CYPRESS COMMUNICATIONS HOLDING CO INC
Form DEFM14A
February 09, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No. 1)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

þ Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

Cypress Communications Holding Co., Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)
Payment of Filing Fee (Check the appropriate box):

þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:
Common Stock, par value $0.001 per share, of Cypress Communications Holding Co., Inc.

(2) Aggregate number of securities to which transaction applies:
Approximately 19,989,172 shares of Cypress Communications Holding Co., Inc. Common Stock (consisting of 5,873,395 shares of Common Stock outstanding on November 1, 2004, approximately 2,364,000 shares of Common Stock issuable upon the exercise of in-the-money options and approximately 11,751,777 shares of Common Stock issuable upon the exercise of in-the-money warrants)

(3)

Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
$1.63 per share (calculated based on the estimated proposed maximum aggregate value of the transaction)

(4) Proposed maximum aggregate value of transaction:
$16,147,842 (equal to the sum of (A) 5,873,395 shares of Common Stock multiplied by $1.63 per share, (B) in-the-money options to purchase 2,364,000 shares of Common Stock multiplied by $0.25 (which is the difference between $1.63 and $1.38, the weighted average exercise price per share of the in-the-money options) and (C) in-the-money warrants to purchase 11,751,777 shares of Common Stock multiplied by $0.51 (which is the difference between $1.63 and $1.12, the weighted average exercise price per share of the in-the-money warrants) (The maximum aggregate value of the transaction was estimated by the Registrant and is subject to adjustment pursuant to the Agreement and Plan of Merger)

(5) Total fee paid:
$1,900.60 (calculated by multiplying the proposed maximum aggregate value of the transaction by 0.00011770, in accordance with Section 14(g) of the Exchange Act)

þ Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

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Cypress Communications Holding Co., Inc.
Fifteen Piedmont Center
3575 Piedmont Road, Suite 100
Atlanta, GA 30305

February 9, 2005

Dear Stockholder:

I am cordially inviting you to attend a Special Meeting of Stockholders of Cypress Communications Holding Co., Inc. (Cypress), on March 15, 2005, at 9:00 a.m. local time. The meeting will be held at our principal executive offices located at Fifteen Piedmont Center, 3575 Piedmont Road, Suite 100, Atlanta, Georgia 30305.

As described in the enclosed proxy statement, at this important special meeting of stockholders you will be asked to consider and vote upon the merger of TechInvest Acquisition, Inc., a Delaware corporation (Mergerco), with and into Cypress such that Cypress would be the surviving corporation of the merger and wholly-owned subsidiary of TechInvest Holding Company, Inc., a Delaware corporation (Buyer). Upon consummation of the merger, each stockholder will be entitled to receive for each share of Cypress common stock owned at the time of the merger, an estimated $1.71 in cash, without interest, which amount is calculated based on a preliminary Cypress balance sheet as of December 31, 2004, adjusted for the exercise of warrants subsequent to such date, and is subject to a final adjustment for changes in working capital, as described in the enclosed proxy statement. If approved by the stockholders, the merger would be accomplished pursuant to an Agreement and Plan of Merger, dated as of November 5, 2004, as amended on February 3, 2005, by and between Cypress, Buyer and Mergerco.

The board of directors, taking into consideration the fairness opinion rendered by an independent financial advisor, unanimously approved and authorized the merger agreement and the related merger, and has determined that the terms of the merger agreement and the related merger are fair to, and in the best interests of, Cypress and its stockholders, and that the merger is advisable. Accordingly, your board recommends that Cypress stockholders vote FOR approval and adoption of the merger agreement and the related merger.

We cannot complete the merger unless a majority of Cypress issued and outstanding shares of common stock and a majority of the issued and outstanding shares of Series A preferred stock entitled to vote upon the merger approve the merger agreement. The common stockholders and the Series A preferred stockholders will vote upon the merger agreement as separate classes. Certain of our directors and stockholders, who collectively beneficially own 38.5% of our issued and outstanding shares of common stock and 89.6% of our issued and outstanding shares of Series A preferred stock, entered into voting agreements with Buyer pursuant to which they have agreed to vote their respective shares in favor of approval and adoption of the merger agreement and the related merger and against any action or agreement that would reasonably be expected to impede, delay or adversely affect the merger.

Whether or not you plan to attend the special meeting, please fill out, sign, date and return the enclosed proxy promptly in the envelope provided. Your shares will then be represented at the special meeting. If your proxy card is signed and returned without specific voting instructions, your shares of common stock or Series A preferred stock will be voted FOR approval and adoption of the merger agreement and the related merger as recommended by the board of directors. If you attend the special meeting, you may continue to have your shares voted as instructed on your proxy or, by following the procedures discussed in the accompanying documents, withdraw your proxy and vote your shares in person.

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YOUR VOTE IS VERY IMPORTANT. IF YOU FAIL TO RETURN THE PROXY CARD OR VOTE IN PERSON AT THE SPECIAL MEETING, IT WILL HAVE THE SAME EFFECT AS A VOTE AGAINST THE MERGER.

The accompanying notice of special meeting, proxy statement and proxy card explain the proposed merger and provide specific information concerning the special meeting. Please read the materials carefully.

Sincerely,

Ross J. Mangano
Chairman of the Board of Directors

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CYPRESS COMMUNICATIONS HOLDING CO., INC.
FIFTEEN PIEDMONT CENTER
3575 PIEDMONT ROAD, SUITE 100
ATLANTA, GEORGIA 30305

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON MARCH 15, 2005

A special meeting of stockholders of Cypress Communications Holding Co., Inc. (Cypress) will be held at Cypress principal executive offices located at Fifteen Piedmont Center, 3575 Piedmont Road, Suite 100, Atlanta, Georgia 30305, on March 15, 2005, at 9:00 a.m., local time, for the following purposes:

1. To consider and vote upon a proposal to approve the Agreement and Plan of Merger, dated as of November 5, 2004, as amended on February 3, 2005, by and between Cypress, TechInvest Holding Company, Inc. (Buyer), and TechInvest Acquisition, Inc. (Mergerco), pursuant to which Mergerco will be merged with and into Cypress, with Cypress becoming a wholly-owned subsidiary of Buyer and each share of Cypress common stock converting into the right to receive the merger consideration (as defined in the merger agreement); and

2. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof, including to consider any procedural matters incident to the conduct of the special meeting, such as the adjournment or postponement of the special meeting to solicit additional proxies in favor of the proposal to approve the merger agreement.

Cypress board of directors has fixed the close of business on February 7, 2005, as the record date for the determination of stockholders entitled to notice of, and to vote at, the special meeting or any adjournments or postponements of the special meeting. Only stockholders of record at the close of business on February 7, 2005, are entitled to notice of, and to vote at, such meeting. Holders of our common stock who do not vote in favor of approval and adoption of the merger agreement and the related merger will have the right to seek appraisal of the fair value of their shares if the merger is completed, but only if they perfect their appraisal rights by complying with all of the required procedures under Delaware law. See APPRAISAL RIGHTS.

The board of directors of Cypress has carefully considered the terms of the merger agreement and the related merger and believes that the merger agreement and the related merger are fair to, and in the best interests of, Cypress and its stockholders, and that the merger is advisable. The board of directors of Cypress has unanimously approved and authorized the merger agreement and the related merger, and unanimously recommends that stockholders vote FOR approval and adoption of the merger agreement and the related merger.

Approval of the merger agreement and the related merger requires the affirmative vote of a majority of Cypress issued and outstanding shares of common stock and a majority of Cypress issued and outstanding shares of Series A preferred stock entitled to vote upon the merger agreement and the related merger at the special meeting. The common stockholders and the Series A preferred stockholders will vote upon the merger agreement and the related merger as separate classes.

The merger and the related merger agreement are explained in the accompanying proxy statement, which you are urged to read carefully. A copy of the merger agreement is attached as Appendix A to the proxy statement. A complete list of stockholders entitled to vote at the special meeting will be available for examination at the special meeting and at Cypress principal executive offices located at Fifteen Piedmont Center, 3575 Piedmont Road, Suite 100, Atlanta, Georgia 30305, telephone number (404) 442-0120, during ordinary business hours, after

February 24, 2005, for the examination by any Cypress stockholder for any purpose related to the special meeting.

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WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING IN PERSON, YOU ARE ENCOURAGED TO FILL OUT, SIGN AND PROMPTLY MAIL THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES. PROXIES FORWARDED BY OR FOR BROKERS OR FIDUCIARIES SHOULD BE RETURNED AS REQUESTED BY THEM.

BY ORDER OF THE BOARD OF DIRECTORS,

Ross J. Mangano
Chairman of the Board

Atlanta, Georgia

February 9, 2005

PROXY STATEMENT
FOR THE SPECIAL MEETING OF THE
STOCKHOLDERS OF
CYPRESS COMMUNICATIONS HOLDING CO., INC.

The board of directors of Cypress Communications Holding Co., Inc. (Cypress) provides this proxy statement to you to solicit your vote on the approval and adoption of the Agreement and Plan of Merger, dated as of November 5, 2004, as amended on February 3, 2005, by and among Cypress, TechInvest Holding Company, Inc. (Buyer) and TechInvest Acquisition, Inc. (Mergerco). Pursuant to the merger agreement, the parties have agreed to merge Mergerco with and into Cypress, with Cypress surviving the merger and becoming the wholly-owned subsidiary of Buyer. If Cypress stockholders approve and adopt the merger agreement and the related merger, each stockholder will be entitled to receive for each share of Cypress common stock owned at the time of the merger, an estimated $1.71 in cash, without interest, which amount is calculated based on a preliminary Cypress balance sheet as of December 31, 2004, adjusted for the exercise of warrants subsequent to such date, and is subject to a final adjustment for changes in working capital.

The merger cannot occur unless a majority of the issued and outstanding shares of Cypress common stock and a majority of the issued and outstanding shares of Cypress Series A preferred stock entitled to vote approve and adopt the merger agreement and the related merger. The common stockholders and the Series A preferred stockholders will vote upon the merger agreement and the related merger as separate classes. Certain of our directors and stockholders, who collectively beneficially own 38.5% of our issued and outstanding shares of common stock and 89.6% of our issued and outstanding shares of Series A preferred stock, entered into voting agreements with Buyer pursuant to which they have agreed to vote their respective shares in favor of adoption of the merger agreement and the related merger.

The board of directors has scheduled a special meeting of stockholders to vote on the merger agreement and the related merger as follows:

March 15, 2005 at 9:00 a.m.
Fifteen Piedmont Center
3575 Piedmont Road, Suite 100
Atlanta, Georgia 30305

This document provides you with detailed information about the proposed merger. Please see WHERE CAN YOU FIND MORE INFORMATION on page 58 for additional information about Cypress on file with the Securities and Exchange Commission.

This proxy statement and proxy card are being mailed to stockholders of Cypress beginning on or about February 9, 2005.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE TRANSACTION CONTEMPLATED IN THIS PROXY STATEMENT, PASSED UPON THE MERITS OR FAIRNESS OF THE TRANSACTION OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE DISCLOSURE IN THIS PROXY STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS PROXY

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STATEMENT, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS PROXY STATEMENT DOES NOT CONSTITUTE A SOLICITATION OF A PROXY IN ANY JURISDICTION FROM ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE A PROXY SOLICITATION IN SUCH JURISDICTION. THE INFORMATION IN THIS PROXY STATEMENT MAY ONLY BE ACCURATE ON THE DATE OF THIS PROXY STATEMENT.

WE URGE YOU TO READ AND CONSIDER CAREFULLY THIS PROXY STATEMENT IN ITS ENTIRETY.

The date of this proxy statement is February 9, 2005.

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SUMMARY TERM SHEET

This summary term sheet highlights selected information from this proxy statement but does not contain all of the information that may be important to you. We encourage you to read this proxy statement in its entirety and the attached appendices before voting. The actual terms and conditions of the merger are contained in the Agreement and Plan of Merger, which we have attached to this proxy statement as Appendix A. The information contained in this summary term sheet is qualified in its entirety by reference to the more detailed information beginning on page 11 of this proxy statement and the appendices, as applicable.

Overview

We are furnishing this proxy statement to our stockholders to allow you to consider and vote on a proposal to approve the merger agreement. The merger agreement provides that TechInvest Holding Company, Inc. will acquire Cypress Communications Holding Co., Inc. for the aggregate merger consideration of approximately $40.285 million, subject to a final adjustment for changes in working capital. The merger agreement provides that the merger consideration will first be used to repay and satisfy Cypress outstanding indebtedness under its term loan and convertible debt, which, as of December 31, 2004, was $20,479,517, as well as any unpaid transaction fees and expenses of Cypress, which are currently estimated to be $900,000. See SPECIAL FACTORS Fees and Expenses of the Merger; Debt Repayment. The merger consideration will then be used to acquire all of the issued and outstanding shares of common stock through the merger of TechInvest Acquisition, Inc., the wholly-owned subsidiary of TechInvest Holding Company, Inc., with and into Cypress, and to cash out outstanding warrants and stock options that have an exercise price less than the per share merger consideration. At the effective time of the merger, stockholders will be entitled to receive the merger consideration (as defined in the merger agreement).

The Companies (See THE COMPANIES on page 40)

Cypress Communications Holding Co., Inc.
15 Piedmont Center, Suite 100
Atlanta, GA 30305
(404) 442-0120

Cypress Communications Holding Co., Inc., a Delaware corporation, is, through its wholly-owned subsidiary, Cypress Communications, Inc., a communications solution provider to small and medium-sized businesses located in multi-tenant commercial office buildings. Specifically, Cypress offers its customers integrated service bundles that include local, long distance and international telecommunications services; high-speed internet connectivity; e-mail services; fully-managed firewall services; web hosting; virtual private networks; feature-rich digital desktop stations; calling cards; audio and web conferencing; and digital business television. As of December 31, 2004, Cypress provides services in more than 1,300 commercial office buildings in 25 major metropolitan U.S. markets. Throughout this proxy statement, we will refer to Cypress Communications Holding Co., Inc. as Cypress, we, us or our.

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TechInvest Holding Company, Inc.
c/o Crescent Capital Investments, Inc.
75 Fourteenth Street, 24th Floor
Atlanta, Georgia 30309
(404) 920-9000

TechInvest Holding Company, Inc., a Delaware corporation, which we refer to as Buyer, was formed for the sole purpose of entering into the merger agreement and consummating the transactions contemplated thereby. Buyer has not conducted any activities to date other than (1) incidental to its formation, (2) entering into the merger agreement, and (3) entering into certain other agreements contemplated thereby. Buyer is currently a wholly-owned subsidiary of TechInvest Holdings Limited and an indirect wholly-owned subsidiary of First Islamic Investment Bank E.C., or FIIB. Prior to the merger, however, Buyer will issue additional shares to (1) FIIP Limited, an entity owned by the management of FIIB and Crescent Capital Investments, Inc., which we refer to as Crescent, (2) five U.S. citizens who are employees of or consultants to Crescent, and (3) certain Cayman Islands entities that are not affiliated with FIIB or Crescent. Following such issuance, none of the equity owners of Buyer will own a controlling interest in Buyer.

TechInvest Acquisition, Inc.
c/o Crescent Capital Investments, Inc.
75 Fourteenth Street, 24th Floor
Atlanta, Georgia 30309
(404) 920-9000

TechInvest Acquisition, Inc., a Delaware corporation, which we refer to as Mergerco, was formed for the sole purpose of entering into the merger agreement and consummating the transactions contemplated thereby. Mergerco has not conducted any activities to date other than (1) incidental to its formation, (2) entering into the merger agreement, and (3) entering into certain other agreements contemplated thereby. Mergerco is currently a direct wholly-owned subsidiary of Buyer and an indirect wholly-owned subsidiary of TechInvest Holdings Limited and FIIB.

Pursuant to the merger agreement, Mergerco will merge with and into Cypress with Cypress being the surviving corporation upon completion of the merger. Assuming that all outstanding options and warrants in the surviving corporation are exercised and terminated in the merger, upon completion of the merger Buyer will own 100% of the issued and outstanding stock of the surviving corporation. It is expected that, following the merger, the senior managers of Cypress will be granted options to purchase shares of common stock of the surviving corporation.

First Islamic Investment Bank E.C.
P.O Box 1406, Manama, Bahrain
(973) 17-219-333

FIIB, a Bahrain joint stock company, is an investment bank whose primary business consists of arranging and investing in corporate investments, real estate investments and asset-based investments.

