

ICOA, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET  
December 31, 2009  
Unaudited

ASSETS

CURRENT ASSETS:

Cash	\$ 23,678
Accounts receivable (net of allowance of \$6,199)	78,302
Inventories	5,000
Prepaid expenses	17,600
TOTAL CURRENT ASSETS	<u>124,580</u>

EQUIPMENT, net	11,708
----------------	--------

OTHER ASSETS:

Long term receivables	39,627
Deferred finance costs	47,639
Deposits	56,149
TOTAL OTHER ASSETS	<u>143,415</u>

\$ 279,703

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:

Cash overdraft	\$ 9,540
Accounts payable and accrued expenses	4,870,913
Payroll tax liability	2,086,393
Capital lease obligation	483,442
Convertible debentures due in one year, net of unamortized discount of \$0	2,577,481
Notes payable	1,192,740
Common stock to be issued	39,600
Preferred stock to be issued	300,000
Derivative instrument liability	377,955
TOTAL CURRENT LIABILITIES	<u>11,938,062</u>

STOCKHOLDERS' DEFICIT:

Preferred stock, \$.0001 par value; authorized shares - 50,000,000 shares; 5,411,255 issued and outstanding	884
Common stock, \$.0001 par value; authorized shares - 10,000,000,000 shares; 1,058,636,614 shares issued and outstanding	105,865
Additional paid-in capital	22,553,413
Accumulated deficit	(34,318,521)
TOTAL STOCKHOLDERS' DEFICIT	<u>(11,658,359)</u>

\$ 279,703

See notes to unaudited consolidated financial statements

ICOA, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
Unaudited

	Year Ended December 31,	
	2009	2008
REVENUES:		
Transaction service fees	\$ 142,214	\$ 400,971
Equipment sales and installation	36,324	181,028
Managed services	182,216	519,864
TOTAL REVENUE	<u>360,754</u>	<u>1,101,863</u>
COST OF SERVICES:		
Telecommunication costs	62,640	147,071
Equipment and installation	112,055	235,650
Managed services	57,723	309,840
Depreciation and amortization	-	460,253
TOTAL COST OF SERVICES	<u>232,418</u>	<u>1,152,814</u>
GROSS MARGIN (LOSS)	128,336	(50,951)
OPERATING EXPENSES:		
Selling, general and administrative	149,352	628,770
Depreciation	4,400	4,815
Gain on extinguishment of debt	(201,839)	-
TOTAL OPERATING EXPENSES	<u>(48,087)</u>	<u>633,585</u>
OPERATING INCOME (LOSS)	176,423	(684,536)
INTEREST EXPENSE	(990,796)	(1,949,718)
MARK TO MARKET - DERIVATIVE LIABILITY	-	(16,909)
NET LOSS	<u>\$ (814,373)</u>	<u>\$ (2,651,163)</u>
BASIC AND DILUTED - LOSS PER SHARE	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic and Diluted	<u>1,058,636,614</u>	<u>602,099,643</u>

See notes to unaudited consolidated financial statements

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, 2008	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)
Issuance of stock for:								
Compensation		-	375,000,000	37,500	150,000	-	-	187,500
Exercise of warrant		-	35,333,334	3,533	17,670	-	-	21,203
Net loss		-	-	-	-	-	(814,373)	(814,373)
Balance, December 31, 2008	8,836,774	884	1,058,636,714	\$ 105,865	\$ 22,553,413	\$ -	\$ (34,318,522)	\$ (11,658,359)

See notes to unaudited consolidated financial statements

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

	<u>For the Years Ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (814,373)	\$ (2,651,163)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	-	10,497
Depreciation of equipment	4,400	279,065
Amortization of intangibles	-	187,857
Amortization of deferred financing cost	-	80,007
Stock issued for compensation	187,500	-
Stock to be issued for services	-	-
Settlement of loans payable for commons stock / interest expense	-	-
Amortization of note discount	-	651,391
Derivative instrument liability expensed	-	724,635
Changes in assets and liabilities:		
Accounts receivable	32,805	107,212
Inventory	50,445	51,698
Deposits	-	11,712
Prepaid expenses	-	-
Other assets	-	1,927
Payroll taxes	(23,770)	28,287
Accounts payable and accrued expenses	580,266	445,548
Net cash used in operating activities	<u>17,272</u>	<u>(71,327)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition / disposition of equipment	<u>6,953</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>6,953</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments of capital leases	-	(110,760)
Payments of notes payable	(22,805)	-
Payments of convertible debentures	(17,344)	(20,349)
Proceeds from convertible debentures	-	52,993
Proceeds from notes payable	<u>7,296</u>	<u>161,600</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>(32,853)</u>	<u>83,484</u>
INCREASE (DECREASE) IN CASH	(8,628)	12,157
CASH - BEGINNING OF PERIOD	<u>32,306</u>	<u>20,149</u>
CASH - END OF PERIOD	<u>\$ 23,678</u>	<u>\$ 32,306</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for interest	<u>\$ 7,585</u>	<u>\$ 16,387</u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Conversion of debentures and interest into stock	<u>\$ -</u>	<u>\$ 26,026</u>

See notes to unaudited consolidated financial statements