SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2011-11-14** | Period of Report: **2011-09-30**
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KeyOn Communications Holdings Inc.	Mailing Address	Business Address
CIK:**1335294**| IRS No.: **743130469** | State of Incorp.:**DE** | Fiscal Year End: **1231**	*7485 WEST SAHARA*	*7485 WEST SAHARA*
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2011

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission file number 001-33842

KEYON COMMUNICATIONS HOLDINGS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	74-3130469
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7548 West Sahara Ave #102 Las Vegas, NV	89117
(Address of principal executive offices)	(Zip Code)

(702) 403-1246

(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

As of, November 10, 2011, 25,768,211 shares of the issuer's common stock, $0.001 par value per share, were outstanding.

KEYON COMMUNICATIONS HOLDINGS, INC.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

KEYON COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2011 *(Unaudited)*	December 31, 2010
ASSETS		
Current assts:		
Cash and cash equivalents	$ 593,606	$ 766,264
Accounts receivable, net	503,026	282,951
Marketable securities	-	5,746,612
Prepaid expenses and other current assets	510,122	278,671
Total current assets	1,606,754	7,074,498
Property and equipment, net	6,829,082	3,406,340
Other assets:		
Goodwill	2,302,999	1,815,095
Subscriber base, net	4,169,265	864,867
Trademarks	16,567	16,567
Deposits	43,981	85,386
Debt issuance costs, net	254,125	278,880
	6,786,937	3,060,795
Total assets	$ 15,222,773	$ 13,541,633
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,054,268	$ 2,017,896
Accrued liabilities	929,395	186,481
Accrued interest expenses	40,599	1,096,787
Revolving line of credit	-	1,215,938
Convertible note, net of discount of $10,530 at September 30, 2011	2,589,450	-
Current portion of notes payable	2,048,639	396,847
Current obligations under capital leases	324,960	644,119
Deferred rent	37,353	66,835
Deferred revenue	259,264	253,596
Derivative liabilities	167	2,390,515
Total current liabilities	8,284,095	8,269,014
Convertible note, net of discount of $13,041,549 at December 31, 2010	-	1,958,451
Notes payable, less current portion	2,255,747	505,312
Obligations under capital leases, less current obligations	388,807	145,605
Deferred rent, less current portion	-	16,147
Deferred tax liability	208,743	165,471
Total liabilities	11,137,392	11,060,000
Commitments and contingencies		
Stockholders' equity		

Series A preferred stock, 30,000,000 shares authorized; 16,811,225 shares issued, liquidation preference of $25,216,838	16,811,225	-
Common stock, $.001 par value: 115,000,000 shares authorized; 25,768,211 and 23,668,211 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively	25,768	23,668
Additional paid-in capital	35,511,380	28,718,581
Accumulated deficit	(48,262,992)	(26,261,840)
Accumulated other comprehensive income	-	1,224
Total stockholders' equity	4,085,381	2,481,633
Total liabilities and stockholders' equity	$ 15,222,773	$ 13,541,633

See accompanying notes to condensed consolidated financial statements

KEYON COMMUNICATION HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
REVENUES:				
Service and installation revenue	$ 3,361,132	$ 2,060,831	$ 8,502,947	$ 5,309,355
Support and other revenue	38,028	15,621	101,167	90,905
Total revenues	3,399,160	2,076,452	8,604,114	5,400,260
OPERATING COSTS AND EXPENSES:				
Payroll, bonuses and taxes	1,463,423	1,377,493	5,452,051	3,740,142
Network operating costs	1,514,228	952,479	3,676,328	2,378,161
Professional fees	265,243	286,577	495,682	1,759,397
Depreciation and amortization	1,032,990	570,721	2,541,192	1,460,518
Other general and administrative expense	469,593	493,265	1,337,029	1,128,445
Gain on disposal of equipment	-	(462)	(246,197)	(1,921)
Installation expense	130,826	85,164	304,033	185,786
Marketing and advertising	297,044	82,516	497,934	210,779
Total operating costs and expenses	5,173,347	3,847,753	14,058,052	10,861,307
LOSS FROM OPERATIONS	(1,774,187)	(1,771,301)	(5,453,938)	(5,461,047)
OTHER INCOME (EXPENSE):				
Other income (expense)	(94,460)	(3,195)	13,771	150,161
Interest income	850	3,087	2,006	3,940
Interest expense	(83,862)	(1,161,142)	(13,493,704)	(2,445,229)
Debt conversion inducement	-	-	(2,292,059)	-
Change in fair value of derivative instruments	12,374	4,458,953	173,880	12,207,767
Total other income (expense)	(165,098)	3,297,703	(15,596,106)	9,916,639
PROVISION FOR INCOME TAXES	(15,036)	-	(43,722)	-
NET INCOME (LOSS)	$ (1,954,321)	$ 1,526,402	$ (21,093,766)	$ 4,455,592
Series A Preferred Stock Dividends	(411,229)	-	(907,386)	-
OTHER COMPREHENSIVE INCOME (LOSS)				
Net income (loss) available to common stockholders	(2,365,550)	1,526,402	(22,001,152)	4,455,592
Total comprehensive income (loss)	$ (2,365,550)	$ 1,526,402	$ (22,001,152)	$ 4,455,592
Net income (loss) per common share, basic	$ (0.09)	$ 0.06	$ (0.89)	$ 0.20
Net income (loss) per common share, diluted	$ (0.09)	$ (0.04)	$ (0.89)	$ (0.12)
Weighted average common shares outstanding, basic	25,768,211	23,662,019	24,645,500	22,304,595
Weighted average common shares outstanding, diluted	25,768,211	44,535,260	24,645,500	44,834,836

See accompanying notes to condensed consolidated financial statements

KEYON COMMUNICATION HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDHERS' EQUITY (UNAUDITED)

	Class A Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, January 1, 2011	-	$ -	23,668,211	$ 23,668	$28,718,581	$ (26,261,840)	$ 1,224	$ 2,481,633
Employee stock option compensation expense	-	-	-	-	1,465,144	-		1,465,144
Purchase of ERF Wireless for stock	-	-	100,000	100	31,900	-		32,000
Warrants issued with conversion of debt	-	-	-	-	2,292,059	-		2,292,059
Elimination of fair value market of derivative liability	-	-	-	-	2,231,405	-		2,231,405
Preferred stock issued upon conversion of note	16,315,068	16,315,068	-	-	-	-		16,315,068
Dividends issued on Series A preferred stock	496,157	496,157	-	-	-	(907,386)		(411,229)
Purchase of CommX for common stock	-	-	2,000,000	2,000	678,000	-		680,000
Warrants issued with purchase of CommX	-	-	-	-	94,291	-		94,291
Elimination of unrealized gain upon sales of marketable securities	-	-	-	-	-	-	(1,224)	(1,224)
Net loss	-	-	-	-	-	(21,093,766)		(21,093,766)
Balance, September 30, 2011	16,811,225	$16,811,225	25,768,211	$ 25,768	$35,511,380	$ (48,262,992)	$ -	$ 4,085,381

See accompanying notes to condensed consolidated financial statements

KEYON COMMUNICATION HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	For the Nine Months Ended September 30, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (21,093,766)	$ 4,455,592
Adjustment to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	2,541,192	1,460,518
Provision for doubtful accounts	259,082	149,044
Deferred income tax	43,272	-
Gain on disposal of equipment	(246,197)	(1,921)
Stock based compensation expense	1,465,144	1,369,507
Change in fair value of derivative liability	(173,880)	(12,207,767)
Non-cash interest expense	13,070,691	1,470,788
Debt conversion Inducement Expense	2,292,059	-
Change in assets and liabilities, net of effect of acquisitions:		
Accounts receivable	(322,784)	(197,820)
Prepaid expenses and other current assets	(231,451)	18,676
Refundable deposits	41,405	(14,930)
Accounts payable and accrued expenses	769,239	(179,309)
Accrued interest expense	258,880	711,887
Deferred rent liability	(45,629)	(43,838)
Deferred revenue	(70,420)	(59,937)
Net cash used in operating activities	(1,443,163)	(3,069,510)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures for property and equipment	(1,690,901)	(919,049)
Capital expenditures for investment in acquisitions	(3,294,733)	-
Proceeds on disposal of equipment	252,500	1,800
Proceeds from sales of marketable securities	7,249,900	-
Investment in marketable securities	(1,504,512)	(6,243,270)
Deposit, proposed aquisition	-	(400,000)
Net cash provided by (used in) investing activities	1,012,254	(7,560,519)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on revolving line of credit-related parties	-	(100,000)
Proceeds (payment) on revolving line of credit	(1,215,938)	1,121,374
Payments on term note payable - related parties	-	(4,050,000)
Deposits for future financing	-	(250,000)
Payments on notes payable	(582,048)	(606,874)
Proceeds from issuance of convertible note	2,600,000	15,000,000
Payments on capital lease obligations	(543,763)	(419,274)
Proceeds from exercise of common stock purchase warrants	-	456,110
Net cash provided by financing activities	258,251	11,151,336
Net (decrease) increase in cash and cash equivalents	(172,658)	521,307
Cash and cash equivalents at beginning of period	766,264	125,083

Cash and cash equivalents at end of period	$	593,606	$	646,390
Supplemental Disclosures of Cash Flow Information:				
Cash paid for interest	$	769,245	$	262,612
Cash paid for income taxes	$	-	$	-
Supplemental Disclosures of Noncash Investing and Financing Activities:				
Stock issued for acquisition - Affinity:				
Network equipment	$	-	$	118,205
Customer premise equipment		-		20,150
Subscriber base		-		51,860
Vehicles		-		9,840
Office equipment		-		5,795
Prepaid expenses		-		2,580
Accounts receivable		-		3,401
Accounts payable and accrued expenses		-		(11,342)
Loan payable		-		(69,487)
Obligation to subscribers		-		(7,607)
Goodwill		-		287,016
	$	-	$	410,411
Stock issued for acquisition - RidgeviewTel:				
Network equipment	$	-	$	14,650
Customer premise equipment		-		71,475
Customer base		-		26,714
Accounts receivable		-		1,589
Obligations to subscribers		-		(539)
Goodwill		-		37,970
	$	-	$	151,859
Stock issued for acquisition - Dynamic Broadband:				
Network equipment	$	-	$	674,711
Customer premise equipment		-		746,153
Customer base		-		658,487
Vehicles		-		18,925
Office equipment		-		29,178
Prepaid expenses		-		8,308
Accounts receivable		-		18,075
Accounts payable and accrued expenses		-		(208,621)
Loan payable		-		(380,617)
Obligations to subscribers		-		(86,912)
Goodwill		-		50,495
	$	-	$	1,528,182
Stock and cash issued for acquisition - Technology Specialists Group:				
Network equipment	$	-	$	4,489
Customer premise equipment		-		62,028
Inventory		-		2,278
Subscriber base		-		113,260
Office equipment		-		1,327
Prepaid expenses		-		7,372
Accounts receivable		-		1,627
Accounts payable and accrued expenses		-		(900)

Obligations to subscribers		-		(10,356)
Goodwill		-		56,610
	$	-	$	237,735
Cash for acquisition - Southwest Wireless Net:				
Network equipment	$	-	$	160,000
Customer premise equipment		-		75,000
Inventory		-		30,000
Subscriber base		-		87,000
Vehicles				4,000
Office equipment		-		13,000
Prepaid expenses		-		3,884
Obligations to subscribers		-		(42,763)
Goodwill		-		9,879
	$	-	$	340,000
Wells Rural Electric:				
Subscriber base	$	125,642	$	-
Network equipment		23,348		-
Customer premise equipment		195,298		-
Goodwill		34,648		-
	$	378,936	$	-
ERF Wireless				
Subscriber base	$	1,339,851	$	-
Network equipment		1,219,081		-
Vehicles		40,575		-
Network equipment not deployed		54,435		-
Goodwill		378,058		-
	$	3,032,000	$	-
Total paid in Stock	$	32,000	$	-
Total cash consideration	$	3,000,000	$	-
CommX VOIP				
Subscriber base	$	2,502,109	$	-
Network equipment		120,379		-
Software licenses		1,641,348		-
Furniture and fixtures		9,940		-
Customer premises equipment		315,473		-
Accounts receivable		143,836		-
Obligations to subscribers		(46,535)		-
Goodwill		87,741		-
	$	4,774,291	$	-
Total paid in Stock	$	680,000	$	-
Total warrants to purchase common stock	$	94,291	$	-
Total cash and debt consideration	$	4,000,000	$	-
Common stock payable subscription sales	$	-	$	456,108
Common stock issued for common stock payable	$	-	$	391,822
Common stock issued for professional services	$	-	$	123,834
Capital lease obligations for property and equipment	$	543,763	$	234,350

See accompanying notes to condensed consolidated financial statements

KEYON COMMUNICATION HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Organization

On August 9, 2007, KeyOn Communications, Inc. ("KeyOn") became a publicly-traded company upon its completion of a reverse merger and recapitalization with Grant Enterprises, Inc. ("Grant"), a publicly-traded company with no operations (the "Merger"). Grant subsequently changed its name to KeyOn Communications Holdings, Inc. (the "Company"). KeyOn was incorporated on December 16, 2004, under the laws of the State of Nevada.

Description of Business

The Company provides wireless broadband, satellite video and voice-over-IP ("VoIP") services primarily to small and rural markets in the Western and Midwestern United States. KeyOn's markets are located in 12 Western and Midwestern states: Idaho, Illinois, Indiana, Iowa, Kansas, Minnesota, Nebraska, Nevada, Ohio, South Dakota, Texas, and Utah. As of June 1, 2011, KeyOn provides VoIP services directly utilizing its own facility acquired with the assets purchased from entities doing business as CommX. In an effort to generate additional accounting and operational efficiencies, the Company consolidated its eight wholly-owned subsidiaries: KeyOn Communications, LLC; KeyOn SIRIS, LLC; KeyOn Grand Junction, LLC; KeyOn Idaho Falls, LLC; KeyOn Pahrump, LLC; KeyOn Pocatello, LLC; KeyOn SpeedNet LLC and KeyOn Spectrum Holdings, LLC (which had previously been referred to as the "related entities"), into one, wholly-owned operating subsidiary: KeyOn Communications, Inc. For the acquisition of CommX assets, KeyOn formed a new operating subsidiary, KeyOn CommX LLC, which is wholly-owned by KeyOn Communications Holdings, Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial statements and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they may not contain all information and notes required by GAAP for complete financial statements. The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, all adjustments necessary (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. The condensed balance sheet as of December 31, 2010 has been derived from the Company's audited financial statements as of that date, but does not include all of the information and notes required by GAAP for complete financial statements. For further information refer to the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission ("SEC") on March 30, 2011, and updated, as necessary, in this Quarterly Report on Form 10-Q.

Consolidation Policy

The accompanying consolidated balance sheets and consolidated statements of operations, stockholders' equity, and cash flows for the quarter ended September 30, 2011, include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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. These estimates and assumptions include valuing equity securities and derivative financial instruments issued as consideration in business combinations and/or in financing transactions and in share based payment arrangements, accounts receivable reserves, deferred taxes and related valuation allowances, allocating the purchase price to the fair values of assets acquired and liabilities assumed in business combinations (including separately identifiable intangible assets and goodwill) and estimating the fair values of long lived assets to assess whether impairment charges may be necessary. Certain of the Company's estimates, including accounts receivable and the carrying amounts of intangible assets could be affected by external conditions including those unique to our industry and general economic conditions. It is reasonably possible that these external factors could have an effect on its estimates that could cause actual results to differ from our estimates. The Company re-evaluates all of its accounting estimates at least quarterly based on these conditions and record adjustments, when necessary.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of cash and cash equivalents. The Company places its cash with one financial institution. Accounts are guaranteed by the Federal Deposit Insurance Corporation up to $250,000. At times, balances may exceed federally insured limits.

Goodwill and Intangible Assets

The Company accounts for goodwill and intangible assets in accordance with Accounting Standards Codification ("ASC") 350, *Intangibles - Goodwill and Other* ("ASC 350"). ASC 350 requires that goodwill and other intangibles with indefinite lives should be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value.

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations. GAAP requires that goodwill be tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis and between annual tests when circumstances indicate that the recoverability of the carrying amount of goodwill may be in doubt. Application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value. Significant judgment is required to estimate the fair value of reporting units including estimating future cash flows, determining appropriate discount rates and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill impairment. Upon consideration of our operations, the Company has determined that it operates a single reporting unit.

The Company's business includes one goodwill reporting unit. It annually reviews goodwill for possible impairment by comparing the fair value of the reporting unit to the carrying value of the assets. If the fair value exceeds the carrying value of net asset, no goodwill impairment is deemed to exist. If the fair value does not exceed the carrying value, goodwill is tested for impairment and written down to its implied fair value if it is determined to be impaired. We determined that goodwill was not impaired as of September 30, 2011.

The Company's amortizable intangible assets consist of acquired subscriber bases. These costs are being amortized using the straight-line method over their estimated useful lives. The Company amortizes customer relationships on a straight line basis over a 36 to 48 month estimated useful life.

The Company reviews the carrying value of intangibles and other long-lived assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparing the carrying amount of the asset or asset group to the undiscounted cash flows that the asset or asset group is expected to generate. If the undiscounted cash flows of such assets are less than the carrying amount, the impairment to be recognized is measured by the amount by which the carrying amount of the property, if any, exceeds its fair market value. The Company intends to re-evaluate the carrying amounts of our amortizable intangibles at least quarterly to identify any triggering events. As described above, if triggering events require the Company to undertake an impairment review, it is not possible at this time to determine whether it would be necessary to record a charge or if such charge would be material.

Revenue Recognition

The Company's revenue is recognized when the following criteria are met: (1) persuasive evidence of an arrangement exists, (2) delivery or performance has occurred, (3) the fee is fixed or determinable, and (4) collectability of the sale is reasonably assured.

The Company charges a recurring subscription fee for providing its various Internet access and VoIP services to its subscribers and recognizes revenues when they are earned, which generally occurs as the service is provided. Subscriptions to the services are in the form of one, two, three and five year contracts and are billed monthly, quarterly, semi-annually or annually in advance. Payments received in advance for subscriptions are deferred and recognized as the services are provided. Deferred revenues for payments received in advance of subscription services amounted to $259,264 and $253,596 at September 30, 2011 and December 31, 2010, respectively. For the satellite video business in which the Company is a retailer of video services from DISH Network Corporation ("DISH"), the Company recognizes revenues at the time of installation.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

As of December 31, 2010, the Company had approximately $23,238,000 and $17,377,000 of federal and state net operating loss carryovers ("NOLS") which begin to expire in 2025. The net operating loss carryovers may be subject to limitation under Section 382 of the Internal Revenue Code should there be a greater than 50% ownership change as determined under the applicable regulations.

Management prepared an analysis of the Company's stock ownership activity from November 2007 through March 2011 and concluded that no ownership change occurred prior to December 31, 2010, but an ownership change did occur in March 2011 with the result being that our ability to use $23,000,000 of federal and state NOL carryforwards is subject to an annual limitation.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax strategies in making this assessment. Based on this assessment, management has established a full valuation allowance against all of the deferred tax assets for every period, since it is more likely than not that all of the deferred tax assets will not be realized.

The Company accounts for uncertain tax positions based upon authoritative guidance that prescribes a recognition and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return (ASC 740-10). The guidance also provides direction on derecognition and classification of interest and penalties. Management has evaluated and concluded that there are no material uncertain tax positions requiring recognition in the financial statements for any of the periods presented. The Company files a federal income tax return as well as income tax returns in eight state jurisdictions in the United States. The tax years ended December 31, 2007 through 2009 remain subject to examination for federal, state and local income tax purposes as of Decembers 31, 2010.

