

Morningstar[®] Document ResearchSM

FORM 10-K

Sunworks, Inc. - SUNW

Filed: April 15, 2010 (period: December 31, 2009)

Annual report with a comprehensive overview of the company

FORM 10-K

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] ANNUAL REPORT UNDER SECTION 13 OR 15 (D) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 2009

COMMISSION FILE NUMBER 000-49805

MACHINETALKER, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

01-05922991

(State of Incorporation)

(I.R.S. Employer Identification No.)

513 DE LA VINA STREET, SANTA BARBARA, CALIFORNIA 93101

(Address of principal executive offices) (Zip Code)

(805) 957-1680

Registrant's telephone number, including area code

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
-----	-----
COMMON STOCK	OTC

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if a 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

The aggregate market value of voting stock held by non-affiliates of the registrant was approximately \$1,449,640 as of June 30, 2009 (computed by reference to the last sale price of a share of the registrant's Common Stock on that date as reported by OTC Bulletin Board).

There were 261,976,794 shares outstanding of the registrant's Common Stock as of April 15, 2010.

TABLE OF CONTENTS

PART 1		
ITEM 1	Business	2
ITEM 2	Properties	11
ITEM 3	Legal Proceedings	11
ITEM 4	Reserved	11
PART II		
ITEM 5	Market for Common Equity and Related Stockholder Matters	11
ITEM 6	Selected Financial Data	12
ITEM 7	Management's Discussion and Analysis or Plan of Operation	13
ITEM 8	Financial Statements and Supplementary Data	17
ITEM 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	33
ITEM 9A(T)	Controls and Procedures	33
ITEM 9B	Other Information	34
PART III		
ITEM 10	Directors, Executive Officers, and Corporate Governance	35
ITEM 11	Executive Compensation	37
ITEM 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	38
ITEM 13	Certain Relationships and Related Transactions, and Director Independence	39
ITEM 14	Principal Accounting Fees and Services	40
ITEM 15	Exhibits, Financial Statement Schedules	41
SIGNATURES		42

-1-

PART I

ITEM 1. BUSINESS

GENERAL

MachineTalker, Inc. ("MTI" or "we") is a Delaware corporation formed to engage in the business of developing and marketing a wireless control technology. From inception until mid 2004, we focused our operations on the development of our wireless control technology. We made our first sales of

product and services in 2004. These sales, however, were not sufficient to cover all expenditures for product development and marketing, resulting in significant net losses since inception through December 31, 2009. While we are currently shifting the focus of our operations from developing new products to marketing and selling our existing products, presently we do not have sufficient working capital and cannot assure that we will be successful in our efforts.

Our new smart security network technology allows governments, businesses, and individuals to deploy wireless security systems rapidly to protect and monitor things, places, and people. Current security systems are static and rely on centralized control over various types of detectors or nodes. Without independent intelligence and a way to communicate with one another, individual security nodes are unable to carry out functions or overcome failure at the local level. Our technology allows security systems to become dynamic by creating "smart" security networks at the local level. The remote and wireless devices developed by us ("MachineTalkers" or "Talkers") contain powerful microprocessors, on-board sensors, detectors, readers or actuators, and wireless radios. Talkers(R) automatically form an ad hoc wireless mesh network, creating intelligent nodes, each capable of processing data in real-time and on a local basis. Once formed, a small community of Talkers(R) operate independently or collectively to assess local conditions or events and take action accordingly. These cooperating Talkers(R) form redundant and self-healing networks in case of failure. One or more individual units can be connected to modems for wireless communication outside of the local community by way of the Internet.

Talkers(R) can be used in a variety of applications. In 2005 we developed a trial application for a customer who needed a way to track and maintain the security of numerous shipping containers. Talkers(R) were placed within the shipping containers enabling the customer to track the location of each container and to confirm their safety. We also developed a trial application for a customer who sought a way to relay information among small Unmanned Aerial Vehicles and ground stations. Talkers(R) were placed on-board the UAV to gather and report data to share with adjacent aircraft and ground stations. With the implementation of our special display software, tracking of Talkers(R) can be viewed on personal computers, laptops and PDAs. In 2006 we demonstrated new packaged Talkers(R) that are to be used on pallets of cargo in transport and our product was HERO approved for use on pallets of munitions for the military. Other Talkers(R) have been adapted for use in the gathering of data from sensors in the energy audit business. These demonstrations are being conducted by OEM representative and we continue to demonstrate our products at trade shows and to potential customers. In 2007 we introduced wireless vibration sensors to oil refinery engineers for use in Condition-Based Maintenance of large rotating machinery, which means that finding a change in the vibration pattern when taken over time will indicate that the machinery may be failing and has to be repaired. We also purchased two subsidiaries: Wideband Detection Technologies, Inc and Micro Wireless Technologies, Inc. In both cases the Company acquired licenses to technology that complements the Talker(R) product line. The WDTI product provides for intrusion detection and the MWTI technology provides microscopic sensor technology. In 2008 the Company added GSM Cellular network connection and GPS analysis to the Talkers(R) so that the Talkers(R) can travel within refrigeration trailers to monitor perishable goods and report to an Internet Server on the temperature and travel location in relation to the time of day, and in order to alert the shipper when the refrigeration temperature strays out of safety range.

HISTORY

MTI was formed in January 2002 by Roland F. Bryan, Christopher T. Kleveland, and Mark P. Harris. Our founders are also shareholders of SecureCoin, Inc. ("SecureCoin"). As part of our initial capitalization, our founders contributed certain intellectual property that was developed by and purchased from SecureCoin. SecureCoin assigned all rights to that intellectual property to Messrs. Bryan, Kleveland and Harris in January 2002, and those co-founders then contributed the intellectual property rights to us in connection with our formation. This intellectual property forms the core of our proprietary smart

-2-

security network technology that allow governments, businesses and individuals to rapidly deploy wireless security systems to protect and monitor things, places and people. Talkers(R) are designed to track the whereabouts and status of the objects into which they are placed. Talkers(R) can be grouped in small clusters or "communities" and can be programmed to sense, record, process, and

act upon specified events based upon a customer's specific needs. Once programmed, Talkers(R) are placed into the objects the customer desires to track. Talkers(R) then monitor and report activity as programmed to each other and to the customer via the Internet. For example, Talkers(R) placed inside shipping containers or on shipping pallets can be programmed to monitor and report activity concerning the tracking and security of the shipping containers or pallets and their cargo in transit, including loading and unloading freight manifests. The information can then be exchanged with the trucks onto which the containers are being transported.

Shortly after our formation in 2002, we voluntarily elected to become a reporting company and filed a Form 10 with the Securities and Exchange Commission. We subsequently determined not to register any of our stock and depleted most of our financial resources on the development of our products. Lacking the capital we needed to prepare and file annual, quarterly, and current reports, we filed a Form 15 in 2004 to terminate our reporting obligations. In August 2005 the company filed a Registration Statement on Form SB-2 which was declared effective by the Securities and Exchange Commission on December 22, 2005. Pursuant to this filing, we became a reporting company.

THE NEED FOR THE SIMPLE MACHINE MANAGEMENT PROTOCOL(R) (SMMP(R))

During the 1970s and early 1980s, a revolution of sorts came about which led to what we now know as the Internet. An important development that made this possible was the establishment of standards, rules, and shared languages, which allowed computers to "talk" to each other. Because of these "protocol" standards, computer interconnectivity exploded and the Internet was put to use in ways that were previously unimaginable.

MTI believes that today, the same environment for change exists in the world of non-computer entities. Many people can envision a future where almost everything communicates for a useful purpose. Already, our car keys deliver wireless commands to their car door locks and our airbags talk to the emergency desk of the car manufacturer's network.

Networking of such devices today is limited in the same way that computer networking was limited before universal connectivity made the Internet possible. As in the case of the Internet, we believe that all this will change once a simple, smart, flexible, and inexpensive communication platform is introduced that will enable most things able to talk to each other. Our management team believes the platform will be the MachineTalker(R) infused with a new standard language, the Simple Machine Management Protocol ("SMMP").

SMMP(R) provides MachineTalkers(R) with unique characteristics, including:

- 1 A MachineTalker(R) with SMMP(R) can be instructed to represent or be proxy for any entity to which it is attached.
- 2 A MachineTalker(R) records and maintains a profile of that entity and shares that profile with other MachineTalker(R) members of its local community.
- 3 A MachineTalker(R) automatically forms an ad hoc mesh network with its peers and they keep track of each other and share in processing information.
- 4 The SMMP(R) operating system provides for peer-to-peer control, power management to prolong battery life and a simplified API for ease in programming new applications.

PROPRIETARY TECHNOLOGY

GENERAL. Information passed to and from local or remote nodes and a centralized control facility is similar to the central computer/dumb terminal installations of the pre-Internet era. Like those early hard-wired systems that required every action to be processed centrally, today's security systems are severely handicapped to meet the increasing demands of information distribution and local control.

We believe that we have solved this problem by moving much of the processing now located at the central control site to inexpensive

MachineTalkers(R) that serve as intelligent proxies for sensor, detectors, readers, or actuators. These Talkers(R) can make decisions based upon information provided by their local attachments or by their networked "peers." Each MachineTalker(R) can be set up to perform diagnostics and to transmit status reports on itself and on other members of its "community."

Like the Internet revolution, we believe that the MachineTalker(R) revolution will be driven by a change in networking technology. MachineTalkers(R) are managed by the SMMP(R) that forms the basis for the ad hoc wireless network and the peer-to-peer relationships.

AUTOMATIC NETWORK CONFIGURATION (ANC(TM)). The significant advantage of wireless networking is the ability to bring new nodes on-line without plugging in cables or physically reconfiguring a local network. This advantage dovetails with the MachineTalker(R) concept of Automatic Network Configuration ("ANC(TM)"), whereby the addition of a new "Talker(R)" to a community of Talkers(R) will happen simply by powering it up or coming into the sphere of the "community." This means that a number of sensing devices, made "intelligent" by attachment to MachineTalkers(R), can be moved, or supplemented in the field without having to connect them because they will automatically become absorbed as a member of a local community of sensors. In practical terms, service personnel can add new types of sensors or replace failed sensors without having to interrupt network operation. We believe that the foregoing benefits will justify the deployment of the MachineTalker(R) technology by our target customer base. Once adopted however, we believe that the real value of MachineTalker(R) technology lies in the vast potential that is unlocked as these networked entities or sensors acquire and share intelligence and knowledge amongst themselves in a decentralized and flexible model.

PATENT APPLICATION. Application No. 20040114557 for a United States patent in the names of Roland F. Bryan, Mark P. Harris, and Christopher T. Kleveland and assigned to MTI entitled "Self Coordinated Machine Network" was filed on April 23, 2002, by our former intellectual property counsel, Lyon & Lyon, LLP. In 2005 we contacted our patent examiner who permitted us to amend our application to include additional claims. We filed an amended patent application in May 2005. Our Patent No.: US 7,184,423,B2 was issued to the Company on 27 February 2007, Titled "Self Coordinated Machine Network."

ABSTRACT OF THE PATENT DISCLOSURE. A self coordinated machine network is established by two or more machines in proximity with each other via a wired or wireless network infrastructure. The machines are configured to establish an ad hoc network between them for sharing information related to their common applications. New machines that come into proximity of the network infrastructure are automatically configured to join an existing ad hoc network. Machines that power down or are removed from proximity of the network infrastructure are eliminated from the ad hoc network. Communications between the constituent machines of the ad hoc network allow the machines to self coordinate the network and redundantly store information pertaining to the common and disparate applications of the various machines that comprise the self coordinated machine network. The same is the case for the internal components that make up the machine; in that self-contained subassemblies that take action in response to stimulus or change in status, like keyboards, card readers, bill changers and electronic devices, can be similarly self coordinated with the addition to each sub-assembly of the present invention; whereby cabling between such sub-assemblies is minimized or even eliminated by use of the wireless version of the present invention.

PRODUCTS

We currently offer several smart security network components for rapidly deploying wireless security systems, including:

MACHINETALKER(R). MachineTalker(R) is a high performance unit for applications requiring extensive local processing and/or gateway connections to higher level networks (such as Internet, Ethernet, 802.11 and WiFi).

MINITALKER(R). MiniTalker(R) is similar in functionality to the MachineTalker(R), but has lower performance levels, reduced size, and lower power consumption. As an option, this unit may include on-board sensors for a particular application.

-4-

TAGTALKER(R). TagTalker(TM) is an ultra low power, very low cost unit

for applications requiring limited local processing.

TOUGHTALKER(TM). ToughTalker(TM) is a more rugged version of MiniTalker(R) and is designed for use in harsh, industrial environments where it must operate more reliably through shock and vibration, such as inside shipping containers.

