Redacted Financials

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EVEREST BROADBAND
NETWORKS, INC.

FINANCIAL REPORT

DECEMBER 31, 1999

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UK&W Urbach Kahn & Werlin PC
CERTIFIED PUBLIC ACCOUNTANTS

Everest Broadband Networks, Inc.
(A Development Stage Company)

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UK &W Urbach Kahn & Werlin PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors and Stockholders of
Everest Broadband Networks, Inc.

We have audited the accompanying balance sheet of Everest Broadband Networks, Inc. (a development stage company) as of December 31, 1999, and the related statements of income, retained earnings, and cash flows for the period from August 26, 1999 (inception) to December 31, 1999. 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 audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides 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 Everest Broadband Networks, Inc. as of December 31, 1999, and the results of its operations and its cash flows for the period from August 26, 1999 (inception) to December 31, 1999, in conformity with generally accepted accounting principles.

Urbach Kahn & Werlin PC.

New York, New York
February 1, 2000

FINANCIAL STATEMENTS

Everest Broadband Networks, Inc.
(A Development Stage Company)

Balance Sheet
December 31, 1999

Assets

Current Assets

Cash and cash equivalents

Other receivables

Total current assets

Property and equipment, net

Other assets

Liabilities and Stockholders' Equity

Current Liabilities

Accounts payable

Accrued expenses

Total current liabilities

Stockholders' Equity:

Preferred Stock:

Series A, [redacted] par value, [redacted] shares authorized; [redacted] issued and outstanding, presented at liquidation value

Series B, [redacted] par value, [redacted] authorized, no shares issued and outstanding

Common stock

Voting, [redacted] par value, [redacted] hares authorized, [redacted] shares issued and outstanding

Non-Voting, [redacted] par value, [redacted] authorized, no shares issued and outstanding

Deficit accumulated during the development stage

Total stockholders' equity

See Notes to Financial Statements

Everest Broadband Networks, Inc.
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Statement of Operations
For the Period from August 26, 1999 (Inception) to December 31, 1999

Operating expenses:	
Salaries and benefits	$
Advertising	
Professional fees	
Rent	
Supplies	
Other	
Total operating expenses	
Interest income	
Net loss	$

See Notes to Financial Statements

Everest Broadband Networks, Inc.
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Statement of Changes in Stockholders' Equity
For the Period from August 26, 1999 (Inception) to December 31, 1999

	Series A Preferred Stock		Common Stock			
	Shares	Amount	Shares	Amount	Deficit Accumulated During the Development Stage	Total
Issuance of common stock at inception	-	$ -	[redacted]	$ [redacted]	$ -	$ 10
Issuance of preferred stock at inception	[redacted]	[redacted]	-	-	-	[redacted]
November 1999, issuance of preferred stock	[redacted]	[redacted]	-	-	-	[redacted]
Net loss	-	-	-	-	[redacted]	([redacted])
Balance at December 31, 1999	[redacted]	$ [redacted]	[redacted]	$ [redacted]	$ [redacted]	$ [redacted]

See Notes to Financial Statements

Everest Broadband Networks, Inc.
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Statement of Cash Flows
For the Period from August 26, 1999 (Inception) to December 31, 1999

Cash Flows from Operating Activities	
Net loss	$ [redacted]
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	[redacted]
Changes in:	
Other receivable	[redacted]
Other assets	[redacted]
Accounts payable	[redacted]
Accrued expenses	[redacted]
Net cash used in operating activities	[redacted]
Cash Flows from Investing Activities	
Purchases of property and equipment	[redacted]
Net cash used in investing activities	[redacted]
Cash Flows from Financing Activities	
Issuance of Series A preferred stock	[redacted]
Issuance of common stock	[redacted]
Net cash provided by financing activities	[redacted]
Net increase in cash and cash equivalents	[redacted]
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	$ [redacted]

See Notes to Financial Statements

Everest Broadband Networks, Inc.
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Notes to Financial Statements
December 31, 1999

Note 1. Nature of Business and Operating Environment

Everest Broadband Networks, Inc. (the "Company") was incorporated in the State of Delaware on August 26, 1999. The Company is in the development stage since it has not generated significant revenues. The Company was formed to provide broadband communications infrastructure within commercial and residential apartment buildings, hospitality suites and shopping centers. These infrastructures will principally focus on the integration of high-speed Internet access, Telephony, and other value-added applications with around-the-clock technical support.

