UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest reported) January 31, 2006

TELKONET, INC.
(Exact name of registrant as specified in its charter)

Utah	000-27305	87-0627421
(State or other jurisdiction of incorporation)	Commission file number	(IRS Employer Identification No.)

20374 Seneca Meadows Parkway, Germantown, Maryland 20876
(Address of principal executive offices) (Zip Code)

Registrant’s telephone number, including area code (240) 912-1800

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17CFR 240.13e-4(c))

EXPLANATORY NOTE

This Current Report on Form 8-K/A amends the Current Report on Form 8-K filed on January 31, 2006 to include the financial statements required by Item 9.01 of Form 8-K. The information previously reported in the Form 8-K is hereby incorporated by reference into this Form 8-K/A.

ITEM 9.01. **FINANCIAL STATEMENTS AND EXHIBITS.**

The following pro forma financial information is being filed as part of this report:

(a) Financial Statements of Business Acquired

The following information is attached hereto as Exhibit 99.1 and 99.2 and incorporated herein by reference:

(i) Audited Financial Statements of MST as of April 30, 2005 and April 30, 2004 and for the years then ended

(ii) Unaudited Interim Financial Statements of MST as of and for the three and six months ended October 31, 2005 and 2004

(b) Pro Forma Financial Information

The following information is attached hereto as Exhibit 99.3 and incorporated herein by reference:

(i) Unaudited Pro Forma Condensed Combined Financial Statements of Telkonet, Inc. giving effect to the acquisition of MST

(d) Exhibits

99.1 Audited Financial Statements of MST as of April 30, 2005 and April 30, 2004 and for the years then ended

99.2 Unaudited Interim Financial Statements of MST as of and for the three and six months ended October 31, 2005 and 2004

99.3 Unaudited Pro Forma Condensed Combined Financial Statements of Telkonet, Inc.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TELKONET, INC.

Date: April 12, 2006

By: /s/ E. Barry Smith

E. Barry Smith
Chief Financial Officer

Exhibit 99.1

INDEX TO MICROWAVE SATELLITE TECHNOLOGIES, INC. FINANCIAL STATEMENTS

Item 9.01 (b) Financial Statements of MST for the Years Ended April 30, 2005 and 2004

MICROWAVE SATELLITE TECHNOLOGIES, INC.
YEAR ENDED
APRIL 30, 2005

CONTENTS

Leaf, Saltzman, Manganelli, Pfeil & Tendler, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Microwave Satellite Technologies, Inc.

To The Stockholder and Board of Directors

We have audited the accompanying balance sheets of Microwave Satellite Technologies, Inc. as of April 30, 2005 and 2004, and the related statements of income and retained earnings and cash flows for the year ended April 30, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Microwave Satellite Technologies, Inc. as of April 30, 2005 and 2004, and the results of its operations and its cash flows for the year ended April 30, 2005, in conformity with generally accepted accounting principles in the United States of America.

Leaf, Saltzman, Manganelli, Pfeil & Tendler, LLP

Certified Public Accountants

Fairfield, New Jersey
January 6, 2006

MICROWAVE SATELLITE TECHNOLOGIES, INC.
BALANCE SHEETS
AT

	APRIL 30, 2005	APRIL 30, 2004
ASSETS		
Current Assets		
Cash	$ 765,698	$ 494,489
Accounts receivable	129,982	141,440
Due from officer	13,663	
Interest receivable	15,675	
Escrow receivable		4,778,875
Security deposits		15,296
Prepaid income taxes		42,285
Prepaid expenses and other current assets	174,249	12,511
Deferred income taxes asset	44,000	
Total Current Assets	1,143,267	5,484,896
Prepaid expenses		2,061
Due from related party	5,834	
Property and equipment, net of accumulated depreciation	1,230,225	1,185,135
Intangible assets, net of accumulated amortization of ($17,990 - 2005 and $13,757 - 2004)	45,510	49,743
Investment in limited liability company	84,934	25,000
Security deposits	12,600	
	$ 2,522,370	$ 6,746,835
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities		
Note payable - bank		$ 26,651
Current portion of long-term debt	$ 6,555	94,262
Accounts payable	174,782	312,121
Sales taxes payable	13,486	2,810
Due to officer		3,112
Income taxes payable	490,816	
Deferred revenue	85,933	336,615
Accrued expenses and other current liabilities	147,289	3,572,244
Deferred income taxes		569,000
Total Current Liabilities	918,861	4,916,815
Long-term debt - less current portion	11,472	229,985
Deferred income taxes	120,000	70,000
Total Liabilities	1,050,333	5,216,800
Stockholder's Equity		
Common stock - no par value		
Authorized - 1,000 shares		
Issued - 300 shares, outstanding - 125 shares	1,000	1,000
Retained earnings	1,546,037	1,604,035

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

MICROWAVE SATELLITE TECHNOLOGIES, INC.
BALANCE SHEETS
AT

	APRIL 30, 2005	APRIL 30, 2004
	1,547,037	1,605,035
Less: Treasury stock, 175 shares at cost	75,000	75,000
Total Stockholder's Equity	1,472,037	1,530,035
	$ 2,522,370	$ 6,746,835

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

MICROWAVE SATELLITE TECHNOLOGIES, INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED
APRIL 30, 2005

Revenues	$	3,528,979
Direct costs		2,439,947
Gross profit		1,089,032
Selling and administrative expenses (including interest expense of $15,525)		1,515,807
Loss from operations		(426,775)
Other Income		
Gain on sale of subscriber base and equipment to Cablevision		311,955
Interest income		36,288
Total Other Income		348,243
Loss before reduction of income taxes		(78,532)
Reduction of income taxes		(15,600)
Loss before equity in income of limited liability company		(62,932)
Equity in income of limited liability company		4,934
Net loss		(57,998)
Retained earnings - beginning (restated)		1,604,035
Retained earnings - end	$	1,546,037

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

MICROWAVE SATELLITE TECHNOLOGIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
APRIL 30, 2005

Cash Flows From Operating Activities	
Net loss	$ (57,998)
Adjustments To Reconcile Net Loss To Net Cash	
Used In Operating Activities	
Depreciation and amortization	312,593
Gain on sale of subscriber base and equipment	(311,955)
Equity in income of limited liability company	(4,934)
Reduction of deferred income taxes	(563,000)
Bad debt expense	13,941
(Increase) Decrease in:	
Accounts receivable, net of deferred revenue	(253,165)
Security deposits	2,696
Interest receivable	(15,675)
Prepaid expenses and other current assets	(117,392)
Increase (Decrease) in:	
Accounts payable	(137,339)
Sales taxes payable	10,676
Income taxes payable	490,816
Accrued expenses and other current liabilities	(3,424,955)
Total Adjustments	(3,997,693)
Net Cash Used In Operating Activities	(4,055,691)
Cash Flows From Investing Activities	
Investment in limited liability company	(55,000)
Purchase of equipment	(353,450)
Proceeds from escrow receivable	4,778,875
Proceeds from sale of subscriber base and equipment	311,955
Advances on behalf of related party	(5,834)
Advances to officer, at net	(13,663)
Net Cash Provided By Investing Activities	4,662,883
Cash Flows From Financing Activities	
Repayments of long-term debt	(306,220)
Repayment of note payable - bank	(26,651)
Payment of balance due to officer	(3,112)
Net Cash Used In Financing Activities	(335,983)
Net increase in cash	271,209
Cash - beginning	494,489
Cash - end	$ 765,698

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

MICROWAVE SATELLITE TECHNOLOGIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
APRIL 30, 2005

Supplemental Information:

Interest paid during period	$	15,525
Income taxes paid during period	$	12,775

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

NOTES TO FINANCIAL STATEMENTS
AT
APRIL 30, 2005 AND 2004

Note 1 - Restatement of Retained Earnings at May 1, 2004

During the period under audit, it was determined that certain balances had been incorrectly stated at April 30, 2004 that are itemized as follows:

Accrued expenses and other current liabilities had been understated	$ (2,098,039)
Inventory had been overstated	(180,557)
Accounts receivable had been overstated	(11,072)
Prepaid expenses and other current assets had been overstated	(10,848)
Total Adjustments Before Income Tax Effect	(2,300,516)
Reduction of deferred income taxes	866,000
Reduction of current income taxes	8,000
Total Reduction of Income Taxes	874,000
Adjustments, Net of Income Taxes	(1,426,516)
Retained earnings at April 30, 2004, prior to restatement	3,030,551
Retained earnings at May 1, 2004, restated	$ 1,604,035

Note 2 - Summary of Significant Accounting Policies

Nature of Operations

The Company is engaged in satellite communications, specializing in constructing, maintaining and managing private business television networks, as well as constructing and operating private cable television systems. In addition, the Company provides high-speed cable modem service to its private cable television system operations. The Company also provides national dial-up service, web hosting and design, and co-location services. The primary areas of operation are New York, New Jersey and Pennsylvania.

