ORIGINAL

-Edited

001142-TX
001143-TI

TELERA, INC.
(Formerly CallNet Communications, Inc.)
(A Development Stage Enterprise)

Financial Statements

June 30, 2000

Certification:

The financial information contained in the foregoing statements accurately reflects in all material aspects the financial status of the Company as of the dates indicated thereon.

_____________________ 7/26/00

Rahoul Seth — Date

Vice President and Chief Financial Officer

APP
CAF
CMP
COM
CTR
ECR
LEG
OPC
PAI
RGO
SEC 1
SER
OTH

TELERA, INC.
(Formerly CallNet Communications, Inc.
(A Development Stage Enterprise)

Table of Contents

TELERA
(Formerly CallNet Communications, Inc.)
(A Development Stage Enterprise)
Balance Sheets
(In thousands)

	June 30, 2000	December 31, 1999
Assets		
Current assets:		
Cash and cash equivalents		
Accounts receivable		
Prepaid expenses and other assets		
Total current assets		
Property and equipment, net		
Total assets		
Liabilities and Stockholders' Equity		
Current liabilities:		
Current obligations under debt and capital leases		
Note payable, bank		
Accounts payable and accrued liabilities		
Accrued compensation and benefits		
Deferred revenue		
Total current liabilities		
Long term obligations under debt and capital leases, net of current portion		
Total liabilities		
Stockholders' equity:		
Convertible preferred and common stock		
Deficit accumulated during the development stage		
Total stockholders' equity		
Total liabilities and stockholders' equity		

TELERA, INC.
(Formerly CallNet Communications, Inc.)
(A Development Stage Enterprise)
Statement of Operations
Six months ended June 30, 2000
(In thousands)

Operating expenses:

Research and engineering

Sales and marketing

General and administrative

Total operating expenses

Interest and other income, (expense), net

Net loss

TELERA
(Formerly CallNet Communications, Inc.)
(A Development Stage Enterprise)
Statement of Cash Flows
Six months ended June 30, 2000
(In thousands)

Cash flows used in operating activities:

Net loss

Adjustments to reconcile net loss to net cash used in operating activities:

Depreciation

Changes in operating assets and liabilities:

Accounts receivable

Prepaid expenses and other assets

Accounts payable and accrued expenses

Accrued compensation and benefits

Deferred revenue

Net cash used in operating activities

Cash flows used in investing activities

Purchases of property and equipment

Net cash used in investing activities

Cash flow from financing activities:

Net borrowings under debt and capital lease facilities

Net proceeds from sale of preferred and common stock

Net cash provided by financing activities

Net increase in cash and cash equivalents

Cash and cash equivalents, beginning of period

Cash and cash equivalents, end of period

CONFIDENTIAL

TELERA, INC.
(Formerly CallNet Communications, Inc.)
(A Development Stage Enterprise)

Financial Statements

December 31, 1999 and 1998

Certification:

The financial information contained in the foregoing statements accurately reflects in all material aspects the financial status of the Company as of the dates indicated thereon.

______________________________ 7/25/00

Rahoul Seth Date

Vice President and Chief Financial Officer

TELERA, INC.
(Formerly CallNet Communications, Inc.
(A Development Stage Enterprise)

Table of Contents

TELERA

(Formerly CallNet Communications, Inc.)

(A Development Stage Enterprise)

Balance Sheets

December 31, 1999 and 1998

(In thousands)