Crescent Capital Investments, Inc.
75 Fourteenth Street, 24th Floor
Atlanta, Georgia 30309
(404) 920-9000

Crescent Capital Investments, Inc., a Delaware corporation, which we refer to as Crescent, is an indirect wholly owned subsidiary of FIIB that (1) identifies opportunities for FIIB and its co-investors to acquire interests in operating companies, (2) structures and advises FIIB and its co-investors with respect to investments in real estate and asset-based investments, and (3) provides management and strategic advice to such operating companies and joint venture vehicles.

The Merger (See THE MERGER AGREEMENT on page 43)

If the stockholders approve the merger agreement, Buyer will acquire Cypress for the aggregate merger consideration of approximately $40.285 million, subject to a final adjustment for changes in working capital, through the merger of Mergerco with and into Cypress, with Cypress surviving the merger and becoming a wholly-owned subsidiary of Buyer. The merger will occur according to the terms and conditions of the merger agreement, which are described in this proxy statement and are attached as Appendix A. The merger consideration will first be used to repay and satisfy our outstanding indebtedness under our term loan and our convertible debt, which, as of December 31, 2004, was $20,479,517, as well as any unpaid transaction fees and expenses, which are currently estimated to be $900,000. Thereafter, each stockholder will receive for each share of our common stock owned at the time of the merger, an estimated $1.71 in cash, without interest, which amount is calculated based on a preliminary Cypress balance sheet as of December 31, 2004, adjusted for the exercise of warrants subsequent to such date, and is subject to a final adjustment for changes in working capital. As of December 31, 2004, the aggregate merger consideration to be paid to holders of our currently outstanding common stock is $11,497,000, based on the per share merger consideration as calculated above.

At the effective time of the merger, all stock options issued and outstanding prior to the merger, whether vested or unvested, will immediately vest and become exercisable. Optionholders will have the right to receive, upon exercise and on a per share basis, the estimated $1.71 in cash to be paid to the holders of our common stock in the merger, subject to a final adjustment for changes in working capital, less the exercise price, less any applicable withholding and similar deductions. We have agreed to use our best efforts to cause our holders of stock options to enter into agreements that will provide for such a exercise as well as for the cancellation of their stock options for which the exercise price is in excess of the per share merger consideration. Cypress is providing optionholders an opportunity to cash out their options to purchase shares of Cypress common stock. Should the optionholders accept this opportunity, on consummation of the merger, Cypress will pay them the sum of (i) $.05 plus the excess of the merger consideration over the exercise price per share of their options for each share of common stock underlying their options, to the extent the merger consideration is greater than the exercise price of their options, and (ii) $.05 per share for each share of common stock underlying their options to the extent that the merger consideration is equal to or less than the exercise price per share of their options. As of December 31, 2004, the aggregate merger consideration to be paid to the stock option holders is $3,256,000, based on the per share merger consideration as calculated above.

At the effective time of the merger, all warrants issued and outstanding, whether exercisable or unexercisable, prior to the merger will convert into the right to receive, upon exercise and on a per share basis, the estimated $1.71 in cash to be paid to the holders of our common stock in the merger, subject to a final adjustment for changes in working capital, less the exercise price, less any applicable withholding and similar deductions. We have agreed to use our best efforts to cause our warrant holders to exercise or, if the exercise price is in excess of the per share merger consideration, cancel their warrants. As of

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December 31, 2004, the aggregate merger consideration to be paid to warrant holders is $12,452,000, based on the per share merger consideration as calculated above.

The aggregate merger consideration and the per share price is subject to a final adjustment, upwards or downwards, based upon the change in certain assets and liabilities between July 31, 2004, and the measurement date (which is the end of the month immediately prior to the anticipated closing date or, if the end of such month is less than 30 days from the anticipated closing date, the end of the second month immediately prior to the anticipated closing date). We refer to this adjustment to the merger consideration as the adjustment for changes in working capital.

Each share of Series A preferred stock will, prior to the effective time of the merger, be redeemed by Cypress for its par value of $0.001 for the aggregate amount of $0.10.

At the effective time of the merger, Mergerco will cease to exist as a separate entity. Each issued and outstanding share of Mergerco common stock will be converted into one share of Cypress common stock.

The directors and executive officers of Mergerco will be directors and executive officers of Cypress after the merger.

Required Vote (See THE SPECIAL MEETING Required Vote; Effect of Abstentions and Broker Non-Votes on page 16)

Under Delaware law and our Certificate of Incorporation, as amended, approval of the merger agreement requires the affirmative vote of a majority of our issued and outstanding shares of common stock entitled to vote and a majority of our issued and outstanding shares of Series A preferred stock entitled to vote, voting as separate classes.

Voting Agreements

(See VOTING AGREEMENTS on page 54)

Ross J. Mangano, the chairman of the board of directors, and his affiliate, Jo & Co., and Gerard H. Sweeney, a director, and his affiliate, Brandywine Operating Partnership, L.P., which collectively have the power to vote shares of common stock representing 38.5% of our issued and outstanding common stock, are parties to a common stockholders voting agreement with Buyer, a copy of which we have attached to this proxy statement as Appendix B. Pursuant to this voting agreement, these stockholders agreed to vote their shares of common stock in favor of the merger agreement.

Noro-Moseley V, LLP, an affiliate of Steve G. Nussrallah, a director, and Wakefield Group III, LLC, an affiliate of Michael F. Elliot, a director, which collectively have the power to vote shares of Series A preferred stock representing 89.6% of our issued and outstanding shares of Series A preferred stock, are parties to a preferred stockholders voting agreement with Buyer, a copy of which we have attached to this proxy statement as Appendix C. Pursuant to this voting agreement, these stockholders agreed to vote their shares of Series A preferred stock in favor of the merger agreement and, as such, the merger agreement is expected to be approved by the Series A preferred stockholders.

Purpose and Reasons for the Merger (See SPECIAL FACTORS Purpose and Reasons for the Merger on page 21)

Our board of directors has unanimously determined that, for the reasons discussed in detail in the proxy statement, the merger agreement is fair to, and in the best interests of, Cypress and its stockholders and that the merger is advisable.

We believe that the merger would afford our stockholders an opportunity to sell their common stock at a price that represents a premium of approximately 100%, 100% and 60% over the average one year, six month and 60 trading day closing price before the announcement of the proposed merger. Our stockholders would not otherwise have this opportunity due to the lack of liquidity of our common stock over the past 12 months. Further, due to the lack of interest in public companies with small market capitalization, and in particular in telecommunications companies with a relatively narrow business focus, it is highly speculative whether Cypress would ever achieve significant market value and, as such, whether we or our stockholders benefit from us being a public company.

Opinion of Independent Financial Advisor (See SPECIAL FACTORS Opinion of Financial Advisor to the Board of Directors on page 24)

Our board of directors retained Breckenridge Securities Corp., or Breckenridge, on February 2, 2004, as an independent financial advisor in connection with the board s evaluation of the sale of Cypress.

On November 5, Breckenridge delivered to the board of directors its opinion that, as of that date and based upon and subject to the various limitations, qualifications and assumptions stated in the opinion, the aggregate merger consideration to be paid to the holders of our common stock and Series A preferred stock together in connection with the merger agreement is fair to them from a financial point of view. A copy of Breckenridge s written opinion, which describes the assumptions, limitations and qualifications to which it is subject, is included as Appendix D to this proxy statement, which you should read carefully and in its entirety.

Approval of the Board of Directors (See SPECIAL FACTORS Recommendation of the Board of Directors on page 22)

Taking into account various factors, including the opinion of Breckenridge, the board of directors has unanimously determined that the terms of the merger agreement are fair to, and in the best interests of, us and our stockholders and have recommended that the stockholders vote FOR approval and adoption of the merger agreement and the related merger.

Interests of Certain Persons in the Merger (See SPECIAL FACTORS Interests of Certain Persons in the Merger on page 33)

In considering the recommendations of our board of directors, you should be aware that certain Cypress officers and directors have interests in the proposed merger that are different from or in addition to your interests as a Cypress stockholder generally, including the following:

Ross J. Mangano, chairman of the board of directors, beneficially owns 2,183,401 shares of our issued and outstanding common stock and warrants convertible into 583,192 shares of our common stock, consisting of warrants with an exercise price of $1.13 per share that are exercisable for 310,500 shares of common stock and warrants with an exercise price of $3.25 per share that are exercisable for 272,692 shares of common stock. Along with the other

bridge loan lenders, Mr. Mangano will be repaid all amounts outstanding under the $8 million bridge loan, together with all accrued and unpaid interest, pursuant to the terms of the merger agreement.

Gerard H. Sweeney, a director, owns 20,000 shares of our issued and outstanding common stock and warrants convertible into 25,000 shares of our common stock with an exercise price of $8.00 per share. Mr. Sweeney is also the president and chief executive officer of Brandywine Realty Trust, the general partner of Brandywine Operating Partnership, L.P., and may be deemed to beneficially own the 384,615 shares of our issued and outstanding common stock and warrants with an exercise price of $3.25 per share that are exercisable for 148,077 shares of our common stock held by Brandywine Operating Partnership.

Steve G. Nussrallah, a director, is the general partner of Noro-Moseley Partners V, L.P. and may be deemed to beneficially own the warrants exercisable for, as of February 7, 2005, 7,875,566 shares of our common stock at the exercise price of $1.13 per share, and the 72.9 shares of our Series A preferred stock owned by Noro-Moseley. Along with the other bridge loan lenders, Noro-Moseley will be repaid all amounts outstanding under the $8 million bridge loan, together with all accrued and unpaid interest, pursuant to the terms of the merger agreement. Along with the other convertible debt holders, Noro-Moseley will be repaid all amounts outstanding under the $10 million convertible debt, together with all accrued and unpaid interest, pursuant to the terms of the merger agreement.

Michael F. Elliot, a director, is the managing director of Wakefield Group III, LLC and may be deemed to beneficially own the warrants exercisable for, as of February 7, 2005, 1,803,919 shares of our common stock at the exercise price of $1.13 per share, and the 16.7 shares of our Series A preferred stock owned by Wakefield. Along with the other bridge loan lenders, Wakefield will be repaid all amounts outstanding under the $8 million bridge loan, together with all accrued and unpaid interest, pursuant to the terms of the merger agreement. Along with the other convertible debt holders, Wakefield will be repaid all amounts outstanding under the $10 million convertible debt, together with all accrued and unpaid interest, pursuant to the terms of the merger agreement.

Gregory P. McGraw, chief executive officer, president, secretary and a director, owns stock options which are convertible into 1,250,000 shares of our common stock, consisting of stock options with an exercise price ranging from $1.25 to $1.50 per share that are convertible into 950,000 shares of common stock, as well as stock options with an exercise price of $2.00 per share that are convertible into 300,000 shares of common stock.

Neal L. Miller, executive vice president, chief financial officer and treasurer, owns stock options which are convertible into 400,000 shares of our common stock at the exercise price of $1.25 per share.

Salvatore W. Collura, executive vice president and chief operating officer, owns stock options which are convertible into 350,000 shares of our common stock, consisting of stock options with an exercise price of $1.25 per share that are convertible into 200,000 shares of common stock, as well as stock options with an exercise price of $2.00 per share that are convertible into 150,000 shares of common stock.

Pursuant to our stock option plans, all Cypress stock options, including stock options held by certain of our officers and directors, will vest in full at the effective time of the merger, and pursuant to the merger agreement, the holders of certain stock options, including Messrs.

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McGraw, Collura and Miller, will be entitled to receive a cash payment in respect of the cancellation of their respective Cypress stock options.

We have granted to our executive officers retention awards payable upon a change of control, including the consummation of this merger, if within twelve months following the change of control the executive officer is terminated without cause or resigns for good reason.

It is expected that, following the merger, senior managers of Cypress will be granted options to purchase shares of common stock of the surviving corporation.

Other than the expected grant of new options in the surviving corporation to the senior managers, the board of directors was aware of the different or additional interests set forth above, and considered such interests along with other matters in approving the merger agreement and the related merger.

Under the merger agreement, Cypress has agreed for a period of six years following the date of the merger to maintain the current directors and officers liability insurance policies, subject to certain limitations, and to indemnify current and former directors and officers for certain specified losses and liabilities.

No Solicitation of Competing Transactions (See THE MERGER AGREEMENT No Solicitation of Competing Transactions on page 50)

The merger agreement prohibits us from soliciting, initiating, encouraging or knowingly taking other action to facilitate the submission of any competing transaction to the merger. We refer to these prohibitions as no shop provisions. The board of directors may, however, prior to the date of the stockholders meeting and in response to any unsolicited inquiry or proposal for a competing transaction, furnish information or engage in discussions relating to such inquiry or proposal, provided appropriate notice is given to Buyer. Following receipt of a *bona fide* proposal relating to a competing transaction, at any time prior to the date of the stockholders meeting, the board of directors may withdraw or modify its recommendation or disclose to our stockholders its position or recommendation on the competing transaction.

A termination fee in the sum of $1,500,000 will be payable to Buyer in the event that the merger agreement is terminated following:

the failure of our stockholders to approve the merger;

the withdrawal or modification of our board of directors approval or recommendation of the merger or the merger agreement;

the approval or recommendation by our board of directors of a competing transaction, or the execution of an agreement in principle or a definitive agreement relating to a competing transaction, or a public proposal by our board of directors to do so;

the failure of our board of directors to recommend rejection of a competing transaction;

the breach or circumvention of the no shop provisions in the merger agreement, where such breach or circumvention results in a proposal for a competing transaction; or

our failure to give notice of or hold a meeting of our stockholders to vote on the merger agreement.

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In the circumstances described above, the termination fee is payable within one business day of the termination of the merger agreement.

Conditions to the Merger (See THE MERGER AGREEMENT Conditions on page 51)

The obligations of each party to complete the merger depend on the following conditions:

- our stockholders approving the merger agreement;
- the absence of any legal prohibitions to the consummation of the merger;
- the determination of closing net working capital in accordance with the merger agreement; and
- the receipt of all regulatory approvals required to consummate the merger.

Our obligation to complete the merger depends on the following conditions:

- the representations and warranties of Buyer and Mergerco in the merger agreement being true and correct;
- the satisfactory performance by Buyer and Mergerco of their covenants and agreements under the merger agreement;
- Buyer s delivery of the merger consideration to the paying agent; and
- the delivery by Buyer and Mergerco of an Officer s Certificate to the effect that the above three conditions have been satisfied.

The obligation of Buyer and Mergerco to complete the merger depends on the following conditions:

- any failure of our representations and warranties in the merger agreement to be true and correct not having an adverse effect (exceeding $2,000,000) on our business, assets or liabilities, financial condition or results of operations or on our ability to perform our obligations under the merger agreement;
- our satisfactory performance of our covenants and agreements under the merger agreement;
- our delivery of an Officer s Certificate to the effect that the above two conditions have been satisfied;
- redemption of the issued and outstanding shares of Series A preferred stock;
- repayment of the outstanding indebtedness under our term loan and convertible debt;
- holders of less than 10% of our issued and outstanding common stock having properly demanded appraisal rights;
- our directors having tendered their resignations;

- the absence of any pending governmental actions regarding Buyer s ownership of us or the merger, or which would otherwise have a material adverse effect on us; and
- no events having occurred which have, or which would reasonably be expected to have, in the discretion of Buyer, a material adverse effect on us.

Termination of the Merger Agreement (See THE MERGER AGREEMENT Termination on page 53)

The merger agreement may be terminated for several reasons, including if:

- we and Buyer agree in writing to terminate the merger agreement;
- the merger is not completed on or prior to July 18, 2005;
- there has been an action by a governmental entity permanently prohibiting the merger;
- required approval by any governmental entity is denied;
- our stockholders do not approve the merger agreement;
- either our or Buyer s and Mergerco s conditions have become incapable of fulfillment;
- there has been a breach by any party of any material representation, warranty, covenant or agreement set forth in the merger agreement;
- our board of directors withdraws or modifies its approval or recommendation of the merger or the merger agreement;
- our board of directors approves or recommends a competing transaction, or executes an agreement in principle or a definitive agreement relating to a competing transaction, or our board of directors publicly proposes to do so;
- our board of directors fails to recommend the rejection of a competing transaction;
- we breach or circumvent the no shop provisions in the merger agreement, where such breach or circumvention results in a proposal for a competing transaction; or
- we fail to give notice of or hold a meeting of our stockholders to vote on the merger agreement.

We will be required to pay a termination fee of $1,500,000 to Buyer if the merger agreement is terminated because:

- our stockholders do not approve the merger;
- our board of directors withdraws or modifies its approval or recommendation of the merger or the merger agreement;

our board of directors approves or recommends a competing transaction, or executes an agreement in principle or a definitive agreement relating to a competing transaction, or our board of directors publicly proposes to do so;

our board of directors fails to recommend the rejection of a competing transaction;

we breach or circumvent the no shop provisions in the merger agreement, where such breach or circumvention results in a proposal for a competing transaction; or

we fail to give notice of our hold a special meeting of our stockholders to vote on the merger agreement.

