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NETWORK INSTALLATION CORP  
Form 10KSB/A  
May 09, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-KSB/A

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of  
1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

NETWORK INSTALLATION CORPORATION

(Name of small business issuer in its charter)

Nevada 000-25499 88-0390360  
(State or Other Jurisdiction of (Commission file (I.R.S. Employer  
Incorporation or Organization) Number) Identification Number)

15235 Alton Parkway, Suite 200  
Irvine, CA 92618  
(Address and telephone number of principal executive offices)

(949) 753-7551  
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(Issuer's telephone number)

Securities registered under Section 12(b) of the Exchange Act: None

Securities Registered Pursuant to Section 12(g) of the Act: Common Stock, \$0.001  
par value.

Check whether the issuer (1) filed all reports required to be filed by Section  
13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12  
months (or for such shorter period that the issuer was required to file such  
reports), and (2) has been subject to such filing requirements for the past 90  
days. Yes [x] No [ ]

Check if there is no disclosure of delinquent filers in response to Item 405 of  
Regulation S-B contained in this form, and no disclosure will be contained, to  
the best of Issuer's knowledge, in definitive proxy or information statements  
incorporated by reference in Part III of this Form 10-KSB or any amendment to  
this Form 10-KSB. [ ]

The Issuer's revenues for the fiscal year ended December 31, 2004 were  
\$1,889,739.

As of May 2, 2005 there were 21,057,813 shares of Common Stock issued and  
outstanding.

As of May 2, 2005, there were 7,332,650 shares of Common Stock held by  
non-affiliates. The aggregate market value of the Issuer's common stock held by  
non-affiliates was \$8,579,200 based on the closing price of the Issuer's common  
stock on May 2, 2005 of \$1.17.

Transitional Small Business Disclosure Format (Check one): Yes [ ] No [X]

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### PART I

ITEM 1. DESCRIPTION OF BUSINESS.

#### OVERVIEW

We are a one-source solution company focusing on the design, installation, and deployment of specialty communication systems for data, voice, video and telecom. We first determine our clients' requirements by doing a needs analysis and site audit. We then implement our specific design of the communication system, which may include either Wired or Wireless Fidelity, also referred to as Wi-Fi. We seek to exploit the growing demand for high-speed connectivity by leveraging our extensive installation expertise into providing complete superior network solutions across a vast majority of communication requirements.

We have distinguished ourselves from our peers by consolidating three traditionally fragmented industries. Our technicians design the applications required for network build-outs, structured cabling, deployment, security, training, and technical support and we use the best available Wi-Fi, Voice over Internet Protocol, or VoIP, and traditional telecom products. We earn revenue for services rendered which include; (i) the installation of data, voice, video and telecom networks; (ii) the resale of installed networking products, and (iii) consulting services in the assessment of existing networks.

Since 1997 we have been servicing the communication needs of the Fortune 1000, K-12, higher education, and local and regional municipalities. More recently, we have expanded into new small and medium-sized business market segments where we have a multi-faceted approach to our business model. One is the continued focus on our core competency of project management in wired networking infrastructure, design, installation and support of data, voice and video communications solutions. Second, is to leverage that expertise in our pursuit of the

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infrastructure build-out of Wi-Fi, Wireless Local Area Networks and VoIP applications.

### HISTORY

We incorporated in the State of Nevada as Color Strategies on March 24, 1998. On October 1, 1999, we created a wholly-owned subsidiary named Infinite Technology Holding, Inc. On December 23, 1999, we changed our name to Infinite Technology Corporation. On May 4, 2000, we changed our name from Infinite Technology Corporation to Network Installation Corporation. On the same date, we changed the name of our wholly-owned subsidiary to Network Installation Holdings, Inc.

In May of 2000, we acquired Mardock, Inc., a designer, manufacturer and distributor of apparel and promotional products. In August 2000, we acquired a majority interest in North Texas Circuit Board Co., or NTCB, through the acquisition of 67% of the common stock of Primavera Corporation, the parent company of NTCB, in exchange for 195,000 shares of our common stock, valued at \$325,000, plus a contribution of \$1,250,000 in cash to NTCB as additional working capital. NTCB manufactures high quality printed circuit boards. In September 2000, we acquired 80% of the outstanding stock of OpiTV.com. OpiTV.com was an I-commerce technology company in the development stage with a business plan to market and distribute a TV device. In November 2000, we acquired an additional 13% of Primavera Corporation. This increase in equity brought our indirect ownership of NTCB from 67% to 80%.

In late 2000, we determined that our capital and management resources were spread too thin to properly address the needs of our three subsidiaries. As a result, in July of 2001, we sold all of our common stock ownership in Mardock, Inc. and OpiTV.com.

In July 2001, we acquired the remaining 20% of Primavera's common stock. On August 20, 2002, we sold NTCB to a third party in exchange for cancellation of debt of approximately \$2,255,860 and retention by us of a 10% interest in the after tax profit of NTCB for a period of five years subsequent to the consummation of the transaction. On December 27, 2002, we disposed of 100% of Flexxtech Holdings, Inc. Flexxtech Holdings was the parent corporation of Primavera Corporation. After the sale of NTCB, Flexxtech Holdings had no significant assets and was disposed of to Western Cottonwood Corp., an affiliate, for nominal consideration of \$10.

On October 1, 2002, we signed to acquire 80% of the outstanding common shares of W3M, Inc., dba Paradigm Cabling Systems, a privately held California corporation, in a stock for stock exchange. Paradigm is a full service computer cabling, networking and telecommunications integrator contractor. As part of the transaction, we agreed to use our best efforts to arrange for an infusion of \$250,000 in additional capital, either as debt or equity or some combination of both, to Paradigm, in order to increase its working capital. However, we were unable to arrange infusion of the capital per the agreement.

On April 8, 2003, we and Paradigm agreed that the transaction is void ab initio, that is, at its inception, with the effect that Paradigm remains the owner of all of its assets and the shares of our preferred stock are restored to the status of authorized shares. The Purchase Agreement and all related documents and all documents delivered in connection therewith were thereby terminated ab initio and are of no force or effect whatsoever. In connection with funds invested as working capital into Paradigm during the period from October 1, 2002 until April 1, 2003, we issued to Ashford Capital LLC and eFund Capital/Barrett Evans, 5 year convertible debentures in the amount of \$65,000 and \$75,000 respectively. Ashford and eFund made investments directly into Paradigm under the assumption that a merger between Paradigm and us would be consummated. As part of the rescission negotiations, we agreed to issue the debentures to Ashford and eFund. Michael Cummings, President of Paradigm also resigned as a

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Director of our Board of Directors.

On April 9, 2003, we executed a Restructuring Agreement. The Agreement was executed to restructure our balance sheet in order to more easily attract an operating business to merge with or acquire. Pursuant to the Restructuring Agreement, Western Cottonwood Corporation, a related party through a major shareholder, agreed to forgive its notes receivable and interest receivable from us as of December 31, 2002. The receivable totaling \$1,984,850 was booked in consideration for cash we received from Western Cottonwood. The receivable totaling \$1,984,850, was forgiven in exchange for shares of our common stock totaling 4.9% of the total outstanding shares immediately following our first merger or acquisition transaction. At the time of the transaction, the principal shareholder of Western Cottonwood Corporation and Atlantis Partners, Inc. was John Freeland, formerly our largest investor. Mr. Freeland was also formerly an affiliate through his beneficial ownership of 23% of our total outstanding shares through Western Cottonwood. To our knowledge, Mr. Freeland is no longer an affiliate. Pursuant to the agreement, (i) Western Cottonwood and Atlantis Partners shall maintain a combined ownership percentage of a non-dilutive 4.9% and Greg Mardock, our former president, shall maintain a combined ownership percentage of a non-dilutive 2% through our first merger or acquisition transaction and (ii) Mr. Mardock resigned as President and Director (iii) three nominees of Dutchess Private Equities Fund, LP were appointed directors.

In April 2003, we executed a Letter of Intent to merge with Irvine, CA-based Network Installation Corporation. The transaction closed in May, 2003. The total consideration and method of payment was \$50,000 in cash and 7,382,000 shares of our common stock. In addition, we issued a five year option to purchase an additional 618,000 shares of our common stock to Mr. Cummings if our total revenue exceeded \$450,000 for the period beginning on June 1, 2003 and ending August 31, 2003. The option is exercisable at a price equal to the closing bid price of our common stock on August 29, 2003 which was \$2.95. Since our total revenues exceeded \$450,000 for the period beginning on June 1, 2003 and ending August 31, 2003, Mr. Cummings had the right to exercise the option to purchase 618,000 shares of our common stock, however in June 2004 he relinquished and waived all future rights to exercise the option.

Network Installation was established in July 1997 as a California corporation as a low voltage-cabling contractor and in 1999 changed its focus to provide products, project management, design and installation within the networking and communications sector.

On March 1, 2004, we acquired Del Mar Systems International, Inc., a telecommunications solutions provider. We now have the ability to provide integrated telecom solutions to customers ranging in size from 10 to 30,000 users. Del Mar provided Avaya Enterprise Class IP Solutions and Mitel IP Solutions to customers as a way to capitalize on the benefits of IP (Internet Protocol) Telephony. Avaya and Mitel offer complete communications architecture that provides software, infrastructure and services to help enterprises stay efficient. Del Mar Systems offers both onsite and remote administration of systems equipped with remote access dial up lines.

