

RHNMEDIA

(OTC PK:RHNA)

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Recent Price: \$0.10
Target Price: \$0.88
(12-month)

SPECULATIVE BUY RATING

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Exclusive focus on capturing the Hip Hop Audience

Company Overview

RHNMEDIA & RHN.TV (OTCPK:RHNA) is the first 24-hour cable network dedicated exclusively to Hip Hop lifestyle and culture. RHN.TV currently broadcasts to approximately 33 million US households. The Washington, D.C.-based network has a regular programming schedule devoted almost entirely to the Hip Hop marketplace with a targeted selection of programming centered on the foundation of Hip Hop's core elements, namely DJing, MCing, Break Dancing and Urban Art.



- Since originating 30 years ago as an “underground” urban music genre, Hip Hop has evolved and expanded into a **broadly popular global entertainment and cultural phenomenon**. Business Week recently reported that there are an **estimated 100 million Hip Hop fans worldwide**, including **50 million in the U.S.** alone.
- Like **most successful start-up networks** before it, RHN’s business strategy seeks to **target a programming niche that has already proven popular** with television audiences – but for which there is currently no full-time, dedicated programming outlet.
- RHNMEDIA presently **owns more than 25,000 hours of ready-to-broadcast videos** and **low cost programming content** with appeal to the hip hop market segment.
- Several **key alliances & relationships** with **influential individuals** and **reputed companies** (e.g **McCann Erickson**) will enable RHNMEDIA to **quickly penetrate the Hip Hop market, increase visibility, brand awareness** and **generate revenues**.
- RHN content, **launched in July 2006** has already **begun to establish a loyal audience base**. In short, RHN has positioned itself to offer a complete and appealing mix of original and acquired programming from the outset, further setting the network apart from many other planned programming services.
- The Company believes it is **now entering a new exciting growth phase**. Through dogged perseverance of management and the unwavering support of RHNA loyal shareholders, the distribution of **RHN.TV has grown to approximately 33 million households** under a “**nesting**” agreement with **CoLours TV** and **MHz Networks**.
- RHNMEDIA, has entered into an agreement for cable and satellite distribution in the Metro TV markets, starting from 2007. The agreement aims to **target several metro markets including California, Georgia, Texas, Illinois, and New York**. Moreover, the Company plans to **announce the debuting TV stations – KTBU, KDOC, WJYS and WRNN** – to its TV audience in the upcoming promotional events, TV guides and print media. Through the execution of this plan, **the Company plans to broadcast its channels to over 100 million households by December 2007**.
- The network is expected to generate Net income/(loss) of **(\$2.2 million) and \$19.1 million during in FY2007 & FY2008 respectively**, and (based on projections set forth in its business plan) with **free cashflow valuation (DCF) of \$49.1 million**.
- **The Company is well poised to take advantage of the society’s changing trends and the meteoric rise of Hip Hop music, we anticipate RHNMEDIA will achieve formidable heights and we believe the potential exists to reap handsome rewards for long-term investors looking to establish a strategic holding. Advertisers are flocking to Hip Hop as it has become a powerful medium to connect with this audience. We believe the upside potential in the shares substantially outweighs the downside risks. We view current levels as an opportunity to enter RHNA on ground level while the company is still in pioneering phase and building its TV content and presence, which together with management’s undisputed track record heralds’ great promise of building shareholder value. See INVESTMENT THESIS & RECOMMENDATION for more in-depth discussion (Page 16-20).**

RHN Media	
<i>(all figures in millions)</i>	
52 Week Hi/Lo Range	1.10/0.11
Fiscal Year End	31-Dec
Shares Outstanding (01/01/2007)	39,423
Float (approximately)	NA
Share price (01/09/2007)	0.150
Market Capitalization	5,913
Average Volume (10-day)	0.077
Insider Ownership(approximately)	90%
Institutional Ownership	NA
Enterprise Value (EV)	NA
Long Term Debt	NA
Total Cash	NA
12/31/2007 12/31/2008	
FY2007 E FY2008 E	
Earnings Per Share (EPS)	-0.054 0.347
Book Value (\$/share)	0.000 0.347
FY2007 E FY2008 E	
Total Revenue	7.392 40.100
Cost of Sales	0.000 0.000
Gross Profit/Loss	7.392 40.100
Operating expenditures	9.150 10.969
Net Revenues	-1.759 29.131
Other Expenses	0.360 0.432
Tax Items	0.000 10.045
Net Income	-2.119 19.086
NA = Not applicable/Not Available. A = Actual Reported figures E = Estimates	
Balance Sheet & Financial Statement Extracts	
Current Assets	
Current Liabilities	
Total Assets	
Total Shareholders Deficit	
Operating cashflow	
Capital Structure (11-03-2006)	
Authorized Common Stock	2000 000 000

THE COMPANY

RHNMEDIA (a Nevada Corp) (OTC PK:RHNA) provides round the clock exclusive **Hip Hop music, lifestyle and culture**. Formerly known as Real Hip Hop Matrix (a Nevada corp.), the Company announced on December 11, 2006 that it executed a change to its Certificate of Amendment to rename the company: RHNMEDIA (Nevada) and subsequently its ticker symbol has changed from RHM to RHNA.

The Company, headquartered in Washington D.C., **operates the first 24-hour cable television network dedicated exclusively to Hip Hop lifestyle and culture**. The Company aims to capture the hip hop marketplace and is targeted at the 18-34 year old people, in the suburban and urban markets. Focused solely to create interactive and entertainment applications for the Hip Hop audience, this Nevada Corporation is **positioning itself to become the hub of the \$10 billion hip hop industry**. The Company is establishing strong distribution channels for its content and aggressively expanding its programming to capitalize on the growing popularity of Hip Hop music, **with the goal of achieving profitability in 2007**.

RHNMedia currently broadcasts to **approximately 33 million US households** through **Dish Network (Channel 9407), Comcast in Denver (Channel 55) and in LA on Adelphia** through a **programming agreement with CoLOURS TV**. The channels of the Company reached 15 million homes for 24-hour access through OlympuSat in 2005. **The figure is expected to be approximately 43 million homes by 2008**. OlympuSat provides distribution through a multi-content agreement with Dish Network, Direct TV and the top 10 major cable channels. RHNMEDIA has also entered into a partnership with ROO Group Inc. (OTC BB:RGRP) for the IP distribution of RHN.TV.



RHNMEDIA owns 100% of the shares of SSM Media Group, Inc. (SSMM), a Maryland Corporation. SSMM, through its President Atonn Muhammad, owns 90% of The Real Hip Hop Network Corporation (Maryland) (RHN). This includes all of RHN's assets, liabilities, revenues, operations, properties, Internet properties, TV distribution, and 100% of the content thereof. The remaining 10% of the Company is owned by investments of SSM Media Group Inc, Atonn Muhammad and approximately 200 distinguished African American investors constituting culture supporters, entertainment artists, sport stars, music performers and business investors. SSMM also owns 100% of Real Hip Hop Network Digital, Inc (a Nevada Corp).

RHNMEDIA presently **owns more than 25,000 hours of ready-to-broadcast videos and low cost programming content**. In addition to music videos, RHNMEDIA also produces original content and has plans to continue creating programming focused on Hip Hop culture, including fashion, automobiles, jewelry, lifestyles and trends. The Company also produces original content and plans to continue **creating programming focused on the Hip Hop culture** that includes **news, documentaries, interviews, dance, DJ competitions, fashion shows and artist battles**. To proceed with the original programming plan, the Company has already formalized **production and editing agreements with Atlantic Video, Inc**. RHNMEDIA also receives **promotional content for music videos from key record labels**, along with information for the audience, commentary, news, and advertising.

Many believed, like in the early days of Rock 'n' Roll, that Hip Hop was a passing craze. All misconceptions of Hip Hop have been destroyed. Hip Hop, 30 years later, has grown stronger than ever before, becoming the music of the world's youth, being hailed as a new demographic class. Hip Hop music, Hip Hop culture, art, dance, fashion and politics have become a genre strong enough and embedded enough to claim a stake in the lucrative cable television markets in both the US and internationally.

RELATIONSHIPS & ALLIANCES

RHNMedia has identified leading Hip Hop media companies and is working with them to jointly develop programming content and a differentiated product. The Company formed strong relationships and business alliances with a wide array of influential individuals and reputed companies. Some of the popular alliances include:

- ❑ **McCann Erickson** - The world's largest advertising agency network. Presently in discussions on behalf of RHN for agreement with **Microsoft X-Box, Coca Cola and Source Magazine**.
- ❑ **The Source Magazine** - The finest Hip Hop culture magazine.
- ❑ **Democratic National Committee** - Media Partnership to increase voter participation in the 18-34 demographic.
- ❑ **ROO Media** - Leading provider of web based video content. ROO Partnered with RHN to develop a web-based video on demand site for RHN on www.rhn.tv. The site offers the latest music videos, news and RHN programming.

See Appendix A-1 for Analyst Certification and Important Disclosures.

- ❑ **Deloitte & Touche** - Business advisors, Accountants Washington D.C.
- ❑ **Hip-Hop Fashion Market** – Ecco, Sean John, Phat Farm, Enyce, 555Soul, E-commerce.
- ❑ **Womble Carlyle** - Legal Counsel, Washington D.C. Other clients include Time Warner Cable, Dish Network and Pan Amsat.
- ❑ **Pseudo.com** – Media Technology Company that creates, manages, and transmits digital content for film, web and television.
- ❑ **Prana Marketing** - Marketing and Public Relations firm servicing premiere music artists, media firms and corporations.
- ❑ **Vibe Magazine** - 800k circulation base; Adverting Partner in SayShe.com (a Hookt.com affiliate); Kenard Gibbs, President has close relationship with management.
- ❑ **Atlantic Video Inc.** – Premier Broadcast Production Company.
- ❑ **OlympuSat** - Provider of distribution through multi-content agreement with Dish Network, Direct TV and the top 10 major cable channels.
- ❑ **Russell Simmons** – The “Godfather” of Hip-Hop.
- ❑ **Sean “Puffy” Combs** – Hip-Hop music and fashion mogul Sean Jean Line.
- ❑ **Eminem** – No.1 recording artist and \$100 million Box Office Star.
- ❑ **Chuck D** – Hip-Hop industry leader, spokesman and activist.
- ❑ **Universal Music** - Controls over 50% of Hip-Hop and R&B music; Owner of Island/Def Jam, Interscope and Cash Money.