The Company's policy is to classify assessments, if any, for tax related interest as interest expense and penalties as tax expense

Net Loss per Common Share

Basic net loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding. Diluted net income per share is computed by dividing net income, if any, by the sum of the weighted average number of common shares outstanding and the dilutive potential common share equivalents then outstanding. Potential common share equivalents consist of the weighted average number of shares issuable upon the exercise of outstanding stock options and warrants to acquire common stock, and shares issuable upon conversion of convertible debt. If the Company generates net income and these potential common share equivalents are dilutive, the Company computes diluted net income per share using the treasury stock method.

Due to the fact that the Company has incurred net losses for the three and nine months ended September 30, 2011, weighted average common share equivalents of 58,835,166 and 51,169,685, respectively, are not included in the calculation of diluted net loss per common share because they are anti-dilutive.

The table of all of our common stock equivalents is as follows:

	September 30,	
	2011	**2010**
Common stock purchase warrants	4,750,494	3,657,161
Warrants to purchase convertible Series A preferred stock - convertible into common stock on a 1 for 1 basis	10,300,000	-
Stock options	2,484,344	1,245,723
Convertible note convertible into Series A Preferred Stock - convertible into common stock on a 1 for 1 basis	3,466,667	-
Convertible Series A preferred stock- convertible into common stock on a 1 for 1 basis	16,811,225	20,000,000
	37,812,730	24,902,884

The numerator in the diluted loss per share calculation for the three months ended September 30, 2010 gives effect to addbacks of (1) $542,466 of contractual interest expense under our convertible notes, and (2) $542,566 of accretion of discount under the convertible notes (recorded as interest expense) and (3) the elimination of the $4,458,953 change in the fair value of the derivative liability associated with the conversion option embedded in our convertible notes. The number of shares included in the presentation of diluted loss per share for the three months ended September 30, 2010 includes (1) 641,456 employee stock options and (2) 231,785 common stock purchase warrants, each with exercises prices that are less than the average share price of $0.51 per share for the three months ended September 30, 2010 and (3) 20,000,000 shares of common stock underlying the conversion option embedded in our convertible notes described in Note 7.

The numerator in the diluted loss per share calculation for the nine months ended September 30, 2010 gives effect to addbacks of (1) $782,466 of contractual interest expense under our convertible notes, and (2) $1,392,868 of accretion of discount under the convertible notes (recorded as interest expense) and (3) the elimination of the $12,207,767 change in the fair value of the derivative liability associated with the conversion option embedded in our convertible notes. The number of shares included in the presentation of diluted loss per share for the nine months ended September 30, 2010 includes (1) 1,873,785 employee stock options and (2) 656,456 common stock purchase warrants, each with exercises prices that are less than the average share price of $1.04 per share for the nine months ended September 30, 2010 and (3) 20,000,000 shares of common stock underlying the conversion option embedded in our convertible notes as described in Note 7.

The adjustment for employee stock options was calculated using the treasury stock method and the adjustment for the conversion option embedded in our notes was calculated using the "if converted" method.

Share-Based Payments

The Company accounts for all share based payments in accordance with ASC 718, *Compensation — Stock Payments* which results in the recognition of expense under applicable GAAP and requires measurement of compensation cost for all share based payment awards at fair value on the date of grant and recognition of compensation expense over the service period for awards expected to vest. The Company calculates the fair value of stock options using the Black-Scholes option pricing model. The fair value of restricted stock is determined based on the number of shares granted and the fair value of our common stock on date of grant. The recognized expense is net of expected forfeitures.

Common Stock Purchase Warrants and Derivative Financial Instruments

The Company classifies all of its common stock purchase warrants and derivative financial instruments as equity if the contracts (1) require physical settlement or net-share settlement or (2) give the Company a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement). The Company classifies as assets or liabilities any contracts that (1) require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside the control of the Company), (2) give the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement), or (3) contracts that contain reset provisions. The Company assesses classification of its common stock purchase warrants and other derivatives at each reporting date to determine whether a change in classification between assets and liabilities is required.

Fair Value Measurements

As defined in Financial Accounting Standards Board ("FASB") ASC 820, *Fair Value Measurements and Disclosures*, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, FASB ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1	Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.
Level 2	Other inputs that are observable directly or indirectly, such as quoted prices for similar assets and liabilities or market corroborated inputs.
Level 3	Unobservable inputs that are used when little or no market data is available, which requires the Company to develop its own assumptions about how market participants would value the assets or liabilities.

Determining which category an asset or liability falls within the hierarchy requires significant judgment. The Company evaluates its hierarchy disclosure each quarter. Assets and liabilities measured at fair value on a recurring basis as of September 30, 2011 and December 31, 2010 are summarized as follows:

	Fair Value as of September 30, 2011			
	Level 1	Level 2	Level 3	Total
Liabilities				
Derivative liability	$ -	$ -	$ 167	$ 167
Total	$ -	$ -	$ 167	$ 167

	Fair Value as of December 30, 2010			
	Level 1	Level 2	Level 3	Total
Assets				
Marketable Securities	$ 5,746,612	$ -	$ -	$ 5,746,612
Total	$ 5,746,612	$ -	$ -	$ 5,746,612
Liabilities				
Derivative liability	$ -	$ -	$ 2,390,515	$ 2,390,515
Total	$ -	$ -	$ 2,390,515	$ 2,390,515

The following table presents the fair value reconciliation of Level 3 liabilities measured at fair value on a recurring basis during the nine months ended September 30, 2011and for the year ended December 31, 2010:

	September 30, 2011	December 31, 2010
Beginning Balance	$ 2,390,515	$ -
Aggregate fair value of derivative issued	14,937	44,792,150
Issuance date charge for difference between fair value of Derivative Instrument	-	(29,792,150)
Change in fair value of derivative	(173,880)	(12,609,485)
Elimination of derivative upon the conversion of related Note into Series A Preferred Stock to paid in capital	(2,231,405)	-
Ending Balance	$ 167	$ 2,390,515

The significant assumptions and valuation methods that we used to determine fair value and the change in fair value of the derivative financial instrument at issue are discussed in Note 7.

Recent Accounting Pronouncements

In September 2011, the FASB issued Accounting Standards Update ("ASU") No. 2011-08, *Intangibles-Goodwill and Other* that will allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under these amendments, an entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amendments include a number of events and circumstances for an entity to consider in conducting the qualitative assessment. The guidance is effective for fiscal years beginning after December 15, 2011 with early adoption permitted. The Company does not expect that the adoption of this update will have a material impact on its consolidated financial statements at this time.

In June 2011, the FASB issued ASU No. 2011-05, *Presentation of Comprehensive Income* that improves the comparability, consistency, and transparency of financial reporting and increases the prominence of items reported in other comprehensive income by eliminating the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments in this standard require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Under either method, adjustments must be displayed for items that are reclassified from other comprehensive income ("OCI") to net income, in both net income and OCI. The standard does not change the current option for presenting components of OCI gross or net of the effect of income taxes, provided that such tax effects are presented in the statement in which OCI is presented or disclosed in the notes to the financial statements. Additionally, the standard does not affect the calculation or reporting of earnings per share. For public entities, the amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and are to be applied retrospectively, with early adoption permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

In May 2011, FASB issued ASU No. 2011-04, *Fair Value Measurements* (ASC Topic 820). This ASU provides additional guidance on fair value disclosures. This guidance contains certain updates to the measurement guidance as well as enhanced disclosure requirements. The most significant change in disclosures is an expansion of the information required for "Level 3" measurements including enhanced disclosure for: (1) the valuation processes used by the reporting entity; and (2) the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs, if any. This guidance is effective for interim and annual periods beginning on or after December 15, 2011, with early adoption prohibited. Other than requiring additional disclosures on the Company's "Level 3" disclosures, the adoption of this new guidance will not have a material impact on the Company's consolidated results of operations and financial position.

In December 2010, the FASB issued ASU 2010-29, *Business Combinations* (ASC Topic 805). The amendment affects any public entity as defined by Topic 805, Business Combinations that enters into business combinations that are material on an individual or aggregate basis. The comparative financial statements should present and disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The adoption of this standard did not have a material impact on the Company's consolidated financial position and results of operations.

In December 2010, the FASB issued ASU 2010-28, *Intangibles — Goodwill and Other* (Topic 350). ASU 2010-28 modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts by requiring an entity to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. This update will be effective for fiscal years beginning after December 15, 2010. The adoption of this standard did not have a material impact on the Company's consolidated financial position and results of operations.

Other accounting standards that have been issued or proposed by the FASB, SEC and/or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

Reclassification

Certain reclassifications have been made to the 2010 information to conform to the 2011 presentation.

3. LIQUIDITY AND FINANCIAL CONDITION

The Company's net loss amounted to $21,093,766 for the nine months ended September 30, 2011, and includes a non-cash interest charge to the statement of operations, principally relating to the acceleration of the discount of our convertible note upon its conversion into Series A Preferred Stock on March 11, 2011 (the "Conversion"), and a debt conversion inducement charge of $2,292,059 from the issuance of warrants as a part of the Conversion (see Note 7). The Company's accumulated deficit amounted to $48,262,992 at September 30, 2011. During the nine months ended September 30, 2011, net cash used in operating activities amounted to $1,443,163. At September 30, 2011, the Company's working capital amounted to a deficit of $6,677,341. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

On June 14, 2011, the Company entered into a note purchase agreement with an institutional investor pursuant to which it issued a secured convertible note for the principal sum of $2,600,000, which note is convertible into shares of Series A Preferred Stock, par value $0.001 per share, of the Company. On June 27, 2011, the Company used $500,000 to fund the initial payment due in respect of its acquisition of the VoIP assets from CommX.

The Company has continued to take measures during the nine months ended September 30, 2011 to increase our overall base of subscribers by completing several acquisitions (See Note 4) in order to take advantage of scale economies resident in the telecommunications industry. In addition, the Company has maintained its fixed operating costs by previously streamlining our operations and working to control operating costs. Management believes that these operational initiatives have been effective as the Company has significantly increased revenues with its operating costs remaining the same or lower percentage of revenues than in past quarters. Management believes the company will begin to report positive operating cash flow from operations in the first quarter of 2012.

In support of our strategy of growing revenues by increasing our subscriber base, the Company received an award under ARRA, specifically, Round Two of the Broadband Initiatives Program (BIP) administered by the Rural Utilities Service ("RUS"). On September 13, 2010, the Company was announced as a $10,200,000 award winner to build and operate networks throughout rural Nevada to nearly 100,000 rural residents. The Company is expected to contribute approximately $2,000,000 in matching funds during the project's three year construction period. The Company anticipates commencing its project in the first quarter of 2012 and expects that it will be substantially complete within two years from the commencement date. The Company is currently working with its third-party contractors and applicable RUS personnel to begin requisitioning funds pursuant to the award.

The Company's plans to address its liquidity issues and to execute its strategy of continued acquisitions of wireless broadband companies and penetrate new and existing markets, including the BIP stimulus award is to raise additional funds, through public, debt financings, or other means. Management believes that it has access to capital resources through possible public or private equity offerings, debt financings or other means; however, the Company has not secured any commitments for new financing at this time, nor can it provide any assurance that new financing will be available on commercially acceptable terms, if needed. If the Company is unable to secure additional capital, it may be required to curtail business development initiatives and take additional measures to reduce costs in order to conserve our cash.

4. BUSINESS COMBINATION

Wells Rural Electric Company

On January 31, 2011, KeyOn Communications Holdings, Inc. purchased the assets of Wells Rural Electric Company, pursuant to an Asset Purchase Agreement, including subscriber contracts, accounts, and fixed assets. As consideration for the acquired assets, the Company agreed to pay $363,888 in cash over a period of two years, subject to further adjustments. Upon the satisfaction of certain closing conditions, the Company initiated the Closing Payment of $94,734. The balance of the purchase price which amounts to $269,154 will be made in eight consecutive quarterly payments and will accrue interest at the rate of 5.25% per annum (See Note 7).

The purchase price breakdown is as follows:

Subscriber base	$ 121,898
Network equipment	23,348
Customer premise equipment	195,298
Accounts receivable	1,239
Goodwill	22,105
	$ 363,888

Grand Junction, Colorado market sale

On February 1, 2011, the Company entered into an agreement to sell substantially all of the wireless broadband assets and assign certain liabilities used in the operation of its Grand Junction, Colorado network to Skybeam, Inc. As consideration for the acquired assets, the Company agreed to accept an aggregate purchase price of $261,000 in cash, subject to a holdback in the amount of $52,200 with which to make post-closing purchase price adjustments based upon the number of broadband subscribers and monthly Internet service revenue. Also, on February 1, 2011, upon the satisfaction of certain closing conditions as described in the Asset Purchase Agreement, KeyOn completed the divesture, and received the initial closing payment of $208,800. The Company received the balance of the purchase price of $38,915 on May 2, 2011 after making certain purchase price adjustments as described in the Asset Purchase Agreement.

The final sales price breakdown is as follows:

Network equipment	$	272,510
Customer premise equipment		226,757
Software		461
Computer equipment		2,460
Accumulated depreciation		(495,885)
Gain on sale of assets		246,197
	$	252,500

ERF Wireless, Inc

On February 10, 2011, the Company entered into an agreement to acquire certain wireless broadband assets and assume certain liabilities used to provide wireless Internet access and other related services from ERF Wireless, Inc., ("ERF"). The assets to be acquired are used in the business of operating wireless networks that provide high-speed Internet access and other related services to residential and commercial subscribers in East Central Texas. As consideration for the acquired assets, the Company paid $3,000,000 in cash, subject to further adjustments as described in the Asset Purchase Agreement and issue 100,000 shares of the Company's common stock. The Asset Purchase Agreement contains customary representations and warranties by the Company and ERF. On February 15, 2011, upon the satisfaction of the closing conditions, the Company consummated this transaction by delivering $2,700,000 in cash and issued 100,000 restricted shares of its common stock. On July 1, 2011 the Company made the final payment to the balance of the final purchase price of $215,120 (see Note 7) after making certain price adjustments as described in the Asset Purchase Agreement.

The final allocation of the purchase price breakdown is as follows:

Network equipment	$	1,219,082
Vehicles		40,575
Subscriber base		1,339,851
Network equipment not deployed		54,434
Goodwill		378,058
Accounts receivable		11,298
Accounts payable		(66,624)
Obligations to subscribers		(29,553)
	$	2,947,121

CommX, Inc.

On June 1, 2011, a wholly owned subsidiary of KeyOn Communications Holdings, Inc., KeyOn CommX, LLC, a Nevada limited liability company, acquired from CommX Holdings, Inc., a Florida corporation, CommX, Inc., a Florida corporation and Communications Xchange, LLC, a Florida limited liability company, ("Xchange" and together with CommX Holdings and CommX Inc., "CommX") pursuant to an asset purchase agreement. Substantially, all of the CommX's assets are used in providing services commonly known as hosted VoIP to commercial and residential customers as well as certain other assets related to Internet addresses and, as a continuation of our core business strategy, they will serve to integrate horizontally into our product line-up and services provided to the same geographical locations and customers.

As consideration for the acquired assets, we initiated the closing payment of $500,000 in cash at closing, upon satisfaction of certain closing conditions, issued a promissory note in the principal amount of $3.5 million, 2,000,000 shares of our common stock with a fair value of $0.34 a share or $680,000 and a warrant to purchase 1,000,000 shares of our common stock at an exercise price of $0.40 per share with a fair value of $94,291.

The promissory note accrues interest at the rate of 5.0% per annum and is payable in 10 equal quarterly installments of $374,511 commencing August 31, 2011. However, in the event that the Company completes an equity financing or series of equity financings that result in gross proceeds of at least $5,000,000, the Company is required to make a mandatory prepayment of $1,500,000 under the Note. The Note contains a variety of events of default that are typical for transactions of this type (See Note 7).

The final purchase price is subject to adjustments for net working capital and qualified subscribers as described in the asset purchase agreement and it is not expected to exceed $80,000.

The table showing the fair value warrants issued in consideration is as follows:

Fair value of warrants to purchase common stock		
Exercise price of option	$	0.40
Term (years)		5
Volatility		53%
Risk free interest rate		0.74%
Dividend yield		0.00%
Unit fair value	$	0.34
Shares issued upon exercise		1,000,000
Aggregate fair value	$	94,291

The preliminary allocation of the purchase price breakdown is as follows:

Subscriber base	$	2,502,109
Network equipment		120,379
Software licenses		1,641,348
Furniture and fixtures		9,940
Customer premises equipment		315,473
Accounts receivable		143,836
Obligations to subscribers		(46,535)
Goodwill		87,741
	$	4,774,291
Total stock consideration	$	680,000
Total warrant to purchase common stock consideration	$	94,291
Total cash and debt consideration	$	4,000,000

Pro forma financials

The Company accounted for the business combinations using the acquisition method of accounting. The results of operations for the three and nine months ended September 30, 2011, include the revenues and expenses of these acquired businesses since their respective dates of acquisition.

The unaudited pro-forma financial results for the three and nine months ended September 30, 2011 and 2010, combines the historical results of Dynamic Broadband Corporation, RidgeviewTel, LLC, Affinity Wireless, ERF Wireless, Inc., Wells Rural Electric Company and Commx VOIP with those of the Company as if these acquisitions had been completed as of the beginning of each of the periods presented. The pro-forma weighted average number of shares outstanding also assumes that the shares issued as purchase consideration were outstanding as of the beginning of each of the periods presented.

As described in Note 2, the Company adopted ASU 2010-29 relating to pro forma disclosures effective January 1, 2011. There were no material non-recurring pro forma adjustments directly attributable to these acquisitions.

Pro Forma Combined Statement of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Total revenues	$ 3,399,160	$ 3,458,930	$ 10,184,993	$ 10,655,293
Loss from operations	$ (1,774,187)	$ (1,470,942)	$ (5,196,505)	$ (4,469,604)
Net income (loss) available to common stockholders	$ (2,365,550)	$ 1,826,761	$ (21,743,719)	$ 5,447,035
Net income (loss) per share, basic	$ (0.09)	$ (0.06)	$ (0.89)	$ (0.19)
Net income (loss) per share, diluted	$ (0.09)	$ (0.03)	$ (0.89)	$ (0.10)
Pro forma weighted average shares outstanding, basic	25,768,211	23,668,211	24,645,500	23,505,674
Pro forma weighted average shares outstanding, diluted	25,768,211	44,541,452	24,645,500	46,035,915

Digital Bridge Spectrum Corp.

On July 22, 2011, the Company entered into an agreement to acquire certain wireless broadband assets and assume certain liabilities from Digital Bridge Communications Corp, a Delaware corporation, Digital Bridge Spectrum Corp., a Delaware corporation, and Digital Bridge Spectrum II a Delaware limited liability company (collectively, the “Digital Bridge”), The assets to be acquired are used in the businesses of operating wireless broadband networks that provide broadband Internet access and other related services in certain markets in the Northwest and Midwest.

As consideration for the acquired assets, the Company has agreed to pay $17,434,874 in cash subject to further adjustments as described in the Asset Purchase Agreement. The Asset Purchase Agreement contains customary representations and warranties by the Company and Digital Bridge.

5 PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2011 and December 31, 2010, consisted of the following:

	September 30, 2011	**December 31, 2010**
Subscriber equipment	$ 7,841,356	$ 7,027,318
Fixed wireless tower site equipment	7,253,013	5,280,354
Software and consulting costs	2,298,669	633,704
Computer and office equipment	938,234	676,210
Vehicles	299,939	243,107
Leasehold improvements	348,550	315,013
	18,979,761	14,175,706
Accumulated depreciation	(12,150,679)	(10,769,366)
	$ 6,829,082	$ 3,406,340

Depreciation expense for the three and nine months ended September 30, 2011 was $761,434 and $1,881,732 respectively. For the three and nine months ended September 30, 2010 depreciation expense was $478,439 and $1,262,935, respectively.

