates simply refer customers to a reseller and the affiliate earns a commission from reseller. Resellers can build their own affiliate program and use our software to track sales and to compensate affiliates accordingly.

Administrative Portal: The system shall have an administrative portal. While there exists currently an administrative portal in Asterisk2billing, it does not have any tools to manage resellers. Therefore, we will modify the administrative portal in order add support for reseller administration. We expect that this task will take one month to complete.

Customer Portal or web page: We will be modifying the existing customer portal to make it more aesthetically appealing to our customers and to increase its utility and functionality. We will also enable the customer to add funds to their account from the customer portal using credit card or through Paypal. We have chosen Paypal (<http://www.paypal.com>) to act as our credit card merchant. Paypal is a financial company that accepts and clears all customer credit card payments on behalf of participating merchants, such as our Company.

There are no short or long term contracts or obligations associated with the use of PayPal. Each reseller wishing to accept credit card or Paypal payment must establish a Paypal merchant account. We expect that the customer portal will take 30 days to finish.

We have outsourced the development and deployment of our Call-back service to Netfone Inc. We have paid Netfone Inc. USD \$12,000 to perform these tasks. We anticipate the delivery of the product in the forth quarter of 2008. We may opt to use Netfone Inc. to host and maintain the service on our behalf, we will pay them USD \$200 per month.

Utalk's Call-Back Platform Deployment:

The production system will consist of a high-end server. We will also have a lower end server to serve as a backup in case of failure in the primary server.

The system will be located in a data center. A data center is a facility used to house mission critical computer systems and associated components. The data center will include environmental controls (air conditioning, fire suppression, etc.), redundant/backup power supplies, redundant data communications connections and high security.

In order for our system to be able to place and receive calls, it is necessary to connect to phone service providers. We will avoid the larger carriers since they generally impose large monthly fees and minimum revenue commitments. There are many VoIP companies on the market that supply VoIP phone connectivity at a low cost with low commitment levels. Some also provide space, for a fee, in which to house our servers. This will allow us to directly connect to their equipment which will increase reliability and quality of the calls and reduce the Internet traffic cost. We have not entered into any agreements or contracts with any such VoIP companies.

Our selection of the VoIP company will depend on:

- Price
- Quality of both national and international connectivity
- Location of the data center where the VoIP company is located.

Sales and distribution

We anticipate offering our services through distributors and resellers. We do not currently have any agreements or contracts with any distributors or resellers.

Table of Contents

Resellers

We expect to be able to support three levels of resellers. We refer to them as Levels I, II and III resellers.

Level I resellers are typically substantial organizations with strong distribution networks (for example a calling card company or a company involved in the resale of long distance services). Level I resellers can opt to have their own brand name (in which case, they may set their own prices) or sell under one of Utalk's brand names. They will have the ability to add, suspend and manage Level II and III resellers.

Level II resellers typically recruit and manage multiple Level III resellers. They will also have the ability to add, suspend and manage Level III resellers.

Level III resellers are the individuals, stores and web sites that sell directly to the end user. They have the ability to create end user accounts as well as add credit to them.

Exclusive Regional Resellers

We may grant Level I resellers regional exclusivity. In such a case, we will set revenue targets for the reseller as a requirement to maintaining its exclusivity. This target will depend on the market size of the territory. If the reseller fails to meet the revenue target, we will retain the right to revoke the exclusivity. The exclusive reseller will be responsible for recruiting other resellers within the territory. The grant of exclusivity will be based on, in addition to other factors, the following:

- Strength of organization in the region.
- Track record in this industry
- Commitment to spend advertising dollars
- The size of the region and its market potential.

The territory of the exclusive reseller will depend on the size of the market and the sale volume produced by said reseller.

We believe our strategy of focusing on offering the Company's services through resellers rather than directly to the end user will allow us to capture a larger market share at a significantly lower cost. If this strategy ultimately proves to be successful, we will have ready access to the potentially large customer bases serviced by resellers.

The advantage for the reseller is immediate access to lucrative services without the need to invest in building and maintaining such systems as well as continuously updating their service offering. It will also enable them to focus on core competencies and up-selling services to their customer base.

Revenue model

Our revenue will be earned from direct and wholesale sales. Direct sales will be revenue from brands that we own. These brands are marketed to the end users directly by Utalk or through a network of resellers. Wholesale sales are revenues earned by enabling other service providers to utilize the Company's call-back services.

Table of Contents

Direct sales:

In this case, the Company will collect revenue from the end users through credit card payment using Paypal. When paying through Paypal, we will reserve a portion of the money for the resellers and affiliates and keep the rest. Our system will automatically calculate the revenue sharing between Utalk and the different levels of resellers. Any such revenue sharing arrangement will be determined based upon prevailing market conditions and will be re-evaluated on a regular basis.