CONTAINERTRACKER(TM). We recently completed development of a demonstration software program to support ToughTalkers(TM) which have been placed aboard a community of shipping containers. The demonstration software enables a user to monitor the containers and control interaction with on-board Talkers(R). The ContainerTracker(TM) software includes the ability to create, insert, and read-back a freight manifest that shows what has been loaded within a container, from where the container came, and to where the container is supposed to go. The manifest can also be accessed by a hand-held personal digital assistant when a container is encountered in the field.

ASSETTRACKER(TM). In June 2005, we released AssetTracker(TM), a small portable battery powered roving unit that integrates a ToughTalker(TM) with a Global Positioning System Modem. When an AssetTracker(TM) is plugged into an automobile's cigarette lighter, the device will send location data over a cellular telephone connection which can then be monitored on the Internet and tracked on a map. Additionally, an AssetTracker(TM) can also feed the connection with information from other Talkers it encounters within its vicinity or community. We are currently testing this device in Texas with a potential customer.

SPECIFICATIONS

SMMP(R) OPERATING SYSTEM. All of our MachineTalker(R) products use the SMMP(R) language developed by MTI. SMMP(R) is an operating system and protocol that facilitates the establishment of ad hoc wireless networks. MachineTalker(R) modules maintain profiles of all devices and interchange information to facilitate redundancy, establish network relationships and build autonomous communities of MachineTalkers(R).

RADIO TECHNOLOGIES. Our MachineTalker(R) products utilize a modular architecture to meet the requirement of disparate applications, meaning that different types of radios can be used. The MachineTalker(R) demonstration units utilize a single chip RF transceiver operating in the 902-928 MHz ISM band. We are a voting member of the IEEE 802.15.4 Committee, which has introduced a standard for a low power RF transceiver that utilizes direct sequence, spread spectrum. The 802.15.4 standard is intended to meet the requirements of low power networks in the future, such as MachineTalker(R). Several large semiconductor manufacturers have announced products to fulfill a wide variety of applications. Position Location and high performance can be obtained by our RF transceiver using pulsed spread spectrum techniques.

MICROPROCESSOR. The MachineTalker(R) is based on a low power extremely powerful 8-bit RISC processor (Atmel ATmega 128). Depending on the application, the MachineTalker(R) can make use of the on-board Analog-to-Digital Converter ("ADC") and various serial and parallel interfaces. The chip contains 128k of flash memory for program and data storage. Recent adaptations have the added processing power supplied by ARM9 processors.

LOW POWER OPERATION. Depending on the duty cycle specified for a given application, the MachineTalker(R) can have a battery life of 2+ years on AA batteries.

SENSORS. The MachineTalker(R) can be interfaced to a variety of sensors including micro electro-mechanical systems ("MEMS") and advanced nanotechnology, including:

- o Temperature
- o Humidity
- o Gas (all types)
- o BioHazard
- o Pressure
- o Light Measurement
- o Magnetometer (compass)
- o Ultrasonic distance

-5-

- o GPS
- o Displacement

- o Gyroscope (MEMS)
- o Hall Effect (magnetic proximity)
- o Biometric (Fingerprint)
- o Accelerometers (vibration, tilt)
- o Sound Detection
- o Corrosion Detection
- o Proximity sensors (human)

INTERNET ACCESS. Remote and wireless MachineTalkers(R) with their detectors and sensors are now accessible via the Internet. The Company supports roving Talkers that report directly over GSM cellular connections with data acquisition and mapping of locations via Internet services. All types of activities can be easily monitored in real-time from anywhere in the world. Such access can also be made by attachment of our products to standard personal computers, laptops, and PDAs; all acting as "network gateways."

WIRELESS DATA ACQUISITION AND INDUSTRIAL PROCESS CONTROL

REMOTE INTELLIGENCE. Wireless MachineTalker products can be configured to service a wide range of detectors and sensors. Powered from a primary source or from batteries or by solar panel, these products can bring intelligent processing power to a remote installation where they can operate autonomously to measure and control processes and report by radio or by cellular connection to the Internet. Two examples of applications targeted for Talkers(R) are as follows:

- o EVENT DETECTION, QUALIFICATION AND REPORTING - Talkers(R) can be instructed to measure parameters for comparison to a norm and to report or raise the alarm, through radio or over cellular modem. The latest version, CBM6, has built-in switches and can activate or terminate processes if programmed to do so. Certain Talkers(R) carry sensors for temperature and detection of light, moisture, motion, direction (of movement), leaks, salinity and intrusion.
- o THE MACHINETALKER CBM6 VERSION - The CBM6 operates to digitize analog signals produced by vibration sensors mounted on large industrial machines. These vibration readings are gathered by the Talker(R), qualified and passed along to a software program that analyzes vibration content supporting Condition-Based Maintenance (CBM) determination. A change in the vibration pattern emanating from industrial machinery often precedes catastrophic breakdown, and CBM is designed to facilitate pre-exemptive repairs.

APPLICATIONS FOR MACHINE TALKER SMART SECURITY NETWORK TECHNOLOGY

GENERAL. We intend to become a significant part of the electronic architecture of the worldwide security and sensor market. We believe that the United States homeland security market provides us with an attractive opportunity, as well as the market for mobile sensors. We believe that applications for our smart security network technology include the following:

- o Transportation Security (land, sea and air)
- o People Screening
- o Cargo Security
- o Container Security
- o Mail and Mail Room Security
- o Sensitive Sites and Public Spaces Security
- o Weapons of Mass Destruction/Disruption
- o Logistics and Critical Inventory Tracking

APPLICATION FOR KELLOGG, BROWN & ROOT. In December 2004, we entered into an agreement with Kellogg, Brown & Root ("KBR"), a division of Halliburton Company, pursuant to which we agreed to develop a solution to enable KBR to

track its 600,000 shipping containers on a global basis. Our solution for KBR consisted of equipping each KBR shipping container with a MiniTalker(R) unit programmed with the shipping manifest, source, destination, and other information to identify the individual container when queried. Considering that shipping containers are not usually handled with care and that they generally pass through very harsh environments while in transit, we designed a rugged

version of our MiniTalker(R) unit for use in this particular application, referred to as a ToughTalker(TM). In consideration for developing and demonstrating applications software and designing product variations for KBR's intended use, KBR agreed to pay us \$300,000, \$240,000 of which has been paid in fixed increments as we completed certain milestones for the project. The agreement also contains a five year software license agreement component pursuant to which Kellogg, Brown & Root has the right to use our SMMP(R) software and the right of first refusal to participate with us in the sale of our Talkers(R) in the area of tracking of inventory, containers, and similar packages in consideration for a license fee of \$200,000. Kellogg, Brown & Root also had the right under the agreement to purchase up to 250 MiniTalkers(R) at a purchase price of \$100 per MiniTalker(R), which it exercised on August 9, 2005. Both parties agreed, however, that due to increased production costs, Kellogg, Brown & Root would purchase 100 MiniTalkers(R) at a purchase price of \$250 per MiniTalker(R), for a total of \$25,000. Accordingly, the maximum value of the agreement was \$525,000, not including an additional \$11,145 which we received for field services and ten sample ToughTalkers(R) for evaluation purposes. By its terms, the agreement, except for the software license agreement, terminated on September 1, 2005. As of March 31, 2006, all deliverable items had been shipped and invoiced to KBR and all payments had been received.

NASA PROJECT. In July 2004, we entered into an agreement with NASA through its contracting group at SAIC, pursuant to which we agreed to provide a version of MachineTalker(R) that could be placed in an unmanned aerial vehicle ("UAV") to read multiple sensors (atmospheric pressure, accelerometers, and gyroscopes) and to convey results to other Talkers(R) in nearby UAVs in-flight and on the ground. In consideration for our product, NASA agreed to pay us a total of \$55,000, payable in increments as we completed certain milestones. Delivery of the final product was to take place within 22 weeks after the commencement of the agreement. When NASA was unable to provide the equipment necessary for us to complete the project, the agreement was extended for a period of one year. We completed development of the application software and display software for the ground station on schedule, and shipped the units to NASA for flight testing. As of March 31, 2006, NASA had paid us \$25,000 and \$15,000, respectively, for those deliverables which had been shipped to NASA Langley for testing. We completed flight testing in October 2005 and NASA was billed the remaining \$15,000 due to us under the agreement in November 2005. We believe that the NASA test illustrated how wireless sensors can be placed anywhere inside an airframe, each with the intelligence to make decisions and gather data, without the need to rewire the aircraft. Information can be passed among sites containing the wireless sensors, to nearby aircraft containing wireless sensors, and to ground stations containing wireless sensors.

BUSINESS AND REVENUE MODELS

Our business strategy is straight-forward: (1) apply MachineTalker(R) smart security network technology to the \$80 billion worldwide security and sensor products and systems market, (2) initially sell MachineTalker(R) devices through channel partners and distributors in this market, and (3) later on, further develop MachineTalker(R) proprietary technology and products for sale to manufacturers and operators of virtually all machines, appliances and devices.

Our management believes that most of our revenues will come from the sale of MachineTalker(R) devices. We also plan to earn revenues through licensing of our proprietary technology to equipment manufacturers.

MARKETING AND SALES PLAN

We compete in worldwide security products and systems market, as well as the market for sensors. The Freedonia Group forecasts that the world market for security products and systems will expand dramatically through 2006, approaching \$80 billion, and perhaps double to \$160 billion by 2011. Heightened fears of terrorism in the wake of the September 11, 2001 attacks on the United States, in tandem with rising conventional crime rates in many countries, is expected to be the major factor driving growth. Also important will be the robust pace of new product development, especially in the electronic security segment. MTI intends to become a significant part of the electronic architecture of the worldwide security products and systems market.

-7-

MARKETING STRATEGY. Our marketing strategy is to create a favorable environment in which to sell our MachineTalker(R) smart security network devices and wireless process control systems. The Talkers(R) service a wide selection of

sensors and can determine at a remote site if the temperature or other environmental condition remains within specification. The latest Talkers(R) operate electronic switches that can turn on and off processes that are under the Talker's control. The products gather data from attached sensors, process that data, make decisions on site, and report changes over the mesh network or by cellular telephone to servers on the Internet. MachineTalkers are therefore very useful in monitoring moving machinery to detect changes that may indicate impending failures, thus supporting an efficient condition-based maintenance tool at the remote site. We continue to apply versions of the Talkers(R) to eliminate problems in both the security based market and for remote, wireless process control.

PRODUCT AND SERVICE DIFFERENTIATION. We believe that the differentiating attributes of the MachineTalker(R) wireless control solution include:

- o The only complete smart security system to easily create, deploy and manage local wireless security systems
- o Dynamic ("smart") networks
- o Creates communities of wireless sensors via SMMP(R)
- o Low cost, easy-to-install wireless components
- o Designed for diverse types of applications
- o Highly scalable
- o Highly reliable

VALUE PROPOSITION. Our value proposition is simple: we believe that MachineTalker(R) smart security networks allow governments, businesses and individuals to deploy wireless security systems rapidly to protect people, places and things at a reasonable cost.

POSITIONING. We believe that MachineTalker(R) can be positioned as the superior solution for creating, deploying, and managing local wireless security systems. We believe that MachineTalker(R) offers a complete solution that is inexpensive, efficient and scalable. We plan to reposition our competitors by demonstrating that their offerings are inadequate, too costly and not dynamic.

SALES STRATEGY. After creating a high level of perceived value and building significant demand for sales through our marketing campaign, we intend to sell our smart security network devices aggressively throughout the United States. If and when we achieve initial success in the domestic marketplace, we plan to expand our sales efforts into the international marketplace.

SALES MARGIN STRUCTURE. We believe that the majority of our sales will be derived from channel partners and certified integration partners. As a result, our sales margin structure must be appropriate for these independent organizations. Our proposed margin structure includes:

1. Direct Sales - Full suggested list price.
2. Channel Partners/Certified Integration Partners Sales - 40% off suggested list price.
3. Manufacturer's Representatives - 10% commission.

FIELD SALES FORCE. Under our current business model we plan to hire approximately two salespeople who are also experienced engineers ("Sales Engineers"). The majority of our sales efforts are expected to be targeted toward Original Equipment Manufacturers ("OEMs") and will be handled internally through these Sales Engineers. MTI has chosen to use Sales Engineers because OEM accounts require considerable customer education and post-sales technical support directly from MTI. Our price points, pricing structure, and profits justify a technical "person-to-person" selling strategy.

MANUFACTURERS' REPRESENTATIVES. We can supplement our own field sales force by entering into agreements with manufacturers' representatives. Because manufacturers' representatives carry several product/service lines that are compatible with our products and services, we plan to select manufacturers'

-8-

representatives carrying complementary and compatible products and services, as well as manufacturers' representatives that sell dissimilar products and services yet ones that are appropriate to their customers' customer.