6 INTANGIBLE ASSETS

	Goodwill	Subscriber Base	Trademarks
Balance as of December 31, 2010	$ 1,815,095	$ 2,290,464	$ 16,567
Wells Electric acquisition	22,104	121,899	-
ERF acquisition	378,059	1,339,851	-
CommX acquisition	87,741	2,502,108	-
Balances as of September 30, 2011	2,302,999	6,254,322	16,567
Accumulated amortization	-	(2,085,057)	-
	$ 2,302,999	$ 4,169,265	$ 16,567

Amortization expense for the three and nine months ended September 30, 2011 was $271,555 and $659,460, respectively. For the three and nine months ended September 30, 2010 amortization expense was $92,282 and $197,582, respectively.

7 NOTES, LOANS AND DERIVATIVE LIABILITIES

Notes Payable

	September 30, 2011	December 31, 2010
Note payable to a financial institution in monthly installments of $10,828 including interest at 7% through October 2014.	$ 348,927	425,087
Note payable in connection with acquisition of assets and assumption of certain liabilities of Southwest Wireless, payable in quarterly non-interest bearing payments of $30,000 through August 1, 2012. (Note 4)	120,000	210,000
Note payable in connection with acquisition of assets and assumption of certain liabilities of TS Wireless, payable in quarterly non-interest bearing payments of $18,750 through June 30, 2012. (Note 4)	81,250	184,456
Note payable in connection with acquisition of assets and assumption of certain liabilities of On A Wave Wireless, Inc., payable in two semi-annually non-interest bearing payments of 53,000 through October 11, 2011. (Note 4)	26,000	59,000
Note payable to a Blencoe State Bank assumed in connection with acquisition of On A Wave Wireless, Inc., payable in monthly installments of $450 including interest at 7.25% through May 2014. (Note 4)	12,503	15,774
Note payable to Wells Rural Electric, payable in 8 quarterly installments including interest at 5.25%	215,706	-
Note payable to CommX, payable in 10 quarterly installments including interest at 5.0%.	3,500,000	-
Note payable to American National Bank, payable in 48 monthly installments including interest at 7.8%.	-	7,842

	4,304,386	902,159
Current portion	2,048,639	396,847
Non-current portion	$ 2,255,747	$ 505,312

Derivative Financial Instrument

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with ASC 815, *Derivative and Hedging* which requires issuers of financial statements to make a determination as to whether (1) an embedded conversion meets the definition of a derivative in its entirety and (2) the derivative would qualify for a scope exception to derivative accounting, which further includes evaluating whether the embedded derivative would be considered indexed to the issuer's own stock.

ASC 815 generally provides three criteria that, if met, requires companies to bifurcate conversion options from their host instruments and account for them as separate derivatives in the event such derivatives would not be classified in stockholders' equity if they were free standing. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not remeasured at fair value under other applicable GAAP with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to the requirements of ASC 815. ASC 815 also provides for an exception to this rule if a debt host instrument is deemed to be a conventional debt instrument.

The Company evaluated the conversion option embedded in its Note issued in February 2010 in accordance with the provisions of ASC 815 and determined that the conversion option has all of the characteristics of a derivative in its entirety and does not qualify for an exception to the derivative accounting rules. Specifically, the exercise price of the conversion option is not fixed at any time during the term of the note based on the occurrence or non-occurrence of certain events also entitles the counterparty to an adjustment of the exercise price in the event that the Company subsequently issues equity securities or equity linked securities at prices more favorable than the exercise price of the conversion option embedded in the Note. Accordingly, the conversion option is not considered indexed to the Company's own stock.

On June 16, 2011 (date of issuance), the fair value of the derivative liability was $14,937. The revaluation of the derivative liability as of September 30, 2011 resulted in the fair value of $167. The decrease in the fair value resulted in a gain of $12,374 for the three months ended September 30, 2011.

The Company uses the Black-Scholes option-pricing model to estimate the value of its derivative liability. The assumptions used in the Black-Scholes option-pricing models are set forth in the following table. The expected volatility is based on the volatility of public companies that are similar to the Company's industry, size, financial leverage and stage of life cycle. The Company calculated the historical volatility of these companies using the daily closing total returns for a period of time equal to the expected term of the derivative liability as of the valuation date. The expected term represents the period of time that the derivative liability is expected to be outstanding. The risk free rate is based on the U.S. treasury securities constant maturity rate that corresponds to the expected term.

	September 30, 2011	**June 30, 2011**	**June 16, 2011**
Fair value of common stock	$ 0.20	$ 0.29	$ 0.30
Exercise price of option	$ 0.75	$ 0.75	$ 0.75
Expected term (years)	0.75	1.00	1.00
Expected volatility	49.62%	53.25%	53.25%
Risk free interest rate	0.13%	0.19%	0.19%
Expected dividend yield on stock	0.00%	0.00%	0.00%
Unit fair value	$ 0.00005	$ 0.00362	$ 0.00431
Shares issuable upon exercise	3,466,666	3,466,666	3,466,666
Aggregate fair value	$ 167	$ 12,541	$ 14,937

Settlement of Convertible Note

On February 5, 2010, pursuant to the Note Purchase Agreement, the Company issued to CalCap a secured convertible promissory note for the principal sum of $15,000,000 (the "Note"). On December 3, 2010, the Company entered into the Conversion Agreement with CalCap, subject to stockholder approval, pursuant to which CalCap agreed to convert all of the outstanding principal and accrued but unpaid interest under the Note into Preferred Stock at a conversion price of $1.00 per share. In addition, upon the conversion of the Note and in accordance with the Conversion, the Company agreed to issue CalCap a five year warrant to purchase 4,300,000 shares of Preferred Stock at an exercise price of $0.25 per share, a five year warrant to purchase 4,000,000 shares of Preferred Stock at an exercise price of $0.40 per share and a five year warrant to purchase 2,000,000 shares of Preferred Stock at an exercise price of $0.60 per share (collectively, the "Warrants"). Upon approval by vote of the stockholders, on March 11, 2011, the Company issued 16,315,068 shares of Preferred Stock in addition to 10,300,000 exercisable warrants to obtain Preferred Stock, thereby satisfying the Note.

The conversion of the Cal Cap Note into Series A Preferred Stock has been accounted for as an induced conversion. The Company induced conversion of the Note through: (1) the issuance of warrants to purchase additional shares of Series A Preferred Stock at exercise prices not provided for in the original Note, (2) additional voting rights granted to Preferred Stock holders relative to those possessed by common stockholders and (3) control of the Board of Directors through the ability to appoint a majority of its members.

Under the induced conversion accounting rules, if a convertible debt instrument is converted to equity securities of the debtor pursuant to an inducement offer, the debtor recognizes an expense equal to the fair value of the securities and other consideration transferred in the transaction in excess of the fair market value of securities issuable pursuant to the original conversion terms. The fair value of the derivative liability, after giving the effect to the increase in the exercise price from $0.75 to $1.00 amounted to $2,231,405 immediately prior to the conversion of the rate. The fair value of the derivative liability amounted to $2,390,515 at December 31, 2010. Accordingly, the Company recorded a $159,110 credit to other income during the period January 1, 2011 to March 11, 2011. Upon the conversion of the Note, the derivative liability no longer exists and was therefore reclassified to additional paid in capital. The Company recorded accretion on the Note of $589,055 as interest expense during the period January 1, 2011 to March 11, 2011 to a value of $2,547,416 at the conversion date. After giving effect to the conversion, the unamortized discount on the Note of $12,452,584 was accelerated and has been charged to interest expense.

8 CAPITAL AND OPERATING LEASES

Capital Leases

The Company leases equipment from certain parties under various capital leases expiring in 2011 through 2015. Future minimum lease payments under the capital leases, which are stated at their principal amounts with initial or remaining terms of one year or more consist of the following as of September 30, 2011:

2011	$	183,081
2012		330,175
2013		227,417
2014		148,333
2015		24,975
Thereafter		-
Total minimum lease payments		913,981
Total amounts representing interest		(200,214)
		713,767
Current portion of capital lease obligation		(324,960)
Capital lease obligation, less current portion	$	388,807

Operating Leases

The Company leases tower and roof-top space under operating leases with terms that are typically for five years and contain automatic renewals for two or three additional five year terms. The Company also has various operating leases for office space, equipment, and vehicles that generally are for three to five year terms. Future minimum lease payments under the operating leases with initial or remaining terms of one year or more consist of the following at September 30, 2011:

For the period of October 1, 2011 through December 31, 2011	$	486,533
2012		618,175
2013		337,815
2014		208,579
2015		126,618
Thereafter		-
	$	1,777,720

The total rental expense included in operating expenses for operating leases was $954,081 and $436,489 for the three months ended September 30, 2011 and 2010, respectively and $1,482,510 and $1,160,279 for the nine months ended September 30, 2011 and 2010, respectively.

In February 2007, the Company entered into a lease agreement for its corporate offices in Omaha, Nebraska. The lease term commenced in February 2007 and terminates five years from the date of commencement with an option to renew for an additional five-year term. The Company's annual rent payments totaled approximately $103,000 in 2010 and remained at that level through March 2011, before increasing to approximately $106,200 through March 2012. In May 2011 the Company has entered into a new lease agreement for approximately 6,500 square feet of office space for $6,825 per month in Las Vegas. This facility replaces the Company's previous Las Vegas office and serves as its new headquarters. This lease commenced on May 1, 2011 and terminates on April 30, 2016.

The Omaha office' landlord provided the Company with incentives as an inducement to enter the lease agreement. These incentives included (i) an allowance of $265,000 for leasehold improvements, (ii) an initial three-month rent-free period and (iii) a reduced initial monthly payment schedule from April 2007 through September 2007 with escalating monthly charges thereafter. The Las Vegas office' landlord provided the Company with incentives as an inducement to enter the lease agreement. These incentives included (i) an allowance of $39,900 for leasehold improvements, (ii) a reduced initial monthly payment schedule from May 2011 through April 2012 with escalating monthly charges thereafter. Leasehold improvements funded by the landlord have been (i) capitalized and are being amortized over the remaining lease term and (ii) recognized as deferred rent and amortized ratably over the term of the lease. The economic value of the rent-free period and the reduced initial monthly payments are recognized as deferred rent and amortized ratably over the term of the lease. Current and long term balances totaled $37,353 and $0 at September 30, 2011.

9 STOCKHOLDERS' EQUITY

Preferred Stock

The Company is authorized to issue up to 145,000,000 shares of stock, of which 115,000,000 have been designated as Common Stock and 30,000,000 have been designated as preferred stock. Of the 30,000,000 shares of preferred stock, 30,000,000 shares have been designated as Series A Preferred Stock. The Series A Preferred Stock is entitled to certain powers, preferences and other special rights that are summarized below. The Series A Preferred Stock is not redeemable.

Dividends

The holders of shares of Series A Preferred Stock are entitled to receive dividends, on a pari passu basis, out of any assets legally available therefore, prior and in preference to any declaration or payment of any dividend (payable other than in common stock or other securities and rights convertible into or entitling the holder thereof to receive, directly or indirectly, additional shares of common stock) on the common stock, at the rate of 10% of the Original Issue Price ($1.00, subject to adjustment for any stock splits, stock dividends, combinations, recapitalizations or the like) per share per annum for the Series A Preferred Stock, payable within 30 days following the last day of each fiscal quarter. During the first two years following the initial issuance of the Series A Preferred Stock, such dividends shall, at the option of the Company, be payable in either cash or additional shares of Series A Preferred Stock (with such shares being valued consistently with the common stock). Following such two year period, dividends shall be paid in cash unless otherwise elected by the holder. The Company issued 496,157 shares of Series A Preferred Stock in connection with the dividend earned through the second quarter 2011 during July 2011. The Company recorded a dividend on the Series A Preferred Stock of $411,229 and $907,386 for the three and nine months period ended September 30, 2011, respectively.

Liquidation Preference

In the event of the liquidation, dissolution or winding up of the Company, the acquisition of the Company by another entity as a result of which the Company's stockholders have less than 50% control of the acquiring entity's voting power following such acquisition or the sale of all or substantially all of the assets of the Company, the holders of Series A Preferred Stock shall be entitled to receive, on a pari passu basis, prior and in preference to any distribution of any of the assets of the Company to the holders of common stock, an amount per share equal to the greater of (i) the sum of (A) $1.50 (subject to adjustment for any stock splits, stock dividends, combinations, recapitalizations or the like) and (B) an amount equal to all accrued but unpaid dividends on such share and (ii) the amount of cash, securities or other property which such holder would be entitled to receive in such sale, liquidation, dissolution or winding up of the Company with respect to such shares if such shares had been converted to common stock immediately prior to such sale, liquidation, dissolution or winding up of the Company. Accordingly, the Series A Preferred Stockholders and all security holders in classes equal to or subordinate to the Series A preferred are entitled to the same consideration upon any liquidation event.

Upon completion of these distributions, the holders of Series A Preferred Stock shall not be entitled to any further participation as such in any distribution of the assets or funds of the Company.

Optional Conversion

Each share of Series A Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share into such number of fully paid and nonassessable shares of common stock as is determined by dividing the Original Issue Price by the Conversion Price. The initial Conversion Price per share for shares of Series A Preferred Stock shall be the Original Issue Price, which means that the shares of Series A Preferred Stock are initially convertible into shares of common stock on a one-for-one basis. In addition, each share of Series A Preferred Stock will automatically be converted into shares of common stock at the Conversion Price at the time in effect upon the written consent or agreement of the holders of at least a majority of the then outstanding shares of Series A Preferred Stock.

Anti-Dilution Protection

The Series A Preferred Stock is subject to weighted-average anti-dilution adjustments in the event of an issuance of common stock below the then current conversion price of the Series A Preferred Stock, as the case may be, or the issuance of any securities convertible into common stock with an exercise or conversion price below such conversion prices, in each case subject to certain exemptions.

Mandatory Conversion

If the volume weighted average price for any 10 consecutive trading days exceeds, $5.00 (subject to adjustment for any stock splits, stock dividends, combinations, recapitalizations or the like), the Company may require any holder of shares of Series A Preferred Stock to convert such shares, and any accrued but unpaid dividends thereon, into such number of shares of common stock as provided above.

Voting Rights

The holders of Series A Preferred Stock are entitled to vote, together with holders of common stock as a single class, on any matter upon which holders of common stock have the right to vote, and shall have the right to three (3) votes for each share of common stock into which the shares of Series A Preferred Stock held by such holders could then be converted.

Election of Directors

So long as at least 10,000,000 shares of Series A Preferred Stock remain outstanding, the holders of the Series A Preferred Stock are entitled, voting together as a single class, to elect such number of directors at or pursuant to each meeting or consent of the Company's stockholders for the election of directors equal to one-half of the then authorized number of directors plus one (1). Any resulting fractional number of directors that the holders of Series A Preferred Stock are entitled to elect hereunder shall be rounded down to the nearest whole number.

Protective Provisions

The consent of the holders of at least a majority of the then outstanding shares of Series A Preferred Stock voting separately as a class is required in order for the Company to:

- alter or change, whether by merger, consolidation or otherwise, the rights, preferences or privileges of the shares of Series A Preferred Stock so as to affect adversely such shares;
- increase or decrease (other than by redemption or conversion) the total number of authorized shares of preferred stock or common stock;
- authorize or issue, or obligate itself to issue, whether by merger, consolidation or otherwise, any equity security of the Company, including any other security convertible into or exercisable for any equity security, having rights, preferences or privileges senior or on parity with the Series A Preferred Stock;
- effect any reclassification or recapitalization of the outstanding capital stock of the Company;
- amend the Company's certificate of incorporation or bylaws in a manner that adversely effects the holders of the Series A Preferred Stock;
- pay dividends or make other distributions on the capital stock of the Company (other than a dividend payable solely in shares of common stock); or
- approve any transaction that would be required to be disclosed as a related party transaction by a corporation that is subject to the reporting requirements under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

Issuances of Common Stock

During the nine month period ended September 30, 2011, the Company issued 2,100,000 shares of common stock with an aggregate value of $712,000 pursuant to the consummation of the ERF Wireless and CommX acquisitions (see Note 4).

Warrants

A roll-forward of the Company's stock purchase warrants for the quarter ended September 30, 2011 is as follows:

	Series A preferred stock purchase warrants	**Common stock purchase warrants**	**Total**
Outstanding at December 31, 2010	-	3,750,494	3,750,494
Issued	10,300,000	1,000,000	11,300,000
Exercised	-	-	-
Cancelled	-	-	-
Expired unexercised	-	-	-
Outstanding at September 31, 2011	10,300,000	4,750,494	15,050,494

As of September 30, 2011, there are 15,050,494 exercisable warrants outstanding that feature strike prices ranging from $0.25 to $8.00 per share. 4,300,000 exercisable warrants feature strike prices at or below $0.29 per share.

Stock Option Plans

A summary of the status of our stock option plans and the changes during the nine months ended September 30, 2011, is presented in the table below:

	Number of options		Weighted Average Exercise Price	Weighted Average Contractual Term (Years)		Aggregate Intrinsic Value
Options outstanding as of December 31, 2010	2,159,344	$	0.96	4.42	$	386,562
Granted	425,000		0.37			
Exercised	-		-			
Cancelled	(100,000)		(0.35)			
Forfeited						
Options outstanding as of September 30, 2011	2,484,344		0.88	4.16	$	-
Options exercisable as of September 30, 2011	2,048,094		1.00	3.73	$	-

The Company calculates the fair value of stock options using the Black-Scholes option-pricing model. The option-pricing model requires the input of subjective assumptions. The Company has historically priced its options using volatility rates that are based on historical stock prices of similarly situated companies and expectations of the future volatility of our common stock. The expected life of our options is based upon the average of the vesting periods and contractual term. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The total expense to be recorded in future periods will depend on several variables, including the number of share-based awards expected to vest.

Compensation expense for stock options during the three and nine month ended September 30, 2011 amounted to $24,019 and $1,465,144, respectively.

Unamortized stock compensation expense as of September 30, 2011 amounted to $187,268 and is being recognized as compensation expense through February 28, 2014.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

STATEMENT ON FORARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q contains "forward-looking statements," which include information relating to future events, future financial performance, strategies, expectations, competitive environment and regulations. Words such as "may," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," and similar expressions, as well as statements in future tense, identify forward-looking statements. These uncertainties include factors that affect all businesses as well as matters specific to us, and other risks. We caution readers not to place undue reliance on any forward-looking statement, which speaks only as of the date made, and to recognize that forward-looking statements are predictions of future results, which may not occur as anticipated. Actual results could differ materially from those anticipated in the forward-looking statements and from historical results, due to the risks and uncertainties described under the heading "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2010, filed with the SEC on March 30, 2011and in this Quarterly Report on Form 10-Q, as well as others that we may consider immaterial or do not anticipate at this time.

Forward-looking statements in this Quarterly Report on Form 10-Q are based on management's beliefs and opinions at the time the statements are made. The forward-looking statements contained in this Quarterly Report on Form 10-Q are expressly qualified in their entirety by this cautionary statement. We do not undertake any obligation to publicly update any forward-looking statement to reflect events or circumstances after the date on which any such statement is made or to reflect the occurrence of unanticipated events.

Overview

We provide wireless broadband services primarily to rural and other underserved markets under the "KeyOn," "SpeedNet," and "SIRIS" brands. We offer our broadband services along with voice-over-IP "VoIP"), under our CommX brand, and DISH Network Corporation ("DISH") video services to both residential and business subscribers. We currently offer our broadband services to residential and business subscribers in a market footprint covering over 62,000 square miles in the following 12 Western and Midwestern states: Idaho, Illinois, Indiana, Iowa, Kansas, Minnesota, Nebraska, Nevada, Ohio, South Dakota, Texas and Utah. We estimate our existing footprint covers approximately 2,700,000 people, as well as small to mid-sized businesses in these areas. In June 2011, we acquired the hosted VoIP assets from entities doing business as CommX, and we now provide VoIP services to small to mid-sized businesses as well as to our residential customers through wholesale partners and direct retail channels.

