FLORIDA PUBLIC SERVICE COMMISSION

OFFICE OF INDUSTRY DEVELOPMENT AND MARKET ANALYSIS

APPLICATION FOR ORIGINAL AUTHORITY OR TRANSFER OF AUTHORITY TO PROVIDE TELECOMMUNICATIONS SERVICE IN THE STATE OF FLORIDA

INSTRUCTIONS

This form should be used as the application for an original certificate and transfer of an existing certificate (from a Florida certificated company to a non-certificated company). In the case of a transfer, the information shall be provided by the transferee. If you have other questions about completing the form, call **(850) 413-6600.**

Print or type all responses to each item requested in the application. If an item is not applicable, please explain. All questions must be answered. If unable to answer the question in the allotted space, please continue on a separate sheet.

Once completed, submit the **original and one copy** of this form along with a **non-refundable** fee of **$500.00** to:

Florida Public Service Commission
Office of Commission Clerk
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850
(850) 413-6770

APPLICATION

This is an application for (check one):

x **Original certificate** (new company)

☐ **Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate rather than apply for a new certificate.

Please provide the following:

1. Full name of company, including fictitious name(s), that must match identically with name(s) on file with the Florida Department of State, Division of Corporations registration:

2. Clear Rate Communications, LLC, fka, Clear Rate Communications, Inc.

3. The Florida Secretary of State corporate registration number:

   M21000014128

4. F.E.I. Number:

   38-3593012

5. Structure of organization:

The company will be operating as a:
(Check all that apply):

☐ Corporation	☐ General Partnership
☐ Foreign Corporation	☐ Foreign Partnership
☒ Limited Liability Company	☐ Limited Partnership
☐ Sole Proprietorship	☐ Other, please specify below:

____

If a partnership, provide a copy of the partnership agreement.

If a foreign limited partnership, proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS). The Florida registration number is: ____________________

____

____

6. Who will serve as point of contact to the Commission in regard to the following?

(a) This application:

Name:	Michael D. Bishop
Title:	General Counsel
Street Address:	2600 W. BIG BEAVER RD., STE. 450
Post Office Box:	
City:	Troy
State:	MI
Zip:	48084
Telephone No.:	248-556-9522
Fax No.:	877-877-5225
E-Mail Address:	mbishop@clearrate.com

(b) Ongoing operations of the company:
(This company liaison will be the point of contact for FPSC correspondence. This point of contact can be updated if a change is necessary but this must be completed at the time the application is filed).

Name:	David Bailey
Title:	Chief Marketing Officer
Street Address:	2600 W. BIG BEAVER RD., STE. 450
Post Office Box:	
City:	Troy
State:	MI
Zip:	48084
Telephone No.:	248-556-9505
Fax No.:	877-877-5225
E-Mail Address:	dbailey@clearrate.com
Company Homepage:	www.clearrate.com

(c) Optional secondary point of contact or liaison:
(This point of contact will not receive FPSC correspondence but will be on file with the FPSC).

Name:	Michael Gleason
Title:	Controller
Street Address:	2600 W. BIG BEAVER RD., STE. 450
Post Office Box:	
City:	Troy
State:	MI
Zip:	48084
Telephone No.:	248-5564538
Fax No.:	877-877-5225
E-Mail Address:	mgleason@clearrate.com

7. Physical address for the applicant that will do business in Florida:

Street address: N/A
City:
State:
Zip:
Telephone No.:
Fax No.:
E-Mail Address:

8. List the state(s), and accompanying docket number(s), in which the applicant has:

(a) **operated** as a telecommunications company. AL, AR, AZ, CA, CO, CT, DE, GA, IA, ID, IL, IN KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, NE, NH, NJ, NM, NV, NY, IH, OR, PA, RI, SC, SD, TN, TX, UT, VA, VT, WA, WI, WV, WY

(b) **applications pending** to be certificated as a telecommunications company.

Florida

(c) **been certificated** to operate as a telecommunications company. AL, AR, AZ, CA, CO, CT, DE, FL, GA, IA, ID, IL, IN KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, NE, NH, NJ, NM, NV, NY, IH, OR, PA, RI, SC, SD, TN, TX, UT, VA, VT, WA, WI, WV, WY

(d) **been denied authority** to operate as a telecommunications company and the circumstances involved.

None

(e) **had regulatory penalties imposed** for violations of telecommunications statutes and the circumstances involved

None

(f) **been involved in civil court proceedings** with another telecommunications entity, and the circumstances involved

None

The following questions pertain to the officers and directors. Have any been:

(a) adjudged bankrupt, mentally incompetent (and not had his or her competency restored), or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings? ☐ Yes ☒ No

If yes, provide explanation.

(b) granted or denied a certificate in the State of Florida (this includes active and canceled certificates)? ☒ Granted ☐ Denied ☐ Neither

If granted provide explanation and list the certificate holder and certificate number.

Clear Rate Communications, LLC was granted a certificate of authority (TY030) and provided telecommunications services in the state of Florida. Clear Rate's Florida telecommunications certificate was administratively cancelled effective June 2, 2026, because Clear Rate's 2025 Regulatory Assessment Fees were not paid by the January 30, 2026, deadline.

If denied provide explanation.

____

____

(c) an officer, director, and partner in any other Florida certificated telecommunications company? ☐ Yes ☒ No

If yes, give name of company and relationship. If no longer associated with company, give reason why not.

____

____

9. Florida Statute 364.335(1)(a) requires a company seeking a certificate of authority to demonstrate its managerial, technical, and financial ability to provide telecommunications service.

Note: *It is the applicant's burden to demonstrate that it possesses adequate managerial ability, technical ability, and financial ability. Additional supporting information may be supplied at the discretion of the applicant. For the purposes of this application, financial statements MUST contain the balance sheet, income statement, and statement of retained earnings.*

(a) **Managerial ability:** An applicant must provide resumes of employees/officers of the company that would indicate sufficient managerial experiences of each. Please explain if a resume represents an individual that is not employed with the company and provide proof that the individual authorizes the use of the resume.

(b) **Technical ability:** An applicant must provide resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance. Please explain if a resume represents an individual that is not employed with the company and provide proof that the individual authorizes the use of the resume.

(c) **Financial ability:** An applicant must provide financial statements demonstrating financial ability by submitting a balance sheet, income statement, and retained earnings statement. An applicant that has audited financial statements for the most recent three years must provide those financial statements. If a full three years' historical data is not available, the application must include both historical financial data and pro forma data to supplement. An applicant of a newly established company must provide three years' pro forma data. If the applicant does not have audited financial statements, it must be so stated and signed by either the applicant's chief executive officer or chief financial officer affirming that the financial statements are true and correct.

Answer 10 (a-c)

10a Managerial Ability:

Clear Rate Communications LLC possesses the managerial expertise necessary to provide telecommunications services in Florida. Since its founding in 2001, the company has developed, operated, and supported voice, data, fiber internet, managed IT, and cloud communications services for business and residential customers across multiple states. The company currently serves more than 25,000 customers nationwide and has an experienced executive leadership team responsible for strategic planning, operations, finance, sales, marketing, customer support, and regulatory compliance.
The Company's executive leadership includes:

- **Doug Black, President** – Mr. Black has more than 30 years of executive leadership experience in the telecommunications industry, including fiber, wireless, voice, data center, network operations, engineering, information technology, customer care, and network services. He is responsible for the overall strategic direction, operational performance, and continued growth of Clear Rate.
- **Patrick O'Leary, Chairman of the Board** – Mr. O'Leary has decades of experience leading telecommunications companies and brings significant expertise in technology, finance, and business operations. He provides strategic oversight and corporate governance for the Company.
- **David Bailey, Chief Marketing Officer** – Mr. Bailey has over 30 years of telecommunications leadership experience focused on strategic growth, product development, marketing, and market expansion.
- **Jason Hendrix, Vice President of Sales** – Mr. Hendrix has over a decade of experience with Clear Rate and has played a significant role in expanding the Company's service offerings, geographic footprint, and customer lifecycle management.

Clear Rate's executive officers possess extensive telecommunications management experience and have successfully overseen the deployment and operation of telecommunications networks, customer service organizations, sales operations, and business growth initiatives. Collectively, the management team has decades of experience operating competitive telecommunications providers and managing the delivery of voice, broadband, cloud, and managed network services.

10b Technical Ability:

Clear Rate Communications, LLC possesses the technical expertise necessary to provide reliable telecommunications services in Florida. The Company designs, deploys, operates, and supports advanced telecommunications solutions, including fiber internet, hosted voice, cloud communications, managed network services, and managed IT solutions for business and residential customers throughout the United States. The Company operates

a Network Operations Center that provides proactive network monitoring and 24/7 technical support to ensure network reliability and service continuity.
The Company's technical leadership includes executives with extensive experience in telecommunications engineering, network operations, information technology, and service delivery. In particular:

- **Doug Black, President** has more than 30 years of telecommunications experience overseeing engineering, IT, network operations, customer care, and deployment of fiber, wireless, voice, and data center technologies. His experience includes directing technical operations for large-scale telecommunications networks and ensuring reliable service delivery.

Clear Rate also employs engineering, network operations, implementation, and technical support personnel responsible for provisioning, monitoring, maintaining, and supporting its telecommunications infrastructure. The Company utilizes modern carrier-grade technologies and redundant network architecture to deliver reliable telecommunications services and maintain business continuity for its customers. The Company's operational capabilities include hosted voice platforms, fiber infrastructure, cloud services, managed networking, and continuous network monitoring supported by experienced technical personnel.

Clear Rate's technical management possesses substantial experience in telecommunications engineering, network operations, systems implementation, and the ongoing maintenance of telecommunications networks.

<u>10c Financial Ability</u>

See attached balance sheet, income statement, and retained earnings statement. Also attached are audited financial statements for the most recent three years.

10. Where will you officially designate as your place of publicly publishing your schedule a/k/a tariffs or price lists)? (Tariffs or price lists MUST be publicly published to comply with Florida Statute 364.04).

- ☐ Florida Public Service Commission
- ☒ Website – Please provide Website address: ______________________
- ☐ Other – Please provide address: ______________________

THIS PAGE MUST BE COMPLETED AND SIGNED

REGULATORY ASSESSMENT FEE: I understand that all telecommunications companies must pay a regulatory assessment fee. A minimum annual assessment fee, as defined by the Commission, is required.

RECEIPT AND UNDERSTANDING OF RULES: I understand the Florida Public Service Commission's rules, orders, and laws relating to the provisioning of telecommunications company service in Florida.

APPLICANT ACKNOWLEDGEMENT: By my signature below, I, the undersigned owner or officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical ability, managerial ability, and financial ability to provide telecommunications company service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules, orders and laws.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, ***"Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his or her official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."***

I understand that any false statements can result in being denied a certificate of authority in Florida.

COMPANY OWNER OR OFFICER

Print Name:	David Bailey
Title:	Chief Marketing Officer
Telephone No.:	248-556-9505
E-Mail Address:	dbailey@clearrate.com

Signature: [signature] Date: 6/25/26

CERTIFICATE TRANSFER

As current holder of Florida Public Service Commission Certificate Number ____________, I have reviewed this application and join in the petitioner's request for a transfer of the certificate.

COMPANY OWNER OR OFFICER

Print Name: ______________________________

Title: ______________________________

Street/Post Office Box: ______________________________

City: ______________________________

State: ______________________________

Zip: ______________________________

Telephone No.: ______________________________

Fax No.: ______________________________

E-Mail Address: ______________________________

Signature: ______________________________ Date: ______________

2023

MOORE COLSON

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CLEAR RATE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2024 AND 2023

MOORE COLSON
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600 Galleria Pkwy SE
Suite 600
Atlanta, GA 30339

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Clear Rate Holdings, Inc. and Subsidiaries
Troy, Michigan

Opinion

We have audited the accompanying consolidated financial statements of Clear Rate Holdings, Inc. and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023 and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

MC

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Moore, Colson + Company, P.C.

Atlanta, Georgia
March 31, 2025

CLEAR RATE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023

ASSETS

	2024	2023
CURRENT ASSETS:		
Cash and cash equivalents	$ 104,389	$ 112,100
Accounts receivable - net	2,690,063	2,539,896
Inventories - net	1,539,317	1,075,467
Prepaid expenses and other current assets	1,803,113	1,813,773
Total current assets	6,136,882	5,541,236
PROPERTY AND EQUIPMENT - NET	8,803,653	9,320,138
OTHER ASSETS:		
Other assets	2,026,282	1,667,754
Deferred tax assets - net	-	1,237,595
Goodwill - net	11,496,439	13,199,616
Operating lease right-of-use assets - net	2,504,688	2,888,445
Total other assets	16,027,409	18,993,410
TOTAL	$ 30,967,944	$ 33,854,784

LIABILITIES AND STOCKHOLDERS' EQUITY

	2024	2023
CURRENT LIABILITIES:		
Line of credit	$ 1,548,036	$ 500,000
Current maturities of long-term debt	1,137,500	853,125
Current maturities of operating lease liabilities	401,072	387,412
Accounts payable and accrued expenses	5,846,725	3,576,722
Regulatory taxes and fees payable	1,026,200	992,836
Deferred revenue	947,405	1,047,020
Total current liabilities	10,906,938	7,357,115
LONG-TERM LIABILITIES:		
Line of credit, net of current maturities	861,607	-
Notes payable, net of current maturities and deferred financing costs	8,141,154	9,260,221
Notes payable to related parties	4,800,000	4,800,000
Operating lease liabilities, net of current maturities	2,113,044	2,514,116
Total long-term liabilities	15,915,805	16,574,337
COMMITMENTS AND CONTINGENCIES (Note 17)		
STOCKHOLDERS' EQUITY	4,145,201	9,923,332
TOTAL	$ 30,967,944	$ 33,854,784

See notes to consolidated financial statements and independent auditor's report.

CLEAR RATE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
REVENUES	$ 27,277,208	$ 28,403,895
COST OF REVENUES	18,252,569	17,676,034
GROSS PROFIT	9,024,639	10,727,861
GENERAL AND ADMINISTRATIVE EXPENSES	11,337,988	11,598,840
LOSS FROM OPERATIONS	(2,313,349)	(870,979)
OTHER INCOME (EXPENSE):		
Gain (loss) on disposal of property and equipment	44,116	(117,388)
Interest expense	(1,619,136)	(1,530,239)
Management fee	(312,499)	(262,500)
Loss on interest rate cap	(61,257)	(88,307)
Miscellaneous income (expense)	(276,641)	640,106
Loss on extinguishment of debt	-	(169,057)
Total other expense	(2,225,417)	(1,527,385)
LOSS BEFORE INCOME TAX BENEFIT (EXPENSE)	(4,538,766)	(2,398,364)
INCOME TAX BENEFIT (EXPENSE)	(1,239,365)	553,021
NET LOSS	$ (5,778,131)	$ (1,845,343)

See notes to consolidated financial statements and independent auditor's report.

CLEAR RATE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL
Balances, December 31, 2022	$ 1,370	$ 13,698,630	$ (1,931,325)	$ 11,768,675
Net loss	-	-	(1,845,343)	(1,845,343)
Balances, December 31, 2023	1,370	13,698,630	(3,776,668)	9,923,332
Net loss	-	-	(5,778,131)	(5,778,131)
Balances, December 31, 2024	$ 1,370	$ 13,698,630	$ (9,554,799)	$ 4,145,201

See notes to consolidated financial statements and independent auditor's report.