DISTRIBUTION CHANNELS

We plan to sell our smart security network components through several channels of distribution, including the following:

DIRECT SALES TO END USERS. Under our current policy we only sell our products directly to end-users when other channels of distribution are unavailable. We anticipate that direct sales will occur most often with smaller customers.

CHANNEL PARTNERS AND/OR CERTIFIED INTEGRATION PARTNERS. We plan to identify a number of independent organizations that may serve as channel partners, certified integration partners, or both. These organizations are likely to have well-established relationships with mid-size to large size customers. Many may also provide specific vertical market applications. Our requirements for channel partners and certified integration partners include: established branding, established market segment, solid reputation, high volume transactions and independent marketing and services organizations.

INVESTMENT IN SENSE-COMM TECHNOLOGY LLC

In November 2006, we issued 600,000 shares of our common stock to purchase 10% of Sense-Comm Technology LLC ("Sense-Comm"). Sense-Comm is a limited liability company formed in August 2006 by a small group of individuals to become a distributor and reseller of our intelligent wireless network sensor controlling technology to the energy and petroleum industries.

ACQUISITION OF WIDEBAND DETECTION TECHNOLOGIES, INC.

On July 20, 2007, Wideband Detection Technologies, Inc., a Florida corporation ("WDT"), UTEK Corporation, a Delaware corporation ("UTEK"), and MTI entered into an agreement and plan of acquisition (the "APA") pursuant to which MTI agreed to acquire 100% of the total issued and outstanding stock of WDT from UTEK in exchange for 3,000,000 shares of MTI's common stock (the "Shares") based on a value of \$0.08 per share as of the close of business on July 20, 2007. The Shares have piggyback registration rights. Upon the closing of the APA, which occurred on July 20, 2007, WDT became a wholly owned subsidiary of MTI.

ACQUISITION OF MICRO WIRELESS TECHNOLOGIES, INC.

On December 20, 2007, Micro Wireless Technologies, Inc., a Florida corporation ("MWT"), UTEK Corporation, a Delaware corporation ("UTEK"), and MTI entered into an agreement and plan of acquisition (the "APA") pursuant to which MTI agreed to acquire 100% of the total issued and outstanding stock of MWT from UTEK in exchange for 46,500,000 shares of MTI's common stock (the "Shares") based on a value of \$0.04 per share as of the close of business on December 20, 2007. The Shares have piggyback registration rights. Upon the closing of the APA, which occurred on December 31, 2007, MWT became a wholly owned subsidiary of MTI. As of the closing of the MWT APA, UTEK owned a total of 49,500,000 shares of MTI's common stock which represented approximately 22.3% of the total issued and outstanding stock of MTI on a fully diluted basis.

COMPETITION

The worldwide security products and systems industry in general and the market for security products in particular is highly competitive. Our principal competitors include large scale security companies that have provided container security in the past such as Savi Technology that have OEMs that are trying to do what we are doing. Many of these competitors have longer operating histories, greater name recognition, larger installed customer bases, and substantially greater financial and marketing resources than MTI. Because these other companies use bar code readers and radio frequency identification devices without local intelligence to accomplish security and tracking, management believes that one of the features that will distinguish our security systems

-9-

from the competition is our ad-hoc local wireless network approach to do tracking and security. Our ability to compete successfully in the security products systems industry depends in large part upon our ability to sell and install our smart security systems and to respond effectively to changing technology. By installing representative products in projects funded by large OEM customers such as KBR, we believe that principal industry leaders will adopt our technology. We cannot assure that we will be able to compete successfully in the security products and systems industry, or that future competition will not have a material adverse effect on our business, operating results, and financial

condition.

GOVERNMENT REGULATION

We are subject to various federal, state and local laws affecting wireless communication and security businesses. The Federal Trade Commission and equivalent state agencies regulate advertising and representations made by businesses in the sale of their products, which apply to us. Our business is also subject to government laws and regulations governing health, safety, working conditions, employee relations, wrongful termination, wages, taxes and other matters applicable to businesses in general. Failure of MTI to comply with applicable government rules or regulations could have a material adverse effect on our financial condition and business operations.

EMPLOYEES

As of December 31, 2009, we had no direct employees and relied upon a select group of technical associates to develop sensor control and cellular communications software for demonstration of Talker units to monitor and control remote processes and to log changes over time in protection of perishable goods in transit. Until revenues increase or we secure additional investment, we will continue to use this cadre of technical experts to tailor the basic MachineTalkers to fit many different applications.

INTELLECTUAL PROPERTY

We currently own the following registered trademarks and service marks: (i) United States Trademark Registration No. 2848438, issued by the United States Patent and Trademark Office on June 1, 2004, covering the trademark "TALKER," (ii) United States Trademark Registration No. 2872244, issued by the United States Patent and Trademark Office on August 10, 2004, covering the trademark "SMMP," (iii) United States Trademark Registration No. 2872243, issued by the United States Patent and Trademark Office on August 10, 2004, covering the trademark "MACHINETALKER," (iv) United States Trademark Registration No. 2882375, issued by the United States Patent and Trademark Office on September 7, 2004, covering the trademark "MINITALKER," and (v) United States Trademark Registration No. 2897704, issued by the United States Patent and Trademark Office on October 26, 2004, covering the trademark "SIMPLE MACHINE MANAGEMENT PROTOCOL" with no claim made to the exclusive right to use "MACHINE MANAGEMENT PROTOCOL" apart from the entire mark, (vi) United States Trademark Registration No. 3004886, issued by the United States Patent and Trademark Office on October 4, 2005, covering the trademark "TAGTALKER," (vii) United States Trademark Registration No. 3329348, issued by the United States Patent and Trademark Office on November 6, 2007, covering the trademark "MACHINETALKER IRFID," (viii) United States Trademark Registration No. 3329347, issued by the United States Patent and Trademark Office on November 6, 2007, covering the trademark "IRFID" (word only), (ix) United States Trademark Registration No. 3344070, issued by the United States Patent and Trademark Office on November 27, 2007, covering the trademark "IRFID" (stylized), (x) United States Trademark Registration No. 3288781, issued by the United States Patent and Trademark Office on September 4, 2007, covering the trademark "CAP," (xi) United States Trademark Registration No. 3386280, issued by the United States Patent and Trademark Office on February 19, 2008, covering the trademark "WEBTALKER," and (xii) United States Trademark Registration No. 77205781, issued by the United States Patent and Trademark Office on March 19, 2009, covering the trademark "GREENTALKER."

In April 2002, a Patent Application to the United States Patent and Trademark Office ("USPTO") entitled "Self Coordinated Machine Network" application No. 20040114557 was filed, regarding a self coordinated machine network established by two or more machines in proximity with each other via a wired or wireless network infrastructure. The machines are configured to establish an ad hoc network between themselves for sharing information related to their common applications. New machines that come into proximity of the network infrastructure are configured to join an existing ad hoc network. Machines that power down or are removed from proximity of the network

-10-

infrastructure are eliminated from the ad hoc network. Communications between the constituent machines of the ad hoc network allow the machines to self coordinate the network and redundantly store information pertaining to the common and disparate applications of the various machines that comprise the self coordinated machine network. An assignment of this application to us from the inventors, Roland F. Bryan, Mark P. Harris, and Christopher T. Kleveland was

filed with the USPTO on April 23, 2002. The patent was granted on February 27, 2007, as Patent No.: US7,184,423, B2, entitled "Self Coordinated Machine Network."

All of our employees have executed agreements that impose nondisclosure obligations on the employee and pursuant to which the employee has agreed to assign to us (to the extent permitted by California law) all copyrights and other inventions created by the employee during employment MTI. We have also implemented a trade secret protection policy that management believes to be adequate to protect our intellectual property and trade secrets.

SEASONALITY

Our operations are not expected to be affected by seasonal fluctuations, although our cash flow may be affected by fluctuations in the timing of cash receipts from our customers.

ITEM 2. PROPERTIES

We currently lease approximately 1,541 square feet of office space at 513 De La Vina Street, Santa Barbara, California 93101 at a base rental rate of approximately \$1,200 per month pursuant to a month to month lease.

ITEM 3. LEGAL PROCEEDINGS

We are not currently a party to any material legal proceedings.

ITEM 4. RESERVED

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

COMMON STOCK

The Company's common stock trades under the symbol "OTCBB-MACH." For the period from May 15, 2009 until September 21, 2009, the Company's common stock was dropped to the Pink Sheets because we were late filing the 2008 Annual Report and our Quarterly Report on Form 10-Q for the first fiscal quarter ending March 31, 2009. We are now current in our public reports with the Securities and Exchange Commission, and our common stock is listed for trading on the OTC Bulletin Board. The range of high and low bid quotations for each fiscal quarter within the last two fiscal years was as follows:

-11-

YEAR ENDED DECEMBER 31, 2009	HIGH	LOW
First Quarter ended March 31, 2009	\$0.05	\$0.028
Second Quarter ended June 30, 2009	\$0.04	\$0.01
Third Quarter ended September 30, 2009	\$0.012	\$0.01
Fourth Quarter ended December 31, 2009	\$0.05	\$0.01
YEAR ENDED DECEMBER 31, 2008	HIGH	LOW
First Quarter ended March 31, 2008	\$0.084	\$0.03
Second Quarter ended June 30, 2008	\$0.07	\$0.03
Third Quarter ended September 30, 2008	\$0.035	\$0.005
Fourth Quarter ended December 31, 2008	\$0.006	\$0.005

The above quotations reflect inter-dealer prices, without retail markup, mark-down, or commission and may not necessarily represent actual transactions.

As of March 31, 2010, there were approximately 290 record holders of

the Company's common stock, not including shares held in "street name" in brokerage accounts which is unknown. As of March 31, 2010, there were approximately 261,976,794 shares of common stock outstanding on record.

DIVIDENDS

The Company has not declared or paid any cash dividends on its common stock and does not anticipate paying dividends for the foreseeable future.

EQUITY COMPENSATION PLAN INFORMATION

Effective February 15, 2002, our Board of Directors adopted the MachineTalker, Inc. 2002 Stock Option Plan for Directors, Officers, Employees and Key Consultants (the "Plan") under which a total of 20,000,000 shares of Common Stock have been reserved for issuance pursuant to the grant and exercise of up to 20,000,000 stock options. The Plan has been approved by the holders of our outstanding shares. The following table sets forth certain information regarding the Plan as of December 31, 2009:

	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING STOCK OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING STOCK OPTIONS	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS
Equity compensation plans approved by security holders	0	\$0	4,000,000

For the fiscal year ended December 31, 2009, we issued no stock options.

WARRANTS

For the fiscal year ended December 31, 2009, we issued no warrants to purchase shares of registered or unregistered common stock.

ITEM 6. SELECTED FINANCIAL DATA.

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

CAUTIONARY STATEMENTS

This Form 10-K contains financial projections and other "forward-looking statements," as that term is used in federal securities laws, about MachineTalker Inc.'s ("MachineTalker," "we," "us," or the "Company") financial condition, results of operations and business. These statements include, among others: statements concerning the potential for revenues and expenses and other matters that are not historical facts. These statements may be made expressly in this Form 10-K. You can find many of these statements by looking for words such as "believes," "expects," "anticipates," "estimates," or similar expressions used in this Form 10-K. These forward-looking statements are subject to numerous assumptions, risks and uncertainties that may cause the Company's actual results to be materially different from any future results expressed or implied by the Company in those statements. The most important facts that could prevent the Company from achieving its stated goals include, but are not limited to, the following:

- (a) volatility or decline of the Company's stock price;
- (b) potential fluctuation in quarterly results;
- (c) failure of the Company to earn revenues or profits;
- (d) inadequate capital to continue the business and inability to raise the additional capital or to obtain the additional

- financing needed to implement its business plans;
- (e) failure to commercialize the Company's technology or to make sales;
 - (f) absence of demand for the Company's products and services;
 - (g) rapid and significant changes in markets;
 - (h) litigation with or legal claims and allegations against the Company by outside parties;
 - (i) insufficient revenues to cover operating costs;
 - (j) failure to obtain purchase orders or contracts for our products and services, and failure of our potential customers to order products or services from us; and
 - (k) significant dilution of ownership in the Company caused by the issuance of additional securities by the Company in the future.

Because the statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by the forward-looking statements. We caution you not to place undue reliance on the statements, which speak only as of the date of this Form 10-K. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that MTI or persons acting on our behalf may issue. We do not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this Form 10-K or to reflect the occurrence of unanticipated events.

The following discussion should be read in conjunction with our condensed consolidated financial statements and notes to those statements. In addition to historical information, the following discussion and other parts of this quarterly report contain forward-looking information that involves risks and uncertainties.