In March 2004, the Company sold a substantial portion of its cable subscriber base which represented 80% of the Company's total subscriber base (See Notes 19 and 20).

Inventory of Materials and Supplies

Materials and supplies with unit costs of $500 and less are expensed upon acquisition. Materials and supplies in inventory are stated at cost, based on the first-in, first-out (FIFO) method, net of a reserve for obsolescence.

Prepaid Expenses

Included in prepaid expenses are expenses incurred by the balance sheet date to prepare and place operational equipment into service prior to the equipment's actual use in the Company's operations.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided by straight-line and accelerated methods over the estimated useful lives of the assets.

Note 2 - Summary of Significant Accounting Policies (Continued)

Intangible Assets and Amortization

The Company acquired a subscriber base during the year ended April 30, 2001 that is being amortized over its estimated useful life of fifteen years using the straight-line method.

Investment in Limited Liability Company

The Company accounts for its 50% investment in Interactivewifi.com, LLC by the equity method of accounting.

Deferred Revenue

Deferred revenue represents advance billings that are included in accounts receivable. Advance billings at the balance sheet date are not included in revenues for the period then ended, and cash payments received for advanced billings are credited towards accounts receivable.

Income Taxes

Deferred income taxes are created by temporary differences between financial and tax bases for the following accounts: inventory, investment in the limited liability company, accumulated depreciation, and in accounting for the gain on the sale of the Company’s subscriber base and equipment to Cablevision. For income tax purposes, inventory includes materials and supplies with unit costs of less than $500, the equity interest in the income of the limited liability company is accounted for by the cash basis method, depreciation is accelerated, and the gain on the sale of subscriber base is reported on the installment method. In addition, the Company had available a contribution carryover which created a deferred income tax asset.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Management periodically reviews the accounts receivable for uncollectible accounts and uses the direct write-off method to specifically identify and write-off any accounts determined to be uncollectible when a realistic probability of collection does not exist. Generally accepted accounting principles require the Company to provide for an allowance for doubtful accounts, which entails estimating a reserve for uncollectible accounts based on a history of past write-offs and collections and current credit conditions. However, it is the Company's experience that the direct write-off method has not differed materially from results that would have been obtained had the allowance method been used. In addition, the Company does not generally charge interest on past due accounts.

Note 3 - Escrow Receivable

The entire balance of escrow receivable at April 30, 2004, $4,778,875, was received during the year ended April 30, 2005.

Note 4 - Significant Concentrations of Credit Risk

Cash balances are maintained by the Company in two commercial banks. Such balances are insured up to $100,000 in total at each bank by the Federal Deposit Insurance Corporation (FDIC). At April 30, 2005 and 2004, cash balances exceeding federally insured limits amounted to $683,391 and $438,507, respectively.

Credit risk for trade accounts is concentrated as well because substantially all of the balances are receivable from entities located within the same geographic region. To reduce credit risk, the Company performs ongoing credit evaluations of its customers' financial conditions, but does not generally require collateral.

Note 5 - Major Customers

At April 30, 2005, balances due from three customers approximated 57% of the total accounts receivable balance. At April 30, 2004, balances due from three customers approximated 56% of the total accounts receivable balance.

Note 6 - Due From Officer

The balance due from officer, amounting to $13,663 at April 30, 2005, is due on demand and no interest has been charged. The balance is expected to be repaid within the near-term and has therefore been classified as a current asset.

Note 7 - Due From Related Party

The Company has made an advance for certain expenses on behalf of a related party as of April 30, 2005 that amounts to $5,834. The related party is owned in part by the Company's sole stockholder and the advance is neither subject to interest nor expected to be repaid within the near-term.

Note 8 - Property and Equipment (See Note 10)

Property and equipment consist of the following at April 30:

	2005	2004	Estimated Useful Lives
Leasehold improvements	$ 198,733	$ 198,733	39 years
Operating equipment	1,959,203	1,672,240	5 - 10 years
Transportation equipment	202,489	185,219	3 - 5 years
Furniture and office equipment	466,861	417,644	5 - 7 years
	2,827,286	2,473,836	
Less: accumulated depreciation	1,597,061	1,288,701	
	$ 1,230,225	$ 1,185,135	

Depreciation expense for the year ended April 30, 2005 amounted to $308,360.

Note 9 - Investment in Limited Liability Company

Summarized financial information concerning Interactivewifi.com, LLC, an entity in which the Company owns 50%, and accounts for on the equity method, is as follows at April 30, 2005 and for the year then ended:

Total assets	$ 180,297
Total liabilities	(10,429)
Members' Equity	169,868
	x 50%
Investment in Limited Liability Company	$ 84,934
Total income of Limited Liability Company during the period	$ 9,868
	x 50%
50% equity in income of Limited Liability Company during the period	$ 4,934

Note 10 - Long-Term Debt (See Note 8)

	2005	2004	Maturity Date
Washington Mutual Bank - note payable had been subject to interest at the bank's prime lending rate plus 1/2%. The note was paid in full September 2004.		$ 299,664	N/A
Ford Motor Credit - note payable in monthly installments of $546 with no interest. The note is collateralized by transportation equipment.	$ 18,027	24,583	January 2008
	18,027	324,247	
Less: current portion	6,555	94,262	
Amount Due After One Year	$ 11,472	$ 229,985	

Following are the maturities of long-term debt for each of the next three years and in the aggregate:

April 30, 2006	$ 6,555
2007	6,555
2008	4,917
	$ 18,027

Note 11 - Due To Officer

The balance due to officer, amounting to $3,112 at April 30, 2004, was repaid during the year ended April 30, 2005 and was not subject to interest.

Note 12 - Deferred Income Taxes

At April 30, 2005, the current deferred income tax asset and non-current deferred income tax liability consisted of the following components:

	Current Asset
Deferred income tax asset created by deductible temporary differences between financial and tax bases	$ 44,000

	Non-Current Liability
Deferred income tax liability resulting from taxable temporary differences in the reporting of accumulated depreciation for financial and income tax purposes	$ 103,000
Deferred income tax liability resulting from taxable temporary differences between financial and tax bases in accounting for the investment in the limited liability company	17,000
	$ 120,000

Note 12 - Deferred Income Taxes (Continued)

At April 30, 2004, the net deferred income tax liability consisted of the following components:

	Current
Deferred income tax liability resulting from taxable temporary differences between financial and tax bases in accounting for the gain on the sale to Cablevision	$ 648,000
Deferred income tax asset created by deductible temporary differences between financial and tax bases	(72,000)
Deferred income tax asset created by contribution carryover available for future periods	(7,000)
	$ 569,000

	Non-Current
Deferred income tax liability resulting from taxable temporary differences in the reporting of accumulated depreciation for financial and income tax purposes	$ 70,000

Estimates concerning the amounts and rate of realization of deferred taxes are inherently subject to change and it is at least reasonably possible that these estimates may change materially within the near-term.

Note 13 - Rent Expense

The Company rents office and warehouse space in New Jersey under a lease that has been extended to April 30, 2010. Monthly payments have been $6,300 under the old lease terms; however, effective May 1, 2005, monthly rent has been increased to $6,508 and is scheduled to increase annually thereafter, based on the increase in the Consumer Price Index. In addition, the Company had sublet its warehouse space at $2,000 per month on a month-to-month basis through September 30, 2004. Rent expense for the year ended April 30, 2005 is as follows:

Base rent	$ 75,600
Contingent rent (charge for insurance, real estate taxes, maintenance and utilities)	22,587
Total rent expense	98,187
Less: sublet rental income	10,000
Net Rent Expense	$ 88,187

Note 14 - Commitments and Contingencies

The Company leases a vehicle under a non-cancelable operating lease, in addition to the lease for office and warehouse space described in Note 13. The minimum future rental payments under non-cancelable operating leases (including the lease described in Note 13) for each of the next five years and in the aggregate are as follows:

April 30, 2006	$	84,614
7		84,614
8		80,269
9		78,096
2010		78,096
Total Minimum Future Lease Payments	$	405,689

Note 15 - Retirement Plan

The Company provides a profit-sharing plan with a 401(k) deferred compensation feature for all eligible employees. The Company matches the employees' contribution in an amount equal to 100% of the first 1% of compensation, plus 10% of the next 5% of compensation. The Company must also make a non-elective contribution equal to 3% of compensation for all eligible employees. The Company can also make a discretionary non-elective profit-sharing contribution in an amount necessary to satisfy the minimum allocation requirement. Total employee and employer contributions for each participant may not exceed the lesser of 100% of compensation, or $42,000 plus any employee catch-up contributions. Company contributions to the plan amounted to $44,433 for the year ended April 30, 2005.

Note 16 - Related Party Transactions

Included in the Company's revenue during the year ended April 30, 2005 is revenue earned from services provided to Interactivewifi.com, LLC, in which the Company has a 50% equity investment, that amounted to $6,137.

