

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

NETWORK INSTALLATION CORP
Form 10QSB
May 24, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB
(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended March 31, 2005

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-25499

NETWORK INSTALLATION CORPORATION

(Exact name of small business issuer as specified in its charter)

Nevada

88-0390360

State or other jurisdiction of (IRS Employer
Incorporation or organization Identification Number)

15235 Alton Parkway, Suite 200, Irvine, CA

92618

(Address of principal executive offices)

(Zip Code)

(949) 753-7551

(Issuer's telephone number, including area code)

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

State the number of shares outstanding of each of the Issuer's classes of common equity, as of the latest practicable date:

As of May 2, 2005 there were 21,057,813 shares of Common Stock issued and outstanding, \$0.001 par value.

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT (CHECK ONE) YES [] NO [X]

PART I-FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

NETWORK INSTALLATION CORP. AND SUBSIDIARIES

TABLE OF CONTENTS

	PAGE
UNAUDITED CONSOLIDATED BALANCE SHEET	1
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS	2
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS	3

Network Installation Corp. Consolidated Balance Sheets

	March 31, 2005 (Unaudited)	December 31, 2004
	-----	-----
ASSETS		
Current Assets:		
Cash	\$ 213,729	\$ 1,732
Accounts Receivable	776,155	500,833
Allowance for Doubtful Accounts	(95,486)	(95,486)
Inventory	44,786	-
Other Current Asset	97	-
Prepaid Expenses	34,375	595,812
	-----	-----
Total Current Assets	973,656	1,002,891
	-----	-----
Fixed Assets:		
Vehicles	48,515	-
Equipment	18,708	-
Furniture and Fixtures	46,098	46,098
	-----	-----
	113,321	46,098
Less: Accumulated Depreciation	(43,585)	(9,937)
	-----	-----
Total Fixed Assets	69,736	36,161
	-----	-----
Other Assets:		
Goodwill	594,738	-
Security Deposits	20,690	19,916
	-----	-----

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

Total Other Assets	615,428	19,916
	-----	-----
TOTAL ASSETS.	\$ 1,658,820	\$1,058,968
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable & Accrued Expenses	1,424,490	1,148,427
Bank Line of Credit	101,220	-
Notes Payable	174,920	85,075
Notes Payable - Stockholder	105,580	120,580
	-----	-----
Total Current Liabilities.	1,806,210	1,354,082
	-----	-----
Long-Term Debt:		
Notes Payable	97,500	0
Convertible Debentures - Long-Term Debt	1,782,546	1,582,517
	-----	-----
Total Long-Term Debt.	1,880,046	1,582,517
	-----	-----
Stockholders Equity		
Common stock, no par value, 50,000,000 shares.	23,484	23,484
authorized, 23,483,873 shares issued and outstanding		
Additional Paid-in Capital	14,727,250	7,617,181
Subscriptions Receivable	(30,600)	-
Shares to be issued.	117,217	116,249
Treasury Stocks (Net).	(2,500)	-
Accumulated Deficit.	(16,862,287)	(9,634,545)
	-----	-----
Total Stockholders' Equity (Deficit)	(2,027,436)	(1,877,631)
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY.	\$ 1,658,820	\$ 1,058,968
	=====	=====

See Accountants Review Report

Network Installation Corp.
Consolidated Statement of Operations
(Unaudited)

Three-Months Ended
March 31,

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

	2005	2004
REVENUE:		
Revenue	\$ 750,716	\$ 510,522
Total Income	750,716	510,783
Cost of Goods Sold.	424,078	320,220
Net Income	326,638	190,302
COSTS AND EXPENSES:		
Investor Relations.	347,318	40,030
Office Salaries	210,255	30,841
Officer Compensation.	6,575,426	77,666
Professional Fees	29,342	100,847
Telephone	19,973	10,022
Insurance	12,978	21,402
Consulting Fees	33,188	134,069
Rent.	36,064	10,250
Travel.	14,418	12,825
Payroll Taxes	16,774	1,073
Depreciation.	4,869	750
Other Operating Expenses.	81,598	145,258
TOTAL EXPENSES	7,382,203	585,033
NET LOSS FROM OPERATIONS	(7,055,565)	(394,731)
OTHER INCOME/EXPENSES		
Interest Expense.	(172,177)	(151,390)
TOTAL OTHER INCOME/EXPENSE	(172,177)	(151,390)
NET INCOME (LOSS).	(7,227,742)	(546,122)
BASIC AND DILUTED LOSS PER COMMON SHARE.	\$ (0.31)	\$ (0.04)

See Accountants Review Report

Network Installation Corp.
Consolidated Statement of Cash Flows
(Unaudited)

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

	Three-Months Ended March 31,	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Profit	\$ (7,227,742)	\$ (545,122)
Stock issued for services and debt reduction . . .	6,487,772	195,000
Beneficial conversion feature expense.	(170,250)	135,125
Stock rescinded.	(530,590)	-
Stock warrants issued for debt inducement.	109,342	-
Stock issued for acquisition	200,000	-
Depreciation	33,648	2,250
Adjustments to reconcile net loss to net cash used by operating activities		
Changes in operating assets and liabilities		
Increase in Accounts Payable.	276,063	(250,622)
(Increase) in Accounts Receivable	(97)	272,173
(Increase) Decrease in Prepaid Expenses	561,437	(92,500)
(Increase) Decrease in Other Assets	-	(2,172)
Increase (Decrease) in Deferred Revenues	-	(202,055)
NET CASH USED IN OPERATING ACTIVITIES	(260,417)	(324,190)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Inventory.	(44,786)	164,013
Purchase of Goodwill	(594,738)	-
Purchase of property and equipment	(67,223)	-
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	(706,747)	164,013
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments made on Notes Payable - Stockholder.	(15,000)	-
Proceeds from Notes Payable	-	17,271
Proceeds from Factor	-	(3,297)
Proceeds from Notes Payable	288,566	-
Proceeds from Long-Term borrowing	200,029	426,989
Payments on Notes Payable	(1,181)	(116,720)
NET CASH USED FOR FINANCING ACTIVITIES.	472,414	324,243
NET INCREASE IN CASH & CASH EQUIVALENTS	211,997	(667)
BEGINNING CASH & CASH EQUIVALENTS	1,732	667
ENDING CASH & CASH EQUIVALENTS.	\$ 213,729	\$ 0

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

Cash paid for interest	\$	605	\$	0
		=====		=====
Cash paid for Income Taxes	\$	-	\$	-
		=====		=====