Wholesale:

In this model, a Level I reseller will brand our solution under their name. They will wholesale services at a rate agreed upon with the Company, and then resell them at prices of their choosing. The wholesaler must pre-pay for services and their clients will not be able to place calls if the wholesaler balance with us is negative. The wholesaler is set as a reseller Level I in our system and will be able to have two levels of resellers working for them in addition to affiliates.

Marketing strategy

We plan on using “Cost per Click” (“CPC”) web based advertising to gain traffic to our website. Under this program, we will design our own ads, target locations (ie. countries or regions) and keywords. A “keyword” is another term for “search term”. When someone is searching for information on the internet, they will usually visit a search engine such as Yahoo or Google and type in some words describing what they are looking for. The search engine then returns results based upon the words submitted. Search engines such as Google have their own CPC advertising programs. We will be focusing on Google (Adwords) for primary campaigns. Google is the most popular search engine and we believe it will provide us with the greatest potential amount of traffic exposure.

With CPC advertising, we only pay for actual clicks on the ad, which will then be directed through to our website. CPC-based advertising allows businesses to pay only for the leads they receive. According to www.businessnation.com, over 80% of people start their search through a search engine when they need to find specific information online. In addition, businessnation.com reports that consumers are 5 times more likely to purchase from search listings, 7 times more likely to view search listings and 20 times more likely to click on search listings, when compared to banner.

We believe this is the most cost effective and targeted audience advertising we can obtain with our limited resources. This method will enable us to control our advertising costs with respect to our target market through control over the search terms, titles and description for each listing. Furthermore, we can control the amount to pay for each listing and the maximum amount we wish to spend on a daily basis. It also allows us to pause or alter the advertising. The keywords will focus on search results, which we believe will be most related to our product.

We also plan on selling our product through an Affiliate Marketing Program (“APM”). An APM is a form of profit sharing program that is widely accepted and utilized in internet commerce. We will implement our website based APM program, which will effectively track and account for affiliate activity. Under the APM, we pay other website owners commission for referring customers who make a purchase. Participating website owners provide links, such as banners, to our products on their own websites. We are planning to payout commissions of 10-20% of the product purchase price as an incentive to sell our products for each referred customer who uses or services.

Our APM management tools will also be available to our resellers who may choose to develop their own APM program. Our advertising will be largely targeted to recruiting resellers and service providers to adopt and resell our service.

In addition to Google advertising, we intend to advertise on websites such as Linkshare.com, Commissiongroup.com, Affiliateprograms.com, and in periodicals such as Revenue Today magazine (www.revenuetoday.com) - all of which are targeted to affiliate marketing prospects and products. Affiliates will signup directly on our website, or through one of the affiliate marketing sites listed above. We believe the benefits of affiliate marketing far outweigh the commission costs, given our current position as a startup with no revenue. Affiliate marketers provide increased exposure to our product, incur the cost of generating traffic and save us the cost of hiring a sales and marketing force, until we have the resources to do so.

Table of Contents

Our business model anticipates the creation of a network of established multi-level reseller partners in our target market areas to reach our potential end users. We believe we offer reseller partners certain advantages, including:

- **Fast Time to Market** - By taking advantage of our existing infrastructure and software solution, a distributor's service can be up and running within days.
- **Operational Freedom** - By outsourcing application management to us, resellers can focus on critical resources, revenue generation and business development functions.
- **Customization** - Our resellers are able to customize our solution to suit the needs of their end user client base.
- **24/7 Access** - Resellers or end users have access to applications via the Internet on a 24/7 basis.
- **Private Label Solution** - Our branded solutions offer distributors and agents the ability to build their own branded services in their territory. Our services are designed to be privately labeled and can be customized to meet the reseller's "look and feel" in addition to business processes.

Branding:

Utalk expects to introduce multiple service brands into the market with different price points. While this may dilute the value of the Utalk brand, it is a common practice by calling-cards companies. It may be necessary to create a specific brand for a marketing agency who wants to be exclusively marketing this brand.

Intellectual Property

We do not have any patents or patent-pending applications. We currently have no plans to seek patent protection, although we do not exclude that this may become a possibility in the future. We will maintain ownership of the software developed and do not intend to release the source code to anyone. Resellers will have rights to use the software to sell our services but will not own the software or have any ownership rights to it. They will also not be allowed to modify the software in any fashion.

Competition

While there are many companies that focus on the international market for call-back services, we intend to focus solely on the delivery of call-back services in Canada. We are aware of only three companies that are focused on cellular phone subscribers in Canada. Notwithstanding, other such companies may in fact exist and it is very likely that they do. One company which we are aware of is Globalive Communications Corp. (<http://www.globalive.com>), a private company based in Toronto, Canada and offer services through Yak Communications (Canada) Corp. (<http://www.yak.com/>). Its call-back product is named YakCallback. However, they charge by the minute and do not offer flat fee monthly rates. Another such company is IMC Telecom (<http://www.imctelecom.com/>) which offers service in cities in Canada such as Montreal, Ottawa, Toronto, Calgary and Vancouver. The third company, a private company based in Vancouver, Canada, is Packetera Communications Inc. which is in the beta stage of their call-back service. Packetera advertises its service under the "itokk" brand name (<http://www.itokk.com/>).

