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YGNITION NETWORKS, INC.

FINANCIAL REPORT

DECEMBER 31, 2005

C O N T E N T S

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ygnition Networks, Inc.
Seattle, Washington

We have audited the accompanying balance sheets of Ygnition Networks, Inc. as of December 31, 2005 and 2004, and the related statements of operations, stockholders' equity (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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 financial statements referred to above present fairly, in all material respects, the financial position of Ygnition Networks, Inc. as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

June 14, 2006

YGNITION NETWORKS, INC.

BALANCE SHEETS
December 31, 2005 and 2004

ASSETS	2005	2004
Current Assets	[redacted]	
Cash and cash equivalents		
Accounts receivable		
Note receivable, current portion		
Deposits and prepaid expenses		
Total current assets		
Note Receivable, less current portion		
Property and Equipment, net		
Intangible Assets, net		
Other Assets, net		
Total assets		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable		
Accrued expenses		
Deferred revenue		
Notes payable, current portion		
Total current liabilities		
Long-Term Liabilities		
Notes payable, net of current portion		
Total liabilities		
Stockholders' Equity		
Preferred stock (no par value, authorized [redacted] shares)		
Series A redeemable convertible preferred stock [redacted] and [redacted] shares issued and outstanding at December 31, 2005 and 2004, respectively; aggregate liquidation preference of [redacted]		
Series B redeemable convertible preferred stock [redacted] shares issued and outstanding at December 31, 2005 and 2004; aggregate liquidation preference of [redacted]		
Series C redeemable convertible preferred stock ([redacted] and [redacted] shares issued and outstanding at December 31, 2005 and 2004, respectively; aggregate liquidation preference of [redacted])		
Series D redeemable convertible preferred stock ([redacted] shares issued and outstanding at December 31, 2005; aggregate liquidation preference of [redacted]		
Common stock (no par value, authorized [redacted] shares; [redacted] shares issued and outstanding)		
Additional paid-in capital		
Accumulated deficit		
Total stockholders' equity		
Total liabilities and stockholders' equity		

See Notes to Financial Statements

YGNITION NETWORKS, INC.

STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2005 and 2004

	2005	2004
Service revenues	[redacted]	
Operating expenses		
Telecommunications charges		
Customer and technical support		
Sales, general, and administrative		
Depreciation and amortization		
Total operating expenses		
Loss from operations		
Other income (expense)		
Interest expense		
Interest income		
Gain on disposal of assets		
Net loss		

See Notes to Financial Statements

YGNITION NETWORKS, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
For the Years Ended December 31, 2005 and 2004

	Preferred Stock - Series A		Preferred Stock - Series B		Preferred Stock - Series C		Preferred Stock - Series D		Common Stock		Additional	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Paid-in Capital	Deficit	Equity
Balances at December 31, 2003	[redacted]												
Issuance of preferred stock													
Preferred stock issuance costs													
Preferred stock accretion													
Exercise of common stock options													
Issuance of preferred stock warrants													
Net loss													
Balances at December 31, 2004													
Issuance of preferred stock													
Preferred stock issuance costs													
Redemption of preferred stock													
Preferred stock accretion													
Net loss													
Balances at December 31, 2005													

See Notes to Financial Statements

YGNITION NETWORKS, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2005 and 2004

	2005	2004
Cash Flows From Operating Activities	[redacted]	
Net loss		
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization		
Gain on disposal of assets		
Amortization of debt discount and debt transaction costs		
Interest accrued on convertible promissory notes		
Changes in operating assets and liabilities		
Accounts receivable		
Note receivable		
Deposits and prepaid expenses		
Accounts payable		
Accrued expenses		
Deferred revenue		
Net cash used in operating activities		
Cash Flows From Investing Activities		
Purchases of property and equipment		
Purchase of intangible assets		
Investment in other assets		
Purchases of businesses		
Proceeds on disposal of assets		
Net cash used in investing activities		
Cash Flows From Financing Activities		
Proceeds from issuance of convertible promissory notes		
Proceeds from notes payable		
Repayments of notes payable		
Exercise of common stock options		
Proceeds from issuance of preferred stock		
Preferred stock issuance costs		
Redemption of preferred stock		
Net cash provided by financing activities		
Net change in cash and cash equivalents		
Cash and Cash Equivalents, beginning of year		
Cash and Cash Equivalents, end of year		
Supplementary Disclosures:		
Cash paid for interest		
Non-cash items:		
Preferred stock accretion		
Issuance of preferred stock on conversion of convertible promissory notes and accrued interest		
Issuance of preferred stock warrants		