NON-CASH TRANSACTIONS

Stocks issued for Services & Debt reduction. . . .	\$	6,487,772	\$	-
Stocks issued for Debt Inducement.	\$	109,342	\$	-
Stocks rescinded or conversion feature expense . .	\$	(700,840)	\$	-
		=====		=====

See Accountants Review Report

Network Installation Corp.
Consolidated Stockholders' Equity (Deficit)
March 31, 2005
(Unaudited)

	COMMON STOCKS		Addi- tional Paid-in Capital	Sub- scrip- tions Receiv- able	Total Shares To Be Issued	Treasury Stock (N
	# of Shares	Amount				
	-----	-----	-----	-----	-----	-----
Balance - December 31, 2003. . .	12,616,330	\$ 12,616	\$ 2,743,222	\$ -	\$116,295	\$
Recapitalization of stock for Reverse Merger . .	(2,149,500)	(2,150)	2,185	-	(35)	
Issuance of stock for services	372,383	372	365,778	-	-	
Issuance of stock for cash	745,001	745	2,234,258	-	-	
Conversion feature expense.	-	-	511,275	-	-	
Issuance of Stock for Acquisition. . . .	130,549	131	499,869	-	-	
Conversion on convertible debenture.	188,365	189	706,044	-	(11)	
Issuance of stock warrants	-	-	466,790	-	-	
Forward stock split . .	11,580,745	11,581	(11,581)	-	-	
Issuance of stock warrants Advisory Board	-	-	99,341	-	-	
Net Loss for Year . . .	-	-	-	-	-	
	-----	-----	-----	-----	-----	-----
Balance - December 31, 2004. . .	23,483,873	23,484	7,617,181	-	116,249	
	-----	-----	-----	-----	-----	-----
Conversion feature expense	-	-	52,500	-	-	
Issuance of stock warrants	-	-	109,342	-	-	
Issuance of Stock						

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

for Acquisition. . . .	-	-	199,891	-	109	
Conversion on						
convertible debenture.	-	-	98,900	-	100	
Conversion feature expense	-	-	18,750	-	-	
Issuance of Stock						
warrants Officers. . .	-	-	6,476,085	-	-	
Rescind founders stock.	-	-	1,814	-	-	(1,
Rescind of						
Investor shares. . . .	-	-	(529,904)	-	-	(
Issuance of Stock						
(Private Placement). . .	-	-	682,691	(30,600)	759	
Net Loss for Period .	-	-	-	-	-	
	-----	-----	-----	-----	-----	-----
Balance -						
March 31, 2005	23,483,873	\$ 23,484	\$14,727,250	\$ (30,600)	\$117,217	\$ (2,
	=====	=====	=====	=====	=====	=====

See Accountants Review Report

REPORT ON REVIEW BY INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To the Board of Directors
Network Installation Corp., Inc.

We have reviewed the accompanying balance sheet of Network Installation Corp, Inc. as of March 31, 2005 and the related statements of operations and cash flows for the three months ended March 31, 2005 and 2004, included in the accompanying Securities and Exchange Commission Form 10-QSB for the period ended March 31, 2005. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2, conditions exist which raise substantial doubt about the Company's ability to continue as a going concern unless it is able to generate sufficient cash flows to meet its obligations and sustain its operations. The financial statements do not include

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

any adjustments that might result from the outcome of this uncertainty.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the balance sheet as of December 31, 2004 and the related statements of operations, stockholders' equity and cash flows for the year then ended (not presented herein). In our report dated May 6, 2005, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying balance sheet as of March 31, 2005 is fairly stated in all material respects in relation to the balance sheet from which it has been derived.

Michael Johnson & Co., LLC.
Denver, Colorado
May 20, 2005

1. DESCRIPTION OF BUSINESS AND SEGMENTS

OVERVIEW

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

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

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

The accompanying unaudited condensed interim financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission for the presentation of interim financial information, but do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. The audited financial statements for the period ended December 31, 2004 were filed on May 6, 2005 with the Securities and Exchange Commission and is hereby referenced. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three-month periods ended March 31, 2005 are not necessarily indicative of the results that may be expected for the year ended December 31, 2005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

PRINCIPLES OF CONSOLIDATION

The accompanying financial statements include the accounts of Network Installation Corp. ("NIC"), formerly Flexxtech Corporation (legal acquirer, the "Parent"), and its 100% owned subsidiaries, Network Installation Corporation, COM Services, Inc. ("COM"), and Del Mar Systems International, Inc. ("DMSI"). All significant inter-company accounts and transactions have been eliminated in consolidation. The results include the accounts of NIC and Flexxtech for the three months ended March 31, 2005, and the results of COM from the date of acquisition, January 17, 2005 through March 31, 2005. The historical results for the three months ended March 31, 2004 include NIC and DMSI only.

REVENUE RECOGNITION

In the first quarter of 2004, the Company utilized a different revenue recognition method, the completed contracts approach. This approach was changed with the 10KSB/A reporting submitted for the year ending December 31, 2004 to the percentage-of-completion method, which the Company believes better represents business activity. However, when comparing first quarter numbers for 2005 to those for 2004, the comparison involves numbers calculated using differing methods.

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

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

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

STOCK-BASED COMPENSATION

In October 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation" amended by SFAS No 148, "Accounting for Stock Based Compensation Transition and Disclosure". SFAS No. 123 prescribes accounting and reporting standards for all stock-based compensation plans, including employee stock

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

options, restricted stock, employee stock purchase plans and stock appreciation rights. SFAS No. 123 requires compensation expense to be recorded (i) using the new fair value method or (ii) using the existing accounting rules prescribed by Accounting Principles Board Opinion No. 25, "Accounting for stock issued to employees" (APB 25) and related interpretations with pro-forma disclosure of what net income and earnings per share would have been had the Company adopted the new fair value method. The Company uses the intrinsic value method prescribed by APB 25 and has opted for the disclosure provisions of SFAS No.123. No options were issued during the three months ended March 31, 2004 and 2003.

BASIC AND DILUTED NET LOSS PER SHARE

Net loss per share is calculated in accordance with the Statement of financial accounting standards No. 128 (SFAS No. 128), "Earnings per share". Basic net loss per share is based upon the weighted average number of common shares outstanding. Diluted net loss per share is based on the assumption that all dilutive convertible debentures and warrants were converted or exercised.

