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050472 TX

Glenn S. Richards
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glenn.richards@pillsburylaw.com

RECEIVED-FPSC
JUL 11 AM 10:30
COMMISSION
CLERK

July 8, 2005

Clerk's Office
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

**Re: Application of Mobilepro Corp. and American Fiber Network, Inc.
For Approval of Transfer of Control of American Fiber Network, Inc.
(Certificate No. 7303)**

Dear Sir or Madam:

On behalf of our client, Mobilepro Corp. ("Mobilepro"), we submit an original and fifteen (15) copies of the enclosed application seeking Commission permission to transfer control of American Fiber Network, Inc. to Mobilepro. We have also submitted a check in the amount of \$250.00 to cover the filing fee for this application.

Please date-stamp the "Receipt" copy of this filing and return it in the enclosed self-addressed, stamped envelope. Please contact the undersigned if you have any questions or concerns.

Sincerely,

Glenn Richards
Counsel for Mobilepro Corp.

Check received with filing and forwarded
to Fiscal for deposit. Fiscal to forward
deposit information to Records.

Initials of person who forwarded check:

RECEIVED & FILED

FPSC-BUREAU OF RECORDS

05 JUL 11 AM 10:17

RECEIVED FOR RECORDS

DOCUMENT NUMBER-DATE

06494 JUL 11 05

FPSC-COMMISSION CLERK

GEOFFREY B. AMEND
GEOFFREY B. AMEND PA

TELECOM ESCROW TRUST ACCT.

309 S. LAURA STE 210
WICHITA, KS 67211

1031

DATE 7-5-05

40-4/1011 KS
1045

PAY
TO THE
ORDER OF

Florida Public Service Commission \$ 250⁰⁰

Two Hundred Fifty & 00/100 DOLLARS

Security features
are included.
Details on back.

Bank of America



ACH R/T 101100045

FOR _____

Geoffrey B. Amend

MP

**** FLORIDA PUBLIC SERVICE COMMISSION ******DIVISION OF COMPETITIVE MARKETS AND ENFORCEMENT**
CERTIFICATION**APPLICATION FORM**
for
AUTHORITY TO PROVIDE
ALTERNATIVE LOCAL EXCHANGE SERVICE
WITHIN THE STATE OF FLORIDA

Instructions

- ☐ This form is used as an application for an original certificate and for approval of the assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Page 12).
- ☐ Print or type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.
- ☐ Use a separate sheet for each answer which will not fit the allotted space.
- ☐ Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of **\$250.00** to:

Florida Public Service Commission
Division of the Commission Clerk and Administrative Services
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850
(850) 413-6770

- ☐ If you have questions about completing the form, contact:

Florida Public Service Commission
Division of Competitive Markets and Enforcement
Certification
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850
(850) 413-6600

APPLICATION

1. This is an application for ☐ (check one):

- ☐ Original certificate (new company).
- ☐ Approval of transfer of existing certificate: Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.
- ☐ Approval of assignment of existing certificate: Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.
- ☒ Approval of transfer of control: Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of company:

Mobilepro Corp. ("Mobilepro")

3. Name under which the applicant will do business (fictitious name, etc.):

Followed the proposed transaction, Mobilepro will operate in Florida through its subsidiary, American Fiber Network, Inc. ("AFN").

4. Official mailing address (including street name & number, post office box, city, state, zip code):

Mobilepro Corp.

6701 Democracy Blvd., Suite 300

Bethesda, MD 20817

5. Florida address (including street name & number, post office box, city, state, zip code):

Following the proposed transaction, Mobilepro will operate in Florida under its subsidiary, AFN.

Neither Mobilepro nor AFN maintain Florida addresses.

6. Structure of organization:

- | | |
|--|---|
| <input type="checkbox"/> Individual | <input checked="" type="checkbox"/> Corporation |
| <input type="checkbox"/> Foreign Corporation | <input type="checkbox"/> Foreign Partnership |
| <input type="checkbox"/> General Partnership | <input type="checkbox"/> Limited Partnership |
| <input type="checkbox"/> Other _____ | |

7. If individual, provide:

Name: _____

Title: _____

Address: _____

City/State/Zip: _____

Telephone No.: _____ Fax No.: _____

Internet E-Mail Address: _____

Internet Website Address: _____

8. If incorporated in Florida, provide proof of authority to operate in Florida:

- (a) The Florida Secretary of State corporate registration number:

9. If foreign corporation, provide proof of authority to operate in Florida:

(a) The Florida Secretary of State corporate registration number:
Following the proposed transaction, Mobilepro will operate in Florida under its subsidiary, AFN.
AFN's corporate registration number is FEI 481096897.

10. If using fictitious name-d/b/a, provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:

(a) The Florida Secretary of State fictitious name registration number:

11. If a limited liability partnership, provide proof of registration to operate in Florida:

(a) The Florida Secretary of State registration number:

12. If a partnership, provide name, title and address of all partners and a copy of the partnership agreement.

Name: _____

Title: _____

Address: _____

City/State/Zip: _____

Telephone No.: _____ Fax No.: _____

Internet E-Mail Address: _____

Internet Website Address: _____

13. If a foreign limited partnership, provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.

(a) The Florida registration number: _____

14. Provide F.E.I. Number(if applicable): AFN's corporate registration number is FEI 481096897.

15. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. Provide explanation.

No.

(b) an officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

Mobilepro's subsidiary, Davel Communications, Inc., provides payphone services in Florida.

Mobilepro's subsidiary, CloseCall America, Inc., provides resold local and long distance services in Florida.

See Exhibits A and B for more information.

16. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

Name: Glenn S. Richards, Esq.; Pillsbury Winthrop Shaw Pittman LLP

Title: Counsel for Mobilepro Corp.

Address: 2300 N Street, NW

City/State/Zip: Washington, DC 20037-1128

Telephone No.: 202-663-8215

Fax No.: 202-663-8007

Internet E-Mail Address: glenn.richards@pillsburylaw.com

Internet Website Address: http://www.pillsburylaw.com

(b) Official point of contact for the ongoing operations of the company:

Name: Robert E. Heath

Title: Executive Vice President, American Fiber Network, Inc.

Address: 9401 Indian Creek Pkwy., Suite 140

City/State/Zip: Overland Park, KS 66210

Telephone No.: 214-221-0089

Fax No.: 913-661-0538

Internet E-Mail Address: rob.heath@afnltld.com

Internet Website Address: http://www.afnltld.com

(c) Complaints/Inquiries from customers:

Name: Robert E. Heath

Title: Executive Vice President, American Fiber Network, Inc.

Address: 9401 Indian Creek Pkwy., Suite 140

City/State/Zip: Overland Park, KS 66210

Telephone No.: 214-221-0089

Fax No.: 913-661-0538

Internet E-Mail Address: rob.heath@afnltld.com

Internet Website Address: http://www.afnltld.com

17. List the states in which the applicant:

(a) has operated as an alternative local exchange company.

See Exhibit B.

(b) has applications pending to be certificated as an alternative local exchange company.

See Exhibit B.

(c) is certificated to operate as an alternative local exchange company.

See Exhibit B.

-
- (d) has been denied authority to operate as an alternative local exchange company and the circumstances involved.

None.

-
- (e) has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

On April 7, 2003, AFN was fined for failure to properly file reports pursuant to Texas PUC Subst. R. 26.467(k)(3).

See Texas PUC Docket No. 27603. This fine was paid, and no subsequent violations have occurred.

- (f) has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

None.

18. Submit the following:

- A. Managerial capability: give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.**

See Exhibit C.

- B. Technical capability: give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.**

See Exhibit C.

C. Financial capability.

The application should contain the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated.

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer affirming that the financial statements are true and correct and should include:

1. the balance sheet:
2. income statement: and
3. statement of retained earnings.

NOTE: *This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.*

Further, the following (which includes supporting documentation) should be provided:

1. written explanation that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.
2. written explanation that the applicant has sufficient financial capability to maintain the requested service.
3. written explanation that the applicant has sufficient financial capability to meet its lease or ownership obligations.

See Exhibit E.

THIS PAGE MUST BE COMPLETED AND SIGNED

APPLICANT ACKNOWLEDGMENT STATEMENT

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of \$50 is required.
2. **APPLICATION FEE:** I understand that a non-refundable application fee of \$250.00 must be submitted with the application.

UTILITY OFFICIAL:

Geoff Amend

Print Name



Signature

General Counsel & Secretary

Title

7-1-05

Date

316-265-6885

Telephone No.

316-269-1021

Fax No.

Address:

Mobilepro Corp.

6701 Democracy Blvd., Suite 300

Bethesda, MD 20817

THIS PAGE MUST BE COMPLETED AND SIGNED

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange company service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

UTILITY OFFICIAL:

Geoff Amend

Print Name

Geoff Amend

Signature

General Counsel & Secretary

Title

7-1-05

Date

316-265-6885

Telephone No.

316-269-0021

Fax No.

Address:

Motileps Corp.

6701 Democracy Blvd, Suite 300

Bethesda, MD 20817

THIS PAGE MUST BE COMPLETED AND SIGNED

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange company service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

UTILITY OFFICIAL:

ROBERT E HEATH
Print Name

EVP
Title

(913) 338-2658
Telephone No.

Address: American Fiber Network, Inc.
9401 Indian Creek Pkwy.

St. 140

Overland Park, KS 66210

[Signature]
Signature

7/1/05
Date

913 661 0538
Fax No.

CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT

I, (Name) Robert E. HEATH
(Title) EVP of (Name of Company)
American Fiber Network, Inc.
and current holder of Florida Public Service Commission Certificate Number # 7303
_____, have reviewed this application and join in the petitioner's request for a:

- () sale
() transfer
() assignment

of the above-mentioned certificate.

UTILITY OFFICIAL:

ROBERT E. HEATH
Print Name
EVP
Title
(913) 338-2658
Telephone No.

[Signature]
Signature
7/1/05
Date
(913) 661-0538
Fax No.

Address: 9401 Indian Creek Parkway
Suite 140
Ovations Park, KS 66210

EXHIBIT A
Description of Proposed Transaction

I. INTRODUCTION

Mobilepro Corp. ("Mobilepro") and American Fiber Network, Inc. ("AFN," collectively with Mobilepro, "Applicants"), pursuant to the rules of the Florida Public Service Commission ("Commission"), respectfully request authority to transfer control of AFN to Mobilepro. In particular, Mobilepro has entered into an agreement with AFN through which AFN will merge with and into AFN Acquisition Corp., a newly created, wholly-owned subsidiary of Mobilepro. Simultaneously, AFN Acquisition Corp. will change its name to American Fiber Network, Inc., which will be the surviving corporation. As a result of that transaction, AFN will become a wholly-owned direct subsidiary of Mobilepro.

The proposed transaction is a combination stock and cash transaction by which AFN will continue as a going concern. The proposed transaction will not affect the rates, terms, or conditions under which AFN provides service in Florida. As a result, the proposed transaction will be transparent to AFN's end-user customers in Florida. Applicants expect that the proposed transaction will improve their business operations. Specifically, AFN will benefit from the highly qualified and experienced management and financial resources provided by Mobilepro, although the existing management of AFN will continue to oversee on-going operations. Indeed, as described below, Mobilepro's subsidiaries currently hold authority to provide telecommunications services in several states. As a result, Applicants submit that the proposed transactions will provide AFN access to significant additional resources which will inure to the benefit of its Florida customers. Accordingly, Applicants respectfully request that the Commission approve this Application expeditiously in order to allow the proposed transactions described herein to be consummated as soon as possible.

Applicants provide the following additional information in support of this Application:

II. DESCRIPTION OF APPLICANTS

A. Mobilepro Corp.

Mobilepro Corp. ("Mobilepro") is a Delaware corporation with offices located at 6701 Democracy Boulevard, Suite 300, Bethesda, Maryland 20817. Mobilepro is a widely-held publically-traded corporation that offers telecommunications services through three wholly-owned subsidiaries. CloseCall America, Inc. ("CloseCall") provides resold local and interexchange telecommunications services in approximately nine states, including Florida. *See* Docket No. 050189-TX. Affinity Telecom, Inc. ("Affinity") also provides local and interexchange telecommunications services in Michigan and Ohio. Davel Communications, Inc. provides payphone services in 45 states. A fuller description of Mobilepro's current operations is attached as Exhibit B.

Mobilepro is financially, managerially, and technically qualified to acquire AFN. Mobilepro's management team is run by Jay. O Wright, President and Chief Executive Officer. Mr. Wright is an experienced telecommunications entrepreneur who manages the overall strategic direction of Mobilepro. In particular, Mr. Wright has extensive experience in financial management and mergers and acquisitions. Mr. Wright's full biography, along with those of the other members of Mobilepro's management team, is attached as Exhibit C.

B. American Fiber Network, Inc.

American Fiber Network, Inc. ("AFN") is a Delaware corporation with offices located at 9401 Indian Creek Pkwy., Suite 140, Overland Park, Kansas 66210. AFN is wholly-owned by Douglas Bethell. AFN currently provides resold and facilities-based local exchange service, resold and facilities-based long distance operator services, voicemail and other standard voice

features, and DS1 services. In Florida, AFN is authorized to provide resold local and long-distance services. *See* CP 875, Order No. 01-080, Company ID 7840.

III. DESCRIPTION OF TRANSACTION

Applicants propose to complete a transaction through which AFN will become a direct, wholly-owned subsidiary of Mobilepro. In particular, Mobilepro and AFN have entered into an agreement dated as of June 30, 2005. Under the terms of the agreement, AFN will be merged with and into AFN Acquisition Corporation ("AFNAC"), a newly created, wholly-owned subsidiary of Mobilepro. AFNAC will then change its name to American Fiber Network, Inc., which will survive the merger as a wholly-owned subsidiary of Mobilepro. Douglas Bethell, who currently owns 100% of the equity of AFN, will receive a combination of cash and Mobilepro stock as part of the transaction. Mr. Bethell will continue to run the day-to-day operations of AFN.

Following the proposed transactions, AFN's customers will continue to receive services under the same rates, terms and conditions as those services are currently provided to them. The proposed transaction will not cause any service interruptions or have any impact on AFN's day-to-day operations in Florida. Applicants therefore expect that the proposed transactions will be transparent to AFN's customers in terms of the services that those customers receive. A chart illustrating what the merged entities will look like is attached as Exhibit D.

IV. PUBLIC INTEREST CONSIDERATIONS

The proposed transactions described above serve the public interest in promoting competition among telecommunications providers. In particular, the proposed transactions will combine the strengths of Mobilepro and AFN, which should allow the combined companies to

compete more effectively against larger carriers that have substantial resources and can offer a wide range of facilities-based service offerings.

The operations of Applicants are highly complementary. Mobilepro, through its subsidiaries CloseCall and Affinity, offers local and intrastate long distance services in nine states. Mobilepro also has deep experience and expertise in the provision of payphone services and Internet services. AFN has a substantially wider coverage area for local and long distances services, and extensive experience in providing regulated services to commercial and residential customers. Applicants believe the proposed transaction will enhance the ability of the entities to expand their respective operations both in terms of service area coverage and through the ability of each entity to offer customers an expanded line of products and services. In addition, Applicants expect that the proposed transaction will yield substantial operational and financial benefits to the combined companies.

Given the increasingly competitive nature of the telecommunications market, Applicants are seeking to complete the proposed transactions as soon as possible to ensure that customers can obtain rapidly the benefits of the proposed transactions. Accordingly, Applicants respectfully request that the Commission process, consider, and approve this Application as expeditiously as possible.

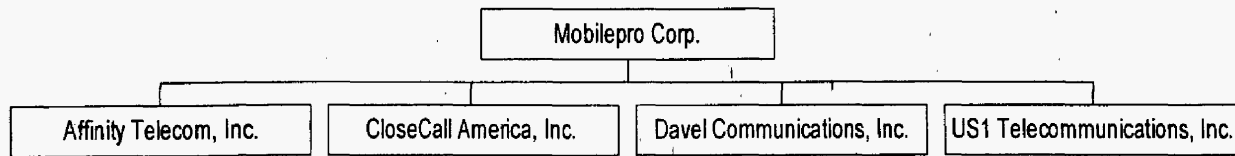
V. CONCLUSION

For the foregoing reasons, Applicants respectfully submit that the public interest, convenience, and necessity would be furthered by a grant of this Application.

EXHIBIT B

Applicants' Current Operations

Pre-Merger Mobilepro Corp. Operations



Mobilepro Corp. ("Mobilepro") is a widely-held publically-traded Delaware corporation. Mobilepro does not itself offer any telecommunications services.

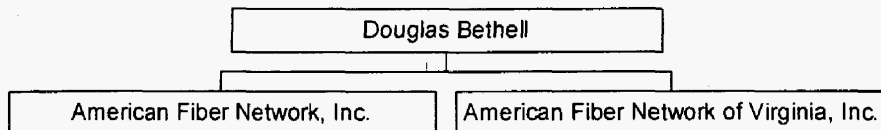
Mobilepro's wholly-owned subsidiary, **CloseCall America, Inc.** ("CloseCall"), is authorized to provide competitive local exchange services in Delaware, Florida, Illinois, Indiana, Maryland, Michigan, Ohio, Pennsylvania, and Wisconsin. CloseCall is also authorized as an interexchange carrier in Florida, Illinois, Indiana, Maryland, Michigan, Ohio, Pennsylvania, and Wisconsin.

Mobilepro's wholly-owned subsidiary, **Affinity Telecom, Inc.** ("Affinity"), is authorized to provide competitive local exchange services in Michigan and Ohio. Affinity is also authorized as an interexchange carrier in Michigan and Ohio.

Mobilepro's wholly-owned subsidiary, **Davel Communications, Inc.** ("Davel"), provides payphone services in 45 states, including: Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

Mobilepro's wholly-owned subsidiary, **US1 Telecommunications, Inc.** ("US1"), provides long distance services in Kansas.

Pre-Merger American Fiber Network, Inc. Operations



American Fiber Network, Inc. ("AFN") is wholly-owned by Douglas Bethell. AFN is authorized to provide competitive local exchange services and interexchange services in Alabama, California, Colorado, Connecticut, the District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nevada, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Texas, Utah, Washington, and Wisconsin. AFN is also authorized to provide interexchange services in Arizona, New Jersey, and Wyoming. AFN has applications to provide local exchange services pending in Kentucky and Tennessee.

American Fiber Network of Virginia, Inc. is also wholly-owned by Douglas Bethell, and is authorized to provide local exchange services and interexchange services in Virginia.

EXHIBIT C

Mobilepro Management Information

Background Information

Jay O. Wright. Jay O. Wright has served as our President and Chief Executive Officer since December 2003 and as a Director since August 2004. From October 2001 to December 2003, Mr. Wright served as President of Bayberry Capital, Inc., a Maryland based financial consulting firm. During that time, he also served from August 2002 and May 2003 as Chief Financial Officer for Technical and Management Services Corporation where he negotiated the sale of that company to Engineered Support Systems, Inc. Between December 1999 and September 2001 Mr. Wright served as Chief Financial Officer of Speedcom Wireless Corporation, a wireless software technology company, where he helped take that company public via a "reverse merger" and subsequently obtain a NASDAQ SmallCap listing. From January 1999 to November 1999, Mr. Wright served as Senior Vice President of FinanceMatrix.com, a Hamilton, Bermuda based company focused on developing a proprietary financial software architecture to provide tax-efficient financing to sub-investment grade companies. Between May 1997 and January 1999 Mr. Wright served as an investment banker with Merrill Lynch. Prior to that he was a mergers and acquisitions attorney with Skadden, Arps, Slate, Meagher and Flom, LLP in New York and Foley & Lardner in Chicago. Mr. Wright received his Bachelor's degree in Business from Georgetown University (summa cum laude) and a JD degree from the University of Chicago Law School.

Kurt Gordon. Kurt Gordon has served as our Chief Financial Officer since March 2004. Between November 2003 and February 2004, he served as a consultant to us. He has over 14 years of experience in finance and operations with special focus on growing entrepreneurial environments. Between April 2000 and September 2003, Mr. Gordon was Chief Financial officer of TARGUS Information Corporation, which pioneered the development of real time intelligence providing businesses access to information about businesses and consumers who contact them by telephone, Internet and wireless devices. Gordon was a key contributor during the largest revenue and employee growth phase of that company's history. Between March 1997 and April 2000, Mr. Gordon served in several capacities including Director of Finance for KSI Services Incorporated, a real estate acquisition and development corporation. Mr. Gordon also serves on the board of directors of Greenworks Corporation, an OTC Bulletin-Board listed company. Earlier in his career, Mr. Gordon served as a public accountant and consultant in the Entrepreneurial Services group of Ernst & Young.

Geoffrey B. Amend. Geoff B. Amend has served as our General Counsel since November 2004. Prior to joining Mobilepro, Mr. Amend was in private practice specializing in telecommunications, Internet, and systems integration since 1999. He has served as general counsel to NexGen Telecommunication, Inc., DiscoveryTel, Inc., and Direct Partner Telecom, Inc. All of these companies are engaged in providing facilities-based voice over Internet protocol (VoIP) telecommunications services to the international and/or domestic marketplace. Previously, Mr. Amend practiced corporate and securities law with Klenda, Mitchell, Austerman & Zuercher, L.L.C. in Wichita, Kansas. He received his bachelor's degree in political science and sociology from Regis University and a J.D. degree (with honors) from Washburn University.

Jack W. Beech. Jack Beech has served as the President of our subsidiary DFW Internet Services, Inc. since its acquisition by Mobilepro in January 2004 and as a Director since August 2004. Mr. Beech founded DFW Internet Services, Inc. in 1993 and served as its President and Chief Executive Officer until its sale to Mobilepro in January 2004. While serving as President and Chief Executive Officer of DFW, Mr. Beech has taught seminars, given presentations at conventions and appeared as a guest lecturer in colleges and events within the state of Texas to discuss his experiences and knowledge of the Internet services industry.

Tom Mazerski. Tom Mazerski has served as the Chief Executive Officer of our subsidiary CloseCall America, Inc. since its acquisition by Mobilepro in October 2004. Tom Mazerski co-founded CloseCall America as President & CEO in March 1999. Previously Mr. Mazerski was employed by Verizon from 1979 through 1999. While employed he served in several key jobs at Verizon including Consumer Marketing, Merger Integration, Carrier interconnection, and as an expert witness in the areas of costs and economics.

Tammy L. Martin. Tammy Martin was promoted to serve as the President and Chief Executive Officer of our subsidiary Davel Communications, Inc. in May 2005. Prior to that appointment, Ms. Martin served as the Chief Administrative Officer of the Company since February 2005 and General Counsel of the Company since September 2002. Ms. Martin also served as Secretary of Davel Communications from June 2003 until our acquisition of Davel

in November 2004. Prior to joining Davel, Ms. Martin served as General Counsel of AmericanGreetings.com, Inc. since December 2000. From March 2000 to June 2000 she was Chief Financial Officer and General Counsel for Portalvision, Inc. For seven years prior thereto, Ms. Martin held several senior management positions with PhoneTel Technologies, Inc., including Chief Administrative Officer, General Counsel and Secretary. Ms. Martin received her Bachelor's degree in Business Administration with a concentration in accounting and finance from Baldwin Wallace College and a JD degree from Cleveland Marshall College of Law.

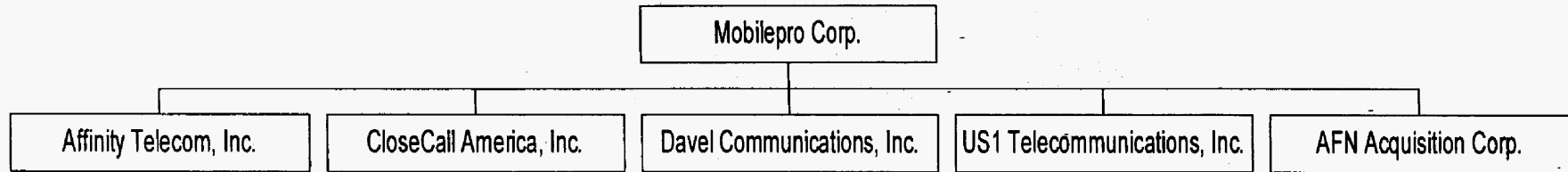
Bruce Sanguinetti. Bruce Sanguinetti has served as the President and Chief Executive Officer of our subsidiary NeoReach, Inc. since January 1, 2005. Mr. Sanguinetti has over 25 years of experience in the wireless, computer and technology fields, with the last 15 years of his career focused on the development and marketing of wireless communications devices. Immediately prior to agreeing to join NeoReach, Mr. Sanguinetti had been working as an independent consultant between August 2004 and December 2004. Between November 2001 and August 2004, Mr. Sanguinetti served as President and Chief Executive Officer of Bermai Inc., a developer of next-generation semiconductor chips under the "Wi-Fi" standard. Prior to joining Bermai, Mr. Sanguinetti served from September 2000 to September 2001 as President of Speedcom Wireless Corporation, a wireless software technology company. From October 1999 until September 2000, Mr. Sanguinetti served as a Director of Speedcom and Evitek.

John Dumbleton. John Dumbleton has served as Executive Vice President of Sales and Business Development for Mobilepro since January 2005. He has over 13 years of experience in the telecommunications industry, with the last seven years of his career immediately preceding his service with Mobilepro, spent at Allegiance Telecom, where he was Senior Vice President of Wholesale Services and Indirect Channels. Prior to joining Allegiance, Mr. Dumbleton had worked for approximately seven years at MCI. Mr. Dumbleton received his bachelor's degree in engineering and his M.B.A. from Virginia Polytechnic Institute and State University.

EXHIBIT D

Illustrative Chart

Pre-Merger Organizational Structure



American Fiber Network, Inc.

Post-Merger Organizational Structure

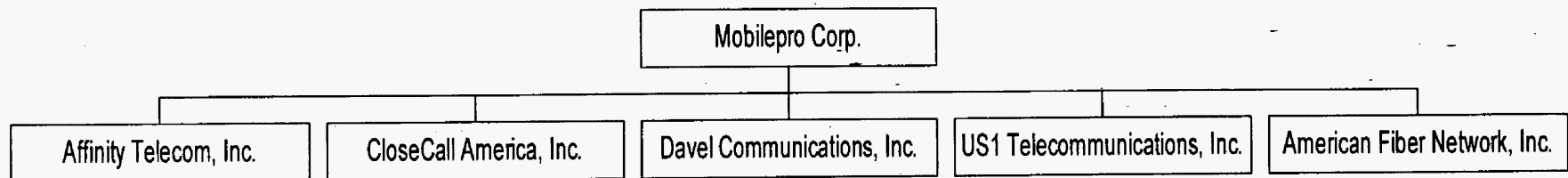


EXHIBIT E

Statement of Financial Capability

American Fiber Network, Inc. ("AFN") has sufficient financial capability to provide resold local and long distance services, to maintain such services, and to meet its lease and ownership obligations, as the Commission itself concluded in granting AFN operational authority. *See* Docket No. 961630-TX (April 3, 2000). Following the proposed merger, AFN will continue as a going concern, and will continue to provide the same services to its existing customer base. Consequently, AFN's financial capability will not be adversely affected.

In fact, AFN will benefit from the increased financial resources and operational stability of its parent, Mobilepro Corp. ("Mobilepro"). Mobilepro's operations are themselves financially sound. *See* Exhibit D. Mobilepro's subsidiaries provide a variety of telecommunications services, and have done so successfully and without financial difficulty. *See* Exhibit B. Accordingly, Mobilepro is financially capable of exercising financial oversight over AFN, and will ensure that AFN continues to have sufficient financial capability to provide resold local and long distance services, to maintain such services, and to meet its lease and ownership obligations.

MOBILEPRO CORP. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

Report of Independent Registered Public Accounting Firm	<u>Page(s)</u> F-1
Consolidated Balance Sheets as of March 31, 2005 and 2004	F-2 to F-3
Consolidated Statements of Operations for the Years Ended March 31, 2005 and 2004	F-4
Consolidated Statements of Changes in Stockholders' Equity (Deficit) for the Years Ended March 31, 2005 and 2004	F-5
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BAGELL, JOSEPHS & COMPANY, L.L.C.
Certified Public Accountants

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Mobilepro Corp. and Subsidiaries
Bethesda, Maryland

We have audited the accompanying consolidated balance sheets of Mobilepro Corp. and Subsidiaries as of March 31, 2005 and 2004 and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for the years then ended. 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 have conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mobilepro Corp. and Subsidiaries as of March 31, 2005 and 2004 and the results of its operations, changes in stockholders' equity (deficit) and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BAGELL, JOSEPHS & COMPANY, L.L.C.
BAGELL, JOSEPHS & COMPANY, L.L.C.
Certified Public Accountants
Gibbsboro, New Jersey
May 20, 2005

MOBILEPRO CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2005 AND 2004

ASSETS

	2005	2004
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,669,787	\$ 1,955,607
Restricted cash	429,954	-
Accounts receivable, net	12,658,313	139,553
Investments, at cost	450,000	-
Prepaid expenses and other current assets	2,061,697	10,983
Total Current Assets	20,269,751	2,106,143
Fixed assets, net of depreciation	13,193,056	136,498
OTHER ASSETS		
Other assets	1,277,897	2,837
Deferred financing fees, net of amortization	1,026,667	-
Customer lists, net of amortization	114,311	-
Intangible assets, net of amortization	3,343,628	-
Goodwill, net of impairment	33,597,621	1,112,695
	39,360,124	1,115,532
TOTAL ASSETS	\$ 72,822,931	\$ 3,358,173

The accompanying notes are an integral part of the consolidated financial statements.