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations and Significant Accounting Policies

Nature of Operations

Ygnition Networks, Inc. ("the Company") is a broadband communications service company, providing television ("Video"), high-speed Internet service ("Data"), and telephone ("Voice") primarily to residents of multi-family dwelling units ("MDUs") throughout the United States. The Company also provides point-to-point and Internet connectivity to businesses. As of December 31, 2005, the Company had approximately [redacted] homes passed (potential customers) for Video service and [redacted] homes passed for Data service, and serves approximately 18,000 Video subscribers, [redacted] Data subscribers, and [redacted] point-to-point business subscribers. The Company is headquartered in Seattle, Washington.

The Company was incorporated in Washington on May 11, 2001, as Nine Lives Communications, Inc. During September 2001, in concert with the launch of initial operations, the Company changed its name to Interquest Communications, Inc. During November 2003, the Company changed its name to Ygnition Networks, Inc.

The Company began its initial operations during the fall of 2001 solely as an Internet Service Provider ("ISP"). From 2001 through 2003, the Company made numerous acquisitions of equipment and subscribers from other ISPs. All of these transactions were accounted for as purchases.

The Company launched its Video service offering in the fall of 2003, bundling Video with Data services at specific apartment communities. During 2004, the Company acquired operating assets and subscribers of three MDU Video service providers: U.S. Online, Castle Cable, Inc., and TVMAX DFW, LP. All of these acquisitions were accounted for as purchases.

During May 2005, the Company acquired the Orlando and Tampa, Florida, operating assets of TVMAX Tampa, LLC (see Note 2). As a result of the acquisition, the Company acquired approximately 3,200 Video passings and approximately 2,000 customers. This acquisition was accounted for as a purchase.

Liquidity

The Company has historically suffered recurring operating losses and negative cash flows from operations. As of December 31, 2005, the Company had an accumulated deficit of approximately [redacted] and negative working capital of approximately [redacted] These financial statements have been prepared in accordance with accounting principles generally accepted in the United States, assuming that the Company will continue as a going concern. Management believes cash and cash equivalent balances, the subsequent financing discussed in Note 12, and any net cash provided by operations will provide adequate resources to fund operations into 2007. There is no assurance that these results will be achieved. The Company's inability to obtain additional cash as needed could have a material adverse effect on its financial position, results of operations, and its ability to continue in existence.

The Company is subject to a number of risks similar to other companies in a comparable stage of development including the need for continued growth in demand for the Company's products and services, reliance on key personnel, competition from other companies with greater financial, technical, and marketing resources, and the risks relating to the ability to secure adequate financing.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimated amounts.

Revenue Recognition

The Company recognizes revenue from services in the period that the service is provided. Installation fees received upon customer sign-up are deferred and amortized over the estimated life of each customer's agreement.

Cash and Cash Equivalents

Cash and cash equivalents are highly liquid investments with insignificant interest rate risk and maturities of less than three months when purchased.

Cash balances can exceed federal banking insurance limits. The Company's risk is mitigated by investing its excess cash in money market accounts with various financial institutions.

Accounts Receivable

Accounts receivable are stated at their outstanding balances. Management reviews the collectibility of accounts receivable on a periodic basis and determines the appropriate amount of any allowance. No allowance was deemed necessary at December 31, 2005 and 2004, because management had written off all potentially uncollectible accounts at those dates. The Company charges off receivables to an allowance (if any) when management determines that a receivable is not collectible. Accounts receivable are not collateralized.