We have principally grown our business through the acquisition of wireless broadband companies operating in areas adjacent to our existing network operations as well as through the organic growth of our subscriber base. From 2007 through today, we have acquired the assets of thirteen companies, which has increased our subscriber base and expanded our network footprint. We have completed one acquisition outside of the wireless broadband industry with our acquisition of CommX, which was our 14 acquisition overall.

Our present strategy is to achieve positive cash flow from operations by increasing our revenues through acquisitions, value-added services that increase our Average Revenue per User ("ARPU") and growth in our subscriber base. In order to achieve this goal, we attempt to keep the rate of growth in normalized operating expenses less than the growth in revenues. Over the past several quarters, we believe we have executed and plan to continue to execute our principal growth strategies, which are described below and consist of: Rural UniFi, overall organic subscriber growth and strategic initiatives, including the participation in government broadband programs such as the Broadband Initiatives Program (BIP), the deployment of 4G networks and expansion of our VoIP services.

Rural UniFi

In September of 2009, we launched “Rural UniFi”, which formalized our strategic acquisition of wireless broadband companies and Rural UniFi continues to be one of our core growth strategies. We integrate each acquired business into our existing infrastructure and achieve economies of scale through common management, customer service, sales and marketing and billing functions. We are engaged in ongoing discussions with numerous potential acquisition candidates and believe we are well positioned to continue to make additional acquisitions and grow our revenue and cash flow.

Organic Subscriber Growth

During the second half of 2010 and the first half of 2011, we increased our organic growth efforts through increased marketing expenses. We continued to see effects of these efforts in the third quarter of 2011 as our new customer installations increased by 40.6% over the third quarter of 2010.

ARRA Stimulus Award

On September 13, 2010, we were announced as a $10,200,000 award recipient under the BIP to deliver 4G wireless broadband services to almost 40 communities throughout rural Nevada. Pursuant to the project’s design, we will make 4G, last-mile wireless broadband access and VoIP services available to approximately 93,000 people, 5,522 businesses and 849 critical community facilities in qualified rural communities throughout Nevada under Round Two of the BIP. We plan to offer broadband service at speeds up to 8 megabits per second (Mbps). We anticipate commencing our project in the first quarter of 2012 and expect to be substantially complete within two years. We are currently working with our third-party contractors and applicable RUS personnel to begin requisitioning funds pursuant to the award.

4G Wireless Network Deployment

We believe that the introduction of 4G networks will help increase both subscriber growth and ARPU. In August 2010, we implemented a next-generation, 4G wireless network with the launch of our WiMAX network in Pahrump, Nevada. In addition, in December 2010 we launched 4G wireless services in eight markets in rural Nebraska, and in April, 2011, we launched another high-capacity, high-speed network in Wendover, Nevada

Expansion of VoIP Services

In June 2011, we acquired VoIP assets from entities doing business as CommX. This acquisition allows us to provide hosted VoIP services to our residential and small to mid-sized business customers through independent wholesale partners who either sell it as a “private label” and through direct retail channels included value-added resellers, using the CommX brand. Management expects that owning the assets will further our horizontal integration strategy, allowing us to leverage existing reserves and assets and thereby create higher overall operating margins.

Characteristics of Our Revenues and Operating Costs and Expenses

We offer our services under month-to-month, annual and two, three and five-year service agreements. These services are generally billed monthly, quarterly, semi-annually or annually in advance. Payments received in advance for subscriptions are deferred and recognized as the services are provided. Service initiation fees are recognized at the time of installation.

Operating costs and expenses consist of payroll and related expenses, network operating costs, marketing and advertising, professional fees, installation expense and general and administrative expenses. Payroll expenses consist of personnel costs, including salaries, benefits, employer taxes, bonuses and stock compensation expenses across our functional areas: executive, customer support, engineering, accounting and billing, marketing, and local market operational staff.

Network operating costs are comprised of costs directly associated with providing our services, including tower rent, circuits to transport data to the Internet termination point and Internet bandwidth.

Marketing and advertising expenses primarily consist of direct marketing and advertising costs.

Professional fees relate to legal, accounting, consulting and recruiting resources that we periodically engage for functions that we do not perform internally. General and administrative expenses primarily consist of the support costs of our operations, such as costs related to office real estate leases, company insurance, travel and entertainment, banking and credit card fees and taxes.

Summary of Significant Accounting Policies and Accounting Pronouncements

See Note 2 of the Notes to Condensed Consolidated Financial Statements for a full description of significant accounting policies and recent accounting pronouncements, including the anticipated dates of adoption and the effects on the Company's consolidated financial position and results of operations.

Results of Operations

The following table summarizes our historical results of operations for the three and nine months ended September 30, 2011 and 2010.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
REVENUES:				
Service and installation revenue	$ 3,361,132	$ 2,060,831	$ 8,502,947	$ 5,309,355
Support and other revenue	38,028	15,621	101,167	90,905
Total revenues	3,399,160	2,076,452	8,604,114	5,400,260
OPERATING COSTS AND EXPENSES:				
Payroll, bonuses and taxes	1,463,423	1,377,493	5,452,051	3,740,142
Network operating costs	1,514,228	952,479	3,676,328	2,378,161
Professional fees	265,243	286,577	495,682	1,759,397
Depreciation and amortization	1,032,990	570,721	2,541,192	1,460,518
Other general and administrative expense	469,593	493,265	1,337,029	1,128,445
Gain on disposal of equipment	-	(462)	(246,197)	(1,921)
Installation expense	130,826	85,164	304,033	185,786
Marketing and advertising	297,044	82,516	497,934	210,779
Total operating costs and expenses	5,173,347	3,847,753	14,058,052	10,861,307
LOSS FROM OPERATIONS	(1,774,187)	(1,771,301)	(5,453,938)	(5,461,047)
OTHER INCOME (EXPENSE):				
Other income (expense)	(94,460)	(3,195)	13,771	150,161
Interest income	850	3,087	2,006	3,940
Interest expense	(83,862)	(1,161,142)	(13,493,704)	(2,445,229)
Debt conversion inducement	-	-	(2,292,059)	-
Change in fair value of derivative instruments	12,374	4,458,953	173,880	12,207,767
Total other income (expense)	(165,098)	3,297,703	(15,596,106)	9,916,639
PROVISION FOR INCOME TAXES	(15,036)	-	(43,722)	-
NET INCOME (LOSS)	$ (1,954,321)	$ 1,526,402	$ (21,093,766)	$ 4,455,592

Three Months Ended September 30, 2011 as Compared to the Three Months Ended September 30, 2010

Revenues. Total revenues for the three months ended September 30, 2011 increased by $1,322,708, or 63.7%, to $3, 399, 160 from $2,076,452 for the three months ended September 30, 2010. Our increased revenue was a result of the subscriber growth from the completion of six acquisitions during the last two quarters of the year ended December 31, 2010 and the nine month period ended September 30, 2011, as well as the positive effects of the increase in organic marketing efforts during that second half of 2010 and through 2011.

Payroll, Bonuses and Taxes. Payroll, bonuses and taxes for the three months ended September 30, 2011 increased by $85,930, or 6.2% to $1,463,423 from $1,377,493 for the three months ended September 30, 2010. The increase was primarily due to additional headcount of 97 employees at September 30, 2011 compared to 82 employees at September 30, 2010. This increase was in support of our expanded operations resulting from our Rural Unifi initiatives, expanded VoIP operations and organic subscriber growth initiatives. Payroll, bonuses and taxes as a percentage of revenue was reduced by 23.3% to 43.1% for the three months ended September 30, 2011 as compared to 66.3% for the three months ended September 30, 2010.

Network Operating Costs. Network operating costs, which consists of tower rent, Internet transport costs and Internet termination expense, for the three months ended September 30, 2011 increased by $561,749 or 59.0% to $1,514,228 from $952,479 for the three months ended September 30, 2010. The increase was primarily due to an increase in network costs resulting from acquisitions in support of our Rural UniFi initiative. Network operating costs as a percentage of revenues was reduced by 1.4%, to 44.5% for the three months ended September 30, 2011 as compared 45.9% for the three months ended September 30, 2010.

Professional Fees. Professional fees, which consist of legal, accounting, and other related expenses, for the three months ended September 30, 2011 decreased $21,334, or 7.4% to $265,243 from $286,577 for the three months ended September 30, 2010. The majority of this decrease was due to expenses associated with our Round Two ARRA applications incurred solely during the three months ended September 30, 2010. Professional fees as a percentage of revenue was reduced by 6.0% to 7.8% for the three months ended September 30, 2011 as compared to 13.8% for the three months ended September 30, 2010.

Depreciation and Amortization. Depreciation and amortization expenses for the three months ended September 30, 2010 increased $462,269, or 81.0% to $1,032,990 from $570,721 for the three months ended September 30, 2010. This increase was primarily due to wireless broadband acquisitions as well as new equipment purchases, including new network construction and customer premise equipment. Depreciation and amortization as a percentage of revenue increased by 2.9% to 30.4% for the three months ended September 30, 2011 as compared to 27.5% for the three months ended September 30, 2010.

Other General and Administrative Expenses. Other general and administrative expenses for the three months ended September 30, 2011 decreased $23,672, or 4.8%, to $469,593 from $493,265 for the three months ended September 30, 2010. This decrease was primarily due to postage relating to the implementation of electronic billing, offset by increases related to provision for bad debt, shipping and handling and liability insurance. Other general and administrative expenses as a percentage of revenue decreased by 9.9% to 13.8% for the three months ended September 30, 2011 as compared to 23.8% for the three months ended September 30, 2010.

Installation Expense. Installation expense, which consists primarily of expenses associated with installation supplies, installation costs and transportation expenses relating to the installations, for the three months ended September 30, 2011 increased $45,662, or 53.6% to $130,826 from $85,164 for the three months ended September 30, 2010. This increase is a result of an increase in gross subscriber additions of 40.6% during the three months ended September 30, 2011 as compared to the three months ended September 30, 2010. Installation expense as a percentage of revenue decreased by 0.3% to 3.8% for the three months ended September 30, 2011 as compared to 4.1% for the three months ended September 30, 2010.

Marketing and Advertising Expenses. Marketing and advertising expenses for the three months ended September 30, 2011 increased $214,528 or 260.0% to $297,044 from $82,516 for the three months ended September 30, 2010. Due to our ongoing efforts to organically grow our subscriber base, we continued with our marketing initiatives during the three month period ended September 30, 2011. Marketing and advertising expenses as a percentage of revenue increased by 4.8% to 8.8% for the three months ended September 30, 2011 as compared to 4.0% for the three months ended September 30, 2010.

Other Income and Expense. Other income and expenses for the three months ended September 30, 2011 decreased $3,462,801 or 105.0% to an expense of $165,098 from income of $3,297,703 for the three months ended September 30, 2010. The primary reason for the decrease was the derivative accounting of the conversion option bifurcated from the CalCap note, which included the following non-cash items: interest expense of 10,924 for the three months ended September 30, 2011 compared to 542,566 and change in fair value of $12,374 for the three months ended September 30, 2011 compared to $4,458,953 for the three months ended September 30, 2010. If the effects of the derivative accounting were removed, other income and expense for the three months ended September 30, 2011 would have totaled an expense of $166,548 as compared to an expense of $618,683 for the three months ended September 30, 2010, an improvement of approximately $452,135. Other income and expense after giving rise to the non-cash items as a percentage of revenue decreased by 8.8% to 1.9% for the three months ended September 30, 2011 as compared to 10.8% for the three months ended September 30, 2010.

Nine Months Ended September 30, 2011 as Compared to the Nine Months Ended September 30, 2010.

Revenues. Total revenues for the nine months ended September 30, 2011 increased by $3,203,854, or 59.3%, to $8,604,114 from $5,400,260 for the nine months ended September 30, 2010. Our improvement in revenue was a result of a subscriber growth from the six acquisitions completed in the last 12 months (July 1, 2010 through September 30, 2011), the full financial benefit of the three acquisitions completed in the first nine months of 2010 as well as the positive effects of increase in organic marketing efforts during that second half of 2010 and through 2011.

Payroll, Bonuses and Taxes. Payroll, bonuses and taxes for the nine months ended September 30, 2011 increased $1,711,909, or 45.8%, to $5,452,051 from $3,740,142 for the nine months ended September 30, 2010. The increase related to a 7.0% increase in non-cash deferred compensation expense during the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2011. The remaining portion of the increase, or 38.0% was primarily due to additional headcount in support of our expanded operations resulting from our Rural Unifi initiatives for the nine months ended September 30, 2011. Payroll, bonuses and taxes as a percentage of revenue was reduced by 5.9% to 63.4% for the nine months ended September 30, 2011 as compared to 69.3% for the nine months ended September 30, 2010.

Network Operating Costs. Network operating costs, which consist of tower rent, Internet transport costs and Internet termination expenses, for the nine months ended September 30, 2011 increased $1,298,167 or 54.6%, to $3,676,328 from $2,378,161for the nine months ended September 30, 2010, The increase was primarily due to an increase in network costs resulting from acquisitions in support of our Rural UniFi initiative. Network operating costs as a percentage of revenues was reduced by 1.1% from 42.9% for the nine months ended September 30, 2011 as compared to 44.0% for the nine months ended September 30, 2010. Network operating costs as a percentage of revenues was reduced by 1.3%, to 42.7% for the nine months ended September 30, 2011 as compared 44.0% for the nine months ended September 30, 2010.

Professional Fees. Professional fees, which consist of legal, accounting, and other related expenses, for the nine months ended September 30, 2011 decreased $1,263,715 or 71.8%, to $495,682 from $1,759,397 for the nine months ended September 30, 2010. This decrease was due to expenses incurred in connection with our Round Two ARRA applications during the nine months ended September 30, 2010. Professional fees as a percentage of revenue was reduced by 26.8% to 5.8% for the nine months ended September 30, 2011 as compared to 32.6% for the nine months ended September 30, 2010.

Depreciation and Amortization. Depreciation and amortization expenses for the nine months ended September 30, 2011 increased $1,080,674 or 74.0%, to $2,541,192 from $1,460,518 for the nine months ended September 30, 2010. This increase was primarily due to wireless broadband acquisitions as well as new equipment purchases, including new network construction and customer premise equipment. Depreciation and amortization as a percentage of revenue increased by 2.5% to 29.5% for the nine months ended September 30, 2011 as compared to 27.0% for the nine months ended September 30, 2010.

Other General and Administrative Expenses. Other general and administrative expenses for the nine months ended September 30, 2011 increased $208,584 or 18.5%, to $1,337,029 from $1,128,445 for the nine months ended September 30, 2010. This increase was due primarily to increased office rents, communication and shipping expenses in support of our Rural UniFi initiative, travel related to acquisitions, hiring related expenses, insurance, and bad debt. Other general and administrative expenses as a percentage of revenue decreased by 5.4% to 15.5% for the nine months ended September 30, 2011 as compared to 20.9% for the nine months ended September 30, 2010.

Gain on disposal of equipment. Gain on disposal of equipment totaled $246,197 for the nine months ended September 30, 2011, as compared to $1,921 for the nine months ended September 30, 2010, representing an increase of approximately $244,276. This increase was due to the sale of assets used in the operation of our Grand Junction, Colorado network during the first quarter of 2011.

Installation Expense. Installation expense, which consists primarily of expenses associated with installation supplies, third party installation costs and transportation expenses relating to the installations, for the nine months ended September 30, 2011 increased $118,247 or 63.6%, to $304,033 from $185,768 for the nine months ended September 30, 2010. This increase is a direct result of an increase in gross subscriber additions in the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010. This increase is a result of an increase in gross subscriber additions of 75.6% during the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010. Installation expense as a percentage of revenue remained consistent for the nine months ended September 30, 2011 and 2010 at 3.5% and 3.4%, respectively.

Marketing and Advertising Expenses. Marketing and advertising expenses for the nine months ended September 30, 2011 increased $287,155 or 136.2%, to $497,934 from $210,779 for the nine months ended September 30, 2010. As a percentage of revenues our marketing and advertising expenses was increased by 1.9% from 5.8% for the nine months ended September 30, 2011 as compared to 3.9% for the nine months ended September 30, 2010. Marketing and advertising expenses as a percentage of revenue increased by 1.9% to 5.8% for the nine months ended September 30, 2011 as compared to 3.9% for the nine months ended September 30, 2010.

Other Income and Expense. Other income and expenses for the nine months ended September 30, 2011, decreased $25, 512,745, or 257.3% to an expense of $15,596,106 compared to income of $9,916,639 for the three months ended September 30, 2010. The primary reason for the decrease was the derivative accounting of the conversion option bifurcated from the CalCap Note, which included the following non-cash items: interest expense of $13,070,691 for the three months ended September 30, 2011 compared to $1,392,948 for the three months ended September 30, 2010, and a debt conversion inducement charge of $2,292,059 for the nine months ended September 30, 2011. In addition, for the nine months ended September 30, 2011, we recorded $173,880 relating to an increase in fair value of derivative instruments compared to an increase of $12,207,767 for the nine months ended September 30, 2010. If the effects of the derivative accounting are removed, other income and expense for the nine months ended September 30, 2011 would have totaled an income of $407,236, as compared to an expense of $820,340 for the nine months ended September 30, 2010, an improvement of $413,104. Other income and expense after giving rise to the non-cash items as a percentage of revenue decreased by 10.5% to 4.7% for the nine months ended September 30, 2011 as compared to 15.2% for the nine months ended September 30, 2010.

Liquidity and Capital Resources

General

We incurred an operating loss of $1,954,321 and $21,093,766, respectively, for the three and nine months ended September 30, 2011. At September 30, 2011, our accumulated deficit amounted to $48,262,992. During the nine months ended September 30, 2011, net cash used in operating activities amounted to $1,443,163. At September 30, 2011, our working capital amounted to a deficit of $6,677,341. These factors, among others, raise substantial doubt about our ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

On June 16, 2011, we raised an additional $2,600,000 in a secured convertible note from California Capital Equity, LLC, an entity controlled by our largest shareholder, Dr. Patrick Soon-Shiong. The note is convertible into additional shares of the Company's preferred stock at a conversion price of $0.75.

We have continued to take measures during the nine months ended September 30, 2011 to increase our overall base of subscribers by completing several acquisitions (See Note 4) in order to take advantage of scale economies resident in the telecommunications industry. On June 1 2011, KeyOn acquired a VoIP business with its purchase of entities doing business as CommX. The strategic acquisition of CommX provides us with incremental revenues and has already contributed positively to cash flow from operations as we are able to integrate these operations into our existing broadband operations and sell these services as a bundle to our existing customer base. Management believes CommX will continue to contribute meaningfully to revenue growth and cash flow from operations.

Management believes we have maintained our fixed operating costs by previously streamlining our operations and continually controlling operating costs. We also believe that these operational initiatives have been effective, as the Company has increased revenues with our operating costs remaining the same or lower percentage of revenues than in past quarters.

Our net cash flow from operations improved to a deficit of $1,443,163 for the nine months ended September 30, 2011 from a deficit of $3,069,511 for the nine months ended September 30, 2010, an improvement of 53.0%.

In order to continue operations and execute our business strategy, we will need to raise additional funds, through public or private equity offerings, debt financings, corporate collaborations or other means. Management believes that we may be able to access capital through public or private equity offerings, debt financings, corporate collaborations or other means; however, other than the $10.2 million government stimulus award we have not secured any further commitment for new financing at this time, nor can we provide any assurance that new financing will be available on commercially acceptable terms, if needed. If we are unable to secure additional capital, we will be required to curtail our business development initiatives and take additional measures to reduce costs in order to conserve our cash needs.

