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TelePlus Enterprises, Inc.

OTC BB: TLPE

CURRENT PRICE: \$0.28

52-WEEK RANGE: \$0.15 - \$0.55

AVERAGE DAILY VOLUME (90-DAY): 366,548

FLOAT: 44.1 million

OUTSTANDING SHARES: 86.4 million

MARKET CAPITALIZATION: \$23.3 million

INITIATING COVERAGE

COMPANY PROFILE

Teleplus Enterprises, Inc., (www.TelePlus.ca) headquartered in St. Laurent, Quebec, Canada, provides wireless and landline telecommunications services across North America, targeting primarily the unbanked marketplace, one of the fastest growing segments of the telecommunications industry composed of credit-challenged customers. Through its wholly owned subsidiary, TelePlus Wireless Corp., the Company resells flexible and cost-effective prepaid cellular network access to distributors and direct subscribers in the U.S. Immediately before the 2005 yearend, the Company acquired the assets of Liberty Wireless, the 3rd largest mobile virtual network operator (MVNO) on the Sprint Nationwide PCS Network, becoming one of the top ten prepaid wireless resellers in the country. Following four acquisitions in 2005, the Company's other wholly owned subsidiary, TelePlus Connect Corp., provides a variety of landline telecom solutions, including prepaid and postpaid local, long distance and internet services, as well as other integrated telecom offerings to multi-location organizations. As of December 31, 2005, the Company had a total of over 47,000 wireless and landline subscribers. In January, the Company began building its sales force and opened a support office in Miami, Florida devoted to aggressive expansion of the Liberty Wireless business. Compared to the Company's fiscal 2005 revenues, which consisted of \$8,092,689 revenue from continuing operations, and \$11,043,352 from discontinued operations, due to a February 2006 divestiture of Teleplus Retail Services Inc., an unprofitable wholly owned subsidiary operating a chain of retail stores with wireless and portable communication devices, the Company's announced preliminary results in the first quarter exhibit substantial growth. As a testament to its successful integration of the Liberty Wireless business, the Company reported record revenues of \$6.78 million for the three months ended on March 31, 2006. Trading on the OTC Bulletin Board under the symbol TLPE, the Company is positioned to exploit the rapidly growing prepaid wireless market segment and other specialty niches in the North American telecommunications industry.

WIRELESS

Operating as an MVNO, the Company offers prepaid wireless services in the U.S. Following its acquisition of the Liberty Wireless business from Star Number, Inc., a wholly owned subsidiary of InPhonic, Inc. (NASDAQ: INPC), on December 29, 2005, the Company concentrates on reselling services carried over the Sprint Nationwide PCS Network, which reaches more than 250 million people in more than 4,000 cities and communities in the U.S. The Company's operations are supported by a back-office systems platform provided by Technology Services, LLC, a wholly owned subsidiary of InPhonic, Inc., pursuant to a Mobile Virtual Network Enabler (MVNE) agreement signed concurrently with the acquisition. The MVNE ensures the Company's procurement, activation, billing and customer care based on self-service web and speech recognition technology.

The Company's services are targeted primarily to the unbanked segment of the wireless market and marketed to consumers and distributors by the Company's growing sales force and through its websites at www.libertywireless.com and www.vivaliberty.com, which is specifically aimed at the Hispanic population. The Company's customer procurement efforts are strengthened by a lead generation agreement signed with Inphonic, Inc. in January. Pursuant to the agreement, Inphonic, Inc. agreed to refer to the Company a minimum of 25,000 potential customers per week at a price of \$1 per lead, by delivering contact information for its website visitors who placed postpaid service orders with one of the major national network operators, but have not qualified under the carrier's credit requirements. Furthermore, in January the Company opened a Miami, Florida office for wireless sales and distribution channels support. Finally, in March the Company sponsored the Intele-CardExpo, the leading world event for the prepaid industry held in Miami, and it intends to promote its products and nurture commercial relationships at similar prestigious venues.