These alliances and relationships with influential individuals and reputed companies will enable RHNMEDIA to quickly penetrate the Hip Hop market, increase visibility, brand awareness and generate revenues.

BUSINESS AND STRATEGY

RHN’s mission is to be the television destination for the multi-racial hip-hop generation by returning Hip- Hop culture back to its “realness,” meaning its true conscious and artistic form, by creating a new worldwide market to present its international influence.

RHN.TV to enter Metro TV Markets in 2007

Real Hip Hop Network Holdings, a wholly owned subsidiary RHNMEDIA, has entered into an agreement for cable and satellite distribution in the Metro TV markets, starting from 2007. **The agreement aims to target several metro markets including California, Georgia, Texas, Illinois, and New York.** Moreover, the Company plans to **announce the debuting TV stations – KTBU, KDOC, WJYS and WRNN** – to its TV audience in the upcoming promotional events, TV guides and print media. Through the execution of this plan, **the Company plans to broadcast its channels to over 100,000,000 households by December 2007.**



Broadcasting approval from Comcast Corporation

RHNMEDIA has got the green signal from Comcast Corporation (NASDAQ NM: CMCSA,CMCSK) to broadcast its shows via RHN.TV to the target audience. Comcast Corporation is the country’s largest cable service provider and one of world’s leading communications companies. Comcast is focused on content, commerce, and broadband cable and delivers innovative programming, clearer broadband phone service, faster internet connectivity and digital services. The approval received by RHNMEDIA from Comcast will have a significant impact on the Company’s visibility, popularity and brand building.

Comcast has cleared and approved RHNMEDIA’s time slots for broadcasting (0000 to 2400 on MHz 4 and 0000 to 1800 on MHz 2). The Company has also entered into an agreement with MHz Networks, which made its network available in the Greater Washington DC market for 24 hours a day since July 1,2006. In the 3th Qtr 2006, RHNMEDIA is broadcasting RHN.TV to over 22 million households.

With more hours to broadcast its programs, the Company is poised to become one of the most popular Hip Hop channels of the country.

See Appendix A-I for Analyst Certification and Important Disclosures.

Advertising Sales Execution Strategy

RHNA will target to obtain Drive charter sponsorships via category exclusives, with major advertisers that desire to reach the core hip-hop audience. Universal McCann has been retained to drive charter sponsor efforts.

RHN's advertising strategy includes sponsorship, product placement, branded programming, traditional ad units, and on-air celebrity endorsements.

Selected sponsors and current advertising clients that have expressed significant interest include:

- Coca Cola**
- Microsoft X-box**
- Sprite**

Sponsors and celebrities will also support RHN's subscriber marketing effort.

RHNMedia's management understands the difficulties a new network faces in securing both analog and digital distribution and is positioning its business for success through tiered distribution of programs. The Company is exclusively focused on a fast-growing but underserved Hip Hop marketplace and plans to capitalize on its unique cross media packaging opportunities.

INDUSTRY

RHNMEDIA has tremendous growth opportunity as America is waking up to the fascinating world of Hip Hop culture and music. The term hip hop (also spelled "hip-hop" or "hiphop") refers both to a musical (see hip hop music) and cultural genre or movement (hip hop culture) that was developed predominantly by African Americans and Latinos (primarily of Puerto Rican ethnic heritage) in urban communities, starting in the 1970s. Since first emerging in New York City in the seventies, hip hop has grown to encompass not just rapping, but an entire lifestyle that consistently incorporates diverse elements of ethnicity, technology, art and urban life. There are **four fundamental elements in hip hop: hip hop dance** (notably breakdancing), **urban inspired art** (notably graffiti), **DJing** and **MCing** or Rap (a form of rhythmically delivered rhyming lyrics).

Hip Hop music and culture is becoming a mainstream force with a global appeal. Hip Hop culture has influenced the lifestyle and culture of the American youth. **According to Forbes.com, Hip Hop generates over \$10 billion in revenues, every year. Hip Hop music and culture has captured the imagination of 45 million Americans, aged 13 – 34. This demographic** of approximately 45 million Americans between the ages of 13 to 34 is estimated to represent **\$1 trillion** of spending power. The market share of Hip Hop music has increased to 13.5% and it has replaced traditional Pop music from the number two position. While it has grown far beyond its music roots, Hip Hop is fundamentally a media-based industry targeting a media-centric audience. Hip Hop is the **second largest selling music category, trailing only Country** (for which, by comparison, there **are already three dedicated cable networks**). There are **at least two Hip Hop radio stations ranked among the top 10** (based on listenership) in nine of the ten largest U.S. markets.

Hip Hop CD sales hit \$5.5 billion in 2003, and in 2004, Hip Hop music saw a number of Grammy nominations. **Hip Hop is the most popular genre on BET's African-American lineup and MTV's general music menu.** The launch of RHN.TV couldn't have come at a better time. The Company is well poised to take advantage of the society's changing trends and the meteoric rise of Hip Hop music.

The Trends

RHNMEDIA has positioned itself at the convergence of three massive trends transforming America:

- The **explosion of Hip Hop music and culture** into the **mainstream**,
- The **mobility of media**, and
- The expansion of **urban influence in suburban culture**.

Driving this trend are the Hip Hop artists at the forefront of a new force in musical commerce – the "One Man Brand". This transforms individual artists into global entrepreneurs. No longer satisfied with recording contracts that give up control, artists are producing their own music and parlaying their talent into global brands offering and endorsing everything from clothing to fragrances, credit cards to cars, make-up to movies. The mention of a product in a song can skyrocket sales overnight and hip hop inspired fashion brands such as Phat Pharm, FUBU and Sean John can be found in department stores right alongside standbys such as Ralph Lauren and Tommy Hilfiger.

Furthermore, using cell phones and personal digital assistants (PDAs), enabling people to share video clips with friends around the world and further indulging their Hip Hop passion with ring tones from their favorite artists. These hip hop "interactions" serve to deepen interest in the music, making it a stronger element in daily life. People will come to RHNMEDIA to stay current with the latest hip hop trends, see how their favorite artists live and get the insider knowledge that fans crave.

See Appendix A-I for Analyst Certification and Important Disclosures.

Future RHNMEDIA branded mobile applications and events will accelerate and reinforce RHNMEDIA's market acceptance. Hip Hop is born of the urban experience. As cities become increasingly crowded and ethnically diverse, RHNMEDIA's core urban audience expands. More city-dwellers can relate to the messages in the music, while at the same time increasing numbers of suburban youths relate to the music, culture and fashions. Urban is cool. Tired of the seemingly uneventful suburban life, they cling to exciting urban images and style to spice up their lives. Urban expansion will drive viewers to RHNMEDIA.

Hip Hop has become the new American melting pot, simultaneously appealing to African-American, Hispanic, Asian and White demographics. Urban markets, critical sites of cultural production and consumption, have a tremendous impact on consumption patterns outside urban areas. Urban-originated trends in music, video, film and fashion constitute the elements of culture that are transmitted by traditional media, cable television and the Internet to legions of viewers with sufficient discretionary income to indulge their passions. Programming and events designed to satisfy these passions, created by people who share them, will bond viewers to RHNMEDIA.

RHNMEDIA's Value Proposition

RHN will create value for all its constituencies.

HIP HOP AUDIENCE

- RHN will address the audience demand for a contemporary television destination for the 79 million multi-racial hip-hop audience.
- The Founders bring the vision, credibility and creative expertise, and relationships to develop the television destination for the hip-hop generation.
- MTV and BET's obligation to general programming **leaves certain markets unsatisfied**, creating a **gaping hole that RHNMEDIA will fill**.
- MTV and BET's **diminishing music content**, as a percentage of total programming, leaves record companies with limited channels to introduce new artists and to promote new releases. **RHNMEDIA's heavy music focus provides the perfect solution.**

ADVERTISERS

- **18-34 demographic garners at least a 20% premium for advertisers**, when compared to other demographic groups.
- **Solves advertisers #1 problem – how to connect with and gain the acceptance of the 18-34 age group**, the fastest growing and traditionally the most difficult to reach population segment.
- Hip-hop's trendsetters and tastemakers have **significant purchasing power**.
- **Only channel focused exclusively on capturing the Hip Hop audience and marketplace** - a broad array of economic activity will channel through the RHNMEDIA medium.
- By moving into the traditional "free" television space, **RHNMEDIA can capture the 11% of the total television audience not covered by cable and satellite music stations** and achieve first mover status because Warner Bros. (WB) and United Paramount Network (UPN), who share the same "free" space, have no musical presence.

MSOs (Cable Multiple System Operators) and SATELLITE PROVIDERS

- The **majority of subscribers to cable and satellite television reside in large market DMA's**, the heart of the hip-hop audience.
- Celebrity driven promotional programs can **drive digital upgrades** and **increase customer retention**.