MOBILEPRO CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
MARCH 31, 2005 AND 2004

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	2005	2004
CURRENT LIABILITIES		
Current portion of long-term debt and notes payable	\$ 19,035,263	\$ 63,633
Notes payable under the Standby Equity Distribution Agreement	6,500,000	-
Notes payable under the Equity Line of Credit	-	1,800,000
Deferred revenue	3,470,731	58,202
Accounts payable and accrued expenses	19,863,088	589,819
Total Current Liabilities	48,869,082	2,511,654
LONG-TERM LIABILITIES		
Long-term debt and notes payable, net of current maturities	999,196	560,200
Total Long-Term Liabilities	999,196	560,200
TOTAL LIABILITIES	49,868,278	3,071,854
STOCKHOLDERS' EQUITY (DEFICIT)	0	
Preferred stock, \$.001 par value, 5,035,425 shares authorized and 35,378 shares issued and outstanding at March 31, 2005 and 2004	35	35
Common stock, \$.001 par value, 600,000,000 shares authorized and 355,918,011 and 220,493,159 shares issued and outstanding at March 31, 2005 and 2004	355,918	220,493
Additional paid-in capital	43,195,250	15,902,619
Accumulated deficit	(21,196,550)	(15,836,828)
Minority interest	600,000	-
Total Stockholders' Equity (Deficit)	22,954,653	286,319
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 72,822,931	\$ 3,358,173

The accompanying notes are an integral part of the consolidated financial statements.

MOBILEPRO CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004

	2005	2004
REVENUES	\$ 46,508,144	\$ 311,355
COSTS OF REVENUES	22,551,240	117,349
GROSS PROFIT	23,956,904	194,006
OPERATING EXPENSES		
Professional fees and compensation expenses	12,555,710	1,577,782
Advertising and marketing expenses	1,610,285	36,995
Research and development costs	30,324	1,620
General and administrative expenses	10,018,298	186,599
Office rent and expenses	952,475	105,142
Travel and entertainment expenses	243,758	48,020
Depreciation and amortization	2,067,213	21,000
Total Operating Expenses	27,478,063	1,977,158
LOSS BEFORE OTHER INCOME (EXPENSE)	(3,521,159)	(1,783,152)
OTHER INCOME (EXPENSE)		
Amortization of discount and interest on conversion of debt	(375,150)	(353,342)
Interest income	17,210	—
Other income	111,089	—
Interest expense	(1,591,712)	(21,350)
Total Other Income (Expense)	(1,838,563)	(374,692)
NET LOSS BEFORE PROVISION FOR INCOME TAXES	(5,359,722)	(2,157,844)
Provision for Income Taxes	—	—
NET LOSS APPLICABLE TO COMMON SHARES	\$ (5,359,722)	\$ (2,157,844)
NET LOSS PER BASIC AND DILUTED SHARES	\$ (0.02)	\$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	289,933,904	111,591,658

The accompanying notes are an integral part of the consolidated financial statements.

MOBILEPRO CORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004

	Preferred Stock Shares	Amount	Common Stock Shares	Amount	Additional Paid-In Capital	Minority Interest	Accumulated Deficit	Stockholders' Equity (Deficit)
BALANCE - MARCH 31, 2003	35,478	\$ 35	30,175,122	\$ 30,175	\$11,538,979	\$ -	\$(13,678,984)	\$ (2,109,795)
Shares issued as compensation	-	-	350,000	350	8,400	-	-	8,750
Shares issued under MOU agreement	-	-	3,500,000	3,500	64,750	-	-	68,250
Shares issued in conversion of debentures	-	-	16,130,887	16,131	190,454	-	-	206,585
Shares issued in conversion of advances	-	-	17,057,971	17,058	171,942	-	-	189,000
Shares issued in acquisition of DFW Internet Services, Inc.	-	-	18,761,726	18,762	231,238	-	-	250,000
Shares issued under \$10 million Equity Line of Credit	-	-	134,517,453	134,517	3,322,240	-	-	3,456,757
Accounts payable settlements with vendors	-	-	-	-	374,616	-	-	374,616
Net loss for the year ended March 31, 2004	-	-	-	-	-	-	(2,157,844)	(2,157,844)
BALANCE - MARCH 31, 2004	35,478	35	220,493,159	220,493	15,902,619	-	(15,836,828)	286,319
			&160;					
Shares issued under \$10 million Equity Line of Credit	-	-	10,000,000	10,000	4,031,691	-	-	4,041,691
Shares issued pursuant to settlement agreement	-	-	2,000,000	2,000	88,000	-	-	90,000
Shares issued for services related to SB-2 filing	-	-	8,000,000	8,000	1,752,000	-	-	1,760,000
Shares issued for cash	-	-	421,037	421	23,578	-	-	23,999
Shares issued for consulting	-	-	100,000	100	14,900	-	-	15,000
Shares issued for cash	-	-	2,000,000	2,000	56,000	-	-	58,000
Shares issued in acquisition of ShreveNet, Inc.	-	-	878,816	879	189,121	-	-	190,000
Shares issued for cash	-	-	25,000	25	2,475	-	-	2,500
Shares issued in acquisition of Affinity Telecom	-	-	5,000,000	5,000	-	-	-	5,000
Shares issued in acquisition of CloseCall America, Inc.	-	-	39,999,999	40,000	9,960,000	-	-	10,000,000
Warrants issued in acquisition of Davel Communications, Inc.	-	-	-	-	333,500	-	-	333,500
Terminated put agreement with prior Affinity Telecom	-	-	-	-	995,000	-	-	995,000

shareholders

Shares issued for consulting	-	-	500,000	500	15,500	-	-	16,000
Shares issued in acquisition of the assets of Web One, Inc.	-	-	1,500,000	1,500	298,500	-	-	300,000
Terminated put agreement with prior DFW Internet Services, Inc.	-	-	-	-	250,000	-	-	250,000
Shares issued under \$100 million Standby Equity Distribution Agreement	-	-	65,000,000	65,000	9,282,366	-	-	9,347,366
Minority interest in Davel acquisition	-	-	-	-	-	600,000	-	600,000
Net loss for the year ended March 31, 2005	-	-	-	-	-	-	(5,359,722)	(5,359,722)

BALANCE - MARCH 31, 2005 35,378 \$ 35 355,918,011 \$355,918 \$43,195,250 \$600,000 \$(21,196,550) \$ 22,954,653 &160;

The accompanying notes are an integral part of the consolidated financial statements.

MOBILEPRO CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (5,359,722)	\$ (2,157,844)
<i>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</i>		
Depreciation and amortization	2,067,213	21,000
Common stock issued for services and compensation	31,000	77,000
Investments received for miscellaneous services	(450,000)	-
Amortization of discount and interest on conversion of debt	375,150	353,342
<i>Changes in assets and liabilities</i>		
(Increase) decrease in other current assets	916,786	(1,465)
(Increase) decrease in accounts receivable	(307,335)	17,215
(Increase) in other assets	(384,910)	-
Increase (decrease) in deferred revenue	609,979	(8,222)
Increase (decrease) in accounts payable and accrued expenses	3,155,408	(647,536)
Total adjustments	6,013,291	(188,666)
<i>Net cash provided by (used in) operating activities</i>	653,569	(2,346,510)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for acquisitions	(32,960,500)	(350,000)
Cash received in acquisition of subsidiaries	5,827,223	47,756
Acquisition of intangible assets	(1,192,608)	-
Capital expenditures, net	(2,109,338)	(999)
<i>Net cash (used in) investing activities</i>	(30,435,223)	(303,243)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from common stock issuances	84,499	-
Borrowings under the equity line of credit, the standby equity distribution agreement and other convertible debentures	17,700,000	4,785,000
Payments of other convertible debentures	-	(50,000)
Change in convertible debentures - officers, net	-	(97,617)
Proceeds (payments) of long-term debt, net	14,711,335	(38,738)
<i>Net cash provided by financing activities</i>	32,495,834	4,598,645

The accompanying notes are an integral part of the consolidated financial statements.

MOBILEPRO CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004

	2005	2004
NET INCREASE IN		
CASH AND CASH EQUIVALENTS	2,714,180	1,948,892
CASH AND CASH EQUIVALENTS -		
BEGINNING OF YEAR	1,955,607	6,715
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,669,787	\$ 1,955,607
SUPPLEMENTAL DISCLOSURE OF CASH FLOW		
INFORMATION:		
Cash paid during the year for interest	\$ 533,050	\$ -
SUPPLEMENTAL DISCLOSURE OF NONCASH		
ACTIVITIES:		
Issuance of common stock for:		
Conversion of notes payable to common stock	\$ 13,000,000	\$ 3,145,000
Conversion of other convertible debentures	\$ -	\$ 206,585
Conversion of advances and payables to common stock	\$ -	\$ 563,616
Deferred financing fees paid in common stock	\$ 1,760,000	\$ -
Acquisition of DFW Internet Services, Inc.	\$ -	\$ 500,000
Liability for common stock to be issued	\$ 300,000	\$ -
Assignment of bridge debentures receivable	\$ 1,000,000	\$ -
Goodwill recorded in acquisitions	\$ 32,785,618	\$ 525,185

The accompanying notes are an integral part of the consolidated financial statements.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

NOTE 1- ORGANIZATION AND BASIS OF PRESENTATION

Mobilepro Corp., a Delaware corporation, as of June 1, 2001 merged into Craftclick.com, Inc. with Craftclick being the surviving corporation and the Certificate of Incorporation and By-Laws of Craftclick being the constituent documents of the surviving corporation. In July 2001, the Company changed its name to Mobilepro Corp. (Mobilepro or Company).

On March 21, 2002, Mobilepro entered into an Agreement and Plan of Merger with NeoReach, Inc. (Neoreach), a private Delaware company, pursuant to which a newly formed wholly owned subsidiary of Mobilepro merged into NeoReach in a tax-free transaction. NeoReach was a development stage company designing, developing and deploying various wireless technologies and solutions. The merger was consummated on April 23, 2002. As a result of the merger, NeoReach became a wholly owned subsidiary of Mobilepro. On April 23, 2002, the Company issued 12,352,129 shares of its common stock and no cash pursuant to the Agreement. The Board of Directors determined the consideration to be a fair compensation to the NeoReach shareholders. The issued shares were valued at a fair value of \$6,546,628, based on the last trading price of \$0.53 per share and assuming there was actual active trading of the stock at that time.

On March 12, 2003, the Company amended its Certificate of Incorporation and pursuant to a board resolution, increased the authorized level of common stock from 50,000,000 to 600,000,000. The Board of Directors of the Company subsequently authorized an increase in the number of shares authorized under its 2001 Equity Performance Plan from 1,000,000 to 6,000,000.

On January 19, 2004, the Company consummated a Stock Purchase Agreement with DFW Internet Services, Inc. A newly formed, wholly-owned subsidiary of Mobilepro merged into DFW Internet Services, Inc. in a tax-free exchange transaction. As a result of the merger, DFW Internet Services, Inc. is now a wholly owned subsidiary of Mobilepro. In March 2004, the Company issued 18,761,726 shares of common stock to the holders of DFW Internet Services, Inc. in a share exchange for 100% of DFW Internet Services, Inc. common stock. The issued shares were valued at a fair value of \$500,000 based on the average 20-day closing price (\$0.02665 per share) prior to January 19, 2004.

In March 2004, DFW Internet Services, Inc. acquired Internet Express, Inc., an Internet service provider in southeast Texas for \$650,000 in cash and promissory notes.

In April 2004, DFW Internet Services, Inc. acquired August.net Services LLC, an Internet service provider in Texas for \$1,730,000 in cash and promissory notes.

In June 2004, DFW Internet Services, Inc. acquired ShreveNet, Inc., an Internet service provider in Louisiana for \$1,250,000 in cash and common stock. The issued shares were valued at a fair value of \$190,000 based on the average 20-day closing price (\$0.2162 per share) prior to June 3, 2004. The Company issued the common stock in August 2004.

In June 2004, DFW Internet Services, Inc. acquired certain assets of Crescent Communications, Inc., an Internet service provider in Houston for \$1,194,767 in cash and a promissory note.

In June 2004, the Company acquired US1 Telecommunications, Inc., a long distance provider in Kansas, for \$200,000 in cash and conditional promissory notes.

In July 2004, DFW Internet Services, Inc. acquired Clover Computer Corporation, a Coshocton, Ohio-based Internet services provider with operations in several Ohio cities, for \$1,250,000 in cash and promissory notes.

In July 2004, DFW Internet Services, Inc. acquired Ticon.net, a Janesville, Wisconsin-based Internet service provider with operations in Janesville and Milwaukee, for \$1,000,000 in cash and promissory notes.

In August 2004, the Company acquired Affinity Telecom, a Michigan-based Competitive Local Exchange Carrier (CLEC) and long distance carrier. The Company paid \$3,440,000 in cash, notes, and a convertible note. The Agreement and Plan of Merger by and between the Company and Affinity Telecom was amended as of December 2004 due to certain disputes regarding the financial condition of Affinity Telecom. The Amendment resulted in a reduction in the aggregate consideration the Company paid by approximately \$927,000.

In August 2004, DFW Internet Services, Inc. acquired the customer base, corporate name and certain other assets of Web One, Inc., a Kansas City, Missouri-based Internet service and web-hosting provider for \$2,000,000 in cash and common stock. In March 2005, a subsequent post closing adjustment resulted in the Company recognizing a reduction in the aggregate consideration the Company paid by \$40,000.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 1— ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

In September 2004, DFW Internet Services, Inc. acquired World Trade Network, Inc. an Internet services provider based in Houston, Texas, for \$1,700,000 in cash and promissory notes. In March 2005, a subsequent post closing adjustment resulted in the Company recognizing a reduction in the aggregate consideration the Company paid by \$500,000.

In September 2004, DFW Internet Services, Inc. acquired The River Internet Access Co. an Internet services provider based in Tucson, Arizona, for \$2,467,204 in cash and promissory notes.

In October 2004, the Company acquired CloseCall America, Inc. a Maryland-based CLEC, offering local, long distance, 1.800CloseCall prepaid calling cards, wireless, dial-up and DSL Internet telecommunications services. The purchase price included cash of \$8,000,000 and 39,999,999 shares of common stock valued at \$10,000,000 plus warrants to purchase 3,500,000 additional shares of common stock. The 39,999,999 shares are restricted under SEC Rule 144 and the 2,500,000 and 1,000,000 warrants issued have strike prices of \$0.30 and \$0.35 per share, respectively.

In November 2004, in connection with our acquisition of 100% of Davel Communication, Inc. s (Davel) senior secured debt in the approximate principal amount of \$103.1 million, a \$1.3 million note payable by Davel to one of its secured lenders, and the assignment to Mobilepro of approximately 95.2% of the common stock of Davel, we agreed to purchase the remaining issued and outstanding shares of Davel. Davel is an owner and operator of approximately 38,000 payphones in approximately 25,000 locations in 45 states and the District of Columbia. The Company acquired 100% of Davel's approximately \$104.4 million in total secured debt and 95.2% of Davel's common stock for a price of \$14.33 million. The purchase price included cash of \$14,000,000 plus warrants to purchase up to 5,000,000 shares of common stock at the price of \$0.30 per share. Additionally, the Company agreed to purchase the remaining 4.8% of Davel s common stock at a minimum price of \$0.015 per share. In May 2005, Davel fulfilled this obligation by executing a reverse stock split and paying a cash purchase price of \$450,000 for fractional shares held by the minority stockholders.

NOTE 2— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments and other short-term investments with an initial maturity of three months or less to be cash or cash equivalents.

The Company maintains cash and cash equivalents with a financial institution that exceeds the limit of insurability under the Federal Deposit Insurance Corporation. However, due to management s belief in the financial strength of Bank of America, management does not believe the risk of keeping deposits in excess of federal deposit limits at Bank of America to be a material risk.

Restricted Cash

The Company is required to maintain letters of credit collateralized by cash as additional security for the performance of obligations under certain service agreements. In addition, cash is held as collateral for a note payable to the bank for an expansion loan as disclosed in Note 8. The cash collateral is restricted and is not available for the Company s general working capital needs. The letters of credit expire in calendar 2005. At March 31, 2005 and 2004, restricted cash was \$429,954 and \$0, respectively.

Revenue Recognition

The Company in January 2004 emerged from the development stage with the acquisition of DFW Internet Services, Inc. The Company, as it relates to Internet services, recognizes income when the services are rendered and collection is reasonably assured and recognizes deferred revenue as a liability on services the Company pre-bills.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 2— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Revenue derived from local, long-distance and wireless calling, and Internet access is recognized in the period in which subscribers use the related service. Deferred revenue represents the unearned portion of local, wireless and internet services that is billed in advance.

Revenue from product sales that contain embedded software is recognized in accordance with the provisions of the American Institute of Certified Public Accountants Statement of Position 97-2, Software Revenue Recognition.

Revenue from product sales is recognized based on the type of sale transaction as follows:

Shipments to Credit-Worthy Customers with No Portion of the Collection Dependent on Any Future Event: Revenue is recorded at the time of shipment.

Shipments to a Customer without Established Credit: These transactions are primarily shipments to customers who are in the process of obtaining financing and to whom the Company has granted extended payment terms. Revenues are deferred (not recognized) and no receivable will be recorded until a significant portion of the sales price is received in cash.

Shipments where a portion of the Revenue is Dependent upon Some Future Event: These consist primarily of transactions involving value-added resellers to an end user. Under these agreements, revenues are deferred and no receivable will be recorded until a significant portion of the sales price is received in cash. On certain transactions, a portion of the payment is contingent upon installation or customer acceptance.

Upon non-acceptance, the customer may have a right to return the product. The Company does not recognize revenue on these transactions until these contingencies have lapsed.

Certain of the Company's product sales are sold with maintenance/service contracts. The Company allocates revenues to such maintenance/service contracts based on vendor-specific objective evidence of fair value as determined by the Company's renewal rates. Revenue from maintenance/service contracts are deferred and recognized ratably over the period covered by the contract.

The Company, in addition to its Internet and voice services, from time to time receives miscellaneous revenues. During the years ended March 31, 2005 and 2004, the Company generated \$615,000 and \$0 in miscellaneous revenues, respectively. The miscellaneous revenue for the year ended March 31, 2005 included \$450,000 that was received for services rendered in the form of common stock and is recorded on the consolidated balance sheet as investments at the fair value of the common stock received. The two common stock transactions involved a software company based in Maryland and a specialized electronic assembly prototyping engineering firm in Texas. (See Notes 2, 3, 10 and 14)

Davel derives its payphone revenues from two principal sources: coin calls and non-coin calls. Coin calls represent calls paid for by callers with coins deposited into a payphone. Coin call revenues are recorded in the amount of coins deposited in the payphones and in the period deposited. Revenue from non-coin calls, that includes dial-around compensation, and operator service revenue, is recognized in the period in which the customer places the call. Coin call and non-coin call revenues recorded and recognized are ultimately reconciled to actual cash receipts. Any variation between recorded revenue and receipt is accounted for at the time of receipt.

Operator Service Revenue: Non-coin operator service calls are serviced by independent operator service providers. These carriers assume billing and collection responsibilities for operator-assisted calls originating on Davel's payphone network and pay commissions to Davel based upon gross revenues. Davel recognizes operator service revenues in amounts equal to the commission that it is entitled to receive during the period the service is rendered.

Dial-around Revenue: Davel also recognizes non-coin dial-around revenues from calls that are dialed from its payphones to gain access to a long distance company or to make a traditional toll free call (dial-around calls). Revenues from dial-around calls are recognized based on estimates using the Company's historical collection experience because a) the interexchange carriers (IXCs) have historically paid for fewer dial-around calls than are actually made (See Note 18) and b) the collection period for dial-around revenue is generally four to six months but can be in excess of a year. Davel's estimate of revenue is based on historical analyses of calls placed versus amounts collected. These analyses are updated on a periodic basis. Recorded amounts are adjusted analyses on actual amounts received and estimates are updated once the applicable dial-around compensation has been collected.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 2— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Effective July 14, 2000, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes. The statement requires an asset and liability approach for financial accounting and reporting for income taxes, and the recognition of deferred tax assets and liabilities for the temporary differences between the financial reporting bases and tax bases of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. There no federal or material state income taxes paid or due for the years ended March 31, 2005 and 2004, respectively. (See Note 17)

Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, and accounts payable approximate fair value because of the immediate or short-term maturity of these financial instruments.

Advertising Costs

The Company expenses the costs associated with advertising as incurred. Advertising and promotional expenses were approximately \$1,610,285 and \$24,480 for the years ended March 31, 2005 and 2004, respectively.

Fixed Assets

Furniture and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The costs associated with normal maintenance, repair, and refurbishment of telephone equipment are charged to expense as incurred. The capitalized cost of equipment and vehicles under capital leases is amortized over the lesser of the lease term or the asset's estimated useful life, and is included in depreciation and amortization expense in the consolidated statements of operations.

Uninstalled payphone equipment consists of replacement payphones and related equipment and is carried at the lower of cost or fair value.

When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized as income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Deductions are made for retirements resulting from renewals or betterments.

Location Contracts

Location contracts of \$3,066,129 include acquisition costs allocated to location owner payphone contracts and other costs associated with obtaining written and signed location contracts. These assets are amortized on a straight-line basis over their estimated useful lives based on contract terms (generally 5 years). Amortization expense related to location contracts was \$253,805 and \$-0- for the years ended March 31, 2005 and 2004, respectively. Accumulated amortization as of March 31, 2005 and 2004 was \$253,805 and \$-0-, respectively.

Reclassifications

Certain amounts in the March 31, 2004 financial statements were reclassified to conform to the March 31, 2005 presentation. The reclassifications in the March 31, 2004 financial statements resulted in no changes to the accumulated deficits.

Accounts Receivable

The Company conducts business and extends credit based on an evaluation of the customers' financial condition, generally without requiring collateral. Exposure to losses on receivables is expected to vary by customer due to the financial condition of each customer. The Company monitors exposure to credit losses and maintains allowances for anticipated losses considered necessary under the circumstances. The Company has an allowance for doubtful accounts of \$529,945 at March 31, 2005 relating to accounts receivable other than dial-around compensation.

Accounts receivable, other than dial-around compensation, are generally due within 30 days and collateral is not required. Unbilled accounts receivable represents amounts due from customers for which billing statements have not been generated and sent to the customers.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 2— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk

Trade accounts receivable are concentrated with companies in the telecommunications industry. Accordingly, the credit risk associated with the trade accounts receivable will fluctuate with the overall condition of the telecommunications industry. The primary component of accounts receivable relates to the Company's estimates of dial-around revenues as described below. As a result, such estimates are based on the Company's historical collection experience and accounts receivable does reflect a general or specific provision for an allowance for doubtful accounts. During all periods presented, credit losses, to the extent identifiable, were within management's overall expectations.

Segment Information

The Company follows the provisions of Statement of Financial Accounting Standard No. 131, Disclosures about Segments of an Enterprise and Related Information. This standard requires that companies disclose operating segments based on the manner in which management disaggregates the Company in making internal operating decisions.

Deferred Financing Fees

The Company, in May 2004, issued 8,000,000 shares of common stock with a value of \$1,760,000 in connection with its Standby Equity Distribution Agreement (the "SEDA"). These shares were issued as payment for financing fees to Cornell Capital for issuing the SEDA. The agreement runs for a period of 24 months and the Company will amortize this fee over that period of time. The Company incurred \$733,333 in amortization expense for the year ended March 31, 2005. (See Note 9)

Earnings (Loss) per Share of Common Stock

Historical net income (loss) per common share (EPS) is computed using the weighted average number of common shares outstanding. Diluted earnings per share include additional dilution from common stock equivalents, such as common stock issuable pursuant to the exercise of stock options and warrants. Common stock equivalents were not included in the computations of diluted earnings per share for the years ended March 31, 2005 and 2004 because to do so would have been anti-dilutive on a per share basis for the periods presented.

The following is a reconciliation of the weighted average shares outstanding for basic and diluted EPS for the years ended:

	<i>March 31, 2005</i>	<i>March 31, 2004</i>
Net loss	\$ (5,359,722)	\$ (2,157,844)
Weighted-average common shares outstanding (Basic)	289,933,904	111,591,658
Weighted-average common stock equivalents —		
Stock options	—	—
Warrants	—	—
Weighted-average common shares outstanding (Diluted)	289,933,904	111,591,658
Net loss per share, basic and diluted	\$ (0.02)	\$ (0.02)

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill and Other Intangible Assets

In June 2001, the Financial Accounting Standards Board (the "FASB") issued Statement No. 142, Goodwill and Other Intangible Assets. This statement addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes Accounting Principles Board ("APB") Opinion No. 17, Intangible Assets. It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. This statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recorded in the financial statements. The Company has recorded \$32,785,618 of goodwill in connection with its acquisitions. The Company has also acquired other intangible assets of certain Internet service providers, CloseCall and Davel. The Company performs its annual impairment test for goodwill at fiscal year-end. As of March 31, 2005, the Company has determined that there is no impairment of its goodwill.

The Company capitalizes computer software development costs and amortizes these costs over an estimated useful life of 5 years.

Investments

On June 29, 2004, the Company entered into a Business Development Agreement with Solution Technology International, Inc. (STI), a company based in Maryland, whereby the Company provided services to STI in exchange for a 5% ownership in the company. The value of the investment is \$150,000 and is included in the consolidated balance sheet at March 31, 2005. (See Notes 2, 3, 10 and 14)

The Company on August 26, 2004 entered into a Business Development Agreement with Texas Prototypes, a company based in Texas, whereby the Company provided services to Texas Prototypes in exchange for a 5% ownership in the company. The value of the investment is \$300,000 and is included in the consolidated balance sheet at March 31, 2005. (See Notes 2, 3, 10 and 14)

Accounts Payable and Accrued Liabilities

	2005	2004
Accounts payable	\$ 16,981,240	\$ 499,819
Accrued compensation	1,675,124	90,000
Accrued interest expense	937,378	-
Total	\$ 19,593,742	\$ 589,819

Stock-Based Compensation

Employee stock awards under the Company's compensation plans are accounted for in accordance with APB Opinion No. 25, Accounting for Stock Issued to Employees (APB 25), and related interpretations. The Company provides the disclosure required by Statement of Financial Accounting Standard No. 123, Accounting for Stock-Based Compensation (SFAS 123), and related interpretations. Stock-based awards to non-employees are accounted for under the provisions of SFAS 123 and have adopted the enhanced disclosure provisions of Statement of Financial Accounting Standard No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure, an Amendment of SFAS No. 123 (SFAS No. 148).

The Company measures compensation expense for its employee stock-based compensation using the intrinsic-value method. Under the intrinsic-value method of accounting for stock-based compensation, when the exercise price of options granted to employees is less than the estimated fair value of the underlying stock on the date of grant, deferred compensation is recognized and is amortized to compensation expense over the applicable vesting period. In each of the periods presented, the vesting period was the period in which the options were granted.

The Company measures compensation expense for its non-employee stock-based compensation under the FASB Emerging Issues Task Force Issue No. 96-18, Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services. The fair value of the option issued is used to measure the transaction, as this is more reliable than the fair value of the services received. The fair value is measured at the value of the Company's common stock on the date that the commitment for performance by the counterparty has been reached or the counterparty's performance is complete. The fair value of the equity instrument is charged directly to compensation expense and additional paid-in capital.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

On October 3, 2001, the FASB issued Statement of Financial Accounting Standard No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144), that is applicable to financial statements for fiscal years beginning after December 15, 2001. The FASB's new rules on asset impairment supersede Statement of Financial Accounting Standards 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and portions of APB Opinion No. 30, Reporting the Results of Operations. This standard provides a single accounting model for long-lived assets to be disposed of and significantly changes the criteria that would have to be met to classify an asset as held-for-sale. Classification as held-for-sale is an important distinction since such assets are not depreciated and are stated at the lower of fair value or carrying amount. This standard also requires expected future operating losses from discontinued operations to be displayed in the period(s) in which the losses are incurred, rather than as of the measurement date as presently required.

