FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **2003-05-20** | Period of Report: **2003-03-31**
SEC Accession No. 0001047469-03-019266

(HTML Version on secdatabase.com)

FILER

USA BROADBAND INC

CIK:**1105947**| IRS No.: **841592698** | State of Incorp.:**DE** | Fiscal Year End: **0930**
Type: **10QSB** | Act: **34** | File No.: **000-29433** | Film No.: **03711632**
SIC: **9995** Non-operating establishments

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-QSB

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

For the quarterly period ended March 31, 2003

Commission File Number 000-29433

USA BROADBAND, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**84-1592698** (IRS Employer Identification No.)
1111 Orange Avenue **Coronado, California** (Address of Principal Executive Offices)	**92118** (Zip Code)

(619) 435-2929
(Issuer's telephone number, including area code)

(Former Name, Former Address, and Former
Fiscal Year if Changed Since Last Report)

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

The issuer had 11,552,329 shares of common stock outstanding as of May 1, 2003.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This report on Form 10-QSB contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The forward-looking statements are contained principally in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "would," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential" and similar expressions intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Actual results could differ materially from those anticipated in any forward-looking statements as a result of a number of factors, including but not limited to those described in our filings with the Securities and Exchange Commission, particularly our transition report on Form 10-KSB for the transition period ending June 30, 2002. These forward-looking statements represent our estimates and assumptions only as of the date of this report, and we do not assume any obligation to update any of these statements.

PART I–FINANCIAL INFORMATION

ITEM 1–FINANCIAL STATEMENTS

USA BROADBAND, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

$000s

ASSETS

	March 31, 2003 (Unaudited)	June 30, 2002
CURRENT ASSETS:		
Cash	$ 26	$ 88
Restricted cash	–	500
Accounts receivable, net	97	171
Prepaid expenses and other current assets	9	15
Total current assets	132	774
PROPERTY AND EQUIPMENT:		
Cable properties	2,894	9,831
Cable equipment	688	975
Leasehold improvements	2	2
Furniture and equipment	34	34
Computer software and equipment	113	113
Vehicles	7	7
	3,738	10,962
Less accumulated depreciation	(1,008)	(1,472)
Net property and equipment	2,730	9,490
NOTE RECEIVABLE	418	504
ASSETS HELD FOR SALE, NET	730	925

OTHER ASSETS		
Investment in Cable California	6,781	–
Receivable from Cable California	36	–
Deferred financing costs	53	87
TOTAL ASSETS	$ 10,880	$ 11,780

See accompanying notes to these financial statements.

USA BROADBAND, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

$000s

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	March 31, 2003 (Unaudited)	June 30, 2002
CURRENT LIABILITIES:		
Line-of-credit	$ 92	$ 100
Current portion of long-term debt and capital lease obligations	2,754	5,096
Accounts payable	3,800	4,036
Notes Payable to Shareholders	1,757	–
Notes Payable	334	–
Accrued liabilities	944	735
Deferred revenues	155	11
Total current liabilities	9,836	9,978
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	–	–
DEFERRED REVENUES	73	457
OTHER LIABILITIES		
Other	–	15
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred stock, $.001 par value; 50,000,000 shares authorized		
Series A convertible preferred stock; 7,000,000 shares designated; 3,873,015 outstanding, liquidation preference of $5,844,000	5,550	5,550
Series B preferred stock; 2,625,000 shares designated; 2,625,000 outstanding, liquidation preference of $2,809,000	2,391	2,391
Series C preferred stock; 7,875,000 shares designated; 7,875,000 outstanding liquidation preference of $7,875,000	7,875	7,875
Common stock, $.001 par value; 100,000,000 shares authorized; 11,522,329 and 6,299,000 outstanding	12	6

Additional paid in capital	13,853	6,790
Accumulated deficit	(28,710)	(21,282)
Total stockholders' equity	971	1,330
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 10,880	$ 11,780

See accompanying notes to these financial statements.

USA BROADBAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

$ 000s

	Three Months Ended March 31, 2003 (Unaudited)	Three Months Ended March 31, 2002 (Unaudited)	Nine Months Ended March 31, 2003 (Unaudited)	Nine Months Ended March 31, 2002 (Unaudited)
REVENUES	$ 296	683	670	2,512
COST OF REVENUES	89	165	322	999
Gross profit	207	518	348	1,513
OPERATING EXPENSES:				
Selling, general and administrative	856	1,762	2,940	7,938
Depreciation	177	361	542	1,204
Amortization	22		22	
Total operating expenses	1,055	2,123	3,504	9,142
Loss from operations	(848)	(1,605)	(3,156)	(7,629)
OTHER INCOME (EXPENSE):				
Interest expense, net	(221)	(138)	(574)	(380)
Other income(expense), net	(87)	–	(62)	58
Equity in earnings of Cable California	53		53	
Net Loss from Continuing Operations	(1,103)	(1,743)	(3,739)	(7,951)
Discontinued Operations (Note 5)				
Income (loss) from discontinued operations	27	209	554	570
Income (loss) from disposal of assets	(258)	–	(4,242)	–
NET LOSS	(1,334)	(1,534)	(7,427)	(7,381)
ACCRUED CUMULATIVE PREFERRED STOCK DIVIDENDS	(116)	(198)	(348)	(564)

NET LOSS APPLICABLE TO COMMON SHAREHOLDERS	$	(1,450)	(1,732)	(7,775)	(7,945)
NET LOSS PER COMMON SHARE	$	(0.14)	(0.36)	(1.02)	(1.74)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		10,126,000	4,800,000	7,660,000	4,553,000

See accompanying notes to these financial statements.

USA BROADBAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

$000s

		For the Nine Months Ended March 31, 2003 (Unaudited)	For the Nine Months Ended March 31, 2002 (Unaudited)
OPERATING ACTIVITIES:			
Net Loss	$	(7,427)	(7,381)
Adjustments to reconcile net loss to net cash from operating activities:			
Depreciation and amortization		564	1,204
Loss on disposal of fixed assets		4,264	1,209
Amortization of deferred financing costs		33	784
Stock based compensation			431
Allowance for bad debt			115
Stock and warrants issued			310
Interest			
Gain on sale of assets			(124)
Amortization of note discount		76	96
Changes in operating assets and liabilities:			
Accounts receivable		39	(4)
Accounts Payable		193	1,060
Accrued liabilities		209	346
Deferred revenues		(101)	(152)
Other liabilities		446	(86)
Other Assets			(119)
Net cash used in operating activities		(1,704)	(2,311)
INVESTING ACTIVITIES:			

Advances to DDC prior to acquisition, net of cash acquired		(173)
Property disposed	145	
Purchases of property and equipment		(686)
Advances to Las Americas	(240)	
Net proceeds from sale of assets	268	291
Acquisition costs		(343)
(Increase) decrease in restricted cash	506	(500)
Payment of life insurance premiums		(3)
Net cash used in investing activities	679	(1,414)

FINANCING ACITIVITES:		
Net proceeds from issuance of common stock		2,447
Payments on line of credit	(10)	(487)
Principal payments on current portion of long-term debt	(737)	(537)
Net proceeds from long-term debt and capital lease obligations		600
Borrowing of notes payable	1,810	475
Payments on notes payable	(100)	
Proceeds from exercise of warrants		4
Net cash provided by financing activities	963	2,502
NET INCREASE (DECREASE) IN CASH	(62)	(1,223)
CASH, at beginning of year	88	1,280
CASH, at end of period	$ 26	57
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest		121
NON-CASH TRANSACTIONS:		
Accounts payable converted to Notes Payable	600	
Investment in Cable California	(6,781)	
Issuance of common stock in relation to investment in Cable California	6,306	
Note receivable forgiven in acquisition	500	
Discount on Notes Payable	(554)	

See accompanying notes to these financial statements.

1. INTERIM FINANCIAL INFORMATION:

The accompanying interim financial statements are unaudited. However, in the opinion of management, the interim data includes all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results for the interim period. The results of operations for the interim periods presented are not necessarily indicative of those to be expected for the fiscal year.

The financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations.

Management believes the disclosures made are adequate to make the information not misleading and suggest that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Form 10KSB for the year ended June 30, 2002.

STOCK OPTIONS

The Company accounts for stock options using the intrinsic value method wherein compensation expense is recognized on stock options granted only for the excess of the market price of our common stock over the option exercise price on the day of grant. All options of the Company are granted at amounts equal to or higher than the fair value of our stock so no compensation expense is recorded.

Some companies also recognize compensation expense for the fair value of the option right itself. The Company has elected not to adopt this accounting method because it requires the use of subjective valuation models which the Company believes are not representative of the real value of the option to either the Company or the optionees. However, we are required to disclose the pro forma effect of accounting for stock options using such a valuation for all options granted. The fair value of the options was estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions:

	2003	2002
Risk-free interest rate	2.78% - 3.29%	4.65% - 5.21%
Expected dividend yield	0%	0%
Expected lives	5 years	5 years
Expected volatility	122% - 138%	122%

To estimate option lives for this valuation, it was assumed option would be exercised one year after becoming fully vested. All options are initially assumed to vest. Cumulative compensation cost recognized in pro forma net income or loss with respect to options that are forfeited prior to vesting is shown as a reduction of pro forma compensation expense in the period of forfeiture. Fair value computations are highly sensitive to the assumed volatility factor−the greater the volatility, the higher the computed fair value of options granted.

The total fair value of options granted was computed to be approximately $825,000 and $559,000 for the quarters ended March 31, 2003 and 2002 respectively. These amounts are amortized ratably

over the vesting periods of the options or recognized at the date of grant if no vesting period is required.

	Three Months ended March 31,		
		2003	2002
Net loss, as reported	$	1,450,000	1,732,000
Pro forma stock compensation expense, Net of tax benefit		825,000	559,000
Pro forma net loss	$	2,275,000	2,291,000
Net loss per share, basic:			
As reported	$	0.14	0.36
Pro forma stock compensation expense		0.08	0.12

Pro forma	$ 0.22	$ .48

2. **LIQUIDITY AND BASIS OF PRESENTATION:**

The Company's financial statements have been presented on the going concern basis, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. At March 31, 2003, the Company had a working capital deficit of $9,704,000. The Company's net loss for the three months ended March 31, 2003 was $1,450,000 applicable to common shareholders. At March 31, 2003, the Company was in default of the terms of its debt and capital lease obligations.

The Company's ability to continue as a going concern is dependent upon its ability to raise the capital necessary to successfully implement its business plan, and ultimately to achieve profitable operations. Management's plans in this regard are set forth below.

3. **PROPOSED MERGER WITH LAS AMERICAS BROADBAND, INC.:**

The Company has decided not to close its proposed merger with Las Americas Broadband, Inc. ("LABN"), and instead has negotiated a transaction, which gives it control of Cable (Note 4). Neither the Company nor LABN were able to complete the conditions precedent to the merger.

4. **ACQUISITION OF CABLE CALIFORNIA S.A. DE C.V.**

On January 10, 2003, the Company entered into an asset purchase agreement with Dick Clark International Cable Ventures, Ltd. ("dcicv"), Cable California S.A. de C.V, a Mexican Corporation, Las Americas Broadband, Inc.("LABN") and Carlos Bustamante, Sr.