Working Capital. As of September 30, 2011, we had negative working capital of $6,677,341. As of September 30, 2010 we had negative working capital of $1,194,516.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Securities Exchange Act of 1934 as amended, (the “Exchange Act”) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules, regulations and related forms, and that such information is accumulated and communicated to our executive officers to allow timely decisions regarding required disclosure.

As of September 30, 2011, our Chief Executive Officer, who acts in the capacity of principal executive officer and in the capacity of principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer, we have concluded that our disclosure controls and procedures were not effective as of September 30, 2011, based on our evaluation of these controls and procedures required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during our last fiscal quarter that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Disclosure controls are designed with the objective of ensuring that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Internal controls are procedures which are designed with the objective of providing reasonable assurance that our transactions are properly authorized, recorded and reported and our assets are safeguarded against unauthorized or improper use, to permit the preparation of our financial statements in conformity with generally accepted accounting principles, including all applicable SEC regulations.

As of December 31, 2009, management of our Company had reported at previous dates of assessment that we identified various deficiencies in our accounting processes and procedures that constitute a material weakness in internal control over financial reporting and disclosure controls. We took certain steps during the year ended December 31, 2009 to correct previously reported material weaknesses that include, among other things, consolidating all legacy systems into a single unified accounting system, hiring additional personnel and undertaking the process of documenting our controls; however, we still need to make substantial progress in these areas before we can definitively conclude that we have remediated our material weaknesses.

Management has specifically observed that the Company's accounting systems and current staffing resources in the Company's finance department are currently insufficient to support the complexity of our financial reporting requirements. The Company has in the past experienced, and is continuing to experience difficulty in (i) generating data in a form and format that facilitates the timely analysis of information needed to produce financial reports and (ii) applying complex accounting and financial reporting disclosure rules as required under various aspects of GAAP and SEC reporting regulations such as those relating to accounting for business combinations, stockholders equity transactions, derivatives and income taxes. The Company also has limited segregation of duties and it is becoming increasingly necessary for the Company to divide certain custodial, recordkeeping and authorization functions between its principal financial officer, Controller, and supporting staff to mitigate the risk of material misstatements.

We believe that our internal control risks are sufficiently mitigated by the fact that our Chief Executive Officer and senior management personnel review and approve substantially all of our major transactions and we have, when needed, hired outside experts to assist us with implementing complex accounting principles. We believe that our weaknesses in internal control over financial reporting and our disclosure controls relate in part to the fact that we are an emerging business with limited personnel. Management and the Board of Directors believe that the company must allocate additional human and financial resources to address these matters.

PART II – OTHER INFORMATION

Item 1A. Risks Factors

Risks Regarding our Liquidity

Our cash resources are very limited and if we cannot raise additional funds or start generating sufficient revenues, we will not be able to pay our vendors and will probably not be able to continue operations as a going concern.

At September 30, 2011 and November 14, 2011 we had approximately $594,000 and $113,000, respectively, in cash and cash equivalents. Furthermore, since our inception, we have failed to generate sufficient revenues to cover our operating expenses. To execute on our business plan successfully, we will need to raise additional money in the near future. Additional financing may not be available on favorable terms, or at all. The exact amount of funds raised, if any, will determine how quickly we can stabilize and expand our business. No assurance can be given that we will be able to raise capital at this time, or that such capital, if available, will be on terms acceptable to us. If we are not able to raise additional capital, we will likely need to curtail or cease operations.

We may not be able to complete our acquisition of certain assets from DigitalBridge Communications Corporation and its affiliates.

On July 22, 2011, we entered into an agreement (the "Asset Purchase Agreement") to acquire certain wireless broadband assets and assume certain recurring liabilities from DigitalBridge Communications Corporation, a Delaware corporation, Digital Bridge Spectrum Corp., a Delaware corporation, and Digital Bridge Spectrum II, LLC, a Delaware limited liability company (collectively, "Digital Bridge") in exchange for $17,434,874 in cash, subject to further adjustments. As of November 14, 2011, we do not have sufficient cash on hand to satisfy this purchase price, nor do we have any financing commitments from third parties to provide us with the needed capital to satisfy this purchase price. In the event that we are unable to satisfy the purchase price, Digital Bridge could, amongst other things, terminate the Asset Purchase Agreement and seek a new buyer.

Risks Regarding Commx Acquisition

Our VoIP operations could be subject to significant future regulation, which could result in additional costs and other adverse effects on our operations.

VoIP communication services, like the Company's, are subject to less regulation than traditional telecommunication services. Many regulatory actions are underway or are being contemplated by federal and state authorities, including the FCC, and state regulatory agencies. The FCC initiated a notice of public rule-making in early 2004 to gather public comment on the appropriate regulatory environment for IP telephony which would include the services we offer. In November 2004, the FCC ruled that the VoIP service of a competitor and "similar" services are jurisdictionally interstate and not subject to state certification, tariffying and other legacy telecommunication carrier regulations. Since then, the FCC has determined that interconnected VoIP services are required to comply with, among other obligations, E-911, law enforcement access ("CALEA"), local number portability, and contribution requirements for universal service, numbering administration, and the Telecommunications Relay Service fund for the hearing- and speech-impaired.

The effect of any future laws, regulations and the orders on the Company's operations, including, but not limited to, the VoIP service, cannot be determined. But as a general matter, increased regulation and the imposition of additional funding obligations increases the Company's costs of providing service that may or may not be recoverable from the Company's customers which could result in making the Company's services less competitive with traditional telecommunications services if the Company increases its retail prices or decreases the Company's profit margins if it attempts to absorb such costs.

Our business depends on continued and unimpeded access to the Internet by us and our users. Internet access providers and Internet backbone providers may be able to block, degrade or charge for access to certain of our products and services, which could lead to additional expenses and the loss of users.

Our products and services depend on the ability of our users to access the Internet, and certain of our products require significant bandwidth to work effectively. Currently, this access is provided by companies that have significant and increasing market power in the broadband and Internet access marketplace, including incumbent telephone companies, cable companies and mobile communications companies. Some of these providers offer products and services that directly compete with our own offerings, which gives them a significant competitive advantage. Some of these providers have stated that they may take measures that could degrade, disrupt or increase the cost of user access to certain of our products by restricting or prohibiting the use of their infrastructure to support or facilitate our offerings, or by charging increased fees to us or our users to provide our offerings, while others, including some of the largest providers of broadband Internet access services, have committed to not engaging in such behavior. The FCC recently adopted rules that would prohibit providers of broadband Internet access services from blocking, degrading or engaging in other discriminatory actions. These rules are not yet effective and there is some question as to whether the rules will become effective. Moreover, the ability of the FCC to regulate broadband Internet access services has been called into question by a recent ruling of the United States Court of Appeals for the D.C. Circuit. While interference with access to our products and services seems unlikely, broadband Internet access provider interference has occurred, in very limited circumstances in the U.S., and could result in a loss of existing users and increased costs, and could impair our ability to attract new users, thereby negatively impacting our revenue and growth.

Reform of federal and state Universal Service Fund programs could increase the cost of our service to our customers diminishing or eliminating our pricing advantage.

The FCC and a number of states are considering reform or other modifications to Universal Service Fund programs. The way we calculate our contribution may change if the FCC or certain states engage in reform or adopt other modifications. Should the FCC or certain states adopt new contribution mechanisms or otherwise modify contribution obligations, that increase our contribution burden, we will either need to raise the amount we currently collect from our customers to cover this obligation or reduce our profit margins. Furthermore, the FCC recently ruled that states can require us to contribute to state Universal Service Fund programs. A number of states already require us to contribute, while others are actively considering extending their programs to include the services we provide. We pass-through Universal Service Fund contributions to our customers which may result in our services becoming less competitive as compared to those provided by others.

We may become subject to state regulation for certain service offerings.

Certain states take the position that offerings by VoIP companies, like us, are intrastate and therefore subject to state regulation. These states argue that if the beginning and end points of communications are known, and if some of these communications occur entirely within the boundaries of a state, the state can regulate that offering. We believe that the FCC has pre-empted states from regulating VoIP offerings in the same manner as providers of traditional telecommunications services. We cannot predict how this issue will be resolved or its impact on our business at this time.

Our products must comply with industry standards, FCC regulations, state, local, country-specific and international regulations, and changes may require us to modify existing products and/or services.

In addition to reliability and quality standards, the market acceptance of telephony over broadband IP networks is dependent upon the adoption of industry standards so that products from multiple manufacturers are able to communicate with each other. Our VoIP telephony products rely heavily on communication standards such as SIP, MGCP and network standards such as TCP/IP and UDP to interoperate with other vendors' equipment. There is currently a lack of agreement among industry leaders about which standard should be used for a particular application, and about the definition of the standards themselves. These standards, as well as audio and video compression standards, continue to evolve. We also must comply with certain rules and regulations of the FCC regarding electromagnetic radiation and safety standards established by Underwriters Laboratories, as well as similar regulations and standards applicable in other countries. Standards are continuously being modified and replaced. As standards evolve, we may be required to modify our existing products or develop and support new versions of our products. We must comply with certain federal, state and local requirements regarding how we interact with our customers, including marketing practices, consumer protection, privacy, and billing issues, the provision of 9-1-1 emergency service and the quality of service we provide to our customers. The failure of our products and services to comply, or delays in compliance, with various existing and evolving standards could delay or interrupt volume production of our VoIP telephony products, subject us to fines or other imposed penalties, or harm the perception and adoption rates of our service, any of which would have a material adverse effect on our business, financial condition or operating results.

Our emergency and E-911 calling services are different from those offered by traditional wireline telephone companies. There may be risks associated with limitations associated with E-911 emergency dialing with the VoIP service.

Both our emergency calling service and our E-911 calling service are different, in significant respects, from the emergency calling services offered by traditional wireline telephone companies. In each case, the differences may cause significant delays, or even failures, in callers' receipt of the emergency assistance they need.

We are offering E-911 service that is similar to the emergency calling services provided to customers of traditional wireline telephone companies in the same area. For those customers located in an E-911 area, emergency calls are routed directly to an emergency services dispatcher at the PSAP in the area of the customer's registered location. The dispatcher will have automatic access to the customer's telephone number and registered location information. If a customer moves their VoIP service to a new location, the customer's registered location information must be updated and verified by the customer. Until that takes place, the customer will have to verbally advise the emergency dispatcher of his or her actual location at the time of an emergency 9-1-1 call. This can lead to delays in the delivery of emergency services.

The emergency calls of customers located in areas where we are currently unable to provide E-911 service as described above are supported by a national call center that is run by a third-party provider and operates 24 hours per day, seven days per week. These operators still receive the customer's registered service location and phone number automatically, and coordinate connecting the caller to the appropriate PSAP or emergency services provider and providing the customer's registered service location and phone number to those local authorities, which can also delay the delivery of emergency services. In the event that a customer experiences a broadband or power outage, or if a network failure were to occur, the customer will not be able to reach an emergency services provider using our services.

The FCC may determine that our nomadic emergency calling solution does not satisfy the requirements of its VoIP E-911 order because, in some instances, our nomadic emergency calling solution requires that we route an emergency call to a national emergency call center instead of connecting our customers directly to a local PSAP through a dedicated connection and through the appropriate selective router. The FCC may issue further guidance on compliance requirements in the future that might require us to disconnect those customers not receiving access to emergency services in a manner consistent with the VoIP E-911 order. The effect of such disconnections, monetary penalties, cease and desist orders or other enforcement actions initiated by the FCC or other agency or task force against us could have a material adverse effect on our business, financial condition or operating results.

Delays our customers may encounter when making emergency services calls and any inability of the answering point to automatically recognize the caller's location or telephone number can result in life threatening consequences. Customers may, in the future, attempt to hold us responsible for any loss, damage, personal injury or death suffered as a result of any failure of our E-911 services. In late July 2008, the President signed into law the "New and Emerging Technologies 911 Improvement Act of 2008." The law provides public safety, interconnected VoIP providers and others involved in handling 911 calls the same liability protections when handling 911 calls from interconnected VoIP users as from mobile or wired telephone service users. The applicability of the liability protections to our national call center solution is unclear at the present time. Also, we may be exposed to liability for 911 calls made prior to the adoption of this new law although we are unaware of any such liability.

There may be risks associated with our ability to comply with the requirements of federal law enforcement agencies.

The FCC requires all interconnected VoIP providers to comply with CALEA. The FCC allows VoIP providers to comply with CALEA through the use of a solution provided by a trusted third party with the ability to extract call content and call-identifying information from a VoIP provider's network. While the FCC permits companies like us to use the services provided by these third parties to comply with CALEA, we are ultimately responsible for ensuring the timely delivery of call content and call-identifying information to law enforcement, and for protecting subscriber privacy.

We selected a partner to work with us to develop a solution for CALEA compliant lawful interception of communications. We had installed this solution in our network operations and data centers, and have been certified with the FCC. However, we could be subject to an enforcement action by the FCC or law enforcement agencies for any delays related to meeting, or if we fail to comply with, any current or future CALEA obligations.

There may be risks associated with our ability to comply with requirements of the Telecommunications Relay Service.

The FCC requires providers of interconnected VoIP services to comply with certain regulations pertaining to people with disabilities and to contribute to the Telecommunications Relay Services, or TRS, fund. We are also required to offer 7-1-1 abbreviated dialing for access to relay services. We have implemented a 7-1-1 system which routes such calls to the appropriate relay center based upon the customer's assigned telephone number. We may be subject to enforcement actions including, but not limited to, fines, cease and desist orders, or other penalties if the FCC believes we are not compliant with these new disability requirements.

There may be risks associated with our ability to comply with the requirements of federal and other regulations related to Customer Proprietary Network Information ("CPNI").

The FCC requires providers of interconnected VoIP services to comply with its customer proprietary network information, or CPNI, rules. CPNI includes information such as the phone numbers called by a consumer, the frequency, duration, and timing of such calls, and any services/features purchased by the consumer, such as call waiting, call forwarding, and caller ID, in addition to other information that may appear on a consumer's bill.

Under the FCC's rules, companies like us may not use CPNI without customer approval except in narrow circumstances related to the provision of existing services, and must comply with detailed customer approval processes when using CPNI outside of these narrow circumstances. The rules also require more stringent security measures for access to a customer's CPNI data in the form of required passwords for on-line access and call-in access to account information as well as customer notification of account or password changes. Our failure to achieve compliance with any future CPNI orders, rules, filings or standards, or any enforcement action initiated by the FCC or other agency, state or task force against us could have a material adverse effect on our business, financial condition or operating results.

A recent petition filed by tw telecom inc. with the FCC seeks an Order that its provision of facilities-based interconnected VoIP services should be classified as "telecommunications services," "telephone exchange services," and/or "exchange access" under relevant federal law. We cannot predict the outcome of this proceeding nor its impact on our business at this time.

In July 2011, the FCC released a Public Notice concerning a Petition for Declaratory Ruling filed by tw telecom inc. The Petitioner requests the FCC to clarify that incumbent providers of local telephone service, like AT&T and Verizon, allow for direct IP-to-IP interconnection with incumbent local exchange carriers for certain IP-based services. Specifically, tw telecom seeks direct IP-to-IP interconnection from incumbent local telephone companies for the transmission and routing of tw telecom's facilities-based VoIP services and for voice services that originate and terminate in Time Division Multiplexing format but are converted to IP format for transport (referred to by the industry as "IP-in-the-middle" voice services"). Additionally, tw telecom is asking for the FCC to clarify that its facilities-based VoIP services are "telecommunications services" as well as "telephone exchange services" and/or "exchange access," as those terms are defined under the Communications Act of 1934, as amended by the Telecommunications Act of 1996. We cannot predict the outcome of this proceeding nor its potential impact on our business at this time. Depending on how the FCC rules on the tw telecom petition, we could be subject to greater regulation at the state level which would increase our costs of doing business. It is also possible that an adverse ruling by the FCC in this proceeding could change the intercarrier compensation rate that our carriers pay to handle our traffic which could also increase our costs. Increased costs to us may require us to raise our prices, making our services less competitive, reduce our profit margins, or both.

The FCC may require providers like us to comply with regulations related to how we present bills to customers. The adoption of such obligations may require us to revise our bills and may increase our costs of providing service which could either result in price increases or reduce our profitability.

In July 2011, the FCC released a Notice of Proposed Rulemaking, requesting comment on proposed rules that are designed to aid consumers in identifying and preventing the placement of unauthorized charges on their telephone bills, a practice referred to in the industry as "cramming." Among other things, the FCC seeks comment on whether the proposed rules or similar obligations should apply to providers of interconnected VoIP services, like us. Additionally, the FCC is seeking comment on whether its "Truth-in-Billing" rules should apply to interconnected VoIP service providers. We cannot predict the outcome of this proceeding, nor can we predict its potential impact on our business at this time. These events could increase our expenses, which would have an adverse effect on our operating results.

The FCC may expand disabilities access requirements to additional services we offer.

In October, 2010, the "Twenty-First Century Communications and Video Accessibility Act" was signed into law. The law requires the FCC to initiate a proceeding to determine what services should be required to offer access for people with disabilities and what those accessibility requirements should entail. The FCC has initiated a rulemaking considering, among other things, whether and how to expand disabilities access requirements beyond telecommunications and interconnected VoIP services. We cannot predict whether we will be subject to additional accessibility requirements or whether any of our service offerings that are not currently subject to disabilities access requirements will be subject to such obligations. These events could increase our expenses, which would have an adverse effect on our operating results.