CLEAR RATE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (5,778,131)	$ (1,845,343)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,004,535	1,023,835
Non-cash lease expense	383,757	377,133
Amortization of inventory	453,869	184,964
Amortization of goodwill	1,703,177	1,703,177
Amortization of debt issuance costs	40,308	46,104
Loss on extinguishment of debt	-	169,057
Provision for credit losses	621,031	244,641
(Gain) loss on sale of property and equipment	(44,116)	117,388
Deferred income taxes	(1,072,764)	(558,397)
Valuation allowance for deferred income taxes	2,310,359	-
Changes in operating assets and liabilities:		
Accounts receivable - net	(771,198)	(670,075)
Inventories - net	(917,719)	(366,591)
Prepaid expenses and other current assets	10,660	91,351
Other assets	(358,528)	(342,703)
Accounts payable and accrued expenses	2,270,003	566,938
Regulatory taxes and fees payable	33,364	151,423
Deferred revenue	(99,615)	23,904
Operating lease liabilities	(387,412)	(373,990)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(598,420)	542,816
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(622,440)	(1,077,644)
Proceeds (loss) from the sale of property and equipment	178,506	(116,311)
NET CASH USED IN INVESTING ACTIVITIES	(443,934)	(1,193,955)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	8,615,000	500,000
Payments on line of credit	(6,705,357)	-
Proceeds from issuance of long-term debt	-	1,757,500
Payments on long-term debt	(875,000)	(1,394,375)
Payment of debt issuance costs	-	(233,627)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,034,643	629,498
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,711)	(21,641)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	112,100	133,741
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 104,389	$ 112,100

See notes to consolidated financial statements and independent auditor's report.

1. BASIS OF PRESENTATION, NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying consolidated financial statements include the accounts of Clear Rate Holdings, Inc. ("Holdings"), and its wholly owned subsidiaries Clear Rate Communications ("Communications"), and Clear Rate Telecom ("Telecom"), collectively referred to as the "Company". All significant intercompany accounts and transactions have been eliminated.

B. Nature of Business

Holdings was incorporated in the State of Delaware on December 15, 2020 to hold 100% of Communications, a qualified subchapter S corporation. Communications owns 100% of Telecom, which was incorporated in the State of Michigan on January 13, 2010.

The Company is a telecommunications provider that provides wireline and wireless voice services, internet, IT managed services and hosted phone systems to residential and business customers throughout the United States. The Company has two main lines of business: traditional and enterprise. Traditional services include voice wireless and wireline voice services as well as internet provider services for residential and small-business consumers. Enterprise services consist of voice, internet, IT managed services and hosted Private Branch Exchange ("PBX") services to customers including fiber construction and installation at customer sites.

C. Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

D. Concentrations and Credit Risk

The Company's cash deposits in financial institutions may, at times, exceed the amount insured by the Federal Deposit Insurance Corporation. Management continually monitors the soundness of these financial institutions and does not believe the Company is exposed to any significant credit risk related to cash and cash equivalents.

The Company grants credit to its customers during the normal course of business. The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers.

1. BASIS OF PRESENTATION, NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

Cash and cash equivalents consists of highly liquid investments purchased with an original maturity of three months or less.

F. Accounts Receivable - Net and Allowance for Credit Losses

Accounts receivable - net are generally due under normal trade terms, requiring payment within 30 days from the invoice date. Customer account balances with invoices over 90 days old are considered delinquent. Accounts receivable are stated at their net estimated realizable value.

The Company recognizes an allowance for credit losses in an amount equal to current expected credit losses. The estimation of the allowance is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and reasonable and supportable expectations of future conditions, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. The Company assesses collectability by pooling receivables, if and where similar characteristics exist, and evaluates receivables individually when specific customer balances no longer share those risk characteristics and are considered at risk or uncollectible. Credit loss expense is recognized in general and administrative expense. At December 31, 2024 and 2023, the Company's estimate for the allowance of credit losses was $1,896,178 and $1,430,182, respectively.

G. Inventories - Net

Inventories mainly consists of wireless and wireline equipment held for sale, which is measured at the lower of cost or net realizable value. Cost is determined using the specific identification method, which approximates actual cost incurred. A valuation allowance is provided for obsolete and slow-moving inventory to write cost down to net realizable value.

Inventory held at client sites consists of routers, modems, phones, and wireless equipment and is amortized over the estimated average life of the customer once the equipment is placed in service at the customer's location.

1. BASIS OF PRESENTATION, NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Property and Equipment - Net

The Company records property and equipment at cost. When assets are retired or otherwise disposed of, the related cost and accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statements of operations. Depreciation and amortization are provided using the straight-line method over the following estimated useful lives of the assets:

	Estimated Useful Life
Furniture and fixtures	7 years
Computers	5 years
Equipment	5 - 15 years
Data center	5 - 39 years
Fiber builds	15 years
Vehicles	5 years
Leasehold improvements	Lesser of estimated useful life or lease term

For income tax purposes, depreciation and amortization are computed using primarily accelerated methods as prescribed by federal law.

I. Right-of-Use ("ROU") Assets and Lease Liabilities

For any new or modified leases, at the inception of the contract the Company determines whether a contract is or contains a lease. For leases with terms in excess of one year, the Company records ROU assets, which represent the Company's right to use an underlying asset for the lease term, and lease liabilities, which represent the Company's obligation to make lease payments arising from the lease. For short-term leases, defined as leases with terms of twelve months or less that do not include an option to purchase the underlying asset or extend the term that the lessee is reasonably certain to exercise, the Company has elected to exclude such amounts from ROU assets and lease liabilities.

ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company uses the implicit rate to discount the lease payments when it is readily determinable. When the Company's leases do not include an implicit rate that is readily determinable, the Company has elected to use the risk-free discount rate practical expedient to determine the present value of lease payments.

1. BASIS OF PRESENTATION, NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Goodwill

The Company follows provisions of Accounting Standards Update No. 2014-02, "*Intangibles - Goodwill and Other* (Topic 350): *Accounting for Goodwill* (a consensus of the Private Company Council)", which permits the amortization of goodwill over a period of 10 years or a shorter period if the Company demonstrates that another useful life is more appropriate. The Company has elected to amortize goodwill over a period of 10 years. In addition, goodwill is subject to impairment testing upon the occurrence of a triggering event. For the years ended December 31, 2024 and 2023, management does not believe any triggering events have occurred and therefore no impairment loss was recognized.

K. Deferred Financing Costs and Amortization

Deferred financing costs are recorded at cost and are amortized using the straight-line method, which approximates the effective interest method, over the term of the related debt. In 2023, as the result of the refinancing of the line of credit (see Note 8) and the note payable (see Note 9), the Company incurred debt issuance costs of $201,535 and wrote off the remaining unamortized deferred financing costs of $169,057, which was included in loss of extinguishment of debt in the accompanying consolidated statements of operations.

Total unamortized deferred financing costs were $149,471 and $189,779 at December 31, 2024 and 2023, respectively. Amortization of deferred loan costs was $40,308 and $46,104, for the years ended December 31, 2024 and 2023, respectively, which is recorded in interest expense in the accompanying consolidated statements of operations.

L. Revenue Recognition

The Company offers services described in Note 1.B to traditional (residential and small-medium businesses) and enterprise customers and revenues are recognized over time as these services are rendered. Typically, the contract revenue is recognized ratably on a monthly basis over the term of the contract. The transaction prices for the services are defined in the agreement and allocated by service type.

The contract term for traditional customers is typically twelve months. Enterprise customers have contract lengths of three to five years. Contract revenue is recognized ratably over the month and is based on the monthly performance obligations. Services can be cancelled with certain early termination fees.

The Company incurs certain incremental costs to obtain and fulfill certain contracts. Such costs, which primarily consist of certain installation and commission costs, are capitalized as an asset and amortized over the estimated average life of the customer. Amortization expense is recorded in general and administrative expenses in the accompanying consolidated statements of operations.

1. BASIS OF PRESENTATION, NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Derivatives

The Company uses a derivative to manage risks related to interest rate movements. The Company entered into an interest rate cap agreement in 2021. The interest rate cap contract is reported at fair value. The changes in fair value for the years ended December 31, 2024 and 2023, are included in other income (expense) on the consolidated statements of operations.

N. Fair Value Measurements

The Financial Accounting Standards Board ("FASB") has established a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Derivatives are valued based on Level 1 inputs.

1. BASIS OF PRESENTATION, NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Advertising Costs

Advertising costs are expensed as incurred and totaled approximately $167,000 and $192,000 for the years ended December 31, 2024 and 2023, respectively.

P. Income Taxes

The Company is organized as a C-Corporation and records deferred income taxes to reflect the tax consequences of temporary differences between the assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes.

Deferred income tax assets and liabilities are measured using enacted rates in effect for the year in which those temporary differences are expected to be recovered or settled. Under this guidance, the effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. A valuation allowance is provided, if necessary, to reduce deferred income tax assets to a level which, more likely than not, will be realized.

The Company records a liability for unrecognized tax benefits resulting from uncertain tax positions, if any, taken or expected to be taken in a tax return. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense in the consolidated statements of loss. The Company has analyzed its tax positions taken and has concluded that as of December 31, 2024 and 2023, there are no uncertain tax positions taken or expected to be taken.

Q. Cash Flow Information

Net cash provided by operating activities includes cash payments for interest of $1,142,049 and $1,579,323 for the years ended December 31, 2024 and 2023, respectively. Additionally, cash receipts from the derivative instrument totaled $100,948 and $103,343 for the years ended December 31, 2024 and 2023, respectively.

For the years ended December 31, 2024 and 2023, non-cash operating activities excluded from the consolidated statements of cash flows included a transfer of inventories to property and equipment of $-0- and $112,578, respectively.

R. Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326), together with subsequent amendments, updates and extensions of the effective date (collectively "ASC 326"), which requires entities to measure all expected credit losses for financial instruments measured at amortized cost at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. The Company adopted ASC 326 as of January 1, 2023 using the modified retrospective transition method. The adoption of ASC 326 did not have a material impact on the Company's consolidated financial statements.

1. BASIS OF PRESENTATION, NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Reclassifications

Certain reclassifications have been made to the consolidated 2023 financial statements to conform to the 2024 presentation. Such reclassifications had no impact on the Company's net loss or operating cash flow.

T. Subsequent Events

The Company evaluated subsequent events through March 31, 2025, the date which the consolidated financial statements were available to be issued.

2. ACCOUNTS RECEIVABLE - NET

Accounts receivable - net consisted of the following at December 31, 2024 and 2023:

	2024	2023
Trade receivables	$ 4,059,417	$ 3,773,967
Other receivables	526,824	196,111
Total	4,586,241	3,970,078
Less: allowance for current expected credit losses	(1,896,178)	(1,430,182)
Total	$ 2,690,063	$ 2,539,896

Changes in the allowance for credit losses during the year ended December 31, 2024 were as follows:

Balance, beginning of year	$ 1,430,182
Credit loss expense	621,031
Net adjustments to allowance	(155,035)
Balance, end of year	$ 1,896,178

3. INVENTORIES - NET

Inventories - net consisted of the following at December 31, 2024 and 2023:

	2024	2023
Equipment inventory	$ 197,300	$ 195,191
Wireless inventory	111,289	106,273
Fiber material inventory	183,020	192,296
Equipment inventory on client site-net of accumulated amortization of $374,026 and $234,372	431,470	384,522
Wireless inventory on client site-net of accumulated amortization of $426,322 and $112,107	616,238	197,185
Total	$ 1,539,317	$ 1,075,467

3. INVENTORIES - NET (Continued)

For the years ended December 31, 2024 and 2023, amortization expense related to equipment inventory on client sites totaled $453,869, and $184,964, respectively, and is recorded in cost of revenues in the accompanying consolidated statements of operations.

4. PREPAIDS AND OTHER CURRENT ASSETS

Prepaids and other current assets consisted of the following at December 31, 2024 and 2023:

	2024	2023
Prepaid commissions	$ 975,564	$ 852,119
Software support	90,388	90,417
Installation costs	188,640	232,750
Carrier costs	245,120	304,380
Insurance	81,048	112,239
Other	222,353	221,868
Total	$ 1,803,113	$ 1,813,773

5. PROPERTY AND EQUIPMENT - NET

Property and equipment - net consisted of the following at December 31, 2024 and 2023:

	2024	2023
Leasehold improvements	$ 124,803	$ 124,803
Furniture and fixtures	152,380	152,380
Computers	109,779	103,256
Equipment	874,773	1,105,755
Data center	1,618,716	1,612,392
Fiber builds	8,491,920	7,803,531
Vehicles	42,836	113,307
Construction in progress	297,532	481,875
Total	11,712,739	11,497,299
Less: accumulated depreciation and amortization	(2,909,086)	(2,177,161)
Property and equipment - net	$ 8,803,653	$ 9,320,138

For the years ended December 31, 2024 and 2023, depreciation and amortization expense related to property and equipment totaled $1,004,535 and $1,023,835, respectively.

6. OTHER ASSETS

Other assets consisted of the following at December 31, 2024 and 2023:

	2024	2023
Long-term prepaid commissions	$ 1,830,830	$ 1,451,545
Interest rate cap	78,538	139,795
Deposits	116,914	76,414
Total	$ 2,026,282	$ 1,667,754

For the years ended December 31, 2024 and 2023, amortization expense of $926,462 and $758,931, respectively, associated with prepaid commissions (current and long-term) was recorded in general and administrative expense in the accompanying consolidated statements of operations.

During 2021, the Company entered into an interest rate cap agreement with an initial notional value of $5,000,000. The notional amount decreases on a monthly basis over the life of the note through the maturity date. The notional value was $3,343,750 and $3,968,750 as of December 31, 2024 and 2023, respectively.

7. GOODWILL - NET

The gross carrying amounts and accumulated amortization for goodwill - net consisted of the following at December 31, 2024 and 2023:

	2024	2023
Goodwill	$17,031,763	$17,031,763
Less: accumulated amortization	(5,535,324)	(3,832,147)
Total	$11,496,439	$13,199,616

Amortization expense related to goodwill totaled $1,703,177 for years ended December 31, 2024 and 2023. The following is a schedule of estimated future amortization expense related to goodwill:

Year Ending December 31:	
2025	$ 1,703,177
2026	1,703,177
2027	1,703,177
2028	1,703,177
2029	1,703,177
Thereafter	2,980,554
Total	$ 11,496,439

8. LINE OF CREDIT

In September 2023, the Company refinanced their line of credit agreement with another financial institution in the amount of $5,000,000, which includes a $2,250,000 revolver line of credit ("Revolver") and a $2,750,000 capital expenditure line of credit ("Cap Ex"), through September 2028. The entire line of credit is collateralized by substantially all assets of the Company and is guaranteed by Holdings.

The Revolver and Cap Ex accrue interest at SOFR plus 3.75% (8.39% and 9.14% as of December 31, 2024 and 2023, respectively). The Revolver requires monthly interest only payments. As of December 31, 2024 and 2023, outstanding borrowings on the Revolver totaled $1,400,000 and $500,000, respectively. The Cap Ex is payable based on an 84-month schedule with monthly payments beginning April 1, 2024. The outstanding balance on the Cap Ex at December 31, 2024 was $1,009,643.