Assets	1999	1998
Current assets:		
Cash and cash equivalents	$ [redacted]	$ [redacted]
Accounts receivable	[redacted]	-
Prepaid expenses and other assets	[redacted]	[redacted]
Total current assets	[redacted]	[redacted]
Property and equipment, net	[redacted]	[redacted]
Total assets	$ [redacted]	$ [redacted]
Liabilities and Stockholders' Equity		
Current liabilities:		
Current obligations under capital leases	$ [redacted]	$ -
Note payable, bank	[redacted]	-
Accounts payable and accrued liabilities	[redacted]	[redacted]
Accrued compensation and benefits	[redacted]	[redacted]
Deferred revenue	[redacted]	[redacted]
Total current liabilities	[redacted]	[redacted]
Long term obligations under capital leases, net of current portion	[redacted]	-
Total liabilities	[redacted]	[redacted]
Commitments (see Note 6)		
Stockholders' equity:		
Convertible preferred stock: $0.0001 par value; 11,342,448 shares authorized; 11,168,041 shares issued and outstanding; liquidation preference of $28,452,000	1	1
Additional paid in capital - Preferred	[redacted]	[redacted]
Common stock: $0.0001 par value; 32,000,000 shares authorized; 10,753,211 shares issued and 10,730,711 shares outstanding	1	1
Additional paid in capital - Common	[redacted]	[redacted]
Notes receivable - Common	[redacted]	[redacted]
Treasury stock	[redacted]	
Deficit accumulated during the development stage	[redacted]	[redacted]
Total stockholders' equity	[redacted]	[redacted]
Total liabilities and stockholders' equity	$ [redacted]	$ [redacted]

See accompanying notes to financial statements.

TELERA, INC.
(Formerly CallNet Communications, Inc.)
(A Development Stage Enterprise)
Statement of Operations
Year ended December 31, 1999 and period from August 28, 1998 (inception) to December 31, 1998
(In thousands)

	1999	1998
Operating expenses:		
Research and engineering	$ [redacted]	$ [redacted]
Sales and marketing	[redacted]	[redacted]
General and administrative	[redacted]	[redacted]
Total operating expenses	[redacted]	[redacted]
Interest and other income, (expense), net	[redacted]	[redacted]
Net loss	$ [redacted]	$ [redacted]

See accompanying notes to financial statements.

TELERA
(Formerly CallNet Communications, Inc.)
(A Development Stage Enterprise)
Statement of Stockholders' Equity
Year ended December 31, 1999 and period from August 28, 1998 (inception) to December 31, 1998
(In thousands)

	Preferred stock		Common stock		Additional paid-in capital	Treasury stock		Stockholders' notes receivable	accumulated during the development stage	Total stockholders' equity
	Shares	Amount	Shares	Amount		Shares	Amount			
Issuance of common stock for notes receivable										
Issuance of common stock for cash										
Issuance of common stock in exchange for forgiveness of debt										
Issuance of Series A convertible preferred stock, for cash, net of issuance costs										
Issuance of Series A convertible preferred stock for notes receivable										
Net loss										
Balances, December 31, 1998										
Issuance of common stock for notes receivable										
Issuance of common stock for cash										
Acquisition of treasury stock										
Issuance of Series A convertible preferred stock, for cash, net of issuance costs										
Issuance of Series B convertible preferred stock, for cash, net of issuance costs										
Issuance of Series C convertible preferred stock, for cash, net of issuance costs										
Issuance of Warrants										
Issuance of options for services										
Amortization										
Net loss										
Balances, December 31, 1999										

TELERA

(Formerly CallNet Communications, Inc.)

(A Development Stage Enterprise)

Statement of Cash Flows

Year ended December 31, 1999 and period from August 28, 1998 (inception) to December 31, 1998

(In thousands)

	1999	1998
Cash flows used in operating activities:		
Net loss		
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation		
Loss on sale of property and equipment		
Amortization of deferred stock compensation		
Changes in operating assets and liabilities:		
Prepaid expenses and other assets		
Accounts payable and accrued expenses		
Accrued compensation and benefits		
Accounts receivable		
Deferred revenue		
Net cash used in operating activities		
Cash flows used in investing activities		
Purchases of property and equipment		
Proceeds from sale of property and equipment		
Net cash used in investing activities		
Cash flow from financing activities:		
Proceeds from borrowings under capital lease obligation		
Proceeds form borrowings under bank debt facility		
Principal payments under capital lease obligation		
Net proceeds from sale of preferred stock		
Net proceeds from loans from founders		
Net proceeds from sale of common stock		
Net cash provided by financing activities		
Net increase in cash and cash equivalents		
Cash and cash equivalents, beginning of period		
Cash and cash equivalents, end of period		
Supplemental disclosures of cash flow information:		
Noncash investing and financing activities:		
Issuance of preferred stock for notes receivable		
Issuance of common stock for notes receivable		
Issuance of common stock for forgiveness of debt		
Issuance of common stock for outside services		
Obligations under capital leases acquired under the year		
Convertible preferred stock warrant issuances		
Supplemental Disclosures of Cashflow Information:		
Cash paid during the year for interest		
Cash paid during the year for taxes		

See accompanying notes to financial statements.