Note 17 - Amortization Expense

Amortization expense amounted to $4,233 for the year ended April 30, 2005. Amortization expense for each of the next five years is presently scheduled to be $4,233.

Note 18 - Advertising Expense

Advertising costs are expensed as incurred and amounted to $17,783 for the year ended April 30, 2005.

Note 19 - Gain on Sale of Equipment and Portion of Subscriber Base to Cablevision

In March 2004 the Company sold certain equipment and the portion of its subscriber base located in Brooklyn, New York to Cablevision for a total of $7,638,550. Residuals from the sale of the subscriber base were received during the year ended April 30, 2005 that amounted to $311,955.

Note 20 - Revenues and Direct Costs Related to Disposed Cable Subscriber Base

Revenues and direct costs recognized during the year ended April 30, 2005 include activity arising from the portion of its cable subscriber base that has been sold and will not be recurring in subsequent periods that approximates the following:

Revenues	$	1,573,000
Direct costs		975,000
Gross profit	$	598,000

Note 21 - Provision For (Reduction Of) Income Taxes

The provision for (reduction of) income taxes consists of the following components for the year ended April 30, 2005:

Current	$	547,400
Deferred		(563,000)
Net Reduction of Income Taxes	$	(15,600)

The components of the reduction of deferred income taxes for the year ended April 30, 2005 are as follows:

Reduction of deferred income taxes created by change in temporary differences between financial and income tax bases in accounting for the gain on sale to Cablevision	$	(648,000)
Provision for deferred income taxes created by change in temporary differences in the balance of inventory between financial and income tax bases		28,000
Provision for deferred income taxes created by change in temporary differences in the balance of accumulated depreciation between financial and income tax bases		33,000
Provision for deferred income taxes created by the use of contribution carryovers		7,000
Provision for deferred income taxes created by change in temporary differences between financial and income tax bases in accounting for the investment in the limited liability company		17,000
Net Reduction Of Deferred Income Taxes	$	(563,000)

Leaf, Saltzman, Manganelli, Pfeil & Tendler, LLP

INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION

Microwave Satellite Technologies, Inc.

To the Stockholder and Board of Directors

Our report on our audits of the basic financial statements of Microwave Satellite Technologies, Inc. at April 30, 2005 and 2004 and for the year ended April 30, 2005 appears on page 1. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information, listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountants

Fairfield, New Jersey
January 6, 2006

MICROWAVE SATELLITE TECHNOLOGIES, INC.
SUPPORTING SCHEDULE
FOR THE YEAR ENDED
APRIL 30, 2005

DIRECT COSTS

Purchases - materials and supplies	$	229,750
Direct labor		123,927
Subcontractor labor		100,498
Professional services		6,319
Payroll taxes		12,793
Employee benefits		15,937
Commissions		191,912
Outside programming costs		959,011
Internet modem and service		12,730
Equipment rentals and repairs		18,577
Satellite time rental		43,245
Program guides		2,107
Truck and auto expense		45,485
Road expenses		14,225
Rent and utilities		51,476
Insurance		117,327
Telephone		232,519
Other operating supplies and expenses		798
Depreciation		261,311
Total Direct Costs	$	2,439,947

MICROWAVE SATELLITE TECHNOLOGIES, INC.
SUPPORTING SCHEDULE
FOR THE YEAR ENDED
APRIL 30, 2005

SELLING AND ADMINISTRATIVE EXPENSES

Salary - officer	$	715,466
Salaries - office		308,114
Payroll taxes		68,624
Truck and auto expense		5,054
Advertising		17,783
Sales promotions and entertainment		6,872
Travel, meals and lodging		3,381
Office supplies and expenses		32,674
Dues and subscriptions		17,307
Insurance		15,999
Employee benefits		39,033
Officer's life insurance		2,041
Telephone		22,120
Repairs and maintenance		9,663
Professional fees		41,109
Other taxes		377
Contributions		1,050
Bank charges		32,483
Rent and utilities		51,476
Retirement plan contribution		44,433
Bad debt expense		13,941
Depreciation and amortization		51,282
Interest expense		15,525
Total Selling and Administrative Expenses	$	1,515,807

MICROWAVE SATELLITE TECHNOLOGIES, INC.
YEAR ENDED
APRIL 30, 2004

CONTENTS

INDEPENDENT AUDITORS' REPORT

Microwave Satellite Technologies, Inc.

To The Stockholder and Board of Directors

We have audited the accompanying balance sheets of Microwave Satellite Technologies, Inc. as of April 30, 2004 and 2003, and the related statements of income and retained earnings and cash flows for the year ended April 30, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Microwave Satellite Technologies, Inc. as of April 30, 2004 and 2003, and the results of its operations and its cash flows for the year ended April 30, 2004, in conformity with generally accepted accounting principles in the United States of America.

Leaf, Saltzman, Manganelli, Pfeil & Tendler, LLP

Certified Public Accountants

Fairfield, New Jersey
February 9, 2006

MICROWAVE SATELLITE TECHNOLOGIES, INC.
BALANCE SHEETS
AT

	APRIL 30, 2004	2003
ASSETS		
Current Assets		
Cash	$ 494,489	$ 132,302
Accounts receivable	141,440	196,461
Due from officer		57,428
Escrow receivable	4,778,875	
Security deposits	15,296	1,427
Prepaid income taxes	42,285	57,266
Prepaid expenses and other current assets	12,511	285,602
Deferred income taxes asset		122,000
Total Current Assets	5,484,896	852,486
Prepaid expenses	2,061	
Property and equipment, net of accumulated depreciation	1,185,135	1,495,773
Intangible assets, net of accumulated amortization of ($13,757 - 2004 and $9,524 - 2003)	49,743	53,976
Investment in limited liability company	25,000	
Security deposits		64,979
	$ 6,746,835	$ 2,467,214
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities		
Note payable - bank	$ 26,651	
Current portion of long-term debt	94,262	$ 281,208
Accounts payable	312,121	554,951
Sales taxes payable	2,810	3,327
Due to officer	3,112	
Deferred revenue	336,615	286,711
Accrued expenses and other current liabilities	3,572,244	33,150
Deferred income taxes	569,000	
Total Current Liabilities	4,916,815	1,159,347
Long-term debt - less current portion	229,985	876,015
Deferred revenue		6,276
Deferred income taxes	70,000	15,000
Total Liabilities	5,216,800	2,056,638

MICROWAVE SATELLITE TECHNOLOGIES, INC.
BALANCE SHEETS
AT

	APRIL 30, 2004	APRIL 30, 2003
Stockholder's Equity		
Common stock - no par value		
Authorized - 1,000 shares		
Issued - 300 shares, outstanding - 125 shares	1,000	1,000
Retained earnings	1,604,035	484,576
	1,605,035	485,576
Less: Treasury stock, 175 shares at cost	75,000	75,000
Total Stockholder's Equity	1,530,035	410,576
	$ 6,746,835	$ 2,467,214

MICROWAVE SATELLITE TECHNOLOGIES, INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED
APRIL 30, 2004

Revenues	$	4,835,290
Direct costs		3,674,844
Gross profit		1,160,446
Selling and administrative expenses (including interest expense of $53,265)		846,925
Income from operations		313,521
Other Income		
Gain on sale of subscriber base and equipment to Cablevision, net of commissions and other expenses regarding sale amounting to $3,729,889		1,576,735
Interest income		5,344
Total Other Income		1,582,079
Income before provision for income taxes		1,895,600
Provision for income taxes		776,141
Net income		1,119,459
Retained earnings - beginning (restated)		484,576
Retained earnings - end	$	1,604,035

MICROWAVE SATELLITE TECHNOLOGIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
APRIL 30, 2004

Cash Flows From Operating Activities	
Net income	$ 1,119,459
Adjustments To Reconcile Net Income To Net Cash Used In Operating Activities	
Depreciation and amortization	319,133
Gain on sale of subscriber base and equipment to Cablevision, before related expenses	(5,306,624)
Provision for deferred income taxes	746,000
Provision for bad debts	22,977
Interest expense and bank charges on payoff of notes	30,419
Interest income - officer	(2,070)
(Increase) Decrease in:	
Accounts receivable, net of deferred revenue	75,672
Security deposits	(3,958)
Prepaid income taxes	14,981
Prepaid expenses and other current assets	107,148
Increase (Decrease) in:	
Accounts payable	(277,971)
Sales taxes payable	(517)
Accrued expenses and other current liabilities	2,086,367
Total Adjustments	(2,188,443)
Net Cash Used In Operating Activities	(1,068,984)
Cash Flows From Investing Activities	
Investment in limited liability company	(25,000)
Purchase of equipment	(347,838)
Proceeds from sale of subscriber base and equipment, net of related cash paid of $281,532	1,938,669
Net proceeds received on balance due from officer	59,498
Net Cash Provided By Investing Activities	1,625,329
Cash Flows From Financing Activities	
Proceeds of note payable - bank	23,000
Repayment of note payable - bank	(23,000)
Repayment of long-term debt	(197,270)
Advances on balance due to officer	3,112
Net Cash Used In Financing Activities	(194,158)
Net increase in cash	362,187
Cash - beginning	132,302
Cash - end	$ 494,489