Future maturities of the Cap Ex are as follows:

Year Ending December 31:	
2025	$ 148,036
2026	152,143
2027	152,143
2028	557,321
Total	$ 1,009,643

9. LONG-TERM DEBT

In September 2023, the Company refinanced their loan agreement with another financial institution which provides for a term loan of $10,500,000. The loan is payable in monthly principal installments, in the amount set forth in the loan agreement, beginning October 1, 2023, with interest at SOFR plus 3.75%. (8.39% and 9.14% as of December 31, 2024 and 2023, respectively) All outstanding principal and unpaid interest is due upon maturity in September 2028. As of December 31, 2024 and 2023, the balance of the loan net of amortized deferred financing costs was $9,428,125 and $10,303,125, respectively.

Future maturities of long-term debt are as follows:

Year Ending December 31:	
2025	$ 1,137,500
2026	1,312,500
2027	1,400,000
2028	5,578,125
Total	$ 9,428,125

Under the terms of the line of credit and long-term debt, the Company is required to be in compliance with certain covenants including, among other items, maintenance of certain leverage and fixed charge ratios. As of December 31, 2024 and 2023, the Company was in compliance these covenants.

10. NOTES PAYABLE TO RELATED PARTIES

Notes payable to related parties consisted of the following at December 31, 2024 and 2023:

	2024	2023
Note payable to a related party in semi-annual principal installments of $691,333 beginning April 1, 2027; interest-only payment due quarterly with interest of 12%; maturing October 2029.	$ 4,105,000	$ 4,105,000
Note payable to a related party in semi-annual principal installments of $41,667 beginning April 1, 2027; interest-only payment due quarterly with interest of 12%; maturing October 2029.	250,000	250,000
Note payable to a related party in semi-annual principal installments of $41,667 beginning April 1, 2027; interest-only payment due quarterly with interest of 12%; maturing October 2029.	250,000	250,000
Note payable to a related party in semi-annual principal installments of $20,500 beginning April 1, 2027; interest-only payment due quarterly with interest of 12%; maturing October 2029.	123,000	123,000
Note payable to a related party in semi-annual principal installments of $7,167 beginning April 1, 2027; interest-only payment due quarterly with interest of 12%; maturing October 2029.	43,000	43,000
Note payable to a related party in semi-annual principal installments of $4,833 beginning April 1, 2027; interest-only payment due quarterly with interest of 12%; maturing October 2029.	29,000	29,000
Total	$ 4,800,000	$ 4,800,000

10. NOTES PAYABLE TO RELATED PARTIES (Continued)

Future maturities of notes payable to related parties are as follows:

Year Ending December 31:	
2025	$ -
2026	-
2027	1,614,334
2028	1,614,334
2029	1,571,332
Total	$ 4,800,000

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at December 31, 2024 and 2023:

	2024	2023
Accounts payable	$ 4,834,648	$ 2,879,241
Accrued interest	657,804	221,025
Accrued compensation	354,273	476,456
Total	$ 5,846,725	$ 3,576,722

12. RELATED PARTY TRANSACTIONS

The Company has related party debt obligations with its stockholders under multiple separate agreements. These agreements are summarized in Note 10.

In 2021, the Company entered into a Management Agreement with the Manager of its majority stockholder for an initial term of five years. Under the terms of the Management Agreement, a management fee is payable monthly at an annual rate of $250,000 for the period from October 1, 2021 through September 30, 2023. The management fee increases by $50,000 annually each October through October 1, 2026 and automatically renews at $400,000 annually thereafter. If the Company's earnings before interest, income taxes, depreciation, and amortization is $6,000,000 prior to the year ended October 1, 2026, the management fee will automatically increases to $400,000 per year.

The Company entered into a Subordination Agreement for the management fee in September 2023 in conjunction with its refinancing. Under the terms of the amendment, the management fee is to not to exceed $500,000 per annum, and management expenses are not to exceed $75,000 per annum, through September 2028. As of December 31, 2024 and 2023, $87,500 and $25,000 remain in accounts payable and accrued expenses on the consolidated balance sheets. Management expenses, including the management fee, are included in general and administrative expenses and totaled $341,698 and $302,796 as of December 31, 2024 and 2023, respectively.

13. LEASE OBLIGATIONS

The Company leases office, storage, and parking spaces under non-cancelable operating leases with various lease terms through June 2031.

The future minimum rental lease payments under non-cancelable operating leases with initial lease terms in excess of one year, and the reconciliation of undiscounted cash flows to the discounted lease liability as of December 31, 2024, are as follows:

Year Ending December 31:	
2025	$ 441,979
2026	420,632
2027	395,797
2028	397,882
2029	399,966
Thereafter	603,598
Total	2,659,854
Less: interest	(145,738)
Present value of lease liabilities	2,514,116
Less: current maturities	(401,072)
Long-term lease liabilities	$ 2,113,044

The future minimum rental lease payments after 2026 are calculated under the assumption the Company will exercise its five year extension option at the end of the current lease term.

The following operating lease expenses are included in the accompanying consolidated statements of operations for the years ended December 31, 2024 and 2023:

	2024	2023
Operating lease costs	$ 431,527	$ 431,527
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows	$ 435,181	$ 428,384
Weighted-average remaining lease term	6.41 years	7.37 years
Weighted-average discount rate	1.76%	1.75%

14. INCOME TAXES

Components of the provision for income taxes for the years ended December 31, 2024 and 2023 were as follows:

	2024	2023
Current:		
Federal	$ -	$ -
State	1,770	5,376
Total	1,770	5,376
Deferred:		
Federal	977,615	(440,360)
State	259,980	(118,037)
Total	1,237,595	(558,397)
Total income tax expense (benefit)	$ 1,239,365	$ (553,021)

The components of the deferred tax assets and liabilities recognized in the Company's consolidated balance sheets at December 31, 2024 and 2023 are as follows:

	2024	2023
Deferred income tax assets:		
Allowance for current expected credit losses	$ 177,114	$ 62,190
Operating lease ROU asset	2,347	3,313
Accrued vacation	18,667	-
Transaction costs	253,373	279,690
Goodwill	677,465	564,343
Net operating loss	2,981,335	2,643,216
Valuation allowance	(2,310,359)	-
Total	1,799,942	3,552,752
Deferred income tax liabilities:		
Unrealized gains on investments	(4,116)	(19,698)
Prepaids and other assets	(447,382)	(821,083)
Property and equipment	(1,348,444)	(1,474,376)
Total	(1,799,942)	(2,315,157)
Total deferred tax assets - net	$ -	$ 1,237,595

At December 31, 2024 and 2023, the Company has state net operating loss carryforwards of approximately $11,779,908 and $9,576,637, respectively, and state net operating loss carryforwards of $3,785,136 and $2,223,069, respectively, for income tax purposes, which will be available to offset future taxable income. The net operating losses have an indefinite carryforward period.

At December 31, 2024, a valuation allowance of $2,310,359 was established for the deferred tax assets created by the state net operating loss carryforwards that are not expected to be realized.

15. EQUITY COMPENSATION

On October 1, 2021, the Company adopted the 2021 Equity Compensation Plan (the "Plan") to grant stock options to purchase shares of common stock of the Company. The Plan authorized 4,110 shares of Company stock at an exercise price of $100 per share. On June 15, 2022, the Plan was amended to reduce the number of authorized shares to 1,370. During 2021, a board member was granted stock options based upon specific performance criteria to purchase 1,370 shares of Company stock under the Plan. The option is exercisable for a period of ten years from the date of grant. No stock options were granted during the years ended December 31, 2024 and 2023. No compensation expense was recognized related to these options as such compensation expense was not significant to the consolidated financial statements. No options were exercised during the years ended December 31, 2024 and 2023.

16. CONCENTRATIONS

For the year ended December 31, 2024, three vendors accounted for approximately $9,417,000 or 52% of total cost of revenues. Amounts due to these vendors totaled approximately $2,516,000 or 56% of accounts payable at December 31, 2024.

For the year ended December 31, 2023, four vendors accounted for approximately $12,743,000 or 72% of total cost of revenues. Amounts due to these vendors totaled approximately $1,870,000 or 69% of accounts payable at December 31, 2023.

17. COMMITMENTS AND CONTINGENCIES

The Company from time to time may be involved in various legal claims, actions and complaints, generally arising out of the normal course of business. Although it is difficult to predict the ultimate outcome of any potential or threatened litigation, management believes that any potential exposure to loss will not materially affect the consolidated balance sheets or consolidated statements of operations of the Company.

2024

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CLEAR RATE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2024 AND 2023

MOORE COLSON
Envision More

600 Galleria Pkwy SE
Suite 600
Atlanta, GA 30339

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Clear Rate Holdings, Inc. and Subsidiaries
Troy, Michigan

Opinion

We have audited the accompanying consolidated financial statements of Clear Rate Holdings, Inc. and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023 and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Moore, Colson + Company, P.C.

Atlanta, Georgia
March 31, 2025

CLEAR RATE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023

ASSETS

	2024	2023
CURRENT ASSETS:		
Cash and cash equivalents	$ 104,389	$ 112,100
Accounts receivable - net	2,690,063	2,539,896
Inventories - net	1,539,317	1,075,467
Prepaid expenses and other current assets	1,803,113	1,813,773
Total current assets	6,136,882	5,541,236
PROPERTY AND EQUIPMENT - NET	8,803,653	9,320,138
OTHER ASSETS:		
Other assets	2,026,282	1,667,754
Deferred tax assets - net	-	1,237,595
Goodwill - net	11,496,439	13,199,616
Operating lease right-of-use assets - net	2,504,688	2,888,445
Total other assets	16,027,409	18,993,410
TOTAL	$ 30,967,944	$ 33,854,784

LIABILITIES AND STOCKHOLDERS' EQUITY

	2024	2023
CURRENT LIABILITIES:		
Line of credit	$ 1,548,036	$ 500,000
Current maturities of long-term debt	1,137,500	853,125
Current maturities of operating lease liabilities	401,072	387,412
Accounts payable and accrued expenses	5,846,725	3,576,722
Regulatory taxes and fees payable	1,026,200	992,836
Deferred revenue	947,405	1,047,020
Total current liabilities	10,906,938	7,357,115
LONG-TERM LIABILITIES:		
Line of credit, net of current maturities	861,607	-
Notes payable, net of current maturities and deferred financing costs	8,141,154	9,260,221
Notes payable to related parties	4,800,000	4,800,000
Operating lease liabilities, net of current maturities	2,113,044	2,514,116
Total long-term liabilities	15,915,805	16,574,337
COMMITMENTS AND CONTINGENCIES (Note 17)		
STOCKHOLDERS' EQUITY	4,145,201	9,923,332
TOTAL	$ 30,967,944	$ 33,854,784

See notes to consolidated financial statements and independent auditor's report.

CLEAR RATE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
REVENUES	$ 27,277,208	$ 28,403,895
COST OF REVENUES	18,252,569	17,676,034
GROSS PROFIT	9,024,639	10,727,861
GENERAL AND ADMINISTRATIVE EXPENSES	11,337,988	11,598,840
LOSS FROM OPERATIONS	(2,313,349)	(870,979)
OTHER INCOME (EXPENSE):		
Gain (loss) on disposal of property and equipment	44,116	(117,388)
Interest expense	(1,619,136)	(1,530,239)
Management fee	(312,499)	(262,500)
Loss on interest rate cap	(61,257)	(88,307)
Miscellaneous income (expense)	(276,641)	640,106
Loss on extinguishment of debt	-	(169,057)
Total other expense	(2,225,417)	(1,527,385)
LOSS BEFORE INCOME TAX BENEFIT (EXPENSE)	(4,538,766)	(2,398,364)
INCOME TAX BENEFIT (EXPENSE)	(1,239,365)	553,021
NET LOSS	$ (5,778,131)	$ (1,845,343)

See notes to consolidated financial statements and independent auditor's report.

CLEAR RATE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL
Balances, December 31, 2022	$ 1,370	$ 13,698,630	$ (1,931,325)	$ 11,768,675
Net loss	-	-	(1,845,343)	(1,845,343)
Balances, December 31, 2023	1,370	13,698,630	(3,776,668)	9,923,332
Net loss	-	-	(5,778,131)	(5,778,131)
Balances, December 31, 2024	$ 1,370	$ 13,698,630	$ (9,554,799)	$ 4,145,201

See notes to consolidated financial statements and independent auditor's report.

CLEAR RATE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (5,778,131)	$ (1,845,343)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,004,535	1,023,835
Non-cash lease expense	383,757	377,133
Amortization of inventory	453,869	184,964
Amortization of goodwill	1,703,177	1,703,177
Amortization of debt issuance costs	40,308	46,104
Loss on extinguishment of debt	-	169,057
Provision for credit losses	621,031	244,641
(Gain) loss on sale of property and equipment	(44,116)	117,388
Deferred income taxes	(1,072,764)	(558,397)
Valuation allowance for deferred income taxes	2,310,359	-
Changes in operating assets and liabilities:		
Accounts receivable - net	(771,198)	(670,075)
Inventories - net	(917,719)	(366,591)
Prepaid expenses and other current assets	10,660	91,351
Other assets	(358,528)	(342,703)
Accounts payable and accrued expenses	2,270,003	566,938
Regulatory taxes and fees payable	33,364	151,423
Deferred revenue	(99,615)	23,904
Operating lease liabilities	(387,412)	(373,990)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(598,420)	542,816
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(622,440)	(1,077,644)
Proceeds (loss) from the sale of property and equipment	178,506	(116,311)
NET CASH USED IN INVESTING ACTIVITIES	(443,934)	(1,193,955)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	8,615,000	500,000
Payments on line of credit	(6,705,357)	-
Proceeds from issuance of long-term debt	-	1,757,500
Payments on long-term debt	(875,000)	(1,394,375)
Payment of debt issuance costs	-	(233,627)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,034,643	629,498
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,711)	(21,641)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	112,100	133,741
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 104,389	$ 112,100

See notes to consolidated financial statements and independent auditor's report.

1. BASIS OF PRESENTATION, NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying consolidated financial statements include the accounts of Clear Rate Holdings, Inc. ("Holdings"), and its wholly owned subsidiaries Clear Rate Communications ("Communications"), and Clear Rate Telecom ("Telecom"), collectively referred to as the "Company". All significant intercompany accounts and transactions have been eliminated.

B. Nature of Business

Holdings was incorporated in the State of Delaware on December 15, 2020 to hold 100% of Communications, a qualified subchapter S corporation. Communications owns 100% of Telecom, which was incorporated in the State of Michigan on January 13, 2010.

The Company is a telecommunications provider that provides wireline and wireless voice services, internet, IT managed services and hosted phone systems to residential and business customers throughout the United States. The Company has two main lines of business: traditional and enterprise. Traditional services include voice wireless and wireline voice services as well as internet provider services for residential and small-business consumers. Enterprise services consist of voice, internet, IT managed services and hosted Private Branch Exchange ("PBX") services to customers including fiber construction and installation at customer sites.

C. Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

D. Concentrations and Credit Risk

The Company's cash deposits in financial institutions may, at times, exceed the amount insured by the Federal Deposit Insurance Corporation. Management continually monitors the soundness of these financial institutions and does not believe the Company is exposed to any significant credit risk related to cash and cash equivalents.

The Company grants credit to its customers during the normal course of business. The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers.

1. BASIS OF PRESENTATION, NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

Cash and cash equivalents consists of highly liquid investments purchased with an original maturity of three months or less.

F. Accounts Receivable - Net and Allowance for Credit Losses

Accounts receivable - net are generally due under normal trade terms, requiring payment within 30 days from the invoice date. Customer account balances with invoices over 90 days old are considered delinquent. Accounts receivable are stated at their net estimated realizable value.

