

Edgar Filing: Integrated Media Holdings, Inc. - Form 10QSB

Integrated Media Holdings, Inc.  
Form 10QSB  
May 22, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-QSB

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2006

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act

Commission File Number 33-119586

INTEGRATED MEDIA HOLDINGS, INC.  
(Exact Name of Small Business Issuer as Specified in Its Charter)

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)

76-0600966  
(IRS Employer Identification No.)

10 Glenlake Parkway, Suite 130  
Atlanta, Georgia 30238  
(Address of Principal Executive Offices) (Zip Code)

(678) 222-3445  
(Issuer's Telephone Number, Including Area Code)

Endavo Media and Communications, Inc.  
(Former Name)

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

APPLICABLE ONLY TO CORPORATE ISSUERS

The number of shares of the issuer's common equity outstanding as of May 15, 2006 was 5,908,667 shares of common stock, par value \$.001.

Transitional Small Business Disclosure Format: Yes  No ?

INDEX TO FORM 10-QSB FILING  
FOR THE QUARTER ENDED MARCH 31, 2006

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### PART I - FINANCIAL INFORMATION

#### ITEM 1...FINANCIAL STATEMENTS

INTEGRATED MEDIA HOLDINGS, INC.  
(formerly ENDAVO MEDIA AND COMMUNICATIONS, INC.)  
CONDENSED CONSOLIDATED UNAUDITED BALANCE SHEET  
as of March 31, 2006

(unaudited)

#### Assets

#### Current assets:

Cash

\$ 1,434

Deposits

16,214

Total current assets

17,648

Property and equipment, net

274,256

Asset held for sale

44,746

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|   |    |              |
|---|----|--------------|
|   |    | -----        |
| Total Assets  | \$ | 336,650      |
| -----   |    |              |
| Liabilities and Stockholders' Deficit   |    |              |
| Current liabilities:  |    |              |
| Accounts payable  | \$ | 900,340      |
| Accrued liabilities   |    | 1,064,053    |
| Notes payable including related parties   |    | 930,977      |
| -----   |    |              |
| Total current liabilities   |    | 2,895,370    |
| Stockholders' deficit:  |    |              |
| Preferred stock, \$.001 par value; 1,000,000 shares<br>authorized, 3,821,197 shares issued and outstanding        |    | 3,821        |
| Common stock, \$.001 par value, voting, 100,000,000 shares<br>authorized, 5,908,640 shares issued and outstanding |    | 5,909        |
| Additional paid-in capital  |    | 19,471,850   |
| Accumulated deficit   |    | (22,040,299) |
| -----   |    |              |
| Total stockholders' deficit:  |    | (2,558,719)  |
| -----   |    |              |
| Total liabilities and stockholders' deficit   | \$ | 336,650      |
| -----   |    |              |

INTEGRATED MEDIA HOLDINGS, INC.  
(formerly ENDAVO MEDIA AND COMMUNICATIONS, INC.)  
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF OPERATIONS  
for the three months ended March 31,

|  | 2006        | 2005        |
|--|-------------|-------------|
|  | -----       | -----       |
| Total revenue                                | \$ 995      | \$ 52,588   |
| Cost of sales                                | (13,030)    | (40,599)    |
|  | -----       | -----       |
| Gross profit (loss)                          | \$ (12,035) | \$ 11,989   |
| Selling, general, and administrative expense | (647,112)   | (1,617,965) |
|  | -----       | -----       |
| Income (loss) from operations                | (659,147)   | (1,605,976) |
| Other income (expense)                       | 16,780      | 869         |
| Interest (expense)                           | (239,320)   | (301,396)   |

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|  |                |                |
|--|----------------|----------------|
| Net income (loss)                            | \$ (881,687)   | \$ (1,906,499) |
| Imputed preferred stock dividend             | (1,891,493)    | (1,891,493)    |
| Net loss attributable to common shareholders | \$ (2,773,180) | \$ (3,797,922) |
| Loss per common share basic and diluted      | \$ ( 1.42)     | \$ (15.54)     |
| Weighted average shares - basic and diluted  | 1,948,042      | 244,332        |