MICROWAVE SATELLITE TECHNOLOGIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
APRIL 30, 2004

Supplemental Information:

Interest paid during period	$	54,903
Income taxes paid during period	$	13,366

Supplementary Schedule of Non-Cash Investing and Financing Activities:

Long-term debt directly refinanced	$	1,038,628
Increase in escrow receivable related to sale of subscriber base and equipment	$	4,778,875
Long-term debt paid to creditor directly from proceeds of sale of subscriber base and equipment	$	638,596
Long-term debt directly refinanced with short-term debt	$	22,160

Note 1 - Restatement of Retained Earnings at May 1, 2003

During the period under audit, it was determined that certain balances had been incorrectly stated at April 30, 2003 that are itemized as follows:

Accounts payable had been understated	$ (196,220)
Inventory had been overstated	(185,667)
Accounts receivable had been overstated	(23,386)
Prepaid expenses and other current assets had been overstated	(21,671)
Total Adjustments Before Income Tax Effect	$ (426,944)
Reduction of deferred income taxes	$ 114,600
Reduction of current income taxes	20,000
Total Reduction of Income Taxes	$ 134,600
Adjustments, net of income taxes	$ (292,344)
Retained earnings at April 30, 2003, prior to restatement	776,920
Retained earnings at May 1, 2003, restated	$ 484,576

Note 2 - Summary of Significant Accounting Policies

Nature of Operations

The Company is engaged in satellite communications, specializing in constructing, maintaining and managing private business television networks, as well as constructing and operating private cable television systems. In addition, the Company provides high-speed cable modem service to its private cable television system operations. The Company also provides national dial-up service, web hosting and design, and co-location services. The primary areas of operation are New York, New Jersey and Pennsylvania.

In March 2004, the Company sold a substantial portion of its cable subscriber base which represented 80% of the Company's total subscriber base (see Note 18). During the year ended April 30, 2004, revenues earned from the sold cable subscriber base approximated $2,765,000.

Inventory of Materials and Supplies

Materials and supplies with unit costs of $500 and less are expensed upon acquisition. Materials and supplies in inventory are stated at cost, based on the first-in, first-out (FIFO) method, net of a reserve for obsolescence. At April 30, 2004 and 2003, no inventory has been recognized based on this policy.

Prepaid Expenses

Included in prepaid expenses are costs incurred by the balance sheet date to acquire, prepare and place operational equipment into service prior to the equipment's actual use in the Company's operations.

Note 2 - Summary of Significant Accounting Policies (Continued)

Property and Equipment and Depreciation

Property and equipment are recorded at cost. Depreciation is provided by straight-line and accelerated methods over the estimated useful lives of the assets.

Intangible Assets and Amortization

The Company acquired a subscriber base during the year ended April 30, 2001 that is being amortized over its estimated useful life of fifteen years using the straight-line method.

Investment in Limited Liability Company

At April 30, 2004, the Company accounted for its 50% investment in Interactivewifi.com, LLC at cost. Generally accepted accounting principles generally require that such an investment be accounted for by the equity method; however, the balance at April 30, 2004 determined by using the cost method does not differ materially from the balance determined by using the equity method (see Note 8).

Deferred Revenue

Deferred revenue represents advanced cable subscription billings for the month following the balance sheet date. Advanced billings at the balance sheet date are not included in revenues for the period then ended but, rather, are reported as a liability in the balance sheet, and cash payments received for advanced billings are credited towards accounts receivable.

Income Taxes

Deferred income taxes are created by temporary differences between financial and tax bases for the following accounts: inventory, investment in the limited liability company, accumulated depreciation, and in accounting for the gain on the sale of the Company's subscriber base and equipment to Cablevision. For income tax purposes, inventory includes materials and supplies with unit costs of less than $500, the equity interest in the income of the limited liability company is accounted for by the cash basis method, depreciation is accelerated, and the gain on the sale of the subscriber base and equipment is reported on the installment method. In addition, the Company had available net operating loss and contribution carryovers which has created a deferred income tax asset (see Note 12).

Note 2 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Management periodically reviews the accounts receivable for uncollectible accounts and uses the direct write-off method to specifically identify and write-off any accounts determined to be uncollectible when a realistic probability of collection does not exist. Generally accepted accounting principles require the Company to provide for an allowance for doubtful accounts, which entails estimating a reserve for uncollectible accounts based on a history of past write-offs and collections and current credit conditions. However, it is the Company's experience that the direct write-off method has not differed materially from results that would have been obtained had the allowance method been used. In addition, the Company does not generally charge interest on past due accounts.

Note 3 - Escrow Receivable

The entire balance of escrow receivable at April 30, 2004, $4,778,875, was received during the year ended April 30, 2005.

Note 4 - Significant Concentrations of Credit Risk

Cash balances are maintained by the Company in two commercial banks. Such balances are insured up to $100,000 in total at each bank by the Federal Deposit Insurance Corporation (FDIC). At April 30, 2004 and 2003, cash balances exceeding federally insured limits amounted to $438,507 and $77,216, respectively.

Credit risk for trade accounts is concentrated as well because substantially all of the balances are receivable from entities located within the same geographic region. To reduce credit risk, the Company performs ongoing credit evaluations of its customers' financial conditions, but does not generally require collateral.

Note 5 - Major Customers

At April 30, 2004, balances due from three customers approximated 56% of the total accounts receivable balance. At April 30, 2003, balances due from three customers approximated 50% of the total accounts receivable balance.

Note 6 - Due From Officer

The remaining balance of the account due from officer was paid in full on April 30, 2004. Interest had been charged at the federal semi-annual mid-term (for demand loans) rate as published under IRC Section 1274(d). The rate used for the year ended April 30, 2004 was 3.13% on an average balance of $66,139. Interest income of $2,070 was earned on this balance during the year ended April 30, 2004.

Note 7 - Property and Equipment (See Note 10)

Property and equipment consist of the following at April 30:

	2004	2003	Estimated Useful Lives
Leasehold improvements	$ 198,733	$ 198,733	39 years
Operating equipment	1,672,240	3,273,352	5 - 10 years
Transportation equipment	185,219	185,219	3 - 5 years
Furniture and office equipment	417,644	407,296	5 - 7 years
	2,473,836	4,064,600	
Less: accumulated depreciation	1,288,701	2,568,827	
	$ 1,185,135	$ 1,495,773	

Depreciation expense for the year ended April 30, 2004 amounted to $314,900.

Note 8 - Investment in Limited Liability Company

The Company owns 50% of Interactivewifi.com, LLC (the “LLC”), an entity that provides internet wireless zones for its customers.

At April 30, 2004, LLC had just begun operations, and had incurred expenses of $1,500 and had not earned any revenues from its inception. LLC had total assets and members’ equity of $48,500 at April 30, 2004, with no liabilities. Under the equity method of accounting, the Company’s equity in the loss of LLC amounted to $750 during the year ended April 30, 2004, which was not recognized in these financial statements because of its immateriality.

Note 9 - Lines-Of-Credit Available

At April 30, 2004, the Company had a line-of-credit with Washington Mutual Bank in the amount of $100,000 to be used for working capital that was terminated September 30, 2004 after payment of all outstanding balances. Advances against this line have been payable with interest at the bank’s prime lending rate plus 1/2%. The line has been collateralized by all the business assets of the Company and also personally guaranteed by the Company’s stockholder. Drawings against this line at April 30, 2004 totaled $26,651, leaving a remaining available line of $73,349 at that date.

Note 9 - Lines-Of-Credit Available (Continued)

In addition, at April 30, 2004, the Company had another line-of-credit with Washington Mutual Bank in the amount of $100,000 to be used for equipment purchases that also expired on September 30, 2004. Drawings against this line would have been subject to interest at the bank's prime lending rate plus 1/2%. This line has also been collateralized by all the business assets of the Company and personally guaranteed by the Company's stockholder. There were no drawings against this line at April 30, 2004.