OVERVIEW

During the year ended December 31, 2009 we continued to demonstrate the capability to the Talker(R) product line to operate as roving units with connection over GSM cellular networks for posting on Internet servers so that they are able to report from anywhere in the world. This feature has been demonstrated to the produce shipping industry as placed within refrigeration trailers to monitor the temperatures maintained for perishable goods. A special adaptation of the Talker(R) product has been supplied for demonstration in show booths where the Talkers are able to read, record and send the vibration content of very high speed rotating devices referred to as "spindles", such as the head

-13-

stock for large lathes and for centrifuges. Finding a change in the vibration pattern can indicate that these very expensive spindles may be close to failure and should be inspected for problems before they break. We expect that the Internet reporting Talkers(R) and those being demonstrated to monitor spindles will secure new business in the next several years. These examples illustrate that our products continue in two separate industrial areas: tracking and security of goods in transit and storage, and data acquisition by servicing remote sensors over wireless connections.

The basic Talker products can be programmed either directly or over the wireless mesh network and variations have been demonstrated in a number of applications. We continue to require additional capital to promote sales growth. Depending on the amount of additional capital available to us, we plan to invest a significant portion in sales and marketing, manufacturing inventory, and infrastructure. We cannot assure that we will be able to locate sources of capital on terms favorable to us or at all.

We currently engage outside technical consultants who are familiar with the MachineTalker products in order to add the features needed to demonstrate the units as requested by potential customers. The basic Talkers are complete

and are able to be manufactured in volume and programmed for a given application. Now that we have products to demonstrate, we need to obtain additional working capital to enable us to employ a technical sales staff to better introduce the products to OEMs and System Integrators so that they will adopt our technology into their applications, products and services.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We monitor our estimates on an on-going basis for changes in facts and circumstances, and material changes in these estimates could occur in the future. Changes in estimates are recorded in the period in which they become known. We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from our estimates if past experience or other assumptions do not turn out to be substantially accurate.

We have identified the policies below as critical to our business operations and the understanding of our results of operations.

REVENUE RECOGNITION. We recognize revenue in accordance with the Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 104, "Revenue Recognition in Financial Statements" ("SAB 104"). We recognize revenue upon delivery, provided that evidence of an arrangement exists, title, and risk of loss have passed to the customer, fees are fixed or determinable, and collection of the related receivable is reasonably assured. We record revenue net of estimated product returns, which is based upon our return policy, sales agreements, management estimates of potential future product returns related to current period revenue, current economic trends, changes in customer composition and historical experience. We accrue for warranty costs, sales returns, and other allowances based on our experience which tells us we have less than \$25,000 per year in warranty returns and allowances. Generally, we extend credit to our customers and do not require collateral. We perform ongoing credit evaluations of our customers and historic credit losses have been within our expectations. We do not ship a product until we have either a purchase agreement or rental agreement signed by the customer with a payment arrangement. This is a critical policy, because we want our accounting to show only sales which are "final" with a payment arrangement. We do not make consignment sales, nor inventory sales subject to a "buy back" or return arrangement from customers. Accordingly, original equipment manufacturers do not presently have a right to return unsold products to us.

We also grant exclusive licenses for the use of the technology required to operate our products. We recognize revenue from software licensing arrangements under SOP 97-2 "Software Revenue Recognition," as amended by SOP-98-9, Modification of SOP 97-2, "Software Revenue Recognition with Respect to Certain Transactions." For those contracts that either do not contain a

-14-

services component or that have services which are not essential to the functionality of any other element of the contract, software license revenue is recognized over the contract period.

PROVISION FOR SALES RETURNS, ALLOWANCES AND BAD DEBTS. We maintain a provision for sales allowances, returns and bad debts. Sales returns and allowances result from equipment damaged in delivery or customer dissatisfaction, as provided by agreement. The provision is provided for by reducing gross revenue by a portion of the amount invoiced during the relevant period. The amount of the reduction is estimated based on historical experience.

RESERVE FOR OBSOLETE/EXCESS INVENTORY. Inventories are stated at the lower of cost or market. We regularly review our inventories and, when required, will record a provision for excess and obsolete inventory based on factors that may impact the realizable value of our inventory including, but not limited to, technological changes, market demand, regulatory requirements and significant changes in our cost structure. If ultimate usage varies significantly from expected usage, or other factors arise that are significantly different than those anticipated by management, inventory write-downs or increases in reserves

may be required.

OTHER ACCOUNTING FACTORS

The effects of inflation have not had a material impact on our operation, nor are they expected to in the immediate future. Although we are unaware of any major seasonal aspect that would have a material effect on the financial condition or results of operation, the first quarter of each fiscal year is always a financial concern due to slow collections after the holidays. The deposits that are shown in the financials are for pending sales of existing products and not any new patented product. These are deposits received from our customers for sales of equipment and services and are only removed as deposits upon completion of the sale. If for whatever reason a customer order is cancelled, the deposit would be returned as stated in the terms of sale, minus a restocking fee. No depositor is a related party of any officer or employee of MachineTalker, Inc. Our terms of deposits typically are 50% down with the balance of the sale due upon delivery.

RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

REVENUE

Total revenue for the year ended December 31, 2009 decreased by \$16,173 to \$43,327 from \$59,500 in the prior year. This decrease in revenue was a result of lower sales, and the Company being in its' development stage.

COST OF SALES

Cost of Sales ("COS") expenses increased by \$40,111 to \$41,607 for the year ended December 31, 2009 compared to \$1,496 in the prior year. This increase in COS expenses was primarily due to writing off obsolete inventory of \$39,598.

SELLING AND MARKETING EXPENSES

Selling and marketing ("S&M") expenses decreased by \$(92,789) to \$9,761 for the year ended December 31, 2009 compared to \$102,550 in the prior year. This decrease in S&M expenses was the result of a decrease in marketing exposure, and employee salaries.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative ("G&A") expenses increased by \$129,054 to \$451,188 for the year ended December 31, 2009 compared to \$322,134 during the prior year. This increase in G&A expenses was the result of an increase in professional fees.

-15-

RESEARCH AND DEVELOPMENT

Research and Development ("R&D") costs decreased by \$(120,672) to \$0 for the year ended December 31, 2009 compared to \$120,672 during the prior year. This decrease in R&D costs was the result of a decrease in testing and engineering cost.

NET LOSS

Net Loss decreased by \$1,299,767 to \$(1,050,064) for the year ended December 31, 2009, compared to \$(2,349,831) in the prior year. This decrease in Net Loss was that in the current year there were no impairment of goodwill and licensing fees. Currently operating costs exceed revenue because sales are not yet sufficient to cover costs. We cannot assure when or if revenue will exceed operating costs.

LIQUIDITY AND CAPITAL RESOURCES

MTI had net cash of \$10,002 at December 31, 2009, as compared to \$2,949 for the prior year.

During the year ended December 31, 2009, MTI used \$144,779 of cash for operating activities, as compared to \$347,021 for the prior year. The decrease of \$202,242 in cash used in operating activities was a result of a decrease in accounts payable due to lower operating expenses.

Cash provided in investing activities was due to a return of capital for investment in companies of \$1,347 during the year ended December 31, 2009, compared to \$0 for the prior year.

Cash provided by financing activities during the year ended December 31, 2009 was \$150,485 as compared to \$346,712 for the prior year. Our capital needs have primarily been met from the proceeds of equity financing, shareholder loans, and to a lesser extent, sales.

We will have additional capital requirements during 2010 necessary to capitalize on the Company's current line of potential products with modifications to meet new customer requirements. If we have sufficient working capital, we also intend to invest in building our own sales force directed at the two areas of business: wireless security and wireless industrial controls. Although we cannot quantify these anticipated costs with specificity, we estimate that we will require approximately \$2,000,000 in funding over the next 12 months of operations, split almost evenly between product development and a concerted marketing and sales efforts. We do not anticipate, however, any significant capital equipment expenditures. There is no assurance that marketing, research and development costs in 2010 will not exceed or vary from those costs expected by management. We intend to meet our cash requirements through sales of our products and plan to continue to generate sales leads through tradeshows and marketing. If we are unable to satisfy our cash requirements through product sales, we will attempt to raise additional capital through the sale of our common stock. There is no assurance that we will be able to raise additional capital or obtain additional financing for our business.

We cannot assure that we will have sufficient capital to finance our growth and business operations or that such capital will be available on terms that are favorable to us or at all. We are currently incurring operating deficits that are expected to continue for the foreseeable future.

GOING CONCERN QUALIFICATION

The Company has incurred significant losses from operations, and such losses are expected to continue. The Company's auditors have included a "Going Concern Qualification" in their report for the year ended December 31, 2009. In addition, the Company has limited working capital. The foregoing raises substantial doubt about the Company's ability to continue as a going concern. Management's plans include seeking additional capital and/or debt financing. There is no guarantee that additional capital and/or debt financing will be available when and to the extent required, or that if available, it will be on terms acceptable to the Company. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. The "Going Concern Qualification" may make it substantially more difficult to raise capital.

-16-

OFF-BALANCE SHEET ARRANGEMENTS

None.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA OF MACHINETALKER, INC.

MACHINETALKER, INC.

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

CONTENTS

Report of Independent Registered Public Accounting Firm	18
Consolidated Balance Sheets as of December 31, 2009 and 2008.....	19

Consolidated Statements of Operations for the years ended December 31, 2009 and 2008.....	20
Consolidated Statements of Changes in Stockholders' Deficit for the years ended December 31, 2009 and 2008.....	21
Consolidated Statements of Cash Flows for the years ended December 31, 2009 and 2008	25
Notes to Consolidated Financial Statements	26-32

-17-

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
MachineTalker, Inc. and Subsidiaries
(A Development Stage Company)
Santa Barbara, California

We have audited the accompanying consolidated balance sheets of MachineTalker, Inc. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, shareholders' deficit, and cash flows for the two years in the period ended December 31, 2009, and for the period from inception of the development stage on January 30, 2002 through December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MachineTalker, Inc. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2009, and for the period from inception of the development stage on January 20, 2002 through December 31, 2009, in conformity with U.S. generally accepted accounting principles.

We were not engaged to examine management's assessment of the effectiveness of MachineTalker, Inc.'s internal control over financial reporting as of December 31, 2009. Accordingly we do not express an opinion thereon.

The accompanying financial statements have been prepared assuming that the

Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company does not generate significant revenue, it has negative cash flows from operations, and its total liabilities exceed its total assets. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ HJ Associates & Consultants, LLP

HJ Associates & Consultants, LLP
Salt Lake City, Utah
April 15, 2010

-18-

MACHINETALKER, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED BALANCE SHEETS

	December 31, 2009	December 31, 2008
	-----	-----
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,002	\$ 2,949
Inventory	-	39,598
Prepaid insurance	-	904
	-----	-----
TOTAL CURRENT ASSETS	10,002	43,451
	-----	-----
PROPERTY & EQUIPMENT, at cost		
Machinery & equipment	13,080	13,080
Computer equipment	50,351	50,351
Furniture & fixture	4,670	4,670
	-----	-----
	68,101	68,101
Less accumulated depreciation	(67,423)	(58,575)
	-----	-----
NET PROPERTY AND EQUIPMENT	678	9,526
	-----	-----
OTHER ASSETS		
Patents	-	656
Purchase option, Regents	-	5,000
Security deposit	2,975	2,975
	-----	-----
TOTAL OTHER ASSETS	2,975	8,631
	-----	-----
TOTAL ASSETS	\$ 13,655	\$ 61,608
	=====	=====
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$ 45,582	\$ 91,046
Accrued expenses	401,029	294,585
Accrued interest, other	17,225	9,445
Accrued interest, related parties	110,041	101,783
Unearned revenues	-	38,817
Convertible promissory note	65,000	65,000
Notes payable, related parties	44,000	418,342
	-----	-----
TOTAL CURRENT LIABILITIES	682,877	1,019,018
	-----	-----
SHAREHOLDERS' DEFICIT		
Common stock, \$.001 par value; 550,000,000 authorized shares; 181,976,794 and 44,186,700 shares issued and outstanding, respectively	181,977	44,187
Additional paid in capital	7,074,795	5,874,333
Deficit accumulated during the development stage	(7,925,994)	(6,875,930)
	-----	-----
TOTAL SHAREHOLDERS' DEFICIT	(669,222)	(957,410)
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$ 13,655	\$ 61,608
	=====	=====