The Company recognizes an allowance for credit losses in an amount equal to current expected credit losses. The estimation of the allowance is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and reasonable and supportable expectations of future conditions, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. The Company assesses collectability by pooling receivables, if and where similar characteristics exist, and evaluates receivables individually when specific customer balances no longer share those risk characteristics and are considered at risk or uncollectible. Credit loss expense is recognized in general and administrative expense. At December 31, 2024 and 2023, the Company's estimate for the allowance of credit losses was $1,896,178 and $1,430,182, respectively.

G. Inventories - Net

Inventories mainly consists of wireless and wireline equipment held for sale, which is measured at the lower of cost or net realizable value. Cost is determined using the specific identification method, which approximates actual cost incurred. A valuation allowance is provided for obsolete and slow-moving inventory to write cost down to net realizable value.

Inventory held at client sites consists of routers, modems, phones, and wireless equipment and is amortized over the estimated average life of the customer once the equipment is placed in service at the customer's location.

1. BASIS OF PRESENTATION, NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Property and Equipment - Net

The Company records property and equipment at cost. When assets are retired or otherwise disposed of, the related cost and accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statements of operations. Depreciation and amortization are provided using the straight-line method over the following estimated useful lives of the assets:

	Estimated Useful Life
Furniture and fixtures	7 years
Computers	5 years
Equipment	5 - 15 years
Data center	5 - 39 years
Fiber builds	15 years
Vehicles	5 years
Leasehold improvements	Lesser of estimated useful life or lease term

For income tax purposes, depreciation and amortization are computed using primarily accelerated methods as prescribed by federal law.

I. Right-of-Use ("ROU") Assets and Lease Liabilities

For any new or modified leases, at the inception of the contract the Company determines whether a contract is or contains a lease. For leases with terms in excess of one year, the Company records ROU assets, which represent the Company's right to use an underlying asset for the lease term, and lease liabilities, which represent the Company's obligation to make lease payments arising from the lease. For short-term leases, defined as leases with terms of twelve months or less that do not include an option to purchase the underlying asset or extend the term that the lessee is reasonably certain to exercise, the Company has elected to exclude such amounts from ROU assets and lease liabilities.

ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company uses the implicit rate to discount the lease payments when it is readily determinable. When the Company's leases do not include an implicit rate that is readily determinable, the Company has elected to use the risk-free discount rate practical expedient to determine the present value of lease payments.

1. BASIS OF PRESENTATION, NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Goodwill

The Company follows provisions of Accounting Standards Update No. 2014-02, "*Intangibles - Goodwill and Other* (Topic 350): *Accounting for Goodwill* (a consensus of the Private Company Council)", which permits the amortization of goodwill over a period of 10 years or a shorter period if the Company demonstrates that another useful life is more appropriate. The Company has elected to amortize goodwill over a period of 10 years. In addition, goodwill is subject to impairment testing upon the occurrence of a triggering event. For the years ended December 31, 2024 and 2023, management does not believe any triggering events have occurred and therefore no impairment loss was recognized.

K. Deferred Financing Costs and Amortization

Deferred financing costs are recorded at cost and are amortized using the straight-line method, which approximates the effective interest method, over the term of the related debt. In 2023, as the result of the refinancing of the line of credit (see Note 8) and the note payable (see Note 9), the Company incurred debt issuance costs of $201,535 and wrote off the remaining unamortized deferred financing costs of $169,057, which was included in loss of extinguishment of debt in the accompanying consolidated statements of operations.

Total unamortized deferred financing costs were $149,471 and $189,779 at December 31, 2024 and 2023, respectively. Amortization of deferred loan costs was $40,308 and $46,104, for the years ended December 31, 2024 and 2023, respectively, which is recorded in interest expense in the accompanying consolidated statements of operations.

L. Revenue Recognition

The Company offers services described in Note 1.B to traditional (residential and small-medium businesses) and enterprise customers and revenues are recognized over time as these services are rendered. Typically, the contract revenue is recognized ratably on a monthly basis over the term of the contract. The transaction prices for the services are defined in the agreement and allocated by service type.

The contract term for traditional customers is typically twelve months. Enterprise customers have contract lengths of three to five years. Contract revenue is recognized ratably over the month and is based on the monthly performance obligations. Services can be cancelled with certain early termination fees.

The Company incurs certain incremental costs to obtain and fulfill certain contracts. Such costs, which primarily consist of certain installation and commission costs, are capitalized as an asset and amortized over the estimated average life of the customer. Amortization expense is recorded in general and administrative expenses in the accompanying consolidated statements of operations.

1. BASIS OF PRESENTATION, NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Derivatives

The Company uses a derivative to manage risks related to interest rate movements. The Company entered into an interest rate cap agreement in 2021. The interest rate cap contract is reported at fair value. The changes in fair value for the years ended December 31, 2024 and 2023, are included in other income (expense) on the consolidated statements of operations.

N. Fair Value Measurements

The Financial Accounting Standards Board ("FASB") has established a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Derivatives are valued based on Level 1 inputs.

1. BASIS OF PRESENTATION, NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Advertising Costs

Advertising costs are expensed as incurred and totaled approximately $167,000 and $192,000 for the years ended December 31, 2024 and 2023, respectively.

P. Income Taxes

The Company is organized as a C-Corporation and records deferred income taxes to reflect the tax consequences of temporary differences between the assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes.

Deferred income tax assets and liabilities are measured using enacted rates in effect for the year in which those temporary differences are expected to be recovered or settled. Under this guidance, the effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. A valuation allowance is provided, if necessary, to reduce deferred income tax assets to a level which, more likely than not, will be realized.

The Company records a liability for unrecognized tax benefits resulting from uncertain tax positions, if any, taken or expected to be taken in a tax return. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense in the consolidated statements of loss. The Company has analyzed its tax positions taken and has concluded that as of December 31, 2024 and 2023, there are no uncertain tax positions taken or expected to be taken.

Q. Cash Flow Information

Net cash provided by operating activities includes cash payments for interest of $1,142,049 and $1,579,323 for the years ended December 31, 2024 and 2023, respectively. Additionally, cash receipts from the derivative instrument totaled $100,948 and $103,343 for the years ended December 31, 2024 and 2023, respectively.

For the years ended December 31, 2024 and 2023, non-cash operating activities excluded from the consolidated statements of cash flows included a transfer of inventories to property and equipment of $-0- and $112,578, respectively.

R. Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326), together with subsequent amendments, updates and extensions of the effective date (collectively "ASC 326"), which requires entities to measure all expected credit losses for financial instruments measured at amortized cost at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. The Company adopted ASC 326 as of January 1, 2023 using the modified retrospective transition method. The adoption of ASC 326 did not have a material impact on the Company's consolidated financial statements.

1. BASIS OF PRESENTATION, NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Reclassifications

Certain reclassifications have been made to the consolidated 2023 financial statements to conform to the 2024 presentation. Such reclassifications had no impact on the Company's net loss or operating cash flow.

T. Subsequent Events

The Company evaluated subsequent events through March 31, 2025, the date which the consolidated financial statements were available to be issued.

2. ACCOUNTS RECEIVABLE - NET

Accounts receivable - net consisted of the following at December 31, 2024 and 2023:

	2024	2023
Trade receivables	$ 4,059,417	$ 3,773,967
Other receivables	526,824	196,111
Total	4,586,241	3,970,078
Less: allowance for current expected credit losses	(1,896,178)	(1,430,182)
Total	$ 2,690,063	$ 2,539,896

Changes in the allowance for credit losses during the year ended December 31, 2024 were as follows:

Balance, beginning of year	$ 1,430,182
Credit loss expense	621,031
Net adjustments to allowance	(155,035)
Balance, end of year	$ 1,896,178

3. INVENTORIES - NET

Inventories - net consisted of the following at December 31, 2024 and 2023:

	2024	2023
Equipment inventory	$ 197,300	$ 195,191
Wireless inventory	111,289	106,273
Fiber material inventory	183,020	192,296
Equipment inventory on client site-net of accumulated amortization of $374,026 and $234,372	431,470	384,522
Wireless inventory on client site-net of accumulated amortization of $426,322 and $112,107	616,238	197,185
Total	$ 1,539,317	$ 1,075,467

3. INVENTORIES - NET (Continued)

For the years ended December 31, 2024 and 2023, amortization expense related to equipment inventory on client sites totaled $453,869, and $184,964, respectively, and is recorded in cost of revenues in the accompanying consolidated statements of operations.

4. PREPAIDS AND OTHER CURRENT ASSETS

Prepaids and other current assets consisted of the following at December 31, 2024 and 2023:

	2024	2023
Prepaid commissions	$ 975,564	$ 852,119
Software support	90,388	90,417
Installation costs	188,640	232,750
Carrier costs	245,120	304,380
Insurance	81,048	112,239
Other	222,353	221,868
Total	$ 1,803,113	$ 1,813,773

5. PROPERTY AND EQUIPMENT - NET

Property and equipment - net consisted of the following at December 31, 2024 and 2023:

	2024	2023
Leasehold improvements	$ 124,803	$ 124,803
Furniture and fixtures	152,380	152,380
Computers	109,779	103,256
Equipment	874,773	1,105,755
Data center	1,618,716	1,612,392
Fiber builds	8,491,920	7,803,531
Vehicles	42,836	113,307
Construction in progress	297,532	481,875
Total	11,712,739	11,497,299
Less: accumulated depreciation and amortization	(2,909,086)	(2,177,161)
Property and equipment - net	$ 8,803,653	$ 9,320,138

For the years ended December 31, 2024 and 2023, depreciation and amortization expense related to property and equipment totaled $1,004,535 and $1,023,835, respectively.

6. OTHER ASSETS

Other assets consisted of the following at December 31, 2024 and 2023:

	2024	2023
Long-term prepaid commissions	$ 1,830,830	$ 1,451,545
Interest rate cap	78,538	139,795
Deposits	116,914	76,414
Total	$ 2,026,282	$ 1,667,754

For the years ended December 31, 2024 and 2023, amortization expense of $926,462 and $758,931, respectively, associated with prepaid commissions (current and long-term) was recorded in general and administrative expense in the accompanying consolidated statements of operations.

During 2021, the Company entered into an interest rate cap agreement with an initial notional value of $5,000,000. The notional amount decreases on a monthly basis over the life of the note through the maturity date. The notional value was $3,343,750 and $3,968,750 as of December 31, 2024 and 2023, respectively.

7. GOODWILL - NET

The gross carrying amounts and accumulated amortization for goodwill - net consisted of the following at December 31, 2024 and 2023:

	2024	2023
Goodwill	$17,031,763	$17,031,763
Less: accumulated amortization	(5,535,324)	(3,832,147)
Total	$11,496,439	$13,199,616

Amortization expense related to goodwill totaled $1,703,177 for years ended December 31, 2024 and 2023. The following is a schedule of estimated future amortization expense related to goodwill:

Year Ending December 31:	
2025	$ 1,703,177
2026	1,703,177
2027	1,703,177
2028	1,703,177
2029	1,703,177
Thereafter	2,980,554
Total	$ 11,496,439

8. LINE OF CREDIT

In September 2023, the Company refinanced their line of credit agreement with another financial institution in the amount of $5,000,000, which includes a $2,250,000 revolver line of credit ("Revolver") and a $2,750,000 capital expenditure line of credit ("Cap Ex"), through September 2028. The entire line of credit is collateralized by substantially all assets of the Company and is guaranteed by Holdings.

The Revolver and Cap Ex accrue interest at SOFR plus 3.75% (8.39% and 9.14% as of December 31, 2024 and 2023, respectively). The Revolver requires monthly interest only payments. As of December 31, 2024 and 2023, outstanding borrowings on the Revolver totaled $1,400,000 and $500,000, respectively. The Cap Ex is payable based on an 84-month schedule with monthly payments beginning April 1, 2024. The outstanding balance on the Cap Ex at December 31, 2024 was $1,009,643.

Future maturities of the Cap Ex are as follows:

Year Ending December 31:	
2025	$ 148,036
2026	152,143
2027	152,143
2028	557,321
Total	$ 1,009,643

9. LONG-TERM DEBT

In September 2023, the Company refinanced their loan agreement with another financial institution which provides for a term loan of $10,500,000. The loan is payable in monthly principal installments, in the amount set forth in the loan agreement, beginning October 1, 2023, with interest at SOFR plus 3.75%. (8.39% and 9.14% as of December 31, 2024 and 2023, respectively) All outstanding principal and unpaid interest is due upon maturity in September 2028. As of December 31, 2024 and 2023, the balance of the loan net of amortized deferred financing costs was $9,428,125 and $10,303,125, respectively.

Future maturities of long-term debt are as follows:

Year Ending December 31:	
2025	$ 1,137,500
2026	1,312,500
2027	1,400,000
2028	5,578,125
Total	$ 9,428,125

Under the terms of the line of credit and long-term debt, the Company is required to be in compliance with certain covenants including, among other items, maintenance of certain leverage and fixed charge ratios. As of December 31, 2024 and 2023, the Company was in compliance these covenants.

10. NOTES PAYABLE TO RELATED PARTIES

Notes payable to related parties consisted of the following at December 31, 2024 and 2023:

	2024	2023
Note payable to a related party in semi-annual principal installments of $691,333 beginning April 1, 2027; interest-only payment due quarterly with interest of 12%; maturing October 2029.	$ 4,105,000	$ 4,105,000
Note payable to a related party in semi-annual principal installments of $41,667 beginning April 1, 2027; interest-only payment due quarterly with interest of 12%; maturing October 2029.	250,000	250,000
Note payable to a related party in semi-annual principal installments of $41,667 beginning April 1, 2027; interest-only payment due quarterly with interest of 12%; maturing October 2029.	250,000	250,000
Note payable to a related party in semi-annual principal installments of $20,500 beginning April 1, 2027; interest-only payment due quarterly with interest of 12%; maturing October 2029.	123,000	123,000
Note payable to a related party in semi-annual principal installments of $7,167 beginning April 1, 2027; interest-only payment due quarterly with interest of 12%; maturing October 2029.	43,000	43,000
Note payable to a related party in semi-annual principal installments of $4,833 beginning April 1, 2027; interest-only payment due quarterly with interest of 12%; maturing October 2029.	29,000	29,000
Total	$ 4,800,000	$ 4,800,000

10. NOTES PAYABLE TO RELATED PARTIES (Continued)

Future maturities of notes payable to related parties are as follows:

Year Ending December 31:	
2025	$ -
2026	-
2027	1,614,334
2028	1,614,334
2029	1,571,332
Total	$ 4,800,000

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at December 31, 2024 and 2023:

	2024	2023
Accounts payable	$ 4,834,648	$ 2,879,241
Accrued interest	657,804	221,025
Accrued compensation	354,273	476,456
Total	$ 5,846,725	$ 3,576,722

12. RELATED PARTY TRANSACTIONS

The Company has related party debt obligations with its stockholders under multiple separate agreements. These agreements are summarized in Note 10.

In 2021, the Company entered into a Management Agreement with the Manager of its majority stockholder for an initial term of five years. Under the terms of the Management Agreement, a management fee is payable monthly at an annual rate of $250,000 for the period from October 1, 2021 through September 30, 2023. The management fee increases by $50,000 annually each October through October 1, 2026 and automatically renews at $400,000 annually thereafter. If the Company's earnings before interest, income taxes, depreciation, and amortization is $6,000,000 prior to the year ended October 1, 2026, the management fee will automatically increases to $400,000 per year.