In the event our board of directors determines that a competing transaction represents a superior offer, we do not have the right to terminate the merger agreement and we will remain obligated to convene and hold a special meeting of stockholders to consider the transactions discussed in this proxy statement. We may, however, terminate the merger agreement if our stockholders fail to approve the merger agreement at the stockholders meeting. In addition, the voting agreements will terminate if the board of directors withdraws or modifies its approval and recommendation of the merger agreement.

Federal Income Tax Consequences (See SPECIAL FACTORS U.S. Federal Income Tax Consequences of the Merger on page 37)

The exchange of shares of our common stock for the cash merger consideration will be a taxable transaction to our stockholders for United States federal income tax purposes.

Tax matters can be complicated, and the tax consequences of the merger to you will depend on your own situation. You should consult your own tax advisor to fully understand the tax consequences of the merger to you.

Financing (See SPECIAL FACTORS Financing the Merger on page 36)

FIIB has committed to provide Buyer and Mergerco with all funds required to enable Buyer to consummate the merger.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING

The following questions and answers are intended to address briefly some commonly asked questions regarding the special meeting to be held for the purpose of voting on the merger agreement. These questions and answers may not address all questions that may be important to you as a stockholder. Please refer to the more detailed information contained elsewhere in this proxy statement, the appendices to this proxy statement and the documents referred to or incorporated by reference in this proxy statement.

Q: What is the date, time and place of the special meeting of stockholders?

A: The special meeting of stockholders will be held on March 15, 2005, at 9:00 a.m. local time, at our principal executive offices located at Fifteen Piedmont Center, 3575 Piedmont Road, Suite 100, Atlanta, Georgia 30305.

Q. What am I being asked to vote on?

A: You are being asked to vote to approve and adopt the merger agreement and the related merger pursuant to which Mergerco, a subsidiary of Buyer, will merge with and into Cypress, with Cypress being the surviving corporation and becoming a wholly-owned subsidiary of Buyer.

Q: Who is entitled to vote at the special meeting?

A: Only stockholders as of the close of business on February 7, 2005, the record date, are entitled to receive notice of and to vote at the special meeting, or any adjournments or postponements thereof.

Q: What happens if I sell my Cypress shares before the special meeting?

A: The record date for the special meeting is earlier than the expected date of the merger. If you own shares of our common stock or Series A preferred stock on the record date but transfer your shares after the record date, but before the merger, you will retain your right to vote at the special meeting. Your right, however, to receive for each share of our common stock owned at the time of the merger, an estimated $1.71 in cash, without interest, which amount is calculated based on a preliminary Cypress balance sheet as of December 31, 2004, adjusted for the exercise of warrants subsequent to such date, and is subject to a final adjustment for changes in working capital, or the redemption price per share of Series A preferred stock will pass to the person to whom you transferred your shares.

Q: How many shares need to be represented at the meeting?

A: The holders of a majority of the issued and outstanding shares of common stock and the holders of a majority of the issued and outstanding shares of Series A preferred stock entitled to vote at the special meeting must be present in person or represented by proxy to constitute a quorum for the transaction of business. As of the record date, there were 6,723,395 shares of common stock issued and outstanding and 100 shares of Series A preferred stock issued and outstanding. If you vote by proxy card or in person at the special meeting, you will be considered part of the quorum.

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Q: What vote is required to approve the merger agreement?

A: Under Delaware law and our Certificate of Incorporation, as amended, approval of the merger agreement requires the affirmative vote of a majority of our issued and outstanding common stock and a majority of our issued and outstanding shares of Series A preferred stock. Certain of our common stockholders who own 38.5% of our common stock have entered into a voting agreement with Buyer pursuant to which they have agreed to vote their shares in favor of the merger. Certain of our Series A preferred stockholders who own 89.6% of our Series A preferred stock have entered into a voting agreement with Buyer pursuant to which they have agreed to vote their shares in favor of the merger. As a result of the Series A preferred stock voting agreement, the merger agreement is expected to be approved by the Series A stockholders.

Q: How do I vote?

A: After carefully reading and considering the information contained in the proxy statement, complete, date and sign your proxy card and then mail your completed, dated and signed proxy card in the prepaid return envelope as soon as possible so that your shares can be voted at the special meeting. If your shares are held in street name by your broker or other nominee, your broker or other nominee will provide you instructions on how to have your vote counted. Your shares will be voted as you direct on your proxy card.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Generally, your broker will not have the power to vote your shares. Your broker will vote your shares only if you provide him or her with instructions on how to vote. Any failure to instruct your broker on how to vote in favor of the merger agreement will have the effect of a vote against the proposed merger. You should follow the directions provided by your broker on how to instruct your broker to vote your shares.

Q: May I change my vote after I have mailed my signed proxy card?

A: Yes. You may change your vote by sending a written notice to our Secretary stating that you would like to revoke your proxy or by completing and submitting to our Secretary prior to the special meeting a new, later-dated proxy card. You also can attend the special meeting and vote in person. If your shares are held in street name, you must follow the directions provided by your broker to change your vote.

Q: What happens if I don t return a proxy card?

A: If you fail to return a proxy card, it will have the same effect as voting against the merger agreement.

Q: Should I send in my stock certificates now?

A: No. If the merger agreement is approved by the stockholders, we will send you, after the merger is completed, written instructions for surrendering your stock certificates. You must return your stock certificates as described in those instructions to receive the cash payment in connection with the merger.

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Q: Will the merger be a taxable transaction for me?

A: If you are a U.S. taxpayer, your exchange of shares for cash in the merger will be a taxable sale of your shares of our common stock for U.S. federal income tax purposes. In general, you will recognize gain or loss equal to the difference between (1) the amount of cash you receive in the merger for your shares of our common stock and (2) the tax basis of your shares of our common stock. Refer to the section entitled SPECIAL FACTORS U.S. Federal Income Tax Consequences of the Merger for a more detailed explanation of the U.S. federal income tax consequences of the merger. You should consult your tax advisor on how specific tax consequences of the merger apply to you.

Q: May I exercise dissenters appraisal rights in the merger?

A: Our stockholders are entitled to exercise appraisal rights in connection with the merger. If you do not vote in favor of the proposed merger and it is completed, you may dissent and seek appraisal of the fair value of your shares under Delaware law, if you comply with all the required procedures under Delaware law, as explained under APPRAISAL RIGHTS beginning on page 55 and in Appendix E to this proxy statement.

Q: When do you expect to complete the merger?

A: We hope to complete the merger as soon as practicable after the date of the special meeting if the merger agreement is approved by the stockholders, but not earlier than the time all the federal and state regulatory notices are provided and approvals are received. We cannot assure you as to when the merger will occur, if ever.

Q: Who can help answer my questions?

A: If you have any questions about the merger or would like additional copies of the proxy statement, you should contact:

Cypress Communications Holding Co., Inc.
Attn: Corporate Secretary
Fifteen Piedmont Center
3575 Piedmont Road, Suite 100
Atlanta, Georgia 30305
(404) 442-0120

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FORWARD-LOOKING STATEMENTS

This proxy statement, and the documents to which we refer you, contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words anticipates, believes, estimates, expects, plans, intends and other similar expressions are intended to identify these forward-looking statements, but are not the exclusive means of identifying them. You are cautioned not to place undue reliance on these forward-looking statements as these forward-looking statements reflect our and our management s current view and are subject to certain risks, uncertainties and contingencies that could cause our actual results, performance or achievements to differ materially from those expressed in or implied by these statements. These risks, uncertainties and contingencies include, but are not limited to, the factors discussed under the heading Management s Discussion and Analysts of Financial Condition and Results of Operations Risk Factors that May Affect Future Results in our Annual Report on Form 10-KSB for the year ended December 31, 2003, which information is incorporated herein by reference. We undertake no obligation and do not intend to update or revise these forward-looking statements to reflect future events or circumstances, except as required pursuant to the federal securities laws.

THE SPECIAL MEETING

Date, Time, and Place

This proxy statement and the accompanying proxy card are furnished in connection with the solicitation of proxies by our board of directors for the special meeting of stockholders to be held on March 15, 2005, at 9:00 a.m., or at any adjournments or postponements thereof, at our principal executive offices located at Fifteen Piedmont Center, 3575 Piedmont Road, Suite 100, Atlanta, Georgia 30305. These proxy materials are first being sent to stockholders on or about February 9, 2005.

Purposes of the Special Meeting

At the special meeting, our stockholders will be asked to:

(1) consider and vote upon the approval and adoption of the merger agreement and the related merger; and

(2) transact such other business as may properly come before the meeting or any adjournments or postponements thereof, including to consider any procedural matters incident to the conduct of the special meeting, such as the adjournment or postponement of the special meeting to solicit additional proxies in favor of the proposal to approve and adopt the merger agreement and the related merger.

The board of directors, including all the non-employee directors, has unanimously approved and authorized the merger agreement and the related merger, and determined that the merger is advisable, and recommends that the stockholders vote FOR approval and adoption of the merger agreement and the related merger.

Record Date; Voting Rights

The board of directors has fixed the close of business on February 7, 2005 as the record date for the determination of stockholders entitled to receive notice of and to vote at the special meeting. As of the close of business on the record date, we had 6,723,395 issued and outstanding shares of common stock held of record by approximately 114 holders and 100 issued and outstanding shares of Series A preferred stock held of record by four holders.

Each issued and outstanding share of capital stock entitled to vote at the special meeting will have one vote on all matters coming before the special meeting. The common stockholders and the Series A preferred stockholders will vote as separate classes.

Even if you plan to attend the special meeting, you are urged to sign, date and return the accompanying proxy card. If your proxy card is signed and returned without specific voting instructions, your shares of common stock or Series A preferred stock will be voted FOR approval and adoption of the merger agreement and the related merger as recommended by the board of directors.

Quorum

The presence, either in person or by proxy, of the holders of a majority of the issued and outstanding shares of common stock on the record date entitled to vote at the special meeting is necessary to constitute a quorum of common stockholders for the transaction of business at the meeting. The presence, either in person or by proxy, of holders of a majority of the issued and outstanding shares of

Series A preferred stock on the record date entitled to vote at the special meeting is necessary to constitute a quorum of Series A stockholders for the transaction of business at the meeting.

Required Vote; Effect of Abstentions and Broker Non-Votes

Under Delaware law and our Certificate of Incorporation, as amended, the merger agreement must be approved by the affirmative vote of the holders of a majority of our issued outstanding shares of common stock and the holders of a majority of our issued and outstanding shares of Series A preferred stock, voting as a separate class. At a special meeting of the board of directors held on November 5, 2004, the terms of the merger agreement were unanimously approved by the board of directors.

Ross J. Mangano, the chairman of the board of directors, and his affiliate, Jo & Co., and Gerard H. Sweeney, a director, and his affiliate, Brandywine Operating Partnership, L.P., which collectively have the power to vote shares of common stock representing 38.5% of our issued and outstanding common stock, are parties to a common stockholders voting agreement with Buyer, a copy of which we have attached to this proxy statement as Appendix B. Pursuant to this voting agreement, these stockholders agreed to vote their shares of common stock in favor of the merger agreement.

Noro-Moseley V, LLP, an affiliate of Steve G. Nussrallah, a director, and Wakefield Group III, LLC, an affiliate of Michael F. Elliot, a director, which collectively have the power to vote shares of Series A preferred stock representing 89.6% of our issued and outstanding Series A preferred stock, are parties to a preferred stockholders voting agreement with Buyer, a copy of which we have attached to this proxy statement as Appendix C. Pursuant to this voting agreement, these stockholders agreed to vote their shares of Series A preferred stock in favor of the merger agreement and, as such, the merger agreement is expected to be approved by the Series A preferred stockholders.

The inspectors of election will treat shares of our common stock and Series A preferred stock represented by proxies that are marked ABSTAIN as shares that are present and entitled to vote for purposes of determining the presence of a quorum at the special meeting and for purposes of determining the outcome of any question submitted to the stockholders for a vote. Therefore, abstentions will have the same effect as votes against the approval of the merger agreement.

Brokers who hold shares in street name for customers have authority to vote on routine proposals when they have not received instructions from beneficial owners. These brokers, however, are precluded from exercising their voting discretion in respect of the approval of non-routine matters like approving the merger agreement. A broker non-vote occurs when a bank, broker or other nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner. Properly executed broker non-votes will be treated as shares that are present and entitled to vote at the special meeting for purposes of determining whether a quorum exists and will have the same effect as votes against approval of the merger agreement.

Action to be Taken Under the Proxy

The enclosed proxy is solicited on behalf of the board of directors. Giving a proxy does not mean that you cannot vote in person if you attend the special meeting and decide that you wish to vote by ballot. You have an unconditional right to revoke your proxy at any time prior to its exercise, either by filing with our secretary at our principal executive offices a written revocation or a properly completed and signed proxy bearing a later date or by voting in person by ballot at the special meeting. Attendance at the special meeting without casting a ballot will not, by itself, constitute revocation of a proxy.

All shares of common stock and shares of Series A preferred stock represented at the special meeting by properly executed proxies received prior to or at the special meeting, unless previously revoked, will be voted at the special meeting in the manner indicated on the proxies. Unless other instructions are given, properly executed proxies will be voted FOR the approval of the merger agreement as recommended by the board of directors.

When considering a motion to adjourn or postpone the special meeting to another time and/or place (including, without limitation, for the purpose of soliciting additional proxies or allowing additional time for the satisfaction of conditions to the merger) or such other business and matters as may properly come before the special meeting, the persons named in the enclosed form of proxy and acting by the authority in the proxy generally will have discretion to vote on adjournment or postponement or such other business and matters using their best judgment. Other than as described in the Notice of Special Meeting of Stockholders, there are no other matters to be brought before the special meeting.

Proxy Solicitation

We and Buyer will bear equally the cost of preparing, assembling and mailing this proxy statement, the Notice of Special Meeting of Stockholders and the enclosed form of proxy. We have retained Morrow & Company, Inc. to aid in the solicitation of proxies and to verify records relating to the solicitation. Morrow & Company, Inc. will receive a fee for its services of $5,000 and expense reimbursement. We are requesting that any trustees, custodians, nominees and fiduciaries forward copies of the proxy material to their principals and request authority for the execution of proxies. We may reimburse those persons for their expenses in so doing. In addition to the solicitation of proxies by mail, our directors, officers and employees and subsidiaries may solicit proxies by telephone, facsimile, telegram or in person. These directors, officers and employees will not be additionally compensated for such solicitation but maybe reimbursed for out-of-pocket expenses incurred. No solicitation costs have been incurred to date.

No person is authorized to give any information or make any representation not contained in this proxy statement, and if given or made, such information or representation should not be relied upon as having been authorized with respect to the merger agreement, or other matters addressed in this proxy statement.

IF THE AGREEMENT AND PLAN OF MERGER IS APPROVED AND THE MERGER IS CONSUMMATED, YOU WILL BE SENT INSTRUCTIONS AND LETTERS OF TRANSMITTAL REGARDING THE SURRENDER OF YOUR STOCK CERTIFICATES. YOU SHOULD NOT SEND YOUR STOCK CERTIFICATES UNTIL YOU RECEIVE THESE INSTRUCTIONS.

SPECIAL FACTORS

Background of the Merger

In late 2003, representatives of Noro-Moseley V, LLP and Wakefield Group III, LLC were approached about possibly selling their interest in our company. We also were directly approached on an unsolicited basis about whether we would have an interest in a sale of the company. As a result, our board of directors met and determined to formally study whether the board should undertake a review of our strategic alternatives generally and engage an investment banking firm in that regard.

On February 2, 2004, we engaged Breckenridge to evaluate our current business plan and assist our board in evaluating our strategic alternatives. We issued a press release on February 4, 2004, announcing that our board had decided to explore our strategic alternatives in light of some unsolicited indications of interest from other companies and financial entities, as well as our desire to expand our growth capital facilities.

On February 24, 2004, Breckenridge and our outside counsel, Hunton & Williams LLP, which we refer to as Hunton & Williams, met with our board to begin the formal process of pursuing strategic alternatives. Alternatives discussed included seeking a change of control through the sale or merger of the entire business, refinancing the operation to redeem the convertible debt and bridge loan and maintaining the status quo. The board instructed Breckenridge to work with management to begin to draft a confidential information memorandum that would describe our company, to create a list of potential acquirors and to consider possible new investors for the company. Our board informed Breckenridge that the board would schedule a follow-up meeting to pursue these topics after Breckenridge prepared their materials.

At a meeting on March, 31, 2004, our board of directors authorized Breckenridge to commence preparation for a process to solicit on a widespread basis potential interest in acquiring the company.