ITEM 6. EXHIBITS

Exhibit No.	Description
2.1	Asset Purchase Agreement dated June 10, 2011 by and between KeyOn CommX LLC and KeyOn Communications Holdings Inc. and CommX Holdings, Inc, CommX, Inc and Communications Xchange, LLC (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of KeyOn Communications Holdings, Inc. filed with the Securities and Exchange Commission on June 15, 2011).
4.1	Five Year Warrant Issued to CommX Holdings, Inc. to Purchase 1,000,000 shares of Common Stock (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of KeyOn Communications Holdings, Inc. filed with the Securities and Exchange Commission on June 15, 2011).
31.1*	Section 302 Certification by the Principal Executive Officer and Principal Financial Officer
32.1*	Section 906 Certification by the Principal Executive Officer and Principal
101.INS**	XBRL Instance
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Calculation
101.DEF**	XBRL Taxonomy Extension Definition
101.LAB**	XBRL Taxonomy Extension Labels
101.PRE**	XBRL Taxonomy Extension Presentation

* Filed herewith

** Information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

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

	KEYON COMMUNICATIONS HOLDINGS, INC.
Date: November 14. 2011	By: /s/ A. Robert Handell
	A. Robert Handell Executive Vice President, Chief Operating Officer and Secretary (Principal Executive Officer and Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, A. Robert Handell, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of KeyOn Communications Holdings, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a - 15(f) and 15(d) - 15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2011

By: /s/ A. Robert Handell

A. Robert Handell
Executive Vice President, Chief Operating Officer and Secretary
(Principal Executive Officer and
Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of KeyOn Communications Holdings, Inc. (the “Company”) on Form 10-Q for the quarterly period ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, A. Robert Handell, Executive Vice President, Chief Operating Officer and Secretary of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2011

By: /s/ A. Robert Handell
A. Robert Handell
Executive Vice President, Chief Operating Officer and Secretary
(Principal Executive Officer and
Principal Financial and Accounting Officer)

Condensed Consolidated Balance Sheets (Parentheticals) (USD $)	Sep. 30, 2011	Dec. 31, 2010
Convertible note discount (in Dollars)	$ 10,530	
Discount (in Dollars)		13,041,549
Preferred Stock - Series A preferred stock, shares authorized	30,000,000	30,000,000
Preferred Stock - Series A preferred stock, shares issued	16,811,225	16,811,225
Preferred Stock - Series A preferred stock, liquidation preference (in Dollars)	$ 25,216,838	$ 25,216,838
Common stock, par value (in Dollars per share)	$ 0.001	$ 0.001
Common stock, shares authorized	115,000,000	115,000,000
Common stock, shares issued	25,768,211	23,668,211
Common stock, shares outstanding	25,768,211	23,668,211

Condensed Consolidated Statements of Operations (Unaudited) (USD $)	3 Months Ended		9 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010	Sep. 30, 2011	Sep. 30, 2010
REVENUES:				
Service and installation revenue	$ 3,361,132	$ 2,060,831	$ 8,502,947	$ 5,309,355
Support and other revenue	38,028	15,621	101,167	90,905
Total revenues	3,399,160	2,076,452	8,604,114	5,400,260
OPERATING COSTS AND EXPENSES:				
Payroll, bonuses and taxes	1,463,423	1,377,493	5,452,051	3,740,142
Network operating costs	1,514,228	952,479	3,676,328	2,378,161
Professional fees	265,243	286,577	495,682	1,759,397
Depreciation and amortization	1,032,990	570,721	2,541,192	1,460,518
Other general and administrative expense	469,593	493,265	1,337,029	1,128,445
Gain on disposal of equipment		(462)	(246,197)	(1,921)
Installation expense	130,826	85,164	304,033	185,786
Marketing and advertising	297,044	82,516	497,934	210,779
Total operating costs and expenses	5,173,347	3,847,753	14,058,052	10,861,307
LOSS FROM OPERATIONS	(1,774,187)	(1,771,301)	(5,453,938)	(5,461,047)
OTHER INCOME (EXPENSE):				
Other income (expense)	(94,460)	(3,195)	13,771	150,161
Interest income	850	3,087	2,006	3,940
Interest expense	(83,862)	(1,161,142)	(13,493,704)	(2,445,229)
Debt conversion inducement			(2,292,059)	
Change in fair value of derivative instruments	12,374	4,458,953	173,880	12,207,767
Total other income (expense)	(165,098)	3,297,703	(15,596,106)	9,916,639
PROVISION FOR INCOME TAXES	(15,036)		(43,722)	
NET INCOME (LOSS)	(1,954,321)	1,526,402	(21,093,766)	4,455,592
Series A Preferred Stock Dividends	(411,229)		(907,386)	
OTHER COMPREHENSIVE INCOME (LOSS)				
Net income (loss) available to common stockholders	(2,365,550)	1,526,402	(22,001,152)	4,455,592
Total comprehensive income (loss)	$ (2,365,550)	$ 1,526,402	$ (22,001,152)	$ 4,455,592
Net income (loss) per common share, basic (in Dollars per share)	$ (0.09)	$ 0.06	$ (0.89)	$ 0.20
Net income (loss) per common share, diluted (in Dollars per share)	$ (0.09)	$ (0.04)	$ (0.89)	$ (0.12)
Weighted average common shares outstanding, basic (in Shares)	25,768,211	23,662,019	24,645,500	22,304,595
Weighted average common shares outstanding, diluted (in Shares)	25,768,211	44,535,260	24,645,500	44,834,836

Document And Entity Information	9 Months Ended Sep. 30, 2011	Nov. 10, 2011
Document and Entity Information [Abstract]		
Entity Registrant Name	KeyOn Communications Holdings Inc.	
Document Type	10-Q	
Current Fiscal Year End Date	--12-31	
Entity Common Stock, Shares Outstanding		25,768,211
Amendment Flag	false	
Entity Central Index Key	0001335294	
Entity Current Reporting Status	Yes	
Entity Voluntary Filers	No	
Entity Filer Category	Smaller Reporting Company	
Entity Well-known Seasoned Issuer	No	
Document Period End Date	Sep. 30, 2011	
Document Fiscal Year Focus	2011	
Document Fiscal Period Focus	Q3	

Note 6 - Intangible Assets	**9 Months Ended Sep. 30, 2011**
Intangible Assets Disclosure [Text Block]	**6 INTANGIBLE ASSETS**

	Goodwill	Subscriber Base	Trademarks
Balance as of December 31, 2010	$ 1,815,095	$ 2,290,464	$ 16,567
Wells Electric acquisition	22,104	121,899	-
ERF acquisition	378,059	1,339,851	-
CommX acquisition	87,741	2,502,108	-
Balances as of September 30, 2011	2,302,999	6,254,322	16,567
Accumulated amortization	-	(2,085,057)	-
	$ 2,302,999	$ 4,169,265	$ 16,567

Amortization expense for the three and nine months ended September 30, 2011 was $271,555 and $659,460, respectively. For the three and nine months ended September 30, 2010 amortization expense was $92,282 and $197,582, respectively.

Note 2 - Summary of Significant Accounting Policies

Significant Accounting Policies [Text Block]

9 Months Ended

Sep. 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial statements and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they may not contain all information and notes required by GAAP for complete financial statements. The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, all adjustments necessary (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. The condensed balance sheet as of December 31, 2010 has been derived from the Company's audited financial statements as of that date, but does not include all of the information and notes required by GAAP for complete financial statements. For further information refer to the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission ("SEC") on March 30, 2011, and updated, as necessary, in this Quarterly Report on Form 10-Q.

Consolidation Policy

The accompanying consolidated balance sheets and consolidated statements of operations, stockholders' equity, and cash flows for the quarter ended September 30, 2011, include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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. These estimates and assumptions include valuing equity securities and derivative financial instruments issued as consideration in business combinations and/or in financing transactions and in share based payment arrangements, accounts receivable reserves, deferred taxes and related valuation allowances, allocating the purchase price to the fair values of assets acquired and liabilities assumed in business combinations (including separately identifiable intangible assets and goodwill) and estimating the fair values of long lived assets to assess whether impairment charges may be necessary. Certain of the Company's estimates, including accounts receivable and the carrying amounts of intangible assets could be affected by external conditions including those unique to our industry and general economic conditions. It is reasonably possible that these external factors could have an effect on its estimates that could cause actual results to differ from our estimates. The Company re-evaluates all of its accounting estimates at least quarterly based on these conditions and record adjustments, when necessary.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of cash and cash equivalents. The Company places its cash with one financial institution. Accounts are guaranteed by the Federal Deposit Insurance Corporation up to $250,000. At times, balances may exceed federally insured limits.

Goodwill and Intangible Assets

The Company accounts for goodwill and intangible assets in accordance with Accounting Standards Codification ("ASC") 350, *Intangibles - Goodwill and Other* ("ASC 350"). ASC 350 requires that goodwill and other intangibles with indefinite lives should be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value.

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations. GAAP requires that goodwill be tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis and between annual tests when circumstances indicate that the recoverability of the carrying amount of goodwill may be in doubt. Application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value. Significant judgment is required to estimate the fair value of reporting units including estimating future cash flows, determining appropriate discount rates and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill impairment. Upon consideration of our operations, the Company has determined that it operates a single reporting unit.

The Company's business includes one goodwill reporting unit. It annually reviews goodwill for possible impairment by comparing the fair value of the reporting unit to the carrying value of the assets. If the fair value exceeds the carrying value of net asset, no goodwill impairment is deemed to exist. If the fair value does not exceed the carrying value, goodwill is tested for impairment and written down to its implied fair value if it is determined to be impaired. We determined that goodwill was not impaired as of September 30, 2011.

The Company's amortizable intangible assets consist of acquired subscriber bases. These costs are being amortized using the straight-line method over their estimated useful lives. The Company amortizes customer relationships on a straight line basis over a 36 to 48 month estimated useful life.

The Company reviews the carrying value of intangibles and other long-lived assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparing the carrying amount of the asset or asset group to the undiscounted cash flows that the asset or asset group is expected to generate. If the undiscounted cash flows of such assets are less than the carrying amount, the impairment to be recognized is measured by the amount by which the carrying amount of the property, if any, exceeds its fair market value. The Company intends to re-evaluate the carrying amounts of our amortizable intangibles at least quarterly to identify any triggering events. As described above, if triggering events require the Company to undertake an impairment review, it is not possible at this time to determine whether it would be necessary to record a charge or if such charge would be material.

Revenue Recognition

The Company's revenue is recognized when the following criteria are met: (1) persuasive evidence of an arrangement exists, (2) delivery or performance has occurred, (3) the fee is fixed or determinable, and (4) collectability of the sale is reasonably assured.

The Company charges a recurring subscription fee for providing its various Internet access and VoIP services to its subscribers and recognizes revenues when they are earned, which generally occurs as the service is provided. Subscriptions to the services are in the form of one, two, three and five year contracts and are billed monthly, quarterly, semi-annually or annually in advance. Payments received in advance for subscriptions are deferred and recognized as the services are provided. Deferred revenues for payments received in advance of subscription services amounted to $259,264 and $253,596 at September 30, 2011 and December 31, 2010, respectively. For the satellite video business in which the Company is a retailer of video services from DISH Network Corporation ("DISH"), the Company recognizes revenues at the time of installation.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

As of December 31, 2010, the Company had approximately $23,238,000 and $17,377,000 of federal and state net operating loss carryovers ("NOLS") which begin to expire in 2025. The net operating loss carryovers may be subject to limitation under Section 382 of the Internal

Revenue Code should there be a greater than 50% ownership change as determined under the applicable regulations.

Management prepared an analysis of the Company's stock ownership activity from November 2007 through March 2011 and concluded that no ownership change occurred prior to December 31, 2010, but an ownership change did occur in March 2011 with the result being that our ability to use $23,000,000 of federal and state NOL carryforwards is subject to an annual limitation.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax strategies in making this assessment. Based on this assessment, management has established a full valuation allowance against all of the deferred tax assets for every period, since it is more likely than not that all of the deferred tax assets will not be realized.

The Company accounts for uncertain tax positions based upon authoritative guidance that prescribes a recognition and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return (ASC 740-10). The guidance also provides direction on derecognition and classification of interest and penalties. Management has evaluated and concluded that there are no material uncertain tax positions requiring recognition in the financial statements for any of the periods presented. The Company files a federal income tax return as well as income tax returns in eight state jurisdictions in the United States. The tax years ended December 31, 2007 through 2009 remain subject to examination for federal, state and local income tax purposes as of Decembers 31, 2010.

The Company's policy is to classify assessments, if any, for tax related interest as interest expense and penalties as tax expense

Net Loss per Common Share

Basic net loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding. Diluted net income per share is computed by dividing net income, if any, by the sum of the weighted average number of common shares outstanding and the dilutive potential common share equivalents then outstanding. Potential common share equivalents consist of the weighted average number of shares issuable upon the exercise of outstanding stock options and warrants to acquire common stock, and shares issuable upon conversion of convertible debt. If the Company generates net income and these potential common share equivalents are dilutive, the Company computes diluted net income per share using the treasury stock method.

Due to the fact that the Company has incurred net losses for the three and nine months ended September 30, 2011, weighted average common share equivalents of 58,835,166 and 51,169,685, respectively, are not included in the calculation of diluted net loss per common share because they are anti-dilutive.

The table of all of our common stock equivalents is as follows:

	September 30, 2011	September 30, 2010
Common stock purchase warrants	4,750,494	3,657,161
Warrants to purchase convertible Series A preferred stock - convertible into common stock on a 1 for 1 basis	10,300,000	-
Stock options	2,484,344	1,245,723
Convertible note convertible into Series A Preferred Stock - convertible into common stock on a 1 for 1 basis	3,466,667	-
Convertible Series A preferred stock- convertible into common stock on a 1 for 1 basis	16,811,225	20,000,000
	37,812,730	24,902,884

The numerator in the diluted loss per share calculation for the three months ended September 30, 2010 gives effect to addbacks of (1) $542,466 of contractual interest expense under our convertible notes, and (2) $542,566 of accretion of discount under the convertible notes (recorded as interest expense) and (3) the elimination of the $4,458,953 change in the fair value of the derivative liability associated with the conversion option embedded in our convertible notes. The number of shares included in the presentation of diluted loss per share for the three months ended September 30, 2010 includes (1) 641,456 employee stock options and (2) 231,785 common stock purchase warrants, each with exercises prices that are less than the average share price of $0.51 per share for the three months ended September 30, 2010 and (3) 20,000,000 shares of common stock underlying the conversion option embedded in our convertible notes described in Note 7.

The numerator in the diluted loss per share calculation for the nine months ended September 30, 2010 gives effect to addbacks of (1) $782,466 of contractual interest expense under our convertible notes, and (2) $1,392,868 of accretion of discount under the convertible notes (recorded as interest expense) and (3) the elimination of the $12,207,767 change in the fair value of the derivative liability associated with the conversion option embedded in our convertible notes. The number of shares included in the presentation of diluted loss per share for the nine months ended September 30, 2010 includes (1) 1,873,785 employee stock options and (2) 656,456 common stock purchase warrants, each with exercises prices that are less than the average share price of $1.04 per share for the nine months ended September 30, 2010 and (3) 20,000,000 shares of common stock underlying the conversion option embedded in our convertible notes as described in Note 7.

The adjustment for employee stock options was calculated using the treasury stock method and the adjustment for the conversion option embedded in our notes was calculated using the "if converted" method.

Share-Based Payments

The Company accounts for all share based payments in accordance with ASC 718, *Compensation — Stock Payments* which results in the recognition of expense under applicable GAAP and requires measurement of compensation cost for all share based payment awards at fair value on the date of grant and recognition of compensation expense over the service period for awards expected to vest. The Company calculates the fair value of stock options using the Black-Scholes option pricing model. The fair value of restricted stock is determined based on the number of shares granted and the fair value of our common stock on date of grant. The recognized expense is net of expected forfeitures.

Common Stock Purchase Warrants and Derivative Financial Instruments

The Company classifies all of its common stock purchase warrants and derivative financial instruments as equity if the contracts (1) require physical settlement or net-share settlement or (2) give the Company a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement). The Company classifies as assets or liabilities any contracts that (1) require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside the control of the Company), (2) give the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement), or (3) contracts that contain reset provisions. The Company assesses classification of its common stock purchase warrants and other derivatives at each reporting date to determine whether a change in classification between assets and liabilities is required.

Fair Value Measurements

As defined in Financial Accounting Standards Board ("FASB") ASC 820, *Fair Value Measurements and Disclosures*, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, FASB ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1	Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.
Level 2	Other inputs that are observable directly or indirectly, such as quoted prices for similar assets and liabilities or market corroborated inputs.
Level 3	Unobservable inputs that are used when little or no market data is available, which requires the Company to develop its own assumptions about how market participants would value the assets or liabilities.

Determining which category an asset or liability falls within the hierarchy requires significant judgment. The Company evaluates its hierarchy disclosure each quarter. Assets and liabilities measured at fair value on a recurring basis as of September 30, 2011 and December 31, 2010 are summarized as follows:

	Fair Value as of September 30, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities				
Derivative liability	$ -	$ -	$ 167	$ 167
Total	$ -	$ -	$ 167	$ 167

	Fair Value as of December 30, 2010			
	Level 1	Level 2	Level 3	Total
Assets				
Marketable Securities	$5,746,612	$ -	$ -	$5,746,612
Total	$5,746,612	$ -	$ -	$5,746,612
Liabilities				
Derivative liability	$ -	$ -	$2,390,515	$2,390,515
Total	$ -	$ -	$2,390,515	$2,390,515

The following table presents the fair value reconciliation of Level 3 liabilities measured at fair value on a recurring basis during the nine months ended September 30, 2011and for the year ended December 31, 2010:

	September 30, 2011	December 31, 2010
Beginning Balance	$ 2,390,515	$ -
Aggregate fair value of derivative issued	14,937	44,792,150
Issuance date charge for difference between fair value of Derivative Instrument	-	(29,792,150)
Change in fair value of derivative	(173,880)	(12,609,485)
Elimination of derivative upon the conversion of related Note into Series A Preferred Stock to paid in capital	(2,231,405)	-
Ending Balance	$ 167	$ 2,390,515

The significant assumptions and valuation methods that we used to determine fair value and the change in fair value of the derivative financial instrument at issue are discussed in Note 7.

Recent Accounting Pronouncements

In September 2011, the FASB issued Accounting Standards Update ("ASU") No. 2011-08, *Intangibles-Goodwill and Other* that will allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under these amendments, an entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amendments include a number of events and circumstances for an entity to consider in conducting the qualitative assessment. The guidance is effective for fiscal years beginning after December 15, 2011 with early adoption permitted. The Company does not expect that the adoption of this update will have a material impact on its consolidated financial statements at this time.

In June 2011, the FASB issued ASU No. 2011-05, *Presentation of Comprehensive Income* that improves the comparability, consistency, and transparency of financial reporting and increases the prominence of items reported in other comprehensive income by eliminating the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments in this standard require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Under either method, adjustments must be displayed for items that are reclassified from other comprehensive income ("OCI") to net income, in both net income and OCI. The standard does not change the current option for presenting components of OCI gross or net of the effect of income taxes, provided that such tax effects are presented in the statement in which OCI is presented or disclosed in the notes to the financial statements. Additionally, the standard does not affect the calculation or reporting of earnings per share. For public entities, the amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and are to be applied retrospectively, with early adoption permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

In May 2011, FASB issued ASU No. 2011-04, *Fair Value Measurements* (ASC Topic 820). This ASU provides additional guidance on fair value disclosures. This guidance contains certain updates to the measurement guidance as well as enhanced disclosure requirements. The most significant change in disclosures is an expansion of the information required for "Level 3" measurements including enhanced disclosure for: (1) the valuation processes used by the reporting entity; and (2) the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs, if any. This guidance is effective for interim and annual periods beginning on or after December 15, 2011, with early adoption prohibited. Other than requiring additional disclosures on the Company's "Level 3" disclosures, the adoption of this new guidance will not have a material impact on the Company's consolidated results of operations and financial position.

In December 2010, the FASB issued ASU 2010-29, *Business Combinations* (ASC Topic 805). The amendment affects any public entity as defined by Topic 805, Business Combinations that enters into business combinations that are material on an individual or aggregate basis. The comparative financial statements should present and disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The adoption of this standard did not have a material impact on the Company's consolidated financial position and results of operations.

In December 2010, the FASB issued ASU 2010-28, *Intangibles — Goodwill and Other* (Topic 350). ASU 2010-28 modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts by requiring an entity to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. This update will be effective for fiscal years beginning after December 15, 2010. The adoption of this standard did not have a material impact on the Company's consolidated financial position and results of operations.

Other accounting standards that have been issued or proposed by the FASB, SEC and/or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

Note 8 - Capital and Operating Leases	9 Months Ended Sep. 30, 2011
Leases of Lessee Disclosure [Text Block]	

8 CAPITAL AND OPERATING LEASES

Capital Leases

The Company leases equipment from certain parties under various capital leases expiring in 2011 through 2015. Future minimum lease payments under the capital leases, which are stated at their principal amounts with initial or remaining terms of one year or more consist of the following as of September 30, 2011:

2011	$ 183,081
2012	330,175
2013	227,417
2014	148,333
2015	24,975
Thereafter	-
Total minimum lease payments	913,981
Total amounts representing interest	(200,214)
	713,767
Current portion of capital lease obligation	(324,960)
Capital lease obligation, less current portion	$ 388,807

Operating Leases

The Company leases tower and roof-top space under operating leases with terms that are typically for five years and contain automatic renewals for two or three additional five year terms. The Company also has various operating leases for office space, equipment, and vehicles that generally are for three to five year terms. Future minimum lease payments under the operating leases with initial or remaining terms of one year or more consist of the following at September 30, 2011:

For the period of October 1, 2011 through December 31, 2011	$ 486,533
2012	618,175
2013	337,815
2014	208,579
2015	126,618
Thereafter	-
	$ 1,777,720

The total rental expense included in operating expenses for operating leases was $954,081 and $436,489 for the three months ended September 30, 2011 and 2010, respectively and $1,482,510 and $1,160,279 for the nine months ended September 30, 2011 and 2010, respectively.

