F5 NETWORKS INC

FORM 8-K/A
(Unscheduled Material Events)

Filed 9/15/2003 For Period Ending 7/23/2003

Address	401 ELLIOT AVE WEST STE 500
	SEATTLE, Washington 98119
Telephone	206-272-5555
CIK	0001048695
Industry	Computer Networks
Sector	Technology
Fiscal Year	09/30

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report: July 23, 2003

Commission File Number: 000-26041

F5 Networks, Inc.

(Exact name of registrant as specified in its chapter)

Washington	**91-1714307**
(State or other jurisdiction of incorporation or organization)	(I.R.S Employer Identification No.)

401 Elliott Avenue West
Seattle, WA 98119
(Address of principal executive offices and zip code)

(206) 272-5555
(Registrant’s telephone number, including area code)

TABLE OF CONTENTS

Item 2. Acquisition or Disposition of Assets

Our original Form 8-K, dated July 23, 2003, was filed to announce our acquisition of uRoam, Inc. The purpose of this Form 8-K/A is to provide the financial statements of uRoam, Inc. required by Item 7(a) of Form 8-K and the pro forma financial information required by Item 7 (b) of Form 8-K. This information was excluded from the original filing in reliance upon item 7(a)(4) of Form 8-K. On July 23, 2003, we acquired substantially all of the assets and assumed certain liabilities of uRoam, Inc. and its subsidiaries for cash of $25.0 million. We also incurred $2.4 million of direct transaction costs for a total purchase price of $27.4 million. We accounted for the acquisition under the purchase method in accordance with Statement of Financial Accounting Standards No. 141 "Business Combinations" (SFAS No. 141). The purchase price allocation is based upon our estimates of the fair value of the assets acquired and liabilities assumed as of the acquisition date.

Item 7. Financial Statements and Exhibits

(a) Financial statements of business acquired

On October 1, 2002 uRoam, Inc., originally doing business as Filanet Corporation (Filanet), purchased uRoam Acquisition Corporation (formerly uRoam, Inc.). In December 2002, uRoam, Inc. discontinued the operations formerly conducted by Filanet and changed its name to uRoam, Inc. See Exhibit 99.1 for the audited consolidated financial statements of uRoam, Inc. (formerly Filanet) for the year ended December 31, 2002 and Exhibit 99.2 for the unaudited consolidated financial statements of uRoam, Inc. for the six months ended June 30, 2003 and 2002. We have also included on Exhibit 99.3 the financial statements of uRoam Acquisition Corporation for the nine months ended September 30, 2002 to provide a complete year of financial results for the acquired business.

(b) Pro forma financial information

The following unaudited pro forma condensed combined consolidated financial statements have been derived by the application of pro forma adjustments to the historical consolidated financial statements of F5 Networks, Inc. (F5 Networks) and uRoam, Inc. (uRoam). Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with these unaudited pro forma condensed combined consolidated financial statements.

The unaudited pro forma condensed combined consolidated balance sheet has been prepared to reflect the acquisition as if the acquisition of certain assets and assumption of certain liabilities had occurred on June 30, 2003. The unaudited pro forma condensed combined consolidated statements of operations for the year ended September 30, 2002 and for the nine months ended June 30, 2003 have been prepared to reflect the acquisition as if the acquisition occurred on October 1, 2001.

The unaudited pro forma condensed combined consolidated statements of operations for the year ended September 30, 2002 combines the consolidated statement of operations of F5 Networks for the fiscal year ended September 30, 2002 with uRoam's consolidated statement of operations for the calendar year ended December 31, 2002 and with uRoam Acquisition Corporation's statement of operations for the nine months ended September 30, 2002. We have included the nine month period of uRoam Acquisition Corporation to present a complete year of financial results for comparative pro forma reporting purposes.

The unaudited pro forma condensed combined consolidated statements of operations for the nine months ended June 30, 2003 combines the unaudited consolidated statement of operations of F5 Networks for the nine months ended June 30, 2003 with uRoam's unaudited statement of operations for the nine months ended June 30, 2003. As a result of different fiscal year ends, uRoam's results of operations for the three months ended December 31, 2002 were combined with the results of operations for the six months ended June 30, 2003 to conform to the nine month period presented for F5 Networks. uRoam's net revenues and loss from continuing operations totalled $0.1 million and $1.3 million, respectively, for the three months ended December 31, 2002.

The unaudited pro forma condensed combined consolidated financial information is based on estimates and assumptions. These estimates and assumptions have been made solely for purposes of developing this pro forma information, which is presented for illustrative purposes only and is not necessarily indicative of the combined financial position or results of operations of future periods or the results that actually would have been realized had the entities been a single entity during these periods.

F5 Networks, Inc.
Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet
As of June 30, 2003
(in thousands)

	F5 Networks	uRoam	Pro Forma Adjustments		Pro Forma
ASSETS					
Current assets					
Cash and cash equivalents	$ 18,998	$ 25	$(10,398)	(A1)	$ 8,625
Short-term investments	45,166	—	(12,000)	(A1)	33,166
Accounts receivable, net	20,372	389	(54)	(A2)	20,707
Inventories	667	—	—		667
Other current assets	4,373	152	(152)	(A3)	4,373
Total current assets	89,576	566	(22,604)		67,538
Restricted cash	6,000	—	—		6,000
Property and equipment, net	10,495	4	—		10,499
Long-term investments	32,680	—	(5,000)	(A1)	27,680
Goodwill	—	1,322	22,866	(A4)	24,188
Other assets, net	1,033	1,235	1,765	(A5)	4,033
Total assets	$139,784	$ 3,127	$ (2,973)		$139,938
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable	$ 3,896	$ 354	$ (354)	(A6)	$ 3,896
Short-term debt and capital lease obligations	—	11,118	(11,118)	(A7)	—
Accrued liabilities	12,728	2,167	(2,138)	(A8)	12,757
Deferred revenue	17,423	142	(17)	(A9)	17,548
Total current liabilities	34,047	13,781	(13,627)		34,201
Long-term liabilities	1,506	—	—		1,506
Commitments and contingencies					
Redeemable convertible preferred stock	—	15,940	(15,940)	(A10)	—
Shareholders' equity					
Common stock	137,647	25,584	(25,584)	(A10)	137,647
Stockholders receivables	—	(37)	37	(A10)	—
Accumulated other comprehensive loss	(582)	—	—		(582)
Unearned compensation	(16)	—	—		(16)
Accumulated deficit	(32,818)	(52,141)	52,141	(A10)	(32,818)
Total shareholders' equity	104,231	(26,594)	26,594		104,231
Total liabilities and shareholders' equity	$139,784	$ 3,127	$ (2,973)		$139,938

See accompanying notes to the unaudited pro forma condensed combined consolidated financial statements.

F5 Networks Inc.
Unaudited Pro Forma Condensed Combined Consolidated Statements of Operations
For the Year Ended September 30, 2002
(in thousands, except per share amounts)

		uRoam				
	F5 Networks	uRoam Acquisition Corporation	uRoam, Inc. (Formerly Filanet)	Pro Forma Adjustments		Pro Forma
Net revenues	$108,266	$ 301	$ 100	$ —		$108,667
Cost of net revenues	30,479	27	3	600	(A11)	31,109
Gross profit	77,787	274	97	(600)		77,558
Operating expenses						
Selling, general and administrative	65,626	440	1,094	—		67,160
Research and development	17,985	799	790	—		19,574
Restructuring charges	3,274	—	—	—		3,274
Amortization of unearned compensation	443	9	—	—		452
Total	87,328	1,248	1,884	—		90,460
Loss from operations	(9,541)	(974)	(1,787)	—		(12,902)
Other income (expense), net	1,420	(79)	(248)	(299)	(A12)	794
Loss before income taxes	(8,121)	(1,053)	(2,035)	(899)		(12,108)
Provision for income taxes	489	—	—	—		489
Net loss*	$ (8,610)	$(1,053)	$(2,035)	$(899)		$ (12,597)
Net loss per share – basic	$ (0.34)					$ (0.50)
Weighted average shares – basic	25,323					25,323
Net loss per share – diluted	$ (0.34)					$ (0.50)
Weighted average shares – diluted	25,323					25,323

* The loss reported for uRoam, Inc. (formerly Filanet) is the net loss from continuing operations.

See accompanying notes to the unaudited pro forma condensed combined consolidated financial statements.

F5 Networks, Inc.
Unaudited Pro Forma Condensed Combined Consolidated Statements of Operations
For the Nine Months Ended June 30, 2003
(in thousands, except per share amounts)

	F5 Networks	uRoam	Pro Forma Adjustments		Pro Forma
Net revenues	$84,262	$ 969	$ —		$85,231
Cost of net revenues	19,477	58	450	(A11)	19,985
Gross profit	64,785	911	(450)		65,246
Operating expenses					
Selling, general and administrative	48,463	3,113	—		51,576
Research and development	14,091	2,148	—		16,239
Amortization of unearned compensation	77	—	—		77
Total	62,631	5,261	—		67,892
Income (loss) from operations	2,154	(4,350)	—		(2,646)
Other income (expense), net	1,126	(546)	175	(A12)	755
Income (loss) before income taxes	3,280	(4,896)	(275)		(1,891)
Provision for income taxes	546	—	—		546
Net income (loss)*	$ 2,734	$(4,896)	$(275)		$ (2,437)
Net income (loss) per share – basic	$ 0.10				$ (0.09)
Weighted average shares – basic	26,227				26,227
Net income (loss) per share – diluted	$ 0.10				$ (0.09)
Weighted average shares – diluted	27,525				26,227

* The loss reported for uRoam is the net loss from continuing operations.

See accompanying notes to the unaudited pro forma condensed combined consolidated financial statements.

F5 NETWORKS, INC.
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Unaudited Pro Forma Presentation

On July 23, 2003, we acquired substantially all of the assets and assumed certain liabilities of uRoam, Inc. and its subsidiaries (uRoam) for cash of $25.0 million. We also incurred $2.4 million of direct transaction costs for a total purchase price of $27.4 million. We have hired substantially all of uRoam's 20 employees consisting of product development, sales and service personnel. uRoam's FirePass tm server is a comprehensive remote access product that enables users to access applications in a secure fashion using industry standard Secured Socket Layer (SSL) technology. The acquisition of uRoam is intended to allow us to quickly enter the SSL Virtual Private Network (VPN) market, broaden our customer base and augment our existing product line.

The unaudited pro forma condensed combined consolidated financial information has been prepared to give effect to the acquisition, accounted for using the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141 "Business Combinations" (SFAS No. 141). The purchase price allocation is based on management's best estimate of the fair value of the assets acquired and liabilities assumed, which, based on facts and circumstances are subject to change.

As a result of different fiscal year ends of F5 Networks and uRoam, financial information has been combined for different periods in the pro forma financial information. The unaudited pro forma condensed combined consolidated balance sheet has been prepared to reflect the acquisition as if the acquisition of certain assets and assumption of certain liabilities had occurred on June 30, 2003. The unaudited pro forma condensed combined consolidated statements of operations for the year ended September 30, 2002 and for the nine months ended June 30, 2003 have been prepared to reflect the acquisition as if the acquisition occurred on October 1, 2001. Certain reclassifications have been made to conform uRoam's historical and pro forma amounts to F5 Network's financial statement presentation.

2. Acquisition by F5 Networks

We accounted for the acquisition under the purchase method of accounting in accordance with SFAS No. 141. Under the purchase method of accounting, the total purchase price is allocated to the tangible and intangible assets acquired and the liabilities assumed based on their estimated fair values. The excess of the purchase price over those fair values is recorded as goodwill. The fair value assigned to the tangible and intangible assets acquired and liabilities assumed are based on estimates and assumptions provided by management, and other information compiled by management, including an independent valuation, prepared by an independent valuation specialist that utilizes established valuation techniques appropriate for the technology industry. The purchase price allocation is as follows (in thousands):

Assets acquired	
Accounts receivable, net	$ 335
Property and equipment	4
Developed technology	3,000
Goodwill	24,188
Total assets acquired	27,527
Liabilities assumed	
Accrued liabilities	(29)
Deferred revenue	(125)
Total liabilities assumed	(154)
Net assets acquired	$27,373

To determine the value of the developed technology, a combination of cost and market approaches were used. The cost approach required an estimation of the costs required to reproduce the acquired technology. The market approach measures the fair value of the technology through an analysis of recent comparable transactions. The $3.0

F5 NETWORKS, INC.
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL STATEMENTS

million allocated to developed technology will be amortized on a straight-line basis over an estimated useful life of five years. The $24.2 million allocated to goodwill will not be amortized but will be subject to at least an annual impairment test under the requirements of Statement of Financial Accounting Standards No. 142 "Goodwill and other Intangible Assets."

3. Pro Forma Adjustments

The unaudited pro forma adjustments reflect those matters that are a direct result of the transaction, which are factually supportable and, for pro forma adjustments to the pro forma condensed combined consolidated statements of operations, are expected to have continuing impact. The unaudited pro forma adjustments are as follows (in thousands):

(A1) F5 Networks funded the purchase of the net assets acquired with the payment of cash and cash equivalents of $10,373, short-term investments of $12,000 and long-term investments of $5,000. Additionally uRoam's cash of $25 was not acquired and has been eliminated.