Cable is in the business of developing and marketing cable television services in the Northern Baja California region of Mexico. Cable is managed by LABN and has a 30-year advanced telecommunications broadband concession from the Mexican government to construct and operate a 750-MHz fiber-optic network providing high-speed Internet, telephone, data and multi-channel cable television to residents and businesses. Cable is constructing a 1,300-mile Broadband network and has completed the first phase of this cable build, including its head-end, central operations center, and over 100 miles of cable plant now serving 2,000 customers.

dcicv owns one hundred percent (100%) of the Class B stock of Cable, which represents forty-nine percent (49%) of the voting stock of Cable.

Under the terms of the agreement, the Company issued 2,500,000 (two million five hundred thousand) shares of its common stock to dcicv in exchange for the shares held by dcicv in Cable. Of these shares, 125,000 shares will be held in escrow for 12 months after closing.

In addition, LABN transferred to the Company or a subsidiary, the inventory, property, intellectual property, customer lists, receivables, payables, trademarks, contracts, leases, equipment, and other tangible and intangible assets used in the operations and normal course of business of Cable. LABN assigned to the Company a certain note payable by Cable in favor of LABN, in the amount of $7,000,000 and the rights to all future payments owed to it under the note.

As consideration, the Company issued 2,250,000 shares of its common stock to LABN. Of these shares, 125,000 shares will be held in escrow for 12 months after closing. The Company assumed $1,250,000 in debt, liabilities, and other financial obligations of Cable and of LABN, specifically related to operations in Mexico as agreed to by the parties.

The Company assumed LABN's obligations, and received an assignment of its rights under a certain agreement dated as of September 26, 2002, among LABN, Cable, Carlos Bustamante, Sr. and LABN Mexico, S.A. de C.V. The Company reduced the outstanding principal amount of a promissory note issued by Las Americas to the Company from $890,276 to $500,000. The current revised balance under the note agreement is $492,000 including accrued interest and will be extended until June 30, 2003. The revised and amended note is collateralized by assets of LABN, including its cable television system in Tehachapi, California.

The Company also paid to LABN the sum of $250,000 which was used by LABN to pay certain obligations and liabilities specifically related to Cable.

The Company issued 250,000 shares of the Company common stock in the name of Carlos Bustamante, Sr.

The company closed this purchase agreement on March 7, 2003.

5. NOTES PAYABLE:

In July 2002, a shareholder of the Company advanced $170,000 to the Company under a proposed note arrangement, the terms of which are still being negotiated.

On July 18, 2002, the Company entered into an unsecured note payable to stockholders in the aggregate amount of $100,000.

On August 21, 2002, the Company entered into an unsecured note payable to a shareholder in the amount of $150,000.

On October 30, 2002 the Company obtained a bridge loan from a shareholder in the amount of $500,000. The note bears interest at 18% and is due June 30, 2003 or at such earlier date pending consummation of permanent financing in the amount of $3,000,000. In addition, the Company issued the shareholder a warrant to purchase 250,000 shares of the Company's common stock at an exercise price of $1.00 per share expiring in 2007.

On November 4, 2002 the Company obtained a bridge loan from a shareholder in the amount of $25,000. The note bears interest at 18% and is due June 30, 2003 or at such earlier date pending consummation of permanent financing in the amount of $3,000,000. In addition, the Company issued the shareholder a warrant to purchase 12,500 shares of the Company's common stock at an exercise price of $1.00 per share expiring in 2007.

On November 5, 2002 the Company obtained a bridge loan from a firm in the amount of $15,254. The note bears interest at 18% and is due June 30, 2003 or at such earlier date pending consummation of permanent financing in the amount of $3,000,000. In addition, the Company issued the firm a warrant to purchase 7,627 shares of the Company's common stock at an exercise price of $1.00 per share expiring in 2007.

On January 22, 2003 the Company obtained a bridge loan from a firm in the amount of $200,000 the note bears interest at 18% and is due July 31, 2003 or at such earlier date pending consummation of permanent financing in the amount of $3,000,000. In addition, the Company issued the firm a warrant to purchase 100,000 shares of the Company's common stock at an exercise price of $1.00 per share expiring in 2008.

On January 27, 2003 The Company obtained a bridge loan from an individual in the amount of $50,000 the note bears interest at 18% and is due July 31, 2003 or at such earlier date pending consummation of permanent financing in the amount of $3,000,000. In addition, the Company issued the firm a warrant to purchase 25,000 shares of the Company's common stock at an exercise price of $1.00 per share expiring in 2008.

On February 25, 2003 The Company obtained a bridge loan from a shareholder in the amount of $100,000 the note bears interest at 18% and is due August 31, 2003 or at such earlier date pending consummation of permanent financing in the amount of $3,000,000. In addition, the Company issued the firm a warrant to purchase 50,000 shares of the Company's common stock at an exercise price of $1.00 per share expiring in 2008.

On March 11, 2003 The Company obtained a bridge loan from an individual in the amount of $400,000 the note bears interest at 18% and is due August 31, 2003 or at such earlier date pending consummation of permanent financing in the amount of $3,000,000. In addition, the Company issued the firm a warrant to purchase 200,000 shares of the Company's common stock at an exercise price of $.80 per share expiring in 2008.

On March 13, 2003 The Company obtained a bridge loan from an individual in the amount of $100,000 the note bears interest at 18% and is due September 31, 2003 or at such earlier date pending consummation of permanent financing in the amount of $3,000,000. In addition, the Company issued the firm a warrant to purchase 50,000 shares of the Company's common stock at an exercise price of $.80 per share expiring in 2008.

As of March 31, 2003, the Company had two unsecured notes payable outstanding in the amount of $150,000 each. The holders of these notes, Theodore Swindles and Paul Moore, each beneficially own over 5% of the Company's common stock. The notes were issued on March 4, 2002, bear interest at the rate of 10% per year and have a due date of October 31, 2002. On October 18, 2002, the Company entered into a new loan agreement with Mr. Swindells, which extended the due date of the note payable to Mr. Swindells under the same terms and conditions as the previous note. The Company is currently in default under the note with Mr. Moore.

6. STOCKHOLDERS' EQUITY:

In July 2002, the Company commenced an offering of up to $10,000,000 of common stock. To date it has raised $229,353 in the offering through the sale of 114,676 shares at a price of $2.00 per share. The price per share of the shares sold in the offering was intended to be at a discount to the market value of the Company's common stock, and may be reduced below $2.00. If the price is reduced, the Company will increase the number of shares to be issued to investors who have already made purchases in the offering.

In July 2002, the Company issued a total of 23,161 shares of common stock to RateXchange Corporation, the parent company of RTX Securities who acted as the placement agent in a prior offering. Of the shares issued, 9,200 shares were issued as compensation for the services of RTX Securities, and the remaining 13,961 shares were issued in lieu of an $18,000 commission, which the Company had agreed to pay RTX Securities in connection with the offering.

In addition, on September 15, 2002, the Company issued a warrant to RTX for 100,000 common shares for financial advisory services for the next year. The exercise price is $1.50 per share.

In September 2002, the Company agreed to issue 30,000 common shares to The Research Works as consideration for research services. In addition, in September 2002 we issued to Corporate Capital Management warrants to purchase 300,000 shares of our common stock in consideration for financial advisory services.

In October 2002, the Company issued a total of 21,843 shares of its common stock to three individuals. The shares were sold at a price of $1.60 per share and the Company raised a total of $39,950 from the transactions.

In January 2003, the Company issued a total of 5,000,000 shares of its common stock in connection with the purchase of Cable California. The shares were valued at $1.20 per share in this non-cash transaction.

7. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS:

During the nine months ended March 31, 2003 the Company decided to change its business strategy to focus on providing video, data and internet service in the state of California and in the Northern Baja region of Mexico. As a result of this change in strategy, the Company plans to sell its assets in regions outside of California and the Northern Baja region of Mexico.

The related assets to be sold have been reclassified as Assets Held for Sale as of March 31 ,2003 at the lower of carrying amount or net realizable value, and the results of operations for the three & nine months ended March 31, 2002 have been presented as discontinued operations. Revenues from discontinued operations for the three and nine months ended March 31, 2002 were $209,000 and $380,000 respectively.

8. SALE OF ASSETS:

In January 2003, the Company closed its previously disclosed sale of several cable properties in North Dakota, which had a total of 129 basic subscribers. The sale was for a total of $128,912 and the net proceeds were used to pay down bank debt. In addition, the Company sold a small bulk property located in Memphis for $33,000 and the proceeds went towards working capital.

9. SUBSEQUENT EVENTS:

Sale of LABN Note:

On April 1, 2003 USAB completed a sale of the LABN note. A firm purchased the note for $500,000. The note assigns the security interest of all of the assets of Las Americas Broadband that was held by the Company. Interest on the note is for one year at 15%. Additionally the Company is liable for up to $250,000 if LABN defaults on the note and there are not sufficient assets to cover the note.

Time Warner Memphis:

On April 7, 2003 USAB completed a sale of assets consisting of 3 Rights of Entry (ROE) serving 352 private cable subscribers in Memphis to Time Warner Cable for $425,000 in cash, or $1,207 per subscriber.

La Salle Acquires Direct Digital Midwest:

On May 9, 2003, La Salle Bank auctioned the 1,000 shares it held as collateral in Direct Digital Midwest to satisfy the default on a $946,000 promissory note. La Salle Bank was the highest bidder at auction. The price was undisclosed. Subsequent to this action, the Board of Directors for Direct Digital Midwest has resigned, and the company is in the process of turning over the remaining assets.

Bridge Loans

On April 1, 2003 The Company obtained a bridge loan from an individual in the amount of $150,000 the note bears interest at 18% and is due October 1, 2003 or at such earlier date pending consummation of permanent financing in the amount of $3,000,000. In addition, the Company issued the firm a warrant to purchase 75,000 shares of the Company's common stock at an exercise price of $.70 per share expiring in 2008.

On April 3, 2003 The Company obtained a bridge loan from an individual in the amount of $50,000 the note bears interest at 18% and is due October 1, 2003 or at such earlier date pending consummation of permanent financing in the amount of $3,000,000. In addition, the Company issued the firm a warrant to purchase 25,000 shares of the Company's common stock at an exercise price of $.80 per share expiring in 2008.

On May 2, 2003 The Company obtained a bridge loan from a company in the amount of $100,000. The note bears interest at 18% and is due October 1, 2003 or at such earlier date pending consummation of permanent financing in the amount of $3,000,000. In addition, the Company issued the firm a warrant to purchase 50,000 shares of the Company's common stock at an exercise price of $.80 per share expiring in 2008.

On May 2 2003 The Company obtained a bridge loan from an individual in the amount of $25,000 the note bears interest at 18% and is due October 1, 2003 or at such earlier date pending consummation of permanent financing in the amount of $3,000,000. In addition, the Company issued the firm a warrant to purchase 12,500 shares of the Company's common stock at an exercise price of $.80 per share expiring in 2008.

On May 14, 2003 The Company obtained a bridge loan from an individual in the amount of $150,000 the note bears interest at 18% and is due October 1, 2003 or at such earlier date pending consummation of permanent financing in the amount of $3,000,000. In addition, the Company issued the firm a warrant to purchase 25,000 shares of the Company's common stock at an exercise price of $1.00 per share expiring in 2008.

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

General

We are seeking to position ourselves as an industry leader in providing digital television, entertainment, data, Internet and broadband services. Our current operations consist of providing video service to multiple dwelling units, or "MDU," subscribers through Cable Concepts, Inc. which we acquired in July 2001. We receive revenues from subscriber fees and revenue-sharing payments from DirectTV.

Acquisition of Assets of Cable California S.A. De C.V.