We believe that we have the following competitive advantages:

- We expect to enable other service providers to deliver the same service over our platform but with that service provider's own branding
- We will be one of the first companies to focus on the Canadian cellular market We are currently aware of two competitors on the market. The first is Yak.com and they charge over 3.5 cents per minute. We expect to match this rate for usage based plans but will also offer flat monthly plans (\$10 for local calling, \$15 for national calling and \$20 for free calling in Canada and USA). The other competitor, Evoiphone charges \$10 for unlimited calling, but limits its service to a few markets.
- We will have reduced operational costs since we anticipate that such costs can be spread over multiple resellers and other service providers.
- Our resellers and service providers will be able to focus on marketing and sales, without the need to expend resources on support and operational issues.

Table of Contents

Government Regulation

The telecommunications sector in Canada is regulated by the Canadian Radio-television and Telecommunications Commission (CRTC). However, we are not aware of any ruling, prohibition, or restriction on the use of callback services in Canada.

Privacy Regulations

Since we will be collecting confidential information about our customers including personal information (name, address, and telephone numbers), payment information (credit card, bank details, etc.) and phone calling history, we will be enacting measures to ensure the privacy of the customer data. Such measures will include strong encryption of the data and strong access control to the data where only authorized persons are able to do so. We do not intend to share our customer data with anyone except if mandated by a government regulation (e.g., Patriot Act).

As of 2006, Canadian business and private sector organizations are subject to federal or provincial privacy protection legislation governing both customer and, with some exceptions, employee information.

Effective as of January 1, 2001, the Canadian federal government enacted the Personal Information Protection and Electronic Documents Act (PIPEDA). PIPEDA applies to federally-regulated private sector organizations (i.e., organizations in the transportation, communications, broadcasting, federal banking and offshore sectors, as well as in Canada's three territories), and to other private sector organizations in provinces that have not enacted "substantially similar" legislation. It applies to personal information and health information that is collected, used or disclosed in the course of commercial activity that takes place across the Canadian border, between provinces, and within a Canadian province that has not enacted "substantially similar" legislation.

To date, Alberta and British Columbia have joined Québec in enacting their own private sector privacy legislation. Each of the Québec, British Columbia and Alberta statutes has been recognized as "substantially similar" by the Canadian federal government. (<http://www.osler.com/resources.aspx?id=8686>).

Employees

We have no employees other than our sole officer and director, Mazen Hleiss. As such, Mr. Hleiss has been responsible for all business planning, and operational duties, and will continue to perform these duties throughout the early stages of our growth. During this time, Mr. Hleiss will supervise the development and deployment of our software.

We have outsourced the development and deployment of our Call-back service to Netfone Inc. We have paid Netfone Inc. USD \$12,000 to perform these tasks. We anticipate the delivery of the product in the forth quarter of 2008. We may opt to use Netfone Inc. to host and maintain the service on our behalf, we will pay them USD \$200 per month.

We anticipate that after the development of our product, we will need to hire a sales and support assistant who will be responsible for answering customer and reseller inquiries and providing basic support.

Results of Operations

From the date of our incorporation on January 30, 2007 to March 31, 2008, we have been a development stage company that has generated no revenues.

January 1 – September 30, 2008 compared to the period from inception (January 30, 2007) to September 30, 2007.

We posted an operating loss of \$5,624 and \$13,907 for the three and nine month period ended September 30, 2008 compared to operating losses of \$1,862 and 10,988 for periods ended September 30, 2007, and operating losses of \$37,353 from inception (January 30, 2007) to September 30, 2008. The principal component of the increase was due to an increase in general and administrative and accounting expenses.

Table of Contents

Our operating expenses for the three and nine month period ended September 30, 2008 compared to the period ended September 30, 2007 are classified primarily into the following two categories:

- Accounting fees for the year end audit. The amount incurred by our company during for the three and nine month periods ended September 30, 2008 was \$3,000 and \$7,524 respectively, compared to the period ended September 30, 2007 of \$1,279;
- General and administrative expenses. The amount incurred by our company during for the three and nine month periods ended September 30, 2008 was \$2,624 and 6,383, compared to the period ended September 30, 2007 of \$583 and \$927.

Financial Condition, Liquidity and Capital Resources

We are in the process of developing Call-back services. We expect that we will be able to offer service toward the end of 2008. Principal capital resources have been acquired through the issuance of common stock.

At September 30, 2008, we had working capital of \$14,147.

At September 30, 2008, we had assets of \$38,147.