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

-19-

MACHINETALKER, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended		From Inception
	December 31, 2009	December 31, 2008	January 30, 2002 through December 31, 2009
REVENUE	\$ 43,327	\$ 59,500	\$ 1,127,406
COST OF SERVICES	41,607	1,496	496,177
GROSS PROFIT	1,720	58,004	631,229
OPERATING EXPENSES			
Selling and marketing expenses	9,761	102,550	1,264,814
General and administrative expenses	451,188	322,134	3,011,418
Stock compensation expense	-	12,831	69,778
Research and development	-	120,672	1,439,865
Impairment loss	-	1,753,502	1,753,502
Depreciation and amortization expense	8,848	37,513	119,747
TOTAL OPERATING EXPENSES	469,797	2,349,202	7,659,124
LOSS FROM OPERATIONS	(468,077)	(2,291,198)	(7,027,895)
OTHER INCOME/(EXPENSES) BEFORE PROVISION FOR INCOME TAXES			
Interest income	4	11	10,255
Interest expense	(16,038)	(56,926)	(261,215)
Penalties	-	(118)	(155)
Gain/(loss) on investment	1,347	-	(73,121)
Loss on settlement of debt	(567,300)	-	(567,300)
Gain/(loss) on sale of asset	-	-	(963)
TOTAL OTHER INCOME/(EXPENSES)	(581,987)	(57,033)	(892,499)
LOSS BEFORE PROVISION FOR INCOME TAXES	(1,050,064)	(2,348,231)	(7,920,394)
PROVISION FOR INCOME TAXES	-	(1,600)	(5,600)
NET (LOSS)	\$ (1,050,064)	\$ (2,349,831)	\$ (7,925,994)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.01)	\$ (0.05)	
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING			
BASIC AND DILUTED	134,873,337	43,865,308	

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

-20-

MACHINETALKER, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT
FROM INCEPTION (JANUARY 30, 2002) THROUGH DECEMBER 31, 2009

	Common stock		Additional Paid-in Capital	Accumulated Deficit During the Development Stage	Total
	Shares	Amount			
Balance from original Issuance at January 30, 2002 (\$0.00085 per share) (\$7,650 in cash and a patent at a fair value of \$5,100)	15,000,000	\$ 15,000	\$ (2,250)	-	\$ 12,750
Issuance of common stock in February and March 2002 (\$0.25 per share in cash)	500,000	500	124,500	-	125,000
Issuance of common stock in April 2002 (40,000 shares at \$0.25 per share in cash)	40,000	40	9,960	-	10,000
Issuance of common stock in April 2002 (40,000 shares as finders fees)	40,000	40	(40)	-	-
Issuance of common stock in May 2002 (280,000 shares at \$0.25 per share in cash)	280,000	280	69,720	-	70,000
Issuance of common stock in May 2002 (40,000 shares as finders fees)	40,000	40	(40)	-	-
Issuance of common stock in June 2002					

(\$0.50 per share in cash)	100,000	100	49,900	-	50,000
Net Loss for the year ended December 31, 2002	-	-	-	(852,600)	(852,600)
Balance at December 31, 2002	16,000,000	16,000	251,750	(852,600)	(584,850)
Issuance of common stock in January 2003 (\$0.0609 per share in cash)	2,104,580	2,105	125,895	-	128,000
Issuance of common stock in March 2003 (\$0.0609 per share in cash)	164,420	164	9,836	-	10,000
Net Loss for the year ended December 31, 2003	-	-	-	(394,115)	(394,115)
Balance, December 31, 2003	18,269,000	18,269	387,481	(1,246,715)	(840,965)
Issuance of common stock in January 2004 (5,000 shares valued at \$6,250 for services)	5,000	5	6,245	-	6,250
Issuance of common stock in June 2004 (3,200,000 shares at \$0.125 per share in conversion debt)	3,200,000	3,200	396,800	-	400,000
Issuance of common stock in June 2004 (2,000,000 shares at \$0.125 per share for services)	2,000,000	2,000	248,000	-	250,000
Issuance of common stock in July through December 31, 2004 for cash	4,912,000	4,912	609,088	-	614,000
Net Loss for the year ended December 31, 2004	-	-	-	(573,454)	(573,454)
Balance at December 31, 2004	28,386,000	28,386	1,647,614	(1,820,169)	(144,169)

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

-21-

MACHINETALKER, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT
FROM INCEPTION (JANUARY 30, 2002) THROUGH DECEMBER 31, 2009

	Common stock		Additional Paid-in Capital	Accumulated Deficit During the Development Stage	Total
	Shares	Amount			
Issuance of common stock in January 2005 (2,744,000 shares at \$0.125 per share for cash)	2,744,000	2,744	340,256	-	343,000
Issuance of common stock in March 2005 (60,000 shares at \$0.10 per share for cash)	60,000	60	29,940	-	30,000
Issuance of 763,400 warrants for services	-	-	129,550	-	129,550
Issuance of common stock in April 2005 (60,000 shares at \$0.50 per share for cash)	60,000	60	29,940	-	30,000
Issuance of common stock in May 2005 (53,410 shares at fair value for services)	53,410	53	8,015	-	8,068
Issuance of common stock in May 2005 (290,000 shares at \$0.50 per share for cash)	290,000	290	144,710	-	145,000
Issuance of common stock in June 2005 (210,000 shares at \$0.50 per share for cash)	210,000	210	104,790	-	105,000
Issuance of 52,000 warrants for services	-	-	23,400	-	23,400
Net Loss for the year ended December 31, 2005	-	-	-	(1,068,190)	(1,068,190)
Balance at December 31, 2005	31,803,410	31,803	2,458,215	(2,888,359)	(398,341)
Common stock warrants exercised in March 2006 (63,000 common stock warrants exercised at \$0.125)	63,000	63	7,812	-	7,875
Private Placement in 2nd Qtr 2006 (80,000 shares at \$0.75 per share for cash)	80,000	80	59,920	-	60,000
Stock Compensation Cost	-	-	35,008	-	35,008
Common stock warrants exercised in August 2006 (10,000 common stock warrants exercised at \$0.125)	10,000	10	1,240	-	1,250
Issuance of common stock in December 2006 (31,429 shares issued at \$0.35 for cash)	31,429	31	10,969	-	11,000
Investment in Sense Comm (120,000 common stock issued at \$0.60 per share at FMV)	120,000	120	71,880	-	72,000
Stock Compensation Cost	-	-	4,847	-	4,847
Issuance of 124,000 warrants for services	-	-	46,861	-	46,861
Net Loss for the year ended December 31, 2006	-	-	-	(611,967)	(611,967)
Balance at December 31, 2006	32,107,839	32,107	2,696,752	(3,500,326)	(771,467)

Source: Sunworks, Inc., 10-K, April 15, 2010

The information contained herein may not be copied, adapted or distributed and is not warranted to be accurate, complete or timely. The user assumes all risks for any damages or losses arising from any use of this information, except to the extent such damages or losses cannot be limited or excluded by applicable law. Past financial performance is no guarantee of future results.

Powered by Morningstar® Document ResearchSM

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

-22-

MACHINETALKER, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT
FROM INCEPTION (JANUARY 30, 2002) THROUGH DECEMBER 31, 2009

	Common stock		Additional Paid-in Capital	Accumulated Deficit During the Development Stage	Total
	Shares	Amount			
Common stock warrants exercised in January 2007 (6,364 common stock warrants exercised for cash at \$0.60)	6,364	6	3,812	-	3,818
Issuance of common stock in January 2007 (165,714 shares at \$0.35 per share for cash)	165,714	166	57,834	-	58,000
Issuance of common stock in February 2007 (40,000 shares at \$0.35 per share for cash)	40,000	40	13,960	-	14,000
Issuance of 120,000 warrants for services	-	-	49,487	-	49,487
Issuance of common stock in April 2007 (160,000 shares at \$0.35 per share for cash)	160,000	160	55,840	-	56,000
Issuance of common stock in April 2007 (7,652 shares at \$0.50 per share for services)	7,652	8	3,818	-	3,826
Exercise of stock options in June 2007 (50,000 shares at \$0.125 per share for cash)	50,000	50	6,200	-	6,250
Conversion of note to common stock in June 2007 (571,429 shares at \$0.35 per share in conversion of debt)	571,429	572	199,428	-	200,000
Issuance of common stock in June 2007 (80,000 shares at \$0.25 per share for cash)	80,000	80	19,920	-	20,000
Issuance of common stock in July 2007 (308,000 shares at \$0.25 per share for cash)	308,000	308	76,692	-	77,000
Issuance of common stock in July 2007 (600,000 shares at \$0.40 per share for purchase of investment)	600,000	600	239,400	-	240,000
Issuance of common stock in August 2007 (20,000 shares at \$0.25 per share for cash)	20,000	20	4,980	-	5,000
Issuance of common stock in September 2007 (96,000 shares at \$0.25 per share for cash)	96,000	96	23,904	-	24,000
Issuance of 41,667 warrants for services	-	-	12,345	-	12,345
Stock compensation cost	-	-	17,092	-	17,092
Issuance of common stock in October 2007 (200,000 shares at \$0.25 per share for cash)	200,000	200	49,800	-	50,000
Issuance of common stock in November 2007 (17,123 shares at \$0.30 per share for services)	17,123	17	5,119	-	5,136
Issuance of common stock in December 2007 (1,725,000 shares at \$0.20 per share for license fees)	1,725,000	1,725	343,275	-	345,000
Issuance of common stock in December 2007 (7,575,000 shares at \$0.20 per share for purchase of subsidiary)	7,575,000	7,575	1,507,425	-	1,515,000
Net Loss for the year ended December 31, 2007	-	-	-	(1,025,773)	(1,025,773)
Balance at December 31, 2007	43,730,121	43,730	5,387,083	(4,526,099)	904,714

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

-23-

MACHINETALKER, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT
FROM INCEPTION (JANUARY 30, 2002) THROUGH DECEMBER 31, 2009

	Common stock		Additional Paid-in Capital	Accumulated Deficit During the Development Stage	Total
	Shares	Amount			
Issuance of common stock in March 2008 (13,246 shares at \$0.25 per share for services)	13,246	13	3,298	-	3,311

Issuance of common stock in July 2008 (73,333 shares at \$0.125 per share for services)	73,333	74	9,094	-	9,168
Issuance of common stock in September 2008 (300,000 shares at \$0.035 per share for services)	300,000	300	10,200	-	10,500
Stock compensation cost	-	-	12,831	-	12,831
Issuance of common stock in September 2008 (70,000 shares at \$0.0455 per share for services)	70,000	70	3,115	-	3,185
Contributed capital by shareholder	-	-	448,712	-	448,712
Net Loss for the year ended December 31, 2008	-	-	-	(2,349,831)	(2,349,831)
Balance at December 31, 2008	44,186,700	44,187	5,874,333	(6,875,930)	(957,410)
Issuance of common stock in April 2009 (6,200,000 shares at \$0.0325 per share issued for services)	6,200,000	6,200	195,300	-	201,500
Issuance of common stock in May 2009 (93,240,094 shares at \$0.0010725 per share issued for cash)	93,240,094	93,240	6,760	-	100,000
Issuance of common stock in May 2009 (1,750,000 shares at \$0.0255 per share issued for services)	1,750,000	1,750	42,875	-	44,625
Issuance of common stock in May 2009 (1,900,000 shares at \$0.0255 per share issued for conversion of promissory note)	1,900,000	1,900	46,550	-	48,450
Issuance of common stock in May 2009 (34,700,000 shares at \$0.0255 per share issued for conversion of promissory note)	34,700,000	34,700	850,150	-	884,850
Contributed capital by shareholder	-	-	58,827	-	58,827
Net Loss for the year ended December 31, 2009	-	-	-	(1,050,064)	(1,050,064)
Balance at December 31, 2009	181,976,794	\$ 181,977	\$ 7,074,795	\$ (7,925,994)	\$ (669,222)

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

-24-

MACHINETALKER, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended		From Inception January 30, 2002 through December 31, 2009
	December 31, 2009	December 31, 2008	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (1,050,064)	\$ (2,349,831)	\$ (7,925,994)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	8,848	37,513	119,747
Issuance of common shares and warrants for services	166,625	26,164	727,713
Issuance of common shares in conversion of debt	-	-	400,000
Gain/loss on investment	(1,347)	-	73,121
Stock Compensation Cost	-	12,831	69,778
Gain on sale of asset	-	-	963
Impairment loss	-	1,753,502	1,753,502
Loss on settlement of debt	567,300	-	567,300
Changes in Assets and Liabilities			
(Increase) Decrease in:			
Inventory	39,598	(495)	-
Prepaid Expenses	904	4,260	-
Patents	656	(656)	-
Deposits and other assets	5,000	-	2,025
Increase (Decrease) in:			
Accounts payable	34,036	48,540	125,082
Accrued expenses	122,482	161,151	528,295
Unearned revenue	(38,817)	(40,000)	-
NET CASH USED IN OPERATING ACTIVITIES	(144,779)	(347,021)	(3,558,468)

NET CASH FLOWS USED IN INVESTING ACTIVITIES:			
Purchase of property and equipment	-	-	(73,754)
Sale of asset	-	-	3,963
Investment in companies	1,347	-	(6,121)
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	1,347	-	(75,912)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from notes payable related parties	47,000	60,000	1,127,342
Proceeds from convertible promissory note	-	19,000	129,000
Repayment of notes payable related party	(3,000)	(45,000)	(93,000)
Contributed capital by shareholder	6,485	12,712	19,197
Proceeds from subsidiary	-	300,000	300,000
Proceeds from issuance of common stock	100,000	-	2,154,193
NET CASH PROVIDED BY FINANCING ACTIVITIES	150,485	346,712	3,636,732
NET INCREASE IN CASH	7,053	(309)	2,352
CASH, BEGINNING OF PERIOD	2,949	3,258	7,650
CASH, END OF PERIOD	\$ 10,002	\$ 2,949	\$ 10,002
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Interest paid	\$ -	\$ -	\$ 133,948
Income taxes	\$ -	\$ 1,600	\$ 5,600

SUPPLEMENTAL SCHEDULE OF NON-CASH TRANSACTIONS

During the year ended December 31, 2009, the Company issued 7,950,000 shares of common stock for services and accounts payable at a fair value of \$246,125; 36,600,000 shares of common stock with a fair value of \$933,300 were issued in conversion of \$366,000 in debt resulting in a \$567,300 loss on settlement of debt. Also, a shareholder forgave a loan in the amount of \$52,342, and was recorded as additional paid in capital. During the year ended December 31, 2008, the Company expensed compensation cost of \$12,831 related to the vesting of employee stock options; issued 456,579 shares of common stock for services at a fair value of \$30,819. The Company also recognized a loss on impairment of goodwill in the amount of \$1,753,502; Also, a shareholder loan in the amount of \$436,000 was forgiven and recorded as additional paid in capital.