In April 2002, the FASB issued Statement of Financial Accounting Standard No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections (SFAS No. 145). This statement rescinds (1) Statement of Financial Accounting Standard No. 4, Reporting Gains and Losses from Extinguishment of Debt (SFAS No. 4), (2) an amendment of that statement, Statement of Financial Accounting Standard No. 44, Accounting for Intangible Assets of Motor Carriers, and (3) Statement of Financial Accounting Standard No. 64, Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements. This statement amends Statement of Financial Accounting Standard No. 13, Accounting for Leases (SFAS No. 13) to eliminate inconsistencies between the required accounting for sales-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sales-leaseback transactions. Also, this statement amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. Provisions of SFAS No. 145 relating to the rescission of SFAS No. 4 were effective for the Company on November 1, 2002, and provisions affecting SFAS No. 13 were effective for transactions occurring after May 15, 2002. The adoption of SFAS No. 145 did not have a significant impact on the Company's results of operations or financial position.

In July 2002, the FASB issued Statement of Financial Accounting Standard No. 146, Accounting for Costs Associated with Exit or Disposal Activities (SFAS No. 146). This statement covers restructuring type activities beginning with plans initiated after December 31, 2002. Activities covered by this standard that are entered into after that date will be recorded in accordance with provisions of SFAS No. 146. The adoption of SFAS No. 146 did not have a significant impact on the Company's results of operations or financial position.

In December 2002, the FASB issued SFAS No. 148 that amended SFAS No. 123, to provide alternative methods of transition for entities that voluntarily change to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of that statement to require prominent disclosure about the effects on reported net income of accounting policy decisions with respect to stock-based employee compensation. Finally, this statement amends Accounting Principles Board Opinion No. 28, Interim Financial Reporting, to require disclosure about those effects in interim financial information. SFAS 148 is effective for financial statements covering fiscal years ending after December 15, 2002. The Company will continue to account for stock-based employee compensation using the intrinsic value method of APB No. 25, but has adopted the enhanced disclosure requirements of SFAS 148.

In April 2003, the FASB issued Statement of Financial Accounting Standard No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under Statement of Financial Accounting Standard No. 133, Accounting for Derivative Instruments and Hedging Activities. This statement is effective for contracts entered into or modified after June 30, 2003, except for certain hedging relationships designated after June 30, 2003. Most provisions of this new statement should be applied prospectively. The adoption of this statement did not have a significant impact on the Company's results of operations or financial position.

In May 2003, the FASB issued Statement of Financial Accounting Standard No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatory redeemable financial instruments of nonpublic entities, if applicable. It is to be implemented by reporting the cumulative effect of a change in an accounting principle for

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 2— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (continued)

financial instruments created before the issuance date of the statement and still existing at the beginning of the interim period of adoption. The adoption of this statement did have a significant impact on the Company's results of operations or financial position. (See Note 10)

In November 2002, the FASB issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others (FIN 45), that requires a company, at the time it issues a guarantee, to recognize an initial liability for the fair value of obligation assumed under the guarantee and elaborates on existing disclosure requirements related to guarantees and warranties. The recognition requirements are effective for guarantees issued or modified after December 31, 2002 for initial recognition and initial measurement provisions. The adoption of FIN 45 did not have a significant impact on the Company's results of operations or financial position.

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 (FIN 46) that requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. The adoption of FIN 46 did not have a significant impact on the Company's results of operations or financial position.

In December 2004, the FASB issued Statement of Financial Accounting Standard No. 123 (Revised 2004), Share-Based Payment (SFAS No. 123R) that requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. The scope of SFAS No. 123R includes a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. SFAS No. 123R replaces SFAS No. 123 and supersedes APB No. 25. SFAS No. 123, as originally issued in 1995, established as preferable a fair-value-based method of accounting for share-based payment transactions with employees. However, that statement permitted entities the option of continuing to apply the guidance in APB No. 25 as long as the footnotes to the financial statements disclosed what net income would have been had the preferable fair-value-based method been used. The Company has not yet determined the affect that the adoption of this new statement will have on the Company's historical financial position or results of operations, however it is expected to include the increase in compensation expense for equity and liability instruments issued to employees in the future.

In December 2004, the FASB issued Statement of Financial Accounting Standard No. 151, Inventory Costs (SFAS No. 151), that requires abnormal amounts of inventory costs related to idle facility, freight handling and wasted material expenses to be recognized as current period charges. Additionally, SFAS No. 151 requires that the allocation of fixed production overhead to the costs of conversion be based on the normal capacity of the production facilities. The standard is effective for fiscal years beginning after June 15, 2005. The Company does not have manufacturing operations or goods held for resale and does not expect the adoption of SFAS No. 151 to have any impact on the Company's financial position or results of operations.

In December 2004, the FASB issued Statement of Financial Accounting Standard No. 153, Exchanges of Nonmonetary Assets – an Amendment of APB Opinion No. 29 (SFAS No. 153), that amends APB Opinion No. 29, Accounting for Nonmonetary Transactions (APB No. 29). The amendments made by SFAS No. 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance. Previously, APB No. 29 required that the accounting for an exchange of a productive asset for a similar productive asset or an equivalent interest in the same or similar productive asset should be based on the recorded amount of the asset relinquished. The provisions in SFAS No. 153 are effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company does not expect the adoption of SFAS No. 153 to have a material impact on the Company's financial position or results of operations.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 3- BRIDGE DEBENTURES RECEIVABLE

On August 23, 2004, the Company provided a \$700,000 bridge debenture to Texas Prototypes, which was convertible into common stock of Texas Prototypes. The debenture was secured by the assets of Texas Prototypes. In March 2005, the Company assigned its Texas Prototypes bridge debenture receivable to Cornell Capital Partners, L.P. ("Cornell") in exchange for the elimination of its \$700,000 note payable to Cornell. As of March 31, 2005, the principal balance of the bridge debenture receivable was \$0. (See Notes 2, 10 and 14)

On August 25, 2004, the Company provided a \$300,000 bridge debenture to Solution Technology International, Inc. ("STI") which was convertible into Common Stock of STI. The debenture is secured by the assets of STI. In March 2005, the Company assigned its STI bridge debenture receivable to Cornell in exchange for the elimination of its \$300,000 note payable to Cornell. As of March 31, 2005, the principal balance of the bridge debenture receivable was \$0. (See Notes 2, 10 and 14)

NOTE 4- INTANGIBLE ASSETS - VOICE ACQUISITIONS

The Company recorded an intangible asset for the cost of a customer list at \$134,484, which was acquired in June 2004. Amortization expense for the customer list was \$20,173 for the year ended March 31, 2005.

NOTE 5- FIXED ASSETS

Furniture and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments.

Property and equipment as of March 31, 2005 and 2004 were as follows:

	Estimated Useful Lives (Years)	2005	2004
Furniture and fixtures	7	\$ 387,861	\$ 9,379
Machinery and equipment	5	13,584,088	371,437
Leasehold improvements	7	263,452	2,141
Vehicles	5	287,733	77,296
Total		14,523,134	460,253
Less accumulated depreciation		1,330,078	323,755
Property and equipment, net		\$13,193,056	\$ 136,498

There was \$1,006,324 and \$18,926 charged to operations for depreciation expense for the years ended March 31, 2005 and 2004, respectively. The Company acquired \$11,953,544 and \$117,956 in fixed assets from its acquisitions during the years ended March 31, 2005 and 2004, respectively.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 6- LIABILITY FOR COMMON STOCK TO BE ISSUED

In August 2004, DFW Internet Services, Inc. acquired the customer base, corporate name and certain other assets of Web One, Inc., an Internet service provider in Kansas City, Missouri, for cash and common stock. The Company was obligated, subject to post closing adjustments, to issue 2,500,000 shares of common stock to the shareholders of Web One, Inc. as part of the acquisition price. The shares had a fair value of \$500,000 based on the then current stock price (\$0.20 per share) upon the final acceptance to the terms of the agreement. Certain provisions of the asset purchase agreement required subsequent adjustments to the purchase price. The adjustments were concluded in March 2005 and resulted in the Company paying the shareholders of Web One, Inc. \$160,000 in cash and 1,500,000 shares of common stock at a fair value of \$300,000. As a result, the Company recorded a \$40,000 reduction in the purchase price in connection with the satisfaction of this liability.

NOTE 7- NOTE PAYABLE - MARYLAND DEPARTMENT OF BUSINESS & ECONOMIC DEVELOPMENT

The Company entered into an agreement with the Maryland Department of Business and Economic Development (DBED) in the amount of \$100,000, which represented DBED s investment in the Challenge Investment Program (CIP Agreement), dated March 29, 2001. The term of the CIP Agreement was to extend through June 30, 2011.

In March 2004, the Company reached an agreement with DBED to accept the Company s payment of \$7,000 in cash for a full release of terms relating to the CIP. The Company made this payment in April 2004.

NOTE 8- NOTES PAYABLE

The Company entered into a bank loan for \$5,000 to purchase equipment in October 2003. The note accrued interest at an annual rate of 9% per annum and was scheduled to mature on October 1, 2004. The balance was paid off in September 2004.

Other bank debt consisted of the following:

Note payable to bank at \$3,032 per month, including interest at prime plus 1% (6.75%) and maturing March 2006; secured by assets of World Trade Network, Inc.	\$ 36,964
Note payable to a bank for a vehicle in the amount of \$1,000 per month, including interest at 5.875%, secured by the CloseCall America, Inc. acquired vehicle.	37,745
 Note payable to a bank for expansion in the amount of \$4,317 per month, including interest at 4.25%, secured by the CloseCall America, Inc. company s corporate vehicle.	 102,839
Note payable to a company at \$6,988 per month, including interest at 7.50%; secured by assets of the acquired company.	13,241
Note payable to an individual at \$1,473 per month, including interest at 7.50%; secured by assets of the acquired company.	12,872
	203,661
Less: Current maturities	(121,464)
Long-term bank debt	\$ 82,197

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 8- NOTES PAYABLE

Principal maturities of long-term debt are as follows:

Years Ending March 31,		
2006	\$	121,464
2007		60,203
2008		15,245
2009		6,749
	\$	203,661

NOTE 9- STANDBY EQUITY DISTRIBUTION AGREEMENT AND EQUITY LINE OF CREDIT

Equity Line of Credit

On May 31, 2002, the Company entered into an Equity Line of Credit arrangement with Cornell that provided, generally, that Cornell would purchase up to \$10 million of common stock over a two-year period, with the time and amount of such purchases, if any, at the Company's discretion. Cornell purchased the shares at a 9% discount to the prevailing market price of the common stock.

There were certain conditions applicable to the Company's ability to draw down on the \$10 million Equity Line of Credit including the filing and effectiveness of a registration statement covering the resale of all shares of common stock that may have been issued to Cornell under the \$10 million Equity Line of Credit and the Company's adherence with certain covenants. The registration statement became effective May 9, 2003.

In the event Cornell was to hold more than 9.9% of the then-outstanding common stock of the Company, the Company would have been unable to draw down on the \$10 million Equity Line of Credit.

In the year ended March 31, 2004, the Company drew \$4,785,000 from Cornell in accordance with the \$10 million Equity Line of Credit and advanced 134,517,453 shares of its common stock to the escrow agent in accordance with the terms of these loans. As of March 31, 2004, borrowings of \$1,800,000 were outstanding, and 118,351,914 shares of common stock were issued to Cornell in the year ended March 31, 2004.

In the year ended March 31, 2005, the Company drew \$2,000,000 from Cornell in accordance with the \$10 million Equity Line of Credit and advanced 10,000,000 shares of its common stock to the escrow agent in accordance with the terms of these loans. During the year ended March 31, 2005, 25,276,134 shares of common stock were issued to Cornell under the Equity Line of Credit.

Standby Equity Distribution Agreement

On May 13, 2004, the Company entered into a \$100 million SEDA arrangement with Cornell. The SEDA provides, generally, that Cornell will purchase up to \$100 million of common stock over a two-year period, with the time and amount of such purchases, if any, at the Company's discretion. Cornell will purchase the shares at a 2% discount to the prevailing market price of the common stock.

There are certain conditions applicable to the Company's ability to draw down on the SEDA including the filing and effectiveness of a registration statement covering the resale of all shares of common stock that may be issued to Cornell under the SEDA and the Company's adherence with certain covenants. The registration statement became effective May 27, 2004.

In the event that Cornell holds more than 9.9% of the then outstanding common stock of the Company, the Company will be unable to draw down on the \$100 million SEDA. As of March 31, 2005, Cornell did not hold more than 9.9% of the then outstanding common stock of the Company.

In the year ended March 31, 2005, the Company drew \$15,700,000 from Cornell in accordance with the \$100 million SEDA and advanced 65,000,000 shares of its common stock to the escrow agent in accordance with the terms of these loans. As of March 31, 2005, borrowings of \$6,500,000 were outstanding, and 52,172,192 shares of common stock were issued to Cornell during the year ended March 31, 2005 under the SEDA.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 10- LONG-TERM DEBT

Corporate

On August 23, 2004, the Company borrowed \$700,000 from Cornell. The amount was due in 180 days and carried an interest rate of 14%. The note was secured by the assets of the Company. The proceeds were advanced to Texas Prototypes by the Company in anticipation of Texas Prototypes initial public offering. In March 2005, the Company assigned its Texas Prototypes bridge debenture receivable to Cornell in exchange for the elimination of this note. (See Notes 2, 3 and 14)

On August 25, 2004, the Company borrowed \$300,000 from Cornell. The amount was due in 180 days and carried an interest rate of 14%. The note was secured by the assets of the Company. The proceeds were advanced to Solution Technology International, Inc. (STI) by the Company in anticipation of STI s initial public offering. In March 2005, the Company assigned its STI bridge debenture receivable to Cornell in exchange for eliminating this note. (See Notes 2, 3 and 14)

On August 27, 2004, the Company borrowed \$8,500,000 from Cornell. The amount was due in one year and carries an interest rate of 12%. The note is secured by the assets of the Company and was utilized for the cash portion of the acquisition price of CloseCall. In December 2004, the Company converted \$2,200,000 of the note balance into debt under the \$100 million SEDA. In February 2005, the Company transferred \$5,000,000 of the note balance into debt under the \$100 million SEDA. As of March 31, 2005, the remaining principal balance of the note payable was \$1,300,000 and the accrued interest on this note for the year ended March 31, 2005, was \$198,838. The Company has classified the note and the accrued interest as short-term liabilities. Subsequent to year ended March 31, 2005, the \$1,300,000 remaining amount due was transferred into debt under the \$100 million SEDA. (See Note 20)

On September 22, 2004, the Company borrowed \$3,700,000 from Cornell. The amount was due in one year and carries an interest rate of 12%. The note is secured by the assets of the Company and was utilized for the acquisition of The River Internet Access Co. and World Trade Network, Inc. As of March 31, 2005, the remaining principal balance of the note payable was \$3,700,000 and the accrued interest on this note for the year ended March 31, 2005, was \$85,151. The Company has classified the note and the accrued interest as short-term liabilities.

On November 15, 2004, the Company acquired \$15,200,000 in bridge financing from Airlie Opportunity Master Fund (Airlie), a Greenwich, Connecticut-based institutional investor. The Company repaid \$2,200,000 on November 30, 2004, and the remaining \$13,000,000 note is payable on November 15, 2005 and carries an interest rate of 23%. The funds were utilized to complete the acquisition of 95.2% of the stock of Davel. as described in Note 1. The note is secured by all of the stock of Davel that was acquired by the Company on November 15, 2004, plus 100% of the Davel debt instruments that were acquired in the transaction. In addition, the note is secured by the assets of the Company, as subordinated by the pre-existing first lien of Cornell. As of March 31, 2005, the remaining principal balance of the note payable was \$13,000,000 and the accrued interest payable on this note was \$641,225. The Company has classified the note and the accrued interest as short-term liabilities. On May 13, 2005, the Company repaid this loan with proceeds from a financing completed on May 13, 2005. (See Note 20)

Internet Services Acquisitions

On June 21, 2004, DFW Internet Services, Inc. entered into an asset purchase agreement with Crescent Communications, Inc. The agreement included a promissory note payable to Crescent Communications, Inc. in the amount of \$250,000, with simple interest accruing at 6% per annum, and monthly payments in the amount of \$21,516 beginning on July 21, 2004. The note matures on June 21, 2005, and the monthly payments will apply first to interest with the remaining portion of the payment reducing the principal balance. The payments commenced on July 21, 2004, and the note outstanding balance on March 31, 2005, was \$126,791. The interest on these notes for the year ended March 31, 2005, was \$5,887, and accrued interest on the notes at March 31, 2005 was \$1,918.

DFW Internet Services, Inc. entered into four (4) promissory notes with the prior owners of Ticon.net, Inc. for an aggregate principal amount of \$250,000 plus interest computed at 6% per annum. The notes were made as of July 14, 2004, and matured on November 10, 2004. The note payments scheduled for November 10, 2004 were not made due to certain provisions of the stock purchase agreement requiring subsequent adjustments to the purchase price and outstanding notes. Negotiations between the parties on the amount of the note adjustments were not concluded as of March 31, 2005. The adjustments mentioned above not withstanding, as of March 31, 2005, the principal balance on the notes was \$250,000, and accrued interest on the notes for the year ended March 31, 2005, was \$10,685. The total outstanding note balance plus interest are classified as short-term liabilities.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 10- LONG-TERM DEBT (CONTINUED)

Internet Services Acquisitions (continued)

DFW Internet Services, Inc. entered into four (4) promissory notes with the prior owners of Internet Express, Inc. for an aggregate principal amount of \$300,000. The notes were made as of March 1, 2004 and mature March 1, 2006. DFW Internet Services, Inc. has agreed to pay a monthly amount of \$5,000 inclusive of interest towards the principal balance of \$300,000 with the remaining \$180,000 plus accrued interest to be paid by the maturity date. Interest on these notes will accrue at an annual rate of 6% per annum. The monthly payments will first be applied to interest and the remaining portion will be a reduction of the principal balance. The payments commenced on April 1, 2004. The balance at March 31, 2005 and 2004 on these promissory notes is \$221,788 and \$300,000, respectively. The interest expense on these notes for the year ended March 31, 2005 was \$16,890, of which \$1,800 was accrued at March 31, 2005. The total outstanding note balance plus interest are classified as short-term liabilities.

DFW Internet Services, Inc. entered into two (2) promissory notes with the prior owner of Clover Computer Corporation for an aggregate note principal amount of \$542,264. The first note matures on July 6, 2005, and the second is a convertible note that matures on July 6, 2006. DFW Internet Services, Inc. agreed to a quarterly debt service inclusive of interest at a simple rate of 7% per annum on the first note, with the first quarterly payment of \$70,774 to be made on October 6, 2004, and the last payment of the same amount will be due on July 6, 2005. The three payments scheduled for October 6, 2004, January 6, 2005, and April 6, 2005 were not made due to certain provisions of the stock purchase agreement requiring subsequent adjustments to the purchase price and outstanding notes. Negotiations between the parties on the amount of the note adjustments have not concluded as of March 31, 2005. The adjustments mentioned above notwithstanding, the balance on March 31, 2005, on the first promissory note was \$271,132, and accrued interest on this note for the year ended March 31, 2005, was \$13,935. The total outstanding note balance plus interest are classified as short-term liabilities. The second note is a convertible note in the amount of \$271,132 that matures on July 6, 2006, with simple interest computed at an annual rate of 4%, and a balloon payment of principal and interest at maturity. The principal balance on the note for the year ended March 31, 2005, was \$271,132 with accrued interest of \$7,963. The total outstanding balance and accrued interest were classified as long-term liabilities. At any time prior to maturity, the note holder has the right, at the holder's option, to convert such outstanding balance of this note, in whole or in part, into common stock at a conversion price of \$0.20 per share.

DFW Internet Services, Inc. entered into two (2) promissory notes with the prior owner of World Trade Network, Inc. for an aggregate principal amount of \$500,000. Due to certain provisions of the stock purchase agreement requiring subsequent adjustments to the purchase price, both of these notes cancelled in their entirety on February 15, 2005 along with any accrued interest pursuant to the mutual agreement of the parties.

DFW Internet Services, Inc. entered into thirty (30) promissory notes with the prior owners of The River Internet Access Co. for an aggregate principal amount of \$776,472. The thirty (30) notes were made as of September 16, 2004, and the first set of fifteen (15) notes matures on September 15, 2005, and the second set of fifteen (15) notes are convertible notes that mature on March 15, 2006. DFW Internet Services, Inc. has agreed to make quarterly debt service payments inclusive of interest at a simple rate of 6% per annum on the first fifteen notes. The aggregate principal balances on March 31, 2005, on the first set of fifteen promissory notes was \$194,122, and accrued interest on these notes as of March 31, 2005, was \$511. The total outstanding principal balance and accrued interest are classified as short-term liabilities. The second set of fifteen notes are convertible notes in the aggregate amount of \$388,236 that mature on March 16, 2006, with simple interest computed at an annual rate of 3%, and a balloon payment of principal and interest at maturity. The aggregate principal balance on the notes as of March 31, 2005 was \$388,236 with accrued interest of \$6,254. The aggregate outstanding note principal balance and the accrued interest at March 31, 2005 were classified as long-term liabilities. At any time prior to maturity, the convertible note holders have the right, at the holders' option, to convert such outstanding balances of their notes, in whole or in part, into common stock at a conversion price of \$0.20 per share.

The Company and DFW Internet Services, Inc. and the former owners of DFW Internet Services, Inc. entered into Put Agreements as of January 19, 2004. The Put Agreements gave the former owners of DFW Internet Services, Inc. the right to have the Company repurchase all, but not less than all, of the common stock issued to the former owners. The aggregate purchase price under the Put Agreement was \$250,000. The Company classified this liability as a long-term liability on its consolidated financial statements in accordance with SFAS 150. In March 2005, the Put Agreement was terminated in its entirety, and the \$250,000 liability was eliminated.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 10— LONG-TERM DEBT (CONTINUED)

Voice Services Acquisitions

The Company acquired US1 Telecommunications, Inc. and escrowed \$75,000 cash, which was due and payable to the former owner within 5 months of the closing date (June 29, 2004), provided the subsidiary performed as indicated in the agreement. The note bore interest at a rate of 5% and was due on December 1, 2004 in the amount of \$75,940. The final payment due was subject to certain provisions of the agreement requiring subsequent adjustments to the purchase price and outstanding note. The payment net of the adjustments mentioned above was made in February 2005.

The Company and the former owners of Affinity Telecom entered into Put Agreements as of September 19, 2004. The Put Agreements gave the former owners of Affinity Telecom the right to have the Company repurchase all, but not less than all, of the common stock issued to the former owners. The aggregate purchase price under the Put Agreement was \$995,000. The Company previously classified this as a short-term liability on its September 30, 2004 condensed consolidated financial statements in accordance with SFAS 150. The Agreement and Plan of Merger by and between the Company and Affinity Telecom was amended as of December 2004 to settle certain disputes regarding the financial condition of Affinity Telecom. According to the terms of the Amendment, the Put Agreement was terminated in its entirety, and the \$995,000 liability was eliminated.

The Company maintained an escrow payable in the amount of \$140,000 related to the Agreement and Plan of Merger that was amended as of December 2004 to settle certain disputes regarding the financial condition of Affinity Telecom. According to the terms of the Amendment, the escrow payable was terminated in its entirety.

The Company also recorded a payable in the amount of \$50,000 representing additional consideration applicable to accounts receivable of Affinity Telecom that were outstanding at July 30, 2004. Pursuant to the terms of the Amendment discussed above, the \$50,000 payable was terminated.

The Company issued two (2) notes to the prior owners of Affinity Telecom, a \$300,000 non-interest bearing promissory note and a \$750,000 convertible promissory note. Pursuant to the terms of the Amendment discussed above, the two (2) notes with the prior owners were terminated in their entirety.

Vehicles

DFW Internet Services, Inc. entered into a note for the purchase of a company vehicle in August 2004. The note is a three-year note that matures in April 2007 with a balloon payment of approximately \$45,000. The note carries an annual interest rate of 7.25% and the payments including interest are \$979.49 per month. The maturities over the next two years and in the aggregate are expected to be as follows:

Years Ended March 31,		
2006	\$	11,754
2007		53,465
Total	\$	65,219

Leases

In 2003, the Company leased certain equipment under capital lease arrangements. Property and equipment includes the following amount for leases that have been capitalized at March 31, 2005:

Computer and mailing equipment	\$ 43,812
Less — accumulated amortization	(10,728)
	\$ 25,084

Amortization of leased assets is included in depreciation and amortization expense.

The Company also leases a building and various equipment under non-cancelable operating leases. The building lease expires in 2007 and contains options to renew for additional terms of two years at the prevailing market rate.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 10— LONG-TERM DEBT (CONTINUED)

Leases (continued)

Future minimum payments under non-cancelable leases with initial terms of one year or more consist of the following at March 31, 2005:

<i>Years Ending March 31,</i>	<i>Capital Leases</i>	<i>Operating Leases</i>
2006	\$ —	\$ 593,515
2007	10,508	338,518
2008	4,068	245,344
2009	—	65,470
2010	—	55,354
Total minimum lease payments	25,084	\$ 1,077,391
Less — amounts representing interest	(4,215)	
Less — current portion	(5,354)	
Long-term capital lease obligation	\$ 15,515	

NOTE 11— STOCKHOLDERS' EQUITY (DEFICIT)

Common Stock

As of March 31, 2005, the Company had 600,000,000 shares of common stock authorized and 355,918,011 issued and outstanding.

The Company had 1,000,000 shares of common stock authorized under its 2001 Equity Performance Plan. The Board of Directors subsequently authorized an increase in the shares available under the 2001 Equity Performance Plan from 1,000,000 to 6,000,000.

The following describes the common stock transactions for the year ended March 31, 2004.

On June 19, 2003, the Company issued 350,000 shares of common stock as compensation at a fair value of \$8,750.

On July 7, 2003, pursuant to a memorandum of understanding between the Company and GBH Telecom, LLC, the Company issued 3,500,000 shares of common stock valued at \$68,250. As of September 30, 2003, the agreement with GBH Telecom, LLC was terminated.

Between May 2003 and August 2003, the Company issued 16,130,887 shares of common stock in conversion of \$165,000 of convertible debentures and accrued interest.

In October 2003, the Company issued 391,304 shares of common stock in conversion of \$9,000 in advances that were funded to the Company.

In January 2004, the Company issued 16,666,667 shares of common stock which converted \$180,000 in officer advances.

In March 2004, the Company issued 18,761,726 shares of common stock in connection with the acquisition of the common stock of DFW Internet Services, Inc. pursuant to a Stock Purchase Agreement dated January 19, 2004. The issued shares were valued at a fair value of \$500,000, based on the average 20-day closing price (\$0.02665 per share) prior to January 19, 2004. The distribution of such value amount included an allocation of \$250,000 to the terminated put agreement.

During the year ended March 31, 2004, the Company issued 134,517,453 shares of common stock to the escrow agent for use in converting amounts borrowed under the \$10 million Equity Line of Credit. The Company also converted \$3,145,000 of debt into 118,351,914 shares of common stock and recognized \$311,757 of amortization of discount and interest on debt conversions relating to the \$10 million Equity Line of Credit.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 11— STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

Common Stock (continued)

The following describes the common stock transactions for the year ended March 31, 2005.

In May 2004, the Company issued 2,000,000 shares of common stock under a settlement agreement with a former executive valued at \$90,000, and issued 421,037 shares of common stock to another former executive for \$23,999 cash pursuant to the exercise of options under the Company's 2001 Equity Performance Plan.

In June 2004, the Company issued 8,000,000 shares of common stock in payment of the fees associated with the \$100 million Standby Equity Distribution Agreement that was valued at \$1,760,000. This cost was reflected as a deferred financing fee on the consolidated balance sheet.

In August 2004, the Company issued 100,000 shares of common stock to an agency as compensation for personnel recruiting services.

In August 2004, the Company issued 2,000,000 shares in conjunction with conversion of warrants by a former executive. The exercise price was \$0.029 per share and was paid in cash.

In August 2004, the Company issued 878,816 shares of common stock to the former owners of ShreveNet, Inc. as partial consideration for the acquisition of ShreveNet, Inc. The issued shares were valued at a fair value of \$190,000 based on the average 20-day closing price (\$0.2162 per share) prior to June 3, 2004.

In August 2004, the Company issued 25,000 shares of common stock in conjunction with exercise of stock options by a former employee under the Company's 2001 Equity Performance Plan. The exercise price was \$0.10 per share and was paid in cash.

In September 2004, the Company issued 5,000,000 shares of common stock to the former owners of Affinity Telecom as partial consideration for the acquisition of Affinity Telecom by the Company. The issued shares were valued at a fair value of \$1,000,000 based upon the date of agreement and the terms of the deal. The distribution of such value amount included an allocation of \$995,000 to the terminated put agreement.