Note Receivable

The note receivable is recorded at its principal amount. Any allowance for losses would be estimated based on the financial condition of the borrower. No allowance was determined to be necessary at December 31, 2005 and 2004, since the note is secured by the borrower's real estate.

Property and Equipment

Property and equipment is stated at historical cost less accumulated depreciation (unless an impairment exists, as discussed below). Maintenance costs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 2 to 10 years.

Intangible Assets

Intangible assets consist of customer agreements and Right of Entry agreements ("ROEs"). ROEs are contractual agreements between the Company and owners of MDUs that establish the Company as the sole or preferred service provider at the property. Intangible assets are stated at historical cost less accumulated amortization (unless an impairment exists, as discussed below). Amortization is computed using the straight-line method over the estimated useful life of the agreements at the time of acquisition, which is five years.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

Long-lived assets are grouped at the lowest level for which there are independent cash flows, and the asset groups are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of assets and asset groups to be held and used is measured by a comparison of the carrying amount to future net cash flows, undiscounted and without interest, expected to be generated by the asset or asset group. If such assets or asset groups are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value. Assets and asset groups to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

The Company has identified no impairment losses for the years ended December 31, 2005 and 2004.

Advertising Costs

Advertising costs are expensed as incurred. The Company incurred [redacted] and [redacted] in advertising costs for the years ended December 31, 2005 and 2004, respectively.

Income Taxes

The Company accounts for income taxes under an asset and liability approach that requires the recognition of deferred assets and liabilities for expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, the Company generally considers all expected future events other than changes in the tax laws or rates. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

Preferred Stock Accretion

Preferred stock is initially recorded at its issuance price at the time of issuance. The carrying value is increased periodically by dividends that have not been currently declared or paid, but will be due under the redemption agreement. The corresponding debit resulting from this accretion is recorded directly to accumulated deficit.

Stock-Based Compensation

The Company accounts for options and other stock-based compensation under the recognition and measurement principles of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. This is referred to as the intrinsic value method. No stock-based employee compensation expense is reflected in these financial statements because all options granted under the plan had an exercise price equal to or greater than the market value of the underlying common stock on the date of the grant. The Company, at its option, could elect to follow the fair value method (as described in Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation") rather than the intrinsic value method. The effect on the net loss if the Company had applied the fair value method of SFAS No. 123 to stock-based employee compensation is not determinable due to the lack of a public market for the Company's common shares and significant changes to the Company's capital structure during 2005 and 2004. If the fair value of stock-based compensation was determined, management believes the effect on the net loss would not be significant.

Segment Information

The Company has adopted the provisions of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." Under this standard, the Company is required to use the "management" approach to reporting its segments. The management approach designates that the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's segments. All of the Company's business groups share similar economic characteristics, operate at similar gross margins, and have selling, general and administrative expenses. Based on the criteria outlined in SFAS No. 131, the Company operates in one segment: broadband communications.

Debt Discount

Debt discount resulting from the issuance of warrants with notes payable is amortized into interest expense over the contractual term of the debt using the effective interest method.

Recent Accounting Pronouncements

SFAS No. 123(R), "Share-Based Payment," eliminates the option to apply the intrinsic value measurement provision of APB Opinion No. 25, to stock compensation awards issued to employees. This revised SFAS applies to the Company for its first reporting period beginning after December 15, 2005. Management is analyzing the requirements of this statement.

EITF Issue No. 05-08, "Income Tax Consequences of Issuing Convertible Debt with a Beneficial Conversion Feature," is effective for financial statements beginning in the first reporting period beginning after December 15, 2005. Management believes that its adoption will not have any significant impact on the Company's financial statements.

EITF Issue No. 05-02, "The Meaning of 'Conventional Convertible Debt Instrument' in EITF Issue No. 00-19, 'Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock,'" is effective for new instruments entered into and instruments modified in reporting periods beginning after June 20, 2005. Management believes that its adoption will not have any significant impact on the Company's financial statements.

