ORIGINAL

Pillsbury
Winthrop
Shaw
Pittman LLP

2300 N Street, N W
Washington, D C 20037-1128

Tel 202 663 8000
Fax 202 663 8007
www pillsburylaw com

September 12, 2005

Glenn Richards
202 663 8215
glenn richards@pillsburylaw com

Docketing Department
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

05-00252

Re: Application of Mobilepro Corp. and American Fiber Network, Inc. to Complete a Transfer of Control of American Fiber Network, Inc.

Dear Sir or Madam:

On behalf of our client, Mobilepro Corp. ("Mobilepro"), we submit an original and thirteen (13) copies of the enclosed application seeking Commission permission to transfer control of American Fiber Network, Inc. to Mobilepro. We have also submitted a check in the amount of $25.00 to cover the filing fee for this application.

Please date-stamp the "Receipt" copy of this filing and return it in the enclosed self-addressed, stamped envelope. Please contact the undersigned if you have any questions or concerns.

Sincerely,

Glenn Richards
Counsel for Mobilepro Corp.

542257-0000001

Document # 1498111 v 1

Before the
TENNESSEE REGULATORY AUTHORITY

In the Matter of the Application of	)	
	)	
Mobilepro Corp.,	)	
	)	
And	)	Docket No. _____
	)	
American Fiber Network, Inc.	)	
	)	
For Authority To Transfer Control of an Authorized Carrier	)	

JOINT APPLICATION

Mobilepro Corp. ("Mobilepro") and American Fiber Network, Inc. ("AFN," collectively with Mobilepro, "Applicants"), pursuant to T.C.A. § 65-4-113 and the rules of the Tennessee Regulatory Authority ("TRA"), respectfully request authority to transfer control of AFN to Mobilepro. In particular, Mobilepro has entered into an agreement with AFN through which AFN will merge with and into AFN Acquisition Corp., a newly created, wholly-owned subsidiary of Mobilepro. Simultaneously, AFN Acquisition Corp. will change its name to American Fiber Network, Inc., which will be the surviving corporation. As a result of that transaction, AFN will become a wholly-owned subsidiary of Mobilepro.

The proposed transaction is a combination stock and cash transaction by which AFN will continue as a going concern. The proposed transaction will not affect the rates, terms, or conditions under which AFN provides service in Tennessee. As a result, the proposed transaction will be transparent to AFN's end-user customers in Tennessee. Applicants expect that the proposed transaction will improve their business operations. Specifically, AFN will benefit from the highly qualified and experienced management and financial resources provided by Mobilepro, although the existing management of AFN will continue to oversee on-going

operations. Indeed, as described below, Mobilepro's subsidiaries currently hold authority to provide telecommunications services in several states. As a result, Applicants submit that the proposed transactions will provide AFN access to significant additional resources which will inure to the benefit of its Tennessee customers. Accordingly, Applicants respectfully request that the Commission approve this Application expeditiously in order to allow the proposed transactions described herein to be consummated as soon as possible.

Applicants provide the following additional information in support of this Application:

I. DESCRIPTION OF APPLICANTS

A. Mobilepro Corp.

Mobilepro Corp. ("Mobilepro") is a Delaware corporation with offices located at 6701 Democracy Boulevard, Suite 300, Bethesda, Maryland 20817. Mobilepro is a widely-held publically-traded corporation that offers telecommunications services through three wholly-owned subsidiaries. CloseCall America, Inc. ("CloseCall") provides resold local and interexchange telecommunications services in approximately nine states. Affinity Telecom, Inc. ("Affinity") also provides local and interexchange telecommunications services in Michigan and Ohio. Davel Communications, Inc. provides payphone services in 45 states. A fuller description of Mobilepro's current operations is attached as Exhibit A.

Mobilepro is financially, managerially, and technically qualified to acquire AFN. Mobilepro's management team is run by Jay. O. Wright, President and Chief Executive Officer. Mr. Wright is an experienced telecommunications entrepreneur who manages the overall strategic direction of Mobilepro. In particular, Mr. Wright has extensive experience in financial management and mergers and acquisitions. Mr. Wright's full biography, along with those of the other members of Mobilepro's management team, is attached as Exhibit B.

B. American Fiber Network, Inc.

American Fiber Network, Inc. ("AFN") is a Delaware corporation with offices located at 9401 Indian Creek Pkwy., Suite 140, Overland Park, Kansas 66210. AFN is wholly-owned by Douglas Bethell. AFN currently provides resold local exchange service, resold long distance operator services, voicemail and other standard voice features, and DS1 services. AFN also provides interexchange service nationwide and holds competitive local authority in selected markets. AFN was recently authorized to provide resold local and interexchange long distance telecommunication services in Tenneseee. *See Order Granting Authority to Resell Local and Interexchange Long Distance Telecommunication Services in Tennessee*, Docket No. 05-00124 (Aug. 24, 2005).

II. CONTACTS

Questions or any correspondence pertaining to this Application should be directed to:

Glenn S. Richards
PILLSBURY WINTHROP SHAW PITTMAN LLP
2300 N Street, N.W.
Washington, D.C. 20037
(202) 663-8215 (phone)
(202) 663-8007 (fax)
glenn.richards@pillsburylaw.com

With copies to:

Robert E. Heath, Executive Vice President
American Fiber Network, Inc.
9401 Indian Creek Pkwy., Suite 140
Overland Park, KS 66210
(214) 221-0089 (phone)
(913) 661-0538 (fax)
rob.heath@afnltd.com

III. DESCRIPTION OF TRANSACTION

Applicants propose to complete a transaction through which AFN will become a direct, wholly-owned subsidiary of Mobilepro. In particular, Mobilepro and AFN have entered into an agreement under which AFN will be merged with and into AFN Acquisition Corporation ("AFNAC"), a newly created, wholly-owned subsidiary of Mobilepro. AFNAC will then change its name to American Fiber Network, Inc., which will survive the merger as a direct, wholly-owned subsidiary of Mobilepro. Douglas Bethell, who currently owns 100% of the equity of AFN, will receive a combination of cash and Mobilepro stock as part of the transaction. Mr. Bethell will continue to run the day-to-day operations of AFN.

Following the proposed transactions, AFN's customers will continue to receive services under the same rates, terms and conditions as those services are currently provided to them. The proposed transaction will not cause any service interruptions or have any impact on AFN's day-to-day operations in Tennessee. Applicants therefore expect that the proposed transactions will be transparent to AFN's customers in terms of the services that those customers receive. A chart illustrating what the merged entities will look like is attached as Exhibit C.

IV. PUBLIC INTEREST CONSIDERATIONS

The proposed transactions described above serve the public interest in promoting competition among telecommunications providers. In particular, the proposed transactions will combine the strengths of Mobilepro and AFN, which should allow the combined companies to compete more effectively against larger carriers that have substantial resources and can offer a wide range of facilities-based service offerings.

The operations of Applicants are highly complementary. Mobilepro, through its subsidiaries CloseCall and Affinity, offers local and intrastate long distance services in nine

states. Mobilepro also has deep experience and expertise in the provision of payphone services and Internet services. AFN has a substantially wider coverage area for local and long distances services, and extensive experience in providing regulated services to commercial and residential customers. Applicants believe the proposed transaction will enhance the ability of the entities to expand their respective operations both in terms of service area coverage and through the ability of each entity to offer customers an expanded line of products and services. In addition, Applicants expect that the proposed transaction will yield substantial operational and financial benefits to the combined companies.

Given the increasingly competitive nature of the telecommunications market, Applicants are seeking to complete the proposed transactions as soon as possible to ensure that customers can obtain rapidly the benefits of the proposed transactions. Accordingly, Applicants respectfully request that the Commission process, consider, and approve this Application as expeditiously as possible.

V. CONCLUSION

For the foregoing reasons, Applicants respectfully submit that the public interest, convenience, and necessity would be furthered by a grant of this Application.

Respectfully submitted,

Glenn S. Richards
Pillsbury Winthrop Shaw Pittman LLP
2300 N Street, N.W.
Washington, DC 20037
(202) 663-8215 (Tel)
(202) 663-8212 (Fax)
glenn.richards@pillsburylaw.com

Counsel for Mobilepro Corp.

Robert E. Heath, Executive Vice President
American Fiber Network, Inc.
9401 Indian Creek Pkwy., Suite 140
Overland Park, KS 66210
(214) 221-0089 (phone)
(913) 661-0538 (fax)
rob.heath@afnltd.com

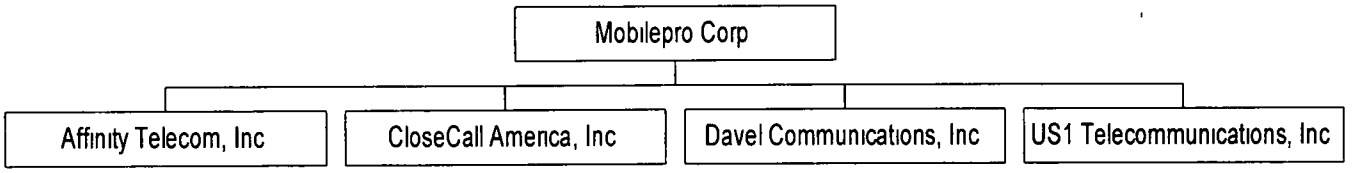
Dated: September 12, 2005

LIST OF EXHIBITS

EXHIBIT A

Applicants' Current Operations

Pre-Merger Mobilepro Corp. Operations



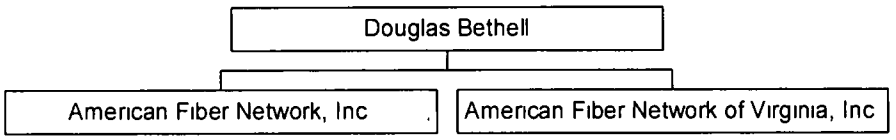
Mobilepro Corp. ("Mobilepro") is a widely-held publically-traded Delaware corporation. Mobilepro does not itself offer any telecommunications services.

Mobilepro's wholly-owned subsidiary, **CloseCall America, Inc.** ("CloseCall"), is authorized to provide competitive local exchange services in Delaware, Florida, Illinois, Indiana, Maryland, Michigan, Ohio, Pennsylvania, and Wisconsin. CloseCall is also authorized as an interexchange carrier in Florida, Illinois, Indiana, Maryland, Michigan, Ohio, Pennsylvania, and Wisconsin.

Mobilepro's wholly-owned subsidiary, **Affinity Telecom, Inc.** ("Affinity"), is authorized to provide competitive local exchange services in Michigan and Ohio. Affinity is also authorized as an interexchange carrier in Michigan and Ohio.

Mobilepro's wholly-owned subsidiary, **Davel Communications, Inc.** ("Davel"), provides payphone services in 45 states, including: Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

Pre-Merger American Fiber Network, Inc. Operations



American Fiber Network, Inc. ("AFN") is wholly-owned by Douglas Bethell. AFN is authorized to provide competitive local exchange services and interexchange services in Alabama, California, Colorado, Connecticut, the District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nevada, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Texas, Utah, Washington, and Wisconsin. AFN is also authorized to provide interexchange services in Arizona, New Jersey, and Wyoming. AFN has applications to provide competitive local exchange services pending in Kentucky and Tennessee.

American Fiber Network of Virginia, Inc. is also wholly-owned by Douglas Bethell, and is authorized to provide local exchange services and interexchange services in Virginia.

EXHIBIT B

Mobilepro Management Information

Background Information

Jay O. Wright. Jay O Wright has served as our President and Chief Executive Officer since December 2003 and as a Director since August 2004 From October 2001 to December 2003, Mr Wright served as President of Bayberry Capital, Inc , a Maryland based financial consulting firm During that time, he also served from August 2002 and May 2003 as Chief Financial Officer for Technical and Management Services Corporation where he negotiated the sale of that company to Engineered Support Systems, Inc Between December 1999 and September 2001 Mr. Wright served as Chief Financial Officer of Speedcom Wireless Corporation, a wireless software technology company, where he helped take that company public via a "reverse merger" and subsequently obtain a NASDAQ SmallCap listing From January 1999 to November 1999, Mr Wright served as Senior Vice President of FinanceMatrix com, a Hamilton, Bermuda based company focused on developing a proprietary financial software architecture to provide tax-efficient financing to sub-investment grade companies Between May 1997 and January 1999 Mr Wright served as an investment banker with Merrill Lynch Prior to that he was a mergers and acquisitions attorney with Skadden, Arps, Slate, Meagher and Flom, LLP in New York and Foley & Lardner in Chicago Mr Wright received his Bachelor's degree in Business from Georgetown University (summa cum laude) and a JD degree from the University of Chicago Law School

Kurt Gordon. Kurt Gordon has served as our Chief Financial Officer since March 2004. Between November 2003 and February 2004, he served as a consultant to us He has over 14 years of experience in finance and operations with special focus on growing entrepreneurial environments Between April 2000 and September 2003, Mr Gordon was Chief Financial officer of TARGUS Information Corporation, which pioneered the development of real time intelligence providing businesses access to information about businesses and consumers who contact them by telephone, Internet and wireless devices Gordon was a key contributor during the largest revenue and employee growth phase of that company's history Between March 1997 and April 2000, Mr Gordon served in several capacities including Director of Finance for KSI Services Incorporated, a real estate acquisition and development corporation Mr Gordon also serves on the board of directors of Greenworks Corporation, an OTC Bulletin-Board listed company Earlier in his career, Mr Gordon served as a public accountant and consultant in the Entrepreneurial Services group of Ernst & Young

Geoffrey B. Amend. Geoff B Amend has served as our General Counsel since November 2004 Prior to joining Mobilepro, Mr Amend was in private practice specializing in telecommunications, Internet, and systems integration since 1999 He has served as general counsel to NexGen Telecommunication, Inc , DiscoveryTel, Inc., and Direct Partner Telecom, Inc All of these companies are engaged in providing facilities-based voice over Internet protocol (VoIP) telecommunications services to the international and/or domestic marketplace Previously, Mr Amend practiced corporate and securities law with Klenda, Mitchell, Austerman & Zuercher, L L C in Wichita, Kansas He received his bachelor's degree in political science and sociology from Regis University and a J D. degree (with honors) from Washburn University

Jack W. Beech. Jack Beech has served as the President of our subsidiary DFW Internet Services, Inc. since its acquisition by Mobilepro in January 2004 and as a Director since August 2004 Mr Beech founded DFW Internet Services, Inc. in 1993 and served as its President and Chief Executive Officer until its sale to Mobilepro in January 2004 While serving as President and Chief Executive Officer of DFW, Mr Beech has taught seminars, given presentations at conventions and appeared as a guest lecturer in colleges and events within the state of Texas to discuss his experiences and knowledge of the Internet services industry

Tom Mazerski. Tom Mazerski has served as the Chief Executive Officer of our subsidiary CloseCall America, Inc since its acquisition by Mobilepro in October 2004 Tom Mazerski co-founded CloseCall America as President & CEO in March 1999 Previously Mr Mazerski was employed by Verizon from 1979 through 1999 While employed he served in several key jobs at Verizon including Consumer Marketing, Merger Integration, Carrier interconnection, and as an expert witness in the areas of costs and economics

Tammy L. Martin. Tammy Martin was promoted to serve as the President and Chief Executive Officer of our subsidiary Davel Communications, Inc in May 2005 Prior to that appointment, Ms Martin served as the Chief Administrative Officer of the Company since February 2005 and General Counsel of the Company since September 2002 Ms Martin also served as Secretary of Davel Communications from June 2003 until our acquisition of Davel

in November 2004 Prior to joining Davel, Ms Martin served as General Counsel of AmericanGreetings com, Inc since December 2000 From March 2000 to June 2000 she was Chief Financial Officer and General Counsel for Portalvision, Inc. For seven years prior thereto, Ms Martin held several senior management positions with PhoneTel Technologies, Inc , including Chief Administrative Officer, General Counsel and Secretary Ms Martin received her Bachelor's degree in Business Administration with a concentration in accounting and finance from Baldwin Wallace College and a JD degree from Cleveland Marshall College of Law

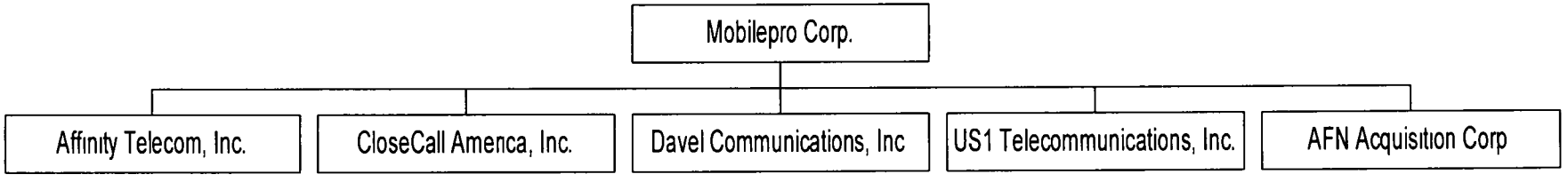
Bruce Sanguinetti. Bruce Sanguinetti has served as the President and Chief Executive Officer of our subsidiary NeoReach, Inc since January 1, 2005 Mr Sanguinetti has over 25 years of experience in the wireless, computer and technology fields, with the last 15 years of his career focused on the development and marketing of wireless communications devices Immediately prior to agreeing join NeoReach, Mr Sanguinetti had been working as an independent consultant between August 2004 and December 2004 Between November 2001 and August 2004, Mr Sanguinetti served as President and Chief Executive Officer of Bermai Inc , a developer of next-generation semiconductor chips under the "Wi-Fi" standard Prior to joining Bermai, Mr Sanguinetti served from September 2000 to September 2001 as President of Speedcom Wireless Corporation, a wireless software technology company From October 1999 until September 2000, Mr. Sanguinetti served as a Director of Speedcom and Evitek

John Dumbleton. John Dumbleton has served as Executive Vice President of Sales and Business Development for Mobilepro since January 2005 He has over 13 years of experience in the telecommunications industry, with the last seven years of his career immediately preceding his service with Mobilepro, spent at Allegiance Telecom, where he was Senior Vice President of Wholesale Services and Indirect Channels Prior to joining Allegiance, Mr. Dumbleton had worked for approximately seven years at MCI Mr Dumbleton received his bachelor's degree in engineering and his M B A from Virginia Polytechnic Institute and State University

EXHIBIT C

Illustrative Chart

Pre-Merger Organizational Structure



American Fiber Network, Inc.

Post-Merger Organizational Structure

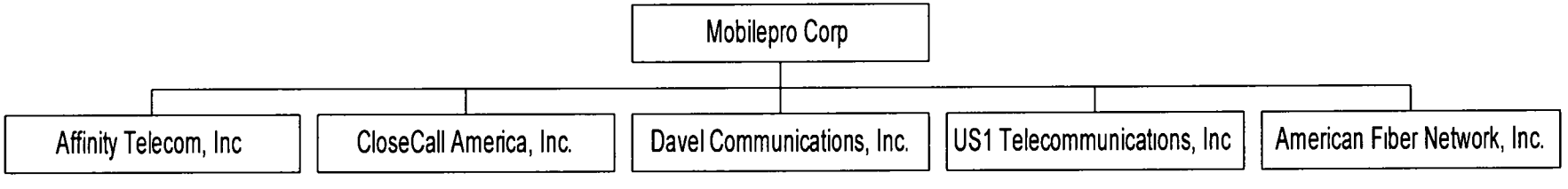


EXHIBIT D

Mobilepro Financial Information

MOBILEPRO CORP. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

BAGELL, JOSEPHS & COMPANY, L.L.C.
Certified Public Accountants

High Ridge Commons
Suites 400-403
200 Haddonfield Berlin Road
Gibbsboro, New Jersey 08026
(856) 346-2828 Fax (856) 346-2882

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Mobilepro Corp and Subsidiaries
Bethesda, Maryland

We have audited the accompanying consolidated balance sheets of Mobilepro Corp and Subsidiaries as of March 31, 2005 and 2004 and the related consolidated statements of operations, changes in 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 have conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States) Those standards require that we plan and perform the audits 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 Mobilepro Corp and Subsidiaries as of March 31, 2005 and 2004 and the results of its operations, changes in stockholders equity (deficit) and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

BAGELL, JOSEPHS & COMPANY, L.L.C.
BAGELL, JOSEPHS & COMPANY, L L C
Certified Public Accountants
Gibbsboro, New Jersey
May 20, 2005

MOBILEPRO CORP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2005 AND 2004

ASSETS

	2005	2004
CURRENT ASSETS		
Cash and cash equivalents	$ 4,669,787	$ 1,955,607
Restricted cash	429,954	–
Accounts receivable, net	12,658,313	139,553
Investments, at cost	450,000	–
Prepaid expenses and other current assets	2,061,697	10,983
Total Current Assets	20,269,751	2,106,143
Fixed assets, net of depreciation	13,193,056	136,498
OTHER ASSETS		
Other assets	1,277,897	2,837
Deferred financing fees, net of amortization	1,026,667	–
Customer lists, net of amortization	114,311	–
Intangible assets, net of amortization	3,343,628	–
Goodwill, net of impairment	33,597,621	1,112,695
	39,360,124	1,115,532
TOTAL ASSETS	$ 72,822,931	$ 3,358,173

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

MOBILEPRO CORP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
MARCH 31, 2005 AND 2004

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	2005	2004
CURRENT LIABILITIES		
Current portion of long-term debt and notes payable	$ 19,035,263	$ 63,633
Notes payable under the Standby Equity Distribution Agreement	6,500,000	–
Notes payable under the Equity Line of Credit		1,800,000
Deferred revenue	3,470,731	58,202
Accounts payable and accrued expenses	19,863,088	589,819
Total Current Liabilities	48,869,082	2,511,654
LONG-TERM LIABILITIES		
Long-term debt and notes payable, net of current maturities	999,196	560,200
Total Long-Term Liabilities	999,196	560,200
TOTAL LIABILITIES	49,868,278	3,071,854
STOCKHOLDERS' EQUITY (DEFICIT)	0	
Preferred stock, $.001 par value, 5,035,425 shares authorized and 35,378 shares issued and outstanding at March 31, 2005 and 2004	35	35
Common stock, $.001 par value, 600,000,000 shares authorized and 355,918,011 and 220,493,159 shares issued and outstanding at March 31, 2005 and 2004	355,918	220,493
Additional paid-in capital	43,195,250	15,902,619
Accumulated deficit	(21,196,550)	(15,836,828)
Minority interest	600,000	–
Total Stockholders' Equity (Deficit)	22,954,653	286,319
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 72,822,931	$ 3,358,173

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

MOBILEPRO CORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004

	2005	2004
REVENUES	$ 46,508,144	$ 311,355
COSTS OF REVENUES	22,551,240	117,349
GROSS PROFIT	23,956,904	194,006
OPERATING EXPENSES		
Professional fees and compensation expenses	12,555,710	1,577,782
Advertising and marketing expenses	1,610,285	36,995
Research and development costs	30,324	1,620
General and administrative expenses	10,018,298	186,599
Office rent and expenses	952,475	105,142
Travel and entertainment expenses	243,758	48,020
Depreciation and amortization	2,067,213	21,000
Total Operating Expenses	27,478,063	1,977,158
LOSS BEFORE OTHER INCOME (EXPENSE)	(3,521,159)	(1,783,152)
OTHER INCOME (EXPENSE)		
Amortization of discount and interest on conversion of debt	(375,150)	(353,342)
Interest income	17,210	–
Other income	111,089	–
Interest expense	(1,591,712)	(21,350)
Total Other Income (Expense)	(1,838,563)	(374,692)
NET LOSS BEFORE PROVISION FOR INCOME TAXES	(5,359,722)	(2,157,844)
Provision for Income Taxes	–	–
NET LOSS APPLICABLE TO COMMON SHARES	$ (5,359,722)	$ (2,157,844)
NET LOSS PER BASIC AND DILUTED SHARES	$ (0 02)	$ (0 02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	289,933,904	111,591,658