INTEGRATED MEDIA HOLDINGS, INC.  
(formerly ENDAVO MEDIA AND COMMUNICATIONS, INC.)  
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF CASHFLOWS  
for the three months ended March 31,

|   | 2006         | 2005           |
|---|--------------|----------------|
| Cash flows from operating activities:                                       |              |                |
| Net loss  | \$ (881,687) | \$ (1,906,499) |
| Adjustments to reconcile net loss to net cash used in operating activities: |              |                |
| Depreciation and amortization   | 21,832       | 1,891,493      |
| Stock issued for services and interest                                      | 365,100      | 21,891,493     |
| Amortization of deferred compensation                                       | -            | 66,000         |
| Amortization of unearned revenue  | -            | (19,000)       |
| Amortization of discount on long-term debt                                  | 177,637      | 11,000         |
| Decrease (increase) in:   |              |                |
| Accounts receivable   | -            | -              |
| Deposits and prepaid expenses   | -            | (25,000)       |
| Increase (decrease) in:   |              |                |
| Accounts payable  | 50,395       | (61,000)       |
| Accrued liabilities   | 177,999      | 3,000          |
| Net cash used in operating activities                                       | (88,724)     | (962,000)      |
| Cash flows used in investing activities-                                    |              |                |
| Purchase of property and equipment  | (1,300)      | (69,000)       |

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|   |          |          |
|---|----------|----------|
| Cash flows from financing activities:                   |          |          |
| Proceeds from issuance of common stock                  | -        | 542,     |
| Proceeds from issuance of notes payable                 | 86,000   | -        |
| Proceeds on convertible short-term debt                 | -        | 1,425    |
| Payments on related party note                          | -        | (3       |
| Payments on convertible long-term debt                  | -        | (41      |
|   |          |          |
| Net cash provided by financing activities               | 86,000   | 1,922,7  |
|   |          |          |
| Net (decrease) increase in cash<br>and cash equivalents | (4,024)  | 889,     |
|   |          |          |
| Cash and cash equivalents at beginning of period        | 5,458    |          |
|   |          |          |
| Cash and cash equivalents at end of period              | \$ 1,434 | \$ 890,3 |
|   |          |          |

INTEGRATED MEDIA HOLDINGS, INC.  
 (formerly ENDAVO MEDIA AND COMMUNICATIONS, INC.)  
 NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS  
 for three months ended March 31, 2006

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NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation. The financial statements reflect the consolidated results of Integrated Media Holdings, Inc. and its wholly owned subsidiaries Susquima Inc. and New Planet Resources, Inc. All material inter-company transactions have been eliminated in the consolidation.

Reverse Stock Split. In the first quarter of 2006, the Company completed a reverse stock split whereby the shareholders received 1 share of stock for every 40 that were previously owned. All share and per share amounts in prior periods have been restated to reflect the reverse stock split.

Basis of Presentation. The accompanying condensed consolidated financial statements are unaudited. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. Integrated Media Holdings, Inc., (the "Company") believes that the following disclosures are adequate to make the information presented not misleading.

These condensed financial statements reflect all adjustments (consisting only of normal recurring adjustments) that, in the opinion of management, are necessary to present fairly the financial position and results of operations for the periods presented.

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Interim results are not necessarily indicative of the operating results to be expected for the full year. These financial statements should be read in conjunction with the company's financial statements and notes thereto for the year ended December 31, 2005 included in the Company's Annual Report on Form 10-KSB.

**Net Loss Per Common Share.** Basic earnings per share are computed on the basis of the weighted average number of common shares outstanding. Diluted earnings per share are computed on the basis of the weighted average number of common shares outstanding plus the effect of outstanding stock options using the "treasury stock" method. The earnings per common share for the three months ended March 31, 2006 and 2005 have been adjusted to give retroactive effect to the one-for-forty reverse stock split effective March 13, 2006 as if the reverse stock split had occurred on January 1, 2005. Options, warrants, convertible debt and convertible preferred stock, which if exercised or converted would require the company to issue approximately 37,356,039 shares of common stock, are not included in the diluted earnings per share calculation for March 31, 2006 and 2005, respectively, since their effect on a net loss per share calculation is anti-dilutive.

**Revenue Recognition.** Revenue is recognized when a valid contract or purchase order has been executed or received, services have been performed or product has been delivered, the selling price is fixed or determinable, and collectibility is reasonably assured. Payments received prior to performance are recorded as deferred revenue and amortized over the estimated service period.