Liberty Wireless Service Plans The Company's flexible and cost-effective minute-based prepaid plans, which do not require credit checks, contracts or deposits and avoid surprise overage fees or early

termination charges, include free long distance, free nationwide roaming, and free calling features, such as caller ID, voice mail and 3-way calling. The Company's new series of calling packages launched in February also offers benefits traditionally associated with postpaid plans, including unlimited evening and weekend calling and day time per minute rates as low as \$0.05. The customers can pay for their plans by phone and in hundreds of retail locations in the U.S. They can also manage their account through an online interface, paying for service, viewing calling history, buying add-on minutes and updating user profile. In addition to these great service plans, Liberty Wireless also offers a wide selection of mobile phones, including many top models that are free after rebate.

TELECOM

Throughout 2005, the Company completed three acquisitions of operating telecommunication service resellers, which established the Company's position in the prepaid and postpaid landline telecom marketplace in Canada. In April, the Company acquired Freedom Phone Lines Ltd, an Ontario based Bell Canada reseller of prepaid local and long distance services with 3,300 customers in the unbanked market segment. In June, the Company purchased Avenue Reconnect Inc., an Ontario based reseller of prepaid local, long distance and internet services with over 2,000 residential customers. And in July, the Company acquired Telizon Inc, an Ontario based reseller of a wide range of landline services and an internet service provider servicing over 18,000 commercial and residential lines. Telizon Inc. offers a full In addition to local dialtone, long distance and toll-free numbers, Telizon offers more complex telecommunication solutions include centrex lines, unique lines and other services for multi-location institutions such as school boards, credit unions, real estate companies and a variety of municipal organizations. The Company's landline operations are supported by a state-of-the-art fully integrated resell operations technology platform, which was previously used to support the AT&T Canada resell business with 120,000 commercial lines. Highly scalable, the operating support system provides full financial and billing control, carrier billing reconciliation, customer care and provisioning.

INDUSTRY

From the standpoint of its recent tenth anniversary mark, the Telecommunications Act of 1996, the most comprehensive legislation since 1934 designed to deregulate the U.S. communications industry and promote competition, has certainly had dramatic impact, resulting in continual corporate restructuring driven by massive merger and acquisition activities, intensified technological innovation and rapid development of new products and services. From a

level of approximately \$419 billion in 1997, total spending on equipment and services in the U.S. telecommunications industry more than doubled to an estimated \$856.9 billion in 2005, with 8.9% growth achieved last year and 10.2% expected in 2006, according to a recent 2006 Telecommunications Market Review and Forecast report released by the Telecommunications Industry Association (TIA), the leading trade organization for the information and communications technology industry in the country.

Adapting to evolving demographic trends and customer preferences, the industry quite predictably embraced mobility as the key component of all communications capabilities and somewhat less expectedly advanced the significance of prepaid telephony services, especially in the wireless sector. As wireless technology steadily uprooted traditional landline telecommunication modes over the past decade, effectively neutralizing its dominance, the wireline landscape was plagued by falling subscriber base and declining service revenues, with only phone cards and prepaid dialtone emerging as relative bright spots. Out of the total 2005 U.S. telecommunications service market of \$310.8 billion landline service revenue accounted for \$192.3 billion, recording its fifth consecutive year of decline, while wireless service revenue continued its uninterrupted double-digit growth from about \$27 billion in 1996, reaching \$118.6 billion. However, last year's 1.4% decrease in the landline network service revenues represented the smallest drop since 2000, and after further moderating its decline the market is expected to start expanding in 2008, climbing back to the 2005 level of \$192.3 billion by 2009. At that time, total spending on wireless services, which grew 10.4% in 2005 and totaled \$174.7 billion, is expected to reach \$180.4 billion, expanding at a compounded annual growth rate of 11.1% between 2005 and 2009.