### INDUSTRY OVERVIEW (SPECIALTY COMMUNICATION SYSTEMS)

A structured cabling system is a set of cabling and connectivity products that integrates the voice, data, video, and various management systems of a building, such as safety alarms, security access and energy systems. These systems typically consist of an open architecture, standardized media and layout, standard connection interfaces, adherence to national and international standards, and total system design and installation. Other than the structured cabling system, voice, data, video, and building management systems have nothing in common except similar transmission characteristics, such as analog or digital data signals, and delivery methods such as conduit, cable tray, or raceway, that

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support and protect the cabling investment.

Modern Ethernet networking equipment is designed around the concept that each device in a building's network has a dedicated media connection to a central "hub". In a standard hub the LAN bandwidth is shared among all the stations. With dedicated hubs, also called switched technology, a given cable is allocated for use by a single device.

This was not always the case. The original design of network systems assumed a common, shared medium: coaxial cable. Structured cabling systems, while having drawbacks with regards to absolute transmission performance, show considerable cost savings to the owner by reducing the costs of moves, changes and additions. These benefits far outweigh the cost of implementation, making structured cabling the optimum choice for building wiring.

The industry had been dominated by thousands of proprietors with former employment experience in telecommunications and electrical contracting. With the boom in technological advances over the past fifteen years, the convergence of data medium; text, voice, and video has placed a premium in obtaining such information, faster, cheaper and now wireless. This paradigm shift in the functionality of data transmission now mandates a more detailed insight into computer science, project management and a thorough understanding of a potential customer's total communications needs.

### INDUSTRY OVERVIEW (WI-FI)

We believe, in the past two years, Wireless Fidelity, also known as Wi-Fi, has emerged as the dominant standard for wireless local areas networks, or WLANs worldwide. A Wi-Fi network can cover an area of typically 100-500 feet with Internet access hundreds of times faster than a modem connection. Unlike other broadband wireless technologies using regulated spectrum, Wi-Fi enjoys Universal global acceptance and it has become a single networking standard for all developers, equipment manufacturers, service providers and users.

Hundreds of equipment manufacturers are now flooding the market with millions of Wi-Fi cards and access points. The single Wi-Fi standard ensures these devices all interoperate with each other, so, for example, an access point made by Netgear will communicate with a network card from Linksys.

Hundreds of new companies have begun setting up Wi-Fi access points called "hot spots" in cafes, hotels, airports, book stores and other public spaces. These hot spot operators install Wi-Fi access points and either sell high speed wireless Internet access for a fee or offer it to the public for free.

Hot Spot Operators include Wayport, STSN, Surf and Sip, StayOnline, Pronto, NetNearU, Deep Blue, Fatport, Air Portal, Ikano, Picopoint, TheCloud and Azure. In the last year, major wireless carriers have thrown their hat in the ring, including T-Mobile, which is building hot spots in Starbucks cafes, Borders book stores, Kinko's stores and airline clubs, AT&T Wireless, British Telecom, Swisscom, Telecom Italia and Sprint PCS.

Forces outside the industry are also rapidly arming users with Wi-Fi radios. Consumers are also buying Wi-Fi-compatible hardware in their laptops and PDAs for use in the office or home.

We believe Wi-Fi can be over 20 times faster than a standard modem connection. Wi-Fi is also significantly faster than the wireless services provided by cellular carriers which typically deliver throughput between 40k and 60k. The actual speed experienced by hot spot users is determined by the hot spot's connection to the Internet, which can range from low-end DSL (384k) to one or more T1s (1.5Mb and up), but this still promises much faster speed than any other available technology.

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We are seeking to exploit the rapid build up of wireless networks by focusing our marketing efforts on our currently installed base of universities, K-12, municipalities and Fortune 1000 companies as well as new opportunities in hospitality, real estate development, state and federal government and the U.S. military.

In addition, we have increased our ability to take advantage of the rapid acceptance and deployment of internet-based telephone communications. We now provide traditional PBX telecommunications solutions as well as Voice over Internet Protocol, or VoIP, which offers customers the ability to effect local and long distance phone calls via the internet for flat monthly rates, in most cases at a considerable cost savings from traditional per minute charges from the major telecommunications providers. With the acquisition of Com Services we have added a valuable franchise to our Company. Com Services' core markets of K-12, Higher Education and Fortune 1000 companies fit seamlessly aside those of NIC.

### OUR BUSINESS

A company's communication network is critical in achieving the timely flow of information. Typically, a company's network expands beyond its existing headquarters to remote offices and remote users. The number of networking applications continues to grow and the demand for high-speed connectivity to move data back and forth is increasing dramatically. Until recently, a company's primary alternative in obtaining high-speed connectivity was to contact the telephone company and have a high-speed landline service installed so that connectivity could be achieved between its locations. The issue today is that these high-speed landlines take too much time to install, are not available in all locations, do not solve remote application usage and are costly to use on a monthly basis. In addition, large companies rarely provide the local customer attention and responsiveness a company like Network Installation Corp provides.

We seek to exploit the growing demand in high-speed connectivity by providing complete network solutions including best of breed wireless products, engineering services for which our technicians design the applications required for the network build out, structured cabling and deployment. We offer the ability to integrate superior solutions across the vast majority of communication requirements.

There are multiple products associated with the deployment of a wireless solution including microwave equipment, free space optical equipment and specialty components. There are also important services such as site design, product integration, structured cabling, network security, training and technical support. The integration of all these products and services is critical in achieving the desired results for the customer. The specific products used and services offered vary depending on the connection speed required and distances between points. We provide specialty communication systems, Wi-Fi deployment and WLANs to corporations, municipalities and educational institutions.

We define wireless deployment as the internal and external design and installation of a wireless solution to support connectivity between two or more points without the utilization of landline infrastructure. End users turn to us to design and integrate a wireless solution, as there are many components from various technology providers. Wireless solutions can offer a user:

- High-speed connectivity;
- Immediate installation;
- Network ownership; and
- Low costs.

We also provide network security, train end users and provide on-going technical

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support to insure a successful installation.

### SUPPLIERS

While we are predominately a service company, we purchase and resell products such as networking routers, cable, software and video equipment that are involved in our project installations. We purchase our products from various distributors. Should any of these distributors and vendors cease operations, our business would not be adversely affected because these products are readily available from multiple distributors locally, regionally or nationally.

We have agreements with Linksys, Motorola Inc., Aruba Wireless Networks, Hewlett-Packard and Mitel that give us what we believe to be the finest suite of products available for the installation of wireless solutions. Through our Motorola agreement and the use of one of its flagship wireless products "The Canopy," we have the ability to install point to point service directly for Wireless Internet Service Providers or proprietors of WLANs or expanded 'Hot Zones' with our Motorola agreement. Aruba's family of Wi-Fi switches deliver centralized wireless security and management of all types of enterprise environments.

### SALES AND MARKETING

We utilize both inside and outside sales forces to address the market. We are proactive and able to visit personally with our clients from time to time.

### CUSTOMERS

We currently provide our products and services to the markets in K-12 education, universities, municipalities and Fortune 1000 companies. Some of our current customers include the University of California - Los Angeles, University of Southern California, City of Barstow and Public Works of New Mexico.

### COMPETITION

The network cabling market is very fragmented and highly competitive. In the markets where we operate, we experience intense competition from other independent providers of network solutions. Our competitors include regional, privately-held companies including Sunglo Communications, Pacific Coast Cabling, and Netversant. We are aware of only one publicly-traded competitor locally, WPCS International Inc. There is no one dominant competitor. We believe that success in the industry is based on maintenance of product quality, competitive pricing, delivery efficiency, customer service and satisfaction levels, maintenance of satisfactory dealer relationships, and the ability to anticipate technological changes and changes in customer preferences. We believe our competitive advantage lies in our ability to provide superior customer service while offering a more diverse line of hard product offering than our competitors.

### EMPLOYEES

As of March 28, 2005, we employed 29 full time employees, 5 are executives 3 are in sales and marketing, 15 are project managers or technicians and 6 in administration. We believe our relations with all of our employees are good.

### ITEM 2. DESCRIPTION OF PROPERTY.

On June 29, 2004, we entered into a lease agreement with Alton Plaza Property Inc. for office space located at 15235 Alton Parkway, Suite 200, Irvine, CA. Our rent is approximately \$13,475 and our lease runs for 51 months.

### ITEM 3. LEGAL PROCEEDINGS.

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On April 25, 2003, the Superior Court of the State of California, County of Orange, entered a judgment in the amount of \$46,120 against us and our former management in favor of Insulectro Corp., a vendor of our former subsidiary, North Texas Circuit Board. We believe that we were never issued proper service of process for the complaint. In addition, on August 20, 2002, we sold North Texas Circuit Board to BC Electronics Inc. Pursuant to terms of the share purchase agreement, BC Electronics assumes all liabilities of North Texas Circuit Board. In December 2003, we filed a motion to vacate the judgment for lack of personal service. In February 2004, the Court ruled in our favor and the judgment was vacated. In February 2004, the plaintiff re-filed the complaint. In March 2005, the complaint was settled for the sum of \$25,000. Commencing in March 2005, we agreed to make five equal monthly installments of \$5,000 to Insulectro. Pursuant to the settlement terms, since March 2005 we have made two installment payments of \$5,000 each.

On January 24, 2005, we filed an action in the Superior Court of California, County of Orange against Steve and Dorota Pearson for damages and injunctive relief based on alleged fraud and breach of contract relating to our purchase of Del Mar Systems International, Inc. from Steve and Dorota Pearson. The complaint was amended on March 14, 2005 to seek rescission of our purchase of Del Mar Systems from Steve and Dorota Pearson. The defendants have not yet filed responsive pleadings in the case. The Defendant has recently filed a cross-complaint in the above action seeking recovery under various employment and contract theories for unpaid compensation, expenses and benefits totaling approximately \$90,000. Defendant also seeks payment of an outstanding balance of a note related to the purchase by the Company of Del Mar Systems totaling approximately \$85,000. Further, Defendant is seeking injunctive relief for enforcement of the stock purchase agreement of Del Mar Systems. Management is vigorously opposing these claims and does not feel the claims have substantial merit.