(A2) Accounts receivable, net have been recorded at estimated net realizable value, which approximates fair value. Accordingly, the carrying value of uRoam's accounts receivable of $389 has been reduced by $54 to reflect amounts that were not considered to be realizable.

(A3) uRoam's other current assets of $152 were not acquired and have been eliminated.

(A4) Goodwill represents the residual of purchase cost, including direct costs relating to the acquisition, over the fair value of net assets acquired. Goodwill recorded in the uRoam acquisition totaled $24,188. The pro forma adjustment of $22,866 is net of uRoam's recorded goodwill of $1,322, which was not acquired and has been eliminated.

(A5) Other assets, net includes purchased technology of $3,000 acquired in the acquisition, net of uRoam's other assets of $1,235, which were not acquired and have been eliminated.

(A6) uRoam's accounts payable of $354 were not assumed in the acquisition and have been eliminated.

(A7) uRoam's short-term debt and capital lease obligations of $11,118 were not assumed in the acquisition and have been eliminated.

(A8) F5 Networks assumed $29 of uRoam's accrued liabilities which have been recorded at fair value. uRoam accrued liabilities of $2,138 were not assumed in the acquisition and have been eliminated.

(A9) The carrying value of uRoam's deferred revenue of $142 has been reduced by $17 to reflect the estimated fair value of F5 Networks future performance obligations.

(A10) uRoam's redeemable convertible preferred stock and stockholder's equity balances have been eliminated.

(A11) Cost of net revenues has been increased by $600 and $450 for the year ended September 30, 2002 and the nine months ended June 30, 2003, respectively. The increase reflects additional amortization of developed technology acquired in the acquisition. The developed technology of $3,000 has an estimated useful life of five years and has been reflected as if the acquisition occurred on October 1, 2001.

(A12) For the year ended September 30, 2002 and the nine months ended June 30, 2003 other income (expense), net has been adjusted to eliminate $626 and $371, respectively. The decrease reflects the historical interest income that was earned on cash held by F5 Networks that was used to fund the acquisition. Additionally, other income (expense), net has been adjusted to eliminate $327 and $546 for the same respective periods for historical interest expense on uRoam's short-term debt and capital lease obligations.

Table of Contents

(c) Exhibits

Exhibit Number	Exhibit Description
99.1	uRoam, Inc. and Subsidiaries (formerly Filanet Corporation) consolidated financial statements as of and for the year ended December 31, 2002.
99.2	uRoam, Inc and Subsidiaries (formerly Filanet Corporation) unaudited consolidated financial statements as of June 30, 2003 and for the six months ended June 30, 2003 and 2002.
99.3	uRoam Acquisition Corporation (formerly uRoam, Inc.) financial statements as of and for the nine months ended September 30, 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on the 12th day of September, 2003.

F5 NETWORKS, INC

By: /s/ John McAdam

John McAdam
Chief Executive Officer and President

By: /s/ Steven B. Coburn

Steven B. Coburn
Senior Vice President, Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Exhibit Description
99.1	uRoam, Inc. and Subsidiaries (formerly Filanet Corporation) consolidated financial statements as of and for the year ended December 31, 2002.
99.2	uRoam, Inc and Subsidiaries (formerly Filanet Corporation) unaudited consolidated financial statements as of June 30, 2003 and for the six months ended June 30, 2003 and 2002.
99.3	uRoam Acquisition Corporation (formerly uRoam, Inc.) financial statements as of and for the nine months ended September 30, 2002.

.

.
.

EXHIBIT 99.1

UROAM, INC. AND SUBSIDIARIES (FORMERLY FILANET CORPORATION)

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors uRoam, Inc. (formerly Filanet Corporation) Sunnyvale, California

We have audited the accompanying consolidated balance sheet of uRoam, Inc. and its subsidiaries (formerly Filanet Corporation) as of December 31, 2002 and the related consolidated statements of operations, stockholders' deficit, redeemable convertible preferred stock, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We did not audit the financial statements of the Company's foreign subsidiary, which statements reflect total assets of $767,000 included in assets of discontinued operations, net of intercompany balances, as of December 31, 2002. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for such subsidiary, is based solely on the report of the other auditors.

In our opinion, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of uRoam, Inc. (formerly Filanet Corporation) and its subsidiaries at December 31, 2002 and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has sustained recurring losses from operations, and has a net capital deficiency and negative working capital at December 31, 2002. These conditions raise substantial doubt about the ability of the Company to continue as a going concern. Management's plans as to these matters are also discussed in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

s\BDO Seidman, LLP

San Francisco, California

June 12, 2003, except for Note 11 which is as of July 2, 2003

UROAM, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2002
(In thousands, except share amounts)

ASSETS	
Current assets:	
Cash	$ 279
Accounts receivable	477
Prepaid expenses and other current assets	140
Total current assets	896
Property and equipment, net	5
Goodwill	1,322
Other intangible assets, net	1,031
Other assets	135
Total assets of discontinued operations, net	1,527
Total assets	$ 4,916
TOTAL LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT	
Current liabilities:	
Short-term debt	$ 7,358
Current portion of capital lease obligation	382
Accounts payable	117
Accrued liabilities	325
Deferred revenue	331
Total liabilities of discontinued operations	4,689
Total current liabilities	13,202
Commitments and contingencies	
Redeemable convertible preferred stock	15,940
Stockholders' deficit:	
Common stock, no par value; 41,958,300 shares authorized; 868,926 shares issued and outstanding	25,548
Stockholder receivables	(75)
Accumulated deficit	(49,699)
Total stockholders' deficit	(24,226)
Total liabilities, redeemable convertible preferred stock and stockholders' deficit	$ 4,916

See accompanying notes to consolidated financial statements

UROAM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2002
(In thousands)

Net revenues:	
Product sales	$ 92
Maintenance services	8
	100
Costs and expenses:	
Cost of revenue	3
Selling and marketing	633
Research and development	790
General and administrative	461
Total costs and expenses	1,887
Operating loss	(1,787)
Interest and other expense:	
Interest expense	(244)
Other expense	(4)
Total interest and other expense:	(248)
Loss from continuing operations	(2,035)
Loss from discontinued operations	(13,161)
Net loss	$(15,196)

See accompanying notes to consolidated financial statements

UROAM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT

YEAR ENDED DECEMBER 31, 2002
(In thousands, except share data)

	COMMON STOCK		NOTES RECEIVABLE FROM	ACCUMULATED	
	SHARES	AMOUNT	STOCKHOLDERS	DEFICIT	TOTAL
Balances at January 1, 2002	86,311	$ 331	$ (88)	$ (34,503)	$(34,260)
Exercise of stock options	450,809	9	--	--	9
Common stock issued for services	150,000	3	--	--	3
Vesting of non-employee stock options	--	2	--	--	2
Repayment of stockholder notes receivable	--	--	16	--	16
Accrued interest on stockholder notes receivable	--	3	(3)	--	--
Series A and Series B preferred stock converted to common stock	181,806	25,127	--	--	25,127
Issuance of warrants to purchase common stock in connection with bridge financing and guarantee of line of credit	--	73	--	--	73
Net loss	--	--	--	(15,196)	(15,196)
Balances at December 31, 2002	868,926	$ 25,548	$ (75)	$ (49,699)	$(24,226)

See accompanying notes to consolidated financial statements

UROAM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF REDEEMABLE CONVERTIBLE PREFERRED STOCK
YEAR ENDED DECEMBER 31, 2002
(In thousands, except share data)

	REDEEMABLE CONVERTIBLE PREFERRED STOCK								
	SERIES A		SERIES B		SERIES A-1		SERIES B-1		TOTAL
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	
Balances at January 1, 2002	98,217	$ 5,823	83,589	$ 19,304	--	$ --	--	$ --	$ 25,127
Sale of Series A-1, net of cash issuance costs of $186					30,461,570	5,410			5,410
Conversion of debt and accrued interest into Series A-1					1,044,386	9,080			9,080
Conversion of accrued employee compensation into Series A-1					323,655	62			62
Issuance of Series A-1 for services (executive severance, rent negotiations and consulting)					1,870,752	358			358
Issuance of Series B-1 in connection with merger							3,338,286	1,030	1,030
Series A and Series B preferred stock converted to common stock	(98,217)	(5,823)	(83,589)	(19,304)					(25,127)
Balances at December 31, 2002	--	$ --	--	$ --	33,700,363	$ 14,910	3,338,286	$ 1,030	$ 15,940

See accompanying notes to consolidated financial statements

UROAM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2002
(In thousands)

OPERATING ACTIVITIES:	
Loss from continuing operations	$ (2,035)
Adjustments to reconcile loss from continuing operations to net cash used in continuing operations:	
Depreciation and amortization	69
Non-cash interest expense	50
Compensation expense relating to stock options issued to consultants	2
Compensation expense relating to common stock issued for services	3
Changes in operating assets and liabilities, net of assets acquired and liabilities assumed:	
Accounts receivable	(232)
Prepaid expenses and other current assets	(120)
Other assets	(135)
Accounts payable	(115)
Other accrued liabilities	341
Deferred revenue	290
Net cash used in continuing operations	(1,882)
Loss from discontinued operations	(13,161)
Change in assets and liabilities of discontinued operations	3,690
Net cash used in operating activities	(11,353)
INVESTING ACTIVITIES:	
Payment of acquiree company liabilities prior to acquisition, net of cash acquired and other acquisition costs	(491)
Net cash used in investing activities	(491)
FINANCING ACTIVITIES	
Proceeds from short-term debt	7,381
Principal payments on short-term debt	(767)
Proceeds from exercise of common stock options	9
Payments received on shareholder receivable	16
Proceeds from issuance of Series A-1 convertible preferred stock	5,596
Payment of preferred stock issuance costs	(186)
Net cash provided by financing activities	12,049
NET INCREASE IN CASH	205
CASH, beginning of year	74
CASH, end of year	$ 279
NONCASH INVESTING AND FINANCING ACTIVITIES:	
Conversion of Series A and Series B preferred stock into common stock	$ 25,127
Conversion of 2002 bridge notes into Series A-1 preferred stock	9,080
Issuance of Series B-1 preferred stock in connection with acquisition	1,030
Issuance of Series A-1 preferred stock for rental renegotiation, executive separation agreement and executive search services	358
Conversion of accrued employee compensation into Series A-1 preferred stock	62
Issuance of warrants to purchase common stock in connection with 2002 bridge financing and guarantee of line of credit	73
Accrued interest on stockholder notes receivable	3
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the year for interest	$ --
Cash paid during the year for income taxes	$ 800

See accompanying notes to consolidated financial statements

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

uRoam, Inc. (collectively with its subsidiaries, the "Company" or "uRoam") was incorporated in California in 1998. From December 2000 through December 2002, the Company, originally doing business as Filanet Corporation ("Filanet"), marketed a low-cost, broadband solid-state appliance with integrated router and server functionality to small/remote offices. This product, known as the InterJak Internet Service Appliance ("InterJak Product"), enabled broadband service providers to offer a myriad of remotely managed value-added services to telecommuters and small to medium-size businesses from a single extensible platform. On October 1, 2002, the Company acquired all of the outstanding stock of uRoam, Inc. ("Predecessor uRoam"), also incorporated in California. Subsequent to the completion of the acquisition, the Company changed its name to uRoam, Inc. With this acquisition, the Company refocused its investment and resources on applications and software. Since October 1, 2002, the Company's focus has been to develop, market and sell a complete solution for secure user access to applications and desktops, and collaborative tools for real time information sharing.

As further described in Note 3, in December 2002, the Company decided to discontinue the operations formerly conducted by Filanet. As such, in accordance with generally accepted accounting principles, net assets and the results of the discontinued operations have been reflected as Discontinued Operations in the consolidated financial statements. With the discontinuance of the operations formerly conducted by Filanet, the Company's continuing operations are comprised of the business activities acquired from Predecessor uRoam and the corporate activities of the merged companies. These continuing operations are treated as a single business segment, and the Company's continuing operations have historically been conducted primarily in the United States of America, with some quality assurance and test activities being performed in Russia.

Liquidity and basis of presentation

The accompanying consolidated financial statements have been prepared on a basis that contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has incurred losses since its inception, has an accumulated deficit of $50 million and a deficit in working capital at December 31, 2002, and expects that it will continue to incur losses for the foreseeable future. The Company has been dependent on its investors to provide financing and loan guarantees to fund operating activities, and management anticipates that the Company will continue to require additional financing to fund operations. At December 31, 2002, the Company was relying on funds provided by a revolving line of credit facility guaranteed by certain investors to fund its operations. At December 31, 2002, the principal balance of this line of credit was $3 million, and there were no remaining funds available to the Company under this facility. Through April 30, 2003, the facility and related guarantees were increased to $4.89 million, and the maturity date has been extended to June 30, 2003. These circumstances raise substantial doubt about the Company's ability to continue as a going concern. Management plans to continue to pursue additional financing sufficient to fund operations of the Company until revenues from the product sales are sufficient to fund operations. Management is also exploring a possible sale of the Company. Although management continues to pursue these plans, there is no assurance that the Company will be successful in obtaining additional financing, or that the Company can be sold. If management is unable to obtain additional financing or complete a sale of the Company, operations will need to be ceased. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Principles of Consolidation

The consolidated financial statements include the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. As more fully discussed in Note 3, in December 2002, the Company discontinued all operations attributable to its business activities related to the InterJak Product line, including the operations of the Company's subsidiary located in Denmark, Filanet Europe ApS. Accordingly, these operations have been reflected as discontinued in the consolidated balance sheets and statements of operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include, but are not limited to, inventory, deferred revenue, the allowance for uncollectible accounts receivable, the valuation of the acquisition of Predecessor uRoam, the valuation allowance for deferred tax assets and accrued liabilities. Actual results could differ from those estimates.