In November 2004, the Company issued 39,999,999 shares of common stock in connection with the acquisition of CloseCall America, Inc. that was completed in October 2004. The 39,999,999 shares were recorded at a fair value of \$10,000,000.

In February 2005, the Company issued 500,000 shares of common stock in conjunction with conversion of warrants for previous consulting services. The exercise price was \$0.032 per share.

In March 2005, the Company issued 1,500,000 shares of common stock in connection with the acquisition of Web One, Inc. that was completed in August 2004. The 1,500,000 shares were recorded at a fair value of \$300,000.

During the year ended March 31, 2005, the Company issued 10,000,000 shares of common stock to the escrow agent for use in the conversion of borrowings made under the \$10 million Equity Line of Credit. The Company converted \$3,800,000 of debt into 25,276,134 shares of common stock and recorded \$256,691 of amortization of discount on debt conversions relating to the \$10 million Standby Equity Distribution Agreement.

During the year ended March 31, 2005, the Company issued 65,000,000 shares of common stock to the escrow agent for use in the conversion of borrowings made under the \$100 million Standby Equity Distribution Agreement. The Company also converted \$9,200,000 of debt into 52,172,192 shares of common stock. The Company also converted \$13,907 of interest into 81,355 shares of common stock. The Company recognized \$118,258 and \$201 of amortization of discount on debt and interest conversions, respectively, relating to the \$100 million Standby Equity Distribution Agreement.

Preferred Stock

The Company has 5,035,425 shares of preferred stock authorized of which 35,378 shares were issued and outstanding as of March 31, 2005 and 2004. There were no issuances of preferred stock during the years ended March 31, 2005 and 2004. The issued and outstanding preferred shares are convertible into 35,378 shares of common stock.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 11— STOCKHOLDERS EQUITY (DEFICIT) (CONTINUED)

Stock Options and Warrants

The Company has authorized 1,000,000 shares of common stock for the grant of stock options to employees under the 2001 Equity Performance Plan. The Board of Directors subsequently authorized an increase in the number of shares available under the 2001 Equity Performance Plan from 1,000,000 to 6,000,000. In addition, the Company, from time to time, has issued warrants to key personnel pursuant to specific authorization of the board of directors.

SFAS No. 123 encourages adoption of a fair-value-based method for valuing the cost of stock-based compensation. It allows companies to continue to use the intrinsic-value method for options granted to employees and disclose pro forma net loss. Alternatively, it allows the use of the Black Scholes option pricing model, under which the total value (not intrinsic value) of the stock options granted is charged to operations.

The following table summarizes the activity of the Company's stock option plan for the year ended March 31, 2005:

	Number of Options	Weighted-Average Exercise Price
Outstanding – beginning of period	4,171,037	\$.0482
Granted	5,225,000	.1748
Exercised	(446,037)	.0594
Cancelled	(7,225,000)	.1047
Outstanding – end of period	1,725,000	.1920
Exercisable – end of period	722,917	\$.1635

The following table summarizes the activity of the Company's stock option plan for the year ended March 31, 2004:

	Number of Options	Weighted-Average Exercise Price
Outstanding – beginning of period	521,037	\$.123
Granted	4,000,000	.036
Exercised	(350,000)	.02
Cancelled	—	—
Outstanding – end of period	4,171,037	.0482
Exercisable – end of period	2,454,787	\$.0458

For disclosure purposes, the fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model, which approximates fair value, with the following weighted-average assumptions used for stock options granted in 2005 and 2004; no annual dividends, volatility of 60%, risk-free interest rate of 3.00%, and expected life of 9.58 years.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 11- STOCKHOLDERS EQUITY (DEFICIT) (CONTINUED)

Stock Options and Warrants (Continued)

If compensation expense for the Company's stock-based compensation plans had been determined consistent with SFAS 123, the Company's net income and net income per share including pro forma results would have been the amounts indicated below for the years ended March 31, 2005 and 2004:

	2005	2004
Net loss:		
As reported	\$(5,359,722)	\$(2,157,844)
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,652,185)	(156,889)
Pro forma	\$(7,011,907)	\$(2,314,733)
Net loss per share:		
As reported:		
Basic	\$ (0.02)	\$ (0.02)
Diluted	\$ (0.02)	\$ (0.02)
Pro forma:		
Basic	\$ (0.024)	\$ (0.02)
Diluted	\$ (0.024)	\$ (0.02)

The Company issued warrants to purchase 61,732,500 shares of common stock in the year ended March 31, 2005. The total number of warrants outstanding at March 31, 2005 was 61,232,500.

The fair value of these warrants was estimated using the Black-Scholes pricing model with the following assumptions: interest rate 3.0%, dividend yield 0%, volatility 60% and expected life of ten years.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 11- STOCKHOLDERS EQUITY (DEFICIT) (CONTINUED)

Stock Options and Warrants(Continued)

The Company had the following warrants outstanding for the purchase of its common stock as of March 31, 2005 and March 31, 2004:

Exercise Price	Expiration Date	2005	2004
\$.30	October, 2009	2,500,000	—
\$.35	October, 2009	1,000,000	—
	November, 2009	5,000,000	—
\$.15	February, 2010	200,000	—
	November, 2011	5,600,000	—
\$.032	September, 2013	—	500,000
\$.018	January, 2014	6,500,000	6,500,000
\$.02	January, 2014	3,400,000	—
\$.10	March, 2014	800,000	—
\$.018	April, 2014	21,182,500	—
\$.20	June, 2014	4,300,000	—
\$.18	July, 2014	2,000,000	—
\$.20	July, 2014	1,000,000	—
	November, 2014	2,000,000	—
\$.16	January, 2015	3,000,000	—
\$.17	January, 2015	2,000,000	—
\$.185	January, 2015	500,000	—
\$.193	February, 2015	250,000	—
		61,232,500	7,000,000
Weighted average exercise price		\$ 0.117	\$ 0.019

At March 31, 2005 and 2004, warrants to purchase 42,095,000 and 1,000,000 shares of common stock were exercisable, respectively.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 12- PATENTS

As of March 31, 2005, the Company had filed a total of eight patent applications with the U.S. Patent and Trademark Office (PTO) in the areas of Smart Antenna technology and RF Transceiver Chip Design for "Low Noise Amplifier for wireless communications". As of March 31, 2005, the Company had been granted approval of five patents and three patent applications are still pending approval.

NOTE 13- CONTINGENCIES

Certain mitigating events have occurred during the year ended March 31, 2005 and 2004, leading management to conclude that the Company should remove the going concern uncertainty.

These mitigating events included management receiving a commitment from Cornell to provide the Company with up to \$100 million in SEDA financing under certain conditions and receiving funding in the past fiscal year from Cornell under the prior \$10 million Equity Line of Credit and the existing \$100 million SEDA. In addition, the Company completed two acquisitions in its fourth fiscal quarter ending March 31, 2004 and completed twelve acquisitions in its year ending March 31, 2005 of Internet and voice services companies. The acquired Internet and voice service providers are expected to generate revenues and to provide cash flow from operations.

The acquisitions continue to expand the Company's service area and provide additional products and services to the existing and future customer base. The Company continues to explore other transactions that will fit its business model and assist the Company in executing its business plan.

NOTE 14- COMMITMENTS

On April 15, 2004, Mr. Jay O. Wright extended his employment as the Company's President and Chief Executive Officer. Mr. Wright's employment is for two years under the terms of his Executive Employment Agreement with the Company.

The Company has entered into employment agreements with other key members of management. Compensation earned by these employees has been properly reflected in the consolidated statements of operations for the years ended March 31, 2005 and 2004, respectively.

In May 2004, the Company announced that it had formed a strategic alliance with Massively Parallel Technologies, Inc. (MPT), a privately owned corporation located in Louisville, Colorado. Under the alliance, MPT will utilize the bandwidth provisioning capability of the Company in connection with MPT's high performance computer cluster platforms and the Company will become a reseller of the MPT platform.

In June 2004, the Company signed a Development Agreement with Information and Communications University (ICU), a Korean institution with leading edge development experience in ZigBee RF design, to jointly develop the Company's ZigBee RF transceiver chip. Under the Agreement, the Company retains 100% ownership of all intellectual property rights.

In June 2004, the Company signed a letter of intent to acquire CommSouth Companies, Inc. a competitive local exchange carrier (CLEC) and long distance and Internet service provider based in Dallas, Texas. As of March 31, 2005, the Company is not actively pursuing the completion of this acquisition.

In June 2004, the Company entered into a Business Development Agreement with Solution Technology International, Inc., a Frederick, Maryland-based software company (STI), whereby the Company provided services to STI in exchange for a 5% ownership in the company. The value of the investment is \$150,000 and is reflected in the consolidated balance sheet at March 31, 2005.

In July 2004 the Company signed a letter of intent to acquire American Fiber Network, Inc., (AFN) a licensed Competitive Local Exchange Carrier (CLEC) and long distance provider based in Kansas City, Missouri. AFN is licensed to provide local, long distance and Internet service in 48 contiguous U.S. states. The Company is actively pursuing this acquisition.

In August 2004, the Company signed a letter of intent to acquire WorldNet Communications, Inc., a Leesville, Louisiana-based Internet service provider. As of March 31, 2005, the Company is not actively pursuing the completion of this acquisition.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 14— COMMITMENTS (CONTINUED)

In August 2004, the Company announced its intention to issue a property dividend of 3,073,113 shares of common stock of STI. The Company's stockholders are expected to receive one share of registered (i.e. free-trading) STI stock for approximately every 93 shares of the Company stock that they own, based on the existing shares outstanding and certain warrants. The Company's Board of Directors set September 15, 2004 as the record date for the stock dividend. In March 2005, STI withdrew its pending registration statement from the United States Securities and Exchange Commission. STI is contemplating other options to become a publicly traded company. The Company intends to pursue issuance of the property dividend upon STI obtaining its public listing. At this time, no date has been established for such listing.

In August 2004, the Company announced that it signed a memorandum of understanding with an Israeli technology company, ActivePoint Ltd., to jointly pursue a working relationship covering a number of potential technology and communications projects. The companies have agreed that a future working relationship could include select opportunities involving ActivePoint's search engine and the Company's Internet services, voice services, wireless services, and other telecommunications and IT initiatives within North America.

In August 2004, the Company signed a business development agreement with Texas Prototypes, Inc., an electronic prototype manufacturing company, to jointly pursue a working relationship covering a number of potential technology projects and business development initiatives. The Company received a 5% ownership in the company as consideration for services under the agreement. The value of the investment is \$300,000 and is reflected in the consolidated balance sheet at March 31, 2005.

In September 2004, the Company announced a letter of intent to acquire two Bridgeport, Texas phone companies, Affordaphone, Inc. and Basicphone, Inc. As of March 31, 2005, the Company is not actively pursuing the completion of these acquisitions.

In September 2004, the Company announced it had signed a letter of intent to acquire North Country Internet Access, Inc., an internet services provider based in Berlin, New Hampshire, which offers both analog and digital dial-up, service, Web hosting and design services to residential and small business customers in northern New Hampshire. As of March 31, 2005, the Company is not actively pursuing the completion of this acquisition.

In September 2004, the Company formed a strategic alliance with Global Triad Incorporated, a Ft. Lauderdale, Florida-based software and wireless broadband company. Pursuant to the arrangement, the companies will look to jointly pursue select wireless projects and work together utilizing Global Triad's compression software.

In October 2004, the Company completed the design of its first ZigBee wireless semiconductor chip. The 2.4 GHz chip design for the so-called "RF layer," or "physical layer," is now being converted into a prototype chip at a facility in Taiwan. In addition the Company announced it had begun design on a 900 MHz ZigBee chip.

In March 2005, the Company announced that it has been awarded a five-year contract with the General Services Administration (GSA) to sell certain electronic commerce and telecommunications services to the federal government, effective through February 24, 2010.

In connection with the November 2004 acquisition of the senior secured debt of Davel, the Company agreed to purchase the remaining issued and outstanding shares (approximately 4.8%) held by the minority stockholders (the Minority Stockholders) within 180 days of the closing date of the Davel acquisition. The purchase price to be offered to the Minority Stockholders was to be an amount of not less than \$0.015 per share, which, at the discretion of the Company, could be paid in cash or common stock of Mobilepro. Subsequent to year-end, Davel paid the cash purchase price of \$450,000 to the Minority Stockholders and the transaction was completed in May 2005.

NOTE 15— IMPAIRMENT OF GOODWILL

In connection with the acquisition of certain Internet and voice services companies, the Company recorded goodwill in the amounts of \$32,785,618 and \$812,003 during the years ended March 31, 2005 and 2004, respectively. The Company performs its annual impairment test for goodwill at the end of each fiscal year and determined that at both March 31, 2005 and 2004 that there was no impairment of the goodwill.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 16- LITIGATION/LEGAL PROCEEDINGS

As of March 31, 2005, the Company was party to the following material legal proceedings.

At the time that the Company acquired 95.2 % of the stock of Davel, Davel was a defendant in a civil lawsuit captioned Gammino v. Celco Partnership d/b/a Verizon Wireless, et al., C.A. No. 04-4303 filed in the United States District Court for the Eastern District of Pennsylvania. The plaintiff claims that Davel and other defendants allegedly infringed its patent involving the prevention of fraudulent long-distance telephone calls and is seeking damages in connection with the alleged infringement. Davel continues to review and investigate the allegations set forth in the complaint, continues to assess the validity of the Gammino Patents and is in the process of determining whether the technology purchased by Davel from third parties infringes upon the Gammino Patents. According to the terms of the Davel acquisition agreement, the former secured lenders, subject to certain limitations, have agreed to reimburse the Company for the litigation cost and any losses resulting from the Gammino lawsuit. The former secured lenders have agreed to fund such costs from future regulatory receipts that were assigned to them by Davel. Any such regulatory receipts will be deposited into a third-party escrow account and will be used to reimburse the Company for costs incurred. The secured lenders are not required to fund the escrow account or otherwise reimburse the Company for amounts, if any, in excess of actual regulatory receipts collected. Any amount remaining in the escrow account at the conclusion of the litigation is to be returned to the former secured lenders. Subsequent to March 31, 2005, the Company received significant regulatory receipts that are being held in escrow. These funds can be used to reimburse the Company for costs incurred in defending or settling the litigation matter. The case is in the discovery phase of the litigation.

On or about October 15, 2002, Davel was served with a complaint, in an action captioned Sylvia Sanchez et al. v. Leasing Associates Service, Inc., Armored Transport Texas, Inc. and Telaleasing Enterprises, Inc. Plaintiffs claim that Davel was grossly negligent or acted with malice and such actions proximately caused the death of Thomas Sanchez, Jr., a former Davel employee. On or about January 8, 2002, the Plaintiffs filed their first amended complaint adding a new defendant LAI Trust and on or about January 21, 2002 filed their second amended complaint adding new defendants Davel Communications, Inc., DavelTel, Inc. and Peoples Telephone Company, all subsidiaries of Davel. The original complaint, as well as the first and second amended complaints, was forwarded to Davel's insurance carrier for action; however, Davel's insurance carrier denied coverage based upon the workers compensation coverage exclusion contained in the insurance policy. The Company answered the complaint on or about January 30, 2003. The parties are currently engaged in the discovery process. The trial originally scheduled for June 2004 was continued to November 2004; however, the trial has been delayed further by motion of the plaintiff and approval of the court. It is anticipated that the trial will be scheduled for November 2005. While Davel believes that it has meritorious defenses to the allegations contained in the second amended complaint and intends to vigorously defend itself, Davel cannot at this time predict its likelihood of success on the merits.

The Company terminated Kevin Kuykendall, former President of the Company's voice division, for cause under the terms of his Executive Employment Agreement, effective Wednesday, December 29, 2004. On January 26, 2005, Mobilepro was served with notice that a complaint had been filed with the U.S. Department of Labor by Mr. Kuykendall alleging discriminatory employment practices. Mr. Kuykendall has alleged that he was terminated on December 29, 2004 in reprisal for challenging the accuracy of a qualified financial goal of Davel Communications, Inc. Mr. Kuykendall sought back pay, plus interest, and reinstatement or the future pay for the term of his contract, reimbursement of insurance premiums borne by Mr. Kuykendall during the period of his termination, payment of outstanding bonuses to which he believes he is entitled, compensatory damages for emotional distress, pain and suffering, punitive damages, costs, and reasonable attorneys' fees. In March 2005, the Company received from the U.S. Department of Labor a favorable ruling in the Kuykendall matter. The U.S. Department of Labor found no reasonable cause to support the former employee's complaint for improper termination and the U.S. Department of Labor concluded that Mr. Kuykendall failed to demonstrate that his alleged assertions were a contributing factor in his discharge for cause. Mr. Kuykendall did not appeal the U.S. Department of Labor ruling and the case was subsequently closed. In May 2005, the Company and Mr. Kuykendall dropped all complaints and legal proceedings against each other and signed a confidential settlement agreement and mutual general release.

NOTE 17- PROVISION FOR INCOME TAXES

No provision for income taxes was required and no income taxes were paid during the years ended March 31, 2005 and 2004 because of operating losses and net operating loss carryforwards generated by the Company. A majority of the temporary differences relate to the net operating loss carryforwards and depreciation and amortization differences for tax purposes versus book purposes. The Company has established a valuation allowance against the entire deferred tax asset generated.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 18— DIAL AROUND COMPENSATION

A dial-around call occurs when a non-coin call is placed from a public pay telephone of the Company, which utilizes any interexchange carrier (IXC) other than the presubscribed carrier (the Company's dedicated provider of long distance and operator assisted calls). The Company receives revenues from such carriers recording them as dial-around compensation based upon the per-call rate in effect pursuant to orders issued by the Federal Communications Commission (the FCC) under section 276 of the Telecommunications Act of 1996 (Section 276) and the estimated number of dial-around calls placed from each pay telephone during each month. Prior to 2001, the Company recorded revenue from dial-around compensation based upon the rate of \$0.24 per call (\$0.238 per call prior to April 21, 1999) and 131 monthly calls per phone, which represented the monthly averages for calls from a pay telephone used by the FCC in initially determining the amount of dial-around compensation to which payphone service providers (PSP) were entitled. The averages were utilized until such time as the actual number of dial-around calls could be tracked on a per pay telephone basis. On August 12, 2004, the FCC released an order to increase the dial-around compensation rate from \$0.24 to \$0.494 per call (the 2004 Order). The new rate became effective September 27, 2004, 30 days after publication of the 2004 Order in the Federal Register, and may be subject to appeal by IXCs or other parties. Although the 2004 Order was effective for the fourth quarter of 2004, the Company did not receive payments under the 2004 Order until April 2005.

As a result of the orders issued by the FCC regarding dial-around compensation and the resulting litigation, the amount of revenues that payphone service providers (PSPs) were entitled to receive and the amounts that PSPs actually received have differed. In general, there have been underpayments of dial-around compensation from IXCs and other carriers from November 6, 1996 through October 6, 1997 (the Interim Period) and overpayments to PSPs, including the Company, from October 7, 1997 through April 20, 1999 (the Intermediate Period). On January 31, 2002, the FCC released its Fourth Order on Reconsideration and Order on Remand (the 2002 Payphone Order) that provided a partial decision on how retroactive dial-around compensation adjustments for the Interim Period and Intermediate Period may apply.

On October 23, 2002, the FCC released its Fifth Order on Reconsideration and Order on Remand (the Interim Order), which resolved all the remaining issues surrounding the Interim Period and the Intermediate Period true-up and specifically addressed how flat rate monthly per-phone compensation owed to PSPs would be allocated among the IXCs. The Interim Order also resolved how certain offsets to such payments would be handled and a host of other issues raised by parties in their remaining FCC challenges to the 2002 Payphone Order and prior orders issued by the FCC regarding dial-around compensation. In the Interim Order, the FCC ordered a true up for the Interim Period and increased the adjusted monthly rate to \$35.22 per payphone per month, to compensate for the three-month payment delay inherent in the dial-around payment system. The new rate of \$35.22 per payphone per month is a composite rate, allocated among approximately five hundred carriers based on their estimated dial-around traffic during the Interim Period. The FCC also ordered a true-up requiring the PSPs, including the Company, to refund an amount equal to \$.046 (the difference between the old \$0.284 rate and the subsequently revised \$0.238 rate) to each carrier that compensated the PSP on a per-call basis during the Intermediate Period. Interest on additional payments and refunds is to be computed from the original payment date at the IRS prescribed rate applicable to late tax payments. The FCC further ruled that a carrier claiming a refund from a PSP for the Intermediate Period must first offset the amount claimed against any additional payment due to the PSP from that carrier. Finally, the Interim Order provided that any net claimed refund amount owing to carriers cannot be offset against future dial-around payments without (1) prior notification and an opportunity to contest the claimed amount in good faith (only uncontested amounts may be withheld); and (2) providing PSPs an opportunity to schedule payments over a reasonable period of time.

In January 2005, certain carriers offset approximately \$0.5 million from their current dial-around compensation payments. In April 2005, approximately \$0.7 million was offset from current dial-around compensation payments further reducing this liability. The remaining amount outstanding will be paid or deducted from future quarterly payments of dial-around compensation to be received from the applicable dial-around carriers.

For the fiscal year ended March 31, 2005, Davel received \$0.4 million in payments from carriers under the Interim Order and recorded the dial-around compensation adjustments in the accompanying consolidated statements of operations. Although Davel is entitled to receive a substantial amount of additional dial-around compensation pursuant to the Interim Order, such amounts, subject to certain limitations, were assigned to Davel's former secured lenders in exchange for a reduction in Davel's senior secured debt prior to the acquisition of such debt by the Company. Regulatory actions and market factors, often outside Davel's control, could significantly affect Davel's future dial-around compensation revenues. These factors include (i) the possibility of administrative proceedings or litigation seeking to modify the dial-around compensation rate, and (ii) ongoing technical or other difficulties in the responsible carriers' ability and willingness to properly track or pay for dial-around calls actually delivered to them.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 19— SEGMENT INFORMATION

The Company's reportable operating segments include Technology, Voice Services, Internet Services and Corporate. The Company allocates cost of revenues and direct operating expenses to these segments.

Operating segment data for the years ended March 31, 2005 and 2004 are as follows:

For the year ended March 31, 2005:

	Corporate	Technology	Voice Services	Internet Services	Total
Revenues	\$ 615,000	\$ -	\$32,009,084	\$13,884,060	\$46,508,144
Direct costs of revenues	-	-	15,816,901	6,734,339	22,551,240
Gross profit	615,000	-	16,192,183	7,149,721	23,956,904
Operating expenses	1,287,945	953,976	16,707,959	6,460,970	25,410,850
Depreciation, amortization and impairment	1,108,483	14,588	1,093,620	225,672	2,442,363
Other income	-	-	111,089	-	111,089
Interest (net)	1,393,108	43,927	23,523	113,944	1,574,502
Net income (loss)	\$(3,171,536)	\$(1,012,492)	\$(1,521,830)	\$ 349,136	\$(5,359,722)
Segment assets	\$19,522,553	\$ 14,240	\$35,166,195	\$18,119,944	\$72,822,932
Fixed assets, net of accumulated depreciation	\$ -	\$ 7,293	\$11,804,050	\$ 1,381,713	\$13,193,056

For the year ended March 31, 2004:

	Corporate	Technology	Voice Services	Internet Services	Total
Revenues	\$ -	\$ -	\$ -	\$ 311,355	\$ 311,355
Direct costs of revenues	-	-	-	117,349	117,349
Gross profit	-	-	-	194,006	194,006
Operating expenses	701,758	1,115,946	-	138,454	1,956,158
Depreciation, amortization and impairment	353,342	14,589	-	6,411	374,342
Interest (net)	-	18,745	-	2,605	21,350
Net income (loss)	\$(1,055,100)	\$(1,149,280)	\$ -	\$ 46,536	\$(2,157,844)
Segment assets	\$ 1,877,377	\$ 29,151	\$ -	\$ 1,451,644	\$ 3,358,172
Fixed assets, net of accumulated depreciation	\$ -	\$ 21,881	\$ -	\$ 114,617	\$ 136,496

NOTE 20— SUBSEQUENT EVENTS

On January 26, 2005, Mobilepro was served with notice that a complaint had been filed with the U.S. Department of Labor by Mr. Kuykendall alleging discriminatory employment practices. In March 2005, the Company received from the U.S. Department of Labor a favorable ruling. The U.S. Department of Labor found no reasonable cause to support former employee Mr. Kuykendall's complaint for improper termination and the U.S. Department of Labor concluded that Mr. Kuykendall failed to demonstrate that his alleged assertions were a contributing factor in his discharge for cause. Mr. Kuykendall did not appeal the U.S. Department of Labor ruling and the case was subsequently closed. As the Company indicated previously, management vigorously defended itself from any action and the ruling by the U.S. Department of Labor demonstrated that the Company had significant defenses against the claim and that the termination was handled properly. In May 2005, the Company and Mr. Kuykendall dropped all complaints and legal proceedings against each other and signed a confidential settlement agreement and mutual general release. (See Note 16)

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 20- SUBSEQUENT EVENTS (CONTINUED)

In connection with the November 2004 acquisition of the senior secured debt of Davel, the Company agreed to purchase the remaining issued and outstanding shares (approximately 4.8%) held by the minority stockholders (the Minority Stockholders) within 180 days of the closing date of the Davel acquisition. The purchase price to be offered to the Minority Stockholders was to be an amount of not less than \$0.015 per share, which, at the discretion of the Company, could be paid in cash or common stock of Mobilepro. The Company elected to make the purchase in the form of a reverse split and cash purchase. Prior to undertaking the cash purchase, Davel retained a financial advisor to render an opinion that the terms of the purchase were fair, from a financial point of view, to the Minority Stockholders. Mobilepro retained the financial advisor in January 2005. In February 2005, the financial advisor rendered its opinion that the terms of the purchase were fair, from a financial point of view, to the Minority Stockholders. Subsequent to year-end, Davel paid the cash purchase price of \$450,000 to the Minority Stockholders and the transaction was completed in May 2005.

In April 2005, the Company announced that, through its Neoreach wireless division, it has launched a pilot project to set up a wireless access zone in Chandler, Arizona, a suburb of Phoenix.

In April 2005, the Company announced that Philip F. Otto has been appointed to its advisory board.

In April 2005, the Company announced that its subsidiary, CloseCall America, plans to launch a new prepaid wireless product. The new service offers a "no surprise" wireless bill for consumers and will offer new features including parental controls that will have the ability to restrict outgoing and incoming calls to only certain numbers. CloseCall also announced that it is now providing digital subscriber line (DSL) high-speed connectivity in Ohio, Michigan and Indiana in addition to Maryland, New Jersey and Delaware where CloseCall currently offers DSL service.

In April 2005, the Company announced that it has been awarded a five-year contract (with two five-year options) to deploy and manage a city-wide wireless network covering a 40-square-mile area of Tempe, Arizona. The network, known as WazTempe, will be able to reach Tempe's more than 65,000 households, 1,100 businesses, 50,000 students and hundreds of thousands of annual visitors. Additionally, it will provide municipal services to Tempe police, fire, emergency and city/Arizona State University personnel.

In May 2005, the Company announced that it has signed a term sheet for a new \$15.5 million financing with Cornell that significantly lowers the Company's cost of capital. The financing carries an interest rate of 7.75%, has a term of three years, is convertible into common stock at \$0.30 per share and includes six million warrants with an exercise price of \$0.50 per share. The new financing replaces a bridge financing from Airlie Opportunity Master Fund, a Connecticut based hedge fund, which had an interest rate of 23%. The Company closed this financing transaction on May 13, 2005.

In May 2005, the Company issued an additional 5,000,000 shares of common stock to the escrow agent for use in converting debt into common stock under the \$100 million Standby Equity Distribution Agreement.

In May 2005, our subsidiary, NeoReach, Inc., through its subsidiary NeoReach Wireless, Inc., acquired Transcordia, LLC a/k/a WazAlliance, a growing network of metro-wide commercial and residential Wi-Fi and Wi-Max access zones, for common stock plus the assumption of certain liabilities. NeoReach Wireless partnered with WazAlliance to deploy full-scale metro-wide service in both Tempe and Chandler, Ariz. known as WazTempe and WazChandler. WazAlliance also includes WazHamptonRoads and WazMaui and has opportunities in other cities, primarily in the Southwest. WazTempe will provide city-wide multi-band Wi-Fi network for municipal vehicles and personnel, including public safety employees as well as services for residences, retail businesses, schools, public events, hotels and resorts, and public transportation.

In May 2005, the Company's CloseCall America subsidiary signed a long-term commercial agreement with Verizon. The new commercial agreement secures pricing to 2010, and will allow the Company to increase the number of customers to which it can provide its CloseCall local, long-distance, cellular and Internet services.