Note 2. Summary of Significant Accounting Policies

Cash and Cash Equivalents: The Company considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents. Cash equivalents consist primarily of money market accounts.

Stock-Based Compensation: The Corporation accounts for stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", ("APB No. 25"). No compensation is recorded for stock options or other stock-based awards to employees that are granted with an exercise price equal to or above the estimated fair value per share of the Company's common stock on the grant date. The pro forma effect of recording stock-based compensation at the estimated fair value of awards on the grant date, as prescribed by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", ("SFAS No. 123"), is disclosed in Note 7.

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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment: Property and equipment consists of office furniture, office equipment and computer equipment recorded at cost. Depreciation is recorded using accelerated methods, except for leasehold improvements, which are depreciated using the straight-line method over the appropriate term of the lease. The estimated useful lives of the assets as follows:

	Years
Furniture	[redacted]
Office equipment	[redacted]
Computer hardware and software	[redacted]
Leasehold improvements	[redacted]

Everest Broadband Networks, Inc.
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Notes to Financial Statements
December 31, 1999

Note 3. *Property and Equipment*

At December 31, 1999, the Company's property and equipment consisted of the following:

Computer equipment	$	[redacted]
Furniture and office equipment		[redacted]
Leasehold improvements		[redacted]
		[redacted]
Less: accumulated depreciation		[redacted]
	$	[redacted]

Note 4. *Income Taxes*

Deferred taxes at December 31 1999 consist of the following:

Tax benefit of net operating loss carryforwards	$	[redacted]
Valuation allowance for deferred assets		[redacted]
Deferred tax assets	$	-

The Company has provided a full valuation allowance against its net deferred tax assets since realization of these benefits cannot be reasonably assured.

Note 5. *Preferred Stock*

In August 1999, the Company authorized [redacted] shares in Series A Convertible Preferred Stock (the "Series A Preferred Stock"). The shares have a par value of [redacted] share. The Company issued [redacted] shares of the preferred stock to an investor for [redacted].

Dividends: The Series A Preferred Stockholders (the "Holder") are entitled to receive dividends at the rate of $8.00 per share, respectively (as adjusted for any stock dividends, combinations or splits with respect to such shares) per annum, payable out of funds legally available thereof. Such dividends shall be payable only when, as and if declared by the Board of Directors and shall be non-cumulative.

Conversion: Each share of Series A Preferred Stock can be converted to common stock at the option of the Holders at a one-to-one conversion rate. The conversion rate shall be adjusted whenever the Company shall issue or sell, or is deemed to have issued or sold, any shares of common stock for a consideration per share less then the conversion price in effect immediately prior to the time of such issue or sale.

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Notes to Financial Statements
December 31, 1999

Note 5. Preferred Stock, (Continued)

Each share of Series A Preferred Stock is automatically converted into shares of common stock, at the then effective conversion rate, upon the closing of a sale of common stock, at a price of at least [redacted] per share, in a public offering, pursuant to an effective registration statement under the Securities Act of 1933, as amended, resulting in at least $[redacted] of gross proceeds to the Company.

Voting Rights: Holders of Series A Preferred Stock have the right to one vote for each common share into which such shares could then be converted, as described above.

Liquidation: In the event of liquidation, dissolution or winding up of the Company, Holders of Series A Preferred Stock shall be entitled to receive, prior and in preference to any distributions to common stockholders, an amount equal to the sum of [redacted] per share plus an amount equal to all declared, but unpaid dividends on such shares of Series A Preferred Stock. In the event that the assets of the Company are insufficient to permit payment of the above mentioned amounts, than the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series A Preferred Stock in proportion to the preferential amount each such holder is otherwise entitled to receive.