On March 7, 2003, we completed the purchase of all of the Class B stock of Cable California, SA de C.V., a Mexican corporation, which we will refer to as "Cable California," from dick clark international cable ventures, ltd., a Turks and Caicos entity. The Class B stock represents 49% of the voting and economic interest in Cable California. Cable California possesses a 30-year advanced telecommunications broadband concession from the Mexican government to construct and operate a 750-MHz fiber-optic network providing high-speed Internet, telephone, data and multi-channel cable television to residents and businesses in the greater Tijuana, Mexico metropolitan area. Cable California is constructing a 1,300-mile broadband network and has completed the first phase of this cable build, including its head-end, central operations center and over 100 miles of cable plant now serving approximately 2,000 customers.

In addition to acquiring the voting and economic interests in Cable California, we acquired various tangible and intangible assets, including office and computer equipment, vehicles, machinery and satellite equipment from Las Americas Broadband, Inc., a Colorado corporation. These assets are related to Cable California's operations in Mexico. We also acquired Las Americas' rights and obligations under an agreement dated as of September 26, 2002, between Las Americas, Cable California, Mr. Bustamante and LABN Mexico, SA de C.V., a Mexico corporation, which will allow us to manage and operate the proposed cable television system in Tijuana.

As consideration for the above acquisitions, we issued 2,500,000 shares of our common stock to Dick Clark International Cable Ventures, 2,250,000 shares to Las Americas, and 250,000 shares to Bustamante. In addition, we assumed a total of $1,250,000 of debt, liabilities and other financial obligations of Cable California and Las Americas and reduced the outstanding principal amount of a promissory note issued by Las Americas to us from $890,276 to $500,000. The amended note will remain collateralized by assets of Las Americas, including its cable television system in Tehachapi, California. We also paid Las Americas $250,000 in cash. Now that the asset purchase has been completed, we intend to operate and manage the proposed cable system in Tijuana while continuing to manage the approximately 3,600 MDU subscribers we presently serve in California.

Critical Accounting Policies and Estimates

Our condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States, which require us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. The estimates we use are based upon our historical experiences combined with management's understanding of current facts and circumstances. Some of our accounting policies are considered critical because they are important to the portrayal of our financial condition and the results of our operations and because they require significant or complex judgments on the part of management. We believe that our critical accounting policies are those relating to deferred income taxes, allowances for doubtful accounts and recoverability of long-lived assets.

Deferred income taxes are recognized for the expected tax consequences in future years stemming from differences between the values of assets and liabilities for tax and financial reporting purposes, based upon enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Our significant deferred tax assets relate to net operating loss carry forwards, allowance for bad debts and deferred revenue. We have established a valuation allowance to reduce deferred tax assets to the net amount expected to be recovered in future periods. The estimates for deferred tax assets and the corresponding valuation allowance require management to exercise complex judgments. We periodically review and adjust those estimates based upon the most current information available. However, because the recoverability of deferred tax assets is directly dependent upon our future operating results, actual recoverability of deferred tax assets may differ materially from our estimates.

Our allowance for doubtful accounts reflects a reserve that reduces customer accounts receivable to the net amount estimated to be collectible. Estimating the credit worthiness of customers and the recoverability of customer accounts requires us to exercise considerable judgment. In estimating uncollectible amounts, we consider factors such as general economic and industry-specific conditions, historical customer performance and anticipated customer performance. While we consider our processes to be adequate to effectively quantify our exposure to doubtful accounts, changes in economic, industry or specific customer conditions may require us to adjust our allowance for doubtful accounts.

Our long-lived assets will from time to time be analyzed for impairment when events and conditions indicate that an analysis is needed. Factors that we consider in performing an impairment analysis are current and historical agreements to sell comparable assets, our current business strategy and our expectations of future cash flows for the asset or asset group being analyzed. Future changes in the economic conditions, the regulatory environment and our strategies may materially affect our estimate of the recoverability of fixed assets.

We account for stock options using the intrinsic value method, under which compensation expense is recognized on stock options granted only for the excess of the market price of our common stock over the option exercise price on the day of grant. All of our options are granted at amounts equal to or higher than the fair value of our stock, so no compensation expense is recorded.

Some companies also recognize compensation expense for the fair value of the option right itself. We have elected not to adopt this accounting method because it requires the use of subjective valuation models which we believes are not representative of the real value of the option to either us or the optionees. However, we are required to disclose the pro forma effect of accounting for stock options using such a valuation for all options granted. The fair value of the options was estimated at the date of grant using a Black-Sholes option pricing model with the following assumptions:

	2003	2002
Risk-free interest rate	2.78% - 3.29%	4.65% - 5.21%
Expected dividend yield	0%	0%
Expected lives	5 years	5 years
Expected volatility	122% - 138	122%

To estimate option lives for this valuation, it was assumed that options would be exercised one year after becoming fully vested. All options are initially assumed to vest. Cumulative compensation cost recognized in pro forma net income or loss with respect to options that are forfeited prior to vesting is shown as a reduction of pro forma compensation expense in the period of forfeiture. Fair value computations are highly sensitive to the assumed volatility factor−the greater the volatility, the higher the computed fair value of options granted.

The total fair value of options granted was computed to be approximately $1,434,000 and $1,980,000 for the quarters ended March 31, 2003 and 2002 respectively. These amounts are amortized ratably over the vesting periods of the options or recognized at the date of grant if no vesting period is required.

Comparison of Nine-Month Period Ended March 31, 2003 to The Nine-Month Period Ended March 31, 2002

The following table sets forth our selected operations data for the nine-month periods ended March 31, 2003 and 2002. This data should be read in conjunction with our financial statements in Item 1 of this Form 10-QSB.

	Nine Months Ended March 31, 2003	% of Revenues	Nine Months Ended March 31, 2002	% of Revenues	% Change from March 31, 2002 to March 31, 2003
			(All numbers in thousands)		
Revenues	$ 670	100.0%	$ 2,512	100.0%	-73.3%
Cost of Revenues	322	48.1%	999	39.8%	-67.8%
Gross Profit	348	51.9%	1,513	60.2%	-77.0%
Selling, General & Administrative Expenses	2,940	438.8%	7,938	316.0%	-63.0%
Depreciation and Amortization	564	84.2%	1,204	47.9%	-53.2%
Total Operating Expense	3,504	523.0%	9,142	363.9%	-61.7%
Loss from Operations	$ (3,156)	-471.0%	$ (7,629)	-303.7%	-58.6%

The decline in our revenue for the nine months ended March 31, 2003 from the nine months ended March 31, 2002 is the result of several factors. First, in the past year we have sold ROE agreements governing many of our properties and had some of our lease contracts terminated. We also changed our business strategy to focus on providing video, data and internet service in the State of California and in the Northern Baja region of Mexico. As a result of this change in strategy all of our revenue derived from assets outside of California or the Baja region of Mexico has been presented as discontinued operations and not as revenue. Our cost of revenues also declined as the result of the reduction in the number of subscribers served.

Our selling, general and administrative expenses were lower for the nine months ended March 31, 2003 than for the comparable period in 2002 because we reduced personnel and staff as a result of the change in our business focus. We also closed one of our office facilities in the State of Washington.

Comparison of Three-Month Period Ended March 31, 2003 to The Three-Month Period Ended March 31, 2002

The following table sets forth our selected operations data for the three-month periods ended March 31, 2003 and 2002. This data should be read in conjunction with our financial statements in Item 1 of this Form 10-QSB.

	Three Months Ended March 31, 2003	% of Revenues	Three Months Ended March 31, 2002	% of Revenues	% Change from March 31, 2002 to March 31, 2003
			(All numbers in thousands)		

Revenues	$	296	100.0% $	683	100.0%	-56.7%
Cost of Revenues		89	30.1%	165	24.2%	-46.1%
Gross Profit		207	69.9%	518	75.8%	-60.0%
Selling, General & Administrative Expenses		856	289.2%	1,762	258.0%	-51.4%
Depreciation and Amortization		199	67.2%	361	52.9%	-44.9%
Total Operating Expense		1,055	356.4%	2,123	310.8%	-50.3%
Loss from Operations	$	(848)	-286.5% $	(1,605)	-235.0%	-47.2%

The decline in our revenue for the three months ended March 31, 2003 from the three months ended March 31, 2003 is the result of several factors. First, in the past year we have sold ROE agreements governing many of our properties and had some of our lease contracts terminated. We also changed our business strategy to focus on providing video, data and internet service in the State of California and in the Northern Baja region of Mexico. As a result of this change in strategy all of our revenue derived from assets outside of California or the Baja region of Mexico has been presented as discontinued operations and not as revenue. Our cost of revenues also declined as the result of the reduction in the number of subscribers served.

Our selling, general and administrative expenses were lower for the three months ended March 31, 2003 than for the comparable period in 2002 because we reduced personnel and staff as a result of the change in our business focus. We also closed one of our office facilities in the State of Washington.

During the three months ending March 31, 2003 we received notices of default from property owners due to non-payment of franchise fees. Due to our continuing severe liquidity problem, 2 properties were lost when the property owners switched to new providers. As a result we had to write off approximately $145,000 of net asset value related to these properties. To date for the nine months ending March 31, 2003, we have lost a total of 30 properties, resulting in asset write-offs exceeding $3,045,000.

Liquidity and Capital Resources

Our financial statements are presented on a going-concern basis. This contemplates the realization of assets and liquidation of liabilities in the normal course of business. At March 31, 2003, we had a working capital deficit of approximately $9,704,000. Our ability to continue as a going concern depends on our ability to raise the capital necessary to successfully implement our business plan and ultimately achieve profitable operations. During the three-month period ended March 31, 2003, we continued to implement cost-cutting measures designed to increase operational efficiency, focus the geographic concentration of our operations and dispose of assets that are not consistent with our plan, either from a geographic or operational perspective. We intend to use the proceeds of asset sales to repay debt and other obligations, and to reinvest the remaining net proceeds, if any, in existing or new assets.

In January 2003, we closed the sale of several cable properties in North Dakota, which had a total of 129 basic subscribers. The sale was for a total of $128,912 and a portion of the proceeds were used

to pay down bank debt. Also in January 2003, we sold a small bulk property located in Memphis for $33,000 and used the proceeds for working capital.

On April 7, 2003, we completed the sale of four contracts giving us the right to provide television service to properties in Memphis, Tennessee, and related equipment, to Time Warner for $432,253. We used the proceeds of this sale to repay indebtedness, to pay creditors and for working capital.

In recent periods, we have had limited access to investment capital to support working capital deficits or to expand existing operations. Consequently, the financial conditions of our operating subsidiaries deteriorated in the three months ended March 31, 2003 and have continued to deteriorate since then. We have been focused on negotiations with prospective lenders and investors as we seek to refinance all outstanding loans and liabilities in order to provide working capital. These negotiations are continuing. We require working capital for existing operations pending their sale or disposition and in connection with the purchase of assets of Cable California. We are actively seeking to raise additional funds through an offering of debt or equity, and have entered into several non-exclusive agreements with individuals or entities who would receive a fee for assisting us in obtaining financing. There are no assurances that we will be able to obtain additional financing.

We have previously announced our focus on developing a cable television system in Northern Baja, California, and to divest ourselves of some of our operating assets in the United States in order to enhance our balance sheet and reduce debt associated with the acquisition of our MDU assets in July, 2001. In addition, we are in continued discussions with some of our creditors, including key advisors and consultants, for the conversion of liabilities owed to them into our common stock in exchange for negotiated cash settlements. In total, we are seeking to eliminate or convert approximately $1.5 to 2.0 million of our obligations. However, there is no guarantee that these discussions will lead to a reduction in our liabilities.