At September 30, 2008, our total liabilities were \$8,500.

At September 30, 2008 we had cash on hand of \$12,548.

Plan of Operation

From the date of our incorporation on January 30, 2007 to September 30, 2008, we have been a start up company that has not generated revenues.

We have not generated any revenues since our inception. To date, we have engaged in the following activities:

Our sole officer and director has conducted preliminary market research relating to call-back services, as well as the software to be used in connection with our anticipated service. In addition, we have reserved a domain name, www.utalklive.com, for our Company at a cost of approximately \$30 per year. We have also acquired web and email hosting (up to 4 emails) for \$240 per year.

We have retained a contractor for the development of our web site and marketing and corporate collateral for \$3,500. We expect that the product will be delivered by the end of September 2008.

We have retained a company for the development and deployment of call-back services. A payment of \$12,000 was made for the development of our product and we expect that the product will be delivered by the end of 2008. Our Director will be working closely on the development of the services.

Table of Contents

During the next twelve months following the termination of our offering, we intend to engage in the following activities:

October through December, 2008

During this period, we expect to achieve the following:

- Complete the development of the software
- Complete the formulation of a marketing and sales strategy
- Complete the development of our marketing collateral
- Purchase and configuration of computer servers to deploy our call-back services
- Initiate sales activities

January through March, 2009

During this period, we expect to achieve the following:

- Launch our advertising campaign to attract resellers
- Launch our service in Canada

April through June 2009

- Make our service available to resellers
- If we have enough funding, continue the development of our product

July 2009 and thereafter

During this period, we plan to focus on our marketing and sales effort.

Employees

As of September 30, 2008, we have no employees.

Table of Contents

Personnel Plan

We do not currently plan to add more personnel to our company until the product development is completed when we expect to hire a sales assistant. As we start offering service, we will consider outsourcing customer support or hiring additional personnel.

Cash Requirements

Presently, our revenues are not sufficient to meet our operating and capital expenses. Management projects that we will require additional funding to expand our current operations, although we anticipate that our current funds will enable us to address our minimal current and ongoing expenses and continue with the marketing and promotion activity connected with the development and marketing of our call-back products and services throughout the period ending September 30, 2009.

There is some doubt about our ability to continue as a going concern as the continuation of our business is dependent upon the successful and sufficient market acceptance of new call-back products and services, the continuing successful promotion of our call-back products and services, obtaining additional financing, and finally, maintaining a break even or profitable level of operations. The issuance of additional equity securities by us will result in a dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

We have incurred operating losses since inception. As we had cash on hand of \$12,548 as at September 30, 2008, management projects that we may require an additional \$50,000 to fund our ongoing operating expenditures, offering expenses and working capital requirements for the twelve month period ending September 30, 2009, broken down as follows:

Estimated Funding Required During the Twelve Month Period Ending September 30, 2009

Operating expenditures	
Marketing & Sales	\$ 15,000
General and Administrative	\$ 20,000
Product development and deployment	\$ 7,000
Working capital	\$ 13,000
Total (including Offering Costs)	\$ 50,000

Due to the uncertainty of our ability to meet our current operating and capital expenses, in their report on the annual financial statements for the period from incorporation on January 30, 2007 to September 30, 2008, our independent auditors included an explanatory paragraph regarding concerns about our ability to continue as a going concern. Our financial statements contain additional note disclosures describing the circumstances that lead to this disclosure by our independent auditors.

There are no assurances that we will be able to obtain further funds as may be required for our continued operations. If required, we will pursue various financing alternatives to meet our immediate and long-term financial requirements, which we anticipate will consist of further private placements of equity securities, advances from related parties or shareholder loans. We have not entered into any definitive agreements with any shareholders or related parties for the provision of loans or advances. There can be no assurance that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, we will not be able to meet our other obligations as they become due and we will be forced to scale down or perhaps even cease our operations.

Purchase of Significant Equipment

We do not anticipate that we will expend any significant amount on equipment for our present or future operations.

Going Concern

Due to our being a development stage company and not having generated revenues, in their report on our financial statements for the period from incorporation on January 30, 2007 to September 30, 2008, our independent auditors included an explanatory paragraph regarding concerns about our ability to continue as a going concern. Our financial statements contain additional note disclosures describing the circumstances that lead to this disclosure.

Table of Contents

We have historically incurred losses, and through September 30, 2008 have incurred losses of \$37,353 from our inception. Because of these historical losses, we will require additional working capital to develop our business operations. We intend to raise additional working capital through private placements, public offerings, bank financing and/or advances from related parties or shareholder loans.