TELERA, INC.
(Formerly CallNet Communications, Inc.)
(A Development Stage Enterprise)

Notes to Financial Statements

December 31, 1999 and 1998

(1) Description of Business and Summary of Significant Accounting Policies

(a) Description of Business

Telera, Inc. (the Company) (formerly CallNet Communications, Inc.) was incorporated in the state of Delaware on August 28, 1998. The Company has been engaged in the development and marketing of innovative enhanced communications services for business customers. Primary activities to date have included raising capital, hiring key personnel, performing research and development activities, developing strategic alliances, identifying markets, and developing certain beta software applications. The Company created a communications platform which is connected to the publicly switched telephone network at various locations around the United States. The Company intends to sell access to this platform to potential customers based on the volume of utilization of certain platform features. The Company is currently engaged in developing customer specific communications software applications which integrate customer's web servers with the Company's communications platform. As an additional service, the Company will host such applications on its own equipment rather than on the customer's equipment. To date, none of these activities has generated any commercial revenue.

(b) 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported results of operations during the reporting period. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity at time of purchase of 90 days or less to be cash equivalents. Cash equivalents consist of money market funds in the amount of [redacted] million.

(d) Concentration of Credit Risk

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company's cash balances are maintained with highly accredited financial institutions. The Company's cash equivalents are primarily in highly liquid money market funds. Management believes the financial risks associated with these financial instruments are minimal.

(e) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the equipment, generally two to five years.

(Continued)

(f) *Revenue Recognition*

The Company recognizes revenue upon delivery of its communication platform services provided a contract is received, the fee is fixed or determinable, the delivery of such services is accepted by the customer, and no significant obligations remain to be performed by the Company, assuming collectibility of the resulting receivable is probable. Regarding the development of customer specific communications software applications, the Company recognizes revenue in accordance with the provisions of Statements of Position (SOP) 97-2 and 81-1. Accordingly, the company recognizes revenue from developing, testing, and deploying software applications using the completed contract method of accounting, provided a contract is received, the fee is fixed or determinable, the application is accepted by the customer and no significant obligations remain to be performed by the Company, assuming collectibility of the resulting receivable probable. The Company recognizes revenue upon delivery of its application hosting services provided a contract is received, the fee is fixed or determinable, the delivery of such services is accepted by the customer, and no significant obligations remain to be performed by the Company, assuming collectibility of the resulting receivable is probable.

Deferred revenue represents amounts invoiced to customers in accordance with contracts but in advance of meeting the requirements for revenue recognition.

(g) *Income Taxes*

The Company utilizes the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded to reduce deferred tax assets to an amount whose realization is more likely than not. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income in the period that includes the enactment date.

(h) *Stock-Based Compensation*

The Company uses the intrinsic value-based method of accounting for all of its employee stock-based compensation plans.

(i) *Impairment of Long-Lived Assets*

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount

(Continued)

of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(j) ***Research and Development Costs***

Development costs incurred in the research and development of new products are expensed as incurred until technological feasibility in the form of a working model has been established. To date, software developments have been completed concurrent with the establishment of technological feasibility, and, accordingly, no costs have been capitalized.

(k) ***Comprehensive Income***

The Company has no material components of comprehensive income.