Concentration of Credit Risk and Significant Customers

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of accounts receivables. The Company sells its products to a limited number of companies in diverse industries and generally does not require its customers to provide collateral to support accounts receivable. During 2002, revenues recognized from five customers represented approximately 32%, 20%, 13%, 13% and 10% of total consolidated revenues. As of December 31, 2002, 50%, 17% and 10% of accounts receivable was due from three customers. To reduce credit risk, management performs ongoing credit evaluations of its customers' financial condition and includes any accounts receivable balances that are determined to be uncollectible, along with a general reserve, as necessary, in the overall allowance for doubtful accounts based on historical losses and existing economic conditions. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Based on the information available, management believes no allowance for doubtful accounts is required as of December 31, 2002. However, actual write-offs might be necessary in the future.

Fair Value of Financial Instruments

The Company's financial instruments include cash, accounts receivable and short-term debt. Cash is reported at fair value. The recorded carrying amount of accounts receivable and short-term debt approximates their fair value due to their short-term maturities.

Property and Equipment

Property and equipment, including leasehold improvements, are recorded at cost and are depreciated using the straight-line method over the shorter of the lease term or estimated useful lives of the underlying assets. Estimated useful lives range from two to five years. Included in property and equipment at December 31, 2002 is computer software with a cost basis of $6,000 and accumulated depreciation of $1,000. During 2002, as a result of current and expected future negative net operating cash flows due to the discontinuance of the InterJak Product line, the Company recorded a $434,000 impairment loss relating to the recoverability of certain property and equipment (see Note 3).

Revenue Recognition

The Company derives revenue primarily from sales of its FirePass server product and from related maintenance services. The Company recognizes revenue from product sales in accordance with Statement of Position ("SOP") 97-2, "Software Revenue Recognition" since the software component is not considered incidental to its products as a whole. In accordance with SOP 97-2 and Securities and Exchange Commission Staff Accounting Bulletin ("SAB") 101, the Company recognizes revenue upon meeting all of the following criteria: execution of a written customer agreement and purchase order signed by the Company and the customer; product delivery has occurred; the fee for the product is fixed or determinable; collection is reasonably assured and vendor specific objective evidence ("VSOE") of fair value exists to allocate the total fee to elements of the arrangement.

The Company is migrating its business model to sell to resellers/distributors; however, the Company has historically sold to end customers. When agreements with distributors provide for stock rotation or price protection rights, the Company defers recognition of revenue until sell-through to the end customer has occurred.

The Company defers a portion of its product revenues based on the value of certain maintenance arrangements when these arrangements are included with a product sale and recognizes these revenues over the applicable maintenance period. The Company also derives a portion of its revenues from sales of separate extended maintenance arrangements. Revenue from extended maintenance arrangements is recognized over the period of coverage purchased by the customer.

Inventory

Inventory is stated at the lower of standard cost, which approximates actual (first-in, first-out method), or net realizable value. The valuation of inventories at the lower of standard cost or market value requires the use of estimates regarding the amount of inventory that will be sold and the prices at which current inventory will be sold. These estimates are dependent on the Company's assessment of current and expected orders from its customers. The Company has historically not carried significant quantities of FirePass inventory in excess of amounts pertaining to current orders from customers; however, because of lead times associated with components used in manufacturing the InterJak Product line, significant inventories were carried in connection with that product line prior to its discontuance.

Valuation of Long-Lived Assets Including Goodwill and Other Intangible Assets

The Company reviews property, plant and equipment, goodwill and other intangible assets for impairment whenever events or circumstances indicate the carrying amount of the assets may not be recoverable. The Company's review of goodwill and other intangible assets is based on the estimated future cash flows the assets are expected to generate. The Company's review is based on its best estimate of a variety of factors, including future market growth, forecasted revenues and costs and a strategic review of its business and operations. In the event the Company determines that an asset is impaired in the future, an adjustment to the value of the asset would be charged to earnings in the period such determination is made.

Software Development Costs

Costs for the development of new software products and substantial enhancements to existing software products are expensed as incurred until technological feasibility has been established, at which time any additional costs would be capitalized in accordance with Statement of Financial Accounting Standards ("SFAS") No. 86, "Computer Software To Be Sold, Leased or Otherwise Marketed." The costs to develop such software have not been capitalized, as the Company believes its current software development process is essentially completed concurrent with the establishment of technological feasibility.

Research and Development

Research and development costs are expensed as incurred.

Stock-Based Compensation

The Company accounts for stock-based awards to employees using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). Since the inception of the Company, no stock options were granted at an exercise price below the estimated fair market value of the common stock.

The Company accounts for stock-based awards to nonemployees in accordance with the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and Emerging Issues Task Force ("EITF") Issue No. 96-18, "Accounting for Equity Instruments that Are Issued to Other Than Employees for Acquiring or in Conjunction with Selling Goods or Services," under the fair value method. SFAS No. 123 also requires the disclosure of pro forma net loss as if the Company had adopted the fair value method for stock-based awards to employees. Under SFAS No. 123, the fair value of the stock-based awards to employees is calculated through the use of option pricing models, even though such models were developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's stock option awards. These models also require subjective assumptions, including expected time to exercise, which greatly affect the calculated values. The Company's calculations were made using the minimum value method with the following assumptions: expected life one year from vest date; risk free interest rate of 4%, and no dividends during the expected term.

The following table represents the effect on net loss if the Company had applied the fair value based method and recognition provisions of SFAS No. 123 (in thousands):

	2002
Net loss, as reported	$ (15,196)
Add: Stock-based employee compensation expense included in reported loss	--
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(10)
Pro forma net loss	$ (15,206)

Foreign Currency Translation

The functional currency of the Company's foreign subsidiary is its local currency. The assets and liabilities are translated into U.S. dollars at period-end rates of exchange, and income and expenses are translated at average exchange rates during the period. Since the operations of the foreign subsidiary were discontinued in 2002, gains and losses resulting from translating financial statements into U.S. dollars have been included in loss from discontinued operations. Gains and losses from foreign currency transactions are included in loss from discontinued operations.

Recently Issued Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that all business combinations initiated after June 30, 2001 be accounted for under the purchase method and addresses the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination. SFAS No. 142 addresses the initial recognition and measurement of intangible assets acquired outside of a business combination and the accounting for goodwill and other intangible assets subsequent to their acquisition. SFAS No. 142 provides that intangible assets with finite useful lives be amortized and that goodwill and intangible assets with indefinite lives not be amortized, but rather be tested at least annually for impairment. The Company adopted SFAS No. 142 for its fiscal year beginning January 1, 2002. As the Company did not carry any goodwill or other intangible assets on its balance sheet as of December 31, 2001, the adoption of SFAS No. 141 and SFAS No. 142 did not have an impact on the Company's financial position, results of operations or cash flows.

In July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS 143 requires that a liability for an asset retirement obligation be recognized when incurred and the associated asset retirement costs be capitalized as part of the carrying amount of the long-lived asset and subsequently allocated to expense over the asset's useful life. The provisions of SFAS 143 were effective for the Company as of the beginning of fiscal year 2003. The Company does not believe it has any assets at December 31, 2002 that are subject to retirement obligations requiring recognition under SFAS 143.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which addresses accounting for restructuring and similar costs. SFAS No. 146 supersedes previous accounting guidance, principally EITF Issue No. 94-3. The Company is required to adopt SFAS No. 146 for restructuring activities initiated after December 31, 2002. SFAS No. 146 requires that the liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF 94-3, a liability for an exit cost was recognized at the date of the Company's commitment to an exit plan. SFAS No. 146 also established that the liability should initially be measured and recorded at fair value. Accordingly, SFAS No. 146 may affect the timing of recognizing future restructuring plans.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," an amendment of SFAS No. 123. Although it does not require use of fair value method of accounting for stock-based employee compensation, it does provide alternative methods of transition. It also amends the disclosure provisions of SFAS No. 123, to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in financial statements. SFAS No. 148's amendment of the transition and annual disclosure requirements is effective for fiscal years ending after December 15, 2002. The Company has adopted the disclosure requirements of this standard in the accompanying consolidated financial statements.

In November 2002, the FASB issued Financial Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). The interpretation elaborates on the existing disclosure requirements for most guarantees, including loan guarantees such as standby letters of credit. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under the guarantee and must disclose that information in its interim and annual financial statements. The provisions related to recognizing a liability at inception of the guarantee for the fair value of the guarantor's obligations do not apply to product warranties or to guarantees accounted for as derivatives. The initial recognition and initial measurement provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure provisions are effective for financial statements for annual or interim periods ending after December 15, 2002. The Company has provided disclosures of its guarantees in the accompanying footnotes. The effect of the adoption of the recognition and measurement provisions FIN 45 will be based on the nature of guarantees prospectively issued after December 31, 2002, and is not yet determinable.

In January 2003, the FASB issued Financial Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), which requires the consolidation of certain variable interest entities. FIN 46 is applicable to financial statements issued after 2002, however, disclosures are required currently if the Company expects to consolidate any variable interest entities. There are no entities that will be consolidated with the Company's financial statements as a result of FIN 46.

2. BUSINESS ACQUISITION

As described in Note 1, on October 1, 2002, the Company acquired all of the outstanding stock of Predecessor uRoam. Prior to the acquisition, the Company conducted business under the name of Filanet. Subsequent to the acquisition, the Company changed its name to uRoam, Inc. For acquisition accounting purposes, Filanet was determined to be the acquiring company.

The value of the purchase price totaled $1.575 million and the transaction was accounted for as a purchase. The Company exchanged 3.3 million shares of its Series B-1 Preferred Stock stock with a fair value of $1.03 million for all of the outstanding stock of Predecessor uRoam. The total purchase price also includes $400,000 in pre-acquisition liabilities of Predecessor uRoam paid by Filanet and an estimate of the direct costs associated with the transaction totaling approximately $145,000. All pre-existing Predecessor uRoam stock options and warrants were converted to Predecessor uRoam's common stock or were cancelled immediately prior to the acquisition.

The acquisition has been accounted for under the purchase method of accounting in accordance with SFAS No. 141, "Business Combinations." Under the purchase method of accounting, the total purchase price is allocated to the tangible and intangible assets acquired and the liabilities assumed based on their estimated fair values. The excess of the purchase price over those fair values is recorded as goodwill. The fair values assigned to the tangible and intangible assets acquired and liabilities assumed are based on estimates and assumptions provided by management, and other information compiled by management, including an independent valuation, prepared by an independent valuation specialist, that utilizes established valuation techniques appropriate for the high technology industry. In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," goodwill will not be amortized but instead will be reviewed periodically for impairment.

A summary of the total purchase price is as follows (in thousands):

Series B-1 preferred stock	$ 1,030
Pre-acquisition payments of uRoam liabilities made by Filanet	400
Estimated direct costs of the acquisition	145
Total purchase price	$ 1,575

The total purchase price has been preliminarily allocated as follows (in thousands):

Cash	$ 42
Accounts receivable	228
Other assets	37
Liabilities assumed	(1,154)
Fair value of net liabilities assumed	(847)
Purchased technology	900
Customer base	50
Trademark	100
Non-Compete	50
Goodwill	1,322
Total purchase price	$ 1,575

The fair value of net liabilities assumed was reduced by $103,000 resulting from subsequent renegotiation and settlement of certain liabilities assumed in the acquisition.

Predecessor uRoam incurred operating losses through the acquisition date. The potential value of the combined companies, products and technologies contributed to a purchase price that resulted in the recognition of goodwill.

Intangible assets

Of the total purchase price, $1.1 million was allocated to intangible assets, including purchased technology, customer base, trademark and non-compete agreements. All of the intangible assets were valued using the income approach, which measures present worth and anticipated future benefits of the intangible asset. This approach calculates the value of the intangible asset as being the present value of the after tax cash flows potentially attributable to it, net of adjustments made to account for the replacement and obsolescence of technology and a fair rate of return on other assets that contribute to the income stream attributable to the intangible asset.

Purchased technology and trademark consists of products that have reached technological feasibility and includes Predecessor uRoam's FirePass product line and the related trademark name. The Company is amortizing the fair value of the purchased technology and trademark on a straight-line basis over an estimated useful life of four years. The customer base represents the value of an installed base of customers that are expected to result in additional licenses under these customers' existing applications. The fair value of the customer base is being amortized based on estimated revenue from identified existing customers over a three year period. Non-compete agreements represent the value of non-compete agreements signed by key executives of Predecessor uRoam. The Company is amortizing the fair value of the non-compete agreements on a straight-line basis over an estimated useful life of three years.