In February 2007, the Company entered into a lease agreement for its corporate offices in Omaha, Nebraska. The lease term commenced in February 2007 and terminates five years from the date of commencement with an option to renew for an additional five-year term. The

Company’s annual rent payments totaled approximately $103,000 in 2010 and remained at that level through March 2011, before increasing to approximately $106,200 through March 2012. In May 2011 the Company has entered into a new lease agreement for approximately 6,500 square feet of office space for $6,825 per month in Las Vegas. This facility replaces the Company’s previous Las Vegas office and serves as its new headquarters. This lease commenced on May 1, 2011 and terminates on April 30, 2016.

The Omaha office’ landlord provided the Company with incentives as an inducement to enter the lease agreement. These incentives included (i) an allowance of $265,000 for leasehold improvements, (ii) an initial three-month rent-free period and (iii) a reduced initial monthly payment schedule from April 2007 through September 2007 with escalating monthly charges thereafter. The Las Vegas office’ landlord provided the Company with incentives as an inducement to enter the lease agreement. These incentives included (i) an allowance of $39,900 for leasehold improvements, (ii) a reduced initial monthly payment schedule from May 2011 through April 2012 with escalating monthly charges thereafter. Leasehold improvements funded by the landlord have been (i) capitalized and are being amortized over the remaining lease term and (ii) recognized as deferred rent and amortized ratably over the term of the lease. The economic value of the rent-free period and the reduced initial monthly payments are recognized as deferred rent and amortized ratably over the term of the lease. Current and long term balances totaled $37,353 and $0 at September 30, 2011.

Note 9 - Stockholders' Equity	9 Months Ended Sep. 30, 2011
Stockholders' Equity Note Disclosure [Text Block]	

9 STOCKHOLDERS' EQUITY

Preferred Stock

The Company is authorized to issue up to 145,000,000 shares of stock, of which 115,000,000 have been designated as Common Stock and 30,000,000 have been designated as preferred stock. Of the 30,000,000 shares of preferred stock, 30,000,000 shares have been designated as Series A Preferred Stock. The Series A Preferred Stock is entitled to certain powers, preferences and other special rights that are summarized below. The Series A Preferred Stock is not redeemable.

Dividends

The holders of shares of Series A Preferred Stock are entitled to receive dividends, on a pari passu basis, out of any assets legally available therefore, prior and in preference to any declaration or payment of any dividend (payable other than in common stock or other securities and rights convertible into or entitling the holder thereof to receive, directly or indirectly, additional shares of common stock) on the common stock, at the rate of 10% of the Original Issue Price ($1.00, subject to adjustment for any stock splits, stock dividends, combinations, recapitalizations or the like) per share per annum for the Series A Preferred Stock, payable within 30 days following the last day of each fiscal quarter. During the first two years following the initial issuance of the Series A Preferred Stock, such dividends shall, at the option of the Company, be payable in either cash or additional shares of Series A Preferred Stock (with such shares being valued consistently with the common stock). Following such two year period, dividends shall be paid in cash unless otherwise elected by the holder. The Company issued 496,157 shares of Series A Preferred Stock in connection with the dividend earned through the second quarter 2011 during July 2011. The Company recorded a dividend on the Series A Preferred Stock of $411,229 and $907,386 for the three and nine months period ended September 30, 2011, respectively.

Liquidation Preference

In the event of the liquidation, dissolution or winding up of the Company, the acquisition of the Company by another entity as a result of which the Company's stockholders have less than 50% control of the acquiring entity's voting power following such acquisition or the sale of all or substantially all of the assets of the Company, the holders of Series A Preferred Stock shall be entitled to receive, on a pari passu basis, prior and in preference to any distribution of any of the assets of the Company to the holders of common stock, an amount per share equal to the greater of (i) the sum of (A) $1.50 (subject to adjustment for any stock splits, stock dividends, combinations, recapitalizations or the like) and (B) an amount equal to all accrued but unpaid dividends on such share and (ii) the amount of cash, securities or other property which such holder would be entitled to receive in such sale, liquidation, dissolution or winding up of the Company with respect to such shares if such shares had been converted to common stock immediately prior to such sale, liquidation, dissolution or winding up of the Company.

Accordingly, the Series A Preferred Stockholders and all security holders in classes equal to or subordinate to the Series A preferred are entitled to the same consideration upon any liquidation event.

Upon completion of these distributions, the holders of Series A Preferred Stock shall not be entitled to any further participation as such in any distribution of the assets or funds of the Company.

Optional Conversion

Each share of Series A Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share into such number of fully paid and nonassessable shares of common stock as is determined by dividing the Original Issue Price by the Conversion Price. The initial Conversion Price per share for shares of Series A Preferred Stock shall be the Original Issue Price, which means that the shares of Series A Preferred Stock are initially convertible into shares of common stock on a one-for-one basis. In addition, each share of Series A Preferred Stock will automatically be converted into shares of common stock at the Conversion Price at the time in effect upon the written consent or agreement of the holders of at least a majority of the then outstanding shares of Series A Preferred Stock.

Anti-Dilution Protection

The Series A Preferred Stock is subject to weighted-average anti-dilution adjustments in the event of an issuance of common stock below the then current conversion price of the Series A Preferred Stock, as the case may be, or the issuance of any securities convertible into common stock with an exercise or conversion price below such conversion prices, in each case subject to certain exemptions.

Mandatory Conversion

If the volume weighted average price for any 10 consecutive trading days exceeds, $5.00 (subject to adjustment for any stock splits, stock dividends, combinations, recapitalizations or the like), the Company may require any holder of shares of Series A Preferred Stock to convert such shares, and any accrued but unpaid dividends thereon, into such number of shares of common stock as provided above.

Voting Rights

The holders of Series A Preferred Stock are entitled to vote, together with holders of common stock as a single class, on any matter upon which holders of common stock have the right to vote, and shall have the right to three (3) votes for each share of common stock into which the shares of Series A Preferred Stock held by such holders could then be converted.

Election of Directors

So long as at least 10,000,000 shares of Series A Preferred Stock remain outstanding, the holders of the Series A Preferred Stock are entitled, voting together as a single class, to elect such number of directors at or pursuant to each meeting or consent of the Company's stockholders for the election of directors equal to one-half of the then authorized number of directors plus one (1). Any resulting fractional number of directors that the holders of Series A Preferred Stock are entitled to elect hereunder shall be rounded down to the nearest whole number.

Protective Provisions

The consent of the holders of at least a majority of the then outstanding shares of Series A Preferred Stock voting separately as a class is required in order for the Company to:

- alter or change, whether by merger, consolidation or otherwise, the rights, preferences or privileges of the shares of Series A Preferred Stock so as to affect adversely such shares;

- increase or decrease (other than by redemption or conversion) the total number of authorized shares of preferred stock or common stock;

- authorize or issue, or obligate itself to issue, whether by merger, consolidation or otherwise, any equity security of the Company, including any other security convertible into or exercisable for any equity security, having rights, preferences or privileges senior or on parity with the Series A Preferred Stock;

- effect any reclassification or recapitalization of the outstanding capital stock of the Company;

- amend the Company's certificate of incorporation or bylaws in a manner that adversely effects the holders of the Series A Preferred Stock;

- pay dividends or make other distributions on the capital stock of the Company (other than a dividend payable solely in shares of common stock); or

- approve any transaction that would be required to be disclosed as a related party transaction by a corporation that is subject to the reporting requirements under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

Issuances of Common Stock

During the nine month period ended September 30, 2011, the Company issued 2,100,000 shares of common stock with an aggregate value of $712,000 pursuant to the consummation of the ERF Wireless and CommX acquisitions (see Note 4).

Warrants

A roll-forward of the Company's stock purchase warrants for the quarter ended September 30, 2011 is as follows:

	Series A preferred stock	**Common stock purchase warrants**	**Total**

	purchase warrants		
Outstanding at December 31, 2010	-	3,750,494	3,750,494
Issued	10,300,000	1,000,000	11,300,000
Exercised	-	-	-
Cancelled	-	-	-
Expired unexercised	-	-	-
Outstanding at September 31, 2011	10,300,000	4,750,494	15,050,494

As of September 30, 2011, there are 15,050,494 exercisable warrants outstanding that feature strike prices ranging from $0.25 to $8.00 per share. 4,300,000 exercisable warrants feature strike prices at or below $0.29 per share.

Stock Option Plans

A summary of the status of our stock option plans and the changes during the nine months ended September 30, 2011, is presented in the table below:

	Number of options	Weighted Average Exercise Price	Weighted Average Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding as of December 31, 2010	2,159,344	$ 0.96	4.42	$ 386,562
Granted	425,000	0.37		
Exercised	-	-		
Cancelled	(100,000)	(0.35)		
Forfeited				
Options outstanding as of September 30, 2011	2,484,344	0.88	4.16	$ -
Options exercisable as of September 30, 2011	2,048,094	1.00	3.73	$ -

The Company calculates the fair value of stock options using the Black-Scholes option-pricing model. The option-pricing model requires the input of subjective assumptions. The Company has historically priced its options using volatility rates that are based on historical stock prices of similarly situated companies and expectations of the future volatility of our common stock. The expected life of our options is based upon the average of the vesting periods and contractual term. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The total expense to be recorded in future periods will depend on several variables, including the number of share-based awards expected to vest.

Compensation expense for stock options during the three and nine month ended September 30, 2011 amounted to $24,019 and $1,465,144, respectively.

Unamortized stock compensation expense as of September 30, 2011 amounted to $187,268 and is being recognized as compensation expense through February 28, 2014.

Note 7 - Notes, Loans and Derivative Liabilities

9 Months Ended Sep. 30, 2011

Debt Disclosure [Text Block]

7 NOTES, LOANS AND DERIVATIVE LIABILITIES

Notes Payable

	September 30, 2011	December 31, 2010
Note payable to a financial institution in monthly installments of $10,828 including interest at 7% through October 2014.	$ 348,927	425,087
Note payable in connection with acquisition of assets and assumption of certain liabilities of Southwest Wireless, payable in quarterly non-interest bearing payments of $30,000 through August 1, 2012. (Note 4)	120,000	210,000
Note payable in connection with acquisition of assets and assumption of certain liabilities of TS Wireless, payable in quarterly non-interest bearing payments of $18,750 through June 30, 2012. (Note 4)	81,250	184,456
Note payable in connection with acquisition of assets and assumption of certain liabilities of On A Wave Wireless, Inc., payable in two semi-annually non-interest bearing payments of 53,000 through October 11, 2011. (Note 4)	26,000	59,000
Note payable to a Blencoe State Bank assumed in connection with acquisition of On A Wave Wireless, Inc., payable in monthly installments of $450 including interest at 7.25% through May 2014. (Note 4)	12,503	15,774
Note payable to Wells Rural Electric, payable in 8 quarterly installments including interest at 5.25%	215,706	-
Note payable to CommX, payable in 10 quarterly installments including interest at 5.0%.	3,500,000	-
Note payable to American National Bank, payable in 48 monthly installments including interest at 7.8%.	-	7,842
	4,304,386	902,159
Current portion	2,048,639	396,847
Non-current portion	$ 2,255,747	$ 505,312

Derivative Financial Instrument

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with ASC 815, *Derivative and Hedging* which requires issuers of financial statements to make a determination as to whether (1) an embedded conversion meets the definition of a derivative in its entirety and (2) the derivative would qualify for a scope exception to derivative accounting, which further includes evaluating whether the embedded derivative would be considered indexed to the issuer's own stock.

ASC 815 generally provides three criteria that, if met, requires companies to bifurcate conversion options from their host instruments and account for them as separate derivatives in the event such derivatives would not be classified in stockholders' equity if they were free standing. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not remeasured at fair value under other applicable GAAP with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to the requirements of ASC 815. ASC 815 also provides for an exception to this rule if a debt host instrument is deemed to be a conventional debt instrument.

The Company evaluated the conversion option embedded in its Note issued in February 2010 in accordance with the provisions of ASC 815 and determined that the conversion option has all of the characteristics of a derivative in its entirety and does not qualify for an exception to the derivative accounting rules. Specifically, the exercise price of the conversion option is not fixed at any time during the term of the note based on the occurrence or non-occurrence of certain events also entitles the counterparty to an adjustment of the exercise price in the event that the Company subsequently issues equity securities or equity linked securities at prices more favorable than the exercise price of the conversion option embedded in the Note. Accordingly, the conversion option is not considered indexed to the Company's own stock.

On June 16, 2011 (date of issuance), the fair value of the derivative liability was $14,937. The revaluation of the derivative liability as of September 30, 2011 resulted in the fair value of $167. The decrease in the fair value resulted in a gain of $12,374 for the three months ended September 30, 2011.

The Company uses the Black-Scholes option-pricing model to estimate the value of its derivative liability. The assumptions used in the Black-Scholes option-pricing models are set forth in the following table. The expected volatility is based on the volatility of public companies that are similar to the Company's industry, size, financial leverage and stage of life cycle. The Company calculated the historical volatility of these companies using the daily closing total returns for a period of time equal to the expected term of the derivative liability as of the valuation date. The expected term represents the period of time that the derivative liability is expected to be outstanding. The risk free rate is based on the U.S. treasury securities constant maturity rate that corresponds to the expected term.

	September 30, 2011	June 30, 2011	June 16, 2011
Fair value of common stock	$ 0.20	$ 0.29	$ 0.30
Exercise price of option	$ 0.75	$ 0.75	$ 0.75
Expected term (years)	0.75	1.00	1.00
Expected volatility	49.62%	53.25%	53.25%
Risk free interest rate	0.13%	0.19%	0.19%
Expected dividend yield on stock	0.00%	0.00%	0.00%
Unit fair value	$ 0.00005	$ 0.00362	$ 0.00431
Shares issuable upon exercise	3,466,666	3,466,666	3,466,666
Aggregate fair value	$ 167	$ 12,541	$ 14,937

Settlement of Convertible Note

On February 5, 2010, pursuant to the Note Purchase Agreement, the Company issued to CalCap a secured convertible promissory note for the principal sum of $15,000,000 (the "Note"). On December 3, 2010, the Company entered into the Conversion Agreement with CalCap, subject to stockholder approval, pursuant to which CalCap agreed to convert all of the outstanding principal and accrued but unpaid interest under the Note into Preferred Stock at a conversion price of $1.00 per share. In addition, upon the conversion of the Note and in accordance with the Conversion, the Company agreed to issue CalCap a five year warrant to purchase 4,300,000 shares of Preferred Stock at an exercise price of $0.25 per share, a five year warrant to purchase 4,000,000 shares of Preferred Stock at an exercise price of $0.40 per share and a five year warrant to purchase 2,000,000 shares of Preferred Stock at an exercise price of $0.60 per share (collectively, the "Warrants"). Upon approval by vote of the stockholders, on March 11, 2011, the Company issued 16,315,068 shares of Preferred Stock in addition to 10,300,000 exercisable warrants to obtain Preferred Stock, thereby satisfying the Note.

The conversion of the Cal Cap Note into Series A Preferred Stock has been accounted for as an induced conversion. The Company induced conversion of the Note through: (1) the issuance of warrants to purchase additional shares of Series A Preferred Stock at exercise prices not provided for in the original Note, (2) additional voting rights granted to Preferred Stock holders relative to those possessed by common stockholders and (3) control of the Board of Directors through the ability to appoint a majority of its members.

Under the induced conversion accounting rules, if a convertible debt instrument is converted to equity securities of the debtor pursuant to an inducement offer, the debtor recognizes an expense equal to the fair value of the securities and other consideration transferred in the transaction in excess of the fair market value of securities issuable pursuant to the original conversion terms. The fair value of the derivative liability, after giving the effect to the increase in the exercise price from $0.75 to $1.00 amounted to $2,231,405 immediately prior to the conversion of the rate. The fair value of the derivative liability amounted to $2,390,515 at December 31, 2010. Accordingly, the Company recorded a $159,110 credit to other income during the period January 1, 2011 to March 11, 2011. Upon the conversion of the Note, the derivative liability no longer exists and was therefore reclassified to additional paid in capital. The Company recorded accretion on the Note of $589,055 as interest expense during the period January 1, 2011 to March 11, 2011 to a value of $2,547,416 at the conversion date. After giving effect to the conversion, the unamortized discount on the Note of $12,452,584 was accelerated and has been charged to interest expense.

Condensed Consolidated Statements of Cash Flows (Unaudited) (USD $)	9 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (21,093,766)	$ 4,455,592
Depreciation and amortization	2,541,192	1,460,518
Provision for doubtful accounts	259,082	149,044
Deferred income tax	43,272	
Gain on disposal of equipment	(246,197)	(1,921)
Stock based compensation expense	1,465,144	1,369,507
Change in fair value of derivative liability	(173,880)	(12,207,767)
Non-cash interest expense	13,070,691	1,470,788
Debt conversion Inducement Expense	2,292,059	
Change in assets and liabilities, net of effect of acquisitions:		
Accounts receivable	(322,784)	(197,820)
Prepaid expenses and other current assets	(231,451)	18,676
Refundable deposits	41,405	(14,930)
Accounts payable and accrued expenses	769,239	(179,309)
Accrued interest expense	258,880	711,887
Deferred rent liability	(45,629)	(43,838)
Deferred revenue	(70,420)	(59,937)
Net cash used in operating activities	(1,443,163)	(3,069,510)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures for property and equipment	(1,690,901)	(919,049)
Capital expenditures for investment in acquisitions	(3,294,733)	
Proceeds on disposal of equipment	252,500	1,800
Proceeds from sales of marketable securities	7,249,900	
Investment in marketable securities	(1,504,512)	(6,243,270)
Deposit, proposed aquisition		(400,000)
Net cash provided by (used in) investing activities	1,012,254	(7,560,519)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on revolving line of credit-related parties		(100,000)
Proceeds (payment) on revolving line of credit	(1,215,938)	1,121,374
Payments on term note payable - related parties		(4,050,000)
Deposits for future financing		(250,000)
Payments on notes payable	(582,048)	(606,874)
Proceeds from issuance of convertible note	2,600,000	15,000,000
Payments on capital lease obligations	(543,763)	(419,274)
Proceeds from exercise of common stock purchase warrants		456,110
Net cash provided by financing activities	258,251	11,151,336
Net (decrease) increase in cash and cash equivalents	(172,658)	521,307
Cash and cash equivalents at beginning of period	766,264	125,083
Cash and cash equivalents at end of period	593,606	646,390

Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	769,245	262,612
Cash paid for income taxes		
Supplemental Disclosures of Noncash Investing and Financing Activities:		
Common stock payable subscription sales		456,108
Common stock issued for common stock payable		391,822
Common stock issued for professional services		123,834
Capital lease obligations for property and equipment	0	0
Affinity [Member]		
Supplemental Disclosures of Noncash Investing and Financing Activities:		
Network equipment		118,205
Customer premise equipment		20,150
Subscriber base		51,860
Vehicles		9,840
Office equipment		5,795
Prepaid expenses		2,580
Accounts receivable		3,401
Accounts payable and accrued expenses		(11,342)
Loan payable		(69,487)
Obligations to subscribers		(7,607)
Goodwill		287,016
Total assets acquired (liabilities assumed)		410,411
Ridgeview Tel [Member]		
Supplemental Disclosures of Noncash Investing and Financing Activities:		
Network equipment		14,650
Customer premise equipment		71,475
Customer base		26,714
Accounts receivable		1,589
Obligations to subscribers		(539)
Goodwill		37,970
Total assets acquired (liabilities assumed)		151,859
Dynamic Broadband [Member]		
Supplemental Disclosures of Noncash Investing and Financing Activities:		
Network equipment		674,711
Customer premise equipment		746,153
Customer base		658,487
Vehicles		18,925
Office equipment		29,178
Prepaid expenses		8,308
Accounts receivable		18,075
Accounts payable and accrued expenses		(208,621)
Loan payable		(380,617)
Obligations to subscribers		(86,912)
Goodwill		50,495