The Company entered into a Subordination Agreement for the management fee in September 2023 in conjunction with its refinancing. Under the terms of the amendment, the management fee is to not to exceed $500,000 per annum, and management expenses are not to exceed $75,000 per annum, through September 2028. As of December 31, 2024 and 2023, $87,500 and $25,000 remain in accounts payable and accrued expenses on the consolidated balance sheets. Management expenses, including the management fee, are included in general and administrative expenses and totaled $341,698 and $302,796 as of December 31, 2024 and 2023, respectively.

13. LEASE OBLIGATIONS

The Company leases office, storage, and parking spaces under non-cancelable operating leases with various lease terms through June 2031.

The future minimum rental lease payments under non-cancelable operating leases with initial lease terms in excess of one year, and the reconciliation of undiscounted cash flows to the discounted lease liability as of December 31, 2024, are as follows:

Year Ending December 31:	
2025	$ 441,979
2026	420,632
2027	395,797
2028	397,882
2029	399,966
Thereafter	603,598
Total	2,659,854
Less: interest	(145,738)
Present value of lease liabilities	2,514,116
Less: current maturities	(401,072)
Long-term lease liabilities	$ 2,113,044

The future minimum rental lease payments after 2026 are calculated under the assumption the Company will exercise its five year extension option at the end of the current lease term.

The following operating lease expenses are included in the accompanying consolidated statements of operations for the years ended December 31, 2024 and 2023:

	2024	2023
Operating lease costs	$ 431,527	$ 431,527
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows	$ 435,181	$ 428,384
Weighted-average remaining lease term	6.41 years	7.37 years
Weighted-average discount rate	1.76%	1.75%

14. INCOME TAXES

Components of the provision for income taxes for the years ended December 31, 2024 and 2023 were as follows:

	2024	2023
Current:		
Federal	$ -	$ -
State	1,770	5,376
Total	1,770	5,376
Deferred:		
Federal	977,615	(440,360)
State	259,980	(118,037)
Total	1,237,595	(558,397)
Total income tax expense (benefit)	$ 1,239,365	$ (553,021)

The components of the deferred tax assets and liabilities recognized in the Company's consolidated balance sheets at December 31, 2024 and 2023 are as follows:

	2024	2023
Deferred income tax assets:		
Allowance for current expected credit losses	$ 177,114	$ 62,190
Operating lease ROU asset	2,347	3,313
Accrued vacation	18,667	-
Transaction costs	253,373	279,690
Goodwill	677,465	564,343
Net operating loss	2,981,335	2,643,216
Valuation allowance	(2,310,359)	-
Total	1,799,942	3,552,752
Deferred income tax liabilities:		
Unrealized gains on investments	(4,116)	(19,698)
Prepaids and other assets	(447,382)	(821,083)
Property and equipment	(1,348,444)	(1,474,376)
Total	(1,799,942)	(2,315,157)
Total deferred tax assets - net	$ -	$ 1,237,595

At December 31, 2024 and 2023, the Company has state net operating loss carryforwards of approximately $11,779,908 and $9,576,637, respectively, and state net operating loss carryforwards of $3,785,136 and $2,223,069, respectively, for income tax purposes, which will be available to offset future taxable income. The net operating losses have an indefinite carryforward period.

At December 31, 2024, a valuation allowance of $2,310,359 was established for the deferred tax assets created by the state net operating loss carryforwards that are not expected to be realized.

15. EQUITY COMPENSATION

On October 1, 2021, the Company adopted the 2021 Equity Compensation Plan (the "Plan") to grant stock options to purchase shares of common stock of the Company. The Plan authorized 4,110 shares of Company stock at an exercise price of $100 per share. On June 15, 2022, the Plan was amended to reduce the number of authorized shares to 1,370. During 2021, a board member was granted stock options based upon specific performance criteria to purchase 1,370 shares of Company stock under the Plan. The option is exercisable for a period of ten years from the date of grant. No stock options were granted during the years ended December 31, 2024 and 2023. No compensation expense was recognized related to these options as such compensation expense was not significant to the consolidated financial statements. No options were exercised during the years ended December 31, 2024 and 2023.

16. CONCENTRATIONS

For the year ended December 31, 2024, three vendors accounted for approximately $9,417,000 or 52% of total cost of revenues. Amounts due to these vendors totaled approximately $2,516,000 or 56% of accounts payable at December 31, 2024.

For the year ended December 31, 2023, four vendors accounted for approximately $12,743,000 or 72% of total cost of revenues. Amounts due to these vendors totaled approximately $1,870,000 or 69% of accounts payable at December 31, 2023.

17. COMMITMENTS AND CONTINGENCIES

The Company from time to time may be involved in various legal claims, actions and complaints, generally arising out of the normal course of business. Although it is difficult to predict the ultimate outcome of any potential or threatened litigation, management believes that any potential exposure to loss will not materially affect the consolidated balance sheets or consolidated statements of operations of the Company.

2025

Clear Rate Holdings, Inc. and Subsidiaries

2025 Audit Summary

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April 28, 2026

Agenda

- Review Draft of the Consolidated Financial Statements
- Summary of Posted and Passed Adjusting Entries and Reclassification Entries
- Key Performance Indicators
- Discussion Topics
  - Accounting Standards Overview
  - Other Required Communications
  - Audit Finalization Steps and Pending Items
- Appendix A
  - Observations and Recommendations

2025 Draft Financial Statements

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CLEAR RATE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2025 AND 2024

MOORE COLSON
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600 Galleria Pkwy SE
Suite 600
Atlanta, GA 30339

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Clear Rate Holdings, Inc. and Subsidiaries
Troy, Michigan

Opinion

We have audited the accompanying consolidated financial statements of Clear Rate Holdings, Inc. and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for the years then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024 and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Atlanta, Georgia
April __, 2026

CLEAR RATE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2025 AND 2024

ASSETS

	2025	2024
CURRENT ASSETS:		
Cash and cash equivalents	$ 249,918	$ 104,389
Accounts receivable - net	1,959,828	2,212,449
Inventories - net	1,344,274	1,539,317
Prepaid expenses and other current assets	1,082,902	1,803,113
Total current assets	4,636,922	5,659,268
PROPERTY AND EQUIPMENT - NET	8,327,084	8,803,653
OTHER ASSETS:		
Other assets	1,449,667	2,026,282
Deferred tax assets - net	-	-
Goodwill - net	9,793,264	11,496,439
Operating lease right-of-use assets - net	2,114,067	2,504,688
Total other assets	13,356,998	16,027,409
TOTAL	$ 26,321,004	$ 30,490,330

LIABILITIES AND STOCKHOLDERS' EQUITY

	2025	2024
CURRENT LIABILITIES:		
Lines of credit	$ 2,246,329	$ 1,548,036
Current maturities of long-term debt	1,312,500	1,137,500
Current maturities of operating lease liabilities	386,712	401,072
Accounts payable and accrued expenses	6,256,526	5,369,111
Regulatory taxes and fees payable	1,013,061	1,026,200
Deferred revenue	855,955	947,405
Total current liabilities	12,071,083	10,429,324
LONG-TERM LIABILITIES:		
Lines of credit, net of current maturities	1,108,075	861,607
Notes payable, net of current maturities and deferred financing costs	6,868,962	8,141,154
Notes payable to related parties	4,800,000	4,800,000
Operating lease liabilities, net of current maturities	1,726,333	2,113,044
Total long-term liabilities	14,503,370	15,915,805
COMMITMENTS AND CONTINGENCIES (Note 17)		
STOCKHOLDERS' EQUITY (DEFICIT)	(253,449)	4,145,201
TOTAL	$ 26,321,004	$ 30,490,330

See notes to consolidated financial statements and independent auditor's report.

CLEAR RATE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
REVENUES	$ 23,120,726	$ 27,277,208
COST OF REVENUES	14,690,719	18,252,569
GROSS PROFIT	8,430,007	9,024,639
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	10,156,915	11,337,988
LOSS FROM OPERATIONS	(1,726,908)	(2,313,349)
OTHER INCOME (EXPENSE):		
Gain on sale of property and equipment	-	44,116
Interest expense	(1,571,787)	(1,619,136)
Management fee	(349,992)	(312,499)
Change in fair value of interest rate cap	(58,336)	(61,257)
Miscellaneous expense	(689,591)	(276,641)
Total other expense	(2,669,706)	(2,225,417)
LOSS BEFORE INCOME TAX EXPENSE	(4,396,614)	(4,538,766)
INCOME TAX EXPENSE	2,036	1,239,365
NET LOSS	$ (4,398,650)	$ (5,778,131)

See notes to consolidated financial statements and independent auditor's report.

CLEAR RATE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL
Balances, December 31, 2023	$ 1,370	$ 13,698,630	$ (3,776,668)	$ 9,923,332
Net loss	-	-	(5,778,131)	(5,778,131)
Balances, December 31, 2024	1,370	13,698,630	(9,554,799)	4,145,201
Net loss	-	-	(4,398,650)	(4,398,650)
Balances, December 31, 2025	$ 1,370	$ 13,698,630	$ (13,953,449)	$ (253,449)

See notes to consolidated financial statements and independent auditor's report.

CLEAR RATE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (4,398,650)	$ (5,778,131)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	901,141	1,004,535
Non-cash lease expense	390,621	383,757
Amortization of client-site inventory	448,699	453,869
Amortization of goodwill	1,703,175	1,703,177
Amortization of debt issuance costs	40,308	40,308
Provision for credit losses	423,700	621,031
Gain on sale of property and equipment	-	(44,116)
Deferred income taxes	(3,645,458)	(1,072,764)
Valuation allowance for deferred income taxes	3,645,458	2,310,359
Changes in operating assets and liabilities:		
Accounts receivable - net	(171,079)	(771,198)
Inventories - net	(253,656)	(917,719)
Prepaid expenses and other current assets	720,211	10,660
Other assets	576,615	(358,528)
Accounts payable and accrued expenses	887,415	2,270,003
Regulatory taxes and fees payable	(13,139)	33,364
Deferred revenue	(91,450)	(99,615)
Operating lease liabilities	(401,071)	(387,412)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	762,840	(598,420)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(424,572)	(622,440)
Proceeds from the sale of property and equipment	-	178,506
NET CASH USED IN INVESTING ACTIVITIES	(424,572)	(443,934)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	1,974,779	8,615,000
Payments on line of credit	(1,030,018)	(6,705,357)
Payments on long-term debt	(1,137,500)	(875,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(192,739)	1,034,643
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	145,529	(7,711)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	104,389	112,100
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 249,918	$ 104,389

See notes to consolidated financial statements and independent auditor's report.

1. BASIS OF PRESENTATION, NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying consolidated financial statements include the accounts of Clear Rate Holdings, Inc. ("Holdings"), and its wholly owned subsidiaries Clear Rate Communications ("Communications"), and Clear Rate Telecom ("Telecom"), collectively referred to as (the "Company"). All significant intercompany accounts and transactions have been eliminated.

B. Nature of Business

Holdings was incorporated in the State of Delaware in December 2020 to hold 100% of Communications, a qualified subchapter S corporation. Communications owns 100% of Telecom, which was incorporated in the State of Michigan in January 2010.

The Company is a telecommunications provider that provides wireline and wireless voice services, internet, IT managed services and hosted phone systems to residential and business customers throughout the United States. The Company has two main lines of business: traditional and enterprise. Traditional services include voice wireless and wireline voice services as well as internet provider services for residential and small-business consumers. Enterprise services consist of voice, internet, IT managed services and hosted Private Branch Exchange ("PBX") services to customers including fiber construction and installation at customer sites.

C. Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

D. Concentrations and Credit Risk

The Company's cash deposits in financial institutions may, at times, exceed the amount insured by the Federal Deposit Insurance Corporation. Management continually monitors the soundness of these financial institutions and does not believe the Company is exposed to any significant credit risk related to cash and cash equivalents.

The Company grants credit to its customers during the normal course of business. The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers.

1. BASIS OF PRESENTATION, NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

Cash and cash equivalents consists of highly liquid investments purchased with an original maturity of three months or less.

F. Accounts Receivable - Net and Allowance for Credit Losses

Accounts receivable - net are generally due under normal trade terms, requiring payment within 30 days from the invoice date. Customer account balances with invoices over 90 days old are considered delinquent. Accounts receivable are stated at their net estimated realizable value.

The Company recognizes an allowance for credit losses in an amount equal to current expected credit losses. The estimation of the allowance is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. When developing reasonable and supportable forecasts, the Company assumes that current conditions as of the balance sheet date do not change for the remaining contractual lives of the assets.

The Company assesses collectability by pooling receivables, if and where similar characteristics exist, and evaluates receivables individually when specific customer balances no longer share those risk characteristics and are considered at risk or uncollectible. Credit loss expense is recognized in selling, general and administrative expenses. At December 31, 2025 and 2024, the Company's estimate for the allowance of credit losses was $2,076,413 and $1,896,178, respectively.

G. Inventories - Net

Inventories mainly consists of wireless and wireline equipment held for sale, which is measured at the lower of cost or net realizable value. Cost is determined using the specific identification method, which approximates actual cost incurred. A valuation allowance is provided for obsolete and slow-moving inventory to write cost down to net realizable value.

Inventory held at client sites consists of routers, modems, phones, and wireless equipment and is amortized over the estimated average life of the customer once the equipment is placed in service at the customer's location.

1. BASIS OF PRESENTATION, NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Property and Equipment - Net

The Company records property and equipment at cost. When assets are retired or otherwise disposed of, the related cost and accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statement of operations. Depreciation and amortization are provided using the straight-line method over the following estimated useful lives of the assets:

	Estimated Useful Life
Furniture and fixtures	7 years
Computers	5 years
Equipment	5 - 15 years
Data center	5 - 39 years
Fiber builds	15 years
Vehicles	5 years
Leasehold improvements	Lesser of estimated useful life or lease term

For income tax purposes, depreciation and amortization are computed using primarily accelerated methods as prescribed by federal law.

I. Right-of-Use ("ROU") Assets and Lease Liabilities

For any new or modified leases, at the inception of the contract the Company determines whether a contract is or contains a lease. For leases with terms in excess of one year, the Company records ROU assets, which represent the Company's right to use an underlying asset for the lease term, and lease liabilities, which represent the Company's obligation to make lease payments arising from the lease. For short-term leases, defined as leases with terms of twelve months or less that do not include an option to purchase the underlying asset or extend the term that the lessee is reasonably certain to exercise, the Company has elected to exclude such amounts from ROU assets and lease liabilities.

ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company uses the implicit rate to discount the lease payments when it is readily determinable. When the Company's leases do not include an implicit rate that is readily determinable, the Company has elected to use the risk-free discount rate practical expedient to determine the present value of lease payments.

1. BASIS OF PRESENTATION, NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Goodwill - Net

The Company follows provisions of Accounting Standards Update No. 2014-02, "*Intangibles - Goodwill and Other* (Topic 350): *Accounting for Goodwill* (a consensus of the Private Company Council)", which permits the amortization of goodwill over a period of 10 years or a shorter period if the Company demonstrates that another useful life is more appropriate. The Company has elected to amortize goodwill over a period of 10 years. In addition, goodwill is subject to impairment testing upon the occurrence of a triggering event. For the years ended December 31, 2025 and 2024, management does not believe any triggering events have occurred and therefore no impairment loss was recognized.

K. Deferred Financing Costs and Amortization

Deferred financing costs are recorded at cost and amortized using the straight-line method, which approximates the effective interest method over the term of the related debt.

Total unamortized deferred financing costs were $109,163 and $149,471 at December 31, 2025 and 2024, respectively. Amortization of deferred loan costs were $40,308 for the years ended December 31, 2025 and 2024, which is recorded in interest expense in the accompanying consolidated statements of operations.

