SATELLITE NEWSPAPERS CORP
Form 10QSB/A
August 21, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB/A

QUARTERLY REPORT
UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR QUARTER ENDED JUNE 30, 2006

SATELLITE NEWSPAPERS CORP.

(Exact name of small business registrant as specified in its charter)

Nevada	**000-26607**	**88-0390828**
(State or other jurisdiction of incorporation or organiztion)	(Commission File Number)	(IRS Employer Indentification Number)

Bank of America Building
980 Post Road East
Westport, Connecticut 06880
(Address of principal executive offices) (Zip Code)

203 401 8089
(Registrant s telephone no., including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 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 xNo o

Number of shares of the registrant s common stock outstanding as of August 21, 2006 was: 420,477,518

Traditional Small Business Disclosure Format: Yes o No x

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SATELLITE ENTERPRISES CORP. AND SUBSIDIARY

FORM 10-QSB

FOR QUARTER ENDED JUNE 30, 2006

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JUNE 31, 2006 AND 2005

SATELLITE ENTERPRISES CORP. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	June 30, 2006			December 31, 2005		
CURRENT ASSETS		(Unaudited)				
Cash	$	32,083		$	37,509	
Accounts receivable		337,419			241,002	
Prepaid production costs		300,000				
Inventory		119,658			119,658	
Total Current Assets		789,160			398,169	
EQUIPMENT, net of accumulated depreciation of $369,179 and $300,765 at March 31, 2005 and December 31, 2005, respectively		1,130,417			1,183,472	
OTHER ASSETS						
Deposits		8,826			8,826	
Technology rights		823,281			840,466	
Total Assets	$	2,751,684		$	2,430,933	
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)						
CURRENT LIABILITIES						
Accounts payable		1,279,114			1,321,768	
Accrued expenses		94,934			99,523	
Accrued salaries and related expenses		150,449			371,107	
Total Current Liabilities		1,524,497			1,792,398	
LONG-TERM LIABILITIES						
Notes payable to related parties		400,657			165,848	
Loans payable		3,310,372			3,060,280	
Total Long-Term Liabilities		3,711,029			3,226,128	
STOCKHOLDERS DEFICIT						
Preferred stock, par value $0.001; authorized 500,000,000 Shares, 257,533,000 Class A convertible preferred shares issued and outstanding		258			258	
Common stock, $0.001 par value; 500,000,000 shares authorized; 423,477,518 and 420,477,518 issued and outstanding at March 31, 2006 and December 31, 2005.		423,478			420,478	
Additional paid in capital.		9,229,321			8,932,320	
Stock subscription receivable.						
Accumulated deficit.		(12,251,654	)		(12,087,594	)
Accumulated other comprehensive loss.		114,755			146,945	
Total Stockholders Deficit		(2,483,842	)		(2,587,593	)
Total Liabilities and Stockholders Deficit	$	2,751,684		$	2,430,933	

See accompanying notes to consolidated financial statements.

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SATELLITE ENTERPRISES CORP. AND SUBSIDIARY

CONDENSES CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended June 30		**Six Months Ended June 30**	
	2006	**2005**	**2006**	**2005**
NET SALES	$ 265,720	$ 701,572	$ 334,649	$ 1,442,777
COSTS AND EXPENSES:				
Cost of services	73,421	112,250	159,699	271,035
Selling, general and administrative	103,978	780,768	436,400	1,787,515
Interest expense	35,331	39,706	66,612	80,555
Research and development	74,142		74,142	
Depreciation and amortization	88,777	67,740	196,699	136,154
Total Costs and Expenses	375,649	1,000,464	933,552	2,275,259
NET OPERATING LOSS	(109,929)	(298,892)	(598,903)	(832,482)
OTHER INCOME:				
Currency gain (loss)	(63,862)	(76,463)	(36,479)	(4,353)
Total Other Income (Expense)	(63,862)	(76,463)	(36,479)	(4,353)
NET LOSS FROM CONTINUING OPERATIONS	(173,791)	(375,355)	635,382	(836,835)
DISCONTINUED OPERATIONS				
Loss from discontinued operations (less applicable income tax expense of $0)	(132,303)		(132,303)	
Gain from discontinued operations (less Applicable income tax expense of $0)	603,625		603,625	