The components of intangible assets as of December 31, 2002 follows (in thousands):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Purchased technology	$ 900	$56	$844
Customer base	50	4	46
Trademark	100	6	94
Non-Compete agreements	50	3	47
Total gross and net carrying amounts	$1,100	$69	$1,031

Total amortization expense for the year ended December 31, 2002 was $69,000. Estimated amortization expense for the next four years is as follows (in thousands):

Year	Estimated Amortization Expense
2003	$ 275
2004	275
2005	275
2006	206
	$1,031

3. DISCONTINUED OPERATIONS

In December 2002, the Company's board of directors, who also comprised a controlling shareholder interest, unanimously authorized and directed management to discontinue the operations formerly conducted by Filanet prior to the Company's acquisition of Predecessor uRoam on October 1, 2002. The decision to discontinue these operations was based on the low margins being achieved in that business, and a decision to concentrate management's efforts and all of the Company's resources on the operations newly acquired from Predecessor uRoam. As a result of the decision to discontinue the operations formerly conducted by Filanet, management issued termination notices to substantially all employees associated with the InterJak Product operation on or around December 31, 2002, which resulted in a severance accrual totaling $516,000, and management began taking steps to limit the remaining liabilities associated with this business. In addition, the Company recorded impairment charges of $2,278,000 and $434,000 to reduce the carrying values of inventories and property and equipment, respectively, of the discontinued business to their estimated net realizable values.

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," assets and liabilities of the discontinued business have been segregated from continuing operations in the 2002 and 2001 consolidated balance sheets, and the related operating results have been segregated and reported as discontinued operations in the accompanying consolidated statements of operations and cash flows, and related notes.

Revenues of the discontinued operation were $4.7 million in 2002. There were no income tax expenses or benefits recognized in 2002.

Balance sheet details of discontinued operations as of December 31, 2002 consisted of the following (in thousands):

Assets of discontinued operations:	
Accounts receivable	$ 623
Inventory	670
Prepaid expenses and other current assets	19
Property and equipment, net	17
Other assets	198
Total assets of discontinued operations	$ 1,527
Liabilities of discontinued operations:	
Capital lease obligations	$ 428
Accounts payable	2,547
Accrued liabilities	1,517
Deferred revenue	197
Total liabilities of discontinued operations	$ 4,689

4. OTHER ACCRUED LIABILITIES

Other accrued liabilities as of December 31, 2002 consisted of the following (in thousands):

Professional fees	$ 50
Accrued interest	56
Compensation and related benefits	107
Other accrued liabilities	112
Total	$ 325

5. SHORT-TERM DEBT

Short-term debt as of December 31, 2002 consisted of the following (in thousands):

Line of credit	$ 3,000
Short-term bridge notes payable	4,381
Discount relating to bridge loan facility	(23)
Total	$ 7,358

In March 2002, the Company issued 1,044,386 shares of Series A-1 Preferred Stock to the holders of certain outstanding promissory notes in return for the cancellation of outstanding principal and accrued interest totaling $9,080,000.

In August, September, and December 2002, the Company obtained bridge loan financing for an aggregate principal amount of $4,381,000 under Secured Subordinated Convertible Notes ("2002 Bridge Loans") and issued to the lenders warrants to purchase 2,154,992 shares of common stock with an exercise price per share of $0.02. The 2002 Bridge Loans bear interest at the rate of 4.5% per annum and are due on the earlier of one year from issuance or conversion of the notes to demand notes whereby the notes will become immediately due and payable upon consent by the noteholders representing at least 75% of the aggregate principal amount of the notes ("Majority in Interest"). The 2002 Bridge Loans are subordinated to the Company's obligations under capital leases, secured by substantially all of the Company's assets (except those assets acquired under capital leases) and convertible into preferred stock at the per share price sold in the Company's next round of preferred stock financing of at least $2.5 million (excluding any notes outstanding which are convertible into preferred stock) upon consent by the Majority in Interest. In the event that the Company undergoes a liquidation, dissolution, winding up or Liquidation Transaction (as defined in the Company's fifth amended and restated articles of incorporation), the Company is obligated to repay 2.5 times the outstanding principal and interest due under the 2002 Bridge Loans prior to any payments to the Company's unsecured creditors and common or preferred stockholders. The Company has allocated the proceeds between the respective estimated fair values of the 2002 Bridge Loans and related warrants resulting in a $35,000 discount to the 2002 Bridge Loans to be amortized to interest expense over a one-year period ending in August 2003 using the effective interest method. The Company recorded $12,000 in interest expense resulting from the amortization of this discount.

In October 2002, the Company entered into a revolving line of credit ("Line of Credit") with a bank to provide financing for current operations of the Company. The Line of Credit provides for maximum borrowings of $3,000,000 at the prime interest rate (4.25% at December 31, 2002) and was scheduled to mature on January 1, 2003. In addition, $15,000 in loan fees paid during 2002 in connection with the line of credit agreement were charged to interest expense. The Line of Credit does not have any financial covenants. During 2003, the Line of Credit was increased and maturity date extended (see Note 11).

In connection with a guarantee of the Line of Credit provided by the Company's majority stockholders, the Company issued 2,067,958 warrants to purchase common stock at $0.02 per share. In addition, the Company issued 516,988 warrants to the guarantors in both November and December 2002. The $38,000 value of these warrants was recorded as interest expense during 2002. The Company will continue to issue 516,988 warrants per month under the same terms to the guarantors as long as the Line of Credit is outstanding. Through June 12, 2003, the Company had issued 5,686,874 warrants to purchase common stock at $0.02 per share in connection with this guarantee.

6. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases its office facilities under various noncancelable-operating leases. These leases expire at various dates through February 2007 and generally require monthly payment of the prorata share of common area operating expenses. Future minimum lease payments under all noncancelable-operating leases, as of December 31, 2002, are as follows (in thousands):

Year ended December 31,	Amount
2003	$ 463
2004	308
2005	323
2006	339
2007	57
Total minimum lease payments	$ 1,490

Rent expense was approximately $661,000 for the year ended December 31, 2002.

In August 2001, the Company entered into an amendment to one of its office facility lease agreements whereby future monthly cash payments due under the original lease were reduced by approximately $433,000 in aggregate. As consideration of this amendment, the Company issued approximately $433,000 worth of fully vested shares of Series B Preferred Stock. This amount was recorded as an asset to be amortized to rent expense over the remaining lease term. The Company also entered into another facility lease agreement with the same landlord commencing in August 2001, which required monthly payments of approximately $13,000 through November 2005. In March 2002, the Company amended its agreements with the above landlord, which reduced monthly payments for both facilities to approximately $13,000 each, but extended the lease term for both facilities to February 2007. In connection with these amendments, the Company issued 500,000 shares of Series A-1 Preferred Stock with a value of $96,000. This amount, along with the $305,000 unamortized balance of the prepaid rent relating to the Series B Preferred Stock issued in August 2001 existing as of the lease modification date in March 2002, is being amortized to rent expense on a straight line basis over the amended lease term.

In connection with the Company's decision to discontinue the operations formerly conducted by Filanet, in December 2002, the Company gave notice of termination to the landlord of one of its office facility leases located in Denmark. Accordingly, the Company accrued $38,000 for a lease termination liability relating to the fair value of this leasehold and wrote off a $46,000 lease deposit.

Legal matters

The Company is involved in various other legal proceedings incidental to its normal business activities. The amount of ultimate liability with respect to these actions cannot be reasonably estimated. However, in the opinion of management, any liability resulting from an unfavorable outcome will not materially affect the financial position of the Company.

Guarantees

The following is a summary of the Company's agreements that have been determined are within the scope of FIN 45.

Under its bylaws, the Company has agreed to indemnify its officers and directors for certain events or occurrences arising as a result of the officer or director's serving in such capacity. The term of the indemnification period is for the officer's or director's lifetime. The Company has a separate indemnification agreement with one of its directors that requires it, subject to certain exceptions, to indemnify him to the fullest extent authorized or permitted by its bylaws and the California Corporation Code. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. The Company believes the estimated fair value of these indemnification agreements is minimal and has no liabilities recorded for these agreements as of December 31, 2002.

As a result of the acquisition of Predecessor uRoam, the Company assumed a potential liability for events or occurrences that took place prior to the date of acquisition. The maximum potential amount of future payments the Company could be required to make for such obligations is undeterminable at this time. Therefore, the Company has no amounts recorded for these possible liabilities as of December 31, 2002.

The Company enters into indemnification provisions under (i) its agreements with other companies in its ordinary course of business, typically with business partners, contractors, and customers, landlords and (ii) its agreements with investors. Under these provisions the Company generally indemnifies and holds harmless the indemnified party for losses suffered or incurred by the indemnified party as a result of the Company's activities or, in some cases, as a result of the indemnified party's activities under the agreement. These indemnification provisions often include indemnifications relating to representations made by the Company with regard to intellectual property rights. These indemnification provisions generally survive termination of the underlying agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is unlimited. The Company has not incurred material costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes the estimated fair value of these agreements is minimal. Accordingly, the Company has no liabilities recorded for these agreements as of December 31, 2002.

7. REDEEMABLE CONVERTIBLE PREFERRED STOCK

In March 2002, the Board of Directors of the Company consented to the automatic conversion to common shares of all outstanding shares of Series A and Series B preferred stock. In accordance with this consent, the Series A and Series B preferred stock were converted into 181,806 common shares at a 1:1 exchange ratio immediately prior to the closing of the Series A-1 Offering in March 2002.

In March and April 2002, the Company sold an aggregate of 30,461,570 shares of Series A-1 Preferred Stock for proceeds totaling $5,410,000 (net of cash issuance costs of $186,000). In connection with this sale of Series A-1 Preferred Stock, the Company also issued 1,044,386 shares of Series A-1 Preferred Stock in exchange for the cancellation of outstanding principal and accrued interest totaling $9,080,000 due under certain notes payable. Additionally, the Company issued 500,000, 65,274, 323,655 and 1,305,478 shares of fully vested Series A-1 Preferred Stock at $0.1915 per share in exchange for renegotiation of rental payments, executive search services, accrued compensation, and severance, respectively. The Company recorded the deemed fair value of the shares issued for severance ($250,000) and in exchange for executive search services ($12,000) as an expense in 2002. The fair value of the shares issued for renegotiation of rental payments ($96,000) is being amortized to rent expense on a straight line basis over the amended five year term of the lease agreement.

The significant terms of the preferred stock are as follows:

Conversion Rights. Each share of Series A-1 and Series B-1 preferred stock is convertible at the option of the holder or will automatically be converted to common stock upon a public offering of common stock at a public offering price of at least $0.9575 per share and which yields gross proceeds of at least $20,000,000 or written consent of at least two thirds of the outstanding shares of all classes of preferred stock. Each share of Series A-1 preferred stock is convertible into such number of shares of common stock as determined by dividing $0.1915 by $0.29070358. According to this conversion ratio, the 33,700,363 shares of Series A-1 preferred stock outstanding as of December 31, 2002 is convertible into 22,200,000 shares of common stock. Each share of Series B-1 preferred stock is convertible into one share of common stock. The conversion of preferred stock is subject to adjustment for events of dilution, and the preferred stock has the same voting rights as the number of common shares into which it is convertible.

Dividends. If and when declared by the Board of Directors, and in preference to dividends on the common and Series B-1 preferred Stock, the holders of the Series A-1 preferred stock are entitled to receive noncumulative dividends of $0.013405 per share per annum. After the Series A-1 convertible preferred stockholders receive their dividend preference, any additional dividends shall be distributed among the holders of Series A-1 Preferred Stock, Series B-1 Preferred Stock and common stock pro rata based on the number of shares of common stock then held by each holder (assuming conversion of all preferred stock to common stock).

Redemption rights. The Company shall redeem the Series A-1 Preferred Stock at any time after January 31, 2006 upon notice from at least two-thirds of the Series A-1 holders. The Series A-1 Preferred Stock is redeemable at a price of $0.1915 per share plus all declared or accumulated unpaid dividends. If redemption of fewer than all of the outstanding shares of Series A-1 Preferred Stock is requested, the Company shall redeem such stock on a pro rata basis. The Series B-1 Preferred Stock is not mandatorily redeemable.

Liquidation Preference. Holders of Series A-1 and Series B-1 preferred stock have a liquidation preference over the common stock holders of $0.1915 per share for each share of Series A-1 and $0.3085 per share for each share of Series B-1, plus any declared but unpaid dividends. After this payment to the holders of the Series A-1 and Series B-1 preferred stock, the entire remaining assets and funds of the Company shall be distributed among the holders of the common, Series A-1 and Series B-1 preferred stock in proportion to the equivalent number of shares of common stock on an "as converted basis" then held by them until each holder of the Series A-1 and Series B-1 preferred stock shall have received $0.5745 and $0.9255 per share, respectively.

Voting Rights. The holder of each share of Series A-1 and Series B-1 Preferred Stock shall have the right to one vote for each share of common stock into which such preferred stock could be converted. With respect to such vote, holders have full voting rights and powers equal to those of the holders of common stock and are entitled to notice of any stockholders' meeting.

Because each series of convertible preferred stock has conditions for liquidation or redemption that are deemed outside the control of the Company, such preferred stock has been classified outside of stockholders' deficit.

At December 31, 2002, there were 37,038,663 authorized shares of preferred stock, 33,700,363 shares of which were designated Series A-1 Preferred Stock; 3,338,300 shares of which were designated Series B-1 Preferred Stock.