INVESTORS

- **Cable networks are compelling** due to their **dual revenue streams** subscriber and ad revenue.
- **M&A comparable transactions support multi-billion dollar valuations.**

CULTURAL PHENOMENON

Hip Hop's cultural presence extends well beyond its status as a popular music format:

- In recent years, Hip Hop's musical influence has expanded to cover rock, classical and even country genres:
 - ❑ Rock bands including Limp Bizkit, Papa Roach and Sublime have incorporated Hip Hop elements into their music.
 - ❑ "Rap violinist" Miri Ben-Ari and the group ONO blend classical music with Hip Hop.
 - ❑ Finally, and perhaps most indicative of Hip Hop's broad appeal, popular country band BigNRich continues to feature Hip Hop elements through its "rapper" Cowboy Troy.
- Hip Hop theatre has achieved consistent exposure and substantial success on Broadway, from the early Bring in 'Da Noise, Bring in 'Da Funk to the Tony Award winning Def Poetry Jam.
- The "Street Life" book genre and urban magazines including RHN's The Source, Vibe and Blaze also reflect Hip Hop's influence and the cultural appeal of the urban lifestyle.
- The 2002 film 8 Mile, starring Eminem and chronicling the Hip Hop culture and lifestyle, generated more \$116 million in box office sales. Other films including Bringing Down The House, Barbershop and 2005's Crash and Hustle and Flow illustrate the popularity of Hip Hop and its personalities.
- Numerous Hip Hop artists including Will Smith, Queen Latifah, Ice Cube and most recently 50 Cent have "crossed over" into starring roles in television series' and major films.

The cultural influence of Hip Hop is also reflected in the enormous marketing impact of Hip Hop artists and music. The entrepreneurial spirit and savvy of leading Hip Hop artists initially transformed the marketing landscape by establishing the "One Man Brand." More recently, Hip Hop entrepreneurs have increasingly intertwined their own initiatives with the activities of major advertisers and Fortune 500 companies. Examples that illustrate both the evolution of Hip Hop's marketing influence and the current market environment include:

- In 2003, four of the five largest selling clothing brands (measured by gross sales) were owned/developed by Hip Hop artists or Hip Hop-inspired – including **Sean John, Rocawear, FUBU and Phat Farm**.
- **Reebok International's S. Carter sneaker, named after Hip Hop artist Jay Z**, was the fastest selling and highest grossing shoe in the company's history – until it was surpassed in 2005 by a new shoe line from 50 Cent (Curtis Jackson).
- Def Jam Recordings co-founder Russell Simmons subsequently established the Simmons Lathan Media Group (SLMG). SLMG has produced network television series' (The Steve Harvey Show, The Parkers), Broadway's Def Poetry Jam, Showtime's Def Comedy Jam and the feature film **Gridlock'd**.
- Major consumer brands including **Cadillac, Nike, Gillette, Sprite, Courvoisier and Western Union** have all experienced substantial increases in sales as a result of marketing tie-ins with Hip Hop artists and/or product mentions in Hip Hop songs.

Hip Hop on Television

Hip Hop music programming and programming with Hip Hop themes have emerged as a major force in cable television content:

- **Hip Hop is the most popular music video genre on MTV**, and music videos (predominantly Hip Hop) are **BET's most popular programming category**.
- **The Source Awards**, the Hip Hop awards program sponsored by RHN-owned Source Magazine, was the most watched program on BET in 2004 – generating a 2.5 rating and an average audience of nearly two million viewers.
- **Pimp My Ride**, a reality series starring Hip Hop artist Xzibit, is one of MTV's highest rated series' – achieving average ratings in the 0.9 to 1.3 range throughout 2004.
- The new reality sitcom **Run's House**, starring Rev Run, debuted this fall on MTV. In addition, Bring It To The Table, a poker series matching teams of rappers, debuted on Spike TV in the Spring of 2005.
- In addition to the popularity of Hip Hop programming itself, the sustained popularity of music-centered programming networks and networks targeting African-American audiences illustrates RHN's potential appeal:
 - ❑ During 2004, Country Music Television (CMT) achieved an average prime time rating of 0.34 and an average total day audience rating of 0.22.
 - ❑ BET's 2004 prime time rating averaged 0.58, with a total day average rating of 0.38.
 - ❑ Ratings for early stage music networks MTV2 and FUSE averaged 0.10 in 2004 – with the rating for FUSE having doubled in comparison with 2003.

The Hip Hop market is large and still growing; with an extraordinary cultural influence that transcends music. Both Hip Hop music programming and programming inspired by Hip Hop culture are prevalent and popular on television today, and quickly becoming even more so. Finally, while mainstream in the breadth of its appeal, the Hip Hop culture retains a fierce independence that is uniquely suited to an independent television voice such as RHN.

COMPETITION

There are no truly direct programming network competitors for RHN's TV Network niche among existing networks. Further, as illustrated below, the number of networks that partially incorporate Hip Hop programming elements provides strong evidence of the popularity of the genre and the market opportunity for RHN. Finally, while various rumors and announcements regarding Hip Hop network concepts have surfaced over the past two years, there is no indication that any direct competitors are in advanced stages of development.

Critical Success Factors

In addition to the requisite financial backing, factors essential to the success of start-up programming networks have historically included: Control of and/or access to programming with proven audience appeal, and the ability to acquire and/or produce that programming at moderate cost. The lack of an existing programming network directly targeting the planned network's market niche, Realistic opportunities for access to initial distribution – offering the network the initial exposure needed to prove its appeal to consumers. As described throughout this report, RHN fully meets all of these success criteria – and has taken important steps to reducing its exposure to “copycat” efforts by existing or potential competitors. Equally important, contrary to “conventional wisdom,” it is not necessary (though it is generally advantageous) for a start-up network to be owned by a major programming group owner or a major subscription TV distributor. Many successful networks have initially launched as “independents” – with a number of these services having later been acquired by major programming owners and/or distributors. **Examples of successful networks that initially launched as independents include: The SciFi Channel, ESPN Classic, The Food Network, E!, Court TV, CMT, The Hallmark Channel, The Golf Channel, Oxygen and National Geographic Channel.**

The unique evolution and characteristics of the Hip Hop market and culture are particularly well suited to an independent programming venture. In fact, in this instance, RHN may actually have an advantage as a result of its independence from large media enterprises.

The closest competitors to RHN's TV Network concept include:

- **MTV Networks.** Following its launch as the first video music network in 1981, Viacom subsidiary MTV: Music Television changed the television landscape and ultimately the music industry. At the end of 2004, MTV was among the most widely distributed cable networks, available to nearly 88 million homes.

With the highest cash flow margin of any programming network, **MTV is estimated to have generated more than \$600 million in 2004 operating cashflow on net revenues of over \$1 billion.** While still effectively targeting the 12-34 demographic, MTV has substantially changed its programming format in recent years to feature reality programming such as The Real World and other series' such as the popular Pimp My Ride. At present, video music programming from the MTV Networks group is concentrated on MTV “spinoffs” including MTV2, MTV Hits and MTV Jams:

- MTV2 was available to approximately 55 million homes at the end of 2004. The network mixes music video programming with a variety of artist profiles, specials and music-centered entertainment programming. Hip Hop is heavily emphasized (reflecting its enormous popularity), but shares the MTV2 schedule with heavy metal, alternative rock and other music genres.

- MTV Jams has reach estimated at 14 million homes and offers music videos 24 hours daily. The network is targeted to the 12-34 demographic and features a mix of R&B, Soul and Hip Hop music.

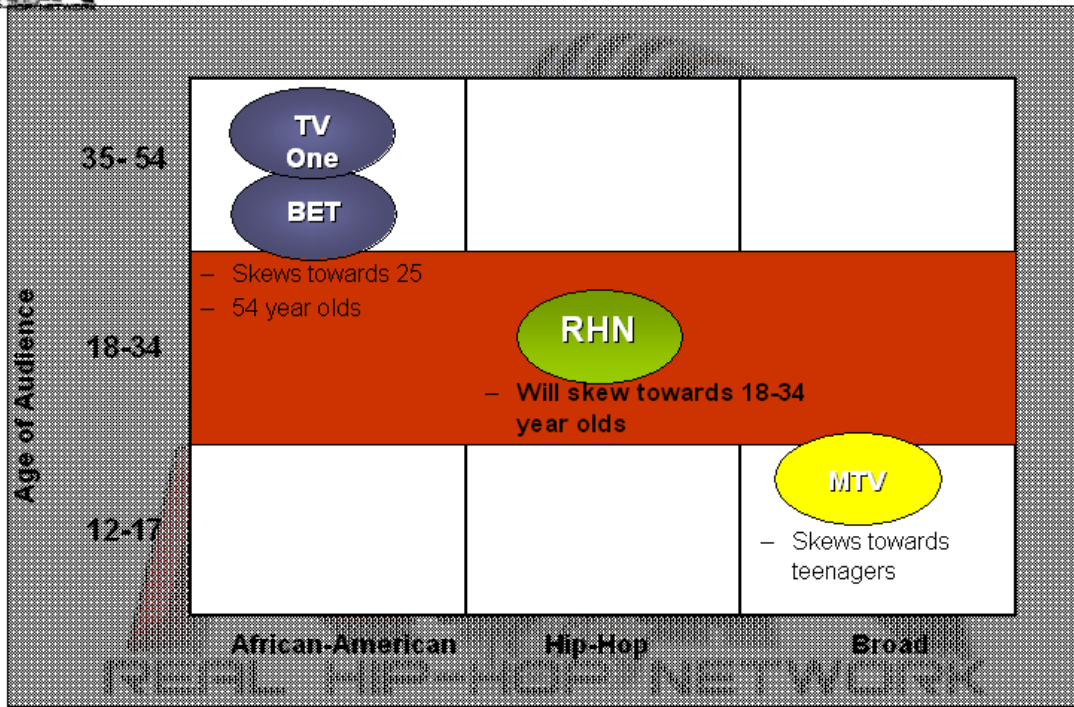
- MTV Hits targets the 12-24 demographic with music video programming concentrating on Pop music. The network also reaches an estimated 14 million homes.

- **BET Networks.** Black Entertainment Television (BET) launched in 1980 and was available to nearly 80 million homes at the end of 2004. BET provides a range of programming intended to reflect African-American culture, including educational programs, sports, public affairs and music content. **BET is estimated to have generated over \$300 million in 2004 net revenues – with cash flow exceeding \$180 million.** The Source Awards was BET's highest-rated program during 2004. Further, the popularity of BET's music programming led the organization to develop BET Jazz – which is available to approximately 11 million homes and features jazz videos, films and documentaries.