SEGMENT REPORTING

Statement of Financial Accounting Standards No. 131 ("SFAS 131"), "Disclosure About Segments of an Enterprise and Related Information" requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. Reportable segments are based on products and services, geography, legal structure, management structure, or any other manner in which management disaggregates a company. SFAS 131 has no effect on the Company's consolidated financial statements for the period ended March 31, 2004 and 2003, as substantially all of the Company's operations are conducted in one industry segment.

3. GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplates continuation of the Company as a going concern. However, the Company has accumulated deficit of \$16,862,287, and is generating losses from operations. The continuing losses have adversely affected the liquidity of the Company. The Company faces continuing significant business risks, including but, not limited, to its ability to maintain vendor and supplier relationships by making timely payments when due.

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

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

4 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses is comprised of the following:

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

	March 31, 2005
Accounts payable. . .	\$ 567,560
Payroll tax payable	405,418
Litigation accrual.	110,000
Accrued expenses. . .	341,512
	\$1,424,490
	=====

Payroll tax liabilities of \$53,927 and \$351,491, \$405,418 in total, are payable for 2005 and 2004, respectively. As of the date of these financial statements, the Company is negotiating with the Internal Revenue Service to determine an installment payment plan. The Company intends to commence installment payments in 2005.

5. BANK LINE OF CREDIT AND NOTES PAYABLE

The Company assumed a \$100,000 revolving line of credit with a balance of \$100,538 in connection with the COM acquisition. This note bears interest at a variable rate, 8.75% as of March 31, 2005, and is due on demand. The balance outstanding as of March 31, 2005 was \$101,220.

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

The Company assumed a \$7,850 note payable secured by an automobile with a balance of \$7,450 in connection with the COM acquisition. The loan bears interest of 7.99%. The balance outstanding as of March 31, 2005 was \$7,345.

The Company contracted a \$126,000 note payable in January 2005 in connection with the COM acquisition. This note bears interest at 6% and is payable in monthly installments of \$5,250, maturing in January 2007. The balance outstanding as of March 31, 2005 was \$126,000.

The Company contracted a \$54,000 note payable in January 2005 in connection with the COM acquisition. This note bears interest at 6% and is payable in monthly installments of \$2,250, maturing in January 2007. The balance outstanding as of March 31, 2005 was \$54,000.

6. RELATED PARTY TRANSACTIONS

RELATED PARTY NOTES PAYABLE - CURRENT

The Company has an unsecured, non-interest bearing note, due on demand, to a former officer. The balance outstanding as of March 31, 2005, was \$105,580.

During the period ended March 31, 2005, the Company issued \$210,000 debentures to a major shareholder of the Company. These debentures carry an interest rate of 8% per annum, due in December 2010. These debentures carried a discounted price from the face value of \$35,000. Holder is entitled to convert the face amount of this Debenture, plus accrued interest, anytime following the Closing Date, at the lesser of (i) 75% of the lowest closing bid price during the fifteen (15) trading days prior to the Conversion Date or (ii) 100% of the closing bid prices for the twenty (20) trading days immediately preceding the Closing Date ("Fixed Conversion Price"), each being referred to as the "Conversion Price". No fractional shares or scrip representing fractions of shares will be issued on conversion, but the number of shares issuable shall be

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

rounded up or down, as the case may be, to the nearest whole share. In accordance with EITF 00-27 98-5, the beneficial conversion feature on the issuance of the convertible debenture for the quarter ended March 31, 2005 has been recorded in the amount of \$52,500.

During the period ended March 31, 2005, the Company issued \$75,000 debentures to a major shareholder of the Company. These debentures carry an interest rate of 6% per annum, due in December 2010. Holder is entitled to convert the face amount of this Debenture, plus accrued interest, anytime following the Closing Date, at the lesser of (i) 75% of the lowest closing bid price during the fifteen (15) trading days prior to the Conversion Date or (ii) 100% of the closing bid prices for the twenty (20) trading days immediately preceding the Closing Date ("Fixed Conversion Price"), each being referred to as the "Conversion Price". No fractional shares or scrip representing fractions of shares will be issued on conversion, but the number of shares issuable shall be rounded up or down, as the case may be, to the nearest whole share. In accordance with EITF 00-27 98-5, the beneficial conversion feature on the issuance of the convertible debenture for the quarter ended March 31, 2005 has been recorded in the amount of \$18,750.

7. INCOME TAXES

No provision was made for Federal income tax since the Company has significant net operating loss. Through December 31, 2004, the Company incurred net operating losses for tax purposes of approximately \$3,500,000. The net operating loss carry forwards may be used to reduce taxable income through the year 2023. The availability of the Company's net operating loss carryforwards are subject to limitation if there is a 50% or more positive change in the ownership of the Company's stock. A valuation allowance for 100% of the deferred taxes asset has been recorded due to the uncertainty of its realization.

8. COMMITMENTS & CONTINGENCIES

Litigation:

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

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

The Company may be involved in litigation, negotiation and settlement matters

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

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

9. DUE TO FACTOR

On January 19, 2005, the Company entered into a \$128,750 factoring and security agreement to sell, transfer and assign certain accounts receivable to Dutchess Private Equities Fund II, LP ("Dutchess"). Dutchess may on its sole discretion purchase any specific account. All accounts sold are with recourse on seller. All of the Company's property of NIC including accounts receivable, inventories, equipment and promissory notes are collateral under this agreement. The difference between the face amount of each purchased account and advance on the purchased account shall be reserve and will be released after deductions of discount and charge backs on the 15th and the last day of each month. Dutchess charged \$5,205 for finance charges in connection with this agreement. During the three months ended March 31, 2005, the Company collected and made payment to Dutchess on all amounts owed in connection with this agreement. Due to factor amounted to \$0 as of March 31, 2005, respectively.

10. STOCKHOLDERS' EQUITY

EQUITY

During the three months ended March 31, 2005, the Company issued and agreed to issue common stock as follows:

During the three months ended March 31, 2005, the Company agreed to issue 725,389 shares of common stock to accredited investors for a total of \$683,450. A total of \$652,850 was received from the individual investors during the three months ended March 31, 2005. The remaining \$30,600 is recorded as a stock subscription receivable as of March 31, 2005 and was received in April 2005.

During the three months ended March 31, 2005, the Company agreed to issue 108,696 shares of common stock in connection with the acquisition of COM for a total of \$200,000.

During the three months ended March 31, 2005, the Company agreed to issue 100,000 shares of common stock valued at \$99,000 for investor relations services to be consummated in February 2005.