**Stock-Based Compensation.** The Company accounts for stock options granted to employees under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations, and has adopted the disclosure-only provisions of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation expense is recognized in the financial statements when options granted under those plans have an exercise price equal to or greater than the market value of the underlying common stock on the date of grant. In March 2006, the Company granted 2,750,000 options to employees with an effective date of March 22, 2006. 4,399,665 options were adjusted for the reverse split that occurred on our common stock on March 13, 2006, resulting in an adjusted amount outstanding of 109,992. No options were retired during the period due to employment termination without vesting.

Pro forma net loss and loss per share presented below reflect the results of the Company for the first three months of the respective years as if the fair value based accounting method described in SFAS No. 148 had been used to account for stock and warrant-based compensation costs, net of taxes and forfeitures of prior year grants:

|   | Three Months<br>Ended March 31, |               |
|---|---------------------------------|---------------|
|   | 2006                            | 2005          |
| Pro forma impact of fair value method (FAS 148) |                                 |               |
| Net loss attributable to common shareholders    | \$(2,773,180)                   | \$(3,797,922) |
| Less: Reduction in variable option expense      | 0                               | 0             |
| Less: SFAS No. 148 employee compensation cost   | 0                               | 0             |
| Pro forma net income                            | (2,773,180)                     | (3,797,922)   |
| Loss per common share                           |                                 |               |
| Basic and Diluted as reported                   | \$ (1.42)                       | \$ (15.54)    |

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|   |         |         |
|---|---------|---------|
| Basic and Diluted - pro forma                         | (1.42)  | (15.54) |
| Weighted average Black-Scholes fair value Assumptions |         |         |
| Risk free interest rate                               | 4%      | NA      |
| Expected life   | 4 years | NA      |
| Expected volatility                                   | 3,000%  | NA      |
| Expected dividend yield                               | 0       | 0       |

Property and Equipment. Property and equipment are recorded at cost less accumulated depreciation. Depreciation and amortization on property and equipment are determined using the straight-line method over a five year estimated useful life of the asset.

### NOTE 2--GOING CONCERN

The Company has a working capital deficit, a stockholders' deficit, and recurring net losses. These factors create substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustment that might be necessary if the Company is unable to continue as a going concern.

The ability of the Company to continue as a going concern is dependent on the Company generating cash from the sale of its common stock or obtaining debt financing and attaining future profitable operations. Management's plans include selling its equity securities and obtaining debt financing to fund its capital requirements and ongoing operations; however, there can be no assurance the Company will be successful in these efforts.

### NOTE 3--SHORT-TERM NOTES PAYABLE

Notes payable and convertible notes payable outstanding as of March 31, 2006 consisted of the following:

On February 22, 2005, the Company consummated a private placement of \$1,425,000 principal amount of 8% Senior Secured Convertible Two Year Notes and related securities, including common stock warrants and additional investment rights. In connection with these securities, the Company has filed a registration statement with the Securities and Exchange Commission registering the shares of common stock issuable upon conversion of these notes, exercise of the warrants, and the shares related to the additional investment rights if they are exercised in the future. The Securities and Exchange Commission has declared this filing effective.

The debt is convertible to common stock at a beneficial conversion rate of \$4.00 per share and 1,597,529 warrants to purchase common stock were issued with the notes. 1,121,072 warrants were exercised in June 2005 and 11,911 (adjusted for reverse split) warrants remain outstanding with an exercise price of \$5.70 (adjusted for reverse split) after giving effect to an amendment to the exercise price that occurred in June 2005... All the Additional Investment Rights expired unexercised in September 2005. The beneficial conversion feature and the warrants resulted in a discount to the notes of \$1,425,000 which is being amortized over the two year term of the notes. As of September March 31, 2006, \$782,774 has been amortized.

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Convertible Promissory Notes payable purchased by a private equity fund totaled \$2,361,300. To reduce long term debt outstanding \$1,806,000 principal amount of these notes were converted into the Company's Series A Preferred shares or common stock during 2004 and 2005. In the quarter ended March 31, 2006, \$194,500 principal amount was converted into 491,937 shares (adjusted for reverse split), leaving \$455,300 in principal amount outstanding as of March 31, 2006. The notes are due on demand and bear interest at 18% per year. The notes are convertible into the Company's common stock under a beneficial conversion rate that resulted in the notes being initially discounted in 2004 by \$340,700 all of which was amortized in 2004.