We may be involved in litigation, negotiation and settlement matters that may occur in our day-to-day operations. Management does not believe the implication of these litigations will, including those discussed above, have a material impact on our financial statements.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

### PART II

#### ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Bid and ask quotations for our common shares are routinely submitted by registered broker dealers who are members of the National Association of Securities Dealers on the NASD Over-the-Counter Electronic Bulletin Board. These quotations reflect inner-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions. The high and low bid information for our shares for each quarter for the last two years, so far as information is reported, through the quarter ended December 31, 2003, as reported by the Bloomberg Financial Network, are as follows:

Quarter Ended	High Bid	Low Bid
31-Mar-03 . .	\$ 2.00	\$ 0.05
30-Jun-03 . .	\$ 0.35	\$ 0.15
30-Sep-03 . .	\$ 5.35	\$ 0.80
31-Dec-03 . .	\$ 3.50	\$ 3.10
31-Mar-04 . .	\$ 5.30	\$ 3.50



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30-Jun-04 . .	\$	5.50	\$	2.90
30-Sep-04 . .	\$	3.06	\$	1.27
31-Dec-04 . .	\$	2.29	\$	1.42

### NUMBER OF SHAREHOLDERS

As of May 2, 2005, we had approximately 1,000 shareholders of record.

### DIVIDEND POLICY

We have not paid any dividends since inception and presently anticipate that all earnings, if any, will be retained for development of our business. We expect that no dividends on the shares of common stock will be declared in the foreseeable future. Any future dividends will be subject to the discretion of our Board of Directors and will depend upon, among other things, our future earnings, operating and financial condition, capital requirements, general business conditions and other pertinent facts.

### RECENT SALES OF UNREGISTERED SECURITIES

In the fiscal year ended December 31, 2004, we issued \$2,045,100 of convertible debentures to Dutchess Private Equities Fund, LP and Dutchess Private Equities Fund, II, LP, collectively. There is a 20% discount to the face value on the debenture. The debenture converts into common stock at the lesser of (i) 75% of the lowest closing bid price during the fifteen trading days prior to the Conversion Date or (ii) 100% of the average of the closing bid prices for the twenty trading days immediately preceding the Closing Date of the Transaction. The current balance on the debentures issued in 2004 is \$1,867,718.

The sales set forth above were undertaken under Rule 506 of Regulation D under the Securities Act of 1933, as amended, by the fact that:

- the sales were made to a sophisticated or accredited investors, as defined in Rule 502;
- we gave each purchaser the opportunity to ask questions and receive answers concerning the terms and conditions of the offering and to obtain any additional information which we possessed or could acquire without unreasonable effort or expense that is necessary to verify the accuracy of information furnished;
- at a reasonable time prior to the sale of securities, we advised each purchaser of the limitations on resale in the manner contained in Rule 502(d)2;
- neither we nor any person acting on our behalf sold the securities by any form of general solicitation or general advertising; and
- we exercised reasonable care to assure that each purchaser of the securities is not an underwriter within the meaning of Section 2(11) of the Securities Act of 1933 in compliance with Rule 502(d).

### ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

You should read this section together with our consolidated financial statements and related notes thereto included elsewhere in this report.

### CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that involve risks and uncertainties. We generally use words such as "believe," "may," "could," "will," "intend," "expect," "anticipate," "plan," and similar expressions to identify forward-looking statements, including statements regarding our expansion plans. You should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons, including the risks described in

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our "Risk Factor" section and elsewhere in this report. Although we believe the expectations reflected in the forward-looking statements are reasonable, they relate only to events as of the date on which the statements are made, and our future results, levels of activity, performance or achievements may not meet these expectations. We do not intend to update any of the forward-looking statements after the date of this document to conform these statements to actual results or to changes in our expectations, except as required by law.

### CRITICAL ACCOUNTING POLICIES

We have identified the policies below as critical to our business operations and the understanding of our results of operations. The impact and any associated risks related to these policies on our business operations are discussed throughout this section where such policies affect our reported and expected financial results. Our preparation of our Consolidated Financial Statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting period. Our actual results may differ from those estimates.

Our accounting policies that are the most important to the portrayal of our financial condition and results, and which require the highest degree of management judgment relate to revenue recognition, the provision for uncollectible accounts receivable, property and equipment, advertising and issuance of shares for service.

Our revenue recognition policies are in compliance with all applicable accounting regulations, including American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 81-1, Accounting for Performance of Construction-Type and Certain Production-Type Contracts. Revenues from installations, cabling and networking contracts are recognized using the percentage-of-completion method of accounting. Accordingly, income is recognized in the ratio that costs incurred bears to estimated total costs. Adjustments to cost estimates are made periodically, and losses expected to be incurred on contracts in progress are charged to operations in the period such losses are determined. The aggregate of costs incurred and income recognized on uncompleted contracts in excess of related billings is shown as a current asset, and the aggregate of billings on uncompleted contracts in excess of related costs incurred and income recognized is shown as a current liability.

Our revenue recognition policy for sale of network products is in compliance with Staff accounting bulletin or (SAB) 104. Revenue from the sale of network products is recognized when a formal arrangement exists, the price is fixed or determinable, the delivery is completed and collectibility is reasonably assured. Generally, the Company extends credit to its customers and does not require collateral. The Company performs ongoing credit evaluations of its customers and historic credit losses have been within management's expectations.

We estimate the likelihood of customer payment based principally on a customer's credit history and our general credit experience. To the extent our estimates differ materially from actual results, the timing and amount of revenues recognized or bad debt expense recorded may be materially misstated during a reporting period.

Property and equipment is carried at cost. Depreciation of property and equipment is provided using the declining balance method over the estimated useful lives of the assets at five to seven years. Expenditures for maintenance and repairs are charged to expense as incurred.

We expense advertising costs as incurred.

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We account for the issuance of equity instruments to acquire goods and services based on the fair value of the goods and services or the fair value of the equity instrument at the time of issuance, whichever is more reliably measurable.

### GOING CONCERN OPINION

Our audited financial statements for the fiscal year ended December 31, 2004, reflect a net loss of \$4,167,705. These conditions raise substantial doubt about our ability to continue as a going concern if we do not acquire sufficient additional funding or alternative sources of capital to meet our working capital needs. Without such external funding, we would have to materially curtail our operations and plans for expansion.

TWELVE MONTH PERIOD ENDED DECEMBER 31, 2004 AS COMPARED TO TWELVE MONTH PERIODS ENDED DECEMBER 31, 2003.

### NET REVENUES

Net revenues for the year ended December 31, 2004 were \$1,889,739 compared to \$1,233,908 for the year ended December 31, 2003 due to increased marketing and contracts received. We also experienced an increase in Wi-Fi contracts during the period ended December 31, 2004 versus same period 2003 due to increased wireless capabilities acquired through our partnerships with our strategic partners. Our year to date revenues are higher than the same period a year ago due to an increase in the total amount of new contracts received.

### COST OF REVENUES

Cost of revenues for the year ended December 31, 2004 was \$1,705,562 compared to \$965,569 for the year ended December 31, 2003. Our Cost of Revenue increased for the 12 months ended December 31, 2004 when compared to the same period in 2003 due to an increase in Revenues for the period.

### OPERATING EXPENSES

Operating Expenses for the year ended December 31, 2004 were \$2,973,770 compared to \$2,306,744 for the year ended December 31, 2003 due to an increase in salaries advertising, consulting, and professional expenses. The Company incurred and allocated salary expense of \$401,953 to operating expenses during the year ended 2004. Other significant components of 2004's operating expenses consisted of \$1,143,058 of investor relations expenses, professional fees of \$318,243 and consulting fees of \$324,179 expenses.

### OTHER INCOME (EXPENSE)

Other Income (Expense) for the year ended December 31, 2004 was (\$1,377,312) compared to (\$1,394,602) for the year ended December 31, 2003. The decrease in Other Expenses is primarily due to a decrease in interest expenses from the conversion of debentures, and shares of common stock. This amount would have been much lower if not for a write off of goodwill in the amount of \$1,000,000 which was due to the acquisition of Del Mar Systems. We believe that the acquisition of Del Mar Systems does not currently hold an amount of Goodwill toward NIC, therefore was chosen to be written off.

### NET LOSS

Net Loss for the year ended December 31, 2004 was (\$4,167,705) compared to (\$3,434,607) for the year ended December 31, 2003 due to increased Other Expenses, including that for the write off of Goodwill for Del Mar Systems, for the year ended December 31, 2004 compared to the year ended December 31, 2003.

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### BASIC AND DILUTED LOSS PER SHARE

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Our basic and diluted loss for the year ended December 31, 2004 was (\$0.19) compared to (\$0.17) for the year ended December 31, 2003 due to an increase in our Net Loss, as described above.

### LIQUIDITY AND CAPITAL RESOURCES

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As of December 31, 2004, our Current Assets were \$1,002,891 and Current Liabilities were \$1,354,083. Cash and cash equivalents were \$1,732. Our Stockholder's Deficit at December 31, 2004 was (\$1,877,631). We had a net usage of cash due to operating activities in December 31, 2004 and 2003 of \$3,066,297 and \$747,380 respectively. We had net cash provided by financing activities of \$3,522,304 and \$730,061 for the twelve month period ended December 31, 2004 and 2003, respectively. We had \$1,429,710 from borrowings in the period ended December 31, 2004 as compared to \$303,399 in the corresponding period last year.