During the three months ended March 31, 2005, the founder and former CEO agreed to rescind 1,814,482 shares of common stock back to the Company. These shares of common stock had been acquired by the founder and former CEO in connection with the organization of the Company. As such, the shares were originally recorded with a \$0 value and have been rescinded with a \$0 value.

During the three months ended March 31, 2005, a majority shareholder agreed to rescind 685,517 shares of common stock valued at \$530,590 back to the Company. These shares of common stock were acquired in September 2003 by the majority shareholder in connection with various debt financings consummated in 2003 and were valued at \$.774 per share at the time of issuance. Investor relations for the three months ended March 31, 2005 includes a reduction of the total expense for the period, of \$530,590, recorded as a result of the rescinding of these shares of common stock.

CONVERTIBLE DEBENTURES - RELATED PARTIES

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

During the period ended March 31, 2005, the Company issued \$210,000 debentures to a major shareholder of the Company. These debentures carry an interest rate of 8% per annum, due in December 2010. These debentures carried a discounted price from the face value of \$35,000. Holder is entitled to convert the face amount of this Debenture, plus accrued interest, anytime following the Closing Date, at the lesser of (i) 75% of the lowest closing bid price during the fifteen (15) trading days prior to the Conversion Date or (ii) 100% of the closing bid prices for the twenty (20) trading days immediately preceding the Closing Date ("Fixed Conversion Price"), each being referred to as the "Conversion Price". No fractional shares or scrip representing fractions of shares will be issued on conversion, but the number of shares issuable shall be rounded up or down, as the case may be, to the nearest whole share. In accordance with EITF 00-27 98-5, the beneficial conversion feature on the issuance of the convertible debenture for the quarter ended March 31, 2005 has been recorded in the amount of \$52,500.

During the period ended March 31, 2005, the Company issued \$75,000 debentures to a major shareholder of the Company. These debentures carry an interest rate of 6% per annum, due in December 2010. Holder is entitled to convert the face amount of this Debenture, plus accrued interest, anytime following the Closing Date, at the lesser of (i) 75% of the lowest closing bid price during the fifteen (15) trading days prior to the Conversion Date or (ii) 100% of the closing bid prices for the twenty (20) trading days immediately preceding the Closing Date ("Fixed Conversion Price"), each being referred to as the "Conversion Price". No fractional shares or scrip representing fractions of shares will be issued on conversion, but the number of shares issuable shall be rounded up or down, as the case may be, to the nearest whole share. In accordance with EITF 00-27 98-5, the beneficial conversion feature on the issuance of the convertible debenture for the quarter ended March 31, 2005 has been recorded in the amount of \$18,750.

11. BASIC AND DILUTED NET LOSS PER SHARE

Basic and diluted net loss per share for the three-month period ended March 31, 2005 were determined by dividing net loss for the periods by the weighted average number of basic and diluted shares of common stock outstanding. Weighted average number of shares used to compute basic and diluted loss per share is the same since the effect of dilutive securities is anti-dilutive.

12. SUPPLEMENTAL DISCLOSURES OF CASH FLOWS

The Company paid income taxes of \$0 during the three months ended March 31, 2005 and 2004, respectively.

13. ACQUISITION OF COM SERVICES, INC.

Pursuant to an acquisition agreement, the Company acquired 100% of the outstanding shares of common stock of COM Services, Inc., a California corporation, on January 17, 2005 for \$50,000 in cash, \$200,000 in common stock, and notes payable of \$180,000.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The discussion and financial statements contained herein are for the three months ended March 31, 2005 and March 31, 2004. The following discussion should be read in conjunction with our financial statements and notes thereto included herewith

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Report on Form 10-QSB contains forward-looking statements, including, without limitation, statements concerning our possible or assumed future results

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

of operations. These statements are preceded by, followed by or include the words "believes," "could," "expects," "intends," "anticipates," or similar expressions. Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons including: our ability to continue as a going concern, adverse economic changes affecting markets we serve; competition in our markets and industry segments; our timing and the profitability of entering new markets; greater than expected costs, customer acceptance of wireless networks or difficulties related to our integration of the businesses we may acquire and other risks and uncertainties as may be detailed from time to time in our public announcements and SEC filings. Although we believe the expectations reflected in the forward-looking statements are reasonable, they relate only to events as of the date on which the statements are made, and our future results, levels of activity, performance or achievements may not meet these expectations. We do not intend to update any of the forward-looking statements after the date of this document to conform these statements to actual results or to changes in our expectations, except as required by law.

The discussion and financial statements contained herein are for the three months ended March 31, 2005 and March 31, 2004. The following discussion should be read in conjunction with our financial statements and the notes thereto included herewith.

THREE MONTHS PERIOD ENDED MARCH 31, 2005 AS COMPARED TO THREE MONTHS ENDED MARCH 31, 2004

RESULTS OF OPERATIONS

NET REVENUE

We generated consolidated net revenues of \$750,716 for the three months ended March 31, 2005, as compared to \$510,522 for the three month period ended March 31, 2004. The increase in revenues for this quarter when compared to the same quarter last year is due to the increase in marketing expenditures, increase in our sales force and the acquisition of COM Services which contributed to our revenue for the quarter.

COST OF REVENUE

We incurred Cost of Revenue of \$424,078 for the three months ended March 31, 2005, as compared to \$320,220 for the three month period ended March 31, 2004. Our Cost of Revenue increase is due to an increase in the expansion of business from the prior quarter which were expensed in the period ending March 31, 2005.

GROSS PROFIT

We generated gross profit of \$326,638 for the three month period ended March 31, 2005, as compared to \$190,302 for the three month period ended March 31, 2004. The increase in gross profit is due to a larger volume of projects completed.

COSTS ANDEXPENSES

We incurred costs of \$7,382,203 for the three month period ended March 31, 2005 as compared to \$585,034 for the three month period ended March 31, 2004, respectively. Costs and Expenses in the current period increased due to a substantial increase in Officer Compensation. Warrants expensed at \$6,476,085 were issued pursuant to employment agreements executed with our new Chief Executive Officer and Chief Financial Officer.

NET INCOME (LOSS)

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

We had a loss before taxes of (\$7,227,742) for the three month period ended March 31, 2005 as compared to a loss of (\$546,122) for the three month period ended March 31, 2004. The increase in loss is due a substantial increase in Officer Compensation as described above in Other Expenses.