(2) Property and Equipment

Property and equipment consisted of the following as of December 31, 1999 and 1998:

	1999	1998
Computer equipment	$	
Software		
Furniture and office equipment		
Leasehold improvements		
Less accumulated depreciation and amortization		

(3) Accounts Payable and Accrued Liabilities

A summary of accrued liabilities as of December 31, 1999 and 1998, follows:

Accounts payable
Property and equipment accruals
Professional and consulting services
Other
Accrued liabilities
Total

(4) Income Taxes

The Company's has no income tax expense for the year ended December 31, 1999 and the period from August 28, 1998 (inception) to December 31, 1998. The difference between recorded income taxes and the "expected" tax benefit computed by applying the federal statutory income tax rate of [redacted] to pretax loss is due to the valuation allowance on deferred tax assets.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets as of December 31, 1999 and 1998, are as follows:

		1999	1998
Deferred tax assets:			
Net operating loss carryforwards	$		
Capitalized start up costs			
Reserves and accruals			
Credit carryforwards			
Total gross deferred tax assets before valuation allowa			
Valuation allowance			
Net deferred tax assets	$		

As of December 31, 1999, the Company has available for carryover net operating losses for both federal and California income tax purposes of approximately [redacted] million. The federal net operating loss carryforward will expire, if not utilized, beginning in the year 2019. The California net operating loss carryforward will expire, if not utilized, beginning in the year 2007.

As of December 31, 1999, the Company has available for federal and California, research and experimentation tax credits of approximately [redacted] and [redacted], respectively. The federal research and experimentation tax credits will expire, if not utilized, beginning in the year 2019. The California research and experimentation tax credits carry forward indefinitely until utilized.

The Tax Reform Act of 1986 imposes substantial restrictions on the utilization of net operating loss and tax credits in the event of an "ownership of change," as defined in the Internal Revenue Code. Accordingly, the Company's ability to utilize net operating loss and credit carryforwards may be limited as a result of such an "ownership change." Management has not determined whether such an ownership change has occurred.

(5) Lines of Credit

Revolving line of credit

In December 1999, the Company entered into a revolving line of credit agreement with a bank. The agreement provides for borrowings of [redacted] million plus 75% of eligible accounts receivable, up to a maximum of [redacted]. Borrowings under the line of credit bear interest at the bank's prime rate plus [redacted], with interest payable monthly and principal payable at maturity, and are collateralized by certain assets of the Company other than intellectual property. The agreement requires the Company to meet certain financial and reporting covenants. The line of credit maturity date is December 22, 2000. As of December 31, 1999, [redacted] was outstanding under this facility.

In connection with the line of credit agreement, the Company issued to the bank a warrant to purchase [redacted] shares of Series B convertible preferred stock at an exercise price of [redacted] per share. The warrant is exercisable through December 22, 2006 and had not been exercised as of December 31, 1999. The fair value of the warrant was determined to be [redacted] using the Black-Scholes option pricing model, using the following assumptions: no dividends; contractual term of 7 years; risk free interest of [redacted]; and expected volatility of 0%. The fair value of the warrant has been recorded as additional paid-in capital and is being amortized as interest expense over the term of the line of credit agreement.

Equipment line of credit

In December 1999, the Company entered into an equipment line of credit agreement with a finance company, which provides for borrowings of up to [redacted]. Borrowings under the line of credit bear interest at an annual rate of [redacted] and are collateralized by the equipment. Principal and interest payments are due monthly over periods ranging from 30 to 42 months. The agreement requires the Company to meet certain financial and reporting covenants. The Company may borrow under the line of credit until April 30, 2001. As of December 31, 1999, there were no amounts outstanding under this facility.

In connection with the equipment line of credit agreement, the Company issued to the finance company a warrant to purchase [redacted] shares of Series B convertible preferred stock at an exercise price of [redacted] per share. The warrant is exercisable through December 13, 2006 and had not been exercised as of December 31, 1999. The fair value of the warrant was determined to be [redacted] using the Black-Scholes option pricing model, using the following assumptions: no dividends; contractual term of 7 years; risk free interest of [redacted]; and expected volatility of [redacted] The fair value of the warrant has been recorded as additional paid-in capital and is being amortized as interest expense over the term of the line of credit agreement.

(6) Lease Obligations and Commitments

In 1999, the Company entered into an equipment leasing line of credit agreement with a finance company, which provides for borrowings of up to [redacted]. Borrowings under the line of credit bear interest at an annual rate of [redacted] and are collateralized by the equipment. Principal and interest payments are due monthly over periods ranging from 30 to 42 months. The agreement requires the Company to meet certain financial and reporting covenants. The Company may borrow under the line of credit agreement until June 30, 2001. As of December 31, 1999, there was [redacted] outstanding under this facility.