EITF Issue No. 05-07, "Accounting for Modifications to Conversion Options Embedded in Debt Instruments and Related Issues," is effective for future modifications of debt instruments beginning in the first reporting period beginning after December 15, 2005. Management believes that its adoption will not have any significant impact on the Company's financial statements.

Note 2. Acquisitions

TVMAX Tampa, LLC

During May 2005, the Company acquired the Orlando and Tampa, Florida, operating assets of TVMAX Tampa, LLC ("TVMAX"). The results of TVMAX's operating assets have been included in these financial statements since the acquisition date. TVMAX's operating assets consist primarily of intangible assets such as customer agreements and ROEs, as well as certain property and equipment. As a result of the acquisition, the Company acquired approximately [redacted] video passings and approximately [redacted] customers. The acquisition is consistent with the Company's business of broadband communications.

The purchase price, including transaction fees, was [redacted] and paid entirely in cash. The fair values assigned to the intangible assets and property and equipment were [redacted] and [redacted] respectively.

<u>Primetime Technical Services LLC</u>

During May 2005, the Company acquired certain operating assets of the Video services provider, Primetime Technical Services LLC ("Primetime"). The results of Primetime's operating assets have been in these financial statements since the acquisition date. Primetime's operating assets consist primarily of intangible assets such as customer agreements and ROEs, as well as certain property and equipment. As a result of the acquisition, the Company acquired approximately 666 Video passings and approximately 424 customers. The acquisition is consistent with the Company's business of broadband communications.

The purchase price, including transaction fees, was [redacted] and paid entirely in cash. The fair values assigned to the intangible assets and property and equipment were [redacted] and [redacted] respectively.

The Company is amortizing all intangible assets acquired with the Primetime purchase and the TVMAX purchase over five years.

Note 3. Property and Equipment

Property and equipment consists of the following at December 31:

	Estimated	December 31,	
	Useful Life	2005	2004
Customer premise equipment	[redacted]		
Computers and related equipment, including software			
Motor vehicles			
On-site signage			
Furniture and equipment			
Accumulated depreciation			

Depreciation of property and equipment totaled [redacted] and [redacted] in 2005 and 2004, respectively.

Note 4. Intangible Assets

Intangible assets consist of customer agreements and ROEs. Balances as of December 31 are as follows:

	2005	2004
Cost	[redacted]	
Accumulated amortization		

Amortization of intangible assets totaled [redacted] and [redacted] in 2005 and 2004, respectively. For each of the ensuing five years ending December 31, amortization expense is estimated as follows:

2006	[redacted]
2007	
2008	
2009	
2010	

Note 5. Other Assets

Other assets consist of the following at December 31:

	Estimated Useful Life	December 31, 2005	December 31, 2004
Debt transaction costs	3 years	[redacted]	
Web-site development costs	4 years		
Internal software development costs	5 years		
Accumulated amortization			

Amortization of other assets totaled [redacted] and [redacted] in 2005 and 2004, respectively.

Note 6. Stockholders' Equity

Common Stock

During 2004, employees of the Company exercised options on [redacted] shares of common stock for [redacted] No options were exercised in 2005.

Preferred Stock

Series A Preferred Stock

During 2001, the Company completed a private placement authorizing the issuance and sale of [redacted] shares of Series A redeemable convertible participating preferred stock ("Series A") at [redacted] per share.

a) ***Dividends***

Holders of Series A have preferential rights to [redacted] cumulative dividends, when and if declared, over common stockholders, if approved by the Board of Directors.

b) ***Conversion***

At any time after the date of issuance, each share of Series A, at the option of the holders, shall be converted to common stock using the formula provided in the Company's Articles of Incorporation (currently at a ratio of one to one), or automatically upon the closing of an initial public offering of the Company's common stock.