Wireless telecommunications is a global phenomenon that propelled mobile phones to become one of the fastest growing and widely owned consumer electronics products in history. During 2005, worldwide mobile phone sales totaled a record 816.6 million units, growing 21% from 2004, with North America accounting for 148.4 million, according to Gartner Group, Inc., one of the world's largest IT research and advisory companies. TIA forecasts that global wireless service revenues will surpass landline already in 2006 and reach \$727.8 billion by 2009. At the same time, the number of wireless subscribers in the world will grow from 1.8 billion in 2005, pass 2 billion in 2006, and reach 2.6 billion in 2009. Paul Budde Communications even foresees that high growth in populous new emerging markets could yield up to 5 billion subscribers worldwide over the next 15 to 25 years.

North America has traditionally lagged other developed regions in terms of mobile subscriber

penetration. Comparing to some countries in Western Europe and Asia, where subscription rates sometimes exceed 100% of the entire population, the U.S. with approximately 66% penetration and Canada with 54% still present a fertile market opportunity for rapid expansion. As prices have fallen and services have improved, the number of wireless subscribers in the U.S. has grown from 38.2 million in 1996 to 194.5 million in 2005, for the first time surpassing landline subscriptions of 172.1 million, according to TIA. New wireless subscriptions set a new annual record in 2005, reaching 25 million nationwide. TIA expects wireless penetration in the U.S. to rise to 88% by 2009, which would translate into 278.5 million subscribers. According to alternative but trend-confirming estimates gathered by Informa Telecoms & Media, a leading provider of business intelligence to global telecoms and media markets based in London, the U.S. mobile penetration as of December 2005 was just under 70% with 205 million subscribers, and is expected to increase to 87% in 2010. A recent report by Wireless World Forum, a global consultancy firm, forecasts 63% penetration in Canada by 2007.

A large portion of this next massive wave of growth in North America is widely expected to come from prepaid subscriptions, a market segment which already accounted for 54.5% of the global subscriber base at the end of June 2005, serving over 1 billion users and contributing 62% of the mobile service market growth in twelve preceding months, according to the 6th Edition of Global Mobile Prepaid Strategies and Forecasts published in January 2006 by Informa Telecoms & Media. The number of prepaid wireless subscribers in the U.S. more than doubled between 2002 and 2005, reaching 28.9 million, which comprising nearly 15% of all wireless subscribers is still very low by global standards. Growing at a compounded annual growth rate of 9.3%, TIA predicts there will be 34.7 million prepaid wireless subscribers in 2006 and 41.3 million in 2009. The prepaid segment's \$9.9 billion 2005 revenues are projected to grow even faster, at 22.3%, reaching \$13.8 billion in 2006 and \$22.2 billion in 2009, according to TIA's estimates which were confirmed by leading telecommunications research consultancy ATLANTIC-ACM in its latest analysis of the prepaid sector, Prepaid Insights 2005-2009: Sizing Up Markets, Opportunities and Players.

Despite an overwhelming dominance of the U.S. wireless marketplace by four leading network operators, the prepaid segment is expected to be exploited primarily by recently emerging MVNOs, which resell the networks' services under private labels catering to well-defined market niches. The MVNO model was first developed in Europe and launched by the likes of Virgin Mobile in England and Wireless Maingate in Sweden. Following recent massive consolidation, the U.S. market is currently