BASIC AND DILUTED INCOME (LOSS) PER SHARE

Our basic and diluted income (loss) per share for the three month period ended March 31, 2005 was (\$0.31) as compared to (\$0.04) for the period ended March 31, 2004. The increase in our loss per share is due to the increase in our net loss to the factors described above.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2005, our Current Assets were \$973,656 and Current Liabilities were \$1,806,210. Cash and cash equivalents were \$213,729. Our Stockholder's Deficit at March 31, 2005 was (\$2,027,436).

We had a net usage of cash due to operating activities for the three month period ended March 31, 2005 of (\$260,417) compared to a (\$324,910), for the three-month period ended March 31, 2004. The increase is due to an increase in warrants issued for debt inducements and stock paid for acquisitions. We had net cash provided by financing activities of for the three month period ended March 31, 2005 and 2004 of \$472,414 and \$324,243, respectively. The increase is due to an increase in proceeds from Notes Payable and Long Term Borrowings. We had \$200,029 from borrowings in the period ended March 31, 2005 as compared to \$426,989 in the corresponding 2004 quarter.

FINANCING ACTIVITIES

On January 6, 2005, we issued convertible debentures of \$150,000 to Dutchess Private Equities Fund, II, LP. The holders of the debentures are entitled to convert the face amount of these debentures, plus accrued interest at the lesser of (i) 75% of the lowest closing bid price during the 15 trading days prior to the conversion date or (ii) 100% of the average of the closing bid prices for the 20 trading days immediately preceding the closing date. The convertible debentures shall pay 8% cumulative interest, in cash or in shares of common stock, at our the holder's option, at the time of each conversion. The debentures are payable in 2010. The convertible debentures are convertible into shares of our common stock.

In connection with the above financing, on January 6, 2005, we issued a warrant to purchase 150,000 shares of our common stock to Dutchess at \$1.83

On January 21, 2005, we issued convertible debentures of \$60,000 to Dutchess Private Equities Fund, II, LP. The holders of the debentures are entitled to convert the face amount of these debentures, plus accrued interest at the lesser of (i) 75% of the lowest closing bid price during the 15 trading days prior to the conversion date or (ii) 100% of the average of the closing bid prices for the 20 trading days immediately preceding the closing date. The convertible debentures shall pay 8% cumulative interest, in cash or in shares of common stock, at our option, at the time of each conversion. The debentures are payable in 2010. The convertible debentures are convertible into shares of our common stock.

In connection with the above financing, on January 21, 2005, we issued a warrant to purchase 60,000 shares of our common stock to Dutchess at \$1.80

On February 3, 2005, we issued convertible debentures of \$50,000 to Preston

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

Capital Partners, LLC. The holders of the debentures are entitled to convert the face amount of these debentures, plus accrued interest at the lesser of (i) 75% of the lowest closing bid price during the 15 trading days prior to the conversion date or (ii) 100% of the average of the closing bid prices for the 20 trading days immediately preceding the closing date. The convertible debentures shall pay 8% cumulative interest, in cash or in shares of common stock, at our option, at the time of each conversion. The debentures are payable in 2010. The convertible debentures are convertible into shares of our common stock.

On February 10, 2005, we issued convertible debentures of \$25,000 to Preston Capital Partners, LLC. The holders of the debentures are entitled to convert the face amount of these debentures, plus accrued interest at the lesser of (i) 75% of the lowest closing bid price during the 15 trading days prior to the conversion date or (ii) 100% of the average of the closing bid prices for the 20 trading days immediately preceding the closing date. The convertible debentures shall pay 8% cumulative interest, in cash or in shares of common stock, at our option, at the time of each conversion. The debentures are payable in 2010. The convertible debentures are convertible into shares of our common stock.

During the three months ended March 31, 2005, the Company agreed to issue 725,389 shares of common stock to individual investors for a total of \$683,450. A total of \$652,850 was received from the individual investors during the three months ended March 31, 2005. The remaining \$30,600 is recorded as a stock subscription receivable as of March 31, 2005 and was received in April 2005.

SUBSIDIARIES

As of March 31, 2005, we had three wholly-owned subsidiaries, Network Installation Corp., Del Mar Systems International, Inc., and COM Services, Inc.

ITEM 3. CONTROLS AND PROCEDURES

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

This deficiency in our internal controls related to improper recognition of revenue prior to final completion of certain contracts and recognizing revenue in amounts greater than the proportion of project completion, and included ineffective controls to monitor compliance with existing policies and procedures and insufficient training of accounting personnel on complex accounting standards related to revenue recognition. The first deficiency related to revenue recognition of partially complete projects when the accounting approach to revenue recognition then in place only allowed recognition after the project was complete. The second deficiency related to revenue recognition on a number of accounts, whereby the company had generated an invoice in its accounting software for more than it was eligible to bill, recognizing revenues and A/R in the process. These invoices were not sent to the customer. Rather, when the project reached a percent complete where the company was eligible for progress billing, a smaller invoice was generated which was actually sent to the customer for these accounts. These progress billings were not captured in the accounting software as revenue or A/R as the larger one already had been captured. It should be noted that this occurred beginning in May of 2004, through the first quarter of 2005, and was not done on all accounts, but selectively.

The majority of the improper revenue recognition was detected in the review

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

process prior to the 2004 10KSB filing and was not included in our financial statements filed with the SEC or otherwise publicly disclosed. To the best of our knowledge, no discrepancy in numbers exists due to the issues identified above in the figures filed for the fourth quarter of 2004 and the first quarter of 2005. We are in the process of improving our internal controls over financial reporting regarding these contracts in an effort to remediate this deficiency providing additional training on complex revenue recognition principles for our accounting staff and establishing additional policies and procedures related to revenue recognition. We have already implemented personnel changes and added a new Chief Financial Officer. In addition, access to the company's accounting software has been limited, a review process has been added for all invoices prior to their release, functional responsibility and accountability for employees has been clarified, and redundancy of accounting functions has been eliminated. Additional work is needed to fully remedy this deficiency and we intend to continue our efforts to improve and strengthen our control processes and procedures.

Other than as described above, there has been no change in our internal control over financial reporting during the fiscal quarter ended March 31, 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. In addition, other than as described above, since the most recent evaluation date, there have been no significant changes in our internal control structure, policies, and procedures or in other areas that could significantly affect our internal control over financial reporting.

PART II-OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

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

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

We may be involved in litigation, negotiation and settlement matters that may

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

occur in our day-to-day operations. Management does not believe the implication of these litigations will, including those discussed above, have a material impact on our financial statements.