Historically, we have operated from a cash flow deficit funded by outside debt and equity capital raised including funds provided by Dutchess Capital Management LLC, our largest investor. Without the continued availability of external funding, we would have to materially curtail our operations and plans for expansion. Our plan to continue operations in relation to our going concern opinion is to continue to secure additional equity or debt capital although there can be no guarantee that we will be successful in our efforts.

### COMMITMENTS

Our material commitments are:

\$120,580 in loans from a major shareholder and officer. The amount is unsecured, due on demand and non interest bearing.

In the fiscal year ended December 31, 2004, we issued \$2,045,100 of convertible debentures to Dutchess Private Equities Fund, LP and Dutchess Private Equities Fund, II, LP, collectively. The debenture converts into common stock at the lesser of (i) 75% of the lowest closing bid price during the fifteen trading days prior to the Conversion Date or (ii) 100% of the average of the closing bid prices for the twenty trading days immediately preceding the Closing Date of the Transaction. The current balance on the debentures is \$1,867,718.

We issued \$568,000 in debentures in 2003, of which \$403,000 were issued to Dutchess Private Equities Fund, LP and Dutchess Private Equities Fund, II, LP, collectively. The total \$568,000 remained outstanding as of December 31, 2004. The remaining \$165,000 debentures were issued to unrelated parties. A total of \$75,000 of these debentures was converted to common stock in 2004, leaving a balance of \$90,000 as of December 31, 2004.

Payroll tax payable of \$368,192 as of December 31, 2004 consists of payroll taxes payable to the Federal Government for 2004 payroll tax liabilities. As of the date these financial statements were issued, we were continuing negotiations with the Internal Revenue Service to schedule periodic payments until the liability is paid in full. We intend to commence installment payments on this liability in 2005.

### SUBSIDIARY

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As of December 31, 2004, we had two wholly-owned subsidiaries, Network

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Installation Corp. and Del Mar Systems International, Inc. Network Installation Corp. is the name of both the parent company incorporated in the state of Nevada and the subsidiary incorporated in the state of California. On March 1, 2004, we acquired Del Mar Systems International, Inc., a telecommunications solutions provider.

### RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the following risk factors, other information included in this prospectus and information in our periodic reports filed with the SEC. If any of the following risks actually occur, our business, financial condition or results of operations could be materially and adversely affected, and you may lose some or all of your investment.

#### RISKS ABOUT OUR BUSINESS

OUR INDEPENDENT ACCOUNTANTS HAVE ISSUED A GOING CONCERN OPINION.

Our audited financial statements for the fiscal year ended December 31, 2004, reflect a net loss of \$4,167,705. These conditions raised substantial doubt about our ability to continue as a going concern. If we do not acquire sufficient additional funding or alternative sources of capital to meet our working capital, we may have to substantially curtail our operations and business plan.

WE HAVE SUBSTANTIAL INDEBTEDNESS WHICH MAY AFFECT OUR ABILITY TO MAINTAIN OR GROW OUR OPERATIONS.

We currently have \$1,354,083 in current liabilities. As a result of our level of debt and the terms of our debt instruments:

- our vulnerability to adverse general economic conditions is heightened;
- we will be required to dedicate a substantial portion of our cash flow from operations to repayment of debt, limiting the availability of cash for other purposes;
- we are and will continue to be limited by financial and other restrictive covenants in our ability to borrow additional funds, consummate asset sales, enter into transactions with affiliates or conduct mergers and acquisitions;
- our flexibility in planning for, or reacting to, changes in its business and industry will be limited; and
- our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes may be impaired.

Our ability to pay principal and interest on our indebtedness and to satisfy our other debt obligations will partly depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, some of which are beyond our control. If we are unable to service our indebtedness, we will be forced to take actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness, or seeking additional equity capital. We may not be able to affect any of these remedies on satisfactory terms, or at all.

OUR OPERATING RESULTS WILL FLUCTUATE SIGNIFICANTLY FOR THE FORESEEABLE FUTURE, WHICH MAY AFFECT OUR STOCK PRICE.

Our quarterly results of operations have varied in the past and are likely to continue to vary significantly from quarter to quarter. Our operating expenses are based on expected future revenues and are relatively fixed in the short

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term. If our revenues are lower than expected, our results of operations could be adversely affected. Additionally, we are unable to forecast our future revenues with certainty because our business plan contemplates the acquisition of new enterprises. Many factors can cause our financial results to fluctuate, some of which are outside of our control. Quarter-to-quarter comparisons of our operating results may not be meaningful and you should not rely upon them as an indication of our future performance. In addition, during certain future periods our operating results likely will fall below the expectations of public market analysts and investors. In this event, the market price of our common stock likely would decline.

WE NEED ADDITIONAL CAPITAL TO GROW OUR BUSINESS AND WE MAY NOT BE ABLE TO FIND SUCH CAPITAL ON ACCEPTABLE TERMS.

Our business plan contemplates the acquisition of new enterprises and the proceeds from our existing financing arrangements may not be sufficient to fully implement our business plan. Additionally, we may not be able to generate sufficient revenues from our existing operations to fund our capital requirements. Accordingly, we may require additional funds to enable us to operate profitably. Such financing may not be available on terms acceptable to us. As of December 31, 2004 we had no bank borrowings or credit facilities, and we may not be able to arrange any such debt financing. Additionally, we may not be able to successfully consummate additional offerings of stock or other securities in order to meet our future capital requirements. Historically, we have operated from a cash flow deficit funded by outside debt and equity capital raised including funds provided by Dutchess Capital Management LLC, our largest investor. Without such external funding, we would have to materially curtail our operations and plans for expansion. Our plan to continue operations in relation to our going concern opinion is to continue to secure additional equity or debt capital although there can be no guarantee that we will be successful in our efforts.

OUR BUSINESS STRATEGY INCLUDES IDENTIFYING NEW BUSINESSES TO ACQUIRE, AND IF WE CAN NOT INTEGRATE ACQUISITIONS INTO OUR COMPANY SUCCESSFULLY, WE MAY NOT BECOME PROFITABLE.

Our success partially depends upon our ability to identify and acquire undervalued businesses. Although we believe that there are companies available for potential acquisition that are undervalued and might offer attractive business opportunities, we may not be able to make any acquisitions, and if we do make acquisitions, they may not be profitable.

WE DEPEND ON OUR KEY PERSONNEL AND IF THOSE PERSONNEL LEAVE THE COMPANY, OUR BUSINESS MAY BE HARMED.

At this time, we are almost totally dependent upon Jeffrey R. Hultman and Michael V. Rosenthal as our principal operating officers and on our directors, our only business asset that is producing significant revenues. While we have an employment agreement with Messrs. Hultman and Rosenthal, it does not obligate them to remain as officers. We do not maintain insurance on the lives of our officers, directors or key employees; the loss of their services would have a material adverse effect on our business. We elect our directors each year and while we expect to reelect our directors currently on the Board, our directors are not obligated to continue in their positions.

SOME OF OUR POTENTIAL FUTURE GROWTH DEPENDS ON INCREASING CUSTOMER ACCEPTANCE OF WIRELESS NETWORKS, AND TO THE EXTENT THAT SUCH ACCEPTANCE FAILS TO INCREASE, WE MAY NOT GROW OUR BUSINESS.

While the majority of our revenues are currently derived from the installation of cable systems, we believe that improving wireless technology will eventually

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make wireless systems an acceptable alternative to many of our potential customers. We have begun to enter the wireless marketplace and believe this technology could lead to future growth for our company. The wireless industry has historically experienced a dramatic rate of growth both in the United States and internationally. If the rate of growth should slow down and end users continue to reduce their capital investments in wireless infrastructure or fail to expand their networks, we may not be able to expand our business.

OUR INDUSTRY HAS RAPIDLY CHANGING TECHNOLOGY AND, IF WE DO NOT STAY CURRENT, WE MAY LOSE CUSTOMERS AND OUR BUSINESS WILL BE HARMED.

The network installation industry and related technology business involve a broad range of rapidly changing technologies. Our technologies may not remain competitive over time, and others may develop technologies that are superior to ours which may render our products non-competitive. Our business may depend on trade secrets, know-how, continuing innovations and licensing opportunities to develop and maintain our competitive position. Others may independently develop equivalent proprietary information or otherwise gain access to or disclose our information. Our confidentiality agreements on which we rely may not provide meaningful protection of any trade secrets on which we may depend for success, or provide adequate remedies in the event of unauthorized use or disclosure of confidential information or prevent our trade secrets from otherwise becoming known to or independently discovered by our competitors.

### INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Network Installation Corporation, Inc.  
Irvine, CA

We have audited the accompanying consolidated balance sheets of Network Installation Corporation, Inc., as of December 31, 2004, and the related statements of operations, stockholders' equity, and cash flows for the year 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 audit.

We conducted our audit "in accordance with standards of the Public Company Accounting Oversight Board (United States)" as outlined in PCAOB Auditing Standard No. 1. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Network Installation Corporation, Inc., as of December 31, 2004, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The financial statements for the year ended December 31, 2003, were audited by other accountants, whose report dated April 14, 2004, expressed an unqualified opinion on those statements. They have not performed any auditing procedures since that date.