At a meeting on May 4, 2004, Breckenridge presented to our board a possible timetable for conducting the sale process. Breckenridge also identified and reviewed the interested parties that had contacted Breckenridge following the February 4 press release, along with other possible additional parties which could be contacted. Our board, together with Breckenridge and Hunton & Williams, discussed the benefits and risks of commencing a process at this time or waiting and determined to commence a process to be able to ascertain the level of interest in acquiring us.

On May 10, 2004, Breckenridge began the process of contacting a pool of potential partners and formally responding to inquiries that had been made by interested parties.

Breckenridge met with our board on June 11, 2004, to provide an update on the process. Breckenridge identified the 76 strategic and financial partners that had been contacted and the 34 of those that had executed confidentiality agreements and had been provided the confidential information memorandum. Included among these parties was Crescent, which was contacted on June 8, 2004, and executed a confidentiality agreement on that same date.

On June 24, 2004, Breckenridge and Hunton & Williams further reviewed the process with our board. Breckenridge noted that it had concluded the initial phase of the process and received 10 proposals. Breckenridge recommended the selection of three parties to continue the process, which parties proposed enterprise valuations (including the assumption of negative working capital) ranging from Crescent s initial valuation of $34,260,000 to $36,260,000 on the low end to a valuation from a potential strategic buyer of $44,260,000 to $54,260,000 on the high end. These proposed purchase prices

were for 100% of the stock of the Company and were to be payable in various forms from all cash to all stock.

For the balance of July and into the beginning of August 2004, our company and Breckenridge held diligence meetings with these three bidders. During this time one of the bidders with the highest indicated valuation withdrew from the process and a new strategic bidder with a similar value range, who we will refer to as Company X, emerged and was granted access to the data room material and management meetings.

On August 25, 2004, Breckenridge and Hunton & Williams met with our board to review the process and evaluate the next steps to take. During this meeting, the parties evaluated the status of each of the three bidders currently under consideration. Breckenridge recommended, and our board approved, actions to proceed with Crescent and Company X, excuse the other bidder from the process, provide to each party a draft of the definitive merger agreement prepared by Hunton & Williams and ask each party to continue diligence and to deliver their final proposal and a mark-up of the merger agreement. On August 31, 2004, Crescent s legal advisor, King & Spalding LLP, which we refer to as King & Spalding, returned a preliminary markup of the merger agreement to Hunton & Williams.

On September 8, 2004, Breckenridge and Hunton & Williams reviewed with our board a summary of the final proposals and the key contract terms from each of the two finalists. Crescent s proposed valuation was $37.2 million payable in cash and Company X s proposed valuation was $45 million payable in a combination of cash and common stock of the other party. Our board considered many aspects of each proposal, including the following: (a) the valuation implied by each proposal, (b) the status of due diligence of each of the parties, (c) the nature of any outstanding issues, (d) an overview of recent discussions and/or meetings with each party, (e) any significant legal issues that had been discovered, (f) the difference between the form of consideration to be received by our stockholders from each of the proposals and (g) the contingencies to the proposals. After this meeting, Breckenridge was instructed to inform the two final parties that they were evaluating certain aspects of each proposal and ask for each bidder to increase its valuation.

Crescent responded with a verbal increase in their proposal to $38.2 million. Company X stated it could not increase its valuation.

At the September 21, 2004, meeting of our board, Breckenridge and Hunton & Williams reviewed the status of Crescent and Company X. Our board expressed concern with Company X s form of consideration and overall approach towards the process and was worried that Company X would not be able to continue with the process in a timely fashion. In addition, Crescent had informed Breckenridge that it would not be in a position to hold its offer open for much longer. Breckenridge was instructed to contact Crescent with the request to increase their valuation in exchange for entering into a limited period of exclusivity. A Breckenridge representative met with Crescent and delivered the request for greater consideration in exchange for an exclusivity period until October 29, 2004. Later that day, Crescent delivered to Breckenridge a revised proposal for an initial purchase price of $39.0 million cash at closing and an adjustment to this purchase price equal to the change in working capital for the period between signing of the merger agreement and a date as close to closing as practicable.

On September 22, 2004, our board instructed Breckenridge to inform Crescent that the board was prepared to provide exclusivity to them through October 29, 2004. An exclusivity agreement was then executed with Crescent on September 24, 2004.

Crescent and its advisors, including King & Spalding, met with our management and our advisors, including Hunton & Williams, on October 4, 2004 in an organizational meeting at the offices of

King & Spalding for a presentation by our management and in order to outline a timetable for completing due diligence and negotiating a definitive merger agreement. All parties participated in multiple meetings and conference calls between September 27 and October 29 in order to negotiate the terms of the merger and to attempt to finalize discussions by October 29, 2004.

During the month of October, Crescent s legal, tax and financial advisors undertook a due diligence review of Cypress. On October 15, 2004, Crescent and its legal advisors and we and our legal and financial advisors met again at the offices of King & Spalding to discuss Crescent s due diligence and certain aspects of the draft merger agreement, including materiality thresholds in our representations and warranties and in the conditions to Buyer s obligations, the proposed working capital adjustment, restrictions on our operations between the signing of the merger agreement and the completion of the merger, the fiduciary outs available to our board of directors and the deal protection provisions required by Buyer and the tax structure of the transaction.

At an October 18, 2004, board meeting, our advisors, including Hunton & Williams, informed our board of open issues in connection with the merger agreement. Our board then gave general instructions for resolution of these issues.

On October 19, 2004, and again on October 27, 2004, King & Spalding and Hunton & Williams engaged in negotiations by telephone regarding the merger agreement and documents related to the merger agreement, and in particular the availability of fiduciary outs for our board of directors and the deal protection provisions required by Buyer, the materiality thresholds and the definition of material adverse effect, and certain of the covenants and representations and warranties to be given by Cypress in the merger agreement.

On October 28, 2004, Crescent and its legal advisors and we and our legal and financial advisors met at the offices of Hunton & Williams to discuss the merger agreement.

On October 29, 2004, Crescent and we executed an extension of the exclusivity agreement to permit more time to attempt to resolve remaining open issues, especially as they related to the method of calculating the working capital adjustment, which is a key variable component of the final merger consideration.

The board met on November 1, 2004, with its advisors, including Hunton & Williams, to review remaining open issues with the merger agreement.

On November 2, 2004, Crescent and its legal advisors and we and our legal and financial advisors met at the offices of King & Spalding to attempt to negotiate issues in the merger agreement, including the working capital calculation issue, and to discuss Crescent s due diligence findings.

On November 3, 2004, board members Steve Nussrallah, Michael Elliott and Gregory McGraw met with representatives of Crescent to attempt to resolve open issues with the merger agreement. To resolve the working capital calculation issue, the parties agreed that the unadjusted purchase price would be $39,350,000 and the working capital adjustment would begin July 31, 2004, and run until the date closest to closing that would allow proper measurement. In addition, a specific schedule of the various components of working capital was established. Later that day, our board met with its advisors, including Hunton & Williams, to review the proposed resolution of open issues and authorized management to proceed with completing the definitive agreement.

On November 5, 2004, after a review of all of the terms of the transaction, a report from Hunton & Williams of the legal aspects of the transaction and a report from Breckenridge as to the fairness of the

transaction to our stockholders from a financial point of view, our board unanimously approved the merger agreement. That same day, we issued a press release announcing our execution of the merger agreement.

On November 12, 2004, we filed a Form 12b-25 notifying the Securities and Exchange Commission that we would not timely file our Form 10-Q for the third quarter of 2004 because we needed additional time to evaluate the financial impact of the fact that we had been making payments to telecommunications service providers for certain federal, state, local and telecommunication taxes and surcharges for which we might be exempt. On February 4, 2005, we filed a Form 10-Q and reported that, based on a review of the taxes and surcharges paid, we believe that we are entitled to recover an amount in the range of $1 million to $2.5 million, although there is no assurance that any amounts will be recovered or when any amounts will be recovered, if ever.

On February 3, 2005, in recognition of the potential increase in working capital relating to the telecommunications tax recovery, Cypress and Buyer agreed to amend the Merger Agreement to increase the merger consideration by $935,000, making the total value of the transaction $40.285 million. The parties also agreed in the amendment, among other things, that accounts receivable attributable to the telecommunications tax recovery will be capped in light of the increase in the merger consideration for purposes of calculating the final merger consideration adjustment.

Purpose and Reasons for the Merger

There are 6,723,395 shares of our common stock issued and outstanding as of the record date. Because of the relatively low number of issued and outstanding shares, the trading volume of shares of common stock has been, and continues to be, limited. During the 12 months prior to the announcement of the proposed merger, the average daily trading volume has been approximately 3,086 shares per day. Because the stock is so thinly traded, many stockholders lack sufficient liquidity to sell their shares without a significant impact on the market price of our common stock.

In recent years, we believe, the public marketplace has had less interest in public companies with a small market capitalization and a limited amount of securities available for trading in the public marketplace. This is particularly true, we believe, as to telecommunications companies with a relatively narrow business focus. At the same time, the burdens that are placed on us in order to meet the various public company reporting obligations are significant, and are expected to increase as we comply with Section 404 of the Sarbanes-Oxley Act of 2002. The board of directors believes it is highly speculative whether Cypress would ever achieve significant market value because of our size, the lack of liquidity and no assurance of profitable growth in the near future. The realization that Cypress might never achieve significant market value as a public company is one of the reasons that ultimately caused the board of directors to conclude that we no longer are benefiting from being a public company, and that it would be in the best interests of us and our stockholders to place ourselves up for auction.

After completing the sale process, Buyer s proposal presented Cypress with the opportunity to sell ourselves while affording the stockholders the opportunity to sell their common stock for cash at a price that represents a premium of approximately 100%, 100% and 60% over the average one year, six month and 60 trading day closing price before the public announcement of the proposed merger, without incurring any brokerage commissions.

We believe that it is in our best interest and that of our stockholders to sell ourselves at this time. The board of directors has determined that the proposed merger represents the best value for us and our stockholders at a fair price which is higher than that which could be achieved in the open market. In light of these objectives, the board of directors concluded that the proposed merger better accomplished its goals as more fully described under SPECIAL FACTORS Background of the Merger on page 18.

Recommendation of the Board of Directors

The board of directors unanimously determined that the merger is fair to, and in the best interests of, Cypress and its stockholders and that the merger is advisable. The board of directors unanimously approved the merger agreement, and unanimously recommended approval of the merger agreement by our stockholders at the special meeting. In reaching its determinations, the board of directors relied on its knowledge of our business and information provided by our officers, as well as the advice of its independent financial advisor (Breckenridge) and legal counsel (Hunton & Williams). Certain members of the board of directors and certain stockholders are obligated pursuant to voting agreements to vote their shares for approval of the merger agreement. The board of directors considered a number of factors, including the following positive factors, each of which in the view of the board of directors supported such determination:

- the historical trading activity of our common stock, including the fact that the average daily trading volume of our common stock for the twelve months prior to November 5, 2004, was 3,086 shares per day;

- the small public float and limited prospects for creating institutional interest in our stock or coverage by analysts;

- the performance of our stock price since November 5, 2003. From November 5, 2003, until November 5, 2004, our common stock closed at a high of $1.30 per share in September 2004 and at a low of $0.51 per share in June 2004;

- the time and expense required in order to meet the various public company reporting obligations, which would be expected to increase as the company complied with Section 404 of the Sarbanes-Oxley Act of 2002;

- the fact that the proposed merger consideration of an estimated $1.71 per share constitutes a premium of approximately 100%, 100% and 60% over the average one year, six month and 60 trading day closing price before the public announcement of the proposed merger;

- after engaging in a competitive auction process to solicit proposals from the most likely acquirors of Cypress, all of which were familiar with us and our business and which our board of directors determined were in the best position to offer us competitively attractive acquisition proposals, the merger with Buyer was the most attractive transaction for our stockholders, when taking into account all of the factors relating to each indication of interest received, including the terms and conditions of each proposal and the likelihood of each proposal culminating in a definitive agreement that was beneficial to our stockholders;

- the presentation by Breckenridge of its detailed analysis and conclusions concerning the fairness of the transaction and the written opinion of Breckenridge delivered to the board of directors as of November 5, 2004, stating that, as of November 5, 2004, and based on and subject to the assumptions, limitations and qualifications contained in that opinion, the aggregate consideration to be paid to holders of our common stock and Series A preferred stock pursuant to the merger agreement is fair, from a financial point of view, to our stockholders. See SPECIAL FACTORS Opinion of Financial Advisor to the Board of

Directors on page 24 and a copy of the opinion of Breckenridge attached as Appendix D to this proxy statement;

the board of directors judgment that it was unlikely for our stockholders to realize in excess of an estimated $1.71 per share due to the current and prospective environment in which we operate;

the fact that our bridge loan and term loan both mature in July 2005 and would need to be refinanced;

the fact that the consideration to be received in the merger is payable in cash, thereby eliminating any uncertainties in valuing the consideration to be received by our stockholders compared to a transaction in which they would receive stock or other non-cash consideration;

the fact that FIIB, the indirect parent of Buyer, has committed to providing Buyer with all necessary funds to enable Buyer to consummate the merger, subject only to the satisfaction or waiver of the conditions precedent to the consummation of the merger, and the failure to obtain such financing would not permit Buyer to terminate the merger agreement;

the fact that Crescent has significant experience in the field of buyouts and acquisitions, as well as a record of success in closing the transactions on which it embarks;

the terms of the merger agreement and related documents, including the parties representations, warranties and covenants, and the conditions to their respective obligations; and

the fact that the merger agreement does not unduly deter a third party from making an acquisition proposal, inhibit the board of directors from withdrawing or modifying its approval or recommendation of the merger or the merger agreement or inhibit the board of directors from approving, recommending or accepting an acquisition proposal that it determines to be of a superior proposal to our stockholders than the merger. Specifically, the merger agreement includes provisions which permit the board of directors to withdraw its recommendation of the merger if there is a more favorable acquisition proposal prior to the date of the stockholders meeting. In addition, the voting agreements will terminate if the board of directors withdraws or modifies its approval and recommendation. See THE MERGER AGREEMENT No Solicitation of Competing Transactions on page 50.

The board of directors also considered the following other factors associated with the merger:

the fact that, while the merger consideration represents a premium over our historical trading price, the stock market has not performed well over the past two years, which may contribute to the recent trading price of our common stock;

the merger consideration will first be used to repay the outstanding indebtedness under our term loan and convertible debt held by affiliates of certain of our board members and certain other parties, which also results, as of February 7, 2005, in warrants for 11,103,109 shares (subject to increase due to an increase in the number of warrants to be issued as of the closing date in accordance with the warrant agreements) of common stock becoming exercisable with an exercise price of $1.13;

our stockholders will not have the right to participate in our future growth, if any;

the fact that gains from this transaction would be taxable to our stockholders for U.S. federal income tax purposes;

the conditions to Buyer s obligation to complete the merger and the right of Buyer to terminate the merger agreement under certain circumstances;

the restrictions that the merger agreement imposes on our ability to operate our business until the transaction closes or the merger agreement terminated;

in the event that the merger is not consummated, the potential negative effects of the public announcement of the merger on our sales, operating results, stock price, relationships with customers and suppliers, ability to retain key technical, marketing, sales and management personnel and employee morale;

the interests that certain of our directors and officers may have with respect to the merger in addition to their interests as our stockholders generally, as described in SPECIAL FACTORS Interests of Certain Persons in the Merger ; and

the fact that under the merger agreement, while we have the ability prior to the stockholders meeting to discuss unsolicited acquisition proposals with third parties and provide them with non-public information concerning Cypress, and our board of directors has the ability to withdraw, amend or modify its recommendation to our stockholders in light of any superior proposal if specified conditions are met, we cannot terminate the merger agreement unless and until the proposed merger with Buyer is presented to our stockholders for a vote at a meeting but is not approved by them, and we or Buyer thereafter terminate the merger agreement and certain other conditions are met, including, in some circumstances, our payment of a $1,500,000 termination fee to Buyer.

The members of the board of directors evaluated each of the foregoing factors in light of their knowledge of our business, their knowledge of the telecommunications industry and their good faith business judgment. Although the board of directors believes that these were all of the material factors considered, the preceding discussion is not intended to be an exhaustive list of all factors considered. In view of the large number of factors considered by the board of directors in connection with the evaluation of the merger and the complexity of these matters, the board of directors did not consider it practicable to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific factors it considered in reaching its decision, nor did it evaluate whether these factors were of equal importance. In addition, each member of the board of directors may have given different weight to the various factors. The board of directors conducted a discussion of, among other things, the factors described above, including asking questions of the board of directors financial and legal advisors, and reached the unanimous conclusion that the merger agreement was fair to, advisable and in the best interests of Cypress and its stockholders.