The continuation of our business is dependent upon obtaining further financing and achieving a break even or profitable level of operations. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current or future stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

There are no assurances that we will be able to either (1) achieve a level of revenues adequate to generate sufficient cash flow from operations; or (2) obtain additional financing through either private placements, public offerings and/or bank financing necessary to support our working capital requirements. To the extent that funds generated from operations and any private placements, public offerings and/or bank financing are insufficient, we will have to raise additional working capital. No assurance can be given that additional financing will be available, or if available, will be on terms acceptable to us. If adequate working capital is not available we may not increase our operations.

These conditions raise substantial doubt about our ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might be necessary should we be unable to continue as a going concern.

Application of Critical Accounting Policies

Our financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. We believe that understanding the basis and nature of the estimates and assumptions involved with the following aspects of our financial statements is critical to an understanding of our financials.

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

For purposes of the cash flow statements, we consider all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents.

Property and equipment are stated at cost and depreciated using the declining balance method over estimated economic useful life of 5 years. Maintenance and repairs are charged to expense as incurred. Major improvements are capitalized.

The carrying amounts of our stockholder loan payable approximate fair value due to the relatively short period to maturity for this instrument.

We account for income taxes under the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" ("Statement 109"). Under Statement 109, deferred tax assets and liabilities are recognized 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. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is assured. We recognize revenue from usage, storage and system modifications at the time the services are performed.

Basic and diluted net loss per common share is computed based upon the weighted average common shares outstanding as defined by Financial Accounting Standards No. 128, "Earnings Per Share." As of September 30, 2008, there were no common share equivalents outstanding.

Table of Contents

Basis of Presentation

The accompanying audited financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission.

Capitalized Website Costs

Utalk follows AICPA Statement of Position 98-1: "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" as well as EITF 00-02: "Accounting for Web Site Development Costs". In accordance with SOP 98-1 and EITF 00-02, internal costs incurred to develop a web site to be used for commercial purposes are charged to expense when incurred until technological feasibility has been established for the web site. Technological feasibility is established upon completion of a detailed program design or, in its absence, completion of a working model. After technological feasibility is established, the costs of coding and testing and other costs of producing product masters are capitalized. Cost capitalization ceases when the product is available for general release to customers.

Capitalized website development costs are amortized over the web sites estimated useful life once it is available for general use by customers. Annual amortization is the greater of straight-line over the product's estimated useful life or the percent of the product's current-year revenues as compared to the product's anticipated future revenues.

Capitalized website development costs are evaluated for impairment on a product-by-product basis by a comparison of the unamortized capitalized costs to the product's net realizable value. The amount by which the unamortized capitalized costs exceed the net realizable value is recognized as an impairment charge.

Recently Issued Accounting Pronouncements

Utalk does not expect the adoption of any recently issued accounting pronouncements to have a significant impact on their financial position, results of operations or cash flows.

Item 4. Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, as of the end of the period covered by this quarterly report, being September 30, 2008, we have carried out an evaluation of the effectiveness of the design and operation of our company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our company's management, including our company's president and chief financial officer. Based upon that evaluation, our company's president along with our company's chief financial officer concluded that our company's disclosure controls and procedures are not effective as at the end of the period covered by this report. There have been no changes in our company's internal controls that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect our internal controls subsequent to the date we carried our evaluation.

Disclosure controls and procedures and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our president and chief financial officer as appropriate, to allow timely decisions regarding required disclosure.

In the quarter ended September 30, 2008, the Company did not make any significant changes in, nor take any corrective actions regarding, its internal controls or other factors that could significantly affect these controls.

20

Table of Contents

Part II - OTHER INFORMATION

Item 1. Legal Proceedings.

We know of no material, active or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

Item 1A. Risk Factors

RISK FACTORS

Much of the information included in this quarterly report includes or is based upon estimates, projections or other “forward-looking statements.” Such forward-looking statements include any projections or estimates made by us and our management in connection with our business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other “forward-looking statements” involve various risks and uncertainties as outlined below. We caution readers of this quarterly report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other “forward-looking statements”. In evaluating us, our business and any investment in our business, readers should carefully consider the following factors.

Risks Associated With Our Business

We are a development stage company and may never be able to effectuate our business plan or achieve any revenues or profitability; at this stage of our business, even with our good faith efforts, potential investors have a high probability of losing their entire investment.

We were established on January 30, 2007 and have no operating history. We are in the development stage and are subject to all of the risks inherent in the establishment of a new business enterprise. We have had no revenue to date. Our operations to date have been focused on organizational, start-up, preliminary market research, and fund raising activities. As a development stage company, the Company is a highly speculative venture involving significant financial risk. It is uncertain as to when we will become profitable, if ever.

There is nothing at this time on which to base an assumption that our business operations will prove to be successful or that we will ever be able to operate profitably. We may not be able to successfully effectuate our business plan. There can be no assurance that we will ever achieve any revenues or profitability. The revenue and income potential of our proposed business and operations is unproven as the lack of operating history makes it difficult to evaluate the future prospects of our business. Accordingly, our prospects must be considered in light of the risks, expenses and difficulties frequently encountered in establishing a new business.