c) ***Liquidation Preference***

In the event of liquidation, and only after the full payment of any amounts payable in a liquidation to the holders of Series B, Series C, and Series D, the holders of Series A have preferential rights over common stockholders to liquidation payments at the original issue price of [redacted] per share. Upon completion of such a distribution, the remaining assets of the Company shall be distributed among the holders of Series A, Series B, Series C, Series D, and the common stockholders pro rata based on the number of shares of common stock held by each, on the assumption the shares of Series A, Series B, Series C, and Series D shareholders were converted to common.

d) ***Redemption Provisions***

Subject to the redemption preference of the Series B, Series C, and Series D, on and at any time after July 1, 2010, the Company will be obligated to redeem all or a portion of the Series A by paying in cash an amount using the formula provided in the Articles of Incorporation. This redemption will only occur upon written notice of at least [redacted] of the Company's Series A holders, [redacted] of the Company's Series B holders, [redacted] of the Company's Series C holders, and [redacted] of the Company's Series D holders.

e) ***Voting Rights***

Holders of Series A are entitled to the number of votes equal to the number of shares of common stock into which their stock could be converted and have voting rights equal to holders of common stock.

Series B Preferred Stock

During July 2003, the Company completed a private placement authorizing the issuance and sale of [redacted] shares of Series B redeemable convertible participating preferred stock ("Series B") at [redacted] per share.

a) ***Dividends***

Holders of Series B have preferential rights to [redacted] cumulative dividends, when and if declared over Series A and common stockholders, if approved by the Board of Directors.

b) ***Conversion***

At any time after the date of issuance, each share of Series B, at the option of the holders, shall be converted to common stock using the formula provided in the Company's Articles of Incorporation (currently at a ratio of one to one), or automatically upon the closing of an initial public offering of the Company's common stock.

c) ***Liquidation Preference***

In the event of liquidation, and only after the full payment of any amounts payable in a liquidation to the holders of Series C and Series D, the holders of Series B have preferential rights over the Series A and common stockholders to liquidation payments at the original issue price of [redacted] per share, plus accrued and unpaid dividends, if any. Upon completion of such a distribution, the remaining assets of the Company shall be distributed among the holders of Series A, Series B, Series C, Series D, and the common stockholders pro rata based on the number of shares of common stock held by each, on the assumption the shares of Series A, Series B, Series C, and Series D shareholders were converted to common.

d) ***Redemption Provisions***

Subject to the redemption preference of the Series C and Series D, on and at any time after July 1, 2010, the Company will be obligated to redeem all or a portion of the Series B by paying in cash an amount using the formula provided in the Articles of Incorporation. This redemption will only occur upon written notice of at least [redacted]% of the Company's Series B holders, [redacted]% of the Company's Series C holders, and [redacted]% of the Company's Series D holders.

e) ***Voting Rights***

Holders of Series B are entitled to the number of votes equal to the number of shares of common stock into which their stock could be converted and have voting rights equal to holders of common stock.

Series C Preferred Stock

During December 2004, the Company completed a private placement of [redacted] shares of Series C redeemable convertible participating preferred stock ("Series C") at [redacted] per share, of which [redacted] shares were issued for cash consideration of [redacted] per share. This resulted in gross proceeds from the issuance of [redacted].

The remaining [redacted] shares were issued upon the conversion of [redacted] of convertible promissory notes that had previously been advanced to the Company by its investors on various dates beginning April 19, 2004, in order to provide the Company with bridge financing to fund its operating activities. The notes bore interest at a rate of [redacted] per annum. The notes were converted into Series C preferred stock at [redacted] per share to satisfy the principal plus accrued interest on the notes of [redacted].