Total Discontinued Operations	471,322		471,322	
NET INCOME (LOSS)	$ 297,531	$ 375,355	$ 164,060	$ 836,835
NET LOSS PER COMMON SHARE (Basic and diluted)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			423,477,518	225,168,271

See accompanying notes to consolidated financial statements.

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SATELLITE ENTERPRISES CORP. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)

	Six Months Ended June 30, 2006	**2005**
CASH FLOW FROM OPERATING ACTIVITIES		
Net income (loss)	$ (164,060)	$ (836,487)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	196,699	136,154
Changes in operating assets and liabilities:		
Increase in accounts receivable	(96,417)	(55,141)
Increase in inventory		(87,053)
(Decrease) increase in accounts payable	(42,654)	436,079
(Decrease) increase in accrued expenses	(4,589)	84,040
(Decrease) increase in accrued salaries and related expenses	(220,658)	63,803
Net Cash Used in Operating Activities	(331,679)	(258,605)

CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for equipment		(126,459)		(20,478)
Net Cash Flows Used in Investing Activities		(126,459)		(20,478)
CASH FLOWS FROM FINANCING ACTIVITIES				
Changes in notes payable to related party		234,809		(33,078)
Change in loans payable		250,092		(106,237)
Net Cash (Used in) Provided by Financing Activities		484,901		(139,315)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		(32,189)		398,147
NET (DECREASE) INCREASE IN CASH		(5,426)		(20,251)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR		37,509		54,195
CASH AND CASH EQUIVALENTS END OF PERIOD	$	32,083	$	33,944

See accompanying notes to consolidated financial statements.

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SATELLITE ENTERPRISE CORP. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary in order to make the financial statements not misleading have been included. Results for the six months ended June 30, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006. For further information, refer to the financial statements and footnotes thereto included in the Satellite Enterprise Corp. and Subsidiaries annual report on Form 10-KSB for the year ended December 31, 2005.

NOTE 2 GOING CONCERN

As shown in the accompanying financial statements, the Company has incurred cumulative net operating losses of $12,251,654 and, has a negative working capital, and a stockholders deficit. Management s plans include the raising of capital through the equity markets to fund future operations and the generating of revenue through its business. Failure to raise adequate capital and generate adequate sales revenues could result in the Company having to curtail or cease operations. Additionally, even if the Company does raise sufficient capital to support its operating expenses and generate adequate revenues, there can be no assurance that the revenue will be sufficient to enable it to develop business to a level where it will generate profits and cash flows from operations. These matters raise substantial doubt about the Company s ability to continue as a going concern. However, the accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 3 SALE OF SATELLITE NEWSPAPER CONTENT B.V. AND SATELLITE NEWSPAPER TRADING

B.V.

On May 2, 2006, Satellite Newspapers Suisse GMBH, a wholly owned subsidiary of Satellite Enterprise Corp., sold its interest in Satellite Newspaper Content B.V. and Satellite Newspaper Trading B.V. Accordingly, a gain from discontinued operations has been recognized in the statement of operations.

NOTE 4 SUBSEQUENT EVENT

On July 1, 2006, the Company s Board of Directors and shareholders approved a 50 to 1 reverse split.