Opinion of Financial Advisor to the Board of Directors

Breckenridge has acted as financial advisor to Cypress in connection with the proposed merger by which Cypress will become an indirect wholly-owned subsidiary of TechInvest Holdings Limited. At the November 5, 2004, meeting of the Cypress board of directors, Breckenridge rendered its oral opinion to the Cypress board of directors, subsequently confirmed in writing, that, as of that date, and based on certain assumptions, limitations and qualifications, the aggregate consideration to be paid to holders of Cypress common stock and Series A preferred stock pursuant to the merger agreement is fair, from a financial point of view.

The full text of Breckenridge s opinion, dated November 5, 2004, is attached as Appendix D to this proxy statement and is incorporated into this document by reference. We urge you to read the entire opinion carefully to understand, among other things, the assumptions made, matters considered and limits on the review undertaken by Breckenridge in connection with it. Breckenridge s opinion was directed to the Cypress board of directors and addressed only the fairness, from a financial point of view, of the aggregate consideration to be paid to stockholders of Cypress. Breckenridge expressed no opinion as to the fairness, from a financial point of view, to the holders of common stock or Series A preferred stock as a category of equity apart from all stockholders collectively. The opinion does not address any other aspect of the transaction or constitute a recommendation to any Cypress stockholder on how to vote. Breckenridge expressed no opinion as to the merits of the underlying decision by Cypress to effect the transactions in the merger agreement or the relative merits of the merger agreement as compared to any alternative strategies or transactions Cypress might pursue. The following summary of Breckenridge s opinion is qualified in its entirety by reference to the full text.

In connection with rendering its opinion, Breckenridge, among other things:

- analyzed and reviewed the outcome of the auction process it conducted;
- reviewed internal financial statements and other business, financial and operating data concerning Cypress prepared by the management of Cypress;
- reviewed certain financial forecasts prepared by the management of Cypress;
- reviewed certain publicly available information concerning Cypress, and certain internal analyses and other information furnished by Cypress;
- reviewed the reported prices, general absence of regular trading volume and lack of analyst coverage of Cypress common stock;
- reviewed the operating metrics, valuation and other characteristics of certain publicly traded companies deemed comparable to

Cypress, in whole or in part;

reviewed the financial terms, to the extent publicly available, of selected business combination transactions that Breckenridge deemed comparable, in whole or in part;

reviewed the terms of the merger agreement and certain related documents;

held discussions with members of the senior management of Cypress regarding the business and prospects of their company;

reviewed current industry prospects, including the regulatory environment and consolidation trends; and

performed other analyses and considered other factors as it deemed appropriate.

In preparing its opinion, Breckenridge did not assume responsibility for the independent verification of, and did not independently verify, the information considered in connection with the rendering of its opinion, whether publicly available or furnished to it, including, without limitation, any financial information, forecasts or projections provided to it by Cypress. Accordingly, for purposes of its opinion, Breckenridge assumed and relied upon the accuracy and completeness of all such information. Breckenridge did not conduct a physical inspection of any of Cypress properties or assets, and did not prepare or obtain any independent evaluation or appraisal of any of its assets or liabilities. With respect to the financial forecasts and projections made available to Breckenridge and used in its analysis, Breckenridge assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of Cypress and that Cypress would perform in accordance therewith. Breckenridge did not opine, directly or indirectly, as to the reasonableness of any such forecasts and projections. Breckenridge also relied upon assurances from Cypress management that they were not aware of any facts or circumstances which they did not disclose to Breckenridge that would make the information, projections or analysis they provided inaccurate or misleading. Breckenridge s opinion was necessarily based upon economic, market and other conditions on, the information made available to Breckenridge as of, and the financial condition of Cypress on, the date of its opinion.

In rendering its opinion, Breckenridge assumed that, in all respects material to its analysis:

- the parties to the merger agreement will perform all of their covenants and agreements under the merger agreement; and

- all conditions to the parties obligations to complete the merger will be satisfied without any waiver.

Breckenridge also assumed that all material governmental or regulatory approvals and consents required in connection with the consummation of the transactions contemplated by the merger agreement will be obtained without significant delay and that in connection with obtaining any necessary governmental or regulatory approvals and consents, no limitations or restrictions will be imposed that would have an adverse effect on the contemplated benefits of the merger and its related transactions.

Financial Analysis of the Financial Advisor to Cypress

The material aspects of the financial analyses Breckenridge performed in connection with rendering its November 5, 2004, opinion are summarized below. The financial analyses Breckenridge performed are among those most commonly used in the financial advisory industry to value companies in the context of an acquisition transaction. In arriving at its fairness determination, Breckenridge did not assign any specific weight to the results obtained by any particular analysis used. The summaries set forth below do not purport to be a complete description of the financial analyses performed. These summaries include information presented in tabular format. In order to understand fully the financial analyses Breckenridge used, the tables must be read together with the text of each summary.

In performing the analyses described below, Breckenridge assumed an enterprise value, or aggregate purchase price for Cypress before the application of proceeds to repay debt, of approximately $40.5 million. This enterprise value is calculated by adjusting the base purchase price of $39.350 million to reflect certain changes in assets and liabilities of Cypress between July 31, 2004, and September 30, 2004. The base purchase price of $39.350 million is based upon Cypress financial results as of July 31, 2004. Application of the working capital adjustment mechanism in the merger agreement, which increases or decreases the final purchase price based on Cypress financial performance after July 31, 2004, results in an increase of the purchase price of approximately $1.2 million based upon Cypress preliminary September 30, 2004, financial results. September 30, 2004, was the date of the latest financial results for Cypress when Breckenridge rendered its opinion. Breckenridge deemed it appropriate to adjust the base purchase price in accordance with Cypress preliminary September 30,

2004, financial results because the amount of cash and cash equivalents, indebtedness, convertible notes, accrued interest and loan fees as of September 30, 2004, was used to determine equity value for purposes of the opinion.

Selected Comparable Companies Analysis. Breckenridge performed a selected comparable companies analysis of Cypress. The purpose of this analysis was to estimate the value of Cypress by comparing it to publicly traded companies that Breckenridge deemed to be comparable, in whole or in part, to Cypress. The comparisons made were in terms of multiples of commonly used financial measures. A multiple is derived by dividing a company s enterprise value by the relevant financial measure. The enterprise value of a company is determined by adding the total value of its outstanding equity and indebtedness and subtracting the value of its excess cash. The companies and financial measures that Breckenridge used for this purpose are described below. Once Breckenridge ascertained the range of multiples applicable to these comparable companies, it applied these multiples to the corresponding financial measures of Cypress in order to derive a range of estimated enterprise values for Cypress. Breckenridge then compared these enterprise valuation ranges and equity valuation ranges to the estimated aggregate purchase price and implied equity value under the merger agreement, assuming the purchase price adjustments appropriate as of September 30, 2004.

The companies that Breckenridge deemed to be comparable, in whole or in part, to Cypress for purposes of this analysis were all publicly traded competitive local exchange carriers, or CLECs, and consisted of the following: ITC^DeltaCom, Inc., Pac-West Telecomm, Inc., Talk America Holdings, Inc., Time Warner Telecom, Inc., US LEC Corp., XO Communications, Inc. and Z-Tel Technologies, Inc.

The financial measures used by Breckenridge for the purpose of this analysis were:

- enterprise value as a multiple of last quarter annualized revenue; and

- enterprise value as a multiple of last quarter annualized earnings before interest, taxes, depreciation and amortization, or EBITDA.

For the last fiscal measure, Breckenridge evaluated the EBITDA of Cypress on a pro forma basis assuming certain normalizing adjustments that were provided to Breckenridge by Cypress management (Adjusted EBITDA).

In developing the reference ranges of valuation multiples used in its analysis, Breckenridge considered a variety of other factors in addition to the selected company data, including differences in physical infrastructure, customer base, geographic presence, business model, operational growth and margin profiles, cash flow and liquidity profiles, financial planning and reporting capabilities, the applicable regulatory environment and capital markets sentiment.

The following table presents the reference range multiples used by Breckenridge in its analysis, along with the Cypress enterprise and equity valuations implied by the multiples analysis. Equity value was determined by adding cash and cash equivalents of $1.8 million to the $40.5 million assumed aggregate purchase price, based on the purchase price adjustment as of September 30, 2004, and subtracting from that total $26.5 million for the repayment of certain indebtedness (senior loan, bridge loan and convertible notes), accrued interest and loan fees, senior management retention bonuses and estimated transaction fees as of September 30, 2004. The assumed equity value implied in the merger for purposes of rendering the fairness opinion is equal to $15.8 million, based on the purchase price adjustment as of September 30, 2004. Cypress statistics were based on historical results provided by Cypress management. Dollar figures are in millions.

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Metric	Cypress Metric	Relevant Range Multiples		Enterprise Valuation Range		Equity Valuation Range	
Last quarter annualized revenue	$ 77.7	0.31x	0.97x	$ 23.8	$ 75.4	$ (0.9)	$ 50.7
Last quarter annualized Adjusted EBITDA	$ 9.8	1.9x	7.0x.	$ 18.8	$ 68.5	$ (5.9)	$ 43.8

Breckenridge observed that the $40.5 million estimated aggregate purchase price and the implied equity value of $15.8 million, based on the purchase price adjustment as of September 30, 2004, was within the estimated enterprise valuation and equity valuation ranges derived from these metrics. The results of this analysis therefore supported the conclusion that the aggregate consideration to be paid to holders of Cypress common stock and Series A preferred stock pursuant to the merger agreement is fair from a financial point of view.

Selected Precedent Transactions Analysis. Breckenridge performed a selected precedent transactions analysis of Cypress. The purpose of this analysis was to estimate the value of Cypress by comparing the enterprise value for Cypress implied by the proposed transaction to the enterprise valuations made by acquirers of other target companies in prior business combination transactions that Breckenridge deemed comparable, in whole or in part, to the proposed transaction. The multiples chosen for comparison from the precedent transactions were multiples of the last quarter annualized revenues and the last quarter annualized Adjusted EBITDA. Breckenridge applied the range of results calculated from precedent transactions to Cypress last quarter annualized revenues and Adjusted EBITDA in order to derive a range of estimated enterprise values and equity values for Cypress. Breckenridge then compared these enterprise valuation ranges and equity valuation ranges to the estimated aggregate purchase price and implied equity value under the merger agreement, assuming the purchase price adjustments appropriate as of September 30, 2004.

The prior business combinations involving companies that Breckenridge considered to be comparable, in whole or in part, to Cypress were as follows:

Announcement Date	Target	Acquiror
September 2004	Network Telephone	ITC^Deltacom
September 2004	FDN	ITC^Deltacom
July 2004	ICG Communications	M/C Ventures / Columbia Capital
March 2004	Focal Communications	Corvis Corporation
July 2003	BTI Telecom Corp.	ITC^Deltacom

In developing the reference range of valuation multiples used in its analysis, Breckenridge considered a variety of other factors in addition to the selected precedent transaction data, including factors similar to those taken into account in arriving at reference range multiples used in the Selected Comparable Companies Analysis described above.

No selected comparable transaction identified above was identical to the proposed merger. Because the circumstances surrounding each of the comparable transactions analyzed were specific to such transaction and because of the inherent differences among the time periods, businesses, operations and prospects of the acquired companies included in the selected transactions, Breckenridge believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the precedent acquisition comparables analysis. Instead, in arriving at the reference-range multiples, Breckenridge made qualitative judgments concerning differences between the characteristics of these precedent transactions and the proposed merger and its related transactions that affected the values of Cypress implied by this method.

The following table presents the reference range multiples used by Breckenridge in its analysis, along with the Cypress enterprise value and equity value implied by the multiples analysis. Cypress statistics were based on historical results provided by Cypress management. Dollar figures are in millions.

Metric	Cypress Metric	Relevant Range Multiples		Enterprise Valuation Range		Equity Valuation Range	
Last quarter annualized revenue	$ 77.7	0.43x	0.86x	$ 33.3	$ 66.8	$ 8.6	$ 42.1
Last quarter annualized Adjusted EBITDA	$ 9.8	4.5x (a)		$ 44.4	$ 44.4	$ 19.7	$ 19.7

(a) Reference range of multiples for comparable transactions included only one relevant EBITDA multiple.

Breckenridge observed that the $40.5 million assumed aggregate purchase price and the assumed aggregate equity value of $15.8 million, based on the purchase price adjustment as of September 30, 2004, was within the estimated enterprise valuation and equity valuation ranges implied by the revenue multiples and below the enterprise valuation and equity valuation ranges implied by the EBITDA multiple. After reviewing a number of qualitative factors associated with the business combinations used in the precedent transaction analysis, Breckenridge determined the results of this analysis supported the conclusion that the aggregate consideration to be paid to holders of Cypress common stock and Series A preferred stock pursuant to the merger agreement is fair from a financial point of view.

Discounted Cash Flow Analyses. Breckenridge performed discounted cash flow analyses of Cypress, which are designed to calculate a range of implied enterprise valuations for Cypress on the basis of the present value of the after-tax free cash flows that Cypress could generate. Cypress management provided Breckenridge with projections of Cypress after-tax free cash flows that were the basis of these analyses. Breckenridge performed the discounted cash flow analyses assuming a growth case and a base case for financial projections. The growth case financial projections assume a successful rollout of new Voice-over-Internet-Protocol (VoIP) product offerings, in addition to maintaining the core product offering, resulting in significant revenue and profitability growth (the Growth Case). The base case financial projections assume Cypress has limited success in new VoIP product offerings and continues to experience revenue declines consistent with recent historical performance (the Base Case). The Growth Case assumed a higher terminal EBITDA multiple and perpetual growth rate for purposes of determining the terminal value relative to the more conservative Base Case. Using these projections and based on an average of the assumed terminal values calculated using the terminal EBITDA multiple and terminal perpetual growth rate methodologies for each case, Breckenridge calculated Cypress

estimated free cash flows for fiscal years 2005 through 2009; and

implied values of Cypress at the end of the 2009 fiscal year, which we refer to as the terminal value.

The terminal EBITDA multiple and perpetual growth rate used in the Growth Case was 4.5x and 3.0%, respectively. The terminal EBITDA multiple and perpetual growth rate used in the Base Case was 3.0x and -5.0%, respectively. Breckenridge then discounted these values to the present using discount rates ranging from 27.5% to 32.5% for the Growth Case and 18.0% to 22.0% for the Base Case in order to

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establish implied enterprise valuation ranges for Cypress. The terminal EBITDA multiples were selected based on Breckenridge s judgment with reference to public market and public transaction multiples and the projected financial performance of Cypress. The range of discount rates was principally based on Breckenridge s judgment with reference to the weighted average cost of capital of Cypress and other CLECs and based on estimates of rates of return that private equity investors would require for a similar type investment in Cypress. After-tax free cash flow is calculated as EBITDA less cash taxes, changes in working capital and capital expenditures. Breckenridge then compared the estimated aggregate value of the purchase price to be paid by Buyer to the estimated enterprise valuation ranges implied by these analyses.

The following table presents the range of Cypress enterprise values implied by the resulting discounted cash flow valuation ranges. Dollar figures are in millions.

Case **Scenario**	**Enterprise Valuation Range**		
Base Case:			
Present value of cash flows	$	21.3	$23.0
Present value of terminal value	$	10.8	$13.6
Total	$	32.1	$36.6
Growth Case:			
Present value of cash flows	$	17.9	$20.0
Present value of terminal value	$	31.7	$39.6
Total	$	49.6	$59.5

Breckenridge observed that the $40.5 million estimated aggregate purchase price to be paid by FIIB under the merger agreement, based on adjustments as of September 30, 2004, was below the estimated enterprise valuation ranges implied by the discounted cash flow analyses using the Growth Case and above the estimated enterprise valuation range implied by the discounted cash flow analysis using the Base Case. Breckenridge noted that although the valuation of the proposed transaction was below the low end of the estimated enterprise valuation range implied by the discounted cash flow analysis using the Growth Case, that fact was not sufficient to preclude a conclusion of fairness from a financial point of view. A number of qualitative factors affected Breckenridge s assessment of this criterion, including the assumptions in the Growth Case for revenue and profitability relative to the recent historical performance of the business.