ITEM 2. CHANGES IN SECURITIES.

(c) Recent Sales of Unregistered Securities

On January 6, 2005, we issued convertible debentures of \$150,000 to Dutchess Private Equities Fund, II, LP. The holders of the debentures are entitled to convert the face amount of these debentures, plus accrued interest at the lesser of (i) 75% of the lowest closing bid price during the 15 trading days prior to the conversion date or (ii) 100% of the average of the closing bid prices for the 20 trading days immediately preceding the closing date. The convertible debentures shall pay 8% cumulative interest, in cash or in shares of common stock, at the holder's option, at the time of each conversion. The debentures are payable in 2010. The convertible debentures are convertible into shares of our common stock.

In connection with the above financing, on January 6, 2005, we issued a warrant to purchase 150,000 shares of our common stock to Dutchess at \$1.83.

On January 21, 2005, we issued convertible debentures of \$60,000 to Dutchess Private Equities Fund, II, LP. The holders of the debentures are entitled to convert the face amount of these debentures, plus accrued interest at the lesser of (i) 75% of the lowest closing bid price during the 15 trading days prior to the conversion date or (ii) 100% of the average of the closing bid prices for the 20 trading days immediately preceding the closing date. The convertible debentures shall pay 8% cumulative interest, in cash or in shares of common stock, at our option, at the time of each conversion. The debentures are payable in 2010. The convertible debentures are convertible into shares of our common stock.

In connection with the above financing, on January 21, 2005, we issued a warrant to purchase 60,000 shares of our common stock to Dutchess at \$1.80.

On February 3, 2005, we issued convertible debentures of \$50,000 to Preston Capital Partners, LLC. The holders of the debentures are entitled to convert the face amount of these debentures, plus accrued interest at the lesser of (i) 75% of the lowest closing bid price during the 15 trading days prior to the conversion date or (ii) 100% of the average of the closing bid prices for the 20 trading days immediately preceding the closing date. The convertible debentures shall pay 8% cumulative interest, in cash or in shares of common stock, at our option, at the time of each conversion. The debentures are payable in 2010. The convertible debentures are convertible into shares of our common stock.

On February 10, 2005, we issued convertible debentures of \$25,000 to Preston Capital Partners, LLC. The holders of the debentures are entitled to convert the face amount of these debentures, plus accrued interest at the lesser of (i) 75% of the lowest closing bid price during the 15 trading days prior to the conversion date or (ii) 100% of the average of the closing bid prices for the 20 trading days immediately preceding the closing date. The convertible debentures shall pay 8% cumulative interest, in cash or in shares of common stock, at our option, at the time of each conversion. The debentures are payable in 2010. The convertible debentures are convertible into shares of our common stock.

During the three months ended March 31, 2005, the Company agreed to issue 725,389 shares of common stock to individual investors for a total of \$683,450. A total of \$652,850 was received from the individual investors during the three months ended March 31, 2005. The remaining \$30,600 is recorded as a stock

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

subscription receivable as of March 31, 2005 and was received in April 2005.

The securities issued in the foregoing transactions were offered and sold in reliance upon exemptions from the Securities Act of 1933 ("Securities Act") registration requirements set forth in Sections 3(b) and 4(2) of the Securities Act, and any regulations promulgated thereunder, relating to sales by an issuer not involving any public offering. No underwriters were involved in the foregoing sales of securities.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

NOT APPLICABLE.

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

NOT APPLICABLE.

ITEM 5. OTHER INFORMATION.

NOT APPLICABLE.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

NUMBER	DESCRIPTION
--------	-------------

3.1 Articles of Incorporation, dated March 24, 1998 (included as exhibit 3.1 to the Form 10-SB filed March 5, 1999, and incorporated herein by reference).

3.2 By-laws, dated March 24, 1998 (included as exhibit 3.2 to the Form 10-SB filed March 5, 1999, and incorporated herein by reference).

3.3 Amendment to By-laws, dated May 6, 1999 (included as exhibit 3.2.2 to the Form 10-SB filed May 14, 1999, and incorporated herein by reference).

3.4 Certificate of Amendment of Articles of Incorporation (included as exhibit 3.2 to the Form 8-K filed November 29, 2000, and incorporated herein by reference).

3.5 Certificate of Amendment of Articles of Incorporation (included as exhibit 3.3 to the Form 8-K filed November 29, 2000, and incorporated herein by reference).

3.6 Certificate of Amendment to Articles of Incorporation, dated January 10, 2003 (included as exhibit 3.3 to the Form 10-KSB filed April 15, 2003, and incorporated herein by reference).

3.7 Certificate of Amendment to the Certificate of Incorporation, dated June 26, 2003 (included as exhibit 4.1 to the Form 10-QSB filed November 13, 2003, and incorporated herein by reference).

4.1 Warrant #101 issued to C.C.R.I. Corp., dated September 29, 2003 (included as exhibit 4.1 to the Form SB-2 filed October 16, 2003, and incorporated herein by reference).

4.2 Warrant #102 issued to C.C.R.I. Corp., dated September 29, 2003 (included as exhibit 4.2 to the Form SB-2 filed October 16, 2003, and incorporated herein by reference).

4.3 Convertible Debenture Exchange Agreement between the Company and Dutchess

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

Private Equities Fund LP, dated February 27, 2004 (included as exhibit 4.1 to the Form 10-QSB filed May 24, 2004, and incorporated herein by reference).

4.4 Form of Debenture between the Company and Dutchess Private Equities Fund LP, dated March 1, 2004 (included as exhibit 4.2 to the Form 10-QSB filed May 24, 2004, and incorporated herein by reference).

4.5 Form of Debenture between the Company and Dutchess Private Equities Fund, II, L.P., dated March 31, 2004 (included as exhibit 4.3 to the Form 10-QSB filed May 24, 2004, and incorporated herein by reference).

4.6 Convertible Debenture Agreement between the Company and Dutchess Private Equities Fund, II, dated March 31, 2004 (included as exhibit 4.8 to the Form 10-QSB filed August 23, 2004, and incorporated herein by reference).

4.7 Convertible Debenture Agreement between the Company and Dutchess Private Equities Fund, II, dated April 8, 2004 (included as exhibit 4.9 to the Form 10-QSB filed August 23, 2004, and incorporated herein by reference).

4.8 Convertible Debenture Agreement between the Company and Dutchess Private Equities Fund, II, dated April 13, 2004 (included as exhibit 4.10 to the Form 10-QSB filed August 23, 2004, and incorporated herein by reference).