In May 2005, the Company appointed Michael J. Kleeman to the Company's advisory board. Mr. Kleeman brings nearly 30 years of experience in wireless, telecommunications and computers to the Company. Mr. Kleeman is a director of Cyberinfrastructure Policy Research at the University of California San Diego. Mr. Kleeman previously worked for Sprint, Arthur D. Little consulting, Boston Consulting Group and Aerie Networks. Most recently, Mr. Kleeman was co-founder and CTO of Cometa Networks, a company backed by IBM, Intel and AT&T, where Mr. Kleeman used his expertise in OSS for 802.11 networks.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 20- SUBSEQUENT EVENTS (CONTINUED)

In May 2005, the Company signed a Memorandum of Understanding with Viyya Technologies, Inc. under which the Company will become a reseller of Viyya's VIYYA" software. The Company will work with Viyya management to market and distribute VIYYA" via a reseller agreement to be negotiated between the companies. Anticipated to be available later this summer to the Company's Nationwide Internet subscribers, the VIYYA" software platform will assist in the management, personalization and customization of content maintained on the Nationwide Internet access service.

Subsequent to the year ended March 31, 2005, the Company continued to pursue a working relationship covering a number of potential technology and communications projects with ActivePoint, an Israeli technology company. The companies previously signed a Memorandum of Understanding and Business Development Agreement whereby the companies are working on select opportunities involving ActivePoint's search engine and the Company's internet services, voice services, wireless services, and other telecommunications and IT initiatives within North America. In May 2005, ActivePoint filed a registration statement with the United States Securities and Exchange Commission. ActivePoint is attempting to become a publicly traded company. The Company owns approximately 5.5% of the common stock of ActivePoint that it received in exchange for its services.

In May 2005, the Company signed a memorandum of understanding with UC Hub Group, Inc. (OTCBB: UCHB), under which the companies can cross-sell each other's products and services, including broadband wireless, e-money applications and other value-added telecommunications services to its customer bases, including cities throughout the United States.

In May 2005, the Company announced the appointment of Tammy L. Martin as President and Chief Executive Officer of the Company's pay telephone subsidiary, Davel Communications, Inc.

In May 2005, the Company announced that Daniel Lozinsky retired from Mobilepro's board of directors to pursue other business and personal interests.

In August 2004, the Company announced its intention to issue a property dividend of 3,073,113 shares of common stock of STI. The Company shareholders are expected to receive one share of registered (i.e. free-trading) STI stock for approximately every 93 shares of the Company stock that they own, based on the existing shares outstanding and certain warrants. The Company's board of directors set September 15, 2004 as the record date for the stock dividend. In March 2005, STI withdrew its registration statement from the United States Securities and Exchange Commission. STI is contemplating other options to become a publicly traded company. The Company intends to pursue issuance of the property dividend upon STI obtaining its public listing. At this time, no date has been established for such listing.

As part of the August 27, 2004 \$8,500,000 funding by Cornell, the Company transferred \$5,000,000 of the note balance into debt under the \$100 million SEDA in February 2005. \$3,900,000 of the \$5,000,000 due under the \$100 million SEDA as of March 31, 2005 was converted into 15,923,684 shares of common stock subsequent to March 31, 2005. The remaining principal balance on the \$8,500,000 note payable was \$1,300,000 as of March 31, 2005, and it was transferred into debt under the \$100 million SEDA and was fully converted into 4,909,091 shares of common stock subsequent to March 31, 2005.

As part of the February 22, 2005 \$1,500,000 funding by Cornell, \$1,500,000 remains outstanding under the \$100 million SEDA as of March 31, 2005. No part of the debt was converted into shares of common stock subsequent to March 31, 2005.

BAGELL, JOSEPHS & COMPANY, L.L.C.
Certified Public Accountants

High Ridge Commons
Suites 400-403
200 Haddonfield Berlin Road
Gibbsboro, New Jersey 08026
(856) 346-2828 Fax (856) 346-2882

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Mobilepro Corp. and Subsidiaries
Bethesda, Maryland

We have audited the accompanying consolidated balance sheets of Mobilepro Corp. and Subsidiaries as of March 31, 2004 and 2003 and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for the years then ended. 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 have conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mobilepro Corp. and Subsidiaries as of March 31, 2004 and 2003 and the results of its operations, changes in stockholders' equity (deficit) and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BAGELL, JOSEPHS & COMPANY, L.L.C.
BAGELL, JOSEPHS & COMPANY, L.L.C.
Certified Public Accountants
Gibbsboro, New Jersey
June 23, 2004

MEMBER OF: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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MOBILEPRO CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2004 AND 2003

ASSETS

	<u>2004</u>	<u>2003</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,955,607	\$ 6,715
Accounts receivable, net	139,553	—
Prepaid expenses and other current assets	10,983	9,518
	<u>2,106,143</u>	<u>16,233</u>
Total Current Assets	<u>2,106,143</u>	<u>16,233</u>
 Fixed assets, net of depreciation	 <u>136,498</u>	 <u>36,469</u>
 OTHER ASSETS		
Other assets	2,837	—
Intangible assets, net of amortization	300,692	—
Goodwill, net of impairment	812,003	—
	<u>1,115,532</u>	<u>—</u>
 TOTAL ASSETS	 <u>\$ 3,358,173</u>	 <u>\$ 52,702</u>

The accompanying notes are an integral part of the consolidated financial statements.

MOBILEPRO CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
MARCH 31, 2004 AND 2003

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	<u>2004</u>	<u>2003</u>
CURRENT LIABILITIES		
Current portion of convertible debentures - officers	\$ —	\$ 30,000
Current portion of note payable - Maryland Department of Business and Economic Development	7,000	4,500
Current portion of long-term debt	51,883	—
Notes payable - bank	4,750	—
Notes payable - sellers	—	75,000
Notes payable - other	—	100,000
Convertible debentures - other	—	215,000
Equity line of credit	1,800,000	160,000
Deferred revenue	58,202	—
Accounts payable and accrued expenses	589,819	1,234,880
	<u>2,511,654</u>	<u>1,819,380</u>
Total Current Liabilities		
	<u>2,511,654</u>	<u>1,819,380</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current maturities	560,200	—
Convertible debentures - officers- net of current portion	—	247,617
Note payable - Maryland Department of Business and Economic Development - net of current portion	—	95,500
	<u>560,200</u>	<u>343,117</u>
Total Long-Term Liabilities		
	<u>560,200</u>	<u>343,117</u>
TOTAL LIABILITIES	<u>3,071,854</u>	<u>2,162,497</u>
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, \$.001 par value, authorized 5,000,000 shares, and 35,425 shares issued and outstanding at March 31, 2004 and 2003, respectively	35	35
Common stock, \$.001 par value, authorized 600,000,000 shares at March 31, 2004 and 2003, and 220,493,159 and 30,175,122 shares issued and outstanding, respectively	220,493	30,175
Additional paid-in capital	15,902,619	11,538,979
Accumulated deficits	(15,836,828)	(13,678,984)
	<u>286,319</u>	<u>(2,109,795)</u>
Total Stockholder's Equity (Deficit)		
	<u>286,319</u>	<u>(2,109,795)</u>

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$	3,358,173	\$	52,702
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The accompanying notes are an integral part of the consolidated financial statements.

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MOBILEPRO CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES		
Revenue	\$ 311,355	\$ —
COSTS OF REVENUES	<u>117,349</u>	<u>—</u>
GROSS PROFIT	<u>194,006</u>	<u>—</u>
OPERATING EXPENSES		
Professional fees and compensation expenses	1,577,782	2,250,229
Advertising and marketing expenses	36,995	26,034
Research and development costs	1,620	8,495
General and administrative expenses	186,599	80,426
Office rent and expenses	105,142	86,068
Travel and meals expenses	48,020	12,562
Depreciation and amortization	21,000	15,352
Total Operating Expenses	<u>1,977,158</u>	<u>2,479,166</u>
LOSS BEFORE OTHER INCOME (EXPENSE)	(1,783,152)	(2,479,166)
OTHER INCOME (EXPENSE)		
Amortization of discount and interest on conversion of debt	(353,342)	(53,151)
Interest expense	(21,350)	(48,698)
Impairment of goodwill	—	(7,190,374)
Total Other Income (Expense)	<u>(374,692)</u>	<u>(7,292,223)</u>
NET LOSS BEFORE PROVISION FOR INCOME TAXES	(2,157,844)	(9,771,389)
Provision for Income Taxes	<u>—</u>	<u>—</u>
NET LOSS APPLICABLE TO COMMON SHARES	<u>\$ (2,157,844)</u>	<u>\$ (9,771,389)</u>
NET LOSS PER BASIC AND DILUTED SHARES	<u>\$ (0.02)</u>	<u>\$ (0.45)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	<u>111,591,658</u>	<u>21,802,658</u>

The accompanying notes are an integral part of the consolidated financial statements.

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MOBILEPRO CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003

	Common Stock		Preferred Stock		Additional	Accumulated	
	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	E
BALANCE - APRIL 1, 2002	4,175,492	\$ 4,176	35,425	\$ 35	\$ 3,596,613	\$ (3,907,595)	\$
Shares issued in merger with NeoReach acquisition	12,352,129	12,352	—	—	6,534,276	—	—
Shares issued for consulting	690,000	690	—	—	316,710	—	—
Shares issued for equity line conversion	784,314	784	—	—	516,863	—	—
Shares issued for cash	160,000	160	—	—	38,840	—	—
Shares issued for consulting	145,000	145	—	—	65,105	—	—
Shares issued for consulting	500,000	500	—	—	219,500	—	—
Shares issued for cash	100,000	100	—	—	24,900	—	—
Shares issued for cash	150,000	150	—	—	14,850	—	—
Shares issued for consulting	209,853	210	—	—	62,746	—	—
Shares issued for salary	150,000	150	—	—	14,850	—	—
Shares							

issued for services	100,000	100	—	—	24,900	—
Shares issued in escrow agreement	10,000,000	10,000	—	—	(10,000)	—
Shares issued for services	658,334	658	—	—	25,675	—
Shares exchanged from escrow to pay debt	—	—	—	—	93,151	—
Net loss for the year ended March 31, 2003	—	—	—	—	—	(9,771,389)
BALANCE MARCH 31, 2003	30,175,122	\$ 30,175	35,425	\$ 35	\$ 11,538,979	\$ (13,678,984)

The accompanying notes are an integral part of the consolidated financial statements.

MOBILEPRO CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003

	<u>Common Stock</u>		<u>Preferred Stock</u>		<u>Accumulated</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Deficit</u>
BALANCE - APRIL 1, 2003	30,175,122	\$ 30,175	35,425	\$ 35	\$
Shares issued as compensation	350,000	350	—	—	—
Shares issued under MOU agreement	3,500,000	3,500	—	—	—
Shares issued in conversion of debentures	16,130,887	16,131	—	—	—
Shares issued in conversion of advances	17,057,971	17,058	—	—	—
Shares issued in acquisition of DFW Internet Services, Inc.	18,761,726	18,762	—	—	—
Shares issued in escrow agreement	134,517,453	134,517	—	—	—
Accounts payable settlements with vendors	—	—	—	—	—
Net loss for the year ended March 31, 2004	—	—	—	—	—
BALANCE MARCH 31, 2004	220,493,159	\$ 220,493	35,425	\$ 35	\$

The accompanying notes are an integral part of the consolidated financial statements.

MOBILEPRO CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003

	2004	2003
	<u> </u>	<u> </u>
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss	\$ (2,157,844)	\$ (9,771,389)
	<u> </u>	<u> </u>
Adjustments to reconcile net loss to net cash		
(used in) operating activities:		
Depreciation and amortization	21,000	15,352
Common stock issued for services, compensation and conversion of debt and loss on conversion	77,000	1,249,586
Impairment of goodwill	—	7,190,374
Amortization of discount and interest on conversion of debt	353,342	53,151
Cash received in acquisition of subsidiaries	47,756	—
	<u> </u>	<u> </u>
Changes in assets and liabilities		
(Increase) decrease in other current assets	(1,465)	13,194
Decrease in accounts receivable	17,215	—
(Decrease) in deferred revenue	(8,222)	—
Increase (decrease) in accounts payable and and accrued expenses	(647,536)	428,938
	<u> </u>	<u> </u>
Total adjustments	(140,910)	8,950,595
	<u> </u>	<u> </u>
Net cash (used in) operating activities	(2,298,754)	(820,794)
	<u> </u>	<u> </u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for Internet Express, Inc.	(350,000)	—
Capital expenditures	(999)	—
	<u> </u>	<u> </u>
Net cash (used in) investing activities	(350,999)	—
	<u> </u>	<u> </u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from common stock issuances	—	79,000
Proceeds from convertible debentures-other and equity line of credit	4,785,000	415,000
Proceeds from borrowings, net	(37,500)	—
Payments of convertible debenture - other	(50,000)	—
Change in convertible debentures - officers, net	(97,617)	233,355
Payments of long-term debt	(1,238)	—
Proceeds from long-term debt	—	100,000
	<u> </u>	<u> </u>
Net cash provided by financing activities	4,598,645	827,355
	<u> </u>	<u> </u>

The accompanying notes are an integral part of the consolidated financial statements.

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MOBILEPRO CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,948,892	6,561
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>6,715</u>	<u>154</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>\$ 1,955,607</u>	<u>\$ 6,715</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:		
Issuance of common stock for:		
Services and compensation and conversion of debt	<u>\$ 77,000</u>	<u>\$ 1,249,586</u>
Conversion of equity line of credit to stock	<u>\$ 3,145,000</u>	<u>\$ 40,000</u>
Conversion of convertible debentures - other	<u>\$ 165,000</u>	<u>\$ —</u>
Conversion of payables	<u>\$ 9,000</u>	<u>\$ —</u>
Conversion of convertible debentures - other	<u>\$ 180,000</u>	<u>\$ —</u>
Amortization of discount and interest on conversion of debt	<u>\$ 353,342</u>	<u>\$ 53,151</u>
Acquisition of DFW Internet Services, Inc.	<u>\$ 500,000</u>	<u>\$ —</u>
Impairment of goodwill	<u>\$ —</u>	<u>\$ 7,190,374</u>
Goodwill acquired in DFW Internet Services, Inc. acquisition	<u>\$ 525,185</u>	<u>\$ —</u>
Settlement of accounts payable, and other current liabilities	<u>\$ 374,616</u>	<u>\$ —</u>
Acquisition of NeoReach, Inc.		
Fair value of common stock and additional paid-in capital issued for NeoReach, Inc.	<u>\$ —</u>	<u>\$ 6,546,628</u>
Acquisition of DFW Internet Services, Inc. and Internet Express, Inc.		
Fair value of net assets at acquisition date	\$ 397,756	\$ —
Less: Cash paid for Internet Express, Inc.	<u>(350,000)</u>	<u>—</u>
Cash received in acquisition of subsidiaries	<u>\$ 47,756</u>	<u>\$ —</u>

The accompanying notes are an integral part of the consolidated financial statements.

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MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2004 AND 2003

NOTE 1- ORGANIZATION AND BASIS OF PRESENTATION

Mobilepro Corp., formerly Craftclick.com, Inc., was incorporated under the laws of the State of California in January 1999, as BuyIT.com, Inc. ("Buyit"). From inception through March 31, 1999, the Company engaged in preliminary activities related to the set up of an Internet auction business. On April 16, 1999, the Company entered into an Agreement and Plan of Reorganization ("Plan") with Tecon, Inc. ("Tecon"), a Utah corporation, wherein all of the outstanding shares and subscriptions of BuyIt were exchanged for 8,500,000 shares (for the outstanding shares of common stock of Tecon), and 245,997 shares (for the outstanding subscriptions) of common stock of Tecon. At the conclusion of all the transactions contemplated in the Plan, BuyIT shareholders and subscribers owned 8,745,997 shares of total outstanding shares of 12,179,249, or 71.9%, the survivor in the aforementioned combination was Tecon. However, the name of the surviving company was changed to BuyIt.com, Inc., simultaneously with the Plan. The combination of these two entities had been accounted for as a purchase. The Company changed its name to Craftclick.com, Inc., on January 4, 2000, as a result of changing its business strategy and focus, which was to become the premier destination for buyers and sellers of arts and crafts products and supplies through the use of Internet websites. However, the Company disposed of substantially all assets in February of 2001 when secured creditors foreclosed on loans to the Company.

In April 2001, Craftclick.com, Inc. reorganized pursuant to a Plan of Merger wherein its domicile was changed from Utah to Delaware, and the common stock was reverse split on the basis of 1 new share for every 100 shares outstanding.

On June 6, 2001, Craftclick.com, Inc. merged with Mobilepro Corp. a Delaware corporation as of June 1, 2001. Under the merger agreement, Mobilepro Corp. merged into Craftclick.com, Inc. with Craftclick being the surviving corporation and the Certificate of Incorporation and By Laws of Craftclick being the constituent documents of the surviving corporation.

In July 2001, the Company changed its name to Mobilepro Corp.

On March 21, 2002, Mobilepro entered into an Agreement and Plan of Merger with NeoReach, Inc., a private Delaware company pursuant to which a newly-formed wholly-owned subsidiary of Mobilepro merged into NeoReach in a tax-free transaction. NeoReach is a development stage company designing modem solutions to support third generation (3G) wireless communications systems. The merger was consummated on April 23, 2002. As a result of the merger, NeoReach is now a wholly-owned subsidiary of Mobilepro. On April 23, 2002, the company issued 12,352,129 shares of its common stock pursuant to the Agreement. This was a cashless transaction. The Board of Directors determined the consideration to be a fair compensation to the NeoReach shareholders. The issuance of the shares were valued at a fair value of \$6,546,628, based on the last trading price of \$0.53 and assuming there was actual active trading of the stock at that time.

On March 12, 2003, the Company amended its Articles of Incorporation and pursuant to a board resolution, increased the authorized level of common stock from 50,000,000 to 600,000,000. In addition, the Company increased the shares authorized under its 2001 Equity Performance Plan from 1,000,000 to 6,000,000.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 1- ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

In March 2004, the Company issued 18,761,726 shares of common stock to the holders of DFW Internet Services, Inc. in a share exchange for 100% of DFW Internet Services, Inc. common stock pursuant to a Stock Purchase Agreement, dated January 19, 2004. A newly formed, wholly-owned subsidiary of Mobilepro merged into DFW Internet Services, Inc. in a tax-free exchange transaction. The merger was consummated on January 19, 2004. As a result of the merger, DFW Internet Services, Inc. is now a wholly-owned subsidiary of Mobilepro. The issuances of the shares were valued at a fair value of \$500,000, based on the average 20 day closing price (\$0.02665) prior to January 19, 2004.

Also, effective March 1, 2004, DFW Internet Services, Inc. acquired Internet Express, Inc., an internet service provider in southeast Texas for \$650,000 in cash and promissory notes.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Development Stage Company

From April 23, 2002 to December 31, 2003, the Company devoted substantially all of its efforts to researching and developing technology for the third generation wireless market. Before the acquisition of NeoReach, Inc., Mobilepro Corp. focused on the integration and marketing of complete mobile information solutions to the business market through strategic partnership with established firms already delivering information technology consulting, wireless service and vertical market application products and services. From this time through December 31, 2003, the Company was a development stage company.

The Company in January 2004 acquired a national internet service provider in Texas, and with this acquisition subsequently emerged from the development stage. In March 2004 and subsequent to the year ending March 31, 2004, the Company acquired additional internet service providers and entered into additional letters of intent to acquire internet service providers and telecommunication companies. The acquisitions and letters of intent continue to expand the Company's footprint and provide additional products and services to the existing and future customer base.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments and other short-term investments with an initial maturity of three months or less to be cash or cash equivalents.

The Company maintains cash and cash equivalents with a financial institution that periodically exceed the limit of insurability under Federal Deposit Insurance Corporation. At March 31, 2004, the cash balance exceeded the insured limits by \$1,890,962.

Revenue Recognition

The Company in January 2004 emerged from the development stage with the acquisition of DFW Internet Services, Inc. and for the year ended and quarter ended March 31, 2004 recognized \$311,355 in revenues. The Company, as it relates to internet services recognizes income when the services are rendered and collection is reasonably assured and recognizes deferred revenues on services the Company pre-bills.

Revenue from product sales that contain embedded software will be recognized in accordance with the provisions of the American Institute of Certified Public Accountants Statement of Position 97-2, "Software Revenue Recognition."

Revenue from product sales will be recognized based on the type of sale transactions as follows:

Shipments to Credit-Worthy Customers with No Portion of the Collection Dependent on Any Future Event: Revenues will be recorded at the time of shipment.

Shipments to a Customer without Established Credit: These transactions are primarily shipments to customers who are in the process of obtaining financing and to whom the Company has granted extended payment terms. Revenues will be deferred (not recognized) and no receivable will be recorded until a significant portion of the sales price is received in cash.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Shipments where a portion of the Revenue is Dependent Upon Some Future Event: These consist primarily of transactions involving value-added resellers ("VAR") to an end user. Under these agreements, revenues will be deferred and no receivable will be recorded until a significant portion of the sales price is received in cash. On certain transactions, a portion of the payment is contingent upon installation or customer acceptance.

Upon non-acceptance, the Customer may have a right to return the product. The Company will not recognize revenue on these transactions until these contingencies have lapsed.

Certain of the Company's product sales are sold with maintenance/service contracts. The Company will allocate revenues to such maintenance/service contracts based on vendor-specific objective evidence of fair value as determined by the Company's renewal rates. Revenue from maintenance/service contracts will be deferred and recognized ratably over the period covered by the contract.

Income Taxes

Effective July 14, 2000, the Company adopted the provisions of Statement of Financial Accounting Standards No. 109 (the Statement), Accounting for Income Taxes. The Statement requires an asset and liability approach for financial accounting and reporting for income taxes, and the recognition of deferred tax assets and liabilities for the temporary differences between the financial reporting bases and tax bases of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled.

Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, and accounts payable approximate fair value because of the immediate or short-term maturity of these financial instruments.

Advertising Costs

The Company expenses the costs associated with advertising as incurred. Advertising and promotional expenses were approximately \$36,995 and \$26,034 for the years ended March 31, 2004 and 2003, respectively.

Fixed Assets

Furniture and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets (Continued)

When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments.

Reclassifications

Certain amounts in the March 31, 2003 financial statements were reclassified to conform to the March 31, 2004 presentation. The reclassifications in March 31, 2003 resulted in no changes to the accumulated deficits.

Accounts Receivable

The Company conducts business and extends credit based on an evaluation of the customers' financial condition, generally without requiring collateral. Exposure to losses on receivables is expected to vary by customer due to the financial condition of each customer. The Company monitors exposure to credit losses and maintains allowances for anticipated losses considered necessary under the circumstances.

Segment Information

The Company follows the provisions of SFAS No. 131, "*Disclosures about Segments of an Enterprise and Related Information*". This standard requires that companies disclose operating segments based on the manner in which management disaggregates the Company in making internal operating decisions.

Earnings (Loss) Per Share of Common Stock

Historical net income (loss) per common share is computed using the weighted average number of common shares outstanding. Diluted earnings per share (EPS) includes additional dilution from common stock equivalents, such as stock issuable pursuant to the exercise of stock options and warrants. Common stock equivalents were not included in the computation of diluted earnings per share when the Company reported a loss because to do so would be antidilutive for periods presented.

The following is a reconciliation of the computation for basic and diluted EPS:

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MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Earnings (Loss) Per Share of Common Stock (Continued)

	March 31, 2004	March 31, 2003
Net loss	\$(2,157,844)	\$(9,771,389)
Weighted-average common shares Outstanding (Basic)	111,591,658	21,802,658
Weighted-average common stock Equivalents		
Stock options	—	—
Warrants	—	—
Weighted-average common shares Outstanding (Diluted)	111,591,658	21,802,658

Options and warrants outstanding to purchase stock were not included in the computation of diluted EPS for March 31, 2004 and 2003 because inclusion would have been antidilutive.

Goodwill and Other Intangible Assets

In June 2001, the FASB issued Statement No. 142 "Goodwill and Other Intangible Assets". This statement addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, Intangible Assets. It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. This Statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. The Company in its acquisitions of their internet providers recognized \$812,003 of goodwill. In addition, DFW Internet Services, Inc. in its acquisition of Internet Express, Inc. acquired \$302,766 in other intangible assets. The Company is amortizing the other intangible assets over a fifteen year period, and has performed its annual impairment test for the goodwill and has determined that there is no impairment of the goodwill as of March 31, 2004.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Stock-Based Compensation

Employee stock awards under the Company's compensation plans are accounted for in accordance with Accounting Principles Board Opinion No. 25 ("APB 25"), *"Accounting for Stock Issued to Employees"*, and related interpretations. The Company provides the disclosure requirements of Statement of Financial Accounting Standards No. 123, *"Accounting for Stock-Based Compensation"* ("SFAS 123"), and related interpretations. Stock-based awards to non-employees are accounted for under the provisions of SFAS 123 and has adopted the enhanced disclosure provisions of SFAS No. 148 *"Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of SFAS No. 123"*.

The Company measures compensation expense for its employee stock-based compensation using the intrinsic-value method. Under the intrinsic-value method of accounting for stock-based compensation, when the exercise price of options granted to employees is less than the estimated fair value of the underlying stock on the date of grant, deferred compensation is recognized and is amortized to compensation expense over the applicable vesting period. In each of the periods presented, the vesting period was the period in which the options were granted. All options were expensed to compensation in the period granted rather than the exercise date.

The Company measures compensation expense for its non-employee stock-based compensation under the Financial Accounting Standards Board (FASB) Emerging Issues Task Force (EITF) Issue No. 96-18, *"Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services"*. The fair value of the option issued is used to measure the transaction, as this is more reliable than the fair value of the services received. The fair value is measured at the value of the Company's common stock on the date that the commitment for performance by the counterparty has been reached or the counterparty's performance is complete. The fair value of the equity instrument is charged directly to compensation expense and additional paid-in capital.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Recent Accounting Pronouncements

On October 3, 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), that is applicable to financial statements issued for fiscal years beginning after December 15, 2001. The FASB's new rules on asset impairment supersede SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and portions of Accounting Principles Board Opinion 30, "Reporting the Results of Operations." This Standard provides a single accounting model for long-lived assets to be disposed of and significantly changes the criteria that would have to be met to classify an asset as held-for-sale. Classification as held-for-sale is an important distinction since such assets are not depreciated and are stated at the lower of fair value and carrying amount. This Standard also requires expected future operating losses from discontinued operations to be displayed in the period (s) in which the losses are incurred, rather than as of the measurement date as presently required.

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections. This statement rescinds SFAS No. 4, Reporting Gains and Losses from Extinguishment of Debt, and an amendment of that statement, SFAS No. 44, Accounting for Intangible Assets of Motor Carriers, and SFAS No. 64, Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements. This statement amends SFAS No. 13, Accounting for Leases, to eliminate inconsistencies between the required accounting for sales-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sales-leaseback transactions.

Also, this statement amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. Provisions of SFAS No. 145 related to the rescissions of SFAS No. 4 were effective for the Company on November 1, 2002 and provisions affecting SFAS No. 13 were effective for transactions occurring after May 15, 2002. The adoption of SFAS No. 145 did not have a significant impact on the Company's results of operations or financial position.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Recent Accounting Pronouncements (Continued)

In June 2003, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. This statement covers restructuring type activities beginning with plans initiated after December 31, 2002. Activities covered by this standard that are entered into after that date will be recorded in accordance with provisions of SFAS No. 146. The adoption of SFAS No. 146 did not have a significant impact on the Company's results of operations or financial position.

In December 2002, the FASB issued Statement No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of FASB Statement No. 123" ("SFAS 148"). SFAS 148 amends FASB Statement No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of that Statement to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. Finally, this Statement amends Accounting Principles Board ("APB") Opinion No. 28, "Interim Financial Reporting", to require disclosure about those effects in interim financial information. SFAS 148 is effective for financial statements for fiscal years ending after December 15, 2002. The Company will continue to account for stock-based employee compensation using the intrinsic value method of APB Opinion No. 25, "Accounting for Stock Issued to Employees," but has adopted the enhanced disclosure requirements of SFAS 148.

In April 2003, the FASB issued SFAS Statement No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. This Statement is effective for contracts entered into or modified after June 30, 2003, except for certain hedging relationships designated after June 30, 2003. Most provisions of this Statement should be applied prospectively. The adoption of this statement did not have a significant impact on the Company's results of operations or financial position.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Recent Accounting Pronouncements (Continued)

In May 2003, the FASB issued SFAS Statement No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of nonpublic entities, if applicable. It is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of the Statement and still existing at the beginning of the interim period of adoption. The adoption of this statement did have a significant impact on the Company's results of operations or financial position.