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

MOBILEPRO CORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004

	Preferred Stock		*Common Stock*		*Additional*			*Stockholders'*
	Shares	*Amount*	*Shares*	*Amount*	*Paid-In Capital*	*Minority Interest*	*Accumulated Deficit*	*Equity (Deficit)*
BALANCE – MARCH 31, 2003	35,478	$ 35	30,175,122	$ 30,175	$11,538,979	$ –	$(13,678,984)	$ (2,109,795)
Shares issued as compensation	–	–	350,000	350	8,400	–	–	8,750
Shares issued under MOU agreement	–	–	3,500,000	3,500	64,750	–	–	68,250
Shares issued in conversion of debentures	–	–	16,130,887	16,131	190,454	–	–	206,585
Shares issued in conversion of advances	–	–	17,057,971	17,058	171,942	–	–	189,000
Shares issued in acquisition of DFW Internet Services, Inc	–	–	18,761,726	18,762	231,238	–	–	250,000
Shares issued under $10 million Equity Line of Credit	–	–	134,517,453	134,517	3,322,240	–	–	3,456,757
Accounts payable settlements with vendors	–	–	–	–	374,616	–	–	374,616
Net loss for the year ended March 31, 2004	–	–	–	–	–	–	(2,157,844)	(2,157,844)
BALANCE – MARCH 31, 2004	35,478	35	220,493,159	220,493	15,902,619	–	(15,836,828)	286,319
		&160;						
Shares issued under $10 million Equity Line of Credit	–	–	10,000,000	10,000	4,031,691	–	–	4,041,691
Shares issued pursuant to settlement agreement	–	–	2,000,000	2,000	88,000	–	–	90,000
Shares issued for services related to SB-2 filing	–	–	8,000,000	8,000	1,752,000	–	–	1,760,000
Shares issued for cash	–	–	421,037	421	23,578	–	–	23,999
Shares issued for consulting	–	–	100,000	100	14,900	–	–	15,000
Shares issued for cash	–	–	2,000,000	2,000	56,000	–	–	58,000
Shares issued in acquisition of ShreveNet, Inc	–	–	878,816	879	189,121	–	–	190,000
Shares issued for cash	–	–	25,000	25	2,475	–	–	2,500
Shares issued in acquisition of Affinity Telecom	–	–	5,000,000	5,000	–	–	–	5,000
Shares issued in acquisition of CloseCall America, Inc	–	–	39,999,999	40,000	9,960,000	–	–	10,000,000
Warrants issued in acquisition of Davel Communications, Inc	–	–	–	–	333,500	–	–	333,500
Terminated put agreement with prior Affinity Telecom	–	–	–	–	995,000	–	–	995,000

shareholders								
Shares issued for consulting	–	–	500,000	500	15,500	–	–	16,000
Shares issued in acquisition of the assets of Web One, Inc	–	–	1,500,000	1,500	298,500	–	–	300,000
Terminated put agreement with prior DFW Internet Services, Inc	–	–	–	–	250,000	–	–	250,000
Shares issued under $100 million Standby Equity Distribution Agreement	–	–	65,000,000	65,000	9,282,366	–	–	9,347,366
Minority interest in Davel acquisition	–	–	–	–	–	600,000	–	600,000
Net loss for the year ended March 31, 2005	–	–	–	–	–	–	(5,359,722)	(5,359,722)
BALANCE – MARCH 31, 2005	35,378	$ 35	355,918,011	$355,918	$43,195,250	$600,000	$(21,196,550)	$ 22,954,653

&160,

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

MOBILEPRO CORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (5,359,722)	$ (2,157,844)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,067,213	21,000
Common stock issued for services and compensation	31,000	77,000
Investments received for miscellaneous services	(450,000)	–
Amortization of discount and interest on conversion of debt	375,150	353,342
Changes in assets and liabilities		
(Increase) decrease in other current assets	916,786	(1,465)
(Increase) decrease in accounts receivable	(307,335)	17,215
(Increase) in other assets	(384,910)	–
Increase (decrease) in deferred revenue	609,979	(8,222)
Increase (decrease) in accounts payable and and accrued expenses	3,155,408	(647,536)
Total adjustments	6,013,291	(188,666)
Net cash provided by (used in) operating activities	653,569	(2,346,510)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for acquisitions	(32,960,500)	(350,000)
Cash received in acquisition of subsidiaries	5,827,223	47,756
Acquisition of intangible assets	(1,192,608)	–
Capital expenditures, net	(2,109,338)	(999)
Net cash (used in) investing activities	(30,435,223)	(303,243)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from common stock issuances	84,499	–
Borrowings under the equity line of credit, the standby equity distribution agreement and other convertible debentures	17,700,000	4,785,000
Payments of other convertible debentures	–	(50,000)
Change in convertible debentures – officers, net	–	(97,617)
Proceeds (payments) of long-term debt, net	14,711,335	(38,738)
Net cash provided by financing activities	32,495,834	4,598,645

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

MOBILEPRO CORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004

	2005	2004
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,714,180	1,948,892
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	1,955,607	6,715
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 4,669,787	$ 1,955,607
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 533,050	$ –
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:		
Issuance of common stock for		
Conversion of notes payable to common stock	$ 13,000,000	$ 3,145,000
Conversion of other convertible debentures	$ –	$ 206,585
Conversion of advances and payables to common stock	$ –	$ 563,616
Deferred financing fees paid in common stock	$ 1,760,000	$ –
Acquisition of DFW Internet Services, Inc	$ –	$ 500,000
Liability for common stock to be issued	$ 300,000	$ –
Assignment of bridge debentures receivable	$ 1,000,000	$ –
Goodwill recorded in acquisitions	$ 32,785,618	$ 525,185

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

NOTE 1– ORGANIZATION AND BASIS OF PRESENTATION

Mobilepro Corp , a Delaware corporation, as of June 1, 2001 merged into Craftclick com, Inc with Craftclick being the surviving corporation and the Certificate of Incorporation and By–Laws of Craftclick being the constituent documents of the surviving corporation In July 2001, the Company changed its name to Mobilepro Corp (Mobilepro or Company)

On March 21, 2002, Mobilepro entered into an Agreement and Plan of Merger with NeoReach, Inc (Neoreach), a private Delaware company, pursuant to which a newly formed wholly owned subsidiary of Mobilepro merged into NeoReach in a tax–free transaction NeoReach was a development stage company designing, developing and deploying various wireless technologies and solutions The merger was consummated on April 23, 2002 As a result of the merger, NeoReach became a wholly owned subsidiary of Mobilepro On April 23, 2002, the Company issued 12,352,129 shares of its common stock and no cash pursuant to the Agreement The Board of Directors determined the consideration to be a fair compensation to the NeoReach shareholders The issued shares were valued at a fair value of $6,546,628, based on the last trading price of $0 53 per share and assuming there was actual active trading of the stock at that time

On March 12, 2003, the Company amended its Certificate of Incorporation and pursuant to a board resolution, increased the authorized level of common stock from 50,000,000 to 600,000,000 The Board of Directors of the Company subsequently authorized an increase in the number of shares authorized under its 2001 Equity Performance Plan from 1,000,000 to 6,000,000

On January 19, 2004, the Company consummated a Stock Purchase Agreement with DFW Internet Services, Inc A newly formed, wholly–owned subsidiary of Mobilepro merged into DFW Internet Services, Inc in a tax–free exchange transaction As a result of the merger, DFW Internet Services, Inc is now a wholly owned subsidiary of Mobilepro In March 2004, the Company issued 18,761,726 shares of common stock to the holders of DFW Internet Services, Inc in a share exchange for 100% of DFW Internet Services, Inc common stock. The issued shares were valued at a fair value of $500,000 based on the average 20–day closing price ($0 02665 per share) prior to January 19, 2004

In March 2004, DFW Internet Services, Inc acquired Internet Express, Inc , an Internet service provider in southeast Texas for $650,000 in cash and promissory notes

In April 2004, DFW Internet Services, Inc acquired August net Services LLC, an Internet service provider in Texas for $1,730,000 in cash and promissory notes

In June 2004, DFW Internet Services, Inc acquired ShreveNet, Inc , an Internet service provider in Louisiana for $1,250,000 in cash and common stock The issued shares were valued at a fair value of $190,000 based on the average 20–day closing price ($0 2162 per share) prior to June 3, 2004 The Company issued the common stock in August 2004

In June 2004, DFW Internet Services, Inc acquired certain assets of Crescent Communications, Inc , an Internet service provider in Houston for $1,194,767 in cash and a promissory note

In June 2004, the Company acquired US1 Telecommunications, Inc , a long distance provider in Kansas, for $200,000 in cash and conditional promissory notes

In July 2004, DFW Internet Services, Inc acquired Clover Computer Corporation, a Coshocton, Ohio–based Internet services provider with operations in several Ohio cities, for $1,250,000 in cash and promissory notes

In July 2004, DFW Internet Services, Inc acquired Ticon net, a Janesville, Wisconsin–based Internet service provider with operations in Janesville and Milwaukee, for $1,000,000 in cash and promissory notes

In August 2004, the Company acquired Affinity Telecom, a Michigan–based Competitive Local Exchange Carrier (CLEC) and long distance carrier The Company paid $3,440,000 in cash, notes, and a convertible note The Agreement and Plan of Merger by and between the Company and Affinity Telecom was amended as of December 2004 due to certain disputes regarding the financial condition of Affinity Telecom The Amendment resulted in a reduction in the aggregate consideration the Company paid by approximately $927,000

In August 2004, DFW Internet Services, Inc acquired the customer base, corporate name and certain other assets of Web One, Inc , a Kansas City, Missouri–based Internet service and web–hosting provider for $2,000,000 in cash and common stock In March 2005, a subsequent post closing adjustment resulted in the Company recognizing a reduction in the aggregate consideration the Company paid by $40,000

NOTE 1– ***ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)***

In September 2004, DFW Internet Services, Inc acquired World Trade Network, Inc an Internet services provider based in Houston, Texas, for $1,700,000 in cash and promissory notes In March 2005, a subsequent post closing adjustment resulted in the Company recognizing a reduction in the aggregate consideration the Company paid by $500,000

In September 2004, DFW Internet Services, Inc acquired The River Internet Access Co an Internet services provider based in Tucson, Arizona, for $2,467,204 in cash and promissory notes

In October 2004, the Company acquired CloseCall America, Inc a Maryland–based CLEC, offering local, long distance. 1.800CloseCall prepaid calling cards, wireless, dial–up and DSL Internet telecommunications services The purchase price included cash of $8,000,000 and 39,999,999 shares of common stock valued at $10,000,000 plus warrants to purchase 3,500,000 additional shares of common stock The 39,999,999 shares are restricted under SEC Rule 144 and the 2,500,000 and 1,000,000 warrants issued have strike prices of $0 30 and $0 35 per share, respectively

In November 2004, in connection with our acquisition of 100% of Davel Communication, Inc s (Davel) senior secured debt in the approximate principal amount of $103 1 million, a $1 3 million note payable by Davel to one of its secured lenders, and the assignment to Mobilepro of approximately 95 2% of the common stock of Davel, we agreed to purchase the remaining issued and outstanding shares of Davel Davel is an owner and operator of approximately 38,000 payphones in approximately 25,000 locations in 45 states and the District of Columbia The Company acquired 100% of Davel's approximately $104 4 million in total secured debt and 95 2% of Davel's common stock for a price of $14 33 million The purchase price included cash of $14,000,000 plus warrants to purchase up to 5,000,000 shares of common stock at the price of $0 30 per share Additionally, the Company agreed to purchase the remaining 4 8% of Davel s common stock at a minimum price of $0 015 per share In May 2005, Davel fulfilled this obligation by executing a reverse stock split and paying a cash purchase price of $450,000 for fractional shares held by the minority stockholders

NOTE 2– ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries All significant inter–company accounts and transactions have been eliminated in consolidation

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments and other short–term investments with an initial maturity of three months or less to be cash or cash equivalents

The Company maintains cash and cash equivalents with a financial institution that exceeds the limit of insurability under the Federal Deposit Insurance Corporation However, due to management s belief in the financial strength of Bank of America, management does not believe the risk of keeping deposits in excess of federal deposit limits at Bank of America to be a material risk

Restricted Cash

The Company is required to maintain letters of credit collateralized by cash as additional security for the performance of obligations under certain service agreements In addition, cash is held as collateral for a note payable to the bank for an expansion loan as disclosed in Note 8 The cash collateral is restricted and is not available for the Company s general working capital needs The letters of credit expire in calendar 2005 At March 31, 2005 and 2004, restricted cash was $429,954 and $0, respectively

Revenue Recognition

The Company in January 2004 emerged from the development stage with the acquisition of DFW Internet Services, Inc The Company, as it relates to Internet services, recognizes income when the services are rendered and collection is reasonably assured and recognizes deferred revenue as a liability on services the Company pre–bills

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Revenue Recognition** (Continued)*

Revenue derived from local, long-distance and wireless calling, and Internet access is recognized in the period in which subscribers use the related service Deferred revenue represents the unearned portion of local, wireless and internet services that is billed in advance

Revenue from product sales that contain embedded software is recognized in accordance with the provisions of the American Institute of Certified Public Accountants Statement o f Position 97-2, Software Revenue Recognition

Revenue from product sales is recognized based on the type of sale transaction as follows

Shipments to Credit-Worthy Customers with No Portion of the Collection Dependent on Any Future Event Revenue is recorded at the time of shipment

Shipments to a Customer without Established Credit These transactions are primarily shipments to customers who are in the process of obtaining financing and to whom the Company has granted extended payment terms Revenues are deferred (not recognized) and no receivable will be recorded until a significant portion of the sales price is received in cash

Shipments where a portion of the Revenue is Dependent upon Some Future Event These consist primarily of transactions involving value-added resellers to an end user Under these agreements, revenues are deferred and no receivable will be recorded until a significant portion of the sales price is received in cash On certain transactions, a portion of the payment is contingent upon installation or customer acceptance

Upon non-acceptance, the customer may have a right to return the product The Company does not recognize revenue on these transactions until these contingencies have lapsed

Certain of the Company s product sales are sold with maintenance/service contracts The Company allocates revenues to such maintenance/service contracts based on vendor-specific objective evidence of fair value as determined by the Company s renewal rates Revenue from maintenance/service contracts are deferred and recognized ratably over the period covered by the contract

The Company, in addition to its Internet and voice services, from time to time receives miscellaneous revenues During the years ended March 31, 2005 and 2004, the Company generated $615,000 and $0 in miscellaneous revenues, respectively The miscellaneous revenue for the year ended March 31, 2005 included $450,000 that was received for services rendered in the form of common stock and is recorded on the consolidated balance sheet as investments at the fair value of the common stock received The two common stock transactions involved a software company based in Maryland and a specialized electronic assembly prototyping engineering firm in Texas (See Notes 2, 3, 10 and 14)

Davel derives its payphone revenues from two principal sources coin calls and non-coin calls Coin calls represent calls paid for by callers with coins deposited into a payphone Coin call revenues are recorded in the amount of coins deposited in the payphones and in the period deposited Revenue from non-coin calls, that includes dial-around compensation, and operator service revenue, is recognized in the period in which the customer places the call Coin call and non-coin call revenues recorded and recognized are ultimately reconciled to actual cash receipts Any variation between recorded revenue and receipt is accounted for at the time of receipt

Operator Service Revenue· Non-coin operator service calls are serviced by independent operator service providers These carriers assume billing and collection responsibilities for operator-assisted calls originating on Davel s payphone network and pay commissions to Davel based upon gross revenues Davel recognizes operator service revenues in amounts equal to the commission that it is entitled to receive during the period the service is rendered

Dial-around Revenue Davel also recognizes non-coin dial-around revenues from calls that are dialed from its payphones to gain access to a long distance company or to make a traditional toll free call (dial-around calls) Revenues from dial-around calls are recognized based on estimates using the Company s historical collection experience because a) the interexchange carriers (IXCs) have historically paid for fewer dial-around calls than are actually made (See Note 18) and b) the collection period for dial-around revenue is generally four to six months but can be in excess of a year Davel s estimate of revenue is based on historical analyses of calls placed versus amounts collected These analyses are updated on a periodic basis Recorded amounts are adjusted analyses on actual amounts received and estimates are updated once the applicable dial-around compensation has been collected

NOTE 2– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Effective July 14, 2000, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No 109, Accounting for Income Taxes The statement requires an asset and liability approach for financial accounting and reporting for income taxes, and the recognition of deferred tax assets and liabilities for the temporary differences between the financial reporting bases and tax bases of the Company s assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled There no federal or material state income taxes paid or due for the years ended March 31, 2005 and 2004, respectively (See Note 17)

Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, and accounts payable approximate fair value because of the immediate or short–term maturity of these financial instruments

Advertising Costs

The Company expenses the costs associated with advertising as incurred Advertising and promotional expenses were approximately $1,610,285 and $24,480 for the years ended March 31, 2005 and 2004, respectively

Fixed Assets

Furniture and equipment are stated at cost Depreciation is computed using the straight–line method over the estimated useful lives of the assets The costs associated with normal maintenance, repair, and refurbishment of telephone equipment are charged to expense as incurred The capitalized cost of equipment and vehicles under capital leases is amortized over the lesser of the lease term or the asset s estimated useful life, and is included in depreciation and amortization expense in the consolidated statements of operations

Uninstalled payphone equipment consists of replacement payphones and related equipment and is carried at the lower of cost or fair value

When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized as income for the period The cost of maintenance and repairs is charged to income as incurred, significant renewals and betterments are capitalized Deductions are made for retirements resulting from renewals or betterments

Location Contracts

Location contracts of $3,066,129 include acquisition costs allocated to location owner payphone contracts and other costs associated with obtaining written and signed location contracts These assets are amortized on a straight–line basis over their estimated useful lives based on contract terms (generally 5 years) Amortization expense related to location contracts was $253,805 and $–0– for the years ended March 31, 2005 and 2004, respectively. Accumulated amortization as of March 31, 2005 and 2004 was $253,805 and $–0–, respectively

Reclassifications

Certain amounts in the March 31, 2004 financial statements were reclassified to conform to the March 31, 2005 presentation The reclassifications in the March 31, 2004 financial statements resulted in no changes to the accumulated deficits

Accounts Receivable

The Company conducts business and extends credit based on an evaluation of the customers financial condition, generally without requiring collateral Exposure to losses on receivables is expected to vary by customer due to the financial condition of each customer The Company monitors exposure to credit losses and maintains allowances for anticipated losses considered necessary under the circumstances The Company has an allowance for doubtful accounts of $529,945 at March 31, 2005 relating to accounts receivable other than dial–around compensation

Accounts receivable, other than dial–around compensation, are generally due within 30 days and collateral is not required Unbilled accounts receivable represents amounts due from customers for which billing statements have not been generated and sent to the customers

NOTE 2– ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

Concentrations of Credit Risk

Trade accounts receivable are concentrated with companies in the telecommunications industry Accordingly, the credit risk associated with the trade accounts receivable will fluctuate with the overall condition of the telecommunications industry The primary component of accounts receivable relates to the Company s estimates of dial–around revenues as described below As a result, such estimates are based on the Company s historical collection experience and accounts receivable does reflect a general or specific provision for an allowance for doubtful accounts During all periods presented, credit losses, to the extent identifiable, were within management s overall expectations

Segment Information

The Company follows the provisions of Statement of Financial Accounting Standard No 131, Disclosures about Segments of an Enterprise and Related Information This standard requires that companies disclose operating segments based on the manner in which management disaggregates the Company in making internal operating decisions

Deferred Financing Fees

The Company, in May 2004, issued 8,000,000 shares of common stock with a value of $1,760,000 in connection with its Standby Equity Distribution Agreement (the "SEDA") These shares were issued as payment for financing fees to Cornell Capital for issuing the SEDA The agreement runs for a period of 24 months and the Company will amortize this fee over that period of time The Company incurred $733,333 in amortization expense for the year ended March 31, 2005 (See Note 9)

Earnings (Loss) per Share of Common Stock

Historical net income (loss) per common share (EPS) is computed using the weighted average number of common shares outstanding Diluted earnings per share include additional dilution from common stock equivalents, such as common stock issuable pursuant to the exercise of stock options and warrants Common stock equivalents were not included in the computations of diluted earnings per share for the years ended March 31, 2005 and 2004 because to do so would have been anti–dilutive on a per share basis for the periods presented

The following is a reconciliation of the weighted average shares outstanding for basic and diluted EPS for the years ended

	March 31, 2005	*March 31, 2004*
Net loss	$ (5,359,722)	$ (2,157,844)
Weighted–average common shares outstanding (Basic)	289,933,904	111,591,658
Weighted–average common stock equivalents —		
Stock options	–	–
Warrants	–	–
Weighted–average common shares outstanding (Diluted)	289,933,904	111,591,658
Net loss per share, basic and diluted	$ (0 02)	$ (0 02)

NOTE 2– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill and Other Intangible Assets

In June 2001, the Financial Accounting Standards Board (the "FASB") issued Statement No 142, Goodwill and Other Intangible Assets This statement addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes Accounting Principles Board ("APB") Opinion No 17, Intangible Assets It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition This statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recorded in the financial statements The Company has recorded $32,785,618 of goodwill in connection with its acquisitions The Company has also acquired other intangible assets of certain Internet service providers, CloseCall and Davel The Company performs its annual impairment test for goodwill at fiscal year–end As of March 31, 2005, the Company has determined that there is no impairment of its goodwill.