Total assets acquired (liabilities assumed)		1,528,182
Technology Specialists Group [Member]		
Supplemental Disclosures of Noncash Investing and Financing Activities:		
Network equipment		4,489
Customer premise equipment		62,028
Inventory		2,278
Subscriber base		113,260
Office equipment		1,327
Prepaid expenses		7,372
Accounts receivable		1,627
Accounts payable and accrued expenses		(900)
Obligations to subscribers		(10,356)
Goodwill		56,610
Total assets acquired (liabilities assumed)		237,735
Southwest Wireless Net [Member]		
Supplemental Disclosures of Noncash Investing and Financing Activities:		
Network equipment		160,000
Customer premise equipment		75,000
Inventory		30,000
Subscriber base		87,000
Vehicles		4,000
Office equipment		13,000
Prepaid expenses		3,884
Obligations to subscribers		(42,763)
Goodwill		9,879
Total assets acquired (liabilities assumed)		340,000
Wells Rual Electric [Member]		
Supplemental Disclosures of Noncash Investing and Financing Activities:		
Network equipment	23,348	
Customer premise equipment	195,298	
Subscriber base	125,642	
Goodwill	34,648	
Total assets acquired (liabilities assumed)	378,936	
ERF Wireless [Member]		
Supplemental Disclosures of Noncash Investing and Financing Activities:		
Network equipment	1,219,081	
Subscriber base	1,339,851	
Vehicles	40,575	
Network equipment not deployed	54,435	
Goodwill	378,058	
Total assets acquired (liabilities assumed)	3,032,000	
Total paid in Stock	32,000	
Total cash and debt consideration	3,000,000	
Commx VOIP [Member]		

Supplemental Disclosures of Noncash Investing and Financing Activities:

Network equipment	120,379
Software licenses	1,641,348
Furniture and fixtures	9,940
Customer premise equipment	315,473
Subscriber base	2,502,109
Accounts receivable	143,836
Obligations to subscribers	(46,535)
Goodwill	87,741
Total assets acquired (liabilities assumed)	4,774,291
Total paid in Stock	680,000
Total warrants to purchase common stock	94,291
Total cash and debt consideration	$ 4,000,000

Note 3 - Liquidity and Financial Condition	9 Months Ended Sep. 30, 2011
Liquidity Disclosure [Policy Text Block]	**3. LIQUIDITY AND FINANCIAL CONDITION**

The Company's net loss amounted to $21,093,766 for the nine months ended September 30, 2011, and includes a non-cash interest charge to the statement of operations, principally relating to the acceleration of the discount of our convertible note upon its conversion into Series A Preferred Stock on March 11, 2011 (the "Conversion"), and a debt conversion inducement charge of $2,292,059 from the issuance of warrants as a part of the Conversion (see Note 7). The Company's accumulated deficit amounted to $48,262,992 at September 30, 2011. During the nine months ended September 30, 2011, net cash used in operating activities amounted to $1,443,163. At September 30, 2011, the Company's working capital amounted to a deficit of $6,677,341. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

On June 14, 2011, the Company entered into a note purchase agreement with an institutional investor pursuant to which it issued a secured convertible note for the principal sum of $2,600,000, which note is convertible into shares of Series A Preferred Stock, par value $0.001 per share, of the Company. On June 27, 2011, the Company used $500,000 to fund the initial payment due in respect of its acquisition of the VoIP assets from CommX.

The Company has continued to take measures during the nine months ended September 30, 2011 to increase our overall base of subscribers by completing several acquisitions (See Note 4) in order to take advantage of scale economies resident in the telecommunications industry. In addition, the Company has maintained its fixed operating costs by previously streamlining our operations and working to control operating costs. Management believes that these operational initiatives have been effective as the Company has significantly increased revenues with its operating costs remaining the same or lower percentage of revenues than in past quarters. Management believes the company will begin to report positive operating cash flow from operations in the first quarter of 2012.

In support of our strategy of growing revenues by increasing our subscriber base, the Company received an award under ARRA, specifically, Round Two of the Broadband Initiatives Program (BIP) administered by the Rural Utilities Service ("RUS"). On September 13, 2010, the Company was announced as a $10,200,000 award winner to build and operate networks throughout rural Nevada to nearly 100,000 rural residents. The Company is expected to contribute approximately $2,000,000 in matching funds during the project's three year construction period. The Company anticipates commencing its project in the first quarter of 2012 and expects that it will be substantially complete within two years from the commencement date. The Company is currently working with its third-party contractors and applicable RUS personnel to begin requisitioning funds pursuant to the award.

The Company's plans to address its liquidity issues and to execute its strategy of continued acquisitions of wireless broadband companies and penetrate new and existing markets, including the BIP stimulus award is to raise additional funds, through public, debt financings, or other means. Management believes that it has access to capital resources through possible public or private equity offerings, debt financings or other means; however, the Company has not secured any commitments for new financing at this time, nor can it provide any assurance that new financing will be available on commercially acceptable terms, if needed. If the Company is unable to secure additional capital, it may be required to curtail business development initiatives and take additional measures to reduce costs in order to conserve our cash.

Note 4 - Business Combination

Business Combination Disclosure [Text Block]

9 Months Ended Sep. 30, 2011

4. BUSINESS COMBINATION

Wells Rural Electric Company

On January 31, 2011, KeyOn Communications Holdings, Inc. purchased the assets of Wells Rural Electric Company, pursuant to an Asset Purchase Agreement, including subscriber contracts, accounts, and fixed assets. As consideration for the acquired assets, the Company agreed to pay $363,888 in cash over a period of two years, subject to further adjustments. Upon the satisfaction of certain closing conditions, the Company initiated the Closing Payment of $94,734. The balance of the purchase price which amounts to $269,154 will be made in eight consecutive quarterly payments and will accrue interest at the rate of 5.25% per annum (See Note 7).

The purchase price breakdown is as follows:

Subscriber base	$ 121,898
Network equipment	23,348
Customer premise equipment	195,298
Accounts receivable	1,239
Goodwill	22,105
	$ 363,888

Grand Junction, Colorado market sale

On February 1, 2011, the Company entered into an agreement to sell substantially all of the wireless broadband assets and assign certain liabilities used in the operation of its Grand Junction, Colorado network to Skybeam, Inc. As consideration for the acquired assets, the Company agreed to accept an aggregate purchase price of $261,000 in cash, subject to a holdback in the amount of $52,200 with which to make post-closing purchase price adjustments based upon the number of broadband subscribers and monthly Internet service revenue. Also, on February 1, 2011, upon the satisfaction of certain closing conditions as described in the Asset Purchase Agreement, KeyOn completed the divesture, and received the initial closing payment of $208,800. The Company received the balance of the purchase price of $38,915 on May 2, 2011 after making certain purchase price adjustments as described in the Asset Purchase Agreement.

The final sales price breakdown is as follows:

Network equipment	$ 272,510
Customer premise equipment	226,757
Software	461
Computer equipment	2,460
Accumulated depreciation	(495,885)
Gain on sale of assets	246,197
	$ 252,500

ERF Wireless, Inc

On February 10, 2011, the Company entered into an agreement to acquire certain wireless broadband assets and assume certain liabilities used to provide wireless Internet access and other related services from ERF Wireless, Inc., ("ERF"). The assets to be acquired are used in the business of operating wireless networks that provide high-speed Internet access and other related services to residential and commercial subscribers in East Central Texas. As consideration for the acquired assets, the Company paid $3,000,000 in cash, subject to further adjustments as described in the Asset Purchase Agreement and issue 100,000 shares of the Company's common stock. The Asset Purchase Agreement contains customary representations and warranties by the Company and ERF. On February 15, 2011, upon the satisfaction of the closing conditions, the Company consummated this transaction by delivering $2,700,000 in cash and issued 100,000 restricted shares of its common stock. On July 1, 2011 the Company made the final payment to the balance of the final purchase price of $215,120 (see Note 7) after making certain price adjustments as described in the Asset Purchase Agreement.

The final allocation of the purchase price breakdown is as follows:

Network equipment	$ 1,219,082
Vehicles	40,575
Subscriber base	1,339,851
Network equipment not deployed	54,434
Goodwill	378,058
Accounts receivable	11,298
Accounts payable	(66,624)
Obligations to subscribers	(29,553)
	$ 2,947,121

CommX, Inc.

On June 1, 2011, a wholly owned subsidiary of KeyOn Communications Holdings, Inc., KeyOn CommX, LLC, a Nevada limited liability company, acquired from CommX Holdings, Inc., a Florida corporation, CommX, Inc., a Florida corporation and Communications Xchange, LLC, a Florida limited liability company, ("Xchange" and together with CommX Holdings and CommX Inc., "CommX") pursuant to an asset purchase agreement. Substantially, all of the CommX's assets are used in providing services commonly known as hosted VoIP to commercial and residential customers as well as certain other assets related to Internet addresses and, as a continuation of our core business strategy, they will serve to integrate horizontally into our product line-up and services provided to the same geographical locations and customers.

As consideration for the acquired assets, we initiated the closing payment of $500,000 in cash at closing, upon satisfaction of certain closing conditions, issued a promissory note in the principal amount of $3.5 million, 2,000,000 shares of our common stock with a fair value of $0.34 a share or $680,000 and a warrant to purchase 1,000,000 shares of our common stock at an exercise price of $0.40 per share with a fair value of $94,291.

The promissory note accrues interest at the rate of 5.0% per annum and is payable in 10 equal quarterly installments of $374,511 commencing August 31, 2011. However, in the event that the Company completes an equity financing or series of equity financings that result in gross proceeds of at least $5,000,000, the Company is required to make a mandatory prepayment of

$1,500,000 under the Note. The Note contains a variety of events of default that are typical for transactions of this type (See Note 7).

The final purchase price is subject to adjustments for net working capital and qualified subscribers as described in the asset purchase agreement and it is not expected to exceed $80,000.

The table showing the fair value warrants issued in consideration is as follows:

Fair value of warrants to purchase common stock	
Exercise price of option	$ 0.40
Term (years)	5
Volatility	53%
Risk free interest rate	0.74%
Dividend yield	0.00%
Unit fair value	$ 0.34
Shares issued upon exercise	1,000,000
Aggregate fair value	$ 94,291

The preliminary allocation of the purchase price breakdown is as follows:

Subscriber base	$ 2,502,109
Network equipment	120,379
Software licenses	1,641,348
Furniture and fixtures	9,940
Customer premises equipment	315,473
Accounts receivable	143,836
Obligations to subscribers	(46,535)
Goodwill	87,741
	$ 4,774,291
Total stock consideration	$ 680,000
Total warrant to purchase common stock consideration	$ 94,291
Total cash and debt consideration	$ 4,000,000

Pro forma financials

The Company accounted for the business combinations using the acquisition method of accounting. The results of operations for the three and nine months ended September 30, 2011, include the revenues and expenses of these acquired businesses since their respective dates of acquisition.

The unaudited pro-forma financial results for the three and nine months ended September 30, 2011 and 2010, combines the historical results of Dynamic Broadband Corporation, RidgeviewTel, LLC, Affinity Wireless, ERF Wireless, Inc., Wells Rural Electric Company and Commx VOIP with those of the Company as if these acquisitions had been completed as of the beginning of each of the periods presented. The pro-forma weighted average number of shares outstanding also assumes that the shares issued as purchase consideration were outstanding as of the beginning of each of the periods presented.

As described in Note 2, the Company adopted ASU 2010-29 relating to pro forma disclosures effective January 1, 2011. There were no material non-recurring pro forma adjustments directly attributable to these acquisitions.

Pro Forma Combined Statement of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Total revenues	$ 3,399,160	$ 3,458,930	$ 10,184,993	$10,655,293
Loss from operations	$ (1,774,187)	$ (1,470,942)	$ (5,196,505)	$ (4,469,604)
Net income (loss) available to common stockholders	$ (2,365,550)	$ 1,826,761	$(21,743,719)	$ 5,447,035
Net income (loss) per share, basic	$ (0.09)	$ (0.06)	$ (0.89)	$ (0.19)
Net income (loss) per share, diluted	$ (0.09)	$ (0.03)	$ (0.89)	$ (0.10)
Pro forma weighted average shares outstanding, basic	25,768,211	23,668,211	24,645,500	23,505,674
Pro forma weighted average shares outstanding, diluted	25,768,211	44,541,452	24,645,500	46,035,915

Digital Bridge Spectrum Corp.

On July 22, 2011, the Company entered into an agreement to acquire certain wireless broadband assets and assume certain liabilities from Digital Bridge Communications Corp, a Delaware corporation, Digital Bridge Spectrum Corp., a Delaware corporation, and Digital Bridge Spectrum II a Delaware limited liability company (collectively, the “Digital Bridge”), The assets to be acquired are used in the businesses of operating wireless broadband networks that provide broadband Internet access and other related services in certain markets in the Northwest and Midwest.

As consideration for the acquired assets, the Company has agreed to pay $17,434,874 in cash subject to further adjustments as described in the Asset Purchase Agreement. The Asset Purchase Agreement contains customary representations and warranties by the Company and Digital Bridge.

Note 5 - Property and Equipment	9 Months Ended Sep. 30, 2011
Property, Plant and Equipment Disclosure [Text Block]	**5 PROPERTY AND EQUIPMENT**

Property and equipment at September 30, 2011 and December 31, 2010, consisted of the following:

	September 30, 2011	December 31, 2010
Subscriber equipment	$ 7,841,356	$ 7,027,318
Fixed wireless tower site equipment	7,253,013	5,280,354
Software and consulting costs	2,298,669	633,704
Computer and office equipment	938,234	676,210
Vehicles	299,939	243,107
Leasehold improvements	348,550	315,013
	18,979,761	14,175,706
Accumulated depreciation	(12,150,679)	(10,769,366)
	$ 6,829,082	$ 3,406,340

Depreciation expense for the three and nine months ended September 30, 2011 was $761,434 and $1,881,732 respectively. For the three and nine months ended September 30, 2010 depreciation expense was $478,439 and $1,262,935, respectively.

Condensed Consolidated Statement of Stockholder's Equity (Unaudited) (USD $)	Common Stock [Member]	Preferred Stock [Member]	Additional Paid-in Capital [Member]	Retained Earnings [Member]	Accumulated Other Comprehensive Income (Loss) [Member]	Total
Balance, January 1, 2011 at Dec. 31, 2010		$ 23,668	$ 28,718,581	$ (26,261,840)	$ 1,224	$ 2,481,633
Balance, January 1, 2011 (in Shares) at Dec. 31, 2010		23,668,211				23,668,211
Employee stock option compensation expense			1,465,144			1,465,144
Purchase of ERF Wireless for stock		100	31,900			32,000
Purchase of ERF Wireless for stock (in Shares)		100,000				
Warrants issued with conversion of debt			2,292,059			2,292,059
Elimination of fair value market of derivative liability			2,231,405			2,231,405
Preferred stock issued upon conversion of note	16,315,068					16,315,068
Preferred stock issued upon conversion of note (in Shares)	16,315,068					
Dividends issued on Series A preferred stock	496,157			(907,386)		(411,229)
Dividends issued on Series A preferred stock (in Shares)	496,157					
Purchase of CommX for common stock		2,000	678,000			680,000
Purchase of CommX for common stock (in Shares)		2,000,000				
Warrants issued with purchase of CommX (in Shares)			94,291			94,291
Elimination of unrealized gainupon sales of marketable securities					(1,224)	(1,224)
Net loss				(21,093,766)		(21,093,766)
Balance, September 30, 2011 at Sep. 30, 2011	$ 16,811,225	$ 25,768	$ 35,511,380	$ (48,262,992)		$ 4,085,381
Balance, September 30, 2011 (in Shares) at Sep. 30, 2011	16,811,225	25,768,211				25,768,211

Note 1 - Organization and Description of Business	9 Months Ended Sep. 30, 2011
Organization, Consolidation, Basis of Presentation, Business Description and Accounting Policies [Text Block]	**1. ORGANIZATION AND DESCRIPTION OF BUSINESS**

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Organization

On August 9, 2007, KeyOn Communications, Inc. (“KeyOn”) became a publicly-traded company upon its completion of a reverse merger and recapitalization with Grant Enterprises, Inc. (“Grant”), a publicly-traded company with no operations (the “Merger”). Grant subsequently changed its name to KeyOn Communications Holdings, Inc. (the “Company”). KeyOn was incorporated on December 16, 2004, under the laws of the State of Nevada.

Description of Business

The Company provides wireless broadband, satellite video and voice-over-IP (“VoIP”) services primarily to small and rural markets in the Western and Midwestern United States. KeyOn’s markets are located in 12 Western and Midwestern states: Idaho, Illinois, Indiana, Iowa, Kansas, Minnesota, Nebraska, Nevada, Ohio, South Dakota, Texas, and Utah. As of June 1, 2011, KeyOn provides VoIP services directly utilizing its own facility acquired with the assets purchased from entities doing business as CommX. In an effort to generate additional accounting and operational efficiencies, the Company consolidated its eight wholly-owned subsidiaries: KeyOn Communications, LLC; KeyOn SIRIS, LLC; KeyOn Grand Junction, LLC; KeyOn Idaho Falls, LLC; KeyOn Pahrump, LLC; KeyOn Pocatello, LLC; KeyOn SpeedNet LLC and KeyOn Spectrum Holdings, LLC (which had previously been referred to as the “related entities”), into one, wholly-owned operating subsidiary: KeyOn Communications, Inc. For the acquisition of CommX assets, KeyOn formed a new operating subsidiary, KeyOn CommX LLC, which is wholly-owned by KeyOn Communications Holdings, Inc.

Condensed Consolidated Balance Sheets (USD $)	Sep. 30, 2011	Dec. 31, 2010
Current assts:		
Cash and cash equivalents	$ 593,606	$ 766,264
Accounts receivable, net	503,026	282,951
Marketable securities		5,746,612
Prepaid expenses and other current assets	510,122	278,671
Total current assets	1,606,754	7,074,498
Property and equipment, net	6,829,082	3,406,340
Other assets:		
Goodwill	2,302,999	1,815,095
Subscriber base, net	4,169,265	864,867
Trademarks	16,567	16,567
Deposits	43,981	85,386
Debt issuance costs, net	254,125	278,880
[AssetsNoncurrent]	6,786,937	3,060,795
Total assets	15,222,773	13,541,633
Current liabilities:		
Accounts payable	2,054,268	2,017,896
Accrued liabilities	929,395	186,481
Accrued interest expenses	40,599	1,096,787
Revolving line of credit		1,215,938
Convertible note, net of discount of $10,530 at September 30, 2011	2,589,450	
Current portion of notes payable	2,048,639	396,847
Current obligations under capital leases	324,960	644,119
Deferred rent	37,353	66,835
Deferred revenue	259,264	253,596
Derivative liabilities	167	2,390,515
Total current liabilities	8,284,095	8,269,014
Convertible note, net of discount of $13,041,549 at December 31, 2010		1,958,451
Notes payable, less current portion	2,255,747	505,312
Obligations under capital leases, less current obligations	388,807	145,605
Deferred rent, less current portion		16,147
Deferred tax liability	208,743	165,471
Total liabilities	11,137,392	11,060,000
Commitments and contingencies		
Stockholders' equity		
Series A preferred stock, 30,000,000 shares authorized; 16,811,225 shares issued, liquidation preference of $25,216,838	16,811,225	
Common stock, $.001 par value: 115,000,000 shares authorized; 25,768,211 and 23,668,211 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively	25,768	23,668
Additional paid-in capital	35,511,380	28,718,581
Accumulated deficit	(48,262,992)	(26,261,840)

Accumulated other comprehensive income		1,224
Total stockholders' equity	4,085,381	2,481,633
Total liabilities and stockholders' equity	$ 15,222,773	$ 13,541,633