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ITEM 2. **MANAGEMENT S DISCUSSION AND ANALYSIS OR PLAN OF OERATION.**

When used in this Form 10-QSB, in other filings by the Company with the SEC, in the Company s press releases or other public or stockholder communications, or in oral statements made with the approval of an authorized executive officer of the Company, the words or phrases would be, will allow, intends to, will likely result, are expected to, will continue, is anticipated, estimate, project, or similar expressions a identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

The Company cautions readers not to place undue reliance on any forward-looking statements, which speak only as of the date made, are based on certain assumptions and expectations which may or may not be valid or actually occur, and which involve various risks and uncertainties, including but not limited to the risks set forth above. In addition, sales and other revenues may not commence and/or continue as anticipated due to delays or otherwise. As a result, the Company s actual results for future periods could differ materially from those anticipated or projected.

Unless otherwise required by applicable law, the Company does not undertake, and specifically disclaims any obligation, to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

Overview

We receive, distribute and sell newspaper data on a daily basis through multiple outlets or Kiosks. We produce and sell the KiOSKS on an international basis. After introducing the CLiENT Application CD-ROM version, we increasingly sell Newspaper prints via this channel. We generate revenue as follows:

The Company receives a fee for each KiOSK sold;

The Company receives a user license fee per KiOSK per year;

The Company receives a fee for each newspaper sold at a KiOSK

The Company receives a fee for each CLiENT application sold in addition to a yearly user fee; and

The Company receives a fee for each newspaper printed through the CLiENT

Satellite Newspapers distributes its content through the use of five satellite stations and three uplink stations as well as through the Internet.

Managements Discussion and Analysis

Results of Operations Period Ended June 30, 2006 compared to Period Ended June 30, 2005

Net Sales

We had net sales of $265,720 for the three months ended June 30, 2006 as compared to $701,572 for the three months ended June 30, 2005. This decrease in net sales is a result of our change in business cancelling the Monthly Distribution Fees to the Regional Distributors. As of April 2006, the Company has ended the Regional Distribution Agreements with 4 of the 5 contracted regions.

Cost and Expenses

Cost and expenses for the three months ended June 30, 2006 was $375,649 as compared to $1,000,000 during the three months ended June 30, 2005, which consisted of selling, general and administrative costs and services. Cost and expenses during the period ended June 30, 2006 included cost of services ($73,421), selling general and administrative ($103,978), interest expense ($35,331), research and development ($74,142) and depreciation and amortization ($88,777). This decrease in cost and expenses is a result of automation of the daily operations and process.

As a result of the foregoing factors, we realized a net income of $297,531 for the three months ended June 30, 2006 compared to a net income of $375,355 for the three months ended June 30, 2005.

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Liquidity and Capital Resources

At June 30, 2006, we had a working capital deficit of ($5,426). Further, at June 30, 2005 we had a working capital deficit of ($20,251), as a result our auditors have raised, in their current audit report, a substantial doubt about our ability to continue as a going concern. We will be unable to continue as a going concern in the event we are not able to raise capital in order to develop and implement our business plan and continue operations. Until such time as sufficient capital is raised, we intend to limit expenditures for capital assets and other expense categories.

There is no assurance of financial viability for Swiss Satellite Newspapers. We depend on the financial viability of Swiss Satellite Newspapers for our content and satellite transmission. Swiss Satellite Newspapers has limited revenues to date. Our business would be materially harmed if Swiss Satellite Newspapers is unable to continue to provide us with its content, satellite transmission and technical support.

Cash Flows

Net cash used in operating activities was $331,679 for the three months ended June 30, 2006 and $258,605 for the three months ended June 30, 2005. This increase was primarily due to decrease in accrued salaries and related expenses.

Net cash provided by financing activities was $484,901 and $(139,315) for the three months ended June 30, 2006 and 2005, respectively. The net cash provided by financing activities for the year three months ended June 30, 2w006 consisted primarily from changes in notes and loans payable.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on us.