A summary of Convertible Preferred Stock outstanding at December 31, 2002 is as follows (in thousands, except share amounts):

December 31,	2002
Series A-1, 33,700,363 shares authorized, issued and outstanding (aggregate liquidation preference and redemption value of $6,454)	$ 14,910
Series B-1, 3,338,300 shares authorized; 3,338,286 shares issued and outstanding (aggregate liquidation preference - $1,030)	1,030
	$ 15,940

8. STOCKHOLDERS' EQUITY

In March 2002, the Board of Directors of the Company declared a reverse stock split whereby each outstanding share of common stock including outstanding warrants and options to purchase shares of common stock were converted into 0.00907281 shares of Common Stock. All share and per share amounts have been adjusted to give effect to this reverse stock split.

Common Stock

During the years ended December 31, 2002 and 2001, the Company issued 450,809 and 5,143 shares of common stock upon the exercise of stock options resulting in $9,000 and $44,000 of proceeds, respectively.

During the year ended December 31, 2002, 154,912 fully vested shares of common stock with a value of $3,000 were issued to consultants as compensation for services rendered.

At December 31, 2002, there were 41,958,300 authorized shares of Common Stock.

1998 Stock Option Plan

The 1998 Stock Option Plan (the "1998 Plan") authorized the grant of options to purchase up to 8,000,000 shares of the Company's common stock. Under the 1998 Plan, incentive options may be granted at a price per share no less than the fair market value of common stock at the date of grant. Nonqualified stock options may be granted at a price per share no less than 85% of the fair market value on the date of grant. Options granted to any 10% stockholder may have an exercise price per share that is not less than 110% of the fair market value per share of common stock on the date of grant. Options granted are immediately exercisable, and unvested shares are subject to repurchase by the Company at the amount originally paid. Options granted generally have a maximum term of ten years and generally vest over four years. In March 2002, the Company terminated the 1998 Plan and no longer grants stock options or make any additional issuances under the 1998 Plan. The options vested and existing as of the termination date under the 1998 Plan were not cancelled as part of the termination of the 1998 Plan. At December 31, 2002, 15,166 shares issued under the 1998 Plan were subject to repurchase by the Company at a weighted average price of $11.33 per share because such shares were not vested.

2002 Stock Option Plan

The 2002 Stock Option Plan (the "2002 Plan") authorized the grant of options to purchase up to 7,350,000 shares of the Company's common stock. Under the 2002 Plan, incentive options may be granted at a price per share no less than the fair market value of common stock at the date of grant. Nonqualified stock options may be granted at a price per share no less than 85% of the fair market value on the date of grant. Options granted to any 10% stockholder may have an exercise price per share that is not less than 110% of the fair market value per share of common stock on the date of grant. Options granted are immediately exercisable, and unvested shares are subject to repurchase by the Company at the amount originally paid. Options granted generally have a maximum term of ten years and generally vest over four years. For certain employees whose employment commenced prior to December 31, 2001, options vest over the first year at a rate ranging from 28% to 50%, then ratably over the remaining three years. At December 31, 2002, 108,334 shares issued under the 2002 Plan were subject to repurchase by the Company at a weighted average price of $0.02 per share because such shares were not vested.

Stock option activity under the 1998 and 2002 Plans is summarized as follows:

	Options Outstanding	
	Number of Shares	Weighted Average Exercise Price
Balance, January 1, 2002	32,492	$ 17.58
Granted (weighted average fair value of $0.01 per share)	7,781,146	0.02
Exercised	(450,809)	0.02
Canceled	(863,543)	0.31
Balance, December 31, 2002	6,499,286	$ 0.07

Options Outstanding

At December 31, 2002, 458,549 shares were available under the 2002 Plan for future grant. The following table summarizes information concerning stock options outstanding as of December 31, 2002:

	Options Outstanding			Options Vested	
Range of Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
$0.02	6,480,951	9.51	$ 0.02	2,991,342	$ 0.02
$5.39 - $22.02	18,335	7.86	17.25	18,335	17.25
	6,499,286	9.50	$ 0.07	3,009,677	$ 0.12

Non-Employee Stock Options Issued for Services

In 2002, the Company granted 40,000 nonstatutory stock options at an exercise price of $0.02 per share to nonemployees. The values attributable to the grants are determinable at each vesting date and have been amortized over the service period. For the year ended December 31, 2002, the Company recorded $2,000 in fair value of such awards as an expense using the Black-Scholes option pricing model with the following assumptions: contractual term of three years; risk-free interest rate of 4.49%; annualized volatility of 70% and no dividends during the expected term.

The Company allows the early exercise of certain employee and non-employee stock options, resulting in the exercise of 450,809 stock options and $9,000 in proceeds to the Company in 2002. However, under the terms of the Early Exercise and Restricted Stock Purchase Agreement entered into with these individuals, the Company reserves the right to repurchase any unvested shares at the original price per share over the remaining option vesting period. As of December 31, 2002, 123,500 stock options exercised under this arrangement with an aggregate exercise price totaling $174,000 may be repurchased by the Company.

Warrants

On January 1, 2002, the Company had 924 and 108 warrants outstanding to purchase Series A and Series B Preferred Stock at an exercise price of $59.52 and $217.13, respectively. These warrants expire at various dates through October 2007. These warrants were amended to purchase shares of common stock at the exercise prices noted above in connection with the conversion of the Series A and Series B Preferred Stock to common stock in March 2002 and were still outstanding as of December 31, 2002.

In 2002, in connection with obtaining bridge financing in the form of Secured Convertible Promissory Notes, the Company issued warrants to purchase 2,154,992 shares of common stock at $0.02 per share with a term of ten years. The warrants were valued at $35,000 using the Black-Scholes pricing model with the following assumptions: contractual life of ten years; risk free interest rate of 4.26%; volatility of 70% and no dividends during the expected term. The value of the warrants was classified as a debt discount, of which $12,000 was amortized to interest expense in 2002.

In 2002, in connection with a guarantee of a line of credit provided by the Company's majority stockholders, the Company issued warrants to purchase common stock at $0.02 per share with a term of approximately 3 1/2 years. The number of shares of common stock that can be purchased under the warrants is 2,067,958 plus 516,988 warrants for every month that the guarantee on the line of credit is outstanding. The 3,101,934 warrants issued during 2002 were valued at approximately $38,000 using the Black-Scholes option pricing model with the following assumptions: contractual life of 3 1/2 years; risk-free interest rate range of 4.26%; volatility of 70% and no dividends during the expected term. The entire value of the warrants was recorded as interest expense in 2002.

At December 31, 2002, the Company had 5,257,958 warrants outstanding to purchase common stock with a weighted average exercise price of $0.03 per share.

Common Stock Reserved

The Company has reserved shares of common stock for issuance at December 31, 2002 as follows:

Conversion of Series A-1 Preferred Stock	22,200,000
Conversion of Series B-1 Preferred Stock	3,338,286
Exercise of stock options	6,060,947
Options available under the 2002 Plan for future grant	458,549
Exercise of warrants and conversion of underlying stock	5,257,958
Total	37,315,740

9. RELATED PARTY TRANSACTIONS

As more fully described in Note 5, the Company received bridge loans from its majority stockholders. As of December 31, 2002, the balance of these bridge notes due to majority stockholders was $4,381,000. In addition, the Company's majority shareholders have guaranteed the Company's line of credit with a bank. In connection with this guarantee, the Company issued 3,101,934 warrants to purchase common stock at $0.02 per share to the guarantors during 2002.

10. INCOME TAXES

The Company accounts for income taxes using an asset and liability approach. Deferred tax liabilities are recognized for future taxable amounts and deferred tax assets are recognized for future deductions and operating loss carryforwards, net of a valuation allowance to reduce net deferred tax assets to amounts more likely than not to be realized. No income taxes were provided for any periods presented due to the Company's net losses.

The Company's deferred income tax assets at December 31, 2002 are comprised of the following (in thousands):

Net deferred tax assets:	
Net operating loss carryforwards	$ 18,203
Deferred income	89
Accruals deductible in different periods	91
Research and development credits	1,693
Depreciation and amortization	(27)
Total deferred tax assets	20,049
Valuation allowance	(20,049)
Net deferred tax assets	$ --

Due to the uncertainty surrounding the realization of the benefits of its favorable tax attributes in future tax returns, as of December 31, 2002, the Company has fully reserved its net deferred tax assets.

At December 31, 2002, the Company has available net operating loss ("NOL") carryforwards of approximately $46,000,000 and $35,000,000 to offset future federal and state taxable income, respectively. The federal NOL carryforwards expire in various years through 2022, while the state NOL carryforwards expire in various years through 2010.

At December 31, 2002, the Company also has research and development credit carryforwards of approximately $765,000 and $928,000 available to offset future federal and state income taxes, respectively. The federal credit carryforward expires in various years through 2022, while the state credit carryforward has no expiration.

Current tax laws impose substantial restrictions on the utilization of net operating loss and credit carryforwards in the event of an "ownership change," as defined by the Internal Revenue Code. If there should be an ownership change, the Company's ability to utilize its carryforwards could be limited. California has disallowed the use of net operating losses in the 2002 and 2003 tax years.

11. SUBSEQUENT EVENTS

In January 2003, the Company entered into a memorandum of understanding with a creditor providing equipment financing under capital leases whereby the creditor agreed to forebear collecting January and February rental payments until February 28, 2003, at which time all past due rental payments would be payable. The Company did not make the required February 28, 2003 payment or the March through June 2003 monthly payments due under the master lease agreement. This represents an event of default under the master lease agreement, which allows the creditor to request an acceleration of the remaining payments due from the Company. As of December 31, 2002, the Company owed $705,000 to this creditor under the master lease agreement, all of which is reflected in total liabilities of discontinued operations.

In January and February 2003, the Company received $506,000 of additional bridge loans from its majority stockholders under the same terms as the previous 2002 Bridge Loans.

In March, April, May, and June 2003, the Company entered into successive amendments to its revolving line of credit, which have ultimately increased the principal amount to $6.453 million. Additionally, the maturity date for the line of credit was extended to July 15, 2003. In connection with these amendments, the guarantors of the line of credit continued to increase their guarantee of the Company's debt under the line of credit to the amended principal amount.

On April 29, 2003, the Company entered into a memorandum of understanding with one of its landlords providing the Company the option to terminate two of its office facility lease agreements. Under the terms of this agreement, the Company would continue to pay rentals due under the lease agreements through the projected lease termination date on July 31, 2003, at which time the Company had the option to make a termination payment of approximately $313,000 and forego the $50,000 security deposit on the leases. In July 2003, the Company terminated these leases and $334,000 of prepaid rents relating to the issuance of Series B and Series A-1 preferred stock, of which $167,000 is reflected in total assets of discontinued operations, was written off.

Subsequent to December 31, 2002, the Company entered into settlement agreements with certain of its vendors which provided for the settlement and release from payment of approximately $280,000 of trade accounts payable. The effects of these settlement agreements will be recorded in the period that the settlement agreement was entered into.

On June 30, 2003, the Company signed a non-binding term sheet whereby substantially all of the Company's assets would be acquired. The completion of the merger transaction is contingent upon, among other things, the satisfactory performance of due diligence and execution of a definitive merger agreement.

On July 2, 2003, the Company received a copy of a complaint filed by a company alleging breach of contract and other claims related to exclusivity provisions of a March 2003 cover letter for a preliminary non-binding term sheet in contemplation of the plaintiff's proposed acquisition of the Company. The complaint indicates that the plaintiff incurred damages of no less than $2 million and seeks to recover all damages and require the Company's performance with respect to the March 2003 letter agreement. The Company believes that the complaint is without merit and has hired litigation counsel to defend itself vigorously should the plaintiff continue to pursue its claims.

.

.
.