Note 10 - Long-Term Debt (See Note 7)

	2004	2003	Maturity Date
Washington Mutual Bank - note payable in monthly installments of $7,309 plus interest at the bank's prime lending rate plus 1/2%. The note is collateralized by all of the business assets of the Company (that are not otherwise collateralized) and is also personally guaranteed by the Company's stockholder.	$ 299,664		September 2007
Ford Motor Credit - note payable in monthly installments of $546 with no interest. The note is collateralized by transportation equipment.	24,583	$ 31,137	January 2008
PNC Bank - note payable had been subject to interest at 7.125%. The note was paid in full October 2003.	-0-	752,191	N/A
PNC Bank - note payable had been subject to interest at the bank's prime rate plus 1%. The note was paid in full October 2003.	-0-	270,000	N/A
PNC Bank - note payable was paid in full October 2003.	-0-	100,000	N/A
Ford Motor Credit Corp. - note payable was paid in full November 2003.	-0-	3,895	N/A
	324,247	1,157,223	
Less: current portion	94,262	281,208	
Amount Due After One Year	$ 229,985	$ 876,015	

Following are the maturities of long-term debt for each of the next four years and in the aggregate:

April 30, 2005	$ 94,262
2006	94,262
2007	94,262
2008	41,461
	$ 324,247

The note payable to Washington Mutual Bank for $299,664 at April 30, 2004 was paid in full September 2004.

Note 11 - Due To Officer

The balance due to officer, amounting to $3,112 at April 30, 2004, was repaid during the year ended April 30, 2005 and was not subject to interest.

Note 12 - Deferred Income Taxes

At April 30, 2004, the net deferred income tax liabilities consisted of the following components:

		Current Liability
Deferred income tax liability resulting from taxable temporary differences between financial and tax bases in accounting for the gain on the sale to Cablevision	$	648,000
Deferred income tax asset created by deductible temporary differences between financial and tax bases		(72,000)
Deferred income tax asset created by contribution carryover available for future periods		(7,000)
Total Deferred Income Tax Liability	$	569,000

		Non-Current
Deferred income tax liability resulting from taxable temporary differences in the reporting of accumulated depreciation for financial and income tax purposes	$	70,000

At April 30, 2003, the deferred income tax asset and liability consisted of the following components:

		Current Asset
Deferred income tax asset created by net operating losses available for future periods:		
Federal	$	29,000
State		12,000
Total		41,000
Deferred income tax asset created by deductible temporary differences between financial and tax bases		74,000
Deferred income tax asset created by contribution carryover available for future periods		7,000
Total Deferred Income Tax Asset	$	122,000

		Non-Current
Deferred income tax liability resulting from taxable temporary differences in the reporting of accumulated depreciation for financial and income tax purposes	$	15,000

Estimates concerning the amounts and rate of realization of deferred taxes are inherently subject to change and it is at least reasonably possible that these estimates may change materially within the near-term.

Note 13 - Rent Expense

The Company rents office and warehouse space in New Jersey under a lease that was originally in effect until April 30, 2005. Subsequent to the balance sheet date, the lease was renewed to April 30, 2010. Monthly payments under the lease during the year ended April 30, 2004 amounted to $6,300. In addition, the Company sublet its warehouse space at $2,000 per month on a month-to-month basis through September 30, 2004. Rent expense for the year ended April 30, 2004 is as follows:

Base rent	$	75,600
Contingent rent (charge for insurance, real estate taxes, maintenance and utilities)		21,743
Total rent expense		97,343
Less: sublet rental income		22,000
Net Rent Expense	$	75,343

Note 14 - Commitments and Contingencies

The Company leases a vehicle under a non-cancelable operating lease, in addition to the lease for office and warehouse space described above in Note 13. The minimum future rental payments under non-cancelable operating leases effective at April 30, 2004 (including the lease described in Note 13) for each of the next five years and in the aggregate are as follows:

April 30, 2005	$	98,751
2006		458
2007		- 0 -
2008		- 0 -
2009		- 0 -
Total Minimum Future Lease Payments	$	99,209

Note 15 - Retirement Plan

The Company provides a profit sharing plan with a 401(k) deferred compensation feature for all eligible employees. The Company matches the employees' contribution in an amount equal to 100% of the first 1% of compensation plus 10% of the next 5% of compensation. Total employee and employer contributions may not exceed 25% of total eligible compensation. Contributions for the year ended April 30, 2004 amounted to $5,738.

For plan years beginning January 1, 2005, the plan was amended to allow for employee and employer contributions for each participant of up to the lesser of 100% of compensation or the statutory maximum ($42,000 per participant in 2005). In addition, the plan amendment provides for employer non-elective contributions equal to 3% of compensation for all eligible employees.

Note 16 - Amortization Expense

Amortization expense amounted to $4,233 for the year ended April 30, 2004. Amortization expense for each of the next five years is presently scheduled to be $4,233.

Note 17 - Advertising Expense

Advertising costs are expensed as incurred and amounted to $14,742 for the year ended April 30, 2004.

Note 18 - Gain on Sale of Equipment and Portion of Subscriber Base to Cablevision

In March 2004 the Company sold certain equipment and the portion of its subscriber base located in Brooklyn, New York to Cablevision for a total of $7,638,550. The total net gain on the sale amounted to $1,576,735 and consisted of the following components:

Gain on sale of subscriber base	$	5,417,513
Loss on sale of equipment		(110,889)
Net gain on sale before commissions and other expenses regarding sale		5,306,624
Selling expenses, including commissions		3,729,889
Net Gain on Sale	$	1,576,735

Note 19 - Provision For Income Taxes

The provision for income taxes consists of the following components for the year ended April 30, 2004:

Current	$	30,141
Deferred		746,000
Total Provision For Income Taxes	$	776,141

The components of the provision for deferred income taxes for the year ended April 30, 2004 are as follows:

Provision for deferred income taxes arising from taxable temporary differences between financial and income tax bases in accounting for the gain on sale to Cablevision during the year	$	648,000
Provision for deferred income taxes created by reduction of deductible temporary differences in the balance of inventory between financial and income tax bases		2,000
Provision for deferred income taxes created by change in temporary differences in the balance of accumulated depreciation between financial and income tax bases		55,000
Provision for deferred income taxes arising from the use of available net operating losses		41,000
Total Provision For Deferred Income Taxes	$	746,000

INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION

Microwave Satellite Technologies, Inc.

To the Stockholder and Board of Directors

Our report on our audits of the basic financial statements of Microwave Satellite Technologies, Inc. at April 30, 2004 and 2003 and for the year ended April 30, 2004 appears on page 1. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information, listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Leaf, Saltzman, Manganelli, Pfeil & Tendler, LLP

Certified Public Accountants

Fairfield, New Jersey
February 9, 2006

MICROWAVE SATELLITE TECHNOLOGIES, INC.
SUPPORTING SCHEDULE
FOR THE YEAR ENDED
APRIL 30, 2004

DIRECT COSTS

Purchases - materials and supplies	$	229,564
Direct labor		186,791
Subcontractor labor		49,888
Professional services		3,500
Payroll taxes		17,514
Employee benefits		25,853
Commissions		207,819
Outside programming costs		1,515,157
Internet modem and service		18,169
Equipment rentals and repairs		636,942
Satellite time rental		57,331
Program guides		5,328
Truck and auto expense		39,825
Road expenses		13,277
Rent and utilities		44,378
Insurance		118,168
Telephone		233,462
Other operating supplies and expenses		292
Depreciation		271,586
Total Direct Costs	$	3,674,844

MICROWAVE SATELLITE TECHNOLOGIES, INC.
SUPPORTING SCHEDULE
FOR THE YEAR ENDED
APRIL 30, 2004

SELLING AND ADMINISTRATIVE EXPENSES

Salary - officer	$	137,230
Salaries - office		256,231
Payroll taxes		30,302
Truck and auto expense		4,425
Advertising		14,742
Sales promotions and entertainment		15,766
Travel, meals and lodging		1,063
Office supplies and expenses		31,887
Dues and subscriptions		13,209
Insurance		16,113
Employee benefits		31,104
Officer's life insurance		2,041
Telephone		22,127
Repairs and maintenance		11,475
Professional fees		36,914
Other taxes		250
Contributions		449
Bank charges		47,692
Rent and utilities		44,378
Retirement plan contribution		5,738
Bad debt expense		22,977
Depreciation and amortization		47,547
Interest expense		53,265
Total Selling and Administrative Expenses	$	846,925

Exhibit 99.2

MICROWAVE SATELLITE TECHNOLOGIES, INC.
OCTOBER 31, 2005

CONTENTS

MICROWAVE SATELLITE TECHNOLOGIES, INC.
BALANCE SHEETS

ASSETS	October 31, 2005 (Unaudited)	April 30, 2005 (Audited)
Current Assets		
Cash	$ 46,528	$ 765,698
Accounts receivable	95,660	129,982
Due from officer		13,663
Interest receivable		15,675
Prepaid income taxes	8,034	-
Prepaid expenses and other current assets	310,693	174,249
Deferred income taxes asset	44,000	44,000
Total Current Assets	504,915	1,143,267
Due from related party	19,936	5,834
Property and equipment, net of accumulated depreciation	1,183,582	1,230,225
Intangible assets, net of accumulated amortization of $20,106 and $17,990, respectively	43,394	45,510
Investment in limited liability company	59,751	84,934
Security deposits	12,600	12,600
Deferred income tax asset	52,000	-
	$ 1,876,178	**$ 2,522,370**
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities		
Note payable - bank	$ 200,000	$ -
Current portion of long-term debt	6,555	6,555
Accounts payable	189,672	174,782
Sales taxes payable	8,262	13,486
Due to officer	81,536	-
Income tax payable	-	490,816
Deferred revenue	90,671	85,933
Accrued expenses and other current liabilities	54,064	147,289
Total Current Liabilities	630,760	918,861
Long-term debt - less current portion	8,194	11,472
Deferred income taxes	-	120,000
Total Liabilities	638,954	1,050,333