Total net proceeds (including note conversions) from Series C financing in 2004, after costs of issuance of [redacted] amounted to $[redacted]

a) ***Dividends***

Holders of Series C have preferential rights to [redacted] cumulative dividends, when and if declared over Series A, Series B, and common stockholders, if approved by the Board of Directors.

b) ***Conversion***

At any time after the date of issuance, each share of Series C, at the option of the holders, shall be converted to common stock using the formula provided in the Company's Articles of Incorporation (currently at a ratio of one to one), or automatically upon the closing of an initial public offering of the Company's common stock.

c) ***Liquidation Preference***

In the event of liquidation, and only after the full payment of any amounts payable in a liquidation to the holders of Series D, the holders of Series C have preferential rights over the Series A, Series B, and common stockholders to liquidation payments at the original issue price of [redacted] per share, plus accrued and unpaid dividends, if any. Upon completion of such a distribution, the remaining assets of the Company shall be distributed among the holders of Series A, Series B, Series C, Series D, and the common stockholders pro rata based on the number of shares of common stock held by each, on the assumption the shares of Series A, Series B, Series C, and Series D shareholders were converted to common.

d) ***Redemption Provisions***

Subject to the redemption preference of the Series D, on and at any time after July 1, 2010, the Company will be obligated to redeem all or a portion of the Series C by paying in cash an amount using the formula provided in the Articles of Incorporation. This redemption will only occur upon written notice of at least [redacted]% of the Company's Series C holders and [redacted] of the Company's Series D holders.

e) ***Voting Rights***

Holders of Series C are entitled to the number of votes equal to the number of shares of common stock into which their stock could be converted and have voting rights equal to holders of common stock.

Series D Preferred Stock

During June 2005, the Company completed a private placement authorizing the issuance and sale of [redacted] shares of Series D redeemable convertible participating preferred stock ("Series D") at [redacted] per share.

Of the [redacted] shares of Series D that were authorized, [redacted] shares were issued for cash consideration of [redacted] per share resulting in gross proceeds of $[redacted] The remaining [redacted] shares were issued upon conversion of the [redacted] convertible promissory note that had previously been advanced to the Company by a stockholder in December 2004 in order to provide the Company with bridge financing to fund operating activities. The note was converted into Series D preferred stock of [redacted] per share to satisfy the principal plus accrued interest on the notes of [redacted]

Total net proceeds from Series D financing in 2005, after costs of issuance of [redacted], amounted to [redacted]

a) ***Dividends***

Holders of Series D have preferential rights to [redacted]% cumulative dividends, when and if declared over Series A, Series B, Series C, and common stockholders, if approved by the Board of Directors.

b) ***Conversion***

At any time after the date of issuance, each share of Series D, at the option of the holders, shall be converted to common stock using the formula provided in the Company's Articles of Incorporation (currently at a ratio of one to one), or automatically upon the closing of an initial public offering of the Company's common stock.

c) ***Liquidation Preference***

In the event of liquidation, the holders of Series D have preferential rights over the Series A, Series B, Series C, and common stockholders to liquidation payments at the original issue price of [redacted] per share, plus accrued and unpaid dividends, if any. Upon completion of such a distribution, the remaining assets of the Company shall be distributed among the holders of Series A, Series B, Series C, Series D, and the common stockholders pro rata based on the number of shares of common stock held by each, on the assumption the shares of Series A, Series B, Series C, and Series D shareholders were converted to common.

d) ***Redemption Provisions***

On and at any time after July 1, 2010, the Company will be obligated to redeem all or a portion of the Series D by paying in cash an amount using the formula provided in the Articles of Incorporation. This redemption will only occur upon written notice of at least [redacted] of the Company's Series D holders.

f) ***Voting Rights***

Holders of Series D are entitled to the number of votes equal to the number of shares of common stock into which their stock could be converted and have voting rights equal to holders of common stock.

In connection with the private placement of Series D, the Company granted the placement agent a warrant in 2005 to purchase [redacted] shares of Series D preferred stock at an exercise price of [redacted] per share. The warrant is exercisable through March 2012. The fair value of this warrant was determined to be immaterial. The fair value was determined based on the relative fair value of the other Series D warrant noted in Note 8 with consideration to the difference in exercise prices.

<u>Common Shares Reserved for Future Issuance</u>

The following shares of common stock have been reserved for future issuance as of December 31, 2005:

Employee stock options outstanding under the Plan	
Employee stock options available for grant under the Plan	
Shares issuable upon conversion of outstanding preferred stock	[redacted]

Note 7. Stock Option Plan

Under the terms of the 2001 Combined Incentive and Nonqualified Stock Option Plan ("the Plan"), the Board of Directors may grant incentive and nonqualified stock options to employees, officers, directors, and consultants of the Company.