As of March 31, 2003, we had two unsecured notes payable outstanding in the amount of $150,000 each. In addition we owed approximately $29,000 in accrued interest on these notes at March 31, 2003. The holders of these notes, Theodore Swindells and Paul Moore, each beneficially own over 5% of our common stock. The notes were issued on March 4, 2002, bear interest at the rate of 10% per year and have a due date of October 31, 2002. On October 18, 2002, we entered into a new loan agreement with Mr. Swindells, which extended the due date of his note payable under the same terms and conditions as the previous note. In consideration of the note extension we assigned service and access agreements to certain properties as a security interest. We are in default under the note with Mr. Moore.

As of March 31, 2003, we had a note payable to a vendor in the amount of approximately $225,000. Principal and interest, at 18%, on this note are due in monthly installments with the final payment due March 2003. The payments due under the note are past due and we are currently in default under the note agreement.

As of March 31, 2003, we owed a total of approximately $1,257,000 to Geneva Associates Merchant Banking Partners, an entity in which Russell Myers, one of our directors, has an interest. Of this $1,257,000, $889,000 is due under a promissory note held by Geneva Associates Merchant Banking Partners, consisting of the $750,000 principal value of the note and $139,000 in accrued interest. This note was due in October 2002 and bears interest at the rate of 14%. We are currently in default under this note. The remaining $368,000 owed to Geneva Associates Merchant Banking Partners is due under a reimbursement Agreement under which Geneva Associates Merchant Banking Partners, through a financial institution, issued a letter of credit to a bank to be used as security for a line of credit we have with the bank. Of this $368,000, $300,000 represents the principal owed under the agreement, $38,000 represents accrued and unpaid interest, and $30,000 represents an unpaid 10% fee in connection with the issuance of the letter of credit. The outstanding balance under the reimbursement agreement bears interest at a rate of 16% per year. We are currently in default under the reimbursement agreement.

In addition to our other obligations, we may have an obligation under an asset purchase agreement with Verizon Media Ventures, Inc. and GTE Southwest Incorporated. Before the quarter ended March 31, 2003, we decided not to complete the purchase of the rights for some of the properties, located in Texas, included in this asset purchase agreement. We believe that Verizon Media Ventures and GTE Southwest are attempting to sell the properties in question to third parties, and that these entities may seek to collect from us any difference between the price we agreed to pay and the prices received in connection with these sales to third parties. We have also signed a performance guarantee in the amount of $250,000 with regard to the asset purchase agreement. This guarantee is in the form of a deposit note bearing an interest rate of 19% which was to become payable if we failed to perform under the agreement. Verizon Media Ventures and GTE Southwest may seek to hold us liable for the amount of the performance guarantee. Neither entity has made any claim against us as a result of our decision not to purchase the rights for the properties in question.

In September, 2002, we issued a promissory note for $600,000 to our outside counsel in connection with unpaid legal fees. A payment of $100,000 was made on this note during the quarter and $15,000 in interest was accrued, reducing the note total to $531,000 as of March 31, 2003. This promissory note is secured by all of the assets of USAB Video Corp. II, Inc., one of our subsidiaries.

Between October 30, 2002 and May 14, 2003, we issued 12 bridge notes in the total amount of $1,750,000 to 11 individuals and one entity. As of March 31, 2003, the total balance of these notes was $1,556,000, of which $90,000 was accrued interest. The balance on these notes was reduced by $554,000 allocated to paid-in capital for warrants issued to the noteholders in connection with the notes, resulting in an adjusted carrying value of approximately $912,000. The notes are secured by our interest in some of our right-of-entry agreements that grant us the right to provide satellite television and other services to subscribers. The holder of two of the notes, in the total principal amount of $600,000, is Theodore Swindells, who beneficially owns over 5% of our common stock. For a description of the terms of these bridge notes, see Part II, Item 2 of this Form 10-QSB.

Cash Flows from Operating Activities

Our operations utilized net cash of approximately $1,704,000 for the nine-month period ended March 31, 2003. The use of cash was related primarily to funding the net losses from our operations, reduced by adjustments for non-cash expenses such as depreciation and loss on disposal of fixed assets and an increase in accounts payable and accrued liabilities.

Cash Flows from Investing Activities

During the nine-month period ended March 31, 2003, investing activities resulted in an increase of cash of approximately $,679,000. This was a result of a change in restricted cash of $506,000 and proceeds from the sale of assets.

Cash Flows from Financing Activities

During the nine-month period ended March 31, 2003, financing activities generated cash of approximately $963,000. This resulted primarily from proceeds of bridge loans, offset by reductions in principal payments on long-term debt and capital lease obligations.

Impact of Recently Issued Accounting Principles

In July 2002, the FASB issued Statement of Financial Accounting Standards No. 146, Accounting for Costs Associated with Exit or Disposal Activities ("SFAS 146"). SFAS 146 requires a company to recognize costs associated with exit or disposal activities when they are incurred rather than when the company makes a commitment to an exit or disposal plan. Examples of costs covered by SFAS 146 include lease termination costs and certain employee severance costs that are associated with a

restructuring, discontinued operation, plant closing, or other exit or disposal activity. SFAS 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. We do not expect the adoption of SFAS 146 to have a material effect on our financial position or results of operations.

In August 2002, the FASB issued Statement of Financial Accounting Standards No. 147, "Acquisitions of Certain Financial Institutions" (SFAS 147). SFAS 147 requires financial institutions to follow the guidance in SFAS 141 and SFAS 142 for business combinations and goodwill and intangible assets, as opposed to the previously applied accounting literature. This statement also amends SFAS 144 to include in its scope long-term customer relationship intangible assets of financial institutions. The provisions of SFAS 147 do not apply to us.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based compensation−Transition and Disclosure−an amendment of FASB Statement 123" (SFAS 123). For entities that change their accounting for stock-based compensation from the intrinsic method to the fair value method under SFAS 123, the fair value method is to be applied prospectively to those awards granted after the beginning of the period of adoption. This is known as the "prospective method." The amendment permits two additional transition methods for adoption of the fair value method. In addition to the prospective method, the entity can choose to either restate all periods presented, which is known as the "retroactive restatement method" or recognize compensation cost from the beginning of the fiscal year of adoption as if the fair value method had been used to account for awards, which is known as the "modified prospective method." For fiscal years beginning December 15, 2003, the prospective method will no longer be allowed. We currently account for our stock-based compensation using the intrinsic value method as prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and plan on continuing using this method to account for stock options. Therefore, we do not intend to adopt the transition requirements as specified in SFAS 148.

ITEM 3−CONTROLS AND PROCEDURES

Based on the evaluation by Mr. Grant Miller, who is both our principal executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures conducted as of a date within 90 days of the filing date of this quarterly report, Mr. Miller concluded that, as of the evaluation date, (i) there were no significant deficiencies or material weaknesses in our disclosure controls and procedures, (ii) there were no significant changes in the internal controls or in other factors that could significantly affect internal controls after the evaluation date and (iii) no corrective actions were required to be taken. There were no significant changes in our internal controls or in other factors that could significantly affect our internal controls after the date of this evaluation of the controls. We continue to monitor our controls and procedures on an on-going basis and will make any adjustments necessary to produce effective disclosure.

PART II−OTHER INFORMATION

ITEM 1−LEGAL PROCEEDINGS

We are involved in various proceedings and subject to various claims as described in our Transition Report on Form 10-KSB for the transition period ended June 30, 2002, and our Quarterly Report on Form 10-QSB for the three-month period ended September 30, 2002. This report describes only proceedings instituted or claims arising during or subsequent to the quarter ended March 31, 2003, or material events that occurred during or subsequent to the quarter in connection with previously-reported proceedings or claims. Many of the actions described in this Section have been filed against Cable Concepts, Inc., which we acquired in July 2001 and which does business under the name Direct Digital Communications.

In January 2003 we received notice of a default judgment in the amount of $89,000 entered against Cable Concepts in connection with a lawsuit originally filed in July 2002 by the The Telecom Group, which does business under the name Gale Telecom Services. We are seeking to negotiate a payment plan with The Telecom Group in connection with this judgment. In February 2003, in connection with a lawsuit filed against us in August 2002 by L.A. Commercial Group, Inc., which does business under the name Continental Group, Inc., we received notice of the entry of a default judgment against Cable Concepts in the amount of approximately $67,000, which includes the money allegedly owed, plus interest, costs and attorneys' fees.

On January 13, 2003, Chateau Marina LP filed an action against Cable Concepts in the Superior Court for the State of California, Los Angeles County, for breach of contract and intentional and negligent interference with contractual relations in connection with a contract under which we agreed to provide satellite video and audio programming to residents of Chateau Marina. In the complaint Chateau Marina is seeking termination of the contract, damages for the alleged breach of the contract in the amount of approximately $25,000, injunctive relief and cancellation of a cloud on the title of properties covered by the agreement. In early February 2003, we received an eviction notice from our landlord, Knobb Family Trust, due to non-payment of past due rents and common area maintenance charges. We owe rent and maintenance charges from October 2002, and the arrearage amounts to $25,996.

On February 12, 2003, Federal Express Corp. filed a complaint against Cable Concepts in the Superior Court of the State of California, Los Angeles County, for past due services, interest and fees. The amount sought in the complaint is $30,000. On February 17, 2003, in Texas state court, a default judgment was entered against Cable Concepts in the amount of approximately $87,000, including $70,000 in damages and $17,000 in attorneys' fees, in favor of Tri-Tek Communications, Inc.

On February 24, 2003, Volt Management, Inc. filed a complaint against Cable Concepts in the Superior Court for the State of California, Los Angeles County, alleging breach of contract in connection with its hiring of temporary employees through Volt Management, and seeking damages of approximately $21,000. On April 8, 2003, Protocol Communications, Inc. filed a complaint against Cable Concepts in the Superior Court of the State of California, Los Angeles, County, seeking damages of approximately $208,000 and attorneys' fees in the amount of approximately $4,000. In the complaint, Protocol Communications alleges breach of contract in connection with an agreement for the provision of marketing services.

ITEM 2−CHANGES IN SECURITIES

In March 2003, in connection with the acquisition of the Class B stock of Cable California, SA de C.V., and assets from Las Americas Broadband, Inc., described in Part I, Item 2, we issued 2,500,000 shares of our common stock to Dick Clark International Cable Ventures, Ltd., 2,250,000 shares to Las Americas Broadband, Inc., and 250,000 shares to Carlos Bustamante, Sr. In April 2003, we issued

104,110 shares of our common stock to an individual in consideration for services rendered to us. We have the right, until April 7, 2003, to repurchase these shares at a price of $1.00 per share.

Between October 2003 and May 2003, we issued bridge notes with a total principal value of $1,750,000 to various individuals and entities. In connection with the bridge loans evidenced by these notes, we issued to the investors warrants to purchase a total of 875,000 shares of our common stock. The exercise prices of the warrants are between $0.70 and $1.00 per share. Each of the bridge notes bears interest at 18% and is due on June 30, 2003, or on the date we receive permanent financing in the amount of at least $3,000,000, if earlier. If we obtain permanent financing, each note holder has the right to convert all, but not part, of the principal amount and accrued interest on his or her note into shares of our common stock or preferred stock in connection with the permanent financing at a discount of 10% to the offering price. Additionally, for every month that any principal payment is overdue, each note holder will receive 10,000 warrants per $100,000 in principal under the note, or pro-rata portion thereof, with a strike price of the lower of $1.00 or the average bid price for our common stock for the 20 trading days preceding issuance of warrants.