The Company capitalizes computer software development costs and amortizes these costs over an estimated useful life of 5 years

Investments

On June 29, 2004, the Company entered into a Business Development Agreement with Solution Technology International, Inc (STI), a company based in Maryland, whereby the Company provided services to STI in exchange for a 5% ownership in the company The value of the investment is $150,000 and is included in the consolidated balance sheet at March 31, 2005 (See Notes 2, 3, 10 and 14)

The Company on August 26, 2004 entered into a Business Development Agreement with Texas Prototypes, a company based in Texas, whereby the Company provided services to Texas Prototypes in exchange for a 5% ownership in the company The value of the investment is $300,000 and is included in the consolidated balance sheet at March 31, 2005 (See Notes 2, 3, 10 and 14)

Accounts Payable and Accrued Liabilities

	2005	*2004*
Accounts payable	$ 16,981,240	$ 499,819
Accrued compensation	1,675,124	90,000
Accrued interest expense	937,378	–
Total	$ 19,593,742	$ 589,819

Stock–Based Compensation

Employee stock awards under the Company's compensation plans are accounted for in accordance with APB Opinion No 25, Accounting for Stock Issued to Employees (APB 25), and related interpretations The Company provides the disclosure required by Statement of Financial Accounting Standard No 123, Accounting for Stock–Based Compensation (SFAS 123), and related interpretations Stock–based awards to non–employees are accounted for under the provisions of SFAS 123 and have adopted the enhanced disclosure provisions of Statement of Financial Accounting Standard No 148, Accounting for Stock–Based Compensation–Transition and Disclosure, an Amendment of SFAS No 123 (SFAS No 148)

The Company measures compensation expense for its employee stock–based compensation using the intrinsic–value method Under the intrinsic–value method of accounting for stock–based compensation, when the exercise price of options granted to employees is less than the estimated fair value of the underlying stock on the date of grant, deferred compensation is recognized and is amortized to compensation expense over the applicable vesting period In each of the periods presented, the vesting period was the period in which the options were granted

The Company measures compensation expense for its non–employee stock–based compensation under the FASB Emerging Issues Task Force Issue No 96–18, Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services The fair value of the option issued is used to measure the transaction, as this is more reliable than the fair value of the services received The fair value is measured at the value of the Company s common stock on the date that the commitment for performance by the counterparty has been reached or the counterparty s performance is complete The fair value of the equity instrument is charged directly to compensation expense and additional paid–in capital

NOTE 2– ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

Recent Accounting Pronouncements

On October 3, 2001, the FASB issued Statement of Financial Accounting Standard No 144, Accounting for the Impairment or Disposal of Long–Lived Assets (SFAS 144), that is applicable to financial statements for fiscal years beginning after December 15, 2001 The FASB s new rules on asset impairment supersede Statement of Financial Accounting Standards 121, Accounting for the Impairment of Long–Lived Assets and for Long–Lived Assets to Be Disposed Of, and portions of APB Opinion No 30, Reporting the Results of Operations This standard provides a single accounting model for long–lived assets to be disposed of and significantly changes the criteria that would have to be met to classify an asset as held–for–sale Classification as held–for–sale is an important distinction since such assets are not depreciated and are stated at the lower of fair value or carrying amount This standard also requires expected future operating losses from discontinued operations to be displayed in the period(s) in which the losses are incurred, rather than as of the measurement date as presently required

In April 2002, the FASB issued Statement of Financial Accounting Standard No 145, Rescission of FASB Statements No 4, 44 and 64, Amendment of FASB Statement No 13, and Technical Corrections (SFAS No 145) This statement rescinds (1) Statement of Financial Accounting Standard No 4, Reporting Gains and Losses from Extinguishment of Debt (SFAS No 4), (2) an amendment of that statement, Statement of Financial Accounting Standard No 44, Accounting for Intangible Assets of Motor Carriers , and (3) Statement of Financial Accounting Standard No 64, Extinguishments of Debt Made to Satisfy Sinking–Fund Requirements This statement amends Statement of Financial Accounting Standard No. 13, Accounting for Leases (SFAS No 13) to eliminate inconsistencies between the required accounting for sales–leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sales–leaseback transactions Also, this statement amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions Provisions of SFAS No 145 relating to the rescission of SFAS No 4 were effective for the Company on November 1, 2002, and provisions affecting SFAS No 13 were effective for transactions occurring after May 15, 2002 The adoption of SFAS No 145 did not have a significant impact on the Company's results of operations or financial position

In July 2002, the FASB issued Statement of Financial Accounting Standard No 146, Accounting for Costs Associated with Exit or Disposal Activities (SFAS No 146) This statement covers restructuring type activities beginning with plans initiated after December 31, 2002 Activities covered by this standard that are entered into after that date will be recorded in accordance with provisions of SFAS No 146 The adoption of SFAS No 146 did not have a significant impact on the Company's results of operations or financial position

In December 2002, the FASB issued SFAS No 148 that amended SFAS No 123, to provide alternative methods of transition for entities that voluntarily change to the fair value based method of accounting for stock–based employee compensation. It also amends the disclosure provisions of that statement to require prominent disclosure about the effects on reported net income of accounting policy decisions with respect to stock–based employee compensation Finally, this statement amends Accounting Principles Board Opinion No 28, Interim Financial Reporting , to require disclosure about those effects in interim financial information SFAS 148 is effective for financial statements covering fiscal years ending after December 15, 2002 The Company will continue to account for stock–based employee compensation using the intrinsic value method of APB No 25, but has adopted the enhanced disclosure requirements of SFAS 148

In April 2003, the FASB issued Statement of Financial Accounting Standard No 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities , which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under Statement of Financial Accounting Standard No 133, Accounting for Derivative Instruments and Hedging Activities This statement is effective for contracts entered into or modified after June 30, 2003, except for certain hedging relationships designated after June 30, 2003 Most provisions of this new statement should be applied prospectively The adoption of this statement did not have a significant impact on the Company's results of operations or financial position

In May 2003, the FASB issued Statement of Financial Accounting Standard No 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatory redeemable financial instruments of nonpublic entities, if applicable It is to be implemented by reporting the cumulative effect of a change in an accounting principle for

NOTE 2– ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

Recent Accounting Pronouncements (continued)

financial instruments created before the issuance date of the statement and still existing at the beginning of the interim period of adoption The adoption of this statement did have a significant impact on the Company's results of operations or financial position (See Note 10)

In November 2002, the FASB issued Interpretation No 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others (FIN 45), that requires a company, at the time it issues a guarantee, to recognize an initial liability for the fair value of obligation assumed under the guarantee and elaborates on existing disclosure requirements related to guarantees and warranties The recognition requirements are effective for guarantees issued or modified after December 31, 2002 for initial recognition and initial measurement provisions The adoption of FIN 45 did not have a significant impact on the Company's results of operations or financial position

In January 2003, the FASB issued Interpretation No 46, Consolidation of Variable Interest Entities, an Interpretation of ARB No 51 (FIN 46) that requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties FIN 46 is effective for all new variable interest entities created or acquired after January 31, 2003 For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003 The adoption of FIN 46 did not have a significant impact on the Company' results of operations or financial position

In December 2004, the FASB issued Statement of Financial Accounting Standard No 123 (Revised 2004), Share–Based Payment (SFAS No 123R) that requires that the compensation cost relating to share–based payment transactions be recognized in financial statements That cost will be measured based on the fair value of the equity or liability instruments issued The scope of SFAS No. 123R includes a wide range of share–based compensation arrangements including share options, restricted share plans, performance–based awards, share appreciation rights and employee share purchase plans SFAS No 123R replaces SFAS No 123 and supersedes APB No 25 SFAS No 123, as originally issued in 1995, established as preferable a fair–value–based method of accounting for share–based payment transactions with employees However, that statement permitted entities the option of continuing to apply the guidance in APB No 25 as long as the footnotes to the financial statements disclosed what net income would have been had the preferable fair–value–based method been used The Company has not yet determined the affect that the adoption of this new statement will have on the Company s historical financial position or results of operations, however it is expected to include the increase in compesation expense for equity and liability instruments issued to employees in the future

In December 2004, the FASB issued Statement of Financial Accounting Standard No 151, Inventory Costs (SFAS No 151), that requires abnormal amounts of inventory costs related to idle facility, freight handling and wasted material expenses to be recognized as current period charges Additionally, SFAS No 151 requires that the allocation of fixed production overhead to the costs of conversion be based on the normal capacity of the production facilities The standard is effective for fiscal years beginning after June 15, 2005 The Company does not have manufacturing operations or goods held for resale and does not expect the adoption of SFAS No 151 to have any impact on the Company s financial position or results of operations

In December 2004, the FASB issued Statement of Financial Accounting Standard No 153, Exchanges of Nonmonetary Assets – an Amendment of APB Opinion No 29 (SFAS No 153), that amends APB Opinion No 29, Accounting for Nonmonetary Transactions (APB No 29) The amendments made by SFAS No 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance Previously, APB No 29 required that the accounting for an exchange of a productive asset for a similar productive asset or an equivalent interest in the same or similar productive asset should be based on the recorded amount of the asset relinquished The provisions in SFAS No 153 are effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005 The Company does not expect the adoption of SFAS No 153 to have a material impact on the Company s financial position or results of operations

NOTE 3– ***BRIDGE DEBENTURES RECEIVABLE***

On August 23, 2004, the Company provided a $700,000 bridge debenture to Texas Prototypes, which was convertible into common stock of Texas Prototypes The debenture was secured by the assets of Texas Prototypes In March 2005, the Company assigned its Texas Prototypes bridge debenture receivable to Cornell Capital Partners, L P ("Cornell") in exchange for the elimination of its $700,000 note payable to Cornell As of March 31, 2005, the principal balance of the bridge debenture receivable was $0 (See Notes 2, 10 and 14)

On August 25, 2004, the Company provided a $300,000 bridge debenture to Solution Technology International, Inc ("STI") which was convertible into Common Stock of STI The debenture is secured by the assets of STI In March 2005, the Company assigned its STI bridge debenture receivable to Cornell in exchange for the elimination of its $300,000 note payable to Cornell As of March 31, 2005, the principal balance of the bridge debenture receivable was $0 (See Notes 2, 10 and 14)

NOTE 4– ***INTANGIBLE ASSETS – VOICE ACQUISITIONS***

The Company recorded an intangible asset for the cost of a customer list at $134,484, which was acquired in June 2004 Amortization expense for the customer list was $20,173 for the year ended March 31, 2005

NOTE 5– ***FIXED ASSETS***

Furniture and equipment are stated at cost Depreciation is computed using the straight–line method over the estimated useful lives of the assets

When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period The cost of maintenance and repairs is charged to income as incurred, significant renewals and betterments are capitalized Deduction is made for retirements resulting from renewals or betterments

Property and equipment as of March 31, 2005 and 2004 were as follows

	Estimated Useful Lives (Years)	2005	2004
Furniture and fixtures	7	$ 387,861	$ 9,379
Machinery and equipment	5	13,584,088	371,437
Leasehold improvements	7	263,452	2,141
Vehicles	5	287,733	77,296
Total		14,523,134	460,253
Less accumulated depreciation		1,330,078	323,755
Property and equipment, net		$ 13,193,056	$ 136,498

There was $1,006,324 and $18,926 charged to operations for depreciation expense for the years ended March 31, 2005 and 2004, respectively The Company acquired $11,953,544 and $117,956 in fixed assets from its acquisitions during the years ended March 31, 2005 and 2004, respectively

NOTE 6– ***LIABILITY FOR COMMON STOCK TO BE ISSUED***

In August 2004, DFW Internet Services, Inc acquired the customer base, corporate name and certain other assets of Web One, Inc , an Internet service provider in Kansas City, Missouri, for cash and common stock The Company was obligated, subject to post closing adjustments, to issue 2,500,000 shares of common stock to the shareholders of Web One, Inc as part of the acquisition price The shares had a fair value of $500,000 based on the then current stock price ($0 20 per share) upon the final acceptance to the terms of the agreement Certain provisions of the asset purchase agreement required subsequent adjustments to the purchase price The adjustments were concluded in March 2005 and resulted in the Company paying the shareholders of Web One, Inc $160,000 in cash and 1,500,000 shares of common stock at a fair value of $300,000 As a result, the Company recorded a $40,000 reduction in the purchase price in connection with the satisfaction of this liability

NOTE 7– ***NOTE PAYABLE – MARYLAND DEPARTMENT OF BUSINESS & ECONOMIC DEVELOPMENT***

The Company entered into an agreement with the Maryland Department of Business and Economic Development (DBED) in the amount of $100,000, which represented DBED s investment in the Challenge Investment Program (CIP Agreement), dated March 29, 2001 The term of the CIP Agreement was to extend through June 30, 2011

In March 2004, the Company reached an agreement with DBED to accept the Company s payment of $7,000 in cash for a full release of terms relating to the CIP The Company made this payment in April 2004

NOTE 8– ***NOTES PAYABLE***

The Company entered into a bank loan for $5,000 to purchase equipment in October 2003 The note accrued interest at an annual rate of 9% per annum and was scheduled to mature on October 1, 2004 The balance was paid off in September 2004

Other bank debt consisted of the following

Note payable to bank at $3,032 per month, including interest at prime plus 1% (6 75%) and maturing March 2006, secured by assets of World Trade Network, Inc	$ 36,964
Note payable to a bank for a vehicle in the amount of $1,000 per month, including interest at 5 875%, secured by the CloseCall America, Inc acquired vehicle	37,745
Note payable to a bank for expansion in the amount of $4,317 per month, including interest at 4 25%, secured by the CloseCall America, Inc company s corporate vehicle	102,839
Note payable to a company at $6,988 per month, including interest at 7 50%, secured by assets of the acquired company	13,241
Note payable to an individual at $1,473 per month, including interest at 7 50%, secured by assets of the acquired company	12,872
	203,661
Less Current maturities	(121,464)
Long-term bank debt	$ 82,197

NOTE 8– ***NOTES PAYABLE***

Principal maturities of long–term debt are as follows

Years Ending March 31,	
2006	$ 121,464
2007	60,203
2008	15,245
2009	6,749
	$ 203,661

NOTE 9– ***STANDBY EQUITY DISTRIBUTION AGREEMENT AND EQUITY LINE OF CREDIT***

Equity Line of Credit

On May 31, 2002, the Company entered into an Equity Line of Credit arrangement with Cornell that provided, generally, that Cornell would purchase up to $10 million of common stock over a two–year period, with the time and amount of such purchases, if any, at the Company s discretion Cornell purchased the shares at a 9% discount to the prevailing market price of the common stock

There were certain conditions applicable to the Company s ability to draw down on the $10 million Equity Line of Credit including the filing and effectiveness of a registration statement covering the resale of all shares of common stock that may have been issued to Cornell under the $10 million Equity Line of Credit and the Company s adherence with certain covenants The registration statement became effective May 9, 2003

In the event Cornell was to hold more than 9 9% of the then–outstanding common stock of the Company, the Company would have been unable to draw down on the $10 million Equity Line of Credit

In the year ended March 31, 2004, the Company drew $4,785,000 from Cornell in accordance with the $10 million Equity Line of Credit and advanced 134,517,453 shares of its common stock to the escrow agent in accordance with the terms of these loans As of March 31, 2004, borrowings of $1,800,000 were outstanding, and 118,351,914 shares of common stock were issued to Cornell in the year ended March 31, 2004

In the year ended March 31, 2005, the Company drew $2,000,000 from Cornell in accordance with the $10 million Equity Line of Credit and advanced 10,000,000 shares of its common stock to the escrow agent in accordance with the terms of these loans During the year ended March 31, 2005, 25,276,134 shares of common stock were issued to Cornell under the Equity Line of Credit

Standby Equity Distribution Agreement

On May 13, 2004, the Company entered into a $100 million SEDA arrangement with Cornell The SEDA provides, generally, that Cornell will purchase up to $100 million of common stock over a two–year period, with the time and amount of such purchases, if any, at the Company s discretion Cornell will purchase the shares at a 2% discount to the prevailing market price of the common stock

There are certain conditions applicable to the Company s ability to draw down on the SEDA including the filing and effectiveness of a registration statement covering the resale of all shares of common stock that may be issued to Cornell under the SEDA and the Company s adherence with certain covenants The registration statement became effective May 27, 2004

In the event that Cornell holds more than 9 9% of the then outstanding common stock of the Company, the Company will be unable to draw down on the $100 million SEDA As of March 31, 2005, Cornell did not hold more than 9 9% of the then outstanding common stock of the Company

In the year ended March 31, 2005, the Company drew $15,700,000 from Cornell in accordance with the $100 million SEDA and advanced 65,000,000 shares of its common stock to the escrow agent in accordance with the terms of these loans As of March 31, 2005, borrowings of $6,500,000 were outstanding, and 52,172,192 shares of common stock were issued to Cornell during the year ended March 31, 2005 under the SEDA

NOTE 10– LONG–TERM DEBT

Corporate

On August 23, 2004, the Company borrowed $700,000 from Cornell The amount was due in 180 days and carried an interest rate of 14% The note was secured by the assets of the Company The proceeds were advanced to Texas Prototypes by the Company in anticipation of Texas Prototypes initial public offering In March 2005, the Company assigned its Texas Prototypes bridge debenture receivable to Cornell in exchange for the elimination of this note (See Notes 2, 3 and 14)

On August 25, 2004, the Company borrowed $300,000 from Cornell The amount was due in 180 days and carried an interest rate of 14% The note was secured by the assets of the Company The proceeds were advanced to Solution Technology International, Inc (STI) by the Company in anticipation of STI s initial public offering In March 2005, the Company assigned its STI bridge debenture receivable to Cornell in exchange for eliminating this note (See Notes 2, 3 and 14)

On August 27, 2004, the Company borrowed $8,500,000 from Cornell The amount was due in one year and carries an interest rate of 12% The note is secured by the assets of the Company and was utilized for the cash portion of the acquisition price of CloseCall In December 2004, the Company converted $2,200,000 of the note balance into debt under the $100 million SEDA In February 2005, the Company transferred $5,000,000 of the note balance into debt under the $100 million SEDA As of March 31, 2005, the remaining principal balance of the note payable was $1,300,000 and the accrued interest on this note for the year ended March 31, 2005, was $198,838 The Company has classified the note and the accrued interest as short–term liabilities Subsequent to year ended March 31, 2005, the $1,300,000 remaining amount due was transferred into debt under the $100 million SEDA (See Note 20)

On September 22, 2004, the Company borrowed $3,700,000 from Cornell The amount was due in one year and carries an interest rate of 12% The note is secured by the assets of the Company and was utilized for the acquisition of The River Internet Access Co and World Trade Network, Inc As of March 31, 2005, the remaining principal balance of the note payable was $3,700,000 and the accrued interest on this note for the year ended March 31, 2005, was $85,151 The Company has classified the note and the accrued interest as short–term liabilities

On November 15, 2004, the Company acquired $15,200,000 in bridge financing from Airlie Opportunity Master Fund (Airlie), a Greenwich, Connecticut–based institutional investor The Company repaid $2,200,000 on November 30, 2004, and the remaining $13,000,000 note is payable on November 15, 2005 and carries an interest rate of 23% The funds were utilized to complete the acquisition of 95 2% of the stock of Davel as described in Note 1 The note is secured by all of the stock of Davel that was acquired by the Company on November 15, 2004, plus 100% of the Davel debt instruments that were acquired in the transaction In addition, the note is secured by the assets of the Company, as subordinated by the pre–existing first lien of Cornell As of March 31, 2005, the remaining principal balance of the note payable was $13,000,000 and the accrued interest payable on this note was $641,225 The Company has classified the note and the accrued interest as short–term liabilities On May 13, 2005, the Company repaid this loan with proceeds from a financing completed on May 13, 2005 (See Note 20)

Internet Services Acquisitions

On June 21, 2004, DFW Internet Services, Inc entered into an asset purchase agreement with Crescent Communications, Inc The agreement included a promissory note payable to Crescent Communications, Inc in the amount of $250,000, with simple interest accruing at 6% per annum, and monthly payments in the amount of $21,516 beginning on July 21, 2004 The note matures on June 21, 2005, and the monthly payments will apply first to interest with the remaining portion of the payment reducing the principal balance The payments commenced on July 21, 2004, and the note outstanding balance on March 31, 2005, was $126,791 The interest on these notes for the year ended March 31, 2005, was $5,887, and accrued interest on the notes at March 31, 2005 was $1,918

DFW Internet Services, Inc entered into four (4) promissory notes with the prior owners of Ticon net, Inc for an aggregate principal amount of $250,000 plus interest computed at 6% per annum The notes were made as of July 14, 2004, and matured on November 10, 2004 The note payments scheduled for November 10, 2004 were not made due to certain provisions of the stock purchase agreement requiring subsequent adjustments to the purchase price and outstanding notes
Negotiations between the parties on the amount of the note adjustments were not concluded as of March 31, 2005 The adjustments mentioned above not withstanding, as of March 31, 2005, the principal balance on the notes was $250,000, and accrued interest on the notes for the year ended March 31, 2005, was $10,685 The total outstanding note balance plus interest are classified as short–term liabilities

NOTE 10– ***LONG–TERM DEBT (CONTINUED)***

Internet Services Acquisitions (continued)

DFW Internet Services, Inc entered into four (4) promissory notes with the prior owners of Internet Express, Inc for an aggregate principal amount of $300,000 The notes were made as of March 1, 2004 and mature March 1, 2006 DFW Internet Services, Inc has agreed to pay a monthly amount of $5,000 inclusive of interest towards the principal balance of $300,000 with the remaining $180,000 plus accrued interest to be paid by the maturity date Interest on these notes will accrue at an annual rate of 6% per annum The monthly payments will first be applied to interest and the remaining portion will be a reduction of the principal balance The payments commenced on April 1, 2004 The balance at March 31, 2005 and 2004 on these promissory notes is $221,788 and $300,000, respectively The interest expense on these notes for the year ended March 31, 2005 was $16,890, of which $1,800 was accrued at March 31, 2005 The total outstanding note balance plus interest are classified as short–term liabilities

DFW Internet Services, Inc entered into two (2) promissory notes with the prior owner of Clover Computer Corporation for an aggregate note principal amount of $542,264 The first note matures on July 6, 2005, and the second is a convertible note that matures on July 6, 2006 DFW Internet Services, Inc agreed to a quarterly debt service inclusive of interest at a simple rate of 7% per annum on the first note, with the first quarterly payment of $70,774 to be made on October 6, 2004, and the last payment of the same amount will be due on July 6, 2005 The three payments scheduled for October 6, 2004, January 6, 2005, and April 6, 2005 were not made due to certain provisions of the stock purchase agreement requiring subsequent adjustments to the purchase price and outstanding notes Negotiations between the parties on the amount of the note adjustments have not concluded as of March 31, 2005 The adjustments mentioned above not withstanding, the balance on March 31, 2005, on the first promissory note was $271,132, and accrued interest on this note for the year ended March 31, 2005, was $13,935 The total outstanding note balance plus interest are classified as short–term liabilities The second note is a convertible note in the amount of $271,132 that matures on July 6, 2006, with simple interest computed at an annual rate of 4%, and a balloon payment of principal and interest at maturity The principal balance on the note for the year ended March 31, 2005, was $271,132 with accrued interest of $7,963 The total outstanding balance and accrued interest were classified as long–term liabilities At any time prior to maturity, the note holder has the right, at the holder s option, to convert such outstanding balance of this note, in whole or in part, into common stock at a conversion price of $0 20 per share

DFW Internet Services, Inc entered into two (2) promissory notes with the prior owner of World Trade Network, Inc for an aggregate principal amount of $500,000 Due to certain provisions of the stock purchase agreement requiring subsequent adjustments to the purchase price, both of these notes cancelled in their entirety on February 15, 2005 along with any accrued interest pursuant to the mutual agreement of the parties

DFW Internet Services, Inc entered into thirty (30) promissory notes with the prior owners of The River Internet Access Co for an aggregate principal amount of $776,472 The thirty (30) notes were made as of September 16, 2004, and the first set of fifteen (15) notes matures on September 15, 2005, and the second set of fifteen (15) notes are convertible notes that mature on March 15, 2006 DFW Internet Services, Inc has agreed to make quarterly debt service payments inclusive of interest at a simple rate of 6% per annum on the first fifteen notes The aggregate principal balances on March 31, 2005, on the first set of fifteen promissory notes was $194,122, and accrued interest on these notes as of March 31, 2005, was $511 The total outstanding principal balance and accrued interest are classified as short–term liabilities The second set of fifteen notes are convertible notes in the aggregate amount of $388,236 that mature on March 16, 2006, with simple interest computed at an annual rate of 3%, and a balloon payment of principal and interest at maturity The aggregate principal balance on the notes as of March 31, 2005 was $388,236 with accrued interest of $6,254 The aggregate outstanding note principal balance and the accrued interest at March 31, 2005 were classified as long–term liabilities At any time prior to maturity, the convertible note holders have the right, at the holders option, to convert such outstanding balances of their notes, in whole or in part, into common stock at a conversion price of $0 20 per share

The Company and DFW Internet Services, Inc and the former owners of DFW Internet Services, Inc entered into Put Agreements as of January 19, 2004 The Put Agreements gave the former owners of DFW Internet Services, Inc the right to have the Company repurchase all, but not less than all, of the common stock issued to the former owners The aggregate purchase price under the Put Agreement was $250,000 The Company classified this liability as a long–term liability on its consolidated financial statements in accordance with SFAS 150 In March 2005, the Put Agreement was terminated in its entirety, and the $250,000 liability was eliminated

NOTE 10– ***LONG–TERM DEBT (CONTINUED)***

Voice Services Acquisitions

The Company acquired US1 Telecommunications, Inc and escrowed $75,000 cash, which was due and payable to the former owner within 5 months of the closing date (June 29, 2004), provided the subsidiary performed as indicated in the agreement The note bore interest at a rate of 5% and was due on December 1, 2004 in the amount of $75,940 The final payment due was subject to certain provisions of the agreement requiring subsequent adjustments to the purchase price and outstanding note The payment net of the adjustments mentioned above was made in February 2005

The Company and the former owners of Affinity Telecom entered into Put Agreements as of September 19, 2004 The Put Agreements gave the former owners of Affinity Telecom the right to have the Company repurchase all, but not less than all, of the common stock issued to the former owners The aggregate purchase price under the Put Agreement was $995,000 The Company previously classified this as a short–term liability on its September 30, 2004 condensed consolidated financial statements in accordance with SFAS 150 The Agreement and Plan of Merger by and between the Company and Affinity Telecom was amended as of December 2004 to settle certain disputes regarding the financial condition of Affinity Telecom According to the terms of the Amendment, the Put Agreement was terminated in its entirety, and the $995,000 liability was eliminated

The Company maintained an escrow payable in the amount of $140,000 related to the Agreement and Plan of Merger that was amended as of December 2004 to settle certain disputes regarding the financial condition of Affinity Telecom According to the terms of the Amendment, the escrow payable was terminated in its entirety

The Company also recorded a payable in the amount of $50,000 representing additional consideration applicable to accounts receivable of Affinity Telecom that were outstanding at July 30, 2004 Pursuant to the terms of the Amendment discussed above, the $50,000 payable was terminated

The Company issued two (2) notes to the prior owners of Affinity Telecom, a $300,000 non–interest bearing promissory note and a $750,000 convertible promissory note Pursuant to the terms of the Amendment discussed above, the two (2) notes with the prior owners were terminated in their entirety