MICROWAVE SATELLITE TECHNOLOGIES, INC.
BALANCE SHEETS

	October 31, 2005 (Unaudited)	April 30, 2005 (Audited)
Stockholder's Equity		
Common stock - no par value		
Authorized - 1,000 shares		
Issued - 300 shares, outstanding - 125 shares	1,000	1,000
Retained earnings	1,311,224	1,546,037
	1,312,224	1,547,037
Less: Treasury stock, 175 shares at cost	75,000	75,000
Total Stockholder's Equity	1,237,224	1,472,037
	$ 1,876,178	**$ 2,522,370**

MICROWAVE SATELLITE TECHNOLOGIES, INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE THREE AND SIX MONTHS ENDED
OCTOBER 31, 2005 AND 2004

	Three months ended October,		Six months ended October,	
	2005	2004	2005	2004
Revenues	$ 443,722	$ 1,090,509	$ 877,981	$ 2,143,217
Direct costs	439,954	973,413	840,105	1,902,556
Gross profit	3,768	117,096	37,876	240,661
Selling and administrative expenses	220,103	323,295	407,305	488,674
Loss from operations	(216,335)	(206,199)	(369,429)	(248,013)
Interest income	85	-	1,549	683
Loss before reduction of income taxes	(216,250)	(206,199)	(367,880)	(247,330)
Reduction of income taxes	(93,024)	(82,480)	(158,250)	(98,932)
Loss before equity in loss of limited liability company	(123,226)	(123,719)	(209,630)	(148,398)
Equity in loss of limited liability company	(1,832)	-	(25,183)	-
Net loss	(125,058)	(123,719)	(234,813)	(148,398)
Retained earnings - beginning	1,436,282	1,594,350	1,546,037	1,619,029
Retained earnings - end	$ 1,311,224	$ 1,470,631	$ 1,311,224	$ 1,470,631

MICROWAVE SATELLITE TECHNOLOGIES, INC.
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED
OCTOBER 31, 2005 AND 2004,

	2005	2004
Cash Flows From Operating Activities		
Net loss	$ (234,813)	$ (148,398)
Adjustments To Reconcile Net Loss To Net Cash		
Used In Operating Activities		
Depreciation and amortization	156,183	154,180
Equity in loss of limited liability company	25,183	(25,000)
Reduction of deferred income taxes	(172,000)	-
(Increase) Decrease in:		
Accounts receivable, net of deferred revenue	39,060	(51,390)
Escrow receivable		4,778,875
Interest receivable	15,675	3,350
Prepaid income taxes	(8,034)	1,841
Prepaid expenses and other current assets	(136,444)	-
Increase (Decrease) in:		
Accounts payable	14,890	(127,002)
Sales taxes payable	(5,224)	3,751
Income taxes payable	(490,816)	(106,932)
Deferred revenue	-	(105,720)
Accrued expenses and other current liabilities	(93,225)	(16,715)
Total Adjustments	(654,752)	4,509,238
Net Cash Used In Operating Activities	(889,565)	4,360,840
Cash Flows From Investing Activities		
Purchase of equipment	(107,424)	(81,562)
Advances on behalf of related party, at net	(14,102)	(1,659,969)
Proceeds on balance due from officer, net of payments	13,663	-
Net Cash Used In Investing Activities	(107,863)	(1,741,531)
Cash Flows From Financing Activities		
Proceeds on balance due to officer, net of payments	81,536	(2,616)
Repayments of long-term debt	(3,278)	(299,664)
Proceeds from note payable - bank	200,000	(26,651)
Net Cash Provided By Financing Activities	278,258	(328,931)
Net decrease in cash	(719,170)	2,290,378
Cash - beginning	765,698	494,489
Cash - end	$ 46,528	$ 2,784,867

MICROWAVE SATELLITE TECHNOLOGIES, INC.
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED
OCTOBER 31, 2005 AND 2004,

	2005	2004
Supplemental Information:		
Interest paid during period	$ 3,947	$ 5,360
Income taxes paid during period	$ 512,600	$ 6,159

MICROWAVE SATELLITE TECHNOLOGIES, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2005

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

The Company is engaged in satellite communications, specializing in constructing, maintaining and managing private business television networks, as well as constructing and operating private cable television systems. In addition, the Company provides high-speed cable modem service to its private cable television system operations. The Company also provides national dial-up service, web hosting and design, and co-location services. The primary areas of operation are New York, New Jersey and Pennsylvania.

Inventory of Materials and Supplies

Materials and supplies with unit costs of $500 and less are expensed upon acquisition. Materials and supplies in inventory are stated at cost, based on the first-in, first-out (FIFO) method, net of a reserve for obsolescence.

Prepaid Expenses

Included in prepaid expenses are expenses incurred by the balance sheet date to prepare and place operational equipment into service prior to the equipment's actual use in the Company's operations.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided by straight-line and accelerated methods over the estimated useful lives of the assets.

Intangible Assets and Amortization

The Company acquired a subscriber base during the year ended April 30, 2001 that is being amortized over its estimated useful life of fifteen years using the straight-line method.

Investment in Limited Liability Company

The Company accounts for its 50% investment in Interactivewifi.com, LLC by the equity method of accounting.

Deferred Revenue

Deferred revenue represents advance billings that are included in accounts receivable. Advance billings at the balance sheet date are not included in revenues for the period then ended, and cash payments received for advanced billings are credited towards accounts receivable.

Note 1 - Summary of Significant Accounting Policies (Continued)

Income Taxes

Deferred income taxes are created by temporary differences between financial and tax bases for the following accounts: inventory, investment in the limited liability company and accumulated depreciation. For income tax purposes, inventory includes materials and supplies with unit costs of less than $500, the equity interest in the income of the limited liability company is accounted for by the cash basis method, and depreciation is accelerated. In addition, the Company has available federal and state net operating losses that create a deferred income tax asset.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Management periodically reviews the accounts receivable for uncollectible accounts and uses the direct write-off method to specifically identify and write-off any accounts determined to be uncollectible when a realistic probability of collection does not exist. Generally accepted accounting principles require the Company to provide for an allowance for doubtful accounts, which entails estimating a reserve for uncollectible accounts based on a history of past write-offs and collections and current credit conditions. However, it is the Company's experience that the direct write-off method has not differed materially from results that would have been obtained had the allowance method been used. In addition, the Company does not generally charge interest on past due accounts.

Significant Concentrations of Credit Risk

Cash balances are maintained by the Company in three commercial banks. Such balances are insured up to $100,000 in total at each bank by the Federal Deposit Insurance Corporation (FDIC). At October 31, 2005, cash balances exceeding federally insured limits amounted to $1,898.

Credit risk for trade accounts is concentrated as well because substantially all of the balances are receivable from entities located within the same geographic region. To reduce credit risk, the Company performs ongoing credit evaluations of its customers' financial conditions, but does not generally require collateral.

Note 2 - Major Customers

At October 31, 2005, balances due from three customers approximated 58% of the total accounts receivable balance.

Note 3 - Due From Related Party

The Company has made advances for certain expenses on behalf of a related party as of October 31, 2005 that amount to $19,936. The related party is owned in part by the Company's sole stockholder and the advances are neither subject to interest nor expected to be repaid within the near-term.

Note 4 - Property and Equipment (See Notes 6 and 7)

			Estimated Useful Lives
Leasehold improvements	$	198,733	39 years
Operating equipment		2,057,802	5 - 10 years
Transportation equipment		202,489	3 - 5 years
Furniture and office equipment		475,685	5 - 7 years
		2,934,709	
Less: accumulated depreciation		1,751,127	
	$	1,183,582	

Depreciation expense for the six months ended October 31, 2005 amounted to $154,066.