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The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 3 to the financial statements, conditions exist which raise substantial doubt about the Company's ability to continue as a going concern unless it is able to generate sufficient cash flows to meet its obligations and sustain its operation. The Company lost \$9,634,545 from operations through December 31, 2004. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Jaspers Hall & Johnson  
 Denver, Colorado  
 May 6, 2005

### NETWORK INSTALLATION CORP. INC Consolidated Balance Sheets December 31, 2004

	2004	2003
	-----	-----
<b>ASSETS:</b>		
<b>CURRENT ASSETS:</b>		
Cash . . . . .	\$ 1,732	\$ 667
Accounts Receivable . . . . .	500,833	432,428
Allowance for Doubtful Accounts . . . . .	(95,486)	(79,309)
Work in Progress . . . . .	-	200,000
Other Current Assets . . . . .	-	2,289
Prepaid Expenses . . . . .	595,812	-
	-----	-----
Total Current Assets . . . . .	1,002,891	556,075
	-----	-----
<b>FIXED ASSETS:</b>		
Furniture & Fixtures . . . . .	46,098	10,262
	-----	-----
Total Fixed Assets . . . . .	46,098	10,262
Less: Accumulated Depreciation . . . . .	(9,937)	(3,364)
	-----	-----
Net Fixed Assets . . . . .	36,161	6,898
	-----	-----
<b>OTHER ASSETS:</b>		
Security Deposits . . . . .	19,916	-
	-----	-----
Total Other Assets . . . . .	19,916	-
	-----	-----
<b>TOTAL ASSETS . . . . .</b>	<b>\$ 1,058,968</b>	<b>\$ 562,973</b>
	=====	=====
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable . . . . .	\$ 1,148,428	\$ 1,532,893
Notes Payable . . . . .	85,075	59,556
Notes Payable - related party . . . . .	120,580	163,691
Deferred Revenue . . . . .	-	280,924



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Convertible Debentures - current . . . . .	-	517,616
	-----	-----
Total current liabilities. . . . .	1,354,083	2,554,680
	-----	-----
LONG-TERM DEBT		
Convertible Debentures - Long Term . . . . .	1,582,516	603,000
	-----	-----
Total long-term debt . . . . .	1,582,516	603,000
	-----	-----
STOCKHOLDERS' EQUITY:		
Common Stock, \$.001 par value; 100,000,000 shares authorized 23,483,873 shares issued and outstanding in 2004 . . . . .	23,484	12,616
shares issued and outstanding in 2003		
Additional paid-in Capital . . . . .	7,617,181	2,743,222
Shares to be Issued. . . . .	116,249	116,295
Accumulated Deficit. . . . .	(9,634,545)	(5,466,840)
	-----	-----
Total stockholders' equity . . . . .	(1,877,631)	(2,594,707)
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY . . . . .	\$ 1,058,968	\$ 562,973
	=====	=====

NETWORK INSTALLATION CORP., INC.  
Consolidated Statements of Operations

	Year Ended December, 31	
	2004	2003
	-----	-----
REVENUE:		
Sales. . . . .	1,889,739	1,233,908
	-----	-----
Total Revenue . . . . .	1,889,739	1,233,908
	-----	-----
Cost of Goods Sold . . . . .	1,705,562	965,569
	-----	-----
NET REVENUE . . . . .	184,177	268,339
	-----	-----
EXPENSES:		
Operating Expenses. . . . .	2,973,770	2,306,744
	-----	-----
Total Expenses. . . . .	2,973,770	2,306,744
	-----	-----

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LOSS FROM OPERATIONS. . . . .	(2,789,593)	(2,038,405)
<hr/>		
OTHER INCOME/EXPENSES:		
Interest Income. . . . .	3,877	-
Other Income . . . . .	278,911	-
Interest Expense . . . . .	(660,100)	(1,394,602)
Write-off of Goodwill. . . . .	(1,000,000)	-
<hr/>		
Total Other Income/Expense. . . . .	(1,377,312)	(1,394,602)
<hr/>		
LOSS BEFORE INCOME TAXES. . . . .	(4,166,905)	(3,433,007)
<hr/>		
Provision for income taxes. . . . .	800	1,600
<hr/>		
NET LOSS. . . . .	(4,167,705)	(3,434,607)
<hr/>		
BASIC AND DILUTED LOSS PER COMMON SHARE	\$ (0.19)	\$ (0.17)
<hr/>		

NETWORK INSTALLATION CORP., INC.  
Consolidated Stockholder's Equity (Deficit)  
December 31, 2004

	Common Stock		Additional Paid-In Capital	Shares To Be Issued
	# of Shares	Amount		
	<hr/>	<hr/>	<hr/>	<hr/>
Balance - December 31, 2003 . . . . .	12,616,330	12,616	2,743,222	116,295
<hr/>				
Recapitalization of stock for Reverse Merger	(2,149,500)	(2,150)	2,185	(35)
Issuance of stock for services. . . . .	372,383	372	365,778	-
Issuance of stock for cash. . . . .	745,001	745	2,234,258	-
Conversion on convertible debenture. . . . .	-	-	511,275	-
Issuance of stock for Acquisition . . . . .	130,549	131	499,869	-
Conversion on convertible debenture. . . . .	188,365	189	706,044	(11)
Issuance of stock warrants. . . . .	-	-	466,790	-
Issuance of stock warrants Advisory Board .	-	-	99,341	-
Forward stock split . . . . .	11,580,745	11,581	(11,581)	-
Net Loss for Year . . . . .	-	-	-	-
<hr/>				

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Balance - December 31, 2004 . . . . .	23,483,873	\$ 23,484	\$7,617,181	\$ 116,249
	=====	=====	=====	=====

NETWORK INSTALLATION CORP., INC.  
Consolidated Statements of Cash Flows

Indirect Method

	Year Ended December 31,	
	2004	2003
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss . . . . .	\$ (4,167,705)	\$ (3,434,607)
Stock issued for services & debt reduction . . . . .	366,150	2,089,250
Stock warrants issued for debt inducement . . . . .	466,790	289,967
Beneficial conversion feature expense . . . . .	(511,275)	(134,000)
Depreciation . . . . .	6,573	3,364
Bad Debt Expense . . . . .	171,627	-
Write-off of Goodwill . . . . .	1,000,000	-
Reversal of prior year discontinued operations . . . . .	(278,911)	-
Loss on conversion of debt . . . . .	-	91,110
Adjustments to reconcile net loss to net cash used by operating activities		
Changes in operating assets and liabilities:		
(Increase) in accounts receivable . . . . .	(52,228)	(353,119)
Decrease (Increase) Work in Progress . . . . .	200,000	(200,000)
Decrease (Increase) in other assets . . . . .	2,289	(969)
(Increase) Prepaid expenses . . . . .	(528,000)	-
(Increase) in deposits . . . . .	(19,916)	-
Increase (Decrease) accounts payable and accruals	(321,195)	901,624
NET CASH FLOWS USED BY OPERATING ACTIVITIES . . . . .	(3,665,801)	(747,380)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid to acquire subsidiary . . . . .	-	-
Purchase of property and equipment . . . . .	(32,138)	-
Cash received in acquisition of subsidiary . . . . .	-	667
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES . . . . .	(35,836)	667
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from related party debt . . . . .	41,964	264,691
Proceeds from issuance of stock . . . . .	2,235,003	-
Payment on notes payable - related . . . . .	(3,975)	-
Payments on long-term debt . . . . .	-	-

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Proceeds from factor . . . . .	-	14,056
Proceeds from long-term borrowing . . . . .	1,429,710	303,399
Proceeds from shares to be issued . . . . .	-	147,915
	-----	-----
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES . . . . .	3,702,702	730,061
	-----	-----
NET INCREASE (DECREASE) IN CASH . . . . .	1,065	(16,652)
	-----	-----
CASH AT BEGINNING OF PERIOD . . . . .	667	17,319
	-----	-----
CASH AT END OF PERIOD . . . . .	\$ 1,732	\$ 667
	=====	=====

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:

Cash paid for interest . . . . .	\$ 22,918	\$ -
	=====	=====
Cash paid for taxes . . . . .	\$ 1,600	\$ -
	=====	=====

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS

Stock issued for services . . . . .	\$ 321,665	\$ 2,245,217
	=====	=====

NETWORK INSTALLATION CORPORATION, INC.  
Notes to Consolidated Financial Statements  
December 31, 2004

Note 1 - Description of Business and Segments:

Organization:

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Network Installation Corp. (NIC) was incorporated on July 18, 1997, under the laws of the State of California. NIC is a full service computer cabling, networking and telecommunication integrator contractor, providing networks from stem to stem in house. NIC participates in the worldwide network infrastructure market to end users, structured cabling market and the telephony services. NIC, Flexxtech Corporation ("Flexxtech") and Del Mar Systems International, Inc. ("DMSI") are together referred the Company.

Pursuant to a purchase agreement on May 23, 2003, NIC acquired 100% of the issued and outstanding common stock of Flexxtech. The purchase price consisted of \$50,000 cash, 7,382,000 shares of Flexxtech's common stock and five year option to purchase an additional 618,000 shares of Flexxtech stock if NIC's total revenue exceeds \$450,000 for the period beginning on June 1, 2003 and ending August 31, 2003. The option is exercisable at a price equal to the closing bid price of the stock on August 31, 2003.

According to the terms of the share exchange agreement, control of the combined companies (the "Company") passed to the former shareholders of NIC. This type of share exchange has been treated as a capital transaction accompanied by

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recapitalization of NIC in substance, rather than a business combination, and is deemed a "reverse acquisition" for accounting purposes, since the former owners of NIC controlled majority of the total common shares outstanding immediately following the acquisition.

On March 1, 2004, NIC acquired 100% of the outstanding shares of common stock of DMSI, telecommunication solutions provider. The operations of DMSI have been consolidated with the operations of the Company, since March 1, 2004.

Flexxtech was organized on March 24, 1998, under the State of Nevada, as Color Strategies. On December 20, 1999, Flexxtech changed its name to Infinite Technology Corporation. Flexxtech changed its name to Flexxtech Corporation in April 2000.