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

-25-

MACHINETALKER, INC.
(A Development Stage Company)
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

1. ORGANIZATION AND LINE OF BUSINESS

ORGANIZATION

MachineTalker, Inc. (the "Company") was incorporated in the state of Delaware on January 30, 2002. The Company, based in Santa Barbara, California, began operations on January 30, 2002 to develop and market a wireless control technology. The Company's founders are also the principal owners of SecureCoin, Inc. ("SecureCoin"). As part of MachineTalker's initial capitalization, the Company's founders have contributed certain intellectual property that was developed at and acquired from SecureCoin. SecureCoin assigned all rights to that intellectual property to the co-founders in January 2002, and those co-founders then contributed the intellectual property rights to the Company in connection with its formation. This intellectual property, including a provisional patent, forms the core of MachineTalker's proprietary smart security network technology.

LINE OF BUSINESS

The Company is currently in the stage of developing wireless networking products that combine microcomputers and wireless radio components in a single package that can be used to service a variety of attachments, including Sensors for measuring temperature, pressure, motion, vibration, location and many other parameters. These "MachineTalkers" can then be programmed to form local wireless networks with other MachineTalkers to process the Sensor data collectively in real time and on a local basis. This allows governments, businesses and individuals to rapidly deploy wireless security systems to protect and monitor things, places and people. During the year, the Company acquired two subsidiaries, Wideband Detection Technologies, Inc. and Mirco Wireless Technologies, Inc.

GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. The accompanying financial statements do not reflect any adjustments that might result if the Company is unable to continue as a going concern. The Company does not generate significant revenue, and has negative cash flows from operations, which raise substantial doubt about the Company's ability to continue as a going concern. The ability of the

Company to continue as a going concern and appropriateness of using the going concern basis is dependent upon, among other things, an additional cash infusion. As discussed in note 5, the Company has obtained funds from its shareholders since its inception through 2009. Management believes this funding will continue, and is also actively seeking new investors. Management believes the existing shareholders and the prospective new investors will provide the additional cash needed to meet the Company's obligations as they become due, and will allow the development of its core of business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of MachineTalker, Inc. is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries Wideband Detection Technologies, Inc. and Mirco Wireless Technologies, Inc. All significant inter-company balances and transactions have been eliminated.

DEVELOPMENT STAGE ACTIVITIES AND OPERATIONS

The Company has been in its initial stages of formation and for the year ended December 31, 2009, had insignificant revenues. A development stage activity is one in which all efforts are devoted substantially to establishing a new business and even if planned principal operations have commenced, revenues are insignificant.

-26-

MACHINETALKER, INC.
(A Development Stage Company)
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION

We recognize revenue upon delivery, provided that evidence of an arrangement exists, title, and risk of loss have passed to the customer, fees are fixed or determinable, and collection of the related receivable is reasonably assured. We record revenue net of estimated product returns, which is based upon our return policy, sales agreements, management estimates of potential future product returns related to current period revenue, current economic trends, changes in customer composition and historical experience. We accrue for warranty costs, sales returns, and other allowances based on our experience, which tells us we have less than \$25,000 per year in warranty returns and allowances. Generally, we extend credit to our customers and do not require collateral. We perform ongoing credit evaluations of our customers and historic credit losses have been within our expectations. We do not ship a product until we have either a purchase agreement or rental agreement signed by the customer with a payment arrangement. This is a critical policy, because we want our accounting to show only sales which are "final" with a payment arrangement. We do not make consignment sales, nor inventory sales subject to a "buy back" or return arrangement from customers. Accordingly, original equipment manufacturers do not presently have a right to return unsold products to us.

We also grant exclusive licenses for the use of the technology required to operate our products. Software license revenue is recognized over the contract period, for those contracts that either do not contain a service component or that have services which are not essential to the functionality of any other element of the contract.

CASH AND CASH EQUIVALENT

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

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements. Significant estimates made in preparing these financial statements include the estimate of useful lives of property and equipment, the deferred tax valuation allowance, and the fair value of stock options. Actual results could differ from those estimates.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, and are depreciated using the straight line method over its estimated useful lives:

Machinery & equipment	5 Years
Furniture & fixtures	5-7 Years
Computer equipment	5 Years

Depreciation expense as of December 31, 2009 and 2008 was \$8,848 and \$9,389 respectively.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments requires disclosure of the fair value information, whether or not recognized in the balance sheet, where it is practicable to estimate that value. As of December 31, 2009 and 2008, the amounts reported for cash, accounts receivable, accounts payable, accrued interest and other expenses, and notes payable approximate the fair value because of their short maturities.

INVENTORY

Inventories are stated at the lower of cost (first-in, first-out basis) or market, and consists of raw materials. As of December 31, 2009 and 2008, the value of the inventory was \$0 and \$39,598, respectively.

-27-

MACHINETALKER, INC.
(A Development Stage Company)
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

STOCK-BASED COMPENSATION

Share based payments applies to transactions in which an entity exchanges its equity instruments for goods or services, and also applies to liabilities an entity may incur for goods or services that are to follow a fair value of those equity instruments. We will be required to follow a fair value approach using an option-pricing model, such as the Black-Scholes option valuation model, at the date of a stock option grant. The deferred compensation calculated under the fair value method would then be amortized over the respective vesting period of the stock option. The adoption of share based compensation has no material impact on our results of operations.

ADVERTISING

The Company expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2009 and 2008 were \$0 and \$8,613, respectively.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred. These costs consist primarily of salaries and direct payroll related costs. The costs for the years ended December 31, 2009 and 2008 were \$0 and \$120,672 respectively.

LOSS PER SHARE CALCULATIONS

Loss per Share dictates the calculation of basic earnings per share and diluted earnings per share. Basic earnings per share are computed by dividing income available to common shareholders by the weighted-average number of common shares available. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. No shares for employee options or warrants were used in the calculation of the loss per share as they were

all anti-dilutive. The Company's diluted loss per share is the same as the basic loss per share for the years ended December 31, 2009 and 2008, as the inclusion of any potential shares would have had an anti-dilutive effect due to the Company generating a loss.

INCOME TAXES

The Company uses the liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. The measurement of deferred tax assets and liabilities is based on provisions of applicable tax law. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance based on the amount of tax benefits that, based on available evidence, is not expected to be realized.

GOODWILL

Goodwill represents the excess of the purchase price over the fair value assigned to identifiable net assets acquired of subsidiary companies. Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. The Company does not have the funds to pursue the technologies, which resulted in impairment. Goodwill impairment is measured as the excess of the carrying amount over the implied fair value. The impairment of Goodwill for the years ended December 31, 2009 and 2008 are \$0 and \$1,715,000 respectively.

OTHER INTANGIBLE ASSETS

License fees were amortized over their useful lives of 1-7 years, and are reviewed for impairment when warranted by economic condition. The amortization recorded for the year ended December 31, 2009 and 2008 were \$0 and \$28,125, respectively. Due to the Company not having the funds to pursue the technologies, the remaining balance of \$38,502 was recorded as impairment as of December 31, 2008.

-28-

MACHINETALKER, INC.
(A Development Stage Company)
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Management reviewed accounting pronouncements issued during the three months ended December 31, 2009, and no pronouncements were adopted during the period.

RECLASSIFICATIONS

Certain balances for the year ended December 31, 2008 were reclassified to conform to the presentation for the year ended December 31, 2009.

3. INCOME TAXES

The Company files income tax returns in the U.S. Federal jurisdiction, and the state of California. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2007.

Deferred income taxes have been provided by temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. To the extent allowed by GAAP, we provide valuation allowances against the deferred tax assets for amounts when the realization is uncertain. Included in the balances at December 31, 2009 and 2008, are no tax positions for which the ultimate deductibility is highly certain, but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

The Company's policy is to recognize interest accrued related to

unrecognized tax benefits in interest expense and penalties in operating expenses. During the periods ended December 31, 2009 and 2008, the Company did not recognize interest and penalties.

4. DEFERRED TAX BENEFIT

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate to pretax income from continuing operations for the year ended December 31, 2009 and 2008 due to the following:

	2009	2008
	-----	-----
Book Income	\$ (420,026)	\$ (939,782)
Depreciation	1,373	(61,723)
R&D	-	4,363
Contributions	-	400
State Tax Expense Deduction	-	1,600
Meals & Entertainment	12	325
Related Party Accrual	45,162	64,460
Non deductible Impairment Expenses	15,839	717,046
Stock for Services	66,650	-
Loss on Settlement of Debt	226,920	-
Valuation Allowance	64,070	214,911
	-----	-----
Income tax expense	\$ -	\$ 1,600
	=====	=====

-29-

MACHINETALKER, INC.
(A Development Stage Company)
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

4. DEFERRED TAX BENEFIT (Continued)

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible differences and operating loss and tax credit carry-forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the difference between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Net deferred tax liabilities consist of the following components as of December 31, 2009 and 2008:

	2009	2008
	-----	-----
Deferred tax assets:		
NOL carryover	\$ 1,687,962	\$ 1,623,742
R & D	125,695	125,695
Contributions	692	692
Related party accruals	203,709	162,326
Depreciation	1,813	440
Deferred tax liabilities:		
Depreciation	-	-
Less valuation allowance	(2,019,871)	(1,912,895)
	-----	-----
Net deferred tax asset	\$ -	\$ -
	=====	=====

Due to the change in ownership provisions of the Tax Reform Act of 1986,

net operating loss carry-forwards for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carry-forwards may be limited as to use in future years.

5. CAPITAL STOCK

During the year ended December 31, 2009, the Company effected a five to one reverse split of its common stock. Also, the Company issued 93,240,094 shares of common stock for cash at a price of \$0.0010725 per share; 7,950,000 shares of common stock were issued for services and accounts payable at a fair value of \$246,125; 36,600,000 shares of common stock with a fair value of \$933,300 were issued in conversion of \$366,000 in debt resulting in the recognition of a \$567,300 loss on settlement of debt; the Company's President forgave a note payable of \$52,342 and cash contributed during the period of \$6,485 to contributed capital. The financial statements have been retroactively adjusted for the effects of the stock split. During the year ended December 31, 2008, the Company issued 456,579 shares of common stock for services at a fair value of \$26,164, at prices between \$0.035 and \$0.25 per share.

6. STOCK OPTIONS AND WARRANTS

The Company adopted a Stock Option Plan for the purposes of granting stock options to its employees and others providing services to the Company, which reserves and sets aside for the granting of Options for Twenty Million (4,000,000) shares of Common Stock. Options granted under the Plan may be either Incentive Options or Nonqualified Options and shall be administered by the Company's Board of Directors ("Board"). Each option shall be exercisable in full or in installments and at such

-30-

MACHINETALKER, INC.
(A Development Stage Company)
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

6. STOCK OPTIONS AND WARRANTS (Continued)

times as designated by the Board. Notwithstanding any other provision of the Plan or of any Option agreement, each Option shall expire on the date specified in the Option agreement, which date shall not be later than the tenth anniversary from the effective date of this option. During the years ended December 31, 2009 and 2008, the Company granted 0 stock options. The stock options vest as follows: 25% from the date of employment and 1/36 every 30 days thereafter until the remaining stock options have vested. The stock options are exercisable for a period of ten years from the date of grant at an exercise price of \$0.125, \$0.25, or \$0.50 per share, as adjusted for the five for one reverse split of the Company's common stock.