In the first quarter ended March 31, 2006, the Company issued Promissory Notes to the same private equity fund holding Convertible Promissory Notes described above, in the amounts of \$61,000 in exchange for proceeds in the amount of \$51,000. These Notes carry a simple interest rate of 6% per annum and are payable on demand after 45 days from the issue date. As of March 31, 2006, a total amount of \$118,500 of these Promissory Notes remains outstanding.

On March 24, 2006, the company issued a Promissory Note in the principal amount of \$25,000 to AlphaWest Capital Partners, LLC, a related party, in exchange for proceeds in the same amount. The Promissory note is payable on demand, after May 8, 2006, non-convertible and bears an annual interest rate of 12%.

In March 2006, the company issued Promissory Notes in the principal amount of \$10,000 to an institutional investor in exchange for proceeds of the same amount. The Promissory Note bears no interest, but accrues a repayment percentage at a rate of .5% per month outstanding. The note may be converted into common stock at a rate of \$8.00 per share after adjusting for the reverse split that occurred during the quarter.

### NOTE 4--COMMON STOCK TRANSACTIONS

The Company issued 4,847,540 shares of common stock for services valued at \$1,242,500 in total during the three months ended March 31, 2006. The values of the consulting contracts are being amortized over the length of the contracts. For the first quarter ending March 31, 2006, we recorded \$342,500 in consulting services in exchange for common stock.

The company issued 37,724 (adjusted for reverse split) shares of common stock in exchange for legal services rendered.

To reduce long term debt, we converted \$194,500 in outstanding Promissory Notes into 491,937 (adjusted for the reverse split) shares of common stock.

### NOTE 5 - SUBSEQUENT EVENTS

During April 2006, we received purchase subscriptions for 18,000 shares of common stock for proceeds of \$90,000.

On April 20, 2006, the company changed its name from Endavo Media and Communications, Inc. to Integrated Media Holdings, Inc. by board and shareholder consent. During the same period, the company's operating subsidiary was renewed and revived in the state of Delaware and the name was changed to Endavo Media and Communications, Inc. Endavo will continue to operate as a wholly-owned subsidiary of Integrated Media Holdings, Inc.



ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

For a description of our significant accounting policies and an understanding of the significant factors that influenced our performance during the three months ended March 31, 2006, this "Management's Discussion and Analysis" should be read in conjunction with the Condensed Consolidated Unaudited Financial Statements, including the related notes, appearing in Item 1 of this Quarterly Report, as well as the Company's Annual Report on Form 10-KSB for the year ended December 31, 2005. The preparation of this Quarterly Report on Form 10-QSB requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting period. There can be no assurance that actual results reported in the future will not differ from those estimates or that revisions of these estimates may not become necessary in the future.

Forward-Looking Statements

This Quarterly Report on Form 10-QSB, includes statements that constitute "forward-looking statements." These forward-looking statements are often characterized by the terms "may," "believes," "projects," "expects," or "anticipates," and do not reflect historical facts. Forward-looking statements involve risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Factors and risks that could affect our results and achievements and cause them to materially differ from those contained in the forward-looking statements include those to be identified in our Annual Report on Form 10-KSB for the year ended December 31, 2005 in the section titled "Risk Factors," as well as other factors that we are currently unable to identify or quantify, but may exist in the future.

In addition, the foregoing factors may affect generally our business, results of operations and financial position. Forward-looking statements speak only as of the date the statement was made. We do not undertake and specifically decline any obligation to update any forward-looking statements.

Executive Overview

This section presents summary information regarding our industry and operating trends only. For further information regarding the events summarized herein, you should read "Management's Discussion and Analysis" in its entirety.

Company and Industry Overview

Integrated Media Holdings was originally founded and incorporated in 1999 as CeriStar, Inc. by a group of technology entrepreneurs led by founder and former CEO of Iomega Corporation. On September 10, 2002, we merged with a wholly owned subsidiary of Planet Resources Inc., a non-operating publicly held company (together referred to as "Planet") in which all of our issued and outstanding stock, including Convertible Preferred Series A shares and the Convertible Preferred Series B shares, were exchanged for shares of Planet common stock. Series A and B preferred shares were exchanged at a rate of .757 shares for every common share of Planet and the common stock of the Company were exchanged into .322 shares of common stock of Planet. Just prior to the merger, Planet authorized a 1 for 5.23 reverse stock split. The merger was accounted for as a reverse merger with CeriStar being the accounting acquirer. On October 15, 2002, Planet Resources Inc. was renamed CeriStar, Inc. The company changed its name to