4.9 Form of Warrant, dated May 18, 2004 (included as exhibit 4.6 to the Form SB-2 filed July 27, 2004, and incorporated herein by reference).

4.10 Form of Warrant, dated May 26, 2004 (included as exhibit 4.7 to the Form SB-2 filed July 27, 2004, and incorporated herein by Reference).

4.11 Convertible Debenture Agreement between the Company and Dutchess Private Equities Fund, II, dated September 25, 2004 (included as exhibit 4.11 to the Form 10-QSB filed November 22, 2004, and incorporated herein by reference).

4.12 Convertible Debenture Agreement between the Company and Dutchess Private Equities Fund, II, dated October 21, 2004 (included as exhibit 4.12 to the Form 10-KSB filed May 6, 2005, and incorporated herein by reference).

4.13 Form of Warrant, dated October 21, 2004 (included as exhibit 4.13 to the Form 10-KSB filed May 6, 2005, and incorporated herein by reference).

4.14 Convertible Debenture Agreement between the Company and Dutchess Private Equities Fund, II, L.P., dated November 2, 2004 (included as exhibit 4.14 to the Form 10-KSB filed May 6, 2005, and incorporated herein by reference).

4.15 Form of Warrant, dated November 2, 2004 (included as exhibit 4.15 to the Form 10-KSB filed May 6, 2005, and incorporated herein by reference).

4.16 Convertible Debenture Agreement between the Company and Dutchess Private Equities Fund, II, L.P., dated November 9, 2004 (included as exhibit 4.16 to the Form 10-KSB filed May 6, 2005, and incorporated herein by reference).

4.17 Form of Warrant, dated November 9, 2004 (included as exhibit 4.17 to the Form 10-KSB filed May 6, 2005, and incorporated herein by reference).

4.18 Convertible Debenture Agreement between the Company and Dutchess Private Equities Fund, L.P., dated December 1, 2004 (included as exhibit 4.18 to the Form 10-KSB filed May 6, 2005, and incorporated herein by reference).

4.19 Form of Warrant, dated December 1, 2004 (included as exhibit 4.19 to the Form 10-KSB filed May 6, 2005, and incorporated herein by reference).

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

4.20 Convertible Debenture Agreement between the Company and Dutchess Private Equities Fund, L.P., dated December 9, 2004 (included as exhibit 4.20 to the Form 10-KSB filed May 6, 2005, and incorporated herein by reference).

4.21 Form of Warrant, dated December 9, 2004 (included as exhibit 4.21 to the Form 10-KSB filed May 6, 2005, and incorporated herein by reference).

4.22 Convertible Debenture Agreement between the Company and Dutchess Private Equities Fund, L.P., dated December 22, 2004 (included as exhibit 4.22 to the Form 10-KSB filed May 6, 2005, and incorporated herein by reference).

4.23 Form of Warrant, dated December 22, 2004 (included as exhibit 4.23 to the Form 10-KSB filed May 6, 2005, and incorporated herein by reference).

4.24 Form of Debenture between the Company and Dutchess Private Equities Fund, II, LP, dated January 6, 2005 (filed herewith).

4.25 Warrant Agreement between the Company and Dutchess Private Equities Fund, II, LP dated January 6, 2005 (filed herewith).

4.26 Form of Debenture between the Company and Dutchess Private Equities Fund, II, LP, dated January 21, 2005 (filed herewith).

4.27 Warrant Agreement between the Company and Dutchess Private Equities Fund, II, LP dated January 21, 2005 (filed herewith).

4.28 Form of Debenture between the Company and Preston Capital Partners, LLC, dated February 3, 2005 (filed herewith).

4.29 Form of Debenture between the Company and Preston Capital Partners, LLC, dated February 10, 2005 (filed herewith).

10.1 Reseller Agreement between the Company and Vivato, Inc., dated August 14, 2002 (included as exhibit 10.1 to the Form 10-QSB filed November 13, 2003, and incorporated herein by reference).

10.2 Short Term Rental Agreement between the Company and Vidcon Solutions Group, Inc., dated February 5, 2003 (included as exhibit 10.3 to the Form 10-QSB filed November 13, 2003, and incorporated herein by reference).

10.3 Consulting Agreement between the Company and Dutchess Advisors, LLC, dated April 1, 2003 (included as exhibit 10.3 to the Form 8-K filed April 23, 2003, and incorporated herein by reference).

10.4 Restructuring and Release Agreement between the Company, Dutchess Advisors LLC, Dutchess Capital Management LLC, Michael Novielli, Western Cottonwood Corporation, Atlantis Partners, Inc., John Freeland, Greg Mardock, and VLK Capital Corp., dated April 9, 2003 (included as exhibit 10.2 to the Form 8-K filed April 23, 2003, and incorporated herein by reference).

10.5 Stock Purchase Agreement between the Company and Michael Cummings, dated May 16, 2003 (included as exhibit 2.1 to the Form 8-K filed June 13, 2003, and incorporated herein by reference).

10.6 Consulting Agreement between the Company and Marketbyte, LLC, dated July 24, 2003 (included as exhibit 10.8 to the Form SB-2 filed July 27, 2004, and incorporated herein by reference).

10.7 Motorola Reseller Agreement between the Company and Motorola, Inc., dated August 18, 2003 (included as exhibit 10.2 to the Form 10-QSB filed November 13, 2003, and incorporated herein by reference).

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

10.8 Investment Agreement between the Company and Preston Capital Partner, LLC, dated January 21, 2004 (included as exhibit 10.7 to the Form SB-2 filed January 21, 2004, and incorporated herein by reference).

10.9 Registration Rights Agreement between the Company and Preston Capital Partners, LLC, dated January 21, 2004 (included as exhibit 10.8 to the Form SB-2 filed January 21, 2004, and incorporated herein by reference).

10.10 Placement Agent Agreement between the Company and Park Capital Securities, LLC, dated January 21, 2004 (included as exhibit 10.9 to the Form SB-2 filed January 21, 2004, and incorporated herein by reference).

10.11 Premier Reseller Agreement between the Company and Aruba Wireless Networks, Inc., dated January 29, 2004 (included as exhibit 10.10 to the Form SB-2/A filed February 9, 2004, and incorporated herein by reference).

10.12 Investor Relations Service Agreement between the Company and Eclips Ventures International, dated February 2, 2004 (included as exhibit 10.9 to the Form SB-2 filed July 27, 2004, and incorporated herein by reference).