(A) THE COMPANY

INTRODUCTION

FORWARD-LOOKING STATEMENTS; This annual report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended that involve risks and uncertainties. In addition, Satellite Newspapers Corp., (formerly Satellite Newspapers Corp) (the Company), may from time to time make oral forward-looking statements. Actual results are uncertain and may be impacted by many factors. In particular, certain risks and uncertainties that may impact the accuracy of the forward-looking statements with respect to revenues, expenses and operating results include without imitation; cycles of customer orders, general economic and competitive conditions and changing customer trends, technological advances and the number and timing of new product introductions, shipments of products and components from foreign suppliers, and changes in the mix of products ordered by customers. As a result, the actual results may differ materially from those projected in the forward-looking statements.

Because of these and other factors that may affect the Company s operating results, past financial performance should not be considered an indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

SUMMARY

For people in transit, recreation and/or business related, Satellite Newspapers provides key distributors with efficient, inexpensive access to international content providers. Satellite Newspapers provides global access to detailed information from content publishers via multiple output devices. The digital publisher files in the Satellite Newspapers System can be printed via an automated free-standing KiOSK, which is produced through the production plant in China and system integrated software, CLiENT, which can print a single copy or bulk quantity at any given time.

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The Company generates revenues as follows:

The Company receives a fee for each KiOSK sold;

The Company receives a user license fee per KiOSK per year;

The Company receives a fee for each newspaper sold at a KiOSK

The Company receives a fee for each CLiENT application sold in addition to a yearly user fee; and

The Company receives a fee for each newspaper printed through the CLiENT

Satellite Newspapers distributes its content through the use of five satellite stations and three uplink stations as well as through the Internet.

PRIOR HISTORY OF SATELLITE

The Company was formed as a Nevada corporation on April 14, 1998, to operate as a specialty retailer of fine jewelry. In its fiscal year ending June 30, 2000, the Company sold a limited quantity of jewelry through direct mail and word of mouth advertising.

On July 29, 2000, subsequent to the close of its June 30, 2000 fiscal year, the Company acquired 100% of the outstanding shares of GreenVolt Corp., an Ontario Corporation (GreenVolt) in a stock for stock exchange. GreenVolt was in the process of developing fuel cell technologies for commercial and industrial use. In connection with this transaction, management of the Company changed, and the Company disposed of its retail jewelry business in September 2000, by transfer of all jewelry assets and liabilities to Larry Beck, a former director of the company. In connection with such transaction, the Company changed its name from Beck & Co., Inc. to GreenVolt Power Corp.

On August 27, 2002, Satellite Holdings, Ltd., a corporation organized under the laws of Turks & Caicos, acquired 13,783,740 shares of the Company s common stock from Thomas L. Faul. Such shares represented approximately 53% of the issued and outstanding common stock of the Company. Mr. Faul resigned as the Company s sole officer and director, after appointing Robert Hodge as the Company s new President and CEO, and as Chairman of the Board of Directors. In addition, in exchange for the release by Faul of the Company for various claims, the Company transferred its wholly owned subsidiary, GreenVolt Corp., to Faul.

On August 28, 2002, the Board of Directors of the Company resolved to change the name of the Company to Satellite Enterprises Corp., and on September 15, 2002, the Company completed a one-for-one-hundred reverse stock split (the Reverse Stock Split) of its outstanding common stock.

During fiscal year 2003, the Company concentrated its efforts on maintaining its corporate status and seeking a merger candidate.

On June 20, 2003, in conjunction with a previously reported change of control of the Company, the Company entered into a Rights Agreement with Satellite Newspapers Worldwide NV, a corporation organized under the laws of the Netherlands (hereinafter Satellite Newspapers). Under said Rights Agreement, Satellite Newspapers appointed the Company as it s irrevocable commercial exclusive distributor to promote the sale and/or lease of its newspaper Kiosks (hereinafter KiOSK) and the associated Satellite newspaper content distribution technology for which Satellite Newspapers has developed the technology, owns the patents, engineering and technical design. These Rights include the exclusive rights to use the trade names, logos and other trade designations, including, but not limited to, all rights to the Satellite Newspapers derived content fed into the territory granted therein to the Company and the names Satellite Newspapers devices or variants thereof as a corporate or trade name of Satellite Newspapers. These Rights also include the exclusive rights to distribute all available contents of its KiOSKs in its territory which includes all of North, Central and South America including but not limited to Mexico, the United States and all its territories, and all the Caribbean Islands, including the existing inventory of prototype and placebo units of its KiOSKs in the Americas. The Rights further include all parts and supply inventory owned by Satellite Newspapers relating to its KiOSKs in said territory.