In October and November 1999, the Company amended its Certificate of Incorporation increasing its authorized [redacted] shares of its [redacted] par value Series A Convertible Preferred Stock to [redacted] shares. It also effected a [redacted] to [redacted] forward stock split, changed the dividend rate Preferred Stock holders are entitled to from [redacted] a share to [redacted] a share, and changed the per share liquidation amount the Preferred Stock Holders are entitled from [redacted] share to $[redacted] share.

In November, 1999, the Company sold [redacted] shares of the Class A Convertible Preferred Stock for a purchase price of [redacted].

Note 6. Common Stock

The Company initially authorized [redacted] shares of common stock with a par value of [redacted] per share. Holders of these shares have voting rights. Upon dissolution, liquidation or winding up of the Company, common stockholders will be entitled to receive the assets of the Company subject to the preferential rights of the Series A Preferred Stockholders or any other outstanding stock ranking on liquidation senior to or on parity with the common stock. The Company originally issued [redacted] shares at par value.

In October and November 1999, the Company amended its Certificate of Incorporation increasing its authorized [redacted] shares of its [redacted] par value Common Stock to [redacted] shares. It also effected a [redacted] to [redacted] forward stock split.

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(A Development Stage Company)

Notes to Financial Statements
December 31, 1999

Note 7. Stock Options

During 1999, the Company's Board of Directors approved an Incentive Stock Option Plan (the "Plan") whereby [redacted] shares of common stock have been reserved for options to employees and consultants at terms and prices to be determined by the committee designated by the Board of Directors to administer the plan. The plan specifies that the exercise price of incentive stock options cannot be less than 100% of the fair market value of the stock on the date of grant. The maximum term for options granted is 10 years. Options granted under the plan vest over various periods ranging from 1 to 47 months and may be exercised at various dates ranging from November 1, 1999 through ten years after the grant date.

The combined activity for the plan is presented in the following table:

	Shares	Weighted Average Exercise Price Per Share
Outstanding August 26, 1999	-	$ -
Granted	[redacted]	[redacted]
Exercised	-	-
Forfeited	-	-
Expired	-	-
Outstanding, December 31, 1999	[redacted]	$ [redacted]
Exercisable, December 31, 1999	[redacted]	$ [redacted]

The outstanding options have an exercise price of $[redacted] per share with a weighted average remaining life of 9.8 years.

Measuring compensation cost based on the fair value at the grant dates for awards under the plan consistent with SFAS No. 123 would have increased the net loss, on a proforma basis, by approximately $[redacted] The fair value of options was estimated using the minimum value method with the following assumptions: expected life (5 years); interest rate ([redacted]%); no volatility and no dividend yield.

Note 8. Lease Commitment

The Company has a one-year lease for office space, which is due to expire September 2000. The remaining commitment under the lease is approximately $[redacted]. Rent expense under the lease was approximately $[redacted] for the period ended December 31, 1999.

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Notes to Financial Statements
December 31, 1999

Note 9. Subsequent Event

Articles of Incorporation: In February 2000, the Company amended its Articles of Incorporation to increase the number of its authorized shares of voting Common Stock to [redacted]. It also authorized two new classes of stocks; [redacted] shares of Series B Preferred Stock and [redacted] shares of non-voting common Stock. Both new classes of stock have a par value of $[redacted]. In addition, the Company entered into a Series B Preferred Stock Purchase Agreement whereby the Company sold to various investors [redacted] shares of Series B Preferred Stock for $[redacted] per share for a total purchase price of approximately $[redacted]

The Company also increased the number of shares of common stock reserved for options to [redacted] shares.

Employment Agreements: On January 1, 2000, the Company entered into an employment agreement with its Chief Executive Officer for a term of two years expiring on December 31, 2001. The employment agreement provides for an annual salary of $[redacted]. The base salary is subject to annual review by the Board of Directors.

The Company made available a $[redacted] loan to the Chief Executive Officer. The loan bears interest at the prime rate plus [redacted] per annum. The term of the loan is five years; interest only is payable annually. The principal together with accrued and unpaid interest will be repaid at maturity.

The Company further agreed to grant options to purchase [redacted] shares of the Company's common stock at $[redacted] per share under the 1999 stock incentive plan. The options will become vested at various periods during his employment.