L. Revenue Recognition

The Company offers services described in Note 1.B to traditional (residential and small-medium businesses) and enterprise customers and revenues are recognized over time as these services are rendered. Typically, the contract revenue is recognized ratably on a monthly basis over the term of the contract. The transaction prices for the services are defined in the agreement and allocated by service type.

The contract term for traditional customers is typically twelve months. Enterprise customers have contract lengths of three to five years. Contract revenue is recognized ratably over the month and is based on the monthly performance obligations. Services can be cancelled with certain early termination fees.

The Company incurs certain incremental costs to obtain and fulfill certain contracts. Such costs, which primarily consist of certain installation and commission costs, are capitalized as an asset and amortized over the estimated average life of the customer. Amortization expense is recorded in general and administrative expenses in the accompanying consolidated statements of operations.

1. BASIS OF PRESENTATION, NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Derivatives

The Company uses a derivative to manage risks related to interest rate movements. The Company entered into an interest rate cap agreement in 2021. The interest rate cap contract is reported at fair value. The changes in fair value for the years ended December 31, 2025 and 2024, are included in other income (expense) on the consolidated statements of operations.

N. Fair Value Measurements

The Financial Accounting Standards Board ("FASB") has established a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Derivatives are valued based on Level 1 inputs.

O. Advertising Costs

Advertising costs are expensed as incurred and totaled approximately $79,000 and $167,000 for the years ended December 31, 2025 and 2024, respectively.

1. BASIS OF PRESENTATION, NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Income Taxes

The Company is organized as a C-Corporation and records deferred income taxes to reflect the tax consequences of temporary differences between the assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes.

Deferred income tax assets and liabilities are measured using enacted rates in effect for the year in which those temporary differences are expected to be recovered or settled. Under this guidance, the effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. A valuation allowance is provided, if necessary, to reduce deferred income tax assets to a level which, more likely than not, will be realized.

The Company records a liability for unrecognized tax benefits resulting from uncertain tax positions, if any, taken or expected to be taken in a tax return. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense in the consolidated statements of operations. The Company has analyzed its tax positions taken and has concluded that as of December 31, 2025 and 2024, there are no uncertain tax positions taken or expected to be taken.

Q. Cash Flow Information

Cash paid for interest during the years ended December 31, 2025 and 2024 totaled $969,681 and $1,142,049, respectively. Additionally, cash receipts from the derivative instrument totaled $54,903 and $100,948 for the years ended December 31, 2025 and 2024, respectively.

R. Recently Adopted Accounting Pronouncements

In July 2025, the Financial Accounting Standards Board issued Accounting Standards Update 2025-05, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets ("ASU 2025-05")*, which provides a practical expedient that permits entities to assume that current conditions as of the balance sheet date remain unchanged for the remaining contractual lives of the assets when estimating expected credit losses for certain accounts receivable and contract assets.

ASU 2025-05 also provides for an accounting policy election that allows entities that have elected the practical expedient to consider collection activity occurring after the balance sheet date when estimating expected credit losses.

ASU 2025-05 is effective for annual reporting periods beginning after December 15, 2025, with early adoption permitted. The Company adopted ASU 2025-05 as of December 31, 2025 and elected the practical expedient. The Company did not elect the related accounting policy election to consider subsequent collection activity. The adoption of ASU 2025-05 did not have a material impact on the Company's consolidated financial statements.

1. BASIS OF PRESENTATION, NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Reclassifications

Certain reclassifications have been made to the consolidated 2024 financial statements to conform to the 2025 presentation. Such reclassifications had no impact on the Company's net loss, stockholders' equity or operating cash flows.

T. Subsequent Events

The Company evaluated subsequent events through April __, 2026, the date which the consolidated financial statements were available to be issued.

2. ACCOUNTS RECEIVABLE - NET

Accounts receivable - net consisted of the following at December 31, 2025 and 2024:

	2025	2024
Trade receivables	$ 3,997,628	$ 4,059,417
Other receivables	38,613	49,210
Total	4,036,241	4,108,627
Less: allowance for credit losses	(2,076,413)	(1,896,178)
Total	$ 1,959,828	$ 2,212,449

Changes in the allowance for credit losses during the year ended December 31, 2025 were as follows:

Balance, beginning of year	$ 1,896,178
Credit loss expense	423,700
Net adjustments to allowance	(243,465)
Balance, end of year	$ 2,076,413

3. INVENTORIES - NET

Inventories - net consisted of the following at December 31, 2025 and 2024:

	2025	2024
Equipment inventory	$ 301,684	$ 197,300
Wireless inventory	48,134	111,289
Fiber material inventory	171,070	183,020
Equipment inventory on client site-net of accumulated amortization of $507,702 and $374,026	297,794	431,470
Wireless inventory on client site-net of accumulated amortization of $741,345 and $426,322	525,592	616,238
Total	$ 1,344,274	$ 1,539,317

3. INVENTORIES - NET (Continued)

For the years ended December 31, 2025 and 2024, amortization expense related to equipment inventory on client sites totaled $448,699, and $453,869, respectively, and is recorded in cost of revenues in the accompanying consolidated statements of operations.

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following at December 31, 2025 and 2024:

	2025	2024
Prepaid commissions	$ 386,878	$ 975,564
Software support	81,747	90,388
Installation costs	163,920	188,640
Carrier costs	204,828	245,120
Insurance	33,539	81,048
Other	211,990	222,353
Total	$ 1,082,902	$ 1,803,113

5. PROPERTY AND EQUIPMENT - NET

Property and equipment - net consisted of the following at December 31, 2025 and 2024:

	2025	2024
Leasehold improvements	$ 124,803	$ 124,803
Furniture and fixtures	152,380	152,380
Computers	109,779	109,779
Equipment	891,687	874,773
Data center	1,618,716	1,618,716
Fiber builds	8,872,580	8,491,920
Vehicles	42,836	42,836
Construction in progress	324,530	297,532
Total	12,137,311	11,712,739
Less: accumulated depreciation and amortization	(3,810,227)	(2,909,086)
Property and equipment - net	$ 8,327,084	$ 8,803,653

For the years ended December 31, 2025 and 2024, depreciation and amortization expense related to property and equipment totaled $901,141 and $1,004,535, respectively.

6. OTHER ASSETS

Other assets consisted of the following at December 31, 2025 and 2024:

	2025	2024
Long-term prepaid commissions	$ 1,292,551	$ 1,830,830
Interest rate cap	20,202	78,538
Deposits	136,914	116,914
Total	$ 1,449,667	$ 2,026,282

For the years ended December 31, 2025 and 2024, amortization expense of $930,887 and $926,462, respectively, associated with prepaid commissions (current and long-term) was recorded in selling, general and administrative expenses in the accompanying consolidated statements of operations.

During 2023, the Company entered into an interest rate cap agreement with an initial notional value of $4,250,000. The notional amount decreases on a monthly basis over the life of the note through the maturity date. The notional value was $2,687,500 and $3,343,750 as of December 31, 2025 and 2024, respectively.

7. GOODWILL - NET

The gross carrying amounts and accumulated amortization for goodwill - net consisted of the following at December 31, 2025 and 2024:

	2025	2024
Goodwill	$17,031,763	$17,031,763
Less: accumulated amortization	(7,238,499)	(5,535,324)
Total	$ 9,793,264	$11,496,439

Amortization expense related to goodwill totaled $1,703,175 and $1,703,177 for the years ended December 31, 2025 and 2024, respectively. The following is a schedule of estimated future amortization expense related to goodwill:

Year Ending December 31:	
2026	$ 1,703,177
2027	1,703,177
2028	1,703,177
2029	1,703,177
2030	1,703,177
Thereafter	1,277,379
Total	$ 9,793,264

8. LINES OF CREDIT

In September 2023, the Company refinanced its line of credit facility with another financial institution for $5,000,000, consisting of a $2,250,000 revolving line of credit ("Revolver") and a $2,750,000 capital expenditure line of credit ("CapEx"), both maturing in September 2028. The credit facilities are collateralized by substantially all assets of the Company and are guaranteed by Holdings.

The Revolver and CapEx accrue interest at SOFR plus 3.75% (7.90% and 8.39% as of December 31, 2025 and 2024, respectively). The Revolver requires monthly interest-only payments with the outstanding balance due at maturity. As of December 31, 2025 and 2024, outstanding borrowings under the Revolver totaled $2,019,186 and $1,400,000, respectively.

The CapEx facility is payable over an 84-month amortization schedule with monthly payments beginning in April 2024. Outstanding borrowings under the Cap Ex facility as of December 31, 2025 and 2024 were $1,335,218 and $1,009,643, respectively.

Future maturities of the Cap Ex are as follows:

Year Ending December 31:	
2026	$ 227,143
2027	227,143
2028	880,932
Total	$ 1,335,218

9. LONG-TERM DEBT

In September 2023, the Company refinanced an existing loan agreement with another financial institution which provided for a term loan of $10,500,000. The loan is payable in monthly principal installments, in the amount set forth in the loan agreement, beginning October 1, 2023, with interest at SOFR plus 3.75%. (7.90% and 8.39% as of December 31, 2025 and 2024, respectively) All outstanding principal and unpaid interest is due upon maturity in September 2028.

Long-term debt as of December 31, 2025 and 2024, consists of the following:

	2025	2024
Term loan	$ 8,290,625	$ 9,428,125
Less: current maturities	(1,312,500)	(1,137,500)
Long-term debt, net of current maturities	6,978,125	8,290,625
Less: unamortized loan costs	(109,163)	(149,471)
Long-term debt, net of current maturities and unamortized loan costs	$ 6,868,962	$ 8,141,154

9. LONG-TERM DEBT (Continued)

Future maturities of long-term debt are as follows:

Year Ending December 31:	
2026	$ 1,312,500
2027	1,400,000
2028	5,578,125
Total	$ 8,290,625

Under the terms of the line of credit and long-term debt agreements, the Company is required to be in compliance with certain covenants including, among other items, maintenance of certain leverage and fixed charge ratios. As of December 31, 2024, the Company was in compliance with its financial covenants. As of December 31, 2025, the Company was in compliance with the fixed charge coverage ratio and was not in compliance with the senior leverage ratio. The lender issued a waiver for the senior leverage ratio violation on December 31, 2025.

10. NOTES PAYABLE TO RELATED PARTIES

Notes payable to related parties consisted of the following at December 31, 2025 and 2024:

	2025	2024
Note payable to a related party in semi-annual principal installments of $691,333 beginning April 1, 2027; interest-only payment due quarterly with interest of 12%; maturing October 2029.	$ 4,105,000	$ 4,105,000
Note payable to a related party in semi-annual principal installments of $41,667 beginning April 1, 2027; interest-only payment due quarterly with interest of 12%; maturing October 2029.	250,000	250,000
Note payable to a related party in semi-annual principal installments of $41,667 beginning April 1, 2027; interest-only payment due quarterly with interest of 12%; maturing October 2029.	250,000	250,000
Note payable to a related party in semi-annual principal installments of $20,500 beginning April 1, 2027; interest-only payment due quarterly with interest of 12%; maturing October 2029.	123,000	123,000

10. NOTES PAYABLE TO RELATED PARTIES (Continued)

Notes payable to related parties consisted of the following at December 31, 2025 and 2024 (Continued):

Note payable to a related party in semi-annual principal installments of $7,167 beginning April 1, 2027; interest-only payment due quarterly with interest of 12%; maturing October 2029.	43,000	43,000
Note payable to a related party in semi-annual principal installments of $4,833 beginning April 1, 2027; interest-only payment due quarterly with interest of 12%; maturing October 2029.	29,000	29,000
Total	$ 4,800,000	$ 4,800,000

Future maturities of notes payable to related parties are as follows:

Year Ending December 31:	
2026	$ -
2027	1,614,334
2028	1,614,334
2029	1,571,332
Total	$ 4,800,000

11. LEASE OBLIGATIONS

The Company leases office, storage, and parking spaces under non-cancelable operating leases with various lease terms through June 2031.

The future minimum rental lease payments under non-cancelable operating leases with initial lease terms in excess of one year, and the reconciliation of undiscounted cash flows to the discounted lease liability as of December 31, 2025, are as follows:

Year Ending December 31:	
2026	$ 420,632
2027	395,797
2028	397,882
2029	399,966
2030	402,051
Thereafter	201,547
Total	2,217,875
Less: interest	(104,830)
Present value of lease liabilities	2,113,045
Less: current maturities	(386,712)
Long-term lease liabilities	$ 1,726,333

11. LEASE OBLIGATIONS (Continued)

The future minimum rental lease payments after 2026 are calculated under the assumption the Company will exercise its five-year extension option at the end of the current lease term.

The following operating lease expenses are included in the accompanying consolidated statements of operations for the years ended December 31, 2025 and 2024:

	2025	2024
Operating lease costs	$ 431,527	$ 431,527
Other information -		
Cash paid for amounts included in the measurement of lease liabilities -		
Operating cash flows	$ 441,979	$ 435,181
Weighted-average remaining lease term	5.46 years	6.41 years
Weighted-average discount rate	1.76%	1.76%

12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at December 31, 2025 and 2024:

	2025	2024
Accounts payable	$ 4,707,694	$ 4,357,034
Accrued interest	1,219,602	657,804
Accrued compensation	329,230	354,273
Total	$ 6,256,526	$ 5,369,111

13. RELATED PARTY TRANSACTIONS

The Company has related party debt obligations with its stockholders under multiple separate agreements. These agreements are summarized in Note 10.

In 2021, the Company entered into a Management Agreement with the Manager of its majority stockholder for an initial term of five years. Under the terms of the Management Agreement, a management fee is payable monthly at an annual rate of $250,000 for the period from October 1, 2021 through September 30, 2023. The management fee increases by $50,000 annually each October through October 1, 2026 and automatically renews at $400,000 annually thereafter. If the Company's earnings before interest, income taxes, depreciation, and amortization is $6,000,000 prior to the year ended October 1, 2026, the management fee will automatically increases to $400,000 per year.

The Company entered into a Subordination Agreement for the management fee in September 2023 in conjunction with its refinancing. Under the terms of the amendment, the management fee is to not to exceed $500,000 per annum, and management expenses are not to exceed $75,000 per annum, through September 2028. As of December 31, 2025 and 2024, approximately $420,000 and $87,500, respectively, of unpaid management fee are included in accounts payable and accrued expenses on the consolidated balance sheets. Management expenses, including the management fee, are included in general and administrative expenses and totaled $374,036 and $341,698 for the years ending December 31, 2025 and 2024, respectively.

14. INCOME TAXES

Components of the provision for income taxes for the years ended December 31, 2025 and 2024 were as follows:

	2025	2024
Current:		
Federal	$ -	$ -
State	2,036	1,770
Total	$ 2,036	$ 1,770
Deferred:		
Federal	$ -	$ 977,615
State	-	259,980
Total	-	1,237,595
Total income tax expense	$ 2,036	$ 1,239,365

The components of the deferred tax assets and liabilities recognized in the Company's consolidated balance sheets at December 31, 2025 and 2024 are as follows:

	2025	2024
Deferred income tax assets:		
Allowance for credit losses	$ 221,481	$ 177,114
Operating lease ROU asset	-	2,347
Accrued vacation	-	18,667
Transaction costs	231,304	253,373
Goodwill	798,419	677,465
Net operating loss	3,956,186	2,981,335
Valuation allowance	(3,645,458)	(2,310,359)
Total	$ 1,561,932	$ 1,799,942
Deferred income tax liabilities:		
Operating lease ROU asset	$ (254)	$ -
Unrealized gains on investments	(4,107)	(4,116)
Prepaids and other assets	(268,229)	(447,382)
Property and equipment	(1,289,342)	(1,348,444)
Total	(1,561,932)	(1,799,942)
Total deferred tax assets - net	$ -	$ -

At December 31, 2025 and 2024, the Company has federal net operating loss carryforwards of approximately $14,561,081 and $11,779,908, respectively, and state net operating loss carryforwards of $6,091,589 and $3,785,136, respectively, for income tax purposes, which will be available to offset future taxable income. The net operating losses have an indefinite carryforward period.