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Endavo Media and Communications, Inc. in September 2004 to reflect its concentration on the distribution of content and services over the Internet and broadband networks. We executed a consolidation of equity capital in order to reposition the company to raise public capital. In September 2005, we consolidated operations to reduce costs while we redirected the company's business plan focus. In April 2006, we reorganized as a public holding company, changing our name to Integrated Media Holdings, Inc., in order to pursue the strategic objective of acquiring interest in broadband media and services companies, along with new business plans. Endavo now operates as a wholly owned subsidiary of Integrated Media Holdings, Inc. Endavo Media and Communications, Inc. provides digital video delivery solutions and products to owners of video and media content through Internet Protocol, or "IP," based networks.

After our September 2005 consolidation and under a newly refocused business plan in the fourth quarter of 2005 and first quarter of 2006, we began testing and launching specific new product designed to provide digital content distribution and management solutions for content owners seeking to distribute online and over broadband, or IP, networks. Specifically, our new solutions facilitate the distribution of digital video and programming, on behalf of content owners, to connected customers and broadband communities. Our systems reside on a national fiber (IP) backbone network, allowing us to efficiently reach consumers over the Internet and on local broadband networks through IP service providers. We call our integrated content management & distribution system, content delivery network and d-commerce platform the "EcoSystem". The initial phase of our restructured business plan is to distribute digital video and programming to certain targeted groups of broadband consumers through web-based portals, or communities, and through the Windows Media Center Edition TM PC platform. Our content delivery platforms enable the delivery of video, audio and other services to networked personal computers, televisions and mobile devices.

Our initial content delivery products, launched commercially in late 2005, are called "EnHance" and "EnGage". EnHance provides a cost effective method for owners of web-based communities or portals to keep their users coming back to their websites by pushing DVD-quality video content directly to the desktop of each user. We target the EnHance solution toward content owners who have an existing inventory of video content or programs that has a current audience, whether radio, web or television. EnHance enables a content owner to increase or strengthen their existing viewer or listener base by cost-effectively offering programs to any broadband connected user worldwide. EnHance utilizes the latest managed peer-to-peer (P2P) distribution platform technologies, integrated into our distribution EcoSystem.

EnGage is our "Broadband TV" platform that allows content owners to deliver "channels" of video content directly to viewers who have installed a simple to use interface in their PC or Microsoft Media Center Edition PC. Once a viewer subscribes to an EnGage-delivered service, offered through Media Center or specific web portals, programs for each channel are regularly delivered to the user in full screen, DVD quality for on-demand viewing.

After initial development and testing was successfully completed in late 2005, we began marketing our EnHance and EnGage products to owners of independent film libraries, TV programs and self-produced audio and video content. During the first quarter of 2006, we developed and tested numerous web-community, online video portal and "Broadband TV" projects for prospective customers to be launched in the second and third quarters of this year.

Our business model is to generate revenues by providing managed content and services delivery over the Internet and broadband networks, technical support, d-commerce transaction processing and other specialized services. We also expect to receive "set-up" fees for initial customization and integration of our products to meet the specific needs of our content partners within their existing websites or by developing new customer interfaces. Once our core systems are in place and operational on our network, we expect to quickly accelerate revenue growth and achieve greatly improved margins as our ongoing operations are predominantly software driven. The key risk with our business

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plan at this point is that we may not be able to deliver our current pipeline of broadband video projects for our customers, due to technological problems or limited resources, or that our customers are not able to successfully market their own content or services to a sufficient amount of targeted broadband users to produce satisfactory revenues for themselves or for us to sustain operations.

We have not achieved substantial sales since launching new products and services in late 2005 and, therefore, we are dependent on raising capital from financing resources and we will ask some vendors to accept stock as payment for services in order to meet our obligations and operating expenses. There can be no guarantee that these efforts will be successful and we offer no assurance of our financial success or economic survival.

In addition to launching new digital content delivery products and services in 2006, we also intend to develop merger and acquisition plans in order to support the company's vision and business plan and to build shareholder value. As of the date of this report, we were in discussions with two private companies that were interested in being acquired by a public company in our industry and that represent key strategic partners in our current business plan.