A certificate of amendment was filed on July 10, 2003 to change the parent company's name from Flexxtech Corporation to Network Installation Corporation, Inc.

The audited financial statements for the two years ended December 31, 2003 and 2002 were filed on April 9, 2004 with the Securities and Exchange Commission and are hereby referenced. In the opinion of management, all adjustments considered necessary for a fair presentation have been included.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Principles of Consolidation:

-----

The accompanying financial statements include the accounts of Network Installation Corporation, formerly Flexxtech Corporation (legal acquirer, the "Parent"), and its 100% owned subsidiaries, Network Installation Corporation and Del Mar Systems International, Inc. All significant inter-company accounts and transactions have been eliminated in consolidation. The results include the accounts of NIC and Flexxtech for the year ended December 31, 2004, and the results of DMSI from the date of acquisition, March 1, 2004 through December 31, 2004. The historical results for the year ended December 31, 2003 include NIC and Flexxtech only.

#### Cash and Cash Equivalents:

-----

The Company considers all highly liquid debt instruments, purchased with an original maturity at date of purchase of three months or less, to be cash equivalents. Cash and cash equivalents are carried at cost, which approximates market value

#### Use of Estimates:

-----

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect 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 revenue and expenses during the reporting period. Significant estimates made in preparing these financial statements include the allowance for doubtful accounts, deferred tax asset valuation allowance and useful lives for depreciable and amortizable assets. Actual results could differ from those estimates.

#### Prepaid Advertising Services:

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During the year ended December 31, 2004, the Company issued 250,000 shares of common stock valued at \$263,750 for advertising services to be rendered during the next 12 months. Retainer fees of \$45,000 were payable in relation to these services. The Company expensed \$195,938 during the year ended December 31, 2004, leaving a prepaid balance outstanding of \$67,812 at December 31, 2004. During the year ended December 31, 2004 the Company made deposits totaling \$528,000 for an investor relations services to be consummated in 2005.

### Property & Equipment:

-----

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, e.g. computers (5 years), software (3 years), office furniture and equipment (3-7 years), tenant improvements (life of the lease-approximately 60 months).

### Accounts Receivable:

-----

The Company maintains an allowance for doubtful accounts for estimated losses that may arise if any of its consumers are unable to make required payments. Management specifically analyzes the age of customer balances, historical bad debt experience, customer credit-worthiness and changes in customer payment terms when making estimates of the uncollectability of the Company's trade accounts receivable balances. If the Company determines that the financial conditions of any of its customers deteriorated, whether due to customer specific or general economic issues, increase in the allowance may be made. Accounts receivable are written off when all collection attempts have failed.

### Work in Progress:

-----

Work in progress consists of a networking materials and equipment in the process of being installed at years end. Work in progress is stated at the lower of cost, determined by the first-in, first-out ("FIFO") method, or market. The Company has reviewed its inventory for obsolescence on a quarterly basis since operations began and has not written-off any inventory for obsolescence.

### Fair Value of Financial Instruments:

-----

The Company's financial instruments, including cash and cash equivalents, accounts receivable. Accounts payable and accrued liabilities are carried at cost, which approximates their face value, due to the relatively short maturity of these instruments. As of December 31, 2004 and December 31, 2003, the Company's notes payable have stated borrowing rates that are consistent with those currently available to the Company and, accordingly, the Company believes the carrying value of these debt instruments approximates their fair value.

### Revenue Recognition & Deferred Revenue:

-----

The Company's revenue recognition policies are in compliance with all applicable accounting regulations, including American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 81-1, Accounting for Performance of Construction-Type and Certain Production-Type Contracts. Revenues from installations, cabling and networking contracts are recognized when the contracts are completed (Completed-Contract Method). The completed-contract method is used because the contracts are short-term in duration or the Company

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is unable to make reasonably dependable estimates of the costs of the contracts.

Under the Completed-Contract Method, revenues and expenses are recognized when services have been performed and the projects have been completed. For projects, which have been completed but not yet billed to the customers, revenue is recognized based on management's estimates of the amounts to be realized. When such projects are billed, any difference between the initial estimates and the actual amounts billed are recorded as increases or decreases to revenue. Expenses are recognized in the periods in which the corresponding liability is incurred.

The Company's revenue recognition policy for sale of network products is in compliance with Staff Accounting Bulletin (SAB) 104. Revenue from the sale of network products is recognized when a formal arrangement exists, the price is fixed or determinable, the delivery is completed and collectibility is reasonably assured. Generally, the Company extends credit to its customers and does not require collateral. The Company performs ongoing credit evaluation of its customers and historic credit losses have been within management's expectations.

### Stock Based Compensation:

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In October 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation" amended by SFAS No. 148, "Accounting for Stock Based Compensation Transition and Disclosure". SFAS No. 123 prescribes accounting and reporting standards for all stock-based compensation plans, including employee stock options, restricted stock, employee stock purchase plans and stock appreciation rights. SFAS No. 123 requires compensation expense to be recorded (i) using the new fair value method or (ii) using the existing accounting rules prescribed by Accounting Principles Board Opinion No. 25, "Accounting for stock issued to employees" (APB 25) and related interpretations with proforma disclosure of what net income and earnings per share would have been had the Company adopted the new fair value method. The Company uses the intrinsic value method prescribed by APB 25 and has opted for the disclosure provisions of SFAS No. 123. No options were issued during the year ended December 31, 2004 and 2003, respectively.

### Basic and Diluted Net Loss per Share:

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Net loss per share is calculated in accordance with the Statement of financial accounting standards No. 128 (SFAS 128), "Earnings per share". SFAS No. 128 superseded Accounting Principles Board Opinion No. 15 (APB 15). Net loss per share for all periods presented has been restated to reflect the adoption of SFAS No. 128. Basic net loss per share is based upon the weighted average number of common shares outstanding. Diluted net loss per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

### Note 3 - Going Concern:

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The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplates continuation of the Company as a going concern. However, the Company has accumulated deficit of

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\$9,634,545, and is generating losses from operations. The continuing losses have adversely affected the liquidity of the Company. The Company faces continuing significant business risks, including but, not limited, to its ability to maintain vendor and supplier relationships by making timely payments when due.

In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to raise additional capital, obtain financing and to succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management has taken the following steps to revise its operating and financial requirements, which it believes are sufficient to provide the Company with the ability to continue as a going concern. Management devoted considerable effort toward obtaining additional equity financing through various private placements and evaluation of its distribution and marketing methods.

### Note 4 - Accounts Payable and Accrued Expenses:

Accounts payable and accrued expenses are comprised of the following as of:

	December 31, 2004 ----	December 31, 2003 ----
Accounts Payable	\$ 379,841	\$ 655,334
Accrued Payroll	12,355	-0-
Payroll Tax Payable	368,192	122,749
Accrued Expenses	388,040	754,810
	-----	-----
	\$1,148,428	\$1,532,893
	=====	=====

### Note 5 - Note Payable:

The Company contracted a \$500,000 note payable in March 2004 in connections with the DMSI acquisition. This note bears interest at 5% and is payable in monthly installments of \$42,804, maturing in April 2005. The balance outstanding as of December 31, 2004 is \$85,075.

### Note 6 - Related Party Transactions:

The Company has an unsecured, non-interest bearing note, due on demand, to an officer. The balance outstanding as of December 31, 2004 and 2003, is \$120,580 and \$163,691, respectively.

### Note 7 - Federal Income Taxes:

No provision was made for Federal income tax since the Company has significant net operating loss. Through December 31, 2004, the Company incurred net operating losses for tax purposes of \$2,600,000 approximately. The net operating loss carry forward may be used to reduce taxable income through the year 2023. The availability of the Company's net operating loss carry forwards



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are subject to limitation if there is a 50% or more positive change in the ownership of the Company's stock. The provision for income taxes consists of the state minimum tax imposed on corporations.

### Note 8 - Commitments & Contingencies:

#### Litigation:

On April 25, 2003 the Superior Court of the State of California, County of Orange, entered a judgment in the amount of \$46,120 against the Company and its former management in favor of a vendor of the Company's former subsidiary, North Texas Circuit Board, or NTCB. On August 20, 2002 the Company sold NTCB to BC Electronics, Inc. Pursuant to terms of the share purchase agreement, BC Electronics assumed all liabilities of NTCB. In December 2003 the Company filed a motion to vacate the judgment for lack of personal services. In February 2004, the Court ruled in favor of the Company and the judgment was vacated. Although the Company was the guarantor on the loan, NTCB is the principal debtor (i) the Company will bring action against NTCB to seek relief or (ii) because partial payment was made by NTCB, it could affect the legal status of the guarantee, which the Company believes may absolve it of liability. In February 2004, the plaintiff refiled the complaint. Although the Company will continue to oppose the action the Company and its current management have begun settlement discussions with the plaintiff.

On April 29, 2003 a suit was brought against the Company by an investor, alleging breach of contract pursuant to a settlement agreement executed between the Company and investor dated November 20, 2002. The suit alleges that the Company is delinquent in its repayment of a \$20,000 promissory note, of which \$5,000 has been repaid to date. Although, management of the Company intends to oppose the claims, the Company's current management plans to begin settlement discussions with the plaintiff.

The Company may be involved in litigation, negotiation and settlement matters that may occur in the day-to-day operations of the Company and its subsidiary. Management does not believe implication of these litigations will have any other material impact on the Company's financial statements.

### Note 9 - Stockholder's Equity:

During the year ended December 31, 2004, the Company issued shares of its common stock, as described per the following. The stocks were valued at the average fair market value of the freely trading shares of the Company as quoted on OTCBB on the date of issuance.

130,549 shares of common stock valued at \$500,000 were issued for the acquisition of its subsidiary Del Mar Systems International, Inc.