Vehicles

DFW Internet Services, Inc entered into a note for the purchase of a company vehicle in August 2004 The note is a three–year note that matures in April 2007 with a balloon payment of approximately $45,000 The note carries an annual interest rate of 7 25% and the payments including interest are $979 49 per month The maturities over the next two years and in the aggregate are expected to be as follows

Years Ended March 31,	
2006	$ 11,754
2007	53,465
Total	$ 65,219

Leases

In 2003, the Company leased certain equipment under capital lease arrangements Property and equipment includes the following amount for leases that have been capitalized at March 31, 2005

Computer and mailing equipment	$ 43,812
Less accumulated amortization	(10,728)
	$ 25,084

Amortization of leased assets is included in depreciation and amortization expense

The Company also leases a building and various equipment under non–cancelable operating leases The building lease expires in 2007 and contains options to renew for additional terms of two years at the prevailing market rate

NOTE 10– ***LONG-TERM DEBT (CONTINUED)***

Leases (continued)

Future minimum payments under non-cancelable leases with initial terms of one year or more consist of the following at March 31, 2005

Years Ending March 31,	*Capital Leases*	*Operating Leases*
2006	$ –	$ 593,515
2007	10,508	338,518
2008	4,068	245,344
2009	–	65,470
2010	–	55,354
Total minimum lease payments	25,084	$ 1,077,391
Less – amounts representing interest	(4,215)	
Less – current portion	(5,354)	
Long-term capital lease obligation	$ 15,515	

NOTE 11– ***STOCKHOLDERS EQUITY (DEFICIT)***

Common Stock

As of March 31, 2005, the Company had 600,000,000 shares of common stock authorized and 355,918,011 issued and outstanding

The Company had 1,000,000 shares of common stock authorized under its 2001 Equity Performance Plan The Board of Directors subsequently authorized an increase in the shares available under the 2001 Equity Performance Plan from 1,000,000 to 6,000,000

The following describes the common stock transactions for the year ended March 31, 2004

On June 19, 2003, the Company issued 350,000 shares of common stock as compensation at a fair value of $8,750

On July 7, 2003, pursuant to a memorandum of understanding between the Company and GBH Telecom, LLC, the Company issued 3,500,000 shares of common stock valued at $68,250 As of September 30, 2003, the agreement with GBH Telecom, LLC was terminated

Between May 2003 and August 2003, the Company issued 16,130,887 shares of common stock in conversion of $165,000 of convertible debentures and accrued interest

In October 2003, the Company issued 391,304 shares of common stock in conversion of $9,000 in advances that were funded to the Company

In January 2004, the Company issued 16,666,667 shares of common stock which converted $180,000 in officer advances

In March 2004, the Company issued 18,761,726 shares of common stock in connection with the acquisition of the common stock of DFW Internet Services, Inc pursuant to a Stock Purchase Agreement dated January 19, 2004 The issued shares were valued at a fair value of $500,000, based on the average 20-day closing price ($0 02665 per share) prior to January 19, 2004 The distribution of such value amount included an allocation of $250,000 to the terminated put agreement

During the year ended March 31, 2004, the Company issued 134,517,453 shares of common stock to the escrow agent for use in converting amounts borrowed under the $10 million Equity Line of Credit The Company also converted $3,145,000 of debt into 118,351,914 shares of common stock and recognized $311,757 of amortization of discount and interest on debt conversions relating to the $10 million Equity Line of Credit

NOTE 11– ***STOCKHOLDERS EQUITY (DEFICIT) (CONTINUED)***

Common Stock (continued)

The following describes the common stock transactions for the year ended March 31, 2005

In May 2004, the Company issued 2,000,000 shares of common stock under a settlement agreement with a former executive valued at $90,000, and issued 421,037 shares of common stock to another former executive for $23,999 cash pursuant to the exercise of options under the Company s 2001 Equity Performance Plan

In June 2004, the Company issued 8,000,000 shares of common stock in payment of the fees associated with the $100 million Standby Equity Distribution Agreement that was valued at $1,760,000 This cost was reflected as a deferred financing fee on the consolidated balance sheet

In August 2004, the Company issued 100,000 shares of common stock to an agency as compensation for personnel recruiting services

In August 2004, the Company issued 2,000,000 shares in conjunction with conversion of warrants by a former executive The exercise price was $0 029 per share and was paid in cash

In August 2004, the Company issued 878,816 shares of common stock to the former owners of ShreveNet, Inc as partial consideration for the acquisition of ShreveNet, Inc The issued shares were valued at a fair value of $190,000 based on the average 20–day closing price ($0 2162 per share) prior to June 3, 2004

In August 2004, the Company issued 25,000 shares of common stock in conjunction with exercise of stock options by a former employee under the Company s 2001 Equity Performance Plan The exercise price was $0 10 per share and was paid in cash

In September 2004, the Company issued 5,000,000 shares of common stock to the former owners of Affinity Telecom as partial consideration for the acquisition of Affinity Telecom by the Company The issued shares were valued at a fair value of $1,000,000 based upon the date of agreement and the terms of the deal The distribution of such value amount included an allocation of $995,000 to the terminated put agreement

In November 2004, the Company issued 39,999,999 shares of common stock in connection with the acquisition of CloseCall America, Inc that was completed in October 2004 The 39,999,999 shares were recorded at a fair value of $10,000,000

In February 2005, the Company issued 500,000 shares of common stock in conjunction with conversion of warrants for previous consulting services The exercise price was $0 032 per share

In March 2005, the Company issued 1,500,000 shares of common stock in connection with the acquisition of Web One, Inc that was completed in August 2004 The 1,500,000 shares were recorded at a fair value of $300,000

During the year ended March 31, 2005, the Company issued 10,000,000 shares of common stock to the escrow agent for use in the conversion of borrowings made under the $10 million Equity Line of Credit The Company converted $3,800,000 of debt into 25,276,134 shares of common stock and recorded $256,691 of amortization of discount on debt conversions relating to the $10 million Standby Equity Distribution Agreement

During the year ended March 31, 2005, the Company issued 65,000,000 shares of common stock to the escrow agent for use in the conversion of borrowings made under the $100 million Standby Equity Distribution Agreement The Company also converted $9,200,000 of debt into 52,172,192 shares of common stock The Company also converted $13,907 of interest into 81,355 shares of common stock The Company recognized $118,258 and $201 of amortization of discount on debt and interest conversions, respectively, relating to the $100 million Standby Equity Distribution Agreement

Preferred Stock

The Company has 5,035,425 shares of preferred stock authorized of which 35,378 shares were issued and outstanding as of March 31, 2005 and 2004 There were no issuances of preferred stock during the years ended March 31, 2005 and 2004 The issued and outstanding preferred shares are convertible into 35,378 shares of common stock

NOTE 11– ***STOCKHOLDERS EQUITY (DEFICIT) (CONTINUED)***

Stock Options and Warrants

The Company has authorized 1,000,000 shares of common stock for the grant of stock options to employees under the 2001 Equity Performance Plan The Board of Directors subsequently authorized an increase in the number of shares available under the 2001 Equity Performance Plan from 1,000,000 to 6,000,000 In addition, the Company, from time to time, has issued warrants to key personnel pursuant to specific authorization of the board of directors

SFAS No 123 encourages adoption of a fair–value–based method for valuing the cost of stock–based compensation It allows companies to continue to use the intrinsic–value method for options granted to employees and disclose pro forma net loss Alternatively, it allows the use of the Black Scholes option pricing model, under which the total value (not intrinsic value) of the stock options granted is charged to operations

The following table summarizes the activity of the Company's stock option plan for the year ended March 31, 2005

	Number of Options	Weighted–Average Exercise Price
Outstanding – beginning of period	4,171,037	$ 0482
Granted	5,225,000	1748
Exercised	(446,037)	0594
Cancelled	(7,225,000)	1047
Outstanding – end of period	1,725,000	1920
Exercisable – end of period	722,917	$ 1635

The following table summarizes the activity of the Company's stock option plan for the year ended March 31, 2004

	Number of Options	Weighted–Average Exercise Price
Outstanding – beginning of period	521,037	$ 123
Granted	4,000,000	036
Exercised	(350,000)	02
Cancelled	–	
Outstanding – end of period	4,171,037	0482
Exercisable – end of period	2,454,787	$ 0458

For disclosure purposes, the fair value of each stock option granted is estimated on the date of grant using the Black–Scholes option–pricing model, which approximates fair value. with the following weighted–average assumptions used for stock options granted in 2005 and 2004, no annual dividends, volatility of 60%, risk–free interest rate of 3 00%, and expected life of 9 58 years

NOTE 11– ***STOCKHOLDERS EQUITY (DEFICIT) (CONTINUED)***

Stock Options and Warrants(Continued)

If compensation expense for the Company's stock–based compensation plans had been determined consistent with SFAS 123, the Company's net income and net income per share including pro forma results would have been the amounts indicated below for the years ended March 31, 2005 and 2004

	2005	*2004*
Net loss		
As reported	$(5,359,722)	$(2,157,844)
Total stock–based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,652,185)	(156,889)
Pro forma	$(7,011,907)	$(2,314,733)
Net loss per share		
As reported		
Basic	$ (0 02)	$ (0 02)
Diluted	$ (0 02)	$ (0 02)
Pro forma		
Basic	$ (0 024)	$ (0 02)
Diluted	$ (0 024)	$ (0 02)

The Company issued warrants to purchase 61,732,500 shares of common stock in the year ended March 31, 2005 The total number of warrants outstanding at March 31, 2005 was 61,232,500

The fair value of these warrants was estimated using the Black–Scholes pricing model with the following assumptions interest rate 3 0%, dividend yield 0%, volatility 60% and expected life of ten years

NOTE 11– ***STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)***

Stock Options and Warrants(Continued)

The Company had the following warrants outstanding for the purchase of its common stock as of March 31, 2005 and March 31, 2004

Exercise Price	Expiration Date	2005	2004
$ 30	October, 2009	2,500,000	–
$ 35	October, 2009	1,000,000	–
$ 30	November, 2009	5,000,000	–
$.15	February, 2010	200,000	–
$ 20	November, 2011	5,600,000	–
$.032	September, 2013	–	500,000
$ 018	January, 2014	6,500,000	6,500,000
$ 02	January, 2014	3,400,000	–
$ 10	March, 2014	800,000	–
$.018	April, 2014	21,182,500	–
$ 20	June, 2014	4,300,000	–
$ 18	July, 2014	2,000,000	–
$ 20	July, 2014	1,000,000	–
$ 20	November, 2014	2,000,000	–
$.16	January, 2015	3,000,000	–
$ 17	January, 2015	2,000,000	–
$ 185	January, 2015	500,000	–
$ 193	February, 2015	250,000	–
		61,232,500	7,000,000
Weighted average exercise price		$ 0 117	$ 0 019

At March 31, 2005 and 2004, warrants to purchase 42,095,000 and 1,000,000 shares of common stock were exercisable, respectively

NOTE 12– PATENTS

As of March 31, 2005, the Company had filed a total of eight patent applications with the U S Patent and Trademark Office (PTO) in the areas of Smart Antenna technology and RF Transceiver Chip Design for "Low Noise Amplifier for wireless communications" As of March 31, 2005, the Company had been granted approval of five patents and three patent applications are still pending approval

NOTE 13– CONTINGENCIES

Certain mitigating events have occurred during the year ended March 31, 2005 and 2004, leading management to conclude that the Company should remove the going concern uncertainty

These mitigating events included management receiving a commitment from Cornell to provide the Company with up to $100 million in SEDA financing under certain conditions and receiving funding in the past fiscal year from Cornell under the prior $10 million Equity Line of Credit and the existing $100 million SEDA In addition, the Company completed two acquisitions in its fourth fiscal quarter ending March 31, 2004 and completed twelve acquisitions in its year ending March 31, 2005 of Internet and voice services companies The acquired Internet and voice service providers are expected to generate revenues and to provide cash flow from operations

The acquisitions continue to expand the Company s service area and provide additional products and services to the existing and future customer base The Company continues to explore other transactions that will fit its business model and assist the Company in executing its business plan

NOTE 14– COMMITMENTS

On April 15, 2004, Mr Jay O Wright extended his employment as the Company s President and Chief Executive Officer Mr Wright s employment is for two years under the terms of his Executive Employment Agreement with the Company

The Company has entered into employment agreements with other key members of management Compensation earned by these employees has been properly reflected in the consolidated statements of operations for the years ended March 31, 2005 and 2004, respectively

In May 2004, the Company announced that it had formed a strategic alliance with Massively Parallel Technologies, Inc (MPT), a privately owned corporation located in Louisville, Colorado Under the alliance, MPT will utilize the bandwidth provisioning capability of the Company in connection with MPT's high performance computer cluster platforms and the Company will become a reseller of the MPT platform

In June 2004, the Company signed a Development Agreement with Information and Communications University (ICU), a Korean institution with leading edge development experience in ZigBee RF design, to jointly develop the Company s ZigBee RF transceiver chip Under the Agreement, the Company retains 100% ownership of all intellectual property rights

In June 2004, the Company signed a letter of intent to acquire CommSouth Companies, Inc a competitive local exchange carrier (CLEC) and long distance and Internet service provider based in Dallas, Texas As of March 31, 2005, the Company is not actively pursuing the completion of this acquisition

In June 2004, the Company entered into a Business Development Agreement with Solution Technology International, Inc , a Frederick, Maryland–based software company (STI), whereby the Company provided services to STI in exchange for a 5% ownership in the company The value of the investment is $150,000 and is reflected in the consolidated balance sheet at March 31, 2005

In July 2004 the Company signed a letter of intent to acquire American Fiber Network, Inc , (AFN) a licensed Competitive Local Exchange Carrier (CLEC) and long distance provider based in Kansas City, Missouri AFN is licensed to provide local, long distance and Internet service in 48 contiguous U S states The Company is actively pursuing this acquisition

In August 2004, the Company signed a letter of intent to acquire WorldNet Communications, Inc , a Leesville, Louisiana–based Internet service provider As of March 31, 2005, the Company is not actively pursuing the completion of this acquisition

NOTE 14– ***COMMITMENTS (CONTINUED)***

In August 2004, the Company announced its intention to issue a property dividend of 3,073,113 shares of common stock of STI The Company's stockholders are expected to receive one share of registered (i e free–trading) STI stock for approximately every 93 shares of the Company stock that they own, based on the existing shares outstanding and certain warrants The Company s Board of Directors set September 15, 2004 as the record date for the stock dividend In March 2005, STI withdrew its pending registration statement from the United States Securities and Exchange Commission STI is contemplating other options to become a publicly traded company The Company intends to pursue issuance of the property dividend upon STI obtaining its public listing At this time, no date has been established for such listing

In August 2004, the Company announced that it signed a memorandum of understanding with an Israeli technology company, ActivePoint Ltd , to jointly pursue a working relationship covering a number of potential technology and communications projects The companies have agreed that a future working relationship could include select opportunities involving ActivePoint's search engine and the Company s Internet services, voice services, wireless services, and other telecommunications and IT initiatives within North America

In August 2004, the Company signed a business development agreement with Texas Prototypes, Inc , an electronic prototype manufacturing company, to jointly pursue a working relationship covering a number of potential technology projects and business development initiatives The Company received a 5% ownership in the company as consideration for services under the agreement The value of the investment is $300,000 and is reflected in the consolidated balance sheet at March 31, 2005

In September 2004, the Company announced a letter of intent to acquire two Bridgeport, Texas phone companies, Affordaphone, Inc and Basicphone, Inc As of March 31, 2005, the Company is not actively pursuing the completion of these acquisitions

In September 2004, the Company announced it had signed a letter of intent to acquire North Country Internet Access, Inc , an internet services provider based in Berlin, New Hampshire, which offers both analog and digital dial–up, service, Web hosting and design services to residential and small business customers in northern New Hampshire As of March 31, 2005, the Company is not actively pursuing the completion of this acquisition

In September 2004, the Company formed a strategic alliance with Global Triad Incorporated, a Ft Lauderdale, Florida–based software and wireless broadband company Pursuant to the arrangement, the companies will look to jointly pursue select wireless projects and work together utilizing Global Triad's compression software

In October 2004, the Company completed the design of its first ZigBee wireless semiconductor chip The 2 4 GHz chip design for the so–called "RF layer," or "physical layer," is now being converted into a prototype chip at a facility in Taiwan In addition the Company announced it had begun design on a 900 MHz ZigBee chip

In March 2005, the Company announced that it has been awarded a five–year contract with the General Services Administration (GSA) to sell certain electronic commerce and telecommunications services to the federal government, effective through February 24, 2010

In connection with the November 2004 acquisition of the senior secured debt of Davel, the Company agreed to purchase the remaining issued and outstanding shares (approximately 4 8%) held by the minority stockholders (the Minority Stockholders) within 180 days of the closing date of the Davel acquisition The purchase price to be offered to the Minority Stockholders was to be an amount of not less than $0 015 per share, which, at the discretion of the Company, could be paid in cash or common stock of Mobilepro Subsequent to year–end, Davel paid the cash purchase price of $450,000 to the Minority Stockholders and the transaction was completed in May 2005

NOTE 15– ***IMPAIRMENT OF GOODWILL***

In connection with the acquisition of certain Internet and voice services companies, the Company recorded goodwill in the amounts of $32,785,618 and $812,003 during the years ended March 31, 2005 and 2004, respectively. The Company performs its annual impairment test for goodwill at the end of each fiscal year and determined that at both March 31, 2005 and 2004 that there was no impairment of the goodwill

NOTE 16– LITIGATION/ LEGAL PROCEEDINGS

As of March 31, 2005, the Company was party to the following material legal proceedings

At the time that the Company acquired 95 2 % of the stock of Davel, Davel was a defendant in a civil lawsuit captioned Gammino v Cellco Partnership d/b/a Verizon Wireless, et al., C A No 04–4303 filed in the United States District Court for the Eastern District of Pennsylvania The plaintiff claims that Davel and other defendants allegedly infringed its patent involving the prevention of fraudulent long–distance telephone calls and is seeking damages in connection with the alleged infringement Davel continues to review and investigate the allegations set forth in the complaint, continues to assess the validity of the Gammino Patents and is in the process of determining whether the technology purchased by Davel from third parties infringes upon the Gammino Patents According to the terms of the Davel acquisition agreement, the former secured lenders, subject to certain limitations, have agreed to reimburse the Company for the litigation cost and any losses resulting from the Gammino lawsuit The former secured lenders have agreed to fund such costs from future regulatory receipts that were assigned to them by Davel Any such regulatory receipts will be deposited into a third–party escrow account and will be used to reimburse the Company for costs incurred The secured lenders are not required to fund the escrow account or otherwise reimburse the Company for amounts, if any, in excess of actual regulatory receipts collected Any amount remaining in the escrow account at the conclusion of the litigation is to be returned to the former secured lenders Subsequent to March 31, 2005, the Company received significant regulatory receipts that are being held in escrow These funds can be used to reimburse the Company for costs incurred in defending or settling the litigation matter The case is in the discovery phase of the litigation

On or about October 15, 2002, Davel was served with a complaint, in an action captioned Sylvia Sanchez et al v Leasing Associates Service, Inc , Armored Transport Texas, Inc , and Telaleasing Enterprises, Inc Plaintiffs claim that Davel was grossly negligent or acted with malice and such actions proximately caused the death of Thomas Sanchez, Jr , a former Davel employee On or about January 8, 2002, the Plaintiffs filed their first amended complaint adding a new defendant LAI Trust and on or about January 21, 2002 filed their second amended complaint adding new defendants Davel Communications, Inc , DavelTel, Inc and Peoples Telephone Company, all subsidiaries of Davel The original complaint, as well as the first and second amended complaints, was forwarded to Davel s insurance carrier for action, however, Davel s insurance carrier denied coverage based upon the workers compensation coverage exclusion contained in the insurance policy The Company answered the complaint on or about January 30, 2003 The parties are currently engaged in the discovery process The trial originally scheduled for June 2004 was continued to November 2004, however, the trial has been delayed further by motion of the plaintiff and approval of the court It is anticipated that the trial will be scheduled for November 2005 While Davel believes that it has meritorious defenses to the allegations contained in the second amended complaint and intends to vigorously defend itself, Davel cannot at this time predict its likelihood of success on the merits

The Company terminated Kevin Kuykendall, former President of the Company s voice division, for cause under the terms of his Executive Employment Agreement, effective Wednesday, December 29, 2004 On January 26, 2005, Mobilepro was served with notice that a complaint had been filed with the U S Department of Labor by Mr Kuykendall alleging discriminatory employment practices Mr Kuykendall has alleged that he was terminated on December 29, 2004 in reprisal for challenging the accuracy of a qualified financial goal of Davel Communications, Inc Mr Kuykendall sought back pay, plus interest, and reinstatement or the future pay for the term of his contract, reimbursement of insurance premiums borne by Mr Kuykendall during the period of his termination, payment of outstanding bonuses to which he believes he is entitled, compensatory damages for emotional distress, pain and suffering, punitive damages, costs, and reasonable attorneys fees In March 2005, the Company received from the U S Department of Labor a favorable ruling in the Kuykendall matter The U S Department of Labor found no reasonable cause to support the former employee s complaint for improper termination and the U S Department of Labor concluded that Mr Kuykendall failed to demonstrate that his alleged assertions were a contributing factor in his discharge for cause Mr Kuykendall did not appeal the U S Department of Labor ruling and the case was subsequently closed In May 2005, the Company and Mr Kuykendall dropped all complaints and legal proceedings against each other and signed a confidential settlement agreement and mutual general release

NOTE 17– PROVISION FOR INCOME TAXES

No provision for income taxes was required and no income taxes were paid during the years ended March 31, 2005 and 2004 because of operating losses and net operating loss carryforwards generated by the Company A majority of the temporary differences relate to the net operating loss carryforwards and depreciation and amortization differences for tax purposes versus book purposes The Company has established a valuation allowance against the entire deferred tax asset generated

NOTE 18– DIAL AROUND COMPENSATION

A dial–around call occurs when a non–coin call is placed from a public pay telephone of the Company, which utilizes any interexchange carrier (IXC) other than the presubscribed carrier (the Company s dedicated provider of long distance and operator assisted calls) The Company receives revenues from such carriers recording them as dial–around compensation based upon the per–call rate in effect pursuant to orders issued by the Federal Communications Commission (the FCC) under section 276 of the Telecommunications Act of 1996 (Section 276) and the estimated number of dial–around calls placed from each pay telephone during each month Prior to 2001, the Company recorded revenue from dial–around compensation based upon the rate of $0 24 per call ($0 238 per call prior to April 21, 1999) and 131 monthly calls per phone, which represented the monthly averages for calls from a pay telephone used by the FCC in initially determining the amount of dial–around compensation to which payphone service providers (PSP) were entitled The averages were utilized until such time as the actual number of dial–around calls could be tracked on a per pay telephone basis On August 12. 2004, the FCC released an order to increase the dial–around compensation rate from $0 24 to $0 494 per call (the â004 Order) The new rate became effective September 27, 2004, 30 days after publication of the 2004 Order in the Federal Register, and may be subject to appeal by IXCs or other parties Although the 2004 Order was effective for the fourth quarter of 2004, the Company did not receive payments under the 2004 Order until April 2005

As a result of the orders issued by the FCC regarding dial–around compensation and the resulting litigation, the amount of revenues that payphone service providers (PSPs) were entitled to receive and the amounts that PSPs actually received have differed In general, there have been underpayments of dial–around compensation from IXCs and other carriers from November 6, 1996 through October 6, 1997 (the Interim Period) and overpayments to PSPs, including the Company, from October 7, 1997 through April 20, 1999 (the Intermediate Period) On January 31, 2002, the FCC released its Fourth Order on Reconsideration and Order on Remand (the â002 Payphone Order) that provided a partial decision on how retroactive dial–around compensation adjustments for the Interim Period and Intermediate Period may apply