In October 2003, Satellite Newspapers took a different direction. Satellite Newspapers sold their patents, software and trademarks to Media Finance en Suisse Holding GmbH, a Swiss corporation (hereinafter Media Finance). Thereafter, Media Finance set up an operating subsidiary, Satellite Newspapers Suisse GmbH, a Swiss corporation (hereinafter Satellite Swiss). Media Finance granted Satellite Swiss a twenty-year exclusive license to distribute all satellite derived contents for the purpose of commercializing their product under a revenue sharing arrangement.

On November 26, 2003, the Company entered into a Stock Purchase Option Agreement dated November 26, 2003 with Media Finance for the purchase of 100% of Satellite Swiss. This option agreement allowed the Company to acquire the right to purchase 100% of the shares of common stock of Satellite Swiss. On February 15, 2004, the Company exercised the option and acquired 100% of Satellite Swiss in consideration for the issuance of 126,000,000 shares of common stock.

On December 19, 2003, as part of the Company s desire to obtain Satellite Swiss, Roy Piceni, founder of Satellite Newspapers and whose family owns 100% of Media Finance was elected the Company s chairman of the board and as its president.

Satellite Swiss consists of two subsidiaries, Satellite Newspapers Content BV a Dutch corporation that negotiates agreements with newspapers throughout the world for the rights to distribute their content and Satellite Newspapers Trading BV which has the production rights to produce and sell the KiOSKs.

On March 11, 2004 the Company amended its Articles of Incorporation whereby the authorized number of shares of common stock were increased from 200,000,000 to 500,000,000 and thereafter declared a 3-for-1 stock split effective in the form of a 200 per cent stock dividend payable on or about March 31, 2004 to shareholders of record as of March 22, 2004 thereby increasing its issued shares as of that date to 197,887,545.

On August 31, 2004, the Company entered into an agreement to acquire a 52% interest in SoliDAM, a software development company located in the Netherlands. The purchase price is to consist of the issuance of a $125,000 note payable to the stockholders of SoliDAM as well as 919,926 shares of the Company s stock. On September 15, 2005, the Company and the shareholders of SoliDAM decided that the acquisition of SoliDAM was not in the best interests of either party. It was mutually agreed to unwind the transaction. Accordingly the shareholders of SoliDAM returned the 919,926 shares of the Company s common stock and released the Company from its note obligation in the amount of $125,000.

THE BUSINESS OF THE COMPANY AS OF JUNE 30, 2006

In June 2005, Swiss Satellite incorporated two new Swiss subsidiary entities. Satellite Newspapers Content GmbH and Satellite Newspapers Trading GmbH. Except for the Development and Network Management, the Swiss Companies will take over all activities from the Dutch Companies.

On November 30, 2005, the Company changed its name from Satellite Newspapers Corp. to Satellite Newspapers Corp. In addition, effective November 30, 2005, the Company s quotation symbol on the OTC Bulletin Board changed from SENR to SNWP.

On December 5, 2005, Mr. Roy Piceni resigned as Chief Executive Officer of the Company. On December 5, 2005, the Board of Directors appointed Ms. Jerri L. Palmer as the new Chief Executive Officer of the Company. Mr. Piceni will continue to serve as the Chairman of the Board of Directors.

On March 31, 2006, the Company s subsidiary Swiss Satellite entered into a binding Secured Purchase Agreement which closed on the same date with Media Finance en Suisse Holding GmbH whereby the Company sold $2,700,000 original principal amount of Series A Premium Secured Convertible Debenture and its two Dutch subsidiaries Satellite Newspapers Content BV and Satellite Newspapers Trading BV.