The Company issued 8,000 shares of common stock to a shareholder for conversion of a Promissory Note amounting to \$40,003.

The Company issued 138,106 shares of common stock valued at \$421,949 for conversion of debenture amount of \$430,900. The difference of the value of the stock issued and debenture amount of \$8,951 was charged as a loss on conversion.

The Company was to issue 11,462 shares of common stock valued at \$32,094 for conversion of debenture amount of \$32,552 to a related party, a major shareholder of the Company. The difference of the value of the stock to be

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issued and debenture amount of \$458 was charged as a loss on conversion.

The Company issued 50,000 shares of common stock to a consultant for services rendered valued at \$195,004. The Company issued 6,410 shares of common stock for a consideration of \$24,362.

On September 30, 2004, the Company announced a 2 for 1 forward stock split of its common stock. The Company's authorized shares remain the same. The financial statements have been retroactively restated for the effects of the stock split.

### Note 10 - Convertible Debentures:

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During the period ended March 31, 2004, the Company issued \$570,500 debentures to a majority of shareholder of the Company. \$160,500 carrying an interest rate of 8% per annum, due 2009. \$410,000 carry an interest rate of 6% per annum due in 2008 and 2009. Holder is entitled to convert the face amount of this Debenture, plus accrued interest, anytime following the Closing date, at the lesser of (i) 75% of the lowest closing bid price during the fifteen (15) trading days prior to the Conversion Date or (ii) 100% of the closing bid price for the twenty (20) trading days immediately preceding the Closing Date ("Fixed Conversion Price each being referred to as the "Conversion Price". No fractional shares or scrip representing fractions of shares will be issued on conversion, but the number of shares issuable shall be rounded up or down, as the case may be, to the nearest whole share. Principle payments on these debentures of \$52,382 were made in 2004.

During the period ended June 30, 2004, the Company issued \$100,000 debentures to a majority shareholder of the Company. Each debenture carries an interest rate of 8% per annum, due in March 2009. Holder is entitled to convert the face amount of this Debenture, plus accrued interest, anytime following the Closing Date, at the lesser of (i) 75% of the lowest closing bid price during the fifteen (15) trading days prior to the Conversion Date or (ii) 100% of the closing bid prices for the twenty (20) trading days immediately preceding the Closing Date ("Fixed Conversion Price"), each being referred to as the "Conversion Price". No fractional shares or scrip representing fractions of shares will be issued on conversion, but the number of shares issuable shall be rounded up or down, as the case may be to the nearest whole share. These debentures were paid in full in 2004.

During the period ended September 30, 2004, the Company issued \$240,000 debentures to a majority shareholder of the Company. Each debenture carries an interest rate of 8% per annum, due in 2009. Holder is entitled to convert the face amount of this Debenture, plus accrued interest, anytime following the Closing Date, at the lesser of (i) 75% of the lowest closing bid price during the fifteen (15) trading days prior to the Conversion Date or (ii) 100% of the closing bid prices for the twenty (20) trading days immediately preceding the Closing Date ("Fixed Conversion Price"), each being referred to as the "Conversion Price". No fractional shares or scrip representing fractions of shares will be issued on conversion, but the number of shares issuable shall be rounded up or down, as the case may be to the nearest whole share. A principle payment of \$25,000 was made on these debentures in 2004.

During the period ended December 31, 2004, the Company issued \$1,134,600 debentures to a majority shareholder of the Company. Each debenture carries an interest rate of 8% per annum, due in 2009. Holder is entitled to convert the face amount of this Debenture, plus accrued interest, anytime following the Closing Date, at the lesser of (i) 75% of the lowest closing bid price during the fifteen (15) trading days prior to the Conversion Date or (ii) 100% of the closing bid prices for the twenty (20) trading days immediately preceding the Closing Date ("Fixed Conversion Price"), each being referred to as the

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"Conversion Price". No fractional shares or scrip representing fractions of shares will be issued on conversion, but the number of shares issuable shall be rounded up or down, as the case may be to the nearest whole share.

### Note 11 - Basic and Diluted Net Loss Per Share:

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Basic and diluted net loss per share for the twelve-month period ended December 31, 2004 and 2003 were determined by dividing net loss for the periods by the weighted average number of basic and diluted shares of common stock outstanding. Weighted average number of shares used to compute basic and diluted loss per share is the same since the effect of dilutive securities is anti-dilutive.

### Note 12 - Supplemental Disclosures of Cash Flows:

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The Company paid interest of \$22,918 during the year ended December 31, 2004. The Company paid income taxes of \$1,600 during the year ended December 31, 2004.

### Note 13 - Acquisition of Del Mar Systems International, Inc.:

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Pursuant to an acquisition agreement, the Company acquired 100% of the outstanding shares of San Diego area based telecommunications solutions firm Del Mar Systems International, Inc. on March 1, 2004 for \$1 million structured as a (i) \$500,000 12 month 5% note consisting of 12 equal monthly installments of \$42,804 and (ii) \$500,000 in shares of the Company's restricted common stock.

### Note 14 - Accounting Change:

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During 2004, the Company changed its method of accounting for long-term contracts from the completed-contract method to the percentage-of-completion method. The Company believes that the percentage-of-completion method more accurately reflects periodic results of operation. The effect of this change was to decrease the net loss for 2004 by approximately \$45,000. The Company believes this change in its accounting policies has an immaterial effect on the financial statements taken as a whole, for the year ended December 31, 2004, and as such, has determined that retroactive restatement of the results of operations for 2003 is unnecessary due to materiality considerations.

### Note 15 -Subsequent Events:

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The Company purchased 100% of the outstanding shares of Com Services, Inc., a California corporation, on January 17, 2005. Com Services, Inc. provided similar services as the Company and maintained a solid customer list. The purchase price was \$430,000, of which \$50,000 was paid in cash, \$200,000 was paid in Company stock, issued at market value, and \$180,000 in promissory notes payable over a two year period, with interest at 6%. Below is the unaudited condensed balance sheet of Com Services, Inc. as of January 17, 2005, which is prepared only to present the major asset captions for which the Company has applied the purchase price of \$430,000 towards.

Accounts receivable	\$ 142,073
Fixed Assets	56,032
Goodwill	331,895
Bank Line of Credit	(100,000)

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Total assets and liabilities           \$ 430,000  
=====

On March 7, 2005, Jeffrey R. Hultman replaced Michael Cummings as CEO. Additionally, Michael Rosenthal assumed the CFO position on March 7, 2005.

### Note 16 - Financial Accounting Developments:

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#### Recently issued Accounting Pronouncements

In February 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity". SFAS 150 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. This statement establishes new standards of how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 requires that an issuer classify a financial instrument that is within the scope of this statement as a liability because the financial instrument embodies an obligation of the issuer. This statement applies to certain forms of mandatorily redeemable financial instruments including certain types of preferred stock, written put options and forward contracts. SFAS 150 did not materially effect the financial statements.

In December 2003, the FASB issued FASB Interpretation No. 146, (revised December 2003) "Consolidation of Variable Interest Entities" (FIN 146) which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN No. 146R replaces FASB Interpretation No. 146, "Consolidation of Variable Interest Entities", which was issued in January 2003. Companies are required to apply FIN No. 146R to variable interests in variable interest entities ("VIEs") created after December 31, 2003. For variable interest in VIEs created before January 1, 2004, the Interpretation is applied beginning January 1, 2005. For any VIEs that must be consolidated under FIN No. 146R that were created before January 1, 2004, the assets, liabilities and non-controlling interests of the VIE initially are measured at their carrying amounts with any difference between the net amount added to the balance sheet and any previously recognized interest being recognized as the cumulative effect of an accounting change.

If determining the carrying amounts is not practicable, fair value at the date FIN No. 146R first applies may be used to measure the assets, liabilities and non-controlling interest of the VIE. The Company does not have any interest in any VIE.

In March 2003, the FAS issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". SFAS 149 is effective for contracts entered into or modified after June 30, 2003. This statement 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 SFAS 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS 149 did not materially effect the financial statements.

In December 2004, the FASB issued SFAS No. 123(R) (revised 2004), "Share Based Payment" which amends FASB Statement No. 123 and will be effective for public companies for interim or annual periods after January 15, 2005. The new standard will require entities to expense employee stock options and other share-based payments. The new standard may be adopted in one of three ways - the modified prospective transition method, a variation of the modified

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prospective transition method or the modified retrospective transition method. The Company is to evaluate how it will adopt the standard and evaluate the effect that the adoption of SFAS 123(R) will have on our financial position and results of operations.

In November 2004, the FASB issued SFAS NO. 151, "Inventory Costs, an amendment of ARB No 43, Chapter 4". This statement amends the guidance in ARB No. 43, Chapter 4 Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling cost, and wasted material (spoilage). Paragraph 5 of ARB No. 43, Chapter 4, previously stated that, "under some circumstances, items such as idle facility expense, excessive spoilage, double freight and rehandling costs may be so abnormal as to require treatment as current period charges." SFAS No. 151 requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal". In addition, this statement requires that allocation of fixed production overheads to the costs of conversion be based on the prospectively and are effective for inventory costs incurred during fiscal years beginning after June 5, 2005, with earlier application permitted for inventory costs incurred during fiscal years beginning after the date this Statement was issued. The adoption of SFAS No. 151 is not expected to have a material impact on the Company's financial position and results of operations.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Non-monetary Assets, an amendment of APB Opinion No. 29. The guidance in APB Opinion 29, Accounting for Non-monetary Transactions, is based on the principle that exchange of non-monetary assets should be measured based on the fair value of assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. This Statement amends Opinion 29 to eliminate the exception for non-monetary exchanges of similar productive assets that do not have commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for non-monetary exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 is not expected to have a material impact on the Company's financial position and results of operations.

### ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

### ITEM 8A. CONTROLS AND PROCEDURES.

As required by Rule 13a-15(b) under the Exchange Act, we conducted an evaluation, under the supervision and with the participation of our management, including the current Chief Executive Officer and the Chief Financial Officer, both of whom were appointed in March of 2005, of the effectiveness and the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, it was determined that our internal controls over revenue recognition for certain of our contracts was deficient.

This deficiency in our internal controls related to improper recognition of revenue prior to final completion of certain contracts and recognizing revenue in amounts greater than the proportion of project completion, and included ineffective controls to monitor compliance with existing policies and procedures and insufficient training of accounting personnel on complex accounting standards related to revenue recognition. The first deficiency related to revenue recognition of partially complete projects when the accounting approach to revenue recognition then in place only allowed recognition after the project

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was complete. The second deficiency related to revenue recognition on a number of accounts, whereby the company had generated an invoice in its accounting software for more than it was eligible to bill, recognizing revenues and A/R in the process. These invoices were not sent to the customer. Rather, when the project reached a percent complete where the company was eligible for progress billing, a smaller invoice was generated which was actually sent to the customer for these accounts. These progress billings were not captured in the accounting software as revenue or A/R as the larger one already had been captured. It should be noted that this occurred beginning in May of 2004, through the end of the year, and was not done on all accounts, but selectively.

The majority of the improper revenue recognition was detected in the review process and was not included in our financial statements filed with the SEC or otherwise publicly disclosed. We are in the process of improving our internal controls over financial reporting regarding these contracts in an effort to remediate this deficiency providing additional training on complex revenue recognition principles for our accounting staff and establishing additional policies and procedures related to revenue recognition. We have already implemented personnel changes and added a new Chief Financial Officer. In addition, access to the company's accounting software has been limited, a review process has been added for all invoices prior to their release, functional responsibility and accountability for employees has been clarified, and redundancy of accounting functions has been eliminated. Additional work is needed to fully remedy this deficiency and we intend to continue our efforts to improve and strengthen our control processes and procedures.

Other than as described above, there has been no change in our internal control over financial reporting during the fiscal quarter ended December 31, 2004 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. In addition, other than as described above, since the most recent evaluation date, there have been no significant changes in our internal control structure, policies, and procedures or in other areas that could significantly affect our internal control over financial reporting.

### ITEM 8B. OTHER INFORMATION.

None.

### PART III

### ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTORS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

The following table sets forth the name, age, positions, and offices or employments for the past five years as of March 1, 2004, of our executive officers and directors.

NAME	AGE	POSITION
Jeffrey R. Hultman	65	Chief Executive Officer, Director
Michael A. Novielli	40	Chairman of the Board of Directors
Michael V. Rosenthal	44	Chief Financial Officer
Douglas H. Leighton	36	Director
Theodore Smith	28	Director

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Michael Cummings

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Director

### BIOGRAPHIES OF OFFICERS, DIRECTORS AND SIGNIFICANT EMPLOYEES

Set forth below is a brief description of the background of our officers and directors based on information provided by them to us.

MICHAEL A. NOVIELLI has served as our director and Chairman since April 2003. Mr. Novielli is a Managing Partner of Boston-based venture capital firm Dutchess Capital Management, LLC and affiliate Dutchess Advisors, LLC. A co-founder of Dutchess in 1996, Mr. Novielli advises the senior management of companies in the portfolios of Dutchess Private Equities Funds LP and Dutchess Private Equities Fund LP II. His areas of expertise include; business development, finance, legal, accounting and regulatory compliance. Mr. Novielli received his B.S. in Business from the University of South Florida in 1987. Mr. Novielli also serves as a director for several other publicly traded companies.

JEFFREY R. HULTMAN joined our Advisory Board in December 2004. In March 2005, Mr. Hultman was appointed Chief Executive Officer and director. From 1987 to 1991, Mr. Hultman served as Chief Executive Officer of Pac Tel Cellular where he managed Pac Tel cellular properties in the United States and oversaw operations and business development. In 1991 Mr. Hultman became CEO of Dial Page, Inc. a wireless provider throughout the Southeast, offering paging and digital mobile telephone services. Ultimately, Mr. Hultman converted a series of limited partnerships into a corporation and took Dial Page public leading four public offerings. In August 1995, he negotiated the sale of the paging business to MobileMedia Communication, Inc. and a merger of subsidiary Dial Call with Nextel Communications, Inc. in February 1996. Mr. Hultman attained his Bachelor of Science Degree in Agricultural Economics in 1961 and Master of Science Degree, in Business Management in 1962, at the University of California, Davis. He currently serves a director on the board of several organizations including Comarco Inc., an Irvine, CA-based wireless performance engineering and publicly traded company.

MICHAEL V. ROSENTHAL has served as our Chief Financial Officer since March 2005. From 2003 to 2004 Mr. Rosenthal served as Chief Financial Officer for EdgeFocus, Inc., a start-up broadband company, which offers high-speed Wi-Fi internet access to apartment residents. Mr. Rosenthal was General Manager of the Texas Region for Cellular One from 2000 to 2002 and was Executive Director, overseeing the pricing and roaming functions for Cellular One from 1998 to 2000. From 1989-1998 Mr. Rosenthal served in several positions including Executive Director with Primco PCS JV and Airtouch Cellular (both now Verizon Wireless) where he was responsible for coverage strategy, affiliate and roaming partner negotiations, capital allocation strategy, and evaluation of resale. Mr. Rosenthal received a M.B.A. in Finance from The W.P. Carey School at Arizona State University and a M.A. in Telecommunications from George Washington University. In addition, he received a B.S. in Economics at Arizona State University. He also successfully completed the Stanford University Executive Program in Advanced Management.

DOUGLAS LEIGHTON has served as our director since April, 2003. Mr. Leighton is a Managing Partner of Boston-based venture capital firm Dutchess Capital Management, LLC and affiliate Dutchess Advisors, LLC. A co-founder of Dutchess in 1996, Mr. Leighton oversees trading and portfolio risk management of investments made on behalf of Dutchess Private Equities Fund LP and Dutchess Private Equities Fund LP II. Prior to co-founding Dutchess, Mr. Leighton was founder and president of Boston-based Beacon Capital from 1990-1996, which engaged in money management. Mr. Leighton holds a BS/BA in Economics & Finance from the University of Hartford. Mr. Leighton also serves as a director for several other publicly traded companies.

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THEODORE SMITH has served as our director since April 2003. Mr. Smith serves as Executive Vice President of Dutchess Advisors LLC, whom he joined in 1998 and is a liaison between Dutchess Capital Management, LLC on behalf of Dutchess Private Equities Fund, LP, Dutchess Private Equities Fund LP II and senior management of companies in the Fund's portfolio. Prior to joining Dutchess in 1998, Mr. Smith was a principal at Geneva Atlantic Capital, LLC where he focused on assisting corporate clients with SEC compliance matters, business plan preparation and presentation and capital markets financing. Mr. Smith received his BS in Finance and Marketing from Boston College. Mr. Smith also serves as a director of several public as well as private companies.

MICHAEL CUMMINGS was a founder of Network Installation Corp and served as our Chief Executive Officer from May 2003 until March 2005. He has served as a director since May 2003. He previously founded and served as President of Network Installation Corp. from 1997 to 2003. During the period from 1999-2001, Mr. Cummings purchased a controlling interest in Tri-City Datatel, Inc., a designer and installer of networking systems. Mr. Cummings sold his interest in 2001. In 1983, Mr. Cummings attended Goldenwest College for Business Law.

### BOARD OF DIRECTORS

We currently have five members of our Board of Directors, who are elected to annual terms and until their successors are elected and qualified. Executive officers are appointed by the Board of Directors on an annual basis and serve until their successors have been duly elected and qualified. There are no family relationships among any of our directors, officers or key employees.

### AUDIT COMMITTEE

We do not have an Audit Committee. Our full board performs the functions usually delegated to an Audit Committee. Mr. Novielli, the Chairman of the Board of Directors qualifies as an "audit committee financial expert" under the rules of the Securities and Exchange Commission.

### SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers and persons who beneficially own more than ten percent of our common stock, to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission. Executive officers, directors and greater than ten percent beneficial owners are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations from our executive officers and directors, all required reports were filed during the fiscal year ended December 31, 2004. Four Form 3s were filed late. The purpose of the Form 3s was to disclose initial reports of ownership for Douglas Leighton, Michael Novielli, Michael Cummings and Theodore Smith. The Form 3s did not report any transactions. Except for these four late filings, we believe that all other Section 16(a) filing requirements applicable to the executive officers, directors and greater than ten percent beneficial owners were complied with.

### CODE OF ETHICS

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Our Code of Ethics is attached to our Report on Form 10-KSB for the year ended December 31, 2003 as Exhibit 14.1.

### ITEM 10. EXECUTIVE COMPENSATION.



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The following table presents a summary of the compensation paid to our Chief Executive Officer. No other executive officer received compensation in excess of \$100,000 during 2004. Except as listed below, there were no bonuses, other annual compensation, restricted stock awards or stock options/SARs or any other compensation paid to the executive officers.

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION			LONG TERM COMPENSATION		
	YEAR (1)	SALARY (\$)	BONUS (\$)	AWARDS		
				OTHER ANNUAL COMP (\$)	RESTRICTED STOCK AWARDS	SECURITIES UNDERLYING OPTIONS/SARS
Michael Cummings, Chief Executive Officer(1)	2003	\$100,000	0			
	2004	\$192,000	0			