On October 23, 2002, the FCC released its Fifth Order on Reconsideration and Order on Remand (the Interim Order), which resolved all the remaining issues surrounding the Interim Period and the Intermediate Period true–up and specifically addressed how flat rate monthly per–phone compensation owed to PSPs would be allocated among the IXCs. The Interim Order also resolved how certain offsets to such payments would be handled and a host of other issues raised by parties in their remaining FCC challenges to the 2002 Payphone Order and prior orders issued by the FCC regarding dial–around compensation In the Interim Order, the FCC ordered a true up for the Interim Period and increased the adjusted monthly rate to $35 22 per payphone per month, to compensate for the three–month payment delay inherent in the dial–around payment system. The new rate of $35 22 per payphone per month is a composite rate, allocated among approximately five hundred carriers based on their estimated dial–around traffic during the Interim Period The FCC also ordered a true–up requiring the PSPs, including the Company, to refund an amount equal to $ 046 (the difference between the old $0 284 rate and the subsequently revised $0 238 rate) to each carrier that compensated the PSP on a per–call basis during the Intermediate Period Interest on additional payments and refunds is to be computed from the original payment date at the IRS prescribed rate applicable to late tax payments The FCC further ruled that a carrier claiming a refund from a PSP for the Intermediate Period must first offset the amount claimed against any additional payment due to the PSP from that carrier Finally, the Interim Order provided that any net claimed refund amount owing to carriers cannot be offset against future dial–around payments without (1) prior notification and an opportunity to contest the claimed amount in good faith (only uncontested amounts may be withheld), and (2) providing PSPs an opportunity to schedule payments over a reasonable period of time

In January 2005, certain carriers offset approximately $0 5 million from their current dial–around compensation payments In April 2005, approximately $0 7 million was offset from current dial–around compensation payments further reducing this liability The remaining amount outstanding will be paid or deducted from future quarterly payments of dial–around compensation to be received from the applicable dial–around carriers

For the fiscal year ended March 31, 2005, Davel received $0 4 million in payments from carriers under the Interim Order and recorded the dial–around compensation adjustments in the accompanying consolidated statements of operations Although Davel is entitled to receive a substantial amount of additional dial–around compensation pursuant to the Interim Order, such amounts, subject to certain limitations, were assigned to Davel s former secured lenders in exchange for a reduction in Davel s senior secured debt prior to the acquisition of such debt by the Company Regulatory actions and market factors, often outside Davel s control, could significantly affect Davel s future dial–around compensation revenues These factors include (i) the possibility of administrative proceedings or litigation seeking to modify the dial–around compensation rate, and (ii) ongoing technical or other difficulties in the responsible carriers ability and willingness to properly track or pay for dial–around calls actually delivered to them

NOTE 19– SEGMENT INFORMATION

The Company s reportable operating segments include Technology, Voice Services, Internet Services and Corporate The Company allocates cost of revenues and direct operating expenses to these segments

Operating segment data for the years ended March 31, 2005 and 2004 are as follows

For the year ended March 31, 2005

	Corporate	Technology	Voice Services	Internet Services	Total
Revenues	$ 615,000	$ –	$32,009,084	$13,884,060	$46,508,144
Direct costs of revenues	–	–	15,816,901	6,734,339	22,551,240
Gross profit	615,000	–	16,192,183	7,149,721	23,956,904
Operating expenses	1,287,945	953,976	16,707,959	6,460,970	25,410,850
Depreciation, amortization and impairment	1,108,483	14,588	1,093,620	225,672	2,442,363
Other income	–	–	111,089	–	111,089
Interest (net)	1,393,108	43,927	23,523	113,944	1,574,502
Net income (loss)	$ (3,171,536)	$(1,012,492)	$ (1,521,830)	$ 349,136	$(5,359,722)
Segment assets	$19,522,553	$ 14,240	$35,166,195	$18,119,944	$72,822,932
Fixed assets, net of accumulated depreciation	$ –	$ 7,293	$11,804 050	$ 1,381,713	$13,193,056

For the year ended March 31, 2004:

	Corporate	Technology	Voice Services	Internet Services	Total
Revenues	$ –	$ –	$ –	$ 311,355	$ 311,355
Direct costs of revenues	–	–	–	117,349	117,349
Gross profit	–	–	–	194,006	194,006
Operating expenses	701,758	1,115,946	–	138,454	1,956,158
Depreciation, amortization and impairment	353,342	14,589	–	6,411	374,342
Interest (net)	–	18,745	–	2,605	21,350
Net income (loss)	$(1,055,100)	$(1,149,280)	$ –	$ 46,536	$(2,157,844)
Segment assets	$ 1,877,377	$ 29,151	$ –	$ 1,451,644	$ 3,358,172
Fixed assets, net of accumulated depreciation	$ –	$ 21,881	$ –	$ 114,617	$ 136,496

NOTE 20– SUBSEQUENT EVENTS

On January 26, 2005, Mobilepro was served with notice that a complaint had been filed with the U S Department of Labor by Mr Kuykendall alleging discriminatory employment practices In March 2005, the Company received from the U S Department of Labor a favorable ruling The U S Department of Labor found no reasonable cause to support former employee Mr Kuykendall's complaint for improper termination and the U S Department of Labor concluded that Mr Kuykendall failed to demonstrate that his alleged assertions were a contributing factor in his discharge for cause Mr Kuykendall did not appeal the U S Department of Labor ruling and the case was subsequently closed As the Company indicated previously, management vigorously defended itself from any action and the ruling by the U S Department of Labor demonstrated that the Company had significant defenses against the claim and that the termination was handled properly In May 2005, the Company and Mr Kuykendall dropped all complaints and legal proceedings against each other and signed a confidential settlement agreement and mutual general release (See Note 16)

NOTE 20– ***SUBSEQUENT EVENTS (CONTINUED)***

In connection with the November 2004 acquisition of the senior secured debt of Davel, the Company agreed to purchase the remaining issued and outstanding shares (approximately 4 8%) held by the minority stockholders (the Minority Stockholders) within 180 days of the closing date of the Davel acquisition The purchase price to be offered to the Minority Stockholders was to be an amount of not less than $0 015 per share, which, at the discretion of the Company, could be paid in cash or common stock of Mobilepro The Company elected to make the purchase in the form of a reverse split and cash purchase Prior to undertaking the cash purchase, Davel retained a financial advisor to render an opinion that the terms of the purchase were fair, from a financial point of view, to the Minority Stockholders Mobilepro retained the financial advisor in January 2005 In February 2005, the financial advisor rendered its opinion that the terms of the purchase were fair, from a financial point of view, to the Minority Stockholders Subsequent to year–end, Davel paid the cash purchase price of $450,000 to the Minority Stockholders and the transaction was completed in May 2005

In April 2005, the Company announced that, through its Neoreach wireless division, it has launched a pilot project to set up a wireless access zone in Chandler, Arizona, a suburb of Phoenix

In April 2005, the Company announced that Philip F Otto has been appointed to its advisory board

In April 2005, the Company announced that its subsidiary, CloseCall America, plans to launch a new prepaid wireless product The new service offers a "no surprise" wireless bill for consumers and will offer new features including parental controls that will have the ability to restrict outgoing and incoming calls to only certain numbers CloseCall also announced that it is now providing digital subscriber line (DSL) high–speed connectivity in Ohio, Michigan and Indiana in addition to Maryland, New Jersey and Delaware where CloseCall currently offers DSL service

In April 2005, the Company announced that it has been awarded a five–year contract (with two five–year options) to deploy and manage a city–wide wireless network covering a 40–square–mile area of Tempe, Arizona The network, known as WazTempe, will be able to reach Tempe's more than 65,000 households, 1,100 businesses, 50,000 students and hundreds of thousands of annual visitors Additionally, it will provide municipal services to Tempe police, fire, emergency and city/Arizona State University personnel

In May 2005, the Company announced that it has signed a term sheet for a new $15 5 million financing with Cornell that significantly lowers the Company's cost of capital The financing carries an interest rate of 7 75%, has a term of three years, is convertible into common stock at $0 30 per share and includes six million warrants with an exercise price of $0 50 per share The new financing replaces a bridge financing from Airlie Opportunity Master Fund, a Connecticut based hedge fund, which had an interest rate of 23% The Company closed this financing transaction on May 13, 2005

In May 2005, the Company issued an additional 5,000,000 shares of common stock to the escrow agent for use in converting debt into common stock under the $100 million Standby Equity Distribution Agreement

In May 2005, our subsidiary, NeoReach, Inc , through its subsidiary NeoReach Wireless, Inc , acquired Transcordia, LLC a/k/a WazAlliance, a growing network of metro–wide commercial and residential Wi–Fi and Wi–Max access zones, for common stock plus the assumption of certain liabilities NeoReach Wireless partnered with WazAlliance to deploy full–scale metro–wide service in both Tempe and Chandler, Ariz known as WazTempe and WazChandler WazAlliance also includes WazHamptonRoads and WazMaui and has opportunities in other cities, primarily in the Southwest WazTempe will provide city–wide multi–band Wi–Fi network for municipal vehicles and personnel, including public safety employees as well as services for residences, retail businesses, schools, public events, hotels and resorts, and public transportation

In May 2005, the Company s CloseCall America subsidiary signed a long–term commercial agreement with Verizon The new commercial agreement secures pricing to 2010, and will allow the Company to increase the number of customers to which it can provide its CloseCall local, long–distance, cellular and Internet services

In May 2005, the Company appointed Michael J Kleeman to the Company's advisory board Mr Kleeman brings nearly 30 years of experience in wireless, telecommunications and computers to the Company Mr Kleeman is a director of Cyberinfrastructure Policy Research at the University of California San Diego Mr Kleeman previously worked for Sprint, Arthur D Little consulting, Boston Consulting Group and Aerie Networks Most recently, Mr. Kleeman was co–founder and CTO of Cometa Networks, a company backed by IBM, Intel and AT&T, where Mr Kleeman used his expertise in OSS for 802 11 networks

NOTE 20– ***SUBSEQUENT EVENTS (CONTINUED)***

In May 2005, the Company signed a Memorandum of Understanding with Viyya Technologies, Inc under which the Company will become a reseller of Viyya's VIYYA" software The Company will work with Viyya management to market and distribute VIYYA" via a reseller agreement to be negotiated between the companies Anticipated to be available later this summer to the Company s Nationwide Internet subscribers, the VIYYA" software platform will assist in the management, personalization and customization of content maintained on the Nationwide Internet access service

Subsequent to the year ended March 31, 2005, the Company continued to pursue a working relationship covering a number of potential technology and communications projects with ActivePoint, an Israeli technology company The companies previously signed a Memorandum of Understanding and Business Development Agreement whereby the companies are working on select opportunities involving ActivePoint's search engine and the Company s internet services, voice services, wireless services, and other telecommunications and IT initiatives within North America In May 2005, ActivePoint filed a registration statement with the United States Securities and Exchange Commission ActivePoint is attempting to become a publicly traded company The Company owns approximately 5 5% of the common stock of ActivePoint that it received in exchange for its services

In May 2005, the Company signed a memorandum of understanding with UC Hub Group, Inc (OTCBB UCHB), under which the companies can cross–sell each other's products and services, including broadband wireless, e–money applications and other value–added telecommunications services to its customer bases, including cities throughout the United States

In May 2005, the Company announced the appointment of Tammy L Martin as President and Chief Executive Officer of the Company's pay telephone subsidiary, Davel Communications, Inc

In May 2005, the Company announced that Daniel Lozinsky retired from Mobilepro's board of directors to pursue other business and personal interests

In August 2004, the Company announced its intention to issue a property dividend of 3,073,113 shares of common stock of STI The Company shareholders are expected to receive one share of registered (i e free–trading) STI stock for approximately every 93 shares of the Company stock that they own, based on the existing shares outstanding and certain warrants The Company s board of directors set September 15, 2004 as the record date for the stock dividend In March 2005, STI withdrew its registration statement from the United States Securities and Exchange Commission STI is contemplating other options to become a publicly traded company The Company intends to pursue issuance of the property dividend upon STI obtaining its public listing At this time, no date has been established for such listing

As part of the August 27, 2004 $8,500,000 funding by Cornell, the Company transferred $5,000,000 of the note balance into debt under the $100 million SEDA in February 2005 $3,900,000 of the $5,000,000 due under the $100 million SEDA as of March 31, 2005 was converted into 15,923,684 shares of common stock subsequent to March 31, 2005 The remaining principal balance on the $8,500,000 note payable was $1,300,000 as of March 31, 2005, and it was transferred into debt under the $100 million SEDA and was fully converted into 4,909,091 shares of common stock subsequent to March 31, 2005

As part of the February 22, 2005 $1,500,000 funding by Cornell, $1,500,000 remains outstanding under the $100 million SEDA as of March 31, 2005 No part of the debt was converted into shares of common stock subsequent to March 31, 2005

EXHIBIT E

Agreement and Plan of Merger

VERIFICATIONS

VERIFICATION

I, Robert E Heath, being duly sworn according to law, depose and say that I am the Executive Vice President of American Fiber Network, Inc ("AFN"), that I am authorized to and do make this Verification for it; that the facts set forth in the above Application are true and correct to the best of my knowledge, information and belief, and that I expect AFN to be able to prove the same at any hearing hereof; and that AFN understands that, if the contents of the Application are found to be false or to contain misrepresentations, any authority granted may be suspended or revoked I further depose and say that the authority to submit the Application has been properly granted

Robert E Heath

STATE OF TEXAS)
) SS.
COUNTY OF DALLAS)

SUBSCRIBED AND SWORN to me this 29 day of AUG, 2005.

Witness my hand and official seal.

Notary Public

JAMES W. HAYNES
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES
MARCH 31, 2009

VERIFICATION

I, Geoff Amend, being duly sworn according to law, depose and say that I am the General Counsel of Mobilepro Corp. ("Mobilepro"); that I am authorized to and do make this Verification for it; that the facts set forth in the above Application are true and correct to the best of my knowledge, information and belief, and that I expect Mobilepro to be able to prove the same at any hearing hereof; and that Mobilepro understands that, if the contents of the Application are found to be false or to contain misrepresentations, any authority granted may be suspended or revoked. I further depose and say that the authority to submit the Application has been properly granted.

Geoff Amend

STATE OF Kansas)
) SS.
COUNTY OF Sedgwick)

SUBSCRIBED AND SWORN to me this 8th day of September 2005.

Witness my hand and official seal.

Notary Public.

STACY A. TAYLOR
Notary Public - State of Kansas
My Appt Expires 10-21-2007

TABLE OF CONTENTS
(continued)

Page

TABLE OF CONTENTS
(continued)

Page

AGREEMENT AND PLAN OF MERGER

by and among

MOBILEPRO CORP.,

AFN ACQUISITION CORP.,

AMERICAN FIBER NETWORK, INC. AND

THE BETHELL FAMILY TRUST

Dated as of June 30, 2005

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER, dated as of June 30, 2005 (this "***Agreement***"), is made by and among Mobilepro Corp., a Delaware corporation ("***Buyer***"), AFN Acquisition Corp., a Delaware corporation and a direct wholly owned subsidiary of Buyer ("***Buyer Sub***"), American Fiber Network, Inc., a Delaware corporation (the "***Company***") and The Bethell Family Trust, under Trust Agreement dated June 1, 1993 (the "***Company Stockholder***").

WHEREAS, the Board of Directors of Buyer, Buyer Sub and the Company have determined that it is in the best interests of their respective companies and their stockholders to consummate the business combination transaction provided for herein in which the Company will, subject to the terms and conditions set forth herein, merge with and into the Buyer Sub, with the Buyer Sub being the surviving entity (the "***Merger***"); and

WHEREAS, the parties desire to make certain representations, warranties and agreements in connection with the Merger and also to prescribe certain conditions to the Merger;

NOW, THEREFORE, in consideration of the premises and the mutual covenants, warranties and agreements contained herein, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I
THE MERGER

Section 1.1 **The Merger**. Subject to the terms and conditions of this Agreement, in accordance with the General Corporation Law of the State of Delaware (the "***Delaware Law***"), upon the execution of this Agreement and concurrent with the filing of the Certificate of Merger with the Secretary of State of the State of Delaware (the "***Certificate of Merger***") (in accordance with the relevant provision of Delaware Law), the Company shall merge with and into the Buyer Sub. The separate corporate existence of the Company will cease upon the filing of the Certificate of Merger (the "***Effective Time***"), and the Buyer Sub will continue as the surviving corporation (hereinafter sometimes referred to as the "***Surviving Corporation***") in the Merger. The Surviving Corporation will be governed by the laws of the State of Delaware.

For purposes of this Agreement, the date of the filing of the Certificate of Merger shall be known as the "***Closing Date***" and the actions taken on such date and at such time, the "***Closing***."

Section 1.2 **Effect of the Merger; Closing**. At and after the Effective Time, the Merger shall have the effects set forth in this Agreement and the applicable provisions of Delaware Law. At the Effective Time all the property, rights, privileges, powers and franchises of the Company and Buyer Sub will vest in the Surviving Corporation, and all debts, liabilities and duties of the Company and Buyer Sub not paid by the Company at or before Closing will become the debts, liabilities and duties of the Surviving Corporation.

Section 1.3 **Certificate of Incorporation**. At the Effective Time, the Certificate of Incorporation of the Buyer Sub, as in effect immediately prior to the Effective Time, shall be the Certificate of Incorporation of the Surviving Corporation, provided however, that Article I of the Certificate of Incorporation of the Surviving Corporation will be amended to reflect that the name of the Surviving Corporation will be "American Fiber Network, Inc."

Section 1.4 **Bylaws**. At the Effective Time, the bylaws of the Buyer Sub, as in effect immediately prior to the Effective Time, shall be the Bylaws of the Surviving Corporation, provided however, that the bylaws of the Surviving Corporation will be amended to reflect that the name of the Surviving Corporation will be "American Fiber Network, Inc."

Section 1.5 **Board of Directors and Officers**. The directors and corporate officers of Buyer Sub immediately prior to the Effective Time shall continue to be the directors and corporate officers of the Surviving Corporation, each to hold office in accordance with the Certificate of Incorporation and Bylaws of the Surviving Corporation, until their respective successors are duly elected or appointed (as the case may be) and qualified.

Section 1.6 **Conversion of Capital Stock**. At the Effective Time, by virtue of the Merger and without any action on the part of the Buyer Sub, the Company or the holder of any shares of capital stock of the Company or Buyer Sub:

(a) Each share of the Company Stock (as defined in Section 2.2(a)) issued and outstanding immediately prior to the Effective Time, shall be converted into and become the right to receive:

(i) An amount in cash determined by dividing $1,500,000 by the number of issued and outstanding shares of the Company's Common Stock, on the date of the Closing (for an aggregate cash consideration to the Company shareholders of $1,500,000) (the "***Cash Consideration***").

(ii) the "***Applicable Number***" of fully paid and nonassessable shares of Buyer Common Stock (the "***Stock Consideration***", together with the Cash Consideration, the "***Merger Consideration***"). Unless there is an adjustment to the shares to be issued in the Merger pursuant to Section 1.9 below, the "***Applicable Number***" for the conversion of the Company Common Stock will be determined by dividing (a) the Applicable Stock Number by (b) the sum of the total number of issued and outstanding shares of Company Common Stock, plus the total number of shares of Company Common Stock, as of the Effective Time.

For purposes of this Section 1.6, the "***Applicable Stock Number***" shall be determined as follows: (x) if the Closing Price (as defined below) is greater than $0.37, that number equal to the product of (A) Ten Million (10,000,000) and (B) that number determined by dividing $0.37 by the Closing Price; or (y) if the Closing Price is equal to or less than $0.37, Ten Million (10,000,000).

For purposes of this Agreement, the "***Closing Price***" shall mean the average of the closing prices of the Buyer Common Stock on the OTC Bulletin Board market on the ten trading days ending the day before the Closing.

(b) The shares of Buyer Common Stock will not have been registered and will be deemed to be "restricted securities" under federal securities laws and may not be resold without registration under or exemption from the Securities Act of 1933, as amended (the "***Securities Act***"). Each certificate evidencing shares of Buyer Common Stock will bear the following legend:

> THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. SUCH SHARES MAY NOT BE SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION WITHOUT EXEMPTION UNDER THE SECURITIES ACT OR AN OPINION OF LEGAL COUNSEL REASONABLY ACCEPTABLE TO MOBILEPRO CORP. THAT SUCH REGISTRATION IS NOT REQUIRED.

Section 1.7 General Escrow Shares.

(a) General Escrow Shares. At the Effective Time, and except as provided below, Buyer shall withhold from the Stock Consideration, the General Escrow Shares (as defined below) which shall be allocated among the Company shareholders on a pro-rata basis based upon the number of shares each such holder is entitled to receive pursuant to Section 1.6 with respect to its shares of the Company Stock relative to the number of shares and amount of cash all such holders are entitled to receive pursuant to Section 1.6 with respect to their shares of the Company Stock ("***Pro Rata Share***"). Any such General Escrow Shares will be delivered by Buyer to Chicago Title Insurance Company (the "***Escrow Agent***"), as escrow agent, to be held pursuant to the terms of the escrow agreement (the "***Escrow Agreement***"), in a form that is mutually acceptable to Buyer and the Company. The payment of any General Escrow Shares in satisfaction of any indemnification obligations under ARTICLE VI and the adjustment provisions in Section 4.4 shall be made on a pro rata basis based upon each holders' Pro Rata Share. Escrow Agent shall hold the General Escrow Shares for eighteen (18) months following the Effective Time of the Merger (the "***General Escrow Period***") as security for the Company indemnification obligations for Damages under ARTICLE VI and the adjustment provisions in Section 4.4.

For purposes of this Agreement, "***General Escrow Shares***" shall mean: (i) if the Closing Price is greater than $0.37, that number of shares of Buyer Common Stock equal to the product of (x) Four Million (4,000,000) and (y) that number determined by dividing $0.37 by the Closing Price; (ii) if the Closing Price is greater than $0.18 but less than or equal to $0.37, that number of shares of Buyer Common Stock equal to the difference between (x) Ten Million (10,000,000) and (y) the product of (A) Six Million (6,000,000) and (B) that number equal to $0.30 divided by the Closing Price; or (iii) if the Closing Price is equal to or less than $0.18, Zero shares of Buyer Common Stock.

(b) Distributions on General Escrow Shares. Any dividends or distributions payable in shares of Buyer Common Stock or other equity securities or issued upon a stock split made in respect of any General Escrow Shares shall be considered General Escrow Shares hereunder. Cash dividends and any other dividends or distributions in kind on the General

Escrow Shares ("***General Escrow Dividends***") shall be distributed to the Company shareholders in accordance with their respective Pro Rata Shares within fifteen (15) business days following the expiration of the General Escrow Period.

(c) Voting of General Escrow Shares. The Company shareholders on whose behalf General Escrow Shares are held by Escrow Agent shall be entitled to vote such shares. Buyer need not forward proxy information, annual or other reports or other information with respect to the General Escrow Shares to the Company Shareholders to the extent such documents or materials are otherwise furnished by Buyer with respect to other shares of Buyer Common Stock distributed to such holders pursuant to this Agreement.

(d) Release of General Escrow Shares. As soon as reasonably practicable (but in any event within ten (10) business days) following the expiration of the General Escrow Period, Escrow Agent shall release to the Company shareholders, at their respective addresses and in accordance with their respective Pro Rata Shares and General Escrow Dividends, and all of the remaining General Escrow Shares, if any, in excess of (i) any General Escrow Shares delivered by Escrow Agent in satisfaction of Claims (as defined in ARTICLE VI) for Damages (as defined in ARTICLE VI) by Buyer Indemnified Persons (as defined ARTICLE VI) and (ii) any amount of General Escrow Shares that is necessary to satisfy all unresolved, unsatisfied or disputed Claims for Damages specified in any Notice of Claim (as defined in ARTICLE VI) delivered to the Representative before the expiration of the General Escrow Period. If any Claims are unresolved, unsatisfied or disputed as of the expiration of the General Escrow Period, then Escrow Agent shall retain possession of that number of General Escrow Shares determined by dividing the total maximum amount of Damages then being claimed by Buyer Indemnified Persons in all such unresolved, unsatisfied or disputed Claims by the Effective Current Price, and as soon as reasonably practicable (but in any event within ten (10) business days) following resolution of all such Claims, Escrow Agent shall release to the Company shareholders, at their respective addresses and in accordance with their respective Pro Rata Shares of the General Escrow Shares, all remaining General Escrow Shares, if any, not required to satisfy such Claims. Such releases of General Escrow Dividends shall be made by check. If the number of General Escrow Shares to be distributed to any Company shareholder is not evenly divisible by one, Buyer shall round to the nearest whole number.