Media Finance en Suisse Holding GmbH paid for the Debentures and the two subsidiaries when it was transferred to Swiss Satellite all its validity issued and subsisting Intellectual Properties, such as patents to the manufacture of the KiOSKS that was owned by Media Finance en Suisse Holding GmbH. With this transaction, the twenty-year exclusive license distribution agreement with Media Finance has ended and the Company is free from its monthly fee obligation, since the Company is now the holder of these rights.

As of April 2006, the Company has ended the Regional Distribution Agreements with 4 of the 5 contracted Regions. As of April 2006, the Company is working directly with the various individual dealers in the various countries. This allows the Company to skip the process of dealing through another layer and thereby allow the Company to realize greater revenues and better direct communication with its ultimate users.

THE BUSINESS AND ITS OBJECTIVES

For people in transit, recreation and/or business related, Satellite Newspapers (SNWP) provides key distributors with efficient, inexpensive access to international content providers. Currently, this includes over 190 newspapers and potentially could include numerous other types of published materials. SNWP provides global access to detailed information from content publishers via multiple output devices. The digital publisher files in the SNWP system can be printed via a KiOSK, system integrated software which can print a single copy or bulk quantity at any given time and viewed with a specially designed viewer that allows digital content files to look like the actual paper or publication. As a commodity, SNWP represents a competitive distribution vehicle for publishers to reach beyond their primary markets and connect with new outlets and audiences invested in the global exchange of information.

Through the management of publications digital files through a global network, SNWP gives publishers a cost effective way to publish their content throughout the world without incurring shipping and freight cost.

With strong and unique products and marketing strategy, the Company is able to meet demands for publications in where in the world on demand.

The Company specializes in providing an alternative method for entering, storing, and delivering published content via satellite or Internet connection. With the development and release of two output devices, CLiENT Software and KiOSK, users are able to instantly download and print digital content from numerous sources, generally restricted by copyright. Currently, over 190 of the latest edition international and domestic newspaper titles are available for on-demand print access through SNWP. Content publishers upload files, making their information instantly available to any print station in the network. Within 30 minutes, content is accessible to any number of readers in any country in the world. Once licensing is secured from the publishers, SNWP provides a complete service of a distributor, facilitating the accessing of any content information desired by the end-user.

Products

The Company focuses on three different outlets, by which newspapers can reach customers,

1. KIOSK; An automated free-standing KiOSK that enable end-users to select and print leading newspapers from around the world on demand and in the given newspapers original layout within 2 minutes.
2. CLiENT; Easily downloadable or CD-enabled computer software which allows for distributors of multiple copies as well as end users to print as well as view these same newspapers directly from their own personal computers.
3. GPA- Global Print Alliance; this is a combination of Satellite s advanced technology, it s existing Global Satellite Multicast Signal, its distribution channels and print sites in key cities

This alliance will provide publishers a valuable tool to increase global circulation of their newspapers.

This alliance will allow print sites in key cities to print out of market newspapers that are in demand at Day A and to deliver these to retail outlets, airline industry, international staff at global companies and subscribers.
This alliance will bring together all the elements that are needed to boost the circulation of international newspapers being printed at different foreign locations.
This Alliance is a cost saving operation for the publishers, but most of all a logistic solution to deliver international newspapers in newsprint format at Day A at any print location in the world.

Our goal is to establish the Satellite Newspapers KiOSK, the Satellite Newspapers CLiENT and Satellite s Global Print Alliance name as the de facto standard in remote electronic newspaper printing. We intend to make newspaper content available on demand to those in need of timely affordable information.

We will facilitate the communications requirements of numerous users from business travelers looking for up to date home information, to foreign nationals who wish to stay in touch with their home country, to students studying foreign cultures, to remote or isolated communities to anyone interested in news from locations around the world.