	2009	2008
	-----	-----
Risk free interest rate	4.08% to 4.47%	4.08% to 4.47%
Stock volatility factor	1%	1%
Weighted average expected option life	10 years	10 years
Expected dividend yield	None	None

A summary of the Company's stock option activity and related information follows:

	2009		2008	
	-----	-----	-----	-----
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
	-----	-----	-----	-----
Outstanding, beginning of year	-	\$ -	1,690,000	\$ 0.255
Granted	-	-	-	-

Exercised	-	-	-	-
Expired	-	-	(1,690,000)	-
	-----		-----	
Outstanding, end of year	-	\$ -	-	\$ -
	=====		=====	
Exercisable at the end of year	-	\$ -	-	\$ -
	=====		=====	
Weighted average fair value of options granted during the year		\$ 0.000		\$ 0.000
		=====		=====

The stock-based compensation expense recognized in the statement of operations during the years ended December 31, 2009 and 2008 is \$0 and \$12,831 respectively.

WARRANTS

During the year ended December 31, 2009 and 2008, the Company issued no warrants. At December 31, 2009 and 2008 the Company had a total of 866,400 warrants to purchase 866,400 shares of common stock outstanding.

7. CONVERTIBLE PROMISSORY NOTES

During the year ended December 31, 2007, the Company entered into a two (2) year convertible promissory note that matures October 16, 2009. The principal amount of the note is \$65,000, which bears interest at 12% per annum. The principal is convertible into shares of common stock at \$0.25 per share. The Company is in default and the promissory note is due.

During the year ended December 31, 2009 and 2008, the Company received a loan of \$37,000 and \$19,000, respectively from an investor. The loans bear interest at 6% per annum. The principal of \$19,000 was converted into 1,900,000 shares of common stock to pay off the debt.

-31-

MACHINETALKER, INC.
(A Development Stage Company)
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

8. RELATED PARTY

The Company leases its premises from a company in which our majority shareholders are minority shareholders. The Company rents on a month-to-month basis. The rent expense for the years ended December 31, 2009 and 2008 amounted to \$12,873 and \$15,594 respectively for each year.

During the year ended December 31, 2009, the Company's President forgave a note payable of \$52,342 and cash of \$6,485 to contributed capital. During the year ended December 31, 2008, the Company's President and Chief Executive Officer forgave the convertible note of \$436,000, which is principal only. The note bears interest at 6% per annum. The note was to be converted into 3,488,000 shares of common stock at a price of \$0.125 per share. The principal on the note was restated as contributed capital. The interest due as of December 31, 2008 was \$56,842.

During the year ended December 31, 2009, the Company's President loaned \$7,000 to the Company for operating expenses. During the year ended December 31, 2008, the Company's President and Chief Executive officer loaned the Company \$349,342. The note bears interest at 6% per annum. The interest due as of December 31, 2009 and 2008 was \$108,962 and \$40,064, respectively.

During the year ended December 31, 2009, an investor loaned the Company \$37,000 for operating expenses. The note bears interest at 6% per annum, and is due and payable upon demand. The interest due as of December 31, 2009 was \$1,079.

9. STOCK TRANSFER ERROR

During the year ended December 31, 2008, the Company discovered that the Transfer Agent had double issued 100,000 (20,000 effected split) shares of common stock, which misstated the number of common shares outstanding.

Computershare has stated that it will either retrieve those shares or will purchase shares on the open market to replace them into the Company's treasury. There was no material effect to the financial statements.

10. SUBSEQUENT EVENTS

On February 12, 2010, the Company issued 80,000,000 shares of common stock through a private placement for \$200,000 cash.

-32-

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A(T). CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by MachineTalker is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission. The Company's Chief Executive Officer and Chief Financial Officer is responsible for establishing and maintaining controls and procedures for the Company.

Management has evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2009 (under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer) pursuant to Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended. As part of such evaluation, management considered the matters discussed below relating to internal control over financial reporting. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer has concluded that the disclosure controls and procedures are effective.

The term "internal control over financial reporting" is defined as a process designed by, or under the supervision of, the registrant's principal executive and principal financial officers, or persons performing similar functions, and effected by the registrant's board of directors, management and other personnel, 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 and includes those policies and procedures that:

- o pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the registrant;
- o provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the registrant are being made only in accordance with authorizations of management and directors of the registrant; and
- o provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the registrant's assets that could have a material effect on the financial statements.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes of accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to change in conditions, or the degree of compliance with the policies or procedures may deteriorate.

-33-

Under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in internal control-integrated framework. Based on this evaluation, the Company's Chairman, Chief Executive Officer, and Chief Financial Officer has concluded that the internal control over financial reporting is effective.

AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

This Annual Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Annual Report.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting that occurred during the Company's fiscal year that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Prior to the fourth quarter, MachineTalker completed procedures to achieve Sarbanes-Oxley 404 compliance, which were tested during and since the fourth quarter.

INHERENT LIMITATIONS ON EFFECTIVENESS OF CONTROLS

The Company's management does not expect that its disclosure controls or its internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

ITEM 9B. OTHER INFORMATION

None.

-34-

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The following table lists the executive officers and directors of the Company as of December 31, 2009:

NAME	AGE	POSITION
Roland F. Bryan (1)	75	President, Chief Executive Officer, Chief Financial Officer, Secretary, and Chairman of the Board of Directors
Mark J. Richardson	56	Director

(1) Member of Audit Committee. Mr. Bryan is not an independent director and he may not qualify as a financial expert for the purposes of satisfying the requirements of the Securities and Exchange Commission that audit committees be comprised of independent directors, at least one of whom is a financial expert. Management believes that the Company's small size and limited resources has so far hindered it from attracting a third director who can serve on the Audit Committee as an independent financial expert. Nevertheless, the Company will continue to seek such a candidate.

ROLAND F. BRYAN has been the President, Chief Executive Officer, and Chairman of the Board of Directors of MTI since our inception in January 2002, the Chief Financial Officer of MTI since November 2003, and the Secretary of MTI since May 2006. For the six years prior to founding MTI, Mr. Bryan was self employed as an independent advisor to several high-tech companies on corporate organization, management, marketing and product development. Mr. Bryan's professional background is in the areas computer science research and process control through computer automation. During the last 25 years he has built up and sold several high-tech companies in the fields of telecommunications networking, military computer systems and commercial equipment for network access. In 1974, he founded Associated Computer Consultants, Inc. ("ACC"), a company that implemented interconnections to the first packet network for many United States government agencies. In 1983 the name of the company was changed to Advanced Computer Communications, Inc. and continued to produce networking products for both military and commercial applications. ACC made the Inc. 500 List of Fastest Growing Companies in 1984. In 1991 the company was split into two separate businesses, one to concentrate on military products, the other to concentrate on commercial products. ACC was acquired by Ericsson in 1998 for \$265 million. In September 1994, WIRED MAGAZINE honored Mr. Bryan and 18 others, as the "Creators of the Internet."

MARK J. RICHARDSON has been a director of MTI since October 2008. Mr. Richardson has been a securities lawyer since he graduated from the University of Michigan Law School in 1978. He practiced as an associate and partner in large law firms until 1993, when he established his own practice under the name Richardson & Associates. He has been the principal securities counsel on a variety of equity and debt placements for corporations, partnerships, and real estate companies. His practice includes public and private offerings, venture capital placements, debt restructuring, compliance with federal and state securities laws, representation of publicly traded companies, NASDAQ filings, corporate law, partnerships, joint ventures, mergers, asset acquisitions, and stock purchase agreements. As a partner in a major international law firm in the 1980's, Mr. Richardson participated in the leveraged buyout and recapitalization of a well known producer of animated programming for children, financed by Prudential Insurance and Bear Stearns, Inc. He was also instrumental in restructuring the public debentures of a real estate company without resorting to a bankruptcy proceeding. From 1986 to 1993 Mr. Richardson was a contributing author to State Limited Partnerships Laws - California Practice Guide, Prentice Hall Law and Business. Prior to receiving his juris doctor degree cum laude from the University of Michigan Law School in 1978, Mr. Richardson received a

bachelor of science degree summa cum laude in Resource Economics from the University of Michigan School of Natural Resources in 1975, where he earned the Bankstrom Prize for academic excellence and achieved Phi Beta Kappa honors. Mr. Richardson is an active member of the Los Angeles County and California State Bar Associations, including the Section on Corporations, Business and Finance and the Section on Real Estate. Richardson & Associates is outside corporate legal counsel for the Company and certain of its affiliates.

-35-

LIMITATION OF LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS

Under Delaware General Corporation Law and our Articles of Incorporation, our directors will have no personal liability to us or our stockholders for monetary damages incurred as the result of the breach or alleged breach by a director of his "duty of care." This provision does not apply to the directors' (i) acts or omissions that involve intentional misconduct or a knowing and culpable violation of law, (ii) acts or omissions that a director believes to be contrary to the best interests of the corporation or its shareholders or that involve the absence of good faith on the part of the director, (iii) approval of any transaction from which a director derives an improper personal benefit, (iv) acts or omissions that show a reckless disregard for the director's duty to the corporation or its shareholders in circumstances in which the director was aware, or should have been aware, in the ordinary course of performing a director's duties, of a risk of serious injury to the corporation or its shareholders, (v) acts or omissions that constituted an unexcused pattern of inattention that amounts to an abdication of the director's duty to the corporation or its shareholders, or (vi) approval of an unlawful dividend, distribution, stock repurchase or redemption. This provision would generally absolve directors of personal liability for negligence in the performance of duties, including gross negligence.

The effect of this provision in our Articles of Incorporation is to eliminate the rights of MTI and our stockholders (through stockholder's derivative suits on behalf of MTI) to recover monetary damages against a director for breach of his fiduciary duty of care as a director (including breaches resulting from negligent or grossly negligent behavior) except in the situations described in clauses (i) through (vi) above. This provision does not limit nor eliminate the rights of MTI or any stockholder to seek non-monetary relief such as an injunction or rescission in the event of a breach of a director's duty of care. In addition, our Articles of Incorporation provide that if Delaware law is amended to authorize the future elimination or limitation of the liability of a director, then the liability of the directors will be eliminated or limited to the fullest extent permitted by the law, as amended. Delaware General Corporation Law grants corporations the right to indemnify their directors, officers, employees and agents in accordance with applicable law. Our Bylaws provide for indemnification of such persons to the full extent allowable under applicable law. These provisions will not alter the liability of the directors under federal securities laws.

We intend to enter into agreements to indemnify our directors and officers, in addition to the indemnification provided for in our Bylaws. These agreements, among other things, indemnify our directors and officers for certain expenses (including attorneys' fees), judgments, fines, and settlement amounts incurred by any such person in any action or proceeding, including any action by or in the right of MTI, arising out of such person's services as a director or officer of MTI, any subsidiary of MTI or any other company or enterprise to which the person provides services at the request of MTI. We believe that these provisions and agreements are necessary to attract and retain qualified directors and officers.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling MTI pursuant to the foregoing provisions, MTI has been informed that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

BOARD COMMITTEES

The Board of Directors has appointed an Audit Committee. As of December 31, 2009, the sole member of the Audit Committee is Roland F. Bryan, who may not be considered to be independent as defined in Rule 4200 of the National Association of Securities Dealers' listing standards. The Board of Directors has adopted a written charter of the Audit Committee. The Audit Committee is

authorized by the Board of Directors to review, with our independent accountants, the annual financial statements of MTI prior to publication, and to review the work of, and approve non-audit services preformed by, such independent accountants. The Audit Committee will make annual recommendations to the Board for the appointment of independent public accountants for the ensuing year. The Audit Committee will also review the effectiveness of the financial and accounting functions and the organization, operations and management of MTI. The Audit Committee was formed on February 8, 2005. The Audit Committee held one meeting during fiscal year ended December 31, 2009. As of December 31, 2009, we have not yet appointed a Compensation Committee.

-36-

REPORT OF THE AUDIT COMMITTEE

Our Audit Committee has reviewed and discussed our audited financial statements for the fiscal year ended December 31, 2009 with senior management. The Audit Committee has also discussed with HJ Associates & Consultants, LLP, Certified Public Accountants ("HJ"), our independent auditors, the matters required to be discussed by the statement on Auditing Standards No. 61 (Communication with Audit Committees) and received the written disclosures and the letter from HJ required by Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees). The Audit Committee has discussed with HJ the independence of HJ as our auditors. Finally, in considering whether the independent auditors provision of non-audit services to us is compatible with the auditors' independence for HJ, our Audit Committee has recommended to the Board of Directors that our audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 for filing with the United States Securities and Exchange Commission. Our Audit Committee did not submit a formal report regarding its findings.