### Recent Developments

By majority consent, our shareholders authorized the company's Board of Directors to execute a reverse split of our outstanding common stock based on a ratio of one-for-forty (1:40). All of our outstanding options, warrants and convertible debt were also adjusted for the split, based on the terms of those individual agreements. Series A Preferred shares however were not affected by the split, pursuant to the terms of those shares in the Certificate of Designation. The record date was March 13, 2006 and the reverse split became effective after market close on Monday, March 13, 2006. Our common stock began trading on the Electronic Bulletin Board (OTCBB) on a split-adjusted basis on Tuesday, March 14, 2006.

Prior to the reverse split, the company asked the holders of all of our outstanding convertible notes to agree to a minimum "Alternative Conversion Price", as defined in their Securities Purchase Agreement or other agreements, in the amount of \$4.00 (adjusted for reverse split). The purpose of this action was to allow our management the ability to determine the fully-diluted equity capitalization of the company to facilitate financing or possible merger with or acquisition of another operating company. All holders agreed to the proposed fixed or minimum conversion price, which will be applied for a period beginning February 22, 2006 until October 15, 2006 (180 days after the company filed its 2005 annual financial report on form 10-K).

The results of our operations during the first quarter, ended March 31, 2006, reflect a transition period of restructuring the company and our equity and convertible debt capital and the initial launch of our new content delivery products and services continuing in the business of IP-based network and communications services.

### Results of Operations

Excluding the effect of amortizing all of the previously recorded deferred revenue, our operating results showed a decrease in revenues and other areas of financial performance for the three-month period ended March 31, 2006 as compared to the same period in 2005.

Summary of Operations

Three Months Ended  
31,  
2006

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|   |        |               |           |
|---|--------|---------------|-----------|
| Revenues                                  | \$     | 995           | \$        |
| Cost of sales                             |        | (13,030)      |           |
| Gross profit (loss)                       |        | (12,035)      |           |
| Selling, general and administrative costs |        | (647,112)     | (1        |
| Income (loss) from operations             |        | (659,147)     | (1        |
| Other income (expense)                    |        | 16,780        |           |
| Interest (expense)                        |        | (239,320)     |           |
| <br>Net profit (loss)                     | <br>\$ | <br>(881,687) | <br>\$ (1 |

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Our revenues decreased 98% in the three months ended March 31, 2006 compared to the same period in 2005. Our cost of revenues also increased as a percentage of our revenues in the same comparative periods from 77% to 1,300%. Selling, general and administrative costs decreased significantly during the three months ended March 31, 2006 as compared to the same period in 2005.

### Revenues

Our revenues decreased to \$995 in the three-month period ended March 31, 2006 from \$52,588 in the same period in 2005. This decrease was mainly due to a general decline in service revenue as a result of terminating our services to residential communities in Utah during the third quarter of 2005. Although we began launching new content delivery products and services on behalf of customers in the first quarter of 2006, we did not achieve any significant monthly revenue from these projects during the quarter. Our revenue for the quarter consisted entirely of contract "set up" fees from one customer.

### Cost of Revenues and Gross Margins

Our cost of revenues decreased to \$13,030 in the three months ended March 31, 2006 from \$40,599 in the same period in 2005, a decrease of approximately 62%. This significant decrease was the result of a decline in network installations for new residential customers in Utah and the operating costs associated with proving broadband services to existing residential customers.

Our gross margin on sales in three months ended March 31, 2006 was loss of \$12,035 compared to a gross income of \$11,989 in the same period in 2005. This loss in the first quarter of 2006 was primarily due to the costs associated with the development of broadband video projects for our new customers without offsetting revenues being generated from those projects during the quarter. Once we begin delivering video and services to users, on behalf of our content partners and using our new content delivery products, we expect to achieve significantly improved gross margins from revenues generated.

### Selling, General and Administrative Costs

Selling, general and administrative costs decreased significantly to \$647,112 in three months ended March 31, 2006 compared to \$1,617,965 in the same period in 2005. The decrease in these costs was attributable primarily to decreases in costs associated with payroll, contract labor and consulting expenses after consolidating the company's operations and personnel in the third quarter of 2005. We also reduced travel and office expenses as result of consolidation.