On May 1, 2003, we entered into a consulting agreement with an entity which has agreed to provide investor relations services. The agreement provides that it will continue for four three-month periods unless terminated. In connection with this agreement, we agreed to issue the consultant 15,000 restricted shares of our stock at the beginning of each three-month period that the agreement is in effect. In addition, we agreed to issue to the consultant, upon execution of the agreement, warrants to purchase 300,000 shares of our common stock, in four equal portions, each to purchase 75,000 shares, with exercise prices of $1.00, $1.50, $2.00 and $2.50 per share, respectively. The contract may be terminated by either party upon 30 days' written notice.

No underwriting commissions or discounts were paid in connection with any of the above transactions. We relied upon the exemption from the registration requirements of the Securities Act under Section 4(2) of the Securities Act with respect to the offer and sale of the unregistered securities described above. We conducted no general solicitation or advertising in connection with any of the transactions described above. Each of the persons that acquired unregistered securities had a preexisting relationship with us or one of our placement agents or founders. In addition, each purchaser was required to complete a subscription document and confirm his or her status as a "sophisticated investor." We provided each potential investor with an opportunity to meet with, and ask questions of, our management.

ITEM 3−DEFAULTS UPON SENIOR SECURITIES

We are required to use 10% of the net proceeds from future sales or grants of equity through July, 2004, toward payment of a note payable held by Geneva Associates Merchant Banking Partners, then for redemption of our Series B Preferred Stock, followed by redemption of our Series C Preferred Stock. We are not currently in compliance with this requirement as it relates to either the note payable or the preferred stock.

As of March 31, 2003, we are in default on both principal and interest of a note payable to a bank in the amount of approximately $392,000. The note matured in April 2003 and we are currently seeking a waiver of some of the note's provisions. There is no guarantee that we will obtain a waiver. As of March 31, 2003, we were in default under a promissory note in the principal amount of $150,000 issued to Paul Moore, who beneficially owns over 5% of our common stock.

We are also in default to Geneva Associates Merchant Banking Partners for both principal and interest due on notes totaling approximately $1,257,000. As of March 31, 2003, we have yet to make a payment of either principal or interest on our obligations to the entity.

As of March 31, 2003, we were in default with regard to a promissory note in the principal amount of $945,000 issued by Direct Digital Midwest, which was owned by Cable Concepts and held by LaSalle Bank. The collateral for this promissory note was all of the outstanding stock and all of the assets of Direct Digital Midwest, which were pledged to the lender by Cable Concepts. On May 9, 2003, LaSalle Bank conducted an auction of these shares and purchased the shares itself in the auction. As a result, LaSalle Bank owns Direct Digital Midwest.

On April 18, 2003, we received a notice from USBancorp that Cable Concepts was in default under a loan agreement with USBancorp. USBancorp has stated that the total amount owed under the agreement is $649,227. We believe the actual amount owed is approximately $400,000, but are seeking to negotiate with USBancorp to obtain a waiver of the default or otherwise to resolve this debt.

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

None.

ITEM 5−OTHER INFORMATION

On February 10, 2003, we hired Margot Ritcher as our Corporate Controller. We have agreed to pay Ms. Ritcher a salary of $110,00 per year, and she is eligible for a bonus of up to 50% of her base salary. We also have agreed to grant her options to purchase 100,000 shares of our common stock at the market price at the time of grant, with options to purchase 25,000 shares vesting immediately and options to purchase 25,000 shares vesting on each of the first, second and third anniversaries of her employment with us.

On February 12, 2003, we entered into a management services agreement with Richard Lubic, who we anticipate will become the Chairman of our Board of Directors. The agreement has a three-year term beginning on March 1, 2003, and become effective upon the closing of the purchase of the Class B and Class N stock of Cable California, SA de C.V. and the purchase of assets from Las Americas Broadband described in Part I, Item 2 of the Form 10-QSB. Under the agreement Mr. Lubic is to act as our Senior Management Consultant with responsibility for strategic operations. In consideration for Mr. Lubic's services, we have agreed to pay, for the first year of the term of the agreement, a consulting fee of $250,000 to DL Communications, Inc., a company controlled by Mr. Lubic. Payment under the agreement is to begin once we receive at least $1,000,000 in additional funding, except that if Mr. Lubic provides services before we receive this funding, we are to pay DL Communications $2500 per day. We also agreed to issue to Mr. Lubic an option to purchase up to 1,000,000 shares of our common stock. Of these options, options to purchase 100,000 shares of our common stock vested upon execution of the agreement, and options to purchase 300,000 shares of our common stock will vest on each of the first, second and third anniversaries of the execution of the agreement. The options all have an exercise price of $1.25 per share.

Under the management services agreement, Mr. Lubic is also eligible for a discretionary bonus payable in cash, common stock, options, stock appreciation rights, or some combination of the above in an amount to be determined by our board of directors. We also may adopt a performance incentive plan for Mr. Lubic under which Mr. Lubic could receive options or stock appreciation rights. Any options granted to Mr. Lubic under the agreement will be assignable to the extent legally permissible. The management services agreement provides that in the event of a change of control, we will require the surviving entity to preserve Mr. Lubic's rights under the agreement. We may terminate the agreement at any time for cause, and without cause on 30 days' written notice. If we terminate the agreement without cause, or if Mr. Lubic terminates the agreement for cause, we must continue to pay the consulting fee called for by the agreement to Mr. Lubic for the remaining term of the agreement or two years, whichever is greater.

On March 18, 2003, Lewis Suders resigned as our chief operating officer, effective February 15, 2003. Also on March 18, 2003, we entered into a severance agreement with Mr. Suders under which we agreed to pay Mr. Suders, in addition to back pay and reimbursement of expenses, a total of $25,000 in resolution of all claims Mr. Suders may have with regard to a signing bonus, severance pay, or any other compensation.

On April 15, 2003, we entered into an advisory agreement with Jon Eric Landry, who is one of our directors, under which Mr. Landry agreed to provide us with advice in connection with our corporate finance strategy, business plan and investor relations and other matters. The agreement has a 36-month term. In consideration for Mr. Landry's services, we agreed to pay him $1.00 per year. In addition, if we secure permanent financing of $5,000,000 or more, or if a significant financing event occurs that allows us to realize sufficient liquidity to satisfy current operating expenses, Mr. Landry will be entitled to additional compensation, in an amount to be agreed upon between us and Mr. Landry and approved by our board of directors.

The agreement relating to our acquisition of Cable Concepts called for a potential downward adjustment to the purchase price based on the amount of Cable Concepts' accounts payable as of the effective date of the acquisition, which is July 16, 2001. Accordingly, some of the shares we issued in consideration for the merger were placed in escrow, and were not to be released unless it was determined that a downward adjustment was not appropriate. We believe that a downward adjustment is appropriate, and that a portion of the shares of our common stock in escrow should revert back to us rather than being released to the former shareholders of Cable Concepts. However, Cable Concepts' former shareholders have disputed the accuracy of our calculation. We are attempting to resolve this matter with these shareholders. Geneva Associates Merchant Banking Partners, an entity in which Russell Myers, one of our directors, has an interest, was a major shareholder of Cable Concepts and is therefore representing itself and the other former Cable Concepts shareholders in these discussions.

ITEM 6−EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits List

Number	Description of Document
10.1	Advisory Agreement dated April 15, 2003, by and between USA Broadband, Inc. and Jon Eric Landry
10.2	Addendum to Employment Agreement between Richard G. Lubic and USA Broadband, Inc. dated February 12, 2003
10.3	Management Services Agreement dated as of February 12, 2003 by and between Richard G. Lubic and USA Broadband, Inc.
10.4	Severance agreement dated March 18, 2003 by and between Lewis Suders and USA Broadband, Inc.

10.5	Asset Purchase Agreement dated as of January 9, 2003, by and among USA Broadband, Inc., Dick Clark International Cable Ventures, Ltd., Cable California, SA de C.V., Las Americas Broadband, Inc., and Carlos Bustamante Sr.*
99.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Incorporated by reference to our Current Report on Form 8-K filed with the Securities and Exchange Commission on March 21, 2003.

(b) Reports on Form 8-K

On March 6, 2003, we filed a Form 8-K to report the sale by Cable Concepts of various right-of-entry agreements and related assets covering 55 cable properties in several states with approximately 1,900 subscribers to Digital Service, Inc. for total consideration of $1,685,268, comprised primarily of debt assumption by Digital Service. The Form 8-K also reported Cable Concepts' transfer of a property in the State of Washington to Digital Service in exchange for the assumption of a debt owed by Cable Concepts to a third party. The Form 8-K included pro forma statements of operations for the nine-month transition period ended June 30, 2002, and for the six-month period ended December 31, 2002, giving effect to the acquisition.

On March 21, 2003, we filed a Form 8-K to report the acquisition of the Class B stock of Cable California, SA de C.V., and assets from Las Americas Broadband, Inc., described in Part I, Item 2.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 20, 2003

USA BROADBAND, INC.

By: /s/ GRANT MILLER

Its: Principal Executive Officer and Principal Financial Officer

CERTIFICATIONS

I, Grant Miller, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of USA Broadband, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedure as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ GRANT MILLER

Date: May 20, 2003

Grant Miller, PRINCIPAL EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

EXHIBIT INDEX–TITLE

Number	Description of Document
10.1	Advisory Agreement dated April 15, 2003, by and between USA Broadband, Inc. and Jon Eric Landry
10.2	Addendum to Employment Agreement between Richard G. Lubic and USA Broadband, Inc. dated February 12, 2003

10.3	Management Services Agreement dated as of February 12, 2003 by and between Richard G. Lubic and USA Broadband, Inc.
10.4	Severance agreement dated March 18, 2003 by and between Lewis Suders and USA Broadband, Inc.
10.5	Asset Purchase Agreement dated as of January 9, 2003, by and among USA Broadband, Inc., Dick Clark International Cable Ventures, Ltd., Cable California, SA de C.V., Las Americas Broadband, Inc., and Carlos Bustamante Sr.*
99.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Incorporated by reference to our Current Report on Form 8-K filed with the Securities and Exchange Commission on March 21, 2003.

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Exhibit 10.1

April 14, 2003 [USA BROADBAND LOGO]

Mr. Ric Landry
Maroon Bells Capital
269 Market Square
Lake Forest, IL 60045

Dear Mr. Landry,

When executed by the undersigned where indicated below, this letter will form an **Advisory Agreement (the "Agreement")** for the 36 month period commencing **April 15, 2003** between **Ric Landry**, an individual and independent contractor ("Advisor") and USA Broadband, Inc. whereby Advisor will provide certain Advisory services to USAB on a non-exclusive basis, including general corporate advisory and development services. Advisor will devote a portion of his professional resources to USAB during the course of this agreement.

A. *Advisory Services to Be Performed for USAB by Advisor*

1. *General Corporate Advisory Services.* Advisor will provide as needed, USAB with advice in connection with (i) structuring and implementing its overall corporate finance strategy and corporate development strategy, (ii) review and analysis of public filings, business plans, corporate materials, and investor relations materials; and (iii) general Advisory services including funding related assistance and guidance.