AUDIT COMMITTEE

ROLAND F. BRYAN

Notwithstanding anything to the contrary set forth in any of our previous or future filings under the United States Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate this report in future filings with the Securities and Exchange Commission, in whole or in part, the foregoing report shall not be deemed to be incorporated by reference into any such filing.

CODE OF CONDUCT

We have adopted a Code of Conduct that applies to all of our directors, officers and employees. The text of the Code of Conduct has been posted on MTI's Internet website and can be viewed at www.machinetalk.com. Any waiver of the provisions of the Code of Conduct for executive officers and directors may be made only by the Audit Committee and, in the case of a waiver for members of the Audit Committee, by the Board of Directors. Any such waivers will be promptly disclosed to our shareholders.

COMPLIANCE WITH SECTION 16(A) OF EXCHANGE ACT

Section 16(a) of the Exchange Act requires our officers and directors, and certain persons who own more than 10% of a registered class of our equity securities (collectively, "Reporting Persons"), to file reports of ownership and changes in ownership ("Section 16 Reports") with the Securities and Exchange Commission (the "SEC"). Reporting Persons are required by the SEC to furnish us with copies of all Section 16 Reports they file.

Based solely on its review of the copies of such Section 16 Reports received by it, or written representations received from certain Reporting Persons, all Section 16(a) filing requirements applicable to our Reporting Persons during and with respect to the fiscal year ended December 31, 2009 have been complied with on a timely basis.

ITEM 11. EXECUTIVE COMPENSATION

EXECUTIVE OFFICER COMPENSATION

The following table sets forth the total compensation paid in all forms to the executive officers and directors of the Company during the periods

indicated:

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION (1)	YEAR	SALARY	BONUS	OPTION AWARDS	NON-EQUITY INCENTIVE PLAN COMPENSATION	NON-QUALIFIED DEFERRED COMPENSATION EARNINGS	ALL OTHER COMPENSATION	TOTAL
Roland F. Bryan, Chief Executive Officer	2009	\$120,000 (1)	0	0	0	0	0	\$120,000 (1)
	2008	\$120,000	0	0	0	0	0	\$120,000
Officers and Key Employees as a Group	2009	\$120,000	0	0	0	0	0	\$120,000
	2008	\$180,000	0	0	0	0	0	\$180,000

(1) Mr. Bryan deferred and accrued the entire amount of his salary in 2009.

EMPLOYMENT AGREEMENTS

The Company has not entered into any employment agreements with its executive officers to date. The Company may enter into employment agreements with them in the future.

OUTSTANDING EQUITY AWARDS

None of the Company's executive officers received any equity awards during the year ended December 31, 2009.

DIRECTOR COMPENSATION

No compensation was paid to Directors of the Company and no stock or option awards for Directors were outstanding on December 31, 2009.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth the names of our executive officers and directors and all persons known by us to beneficially own 5% or more of the issued and outstanding common stock of MachineTalker at March 31, 2010. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. In computing the number of shares beneficially owned by a person and the percentage of ownership of that person, shares of common stock subject to options held by that person that are currently exercisable or become exercisable within 60 days of March 31, 2010 are deemed outstanding even if they have not actually been exercised. Those shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person. The percentage ownership of each beneficial owner is based on 261,976,794 outstanding shares of common stock. Except as otherwise listed below, the address of each person is c/o MachineTalker, Inc., 513 De La Vina Street, Santa Barbara, California 93101. Except as indicated, each person listed below has sole voting and investment power with respect to the shares set forth opposite such person's name as of March 31, 2010.

NAME AND ADDRESS OF STOCKHOLDER	NUMBER OF SHARES BENEFICIALLY OWNED (1)	PERCENTAGE OWNERSHIP
ROLAND F. BRYAN (2)	42,533,429	16.24
NADIR DAGLI	15,000,000	5.73
CUMORAH CAPITAL	57,770,047	22.05
PEARL INNOVATIONS, LLC	53,120,047	20.28

MARK J. RICHARDSON 1453 Third Street Promenade, Suite 315 Santa Monica, California 90401	6,270,000	2.38
All Current Executive Officers as a Group	42,533,429	16.24

- (1) Except as pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned. The total number of issued and outstanding shares and the total number of shares owned by each person does not include unexercised warrants and stock options, and is calculated as of March 31, 2010.
- (2) Roland F. Bryan is the President, Chief Executive Officer, and Chairman of the Board of Directors of MTI. The Bryan Family Trust owns 940,000 of these shares. Mr. Bryan holds an option to purchase 1,080,000 shares from two existing shareholders at \$0.50 per share, after accounting for the Company's one-for-five reverse stock split in April 2009.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

We currently lease approximately 1,541 square feet of office space at 513 De La Vina Street, Santa Barbara, California 93101 from a company owned by the majority shareholders at a base rental rate of approximately \$1,150 per month pursuant to a month to month lease.

As During the year ended December 31, 2009, the Company's President forgave a note payable of \$52,342 and cash of \$6,485 to contributed capital. During the year ended December 31, 2008, the Company's President and Chief Executive Officer forgave the convertible note of \$436,000, which is principal only. The note bears interest at 6% per annum. The note was to be converted into 3,488,000 shares of common stock at a price of \$0.125 per share. The principal on the note was restated as contributed capital. The interest due as of December 31, 2008 was \$56,842.

During the year ended December 31, 2009, the Company's President loaned \$7,000 to the Company for operating expenses. During the year ended December 31, 2008, the Company's President and Chief Executive officer loaned the Company \$349,342. The note bears interest at 6% per annum. The interest due as of December 31, 2009 and 2008 was \$108,962 and \$40,064, respectively.

As of April 30, 2009, our sole member of the Audit Committee is Roland F. Bryan, who may not be considered to be independent as defined in Rule 4200 of the National Association of Securities Dealers' listing standards.

-39-

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

HJ Associates & Consultants, LLP, Certified Public Accountants ("HJ") is our principal auditing accountant firm. HJ has provided other non-audit services to the Company. The Audit Committee approved the engagement of HJ before HJ rendered audit and non-audit services to us.

Each year the independent auditor's retention to audit our financial statements, including the associated fee, is approved by the Board before the filing of the previous year's Annual Report on Form 10-K.

HJ FEES

	2009	2008
Audit Fees (1)	\$ 27,500 (1)	\$ 28,800
Audit Related Fees	- 0 -	-0-
Tax Fees (2)	1,618 (2)	1,490
All Other Fees	- 0 -	-0-
	-----	-----
	\$ 29,118	\$ 30,290

- (1) Audit Fees consist of fees for the audit of our financial statements and review of the financial statements included in our quarterly reports.
- (2) Tax fees consist of fees for the preparation of original federal and state income tax returns and fees for miscellaneous tax consulting services.

PRE-APPROVAL POLICIES AND PROCEDURES OF AUDIT AND NON-AUDIT SERVICES OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee's policy is to pre-approve, typically at the beginning of our fiscal year, all audit and non-audit services, other than de minimis non-audit services, to be provided by an independent registered public accounting firm. These services may include, among others, audit services, audit-related services, tax services and other services and such services are generally subject to a specific budget. The independent registered public accounting firm and management are required to periodically report to the full Board regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date. As part of the Board's review, the Board will evaluate other known potential engagements of the independent auditor, including the scope of work proposed to be performed and the proposed fees, and approve or reject each service, taking into account whether the services are permissible under applicable law and the possible impact of each non-audit service on the independent auditor's independence from management. At Audit Committee meetings throughout the year, the auditor and management may present subsequent services for approval. Typically, these would be services such as due diligence for an acquisition, that would not have been known at the beginning of the year.

The Audit Committee has considered the provision of non-audit services provided by our independent registered public accounting firm to be compatible with maintaining their independence. The Audit Committee will continue to approve all audit and permissible non-audit services provided by our independent registered public accounting firm.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

EXHIBIT	DESCRIPTION
3.1	Certificate of Incorporation (1)
3.2	Amendments to Certificate of Incorporation (1)
3.3	Amendment to Certificate of Incorporation (7)
3.4	Bylaws (1)
4.1	Specimen Certificate for Common Stock (1)
4.2	2002 Stock Option Plan (1)
4.3	Form of Incentive Stock Option Agreement (1)
4.4	Form of Non Qualified Stock Option Agreement (1)
4.5	Form of Lock-Up Agreement to be entered into by the Company with Wings Fund, Inc., Roland F. Bryan, Mark J. Richardson, and Chris Outwater, dated as of May 2, 2009 (6)
10.1	Lease Agreement by and between MachineTalker, Inc. and SecureCoin, Inc., dated August 20, 2003 (1)
10.2	Agreement No. CA-00062 by and between MachineTalker, Inc. and Kellogg, Brown & Root Services, Inc., dated December 20, 2004 (2)
10.3	Agreement by and between MachineTalker, Inc. and Science Applications International Corporation, dated July 1, 2004 (1)
10.4	Acquisition Agreement for Wideband Detection Technologies, Inc. dated July 20, 2007 (4)
10.5	Acquisition Agreement for Micro Wireless Technologies, Inc. dated December 28, 2007 (5)
10.6	Stock Purchase Agreement with Wings Fund, Inc., a Nevada corporation, and Pearl Innovations, LLC, a Nevada limited liability company, dated as of May 5, 2009 (6)
14.1	Code of Conduct (3)
31.1	Section 302 Certification
32.1	Section 906 Certification

- (1) Incorporated by reference to the Form SB-2 Registration Statement filed with the Securities and Exchange Commission dated August 1, 2005.
- (2) Incorporated by reference to Amendment No. 4 to the Form SB-2 Registration Statement filed with the Securities and Exchange Commission dated November 2, 2005.
- (3) Incorporated by reference to the Form 10-KSB filed with the Securities and Exchange Commission dated April 14, 2007.
- (4) Incorporated by reference to the Form 8K filed with the Securities and Exchange Commission dated July 20, 2007.

- (5) Incorporated by reference to the Form 8K filed with the Securities and Exchange Commission dated January 3, 2008.
- (6) Incorporated by reference to the Form 8K filed with the Securities and Exchange Commission dated May 13, 2009.
- (7) Incorporated by reference to the Form 10K filed with the Securities and Exchange Commission dated July 15, 2009.

-41-

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: April 15, 2010 MACHINETALKER, INC.

By: /s/ Roland F. Bryan

Roland F. Bryan, Chairman of the Board,
Chief Executive Officer, President
(Principal Executive Officer), and Chief
Financial Officer (Chief Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Roland F. Bryan Dated: April 15, 2010

Roland F. Bryan, Chairman of the Board, Chief Executive
Officer, President (Principal Executive Officer), and
Chief Financial Officer (Chief Accounting Officer)

By: /s/ Mark J. Richardson Dated: April 15, 2010

Mark J. Richardson, Director

-42-

EXHIBIT 31.1
SECTION 302 CERTIFICATION

EXHIBIT 31.1
CERTIFICATIONS

I, Roland F. Bryan, certify that:

1. I have reviewed this Annual Report on Form 10-K of MachineTalker, 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 15d-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.
5. The registrant's other certifying officer(s) and I have disclosed, based on MachineTalker's 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 (of 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 small business issuer's internal control over financial reporting.

Dated: April 15, 2010

By: /s/ Roland F. Bbryan

Roland F. Bryan, Chief Executive Officer and President
(Principal Executive Officer)

EXHIBIT 31.2
SECTION 302 CERTIFICATION

EXHIBIT 31.2
CERTIFICATIONS

I, Roland F. Bryan, certify that:

1. I have reviewed this Annual Report on Form 10-K of MachineTalker, 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 15d-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.
5. The registrant's other certifying officer(s) and I have disclosed, based on MachineTalker's 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 (of 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 small business issuer's internal control over financial reporting.

Dated: April 15, 2010

By: /s/ Roland F. Bryan

Roland F. Bryan, Chief Financial Officer
(Principal Accounting Officer)

EXHIBIT 32.1
SECTION 906 CERTIFICATION

Exhibit 32.1

CERTIFICATION 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 Annual Report of MachineTalker, Inc. (the "Company") on Form 10-K for the period ending December 31, 2009 (the "Report") I, Roland F. Bryan, Chief Executive Officer and President of the Company, certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

- (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.

Dated: April 15, 2010

By: /s/ Roland F. Bryan

Roland F. Bryan, Chief Executive Officer and
President (Principal Executive Officer)

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

EXHIBIT 32.2
SECTION 906 CERTIFICATION

Exhibit 32.2

CERTIFICATION 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 Annual Report of MachineTalker, Inc. (the "Company") on Form 10-K for the period ending December 31, 2009 (the "Report") I, Roland F. Bryan, Chief Financial Officer of the Company, certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

- (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.

Dated: April 15, 2010

By: /s/ Roland F. Bryan

Roland F. Bryan, Chief Financial Officer
(Principal Accounting Officer)

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.