Leverage Buyout Analyses. Breckenridge performed leverage buyout analyses of Cypress, which were designed to calculate a range of implied enterprise valuations for Cypress on the basis of what returns on invested capital a private equity investor may require for a similar type of investment assuming a certain capital structure and future financial performance. Cypress management provided Breckenridge with financial projections for Cypress as described above in the Discounted Cash Flow Analyses section. Breckenridge performed the leverage buyout analyses assuming the Growth Case and the Base Case for financial projections. The analysis based on the Growth Case assumed a higher required rate of return on invested capital and a higher terminal EBITDA multiple relative to the more conservative Base Case. Using these projections and based on an assumed terminal EBITDA multiple for each case, Breckenridge calculated Cypress

estimated free cash flow for fiscal years 2005 through 2009; and

implied values at the end of the 2009 fiscal year, which we refer to as the terminal value.

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The terminal EBITDA multiple used in the Growth Case and the Base Case was 4.5x and 3.0x, respectively. The terminal EBITDA multiples were selected based on Breckenridge s judgment with reference to public market and public transaction multiples and the projected financial performance of Cypress. Breckenridge then assumed a required rate of return on invested equity capital of 35% for the Growth Case and 25% for the Base Case. Breckenridge deemed a difference in the required rates of return on invested equity between the two cases appropriate due to significant differences in the execution risk in each respective set of financial projections. Breckenridge then compared the estimated aggregate purchase price and the estimated aggregate consideration to be paid to Cypress stockholders to the estimated enterprise valuation range and equity valuation range derived by this analysis.

The following table presents the range of enterprise values and equity values implied by the resulting leverage buyout analyses. Dollar figures are in millions.

	Enterprise Valuation Range		Equity Valuation Range	
	Base	Growth	Base	Growth
Implied Valuation	$ 26.2	$ 48.5	$ 1.5	$ 23.8

Breckenridge observed that the $40.5 million assumed aggregate purchase price and the implied equity value of $15.8 million, based on the purchase price adjustment as of September 30, 2004, was within the estimated enterprise valuation and equity valuation ranges implied by the leverage buyout analyses. The results of this analysis therefore supported the conclusion that the aggregate consideration to be paid to holders of Cypress common stock and Series A preferred stock pursuant to the merger agreement is fair from a financial point of view.

Trading Analyses. Breckenridge performed trading analyses that compared the approximate share price implied by the merger at the time the opinion was rendered to the average closing prices of Cypress common stock during three different historical trading periods. The approximate per share merger consideration based on the preliminary September 30, 2004 balance sheet reviewed by Breckenridge represents a premium of approximately 100%, 100% and 60% over the average closing price of Cypress common stock during the 1-year, 6-month and 60-trading day periods ending on November 4, 2004, respectively. November 4, 2004, was the last trading date prior to the date of the merger agreement. On that day, the closing price per share of Cypress common stock was $0.70 per share. The closing price of Cypress common stock on February 2, 2005 was $1.45 per share. The Cypress board of directors believes that the merger represents an opportunity for holders of Cypress common stock to realize a higher price for their common stock than they might be able to realize in market transaction in the near term.

In connection with the review of the merger by the Cypress board of directors, Breckenridge performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Such an opinion, therefore, is not necessarily susceptible to partial analysis or summary description. Breckenridge believes that the summary of the analyses provided above must be considered as a whole and that selecting any portion of its analyses, without considering all of them, would create an incomplete view of the process underlying its analyses and opinion.

In performing its analyses, Breckenridge made, and was provided by Cypress management with, numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Cypress. Analyses based on estimates or forecasts of future results are not necessarily indicative of future results or actual values, which may be

significantly more or less favorable than those suggested by such estimates or forecasts, and neither Cypress, Breckenridge nor any other person assumes responsibility if future results are materially different from those estimates or forecasts. The analyses performed were prepared solely as part of Breckenridge s analysis of the fairness from a financial point of view to holders of Cypress common stock and Series A preferred stock of the aggregate consideration to be paid to them under the merger agreement. Breckenridge delivered such an opinion to the Cypress board of directors on and as of November 5, 2004. The analyses do not purport to be appraisals.

The merger consideration and other terms of the merger agreement were determined through arm s length negotiations between Cypress and Buyer and were approved by the boards of directors of both Cypress and Crescent. Although Breckenridge provided advice to Cypress during the course of these negotiations, the decision to enter into the merger agreement was solely that of the Cypress board of directors. As described above, the opinion and presentations of Breckenridge to the Cypress board of directors were only one of a number of factors taken into consideration by the Cypress board of directors in making its determination to approve the merger agreement. Breckenridge s analyses, summarized above, should not be viewed as determinative of the opinion of the Cypress board of directors with respect to the value of Cypress or of whether the Cypress board of directors would have been willing to agree to a different purchase price or form of consideration.

Breckenridge is a nationally recognized investment banking firm experienced in providing advice in connection with mergers and acquisitions, recapitalizations, private placements and related transactions. Following consideration of other potential candidates, the Cypress board of directors selected Breckenridge as financial advisor in connection with the transaction based on Breckenridge s qualifications, expertise, reputation and experience in mergers and acquisitions, particularly in the telecommunications industry. In the past, Breckenridge has acted as financial advisor to one of Cypress subsidiaries in connection with its sale to Cypress by tender offer in February 2002 and as financial advisor to WorldCom, Inc. in connection with WorldCom, Inc. s sale of the assets of its shared tenant telecommunications services business to Cypress in July 2002. Cypress retained Breckenridge pursuant to an engagement letter dated February 2, 2004. Cypress has paid Breckenridge an opinion fee equal to $100,000 and agreed to pay Breckenridge a transaction fee equal to 2.0% of the purchase price up to $25.0 million and 1.5% of the purchase price over $25.0 million in the event the proposed merger with Mergerco is consummated. Regardless of whether the merger or any alternative transaction is consummated, Cypress has also agreed to pay Breckenridge a retainer of $5,000 per month and to reimburse Breckenridge for expenses incurred in performing its services of up to $35,000. In addition, Cypress has agreed to indemnify Breckenridge and related parties against liabilities and expenses related to or arising out of Breckenridge s engagement by the Company or the rendering by Breckenridge of its fairness opinion.

Risks That the Merger Will Not be Completed

Completion of the merger is subject to various risks, including, but not limited to, the following:

- that the merger agreement will not be approved by the holders of a majority of the issued and outstanding shares of our common stock;
- that neither we nor Buyer or Mergerco will have performed in all material respects our or their respective obligations contained in the merger agreement before the effective time of the merger;
- that the necessary federal and state regulatory approvals will not be received;

- that Buyer s or Mergerco s representations and warranties made in the merger agreement will not be true and correct at the closing date of the merger;
- that our representations and warranties made in the merger agreement will not be true and correct at the closing date of the merger, and that such failure to be true and correct has an adverse effect (exceeding $2,000,000) on our business, assets or liabilities, financial condition or results of operations or on our ability to perform our obligations under the merger agreement;
- that there may be litigation that could prevent the merger, cause the merger to be rescinded following completion of the merger or that could have a material adverse effect on our business;
- the holders of more than 10% of the outstanding shares of our common stock exercise their appraisal rights and Buyer exercises its right not to proceed with the merger; and
- an event has occurred which has had or could reasonably be expected to have, in the discretion of Buyer, a material adverse effect on Cypress.

As a result of various risks to the completion of the merger, there can be no assurance that the merger will be completed even if the requisite stockholder approval is obtained. It is expected that, if our stockholders do not approve the merger agreement or if the merger is not completed for any other reason, our current management, under the direction of the board of directors, will continue to manage Cypress as an ongoing business. If the merger is not completed, depending on the circumstances, we may be required to pay Buyer a termination fee or reimburse certain expenses of Buyer.

Conduct of the Business of Cypress if the Merger is not Completed

If the merger is not completed, the board of directors of Cypress expects to continue to operate the business of Cypress substantially as presently operated. The board of directors would reassess the strategic alternatives available to Cypress to enhance stockholder value, including, among others, the possibility of a sale of Cypress and alternatives that would keep Cypress independent and publicly owned.

Interests of Certain Persons in the Merger

In considering the recommendation of the board of directors, you should be aware that certain of our officers and directors have interests in the merger, or have certain relationships as described below, that present actual or potential conflicts of interest in connection with the merger. The board of directors were aware of these actual or potential conflicts of interest and considered them along with other matters described under SPECIAL FACTORS Purpose and Reasons for the Merger on page 21; and Recommendation of the Board of Directors on page 22.

Net Cash Proceeds to be Received by Directors and Officers

Ross J. Mangano, chairman of the board of directors, beneficially owns 2,183,401 shares of our issued and outstanding common stock and warrants convertible into 583,192 shares of our common stock. Of the 583,192 warrants beneficially owned, 272,692 warrants have an exercise price of $3.25 per share and 310,500 warrants have an exercise price of $1.13 per share. Along with the other bridge loan lenders, Mr. Mangano will be repaid all amounts outstanding under the $8 million bridge loan, together with all accrued and unpaid interest, pursuant to the terms of the merger agreement.

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Gerard H. Sweeney, a director, owns 20,000 shares of our issued and outstanding common stock. Mr. Sweeney owns warrants convertible into 25,000 shares of our common stock at the exercise price of $8.00 per share. Mr. Sweeney is also the president and chief executive officer of Brandywine Realty Trust, the general partner of Brandywine Operating Partnership, L.P., and may be deemed to beneficially own 384,615 shares of our issued and outstanding common stock and warrants convertible into 148,077 shares of our common stock at the exercise price of $3.25 per share.

Steve G. Nussrallah, a director, is the general partner of Noro-Moseley Partners V, L.P. and may be deemed to beneficially own the warrants exercisable for, as of February 7, 2005, 7,875,566 shares of our common stock at the exercise price of $1.13 per share, and the 72.9 shares of our Series A preferred stock owned by Noro-Moseley. Along with the other bridge loan lenders, Noro-Moseley will be repaid all amounts outstanding under the $8 million bridge loan, together with all accrued and unpaid interest, pursuant to the terms of the merger agreement. Along with the other convertible debt holders, Noro-Moseley will be repaid all amounts outstanding under the $10 million convertible debt, together with all accrued and unpaid interest, pursuant to the terms of the merger agreement.

Michael F. Elliot, a director, is the managing director of Wakefield Group III, LLC and may be deemed to beneficially own the warrants exercisable for, as of February 7, 2005, 1,803,919 shares of our common stock at the exercise price of $1.13 per share, and the 16.7 shares of our Series A preferred stock owned by Wakefield. Along with the other bridge loan lenders, Wakefield will be repaid all amounts outstanding under the $8 million bridge loan, together with all accrued and unpaid interest, pursuant to the terms of the merger agreement. Along with the other convertible debt holders, Wakefield will be repaid all amounts outstanding under the $10 million convertible debt, together with all accrued and unpaid interest, pursuant to the terms of the merger agreement.

Gregory P. McGraw, chief executive officer, president, secretary and a director, owns stock options which are convertible into 1,250,000 shares of our common stock. Of the 1,250,000 stock options, 150,000 stock options have an exercise price of $1.25 per share, 800,000 stock options have an exercise price of $1.50 per share and 300,000 stock options have an exercise price of $2.00 per share.

Neal L. Miller, executive vice president, chief financial officer and treasurer, owns stock options which are convertible into 400,000 shares of our common stock at the exercise price of $1.25 per share.

Salvatore W. Collura, executive vice president and chief operating officer, owns stock options which are convertible into 350,000 shares of our common stock. Of the 350,000 stock options, 200,000 stock options have an exercise price of $1.25 per share and 150,000 stock options have an exercise price of $2.00 per share.

The following table sets forth the cash proceeds that each of our directors and executive officers will receive at the closing of the merger based on his beneficial ownership as of the record date, assuming a closing date of March 18, 2005, a measurement date of December 31, 2004 and each of the directors and executive officers agreement to exercise all of their in-the-money stock options and warrants and cancel their out-of-the-money stock options:

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Interested Party	Shares	Stock Options	Warrants*	Term Loan	Convertible Debt	Total Merger Consideration
Ross J. Mangano	$ 3,733,616		$ 180,090	$ 6,582,600		$ 10,496,306
Gerard H. Sweeney	$ 691,892					$ 691,892
Steve G. Nussrallah			$ 4,564,087	$ 1,547,600	$ 8,919,731	$ 15,035,159
Michael F. Elliot			$ 1,045,416	$ 349,800	$ 2,043,340	$ 3,439,413
Gregory P. McGraw		$ 299,500				$ 299,500
Neal L. Miller		$ 204,000				$ 204,000
Salvatore W. Collura		$ 109,500				$ 109,500

* Subject to increase due to an increase in the number of warrants to be issued as of the closing date in accordance with the warrant agreements

Employment and Retention Awards

In connection with our board of directors consideration of a change in control event, the board adopted the Cypress Communications, Inc. Key Executive Officer Retention Plan, or KEORP, in August 2004 and amended the KEORP with respect to the President and Chief Executive Officer in November 2004. The key executive officer participants in the KEORP are Gregory P. McGraw, Salvatore W. Collura and Neal L. Miller. Pursuant to the KEORP, the executive officers were granted retention awards payable following a change in control event if within twelve months of the change of control the executive officer s employment is terminated without cause or the executive officer resigns for good reason. In addition, the employment agreement for each of these executive officers includes a severance award, pursuant to which each executive officer would be entitled to receive payment over 6 or 12 months in the event that, coincident with a change in control event, the executive officer s employment is terminated at employee s direction or otherwise. Upon termination in connection with a change in control event, the executive officers are entitled to severance and retention awards as follows:

Executive Officer	Severance Award	Retention Award
Greg McGraw, President and Chief Executive Officer	$ 300,000	$ 375,000
Salvatore W. Collura, Executive Vice-President and Chief Operating Officer	$ 110,000	$ 100,000
Neal L. Miller, Executive Vice-President, Chief Financial Officer and Treasurer	$ 100,000	$ 100,000

D & O Insurance

The merger agreement provides that we, as the surviving corporation, will continue to maintain, after the effective time of the merger, all rights of indemnification existing on the date of the merger agreement in favor of our present and former officers and directors. We will also maintain for six years after the effective time of the merger, subject to certain limitations, the current policies of directors and officers liability insurance. See THE MERGER AGREEMENT - Director and Officer Liability on page 51. Our current members of the board of directors each will be entitled to such indemnification and liability insurance coverage after the merger closes.

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Options

Pursuant to our stock option plans, all Cypress stock options, including stock options held by certain of our officers and directors, will vest in full immediately prior to the completion of the merger, and pursuant to the merger agreement, the holders of certain stock options, including Messrs. McGraw, Collura and Miller, will be entitled to receive a cash payment in respect of the cancellation of their respective Cypress stock options.

It is expected that, following the merger, senior managers of Cypress will be granted options to purchase shares of common stock of the surviving corporation.

Delisting and Deregistration of Cypress Common Stock

If the merger is completed, our common stock will no longer be traded on the OTC Bulletin Board or the Pink Sheets and will be deregistered under the Securities Exchange Act of 1934.

Financing the Merger

FIIB, Buyer s indirect parent, has made a written commitment to Buyer to provide all funds necessary to enable Buyer to consummate the merger. FIIB s commitment is only subject to the satisfaction or waiver by Buyer, on or before the closing date, of all the conditions precedent to the consummation of the merger.

Fees and Expenses of the Merger; Debt Repayment

The merger agreement provides that Cypress, Buyer and Mergerco will bear their respective expenses incurred in connection with the merger agreement, whether or not the merger is consummated, except in certain circumstances specified in the merger agreement. See THE MERGER AGREEMENT Expenses on page 51.

The merger agreement further provides that the merger consideration will first be used to repay and satisfy Cypress outstanding indebtedness under its term loan and convertible debt, as well as any unpaid transaction fees and expenses of Cypress incurred in connection with the merger. All such repayment amounts will reduce the merger consideration to be received by our stockholders and the holders of options and warrants with an exercise price less than the per share merger consideration.

As of December 31, 2004, the amount owed by Cypress in connection with the term loan and the convertible debt was $20,479,517. The estimated payment by Cypress in connection with the term loan at the closing of the merger is $8,480,000; the estimated payment by Cypress in connection with the convertible debt at the closing of the merger is $12,105,000.

The estimated transaction fees and expenses to be paid by Cypress in connection with the merger are $1.3 million. Of this amount, we estimate that $900,000 will be unpaid as of the closing of the merger. This estimate does not include any amounts attributable to any future litigation challenging the proposed merger.

If the merger agreement is terminated in certain circumstances, including if our stockholders fail to approve and adopt the merger agreement and the related merger, we have agreed to pay Buyer a termination fee of $1.5 million.