We expect losses in the future and as a result, we may not be able to continue operations. Unless we are able to generate revenues and make a profit, our stockholders may lose their entire investment in us.

We expect to incur losses over the next twelve months because we do not yet have any revenues to offset the expenses associated with the development and the marketing of our of our call-back service. We cannot guarantee that we will ever be successful in generating revenues in the future. We recognize that if we are unable to generate revenues, we will not be able to earn profits or continue operations and as a result our stockholders may lose their entire investment in us. There is no history upon which to base any assumption as to the likelihood that we will prove successful, and we can provide investors with no assurance that we will generate any operating revenues or ever achieve profitable operations.

21

Table of Contents

If our business strategy is not successful, we may not be able to continue operations as a going concern and our stockholders may lose their entire investment in us.

As discussed in the Notes to Financial Statements included in this registration statement, we incurred a net loss of \$37,353 for the period January 30, 2007 (inception) to September 30, 2008. This factor raises substantial doubt that we will be able to continue operations as a going concern, and our independent auditors included an explanatory paragraph regarding this uncertainty in their report on our financial statements for this period. Our ability to continue as a going concern is dependent upon our generating cash flow sufficient to fund operations and reduce operating expenses. If we cannot continue as a going concern, our stockholders may lose their entire investment in us.

We will not be able to generate revenue unless and until we successfully develop our call-back system.

The Company expects to incur operating losses over the next twelve months because we have no plan to generate revenue unless and until we are successful in developing our call-back system. We anticipate relying upon third parties to develop such call-back system. We cannot guarantee that we will ever be successful in developing the call-back system or in generating revenues in the future. We recognize that if we are unable to generate revenues, we will not be able to earn profits or continue operations. We can provide investors with no assurance that we will generate any operating revenues or ever achieve profitable operations.

We are heavily dependent upon Mr. Mazen Hleiss, our sole officer and director. The loss of Mr. Hleiss, or the inability to contract with qualified third parties, whose knowledge, leadership and technical expertise upon which we rely, would harm our ability to execute our business plan.

We are dependent on the continued contributions of Mazen Hleiss, our sole officer, whose knowledge, leadership and experience would be difficult to replace. We do not maintain any key person insurance on our officer. If we were to lose his services, our ability to execute our business plan would be harmed, and we may be forced to cease operations until such time as we can hire suitable replacements. As we anticipate relying upon third-parties to develop our call-back system, if we are unable to contract with such qualified third-parties we will not be able to develop our system. As such, we will not be able to generate revenues or continue operations.

Since our sole officer and director works for other companies, his other activities could slow down our operations and we may not be able to successfully effectuate our business plan.

Mazen Hleiss, our sole officer does not work exclusively for us and does not devote all of his time to our operations. Therefore, it is possible that a conflict of interest with regard to his time may arise based upon his employment with other companies. His other activities may prevent him from devoting his full-time to our operations which could slow our operations and consequently may reduce our financial results. It is expected that Mr. Hleiss will only be available to the Company on a part-time basis and may devote approximately twenty hours per week to our operations on an ongoing basis. Mr. Hleiss has other part-time employment obligations which do not preclude him from devoting up to 20 hours per week to Company business. If our sole officer and director does not devote sufficient time towards our business, we may never be able to effectuate our business plan.

We expect to rely heavily on resellers and distributors of our call-back system in order to generate revenues. If we fail to contract with resellers and distributors, we may not be able to generate sufficient revenues to continue operations. As a result, our stockholders may lose their entire investment in us.

Our Company expects to rely heavily on a network of resellers and distributors of our call-back system and services as a primary source of revenues. We have no contracts or agreements with any resellers or distributors to resell our call-back services. We cannot provide any assurances that we will be able to successfully contract with any such

resellers and distributors. If we fail to do so, we may not be able to generate sufficient revenues to continue operations. Accordingly, our stockholders may lose their entire investment in us.

Table of Contents

If we are unable to obtain additional funding in the future, our business operations will be harmed. Even if we do obtain additional financing, our then existing shareholders may suffer substantial dilution.

We expect that the net proceeds of the offering to which this prospectus relates, even if only the minimum number of shares are sold, will be sufficient to fund the operating expenses associated with the development of our call-back system and our proposed marketing and distribution program for the next twelve months. If our expenses over the next twelve months exceed our budgeted expenses, we may need to raise additional funds to pay for such additional expenses. Such additional funds may come from the sale of equity and/or debt securities and/or loans. It is possible that additional capital will be required to effectively support our operations and to otherwise implement the Company's overall business strategy. The inability to raise the required capital will restrict our ability to grow and may reduce our ability to continue to conduct business operations. If we are unable to obtain necessary financing, we will likely be required to curtail our development plans which could cause the Company to become dormant. We currently do not have any arrangements or agreements to raise additional capital. Any additional equity financing may involve substantial dilution to our then existing shareholders.