dominated by: (i) Cingular Wireless (54.1 million users), a joint venture between SBC Communications and BellSouth (NYSE: BLS), which acquired AT&T Wireless in October 2004; (ii) Verizon Wireless (51.2 million users), a joint venture between Verizon Communications (NYSE: VZ) and Vodafone (NYSE: VOD); (iii) Sprint Nextel (NYSE: S) (47.6 million users), formed by a merger completed in August 2005; and (iv) T-Mobile USA (21.7 million users), which is part of a group owned by Deutsche Telekom (NYSE: DT), all four accounting for over three quarters of nationwide subscribers, based on respective 2005 yearend figures, and clearly commanding the majority of the industry's marketing resources. However, with much of the roughly 100 million initially untapped potential subscriber base disproportionately consisting of a wide range of ethnic, youth, credit-challenged, budget-conscious and other key demographic niches, specialized marketers are likely to have a competitive advantage over larger operators, which over the years focused on traditional long term contracts with postpaid subscribers. Although prepaid wireless services present the large carriers with a way to grow and diversify their revenue, as well as potentially introduce their postpaid offerings, the inverse relationship between size and niche marketing ability is confirmed by the fact that T-Mobile is the most successful of the four in luring the prepaid segment, which accounted for about 31% of its 4.4 million net added subscribers in 2005, yet still forms only 15% of all its user base. Cingular and Verizon Wireless recently announced new prepaid plans with unlimited free calls to other subscribers within the carrier's network, however that may still not be enough of a targeted approach to reach, for example, the U.S. based Hispanic community, the fastest growing demographic group of 39 million, which spends longer on their phones than any other minority group, according to Visiongain, a London based wireless industry intelligence group with offices in San Francisco. Taking alternative strategy, Sprint Nextel is known for its aggressive courting of MVNO partners, which include among others Virgin Mobile USA, Qwest International and Mobile ESPN. As such, the Yankee Group, which estimated that 13.4 million U.S. wireless customers received service through resellers in 2005, expects the figure to rise to 29 million in 2010. At the same time, Atlantic-ACM predicts that MVNOs will capture 72% of U.S. prepaid wireless subscribers by 2010.

COMPETITION

Within the highly competitive telecommunications industry, the wireless sector, which has recently undergone massive consolidation, seems to lead the way. According to the FCC, 97% of the U.S. population currently lives in counties served by at least three mobile operators, an increase from 88% in 2000. In addition to the major quartet of Cingular

Wireless, Verizon Wireless, Sprint Nextel and T-Mobile USA, other relatively large network operators include Alltel and US Cellular (AMEX: USM). Various niche players in the wireless landscape include regional and local companies such as Cricket Communications in the Midwest, or Cellular One with Dobson Cellular Systems, both owned by Dobson Communications Corporation (Nasdaq: DCEL) and targeting rural markets. The Company competes most directly in the prepaid segment against MVNOs, including TracPhone and Virgin Mobile USA, which lead this space and others, such as Boost Mobile, Bravo Wireless and U Mobile, as well as other private label services like ESPN's and 7-Eleven's.

MANAGEMENT

Marius Silvasan, Chairman and CEO, has led the Company since October 2003. Prior to joining it, Mr. Silvasan held the position of President & CEO for Visioneer Calling Card Inc. and Alliance TeleCard Corp. from 1995 to June 1999. Previously, he also worked as the National Sales Manager for The Home Phone Club from 1990 to 1995. Graduate of the HEC University in Montreal, Mr. Silvasan holds a B.A.C. in business administration and an MBA.

Kelly McLaren, President has joined the Company in November 2004. Previously in her career, Ms. McLaren worked 16 years for Pratt & Whitney Canada, Corp. a subsidiary of United Technologies Corporation, where she held various senior positions including Business Unit Director - Procurement and most recently Regional Sales Manager - Latin America. Ms. McLaren holds an MBA from Ecole des Hautes Etudes Commerciales (HEC) in Montreal where she focused on marketing and international studies.

Tom Davis, has served the Company's Chief Operating Officer since November 2005, following the Company's acquisition of Telizon Inc., where he held the position of President and CEO since December 2002. Previously in his career, Mr. Davis was Senior Vice President, Customer Operations at Axxent Inc., a Competitive Local Exchange Carrier (CLEC), President and COO at Cam Net Communications, President and CEO at ACC Long Distance and consulted for AT&T Canada. Mr. Davis is a graduate of the Wharton School of Business, University of Pennsylvania with a Bachelor of Science in Economics.