For purposes of this Agreement, the "***Effective Current Price***" shall mean the average of the closing prices of the Buyer Common Stock on the OTC Bulletin Board market on the ten trading days ending the day before the date of the expiration of the General Escrow Period.

(e) No Transfer or Encumbrance. To the extent permitted by applicable law, no General Escrow Shares, General Escrow Dividends or any beneficial interest therein may be pledged, encumbered, sold, assigned or transferred (including any transfer by operation of law), by Buyer or a Company shareholder or be taken or reached by any legal or equitable process in satisfaction of any debt or other liability of Buyer or such Company shareholder or used for any reason, prior to (i) in the case of Buyer, the retention of General Escrow Shares in satisfaction of a resolved Claim for Damages or to address any post-closing Merger Adjustment in accordance with this Agreement or (ii) in the case of the Company shareholders, the release by Escrow Agent to the Company shareholders of General Escrow Shares or General Escrow Dividends, in

accordance with this Agreement, except that Company Shareholders shall be entitled to assign their rights to the General Escrow Shares or General Escrow Dividends by will, by the laws of intestacy or by other operation of law.

(f) No Liability of the Escrow Agent. In holding and administering the General Escrow Shares and General Escrow Dividends, the Escrow Agent will incur no liability with respect to any action taken by it in reliance upon any written notice, direction, instruction, consent, statement or other document believed by it to be genuine and to have been signed by the Representative (and shall have no responsibility to determine the authenticity thereof), nor for any other action or inaction, except the Escrow Agent's own willful misconduct or gross negligence. In all questions arising under this Agreement with respect to the General Escrow Shares and General Escrow Dividends, the Escrow Agent may rely on the advice of counsel, and the Escrow Agent will not be liable to anyone for anything done, omitted or suffered in good faith by the Escrow Agent based on such advice, except for the Escrow Agent's own willful misconduct or gross negligence.

Section 1.8 Surrender of Shares; Stock Transfer Books.

(a) At the Closing, the Company Stockholder will surrender Company Stockholder's Certificate(s) to Buyer ("***Certificate***"). Until so surrendered, such Certificate(s) will represent solely the right to receive the Merger Consideration relating thereto, subject to the withholding of General Escrow Shares pursuant to Section 1.7.

(b) At the Effective Time, the stock transfer books of the Company will be closed and there will not be any further registration of transfers of any Company Common Stock, options or warrants thereafter on the records of the Company. If, at or after the Effective Time, Certificates are presented to the Surviving Corporation for transfer, they will be canceled and exchanged for Merger Consideration as provided in Section 1.6, subject to the withholding of General Escrow Shares pursuant to Section 1.7.

(c) In the event any Certificate that has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed, Buyer will issue in exchange for such lost, stolen or destroyed Certificate, the Merger Consideration deliverable in respect thereof as determined in accordance with Section 1.6, subject to the withholding of General Escrow Shares pursuant to Section 1.7, if the Person to whom the Merger Consideration is paid will, as a condition precedent to the payment thereof, give the Surviving Corporation a bond in such sum as the Surviving Corporation may reasonably direct or otherwise indemnify the Surviving Corporation in a manner reasonably satisfactory to it against any claim that may be made against the Surviving Corporation with respect to the Certificate claimed to have been lost, stolen or destroyed.

Section 1.9 Adjustments for Capital Changes. If prior to the Merger, Buyer or Company recapitalizes through a split-up of its outstanding shares into a greater number, or a combination of its outstanding shares into a lesser number, reorganizes, reclassifies or otherwise changes its outstanding shares into the same or a different number of shares of other classes (other than through a split-up or combination of shares provided for in the previous clause), or declares a dividend on its outstanding shares payable in shares or securities convertible into

shares, the number of shares of Buyer Common Stock into which the Company shares are to be converted will be adjusted appropriately so as to maintain the proportionate interests of the holders of the Company shares and the holders of Buyer shares.

Section 1.10 Further Assurances. The Company agrees that if, at any time before or after the Effective Time, Buyer considers or is advised that any further deeds, assignments or assurances are reasonably necessary or desirable to vest, perfect or confirm in Buyer title to any property or rights of Company, Buyer and its proper officers and directors may execute and deliver all such proper deeds, assignments and assurances and do all other things necessary or desirable to vest, perfect or confirm title to such property or rights in Buyer and otherwise to carry out the purpose of this Agreement, in the name of Company or otherwise.

Section 1.11 Securities Law Issues. Based in part on the representations of the Company Stockholder made herein, Buyer Common Stock to be issued in the Merger will be issued pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended (the "***Securities Act***") and/or Rule 506 under Regulation D promulgated under the Securities Act and applicable state securities laws.

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF COMPANY AND COMPANY STOCKHOLDER

Except as set forth in the Company Disclosure Letter attached to this Agreement (the "***Company Disclosure Letter***"), the Company and the Company Stockholder, jointly and severally, represent and warrant to the Buyer as follows:

Section 2.1 Organization, Qualification and Corporation Power. The Company (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is organized and has the requisite corporate power and authority to own, operate or lease its properties and to carry on its business as is now being conducted and proposed to be conducted, except where the failure to be so organized, existing and in good standing or to have such power and authority would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect (as defined below) on the Company, and (b) is duly qualified and in good standing to do business in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary, other than in such jurisdictions where the failure so to qualify or to be in good standing would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company. The Company has furnished to Buyer true, correct and complete copies of its Articles of Incorporation and Bylaws.

For purposes of this Agreement, the term "***Material Adverse Effect***" when used in connection with an entity means any change, event, circumstance or effect whether or not such change, event, circumstance or effect is caused by or arises in connection with a breach of a representation, warranty, covenant or agreement of such entity in this Agreement that is or is reasonably likely to be materially adverse to the business, assets (including intangible assets), capitalization, financial condition, operations or results of operations, employees or prospects of such entity taken as a whole with its subsidiaries, except to the extent that any such change, event, circumstance or effect is caused by results from (i) changes in general economic

conditions, (ii) changes affecting the industry generally in which such entity operates (provided that such changes do not affect such entity in a substantially disproportionate manner) or (iii) changes in the trading prices for such entity's capital stock.

Section 2.2 Capitalization; Subsidiaries.

(a) The authorized capital stock of the Company consists of 3,000 shares of common stock, $1.00 par value, of which 100 shares are issued and outstanding (the "***Company Stock***") to the individuals listed in Section 2.2(a) of the Company Disclosure Letter. Other than common stock, there are no other classes, series or types of stock for the Company. The Company Stockholder holds good and marketable title to such Company Stock, free and clear of all liens, agreements, voting trusts, proxies and other arrangements or restrictions of any kind whatsoever (other than normal restrictions on transfer under applicable federal and state securities laws). All issued and outstanding shares of Company Stock have been duly authorized and were validly issued, are fully paid and nonassessable, are not subject to any right of rescission, are not subject to preemptive rights by statute, the Articles of Incorporation or Bylaws of Company, or any agreement or document to which Company is a party or by which it is bound and have been offered, issued, sold and delivered by Company in compliance with all registration or qualification requirements (or applicable exemptions therefrom) of applicable federal and state securities laws. The Company is not under any obligation to register under the Securities Act any of its presently outstanding securities or any securities that may be subsequently issued. There is no liability for dividends accrued but unpaid with respect to the Company's outstanding securities.

(b) Except as disclosed in Section 2.2(b) of the Company Disclosure Letter, there are no existing (i) options, warrants, calls, preemptive rights, subscriptions or other rights, convertible securities, agreements or commitments of any character obligating the Company to issue, transfer or sell any shares of capital stock or other equity interest in, the Company or securities convertible into or exchangeable for such shares or equity interests, (ii) contractual obligations of the Company to repurchase, redeem or otherwise acquire any capital stock of the Company or (iii) voting trusts or similar agreements to which the Company is a party with respect to the voting of the capital stock of the Company. The Company has delivered to the Buyer, a correct and complete list of each Company option and Company warrant outstanding as of the date hereof, including the name of the holder of such Company option or Company warrant, any plan pursuant to which such Company Option was issued, the number of shares covered by such Company option or Company warrant, the per share exercise price of such Company option or Company warrant and the vesting commencement date and vesting schedule applicable to each such Company option, including the number of shares vested as of the date of this Agreement. The terms of the options or warrants permit the assumption or substitution of options to purchase Company Common Stock provided in this Agreement, without the consent or approval of the holders of such securities, the Company Stockholder, or otherwise and without any acceleration of the exercise schedule or vesting provisions in effect for those options. No outstanding options or warrants will be accelerated in connection with the Merger.

(c) Except as disclosed in Section 2.2(c) of the Company Disclosure Letter the Company does not have any direct or indirect Subsidiaries or any interest, direct or indirect, in any corporation, partnership, joint venture or other business entity.

For purposes of this Agreement, the term "***Subsidiary***" of a Person means any corporation or other legal entity of which such Person (either alone or through or together with any other Subsidiary) owns, directly or indirectly, more than 50% of the stock or other equity interests the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity.

Section 2.3 Ownership of Shares.

(a) The Company Stockholder is the record and beneficial owner of, and have good and valid title to, all of the Company Common Stock, which Company Common Stock (i) is free and clear of all liens, mortgages, encumbrances, pledges, claims, options, charges, easements, restrictions, covenants, conditions of record, encroachments, security interests and claims of every kind and character (each, a "***Lien***") and (ii) are free of any other restriction (including any restriction on the right to vote, sell or otherwise dispose of such capital stock or other ownership interests).

(b) There are no outstanding existing (i) options, warrants, calls, preemptive rights, subscriptions or other rights, convertible securities, agreements or commitments of any character to which the Company Stockholder is a party obligating the Company Stockholder to issue, transfer or sell any Company Stock or other equity interest in the Company or securities convertible into or exchangeable for such shares or equity interests or (ii) voting trusts, stockholders' agreements or similar agreements to which the Company Stockholder is a party with respect to the voting of the Company Stock owned by such Company Stockholder.

Section 2.4 Authority Relative to this Agreement. The Company has the necessary corporate power and authority to enter into this Agreement and, subject to the filing of the Certificate of Merger as required by Delaware Law, to carry out its obligations hereunder. The execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company and the Company Stockholder and, subject to the filing of the Certificate of Merger as required by Delaware Law, no other corporate proceeding is necessary for the execution and delivery of this Agreement by the Company, the performance by the Company of its obligations hereunder and the consummation by the Company of the transactions contemplated hereby. This Agreement has been duly executed and delivered by the Company and, assuming the due authorization, execution and delivery of this Agreement by Buyer and Buyer Sub, constitutes a legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, except that (a) the enforceability hereof may be subject to applicable bankruptcy, insolvency or other similar laws, now or hereinafter in effect, affecting creditors' rights generally, and (b) the general principles of equity (regardless of whether enforceability is considered at a proceeding at law or in equity).

Section 2.5 No Conflict; Required Filings and Consents.

(a) The execution and delivery of this Agreement by the Company and the Company Stockholder does not, and the consummation by the Company and the Company Stockholder of the transactions contemplated hereby will not, (i) conflict with or violate any law, court order, judgment or decree applicable to the Company, its Subsidiaries or the Company Stockholder or by which any of their property is bound, (ii) violate or conflict with the Articles

of Incorporation or Bylaws (or comparable organizational documents) of the Company or its Subsidiaries, or (iii) result in any breach of or constitute a default (or an event which with notice or lapse of time of both would become a default) under, or give to others any rights of termination or cancellation of, or result in the creation of a Lien on any of the properties or assets of the Company or its Subsidiaries pursuant to, any contract, instrument, Permit or license to which the Company or its Subsidiaries is a party or by which the Company or its Subsidiaries or any of their property is bound, except in the case of clauses (i) and (iii) for conflicts, violations, breaches or defaults which, individually or in the aggregate, would not have or result in a Material Adverse Effect on the Company.

(b) Except for the filing of the Certificate of Merger and any applicable requirements, if any, under "takeover" or "blue sky" laws of various states, neither the Company nor any of its subsidiaries is required to submit any notice, report or other filing with any federal, state or local or foreign government, political subdivision thereof, any court, administrative, regulatory or other governmental agency, commission or authority or any non-governmental United States or foreign self-regulatory agency, commission or authority or any arbitral tribunal (each, a "***Governmental Entity***") in connection with the execution, delivery or performance of this Agreement or the consummation of the transactions contemplated hereby the failure of which to submit would, individually or in the aggregate, have or result in a Material Adverse Effect on the Company. No waiver, consent, approval or authorization of any Governmental Entity or any third party is required to be obtained or made by the Company or its Subsidiaries in connection with its execution, delivery or performance of this Agreement the failure of which to obtain or make, individually or in the aggregate, would have or result in a Material Adverse Effect on the Company.

Section 2.6 Financial Statements; Debt.

(a) Attached as Section 2.6(a) of the Company Disclosure Letter are the Company's audited balance sheet dated as of December 31, 2004, income statement and statement of cash flows for the year then ended and (ii) the Company's unaudited balance sheet (the "***Company Balance Sheet***"), statement of cash flows and income statement each dated as of the Closing Date (the "***Closing Balance Sheet Date***") (all such financial statements being collectively referred to herein as the "***Company Financial Statements***"). The Company Financial Statements (a) are in accordance with the books and records of the Company, (b) fairly present the financial condition of the Company at the date therein indicated and the results of operation for the period therein specified and (c) have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis ("***GAAP***").

(b) The Company has no material debt, liability or obligation of any nature, whether accrued, absolute, contingent or otherwise, and whether due or to become due, that is not reflected or reserved against in the Company Financial Statements in the ordinary course of its business, consistent with past practice and that are not material in amount either individually or collectively.

(c) Working Capital. The Company shall have sufficient Working Capital, which the Company has determined to be at least $100,000, immediately after the Closing to

operate their respective businesses as currently conducted and currently proposed to be conducted.

For purposes of this Agreement, "***Working Capital***" shall mean the difference between (x) the sum of the non-cash current assets of the Company and (y) the current liabilities of the Company.

Section 2.7 **Absence of Certain Changes**. Since the Balance Sheet Date, there has not been with respect to the Company or any Subsidiary:

(a) Except as disclosed in Section 2.7(a) of the Company Disclosure Schedule, any change in the financial condition, properties, assets, liabilities, business or operations thereof which change by itself or in conjunction with all other such changes, whether or not arising in the ordinary course of business, has had or will have a material adverse effect thereon;

(b) any material loss of customers. Set forth on Section 2.7(b) of the Company Disclosure Letter is a true, correct and complete list of all customers lost in the preceding twelve (12) months, including all revenue generated from any customer generating at least 2,000 in revenue for the Company for the twelve (12) months preceding the date on which they were no longer customers;

(c) any contingent liability incurred thereby as guarantor or otherwise with respect to the obligations of others;

(d) any mortgage, encumbrance or lien placed on any of the properties thereof;

(e) any material obligation or liability incurred thereby other than obligations and liabilities incurred in the ordinary course of business;

(f) Except as disclosed in Section 2.7(f) of the Company Disclosure Schedule, any purchase or sale or other disposition, or any agreement or other arrangement for the purchase, sale or other disposition, of any of the properties or assets thereof other than in the ordinary course of business;

(g) any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the properties, assets or business thereof;

(h) any declaration, setting aside or payment of any dividend on, or the making of any other distribution in respect of, the capital stock thereof, any split, combination or recapitalization of the capital stock thereof or any direct or indirect redemption, purchase or other acquisition of the capital stock thereof;

(i) any labor dispute or claim of unfair labor practices, any change in the compensation payable or to become payable to any of its officers, employees or agents, or any bonus payment or arrangement made to or with any of such officers, employees or agents;

(j) Except as disclosed in Section 2.7(j) of the Company Disclosure Schedule, any change with respect to the management, supervisory or other key personnel thereof;

(k) any payment or discharge of a material lien or liability thereof which lien was not either shown on the Company Balance Sheet or incurred in the ordinary course of business thereafter; or

(l) any obligation or liability incurred thereby to any of its officers, directors or stockholders or any loans or advances made thereby to any of its officers, directors or stockholders except normal compensation and expense allowances payable to officers.

Section 2.8 Tax Matters.

(a) The Company and its Subsidiaries have timely filed all Tax Returns that each was required to file, and all such Tax Returns were correct and complete in all material respects. All Tax liabilities of the Company and its Subsidiaries for all taxable periods or portions thereof ending on or prior to the Effective Time have been, or will be prior to the Effective Time, timely paid or are adequately reserved for in the Company Financial Statements, other than such Tax liabilities as are being contested in good faith by the Company or its Subsidiaries. There are no ongoing federal, state, local or foreign audits or examination of any Tax Return of the Company or its Subsidiaries. Neither the Company nor any of its Subsidiaries has waived any statute of limitations in respect of Taxes or agreed to any extension of time, nor has any such waiver or extension been required with respect to a Tax assessment or deficiency. No claim has ever been made by an authority in a jurisdiction where the Company and its Subsidiaries do not file Tax Returns that it is or may be subject to taxation by that jurisdiction. There are no Liens on any of the assets of the Company or its Subsidiaries that arose in connection with any failure (or alleged failure) to pay any Tax.

(b) The Company and its Subsidiaries have withheld or collected and paid or deposited in accordance with law all Taxes required to have been withheld or collected and paid or deposited by the Company or its Subsidiaries in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party.

(c) There is no dispute or claim concerning any Tax liability of the Company or its Subsidiaries either (i) claimed or raised by any authority in writing or (ii) as to which the Company has Knowledge.

(d) The Company Stockholder shall have paid any taxes resulting from the declaration, setting aside or payment of any dividend to the Company stockholders, including, but not limited to any dividends issued in connection with the cancellation or repayment of any shareholder loans.

(e) For purposes of this Agreement:

(i) "***Knowledge***" or words of similar import means all information that is actually known, following reasonable investigation, and in the case of the Company, by the individuals set forth on Section 2.15(a) of the Company Disclosure Letter.

(ii) "***Taxes***" means all taxes, charges, fees, levies or other similar assessments or liabilities, including income, gross receipts, ad valorem, premium, value-added, excise, real property, personal property, sales, use, transfer, withholding, employment, payroll and franchise taxes imposed by a Governmental Entity, and any interest, fines, penalties, assessments or additions to tax resulting from, attributable to or incurred in connection with any tax or any contest or dispute thereof, and any amounts of Taxes of a third Person that a Person or any Subsidiary of such Person is liable to pay by law or otherwise; and

(iii) "***Tax Returns***" means all reports, returns, declarations, statements or other information supplied or required to be supplied to a taxing authority in connection with Taxes including any schedules, attachments or amendments thereto.

Section 2.9 Title to Properties. Except as set forth in the Company Disclosure Letter, the Company has good and marketable title to all of its assets as shown on the Company Balance Sheet, free and clear of all liens, charges, restrictions or encumbrances (other than for taxes not yet due and payable). All machinery and equipment included in such properties is in good condition and repair, normal wear and tear excepted, and all leases of real or personal property to which the Company or any its Subsidiaries is a party are fully effective and afford the Company or its Subsidiaries peaceful and undisturbed possession of the subject matter of the lease. Neither the Company nor any of its Subsidiaries is in violation of any zoning, building, safety or environmental ordinance, regulation or requirement or other law or regulation applicable to the operation of owned or leased properties (the violation of which would have a material adverse effect on its business), or has received any notice of violation with which it has not complied.

Section 2.10 Environmental Matters.

(a) During the period that the Company has leased or owned its properties or owned or operated any facilities, there have been no disposals, releases or threatened releases of Hazardous Materials (as defined below) on, from or under such properties or facilities. The Company has no knowledge of any presence, disposals, releases or threatened releases of Hazardous Materials on, from or under any of such properties or facilities, which may have occurred prior to the Company having taken possession of any of such properties or facilities. For the purposes of this Agreement, the terms "***disposal***," "***release***," and "***threatened release***" shall have the definitions assigned thereto by the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601 et seq., as amended ("***CERCLA***"). For the purposes of this Agreement "***Hazardous Materials***" shall mean any hazardous or toxic substance, material or waste which is or becomes prior to the Closing regulated under, or defined as a "hazardous substance," "pollutant," "contaminant," "toxic chemical," "hazardous materials," "toxic substance" or "hazardous chemical" under (1) CERCLA; (2) any similar federal, state or local law; or (3) regulations promulgated under any of the above laws or statutes.

(b) None of the properties or facilities of the Company is in violation of any federal, state or local law, ordinance, regulation or order relating to industrial hygiene or to the environmental conditions on, under or about such properties or facilities, including, but not limited to, soil and ground water condition. During the time that the Company has owned or

leased its properties and facilities, to the Company's knowledge, no third party, has used, generated, manufactured or stored on, under or about such properties or facilities or transported to or from such properties or facilities any Hazardous Materials.

(c) During the time that the Company has owned or leased its properties and facilities, there has been no litigation brought or threatened against the Company by, or any settlement reached by the Company with, any party or parties alleging the presence, disposal, release or threatened release of any Hazardous Materials on, from or under any of such properties or facilities.

Section 2.11 Intellectual Property.

(a) The term "***Intellectual Property***" means any (i) patents, (ii) trademarks, service marks, trade names, brand names, trade dress, slogans, logos and internet domain names, (iii) inventions, discoveries, ideas, processes, formulae, designs, models, industrial designs, know-how, proprietary information, trade secrets, and confidential information (including customer lists, training materials and related matters, research and marketing and sales plans), whether or not patented or patentable, (iv) copyrights, writings and other copyrightable works and works in progress, databases and software, (v) all other intellectual property rights and foreign equivalent or counterpart rights and forms of protection of a similar or analogous nature or having similar effect in any jurisdiction throughout the world, (vi) all registrations and applications for registration of any of the foregoing, (vii) all common law trademarks and service marks used by the Company or its Subsidiaries and (viii) any renewals, extensions, continuations, divisionals, reexaminations or reissues or equivalent or counterpart of any of the foregoing in any jurisdiction throughout the world. The term "***Company IP***" means any Intellectual Property used or held for use by the Company or its Subsidiaries, in the conduct of their businesses as currently conducted and currently proposed to be conducted.

(b) Section 2.11(b) of the Company Disclosure Letter sets forth a true, correct and complete list (including, the owner, title, registration or application number and country of registration or application, as applicable) of all of the following Company IP: (i) registered trademarks, (ii) applications for trademark registration, (iii) domain names, (iv) patents, (v) applications for patents, (vi) registered copyrights (vii) applications for copyright registration and (viii) licenses of all Intellectual Property (other than off-the-shelf business productivity software that is the subject of a shrink wrap or click wrap software license agreement ("***Desktop Software***")) to or from the Company. The Company has delivered or made available to Buyer prior to the execution of this Agreement true, complete and correct copies of all licenses of Company IP both to and from the Company and its Subsidiaries, except Desktop Software.

(c) The Company IP set forth on Section 2.11(b) of the Company Disclosure Letter constitutes all of the Intellectual Property used by and necessary for the Company and its Subsidiaries to operate their respective business as currently conducted and currently proposed to be conducted. The Company or its Subsidiaries owns all legal and beneficial right, title and interests in the Company IP, and the Company or its Subsidiaries has the valid, sole and exclusive right to use, assign, transfer and license all such Company IP for the life thereof for any purpose, free from (i) any Liens, and (ii) any requirement of any past, present or future

royalty payments, license fees, charges or other payments, or conditions or restrictions whatsoever.

(d) All patent, trademark, service mark, copyright, patent and domain name registrations or applications set forth on Section 2.11(b) of the Company Disclosure Letter are in full force and effect and have not been abandoned, dedicated, disclaimed or allowed to lapse for non-payment of fees or taxes or for any other reason.

(e) None of the Company IP owned by the Company or its Subsidiaries has been declared or adjudicated invalid, null or void, unpatentable or unregistrable in any judicial or administrative proceeding. To the Knowledge of the Company, none of the Company IP used (but not owned) by the Company or its Subsidiaries has been declared or adjudicated invalid, null or void, unpatentable or unregistrable in any judicial or administrative proceeding.

(f) Neither the Company nor its Subsidiaries has received any written notices of, or has Knowledge of, any infringement or misappropriation by or of, or conflict with, any third party with respect to the Company IP or Intellectual Property owned by any third party. Neither the Company nor its Subsidiaries has infringed, misappropriated or otherwise violated or conflicted with any Intellectual Property of any third party. The operation of the Company and its Subsidiaries does not, as currently conducted and currently proposed to be conducted, infringe, misappropriate or otherwise violate or conflict with the Intellectual Property of any third party.