In November 2002, the FASB issued Interpretation No. 45 ("FIN 45"), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN 45 requires a company, at the time it issues a guarantee, to recognize an initial liability for the fair value of obligations assumed under the guarantees and elaborates on existing disclosure requirements related to guarantees and warranties. The recognition requirements are effective for guarantees issued or modified after December 31, 2002 for initial recognition and initial measurement provisions. The adoption of FIN 45 did not have a significant impact on the Company's results of operations or financial position.

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51. FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. The adoption of FIN 46 did not have a significant impact on the Company's results of operations or financial position.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 3- FIXED ASSETS

Property and equipment as of March 31, 2004 and 2003 were as follows:

	Estimated Useful Lives (Years)	2004	2003
Furniture and fixtures	7	\$ 9,379	\$ -
Machinery and equipment	5	371,437	78,261
Leasehold improvements	7	2,141	-
Vehicles	5	77,296	-
		460,253	78,261
Less accumulated depreciation		323,755	41,792
Property and equipment, net		\$ 136,498	\$ 36,469

There was \$18,926 and \$15,352 charged to operations for depreciation expense for the years ended March 31, 2004 and 2003, respectively. The Company acquired \$51,821 of net fixed assets from NeoReach, Inc. in its acquisition of its subsidiary. The Company also acquired \$117,956 in fixed assets during the year from DFW Internet Services, Inc. and Internet Express, Inc.

NOTE 4- NOTE PAYABLE – MARYLAND DEPARTMENT OF BUSINESS & ECONOMIC DEVELOPMENT

The Company entered into an agreement with the Maryland Department of Business and Economic Development (“DBED”) in the amount of \$100,000, which represented DBED’s investment in the Challenge Investment Program (“CIP Agreement”) dated March 29, 2001. The term of the CIP Agreement was to extend through June 30, 2011. Beginning April 30, 2002 and continuing annually thereafter until April 30, 2011, the Company was to make a payment (the “Equity Financing Payment”) which was to equal 1% of the Company’s Aggregate Equity Financing Amount for the year immediately preceding the April 30th payment date greater than \$500,000, not to exceed \$300,000. The Aggregate Equity Financing Amount meant the total amount of capital raised by the Company through the sale, transfer, or exchange of its stock, options, warrants or any security convertible into its stock, options, or warrants during the calendar year immediately preceding the April 30th payment date.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 4- NOTE PAYABLE - MARYLAND DEPARTMENT OF BUSINESS & ECONOMIC DEVELOPMENT (CONTINUED)

In March 2004, the Company reached an agreement with DBED to accept payment of \$7,000 for a full release of terms relating to the CIP

Agreement. The outstanding balance at March 31, 2004 is \$7,000. This payment was made by the Company in April 2004. This liability is reflected as a current liability on the consolidated balance sheet at March 31, 2004.

NOTE 5- NOTE PAYABLE - BANK

The Company entered into a bank loan for \$5,000 to purchase equipment in October 2003. The note accrued interest at an annual rate of 9% per annum and matures October 1, 2004. The balance at March 31, 2004 is \$4,750.

NOTE 6- CONVERTIBLE DEBENTURES-OTHER

The Company on May 31, 2002, entered into a Securities Purchase Agreement with certain investors pursuant to which the Company issued and sold \$250,000 of convertible debentures. The debentures accrue interest at the rate of four percent (4%) per year and are convertible at the holder's option. Holders of the debentures have certain registration rights with respect to the resale of common stock received upon conversion of the debentures. The term of the debentures is five years. As of March 31, 2004 and 2003 there was \$-0- and \$215,000 outstanding, respectively. All debentures were paid back in cash and common stock. The Company recognized \$41,585 in amortization of discount and interest on the debt conversions.

NOTE 7- EQUITY LINE OF CREDIT

On May 31, 2002, the Company entered into an Equity Line of Credit arrangement with Cornell Capital Partners, L.P. that was terminated on October 16, 2002 and re-entered on the same day October 16, 2002. This agreement was in turn terminated on February 6, 2003 and re-entered the same day February 6, 2003. The Equity Line of Credit provides generally, that Cornell will purchase up to \$10 million of common stock over a two-year period, with the time and amount of such purchases, if any, at the Company's discretion. Cornell Capital will purchase the shares at a 9% discount to the prevailing market price of the common stock.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 7- EQUITY LINE OF CREDIT (CONTINUED)

There are certain conditions applicable to the Company's ability to draw down on the \$10 million Equity Line of Credit including the filing and effectiveness of a registration statement registering the resale of all shares of common stock that may be issued to Cornell under the \$10 million Equity Line of Credit and the Company's adherence with certain covenants. The registration statement became effective May 9, 2003.

In the event Cornell Capital holds more than 9.9% of the then-outstanding common stock of the Company, the Company will be unable to draw down on the \$10 million Equity Line of Credit.

In the year ended March 31, 2003, the Company drew \$200,000 from Cornell Capital Partners, L.P in accordance with the \$10 million Equity Line of Credit and advanced 10,000,000 shares of its common stock to the escrow agent of which at March 31, 2003, 4,520,548 remained outstanding. As of March 31, 2003 there was \$160,000 outstanding on the note. This amount was fully converted into shares of common stock in the quarter ended June 30, 2003 to common stock.

In the year ended March 31, 2004, the Company drew \$4,785,000 from Cornell Capital Partners, L.P in accordance with the \$10 million Equity Line of Credit and advanced 134,517,453 shares of its common stock to the escrow agent as part of these loans. As of March 31, 2004, \$1,800,000 remains outstanding and 118,351,914 shares of common stock were converted for the year ended March 31, 2004.

NOTE 8- LONG-TERM DEBT

Long-term Debt – Former Officers

In February, 2002, as part of the Company's President's private purchase of stock, the Company entered into two (2) promissory notes of \$37,500 each (\$75,000 total) with the seller and a related entity to the seller. These notes were due September 1, 2002 at an annual rate of 5% interest and accelerated to 15% due to nonpayment on September 1, 2002. The Company paid one of the \$37,500 notes with interest in September 2003, and paid the remaining note of \$37,500 in March, 2004. Interest expense on the two (2) promissory notes for the years ended March 31, 2004 and 2003 was \$7,749 and \$9,927, respectively.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 8- LONG-TERM DEBT (CONTINUED)

Long-term Debt – ISP Acquisitions

DFW Internet Services, Inc. entered into four (4) promissory notes with the prior owners of Internet Express, Inc. for an aggregate principal amount of \$300,000. The notes were made as of March 1, 2004 and mature March 1, 2006. DFW Internet Services, Inc. has agreed to pay a monthly amount of \$5,000 inclusive of interest towards the principal balance of \$300,000 with the remaining \$180,000 to be paid by the maturity date. Interest on these notes will accrue at an annual rate of 6% percent per annum. The monthly payments will first be applied to interest and the remaining portion will be a reduction of the principal balance. The payments are to commence on April 1, 2004. The balance at March 31, 2004 on these promissory notes are \$300,000. There is no interest expense on these notes for the year ended March 31, 2004. Of the total amount outstanding \$43,800 is reflected as a current liability and the remaining \$256,200 is due March 1, 2006.

Long-term Debt – Put Agreements

The Company and DFW Internet Services, Inc. and the former owners of DFW Internet Services, Inc. entered into Put Agreements as of January 19, 2004. The Put Agreements give the former owners of DFW Internet Services, Inc. the right to have the Company repurchase all, but not less than all, of the common stock issued to the former owners. The aggregate purchase price under the Put Agreement is \$250,000. This put right is exercisable at anytime within 60 days after the third anniversary of the execution of the Put Agreement (March 20, 2007). The Company has classified this liability as a long-term liability on its consolidated financial statements in accordance with SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("FASB 150"). Pursuant to FASB 150, a financial instrument, other than an outstanding share, that, at inception, embodies an obligation to repurchase the issuer's equity shares, or is indexed to such an obligation, and that requires or may require the issuer to settle the obligation by transferring assets, such as a put option on the issuer's equity shares that is to be physically settled or net cash settled, should be classified as a liability.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 8- LONG-TERM DEBT (CONTINUED)

Long-term Debt – Vehicle

DFW Internet Services, Inc. entered into a note for the purchase of a company vehicle in May 2003.

The note is a three-year note that matures in April 2006 with a balloon payment of approximately \$45,000. The note carries an annual percentage rate of 7.25% and the payments including interest are \$932.85 per month.

The Company's maturities over the next three years and in the aggregate are expected to be as follows:

March 31,

2005	\$ 8,083
2006	9,000
2007	45,000

	<u>\$ 62,083</u>
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NOTE 9- OFFICERS ADVANCES/ CONVERTIBLE DEBENTURES - OFFICERS

The amounts represent advances to and from officers of the Company. These advances through March 31, 2003 were interest-free and were anticipated to be repaid in the next year. The advances were necessary to cover working capital deficiencies.

Pursuant to these advances, on May 16, 2003, the Company entered into two (2) separate 4% convertible debentures with two officers who advanced the Company the \$277,617. The debentures are due May 15, 2005. The terms of the convertible debentures are that the Company will accrue interest at 4% per annum retroactive to the date of the advances, and that accrued interest plus the principal advanced shall be either (a) paid to the holder on the second year anniversary (May 15, 2005) or (b) converted from time to time until payment in full in accordance with the conversion terms as stipulated in the debenture. In the year ended March 31, 2004, the Company paid out \$97,617 and converted the outstanding \$180,000 to equity. As of March 31, 2004, there are no amounts outstanding.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 10- STOCKHOLDERS' EQUITY (DEFICIT)

Common Stock

As of March 31, 2004 and 2003, the Company has 600,000,000 shares of common stock authorized and 220,493,159 and 30,175,122 issued and outstanding, respectively.

Additionally, the Company has 6,000,000 shares of common stock authorized under its 2001 Equity Performance Plan.

The following details the stock transactions for the year ended March 31, 2003.

On April 23, 2002, the Company issued 12,352,129 shares of our common stock to the holders of NeoReach's common stock pursuant to an Agreement and Plan of Merger, dated March 31, 2002. A newly formed, wholly-owned subsidiary of Mobilepro merged into NeoReach, in a tax-free one-for-one share exchange transaction. The merger was consummated on April 23, 2002. As a result of the merger, NeoReach is now a wholly-owned subsidiary of Mobilepro. The issuance of the shares were valued at a fair value of \$6,546,628, based on the last trading price of \$0.53 and assuming there was actual active trading of our stock at that time. The Company believes the issuance of the stock to be exempt from registration under Section 4(2) of the Securities Act.

On May 31, 2002, the Company issued a total of 690,000 shares of its common stock to the following parties: 450,000 shares to INFe, Inc., 150,000 shares to Thomas Richfield, 60,000 shares to Francine Goodman, and 30,000 shares to Triple Crown Consulting. These shares were issued for consulting services regarding the Mobilepro-NeoReach merger. The issuance of the shares was valued at \$317,400, the fair value of our stock at that time. The Company believes the value of the services provided were commensurate with the value of the stock issued. The Company believes the issuance of the stock to be exempt from registration under Section 4(2) of the Securities Act.

On June 10, 2002, the Company issued a total of 784,314 shares of the common stock to the following parties: 764,706 to Cornell Capital Partners, LP and 19,708 to Westrock Advisors, Inc. These shares were issued pursuant to an equity line of credit arrangement with Cornell Capital Partners, dated May 31, 2002. The issuance of the shares was valued at \$517,647, the fair value of our stock at that time. The Company believes the issuance of the stock to be exempt from registration under Section 4(2) of the Securities Act.

MOBILEPRO CORP. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2004 AND 2003

NOTE 10- STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

Common Stock (Continued)

On July 18, 2002, the Company issued a total of 305,000 shares of our common stock to various parties. 160,000 shares of the restricted common stock was issued to Daniel Lozinsky, a director of the Company, in a private sale for an aggregate cash consideration of \$39,000 based on a Board Resolution as of July 17, 2002. In addition, the Company also issued 20,000 shares of common stock under the 2001 Equity Performance Plan and 100,000 restricted common stock as compensation to Mark Johnson for various merger and acquisition related services and associated back office services in accordance with a Consulting Agreement dated July 17, 2002. The Company also issued 25,000 shares of restricted common stock as compensation to M. Johnson & Associates, Inc. for certain services in accordance with an Investor Relations Agreement dated July 17, 2002. The issuance of the shares was valued at \$65,250, the fair value of the stock at that time. The Company believes the value of the services provided were commensurate with the value of the stock issued. The Company believes the issuance of the stock to be exempt from registration under Section 4(2) of the Securities Act.

On July 26, 2002, the Company issued a total of 500,000 shares of its restricted common stock to Capital Research Group, Inc. for certain investor relations consulting services in accordance with a Consulting Group Agreement dated July 25, 2002. The issuance of the shares was valued at \$220,000, the fair value of the stock at that time. The Company believes the issuance of the stock to be exempt from registration under Section 4(2) of the Securities Act.

On September 4, 2002, the Company issued a total of 709,853 shares of its common stock to various parties. 100,000 shares were issued to Hee Han Bang, a non-affiliated and accredited/sophisticated investor in a private sale for an aggregate cash consideration of \$25,000. These shares were issued at \$0.25 per share based on a Board of Resolution fixing the value of the securities on and as of August 9, 2002. 150,000 shares of the common stock were issued to Daniel Lozinsky, a director of the Corporation, in a private sale for an aggregate cash consideration of \$15,000. These shares were issued based on a Board Resolution as of August 19, 2002. The Company issued a total of 209,853 shares of its common stock to INFe, Inc. based on a Board Resolution as of August 19, 2002. These shares were issued for consulting services in connection with the Mobilepro-NeoReach merger and a Reverse Merger Engagement Agreement dated January 11, 2002 between NeoReach, Inc. and INFe, Inc.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 10- STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

Common Stock (Continued)

The issuance of the shares was valued at \$62,956, the fair value of the stock at that time. The Company also granted a total of 250,000 shares of our restricted common stock to Parag Sheth, an executive of the Corporation. Parag Sheth was granted 150,000 shares of the Company's restricted common stock for forgiving a total of \$15,000 in salary corresponding to a price of \$0.10 per share and he was also granted 100,000 shares of the Company's restricted common stock as an inducement for providing services for the Corporation. These shares were issued based on a Board Resolution as of August 20, 2002 and the issuance of the shares was valued at \$25,000.

The Company believes the value of the services provided were commensurate with the value of the stock issued. The Company believes the issuance of the stock to be exempt from registration under Section 4(2) of the Securities Act.

On March 4, 2003 the Company issued 658,334 shares to Cornell Capital as a fee for a delayed filing of the SB2 registration statement. The fair value of the services was \$26,333.

In the year ended March 31, 2003, the Company issued 10,000,000 shares of common stock to the escrow agent for use in raising money on the \$10 million Equity Line of Credit. Of this amount, the Company converted 5,479,452 shares of common stock and converted \$40,000 of debt in total and recognized \$53,151 of amortization of discount and interest on debt conversions.

The following details the stock transactions for the year ended March 31, 2004.

On June 19, 2003, the Company issued 350,000 shares of common stock as compensation at a fair value of \$8,750.

On July 7, 2003, pursuant to the MOU between the Company and GBH Telecom, LLC, the Company issued 3,500,000 shares of common stock valued at \$68,250. As of September 30, 2003, the agreement with GBH Telecom, LLC was terminated.

Between May 2003 and August 2003, the Company issued 16,130,887 shares of common stock in conversion of \$165,000 of convertible debentures.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 10- STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

Common Stock (Continued)

In October 2003, the Company issued 391,304 shares of common stock in conversion of \$9,000 in advances that were funded to the Company.

In January 2004, the Company issued 16,666,667 shares of common stock in conversion of \$180,000 in officer advances that were funded to the Company.

In March 2004, the Company issued 18,761,726 shares of common stock to the holders of DFW Internet Services' common stock pursuant to a Stock Purchase Agreement, dated January 19, 2004. A newly formed, wholly-owned subsidiary of Mobilepro merged into DFW Internet Services, in a tax-free exchange transaction. The merger was consummated on January 19, 2004. As a result of the merger, DFW Internet Services is now a wholly-owned subsidiary of Mobilepro. The issuances of the shares were valued at a fair value of \$500,000, based on the average 20-day closing price (\$0.02665) prior to January 19, 2004.

In the year ended March 31, 2004, the Company issued 134,517,453 shares of common stock to the escrow agent for use in raising money on the \$10 million Equity Line of Credit. Of this amount, the Company converted 118,351,914 shares of common stock and converted \$3,145,000 of debt in total and recognized \$311,757 of amortization of discount and interest on debt conversions.

Preferred Stock

The Company has 5,000,000 shares of preferred stock authorized and 35,378 shares of preferred stock issued and outstanding as of March 31, 2004 and 2003, respectively. There were no issuances of preferred stock during the years ended March 31, 2004 and 2003, respectively.

Additional Paid-in Capital

During the year ended March 31, 2004, the Company negotiated and settled with a number of vendors as well as note holders which resulted in a reduction of accounts payable and a conversion to equity totaling \$374,616.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 10- STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

Stock Options and Warrants

The Company has authorized 6,000,000 shares under the 2001 Equity Performance Plan to be issued as options to employees of the Company. In addition, the Company from time to time has issued board resolutions to issue warrants to key personnel.

Under the Black-Scholes option pricing model, the total value of the stock options granted in 2003 is charged to operations as these options are fully vested. SFAS No. 123, "Accounting for Stock-Based Compensation", encourages adoption of a fair-value-based method for valuing the cost of stock-based compensation. However, it allows companies to continue to use the intrinsic-value method for options granted to employees and disclose pro forma net loss. 2,454,787 of these options vested as of March 31, 2004.

The following tables summarizes the activity of the Company's stock option plan:

	Year Ended March 31, 2004	
	Number of Options	Weighted- average exercise price
Outstanding – beginning of period	521,037	\$.123
Granted	4,000,000	.036
Exercised	(350,000)	(.02)
Outstanding – end of period	4,171,037	\$.04819
Exercisable at end of period:	2,454,787	\$.0458

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 10- STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

Stock Options and Warrants (Continued)

The Company has authorized 6,000,000 shares under the 2001 Equity Performance Plan to be issued as options to employees of the Company. In addition, the Company from time to time has issued board resolutions to issue warrants to key personnel.

Under the Black-Scholes option pricing model, the total value of the stock options granted in 2003 is charged to operations as these options are fully vested. SFAS No. 123, "Accounting for Stock-Based Compensation", encourages adoption of a fair-value-based method for valuing the cost of stock-based compensation. However, it allows companies to continue to use the intrinsic-value method for options granted to employees and disclose pro forma net loss. 2,454,787 of these options vested as of March 31, 2004.

The following tables summarizes the activity of the Company's stock option plan:

	Year Ended March 31, 2003	
	Number of Options	Weighted- average exercise price
Outstanding – beginning of period	521,037	\$.123
Granted	0	.00
Exercised	0	.00
Outstanding – end of period	521,037	\$.123
Exercisable at end of period:	479,787	\$.123

For disclosure purposes, the fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model, which approximates fair value, with the following weighted-average assumptions used for stock options granted in 2004; no annual dividends, volatility of 60%, risk-free interest rate of 4.50%, and expected life of 9.45 years.

If compensation expense for the Company's stock-based compensation plans had been determined consistent with SFAS 123, the Company's net income and net income per share including pro forma results would have been the amounts indicated below:

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 10- STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

Stock Options and Warrants (Continued)

	Year Ended March 31,	
	2004	2003
Net loss:		
As reported	(\$2,157,844)	(\$9,771,389)
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects		
Pro forma	(156,889)	(0)
	(\$2,314,733)	(\$9,771,389)
Net loss per share:		
As reported:		
Basic	(\$0.02)	(\$0.45)
Diluted	(\$0.02)	(\$0.45)
Pro forma:		
Basic	(\$0.02)	(\$0.45)
Diluted	(\$0.02)	(\$0.45)

The Company has issued 7,000,000 stock warrants in the year ended March 31, 2004. These warrants were issued in connection with board resolutions that the Company approved during the year.

The fair value of these warrants was estimated using the Black-Scholes pricing model with the following assumptions: interest rate 4.5%, dividend yield 0%, volatility 60% and expected life of five years.

The Company has the following warrants exercisable for the purchase of its common stock:

Exercise Price	Expiration Date	Year Ended March 31,	
		2004	2003
\$0.032	September, 2013	500,000	—
\$0.018	January 2014	6,500,000	—
		7,000,000	—
	Weighted average exercise price	\$0.019	\$0.00

In addition, all of these warrants are outstanding as of March 31, 2004.

Additionally, prior to 2004, no warrants had been issued by the Company.

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MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 11- PATENTS

As of March 31, 2004, the Company filed a total of six patent applications which were pending with the U.S. Patent and Trademark Office (PTO) in the area of "Smart Antenna" technology. As of March 31, 2004, the Company had been granted approval of five patents and one patent application is still pending approval. The five approved patents are as follows:

1. "Smart Antenna with Adaptive Convergence Parameter" with PTO Patent Number 6,369,757, issued April 9, 2002;
2. "A Smart Antenna With No Phase Calibration for CDMA Reverse Link" with PTO Patent Number 6,434,375 issued August 13, 2002;
3. "PN Code Acquisition with Adaptive Antenna Array and Adaptive Threshold for DS-CDMA Wireless Communication" with PTO Patent Number 6,404,803, issued June 11, 2002;
4. "New Cellular Architecture for Code Division Multiple Access SMOA Antenna Array Systems" with PTO Patent Number 6,459,895, issued October 1, 2002; and
5. "Direction of Arrival Angel Tracking Algorithm for Smart Antennas" with PTO Patent Number 6,483,459, issued date November 19, 2002.

"Improvement of PN Code Chip Time Tracking with Smart Antenna", a patent application filed on February 6, 2002 with Docket #3228-007-64 and serial number 10/066,762 is pending – awaiting first Office Action from Patent Office.

As of April 8, 2004, the Company filed a patent application which is pending with the U.S. Patent and Trademark Office (PTO). The patent application describes a technology that increases integration on a semiconductor chip for wireless communications. The new design is anticipated to allow for lower cost and more compact and efficient wireless communications.

NOTE 12- CONTINGENCY

For the year ended March 31, 2003, the Company issued its consolidated financial statements with a going concern uncertainty. Certain mitigating factors that have occurred in the year ended March 31, 2004 and subsequently, have resulted in management's ability to believe that current circumstances exist whereby the going concern uncertainty has been removed.

These mitigating factors include management receiving a commitment from Cornell Capital Partners, L.P. to provide the Company with up to \$100 million in financing under certain conditions and receiving funding in the past fiscal year from Cornell Capital Partners, L.P. under a prior \$10 million Equity Line of Credit. In addition, the Company in its fourth fiscal quarter has completed two acquisitions of internet service providers that will bring revenues and expects to bring cash flow into the Company from operations.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 12- CONTINGENCY (CONTINUED)

Subsequent to the year ended March 31, 2004, the Company has acquired additional internet service providers and entered into additional letters of intent to acquire internet service providers and telecommunication companies. The acquisitions and letters of intent continue to expand the Company's footprint and provide additional products and services to the existing and future customer base. The Company is also exploring other transactions that will fit its business model and assist the Company in executing its business plan.

NOTE 13- COMMITMENTS

In April 2002, NeoReach, Inc. established a technology alliance with Prime Circuits, Inc. Prime Circuits is a privately-held semiconductor developer based in Greenbelt, MD that specializes in ultra small, ultra low power analog, digital and hybrid chipsets. Prime Circuits' technology is currently in use in a number of NASA applications at Goddard Space Flight Center.

As part of the alliance, NeoReach will gain access to technical knowledge, personnel and low power semiconductor technology that NeoReach believes will greatly expand its digital modem suite. This solution targets the consumer handsets and network transmission base stations to support 3G communications. As of March 31, 2004, the Company has not determined the future course of action with respect to the Alliance.

On November 8, 2002, the Company entered into a sublease agreement with Amisys, L.L.C. The term of the lease was effective December 1, 2002 and terminates December 31, 2006. The lease was terminated in 2003 and no further commitments are due under the agreement.

The Company executed a Memorandum of Understanding (MOU) under which it intended to acquire GBH Telecom, LLC (GBH) in a tax-free stock swap transaction. Upon further due diligence by management, it was determined that this transaction was not in the best interest of the Company and negotiations were terminated.

The Company entered into a memorandum of understanding with Constellation Networks Corporation, a telecommunications transmission and Distribution Company headquartered in Michigan. The Company was to acquire Constellation in a transaction including both stock and cash in September 2003, however, subject to further due diligence the Company terminated the MOU. In January 2004, the Company announced that it was no longer pursuing the Constellation transaction.

The Company has entered into employment agreements with key members of management and some officers. Most of these employment agreements are for a period of two years.

Compensation earned by these employees has been properly reflected in the consolidated statements of operations for the years ended March 31, 2004 and 2003, respectively.

The Company has entered into letters of intent subsequent to March 31, 2004 with various internet service providers and telecommunications companies. The letters of intent usually expire within three months of issuance (See Note 17).

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 14- IMPAIRMENT OF GOODWILL

As part of the Company's acquisition of its subsidiary NeoReach, Inc., the Company recognized \$7,190,374 in goodwill which represented the excess of the fair value of the stock paid for the net assets received in accordance with FASB No. 142. Management has considered this goodwill to be completely impaired and is reflected in the consolidated statements of operations for the year ended March 31, 2003.

The Company in its acquisitions of their internet providers recognized \$812,003 of goodwill. The Company has performed its annual impairment test for the goodwill and has determined that there is no impairment of the goodwill as of March 31, 2004.

NOTE 15- LITIGATION/ LEGAL PROCEEDINGS

As of March 31, 2004, the Company was not party to any material legal proceedings.

Previously, the Company was party to the legal proceedings detailed below.

Mr. Tatcha Chulajata, a former employee of Mobilepro filed a formal complaint against the Company on October 29, 2002 with the State of Maryland, Department of Labor, Licensing and Regulation for a claim for unpaid wages. The employee claims a total of \$49,866.67 for unpaid wages from August 2001 through October 2002. The Company settled these claims and obtained full releases on October 2, 2003 dismissing the complaints. As of March 31, 2004, there are no amounts outstanding. Any amounts that the Company was able to settle representing savings to the Company have been included in additional paid in capital as an equity contribution.

Mobilepro and NeoReach, Inc. were served on December 31, 2002 with three complaints from former employees in the United States District Court for the District of Maryland seeking relief for failure to pay wages and breach of contract. The three plaintiffs are in three separate actions seeking relief of approximately \$59,334.67, \$65,383.34 and \$60,750.00, respectively. The Company settled these claims and obtained full releases in October 2003, dismissing the complaints. As of March 31, 2004, there are no amounts outstanding. Any amounts that the Company was able to settle representing savings to the Company have been included in additional paid in capital as an equity contribution.

Mr. Scott R. Smith, a former executive of NeoReach, Inc. filed a formal complaint against the Company on January 10, 2003 with the State of Illinois, Department of Labor for a claim for unpaid wages. The former executive claimed a total of \$97,335 for unpaid wages from February 2002 through August 2002. The complaint was subsequently dismissed by the State of Illinois, Department of Labor in April 2003. The Company settled this claim and obtained a full release in October 2003, dismissing the complaint. The Company has recorded the liability on its books at March 31, 2004, and subsequently converted the liability to equity in May 2004. Any amounts that the Company was able to settle representing savings to the Company have been included in additional paid in capital as an equity contribution.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 15- LITIGATION/ LEGAL PROCEEDINGS (CONTINUED)

Virginia Tech, University of Technology Sponsored Programs, claims from the Company \$87,243 for unpaid research and development work performed by the University for NeoReach during the years 2001 and 2000. Subsequent to the year ended March 31, 2004, the Company reached an agreement with the University and the Attorney General of Virginia to settle this claim and we are awaiting the formality of final approval from the Governor of Virginia. The \$87,243 is currently reflected in accounts payable for the Company at March 31, 2004.

ZDG Investments, Ltd. claims from the Company as a result of the February 19, 2002 Stock Purchase Agreement between Mr. Daniel Lozinsky and ZDG Investments, Ltd. a total of \$37,500. The Company settled the claim in March 2004. As of March 31, 2004, there are no amounts outstanding. Any amounts that the Company was able to settle representing savings to the Company have been included in additional paid in capital as an equity contribution.

NOTE 16- SEGMENT INFORMATION

The Company's reportable operating segments include, NeoReach, DFW Internet Services, Inc. and corporate. The Company allocates cost of revenues and direct operating expenses to these segments.