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Network Competitive Position



• **TV One.** Launched in 2004, TV One targets African American adults (i.e., the 25-54 demographic) with a mix of lifestyle programming, classic series, movies, fashion and music content. With ownership including Radio One, Comcast and DIRECTV, TV One is estimated to have attained distribution to 18 million homes in its first year of operation. This network reflects the subscription TV industry’s growing interest in enhancing its appeal to the African American market.

• **VH1 Networks.** Also owned by Viacom, the VH1 family of networks provides a range of music video and music-centered programming – geared primarily to the 25-54 demographic. VH1 Soul, available to about 11 million homes, **represents the nearest competitor to RHN.**

• **FUSE.** Owned by Rainbow Media, FUSE promoted itself as the “only all music, viewer-influenced television network.” FUSE programming includes music videos, artist interviews, live concerts and specials. The network reached nearly 37 million homes at the end of 2004, and emphasizes “alternative” rock. In certain respects, FUSE is suggestive of the potential for RHN – as a truly music-centered alternative to the MTV family, with a concentrated emphasis on the 12-34 demographic and a particular, popular music-based lifestyle.

Competitive Assessment

Like most successful start-up networks before it, RHN’s business strategy seeks to target a programming niche that has already proven popular with television audiences – but for which there is currently no full-time, dedicated programming outlet. In this respect, the current status of the competitors listed above illustrates RHN’s strong market potential:

- *The extensive distribution, strong ratings and substantial revenues generated by MTV, BET, etc. prove that there is a consistent audience and strong economic potential for the type of entertainment content that RHN will provide.*
- *The emphasis placed by MTV “spin-off” networks on Hip Hop programming illustrates the strong demand for this programming genre.*

At the same time, RHN will be differentiated from each of these competitive alternatives by virtue of its full-time focus on Hip Hop content, the range of its coverage of the Hip Hop culture and its unique understanding of the Hip Hop lifestyle that emanates from its direct involvement in the industry. **Taken together, these factors suggest that RHN is at a competitive advantage relative to most other start-up programming networks.** The proven market for its programming, coupled with its unique position as an integral participant in the Hip Hop industry, position RHN for success.

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Description of the Target Market.

On a broad scale, RHNMEDIA’s market includes people who like hip hop music and/or culture as well as those with curiosity towards the lifestyle. Within this broad scale, RHNMEDIA’s strongest numbers move toward the 18-34 age group of every race and gender, according to global advertising giant McCann Erickson. This target market is further expanded by a strong contingent of viewers in the 13-17 year old market segment.

18-34 Age Group

Its impulsive buying and entertainment savvy characterize this group. **The 25-34 age group alone spends more than \$37 billion on entertainment annually**, spends more time on the Internet than any other age group and watches upwards of 32 hours of TV per week. Their favorite websites include mtv.com and launch.com (both music websites) and 34.4% of their time spent online is downloading music. MTV is one of their most popular television channels.

White Suburban

Although most Hip Hop artists in the United States are African-American city-dwellers, the majority of Hip Hop consumers are whites living in the suburbs. In fact, 70% of all hip hop music is consumed by whites aged 18-34, enjoying widespread cross cultural appeal (McCann Erickson). They also purchase 68% of all Hip Hop concert tickets. “These days, white teenagers and twenty-something’s in Iowa are just as likely to be buying hip-hop music and wearing baggy jeans as they are to be listening to rock and roll and wearing Levi’s” (New York Times). **Advertisers are flocking to Hip Hop as it has become a powerful medium to connect with this audience.**

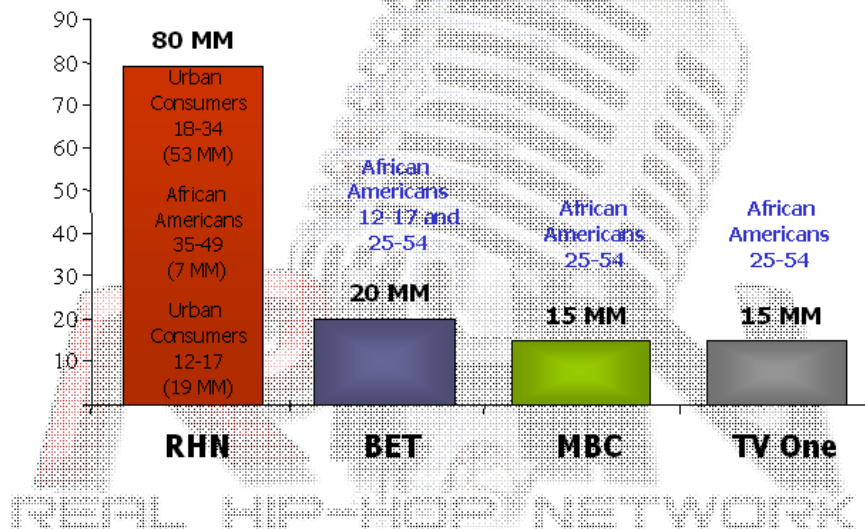
African-American Urban

Markets where RHNMEDIA demonstrates strong appeal is the top ten African-American markets. The top ten US cities with the highest population of African-Americans have a total population of 7,023,476 and total buying power of \$116.4 billion. The major cable operators that serve these regions are the first to establish carriage. In addition to cable carriage, RHNMEDIA works to gain distribution through DBS home satellite and the major satellite radio providers.



RHN’s Target Market

RHN’s target market is 4 times the size of other “urban” services.



PROGRAMMING THEMES & SINGLE-FEED MODEL

As noted above, RHN benefits from considerable flexibility with respect to its overall programming mix and content strategy. At the outset, however, the network's plan is to establish a programming schedule consisting of approximately **45 percent music video based entertainment, and about 55 percent original programming revolving around the Hip Hop lifestyle and culture.** A little more than half of the original programming is expected to be studio-based shows, magazine shows and documentaries/reality shows produced by RHN (e.g., generally modest cost, hosted shows with interviews and some live performances), while the remaining half of original programming is expected to be acquired and/or bartered from independent producers.

A broad sampling of the specific programming themes and concepts that the network will feature include:

Music video-based programming. RHN intends to air a number of distinct one-hour blocks of Hip Hop music videos – some of which will be hosted and some that will not. Some of the programs will be purely music video playback while others will include interviews, live performances and studio audiences. Video Juke Box finds a home on RHN as Ralph McDaniels hosts the legendary show. He is known as a pioneer who was the first to produce and host a video music show based around Hip Hop culture and music. VR-20 (Video Request Top 20) will feature the top 20 Rap videos of the day. Hosted by RHN VJs in front of a studio audience, this show will also feature live performances and interviews. The Real Gritty Top 20 will showcase the day's top 20 underground Hip Hop videos, selected by viewer request. Rap World will feature blocks of international Hip Hop music videos. Beauty and the Beats will feature all female artists. In addition, there will be three other blocks of Hip Hop videos daily on RHN. In all, about 45 percent of the programming week will be devoted to blocks of exclusively Hip Hop videos – many times the amount of dedicated airtime to this content than can be found anywhere else. This content will provide a springboard and cross-promotional tool for other RHN original and acquired programming.

Live Concert Series. RHN intends to air up to six original Hip Hop concerts per year, featuring artists ranging from the well established to the up-and-coming. These concerts will be repeated liberally throughout the calendar year.

News, Magazine Shows, and daily Talk Show. RHN will produce and acquire a number of topical news and magazine shows that detail relevant news and information about the Hip Hop community. For example, One Nation Hip Hop, will be an "Entertainment Tonight" style program providing information about the latest TV shows, movies and sitcoms featuring the biggest and hottest Hip Hop celebrities. It will also feature current album releases and concert tour information. Analyze This will feature celebrity guests from diverse backgrounds discussing the issues and controversies behind rap lyrics, and Hip Hop Insider will be a news show featuring politics, news and sports, hosted by RHN VJs. Mogol is a Hip Hop business show featuring segments on record industry economics, news on the latest deals of superstar Hip Hop recording artists, and lifestyle segments with showcases of homes, cars and travel destinations of the Hip Hop elite. Rap Sheet is a Hip Hop news and commentary show featuring writers from Hip Hop's greatest magazines, including Source, Vibe and XXL. Finally, management has plans for a nightly talk show called Hip Hop Late Nite. The show would feature live guests.

Documentary and "Competition" Programming. RHN will seek to assemble a stable of documentaries and artist profiles/features programs. Legend will chronicle the greatest Hip Hop legends, while Behind the Platinum will showcase the backstage, behind the scenes scandals, shady deals, violence and murder that exist in the dark corners of the music industry. Dollar and Dream will document the rise of Hip Hop's greatest artists. In addition, Unsigned Heat will profile the hottest unsigned MC's in the business. Competition style programming will include Technics World, a DJ competition, and Rap Wars, a nationwide MC free style battle competition. Rap Superstar will be an American Idol-style Rap show with celebrity guest judges. In addition, RHN has acquired and will "re-version" extensive footage and pre-produced segments that have been developed by Pseudo Entertainment and others. Much of this content is of high quality and is readily adaptable for television using low cost post-production techniques. This approach mirrors that often used by The History Channel, Biography and others, to develop quality documentary and reality programming at a modest cost.

Entertainment Programming. RHN will round out its programming schedule with a number of entertaining shows designed to appeal to segments of its target audience. These shows include:

- Kissed or Dissed – a dating show chronicling the dates of Hip Hop singles culminating in whether the their partners will be kissed or dissed.
- Beneath the World Order – an RHN original animated series.
- Flip Side – a reality show where two people from different worlds switch places.
- Chrome – a program dedicated to Hip Hop's love affair with cars.
- Street Skillz: Street Ball Tournament – hosted by popular former MTV hosts Ed Lover and Dr. Dre, this show offers the winner of a street basketball tournament a workout with NBA scouts.
- Couture with Toni – a fashion show based on Hip Hop fashion hosted by RHN personality Toni.
- Every Woman has a Story – a show on women and their struggles.
- Serve it Up – this show features Raz B, a former member of pop super group B2K and an actor in the movie about Hip Hop dance "You Got Served." The show will have Hip Hop dance troops compete for cash and prizes in front of celebrity judges.
- The Deal – featuring The Outlawz, this show takes a behind the scenes look at their lives both on and off stage as they struggle to make their own way outside the legacy of legendary artist Tupac Shakur.