Note 5 - Investment in Limited Liability Company

Summarized financial information concerning Interactivewifi.com, LLC, an entity in which the Company owns 50%, and accounts for on the equity method, is as follows at October 31, 2005 and for the six months then ended:

Total assets	$	130,626
Total liabilities		(11,123)
Members' Equity		119,503
	x	50%
Investment in Limited Liability Company	$	59,751
Total loss of Limited Liability Company during the period		(50,366)
	x	50%
50% equity in loss of Limited Liability Company during the period	$	(25,183)

Note 6 - Note Payable - Bank and Lines-Of-Credit Available

The Company has a line-of-credit available with Sun National Bank in the amount of $500,000 to be used for working capital that is subject to renewal on October 31, 2006. Advances against this line are payable with interest based on the 30-day LIBOR index plus 2%. The line is collateralized by all the business assets of the Company and is also personally guaranteed by the Company's sole stockholder. The principal balance must be reduced to $-0- for a minimum of thirty (30) consecutive days during each one-year period. Advances against this line at October 31, 2005 totaled $200,000, leaving a remaining available line of $300,000 at the balance sheet date.

In addition, the Company has another line-of-credit available with Sun National Bank in the amount of $1,000,000 to be used for equipment purchases that is subject to renewal on August 16, 2006. Advances against this line would be subject to interest based on the 30-day LIBOR index plus 2%. The line is collateralized by all the business assets of the Company and is also personally guaranteed by the Company's sole stockholder up to 50% of the indebtedness, or $500,000, whichever is less. There were no advances against this line at October 31, 2005. Beginning August 16, 2006, the principal balance then outstanding on the loan will convert to a five-year term loan.

Note 7 - Long-Term Debt (See Notes 4 and 6)

			Maturity Date
Ford Motor Credit - note payable in monthly installments of $546 with no interest. The note is collateralized by transportation equipment.	$	14,749	January 2008
Less: current portion		6,555	
Amount Due After One Year	$	8,194	

Following are the maturities of long-term debt for each of the next three years and in the aggregate:

October 31, 2006	$	6,555
2007		6,555
2008		1,639
	$	14,749

Note 8 - Due To Officer

The balance due to officer, amounting to $81,536 at October 31, 2005, is expected to be repaid within the near-term and is not subject to interest.

Note 9 - Deferred Income Taxes

At October 31, 2005, the current deferred income tax asset and net non-current deferred income tax asset consisted of the following components:

		Current Asset
Deferred income tax asset created by deductible temporary differences between financial and tax bases	$	44,000

		Non-Current Liability
Deferred income tax asset created by federal net operating losses available for future periods	$	109,000
Deferred income tax asset created by state net operating losses available for future periods		32,000
Deferred income tax liability resulting from taxable temporary differences in the reporting of accumulated depreciation for financial and income tax purposes		(84,000)
Deferred income tax liability resulting from taxable temporary differences between financial and tax bases in accounting for the investment in the limited liability company		(5,000)
	$	52,000

Estimates concerning the amounts and rate of realization of deferred taxes are inherently subject to change and it is at least reasonably possible that these estimates may change materially within the near-term.

Note 10 - Rent Expense

The Company rents office and warehouse space in New Jersey under a lease that has been extended to April 30, 2010. Monthly payments, effective May 1, 2005, are $6,508 and are scheduled to increase annually thereafter, based on the increase in the Consumer Price Index. Rent expense for the six months ended October 31, 2005 is as follows:

Base rent	$	38,632
Contingent rent (charge for insurance, real estate taxes, maintenance and utilities)		11,716
Total rent expense	$	50,348

Note 11 - Commitments and Contingencies

The Company leases a vehicle under a non-cancelable operating lease, in addition to the lease for office and warehouse space described in Note 10. The minimum future rental payments under non-cancelable operating leases (including the lease described in Note 10) for each of the next five years and in the aggregate are as follows:

October 31, 2006	$	85,030
2007		83,528
2008		78,096
2009		78,096
2010		39,048
Total Minimum Future Lease Payments	$	363,798

Note 12 - Retirement Plan

The Company provides a profit-sharing plan with a 401(k) deferred compensation feature for all eligible employees. The Company matches the employees' contribution in an amount equal to 100% of the first 1% of compensation, plus 10% of the next 5% of compensation. The Company must also make a non-elective contribution equal to 3% of compensation for all eligible employees. The Company can also make a discretionary non-elective profit-sharing contribution in an amount necessary to satisfy the minimum allocation requirement. Total employee and employer contributions for each participant may not exceed the lesser of 100% of compensation, or $42,000 plus any employee catch-up contributions. Company contributions to the plan amounted to $1,776 for the six months ended October 31, 2005.

Note 13 - Related Party Transactions

Included in the Company's revenue during the six months ended October 31, 2005 is revenue earned from services provided to Interactivewifi.com, LLC, in which the Company has a 50% equity investment, that amounted to $14,919.

Note 14 - Amortization Expense

Amortization expense amounted to $2,117 for the six months ended October 31, 2005. Amortization expense for each of the next five years is presently scheduled to be $4,233.

Note 15 - Advertising Expense

Advertising costs are expensed as incurred and amounted to $8,840 for the six months ended October 31, 2005.

Note 16 - Net Operating Losses Available For Future Periods

At October 31, 2005, federal and state net operating losses approximating $397,000 are available for future periods. Federal net operating losses expire in 2026 and state net operating losses expire in 2013.

Note 17 - Provision For (Reduction Of) Income Taxes

The provision for (reduction of) income taxes consists of the following components for the six months ended October 31, 2005:

Current	$	13,750
Deferred		(172,000)
Net Reduction of Income Taxes	$	(158,250)

Note 17 - Provision For (Reduction Of) Income Taxes (Continued)

The components of the reduction of deferred income taxes for the six months ended October 31, 2005 are as follows:

Benefit of federal net operating losses available for future periods	$	(109,000)
Benefit of state net operating losses available for future periods		(32,000)
Reduction of deferred income taxes created by change in temporary differences in the balance of accumulated depreciation between financial and income tax bases		(19,000)
Reduction of deferred income taxes created by change in temporary differences between financial and income tax bases in accounting for the investment in the limited liability company		(12,000)
Total Reduction Of Deferred Income Taxes	$	(172,000)

Exhibit 99.3

Unaudited Pro Forma Condensed Combined Statement of Operations
For the year ended December 31, 2004 for Telkonet, Inc.
and for the year ended January 31, 2005 for MST

	Telkonet	MST	Pro-forma Adjustments	Pro Forma Note Reference	Pro Forma Combined Balances (Unaudited)
Revenue	$ 698,652	$ 2,766,372	$ -		$ 3,465,024
Cost of Sales	542,859	1,864,488	-		2,407,347
Gross Profit	155,793	901,884			1,057,677
Costs and Expenses:					
Research and Development	1,852,309	-			1,852,309
Selling, General and Administrative	7,663,369	1,420,722			9,084,091
Consulting fees	2,500,000	-			2,500,000
Non-Employee Stock Options and Warrants	1,180,875	-			1,180,875
Depreciation and Amortization	71,514	53,451	342,087		467,052
Total Operating Expense	13,268,067	1,474,173	342,087		15,084,327
Loss from Operations	(13,112,274)	(572,289)	(342,087)		(14,026,650)
Other Income (Expenses):					
Equity in income of limited liability company	-	13,908			13,908
Interest Income	128,938	32,441			161,379
Interest Expense	(109,324)	(32,359)			(141,683)
Total Other Income (Expenses)	19,614	13,990	-		33,604
Loss Before Discontinued Operations and Provision for Income Taxes	(13,092,660)	(558,299)	(342,087)		(13,993,046)
Discontinued operations (Analog Subscribers)	-	2,174,735			2,174,735
Minority Interest					(161,644)
Provision for Income Taxes	-	-			-
Net Loss	$(13,092,660)	$ 1,616,436	$ (342,087)		$(11,979,955)
Loss per common share (basic and dilutive)	($0.32)				($0.28)
Weighted average common shares outstanding	41,384,074		1,600,000		42,984,074

Unaudited Pro Forma Condensed Combined Statement of Operations
For the nine months ended September 30, 2005 for Telkonet, Inc.
and for the nine months ended October 31, 2005 for MST

	Telkonet	MST	Pro-forma Adjustments	Pro Forma Note Reference	Pro Forma Combined Balances (Unaudited)
Revenue	$ 1,341,058	$ 1,359,078	$ -		$ 2,700,136
Cost of Sales	918,720	1,200,346	-		2,119,066
Gross Profit	422,338	158,732	-		581,070
Costs and Expenses:					
Research and Development	1,475,109	-	-		1,475,109
Selling, General and Administrative	8,476,703	648,706	-		9,125,409
Non-Employee Stock Options and Warrants	960,822	-	-		960,822
Depreciation and Amortization	137,494	33,905	256,565		427,964
Total Operating Expense	11,050,128	682,611	256,565		11,989,304
Loss from Operations	(10,627,790)	(523,879)	(256,565)		(11,408,234)
Other Income (Expenses):					
Equity in loss of limited liability company	-	(34,157)	-		(34,157)
Interest Income	89,012	9,320	-		98,332
Interest Expense	(93,495)	(6,194)	-		(99,689)
Total Other Income (Expenses)	(4,483)	(31,031)	-		(35,514)
Loss Before Discontinued Operations and Provision for Income Taxes	(10,632,273)	(554,910)	(256,565)		(11,443,748)
Discontinued operations (Analog Subscribers)	-	311,955	-		311,955
Minority Interest				24,296	24,296
Loss before income taxes	(10,632,273)	(242,955)	(256,565)		(11,107,498)
Provision for Income Taxes	-	-	-		-
Net Loss	$(10,632,273)	$ (242,955)	$ (256,565)		$(11,107,498)
Loss per common share (basic and dilutive)	($0.24)				($0.24)
Weighted average common shares outstanding	44,658,467		1,600,000		46,258,467

