ATTACHMENT II

MAGICJACK SMB, INC.

Financial Statements

The financial statements are submitted separately with a request for confidential treatment.

INCOME STATEMENT

Operating revenues Cost of revenues Gross margin

Operating Expenses:

Advertising and marketing General and administrative Research and development Total operating expenses

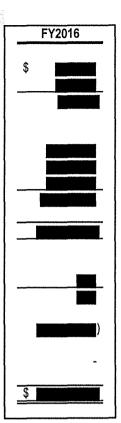
Income (loss) from operations

Other income (expense):
Interest and dividend income
Total other income (expense)

Loss before income taxes

Income taxes

Net loss



BALANCE SHEET

Current Assets

Cash and cash equivalents

Prepaids

Other current assets

Deferred costs

Total Current Assets

Property and equipment, net Long-term deposits

Total Assets

Current Liabilities

Accounts payable

Deferred revenue, current

Accrued expenses and other-current liabilities

Accrued bonuses

Current portion of long-term debt

Total current liabilities

Intercompany payable

Total Liabilities

Common stock
Current Retained Earnings (Deficit)

Total Capital deficit

Total Liabilities and capital deficit