Roberts Krebs has joined the Company in February 2004. Prior to joining the Company, Mr. Krebs worked nine years for GB MICRO Electronics, where he held the position of Vice President, Finance. Prior to GB MICRO, Mr. Krebs held the position of Controller for Future Electronics and Le Chateau retail stores. Mr. Krebs holds a C.A. and a Bachelor of Commerce both from McGill University. Mr. Krebs is an active member of the Canadian Institute of Chartered Accountants.

FINANCIALS AND OUTLOOK

For the year ended December 2005, the Company reported revenues of \$8,092,689, exclusive of its divested retail equipment sales operations, achieving a 33% gross margin on its landline telecommunication services and generating a net loss of \$598,455, or \$0.01 from the continued operations. With the addition of the Liberty Wireless operations, the Company announced total preliminary revenues for the quarter ended March 31, 2006, have reached \$6.78 million. Having benefited from the successful integration of its wireless reseller acquisition and a roll-out of marketing initiatives for the prepaid mobile segment, as well as several comprehensive landline telecommunication service contracts with multi-location institutions announced in the recent months, March 2006 represented the Company's highest revenue month of \$2.47 million in sales. Following the acquisitions in the Canadian traditional telecommunications, the Company has already achieved positive EBITDA in the 3rd and 4th quarters of 2005. In its preliminary monthly reports this year, it announced positive EBITDA of over \$427,000 combined for January and February, and even marginal net profitability. The Company could be assumed to build on this earnings trend for the rest of 2006, lest the costs associated with additional marketing activities accumulate disproportionately to the sales growth.

As the Company achieves more significant economies of scale, perhaps by recruiting active effective wireless distributors and winning additional landline service contracts, the Company could move from the verge of break-even point toward consistent profitability before yearend 2006. According to its previous estimates, the management expects the Company to generate revenues in excess of \$30 million in 2006, without the benefit of additional acquisitions, and foresees annual EBITDA of \$2.5 – 3.5 million, which should result in meaningful net profit. The Company's planned continued acquisitions strategy currently focusing on regional wireless targets with revenues in the range of \$3 to \$20 million, could have a further positive impact, assuming the integration is successful.

With a negative net operating cashflow in 2005 and some burden resulting from last year's acquisitions, as of December 31, 2005 the Company had a negative net working capital of \$4,056,348, a situation which may have been slightly ameliorated by the improving operating results in the first three months of 2006. In December 2005, the Company issued secured convertible debentures to Cornell Capital Partners, LP raising \$9,225,000, \$5,625,000 of which was used to repay the previous round of debt financing. In connection with the transaction, the Company also issued a warrant to purchase 33,000,000 shares of the Company's common stock. As a result, as of

December 31, 2005, the Company's net worth was \$784,936.

At current levels, the shares appear to present an excellent opportunity for speculative long-term investors willing to accept the general high risks associated with emerging growth companies, such as potential dilution, net working capital deficit, lack of profitability and relatively large accumulated shareholders' deficit, the relative lack of trading liquidity and substantial price volatility of bulletin board companies, foreign risks related to international operations, including currency exchange fluctuations, as well as certain business risks, such as intense competition in the telecommunications and especially the wireless industry. Given the management's stated

goal of reaching \$100 million in revenue by 2008 and the relatively high probability of substantial profitability of a few cents per share at these operating levels, the Company's shares could appreciate to reflect the long-term potential, assuming the management can consistently deliver rapid revenue growth goals and steadily improve profit margins. Since the details of operating results for the first quarter of 2006 are not yet disclosed, the shares could also experience shorter-term demand in anticipation of a surprise and a continued investor interest, if the results are encouraging and augur an imminent turnaround.

Alan Stone, Managing Director

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OTC BB: TLPE
In the past twelve months, the shares have been trading in a tightening range with substantial price advances on the announcement of the telecom acquisitions last summer and the Liberty Wireless purchase at the 2005 yearend. In the last three months, the price has stabilized between \$0.25 and \$0.35, with apparent support levels above previous lows in the past 52-weeks, which could signify patient accumulation and bode well for future direction of the movement in 2006.

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