EXHIBIT 99.2

UROAM, INC. AND SUBSIDIARIES (FORMERLY FILANET CORPORATION)

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

UROAM, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEET
JUNE 30, 2003
(In thousands, except share amounts)

ASSETS	
Current assets:	
Cash	$ 25
Accounts receivable	389
Prepaid expenses and other current assets	152
Total current assets	566
Property and equipment, net	4
Goodwill	1,322
Other intangible assets, net	893
Other assets	30
Total assets of discontinued operations, net	312
Total assets	$ 3,127
TOTAL LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT	
Current liabilities:	
Short-term debt	$ 10,736
Current portion of capital lease obligation	382
Accounts payable	354
Accrued liabilities	662
Deferred revenue	142
Total liabilities of discontinued operations	1,505
Total current liabilities	13,781
Commitments and contingencies	
Redeemable convertible preferred stock	15,940
Stockholders' deficit:	
Common stock, no par value; 41,958,300 shares authorized; 988,678 shares issued and outstanding	25,584
Stockholder receivables	(37)
Accumulated deficit	(52,141)
Total stockholders' deficit	(26,594)
Total liabilities, redeemable convertible preferred stock and stockholders' deficit	$ 3,127

See accompanying notes to unaudited consolidated financial statements

UROAM, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
JUNE 30, 2003
(In thousands)

	SIX MONTHS ENDED JUNE 30, 2003	SIX MONTHS ENDED JUNE 30, 2002
Net revenues:		
Product sales	$ 792	$ --
Maintenance services	77	--
	869	--
Costs and expenses:		
Cost of revenue	55	--
Selling and marketing	1,083	108
Research and development	1,433	54
General and administrative	1,375	180
Total costs and expenses	3,946	342
Operating loss	(3,077)	(342)
Interest and other (expense) income:		
Interest expense	(266)	(143)
Other (expense) income	(205)	10
Total interest and other (expense) income	(471)	(133)
Loss from continuing operations	(3,548)	(475)
Discontinued operations:		
Gain (loss) from discontinued operations	1,106	(2,988)
Net loss	$ (2,442)	$ (3,463)

See accompanying notes to unaudited consolidated financial statements

UROAM, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	SIX MONTHS ENDED JUNE 30, 2003	SIX MONTHS ENDED JUNE 30, 2002
OPERATING ACTIVITIES:		
Loss from continuing operations	$ (3,548)	$ (475)
Adjustments to reconcile loss from continuing operations to net cash used in continuing operations:		
Depreciation and amortization	139	--
Non-cash interest expense	32	--
Non employee stock based compensation expense	--	5
Changes in operating assets and liabilities:		
Accounts receivable	88	--
Prepaid expenses and other current assets	(12)	--
Other assets	105	--
Accounts payable	237	--
Other accrued liabilities	337	--
Deferred revenue	(189)	--
Net cash used in continuing operations	(2,811)	(470)
Gain (loss) from discontinued operations	1,106	(2,988)
Change in assets and liabilities of discontinued operations	(1,969)	(1,511)
Net cash used in operating activities	(3,674)	(4,969)
FINANCING ACTIVITIES		
Proceeds from short-term debt	3,378	--
Proceeds from exercise of common stock options	3	--
Payments received on shareholder receivable	39	7
Proceeds from issuance of Series A-1 convertible preferred stock	--	5,596
Payment of debt issuance costs	--	(186)
Net cash provided by financing activities	3,420	5,417
NET (DECREASE) INCREASE IN CASH	(254)	448
CASH, beginning of period	279	74
CASH, end of period	$ 25	$ 522
NONCASH FINANCING ACTIVITIES:		
Conversion of Series A and Series B preferred stock into common stock	$ --	$ 25,127
Conversion of 2002 bridge notes into Series A-1 preferred stock	--	9,080
Issuance of Series A-1 preferred stock for rental renegotiation, executive separation agreement and executive search services	--	358
Conversion of accrued employee compensation into Series A-1 preferred stock	--	62
Accrued interest on stockholder notes receivable	1	1
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ --	$ --
Cash paid during the period for income taxes	$ 800	$ 800

See accompanying notes to unaudited consolidated financial statements

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

uRoam, Inc. (collectively with its subsidiaries, the "Company" or "uRoam") was incorporated in California in 1998. From December 2000 through December 2002, the Company, originally doing business as Filanet Corporation ("Filanet"), marketed a low-cost, broadband solid-state appliance with integrated router and server functionality to small/remote offices. This product, known as the InterJak Internet Service Appliance ("InterJak Product"), enabled broadband service providers to offer a myriad of remotely managed value-added services to telecommuters and small to medium-size businesses from a single extensible platform. On October 1, 2002, the Company, acquired all of the outstanding stock of uRoam, Inc. ("Predecessor uRoam"), also incorporated in California. Subsequent to the completion of the acquisition, the Company changed its name to uRoam, Inc. With this acquisition, the Company refocused its investment and resources on applications and software. Since October 1, 2002, the Company's focus has been to develop, market and sell a complete solution for secure user access to applications and desktops, and collaborative tools for real time information sharing.

As further described in Note 2, in December 2002, the Company decided to discontinue the operations formerly conducted by Filanet. As such, in accordance with accounting principles generally accepted in the United States of America, net assets and the results of the discontinued operations have been reflected as Discontinued Operations in the consolidated financial statements. With the discontinuance of the operations formerly conducted by Filanet, the Company's continuing operations are comprised of the business activities acquired from Predecessor uRoam and the corporate activities of the merged companies. These continuing operations are treated as a single business segment, and the Company's continuing operations have historically been conducted primarily in the United States of America, with some quality assurance and test activities being performed in Russia.

On July 23, 2003, the Company sold substantially all of its assets and selected liabilities to F5 Networks, Inc. ("F5") for $25 million in cash.

Liquidity and basis of presentation

In the opinion of management, the unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for their fair presentation in conformity with accounting principles generally accepted in the United States of America. The unaudited consolidated balance sheet as of June 30, 2003 and the related unaudited consolidated statements of operations and cash flows for the six months ended June 30, 2003 and 2002 have been derived from the Company's unaudited consolidated financial statements, but do not include all disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. These unaudited consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes for the year ended December 31, 2002.

The accompanying consolidated interim financial statements have been prepared on a basis that contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has incurred losses since its inception, has an accumulated deficit of approximately $50 million at December 31, 2002 and a deficit in working capital, and continued to incur losses through June 30, 2003. The Company has been dependent on its investors to provide financing and a guarantee of a bank line of credit to fund operating activities. At December 31, 2002, the principal balance of this line of credit was $3 million, and there were no remaining funds available to the Company under this facility. At June 30, 2003, available financing under the facility and related guarantees had been increased to $6.453 million, and the maturity date had been extended to July 15, 2003. Through July 23, 2003, the facility and related guarantees were further increased to $6.75 million. However, with the sale of substantially all of the Company's assets to F5 for $25 million in cash on July 23, 2003, all principal and accrued interest borrowed under this facility was repaid in full. The Company now believes that it has adequate resources to fund its operations and repay its obligations.

Principles of Consolidation

The consolidated financial statements include the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. As more fully discussed in Note 2, in December 2002, the Company discontinued all operations attributable to its business activities related to the InterJak Product line, including the operations of the Company's subsidiary located in Denmark, Filanet Europe ApS ("Filanet Europe"). Accordingly, these operations have been reflected as discontinued in the consolidated balance sheet and statements of operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include, but are not limited to, inventory valuation, deferred revenue, the allowance for uncollectible accounts receivable, the valuation of the acquisition of Predecessor uRoam, the valuation allowance for deferred tax assets and accrued liabilities. Actual results could differ from those estimates.

2. DISCONTINUED OPERATIONS

In December 2002, the Company's board of directors, who also comprised a controlling shareholder interest, unanimously authorized and directed management to discontinue the operations formerly conducted by Filanet prior to the Company's acquisition of Predecessor uRoam on October 1, 2002. The decision to discontinue these operations was based on the low margins being achieved in that business, and a decision to concentrate management's efforts and all of the Company's resources on the operations newly acquired from Predecessor uRoam. As a result of the decision to discontinue the operations formerly conducted by Filanet, management provided termination notices to substantially all employees associated with the InterJak Product operation on or around December 31, 2002, which resulted in a severance accrual totaling $516,000. Management also began taking steps to limit the remaining liabilities associated with this business. In addition, at December 31, 2002, the Company recorded impairment charges of $2,278,000 and $434,000 to reduce the carrying value of inventories and property and equipment, respectively, of the discontinued business to their estimated net realizable values.

During the six months ended June 30, 2003, the Company recorded a $1,106,000 gain from discontinued operations. This was primarily attributable to the recognition of $1.2 million of revenues relating to the discontinued InterJak Produce line at Filanet Europe and the settlement and release from payment of $300,000 of trade accounts payable which were recorded during the six months ended June 30, 2003, the period that the settlement occurred. Additionally, due to the termination of substantially all employees associated with the InterJak Product operation and the related 2002 severance accruals, the ongoing expenses of the discontinued operations in 2003 significantly decreased from that previously incurred. Revenues of the discontinued operation were $2.9 million during the six months ended June 30, 2002. There were no income tax expenses or benefits recognized in 2003 or 2002.

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," assets and liabilities of the discontinued business have been segregated from continuing operations in the consolidated balance sheet, and the related operating results have been segregated and reported as discontinued operations in the accompanying consolidated statements of operations and cash flows, and related notes.

Balance sheet details of Discontinued Operations as of June 30, 2003 consisted of the following (in thousands):

Assets of discontinued operations:		
Accounts receivable	$	2
Inventory		15
Prepaid expenses and other current assets		19
Property and equipment, net		16
Other assets		260
Total assets of discontinued operations	$	312
Liabilities of discontinued operations:		
Capital lease obligations	$	204
Accounts payable		1,263
Accrued liabilities		35
Deferred revenue		3
Total liabilities of discontinued operations	$	1,505

3. SHORT-TERM DEBT

Short-term debt as of June 30, 2003 consisted of the following (in thousands):

Line of credit	$	5,854
Short-term bridge notes payable		4,887
Discount relating to bridge loan facility		(5)
Total	$	10,736

In August, September, and December 2002, the Company obtained bridge loan financing from its majority shareholders for an aggregate principal amount of $4,381,000 under Secured Subordinated Convertible Notes ("2002 Bridge Loans") and issued to the lenders warrants to purchase 2,154,992 shares of common stock with an exercise price per share of $0.02. In January and February 2003, the Company obtained an additional $506,000 in bridge loan financing from its majority shareholders under the same terms as the 2002 Bridge Loans, except that no additional warrants were issued. The 2002 Bridge Loans bear interest at the rate of 4.5% per annum and are due on the earlier of one year from issuance or conversion of the notes to demand notes whereby the notes will become immediately due and payable upon consent by the noteholders representing at least 75% of the aggregate principal amount of the notes ("Majority in Interest"). The 2002 Bridge Loans are subordinated to the Company's obligations under capital leases, secured by substantially all of the Company's assets (except those assets acquired under capital leases) and convertible into preferred stock at the per share price sold in the Company's next round of preferred stock financing of at least $2.5 million (excluding any notes outstanding which are convertible into preferred stock) upon consent by the Majority in Interest. In the event that the Company undergoes a liquidation, dissolution, winding up or Liquidation Transaction (as defined in the Company's fifth amended and restated articles of incorporation), the Company is obligated to repay 2.5

times the outstanding principal and interest due ("Investor Premium") under the 2002 Bridge Loans prior to any payments to the Company's unsecured creditors and common or preferred stockholders. The Company has allocated the proceeds between the respective estimated fair values of the 2002 Bridge Loans and related warrants resulting in a $35,000 discount to the 2002 Bridge Loans to be amortized to interest expense over a one-year period ending in August 2003 using the effective interest method. During the six months ended June 30, 2003, the Company recorded $18,000 in interest expense resulting from the amortization of this discount. All principal and accrued interest outstanding on the Company's short-term bridge notes payable was repaid in full upon the sale of substantially all of the Company's assets to F5 on July 23, 2003, which qualified as a Liquidation Transaction. In addition, on July 23, 2003, the bridge notes were amended such that; 1) the conversion feature to capital stock of the Company was eliminated, 2) the 2,154,992 warrants issued to the lenders of the 2002 Bridge Loans were cancelled and 3) the Investor Premium would only apply to $3.5 million of the principal balance, and that this Investor Premium would be payable only upon the approval of the Company's board of directors and after all debts and liabilities of the Company had been provided for in a cash reserve account.

In October 2002, the Company entered into a revolving line of credit ("Line of Credit") with a bank to provide financing for current operations of the Company. At June 30, 2003, the Line of Credit provides for maximum borrowings of $6.453 million, of which $5.854 million was outstanding, at the prime interest rate (4.25% at June 30, 2003) and was originally scheduled to mature on July 15, 2003. Through July 23, 2003, availability under the facility and related guarantees were further increased to $6.75 million. Upon the sale of substantially all of the Company's assets to F5 on July 23, 2003, all principal and accrued interest borrowed under this facility was repaid in full.

In connection with a guarantee of the Line of Credit provided by the Company's majority stockholders, the Company issued 2,067,958 warrants to purchase common stock at $0.02 per share. In addition, the Company issued 516,988 warrants at the same exercise price to the guarantors in both November and December 2002. The $38,000 value of these warrants was recorded as interest expense during 2002. The Company was obligated to continue to issue 516,988 warrants per month under the same terms to the guarantors as long as the Line of Credit was outstanding through June 2003 and issued an aggregate of 3,101,928 during the six months ended June 30, 2003. The warrants issued during 2003 were valued at $32,000 using the Black-Scholes option pricing model with the following weighted average assumptions: contractual life of 3 1/2 years; risk free interest rate of 4%, volatility of 70% and no dividends during the expected term. In July 2003, the 6,203,862 warrants issued during 2002 and 2003 in connection with the guarantee of the Line of Credit were cancelled immediately prior to the acquisition of the Company's assets by F5.

4. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases its office facilities under various noncancelable-operating leases. These leases expire at various dates through February 2007 and generally require monthly payment of the prorata share of common area operating expenses. Future minimum lease payments under all noncancelable operating leases, as of June 30, 2003, are as follows (in thousands):

	Amount
July 1 through December 31, 2003	$ 148
2004	308
2005	323
2006	339
2007	57
Total minimum lease payments	$ 1,175

Rent expense was approximately $249,000 and $281,000 for the six months ended June 30, 2002 and 2001, respectively.

In August 2001, the Company entered into an amendment to one of its office facility lease agreements whereby future monthly cash payments due under the original lease were reduced by approximately $433,000 in aggregate. As consideration of this amendment, the Company issued approximately $433,000 worth of fully vested shares of Series B Preferred Stock. This amount was recorded as an asset to be amortized to rent expense over the remaining lease term. The Company also entered into another facility lease agreement with the same landlord commencing in August 2001, which required monthly payments of approximately $13,000 through November 2005. In March 2002, the Company amended its agreements with the above landlord, which reduced monthly payments for both facilities to approximately $13,000 each, but extended the lease term for both facilities to February 2007. In connection with these amendments, the Company issued 500,000 shares of Series A-1 Preferred Stock with a value of $96,000. This amount, along with the $305,000 unamortized balance of the prepaid rent relating to the Series B Preferred Stock issued in August 2001 existing as of the lease modification date in March 2002, is being amortized to rent expense on a straight line basis over the amended lease term.