We may not be able to compete with current and potential competitors, some of whom have greater resources and experience than we do.

The call-back services market in which we operate is subject to rapid technological changes. We may not have the resources to compete with our existing competitors or with any new competitors. Our competitors have significantly greater personnel, financial, managerial, and technical resources than we do. This competition from other companies with greater resources and reputations may result in our failure to maintain or expand our business as we may never be able to develop customers for our products and services.

Our lack of business diversification could have a negative impact on our financial performance if we do not generate revenue from our products or such revenues decrease.

We expect that our business will consist solely of the development of a call-back system and sale of call-back services. We currently have no other planned lines of business or other sources of revenue. Our lack of business diversification could cause us to be unable to generate revenues since we do not have any other lines of business or alternative revenue sources other than the sale of our all-back platform and service.

If we fail to develop and maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud; as a result, current and potential shareholders could lose confidence in our financial reports, which could harm our business and the trading price of our common stock.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate and report on our internal controls over financial reporting and have our independent registered public accounting firm annually attest to our evaluation, as well as issue their own opinion on our internal controls over financial reporting, beginning with our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2008. We plan to prepare for compliance with Section 404 by strengthening, assessing and testing our system of internal controls to provide the basis for our report. The process of strengthening our internal controls and complying with Section 404 is expensive and time consuming, and requires significant management attention. We cannot be certain that the measures we will undertake will ensure that we will maintain adequate controls over our financial processes and reporting in the future. Furthermore, if we are able to rapidly grow our business, the internal controls that we will need will become more complex, and significantly more resources will be required to ensure our internal controls remain effective. Failure to implement required controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we or our auditors discover a material weakness in our internal controls, the disclosure of that

fact, even if the weakness is quickly remedied, could diminish investors' confidence in our financial statements and harm our stock price. In addition, non-compliance with Section 404 could subject us to a variety of administrative sanctions, including the suspension of trading, ineligibility for listing on one of the Nasdaq Stock Markets or national securities exchanges, and the inability of registered broker-dealers to make a market in our common stock, which would further reduce our stock price.

Because we do not have an audit or compensation committee, shareholders will have to rely on our sole director, who is not independent, to perform these functions.

We do not have an audit or compensation committee comprised of independent directors. Indeed, we do not have any audit or compensation committee. These functions are performed by, Mazen Hleiss, our sole director and officer. Thus, there is a potential conflict of interest in that our sole director and officer has the authority to determine issues concerning management compensation and audit issues that may affect management decisions.

Our principal stockholder, who is also our sole officer and director, owns a controlling interest in our voting stock. Therefore, investors will not have any voice in our management, which could result in decisions adverse to our general shareholders.

Table of Contents

Mazen Hleiss, our sole officer and director beneficially owns 100% of our outstanding common stock. Assuming all shares in this offering are sold, Mr. Hleiss will own 87% of our outstanding common stock. As a result, Mr. Hleiss will have the ability to control substantially all matters submitted to our stockholders for approval including:

- election of our board of directors;
- removal of any of our directors;
- amendment of our Articles of Incorporation or bylaws; and
- adoption of measures that could delay or prevent a change in control or impede a merger, takeover or other business combination involving us.

As a result of his ownership and positions, our director and executive officer will be able to influence all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. In addition, the future prospect of sales of significant amounts of shares held by our director and executive officer, could affect the market price of our common stock if the marketplace does not orderly adjust to the increase in shares in the market and the value of your investment in the Company may decrease. Management's stock ownership may discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which in turn could reduce our stock price or prevent our stockholders from realizing a premium over our stock price.

We will rely on a Voice over Internet Protocol ("VoIP") provider for our telephone connections; any delay, interruption or financial difficulties by our VoIP provider would result in delayed or reduced rate of service to our future customers and may harm our business.

We anticipate relying upon a third-party VoIP services provider to provide telephone connectivity for our call-back services. We do not have any contracts or agreements with any such VoIP provider. We do not anticipate having any control over the operations of our VoIP provider, and as result, any delay, interruption or financial difficulties by such provider would result in delayed, interrupted or reduced rates of service to our future customers which may harm our business.

Changes in the exchange rates between the United States dollar and foreign currencies may be volatile and may negatively impact our costs which could adversely affect our operating results.

When operating in foreign countries, such as Canada, we expect to incur a certain amount of our expenses from our operations in foreign currency and translate these amounts into United States dollars for purposes of reporting operating results. As a result, fluctuations in foreign currency exchange rates may adversely affect our expenses and results of operations, as well as the value of our assets and liabilities. Fluctuations may adversely affect the comparability of period-to-period results. In addition, we anticipate holding foreign currency balances, which will create foreign exchange gains or losses, depending upon the relative values of the foreign currency at the beginning and end of the reporting period, which may affect our net income and earnings per share. Although we may use hedging techniques in the future (which we currently do not use), we may not be able to eliminate the effects of currency fluctuations. Thus, exchange rate fluctuations could have a material adverse impact on our operating results and stock price.