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U.S. Federal Income Tax Consequences of the Merger

General. The following describes the material U.S. federal income tax consequences of the merger that are generally applicable to U.S. holders of our common stock. However, this discussion does not address all aspects of taxation that may be relevant to particular U.S. holders in light of their personal investment or tax circumstances or to persons who are subject to special treatment under the U.S. federal income tax laws. This discussion deals only with U.S. holders that hold shares of our common stock as capital assets within the meaning of the Internal Revenue Code of 1986, as amended. In addition, this discussion does not address the tax treatment of special classes of U.S. holders, such as banks, insurance companies, tax-exempt entities, financial institutions, broker-dealers, persons, if any, holding our common stock as qualified small business stock or section 1244 stock, persons holding our common stock as part of a hedging, straddle, conversion or other integrated transaction, U.S. expatriates, or persons subject to the alternative minimum tax or persons whose right to receive the cash merger consideration is subject to vesting restrictions. This discussion may not be applicable to stockholders who acquired our common stock pursuant to the exercise of options or warrants, or otherwise as compensation. Furthermore, this discussion does not address any aspect of state, local or foreign tax considerations. We urge you to consult your own tax advisor as to the specific tax consequences of the merger, including the applicable federal, state, local and foreign tax consequences to you of the merger.

As used in this proxy statement, a U.S. holder means a holder of our common stock who is for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a corporation, partnership or other entity classified as a corporation or partnership for United States federal income tax purposes, which is created or organized under the laws of the United States or any state within the United States;
- an estate whose income is includible in gross income for United States federal income tax purposes regardless of its source; or
- a trust whose administration is subject to the primary supervision of a United States court and that has one or more United States persons who have the authority to control all substantial decisions of the trust.

This discussion is based on current law, which is subject to change, possibly with retroactive effect.

Consequences of the merger to our stockholders. Exchange of our common stock for the right to receive cash in the merger or pursuant to the exercise of appraisal rights by a U.S. holder will be a taxable transaction for U.S. federal income tax purposes. In general, a U.S. holder will recognize capital gain or loss equal to the difference between the amount of cash received and the U.S. holder s tax basis in our common stock exchanged in the merger. Gain or loss will be calculated separately for each block of shares, with each block of shares consisting of shares acquired at the same cost in a single transaction. Such gain or loss will be long-term capital gain or loss if the U.S. holder held our common stock for more than one year as of the effective time of the merger. Certain limitations apply to the deductibility of capital losses by U.S. holders.

Federal income tax backup withholding. A U.S. holder may be subject to backup withholding at the rate of 28% with respect to a payment of cash in the merger unless the U.S. holder:

is a corporation or comes within certain other exempt categories (including financial institutions, tax-exempt organizations and non-U.S. stockholders) and, when required, demonstrates this fact; or

provides a correct taxpayer identification number and certifies, under penalties of perjury, that the U.S. holder is not subject to backup withholding, and otherwise complies with applicable requirements of the backup withholding rules.

To prevent backup withholding, you should complete and sign the substitute Form W-9 included in the letter of transmittal, which will be sent to you if the merger is completed. Any amount withheld under these rules may be credited against the U.S. holder s U.S. federal income tax liability, provided the required information is furnished to the Internal Revenue Service.

Stockholders other than U.S. holders may be required to establish a basis for exemption from backup withholding on an appropriate Form W-8 (including a Form W-8BEN, W-8ECI, W-8EXP and W-8IMY), as applicable. If withholding is made and results in an overpayment of taxes by a non-U.S. holder, a refund may be obtained, provided that the required information is furnished to the Internal Revenue Service.

Consequences to holders of options or warrants to purchase shares of our common stock. The receipt of cash in exchange for or in cancellation of our stock options, which have been issued to employees and directors of Cypress, will be taxable as compensation income and will be subject to applicable withholding and employment taxes. The receipt of cash in exchange for or in cancellation of warrants to purchase shares of our common stock will generally be taxable in the same manner as would a sale of such shares.

We strongly urge you to consult your own tax advisor as to the specific tax consequences to you of the merger, including the applicability and effect of U.S. Federal, state, local and foreign income and other tax laws, in view of your particular circumstances.

Regulatory Matters

We have jointly filed applications with the Federal Communications Commission, or the FCC, for approval to transfer control of specified licenses and authorizations. Approval depends on the FCC s evaluation as to whether Buyer is qualified to control the licenses and authorizations and whether the transfer is consistent with the public interest, convenience and necessity. We believe that the merger complies with this standard.

We have made joint regulatory filings seeking approval from certain state public utilities commissions. The commissions will generally consider whether the merger will be in the public interest and may look at the impact of the merger on competition and on the customers and employees of the local telephone companies. We have also made informational filings with the public utilities commissions in certain other states.

We may not consummate the merger until we receive the approval of all of the federal and state regulatory agencies. See THE MERGER AGREEMENT Conditions on page 51.

Litigation

To the best of our knowledge, no lawsuits have been filed relating to the merger.

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Market Prices and Dividend Information

Our common stock was quoted on the OTC Bulletin Board (OTCBB) under the symbol CHYI through February 2, 2005. The following table sets forth, for the periods indicated, the high and low bid quotations for the common stock, as reflected on the OTCBB. The following quotations represent inter-dealer prices without adjustment for retail markups, markdowns or commissions and may not necessarily represent actual transactions.

PERIOD	HIGH	LOW
2005		
First Quarter (through February 2, 2005)	$ 1.49	$ 1.30
2004		
Fourth Quarter	$ 1.51	$ 0.70
Third Quarter	1.35	0.60
Second Quarter	0.90	0.51
First Quarter	1.10	0.65
2003		
Fourth Quarter	$ 1.01	$ 0.53
Third Quarter	1.80	0.70
Second Quarter	2.00	1.01
First Quarter	3.00	1.50

We are seeking to have resumed the quoting of our common stock on the OTCBB, but there are no assurances this will occur. Our stock is currently quoted on the Pink Sheets under the symbol CYHI.

As of February 7, 2005, there were 114 holders of record of our common stock. We believe that there are in excess of 300 beneficial owners of their common stock.

To date, we have not declared or paid any dividends on our common stock. The payment of dividends, if any, is within the discretion of our board of directors and will depend upon earnings, capital requirements and financial condition and other relevant factors. We do not intend to declare any dividends in the foreseeable future.

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THE COMPANIES

CYPRESS

Cypress Communications Holding Co., Inc.
15 Piedmont Center, Suite 100
Atlanta, GA 30305
(404) 442-0120

Cypress Communications Holding Co., Inc., a Delaware corporation, is, through its wholly-owned subsidiary, Cypress Communications, Inc., a communications solution provider to small and medium-sized businesses located in multi-tenant commercial office buildings. Specifically, Cypress offers its customers integrated service bundles that include local, long distance and international telecommunications services; high-speed internet connectivity; e-mail services; fully-managed firewall services; web hosting; virtual private networks; feature-rich digital desktop stations; calling cards; audio and web conferencing; and digital business television. As of December 31, 2004, Cypress is providing services in more than 1,300 commercial office buildings in 25 major metropolitan U.S. markets. Throughout this proxy statement, we will refer to Cypress Communications Holding Co., Inc. as Cypress, we, us or our.

BUYER

TechInvest Holding Company, Inc.
c/o Crescent Capital Investments, Inc.
75 Fourteenth Street, 24th Floor
Atlanta, Georgia 30309
(404) 920-9000

TechInvest Holding Company, Inc., a Delaware corporation, which we refer to as Buyer, was formed for the sole purpose of entering into the merger agreement and consummating the transactions contemplated thereby. Buyer has not conducted any activities to date other than (1) incidental to its formation, (2) entering into the merger agreement, and (3) entering into certain other agreements contemplated thereby. Buyer is currently a wholly-owned subsidiary of TechInvest Holdings Limited and an indirect wholly-owned subsidiary of First Islamic Investment Bank E.C., or FIIB. Prior to the merger, however, Buyer will issue additional shares to (1) FIIP Limited, an entity owned by the management of FIIB and Crescent Capital Investments, Inc., which we refer to as Crescent, (2) five U.S. citizens who are employees of or consultants to Crescent, and (3) certain Cayman Islands entities that are not affiliated with FIIB or Crescent. Following such issuance, none of the equity owners of Buyer will own a controlling interest in Buyer.

MERGERCO

TechInvest Acquisition, Inc.
c/o Crescent Capital Investments, Inc.
75 Fourteenth Street, 24th Floor
Atlanta, Georgia 30309
(404) 920-9000

TechInvest Acquisition, Inc., a Delaware corporation, which we refer to as Mergerco, was formed for the sole purpose of entering into the merger agreement and consummating the transactions contemplated thereby. Mergerco has not conducted any activities to date other than (1) incidental to its

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formation, (2) entering into the merger agreement, and (3) entering into certain other agreements contemplated thereby. Mergerco is currently a direct wholly-owned subsidiary of Buyer and an indirect wholly-owned subsidiary of TechInvest Holdings Limited and FIIB.

Pursuant to the merger agreement, Mergerco will merge with and into Cypress with Cypress being the surviving corporation upon completion of the merger. Assuming that all outstanding options and warrants in the surviving corporation are exercised and terminated in the merger, upon completion of the merger Buyer will own 100% of the issued and outstanding stock of the surviving corporation. It is expected that, following the merger, the senior managers of Cypress will be granted options to purchase shares of common stock of the surviving corporation.

FIIB

First Islamic Investment Bank E.C.
P.O Box 1406, Manama, Bahrain
(973) 17-219-333

FIIB, a Bahrain joint stock company, is an investment bank whose primary business consists of arranging and investing in corporate investments, real estate investments and asset-based investments.

CRESCENT

Crescent Capital Investments, Inc.
75 Fourteenth Street, 24th Floor
Atlanta, Georgia 30309
(404) 920-9000

Crescent Capital Investments, Inc., a Delaware corporation, which we refer to as Crescent, is an indirect wholly owned subsidiary of FIIB that (1) identifies opportunities for FIIB and its co-investors to acquire interests in operating companies, (2) structures and advises FIIB and its co-investors with respect to investments in real estate and asset-based investments; and (3) provides management and strategic advice to such operating companies and joint venture vehicles.

Beneficial Ownership of Securities of Cypress

As of February 7, 2005, we had 6,723,395 issued and outstanding shares of common stock. The following table presents information about the beneficial ownership of our common stock, as of the record date, by each person or group we know to own more the 5% of the common stock, by each of our directors and executive officers, and by all of our directors and executive officers as a group. The beneficial ownership table includes warrants and options exercisable within 60 days.

Name of Beneficial Owner	Number of Shares Common Stock Beneficially Owned	Percent of Shares of Common Stock Outstanding	Number of Shares Preferred Stock Beneficially Owned	Percent of Shares of Preferred Stock Outstanding
5% Stockholders				

Brandywine Operating Partnership, L.P. (1)	532,692	7.75%		%
Noro-Moseley V, LLP (2)	7,979,600	54.27%	72.9	72.9%
Wakefield Group III, LLC (3)	1,827,751	21.37%	16.7	16.7%
Dolphin Equity Partners (4)	1,127,976	14.36%	10.4	10.4%

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Name of Beneficial Owner	Number of Shares Common Stock Beneficially Owned	Percent of Shares of Common Stock Outstanding	Number of Shares Preferred Stock Beneficially Owned	Percent of Shares of Preferred Stock Outstanding
Jo & Co. (5)	1,257,232	18.70%		%
Troon & Co. (6)	551,615	7.91%		%
Jordan E. Glazov (7)	667,344	9.90%		%
Charles B. McNamee(13)	550,000	7.56%		%
Directors and Executive Officers				
Ross J. Mangano (8)	2,766,593	37.86%		%
Gerard H. Sweeney (9)	577,692	8.38%		%
Steve G. Nussrallah (10)	7,966,597	54.23%		%
Michael F. Elliott (11)	1,824,766	21.35%		%
Gregory P. McGraw (12)	1,100,000	14.06%		%
Salvatore C. Collura (14)	100,000	1.47%		%
Neal L. Miller(15)	75,000	1.10%		%
All Current Directors and Executive Officers as a Group (7 persons) (16)	15,098,446	77.70%	100	100%

(1) The address of Brandywine Operating Partnership, L.P. is 401 Plymouth Road, Suite 500, Plymouth Meeting, Pennsylvania 19462. Includes 148,077 shares subject to warrants exercisable within 60 days of February 7, 2005.

(2) The address of Noro-Moseley V, LLP is 9 North Parkway Square, 4200 Northside Parkway, Atlanta, Georgia 30327. Includes 7,979,600 shares subject to warrants exercisable within 60 days of February 7, 2005.

(3) The address of Wakefield Group III, LLC is 1110 East Morehead Street, Charlotte, North Carolina 28204. Includes 1,827,751 shares subject to warrants exercisable within 60 days of February 7, 2005.

(4) The address of Dolphin Equity partners is 750 Lexington Avenue, New York, New York 10022. Includes 1,127,976 shares subject to warrants exercisable within 60 days of February 7, 2005.

(5) The address of Jo & Co. is 112 W. Jefferson Blvd., Suite 613, South Bend, Indiana 46601.

(6) The address of Troon & Co. is 112 W. Jefferson Blvd., Suite 613, South Bend, Indiana 46601. Includes 247,692 shares subject to warrants exercisable within 60 days of February 7, 2005.

(7) Includes 15,384 shares subject to warrants exercisable within 60 days of February 7, 2005. The remaining 651,960 shares are held in joint tenancy with Mr. Glazov s wife. Does not include 3,568 shares held by one of Mr. Glazov s sons, 3,568 shares held by another of Mr. Glazov s sons and 2,318 shares held by Mr. Glazov s daughter. Mr. Glazov disclaims beneficial ownership of such shares.

(8) Includes 25,000 shares of Cypress common stock subject to warrants exercisable within 60 days of February 7, 2005. Includes 404,652 shares held by trusts of which Mr. Mangano serves as trustee, as follows: Joseph D. Oliver Trust GO Cunningham Fund (98,288), Joseph D. Oliver Trust James Oliver II Fund (98,288), Joseph D. Oliver Trust Joseph D. Oliver, Jr. Fund (98,288), Joseph D. Oliver Trust Susan C. Oliver Fund (98,288), J. Oliver Cunningham Jr. Revoc Trust (11,500). Also includes the following: warrants to purchase 103,500 shares held by the J. Oliver Cunningham Trust; warrants to purchase 103,500 shares held by the Anne C. McClure Trust; warrants to purchase 103,500 shares held by the Jane C. Warriner Trust; 1,257,232 shares held by

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Jo & Co., a corporation for which Mr. Mangano serves as President; 68,973 shares held by James Hart over which Mr. Mangano has voting and/or dispositive control. Also includes 303,923 shares and warrants to purchase 247,692 shares held by Troon & Co.

(9) Includes 25,000 shares subject to warrants exercisable within 60 days of February 7, 2005. Includes 384,615 shares held by Brandywine Operating Partnership, L.P. and 148,077 shares subject to warrants held by Brandywine Operating Partnership, L.P., of which Mr. Sweeney disclaims any beneficial ownership. Mr. Sweeney is the President and Chief Executive Officer of Brandywine Realty Trust, the general partner of Brandywine Operating Partnership, L.P.

(10) Includes 7,966,567 shares subject to warrants exercisable within 60 days of February 7, 2005.

(11) Includes 1,824,766 shares subject to warrants exercisable within 60 days of February 7, 2005.

(12) Includes 1,100,000 shares subject to options exercisable within 60 days of February 7, 2005.

(13) Includes 550,000 shares subject to options exercisable within 60 days of February 7, 2005.

(14) Includes 100,000 shares subject to options exercisable within 60 days of February 7, 2005.

(15) Includes 75,000 shares subject to options exercisable within 60 days of February 7, 2005.

(16) See footnotes (8) through (15) above.

THE MERGER AGREEMENT

The following is a summary of the material provisions of the agreement and plan of merger, a copy of which is attached as Appendix A to this proxy statement. This summary is qualified in its entirety by reference to the full text of the agreement and plan of merger and you are urged to carefully read the full text of the agreement and plan of merger. The agreement and plan of merger is incorporated into this proxy statement by this reference.

Structure of the Merger

If the common stockholders and the Series A stockholders approve the merger agreement, Buyer will acquire Cypress for the aggregate merger consideration of approximately $40.285 million, subject to a final adjustment for changes in working capital, by merging Mergerco with and into Cypress, with Cypress surviving the merger as the wholly-owned subsidiary of Buyer. The merger consideration will first be used to repay and satisfy the outstanding indebtedness under our convertible debt and term loan, as well as any unpaid transaction fees and expenses of Cypress relating to the merger. The remaining merger consideration will be distributed to our stockholders as consideration for their shares of common stock. Holders of our common stock will receive for each share of our common stock owned at the time of the merger, the merger consideration.