Three Months  
2006

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|  |        |             |
|--|--------|-------------|
| Payroll expenses                                   | \$     | 115,898     |
| Contract labor                                     |        | 13,135      |
| Office expense                                     |        | 4,601       |
| Professional services, including stock and options |        |             |
| Is issued for services                             |        | 423,227     |
| Travel   |        | 17,414      |
| Employee benefits                                  |        | 10,547      |
| Equipment expense                                  |        | -           |
| Advertising  |        | 2,410       |
| Rent   |        | 6,380       |
| Depreciation                                       |        | 21,832      |
| Other  |        | 31,668      |
| <br>Total  | <br>\$ | <br>647,112 |

### Other Income (Expense)

|                  |        | Three Months<br>2006 |
|------------------|--------|----------------------|
| Interest expense | \$     | (239,320)            |
| Other income     |        | 16,780               |
| <br>Total        | <br>\$ | <br>(222,540)        |

Interest expense decreased in the three-month period ended March 31, 2006 as compared to the same period in 2005 largely due to the conversion of \$194,000 short-term notes payable into common stock during the first quarter of 2006.

### Liquidity and Capital Resources

We do not have any significant credit facilities available with financial institutions or other third parties. During the first quarter ended March 31, 2006, we financed operations through the sale of equity and debt securities. Though we have been successful at raising capital on a best efforts basis in the past, we can provide no assurance that we will be successful in any future funding efforts. If we are unable to either obtain financing from external sources or generate internal liquidity from operations in the future, we may need to curtail operations.

Current assets at March 31, 2006 totaled \$17,648 as compared to approximately \$21,000 in the prior quarter ended December 31, 2005.

We expect that certain of our liabilities listed on the balance sheet under the headings "Accounts Payable," "Accrued Liabilities" and "Note Payable" will be retired by issuing stock versus cash during the next 12 months.

We anticipate that we will incur significantly less capital expenditures for broadband fiber and network infrastructure as a result of our new emphasis as a distributor of IP-based content and services to existing broadband network and service providers. Historically, we built out fiber-to-the-premise networks, thereby incurring significant capital resources. We have also reduced our operations and SG&A costs as a result of consolidating our historical operations. Going forward, however, we anticipate that we will incur significantly more capital expenditures as we expect to procure new equipment and software systems to be installed into existing network facilities that will accommodate the delivery of content and services over our network or the network of our partners. We anticipate acquiring credit or leasing facilities by a third party in order to finance new equipment expenditures but can provide no

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assurance that we will be successful. We also anticipate a significant increase in operational and SG&A costs, as we accelerate the development and launch of new operations in 2006. Until we achieve substantial revenues or profitability over several quarters, we must be considered as a start-up entity that is dependent on raising capital in order to remain in operation.

### Going Concern

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States applicable to a going concern that contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. Our general business strategy is unproven, and we have only recently begun to record revenues. To date, we have relied primarily on the sale of our equity and debt securities to fund our operations. We have incurred losses since our inception and we continue to incur legal, accounting, and other business and administrative expenses. Our auditor has therefore recognized that there is substantial doubt about our ability to continue as a going concern.

### ITEM 3. CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed with an objective of ensuring that information required to be disclosed in our periodic reports filed with the Securities and Exchange Commission, such as this Quarterly Report on Form 10-QSB, is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. Disclosure controls also are designed with an objective of ensuring that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, in order to allow timely consideration regarding required disclosures.

The evaluation of our disclosure controls by our chief executive officer, who is also our acting chief financial officer, included a review of the controls' objectives and design, the operation of the controls, and the effect of the controls on the information presented in this Quarterly Report. Our management, including our chief executive officer, does not expect that disclosure controls can or will prevent or detect all errors and all fraud, if any. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Also, projections of any evaluation of the disclosure controls and procedures to future periods are subject to the risk that the disclosure controls and procedures may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on his review and evaluation as of the end of the period covered by this Form 10-QSB, and subject to the inherent limitations all as described above, our chief executive officer, who is also our acting chief financial officer, has concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) contain material weaknesses and are not effective.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

The material weaknesses we have identified are the direct result of a lack of adequate staffing in our accounting department. Currently, our chief executive officer and a controller have sole responsibility for receipts and disbursements. We do not employ any other parties to prepare the periodic financial statements and public filings. Reliance on these limited resources impairs our ability to provide for a proper segregation of duties and the

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ability to ensure consistently complete and accurate financial reporting, as well as disclosure controls and procedures. As we grow, and as resources permit, we project that we will hire such additional competent financial personnel to assist in the segregation of duties with respect to financial reporting, and Sarbanes-Oxley Section 404 compliance.