Future legislation or regulation of the internet and/or internet commerce services, could restrict our business, prevent us from offering service or increase our cost of doing business, which could result in a loss of revenue.

At present there are few laws, regulations, or rulings that specifically address access to or commerce on the internet. We are unable to predict the impact, if any, that future legislation, legal decisions, or regulations concerning the Internet may have on our business, financial condition, and results of operations. Regulation may be targeted towards, among other things, assessing access or settlement charges, imposing taxes related to internet commerce, imposing tariffs or regulations based on encryption concerns or the characteristics and quality of products and services. Any such regulation could restrict our business or increase our cost of doing business and consequently a loss of future revenue.

Table of Contents

Risks Associated with Our Common Stock

We may, in the future, issue additional common shares, which would reduce investors' percent of ownership and may dilute our share value.

Our Articles of Incorporation authorize the issuance of 50,000,000 shares of common stock, of which 4,470,000 shares are issued and outstanding. The future issuance of common stock may result in substantial dilution in the percentage of our common stock held by our then existing shareholders. We may value any common stock issued in the future on an arbitrary basis. The issuance of common stock for future services or acquisitions or other corporate actions may have the effect of diluting the value of the shares held by our investors, and might have an adverse effect on any trading market for our common stock.

Our common shares are subject to the "Penny Stock" Rules of the SEC and the trading market in our securities is limited, which makes transactions in our stock cumbersome and may reduce the value of an investment in our stock.

The Securities and Exchange Commission has adopted Rule 15c-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

- that a broker or dealer approve a person's account for transactions in penny stocks; and
- the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

- obtain financial information and investment experience objectives of the person; and
- make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the Commission relating to the penny stock market, which, in highlight form:

- sets forth the basis on which the broker or dealer made the suitability determination; and
- that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our Common shares and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held

in the account and information on the limited market in penny stocks.

25

Table of Contents

There is no current trading market for our securities and if a trading market does not develop, purchasers of our securities may have difficulty selling their shares.

There is currently no established public trading market for our securities and an active trading market in our securities may not develop or, if developed, may not be sustained. We intend to have a market maker apply for admission to quotation of our securities on the NASD Over The Counter Bulletin Board after the registration statement relating to this prospectus is declared effective by the SEC. We do not yet have a market maker who has agreed to file such application. If for any reason our common stock is not quoted on the Over The Counter Bulletin Board or a public trading market does not otherwise develop, purchasers of the shares may have difficulty selling their common stock should they desire to do so. No market makers have committed to becoming market makers for our common stock and none may do so.

Because we do not intend to pay any cash dividends on our common stock, our stockholders will not be able to receive a return on their shares unless they sell them.

We intend to retain any future earnings to finance the development and expansion of our business. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. Unless we pay dividends, our stockholders will not be able to receive a return on their shares unless the value of such shares appreciates and they sell them. There is no assurance that stockholders will be able to sell shares when desired.

Other Risks

Because our officer and director is located in non-U.S. jurisdictions, you may have no effective recourse against the management for misconduct and may not be able to enforce judgement and civil liabilities against our officers, directors, experts and agents.

Our director and officer, Mazen Hleiss, is a national and/or resident of country other than the United States, specifically Lebanon, and all or a substantial portion his assets are located outside the United States. As a result, it may be difficult for investors to enforce within the United States any judgments obtained against our officer or director, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

We sold 470,000 shares at \$0.10 per share during the six months ended September 30, 2008.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Edgar Filing: Utalk Communications Inc. - Form 10-Q

Exhibit	Description
3.1	Certificate of Incorporation of Registrant*
3.2	Bylaws of Registrant*
4.1	Specimen Common Stock Certificate*
10.1	HQ Agreement, dated July 16, 2007, between Utalk Communications, Inc. and Regus Management Group, LLC*
10.2	Regus Agreement, dated December 12, 2007, between Utalk Communications, Inc. and Regus Management Group, LLC*
10.3	Form of Subscription Agreement*
31	<u>Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated March 30, 2008.</u>
32	<u>Certification pursuant to 18 U.S.C. SECTION 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated March 30, 2008.</u>

* Previously filed as an exhibit to the Registration Statement on Form SB-2 (File No. 333-148266) filed with the Securities and Exchange Commission on December 21, 2007

Table of Contents

SIGNATURES

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

UTALK COMMUNICATIONS, INC.

By: /s/ "Mazen Hleiss"
Mazen Hleiss, President, Secretary, Treasurer and Director
(Principal Executive Officer, Principal Financial Officer
and Principal Accounting Officer)

Table of Contents