(g) The transactions contemplated by this Agreement will not affect the right, title and interest of the Company or its Subsidiaries in and to the Company IP, and each of the Company and its Subsidiaries has taken all necessary action to maintain and protect the Company IP set forth on Section 2.11(b) of the Company Disclosure Letter and, until the Effective Time, will continue to maintain and protect such Company IP so as to not materially adversely affect the validity or enforceability of such Company IP.

(h) To the Knowledge of the Company, no officer, employee or director or the Company or its Subsidiaries is obligated under any contract (including any license, covenant or commitment of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would conflict or interfere with the performance of such person's duties as an officer, employee or director of the Company or its Subsidiaries, the use of such person's best efforts to promote the interests of the Company and its Subsidiaries or the Company's or its Subsidiary's business as conducted or as currently proposed to be conducted by the Company and its Subsidiaries. No prior employer of any current or former employee of the Company or its Subsidiaries has any right, title or interest in the Company IP and to the Knowledge of the Company, no person or entity has any right, title or interest in any Company IP. It is not and will not be with respect to the business as currently proposed to be conducted necessary for the Company or its Subsidiaries to use any inventions of any of its employees made prior to their employment by the Company or its Subsidiaries.

Section 2.12 Material Agreements.

(a) Section 2.12 of the Company Disclosure Letter sets forth a true, correct and complete list of the following agreements (whether written or oral and including all amendments thereto) to which the Company or its Subsidiaries is a party or a beneficiary or by which the Company or its Subsidiaries or any of their respective assets are bound (collectively, the "***Material Agreements***"):

(i) any real estate leases;

(ii) any other agreement for the provision of services by the Company or its Subsidiaries that have accounted for revenues of more than $25,000 per annum during any month since the Balance Sheet Date;

(iii) any agreement creating, evidencing, securing, assuming, guaranteeing or otherwise relating to any debt for which the Company or its Subsidiaries is liable or under which it has imposed (or may impose) a Lien on any of the assets, tangible or intangible, of the Company or its Subsidiaries;

(iv) any capital or operating leases or conditional sales agreements relating to personal property of the Company or its Subsidiaries;

(v) any supply or manufacturing agreements or arrangements pursuant to which the Company or its Subsidiaries is entitled or obligated to acquire any assets from a third party with a fair market value in excess of $25,000;

(vi) any insurance policies;

(vii) any employment, consulting, noncompetition, or separation agreements or arrangements;

(viii) any agreement with or for the benefit of any Company Stockholder, officer, director or employee of the Company, or any Affiliate of the Company, or any Person controlled by such individual or family member thereof;

(ix) any license to which the Company or its Subsidiaries is a party;

(x) any agreement in which the Company or its Subsidiaries has granted rights to license, sublicense or copy, "most favored nation" pricing provisions or exclusive marketing or distribution rights relating to any products or territory or has agreed to purchase a minimum quantity of goods or services or has agreed to purchase goods or services exclusively from a certain party;

(xi) any written arrangement establishing a partnership or joint venture;

(xii) a list of all parties to any written arrangement concerning confidentiality, non-disclosure or noncompetition;

(xiii) any written arrangement under which the consequences of a default or termination could have a Material Adverse Effect on the Company; and

(xiv) any other agreement or arrangement pursuant to which the Company or its Subsidiaries could be required to make or be entitled to receive aggregate payments in excess of $25,000 or entered into outside of the ordinary course of business.

For purposes of this Agreement, "***Affiliate***" means another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, any Person.

(b) The Company has delivered to or made available to Buyer a true, correct and complete copy of each Material Agreement and a written summary of each oral Material Agreement. With respect to each Material Agreement:

(i) each Material Agreement is legal, valid, binding and enforceable and in full force and effect with respect to the Company or its Subsidiaries and, to the Knowledge of the Company, the written arrangement is legal, valid, binding and is enforceable and in full force and effect with respect to each other party thereto (in each case except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws affecting the enforcement of creditor's rights generally, and except that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding therefor may be brought);

(ii) each Material Agreement will continue to be legal, valid, binding and enforceable and in full force and effect against the Company, and to the Knowledge of the Company against each other party thereto, immediately following the Closing in accordance with the terms thereof (in each case except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws affecting the enforcement of creditor's rights generally, and except that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding therefor may be brought) as in effect prior to the Closing; and

(iii) neither the Company nor its Subsidiaries is in breach or default, and, to the Knowledge of the Company, no other party thereto is in breach or default, and no event has occurred which with notice or lapse of time would constitute a breach or default or permit termination, modification, or acceleration, under the written arrangement.

Section 2.13 Insurance.

(a) Section 2.13 of the Company Disclosure Letter sets forth a true, correct and complete list of each insurance policy (including fire, theft, casualty, general liability, director and officer, workers compensation, business interruption, environmental, product liability and automobile insurance policies and bond and surety arrangements) to which the Company is a party, a named insured, or otherwise the beneficiary of coverage at any time within the past year. Section 2.13 of the Company Disclosure Letter sets forth a true, correct and complete list of each person or entity required to be listed as an additional insured under each

such policy. Each such policy is in full force and effect and by its terms and with the payment of the requisite premiums thereon will continue to be in full force and effect following the Closing.

(b) The Company is not in breach or default, and does not anticipate being in breach or default after Closing (including with respect to the payment of premiums or the giving of notices) under any such policy, and no event has occurred which, with notice or the lapse of time, would constitute such a breach or default or permit termination, modification or acceleration, under such policy; and the Company has not received any written notice or, to the Knowledge of the Company, oral notice, from the insurer disclaiming coverage or reserving rights with respect to a particular claim or such policy in general. The Company has not incurred any material loss, damage, expense or liability covered by any such insurance policy for which it has not properly asserted a claim under such policy.

Section 2.14 Litigation. Except as set forth in the Company Disclosure Letter,

(a) There are no claims, actions, suits, proceedings or investigations of any nature pending or, to the Knowledge of the Company, threatened against the Company or any properties or rights of the Company, before any court, administrative, governmental or regulatory authority or body. The Company is not subject to any order, judgment, injunction or decree.

(b) There are no agreements or other documents or instruments settling any material claim, complaint, action, suit or other proceeding against the Company.

Section 2.15 Employees.

(a) Set forth on Section 2.15(a) of the Company Disclosure Letter is a true, correct and complete list of all current employees of the Company and its Subsidiaries, including date of employment, current title and compensation (including commissions, bonus and other compensation), and date and amount of last increase in compensation. None of the Company's employees are members of a labor union. The Company is not a party to any collective bargaining, union or labor agreements, contracts or other arrangements with any group of employees, labor union or employee representative and to the Knowledge of the Company, there is no organization effort currently being made by or on behalf of any labor union with respect to employees of the Company or its Subsidiaries. The Company has not experienced, and to the Knowledge of the Company, there is no basis for, any strike, grievances, claims of unfair labor practices, material labor trouble, work stoppage, slow down or other interference with or impairment of the business of Company.

(b) To the Knowledge of the Company, no employee has any plans to terminate employment with the Company within six months of the date hereof.

(c) The Company is in compliance in all material respects with all currently applicable laws and regulations respecting wages, hours, occupational safety, or health, fair employment practices, and discrimination in employment terms and conditions, and is not engaged in any unfair labor practice. There are no pending claims against the Company under any workers compensation plan or policy or for long term disability. There are no proceedings

pending or, to the Knowledge of the Company, threatened, between the Company and its employees.

(d) Section 2.15(a) of the Company Disclosure Letter sets forth a true, correct and complete list of Persons whose employment has been terminated by the Company in the 90 days prior to Closing.

Section 2.16 Employee Benefits.

(a) Neither the Company, its Subsidiaries nor any predecessor in interest thereof has maintained, or currently maintains, any Employee Benefit Plan. At no time has the Company, its Subsidiaries or any ERISA Affiliate been obligated to contribute to any "multi-employer plan" (as defined in Section 4001(a)(3) of ERISA). Neither the Company, its Subsidiaries nor any predecessor in interest thereof has any liabilities or obligations with respect to any Employee Benefit Plan.

(b) Section 2.16(b) of the Company Disclosure Letter discloses each: (i) agreement with any director, executive officer or other key employee of the Company or its Subsidiaries, including (A) the benefits of which are contingent, or the terms of which are altered, upon the occurrence of a transaction involving the Company or its Subsidiaries of the nature of any of the transactions contemplated by this Agreement, (B) providing any term of employment or compensation guarantee or (C) providing severance benefits or other benefits after the termination of employment of such director, executive officer or key employee; (ii) agreement, plan or arrangement under which any person may receive payments from the Company or its Subsidiaries that may be subject to the tax imposed by Section 4999 of the Code or included in the determination of such person's "parachute payment" under Section 280G(b)(1) of the Code; and (iii) agreement or plan binding the Company or its Subsidiaries, including any option plan, stock appreciation right plan, restricted stock plan, stock purchase plan, severance benefit plan, or any Employee Benefit Plan, any of the benefits of which will be increased, or the vesting of the benefits of which will be accelerated, by the occurrence of any of the transactions contemplated by this Agreement or the value of any of the benefits of which will be calculated on the basis of any of the transactions contemplated by this Agreement.

(c) For purposes of this Agreement:

(i) "***Employee Benefit Plan***" means any "employee pension benefit plan" (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended), any "employee welfare benefit plan" (as defined in Section 3(1) of ERISA), and any other written or oral plan, agreement or arrangement involving direct or indirect compensation, including insurance coverage, severance benefits, disability benefits, deferred compensation, bonuses, options, or other forms of incentive compensation or post-retirement compensation; and

(ii) "***ERISA Affiliate***" means any entity which is a member of (i) a controlled group of corporations (as defined in Section 414(b) of the Code), (ii) a group of trades or businesses under common control (as defined in Section 414(c) of the Code), or (iii) an affiliated service group (as defined under Section 414(m) of the Code or the

regulations under Section 414(o) of the Code), any of which includes the Company or its Subsidiaries.

Section 2.17 Permits. Section 2.17 of the Company Disclosure Letter sets forth a true, correct and complete list of all material permits, licenses, registrations, certificates, orders or approvals from any Governmental Entity (including those issued or required under applicable export laws or regulations) ("***Permits***") issued to or held by the Company and its subsidiaries. Such listed Permits are the only Permits that are required for the Company and its subsidiaries to conduct their business as presently conducted. Each such Permit is in full force and effect and to the Knowledge of the Company, no suspension or cancellation of such Permit is threatened and there is no basis for believing that such Permit will not be renewable upon expiration. Each such Permit will continue in full force and effect following the Closing.

Section 2.18 Broker's Fees. Except as set forth in the Company Disclosure Letter, neither the Company nor any of its subsidiaries has any liability or obligation to pay any fees or commissions to any broker, investment banking firm, finder or agent with respect to the transactions contemplated by this Agreement.

Section 2.19 Books and Records.

(a) The books, records and accounts of the Company (a) are in all material respects true, complete and correct, (b) have been maintained in accordance with good business practices on a basis consistent with prior years, (c) are stated in reasonable detail and accurately and fairly reflect the transactions and dispositions of the assets of the Company, and (d) accurately and fairly reflect the basis for the Financial Statements.

(b) The Company has devised and maintains a system of internal accounting controls sufficient to provide reasonable assurances that (a) transactions are executed in accordance with management's general or specific authorization; (b) transactions are recorded as necessary (i) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (ii) to maintain accountability for assets, and (c) the amount recorded for assets on the books and records of the Company is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Section 2.20 Banking Relationships and Investments. Section 2.20 of the Company Disclosure Letter sets forth sets forth a true, correct and complete list of all banks and financial institutions in which the Company has an account, deposit, safe-deposit box or borrowing relationship, factoring arrangement or other loan facility or relationship, including the names of all persons authorized to draw on those accounts or deposits, or to borrow under loan facilities, or to obtain access to such boxes. Section 2.20 of the Company Disclosure Letter sets forth a true, correct and complete list of all certificates of deposit, debt or equity securities and other investments owned, beneficially or of record, by the Company (the "***Investments***"). The Company has good and legal title to all Investments.

Section 2.21 Disclosure. No representation or warranty by the Company contained in this Agreement, including any statement contained in the Company Disclosure

Letter or any document delivered in connection herewith, contains any untrue statement of a material fact or omits to state any material fact necessary, in light of the circumstances under which it was made, in order to make the statements herein not misleading.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF BUYER AND BUYER SUB

Except as set forth in the Buyer Disclosure Letter attached to this Agreement (the "***Buyer Disclosure Letter***"), Buyer and Buyer Sub, jointly and severally, represent and warrant to the Company and the Company Stockholder as follows:

Section 3.1 **Organization, Qualification and Corporation Power**. Each of Buyer and Buyer Sub as of the Effective Time (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is organized and has the requisite corporate power and authority and any necessary governmental authority to own, operate or lease the properties that it purports to own, operate or lease and to carry on its business as it is now being conducted and proposed to be conducted, and (b) is duly qualified as a foreign corporation to do business, and is in good standing, in each other jurisdiction where the character of its properties owned, operated or leased or the nature of its activities makes such qualification necessary, except in the case of clause (b) for failures which, when taken together with all other such failures, would not have a Material Adverse Effect on Buyer. Buyer Sub is a wholly owned Subsidiary of Buyer.

Section 3.2 **Authority Relative to this Agreement**. As of the Effective Time each of Buyer and Buyer Sub has the necessary corporate power and authority to enter into this Agreement and, subject to the filing of the Certificate of Merger, to carry out its obligations hereunder. The execution and delivery of this Agreement by Buyer and Buyer Sub and the consummation by them of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Buyer and Buyer Sub and, subject to the filing of the Certificate of Merger, no other corporate proceeding is necessary for the execution and delivery of this Agreement by Buyer and Buyer Sub, the performance by them of their respective obligations hereunder and the consummation by them of the transactions contemplated hereby. As of the Effective Time this Agreement has been duly executed and delivered by Buyer and Buyer Sub and, assuming the due authorization, execution and delivery of this Agreement by the Company and the Company Stockholder, constitutes a legal, valid and binding obligation of each of Buyer and Buyer Sub, enforceable against each in accordance with its terms, except that (a) the enforceability hereof may be subject to applicable bankruptcy, insolvency or other similar laws, now or hereinafter in effect, affecting creditors' rights generally, and (b) the general principles of equity (regardless of whether enforceability is considered at a proceeding at law or in equity).

Section 3.3 **Capitalization**.

(a) The authorized capital stock of Buyer consists of 600,000,000 shares of common stock, $0.001 par value (the "***Buyer Common Stock***"), 5,000,000 shares of preferred stock, $0.001 par value (the "***Buyer Preferred Stock***") and 35,425 shares of Series A Convertible Preferred Stock, $0.001 par value (the "***Series A Preferred Stock***"). As of March 16, 2005, (i)

350,918,011 shares of Buyer Common Stock were issued and outstanding and 35,425 shares of Series A Preferred Stock were issued and outstanding and (ii) 6,000,000 shares of Buyer Common Stock were reserved for issuance under the Buyer's 2001 Equity Performance Plan (the "***Plan***"), which shares issuable under the Plan are pending approval from the Buyer stockholders. All of the issued and outstanding shares of Buyer Common Stock and Series A Preferred Stock (i) have been duly authorized and validly issued; (ii) are fully paid and nonassessable; (iii) are free and clear of all Liens; and (iv) are free of any other restriction (including any restriction on the right to vote, sell or otherwise dispose of such capital stock or other ownership interests). The certificates representing the Buyer Common Stock are in proper form for the enforcement of the rights and limitations of rights pertaining to such Shares which are set forth in Buyer's certificate of incorporation, as amended, and bylaws. There are no declared or accrued but unpaid dividends with respect to any Buyer Common Stock. All shares of Buyer Common Stock were issued in compliance with applicable law.

(b) Except as disclosed on Section 3.3(b) of the Buyer Disclosure Letter, there are no existing (i) options, warrants, calls, preemptive rights, subscriptions or other rights, convertible securities, agreements or commitments of any character obligating Buyer or any of its subsidiaries to issue, transfer or sell any shares of capital stock or other equity interest in, Buyer or any of its subsidiaries or securities convertible into or exchangeable for such shares or equity interests, (ii) contractual obligations of Buyer or any of its Subsidiaries to repurchase, redeem or otherwise acquire any capital stock of Buyer or any of its Subsidiaries or (iii) voting trusts or similar agreements to which Buyer or any of its Subsidiaries is a party with respect to the voting of the capital stock of Buyer or any of its Subsidiaries.

(c) The authorized capital stock of Buyer Sub consists of 1,000 shares of common stock, $0.001 par value (the "***Buyer Sub Common Stock***"), of which 1,000 shares were issued and outstanding. Buyer owns all of the issued and outstanding shares of Buyer Common Stock. Buyer owns all of the issued and outstanding shares of Buyer Sub Common Stock. All of the issued and outstanding shares of Buyer Sub Common Stock (i) have been duly authorized and validly issued; (ii) are fully paid and nonassessable; (iii) are free and clear of all Liens; and (iv) are free of any other restriction (including any restriction on the right to vote, sell or otherwise dispose of such capital stock or other ownership interests). All shares of Buyer Sub Common Stock were issued in compliance with applicable law.

Section 3.4 No Conflict; Required Filings and Consents.

(a) The execution and delivery of this Agreement by each of Buyer and Buyer Sub do not, and the consummation by each of them of the transactions contemplated hereby will not, (i) conflict with or violate any law, court order, judgment or decree applicable to Buyer or Buyer Sub or by which any of their respective property is bound, (ii) violate or conflict with the articles of incorporation or bylaws (or comparable organizational documents) of any of Buyer or Buyer Sub, or (iii) result in any breach of, or constitute a default (or an event which with notice or lapse of time of both would become a default) under, or give to others any rights of termination or cancellation of, or result in the creation of a Lien on any of the properties or assets of Buyer or any of its Subsidiaries pursuant to, any contract, instrument, Permit or license to which Buyer or any of its Subsidiaries is a party or by which Buyer or any of its Subsidiaries or their respective property is bound, except in the case of clauses (i) and (iii) for conflicts,

violations, breaches or defaults which, individually or in the aggregate, would not have or result in a Material Adverse Effect on Buyer.

(b) Except for the filing of the Certificate of Merger, and applicable requirements, if any, under "takeover" or "blue sky" laws of various states, none of Buyer or Buyer Sub is required to submit any notice, report or other filing with any Governmental Entity in connection with the execution, delivery or performance of this Agreement or the consummation of the transactions contemplated hereby the failure of which to submit would, individually or in the aggregate, have or result in a Material Adverse Effect on Buyer. No waiver, consent, approval or authorization of any Governmental Entity or any third party is required to be obtained or made by Buyer or Buyer Sub in connection with its execution, delivery or performance of this Agreement the failure of which to obtain or make, individually or in the aggregate, would have or result in a Material Adverse Effect on Buyer.

Section 3.5 **SEC Reports**. Buyer has filed all forms, reports, schedules, registration statements, proxy statements and other documents (including any document required to be filed as an exhibit thereto) required to be filed by Buyer with the Securities and Exchange Commission ("***SEC***") since December 31, 2003. All such required forms, reports, schedules, registration statements, proxy statements and other documents (including those that Buyer may file subsequent to the date hereof) are referred to herein as the "***SEC Reports***." As of their respective dates, the SEC Reports (including any financial statements or schedules included or incorporated by reference therein) (i) were prepared in all material respects in accordance with the requirements of the Securities Act or the Securities Exchange Act of 1934 (the "***Exchange Act***"), as the case may be, and the rules and regulations of the SEC thereunder applicable to such SEC Reports and (ii) did not at the time they were filed (or if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. As of the date hereof, there has not been any Material Adverse Effect with respect to Buyer that would require disclosure under the Securities Act.

Section 3.6 **Buyer Sub**. Buyer Sub is not and has never been a party to any material agreement and has not conducted any activities other than in connection with the organization of Buyer Sub, the negotiation and execution of this Agreement and the consummation of the transactions contemplated hereby. Buyer Sub has not incurred or assumed any expenses or liabilities prior to the Closing.

Section 3.7 **Broker's Fees**. Neither Buyer nor Buyer Sub has any liability or obligation to pay any fees or commissions to any broker, investment banking firm, finder or agent with respect to the transactions contemplated by this Agreement.

Section 3.8 **Restrictions on Transfer**. Buyer and Buyer Sub have no Knowledge of any restrictions on the transfer of Buyer Common Stock issuable under this Agreement, other than as required by law or as set forth in the Merger Documents.

Section 3.9 **Disclosure**. No representation or warranty by Buyer or Buyer Sub contained in this Agreement, including any statement contained in the Buyer Disclosure Letter or

any document delivered in connection herewith, contains any untrue statement of a material fact or omits to state any material fact necessary, in light of the circumstances under which it was made, in order to make the statements herein not misleading.

ARTICLE IV
FURTHER COVENANTS AND ASSURANCES

Section 4.1 Securities Laws.

(a) Buyer, Buyer Sub and the Company will take such steps as may be necessary to comply with the securities and blue sky laws of all jurisdictions which are applicable to the issuance of the Buyer Common Stock in connection with the Merger. The Company will use commercially reasonable efforts to assist Buyer as may be necessary to comply with such securities and blue sky laws.

(b) So long as Buyer or any successor entity has securities registered under Securities Act or the Exchange Act, Buyer or such successor entity will file all reports required to be filed by it under the Securities Act and the Exchange Act, all to the extent required pursuant to Rule 144 to enable stockholders, who may receive Buyer Common Stock under this Agreement, to sell Buyer Common Stock pursuant to Rule 144 adopted by the Securities and Exchange Commission under the Securities Act (as such rule may be amended from time to time) or any similar rule or regulation hereafter adopted by the Securities and Exchange Commission.

Section 4.2 Public Announcements. Buyer and the Company will consult with each other before holding any press conferences, analyst calls or other meetings or discussions and before issuing any press release or other public announcements with respect to the transactions contemplated by this Agreement, including the Merger. The parties will provide each other the opportunity to review and comment upon any press release or other public announcement or statement with respect to the transactions contemplated by this Agreement, including the Merger, and will not issue any such press release or other public announcement or statement prior to such consultation, except as may be required by applicable law, court process or by obligations pursuant to any listing agreement with any national securities exchange. The parties agree that the initial press release or releases to be issued with respect to the transactions contemplated by this Agreement will be mutually agreed upon prior to the issuance thereof. In addition, the Company will, and will cause its Subsidiaries to consult with Buyer regarding communications with customers, stockholders and employees relating to the transactions contemplated by this Agreement.

Section 4.3 Closing Balance Sheet; Audited Financial Statements.

(a) Within thirty (30) days of the Closing, the Company shall deliver to the Buyer revised Company Financial Statements reflecting post-Closing adjustments, along with a certificate executed by the Company Stockholder that the revised Company Financial Statements (a) are in accordance with the books and records of the Company, (b) fairly present the financial condition of the Company at the date therein indicated and the results of operation for the period therein specified and (c) have been prepared in accordance with GAAP.

(b) At the Buyer's discretion, and at the sole cost and expense of the Surviving Corporation, promptly after the Effective Time, a qualified certified public accountant shall be provided with access to the Books and Records and financial information of the Company and shall prepare an audited balance sheet dated as of the Closing Date of the Company ("***Audited Balance Sheets***"). The Audited Balance Sheets shall (a) be prepared in accordance with the books and records of the Company, (b) fairly present the financial condition of the Company at the date therein indicated and the results of operation for the period therein specified and (c) have been prepared in accordance with GAAP.

Section 4.4 Adjustments in Merger Consideration. The Merger Consideration due and payable to the Company Stockholder in accordance with Section 1.6 will be adjusted as follows:

(a) Reductions in Merger Consideration Prior to the Closing. If the Closing Balance Sheet of the Company (the "***Closing Balance Sheet***") reveals less than an aggregate of $100,000 in Working Capital, the Cash Consideration shall be reduced by one dollar for every dollar of Working Capital less than $100,000 reflected in the Closing Balance Sheet.

(b) Reductions in Merger Consideration After Closing. If the Audited Balance Sheet of the Company reveals less than an aggregate of $100,000 of Working Capital not reported on the Closing Balance Sheet, the Stock Consideration (or Company Stockholder may elect to pay in cash at his sole discretion) shall be reduced by one dollar for every dollar Working Capital less than $100,000 reflected in the Closing Balance Sheet.