At December 31, 2025 and 2024, valuation allowances of $3,645,458 and $2,310,359, respectively, were recorded against deferred tax assets related to the federal and state net operating loss carryforwards that are not expected to be realized.

15. EQUITY COMPENSATION

On October 1, 2021, the Company adopted the 2021 Equity Compensation Plan (the "Plan") to grant stock options to purchase shares of common stock of the Company. The Plan authorized 4,110 shares of Company stock at an exercise price of $100 per share. On June 15, 2022, the Plan was amended to reduce the number of authorized shares to 1,370. During 2021, a board member was granted stock options based upon specific performance criteria to purchase 1,370 shares of Company stock under the Plan. The option is exercisable for a period of ten years from the date of grant. No stock options were granted or exercised during the years ended December 31, 2025 and 2024. Accordingly, no stock based compensation was recognized.

16. CONCENTRATIONS

For the year ended December 31, 2025, three vendors accounted for approximately $7,099,000 or 48% of total cost of revenues. Amounts due to these vendors totaled approximately $2,929,000 or 63% of accounts payable at December 31, 2025.

For the year ended December 31, 2024, three vendors accounted for approximately $9,417,000 or 52% of total cost of revenues. Amounts due to these vendors totaled approximately $2,516,000 or 56% of accounts payable at December 31, 2024.

17. COMMITMENTS AND CONTINGENCIES

The Company from time to time may be involved in various legal claims, actions and complaints, generally arising out of the normal course of business. Although it is difficult to predict the ultimate outcome of any potential or threatened litigation, management believes that any potential exposure to loss will not materially affect the consolidated balance sheets or consolidated statements of operations of the Company.

The Company currently is disputing certain accounts payable with carriers that it claims overcharged them or arbitrarily increased rates without proper notice. Management believes that it will be successful in disputing these amounts; however, the outcome remains uncertain. Payables in dispute with carriers totaled $1,530,808 and $477,614 as of December 31, 2025 and 2024; respectively. Accordingly; no contingent asset or liability has been reported on the accompanying consolidated balance sheets.

2025 Audit Summary

MOORE COLSON

Summary of Posted Adjustments

Unadjusted Net Loss		**$ 3,447,350**
To record current year tax provision	892,967	
To true up interest rate cap to fair market value at year end	58,336	
To record rounding adjustment to administrative expenses	(3)	
Total adjustments to net loss		951,300
Adjusted Net Loss		**$ 4,398,650**
Unadjusted Equity (Deficit)		**$ 697,854**
Total adjustments to net loss - excluding rounding adjustment	(951,303)	
Total adjustments to equity		(951,303)
Adjusted Equity (Deficit)		**$ (253,449)**

Note: There were balance sheet only adjustments including: a recurring entry to mark the fixed assets to NBV from the acquisition ($6.5M) and a recurring entry to adjust amortizing inventory for amortization incurred prior to 10/1/2021 remaining on the balance sheet at 12/31/2025 ($56k).

Summary of Passed Adjustments

Adjusted Net Loss		**$ 4,398,650**
To record effect on goodwill from change in accounting policy for install costs	(19,177)	
To record passed adjustment for variance related to accumulated amortization of goodwill - related to prior period adjustments in 2022.	(46,627)	
Total passed adjustments to net loss		(65,804)
Passed Adjusted Net Loss		**$ 4,332,846**
Adjusted Deficit		**$ (253,449)**
Effect on equity related to the change in accounting policy for install costs	(167,804)	
Passed adjustments to net loss	65,804	
Total passed adjustments to equity		(102,000)
Passed Adjusted Deficit		**$ (355,449)**

Summary of Reclassifications

Description	Amount
To reclassify accounts payables in dispute to long-term payables	$ 1,530,808
To reclassify current maturities of long-term debt	1,312,500
To reclassify current maturities prepaid commissions	1,292,551
To reclassify current maturities of CAPEX letters of credit	1,108,075
To reclassify current maturities of lease liabilities	386,712
To reclassify accounts receivable with credit balances to accounts payable	303,163
To reclassify accounts payable with debit balances to accounts receivable	31,791
Total Reclassifications	**$5,965,600**

Key Performance Indicators

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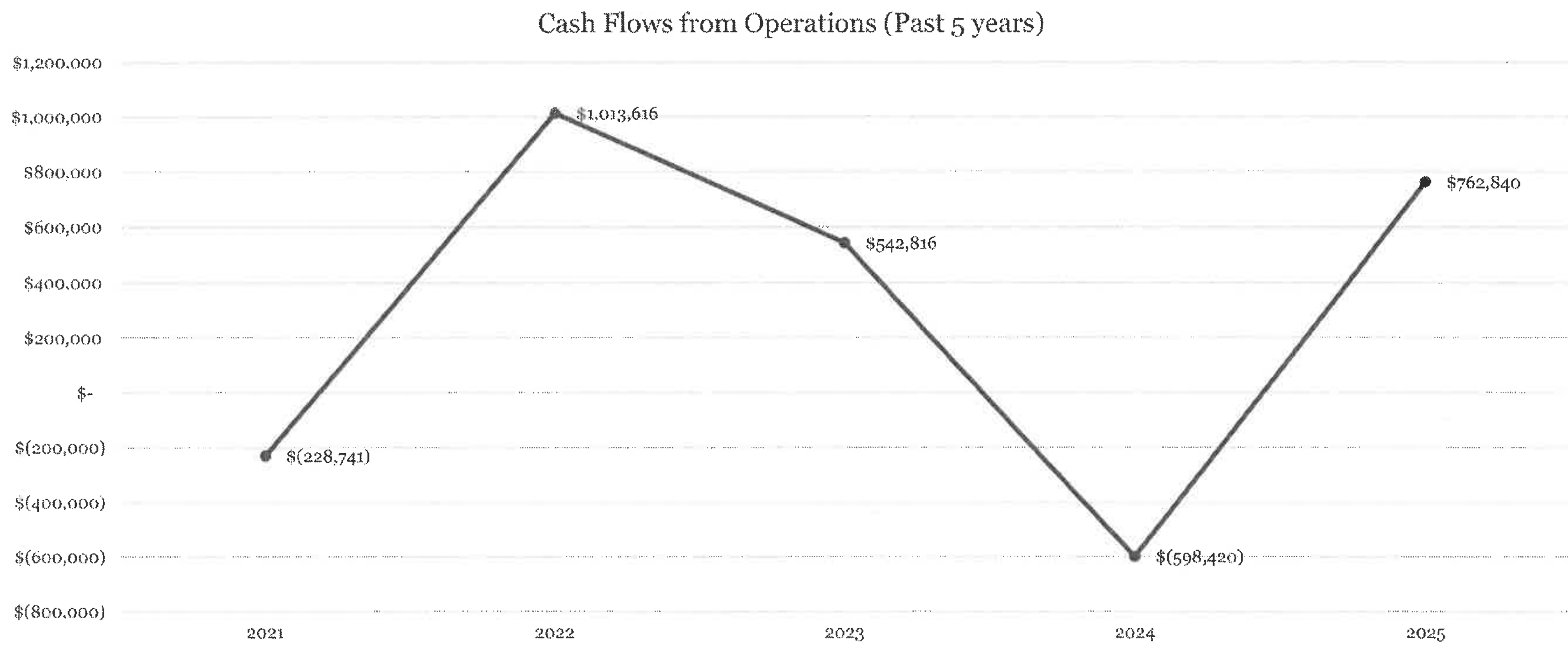
Cash Flows from Operations



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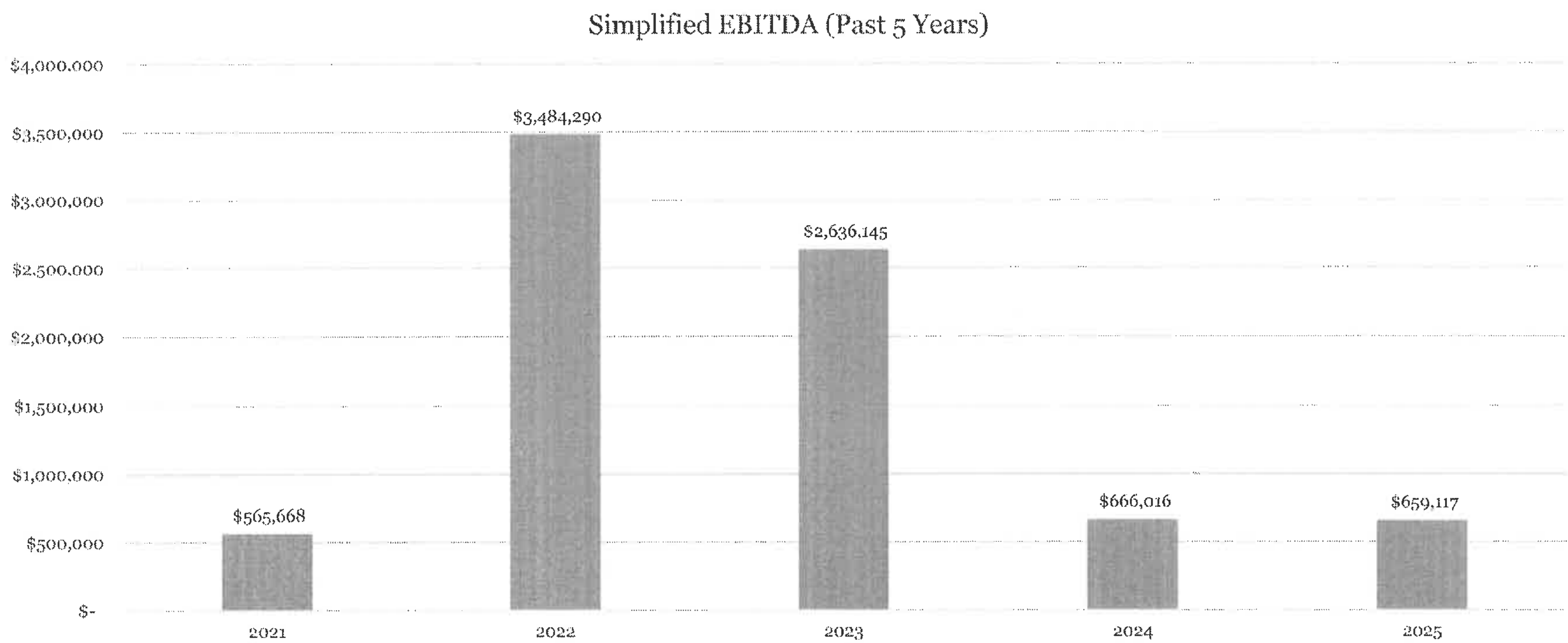
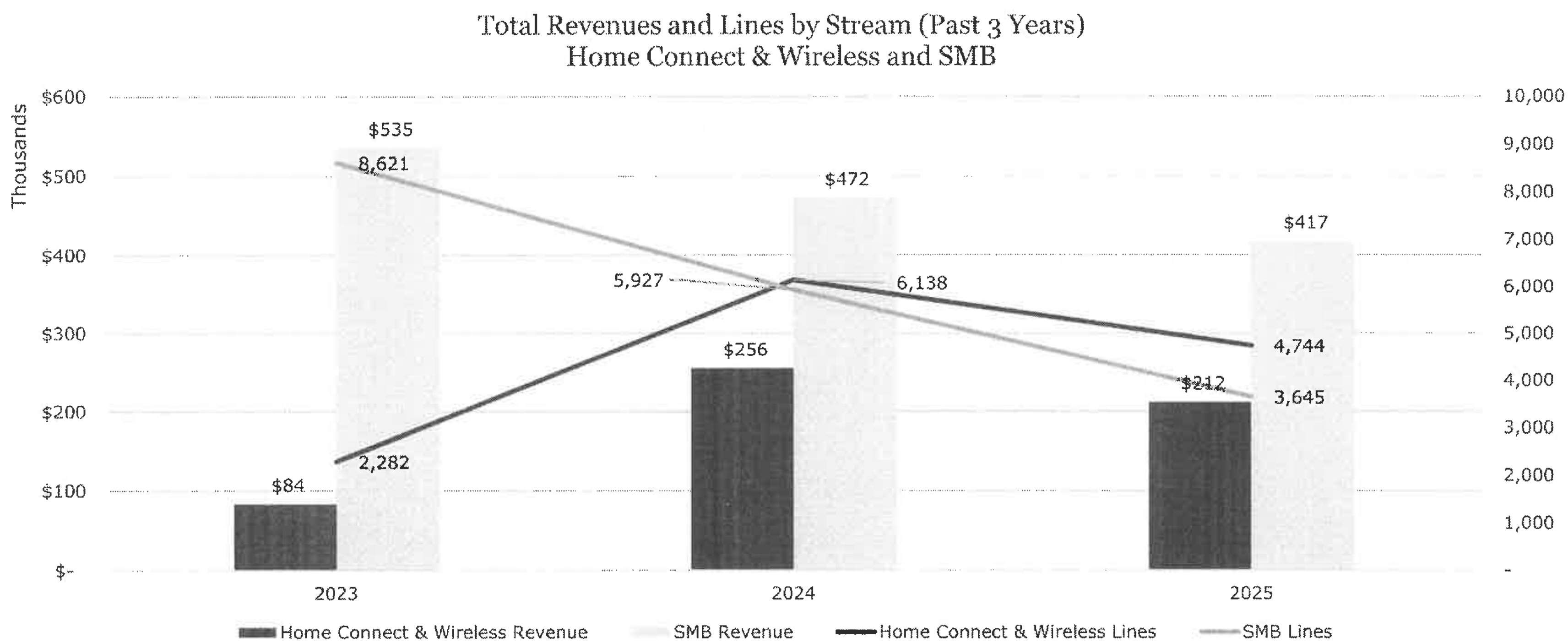
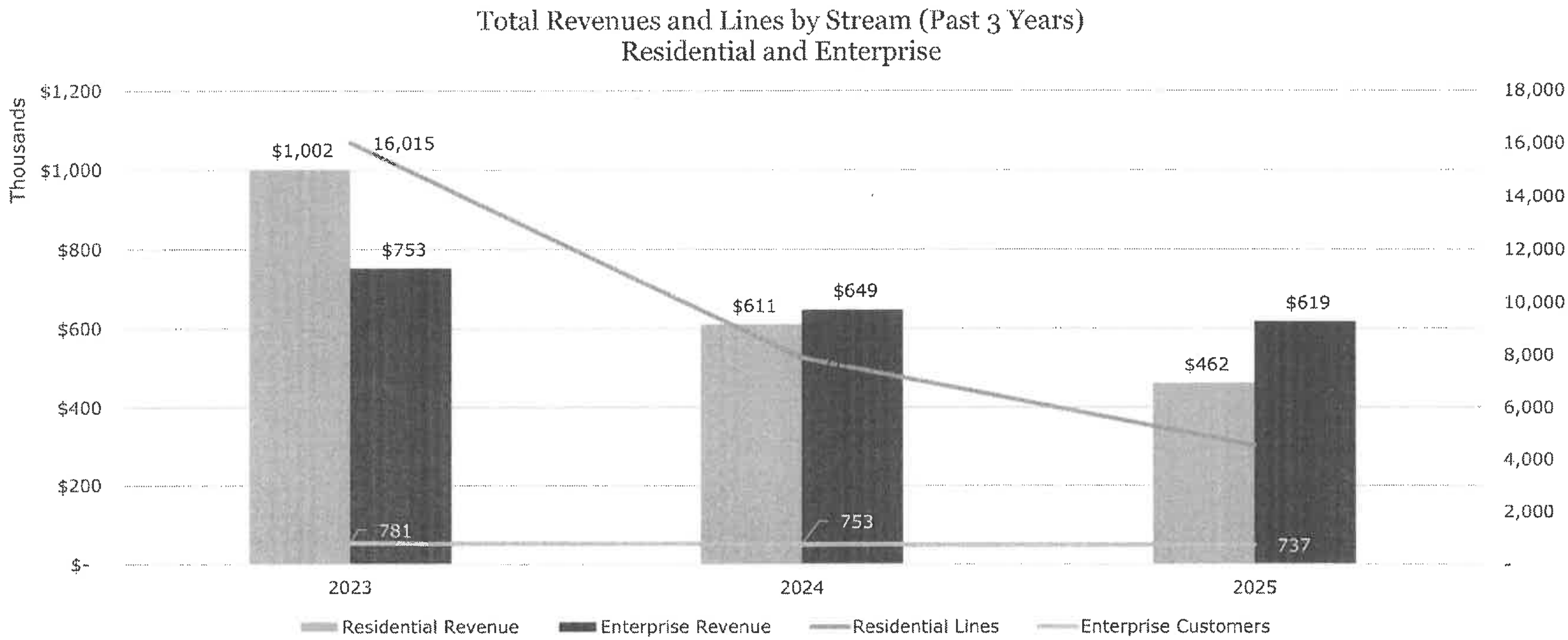
Simplified EBITDA