Upon adoption of the Plan in August 2001, an aggregate of [redacted] shares of common stock was reserved for future issuance. In 2005 and 2004, the Company authorized an additional ______ and [redacted] shares for issuance under the Plan, respectively. The Company grants stock options with exercise prices greater than or equal to the fair market value of common stock on the date of grant as determined by the Board of Directors. Options granted under the Plan are exercisable at such times and under such conditions as determined by the Board of Directors, but the term of the options and the right of exercise may not exceed 10 years from the date of grant. Employees forfeit their rights to the options after 90 days of termination of their employment. Options generally vest [redacted]% after [redacted] months and the remaining [redacted]% vest ratably over the next [redacted] months.

A summary of stock option activity under the Plan was as follows:

	Options Available For Grant	Options Outstanding	Weighted Average Exercise price
Balances, December 31, 2003	[redacted]	[redacted]	[redacted]
Authorized	[redacted]		
Granted	[redacted]	[redacted]	[redacted]
Exercised		[redacted]	[redacted]
Forfeited	[redacted]	[redacted]	[redacted]
Balances, December 31, 2004	[redacted]	[redacted]	[redacted]
Authorized			
Granted			
Exercised			
Forfeited			
Balances, December 31, 2005			$

The following information is provided for options outstanding and exercisable at December 31, 2005:

	Outstanding		Exercisable	
Exercise price	Number of Options	Weighted Average Remaining Contractual Life (years)	Number of Options	Weighted Average Exercise Price Per Share
$				$
$				
$				
				$

The options outstanding at December 31, 2005 and 2004, have a weighted average remaining contractual life of approximately ____ and [redacted] years, respectively.

Note 8. Notes Payable

	2005	2004
Note payable to Silicon Valley Bank; paid in full in 2005; less unamortized debt discount from warrant issuance of [redacted] at December 31, 2004	$ -	$ [redacted]
Note payable to a business; unsecured; interest free; quarterly payments of [redacted] due August 2012	[redacted]	[redacted]
Note payable to Silicon Valley Bank; secured by all of the Company's assets; monthly principal installments of [redacted] plus interest at prime plus [redacted] (resulting in a rate of [redacted]% at December 31, 2005); due November 2008	[redacted]	[redacted]
Note payable to Silicon Valley Bank; secured by all of the Company's assets; monthly principal installments of [redacted] plus interest at prime plus [redacted] (resulting in a rate of [redacted]% at December 31, 2005); due November 2008	[redacted]	[redacted]
Note payable to Silicon Valley Bank; secured by all of the Company's assets; monthly principal installments of [redacted] plus interest at prime plus [redacted] (resulting in a rate of [redacted]% at December 31, 2005); due February 2009	[redacted]	

	2005	2004
Note payable to Silicon Valley Bank; secured by all of the Company's assets; monthly principal installments of [redacted] plus interest at prime plus [redacted]% (resulting in a rate of [redacted]% at December 31, 2005); due January 2009	[redacted]	
Note payable to a stockholder; unsecured; interest at [redacted]%; principal and accrued interest converted into Series D in March 2005. See Note 6		[redacted]
Other	[redacted]	[redacted]
	[redacted]	[redacted]
Less current portion	[redacted]	[redacted]
	$ [redacted]	$ [redacted]

In connection with the note payable to Silicon Valley Bank with [redacted] outstanding at December 31, 2004, the Company granted Silicon Valley Bank a warrant in 2002 to purchase [redacted] shares of Series A preferred stock at an exercise price of [redacted] per share. The warrant is exercisable through July 2012. The fair value of this warrant was determined to be [redacted] and was amortized as interest expense over the term of the note.