Unaudited Pro Forma Condensed Combined Balance Sheet
As of September 30, 2005 for Telkonet, Inc. and as of October 31, 2005 for MST

	Telkonet, Inc.	Microwave Satelitte Technologies, Inc.	Combined Total	Pro-forma Adjustments	Pro Forma Note Reference	Pro Forma Balance Sheet
ASSETS						
Current Assets:						
Cash and cash equivalents	$ 2,305,190	$ 46,528	$ 2,351,718	$ -		$ 2,351,718
Accounts Receivable: net	151,430	95,660	247,090	-		247,090
Inventory	1,689,214	-	1,689,214	-		1,689,214
Prepaid expenses and deposits	219,290	362,727	582,017	-		582,017
Total current assets	4,365,124	504,915	4,870,039	-		4,870,039
Property and equipment, net	759,596	1,183,582	1,943,178	-		1,943,178
Equipment under operating leases, net	815,477	-	815,477	-		815,477
Other Assets:						
Long-term investments	600,000	59,751	659,751	-		659,751
Intangible assets, net	-	43,394	43,394	2,736,697		2,780,091
Goodwill			-	6,263,303		6,263,303
Deposits & other assets	154,216	84,536	238,752	62,000		300,752
Total other assets	754,216	187,681	941,897	9,062,000		10,003,897
TOTAL ASSETS	6,694,413	1,876,178	8,570,591	9,062,000		17,632,591
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current Liabilities:						
Notes payable bank	-	200,000	200,000	-		200,000
Current portion of long-term debt	-	6,555	6,555	-		6,555
Accounts payable and accrued liabilities	1,305,995	251,998	1,557,993	-		1,557,993
Convertible debentures, net of discounts	191,979	-	191,979	-		191,979
Senior notes payable	450,000	-	450,000	-		450,000
Other current liabilities	67,009	172,207	239,216	-		239,216
Total current liabilities	2,014,983	630,760	2,645,743	-		2,645,743
Long Term Liabilities:						
Deferred lease liability	41,949	-	41,949	-		41,949
Long-term debt - less current portion	--	8,194	8,194	-		8,194
Total long term liabilities	41,949	8,194	50,143	-		50,143

Commitments and Contingencies	-	-	-	-	-
Minority Interest			-	982,593	982,593
Stockholders' Equity :					
Preferred stock, par value $.001 per share; 15,000,000 shares authorized; none issued and outstanding at September 30, 2005 and December 31, 2004	-	-	-	-	-
Common stock, par value $.001 per share; 100,000,000 shares authorized; 44,910,908 and 44,335,989 shares issued and outstanding at September 30, 2005 and December 31, 2004, respectively	44,911	-	44,911	1,600	46,511
Common stock, no par value, authorized 1,000 shares, issued 300 shares and outstanding 125 shares	-	1,000	1,000	(1,000)	-
Additional paid-in-capital	42,434,115	-	42,434,115	9,290,735	51,724,850
(Accumulated deficit) retained earnings	(37,841,545)	1,311,224	(36,530,321)	(1,286,929)	(37,817,250)
Treasury stock, 175 shares at cost	-	(75,000)	(75,000)	75,000	-
Stockholders' equity	4,637,481	1,237,224	5,874,705	8,079,407	13,954,112
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 6,694,413	$ 1,876,178	$ 8,570,591	$ 9,062,000	$ 17,632,591

Purchase Price	$ 9,062,000
100% of MST	$ 10,068,889
10% of minority interest	$ 1,006,889
Net loss to minority shareholders:	$ (24,296)
Minority Interest 10/31/2005:	$ 982,593

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

This Current Report on Form 8-K/A contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and other risks detailed in our Annual Report on Form 10-K for the year December 31, 2005 and other reports filed with the Securities Exchange Commission from time to time. Actual results could differ materially from those projected in these forward-looking statements as a result of the risks described above as well as other risk factors set forth in our periodic reports both previously and hereafter filed with the Securities Exchange Commission.

Note 1 - Basis of Presentation

On January 31, 2006, Telkonet, Inc. (Amex: TKO), acquired a 90% interest in Microwave Satellite Technologies, Inc. (MST) from Frank Matarazzo, the sole stockholder of MST. MST is a communications technology company that offers complete sales, installation, and service of VSAT and business television networks, and is a full-service national Internet Service Provider (ISP). The $9 million cash and stock transaction will enable Telkonet to provide a complete “triple-play” solution to subscribers of HDTV, VoIP telephony and NuVision Broadband Internet access, to commercial multi-dwelling units and hotels.

The purchase method of accounting has been used in the preparation of the accompanying unaudited pro forma condensed combined financial statements. Under this method of accounting, the purchase consideration is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed according to their respective fair values, with the excess purchase consideration being recorded as goodwill. For the purposes of pro forma adjustments, Telkonet has followed Statement of Financial Accounting Standards (“SFAS”) No. 141, “Business Combinations,” and SFAS No. 142, “Goodwill and Intangible Assets.”

The unaudited pro forma condensed combined statements of operations are presented combining Telkonet’s condensed consolidated statement of operations for the year ended December 31, 2004 and Telkonet’s unaudited condensed statement of operations for the nine months ended September 30, 2005 with MST’s statements of operations for the year ended January 31, 2005 and for the nine months ended October 31, 2005 assuming the transaction occurred on January 1, 2004. The unaudited pro forma condensed combined balance sheet gives effect to the acquisition as if the transaction had taken place on September 30, 2005 and combines Telkonet’s unaudited September 30, 2005 condensed balance sheet amounts with MST’s unaudited balance sheet as October 31, 2005. These pro forma statements are based on such condensed financial statements after giving effect to the transaction under the purchase method of accounting and the assumptions and adjustments described below. The pro forma information does not purport to be indicative of the results, which would have been reported if the purchase had been in effect for the periods presented or which may result in the future.

There are no significant differences between the accounting policies of Telkonet and MST.

Note 2 - Pro forma purchase price adjustments

Pursuant to the Stock Purchase Agreement which provides for the payment of $1.8 million in cash and 1.6 million unregistered shares of the Company’s common stock. The cash portion of the purchase price is payable $900,000 at closing and $900,000 payable in January 2007. The stock portion is payable from shares held in escrow 400,000 shares at closing and the remaining 1,200,000 shares issued based on the achievement of 3,300 “Triple Play” subscribers over a three year period. For purposes of the unaudited pro forma condensed combined financial statements, the fair value of the Company’s common stock issued as a part of the acquisition was determined based on the average price of the Company's common stock for several days before the acquisition of MST.

The components of the purchase price were as follows:

Common stock	$ 7,200,000
Cash	1,800,000
Direct acquisition costs	62,000
Total	$ 9,062,000

In accordance with Financial Accounting Standard (SFAS) No. 141, Business Combinations, the total purchase price was allocated to the estimated fair value of assets acquired and liabilities assumed. The fair value of the assets acquired was based on management's best estimates. The total purchase price was allocated to the assets and liabilities acquired as follows:

Cash and other current assets	$	504,915
Equipment and other assets		1,371,263
Subscriber lists		2,736,697
Goodwill and other intangible assets		5,088,079
Current liabilities		(638,954)
Total	$	9,062,000

Goodwill and other intangible assets of $5,088,079 represent the excess of the purchase price over the fair value of the net tangible assets acquired. The Company has hired an independent firm to assist in allocating the excess purchase price to the intangible assets and goodwill as appropriate. In accordance with SFAS 142, goodwill is not amortized and will be tested for impairment at least annually. The subscriber list was independently valued at $2,736,697 with a remaining estimated useful like of eight years.

Amortization expense associated with the subscriber list of $342,087 and $256,565 has been included for the twelve months and nine months proforma financial statements. This transaction had no other effect on the Company's earnings at the date of acquisition as the assets and liabilities were acquired at the same cost bases for which they were listed in the previous MST financial statements, except for subscriber lists, goodwill and other intangible assets which were recorded at the excess of the purchase price over the net assets. There were no assets that were required to be written down at the acquisition.

The Company, each quarter, will carefully evaluate the potential impairment of goodwill recorded at the acquisition date as required by Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Intangible Assets."