We intend to create a new cost effective channel to market for hundreds of global newspaper publishers and media organizations ensuring access to their content anywhere in the world.

MARKET INFORMATION AND ANALYSIS

When it comes to newspapers, travelers appreciate, but rarely get, the comfort and convenience of reading news in their own languages and in their preferred newspapers. If there are international versions, they usually arrive late. Compounding the current problem, and supporting our view that there is a significant market for print-on-demand newspapers, publishers spend large amounts of money on airfreight, and often deliver more copies overseas than they actually sell. Moreover, readers are asked to pay much higher prices for inferior international products--that is newspapers that come late and consequently carry old news.

We strongly believe that the printed-paper model will continue to thrive despite the growth of the Internet. Publishers today, appear reluctant to aggressively promote the Internet delivery model because of the threat of the loss of intellectual property and the inability to develop sustainable business propositions that actually generate profitable revenues. By providing a single global electronic distribution network system, our KiOSK and CLiENT systems will provide readers with reasonably priced, current editions of newspapers in a convenient time frame and in a familiar format. The familiar format of the printed newspaper has proved itself capable of surviving, despite the many dramatic changes in the communications industry.

We believe our KiOSK and CLiENT systems have another advantage. It provides international distribution channels at much lower cost than might be the case with traditional newspapers. Publishers will also be able to specify which sites will receive their newspaper, in order to avoid competition with any conventional distribution system. All together, we believe this will open new markets and create realistic opportunities for publishers to expand regular circulation and to provide a competitive advantage over other electronic media.

We intend to provide for the worldwide distribution of up-to-date, condensed versions of daily newspapers, in a variety of languages, anywhere around the globe.

THE PUBLISHER AND ADVERTISER MARKET

Although worldwide newspaper circulation is an extremely large market in absolute terms, total circulation has been stagnant or decreasing overall worldwide. This has created a strong need for publishers to find new and innovative ways to boost copy sales and maintain or increase advertising revenues.

While newspaper circulation figures have declined or remained stagnant in key markets, advertising sales have generally continued to grow.

As publishers continue to look for future advertising growth in a setting of declining circulation, new patterns for newspaper distribution that can counterbalance slowing copy sales and provide more customized solutions to large advertisers take on greater meaning. In this regard, by offering local, regional, or international advertising opportunities, Satellite Newspapers provides a very attractive and immediate solution to a range of advertisers.

The publishers through Satellite Newspapers can have their titles printed on demand via KiOSK or CLiENT in remote (development of local communities -> potential subsidies) locations around the world. Through the global GPA a publishers will be able to increase the circulation in international markets with the ability to print bulk copies. If a publisher prints at least 500 copies of their title a day in 10 cities that is 5,000 copies of their newspapers being printed without deterioration of the primary market this means that they are organically developing circulation. This means 150,000 additional copies a month of their title in circulation. Those are substantial numbers to advertisers.

THE CONSUMER MARKET

The underlying foundation for Satellite Newspapers ability to achieve market leadership will be derived largely from its positioning as a news aggregation innovator, effectively a newspaper portal from which consumers can select from many different titles. Recent developments in electronic media and the Internet have led consumers to become accustomed to receiving instantaneous information, as they demand more choices in their everyday lives. These consumers are no longer willing to compromise: delayed newspaper delivery or the inability to read favorite home town newspapers and daily or weekly business publications in real time is unacceptable to them. Out-of-market newspaper purchasers, who tend to be the most sophisticated newspaper readers, also require integrity of content news excerpts or story synopses simply do not suffice.