See Appendix A-1 for Analyst Certification and Important Disclosures.

- RHN Late Night w/ Dave Chappelle – featuring the controversial Comedian Dave Chappelle. The icon that launched the successful Dave Chappelle Show on Comedy Central. RHN’s Late Night Show will feature classic elements of Dave’s signature show on Comedy Central, like stand up comedy and his hilarious skits. The show will also feature live interviews and performances in front of a live studio audience.

PROGRAM MATRIX

Time	Mon	Teus	Wed	Thurs	Fri	Sat	Sun
8AM-9AM	Rap Sheet					Beneath the world Order	Music Videos
9AM-10AM	Gritty Top 20					Beneath the world Order	
10AM-11AM	Rap World					Gritty Top 20	Behind the Platinum
11AM-12PM	Beauty And The Beats						Rap World
12PM-1PM	Rap Sheet					Underground Nation	Analyze This
1PM-3PM	Mic Session					Dollar and Dream	Legend
2PM-3PM	In the Street					Chrome	Unsigned Heat
3PM-5PM	VR-20 (top 20 Countdown Show)					Couture with Toni	F.E.D.S Documentaries
5PM-6PM	Kissed or Dissed					Every Woman has a story	
6PM-7PM	Music Video's					Street Skillz	RAP WARS
7PM-8PM	Solja's Factor	Anylize This	Chrome	One Nation	Kissed or Dissed		
8PM - 9PM	One Nation	The Deal	Rap Superstar	Beneath the World Order	Every Woman has a story	Hip Hop Insider	Hip Hop Insider
9PM-10PM	Unsigned Heat			One Nation	Couture with Toni		
10PM-11PM	The Gritty Top 20					RHN LIVE (concert series)	RHN LIVE (concert series)
11PM-12AM	Hip-Hop Late Night Talk Show with "host"						
12AM-2AM	VR-20 Repeat						
2AM-3AM	Hip-Hop Late Night Talk Show with "host" Repeat					The Deal	
3AM-6AM	Music Video Repeats during the Day						
6AM-8AM	Paid Programming						

Based on the programming approach outlined above, an example programming grid illustrating a typical week of programming on RHN is presented in the Table below. **The programming grid reflects a single feed model, re-using key programming across time periods in a manner structured to maximize audience exposure to the programming in the most heavily viewed time periods.** In addition, the grid illustrates the planned prime time programming mix. In the event distribution and revenue proceed at a different pace than projected, RHN has the flexibility to adopt a different programming mix (e.g., exhibit more “no cost” music videos) and thereby contain costs.

See Appendix A-I for Analyst Certification and Important Disclosures.

FINANCIAL STATEMENTS

The company has not made any Form 10-QSB or Form 10-KSB filings with the SEC with regards to financial performance and developments. The company is however in the process of improving its financial reporting in order to become a fully reporting company. RHNMEDIA has its fiscal year-end on December 31. Limited financial disclosure does restrict our ability to review the accumulated losses and startup costs incurred to date, review solvency and liquidity and interpret comments and management's discussion on operations.

Last month the Company hired Gladden and Assoc. to prepare GAAP consolidated financial statements for RHNMEDIA, which shareholders can expect in due course. Upon the completion of the Company's consolidated financial statements the Company will apply for an OTCQX listing. For more information on OTCQX, please see www.otcqx.com.

On Dec 12, 2006 RHNMEDIA announced its revenue and expenses forecasts for FY2007 and FY2008. The Company and its subsidiaries have provided the 24-month consolidated projections based on the Company's business assumptions and hypothetical conditions regarding the Company's revenue sources including but not limited to:

- (i) Cable & satellite domestic distribution,
- (ii) Special events calendar 2007 only,
- (iii) Direct and indirect sponsorships
- (iv) TV advertising
- (v) Syndication
- (vi) Joint ventures
- (vii) PPV.

In US Dollars	FY2007	FY2008
	-----	-----
Total Gross Revenues	\$7,391,500	\$44,297,000
Expenses:		
General Administration	\$1,276,400	\$3,000,000
Office Rent	\$175,000	\$180,000
Transmission Fee	\$670,000	\$670,000
Programming	\$740,000	\$700,000
Technical & Affiliate Sales	\$1,020,000	\$1,020,000
Post Production & Graphics	\$780,000	\$480,000
Marketing	\$1,750,000	\$800,000
TV and Radio Ad Sales	\$229,096	\$320,000
Miscellaneous Expenses	\$242,444	\$200,000
Public Relations	\$45,600	\$75,000
Total Expenses	(6,928,540)	(7,445,000)
Net Revenues	\$462,960	\$36,852,000

The Company believes it is now entering a new exciting growth phase. Through dogged perseverance of management and the unwavering support of RHNA loyal shareholders, the distribution of RHN.TV has grown to approximately 33,000,000 households. Recent agreements with **Backchannelmedia** has enhanced RHNMedia's ability to close on advertising business that has been waiting in the wings for RHN.TV to hit metro audiences in 2007.

Affinity advertisers representing well-known brand name consumable and apparel clients have entered into negotiations with RHNMEDIA for several innovative 'grassroots' or 'street campaign' promotions through 2007/2008. Although this area of the Company's business is unpredictable, a grass roots trend 'that catches light' with Hip Hop audiences may provide revenues far in excess of these projections shown above.

Management stated in its press release on financial guidance that it remained conservative in its financial outlook and strongly believes in under-promising and over-delivering. Further the Company does not subscribe to corporate high spending and lavish perks as capital-raising activities thus far has taught the Company to prudently manage its resources.

Noteworthy financial and per share statistics are listed in the table found on page 1 of this report.

See Appendix A-I for Analyst Certification and Important Disclosures.

Liquidity and Capital Resources

No recent information was readily available to enable us to review the cash and cash equivalent position of the company at the time of writing of this report. It is uncertain if the **company has sufficient resources and is sufficiently covered to conduct its operational and/or expansion plans and projects earmarked in the coming year.** The Company was entirely privately funded until November 2006. Giorgio Costonis of RMD Entertainment (OTCPK : RMDG) who introduced RHNA to a talented group of NY Investors and financial advisors whose recent investments in RHNMEDIA has enabled the Company execute its plans.

Since the vast majority of development costs will borne by its distribution and collaboration partners ample liquidity and extensive capital resources is not of utmost importance, save to ensure the company can continue as going concern until it enters a period of free cash flow generation. **However we believe** management will manage the existing resources in a sensible fashion, to maximize its development and technology efforts in the best possible way to manage shareholder capital.

RISK FACTORS /CONCERNS

The business model, and longer-term consistency of revenue and income potential, remain uncertain and is not fully proven. RHNMEDIA currently has agreements that will produce affiliate fee revenues and advertising sales and present projections of income and revenues generated from operations may differ substantially from reality. Furthermore, it cannot provide assurance that management will be successful in negotiating further deals and contracts and deliver on all of its estimates used in financial modelling. RHNA is **substantially dependent on the expertise of its management team and directors**, the loss of which could materially adversely affect future anticipated results. The company is still considered to be a **development stage company** and has not provided recent details of the extent of revenues generated since inception. The Company may not be able to generate sufficient funds to operate its business, which, could harm results and force the Company to curtail or cease its present business plan. There can be **no assurance the company will be successful in its effort to secure additional financing, if needed** to support operations that will necessitate achievement of near and medium term goals.

The Company is new in the cable network business, which makes evaluating its prospects difficult. There are significant challenges involved in growing the business and executing the Company's business plan. The cable network market is rapidly evolving and RHNMedia must act aggressively to establish a foothold. The Company has not generated any revenues since its inception. Although management has provided guidance regarding 2007 and 2008 revenues and profits, there is no guarantee the Company will achieve profitability next year or the following year.

In a development stage company, management devotes most of its activities to establishing a new business. Planned principal activities have not yet produced major revenues and the Company has likely suffered recurring operating losses as is normal in development stage companies. These factors raise doubt about the Company's ability to continue as a **going-concern**. The ability of the Company to emerge from the development stage with respect to its planned principal business activity is **dependent upon its successful efforts to raise additional equity financing, receive funding from affiliates and controlling shareholders, and achieve market penetration with its creative content and programming.**

Securing distribution is the primary challenge for most programming networks and will be the single most important determinant of success for RHNMEDIA. RHNA profitability and survival will depend upon its ability to partner with entertainment giants, hip hop artists, record companies and industry players etc. to **license intellectual property** for the entertainment business, including **television programming, events, merchandising** and related ancillary markets. As part of this intellectual property, RHNA seeks to **create "franchise" shows** that form the basis for sequels, product merchandising and other ancillary opportunities. If the Company is unable to achieve this or if it doesn't remain competitive, innovative and fresh in building and using the content of its library, it may be unprofitable and its investors could lose their entire investment. There can be no assurance that RHNA will be able to achieve and maintain acceptance and draw interest and popularity of hip hop followers and the entertainment public vis-à-vis the content produced by competitors.

The Company's future growth will depend on its success in negotiating agreements and partnerships. If the Company is unable to sustain these agreements or is unsuccessful in securing new contracts, its growth prospects may be adversely affected. RHNA will be primarily dependent on partners to assist in production functions and to provide the requisite marketing and distribution expertise and to contribute capital per project. There is no assurance that such persons or institutions will be available when needed at favorable terms. There is no assurance that RHNA will be successful in meeting or overcoming its current or future competition to create its own specialized niche in the hip hop marketplace that has perpetual value for the company.