In connection with the equipment leasing line of credit agreement, the Company issued to the finance company a warrant to purchase [redacted] shares of Series A convertible preferred stock at an exercise price of [redacted] per share and [redacted] shares of Series B convertible preferred stock at an exercise price of [redacted] per share. The warrant to purchase Series A preferred convertible stock is exercisable through January 21, 2009and the warrant to purchase Series B preferred convertible stock is exercisable through December 1, 2006. Neither warrant had not been exercised as of December 31, 1999. The fair value of the Series A warrant was determined to be [redacted] using the Black-Scholes option pricing model, using the following assumptions: no dividends; contractual term of 10 years; risk free interest of [redacted]; and expected volatility of [redacted]. The fair value of the Series B warrant was determined to be [redacted] using the Black-Scholes option pricing model, using the following assumptions: no dividends; contractual term of 7 years; risk free interest of [redacted]; and expected volatility of [redacted]. The fair value of the warrants has been recorded as additional paid-in capital and is being amortized as interest expense over the term of the line of credit agreement.

In October 1999, the Company entered into a 3 year operating sublease for office space, which requires the Company to pay minimum base monthly rents and certain operating expenses, taxes, and insurance. Rent expense was [redacted] and [redacted] for the year ended December 31, 1999 and for the period from August 28, 1998 (inception) to December 31, 1998, respectively.

Future minimum lease payments under the noncancelable capital and operating leases as of December 31, 1999 were as follows (in thousands):

Year ending	Capital	Operating

(7) **Convertible Preferred Stock**

In 1999, the Company issued [redacted] shares of Series B convertible preferred stock, par value [redacted] per share, and [redacted] shares of Series C convertible preferred stock, par value [redacted] per share. The price of the Series B convertible preferred stock was [redacted] per share for cash proceeds of [redacted], net of issuance costs of [redacted]. The price of the Series C convertible preferred stock was [redacted] per share for cash proceeds of [redacted] net of issuance costs of [redacted].

The rights, preferences, and privileges of the holders of Series A, B, and C convertible preferred stock are as follows:

- The holders of Series A, Series B, and Series C preferred stock are entitled to receive dividends at an annual rate equal to [redacted], [redacted], [redacted] per share, per annum, respectively. Dividends are payable when and if declared by the Board of Directors, preference and priority to any payments of dividends to holders of the Company's common stock. The dividends rights are not cumulative.
- Each share of Series A, Series B, and Series C preferred stock has a liquidation preference of [redacted], and [redacted] respectively.
- None of the convertible preferred stock is not redeemable.
- Holders of Series A, Series B, and Series C preferred stock vote equally with shares of common stock on an "as if converted" basis.
- Each share of preferred stock shall be convertible into a number of shares of common stock as determined by dividing the original issue price of the Series of preferred stock by the then applicable conversion price for such Series of preferred stock. Conversion will occur automatically upon a firm commitment underwritten public offering pursuant to a registration statement under the Securities Act of 1933, which results in aggregate cash proceeds to the corporation of [redacted](net of underwriting discounts and commission) and at a pre-offering Company valuation of at least [redacted]

No dividends have been declared or paid on preferred stock or common stock since inception of the Company.

(8) Common Stock

On December 8, 1999 the Board of Directors approved a 3 for 2 forward split of its common and preferred stock. All share data and stock option plan information have been restated to reflect the forward split.

At December 31, 1999, there were approximately [redacted] shares of common stock outstanding that were unvested and subject to repurchase by the Company.

During 1998, the Company issued [redacted] shares of common stock to the Company's founders for [redacted] per share in exchange for the forgiveness of loans. During the period from August 28, 1998 (inception) to December 31, 1998, an additional [redacted] shares common stock were issued at [redacted] per share in exchange for full recourse stockholder notes receivable and [redacted] shares of common stock were issued at [redacted] for cash.