In connection with the note payable to a stockholder, the Company granted the stockholder a warrant in 2004 to purchase [redacted] shares of Series D preferred stock at an exercise price of [redacted] per share. The warrant is exercisable through December 2011. The fair value of this warrant was determined to be immaterial. The fair value was determined using the difference in cash flows from the [redacted] interest rate on the note and the estimated interest rate the Company would have received had it not issued the warrants.

In connection with the [redacted] promissory notes converted into Series C preferred stock in 2004, the Company granted the stockholders warrants to purchase [redacted] shares of Series C preferred stock at an exercise price of [redacted] per share. The warrants are exercisable through various months in 2011. The fair value of these warrants was determined to be [redacted] and was fully amortized as interest expense in 2004 since the notes were converted in 2004. The fair value was determined using the difference in cash flows from the [redacted] interest rate on the note and the estimated interest rate the Company would have received had it not issued the warrants.

In connection with the notes payable to Silicon Valley Bank with [redacted] and [redacted] outstanding at December 31, 2005, the Company granted Silicon Valley Bank a warrant in 2004 to purchase [redacted] shares of Series C preferred stock at an exercise price of [redacted] per share. The warrant is exercisable through December 2014. The fair value of this warrant was determined to be immaterial. The fair value was determined based on the relative fair value of the other Series C preferred stock warrants noted above with consideration to the difference in exercise prices.

Principal maturities of the notes payable were due as follows for the years ended December 31:

2006	$ [redacted]
2007	
2008	
2009	
2010	
Thereafter	
	[redacted]

Note 9. Commitments

Leases

The Company leases office and other facilities under operating leases expiring at various dates through 2009. The future minimum payments required under operating leases at December 31, 2005, are as follows:

2006	$ [redacted]
2007	
2008	
2009	
2010	
	$ [redacted]

Rent expense for the years ended December 31, 2005 and 2004, was [redacted] and [redacted], respectively.

Management Services Agreement

As part of its acquisition of the operating assets of TVMAX in May 2005, the Company entered into a management services agreement with TVMAX whereby the Company will compensate TVMAX for management services on the assets acquired. The agreement expires November 30, 2006. Management of the Company expects the Company to incur approximately $_____________ in fees under this agreement.

Note 10. Income Taxes

The Company did not record an income tax provision or benefit for the period presented because it has experienced operating losses since inception. The Company's total tax net operating loss carryforward was approximately $______________ at December 31, 2005, and expires in 2021 through 2025. The significant components of the deferred tax assets were as follows:

	2005	2004
Net operating loss carryforward	$	[redacted]
Other		
Deferred tax asset		[redacted]
Deferred tax asset valuation allowance		
Net deferred tax asset	$	$ -

The increase in the valuation allowance was $__________ in 2005 and [redacted] 2004.

Note 11. Related Party Transactions

The Company currently owns property and equipment that have been deployed on twelve properties managed by Pinnacle Realty Co., whose chairman and founder, John Goodman, is a stockholder and serves on the Company's Board of Directors. The Company recorded $________ and [redacted] in revenues from these properties in 2005 and 2004, respectively.

Note 12. Subsequent Events

Financing

During March 2006, the Company entered into a [redacted] revolving credit facility with Silicon Valley Bank. Advances on the credit facility are secured by all of the Company's assets. Interest is paid monthly at prime plus [redacted] (resulting in a rate of [redacted] at June 14, 2006). All advances on the credit facility must be repaid in full on October 31, 2006. The Company had received advances amounting to $____________ on the credit facility through June 14, 2006.

During May 2006, the Company borrowed [redacted] from existing shareholders in the form of convertible note financing. The convertible notes bear interest at [redacted] and are due July 1, 2007. Each holder of the notes has the option to convert the note into Series D preferred stock at any time at a price per share equal to the original Series D preferred stock price. In addition, upon sale or liquidation of the Company (triggering the liquidation preference of the preferred stockholders), holders of the convertible notes have the option to receive all principal and unpaid interest on the notes, plus a premium equal to [redacted] of such amount.

Circuit Cost Increases

Disclose?