SNWP believes that its ability to configure newspapers in tabloid format in their original layout is an important aspect of its competitiveness. Recent studies indicate a growing consumer acceptance if not preference for the streamlined tabloid format similar to that used in Satellite Newspaper KiOSKS . The tabloid format is particularly favored among mobile, middle market and younger consumers and in markets with many competing titles where tabloids are better able to differentiate themselves from traditional broadsheets

COMPETITION

To date, Satellite Newspapers has had only one direct competitor of similar size and industry segment focus. The Company believes that this competitor, NewspaperDirect, which is based in British Colombia, Canada, has a more narrow system of distributors and limited capability to develop new products. Moreover, NewspaperDirect does not have a product, which competes with Satellite Newspapers KiOSKS.

ITEM 3. <u>CONTROLS AND PROCEDURES</u>

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of the Company s management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures. Based on that evaluation, the Company s management, including the Chief Executive Officer and the Chief Executive Officer, concluded that the Company s disclosure controls and procedures were effective as of the end of the period covered by this report.

The Company maintains a system of internal controls designed to provide reasonable assurance that: transactions are executed in accordance with management s general or specific authorization; transactions are recorded as necessary (i) to permit preparation of financial statements in conformity with generally accepted accounting principles and (ii) to maintain accountability for assets. Access to assets is permitted only in accordance with management s general or specific authorization and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Since the date of the most recent evaluation of the Company s internal controls by the Chief Executive and Chief Financial Officers, there have not been changes in the Company s internal controls over financial reporting for the period covered by this report that materially affected or were likely to materially affect the Company s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. <u>LEGAL PROCEEDINGS</u>

From time to time, the Company is a party to litigation or other legal proceedings that we consider to be part of the ordinary course of our business. Except for the following, we are not involved currently in legal proceedings that could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations:

On May 2004, Fred de Vries and Renato Mariani filed suit in the Fifteenth Judicial Circuit Court located in Palm Beach County, Florida, claiming breach of employment agreements against the Company and against the Company s CEO claiming fraud. The parties were seeking monies and benefits owed in connection with their employment agreements as well as other damages. On June 27, 2005, the company had agreed upon a settlement.

The company will pay Fred de Vries and Renato Mariani an amount of $300,000 within 12 months. First payment made on August 1, 2005 and the last payment on August 1, 2006. The minimum amount payable is $5,000 a month, the maximum amount will be one third of any monies that the company receives from investors during equity invested into the business by sale of shares during the period of the one year.

Three Dutch companies in the Netherlands have commenced a legal procedure against Satellite Newspapers Content BV, claiming an amount due to them of approximately $156,000. They have agreed to suspend legal action until June 1, 2005 based upon a settlement reached in February 2004 whereby a shareholder of the Company will surrender a comparable number of Company shares to offset the obligation

To date The Company is still in negotiation with the three Dutch companies in order to find a solution. While negotiations are pending, legal actions against the company are suspended.

The Company may become involved in material legal proceedings in the future.

ITEM 2. <u>CHANGES IN SECURITIES AND USE OF PROCEEDS</u>

None

ITEM 3. <u>DEFAULTS UPON SENIOR SECURITIES</u>

None

ITEM 4. <u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>

ITEM 5. **OTHER INFORMATION**

ITEM 6. **EXHIBITS AND REPORTS ON FORM 8-K**

(a) Exhibits:

Exhibit 31.1	Certification of Roy Piceni, Chairman & CEO
Exhibit 31.2	Certification of Randy Hibma, Director, President & CFO
Exhibit 32.1	Certification of Roy Piceni, Chairman & CEO
Exhibit 32.2	Certification of Randy Hibma, Director, President & CFO

(b) Reports on Form 8-K:

Three months ended June 30, 2006

The Company filed a Form 8-K on May 30, 2005 relating to the resignation of its Chief Execujtive Officer.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SATELLITE NEWSPAPERS CORP..
(Registrant)

Date: August 21, 2006

By: /s/ ROY PICENI
Roy Piceni
Chief Executive Officer and
Chairman of the Board
(Duly Authorized Officer)

Date: August 21, 2006

By: /s/ RANDY HIBMA
Randy Hibma
President and Chief
Financial Officer and Director
(Principal Financial
and Accounting Officer)