On April 29, 2003, the Company entered into a memorandum of understanding with the above landlord providing the Company the option to terminate two of its office facility lease agreements. Under the terms of this agreement, the Company would continue to pay rentals due under the lease agreements through the projected lease termination date on July 31, 2003, at which time the Company had the option to make a termination payment of approximately $313,000 and forego the $50,000 security deposit on the leases. In July 2003, the Company terminated these leases, and $270,000 of prepaid rents existing as of June 30, 2003 relating to the issuance of Series B and Series A-1 preferred stock, of which $135,000 is reflected in total assets of discontinued operations and $135,000 is reflected in prepaid expenses and other current assets, was written off subsequent to June 30, 2003.

In connection with the Company's decision to discontinue the operations formerly conducted by Filanet, in December 2002 the Company gave notice of termination to the landlord of one of its office facility leases located in Denmark. Accordingly, the Company accrued $38,000 for a lease termination liability relating to the fair value of this leasehold and wrote off a $46,000 lease deposit as of December 31, 2002. The Company vacated the facility in Denmark on June 30, 2003.

Legal matters

The Company is involved in various other legal proceedings incidental to its normal business activities. The amount of ultimate liability with respect to these actions cannot be reasonably estimated. However, in the opinion of management, any liability resulting from an unfavorable outcome will not materially affect the financial position of the Company. See Note 7 for details of a complaint filed against the Company in July 2003.

Guarantees

In November 2002, the Financial Accounting Standards Board ("FASB") issued Financial Interpretation Number ("FIN") 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others -- an interpretation of FASB Statements No. 5, 57 and 107 and rescission of FIN 34." The Company has applied the disclosure provisions of FIN 45 as of December 31, 2002. The following is a summary of the Company's agreements that have been determined are within the scope of FIN 45.

Under its bylaws, the Company has agreed to indemnify its officers and directors for certain events or occurrences arising as a result of the officer or director's serving in such capacity. The term of the indemnification period is for the officer's or director's lifetime. The Company has a separate indemnification agreement with one of its directors that requires it, subject to certain exceptions, to indemnify him to the fullest extent authorized or permitted by its bylaws and the California Corporation Code. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. The Company believes the estimated fair value of these indemnification agreements is minimal and has no liabilities recorded for these agreements as of June 30, 2003.

As a result of the acquisition of Predecessor uRoam, the Company assumed a potential liability for events or occurrences that took place prior to the date of acquisition. The maximum potential amount of future payments the Company could be required to make for such obligations is undeterminable at this time. Therefore, the Company has no amounts recorded for these possible liabilities as of June 30, 2003.

The Company enters into indemnification provisions under (i) its agreements with other companies in its ordinary course of business, typically with business partners, contractors, and customers, landlords and (ii) its agreements with investors. Under these provisions the Company generally indemnifies and holds harmless the indemnified party for losses suffered or incurred by the indemnified party as a result of the Company's activities or, in some cases, as a result of the indemnified party's activities under the agreement. These indemnification provisions often include indemnifications relating to representations made by the Company with regard to intellectual property rights. These indemnification provisions generally survive termination of the underlying agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is unlimited. The Company has not incurred material costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes the estimated fair value of these agreements is minimal. Accordingly, the Company has no liabilities recorded for these agreements as of June 30, 2003.

Settlement of Trade Payables

During the six months ended June 30, 2003, the Company entered into settlement agreements with certain of its vendors which provided for the settlement and release from payment of approximately $300,000 of trade accounts payable. The effects of these settlement agreements have been recorded during the six months ended June 30, 2003 as a credit to the gain from discontinued operations.

5. COMMON STOCK AND STOCK-BASED COMPENSATION

The Company accounts for stock-based awards to employees using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to

Employees" (APB 25). During 2003 and 2002, no stock options were granted at an exercise price below the estimated fair market value of the common stock.

The Company accounts for stock-based awards to nonemployees in accordance with the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and EITF Issue No. 96-18, "Accounting for Equity Instruments that Are Issued to Other Than Employees for Acquiring or in Conjunction with Selling Goods or Services," under the fair value method. SFAS No. 123 also requires the disclosure of pro forma net loss as if the Company had adopted the fair value method for stock-based awards to employees. Under SFAS No. 123, the fair value of the stock-based awards to employees is calculated through the use of option pricing models, even though such models were developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's stock option awards. These models also require subjective assumptions, including expected time to exercise, which greatly affect the calculated values. The Company's calculations were made using the minimum value pricing model with the following assumptions:
expected life, one year from vest date; risk free interest rate of 4% in 2003 and 2002, and no dividends during the expected term. The following table represents the effect on net loss if the Company had applied the fair value based method and recognition provisions of SFAS No. 123 during the six months ended June 30, 2003 and 2002 (in thousands):

	2003	2002
Net loss, as reported	$ (2,442)	$ (3,463)
Add: Stock-based employee compensation expense included in reported loss	--	--
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(5)	(4)
Pro forma net loss	$ (2,447)	$ (3,467)

During the six months ended June 30, 2003 options to purchase 119,752 shares of the Company's common stock were exercised resulting in proceeds of $3,000.

During the six months ended June 30, 2003, the Company received repayments of notes receivable from stockholders aggregating $39,000.

7. SUBSEQUENT EVENTS

On July 23, 2003, the Company entered into an asset purchase agreement with F5 whereby substantially all of the Company's assets were acquired and certain ongoing liabilities were assumed for the aggregate cash consideration of $25 million. In addition, F5 paid $650,000 in closing costs incurred by the Company as a result of the completion of the transaction. Under the terms of the asset purchase agreement, 10% of the aggregate consideration, or $2.5 million, was deposited in an escrow account to be held for a one-year period to satisfy certain potential indemnification provisions of the asset purchase agreement.

As more fully described in Note 3, all principal and accrued interest outstanding on the Company's short-term debt was repaid in full utilizing the proceeds from the sale of substantially all of the Company's assets on July 23, 2003. Additionally, in connection with an amendment to the bridge note agreements immediately prior to the sale of the Company's assets, the Company is obligated to pay an additional Investor Premium of $5,250,000 to certain bridge note holders, subject to the approval of the Company's board of directors and after all debts and liabilities of the Company had been provided for in a cash reserve account.

As more fully described in Note 4, the Company terminated two of its office facility lease agreements in July 2003 by paying a $313,000 termination payment and foregoing the $50,000 security deposit.

In July 2003, the Company received a copy of a complaint filed by a company alleging breach of contract and other claims related to exclusivity provisions of a March 2003 cover letter for a preliminary non-binding term sheet in contemplation of the plaintiff's proposed acquisition of the Company. The complaint indicates that the plaintiff incurred damages of no less than $2 million and seeks to recover all damages and require the Company's performance with respect to the March 2003 letter agreement. The Company believes that the complaint is without merit and has hired litigation counsel to defend itself vigorously.

In January 2003, the Company entered into a memorandum of understanding with a creditor providing equipment financing under capital leases whereby the creditor agreed to forebear collecting January and February rental payments until February 28, 2003, at which time all past due rental payments would be payable. The Company did not make the required February 28, 2003 payment or the March, April, May, June or July 2003 monthly payments due under the master lease agreement. This represented an event of default under the master lease agreement, which allowed the creditor to request an acceleration of the remaining payments due from the Company. As of June 30, 2003, the Company owed $735,000 to this creditor under the master lease agreement, all of which is reflected in total liabilities of discontinued operations. On July 23, 2003, the Company paid $727,000 in full satisfaction of all of the Company's obligations to this creditor.

.

.
.

EXHIBIT 99.3

UROAM ACQUISITION CORPORATION (FORMERLY UROAM, INC.)

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors uRoam, Inc. (the acquiror of uRoam Acquisition Corporation, formerly known as uRoam, Inc.)
Sunnyvale, California

We have audited the accompanying balance sheet of uRoam Acquisition Corporation, formerly known as uRoam, Inc., as of September 30, 2002 and the related statements of operations, stockholders' deficit, redeemable convertible preferred stock, and cash flows for the nine-month period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of uRoam Acquisition Corporation at September 30, 2002 and the results of its operations and its cash flows for the nine-month period then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 1, the Company was acquired on October 1, 2002.

s\BDO Seidman, LLP

San Francisco, California
June 12, 2003

UROAM ACQUISITION CORPORATION
BALANCE SHEET
SEPTEMBER 30, 2002
(In thousands, except share amounts)

ASSETS	
Current assets:	
Cash	$ 42
Accounts receivable	228
Prepaid expenses and other current assets	32
Total current assets	302
Property and equipment, net	5
Total assets	$ 307
TOTAL LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT	
Current liabilities:	
Notes payable to stockholders	$ 305
Notes payable to employees	449
Accounts payable	284
Accrued liabilities	195
Advances from Filanet	400
Deferred revenue	281
Total current liabilities	1,914
Commitments and contingencies	
Redeemable convertible preferred stock	--
Stockholders' deficit:	
Common stock, no par value; 10,000,000 shares authorized; 5,183,520, shares issued and outstanding	3,129
Accumulated deficit	(4,736)
Total stockholders' deficit	(1,607)
Total liabilities, redeemable convertible preferred stock and stockholders' deficit	$ 307

See accompanying notes to financial statements

UROAM ACQUISITION CORPORATION
STATEMENT OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 2002
(In thousands)

Net revenues:	
License	$ 290
Services	11
Total net revenues	301
Costs and expenses:	
Cost of revenue	27
Research and development	799
Selling, general and administrative	440
Stock-based employee compensation *	9
Total costs and expenses	1,275
Operating loss	(974)
Interest and other expense:	
Interest expense	(59)
Other expense	(20)
Total interest and other expense	(79)
Net Loss	(1,053)
Accretion of redeemable preferred stock	186
Net loss applicable to common shareholders	$ (1,239)

* Stock-based employee compensation is allocated as follows:	
Research and development	$ 5
Selling, general and administrative	4
	$ 9

See accompanying notes to financial statements

UROAM ACQUISITION CORPORATION
STATEMENTS OF STOCKHOLDERS' DEFICIT
NINE MONTHS ENDED SEPTEMBER 30, 2002
(In thousands, except share data)

	Common Stock		Deferred Stock Compensation	Accumulated Deficit	Total
	Shares	Amount			
BALANCE AT JANUARY 1, 2002	3,261,250	$ (20)	$ (40)	$ (3,683)	$ (3,743)
Exercise of stock options	75,763	9	--	--	9
Charge to common shareholders for accretion of preferred stock	--	(186)	--	--	(186)
Issuance of warrants to purchase common stock in connection with bridge loan financing	--	2	--	--	2
Conversion of preferred stock to common stock	1,846,507	3,355	--	--	3,355
Deferred stock compensation	--	(31)	31	--	--
Amortization of deferred stock compensation	--	--	9	--	9
Net loss	--	--	--	(1,053)	(1,053)
BALANCE AT SEPTEMBER 30, 2002	5,183,520	$ 3,129	$ --	$ (4,736)	$ (1,607)

See accompanying notes to financial statements

UROAM ACQUISITION CORPORATION
STATEMENT OF REDEEMABLE CONVERTIBLE PREFERRED STOCK
NINE MONTHS ENDED SEPTEMBER 30, 2002
(In thousands, except share data)

	REDEEMABLE CONVERTIBLE PREFERRED STOCK				
	SERIES A		SERIES B		TOTAL
	SHARES	AMOUNT	SHARES	AMOUNT	
BALANCES AT JANUARY 1, 2002	733,750	$ 367	956,047	$ 2,435	$ 2,802
Conversion of note to Series B	--	--	156,710	367	367
Accretion of Series B	--	--	--	186	186
Conversion of preferred stock to common stock	(733,750)	(367)	(1,112,757)	(2,988)	(3,355)
BALANCES AT SEPTEMBER 30, 2002	--	$ --	--	$ --	$ --

See accompanying notes to financial statements

UROAM ACQUISITION CORPORATION
STATEMENT OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2002
(In thousands)

OPERATING ACTIVITIES:	
Net loss	$ (1,053)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	15
Impairment loss on fixed assets	10
Non-cash interest expense	2
Stock compensation expense	9
Non-cash employee compensation	114
Changes in operating assets and liabilities:	
Accounts receivable	(221)
Prepaid expenses and other current assets	(15)
Other assets	1
Accounts payable	85
Other accrued liabilities	23
Deferred revenue	272
Net cash used in operating activities	(758)
FINANCING ACTIVITIES:	
Proceeds from notes payable - stockholders	305
Advance payment received from acquirer prior to acquisition	400
Proceeds from exercise of common stock options	9
Net cash provided by financing activities	714
NET DECREASE IN CASH	(44)
CASH, beginning of period	86
CASH, end of period	$ 42
NONCASH FINANCING ACTIVITIES:	
Conversion of Series A and Series B preferred stock into common stock	$ 3,355
Conversion of employee notes payable to Series B preferred stock	367
Accretion on Series B preferred stock	186
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid during the year for interest	$ --
Cash paid during the year for income taxes	$ --

See accompanying notes to financial statements

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Uroam Acquisition Corporation was incorporated in California in 1998. From inception through September 30, 2002, the Company, originally doing business as uRoam, Inc. ("uRoam" or "Predecessor uRoam"), marketed a server based solution that provided secure, web-based remote access from multiple devices to numerous applications. This product, known as the FirePass Server ("FirePass"), provides a web-based alternative. FirePass enables companies to extend secure remote access to anyone connected to the Internet with no special software or configuration on the remote device, and with no additions or modifications to the back-end resources being accessed. This approach eliminates the support burden of traditional remote access such as IPSec, VPN and RAS, and adds application functionality going considerably beyond mere connectivity. The Company's operations are treated as a single business segment and have historically been conducted primarily in the United States of America, with some quality assurance and test activities being performed in Russia.