Revenue and Lines by Stream



Revenue and Lines by Stream
(Continued)



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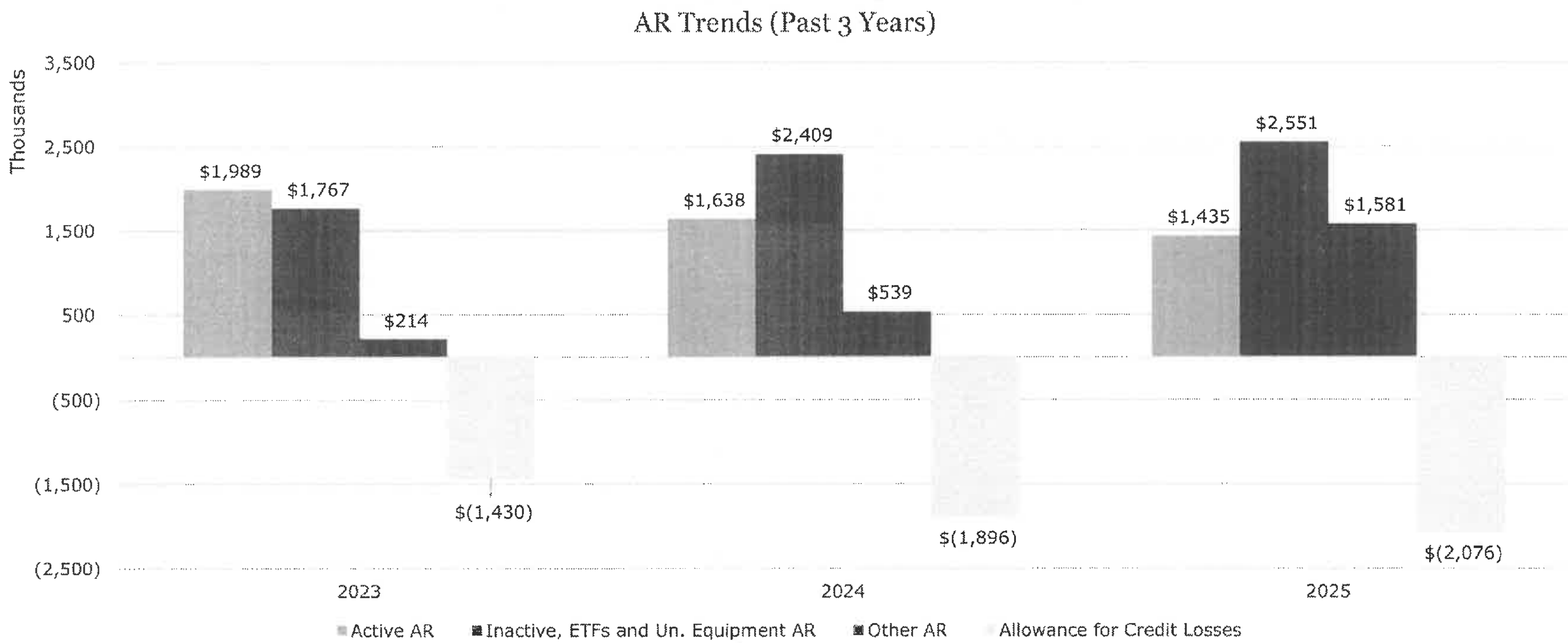
Sales per Unit by Stream

	2023	2024	2025
Home Connect & Wireless	$35	$42	$46
SMB	$61	$73	$102
Residential	$59	$72	$97
Enterprise	$895	$897	$890

Active/Inactive AR Trends



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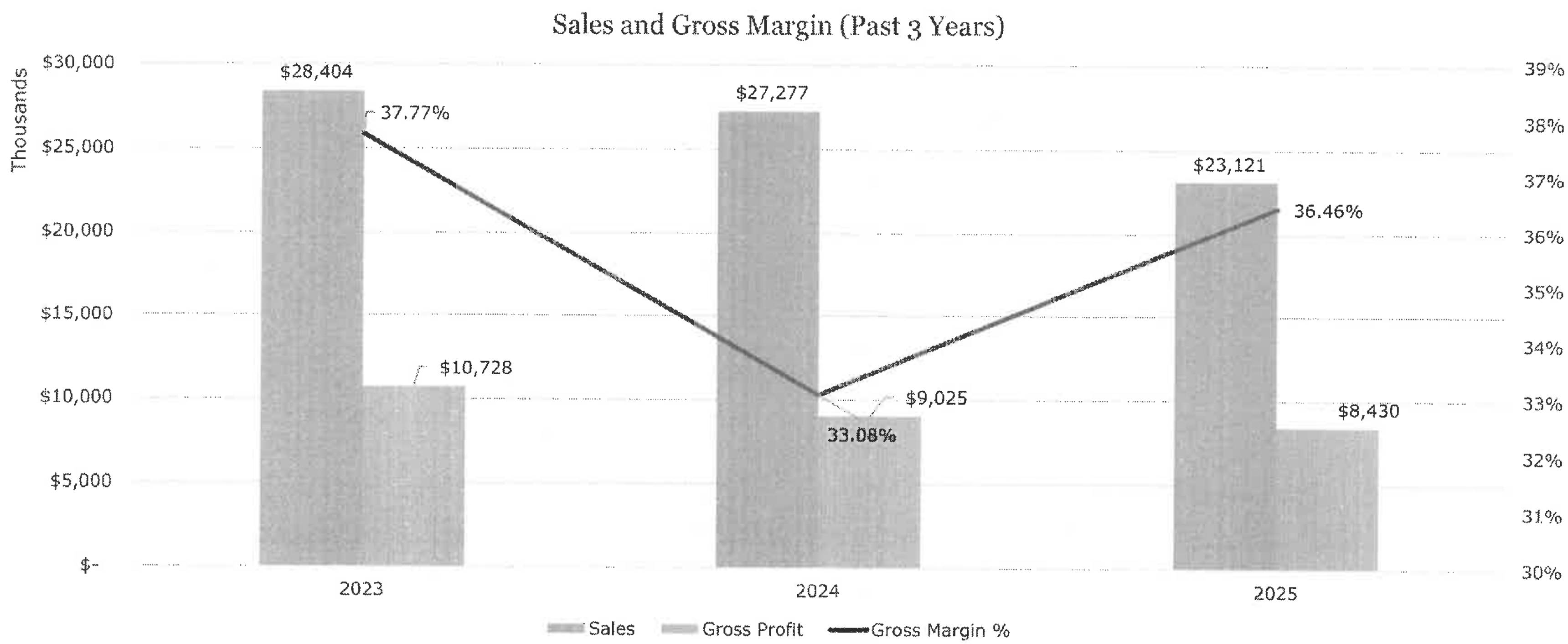
Sales and Gross Margin



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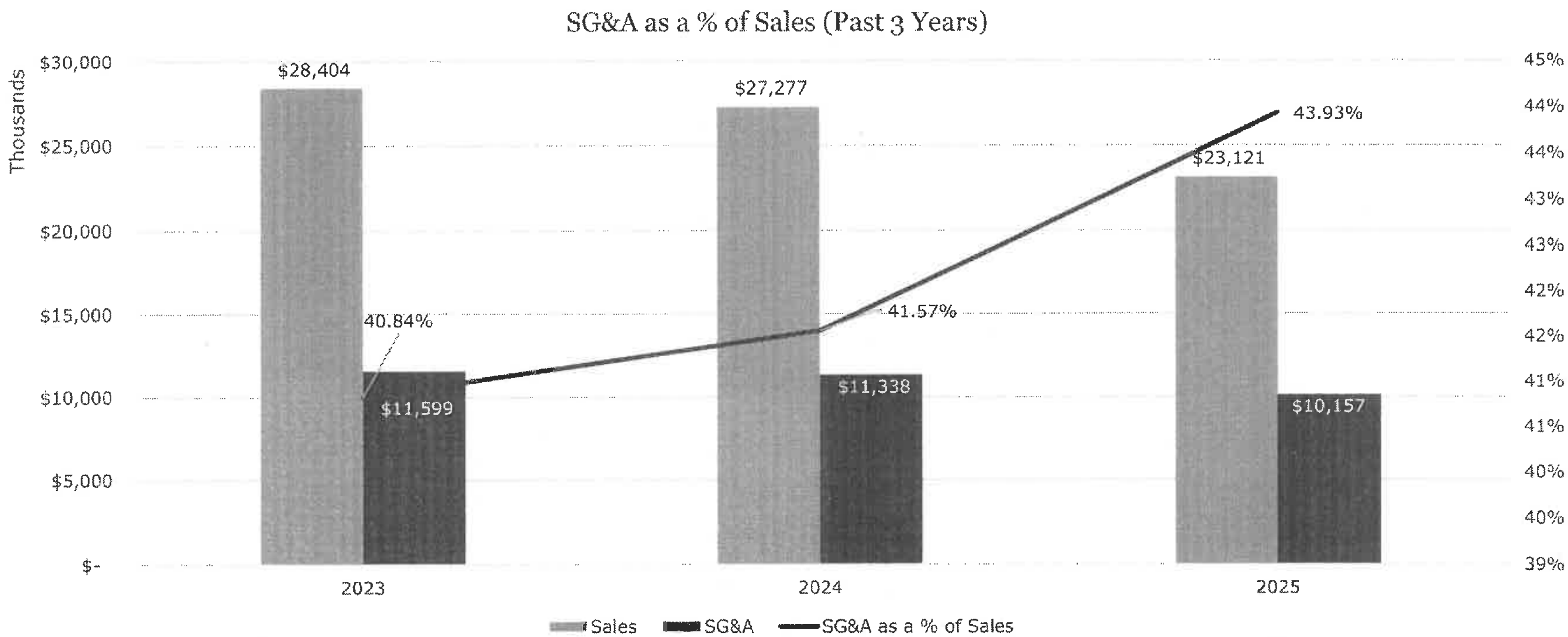
SG&A as a % of Sales



Discussion Topics

ACCOUNTING STANDARDS OVERVIEW
2025 ADOPTION

ASU 2025-05 – Measurement of Credit Losses for Accounts Receivable and Contract Assets

- Provides a practical expedient that permits entities to assume that current conditions as of the balance sheet date remain unchanged for the remaining contractual lives of the assets when estimating expected credit losses for certain accounts receivable and contract assets. Provides for an accounting policy election that allows entities that have elected the practical expedient to consider collection activity occurring after the balance sheet date when estimating expected credit losses.
- The Company has adopted ASU 2025-05 as of December 31, 2025 and elected the practical expedient but did not elect the related accounting policy election to consider subsequent activity.
- The adoption of ASU 2025-05 did not have a material impact to the Company and its estimation of expected credit losses.

ACCOUNTING STANDARDS OVERVIEW (Continued)

ASU 2023-09 – Income Taxes (Topic 740): Improvements to Income Tax Disclosures

- Requires qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate.
- Requires amount of income taxes paid (net of refunds) disaggregated by federal/state/foreign.
- Effective for annual periods beginning after December 31, 2025.

No other 2025 ASUs applicable to the Company.

REQUIRED COMMUNICATIONS

Significant Audit Matters

- You are responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Company are described in Note 1 to the consolidated financial statements. Except for ASU 2025-05, no new accounting policies were adopted, and the application of existing policies was not changed during the year ended December 31, 2025. We noted no transactions entered by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

REQUIRED COMMUNICATIONS
(Continued)

Accounting Estimates

- Accounting estimates are an integral part of the financial statements and are based on your knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements include:
  - Allowance for credit loss
  - Prepaid commissions
  - Estimated customer life
  - Useful lives of P&E

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REQUIRED COMMUNICATIONS
(Continued)

Uncorrected Misstatements

- Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. A summary of uncorrected misstatements have been included within these materials on the Summary of Passed Adjustments page.

Disclosures

- The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

- We encountered no significant difficulties in performing and completing the audit.

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REQUIRED COMMUNICATIONS (Continued)

Disagreements with Management

- For purposes of this summary, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Internal Controls

- Our consideration of internal control was for the limited purpose of understanding the processes and procedures of the Company and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We identified no material weaknesses or significant deficiencies during our audit procedures.

AUDIT FINALIZATION STEPS

- Approval of Draft Audit Report
- Subsequent Events Procedures
- Management Representation Letter Executed

Appendix A: Observations and Recommendations

Observations and Recommendations
Internal Control Related Items

Internally-Developed, Data Intensive Spreadsheets

- **Observation** – Upon inspection of PBC's, including prepaid commissions workbook, reserve for expected credit losses, the daily revenue report, and monthly deferred revenue calculation, its appears that each of these account balances require significant time and effort to manually reconcile prior to uploading the monthly journal entry to the GL. The excel schedules also appear to be susceptible to manual error and require a thorough and precise review in order to evaluate that the information is accurate and complete.

- **Recommendation** – Consider implementing spreadsheet controls within the workbook to protect historical data, formula-driven cells, and new information that has been imported and reviewed. There is opportunity to automate manual processes that are data intensive and time consuming to allow you to focus on analyzing the data versus preparing the data.

Observations and Recommendations
Internal Control Related Items (Continued)

Formal Going Concern Analysis

- **Observation** – There is no formal going concern analysis performed by management.
- **Recommendation** – We recommend that on an annual basis management performs a formal going concern analysis when there are factors and circumstances (e.g., working capital deficit, recurring losses, negative operating cash flows, etc.) that may raise substantial doubt about the Company's ability to continue as a going concern.

Thank You

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Envision More