Compensation: As consideration to Advisor for the commencement of services hereunder, USAB agrees to pay a retainer of not less than $1.00 (one dollar) per year. In the event the company is able to (i) secure permanent funding of $5 million or more, or (ii) a significant event or transaction occurs such that the company realizes sufficient liquidity to meet current operating requirements, the Advisor will be entitled to an amount greater than the $1.00 retainer. Said amount to be determined and agreed upon between Advisor and Company and approved by the board of Directors.

B. *Expenses*

USAB agrees to reimburse Advisor for reasonable out-of-pocket travel expenses related to Advisor's performance of the services described in this Agreement (i.e. travel and lodging for Advisor professionals to destinations where USAB has requested the presence of Advisor).

C. *Term of Agreement*

The term of this Agreement shall commence on April 15, 2003 and shall be in effect for 36 months. Renewable thereafter by written agreement between the parties.

D. *Indemnification*

Advisor and USAB agree to indemnify and hold each other harmless against claims resulting in connection with the provision of services under this engagement.

E. *Governing Law*

This Agreement shall be governed by the laws of the State of California.

F. *Independent Contractor Status.*

Advisor is an independent contractor and is not entitled to employee benefits. Advisor is not authorized to enter into any contract, obligation or other transaction on behalf of USAB.

G. *Confidentiality*

In the course of rendering the services provided for in this Agreement, Advisor will learn and may develop information which is considered by USAB to be confidential. Advisor agrees not to use or

disclose such confidential information, except for the purpose of performing its duties hereunder, without the express written consent of USAB

H. *Signatures*

By their authorized signatures below, Advisor and USAB do agree to be bound by the terms of this Agreement. This Agreement may be signed in counterparts, including fax signatures. Changes in the terms and conditions of this Agreement may be enacted only with mutual written consent.

ACCEPTED FOR USA Broadband, Inc.

/s/ GRANT MILLER

Grant Miller

Date: 4/15/03

ACCEPTED by Ric Landry

/s/ RIC LANDRY

Date:

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Exhibit 10.1

Exhibit 10.2

ADDENDUM TO EMPLOYMENT AGREEMENT BETWEEN RICHARD G. LUBIC AND USA BROADBAND, INC.

This Management Service Agreement is by and between DL COMMUNICATIONS, INC., a Nevada corporation ("DL"), and USA BROADBAND, INC., a Delaware corporation ("USA"), and is an Addendum to the Employment Agreement dated January 17, 2003 by and between RICHARD G. LUBIC ("LUBIC") and USA BROADBAND, INC., a Delaware corporation ("USA") and its various subsidiaries currently existing or to be formed including Cable California SA de CV, a Mexican corporation.

LUBIC shall also be appointed as Chairman of the Board of Directors of USA.

A copy of the Employment Agreement between USA and LUBIC is attached.

This Agreement for services of LUBIC shall be for a period of three (3) years with all compensation for said Management Services (Employment Agreement) to be paid to:

DL Communications, Inc.
9420 Angel Fish Drive
Las Vegas, Nevada 89117

($250,000 per annum payable twice monthly on the 1st and 15th day of the month @ $10,417.00 twice for a total management payment of $20,833.33 per month).

Note: Any services performed by Lubic prior to the funding of USA in an amount of no less than $1 million shall be compensated by payment to DL Communications, Inc. of the sum of $2,500 per day, plus any [illegible] business expenses.

Payment shall commence upon USA receiving additional funding in an amount of no less than $1 million.

Dated this 12th day February, 2003.

DL COMMUNICATIONS, INC., a Nevada corporation	USA BROADBAND, INC., a Delaware corporation
By: /s/ RICHARD G. LUBIC Richard G. Lubic	By: /s/ GRANT MILLER Grant Miller

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ADDENDUM TO EMPLOYMENT AGREEMENT BETWEEN RICHARD G. LUBIC AND USA BROADBAND, INC.

Exhibit 10.3

MANAGEMENT SERVICES AGREEMENT

MANAGEMENT SERVICE AGREEMENT dated as of February 12,2003 (this "Agreement"), by and between RICHARD G. LUBIC, a resident of the State of Nevada (the "Executive"), and USA BROADBAND, INC., a Delaware corporation (the "Company").

WHEREAS, the Company desires to employ the Executive as the Chairman and Senior Management Consultant of the Company and the Executive desires to accept a Management Services Agreement with the Company in the aforementioned capacity, all upon the terms and provisions, and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

Section 1. *Definitions.* As used in this Agreement the following terms shall have the meanings set forth in this Section 1:

(a) "Affiliate" of any Person means any stockholder or person or entity controlling, controlled by under common control with such Person, or any director, officer or key executive of such Person or any of their respective relatives. For purposes of this definition, "control," when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings that correspond to the foregoing.

(b) "Cause" shall mean (i) the Company being subjected to any criminal liability under any applicable law as a result of any action or inaction on the part of the Executive, which the Executive did not, at the time, reasonably believe to be in the best interests of the Company; (ii) the conviction or admission of the Executive of, or plea by the Executive of nolo contendre to, any felony or any other crime involving moral turpitude which the Board of Directors of the Company concludes is likely to have a material and adverse effect on the business, operations or reputation of the Company; (iii) if the Executive becomes chronically addicted to any narcotic or other illegal or controlled substance or repeatedly abuses any alcoholic product or any prescription stimulants or depressant, as determined by a physician designated by the Company, which in the reasonable opinion of the Board of Directors of the Company materially interferes with Executive's performance of his duties and obligations hereunder; (iv) the Executive commits fraud, or steals or misappropriates any asset or property of the Company, including, without limitation, any theft or embezzlement of a corporate opportunity; or (v) a breach of a material term or provision of this Agreement by the Executive which is not cured within thirty (30) business days after written notice of such breach is received by the Executive from the Company.

(c) "Change of Control" shall mean the occurrence of the following: (i) a change in the membership of more than fifty percent (50%) of the members of the current Board of Directors of the Company in any twelve (12) month period; and (ii) any Person or Person who together with a group (as such term is used in Section 13 of the Securities Exchange Act of 1934) (other than the Executive) shall acquire more than fifty percent (50%) of the capital stock of the Company of all classes of stock entitled to vote for directions.

(d) "Common Stock" shall mean the common stock, par value $.01 per share, of the Company, and any other class of common stock of the Company created after the date of this Agreement in accordance with the Company's Certificate of Incorporation and applicable law.

(e) "Confidential and Proprietary Information" shall mean any and all (i) confidential or proprietary information or material not in the public domain about or relating to the business, operations, assets or financial condition of the Company or any Affiliate of the Company or any of the Company's or any such Affiliate's trade secrets (regardless of the medium in which maintained or stored), including, without limitation, research and development plans or projects; data and reports; computer materials such as programs, instructions and printouts; formulas; product testing information; business improvements, processes, marketing and selling strategies; strategic business plans (whether pursued or not); budgets; unpublished financial statements; licenses; pricing, pricing strategy and cost data; information regarding the skills and compensation of executives; the identities of customers and potential customers; intellectual property strategies and any work in respect of any patents, trademarks, tradenames, service marks, trade dress, logos or other intellectual property prior to any filing or the use thereof in commerce; pricing, timing, sales terms, service plans, methods, practices, strategies, forecasts, know-how and other marketing techniques; and (ii) information, documentation or material not in the public domain by virtue of any action by or on the part of the Executive, the knowledge of which gives or may give the Company or any Affiliate of the Company a competitive advantage over any Person not possessing such information. For purposes hereof, the term Confidential and Proprietary Information shall not include any information or material (i) that is known to the general public other than due to a breach of this Agreement by the Executive or (ii) was disclosed to the Executive by a Person who the Executive did not reasonably believe was bound to a confidentiality or similar agreement with the Company.

(f) "Discretionary Bonus" shall have the meaning given to that term in Section 4(b) hereof.

(g) "Management Services Agreement" shall have the meaning given to that term in Section 2 hereof.

(h) "GAAP" shall mean generally accepted United States accounting principles, as from time to time in effect.

(i) "Good Reason" shall mean a (i) substantial change to or reduction in the duties or responsibilities of the Executive such that the responsibilities of the Executive are no longer commensurate with the Executive's office with the Company as set forth herein; (ii) a change in the Executive's office from that of Chairman and Senior Management Consultant of the Company which is not concurred in by the Executive within three (3) months of its occurrence; or (iii) the breach of a material term or provision of this Agreement by the Company which is not cured by the Company within thirty (30) business days after written notice of said breach is received by the Company from the Executive.

(j) "Gross Revenues" for each twelve (12) month period during the Term shall have the meaning of gross revenues of the Company set forth in the annual financial statements of the Company for the respective applicable twelve (12) months and which shall be determined in accordance with GAAP applied on a consistent basis.

(k) "Incapacity" shall mean any illness or mental or physical incapacity or disability which prevents the Executive from performing his duties or obligations hereunder for a continuous period of one hundred twenty (120) consecutive days or for shorter periods aggregating one hundred eighty (180) days within any consecutive twelve (12) month period.

(l) "Inventions" shall mean inventions, discoveries, concepts and ideas, whether patentable or not, including, without limitation, processes, methods, formulae and techniques, and improvements thereof or know-how related thereto, concerning any business activity of the Company or any Affiliate of the Company, with which the Executive becomes, directly or indirectly, involved as a result in whole or in part, directly or indirectly, of the Executive's Management Service Agreement by the Company, or any Affiliate of the Company.

(m) "Market Cap" shall mean the aggregate market value of all of the Company's issued and outstanding shares of Common Stock as of the date of determination.

(n) "Person" shall mean, without limitation, any natural person, corporation, partnership, limited liability company, joint stock company, joint venture association, trust or other similar entity or firm.

(o) "Consulting Fees" shall have the meaning given to that term in Section 4(a) hereof.

(p) "Without Cause" shall mean the termination of the Executive's Management Service Agreement hereunder by the Company, other than termination by the Company due to the Executive's death or Incapacity or based upon Cause.

Section 2. *Management Service Agreement and Term.* The Company hereby employs the Executive as the Chairman and Senior Management Consultant of the Company and the Executive hereby accepts such Management Service Agreement in that office and capacity, upon the terms and provisions, and subject to the conditions, set forth in this Agreement, for a term of three (3) years, commencing on March 1, 2003, and terminating on February 31, 2006, unless earlier terminated as provided in this Agreement (the "Management Service Agreement Term").

Section 3. *Executive's Duties.*

(a) The Executive shall be the Senior Management Consultant of the Company responsible for overseeing the day-to-day operations of the Company and the Company's strategic operations including, without limitation, overseeing the Company's merger and acquisition activity, strategic business development, joint ventures, capital raising (including, without limitation, liaising with investment banks and financial advisers), international affairs, the Company's relationships with outside counsel and other professionals. The Executive shall report directly and only to the Company's Board of Directors. The Executive may perform such other duties as may reasonably be assigned to the Executive by the Company's Board of Directors.

(b) The Executive shall devote a substantial part of his business time, effort, skill and attention to the business, operations and affairs of the Company and to the furtherance of the interests, business and prospects of the Company. The Executive shall perform the Executive's duties and obligations hereunder diligently, competently, faithfully and to the best of his ability. Subject to disclosure to the Company's general corporate counsel, the Executive may serve on the board of directors or other governing boards of, and act as a consultant to, other corporations, businesses or organizations; *provided* that such service does not materially interfere with the Executive's performance of his duties and obligations hereunder. The Executive may also engage in such charitable activities that do not materially interfere with the Executive's performance of his duties and obligations hereunder.

(c) The Executive agrees to execute policy statements and agreements that the Company may reasonably from time to time require all of its senior executive officers to execute.