We believe that we will be able to improve our financial reporting and disclosure controls and procedures and remedy the material weakness identified above.

### PART II - OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

On June 18, 2004, we filed a lawsuit in the Third Judicial District Court, Salt Lake County, State of Utah against Parkway Crossing, Basin and Summit alleging breach of contract, breach of the covenant of good faith and fair dealing, conversion, fraudulent inducement and tortious interference with economic relations. Parkway Crossing and Summit subsequently filed a motion to dismiss the action, which was denied and the parties are currently in the discovery phase.

In a related matter, On January 26, 2005, David Bailey, our former CEO and former Chairman of the Board, filed a claim in the Fourth Judicial District Court, Utah County, State of Utah against us, Basin and Summit alleging breach of contract and unjust enrichment and seeking judgment against all parties in the amount of \$200,000, plus interest, as well as possession of the equipment that was collateral for the note and fees and costs. To obtain equipment used in the Parkway Crossing project, we entered into a loan transaction with Ridgeline, LLC and executed a secured promissory note due August 1, 2004 in the principal sum of \$182,000. We also entered into a Collateral Assignment and Security Agreement to secure repayment of the note. In addition, Mr. Bailey entered into a personal guarantee with Ridgeline with respect to our obligations under the note. As a result of our default on the promissory note with Ridgeline, Ridgeline made demand upon us and Mr. Bailey for payment of the entire remaining unpaid portion of the note. In September 2004, Mr. Bailey paid Ridgeline \$200,000 under his guarantee and took an assignment of all of Ridgeline's rights and interest in the note and related Security Agreement. At the same time, Mr. Bailey made a demand upon us for payment of the note and related obligation. We expect that this lawsuit will be settled without any material adverse effect on us; however, we cannot provide assurance that it will be settled on a basis that is acceptable to us if at all or that such settlement will not have an adverse effect on our business or operations.

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

##### (a). Exhibits and Index of Exhibits

The following exhibits are either attached hereto or incorporated herein by reference as indicated:

| Exhibit Number | Description  |
|----------------|--|
| 31             | Certification of Chief Executive and Chief Financial Officer pursuant to SEC Release No. 33-8238, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32             | Certification of Chief Executive and Chief   |

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

(b). Reports on Form 8-K.

On March 22, 2006, the Company filed a current report on Form 8-K in connection with a change in the Company's auditors to Ronald N Silberstein CPA PLLC.

On March 24, 2006, the Company filed a current report on Form 8-K in connection with a new stock trading symbol (EDAV). We have since changed our symbol again to IMHI in conjunction with our corporate name change that occurred thereafter.

On April 4, 2006, the Company filed a current report on Form 8-K in connection with reverse stock split of 1 for 40 and in connection with a change in the Company's name to Integrated Media Holdings, Inc.

### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTEGRATED MEDIA HOLDINGS, INC.

Dated: May 22, 2006

/s/ Paul D. Hamm

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Paul D. Hamm  
Chief Executive Officer and  
Chief Financial Officer

### EXHIBIT INDEX

| Exhibit Number | Description  |
|----------------|--|
| 31             | Certification of Chief Executive and Chief Financial Officer pursuant to SEC Release No. 33-8238, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32             | Certification of Chief Executive and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  |



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Exhibit 31

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY

I, Paul D. Hamm, Chief Executive Officer and acting as Chief Financial Officer of Integrated Media Holdings, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of Integrated Media Holdings, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function);
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

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Date: May, 22, 2006

/s/ Paul D. Hamm

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Paul D. Hamm  
Chief Executive Officer and  
Chief Financial Officer

Exhibit 32

CERTIFICATION OF THE  
PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul D. Hamm, the Chief Executive Officer and acting as Chief Financial Officer of Integrated Media Holdings, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Integrated Media Holdings, Inc. on Form 10-QSB for the quarter ended March, 31, 2006 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-QSB fairly presents in all material respects the financial condition and results of operations of Integrated Media Holdings, Inc.

Date: May 22, 2006

/s/ Paul D. Hamm

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Paul D. Hamm  
Chief Executive Officer and  
Chief Financial Officer