Its business depends on the protection of intellectual property and may suffer if RHNA is unable to adequately protect its intellectual property. The success of its business depends on its ability to obtain and design new content. Currently, it has several trademarks. The Company cannot provide assurance that its trademarks will not be invalidated, circumvented or challenged, that the rights granted under the trademarks will give it competitive advantages or that its patent applications will be granted.

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The competition for cable television audiences is intense. Although RHNMedia doesn't compete directly with network television due to its exclusive focus on the Hip Hop music niche segment, it does compete with cable channels MTV and Black Entertainment Television (BET), which reach 88 million households and 80 million households, respectively. Changes in viewers' tastes and preferences could adversely affect its business. Rapidly changing technology, evolving industry standards in the cable and satellite broadcasting paid television markets and changing customer demands and preferences characterize the market for its content. Accordingly, if RHNA is unable to adapt to rapidly changing technologies and to adapt its product to evolving industry standards and cater to viewer tastes, its business will be adversely affected.

Its present officers and advisors have other unrelated full-time positions or part-time employment. Some officers and advisors will be available to participate in management decisions on a part-time or as-needed basis only. Management may devote time to other companies or projects, which may compete directly or indirectly with that of RHNMEDIA. Insiders control a high stake of the company - representing **control of approximately 89.5% of the total voting power**. Accordingly, the present insiders will continue to elect all of our directors and generally control its affairs.

The Company's areas of business may be affected from time to time by such matters as changes in general economic conditions, changes in laws and regulations, taxes, tax laws, prices and costs, and other factors of a general nature which may have an adverse effect on the business of RHNMEDIA. At present, only a limited public market exists for the common stock on the Pink Sheets market maintained by the National Association of Securities Dealers (NASD) and there is no assurance that a more active trading market will develop, or, if developed, that it will be sustained.

Although RHNA has no key customers at the present time, it expects that if its development work is successful, it will likely become dependent, at least initially, upon one or very few key projects and furthermore as large revenues are earned on advertising and licensing fees it may experience material seasonality and volatility in terms of earnings and revenues from quarter to quarter. Such dependence could prove to be risky in the event that certain highly successful projects are not replaced with similar or even better performing projects in future quarters.

Trading in the shares will continue to be subject to major fluctuations for the foreseeable future. The **stock is thinly traded at prices below \$1.00 and selling of small positions could have a negative impact on the share price in absence of sufficient liquidity**. The reverse is true if one or more large investors decide to acquire a block of RHNA shares that would result in demand outstripping supply and result in an upward squeeze in the price given the scant liquidity and daily trading volume. **We caution that historical volume activity on RHNA rank it within a category of relatively illiquid securities** and we are unable to determine the direction of trading volumes in the coming months with any degree of certainty.

Major dilution of common stock can occur if the Company issues large blocks of common stock or convertible securities are converted (should they exist)/warrants exercised into common stock, that can negatively impact on the value of the shares either theoretically, or if sold outright in the open market.

NASD and SEC Regulations covering rules on Penny Stocks apply for RHNA, subjecting NASD broker-dealers to additional sales practice and disclosure requirements.

Further elaboration on these above-mentioned and other risk factors are necessary and will be contained in future the company's filings in Form(s) 10-KSB or 10-QSB with the SEC and readers should take note that these risk factors are just some factors they should consider when making an investment decision.

MANAGEMENT TEAM & ADVISORY BOARD

The management team of RHNMEDIA is thoroughly motivated through a stock option plan and share ownership that provides an incentive to partake in result-outcome work. Each member has a strong background in the formation and operation of entertainment production and promotion companies. Background summaries on RHNMEDIA's executive officers, as well as the company's current strategic advisors is presented below:

Atonn F. Muhammad – Founder & Chief Executive Officer.

Mr. Muhammad is the founder and current CEO The Real Hip-Hop Network, a shareholder and the founding company of RHN. SSM Media is a telecommunications media firm created to provide television-programming services to diverse, global markets through satellite and cable distribution. He is the former CEO of RAAMM Enterprises, Inc. that he ran from 1993 to 1998. A successful concert promotions company, RAAMM was featured in national news articles in the Washington Post and Billboard Magazine. It was also featured on the national television talk show, BET Tonight with Tavis Smiley. Atonn began his business career at Morgan Stanley as a Financial Advisor. He was educated at the University of Miami and was a running back for their nationally acclaimed football team. Mr. Muhammad attributes his success to the discipline and lessons learned in business, higher education and athletics.

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Ben Aubin – Executive Director of Programming

Mr. Aubin has over 15 years of experience in the representation and management of entertainment giants such as, Fugees' Pras Michel, Bruce Willis' The HIPHOPROJECT Film's principle cast, Rock & Roll Hall of Fame drummer Donald Guillaume, and many more. His hands-on-approach has secured intimate relationships with each client, to give them security and confidence. As head of the RHN programming team, Mr. Aubin spearheads the creative development and implementation of all programming projects. He is integral to the formulation and branding of key RHN programming ventures spanning music, film, advertising, and marketing.

Kendrick Lesane – Chief Operating Officer, President Music & Talent

Mr. Lesane is CEO and Founder of Blackworld Entertainment, an entertainment and management company that manages rap artists. With over ten years of music industry experience, he is also the former assistant to the COO of Amaru Entertainment and tour manager for The Outlawz rap group.

The Board of Advisors includes:

Greg Skall – Attorney, Womble Carlyle

Mr. Skall actively represents telecommunications companies in domestic and international enterprises in their business dealings and regulatory matters. In addition, he represents real estate developers in the acquisition of broadband telecommunications services through competitive local exchange carriers for new residential and commercial developments. He works with telecommunications equipment manufacturers to obtain FCC approval and to assure regulatory compliance. He is recognized as one of the leading radio spectrum lobbyists in Washington through his work assisting companies in need of spectrum support for emerging telecommunications products.

Brad Majeres – Vice President, Vertex RSI

Mr. Majeres is Vice President of Vertex RSI, a subsidiary of Tripoint Global. Vertex is one of the largest satellite telecommunications manufacturers in the world, and Mr. Majeres advises the SSM Media Board on the costs related to satellite and equipment. Tripoint, the parent company, provides solutions for global satellite and wireless communications requirements. Tripoint's subsidiary companies – Vertex RSI, Gabriel and Prodelin – are the market leaders for base station and earth station communications products and services, VSAT antennas and antenna systems, and wireless backhaul products.

Hugh Wright – President, HD-Plus

Mr. Wright, through HD-Plus associates, assists SSM Media and others in the design and implementation of broadcast systems. The company's experience includes satellite television networks, and data broadcasting and interactive television systems.

Jim Trautman – MD Bortz Media & Sports Group, Inc.

Bortz Media & Sports Group, Inc. provides planning and advisory services and implementation support to cable programming networks and cable system operators, as well as other clients in the fields of media, sports and entertainment. He has developed business plans for and advised and/or assisted in the development of more than 50 cable programming ventures. He has contributed to the start-up and early stage evolution of now well-established networks including Outdoor Life, Classic Sports Network (now ESPN Classic), Noggin, PBS Kids, ZDTV (now G4techTV), E! Entertainment TV and NBA League Pass.

Derek Jones – Investment Banker, Oncore Capital Inc.

Derek, has been a venture capitalist for the past 17 years. Prior to this he was a banker and an entrepreneur. Prior to the launch of Oncore, Derek was a General Partner of Provender Capital Group, a private equity firm with \$140 million in committed capital. At Provender, he focused primarily on business services and consumer industry sectors and on complementary investment opportunities in media and technology.

Prior to co-launching Provender in 1999, Derek was a General Partner with Cornerstone Equity Investors (formerly known as Prudential Equity Investors) and a General Partner in Limited Partnerships with committed capital exceeding \$1.2 billion. During his 11 years with Cornerstone, he invested in and managed a diversified portfolio of business services and consumer companies. Some of Derek's notable investments include Damark, The Diversity Channel, Le Gourmet Chef, Prestige Brands International, Inc., Shoes.com, Starter Corp, Taco Cabana, Urban Studios, Vanguard Group, and The Walking Company. He serves as a member of the Board of the Venture Investors Association of New York (VIANY) and was Treasurer and Board member of the National Association of Investment Companies (NAIC) from 2000 to 2004. NAIC serves as the largest organization in the country representing the interests of minority owned private equity firms.

Congresswoman Maxine Waters – United States House of Representatives.

Currently serving her seventh term in the House of Representatives, Congresswoman Waters, who represents a large part of South Central Los Angeles, is on RHNMEDIA's Board of Directors. Rep. Waters has held the influential leadership position of Chief Deputy Whip of the Democratic Party since the 106th Congress and was recently named Co-Chair of the powerful House Democratic Steering Committee. She continues to be a member of the House Committee on Financial Services and the ranking member of its Subcommittee on Housing and Community Opportunity. She also continues to serve on the Committee on the Judiciary. African-American entrepreneurs laud her for her work to expand contracting and procurement opportunities and to strengthen businesses. Long active in the women's movement, Rep. Waters has given encouragement and financial support to women seeking public office. Many young people, including those in the Hip-Hop music community, praise her for her support and understanding of young people and their efforts at self-expression.

INVESTMENT THESIS AND RECOMMENDATION

RHNMEDIA operates RHN.TV a 24-hour television network that offers programming focusing on Hip Hop music, as well as the Hip Hop lifestyle and culture. While there are many existing and proposed programming networks, RHN is uniquely positioned to become the network serving the very large and rapidly growing market of consumers whose lifestyle is defined in large measure by the music and overall influence of the Hip Hop culture. Our analysis suggests that RHNA Inc. is a very interesting speculative play among nano-cap companies offering access to the investor to a large, young, demographically diverse TV audience which is highly attractive to selected large advertiser categories. In addition, its unique connection to RHN's subject matter will help establish RHN.TV as a model for digital programming services whilst providing a secondary source of revenue coming from licensing fees.

