

ICOA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
December 31, 2008
Unaudited

ASSETS

CURRENT ASSETS:

Cash	\$ 32,306
Accounts receivable (net of allowance of \$0)	111,107
Inventories	55,445
Prepaid expenses	17,600
TOTAL CURRENT ASSETS	<u>216,458</u>

EQUIPMENT, net	9,155
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OTHER ASSETS:

Long term receivables	39,626
Deferred finance costs	47,639
Deposits	56,150
TOTAL OTHER ASSETS	<u>143,415</u>
	<u>\$ 369,028</u>

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:

Cash overdraft	\$ 14,449
Accounts payable and accrued expenses	4,285,738
Payroll tax liability	2,110,163
Capital lease obligation	483,442
Convertible debentures due in one year, net of unamortized discount of \$0	2,594,825
Notes payable	1,215,545
Common stock to be issued	39,600
Preferred stock to be issued	300,000
Derivative liability	377,955
TOTAL CURRENT LIABILITIES	<u>11,421,717</u>

LONG TERM LIABILITIES:

TOTAL LONG TERM LIABILITIES	<u>-</u>
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STOCKHOLDERS' DEFICIT:

Preferred stock, \$.0001 par value; authorized shares - 50,000,000 shares; 8,836,774 issued and outstanding	884
Common stock, \$.0001 par value; authorized shares - 750,000,000 shares; 648,303,380 shares issued and outstanding	64,832
Additional paid-in capital	22,385,744
Accumulated deficit	(33,504,148)
TOTAL STOCKHOLDERS' DEFICIT	<u>(11,052,689)</u>
	<u>\$ 369,028</u>

ICOA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Unaudited

	Year Ended December 31,	
	2008	2007
REVENUES:		
Transaction service fees	\$ 400,971	\$ 1,199,319
Equipment sales and installation	181,028	144,506
Managed services	519,864	619,182
TOTAL REVENUE	<u>1,101,863</u>	<u>1,963,008</u>
COST OF SERVICES:		
Telecommunication costs	147,071	413,416
Equipment and installation	235,650	86,662
Managed services	309,840	583,275
Depreciation and amortization	460,253	2,820,488
TOTAL COST OF SERVICES	<u>1,152,814</u>	<u>3,903,840</u>
GROSS MARGIN (LOSS)	(50,951)	(1,940,832)
OPERATING EXPENSES:		
Selling, general and administrative	628,770	1,651,342
Depreciation	4,815	18,469
TOTAL OPERATING EXPENSES	<u>633,585</u>	<u>1,669,811</u>
OPERATING LOSS	(684,536)	(3,610,643)
INTEREST EXPENSE	(1,949,718)	(619,473)
ADJUSTMENT OF DERIVATIVE LIABILITY	(16,909)	98,248
AMORTIZATION OF NOTE DISCOUNT	-	-
NET LOSS	<u>\$ (2,651,163)</u>	<u>\$ (4,131,868)</u>
BASIC AND DILUTED - LOSS PER SHARE	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic and Diluted	<u>602,099,643</u>	<u>585,747,824</u>

ICOA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
Unaudited

	Preferred Stock (\$.0001 par value)		Common Stock (\$.0001 par value)		Additional Paid-In Capital (Restated)	Deferred Equity Finance Costs	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance, January 1, 2007	6,658,649	\$ 666	585,747,824	\$ 58,576	\$ 22,053,492	\$ -	\$ (26,721,116)	\$ (4,608,382)
Issuance of stock for:								
Private placement	78,125	8	-	-	24,992	-	-	25,000
Compensation	2,100,000	210	-	-	287,490	-	-	287,700
Net loss		-	-	-	-	-	(4,131,868)	(4,131,868)
Balance, December 31, 2007	8,836,774	\$ 884	585,747,824	\$ 58,576	\$ 22,365,974	\$ -	\$ (30,852,984)	\$ (8,427,551)
Issuance of stock for:								
Conversion of debentures		-	62,555,556	6,256	19,769	-	-	26,025
Net loss		-	-	-	-	-	(2,651,163)	(2,651,163)
Balance, December 31, 2008	8,836,774	\$ 884	648,303,380	\$ 64,832	\$ 22,385,744	\$ -	\$ (33,504,148)	\$ (11,052,689)

ICOA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

	For the Years Ended December 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (2,651,163)	\$ (4,131,868)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	10,497	18,469
Depreciation of equipment	279,065	661,398
Amortization of intangibles	187,857	2,141,384
Amortization of deferred financing cost	80,007	172,813
Stock issued for compensation	-	287,700
Amortization of note discount	651,391	247,624
Derivative instrument liability expensed	724,635	(222,624)
Changes in assets and liabilities:		
Accounts receivable	107,212	(25,529)
Inventory	51,698	(20,718)
Deposits	11,712	(1,000)
Prepaid expenses	-	17,532
Other assets	1,927	8,634
Payroll taxes	28,287	456,081
Accounts payable and accrued expenses	445,548	501,467
Net cash used in operating activities	(71,327)	111,363
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition / disposition of equipment	-	-
Other	-	-
NET CASH USED IN INVESTING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of capital leases	(110,760)	(139,948)
Proceeds of private placement	-	25,000
Payments of convertible debentures	(20,349)	(53,159)
Proceeds from convertible debentures	52,993	-
Proceeds from notes payable	161,600	37,676
NET CASH PROVIDED BY FINANCING ACTIVITIES	83,484	(130,431)
INCREASE (DECREASE) IN CASH	12,157	(19,068)
CASH - BEGINNING OF PERIOD	20,149	39,217
CASH - END OF PERIOD	\$ 32,306	\$ 20,149
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 16,387	\$ 47,294
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Conversion of debentures and interest into stock	\$ 26,026	\$ -