Section 4. *Compensation.*

(a) In consideration of the performance of all of the duties and obligations to be performed by the Executive hereunder, the Company agrees to pay, and the Executive agrees to accept, for the first year of the Management Service Agreement Term a consulting fee (the "Consulting Fee") at an annual rate of $250,000, payable to DL COMMUNICATIONS, INC., a (Nevada Corporation) controlled by the Executive for management purposes of other entities involved in ventures with USA BROADBAND, Inc. and for tax purposes. For purposes of the Company's payroll practices, payment shall be, the sum of $10,417.00 on the 1st day of the month and the sum of $10,417.00 on the 15th day of each month ($20,833.33 per month).

(b) Simultaneously with the execution and delivery hereof, the Company shall grant to the Executive (the "Executive Option") the right and option to purchase up to 1,000,000 shares of the Company's Common Stock, at the prices and according to the terms and conditions set forth in the option agreement attached hereto *as Exhibit A*.

(c) At the sole discretion of the Board of Directors of the Company the Executive may be paid, in cash, Common Stock, options to purchase Common Stock, stock appreciation rights ("SAR's") or any combination thereof, an annual bonus in such an amount, if any, and based upon such criteria as the Board of Directors of the Company may from time to time consider appropriate (the "Discretionary Bonus").

(d) As additional consideration for the Executive's services to the Company hereunder, the Board of Directors of the Company may adapt a performance incentive plan for the Executive, which shall be based upon such criteria as the Board of Directors of the Company may establish including, without limitation, the Company attaining a certain level of annual Gross Levels on the Company's Market Cap attaining certain levels. Any amounts earned by the Executive pursuant to such incentive plan shall be in the form of stock options or stock appreciation rights, as shall be determined by the Board of Directors of the Company.

(e) Should there be a Change of Control of the Company or any other transaction in which the Company is not the surviving entity during the Management Service Agreement Term, then as part of that transaction, the Company will require the surviving entity to modify this Agreement in an equitable manner to provide the Executive the same type of benefits that he is entitled to earn pursuant to Section 4(c) of this Agreement.

(f) All options granted to the Executive pursuant to this Agreement or referred to herein, to the extent permitted by applicable law, shall be transferable and assignable. Any unvested options granted to the Executive hereunder shall fully vest upon a Change of Control or upon a termination of the Executive's Management Service Agreement under this Agreement by the Company without cause pursuant to Section 7(d) hereof or by the Executive for Good Reason pursuant to Section 7(e) hereof.

Section 5. *Business Expenses.* The Executive shall be entitled to reimbursement for all ordinary, necessary and reasonable business expenses actually incurred by the Executive during the Management Service Agreement Term in the performance of the Executive's duties hereunder. For all air travel of more than two (2) hours of flying time, the Executive shall be entitled to travel business class.

Section 6. *Termination of Management Service Agreement Term.*

(a) In the event of the death of the Executive during the Management Service Agreement Term, the Executive's Management Service Agreement hereunder shall automatically terminate as of the date of death; provided, however, that the Executive's estate or legal representative, as the case may be, shall be entitled to receive, and the Company shall pay, any accrued and unpaid Consulting Fee and reimbursement of any amounts which are properly owing to the Executive pursuant to Section 6 hereof.

(b) In the event of the Executive's Incapacity, the Company may, in its sole discretion, terminate the Executive's Management Service Agreement hereunder upon written notice to the Executive; *provided, however,* that the Executive or the Executive's legal representative, as the case may be, shall be entitled to receive, and the Company shall pay, any accrued and unpaid Consulting Fees for a one (1) year period from the date of termination, less any amounts received by the Executive under any disability insurance policy maintained by the Company and reimbursement of business expenses which are properly owing to the Executive pursuant to Section 6 hereof, through the date of termination.

(c) The Company shall have the right to terminate the Executive's Management Service Agreement under this Agreement at any time for Cause upon written notice to the Executive. In the event the Executive's Management Service Agreement hereunder is terminated by the Company for Cause, the Company shall only be obligated to pay accrued and unpaid Consulting Fees through the date of termination and the Company shall pay any accrued and unreimbursed business expenses, which are properly owing to the Executive pursuant to Section 6 hereof through the date of termination.

(d) The Company shall have the right to terminate the Executive's Management Service Agreement hereunder Without Cause at any time upon thirty (30) days' prior written notice to the Executive. If the Company terminates the Executive's Management Service Agreement hereunder Without Cause, the Company shall (i) continue to pay Consulting Fees to the Executive provided for hereunder for a period equal to the greater of (x) two (2) years from the date of termination and (y) the remaining period of the Management Service Agreement Term and (ii) pay any unreimbursed business expenses which are properly owing to the Executive pursuant to Section 6 hereof through the date of termination. The Executive shall not be under any obligation to mitigate the Company's obligation pursuant to this Section 7(d) by securing other Management Service Agreement or otherwise.

(e) The Executive shall have the right to terminate his Management Service Agreement with the Company hereunder for Good Reason, upon not less than thirty (30) days prior written notice to the Company. Should the Executive terminate his Management Service Agreement hereunder for Good Reason, the Company shall be obligated to make the payments to the Executive provided for in Section 7(d) hereof upon the termination of the Executive's Management Service Agreement by the Company Without Cause.

(f) The failure of the Company to continue the Management Service Agreement of the Executive upon expiration of the entire Three (3) year Management Service Agreement Term shall not be considered a termination of Management Service Agreement for purposes of this Agreement.

Section 7. *Inventions.* Any Inventions originated or conceived by the Executive related to the Company's business, during his Management Service Agreement by the Company or any Affiliate of the Company or with the use or assistance of the facilities, materials or personnel of the Company or any Affiliate of the Company, either solely or jointly with others, during the period of Management Service Agreement with the Company or any Affiliate of the Company shall be the sole and exclusive property of the Company. The Executive hereby irrevocably assigns and transfers to the Company and agrees to transfer and assign to the Company all of his right, title and interest in and to all Inventions, and to applications for patents and patents granted upon such Inventions and to all copyrightable material related thereto developed by the Executive or under his supervision. The Executive agrees for himself and his heirs and personal representatives, upon the request of the Company and at the Company's expense, to do such acts, to execute such documents and instruments and to participate in such legal proceedings as from time to time may be necessary or required to apply for, secure, maintain, reissue, extend or defend the worldwide rights of the Company in the Inventions.

Section 8. *Restrictions Respecting Competing Businesses, Confidential Information, etc.* The Executive acknowledges and agrees that by virtue of the Executive's position and involvement with the business and affairs of the Company, the Executive will develop substantial expertise and knowledge with respect to all aspects of the Company's business, affairs and operations and will have access to all significant aspects of the business and operations of the Company and to Confidential and Proprietary Information.

(a) The Executive hereby covenants and agrees that, during the Management Service Agreement Term and thereafter, unless otherwise authorized by the Company in writing, the Executive shall not, directly or indirectly, under any circumstance: (i) disclose to any other Person (other than in the regular course of business of the Company) any Confidential and Proprietary Information, other than pursuant to applicable law, regulation or subpoena or with the prior written consent of the Company; (ii) act or fail to act so as to impair the confidential or proprietary nature of any Confidential and Proprietary Information; (iii) use any Confidential and Proprietary Information other than for the sole and exclusive benefit of the Company; or (iv) offer or agree to, or cause or assist in the inception or continuation of, any such disclosure, impairment or use of any Confidential and Proprietary Information. Following the Management Service Agreement Term, the Executive shall return all

documents, records and other items containing any Confidential and Proprietary Information to the Company (regardless of the medium in which maintained or stored), without retaining any copies, notes or excerpts thereof, or at the request of the Company, shall destroy such documents, records and items (any such destruction to be certified by the Executive to the Company in writing).

(b) The Executive hereby covenants and agrees, that while the Executive is employed by the Company and for a period of one (1) year thereafter, he shall not, and shall cause each of his Affiliates not to, (i) directly or indirectly, engage or be interested (whether as an owner, partner, member, lender, shareholder, consultant, employee, agent, supplier, distributor or otherwise) in any business, activity or enterprise which competes with any aspect of the business of the Company in those states or countries in which the Company engages in business; or (ii) at any time, directly or indirectly, induce or influence any customer, vendor, supplier, distributor, consultant or any other Person that had a business relationship with the Company or any of its Affiliates, to terminate such relationship or to discontinue or reduce the extent of its relationship with the Company or any of its Affiliates. For purposes of this Agreement, neither the Executive nor his Affiliates shall be deemed to be directly or indirectly interested in a business if their interest, individually or in the aggregate with each other, is limited solely to the ownership of not more than five percent (5%) of the securities of any class of corporation whose shares are listed or admitted to trade on a national securities exchange or are quoted on Nasdaq or a similar means if Nasdaq is no longer providing such information.

(c) While the Executive is employed by the Company and for one (1) year after the Executive ceases to be an employed by the Company, the Executive shall not, directly or indirectly, solicit to employ for himself or others any employee of the Company or any Affiliate of the Company who was an employee of the Company or any Affiliate of the Company as of the date of the termination of the Executive's Management Service Agreement with the Company, or to solicit any such employee to leave such employee's employment or join the employ of another, then or at a later time; *provided* that the foregoing shall not apply to the Executive's administrative assistant.

(d) The parties agree that nothing in this Agreement shall be construed to limit or negate the common law of torts, confidentiality, trade secrets, fiduciary duty and obligations where such laws provide the Company with any broader, further or other remedy or protection than those provided herein.

(e) The parties acknowledge that a breach or attempted or threatened breach by the Executive of any of the provisions of this Agreement will result in immediate and irreparable injury and damage to the Company for which the Company will not have an adequate remedy at law and for which monetary damages are not readily calculable. Therefore, the Company shall be entitled to obtain injunctive and other equitable relief restraining and prohibiting any such breach or threatened breach including, without limitation, obtaining a temporary and permanent injunction enjoining any such breach or threatened breach (without being required to post a bond or other security or to show any actual damages). The right to an injunction and other equitable relief shall be in addition to, and cumulative with, all other rights and remedies available to the Company at law, in equity or otherwise. In addition, in the event of a breach of any such provision or any other agreement of the Executive contained herein, the Company shall not be limited in its recovery to actual or other damages.

(f) The provisions of this Section 9 are in addition to and independent of any agreements or covenants contained in any other agreement between the Company and the Restrained Party or between the Company and any of his Affiliates or any other Person, including, without limitation, the Asset Purchase Agreement.

(g) Without limiting the generality of the foregoing, if any provision of this Section 9 shall be held by any court of competent jurisdiction or another competent authority to be illegal, invalid or unenforceable, such provision shall be construed and enforced as if it had been more narrowly drawn so that such provisions shall be legal, valid and binding to the fullest extent permitted by applicable

law, and such illegality, invalidity or unenforceability shall have no effect upon and shall not impair the enforceability of any other provision of this Agreement.

Section 9. *Severability.* Each term and provision of this Agreement is severable; the invalidity, illegality or unenforceability or modification of any term or provision of this Agreement shall not affect the validity, legality and enforceability of the other terms and provisions of this Agreement, which shall remain in full force and effect. Since it is the desire and intent of the parties that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought, should any particular provision of this Agreement be deemed invalid, illegal or unenforceable, the same shall be deemed reformed and amended to delete that portion that is adjudicated to be invalid, illegal or unenforceable and the deletion shall apply only with respect to the operation of such provision and to the extent of such provision and, to the extent that a provision of this Agreement would be deemed unenforceable by virtue of its scope, but may be made enforceable by limitation thereon, each party agrees that this Agreement shall be reformed and amended so that the same shall be enforceable to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought.