Operating segment data for the years ended March 31, 2004 and 2003 are as follows:

For the Year Ended March 31, 2004:

	Corporate	NeoReach	DFW Internet Services, Inc.	Total
Revenues	—	—	311,355	311,355
Direct costs of revenues	—	—	117,349	117,349
Gross profit (loss)	—	—	194,006	194,006
Operating expenses	701,758	1,115,946	138,454	1,956,158
Depreciation, amortization and impairment	353,342	14,589	6,411	374,342
Interest (net)	—	18,745	2,605	21,350
Net income (loss)	(1,055,100)	(1,149,280)	46,536	(2,157,844)

Segment assets	1,877,377	29,151	1,451,644	3,358,172
Capital expenditures, net of depreciation	—	21,881	114,616	136,497

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MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 16 - SEGMENT INFORMATION (CONTINUED)

For the Year Ended March 31, 2003:

	Corporate	NeoReach	DFW Internet Services, Inc.	Total
Revenues	-	-	-	-
Direct costs of revenues	-	-	-	-
Gross profit (loss)	-	-	-	-
Operating expenses	1,236,470	1,227,344	-	2,463,814
Depreciation, amortization and impairment	7,243,525	15,352	-	7,258,877
Interest (net)	10,937	37,761	-	48,698
Net income (loss)	(8,490,932)	(1,280,457)	-	(9,771,389)
Segment assets	52,702	-	-	52,702
Capital expenditures, net of depreciation	36,469	-	-	36,469

NOTE 17- SUBSEQUENT EVENTS

As part of the March 2004 funding by Cornell Capital Partners, LP, the remaining \$1,800,000 due on the \$10 million Equity Line of Credit as of March 31, 2004 was converted into 11,473,761 shares of common stock subsequent to March 31, 2004.

In April 2004, the Company filed a patent application which is pending with the U.S. Patent and Trademark Office (PTO). The patent application describes a technology that increases integration on a semiconductor chip for wireless communications. The new design is anticipated to allow for lower cost and more compact and efficient wireless communications.

In April 2004, the Company signed a letter of intent to acquire the internet service provider business

of Crescent Communications, Inc. in Texas. Crescent Communications, Inc. is a value-added network provider (VAN) focused on the small business and enterprise-level market segments providing industry specific end-to-end solutions for vertical markets such as healthcare. Crescent provides wireless, DSL and traditional communication technologies using several regional and national carriers. Crescent also delivers managed services from its ATM core fiber backbone network. This transaction closed in June 2004.

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MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 17- SUBSEQUENT EVENTS (CONTINUED)

In April 2004, the Company acquired an internet service provider, August.net Services LLC, in Texas. August.net offers complete broadband Internet access for individuals and businesses with a full range of connections including T-1 and DSL as well as hosting and collocation services. August.net's main customer base is in the Dallas / Fort Worth / Denton / North Texas market place. The company also has high-capacity circuit customers in Austin, Houston, and San Antonio.

In April 2004, the Company in accordance with the \$10 million Equity Line of Credit with Cornell Capital Partners, L.P., borrowed \$2,000,000. As part of this loan, the Company advanced 10,000,000 shares of its common stock to the escrow agent. As of June 23, 2004, \$1,200,000 remains outstanding due to conversions of this debt to equity.

On April 15, 2004 Mr. Jay O. Wright extended his employment as the Company's President and Chief Executive Officer. Mr. Wright's employment is for two years under the terms of his Executive Employment Agreement with the Company.

In May 2004, the Company issued 2,000,000 shares of common stock under a settlement agreement with a former executive and issued 421,037 shares of common stock under the Company's 2001 Equity Performance Plan to another former executive.

In May 2004, the Company signed a letter of intent to acquire an internet service provider, Ticon.net, Inc. in Wisconsin. Ticon.net offers T-1 and dial-up Internet access for individuals and businesses throughout Wisconsin. Ticon.net is based in Janesville with facilities in both Janesville and Milwaukee.

In May 2004, the Company signed a letter of intent to acquire an internet service provider, Clover Computer Corporation, in Ohio. Clover provides a full range of ISP services including dialup, fixed wireless, satellite and terrestrial broadband for individuals and businesses throughout southeastern Ohio. Clover is based in Coschocton, Ohio with offices in Cambridge, Newark, Steubenville, Youngstown and Zanesville Ohio.

On May 13, 2004, the Company entered into a \$100 million Standy Equity Distribution Agreement arrangement with Cornell Capital Partners, L.P. The Standy Equity Distribution Agreement provides generally, that Cornell will purchase up to \$100 million of common stock over a two-year period, with the time and amount of such purchases, if any, at the Company's discretion. Cornell Capital will purchase the shares at a 2% discount to the prevailing market price of the common stock.

There are certain conditions applicable to the Company's ability to draw down on the Standy Equity Distribution Agreement including the filing and effectiveness of a registration statement registering the resale of all shares of common stock that may be issued to Cornell under the Standy Equity Distribution Agreement and the Company's adherence with certain covenants. The registration statement became effective May 27, 2004.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 17- SUBSEQUENT EVENTS (CONTINUED)

In May 2004, the Company announced that it has formed a strategic alliance with Massively Parallel Technologies, Inc. (MPT), a privately owned corporation located in Louisville, Colorado. Under the alliance, MPT will utilize the bandwidth provisioning capability of the Company in connection with MPT's high performance computer cluster platforms. The Company will become a reseller of the MPT platform.

In May 2004, the Company signed a letter of intent to acquire a long distance provider, US1 Telecommunications, Inc., in Kansas. This company provides long distance telephone services in over 40 states.

In June 2004, the Company acquired an internet service provider, ShreveNet, Inc., in Louisiana. ShreveNet offers complete broadband and dial-up Internet access for individuals and businesses with a full range of connections including wireless, T-1 and DSL as well as hosting and collocation services. ShreveNet is based in Shreveport, Louisiana with operations in both Louisiana and Texas.

In June 2004, the Company announced the appointment of Kevin Kuykendall as president of the company's newly formed voice division.

In June 2004, the Company signed a letter of intent to acquire an internet service provider, World Trade Network, Inc., in Texas. World Trade Network is a national ISP offering extended web hosting, web browser based email and server co-location services. WT.net is based in Houston, Texas.

In June 2004, the Company, in accordance with the \$100 million Standby Equity Distribution Agreement with Cornell Capital Partners, L.P., borrowed \$2,000,000. As part of this loan, the Company advanced 15,000,000 shares of its common stock to the escrow agent. As of June 23, 2004, \$2,000,000 remains outstanding.

In June 2004, the Company signed a letter of intent to acquire Web One, Inc., an Internet services provider based just outside Kansas City in Lenexa, Kansas. Web One is an ISP offering web site development, online data storage, template based web sites, dialup, dedicated ISDN, web hosting, co-location, T1, ADSL broadband and wireless communication services. Web One designs and implements innovative solutions to offer end-to-end solutions or to supplement existing IT departments. Web One can provide network connectivity nationwide as well as all the IT services that typical solution providers offer. Web One's main customer base is in the Kansas City area.

In June 2004, the Company signed a Development Agreement with Information and Communications University (ICU), a Korean institution with leading edge development experience in ZigBee RF design, to jointly develop the Company's ZigBee RF transceiver chip. The Company will own 100% of all intellectual property rights under the development agreement.

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004 AND 2003

NOTE 17- SUBSEQUENT EVENTS (CONTINUED)

In June 2004, the Company signed a letter of intent to acquire Affinity Telecom, a competitive local exchange carrier (CLEC) and long distance provider based in Bloomfield Hills, Michigan. Affinity Telecom is a socially aware and community minded Communications Company that is licensed to provide telecommunication services in Michigan and northern Ohio including, local, long distance, Internet, and web hosting services. Affinity Telecom currently provides comprehensive telecommunications solutions to over 8,000 businesses and residents. Affinity Telecom differentiates itself through its marketing model and pricing strategy. Affinity Telecom markets its products by partnering with various non-profit organizations including the American Red Cross, Special Olympics and over 40 school districts throughout Michigan and northern Ohio.

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MOBILEPRO CORP AND SUBSIDIARY

(FORMERLY CRAFTCLICK.COM, INC.)
 (A DEVELOPMENT STAGE COMPANY)
 CONSOLIDATED FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2003 AND 2002

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS	
Report of Independent Certified Public Accountants	1
Balance Sheets as of March 31, 2003 and 2002	2-3
Statements of Operations for the years ended March 31, 2003 and 2002 with Cumulative Totals Since Inception	4
Statements of Changes in Stockholders' Equity (Deficit) for the Periods April 1, 2000 to March 31, 2003 including the former Company Craftclick.com and the reverse acquisition that Occurred as of June 1, 2001	5-7
Statements of Cash Flows for the years ended March 31, 2003 and 2002 with Cumulative Totals Since Inception	8-9
Notes to Consolidated Financial Statements	10-27

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BAGELL, JOSEPHS & COMPANY, L.L.C.
 Certified Public Accountants

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 Suites 400-403
 200 Haddonfield Berlin Road
 Gibbsboro, New Jersey 08026
 (856) 346-2828 Fax (856) 346-2882

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
 Mobilepro Corp and Subsidiary
 Rockville, Maryland

We have audited the accompanying consolidated balance sheets of Mobilepro Corp and Subsidiary (formerly Craftclick.Com, Inc.) (A Development Stage Company) (the "Company") as of March 31, 2003 and 2002 and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for the years then ended, with cumulative totals since the Company's

inception, for the statements of operations, changes in stockholders' equity (deficit) and cash flows. 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 have 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

The accompanying consolidated financial statements for the years ended March 31, 2003 and 2002 have been prepared assuming that the Company will continue as a going concern. As discussed in Note 10 to the consolidated financial statements, the Company has sustained operating losses and capital deficits that raise substantial doubt about its ability to continue as a going concern. Management's operating and financing plans in regard to these matters are also discussed in Note 10. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mobilepro Corp and Subsidiary (A Development Stage Company) as of March 31, 2003 and 2002 and the results of its operations, changes in stockholders' equity (deficit), and their cash flows for the years then ended and the cumulative totals since the Company's inception in conformity with accounting principles generally accepted in the United States of America.

BAGELL, JOSEPHS & COMPANY, L.L.C.
BAGELL, JOSEPHS & COMPANY, L.L.C.
Certified Public Accountants
Gibbsboro, New Jersey
July 10, 2003

MEMBER OF: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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MOBILEPRO CORP AND SUBSIDIARY
(FORMERLY CRAFTCLICK.COM, INC.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2003 AND 2002

<TABLE>
<CAPTION>

ASSETS	2003	2002
	-----	-----
CURRENT ASSETS		
<S>	<C>	<C>
Cash	\$ 6,715	\$ 154
Other current assets	9,518	--
	-----	-----
Total current assets	16,233	154
FIXED ASSETS, Net	36,469	--
	-----	-----
TOTAL ASSETS	\$52,702	\$ 154
	=====	=====

</TABLE>

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

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MOBILEPRO CORP AND SUBSIDIARY
(FORMERLY CRAFTCLICK.COM, INC.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED BALANCE SHEETS (CONTINUED)
MARCH 31, 2003 AND 2002

LIABILITIES AND STOCKHOLDERS' DEFICIT

<TABLE>
<CAPTION>

	2003

CURRENT LIABILITIES	
<S>	<C>
Current portion of officer advances	\$ 30,0
Current portion of note payable - Maryland Department of Revenue and Economic Development	4,5
Notes payable - sellers	75,0
Notes payable - other	100,0
Convertible debentures	215,0
Equity line of credit	160,0
Accounts payable and accrued expenses	1,234,8

TOTAL CURRENT LIABILITIES	1,819,3

LONG-TERM LIABILITIES	
Officer advances - net of current portion	247,6
Note payable - Maryland Department of Business and Economic Development - net of current portion	95,5

TOTAL LONG-TERM LIABILITIES	343,1

TOTAL LIABILITIES	2,162,4
STOCKHOLDERS' DEFICIT	-----
Preferred stock, \$.001 par value, authorized 5,035,425 shares, and 35,425 shares issued and outstanding	
Common stock, \$.001 par value, authorized 600,000,000 and 50,000,000 shares, and 30,175,122 and 4,175,492 shares issued and outstanding	30,1
Additional paid-in capital	11,538,9
Deficit accumulated during development stage	(13,678,9

TOTAL STOCKHOLDERS' DEFICIT	(2,109,7

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 52,7
	=====

</TABLE>

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

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<PAGE>

MOBILEPRO CORP AND SUBSIDIARY
(FORMERLY CRAFTCLICK.COM, INC.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2003 AND 2002
(WITH CUMULATIVE TOTALS SINCE INCEPTION)

<TABLE>
<CAPTION>

	2003	2002	C To
	-----	-----	---
<S>	<C>	<C>	
REVENUES	\$ --	\$ --	\$
COST OF SALES	--	--	
	-----	-----	---
GROSS PROFIT	--	--	
OPERATING EXPENSES			
Professional fees and compensation expenses	2,250,229	2,627,800	
Advertising and marketing expenses	26,034	--	
Research and development	8,495	--	
General and administrative expenses	80,426	519,318	
Office rent and expenses	86,068	--	
Travel and meals expenses	12,562	--	
Depreciation	15,352	--	
	-----	-----	---
TOTAL OPERATING EXPENSES	2,479,166	3,147,118	
	-----	-----	---
LOSS BEFORE OTHER INCOME (EXPENSES)	(2,479,166)	(3,147,118)	
OTHER INCOME (EXPENSES)			

Interest income	--	56	
Forgiveness of debt	--	276,738	
Other expense	--	(27,608)	
Interest expense	(48,698)	(469)	
Impairment of goodwill	(7,190,374)	--	
Amortization of discount of stock conversion	(53,151)	--	
	-----	-----	--
TOTAL OTHER INCOME (EXPENSES)	(7,292,223)	248,717	
	-----	-----	--
NET LOSS BEFORE PROVISION FOR INCOME TAXES	(9,771,389)	(2,898,401)	(
Provision for income taxes	--	--	
	-----	-----	--
NET LOSS APPLICABLE TO COMMON SHARES	\$ (9,771,389)	\$ (2,898,401)	\$ (
	=====	=====	==
NET LOSS PER BASIC AND DILUTED SHARES	\$ (0.45)	\$ (0.45)	\$
	=====	=====	==
WEIGHTED AVERAGE SHARES OUTSTANDING	21,802,658	6,462,746	
	=====	=====	==

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

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<PAGE>

MOBILEPRO CORP AND SUBSIDIARY
(FORMERLY CRAFTCLICK.COM, INC.)
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS IN CHANGES OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIODS APRIL 1, 2000 TO MARCH 31, 2003

THE FORMER COMPANY CRAFTCLICK.COM, INC. AND THE REVERSE ACQUISITION
THAT OCCURRED AS OF JUNE 1, 2001

<TABLE>

<CAPTION>

CRAFTCLICK.COM, INC. ACTIVITY:	COMMON STOCK SHARES	AMOUNT	PREFER SHARES
	-----	-----	-----
<S>	<C>	<C>	<C>
BALANCE - MARCH 31, 2000	16,931,444	16,931	101,000
Issued preferred shares under PPM April-June, 2000	38,000	38	379,962
Issued common and preferred shares for debt, December 31, 2000	25,000,000	25,000	1,000
Issued common shares for assets/acquired companies	430,000	430	--
Options granted for Note Receivable	1,903,574	1,904	--
Issued stock for investment	500,000	500	--

Issued stock for services	4,040,000	4,040	--
Net loss for year ended March 31, 2001	--	--	--
	-----	-----	-----
BALANCE - MARCH 31, 2001	48,805,018	48,805	140,000
Stock issued in conversion of preferred stock into common stock	6,877,678	6,878	(104,622)
Consolidation of shares due to corporate change in domicile	(55,125,493)	(55,125)	--
Issuance of common stock as part of Craftclick acquisition of Mobilepro	8,750,000	8,750	--
Net loss Craftclick for April 1, 2001 to May 31, 2001	--	--	--

</TABLE>

<TABLE>

<CAPTION>

	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	NET STOCKHOLDER DEFICIT
	-----	-----	-----
CRAFTCLICK.COM, INC. ACTIVITY:			
<S>	<C>	<C>	<C>
BALANCE - MARCH 31, 2000	5,354,232	(2,848,780)	2,522,484
Issued preferred shares under PPM April-June, 2000	380,000		
Issued common and preferred shares for debt, December 31, 2000	84,999	--	110,000
Issued common shares for assets/acquired companies	322,070	--	322,500
Options granted for Note Receivable	473,096	--	475,000
Issued stock for investment	499,500	--	500,000
Issued stock for services	1,280,883	--	1,284,923
Net loss for year ended March 31, 2001	--	(5,630,700)	(5,630,700)
	-----	-----	-----
BALANCE - MARCH 31, 2001	8,394,742	(8,479,480)	(35,793)
Stock issued in conversion of preferred stock into common stock	(6,773)	--	--
Consolidation of shares due to corporate change in domicile	55,125	--	--
Issuance of common stock as part of Craftclick acquisition of Mobilepro	(8,750)	--	--
Net loss Craftclick for April 1, 2001 to			

May 31, 2001

(377)

(377)

</TABLE>

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

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<PAGE>

MOBILEPRO CORP AND SUBSIDIARY
(FORMERLY CRAFTCLICK.COM, INC.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS IN CHANGES OF STOCKHOLDERS'
EQUITY (DEFICIT) (CONTINUED)
FOR THE PERIODS APRIL 1, 2000 TO MARCH 31, 2003
THE FORMER COMPANY CRAFTCLICK.COM, INC. AND THE REVERSE ACQUISITION THAT
OCCURRED AS OF JUNE 1, 2001

<TABLE>

<CAPTION>

	COMMON STOCK SHARES	AMOUNT	P SHARE
	-----	-----	-----
MOBILEPRO CORP ACTIVITY:			
<S>	<C>	<C>	<C>
Recapitalization due to merger - Craftclick	-	-	
Recapitalization due to merger - Mobilepro	-	-	
Issuance of shares to cover convertible debt	3,000,000	3,000	
Issuance of common stock for services and salaries	2,600,000	2,600	
Issuance of common stock for services	1,500,000	1,500	
Issuance of common stock for warrants	330,000	330	
Issuance of common stock for services	25,000	25	
Reverse stock split	(16,677,711)	(16,678)	
Issuance of common stock for services	3,000,000	3,000	
Issuance of common stock for services	106,000	106	
Conversion of debt for issuance of common			

shares	25,000	25	
Issuance of common stock for services	960,000	960	
Net loss for the year	-	-	
BALANCE MARCH 31, 2002	4,175,492	\$ 4,176	3

</TABLE>

<TABLE>
<CAPTION>

	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	ST
MOBILEPRO CORP ACTIVITY:			
<S>	<C>	<C>	<C>
Recapitalization due to merger - Craftclick	(8,479,857)	8,479,857	
Recapitalization due to merger - Mobilepro	1,009,194	(1,009,194)	
Issuance of shares to cover convertible debt	477,000	-	
Issuance of common stock for services and salaries	413,400	-	
Issuance of common stock for services	246,000	-	
Issuance of common stock for warrants	577,170	-	
Issuance of common stock for services	1,225	-	
Reverse stock split	16,678	-	
Issuance of common stock for services	237,000	-	
Issuance of common stock for services	111,194	-	
Conversion of debt for issuance of common shares	26,225	-	
Issuance of common stock for services	527,040	-	
Net loss for the year	-	(2,898,401)	
BALANCE MARCH 31, 2002	\$ 3,596,613	\$ (3,907,595)	\$

</TABLE>

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

<PAGE>

MOBILEPRO CORP AND SUBSIDIARY
(FORMERLY CRAFTCLICK.COM, INC.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS IN CHANGES IN STOCKHOLDERS'
EQUITY (DEFICIT) (CONTINUED)
FOR THE PERIODS APRIL 1, 2000 TO MARCH 31, 2003
THE FORMER COMPANY CRAFTCLICK.COM, INC. AND THE REVERSE
ACQUISITION THAT OCCURRED AS OF JUNE 1, 2001

<TABLE>
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	COMMON STOCK	
	SHARES	AMOUNT
<S>	<C>	<C>
BALANCE - MARCH 31, 2002	4,175,492	\$ 4,176
Shares issued in merger with NeoReach acquisition	12,352,129	12,352
Shares issued for consulting	690,000	690
Shares issued for equity line conversion	784,314	784
Shares issued for cash	160,000	160
Shares issued for consulting	145,000	145
Shares issued for consulting	500,000	500
Shares issued for cash	100,000	100
Shares issued for cash	150,000	150
Shares issued for consulting	209,853	210
Shares issued for salary	150,000	150
Shares issued for services	100,000	100
Shares issued in escrow agreement	10,000,000	10,000
Shares issued for services	658,334	658
Shares exchanged from escrow to pay debt	-	-
Net loss for the year ended March 31, 2003	-	-
BALANCE MARCH 31, 2003	30,175,122	\$ 30,175

</TABLE>

<TABLE>
<CAPTION>

	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT
<S>	<C>	<C>
BALANCE - MARCH 31, 2002	\$ 3,596,613	\$ (3,907,595)
Shares issued in merger with NeoReach acquisition	6,534,276	-
Shares issued for consulting	316,710	-
Shares issued for equity line conversion	516,863	-
Shares issued for cash	38,840	-
Shares issued for consulting	65,105	-
Shares issued for consulting	219,500	-
Shares issued for cash	24,900	-
Shares issued for cash	14,850	-
Shares issued for consulting	62,746	-
Shares issued for salary	14,850	-
Shares issued for services	24,900	-
Shares issued in escrow agreement	(10,000)	-
Shares issued for services	25,675	-
Shares exchanged from escrow to pay debt	93,151	-
Net loss for the year ended March 31, 2003	-	(9,771,389)
BALANCE MARCH 31, 2003	\$ 11,538,979	\$ (13,678,984)

</TABLE>

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

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<PAGE>

MOBILEPRO CORP AND SUBSIDIARY
(FORMERLY CRAFTCLICK.COM, INC.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2003 AND 2002
(WITH CUMULATIVE TOTALS SINCE INCEPTION)

<TABLE>

<CAPTION>

	2003

CASH FLOWS FROM OPERATING ACTIVITIES	
<S>	<C>
Net loss	\$ (9,771,38

Adjustments to reconcile net loss to net cash	
(used in) operating activities:	
Forgiveness of debt	--
Depreciation	15,35
Impairment of goodwill	7,190,37
Amortization of interest on conversion of debt	53,15
Issued common stock for services, compensation and	
conversion of debt	1,249,58
Changes in Assets and Liabilities	
Decrease in other current assets	13,19
Increase in accounts payable and accrued expenses	428,93

Total adjustments	8,950,59

Net cash used in operating activities	(820,79

CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	
Proceeds from common stock issuances	79,00
Net proceeds from convertible debentures and equity line of credit	415,00
Proceeds from borrowings, net	--
Change in officer advances net	233,35
Net proceeds from issuance of notes payable	100,00

Net cash provided by financing activities	827,35

</TABLE>

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

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<PAGE>

MOBILEPRO CORP
(FORMERLY CRAFTCLICK.COM, INC.)
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2002 AND PERIOD
JULY 14, 2000 (INCEPTION) THROUGH MARCH 31, 2001
(WITH CUMULATIVE TOTALS SINCE INCEPTION)

<TABLE>

<CAPTION>

	2003	200
	-----	-----
<S>	<C>	<C>
NET INCREASE IN CASH	6,561	
CASH BALANCE - BEGINNING OF PERIOD	154	
CASH BALANCE - END OF PERIOD	\$ 6,715	\$
	=====	=====
SUPPLEMENTAL DISCLOSURE OF NON CASH ACTIVITIES:		
Issuance of common stock for:		
Services, compensation and conversion of debt	\$1,249,586 ¹¹	\$ 2,627,
	=====	=====
Impairment of goodwill	\$7,190,374	\$ -
	=====	=====
Amortization of interest on conversion of debt	\$ 53,151	\$ -
	=====	=====
Conversion of equity line of credit to stock	\$ 40,000	\$ -
	=====	=====
Acquisition of NeoReach, Inc.		
Fixed assets	\$ 51,821	\$ -
Other current assets	22,712	-
Note payable - Maryland Department of Business and Economic Development	(100,000)	-
Accounts payable	(618,279)	-
Goodwill	7,190,374	-
	-----	-----
Fair value of common stock and additional paid-in capital issued for NeoReach, Inc.	\$6,546,628	\$ -
	=====	=====

</TABLE>

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

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<PAGE>

MOBILEPRO CORP AND SUBSIDIARY
(FORMERLY CRAFTCLICK.COM, INC.)
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003 AND 2002

NOTE 1- ORGANIZATION

Mobilepro Corp formerly Craftclick.com, Inc. was incorporated under the laws of the State of California in January 1999, as BuyIt.com, Inc. ("BuyIt"). From inception through March 31, 1999, the Company engaged in preliminary activities related to the set up of an Internet auction business. On April 16, 1999,

the Company entered into an Agreement and Plan of Reorganization ("Plan") with Tecon, Inc. ("Tecon"), a Utah Corporation, wherein all of the outstanding shares and subscriptions of BuyIt were exchanged for 8,500,000 shares (for the outstanding shares of common stock of Tecon) and 245,997 shares (for the outstanding subscriptions) of common stock of Tecon. At the conclusion of all the transactions contemplated in the Plan, BuyIt shareholders and subscribers owned 8,745,997 shares of total outstanding shares of 12,179,249, or 71.9%. The survivor in the aforementioned combination was Tecon. However, the name of the surviving company was changed to BuyIt.com, Inc., simultaneously with the Plan. The combination of these two entities had been accounted for as a purchase. The Company changed its name to Craftclick.com, Inc., on January 4, 2000, as a result of changing its business strategy and focus-which was to become the premier destination for buyers and sellers of arts and crafts products and supplies through the use of Internet websites. However, the Company disposed of substantially all assets in February of 2001 when secured creditors foreclosed on loans to the Company.

In April 2001, Craftclick.com, Inc. reorganized pursuant to a Plan of Merger wherein its domicile was changed from Utah to Delaware, and the common stock was reverse split on the basis of 1 new share for every 100 shares outstanding.

On June 6, 2001, Craftclick.com, Inc. merged with Mobilepro Corp a Delaware corporation as of June 1, 2001. Under the merger agreement, Mobilepro Corp merged into Craftclick.com, Inc. with Craftclick being the surviving corporation and the Certificate of Incorporation and By Laws of Craftclick being the constituent documents of the surviving corporation.

In July 2001, the Company changed its name to Mobilepro Corp.

On March 21, 2002 Mobilepro entered into an Agreement and Plan of Merger with NeoReach, Inc. , a private Delaware company, pursuant to which a newly-formed wholly-owned subsidiary of Mobilepro merged into NeoReach in a tax-free transaction. NeoReach is a development stage company designing state of the art modem solutions to support third generation (3G) wireless communication systems. The merger was consummated on April 23, 2002. As a result of the merger, NeoReach is now a wholly-owned subsidiary of Mobilepro. On April 23, 2002, the company issued 12,352,129 shares of its common stock in a one-for-one tax-free stock exchange to the holders of NeoReach's common stock pursuant to the Agreement. This was a cash-less transaction and there were no payments or finder's fees involved. The Board of Directors determined the consideration to be a fair compensation to the NeoReach shareholders. The issuance of the shares were valued at a fair value of \$6,546,628, based on the last trading price of \$0.53 and assuming there was actual active trading of the stock at that time.

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MOBILEPRO CORP AND SUBSIDIARY
(FORMERLY CRAFTCLICK.COM, INC.)
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2003 AND 2002

NOTE 1- ORGANIZATION (CONTINUED)

On March 12, 2003, the Company amended its Articles of Incorporation, and pursuant to a board resolution, increased the authorized level of common stock from 50,000,000 to 600,000,000. In addition, the Company increased the shares authorized under its 2001 Equity performance Plan from 1,000,000 to 6,000,000.

NOTE 2-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

DEVELOPMENT STAGE COMPANY

Mobilepro Corp and its subsidiary are development stage companies. The Company since April 28, 2002 devotes substantially all of its efforts to researching and developing technology for the third generation wireless waves. Before the acquisition of NeoReach, Inc., Mobilepro Corp focused on the integration and marketing of complete mobile information solutions to the business market through strategic partnership with established firms already delivering information technology consulting, wireless service and vertical market application products and services.

USE OF ESTIMATES

The preparation of financial statements in conformity 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid debt instruments and other short-term investments with an initial maturity of three months or less to be cash or cash equivalents.

The Company maintains cash and cash equivalents at several financial institutions which are insured by the Federal Deposit Insurance Corporation up to \$100,000.

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MOBILEPRO CORP AND SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

The Company was a development stage company and had no revenues during the period reported. For the period going forward, the Management has adopted a new revenue policy as defined below.