On October 1, 2002, all of the outstanding stock of the Company was acquired by a Company now known as uRoam, Inc., formerly known as Filanet Corporation ("Filanet"). Prior to the acquisition, the Company conducted business under the name of uRoam, Inc. Subsequent to the acquisition, the Company changed its name to uRoam Acquisition Corp. For acquisition accounting purposes, uRoam, Inc., formerly known as Filanet, was determined to be the acquiring company.

The value of the purchase price totaled $1.575 million and the transaction was accounted for as a purchase. The Company exchanged all of its equity for 3.3 million shares of the acquiror's Series B-1 Preferred Stock with an estimated fair value of $1 million. The total purchase price also includes $400,000 in pre-acquisition liabilities of the Company paid by Filanet and $175,000 in costs directly related to the acquisition. All pre-existing Predecessor uRoam stock options and warrants were converted to Predecessor uRoam's common stock or were cancelled immediately prior to the acquisition.

Basis of presentation

The accompanying financial statements have been prepared on a going concern basis that contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include, but are not limited to, inventory, deferred revenue, recoverability of accounts receivable, valuation of warrants and stock options provided for outside services, and estimates of accrued liabilities. Actual results could differ from those estimates.

Concentration of Credit Risk and Significant Customers

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable. The Company sells its products to a limited number of companies in diverse industries and generally does not require its customers to provide collateral to support accounts receivable. During the nine months ended September 30, 2002, revenues recognized from four customers represented approximately 13%, 13%, 11%, and 10% of total revenues. As of September 30, 2002, 50%, 19% and 16% of accounts receivable was due from three customers. To reduce credit risk, management performs ongoing credit evaluations of its customers' financial condition and includes any accounts receivable balances that are determined to be uncollectible, along with a general reserve, as necessary, in the overall allowance for doubtful accounts based on historical losses and existing economic conditions. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Based on the information available, management believes no allowance for doubtful accounts is required as of September 30, 2002.

Fair Value of Financial Instruments

The Company's financial instruments include cash, accounts receivable and short-term debt. Cash is reported at fair value. The recorded carrying amount of accounts receivable and short-term debt approximates their fair value due to their short-term maturities.

Property and Equipment

Property and equipment, including leasehold improvements, are recorded at cost and are depreciated using the straight-line method over the shorter of the lease term or estimated useful lives of the underlying assets. Estimated useful lives range from two to five years.

Revenue Recognition

The Company derives revenue primarily from sales of its FirePass server product and from related maintenance services. The Company recognizes revenue from product sales in accordance with Statement of Position ("SOP") 97-2, "Software Revenue Recognition" since the software component is not considered incidental to its products as a whole. In accordance with SOP 97-2 and Securities and Exchange Commission Staff Accounting Bulletin ("SAB") 101, the Company recognizes revenue upon meeting all of the following criteria: execution of a written customer agreement and purchase order signed by the Company and the customer; product delivery has occurred; the fee for the product is fixed or determinable; collection is reasonably assured and vendor specific objective evidence ("VSOE") of fair value exists to allocate the total fee to elements of the arrangement.

The Company has historically sold to end customers. When agreements with distributors provide for stock rotation or price protection rights, the Company defers recognition of revenue until sell through to the end customer has occurred.

The Company defers a portion of its product revenues based on the value of certain maintenance arrangements included with each product sale and recognizes these revenues over the applicable maintenance period. The Company also derives a portion of its revenues from sales of separate extended maintenance arrangements. Revenue from extended maintenance arrangements is recognized over the period of coverage purchased by the customer.

Inventory

Inventory is stated at the lower of standard cost, which approximates actual (first-in, first-out method) or net realizable value. The valuation of inventories at the lower of standard cost or market value requires the use of estimates regarding the amount of inventory that will be sold and the prices at which current inventory will be sold. These estimates are dependent on the Company's assessment of current and expected orders from its customers. The Company has historically not carried significant quantities of FirePass inventory in excess of amounts pertaining to current orders from customers.

Valuation of Long-Lived Assets

The Company reviews property, plant and equipment for impairment whenever events or circumstances indicate the carrying amount of the assets may not be recoverable. The Company's review is based on the estimated future cash flows the assets are expected to generate using the best estimate of a variety of factors, including future market growth, forecasted revenues and costs and a strategic review of its business and operations. In the event the Company determines that an asset is impaired in the future, an adjustment to the value of the asset would be charged to earnings in the period such determination is made.

Software Development Costs

Costs for the development of new software products and substantial enhancements to existing software products are expensed as incurred until technological feasibility has been established, at which time any additional costs would be capitalized in accordance with SFAS No. 86, "Computer Software To Be Sold, Leased or Otherwise Marketed." The costs to develop such software have not been capitalized, as the Company believes its current software development process is essentially completed concurrent with the establishment of technological feasibility.

Research and Development

Research and development costs are expensed as incurred.

Stock-Based Compensation

The Company accounts for stock-based awards to employees using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25").

The Company accounts for stock-based awards to non-employees in accordance with the provisions of Statement of Financial Accounting Standard ("SFAS") No. 123, "Accounting for Stock-Based Compensation," and Emerging Issues Task Force ("EITF") Issue No. 96-18, "Accounting for Equity Instruments that Are Issued to Other Than Employees for Acquiring or in Conjunction with Selling Goods or Services," under the fair value method. SFAS No. 123 also requires the disclosure of pro forma net loss as if the Company had adopted the fair value method for stock-based awards to employees. Under SFAS No. 123, the fair value of the stock-based awards to employees is calculated through the use of option pricing models, even though such models were developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's stock option awards. These models also require subjective assumptions, including expected time to exercise, which greatly affect the calculated values. The Company's calculations were made using the minimum value pricing model with the following assumptions:
expected life of one year from vest date; risk free interest rate of 4% and no dividends during the expected term.

The following table represents the effect on net loss if the Company had applied the fair value based method and recognition provisions of SFAS No. 123 (in thousands):

	Nine Months Ended September 30, 2002
Net loss, as reported	$ (1,053)
Add: Stock-based employee compensation expense included in reported net loss	9
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(17)
Pro forma net loss	$ (1,061)

2. PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2002 consisted of the following (in thousands):

Computer and networking equipment	$ 84
Less accumulated depreciation	79
Property and equipment, net	$ 5

In 2002, the Company reassessed the remaining lives of its fixed assets and as a result recorded additional depreciation of approximately $20,000 in the nine-month period ended September 30, 2002.

3. ACCRUED LIABILITIES

Accrued liabilities as of September 30, 2002 consisted of the following (in thousands):

Professional fees	$ 19
Accrued interest	13
Compensation and related benefits	112
Other accrued liabilities	51
Total	$ 195

4. SHORT-TERM DEBT

Short-term debt as of September 30, 2002 consisted of the following (in thousands):

Notes payable to stockholders	$ 305
Notes payable to employees	449
Total	$ 754

During 2000, 2001 and 2002, certain employees elected to receive salary in the form of notes payable. Several employees entered into multiple deferral elections during this period. The agreements provided for interest to be earned ranging from 6% to 10% per annum and contained varying repayment terms. On July 30, 2002, the Company converted certain outstanding employee loans totaling $367,000 into

156,710 shares of Series B Preferred Stock using a conversion price of $2.34 per share. Subsequent to the acquisition referenced in Note 1 above, all remaining employee notes payable were repaid.

During the nine months ended September 30, 2002, the Company obtained bridge note financing from several of its stockholders for an aggregate principal amount of $305,000. The bridge notes bore interest at the rate of 10% per annum, and became due and payable as of the effective date of the acquisition referenced in Note 1 above. Subsequent to the acquisition, the bridge notes were repaid in full by the acquirer.

5. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases its Fremont office facilities under a non-cancelable-operating lease. This lease expires at June 30, 2003 and requires monthly payment of the pro rata share of common area operating expenses. Future minimum lease payments under all non-cancelable-operating leases, as of September 30, 2002, are as follows (in thousands):

	Amount
Three months ended December 31, 2002	$ 22
Calendar year 2003	45
Total minimum lease payments	$ 67

Rent expense was approximately $68,000 for the nine months ended September 30, 2002.

The Company plans to vacate this space at the end of the current lease term, which is June 30, 2003. The Company also leased office space in Tomsk, Russia; however, this was under a cancelable lease which was subsequently cancelled effective February 2003.

Legal matters

The Company was involved in various other legal proceedings incidental to its normal business activities. The amount of ultimate liability with respect to these actions cannot be reasonably estimated. However, in the opinion of management, any liability resulting from an unfavorable outcome will not materially affect the financial position or operating results of the Company.

6. REDEEMABLE CONVERTIBLE PREFERRED STOCK

In July of 2002 the Company agreed with certain employees to convert an aggregate $366,700 of deferred compensation notes payable into 156,710 shares of Series B Preferred stock.

In August 2002, the Board of Directors of the Company consented to the automatic conversion to common shares of all outstanding shares of Series A and Series B Preferred Stock. In accordance with this consent, the Series A and Series B Preferred Stock were converted into 1,112,757 common shares at a 1:1 exchange ratio.

The Series B Preferred Stock contained redemption provisions that, among other requirements, provided for the redemption amount to be equal to be equal to $2.34 per share of Series B plus $0.1872 per share per annum for each year elapsed. Accordingly the Company recorded $186,000 in accretion of Series B

Preferred Stock during the nine months ended September 30, 2002. Such accretion has been reflected as a charge to common shareholders in the statement of operations.

7. STOCKHOLDERS' EQUITY

1998 Stock Option Plan

The 1998 Stock Option Plan (the "1998 Plan") authorized the grant of options to purchase up to 481,250 shares of the Company's common stock. Under the 1998 Plan, incentive options may be granted at a price per share no less than the fair market value of common stock at the date of grant. Nonqualified stock options may be granted at a price per share no less than 85% of the fair market value on the date of grant. Options granted to any 10% stockholder may have an exercise price per share that is not less than 110% of the fair market value per share of common stock on the date of grant. Options granted are immediately exercisable, and unvested shares are subject to repurchase by the Company at the amount originally paid. Options granted generally have a maximum term of ten years and generally vest over four years. At September 30 2002, 32,083 shares issued under the 1998 Plan were subject to repurchase by the Company at a weighted average price of $0.15 per share because such shares were not vested.

The Company determined that an aggregate of 259,319 options to purchase common stock issued during 2002, 2001 and 2000 with an exercise price of $0.25 per share were issued when the estimated value of the underlying common stock was determined by the Company to be $0.59 per share. Accordingly, the Company has recorded $31,000 in deferred stock-based compensation cost, net of cancellations, and $9,000 in related amortization of deferred stock-based compensation during 2002.

Stock option activity under the 1998 Plan is summarized as follows:

	Options Outstanding	
	Number of Shares	Weighted Average Exercise Price
Balance, January 1, 2002	278,086	$ 0.20
Granted (weighted average fair value of $0.40 per share)	11,500	0.25
Exercised	(75,763)	0.12
Canceled	(213,823)	0.20
Balance, September 30, 2002	--	$ --

All options outstanding were cancelled prior to the Company's acquisition by Filanet.

Warrants

In 2002, in connection with obtaining bridge financing in the form of Secured Convertible Promissory Notes, the Company issued 3,600 warrants to purchase Common stock at an exercise price of $2.34. The warrants expire in 10 years. The Company valued the warrants at $2,000 using the Black-Scholes pricing model with the following assumptions: contractual life of 10 years; risk free interest rate of 4.0%; volatility of 85% and no dividends during the expected term. The entire amount was recorded as interest expense in 2002. These warrants were cancelled in connection with the acquisition described in Note 1.

8. INCOME TAXES

The Company accounts for income taxes using an asset and liability approach. Deferred tax liabilities are recognized for future taxable amounts and deferred tax assets are recognized for future deductions and operating loss carryforwards, net of a valuation allowance to reduce net deferred tax assets to amounts more likely than not to be realized. No income taxes were provided for any periods presented due to the Company's net losses.

The Company's deferred income tax assets of approximately $1.8 million at September 30, 2002 are comprised primarily of net operating loss ("NOL") carryforwards. Due to the uncertainty surrounding the realization of the benefits of its favorable tax attributes in future tax returns, as of September 30, 2002, the Company has fully reserved its net deferred tax assets.

At September 30, 2002, the Company has available NOL carryforwards of approximately $4.5 million to offset future federal and state taxable income. The federal NOL carryforwards expire in various years through 2022, while the state NOL carryforwards expire in various years through 2010.

Current tax laws impose substantial restrictions on the utilization of net operating loss and credit carryforwards in the event of an "ownership change," as defined by the Internal Revenue Code. Given that there was an ownership change, the Company's ability to utilize its carryforwards could be limited. California has disallowed the use of net operating losses in the 2002 and 2003 tax years.