Section 10. *Assignment.* This Agreement and the rights and obligations of the parties hereto shall bind and inure to the benefit of each of the parties hereto, the heirs, executors, administrators and legal representatives of the Executive and the successors and permitted assigns of the Company. (Neither this Agreement nor any rights or benefits hereunder may be assigned by the Executive or the Company without the prior written consent of the other party hereto, except that the Company may assign any of its rights or obligations hereunder to any other Person which purchases all or substantially all of the common stock or assets of the Company or is the successor to the Company by merger, consolidation or other similar transaction).

Section 11. *Amendment; Entire Agreement.* This Agreement may not be modified, amended, altered or supplemented except by a written agreement executed by the parties hereto. This Agreement contains the entire agreement and understanding of the parties hereto with respect to the subject matter of this Agreement and supersedes all prior and/or contemporaneous agreements and understandings of any kind and nature (whether written or oral) between the parties with respect to such subject matter, all of which are merged herein.

Section 12. *Waivers.* Waiver by either party of either breach of or failure to comply with any provision of this Agreement by the other party shall not be construed as, or constitute, a continuing waiver of such provision, or a waiver of any other breach of, or failure to comply with, any other provision of this Agreement, any such waiver must be in writing to be limited to the specific matter and instance for which it is given. No waiver of any such breach or failure or of any term or condition of this Agreement shall be effective unless in a written instrument and signed by the waiving party and delivered, in the manner required for notices generally, to the affected party.

Section 13. *Notices.* Any and all notices, consents, instructions and other communications which are required or permitted to be given hereunder or made by one party hereto to the other party hereto shall be in writing and given as follows: (a) by personal delivery; (b) by first-class mail (postage prepaid); (c) by facsimile; or (d) by overnight delivery by a recognized express courier company (all costs prepaid), at the following respective addresses or facsimile numbers, set forth below:

If to the Executive:

Mr. Richard G. Lubic
9420 Angel Fish Dr.
Las Vegas, NV 89117
(702) 254-7548

If to the Company:

USA Broadband, Inc.
111 Orange Avenue
Coronado, CA 92118
(619) 435-2929
(619) 424) 8040

With a copy to:

DL Communications, Inc.
9420 Angel Fish Dr.
Las Vegas, NV 89117
(702) 254-7548

or to such other address as a party may have furnished to the other parties in writing in accordance herewith. Any notice, consent, direction, approval, instruction, request or other communication given in accordance with this Section 14 shall be effective after it is received by the intended recipient.

Section 14. *Governing Law; Jurisdiction.* THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THAT STATE, WITHOUT REGARD OR REFERENCE TO ITS PRINCIPLES OF CONFLICTS OF LAWS. THIS AGREEMENT SHALL BE CONSTRUED AND INTERPRETED WITHOUT REGARD TO ANY PRESUMPTION AGAINST THE PARTY CAUSING THIS AGREEMENT TO BE DRAFTED. EACH OF THE PARTIES UNCONDITIONALLY AND IRREVOCABLY CONSENT TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF CALIFORNIA AND THE FEDERAL DISTRICT COURT FOR THE SOUTHERN DISTRICT OF CALIFORNIA WITH RESPECT TO ANY SUIT, ACTION OR PROCEEDING

ARISING OUT OF OR RELATING TO THIS AGREEMENT, AND EACH OF THE PARTIES WAIVE ANY RIGHT TO CONTEST THE VENUE OF SAID COURTS OR TO CLAIM THAT SAID COURTS CONSTITUTE AN INCONVENIENT FORUM. EACH OF THE PARTIES UNCONDITIONALLY AND IRREVOCABLY WAIVES THE RIGHT TO A TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT.

Section 15. *Headings; Counterparts.* The headings contained in this Agreement are inserted for reference purposes only and shall not in any way affect the meaning, construction or interpretation of this Agreement. This Agreement may be executed in two (2) counterparts, each of which when executed shall be deemed to be an original, but both of which, when taken together, shall constitute one and the same document.

IN WITNESS WHEREOF, the Executive and the Company have executed this Agreement as of the date first above written.

/s/ RICHARD G. LUBIC
RICHARD G. LUBIC

USA Broadband, Inc

By: /s/ GRANT MILLER
Name: Grant Miller
Title: Chief Financial Officer

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Exhibit 10.3
MANAGEMENT SERVICES AGREEMENT

Exhibit 10.4

March 18, 2003

[USA BROADBAND LOGO]

Mr. Lew Suders
1522 1st Street
Apt. X #207
Coronado, California 92118

Re: Separation Agreement

This letter (our "Agreement") will confirm our understanding with respect to your resignation as an employee of USA Broadband (the "Company"). You acknowledge that this Agreement is intended only to resolve matters relating to your employment with the Company and is not an admission of fault or liability on the part of you or the Company. Subject to your continuation to comply with the terms of this Agreement, you and the Company agree as follows:

1. You hereby resign as an employee of the Company effective February 15, 2003.

2. The Company will pay you $18,167.36, representing your regular wages and housing allowance, for the pay periods ending February 1st and 15th, 2003.

3. The Company will pay you $455.16 as total reimbursement for all outstanding business related expenses.

4. The Company will pay you $25,000 ($15,000 plus $10,000) as final settlement for all claims related to your sign-on bonus, severance pay, or any other forms of compensation relating to your employment with the Company.

5. The Company will deduct $4,000 in exchange for allowing you to keep the (one) company computer, printer, and software currently in your possession. ($2,000 will be deducted from the first payment and $2,000 will be deducted from the second payment).

6. The Company acknowledges you are fully vested, effective October 1, 2002, for options representing 125,000 shares of USA Broadband common stock at $2.00 per share.

7. The Company agrees that it will not contest any claim for unemployment insurance benefits you may file with the California Department of Employment Security.

8. You, on behalf of your heirs, executors, administrators, assigns, successors and legal representatives, release and forever discharge the Company, its affiliates, parent or subsidiary entities or corporations, and its and their officers, directors, shareholders, employees, agents, representatives, insurers, successors and assigns ("Company Affiliates"), from any and all claims, liabilities, demands, sums of money, agreements, promises, damages, costs or expenses, attorneys fees, causes of action and liabilities of any kind or character whatsoever, including all known and unknown claims, arising on or before the Effective Date (as hereafter defined) which you now have or may hereafter have against the Company or any Company Affiliate (other than the obligations described in this Agreement).

You agree to waive the benefits of California Civil Code 1542 or any similar federal or state law or rule regarding a general release and the release of unknown claims. Civil Code 1542 states as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

9. Your release includes, but is not limited to, any claims or causes of action you might have under any local, federal or state law, including, without limitation, the California Fair Employment and Housing Act; the Federal Age Discrimination in Employment Act of 1967, as amended; the Civil Rights Act of 1964, as amended; the Employee Retirement Income Security Act of 1974, as amended; the Family and Medical Leave Act of 1993; the Civil Rights Act of April 9, 1966; the Federal Occupational Safety and Health Act.

10. You represent that you have not filed any complaints or charges or lawsuits against the Company, its officers or its directors in any court or before any government agency except for a claim for unemployment insurance benefits.

11. The Company agrees in response to appropriate inquiries, in accordance with its standard policy, it will provide a neutral reference concerning your employment with the Company.

12. You agree that you will not publicly or privately disparage or criticize the Company or any of the Company's officers, directors, agents or employees.

13. You also agree that you shall not use or disclose any confidential or proprietary information of the Company concerning its business, employees, operations, systems, finances, resources, customers or prospects, at any time or for any purpose whatsoever or disclose any such information to any person at any time, or for any purpose whatsoever.

14. You also agree that all files, papers, memorandum, letters, handbooks and manuals, facsimile or other communications that were written, authorized, signed, received or transmitted during or prior to your employment and any Company property (including, without limitation, any tools or shop equipment but excluding the computer hardware or software, or communications equipment referenced herein) in your possession are and remain the property of the Company and, as such, are not to be removed from the Company's offices. In addition, any such materials, equipment or property, which you possess which are not in the Company's offices, excluding the one computer, printer, and software, are to be returned to the Company immediately.

15. The Company agrees to pay you the total amount of $39,622.52 ($43,622.52 less $4,000 for Computer related equipment) as referenced in paragraphs 2, 3, 4 and 5 and you agree to return the company's property as referenced in paragraph 14, as follows:

(a) $19,811.26 upon signing this agreement.

(b) $8,905.63 thirty days from the date of this signed agreement.

(c) $10,905.63 sixty days from the date of this signed agreement.

(d) All monies to be paid on a gross basis. The Company assumes no liabilities for taxes associated with this agreement but will provide you with a form 1099. The 1099 will not reflect any expense reimbursement.

16. Other than to carry out its terms, this Agreement shall not be used or offered by any person for any purpose, including as an admission of liability or wrongdoing or the validity or invalidity of any claims, which were, or could have been, asserted by either you or the Company.

17. This Agreement embodies the sole and entire Agreement between you and the Company concerning the resolution of all matters concerning your employment with the Company, and supersedes any and all prior agreements, arrangements and understandings you or the Company may have regarding your employment.

18. The provisions of this Agreement may be modified only by the written agreement of you and the Company.

19. In executing this Agreement, you represent that you are not relying on any inducements, promises or representations of the Company or Company Affiliates other than expressly set forth in this Agreement.

20. You agree not to discuss or disclose any of the terms of this Agreement, except to your immediate family, attorney, financial advisor or tax preparer or as required by law.

21. If this Agreement correctly reflects the understanding reached between you and the Company, please sign and return the two enclosed copies of this Agreement. You should consult with an attorney before you sign this Agreement, and you have twenty-one (21) days in which to consider whether to sign. You may waive this 21day consideration period. After you sign this Agreement, you have seven (7) days during which you may revoke this Agreement by delivering written notice of such revocation to 4 Tobago Way, Coronado California prior to 5:00 p.m. on the seventh (7th) day following the date you signed this Agreement. You may not waive this seven (7) day revocation period. This Agreement will not become effective until this seven-day period has expired (the "Effective Date").

The Company wishes you good luck in your future endeavors.

Cordially,

/s/ GRANT MILLER

By: Grant Miller

Its: Acting CEO and CFO

PLEASE READ CAREFULLY BEFORE SIGNING THIS AGREEMENT AND GENERAL RELEASE INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS YOU MAY HAVE AGAINST THE COMPANY

ACCEPTED and **AGREED TO** this
18th day of March, 2003

/s/ LEWIS SUDERS

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Exhibit 10.4

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Exhibit 99.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)

I, Grant Miller, certify that:

To the best of my knowledge and belief, the Quarterly Report on Form 10-QSB filed with the Securities and Exchange Commission on May 20, 2003 by USA Broadband, Inc. and to which this certification is appended (the "Periodic Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of USA Broadband, Inc.

	/s/ GRANT MILLER
Date: May 20, 2003	Grant Miller Principal Executive Officer

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CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)

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Exhibit 99.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)

I, Grant Miller certify that:

To the best of my knowledge and belief, the Quarterly Report on Form 10-QSB filed with the Securities and Exchange Commission on May 20, 2003 by USA Broadband, Inc. and to which this certification is appended (the "Periodic Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of USA Broadband, Inc.

Date: May 20, 2003 /s/ GRANT MILLER

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CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)