The Real Hip Hop Matrix Corporation's RHN.TV is the first 24-hour cable network catering to Hip Hop culture and lifestyle. It presently broadcasts to approximately 33 million US households and targets audience aged 18-34 in the suburban and urban markets. With strong alliances and collaborations with top-notch companies and influential people, the Company is in a good position to penetrate the Hip Hop market, with its new portfolio of channels. The growing popularity of Hip Hop music and culture in America provides the perfect backdrop for the Company to take advantage of the changing trends, increasing popularity and subsequently increase its market share in this exciting space. Hip Hop is the second most listened to music genre (behind Country), accounting for roughly 25 percent of gross record sales. But Hip Hop is far more than music – it is a cultural phenomenon claiming more than 100 million fans worldwide, and 50 million in the U.S. alone, Hip Hop has expanded beyond its urban roots to appeal to a large segment of suburban American youth.

RHNMEDIA and its TV network is the brainchild of influential Hip Hop entrepreneurs Atonn Muhammad, and Kendrick Lesane. They believe that MTV, VH1 and BET are overlooking the majority of what constitutes the essence of the Hip Hop world. The Company has completed a reorganization of the capital structure of all of the ownership and operating components of the business combination. The Company is now initiating the process of public company personae and building shareholder relationships. RHNX is aggressively establishing RHN.TV branded Hip Hop culture; we see RHN.TVs' +33 million audience penetration and its vivid & irreverent style as a clear validation of its business model and rational. Management believes that its demographic is the most vital in today's youth market, with clear revenue possibilities as RHNA exploits and ill-addressed need for more hop-hop focused television. The Company believes it has the deepest network of friends and business associates and the most dedicated management team on board to realize its objectives of becoming the most prominent channel and company in its market segment.

RHN's management team has close ties to numerous Hip Hop industry leaders that uniquely position the network to serve as that independent voice. Using its relationships, RHN management has already forged several key strategic alliances that position the network for success. RHNMedia has identified leading Hip Hop media companies and is working with them to jointly develop programming content and a differentiated their product. The Company has formed a partnership with Source Magazine, a leader in Hip Hop publishing. Both RHNMedia and Source Magazine plan to cross-promote their products on the new "Down Radio Show" to be aired soon on XM satellite radio. This deal will add approximately 41.5 million listeners to the RHNMedia audience, including 20 million XM satellite listeners and 21.5 million subscribers across radio, television and print media platforms.

The Company recently hired Dave Chappelle to host its "RHN Late Night" show, which will feature monologues, live interviews and performances. The Company's partnership with ROO Group provides it with a platform to expand its reach across viewers of Google videos, AOL and MO television. This will generate additional revenues in the form of fee-based downloads, online video streaming and advertising sales. In addition, RHNMedia has signed agreements with international television distributors.

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RHN's management team has established agreements that provide access to more than 25,000 hours of video content ready for broadcast, and the rights to air music video releases from essentially all significant Hip Hop music labels, and is already developing a number of original programming series. RHN programming is already being broadcasted to more than 22 million homes under a "nesting" agreement with CoLours TV and MHz Networks. RHN content, launched in July 2006 has already begun to establish a loyal audience base. In short, RHN has positioned itself to offer a complete and appealing mix of original and acquired programming from the outset, further setting the network apart from many other planned programming services. RHN has plans in the works to nationally syndicate popular RHN shows like RHN Late Night Dave Chappelle. This strategy will add an additional revenue stream to RHN and assist with bolstering brand recognition and market penetration for the RHN Cable TV channel.

Subscription TV markets are expected to expand significantly over the next five years. The Company's future revenue growth will be strongly linked to the expansion of all types of broadcasting mediums. Most of the big multiple system operators (MSO's) have consistently lost market share to Direct Broadcast Satellite (DBS) satellite distributors in recent years due to factors such as industry consolidation, digital programming support, more competitive pricing of digital tiers and a shift towards fully digital infrastructure. To increase their audience, MSO's are targeting households that , which are not currently premium cable subscribers. The cable subscriber audience network is conservatively estimated at around 72 million households, while the number of households subscribing to for digital cable access is projected to increase from 30 million in 2006 to 37 million by 2010 and 43 million by 2016.

With the amount of programming, events and other projects that RHNMEDIA has in the pipeline, it would seem logical that RHN would be looking for additional distribution opportunities. There is in our view the opportunity to purchase stock in his company on the ground level before it starts generating significant revenues and income and take off like other successful networks but we most certainly are not advising anyone to take such action on this fact alone. We are advocating purchasing RHNA stock for readers that want the satisfaction of being shareholders a hip hop centric media and TV network company that could capture a large audience that is not exclusively targeted to a meaningful extent by rival networks such as MTV, VH1, BET etc. Under the assumption that our forecasts of revenues and net income for FY2007 and FY2008 prove to be accurate we believe that the shares offer value for shareholders willing to take at least a 2-3 year view on such investment, but we acknowledge the risk of financial loss is greater than compared to investing in larger more established companies.

Both operating and financial risk involved in investing in a young entertainment company are typically high and should be considered by investors. In this case the financial and commercial risks associated with most of the early entertainment companies include, risks associated with project collaboration efforts, partnership agreements, and time to build its library of content and achieve sufficient distribution rights and coverage that requires a huge amount of time and investment.

Based on the assumptions made by management in its business plan projections, RHN could experience launch costs of about \$3.7 million (including capital expenditures). It is still questionable at this point in time, if the company can successfully raise the funds for the necessary projects and on its ability to convert its intellectual property into hard dollars through various Television programming, events, advertising and sponsorship etc., but once the company becomes profitable, it can utilize many financial vehicles to raise the money for new projects. There is also no assurance that RHNA will achieve commercial success with its IP that are currently in development phase. All of RHNA's programming themes and concepts are relatively new to its audience; hence the market acceptance may be lower than we currently anticipate.

Readers should understand that there can be no assurance that the company will be able to fast-track its path towards making inroads into the target market for its hip hop television entertainment projects, that will flow through directly to the top and or bottom line to build a consistent longer term profitable track record to enrich shareholder value. The level of popularity and acceptance of new television concepts and themes created by RHNA is one of the biggest unknowns and does and will play a material role in the financial performance of RHNA in the short, medium and long term. Having said that, RHNA has seen a high level of interest from several companies looking to form a partnership with RHNA.

We therefore only recommend investors that have a high tolerance for risk that are able and willing to forfeit either most or all of their capital in search for extraordinary returns, to consider investing in the shares. Also, in our view investors willing to commit capital to RHNA should do so with absolute minimum 2 year investment horizon, but preferably longer, to allow ample opportunity for growth to emerge until broader price discovery can materialize within the investment community that will allow the value behind this promising library content and licensing fee and advertising revenue opportunities, be unlocked and reflected in the stock price. Medium term we expect RHNA stock to advance from its present price level.

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Our DCF (Discounted Free Cashflow) model is presented below:

FREE CASH FLOW					
All amounts in US Dollars	FY 2006E	FY 2007E	FY 2008E	FY 2009E	FY 2010E
Total Revenue	\$0	\$7,391,500	\$40,125,000	\$46,143,750	\$50,758,125
Operating Expenses	\$4,875,000	\$8,100,008	\$9,382,501	\$12,016,940	\$15,696,196
EBITDA	(\$4,875,000)	(\$708,508)	\$30,742,499	\$34,126,810	\$35,061,929
Less: Depreciation & Amortization	\$475,000	\$1,050,000	\$1,587,500	\$1,606,250	\$1,428,125
EBIT	(\$5,350,000)	(\$1,758,508)	\$29,154,999	\$32,520,560	\$33,633,804
Less: Interest	\$160,000	\$360,000	\$432,000	\$475,200	\$522,720
Less: Taxes	\$0	\$0	\$10,053,050	\$11,215,876	\$11,588,879
Net Income	(\$5,510,000)	(\$2,118,508)	\$18,669,950	\$20,829,484	\$21,522,205
Add: Depreciation & Amortization	\$475,000	\$1,050,000	\$1,587,500	\$1,606,250	\$1,428,125
Add: Interest (1-t)	\$160,000	\$360,000	\$280,800	\$308,880	\$339,768
(Increase)/Decrease in Working Capital	(\$1,218,750)	(\$1,478,300)	(\$8,025,000)	(\$6,921,563)	(\$7,613,719)
Capital Expenditures	(\$1,000,000)	(\$2,250,000)	(\$2,000,000)	(\$1,250,000)	(\$1,250,000)
Free Cash Flow to Firm	(\$7,093,750)	(\$4,436,808)	\$10,513,250	\$14,573,052	\$14,426,379
WACC	21.00%				
Present Value of Cash Flows	(\$6,981,956)	(\$3,608,996)	\$7,067,527	\$8,096,468	\$6,623,950
Present Value in projected years	\$11,196,993				
Present Value of Terminal Value in 2012	\$37,903,716				
Value of the Firm	\$49,100,709				
Value of Equity	\$49,100,709				
Shares O/S	55,790,070				
Intrinsic Value	\$0.88				

Source: The Company

We have developed a valuation model for RHNMedia based on the present value of the expected future cash flows (DCF model). The key assumptions for the DCF model are as follows:

- RHNMedia is still in the development stage and plans to launch its RHN.TV operations in early 2007. The Company projects revenues of approximately \$7.39 million in 2007 and \$44.30 million in 2008. The Company expects its strategic partnerships to drive exponential growth in its audience its viewership exponentially, which will in turn fuel will grow revenue growths.
- We estimate the Company will generate revenues of \$7.39 million in 2007 with a major portion of the revenue coming from advertising. This revenue projection assumes that RHNMedia will secure at least one major market distribution contract with CoLours. We further assume that the revenue streams will grow in response to the increase in subscription to its cable TV services.
- The business model assumes the Company will to generate significant revenues in 2008 from multiple sources that include revenues from domestic distribution from cable satellite, several events to be held in 2007, direct as well as indirect sponsorships, television advertisement and joint ventures. We conservatively estimate the Company to generate 2008 revenues of \$40.1 million as against the Company's forecast of \$44.3 million in 2008.
- Beyond 2008, revenues are estimated to grow 15% in 2009 and at rate of 10% in 2010.
- Operating expenses will consist of programming and production expenses, marketing expenses, affiliate sales related costs, advertisement sales costs, Internet costs, operational expenses, and general and administrative expenses.
- Operating expenses in 2006 are estimated at \$4.88 million.
- Programming and production expenses are estimated at \$3.75 million in 2007 and are projected to grow at rates of 30% in 2008, and at 25% infor 2009 and 2010, respectively.
- Marketing expenses are estimated at \$0.68 million in 2007 and are projected to increase by 25% in 2008 and at the rate of 50% in 2009 and 2010, respectively.
- Affiliate sales related costs are estimated at \$0.50 million in 2007 and are projected to grow 25% in 2008 and 75% annually over the remaining two years of the forecasted period.
- Advertisement expenses are estimated at \$0.50 million in 2007 and are projected to grow by 17.5% in 2008, 27.5% in 2009 and 30.0% in 2010.
- Internet- related costs are estimated at \$0.80 million in 2007 and are estimated to drop by 50% to \$0.40 million in 2008 and thereafter increase at the rate of 20% annually for the remaining two years of the forecasted period.