10.13 XO Communications, Inc. Agent Agreement between the Company and XO Communications, Inc., dated March 8, 2004 (included as exhibit 10.13 to the Form SB-2 filed July 27, 2004, and incorporated herein by reference).

10.14 Mpartner Independent Agent Agreement between the Company and Mpower Communications Corp., dated March 23, 2004 (included as exhibit 10.10 to the Form SB-2 filed on July 27, 2004, and incorporated herein by reference).

10.15 Sales Agent Agreement between the Company and PAETEC Communications, dated March 23, 2004 (included as exhibit 10.11 to the Form SB-2 filed July 27, 2004, and incorporated herein by reference).

10.16 Qwest Services Corporation Master Representative Agreement between the Company and Qwest Services Corp., dated March 23, 2004 (included as exhibit 10.12 to the Form SB-2 filed July 27, 2004, and incorporated herein by reference).

10.17 Lease Agreement - Las Vegas location between the Company and HQ Global Workplaces, dated January 2, 2004 (included as exhibit 10.8 to the Form SB-2 filed July 27, 2004, and incorporated herein by reference).

10.18 Lease Agreement - Los Angeles location between the Company and HQ Global Workplaces, dated March 1, 2004 (included as exhibit 10.15 to the Form SB-2 filed July 27, 2004, and incorporated herein by reference).

10.19 Lease Agreement - Gold River location between the Company and HQ Global Workplaces, dated May 20, 2004 (included as exhibit 10.16 to the Form SB-2 filed July 27, 2004, and incorporated herein by reference).

10.20 Lease Agreement - Scottsdale location between the Company and HQ Global Workplaces, dated June 1, 2004 (included as exhibit 10.17 to the Form SB-2 filed July 27, 2004, and incorporated herein by reference).

10.21 Lease Agreement - Seattle location between the Company and HQ Global Workplaces, dated June 1, 2004 (included as exhibit 10.18 to the Form SB-2 filed July 27, 2004, and incorporated herein by reference).

10.22 Promissory Note Agreement between the Company and Stephen Pearson, for the acquisition of Del Mar Systems, Inc., dated March 1, 2004 (included as exhibit 10.19 to the Form SB-2 filed July 27, 2004, and incorporated herein by reference).

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

10.23 Promissory Note between the Company and Dutchess Private Equities Fund, dated December 17, 2003 (included as exhibit 10.20 to the Form SB-2 filed July 27, 2004, and incorporated herein by reference).

10.24 Promissory Note between the Company and Dutchess Private Equities Fund, dated January 9, 2004 (included as exhibit 10.21 to the Form SB-2 filed July 27, 2004, and incorporated herein by reference).

10.25 Promissory Note between the Company and Dutchess Private Equities Fund, dated February 2, 2004 (included as exhibit 10.22 to the Form SB-2 filed July 27, 2004, and incorporated herein by reference).

10.26 Promissory Note between the Company and Dutchess Private Equities Fund, dated February 5, 2004 (included as exhibit 10.23 to the Form SB-2 filed July 27, 2004, and incorporated herein by reference).

10.27 Employment Agreement between the Company and Robert W. Barnett, dated January 19, 2004 (included as exhibit 10.25 to the Form SB-2 filed July 27, 2004, and incorporated herein by reference).

10.28 Promissory Note between the Company and Michael Cummings, dated December 30, 2003 (included as exhibit 10.26 to the Form SB-2 filed July 27, 2004, and incorporated herein by reference).

10.29 Promissory Note between the Company and Michael Cummings, dated March 15, 2004 (included as exhibit 10.27 to the Form SB-2 filed July 27, 2004, and incorporated herein by reference).

10.30 Territory License Agreement between the Company and 5G Wireless Communications, Inc., dated February 2004 (included as exhibit 10.27 to the Form 10-QSB filed August 23, 2004, and incorporated herein by reference).

10.31 Lease Agreement between the Company and Alton Plaza Property, Inc., dated June 29, 2004 (included as exhibit 10.28 to the Form 10-QSB filed August 23, 2004, and incorporated herein by reference).

10.32 Stock Purchase Agreement between the Company, Raymond Mallory, and Will Stice, dated January 17, 2005 (included as exhibit 2.1 to the Form 8-K filed January 24, 2005, and incorporated herein by reference).

10.33 Employment Agreement between the Company and Jeffrey R. Hultman, dated March 7, 2005 (included as exhibit 99.2 to the Form 8-K filed March 9, 2005, and incorporated herein by reference).

10.34 Employment Agreement between the Company and Michael V. Rosenthal, dated March 14, 2005 (included as exhibit 99.2 to the Form 8-K filed March 14, 2005, and incorporated herein by reference).

14.1 Code of Ethics (included as exhibit 14.1 to the Form 10-KSB filed April 9, 2004, and incorporated herein by reference).

21.1 List of Subsidiaries (filed herewith)

31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Officers pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Edgar Filing: NETWORK INSTALLATION CORP - Form 10QSB

(b) Reports Filed on Form 8-K

On January 24, 2005, the Company filed an 8-K reflecting a Stock Purchase Agreement with Raymond Mallory and Will Stice to acquire California-based networking services firm Com Services, Inc. for \$430,000 in cash and stock.

On January 28, 2005, the Company filed an 8-K reflecting Michael Novielli's interview with Larry Isen of Marketbyte, LLC.

On February 18, 2005, the Company filed an 8-K reflecting the dismissal by the Board of Directors of Rose, Snyder & Jacobs as our principal accountant and the appointment by the Board of Directors of Michael Johnson & Co., LLC to serve as our independent public accountants for the fiscal year ending December 31, 2004.

On March 9, 2005, the Company filed an 8-K reflecting acceptance by the Board of Directors of Michael Cummings' resignation as Chief Executive Officer and the appointment by the Board of Directors of Jeffrey Hultman to serve as our new Chief Executive Officer.

On March 17, 2005, the Company filed an 8-K reflecting Michael Rosenthal becoming our new Chief Financial Officer.

On May 11, 2005, the Company filed an 8-K reflecting acceptance by the Board of Directors of Michael Cummings' resignation as Director.

SIGNATURE

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NETWORK INSTALLATION CORPORATION
(Registrant)

Date: May 24, 2005

By: /s/ Jeffrey R. Hultman

Jeffrey R. Hultman
President & Chief Executive Officer

By: /s/ Michael V. Rosenthal

Michael V. Rosenthal
Chief Financial Officer