The Company will recognize revenue both from sales of products and from service contracts. Revenue from product sales that contain embedded software will be recognized in accordance with the provisions of the American Institute of Certified Public Accountants Statement of Position 97-2, "Software Revenue Recognition."

Revenue from product sales will be recognized based on the type of sale transactions as follows:

Shipments to Credit-Worthy Customers with No Portion of the Collection Dependent on Any Future Event: Revenues will be recorded at the time of shipment.

Shipments to a Customer without Established Credit: These transactions are primarily shipments to customers who are in the process of obtaining financing and to whom the Company has granted extended payment terms. Revenues will be deferred (not recognized) and no receivable will be recorded until a significant portion of the sales price is received in cash.

Shipments where a portion of the Revenue is Dependent Upon Some Future Event: These consist primarily of transactions involving value-added resellers ("VAR") to an end user. Under these agreements, revenues will be deferred and no receivable will be recorded until a significant portion of the sales price is received in cash. On certain transactions, a portion of the payment is contingent upon installation or customer acceptance.

Upon non-acceptance, the Customer may have a right to return the product. The Company will not recognize revenue on these transactions until these contingencies have lapsed.

Certain of the Company's product sales are sold with maintenance/service contracts. The Company will allocate revenues to such maintenance/service contracts based on vendor-specific objective evidence of fair value as determined

by the Company's renewal rates. Revenue from maintenance/service contracts will be deferred and recognized ratably over the period covered by the contract.

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MOBILEPRO CORP AND SUBSIDIARY
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MARCH 31, 2003 AND 2002

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

Effective July 14, 2000, the Company adopted the provisions of Statement of Financial Accounting Standards No. 109 (the Statement), Accounting for Income Taxes. The Statement requires an asset and liability approach for financial accounting and reporting for income taxes, and the recognition of deferred tax assets and liabilities for the temporary differences between the financial reporting bases and tax bases of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. The cumulative effect of this change in accounting for income taxes as of March 31, 2003 is \$0 due to the valuation allowance established as described in Note 15.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reported in the consolidated balance sheet for cash and cash equivalents, and accounts payable approximate fair value because of the immediate or short-term maturity of these financial instruments.

ADVERTISING COSTS

The Company expenses the costs associated with advertising as incurred. Advertising and promotional expenses were approximately \$26,034 and \$-0- for the years ended March 31, 2003 and 2002, respectively.

FURNITURE AND EQUIPMENT

Furniture and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is

charged to income as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments.

There was \$15,352 and \$-0- charged to operations for depreciation expense for the years ended March 31, 2003 and 2002, respectively. The Company acquired \$51,821 of net fixed assets from NeoReach, Inc. in its acquisition of its subsidiary.

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MOBILEPRO CORP AND SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RECLASSIFICATIONS

Certain amounts in the March 31, 2002 financial statements were reclassified to conform to the March 31, 2003 presentation.

Earnings (Loss) Per Share of Common Stock

Historical net income (loss) per common share is computed using the weighted average number of common shares outstanding. Diluted earnings per share (EPS) includes additional dilution from common stock equivalents, such as stock issuable pursuant to the exercise of stock options and warrants. Common stock equivalents were not included in the computation of diluted earnings per share when the Company reported a loss because to do so would be antidilutive for periods presented.

The following is a reconciliation of the computation for basic and diluted EPS:

	MARCH 31, 2003	MARCH 31, 2002
	-----	-----
Net loss	\$(9,771,389)	\$(2,898,401)
Weighted-average common shares Outstanding (Basic)	21,802,658	6,462,746

Weighted-average common stock		
Equivalents		
Stock options	-	-
Warrants	-	-
Weighted-average common shares		
Outstanding (Diluted)	21,802,658	6,462,746

Options and warrants outstanding to purchase stock were not included in the computation of diluted EPS for March 31, 2003 and 2002 because inclusion would have been antidilutive.

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MOBILEPRO CORP AND SUBSIDIARY
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NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 requires companies to recognize all derivative contracts as either assets or liabilities in the balance sheet and to measure them at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of the gain or loss recognition on the hedging derivative with the recognition of (i) the changes in fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change. On June 30, 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133". SFAS No. 133 as amended by SFAS No. 137 and 138 is effective for all fiscal quarters of fiscal years beginning after June 15, 2000.

Historically, the Company has not entered into derivatives contracts to hedge existing risks or for speculative purposes. Accordingly, the Company does not expect adoption of the new standard to have a material effect on the consolidated financial statements.

In December 1999, the Securities and Exchange Commission

issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB 101 provides guidance for revenue recognition under certain circumstances, and is effective during the first quarter of fiscal year 2001. SAB 101 is not expected to have a material effect on the consolidated results of operations, financial position and cash flows.

On March 16, 2000, the Emerging Issues Task Force issued EITF 99-19 "Recording Revenue as a Principal versus Net as an Agent" which addresses the issue of how and when revenues should be recognized on a Gross of Net method as the title implies. The emerging Issues Task Force has not reached a consensus but cites SEC Staff Accounting Bulletin 101. EITF 99-19 does not affect the consolidated financial statements.

On July 20, 2000, the Emerging Issues Task Force issued EITF 00-14 "Accounting for Certain Sales Incentives" which established accounting and reporting requirements for sales incentives such as discounts, coupons, rebates and free products or services. Generally, reductions in or refunds of a selling price should be classified as a reduction in revenue. For SEC registrants, the implementation date is the beginning of the fourth quarter after the registrant's fiscal year end December 15, 1999. EITF 00-14 does not affect the consolidated financial statements.

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MOBILEPRO CORP AND SUBSIDIARY
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NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the FASB issued Statement No. 142 "Goodwill and Other Intangible Assets". This statement addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, Intangible Assets. It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. This Statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. This statement was utilized in preparing the consolidated financial statements for March 31, 2003.

NOTE 3- NOTE PAYABLE - MARYLAND DEPARTMENT OF BUSINESS & ECONOMIC

DEVELOPMENT

The Company entered into an agreement with the Maryland Department of Business and Economic Development ("DBED") in the amount of \$100,000, which represents DBED's investment in the Challenge Investment Program ("CIP Agreement") dated March 29, 2001. The term of the CIP Agreement extends through June 30, 2011. Beginning April 30, 2002 and continuing annually thereafter until April 30, 2011, the Company shall make a payment (the "Equity Financing Payment") which shall be equal to 1% of the Company's Aggregate Equity Financing Amount for the year immediately preceding the April 30th payment date greater than \$500,000, not to exceed \$300,000. The Aggregate Equity Financing Amount shall mean the total amount of capital raised by the Company through the sale, transfer, or exchange of its stock, options, warrants or any security convertible into its stock, options, or warrants during the calendar year immediately preceding the April 30th payment date. There have been no payments made on this note. The outstanding balance at March 31, 2003 is \$100,000.

Current portion	\$ 4,500
Long-term portion	95,500

	\$ 100,000
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MOBILEPRO CORP AND SUBSIDIARY
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NOTE 4- CONVERTIBLE DEBENTURES

The Company on May 31, 2002, entered into a Securities Purchase Agreement with certain investors pursuant to which the Company issued and sold \$250,000 of convertible debentures. The debentures accrue interest at the rate of four percent (4%) per year and are convertible at the holders option. Holders of the debentures have certain registration rights with respect to the resale of common stock received upon conversion of the debentures. The term of the debentures are five years. As of March 31, 2003 there were \$215,000

outstanding. Interest accrued approximated \$8,333 at March 31, 2003.

NOTE 5- EQUITY LINE OF CREDIT

On May 31, 2002, the Company entered into an equity line of credit arrangement with Cornell Capital Partners, L.P. that was terminated on October 16, 2002 and re-entered on the same day October 16, 2002. This agreement was in turn terminated on February 6, 2003 and re-entered the same day February 6, 2003. The equity line provides generally, that Cornell will purchase up to \$10 million of common stock over a two-year period, with the time and amount of such purchases, if any, at the Company's discretion. Cornell Capital will purchase the shares at a 9% discount to the prevailing market price of the common stock.

There are certain conditions applicable to the Company's ability to draw down on the equity line including the filing and effectiveness of a registration statement registering the resale of all shares of common stock that may be issued to Cornell under the equity line and the Company's adherence with certain covenants. The registration statement became effective approximately May 9, 2003.

In the event Cornell Capital holds more than 9.9% of the then-outstanding common stock of the Company, the Company will be unable to draw down on the Equity Line of Credit. Currently, Cornell Capital has beneficial ownership of 9.9% of the Company's common stock and therefore would be unable to draw down on the Equity Line of Credit unless Cornell Capital's beneficial ownership is below 10%. If the Company is unable to draw down on the Equity Line of Credit, are unable to obtain additional external funding or generate revenue from the sale of its products, the Company could be forced to curtail or cease operations.

The Company drew \$200,000 on the Equity Line on February 26, 2003. This note was payable in eighty-two (82) calendar days. The Company agreed to escrow ten (10) requests for advances under the Agreement in amount not less than \$20,000. At March 31, 2003 there was \$160,000 outstanding on the note. If the note is not paid in full when due then interest would accrue at 24% per annum. The Company, as part of the Equity Line of Credit, advanced 10,000,000 shares of its common stock to the escrow agent Butler Gonzalez, LLP.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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NOTE 5- EQUITY LINE OF CREDIT

The Company on May 9, 2003, entered into a second Equity Line of Credit, for \$200,000 with Cornell Capital Partners, L.P. with the same terms as the February 26, 2003 Equity Line of Credit.

NOTE 6- LONG-TERM DEBT - SELLERS

In February, 2002, as part of the Company's President's private purchase of stock, the Company entered into two (2) promissory notes of \$37,500 each (\$75,000 total) with the seller and a related entity to the seller. These notes were due September 1, 2002 at an annual rate of interest on the notes of 5%. Since the Company failed to pay the notes on the due date, interest will be charged at 15%. There were no payments made and this note is in default. Interest expense for March 31, 2003 and 2002 were \$9,927 and \$469, respectively.

NOTE 7- OFFICERS ADVANCES/ CONVERTIBLE DEBENTURES - OFFICERS

The amounts represent advances to and from officers of the Company. These advances through March 31, 2003 were interest-free and anticipated to be repaid in the next year. The advances were necessary to cover working capital deficiencies. The balances at March 31, 2003 and 2002 were \$277,617 and \$44,262, respectively.

Pursuant to these advances, on May 16, 2003, the Company entered into two (2) separate 4% convertible debentures with two officers who advanced the Company the \$277,617. The debentures are due May 15, 2005. The terms of the convertible debentures are that the Company will accrue interest at 4% per annum retroactive to the date of the advances, and that accrued interest plus the principal advanced shall be either (a) paid to the holder on the second year anniversary (May 15, 2005) or (b) converted from time to time until payment in full in accordance with the conversion terms as stipulated in the debenture, except for \$30,000 of which is due and payable on or before September 1, 2003.

NOTE 8- STOCKHOLDERS DEFICIT

The beginning balances reflected as of March 31, 2000 through June 1, 2001 are those of the former company (registrant) Craftclick.com, Inc. On June 6, 2001 Craftclick.com, Inc. and Mobilepro Corp merged under a reverse merger as of June 1, 2001. Upon that merger the stockholders' equity of Mobilepro Corp (a former private company) under a recapitalization, became that equity of the public entity. Upon the recapitalization, 8,750,000 shares were issued to the former Craftclick.com, Inc.'s stockholders.

Additionally, from June 1, 2001 to March 31, 2002, the Company issued 8,216,000 shares for services valued at fair market value. There were 3,025,000 shares issued for conversion of debt. Finally, 330,000 shares were issued because of a special warrant.

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MOBILEPRO CORP AND SUBSIDIARY
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NOTE 8- STOCKHOLDERS DEFICIT (CONTINUED)

On March 12, 2003, the Company amended its Articles of Incorporation, and pursuant to a board resolution, increased the authorized level of common stock from 50,000,000 to 600,000,000. In addition, the Company increased the shares authorized under its 2001 Equity performance Plan from 1,000,000 to 6,000,000.

The following details the stock transactions after the recapitalization through March 31, 2002.

COMMON STOCK

On June 1, 2001, the Company issued 3,000,000 shares in a conversion of debt. The issuance of shares were valued at \$480,000 (16 cents per share), the fair value of the Company's stock at that time.

On June 1, 2001, the Company issued 2,600,000 shares for services and compensation at a value of \$416,000 (16 cents per share), the fair value of the Company's stock at that time.

On August 1, 2001, the Company issued 330,000 shares that were the result of the exercising of warrants. The value of \$577,500 (\$1.75 per share) was the fair value of the Company's stock at that time.

On September 6, 2001, the Company issued 1,500,000 shares for services at a value of \$247,500 (16.5 cents per share), the fair value of the Company's stock at that time.

On October 26, 2001, the Company issued 25,000 shares for services at a value of \$1,250 (5 cents per share), the fair value of the Company's stock at that time.

On November 19, 2001, the Company had a 1 for 200 reverse stock split which effectively reduced their issued and outstanding shares 16,677,711. Additionally, on that date the Company issued 3,000,000 shares for services in conjunction with an Investors Rights Agreement at a value of \$240,000 (8 cents per share), the fair value of the Company's stock at that time.

On February 15, 2002, the Company issued 106,000 shares for services at a value of \$111,300 (\$1.05 per share), the fair value of the Company's stock at that time.

On February 19, 2002, the Company issued 25,000 shares in conversion of a note payable at a value of \$26,250 (\$1.05 per share), the fair value of the Company's stock at that time.

On March 18, 2002, the Company issued 960,000 shares for services. These shares were issued at 55 cents per share (\$528,000) based on a Board Resolution on March 6, 2002.

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MOBILEPRO CORP AND SUBSIDIARY
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MARCH 31, 2003 AND 2002

NOTE 8- STOCKHOLDERS DEFICIT (CONTINUED)

The following details the stock transactions for the period April 1, 2002 through March 31, 2003.

COMMON STOCK

On April 23, 2002, we issued 12,352,129 shares of our common stock to the holders of NeoReach's common stock pursuant to an Agreement and Plan of Merger, dated March 31, 2002. A newly formed, wholly-owned subsidiary of Mobilepro merged into NeoReach, in a tax-free one-for-one share exchange transaction. The merger was consummated on April 23, 2002. As a result of the merger, NeoReach is now a wholly-owned subsidiary of Mobilepro. The issuance of the shares were valued at a fair value of \$6,546,628, based on the last trading price of \$0.53 and assuming there was actual active trading of our stock at that time. The Company believes the issuance of the stock to be exempt from registration under Section 4(2) of the Securities Act.

On May 31, 2002, the Company issued a total of 690,000 shares of its common stock to the following parties: 450,000 shares to INFe, Inc., 150,000 shares to Thomas Richfield, 60,000 shares to Francine Goodman, and 30,000 shares to Triple Crown Consulting. These shares were issued for consulting services regarding the Mobilepro-NeoReach merger. The issuance of the shares were valued at \$317,400, the fair value of our stock at that time. The Company believes the value of the services provided were commensurate with the value of the stock issued. The Company believes the issuance of the stock to be exempt from registration under Section 4(2) of the Securities Act.

On June 10, 2002, the Company issued a total of 784,314 shares of the common stock to the following parties: 764,706 to Cornell Capital Partners, LP and 19,708 to Westrock Advisors, Inc. These shares were issued pursuant to an equity line of credit arrangement with Cornell Capital Partners, dated May 31, 2002. The issuance of the shares were valued at \$517,647, the fair value of our stock at that time. The Company believes the issuance of the stock to be exempt from registration under Section 4(2) of the Securities Act.

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MOBILEPRO CORP AND SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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NOTE 8- STOCKHOLDERS DEFICIT (CONTINUED)

COMMON STOCK (CONTINUED)

On July 18, 2002, the Company issued a total of 305,000 shares of our common stock to various parties. 160,000 shares of the restricted common stock was issued to Daniel Lozinsky, a director of the Company, in a private sale for an aggregate cash consideration of \$39,000 based on a Board Resolution as of July 17, 2002. In addition, the Company also issued 20,000 shares of common stock under the 2001 Equity Performance Plan and 100,000 restricted common stock as compensation to Mark Johnson for various merger and acquisition related services and associated back office services in accordance with a Consulting Agreement dated July 17, 2002. The Company also issued 25,000 shares of restricted common stock as compensation to M. Johnson & Associates, Inc. for certain services in accordance with an Investor Relations Agreement dated July 17, 2002. The issuance of the shares was valued at \$65,250, the fair value of the stock at that time. The Company believes the value of the services provided were commensurate with the value of the stock issued. The Company believes the issuance of the stock to be exempt from registration under Section 4(2) of the Securities Act.

On July 26, 2002, the Company issued a total of 500,000 shares of its restricted common stock to Capital Research Group, Inc. for certain investor relations consulting services in accordance with a Consulting Group Agreement dated July 25, 2002. The issuance of the shares was valued at \$220,000, the fair value of the stock at that time. The Company believes the issuance of the stock to be exempt from registration under Section 4(2) of the Securities Act.

On September 4, 2002, the Company issued a total of 709,853 shares of its common stock to various parties. 100,000 shares

were issued to Hee Han Bang, a non-affiliated and accredited/sophisticated investor in a private sale for an aggregate cash consideration of \$25,000. These shares were issued at \$0.25 per share based on a Board of Resolution fixing the value of the securities on and as of August 9, 2002. 150,000 shares of the common stock were issued to Daniel Lozinsky, a director of the Corporation, in a private sale for an aggregate cash consideration of \$15,000. These shares were issued based on a Board Resolution as of August 19, 2002. The Company issued a total of 209,853 shares of its common stock to shares of INFe, Inc. based on a Board Resolution as of August 19, 2002. These shares were issued for consulting services in connection with the Mobilepro-NeoReach merger and a Reverse Merger Engagement

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NOTE 8- STOCKHOLDERS DEFICIT (CONTINUED)

COMMON STOCK (CONTINUED)

Agreement dated January 11, 2002 between NeoReach, Inc. and INFe, Inc. The issuance of the shares was valued at \$62,956, the fair value of the stock at that time. The Company also granted a total of 250,000 shares of our restricted common stock to Parag Sheth, an executive of the Corporation. Parag Sheth was granted 150,000 shares of the Company's restricted common stock for forgiving a total of \$15,000 in salary corresponding to a price of \$0.10 per share and he was also granted 100,000 shares of the Company's restricted common stock as an inducement for providing services for the Corporation. These shares were issued based on a Board Resolution as of August 20, 2002 and the issuance of the shares was valued at \$25,000. The Company believes the value of the services provided were commensurate with the value of the stock issued. The Company believes the issuance of the stock to be exempt from registration under Section 4(2) of the Securities Act.

On March 4, 2003 the Company issued 658,334 shares to Cornell Capital for a fee for filing the SB2 registration statement late. The fair value of the services was \$26,333.

On March 5, 2003, the Company issued 10,000,000 shares of its common stock to the escrow agent for use in raising money on the Equity Line of Credit.

On March 17th and 25th the Company exchanged 2,739,726 shares respectively and converted \$40,000 of debt in total and recognized \$53,151 of amortization of beneficial interest.

PREFERRED STOCK

There was no change in preferred stock during the year ended March 31, 2003, and only a slight increase in the number of shares (47) due to the recapitalization of the Company for the year ended March 31, 2002.

NOTE 9- PATENTS

As of January 23, 2003, the Company has filed a total of six patent applications which were pending with the U.S. Patent and Trademark Office (PTO) in the area of "Smart Antenna" technology. As of January 23, 2003, the Company has been granted approval of five patents and one patent application is still pending approval. The five approved patents are as follows:

1. "Smart Antenna with Adaptive Convergence Parameter" with PTO Patent Number 6,369,757, issued April 9, 2002;
2. "A Smart Antenna With No Phase Calibration for CDMA Reverse Link" with PTO Patent Number 6,434,375 issued August 13, 2002;

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NOTE 9- PATENTS (CONTINUED)

3. "PN Code Acquisition with Adaptive Antenna Array and Adaptive Threshold for DS-CDMA Wireless Communication" with PTO Patent Number 6,404,803, issued June 11, 2002;
4. "New Cellular Architecture for Code Division Multiple Access SMOA Antenna Array Systems" with PTO Patent Number 6,459,895, issued October 1, 2002; and
5. "Direction of Arrival Angel Tracking Algorithm for Smart Antennas" with PTO Patent Number 6,483,459, issued date November 19, 2002.

"Improvement of PN Code Chip Time Tracking with Smart

Antenna", a patent application filed on February 6, 2002 with Docket #3228-007-64 and serial number 10/066,762 is pending - awaiting first Office Action from Patent Office.

In addition, the Company also has two other patent applications pending which are referred to as "Wireless Communication System and Method of Providing Wireless Communication Service" with specific descriptions to include "Device and Method for Changing the Orientation and Configuration of a Display of an Electronic Device" and "Electronic Device Having Multiple Service Functionality". Both of these pending patent applications relate to the business of the Company before the merger with NeoReach. The Company does not intend to pursue business related to these patents and intends to assign the patents to the inventor and former president of Mobilepro.

NOTE 10- GOING CONCERN

As shown in the accompanying consolidated financial statements the Company has sustained net operating losses for the years ended March 31, 2003 and 2002. There is no guarantee that the Company will be able to raise enough capital or generate revenues to sustain its operations.

Management has received a commitment from Cornell Capital Partners, L.P. to provide the Company with up to \$10 million in financing under certain conditions and has received funding in the past fiscal year from Cornell Capital Partners, L.P. With this funding, the Company's market value decreased tremendously causing its stock price to drop below \$0.01.

Even with continued funding by Cornell Capital Partners, L.P., the Company still does not have any operating revenues, therefore this raises substantial doubt as to the Company's ability to continue as a going concern. Management is searching for a viable operating entity to consider as a merger partner in an effort to produce positive operations and cash flows.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2003 AND 2002

NOTE 11- COMMITMENTS

In April 2002, NeoReach, Inc. established a technology alliance with Prime Circuits, Inc. Prime Circuits is a privately-held semiconductor developer based in Greenbelt, MD that specializes in ultra small, ultra low power analog, digital and hybrid chipsets. Prime Circuits' technology is

currently in use in a number of NASA applications at Goddard Space Flight Center.

As part of the alliance, NeoReach will gain access to technical knowledge, personnel and low power semiconductor technology that NeoReach believes will greatly expand its digital modem suite. This solution targets the consumer handsets and network transmission base stations to support 3G communications.

On May 10, 2002 the Company announced that Arne Dunhem was appointed the Chairman, President and CEO of Mobilepro Corp. Mr. Dunhem has over 28 years of experience in the growth of high technology companies, especially in the telecommunications field.

On November 8, 2002, the Company entered into a sublease agreement with Amisys, L.L.C. The term of the lease was effective December 1, 2002 and terminates December 31, 2006. A security deposit of \$9,518 was required at execution of the lease and has been made.

Minimum annual rental payments for the next five years are as follows:

March 31,	

2004	\$105,700
2005	\$120,364
2006	\$125,188
2007	\$130,196
2008	\$ 44,540

NOTE 12- IMPAIRMENT OF GOODWILL

As part of the Company's acquisition of its subsidiary NeoReach, Inc., the Company recognized \$7,190,374 in goodwill which represented the excess of the fair value of the stock paid for the net assets received in accordance with FASB No. 142. Management has considered this goodwill to be completely impaired and is reflected in the consolidated statements of operations for the year ended March 31, 2003 as such.

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MOBILEPRO CORP AND SUBSIDIARY
 (FORMERLY CRAFTCLICK.COM, INC.)
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 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 MARCH 31, 2003 AND 2002

NOTE 13- LITIGATION/ LEGAL PROCEEDINGS

As of March 31, 2003, the Company was party to four legal proceedings. Mr. Tatcha Chulajata, a former employee of Mobilepro filed a formal complaint against the Company on October 29, 2002 with the State of Maryland, Department of Labor, Licensing and Regulation for a claim for unpaid wages. The employee claims a total of \$49,866.67 for unpaid wages from August 2001 through October 2002. Mr. Chulajata was employed by NeoReach, Inc. on July 15, 2000 as Senior Engineer and he resigned in October 2002. Due to financial difficulties encountered by the Company in 2001 and 2002, Mr. Chulajata received a reduced salary. The Company is currently negotiating a settlement with the employee with respect to the claim. This amount is included in accrued wages at March 31, 2003.

Mobilepro and NeoReach, Inc. were on December 31, 2002 served with three complaints in the United States District Court for the District of Maryland in three separate actions seeking relief for failure to pay wages and breach of contract. The three plaintiffs are in the three separate actions seeking relief of approximately \$59,334.67, \$65,383.34 and \$60,750.00, respectively. The three plaintiffs are former employees named Mr. Man Hyuk Park, Mr. Sang Humn Lee and Mr. Yang Hoon Jung and all were employed as Senior or Principal Engineer since September 2001, June 2000 and August 2001, respectively. Due to financial difficulties encountered by Mobilepro in 2001 and 2002, the three individuals received reduced salaries. Mobilepro is currently negotiating settlements with the three former employees with respect to the claims. The Company has included these amounts in accrued wages at March 31, 2003.

Mr. Scott R. Smith, a former executive of NeoReach, Inc. filed a formal complaint against the Company on January 10, 2003 with the State of Illinois, Department of Labor for a claim for unpaid wages. The former executive claimed a total of \$97,335 for unpaid wages from February 2002 through August 2002. The complaint was subsequently dismissed by the State of Illinois, Department of Labor in April 2003. Mr. Smith was employed by NeoReach, Inc. on February 19, 2002 as Executive Vice President and his employment agreement expired on August 18, 2002. Due to financial difficulties encountered by Mobilepro in 2002, Mr. Smith's salary was deferred as part of an agreement between Mr. Smith and Mobilepro. A settlement agreement was mutually signed and executed on August 30, 2002. Due to the Company's inability to pay full amounts per the settlement agreement, negotiations have been ongoing for an adjusted payment plan. As of the date of this report, no revised settlement agreement has been reached. The Company has recorded the full liability on its books at March 31, 2003.

Virginia University of Technology, Sponsored Programs, claims from the Company approximately \$80,000 for unpaid research and development work performed by the University for NeoReach during the years 2001 and 2000. The Company is currently negotiating a settlement with the University with respect to the claim. This amount is currently reflected in accounts payable for the Company at March 31, 2003.

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MOBILEPRO CORP AND SUBSIDIARY
(FORMERLY CRAFTCLICK.COM, INC.)
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2003 AND 2002

NOTE 13- LITIGATION/ LEGAL PROCEEDINGS (CONTINUED)

Dungavel, Inc. claims from the Company as a result of the February 19, 2002 Stock Purchase Agreement between Mr. Daniel Lozinsky and Dungavel, Inc. a total of \$37,500. The Company intends to negotiate a settlement with Dungavel with respect to this claim. This amount is currently accounted for in the notes payable outstanding at March 31, 2003.

NOTE 14- SUBSEQUENT EVENTS

The Company on May 9, 2003, entered into a second Equity Line of Credit, for \$200,000 with Cornell Capital Partners, L.P. with the same terms as the February 26, 2003 Equity Line of Credit.

On May 16, 2003, the Company entered into two (2) separate 4% convertible debentures with two officers who advanced the Company the \$277,617. The debentures are due May 15, 2005. The terms of the convertible debentures are that the Company will accrue interest at 4% per annum retroactive to the date of the advances, and that accrued interest plus the principal advanced shall be either (a) paid to the holder on the second year anniversary (May 15, 2005) or (b) converted from time to time until payment in full in accordance with the conversion terms as stipulated in the debenture, except for \$30,000 of which is due and payable on or before September 1, 2003.

The Company has executed a Memorandum of Understanding (MOU) under which it intends to acquire GBH Telecom, LLC (GBH) in a tax-free stock swap transaction. The Company anticipates to close the transaction in its second fiscal quarter.

GBH is a development stage company that operates a web-based enterprise web-portal offering prepaid, subscription-based U.S. domestic and International voice and data services.

Under the terms of the MOU, upon completion of the proposed transaction, GBH shareholders are anticipated to secure a majority control position within the Company.

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MOBILEPRO CORP AND SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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NOTE 15- PROVISION FOR INCOME TAXES

The Company did not provide for income taxes in the years ended March 31, 2003 and 2002. Additionally, the Company established a valuation allowance equal to the full amount of the deferred tax assets due to the uncertainty of the utilization of the operating losses in future periods.

At March 31, 2003 and 2002, the deferred tax assets consists of the following:

<TABLE>
<CAPTION>

	2003	2002
	-----	-----
<S>	<C>	<C>
Deferred taxes due to net operating loss carryforwards	\$ 3,671,000	\$ 1,56
Less: Valuation allowance	(3,671,000)	(1,56
	-----	-----
Net deferred tax asset	\$ -	\$
	=====	=====

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