(9) Benefit Plans

401 (k) Savings Plan

The Company has a savings plan (the "Savings Plan") that qualifies as a deferred salary arrangement under Section 401 (k) of the Internal Revenue Code. Under the Savings Plan, participating employees may defer a percentage (not to exceed [redacted]) of their eligible pretax earnings up to the Internal Revenue Service's annual contribution limit. All employees of the Company are eligible to participate in the Savings Plan. The Company is not required to contribute to the Savings Plan and has make no contribution since the inception of the Savings Plan.

1999 Stock Option Plan

The Company's Board of Directors approved the 1998 Stock Option Plan (the Plan), which provides for the issuance of up to [redacted] shares of common stock to employees, officers, directors, and consultants. The Plan provides for the issuance of incentive and nonstatutory stock options.

The Plan authorizes the granting of incentive and nonstatutory common stock options to employees and nonemployees at exercise prices determined as follows:

(i) In the case of an Incentive Stock Option that is:

- (a) granted to an employee who, at the time of the grant of such Incentive Stock Option, owns stock representing more than [redacted] of the total combined voting power of all classes of stock of the Company or any parent or subsidiary, the per share exercise price shall be no less than [redacted] of the fair market value per share on the date of grant.
- (b) granted to any other employee, the per share exercise price shall be no less than [redacted] of the fair market value per share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option that is:

- (a) granted to a person who, at the time of the grant of such option, owns stock representing more than [redacted] of the total combined voting power of all classes of stock of the Company or any parent or subsidiary, the per share exercise price shall be no less than [redacted] of the fair market value per share on the date of the grant.
- (b) granted to any other eligible person, the per share exercise price shall be no less than [redacted] of the fair market value per share on the date of grant.

(iii) Notwithstanding the foregoing, options may be granted with a per share exercise price other than as required above pursuant to a merger or other corporate transaction.

Any option granted prior to the date if any, upon which the common stock becomes a listed security, shall become exercisable at the rate of at least [redacted] per year over the five-year period (the vesting period) after the option is granted.

Upon termination of service, exercised and unvested shares may be repurchased by the Company. In the case of an option granted to an officer, director, or consultant of the Company the option may become fully exercisable at any time.

Under APB Opinion No. 25, the Company has recorded no compensation costs related to its stock option plan for the year ended December 31, 1999, and the period from August 28, 1998 (inception) to December 31, 1998, because the exercise price of each option granted to an employee equals or exceeds the market value of the underlying common stock as of the grant date for each stock option. Had compensation cost for the Company's plans been determined consistent with the fair value approach enumerated in SFAS No. 123, the Company's pro forma net loss for the year ended December 31, 1999 and the period from August 28, 1998 (inception) to December 31, 1998, would not have been materially different from the net loss reported in the accompanying statement of operations.

A summary of the activities related to the Company's option plan for the year ended December 31, 1999 and for the period from August 28, 1998 (inception) to December 31, 1998, is as follows:

		Options outstanding	
	Options available for grant	**Shares**	**Weighted-average exercise price**
Authorized			
Granted			
Balances as of December 31, 1998			
Authorized			
Granted			
Exercised			
Balances as of December 31, 1999			

The per share weighted-average fair value of stock options granted during 1999 was [redacted] on the date of grant using the minimum-value method with the following assumptions: risk free interest rate of [redacted] to [redacted]; an expected life of four years; expected volatility of [redacted]; and no dividends.

Options covering [redacted] shares were exercisable as of December 31, 1999. Outstanding options as of December 31, 1999, had a weighted-average remaining contractual life of [redacted] years.

(10) Subsequent Events

In January 2000, the Company entered into a subordinated debt agreement with an investor. The agreement provides for borrowings of up to [redacted] with interest at [redacted], payable monthly. Borrowings under this agreement are collateralized by a first lien on all of the assets of the Company other than equipment and intellectual property, and is subordinated to the rights of the Company's other lenders. This credit facility is available to the Company until June 30, 2001, and amounts borrowed under it must be repaid by July 1, 2002.

On January 11, 2000 and April 3, 2000 the Board of Directors approved increases to the options available for grant under the 1999 Stock Option Plan by [redacted] and [redacted] respectively.