(c) Further Reductions in Merger Consideration After Closing. The General Escrow Stock shall be forfeited if any contract that accounts for more than 10% of the Company's revenue on a trailing twelve month basis as of the Closing Date is not renewed or is terminated for any reason (at the election of the 10% Customer) at any time during the eighteen (18) months immediately following the Closing. Notwithstanding anything to the contrary herein, the Escrow Stock shall not be forfeited (i) if the 10% Customer contract is terminated by the 10% Customer due to an action or inaction of the Buyer or (ii) if a 10% Customer continues to generate at least 85% of the 10% Customer Revenue during each Trailing Twelve Month Period.

For purposes of this Agreement, a "***10% Customer***" shall mean any customer that accounted for at least 10% of the Company's revenue during the twelve months immediately preceding the Closing.

For purposes of this Agreement, "***10% Customer Revenue***" shall mean the revenue generated by the 10% Customer during the twelve months immediately preceding the Closing.

For purposes of this Agreement, a "***Trailing Twelve Month Period***" shall mean any consecutive twelve month period between the date that is twelve (12) months immediately preceding the Closing and the date that is eighteen (18) months immediately following the Closing.

All calculations of 10% Customer Revenue in this Section 4.4(c) shall be adjusted to exclude any decrease in 10% Customer Revenue that directly results from any state public utility commission order, Federal Communications Commission rule or regulation, state or federal legislation that is passed and enacted after the Closing Date.

Section 4.5 Tax Obligations. The Stockholder shall pay any corporate tax due from the declaration, setting aside or payment of any dividend to the Stockholders in connection with the cancellation or repayment of any shareholder loans or any taxes associated with the recognition of any income by the Company as a direct result of the closing of this Merger and the closing of the Company's taxable year.

ARTICLE V
CONDITIONS OF MERGER

Section 5.1 Conditions to Obligations of Buyer and Buyer Sub to Effect the Merger. The obligations of Buyer and Buyer Sub to effect the Merger will be subject to the satisfaction or waiver of the following conditions prior to the Effective Time:

(a) Representations and Warranties. Those representations and warranties of the Company and Company Stockholder set forth in this Agreement will be true and correct as of the Closing Date (except to the extent such representations and warranties expressly relate to a specific date in which case such representations and warranties will be true and correct as of such date). Buyer shall receive a certificate to such effect executed by the Company's Chief Executive Officer.

(b) Agreements and Covenants. The Company and Company Stockholder shall have performed in all material respects all obligations and complied in all material respects with all agreements and covenants of the Company and the Company Stockholder required to be performed or complied with by it under this Agreement. The Buyer shall receive a certificate to such effect executed by the Company's Chief Executive Officer.

(c) Certificate of Secretary. Buyer will have received from the corporate secretary of the Company a certificate (i) certifying the Company Articles of Incorporation, (ii) certifying the bylaws of the Company, (iii) certifying the resolutions of the board of directors of the Company, (vi) certifying the resolutions of the stockholders of the Company and (v) attesting to the incumbency of the officers of the Company.

(d) Required Consents. Any consent, authorization, order or approval of (or filing or registration with) any third party identified by Buyer on Schedule 5.1(d)(1) will have been obtained or made, except in the case of the state public utility commissions or secretaries of state, as applicable, listed on Schedule 5.1(d)(2) for which notices shall have been provided or consents filed, as applicable prior to the Closing.

(e) Certificates. The Company shall have delivered to the Buyer (i) tax and corporate good standing certificates issued by the appropriate governmental authority, as of the most recent practicable date, which date shall be within one hundred twenty (120) days of the Closing, as to the good standing of the Company in the State of Delaware and in each jurisdiction in which it is qualified to do business, except in those states where the annual tax

filing is less than $1,000, (ii) certificates as to the Company's compliance with USF and Federal excise taxes and (iii) stock certificates evidencing ownership of Company shares. Nothing in this Section 5.1(e) shall relieve the Company disclosing any exceptions to the representation made in Section 2.1 of this Agreement.

(f) Broker's Fees. The Company shall have paid any outstanding fee or commission to any broker, investment banking firm, finder or agent, including, but not limited to Legacy Advisors, that was incurred or may have been incurred by the Company in connection with the transactions contemplated by this Agreement or obtain a release from any such broker, investment banking firm, finder or agent claiming such a fee. Notwithstanding anything to the contrary in this Agreement, if the Company shall not have complied with this closing condition to the Buyer's satisfaction, the Buyer may withhold up to $200,000 from the Cash Consideration until such time as the Company shall have paid all outstanding fees or commission described herein or obtained release from any investment banking firm, finder or agent claiming such a fee.

(g) Legal Opinion. Buyer will have received an opinion, dated the Closing Date, of counsel to the Company, in substantially the form of Exhibit A attached hereto.

(h) Closing Balance Sheet and Income Statement. Buyer will have received from the Company, a projected closing balance sheet and income statement, dated as of the Closing Date, attached hereto as Exhibit B.

(i) Consulting Agreements. The Surviving Corporation and DNK ENTERPRISES II, INC. will have executed Consulting Agreements in substantially the form of Exhibit C attached hereto dated on or before the Closing Date (to become effective on the Closing Date).

(j) Employment Agreement. The Surviving Corporation and Douglas C. Bethell will have executed an Employment Agreement in substantially the form of Exhibit D attached hereto dated on or before the Closing Date (to become effective on the Closing Date.

(k) Registration Rights Agreement. The Buyer and the Company Stockholders shall have executed and delivered the Registration Rights Agreement in the form attached to this Agreement as Exhibit E (the "***Registration Rights Agreement***").

(l) Completion of Audit. The Buyer shall have had, at its sole cost and expense, a qualified certified public accountant conduct a preliminary audit of the balance sheet, income statement and statement of cash flows for the year ended December 31, 2004. The Company shall have provided the Buyer's auditor with access to the Books and Records and financial information of the Company.

(m) Banking Information. Buyer will have received from the Company within five (5) days of Closing, a list of signature cards and account statements for all banks and financial institutions listed in Section 2.20 of the Company Disclosure Letter, including, but not limited to Brotherhood Bank and Trust and Bank of America.

(n) Escrow. Buyer shall have received an Escrow Agreement executed by Buyer, the Escrow Agent and the Representative, providing for the escrow of the General

Escrow Shares on the terms and conditions of the Escrow Agreement in a form that is mutually acceptable to Buyer and the Company.

(o) Existing Services Agreement. The Company and AFN Services, Inc., a Nevada corporation ("***AFN Services***") shall have terminated that certain Services Agreement, dated October 10, 2004, by and between the Company and AFN Services (the "***Existing Services Agreement***").

(p) New Services Agreement. The Buyer and AFN Services shall have entered into an agreement pursuant to which the Buyer assumes the management services due the Company under the Existing Services Agreement and pursuant to which AFN Services will pay the Buyer for providing such services.

Section 5.2 Conditions to Obligations of the Company and the Company Stockholder to Effect the Merger. The obligations of the Company and the Company Stockholder to effect the Merger will be further subject to the satisfaction or waiver of the following conditions prior to the Effective Time:

(a) Representations and Warranties. Those representations and warranties of Buyer and Buyer Sub set forth in this Agreement will be true and correct as of the Closing Date (except to the extent such representations and warranties expressly relate to a specific date in which case such representations will be true and correct as of such date). The Company shall receive a certificate to such effect executed by the Buyer's Chief Executive Officer.

(b) Agreements and Covenants. Buyer and Buyer Sub shall have performed in all material respects all obligations and complied in all material respects with all agreements and covenants of Buyer and Buyer Sub required to be performed or complied with by them under this Agreement. The Company shall receive a certificate to such effect executed by the Buyer's Chief Executive Officer.

(c) Certificate of Secretary. The Company will have received from the corporate secretary of each of Buyer and Buyer Sub a certificate (i) certifying Buyer's Certificate of Incorporation, Buyer's Certificate of Incorporation and Buyer Sub's Articles of Incorporation, (ii) certifying the bylaws of Buyer and Buyer Sub, (iii) certifying the resolutions of the board of directors of Buyer and Buyer Sub and (iv) certifying the resolutions of the stockholder of Buyer Sub.

(d) Consulting Agreements. The Surviving Corporation and DNK ENTERPRISES II, INC. will have executed Consulting Agreements in substantially the form of Exhibit C attached hereto dated on or before the Closing Date (to become effective on the Closing Date).

(e) Employment Agreement. The Surviving Corporation and Douglas C. Bethell will have executed an Employment Agreement in substantially the form of Exhibit D attached hereto dated on or before the Closing Date (to become effective on the Closing Date.

(f) Registration Rights Agreement. The Buyer and the Company Stockholders shall have executed and delivered the Registration Rights Agreement in the form attached to this Agreement as Exhibit E.

(g) Completion of Audit. The Buyer shall have completed the audit described in Section 5.1(l) above.

(h) Escrow. The Company shall have received an Escrow Agreement executed by Buyer, the Escrow Agent and the Representative, providing for the escrow of the General Escrow Shares on the terms and conditions of the Escrow Agreement in a form that is mutually acceptable to Buyer and the Company.

(i) Existing Services Agreement. The Company and AFN Services shall have terminated Existing Services Agreement.

(j) New Services Agreement. The Buyer and AFN Services shall have entered into an agreement pursuant to which the Buyer assumes the management services due the Company under the Existing Services Agreement and pursuant to which AFN Services will pay the Buyer for providing such services.

ARTICLE VI
SURVIVAL AND INDEMNIFICATION

Section 6.1 Survival of Representations. All representations, warranties and covenants of the parties contained in this Agreement will remain operative and in full force and effect, regardless of any investigation made by or on behalf of the other parties to this Agreement, until the earlier of the termination of this Agreement or two (2) years after the Closing Date, except as related to Tax matters which shall survive for three (3) years from the date that a relevant tax return is due (the ***"Survival Period"***), whereupon such representations, warranties and covenants will expire (except for covenants that by their terms survive for a longer period). The parties' post-closing remedies for a breach are not limited by the pre-closing discovery of a breach.

Section 6.2 Indemnification of Buyer, Buyer Sub and the Surviving Corporation. Subject to that certain side letter dated as of June 30, 2005 by Mobilepro to Douglas C. Bethell (the "***Side Letter***") and the limitations set forth in this Article VI, the Company and Company Stockholder agree to jointly and severally indemnify and hold harmless Buyer, Buyer Sub and the Surviving Corporation and its officers, directors, agents and employees, and each person, if any, who controls or may control Buyer, Buyer Sub or the Surviving Corporation within the meaning of the Securities Act from and against any and all claims, demands, actions, causes of actions, losses, costs, damages, liabilities and expenses including, without limitation, reasonable legal fees (hereinafter referred to as "***Damages***"):

(a) Arising out of any misrepresentation or breach of or default in connection with any of the representations, warranties and covenants given or made by the Company in this

Agreement or any certificate, document or instrument delivered by or on behalf of the Company pursuant hereto;

(b) Resulting from any failure of the Company Stockholder to have paid any taxes resulting from the declaration, setting aside or payment of any dividend to the Stockholders, including, but not limited to any dividends issued in connection with the cancellation or repayment of any shareholder loans;

(c) Resulting from the failure of the state public utility commissions or secretaries of state, as applicable, listed on Schedule 5.1(d)(2), to grant consents to the transfer of licenses associated resulting from the Merger;

(d) Resulting from any failure of the Company Stockholder to have good, valid and marketable title to the issued and outstanding Company Stock held by them, free and clear of all liens, claims, pledges, options, adverse claims, assessments or charges of any nature whatsoever, or to have full right, capacity and authority to vote such Company Stock in favor of the Merger and the other transactions contemplated by the Merger Agreement; or

(e) Resulting from any federal, state or local taxes that may be due in connection with payments by the Surviving Corporation to the consultants under the provisions of the Consulting Agreements.

The foregoing are collectively referred to as the ***"Buyer Indemnity Claims."***

Section 6.3 Indemnification of Company Stockholder and Company. Subject to the Side Letter and the limitations set forth in this Article VI, the Buyer and Buyer Sub agree to jointly and severally indemnify and hold harmless the Company Stockholder and their respective heirs, successors and assigns, and Company and its officers, directors, agents and employees, from and against any and all Damages:

(a) Arising out of any misrepresentation or breach of or default in connection with any of the representations, warranties and covenants given or made by the Buyer or Buyer Sub in this Agreement or any certificate, document or instrument delivered by or on behalf of the Buyer or Buyer Sub pursuant hereto;

(b) Resulting from any failure of Buyer to have good, valid and marketable title to the full paid nonassessable share of Buyer Common Stock constituting all or any part of the Merger Consideration, free and clear of all liens, claims, pledges, options, adverse claims, assessments or charges of any nature whatsoever, or to have full right, capacity and authority to cause all of the shares representing such Buyer Common Stock to be issued to the Company Stockholder in connection with the conversion of each share of the Company Stock as contemplated by the Merger Agreement; or

(c) of the Company to the extent that the federal and state combined tax liability exceeds $200,000, provided, however, that such sum does not include any federal and state tax attributable to the assets distributed by the Company to the Company Stockholder as a result of repayment of his loan through a distribution or dividend by the Company, which tax remains the personal obligation of the Company Stockholder.

The foregoing are collectively referred to as the ***"Company Stockholder and Company Indemnity Claims."*** The Company Stockholder and Company Indemnity Claims together with the Buyer Indemnity Claims are collectively referred to as the ***"Indemnity Claims."***

Section 6.4 **General Notice and Procedural Requirements for Indemnity Claims**. Notwithstanding the foregoing, the party or person having the indemnity obligation under this Article VI (the ***"Indemnifying Party"***), shall be obligated to indemnify and hold harmless the party or person entitled to indemnity under this Article VI (the ***"Indemnified Party"***), only with respect to any Indemnity Claims of which the Indemnified Party notifies with specificity the Indemnifying Party in accordance with Section 7.1 of this Agreement and, if applicable, within the following time period: (i) with regard to any representation or warranty under this Agreement, prior to the end of the Survival Period of such representation or warranty; or (ii) with regard to any covenant under this Agreement which by its terms expires, prior to the end of the survival period relating to such covenant.

Section 6.5 **Notice and Procedural Requirements for Third Party Claims**. If a complaint, claim or legal action is brought by a third party (a "***Third Party Claim***") as to which an Indemnified Party is entitled to indemnification, the Indemnified Party shall give written notice of such Third Party Claim to the Indemnifying Party in accordance with Section 7.1 of this Agreement promptly after the Indemnified Party receives notice thereof, which notice shall include a copy of any letter, complaint or similar writing received by the Indemnified Party; provided however, that any failure to provide or delay in providing such information shall not constitute a bar or defense to indemnification except to the extent the Indemnifying Party has been prejudiced thereby.

The Indemnifying Party shall have the right to assume the defense of such Third Party Claim with counsel reasonably satisfactory to the Indemnified Party. After notice from the Indemnifying Party to the Indemnified Party of the Indemnifying Party's election so to assume the defense of such Third Party Claim, the Indemnifying Party shall not be liable to the Indemnified Party for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense of such Third Party Claim except as hereinafter provided. If the Indemnifying Party elects to assume such defense and select counsel, the Indemnified Party may participate in such defense through its own separate counsel, but the fees and expenses of such counsel shall be borne by the Indemnified Party unless: (i) otherwise specifically agreed by the Indemnifying Party, or (ii) counsel selected by the Indemnifying Party determines that because of a conflict of interest between the Indemnifying Party and the Indemnified Party such counsel for the Indemnifying Party cannot adequately represent both parties in conducting the defense of such action. In the event the Indemnified Party maintains separate counsel because counsel selected by the Indemnifying Party has determined that such counsel cannot adequately represent both parties because of a conflict of interest between the Indemnifying Party and the Indemnified Party, then the Indemnifying Party shall not have the right to direct the defense of such Third Party Claim on behalf of the Indemnified Party.

The failure of the Indemnifying Party to notify an Indemnified Party of its election to defend such Third Party Claim within thirty (30) days after notice thereof was given to the Indemnifying Party shall be deemed a waiver by the Indemnifying Party of its rights to defend such Third Party Claim.

If the Indemnifying Party assumes the defense of a Third Party Claim, the obligations of the Indemnifying Party shall include taking all steps necessary in the defense of such Third Party Claim and holding the Indemnified Party harmless from and against any and all Damages caused or arising out of any settlement approved by the Indemnified Party or any judgment in connection with the claim or litigation.

If the Indemnifying Party does not assume the defense of such Third Party Claim in accordance with this Section, the Indemnified Party may defend against such claim or litigation in such manner as it deems appropriate; provided, however, that the Indemnified Party may not settle such Third Party Claim without the prior written consent of the Indemnifying Party; provided that the Indemnifying Party may not withhold such consent unless it has provided security of a type and in an amount reasonably acceptable to the Indemnified Party for the payment of its indemnification obligations with respect to such Third Party Claim. The Indemnifying Party shall promptly reimburse the Indemnified Party for the amount of Damages caused or arising out of any judgment rendered with respect to such Third Party Claim, and for all costs and expenses incurred by the Indemnified Party in the defense of such claim.

The Indemnifying Party may settle any Third Party Claim in its sole discretion without the prior written consent of the Indemnified Party, provided that such settlement involves only the payment of cash by the Indemnifying Party to the claimant and does not impose any other obligation on the Indemnifying Party or any liability or obligation on the Indemnified Party.

Section 6.6 **Notice and Procedural Requirements for Direct Claims**. Any claim for indemnification by an Indemnified Party on account of Damages which do not result from a Third Party Claim (a ***"Direct Claim"***) shall be asserted by giving the Indemnifying Party reasonably prompt notice thereof in accordance with Section 7.1 of this Agreement; provided, however, that any failure to provide, or delay in providing, such notification shall not constitute a bar or defense to indemnification except to the extent the Indemnifying Party has been prejudiced thereby. After receiving notice of a Direct Claim, the Indemnifying Party will have a period of thirty (30) days within which to respond in writing to such Direct Claim. If the Indemnifying Party rejects such claim or does not respond within such thirty (30) day period (in which case the Indemnifying Party will be deemed to have rejected such claim), the Indemnified Party will be free to pursue such remedies as may be available to the Indemnified Party on the terms and subject to the provisions of this Article VI.

Section 6.7 **Maximum Liability**. Notwithstanding anything to the contrary herein, in no event will an Indemnifying Party's indemnity obligations under this Article VI exceed the aggregate amount of $1,500,000, which indemnity obligations shall be taken exclusively from the General Escrow Shares only in the case of indemnification provided by the Company Stockholder.

For purposes of calculating the indemnity obligations, the value of the Buyer Common Stock shall be the average of the closing prices of the Buyer Common Stock on the OTC Bulletin Board market on the ten trading days ending the day before the date of payment of any indemnity obligations.

Section 6.8 **Basket**. Notwithstanding anything to the contrary herein, in no event shall an Indemnifying Party have any liability for an indemnity obligation under this Article VI unless and until the Damages relating to the party's Indemnity Claims exceed $50,000 in the aggregate; provided, however, that the provisions of this Section 6.8 shall not be construed to apply to the adjustments in Section 4.4 and the Side Letter. From and after the time the aggregate Damages for an Indemnified Party's Indemnity Claims exceed $50,000, the limitation set forth in this Section 6.8 shall be of no further force and effect and the Indemnifying Party shall be liable for the entire amount of the Damages, subject to the liability limitations of Section 6.7.

ARTICLE VII
GENERAL PROVISIONS

Section 7.1 **Notices**. All notices and other communications given or made pursuant hereto will be in writing and will be deemed to have been duly given or made (a) as of the date delivered, if delivered personally or by overnight courier, (b) on the third Business Day after deposit in the U.S. mail, if mailed by registered or certified mail (postage prepaid, return receipt requested), or (c) when successfully transmitted by facsimile (with a confirming copy of such communication to be sent as provided in clauses (a) or (b) above), and, in each case to the parties at the following addresses or facsimile number (or at such other address for a party as will be specified by like notice, except that notices of changes of address will be effective upon receipt):

(a) If to Buyer or Buyer Sub:

Mobilepro Corp.
6701 Democracy Blvd., Suite 300
Bethesda, MD 20817
Attention: Jay O. Wright, President and CEO
Facsimile: (301) 315-9040

With a copy (which will not constitute notice) to:

Schiff Hardin LLP
1101 Connecticut Ave., N.W., Suite 600
Washington, D.C. 20036
Attention: Ernest M. Stern, Esq.
Facsimile: (202) 778-6460

(b) If to the Company or the Company Stockholder:

American Fiber Network, Inc.
9401 Indian Creek Parkway, Bldg. 40, Suite 140
Overland Park, KS 66210
Attention: Douglas C. Bethell
Facsimile: (913) 338-5285

For purposes of this Agreement, a "Business Day" shall mean any day that is not a Saturday, a Sunday or other day on which banking organizations in Washington, D.C. are authorized or required by law to close.

Section 7.2 **Expenses**. All fees, costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the party incurring such fees, costs and expenses.

Section 7.3 **Amendment**. This Agreement may not be amended except by an instrument in writing signed by the parties hereto.

Section 7.4 **Entire Agreement**. This Agreement and the schedules and exhibits attached hereto, constitute the entire agreement and supersede any and all other prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof.

Section 7.5 **No Third-Party Beneficiaries**. Except for the parties hereto, this Agreement is not intended to confer upon any other Person any rights or remedies hereunder.

Section 7.6 **Assignment**. This Agreement will not be assigned by operation of law or otherwise, except that Buyer and Buyer Sub may assign all or any of their rights hereunder to any Affiliate of Buyer; provided, however, that no such assignment will relieve the assigning party of its obligations hereunder. This Agreement will be binding upon, and will be enforceable by and inure to the benefit of the parties hereto and their respective successors and assigns.

Section 7.7 **Severability**. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the maximum extent possible.

Section 7.8 **Governing Law**. This Agreement will be governed by, and construed in accordance with, the Laws of the State of Delaware applicable to contracts executed in and to be performed entirely within that State.

Section 7.9 **Headings; Interpretation**. The headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement. Whenever the words "***include***," "***includes***" or "***including***" are used in this Agreement, they will be understood to be followed by the words "***without limitation***."

Section 7.10 **Construction**. In the event of an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties and

no presumption or burden of proof will arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

Section 7.11 Counterparts. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed will be deemed to be an original but all of which will constitute one and the same agreement.

Section 7.12 Confidentiality. The Company and Buyer each recognize that they have received and will receive confidential information concerning the other during the course of the Merger negotiations and preparations. Accordingly, the Company and Buyer each agrees (a) to use its respective best efforts to prevent the unauthorized disclosure of any confidential information concerning the other that was or is disclosed during the course of such negotiations and preparations, and is clearly designated in writing as confidential at the time of disclosure, and (b) to not make use of or permit to be used any such confidential information other than for the purpose of effectuating the Merger and related transactions. The obligations of this section will not apply to information that (i) is or becomes part of the public domain, (ii) is disclosed by the disclosing party to third parties without restrictions on disclosure, (iii) is received by the receiving party from a third party without breach of a nondisclosure obligation to the other party or (iv) is required to be disclosed by law.

* * *

IN WITNESS WHEREOF, Buyer, Buyer Sub, the Company and the Company Stockholder have executed this Agreement as of the date first written above.

MOBILEPRO CORP.

By: _____
Name: Jay O. Wright
Title: President and CEO

AFN ACQUISITION CORP.

By: _____
Name: Jay O. Wright
Title: President and CEO

AMERICAN FIBER NETWORK, INC.

By: _____
Name: Douglas C. Bethell
Title: Chief Executive Officer

STOCKHOLDER

THE BETHELL FAMILY TRUST
under Trust Agreement dated June 1, 1993

By: _____

Name: Douglas C. Bethell

Title: Trustee

_____
DOUGLAS C. BETHELL, individually

[Signature Page to Agreement and Plan of Merger]

EXHIBIT A

LEGAL OPINION

EXHIBIT B

CLOSING BALANCE SHEET AND INCOME STATEMENT

EXHIBIT C

CONSULTING AGREEMENT

EXHIBIT D

EMPLOYMENT AGREEMENT

EXHIBIT E

REGISTRATION RIGHTS AGREEMENT