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- Operating expenses are estimated at \$0.45 million in 2007 and are projected to grow 7.5% in 2008, 10% in 2009 and 12.5% in 2010.
- General and Administrative (G&A) expenses are estimated at \$1.43 million in 2007. G&A is estimated to grow at the rate of 10% in 2008, 15% in 2009 and 17.5% in 2009.
- federal tax rate of 35% is assumed for s in 2008.
- The Company plans to spend approximately \$7.75 million over the next four years to create a broadcast infrastructure. RHNMedia will spend approximately \$3.25 million to set up studio facilities and equipments, \$1.25 million to purchase a master control unit, \$1.10 million for post-production expenses and \$0.75 million to purchase digital advertisement insertion equipment. The remaining spending will be for equipment expenses associated with cable programming network requirements.
- Free cash flow is assumed to grow 3% annually through 2011.
- We assume a 21% Cost of Capital for the Company, based on the present industry structure and the Company's unique risk/reward profile. The Company faces stiff competition from major players like MTV.
- We assume that the Company will seek to raise capital through the issuance of private placements and convertibles debentures. Our model assumes a 55 million increase in the fully diluted share count over the next two to three years.

Based on an estimated 55.8 million outstanding, our model calculates an intrinsic value of \$0.88 per share. Our model suggests significant appreciation potential for RHNMedia shares over the medium-term from the current \$0.15 share price. We acknowledge that our 12-month price target of \$0.88 appears optimistic at first glance, but we believe it will be attainable and will be propelled higher if our assumption is correct that FY2008 will produce a ramp in revenues as the company recognizes additional revenue from advertisers as a result of strong anticipated ratings. Internal Revenue forecasts for RHNA not shown here assume the company can surmount a staggering \$50.75 million in annual revenue by FY2010.

We believe our estimates for both revenues and net income provided for FY2006, 2007 and FY2008 are relatively conservative in light of pioneering work on pilot broadcasting already underway and media and advertising interest shown. At the turn of 2006, RHN content has been enthusiastically received and alliances are forming for their anticipated successful exploitation into the nice viewer based markets. Virtually all programming networks have a relatively long return on investment horizon when evaluated based solely on operating results. This is a function of the time required to secure levels of distribution sufficient to support profitable operations. Even so, a review of historical transactions illustrates that networks are often accorded substantial asset values even at relatively early stages of development (i.e., prior to or shortly after achieving profitability). This is due to the fact that, once a clear path to break-even is established (usually by about the third year of operation if the network is going to be successful), substantial future cash flow is reasonably assured. As a result, when viewed as "asset plays," successful programming networks can present both short-term and long-term financial return opportunities.

Table Recent Niche Programming Service Transactions

Network	Implied Market Valuation (mil.)*	Number of Subscribers (mil.)	Value per Sub	Deal Date
WISDOM TV	\$ 40	7.2	\$ 5.56	April, 2005
Great American Country	140	34.0	4.12	October, 2004
The Golf Channel	1,163	58.4	19.91	December, 2003
College Television Network	15	8.2	1.83	September, 2002
Noggin	200	28.5	7.02	August, 2002
NBA TV	450	12.0	37.50	July, 2002
Discovery Civilization	200	14.0	14.29	April, 2002
Game Show Network	933	42.4	22.00	March, 2002
Speedvision	753	37.5	20.08	October, 2001
Discovery Health	1,000	51.5	19.42	September, 2001
The Health Network	255	24.5	10.41	September, 2001
Outdoor Life	616	30.4	20.26	October, 2001

*Not all transactions involved purchase of a 100 percent ownership interest.

**Networks with low values per subscriber were generally experiencing significant operating losses at time of sale.

Source: Kagan Research, *Economics of Basic Cable Networks 2006*, July 2005.

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The Table on Page 19 summarizes recent transactions involving niche-programming services. During the past five years, transactions involving niche services yielded market values ranging from \$15 million (for the very early stage College Television Network) to nearly \$1.2 billion (The Golf Channel). Per subscriber values for these services generally ranged from \$7 to \$22. (Networks sold below these levels typically were experiencing significant operating losses at the time of their sale.) These benchmarks illustrate the relationship between distribution and market value, but also make clear that even networks yet to achieve profitability can yield substantial market values if distribution prospects for the network are believed to be favorable. Based on a value per subscriber ranging from \$15 to \$20, should the RHN.TV achieve results consistent with the business model outlined in its business plan, the value of the Network could exceed \$500 million in 2016 and could be in the range of \$250 to \$330 million by 2010. Given these facts and our bottom up analysis, which is also qualitative in nature and against the backdrop of the recent deals and early market acceptance indications and optimistic revenue projections set forth for the next 24 months, we set a 12-month target price for the security of \$0.88. Our 12-month target price implies a market capitalization of \$49.1 million on 55 million shares outstanding, representing a price to sales multiple of 1.2x our FY2008 revenue projection of \$40.1 million. This price to sales multiple is not unduly demanding in light of its life-cycle, its industry peers and rate of revenue growth to come beyond FY2008 which is certainly attainable if the current market penetration rate persists as expected.

All factors weighed, we anticipate a stake in RHNA still has compelling upside potential in the coming 12-24 months in light of the fact that negligible value is assigned to the probability of a successful network launch and commercialization of its franchise that will attract plenty of advertising dollars. Readers should be note that our price target and valuation framework is more conservative that some other sources and literature on RHNA has suggested and that actual financial performance may even exceed present estimates. We HIGHLIGHT to the reader that our bullish view and forecasts for RHNA is made under the assumption that the company is able to generate AT LEAST \$7.4 million in FY2007 through licensing and other agreements and AT LEAST \$40.1 million in FY2008. Moreover, we believe that the present market for RHNA shares is far from efficient, does not fully reflect the leverage possible from a ramp in revenues that we expect and developments that can result in further agreements with media and entertainment companies and advertising concerns. On the business development side this company is a hot property. They have a number of real contracts and a stellar management team with proven track records of creating, producing and licensing television content and catering towards the needs of a targeted television audience.

The current audience for Hip Hop music includes approximately 45 million Americans between the ages of 18 and 34 and represents purchasing power estimated at \$1 trillion. RHNMedia is developing the first 24-hour cable network dedicated exclusively to Hip Hop music, lifestyle and culture. The Company currently broadcasts to approximately 33 million US households and expects its market penetration to increase exponentially in 2007 and 2008 as it benefits from partnerships with other leading Hip Hop entertainment companies, expansion of its programming content and overall growth in the cable television audience. RHNMedia anticipates revenues exceeding \$7.3 million in 2007 and the achievement of modest net profits, with growth fueled by distribution fees, sponsorships, TV advertising, syndication fees and joint ventures.

Under these assumptions we initiate coverage on RHNA with a SPECULATIVE BUY rating. We see a lot of room for growth off a low base. We believe the stock is clearly undervalued and that this situation will be quickly arbitrated away by value investors with the intention to apply patience once the company becomes fully reporting and disclose recent financial performance. We don't believe that its current price reflects its current and future value.

Risk to our recommendation include amongst other: failure of programming content to transit into fully captivate and capture the intended market share and TV ratings that will result in inflow of advertising dollars and licensing revenues, unforeseen difficulties or delays in the near or medium term from development phases and negotiations with potential partners for distribution etc., slow market acceptance of shows and programming themes and concepts or low market penetration after commercial launch that will lead to lower than expected revenues and profits and a contraction in forward PE multiple assumptions and dampen the valuation, a steep rise in production and other operating costs and or capital expenditures or unanticipated problems to maintain favorable terms negotiated with partners under such or other conditions, new fees/costs and/or any adverse regulatory changes in the markets it conducts operations.

New competition in its market by other larger better capitalized rivals with more popular content that appeal to its audience, accounting changes that has an adverse impact on the market's perception of shareholder value, any inability to obtain necessary financing from capital markets when needed, to continue its business projects and/or major share dilution that can occur, if large quantities of shares are issued to extinguish debt, paid for services or if warrants are exercised that dilutes common shareholder interest, are some additional factors that will counteract price appreciation potential or cause shares to decline in value. We would caution that given the size of the company (nano-cap) and risks involved, overall we advise positions be limited below 5% of the client's total portfolio size.



ANALYST CERTIFICATIONS

APPENDIX A-1

The research analyst, who upon request wrote this report, certifies that the views expressed in this research report, accurately reflects his personal view about the subject company. The analyst also certifies that he does not own or have any beneficial interest in shares of the covered company, also that no part of his compensation was, is or will be directly or indirectly related to the specific recommendation or view expressed in this report. Tri-State Capital received \$7,000 in compensation for work on the subject company from Bluewave Advisors LLC.

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