The aggregate merger consideration and the per share price is subject to a final adjustment, upwards or downwards, based upon the change in certain assets and liabilities between July 31, 2004, and the measurement date (which is the end of the month immediately prior to the anticipated closing date or if the end of such month is less than 30 days from the anticipated closing date, then the end of the second month immediately prior to the anticipated closing date), or as otherwise provided in the merger agreement.

At the effective time of the merger, Mergerco will cease to exist as a separate entity, and each share of Mergerco common stock will be converted into one share of our common stock. Our common stock will be withdrawn from the OTC Bulletin Board and deregistered under the Securities Exchange Act of 1934, as amended. We will continue in business as a privately held Delaware corporation wholly-owned by Buyer.

The certificate of incorporation and bylaws of Cypress immediately prior to the merger will be the certificate of incorporation and bylaws of Cypress after the merger. The officers and directors of Mergerco prior to the merger will be the officers and directors of Cypress after the merger.

Repayment of Indebtedness and Transaction Fees and Expenses.

Immediately prior to the effective time of the merger, we or Buyer will pay from the aggregate merger consideration all of our outstanding amounts owed under our convertible debt, which, as of December 31, 2004, was $11,999,517. Immediately following the effective time of the merger, Buyer or Cypress, as the surviving corporation, will pay from the aggregate merger consideration all of the outstanding amounts owed in connection with our term loan, which, as of December 31, 2004, was $8,480,000 and all of our unpaid transaction fees and expenses, which are estimated to be $900,000.

Effect of the Merger on Capital Stock

Each issued and outstanding share of our common stock will be converted into the right to receive for each share of our common stock owned at the time of the merger, an estimated $1.71 in cash, without interest, which amount is calculated based on a preliminary Cypress balance sheet as of December 31, 2004, adjusted for the exercise of warrants subsequent to such date, and is subject to a final adjustment for changes in working capital. Each share of our common stock outstanding immediately prior to the merger shall be deemed to be cancelled and retired and shall cease to exist at the time of the merger, and the holders of such common stock will no longer have any rights with respect to such shares, except the right to receive cash consideration. At the effective time of the merger, each share of Mergerco common stock issued and outstanding immediately prior to the merger will be converted into one share of our common stock. Such shares will continue to exist upon consummation of the merger and will be issued and outstanding shares of our common stock. As of December 31, 2004, the aggregate merger consideration to be paid to holders of our currently outstanding common stock is $11,497,000, based on the per share merger consideration as calculated above.

Immediately prior to the effective time of the merger, we will redeem each issued and outstanding share of Series A preferred stock for par value of $0.001 and the holders of the Series A preferred stock will cease to have any rights with respect to such shares. The aggregate consideration to be paid to the Series A preferred stockholders is $0.10.

Stock Options and Warrants

At the effective time of the merger, all outstanding Cypress stock options, whether vested or unvested, will automatically vest. The stock optionholders will have the right to receive, upon exercise, on a per share basis, cash equal to the cash merger consideration less the exercise price and any applicable withholding and similar deductions. We have agreed to use our best efforts to cause our stock option holders to enter into agreements that will provide for such exercise as well as for the cancellation of their stock options for which the exercise price is in excess of the per share merger consideration. We are providing optionholders an opportunity to cash out their options to purchase shares of our common stock. Should the optionholders accept this opportunity, on consummation of the merger, we will pay them the sum of (i) $.05 plus the excess of the merger consideration over the exercise price per share of their options for each share of common stock underlying their options, to the extent the merger consideration is greater than the exercise price of their options and (ii) $.05 per share for each share of common stock underlying their options to the extent that the merger consideration is equal to or less than the exercise price per share of their options. As of

December 31, 2004, the aggregate merger consideration to be paid to the stock option holders is $3,256,000, based on the per share merger consideration as calculated herein.

At the effective time of the merger, all outstanding Cypress warrants, whether exercisable or unexercisable, will convert into the right to receive, upon exercise, on a per share basis, cash equal to the cash merger consideration less the exercise price and any applicable withholding and similar deductions. We have agreed to use our best efforts to cause our warrant holders to exercise or cancel, if the exercise price is in excess of the per share merger consideration, their warrants. As of December 31, 2004, the aggregate merger consideration to be paid to warrant holders is $12,452,000 (subject to increase due to an increase in the number of warrants to be issued as of the closing date in accordance with the warrant agreements), based on the per share merger consideration as calculated herein.

Payment Procedures for Stockholders Who Receive Cash in the Merger

Buyer has selected HSBC Bank USA, National Association as payment agent in connection with the merger. Buyer will deposit with the payment agent sufficient funds to make all necessary payments to holders of shares that are issued and outstanding immediately before the completion of the merger.

As soon as practicable, after the effective time of the merger, Buyer will instruct the payment agent to mail to each holder of a stock certificate a letter of transmittal and instructions on how to surrender the certificates in exchange for the merger consideration.

After you surrender to the payment agent your stock certificate(s) with the completed and signed letter of transmittal, you will be paid in cash the amount to which you are entitled under the merger agreement, without interest, after any required withholding and similar deductions. After the effective time of the merger, there will not be any transfers of the shares that were outstanding immediately prior to the effective time of the merger on our stock transfer books.

Neither we, Buyer, Mergerco nor the paying agent will be liable to any former stockholders for any amount delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. Any person claiming their stock certificate has been lost, stolen or destroyed will be required to sign an affidavit to that effect and may be required by Cypress to post a bond in a reasonable amount as an indemnity against any claim that could be made against Cypress in respect of such lost, stolen or destroyed stock certificates. After delivering an affidavit, and if required, a bond, the surviving corporation will deliver the applicable amount of cash in respect of such shares.

Appraisal Rights

Shares of our common stock issued and outstanding immediately prior to the effective time of the merger that are held by any holder who:

- has not voted such shares in favor of the merger at the special meeting;
- is entitled to demand and properly demands appraisal of such shares pursuant to Section 262 of the Delaware General Corporation Law, or the DGCL, and complies in all respects with the provisions of such section; and
- has not effectively withdrawn or lost the right to demand relief as a dissenting stockholder under the DGCL as of the effective time of the merger, as applicable;

will not be converted into the right to receive the merger consideration. Instead such holder will only be entitled to payment of the fair value of such shares in accordance with the provisions of Section 262 of the DGCL. At the effective time of the merger, all such shares will automatically be cancelled and will cease to exist or be outstanding, and each holder will cease to have any rights with respect to the shares,

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except for rights granted under Section 262 of the DGCL. In the event a holder fails to perfect or otherwise waives, withdraws or loses the right to appraisal under Section 262 of the DGCL, or a court of competent jurisdiction determines that such holder is not entitled to the relief provided by Section 262 of the DGCL, then the rights of such holder under Section 262 of the DGCL will cease to exist and such holder s shares will automatically be converted as of the effective time of the merger into the right to receive the merger consideration described above. We are required to serve prompt notice to Buyer of any demands for appraisal or purchase that we receive, and Buyer has the right to participate in all negotiations and proceedings with respect to demands for appraisal or purchase under the DGCL. We may not, without Buyer s prior written consent or as otherwise required under the DGCL, make any payment or offer to make any payment with respect to, or settle or offer to settle, any claim or demand in respect of dissenting shares.

These rights in general are discussed more fully under the section entitled APPRAISAL RIGHTS.

Representations and Warranties

The merger agreement contains representations and warranties by us, Buyer and Mergerco. Our representations relate to, among other things:

our and our subsidiaries existence and good standing in their states of organization; our and our subsidiaries power and authority to carry on our business and own our properties and assets; our and each of our corporate subsidiaries qualification to do business as a foreign corporation in good standing in other jurisdictions; our and our subsidiaries certificate of incorporation and bylaws, as delivered to Buyer and Mergerco, being true and correct;

our corporate power and authority to execute and deliver the merger agreement and all other agreements and documents contemplated by the merger agreement; the authorization and approval of the merger agreement by a unanimous vote of the board of directors; the legal, valid and binding nature of the merger agreement and all other agreements and documents contemplated by the merger agreement;

our ownership of all of the capital stock of our subsidiaries free and clear of all liens, all such stock being validly issued, fully paid and nonassessable, and the absence of any outstanding warrants, options or other convertible securities of any subsidiary held by anyone except us;

the composition of our authorized capital stock and the number of issued and outstanding shares of our capital stock, as well as the number of shares reserved for issuance pursuant to option grants and warrants; the nature of the issued shares as duly authorized, validly issued, fully paid, non-assessable and not subject to any preemptive rights;

the affirmative vote of a majority of the shares of common stock and Series A preferred stock, voting separately as a class, being the only votes necessary to approve the merger agreement;

the merger s failure to conflict with or breach of any provisions of our certificate of incorporation or bylaws, or any federal, state or local or any foreign statute, law, rule, regulation, ordinance, code, order, judgment, decree or any other requirement binding upon or applicable to us or any of our subsidiaries; or breach of or default under any note, bond, mortgage or indenture or any material contract, lease, license, permit, franchise, instrument or other agreement or obligation;

documents filed by us with the Securities and Exchange Commission, the accuracy of the financial statements and other information contained in such documents; and the absence of certain liabilities;

the completeness and correctness of our books and records;

pending or threatened litigation, or claims that could give rise to litigation, involving us;

our employee benefit plans, matters relating to the Employee Retirement Income Security Act and other matters concerning employee benefits and employment agreements;

our filing of tax returns, payment of taxes and other tax matters;

our title to, or valid leasehold interest in, our properties and assets;

our intellectual property;

the absence of collective bargaining agreements, unfair labor practice claims, compliance with labor laws and other employment matters;

our compliance with laws and our receipt of and compliance with governmental permits and licenses to hold our assets and conduct our business;

our material contracts, including the extent of our obligations thereunder;

the accuracy of the information included in this proxy statement;

the receipt of a fairness opinion from Breckenridge;

the lack of any payment of finder s fees, brokerage or agent s commissions or other like payments in connection with the negotiations leading to the merger except for the fee due to Breckenridge as financial advisor to the board of directors;

our compliance with the Sarbanes-Oxley Act of 2002;

absence of changes or certain events involving us since December 31, 2003, including any occurrence that would have a material adverse effect on us;

environmental matters;

our insurance policies;

the status and collectibility of our accounts receivable;

any interest of our officers, directors, or affiliates or associates in transactions to which we are or were a party or in entities that compete against us;

our customer and vendor relations;

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our observance of ethical business practices, including the refusal to receive or make bribes, kickbacks or improper payments; and

absence of discussions with any other party with respect to a competing transaction.

The representations of Buyer and Mergerco relate to, among other things:

the existence and good standing of Buyer and Mergerco each in its state of organization; Buyer s and Mergerco s certificate of incorporation and bylaws made available to us being true and correct;

Buyer s and Mergerco s corporate power and authority to execute and deliver the merger agreement and all other agreements and documents contemplated by the merger agreement; the authorization and approval of the merger agreement by all requisite corporate action on the part of Buyer and Mergerco; the valid and legally binding nature of the merger agreement;

the merger s failure to conflict with or breach of any provisions of Buyer s or Mergerco s certificate of incorporation or bylaws; breach of a or create a default under any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation; or violate any order, writ, injunction, decree, statute, rule or regulation applicable to Buyer or Mergerco;

the lack of requirement for any filings, permits, authorizations, consents and approvals;

the accuracy of the information furnished by Buyer and Mergerco and included in this proxy statement;

that Buyer or Mergerco will possess sufficient funds to consummate the merger;

that neither Buyer nor Mergerco own our stock;

that Mergerco was formed for the sole purpose of engaging in the transaction;

the absence of any obligation to pay any finder s fees, brokerage or agent s commissions or other like payments in connection with the negotiations leading to merger;

the absence of any pending or threatened litigation involving Buyer or Mergerco that could have a material adverse effect on the ability of Buyer and Mergerco to consummate the merger; and

Mergerco s qualification to hold the permits, licenses, waivers and authorizations required by the Federal Communications Commission and state public utility commissions to purchase Cypress and to enter into contracts with governmental entities.

Ordinary Course of Business

We have agreed in the merger agreement that before the completion of the merger, we will operate our business in the usual, regular and ordinary course. In particular, we have agreed as to ourselves and our subsidiaries that we will use our commercially reasonable efforts to preserve our business organization intact and maintain our existing business relationships, and that without Buyer s consent we will not:

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amend our certificate of incorporation or bylaws;

issue, sell, transfer, pledge, dispose of or encumber any of our securities;

declare, set aside or pay a dividend;

split, combine or reclassify any shares of our capital stock;

redeem, purchase or otherwise acquire any of our securities;

create, incur, refinance or assume any long-term debt or, except in the ordinary course of business, incur or assume any short-term indebtedness;

assume, guarantee, endorse or otherwise become liable or responsible for the obligations of any other person;

make any loans, advances or capital contributions to, or investments in, any other person;

enter into, amend or cancel any material agreement;

transfer, lease, license, sell, mortgage, pledge, dispose of, or encumber any assets with a value in excess of $10,000 in the case of any individual asset or $50,000 in the case of all assets, other than sales of inventory in the ordinary and usual course of business and consistent with past practice;

pay or make any accrual or arrangement for payment of any employee benefit pursuant to any plan, to any officer, director, employee or affiliate or pay or agree to pay or make any accrual or arrangement for payment to any of our officers, directors, employees or affiliates of any amount relating to unused vacation days, except payments and accruals made in the ordinary course of business consistent with past practice or pursuant to the terms of such plans or other existing agreements, or adopt or pay, grant, issue, accelerate or accrue salary or other payments or benefits pursuant to any plan or any employment or consulting agreement with or for the benefit of any director, officer, employee, agent or consultant, whether past or present, other than pursuant to the terms of such plans or agreements as currently in place or as amended as set forth herein; or amend in any respect any such existing plan, other than as expressly required by applicable law;

fail to use commercially reasonable efforts to prevent any insurance policy naming us as a beneficiary or a loss payable payee to lapse or to be cancelled or terminated;

enter into any contract or transaction relating to the purchase of assets other than in the ordinary course of business consistent with past practice;

pay, repurchase, discharge or satisfy any of our claims, litigation, liabilities or obligations, other than in the ordinary course of business and consistent with past practice;

adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization (other than the proposed merger);

change any of our accounting methods unless required by GAAP or otherwise required by applicable law;

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take any action or fail to take any action that could limit the utilization of any of our net operating losses, built-in losses, tax credits or other similar items under Section 382, 383, 384 or 1502 of the Internal Revenue Code and the Treasury Regulations thereunder;

fail to comply in all material respects with all applicable laws;

adopt a rights plan or any similar plan or agreement which limits or impairs the ability to purchase our securities;

make, or commit to make, any capital expenditures in each case in excess of $100,000 in the case of any single capital expenditure or $1,500,000 in the case of all capital expenditures;

fail to maintain our books and records in accordance with GAAP consistently applied and, unless otherwise required by GAAP, on a basis consistent with our past practice;

form or commence the operations of any corporation, partnership, joint venture, business association or other business organization or division thereof;

take, or agree to take, any action that would or would reasonably be likely to prevent or impair our ability or the ability of Buyer or Mergerco to consummate the merger in accordance with the terms hereof or materially delay such consummation; and

enter into an agreement or arrangement to do any of the foregoing, or to authorize, recommend, propose or announce an intention to do any of the foregoing.

Actions to be Taken to Complete the Merger

We and Buyer agreed to take all action necessary to convene a stockholders meeting as promptly as possible after the date of the merger agreement in order for our stockholders to consider and vote upon the approval and adoption of the merger agreement. We, through our board of directors, agreed to recommend approval and adoption of the merger agreement to our stockholders. The board of directors may, prior to the stockholders meeting, alter this recommendation if, after receipt of a superior proposal, the board of directors determines, in good faith and after consultation with independent legal counsel, that the withdrawal, modification or qualification of their recommendation is required by their fiduciary obligations.

We and Buyer each agreed to take all necessary action to complete the merger. In particular, the parties agreed to prepare and file promptly, but no later than fifteen days following the execution of the merger agreement, all forms, registrations and notices required to be filed to consummate the merger.

Employees

Buyer has agreed that it will honor all written employment, severance and consulting agreements with any person. Buyer will give our employees service credit under all benefit plans maintained by Buyer following the merger.

No Solicitation of Competing Transactions

The merger agreement prohibits us (through the board of directors, or our representatives) from soliciting, initiating, encouraging or knowingly taking other action to facilitate any inquiries or the making of any proposal that would constitute a competing transaction to the merger. We refer to these

prohibitions as no shop provisions. The board of directors may, however, prior to the date of the stockholders meeting and in response to any unsolicited inquiry or proposal for a competing transaction, after providing appropriate notice to Buyer:

furnish information (pursuant to a confidentiality agreement containing terms no less favorable to us than provided in our confidentiality agreement with Buyer) about us and our businesses, properties or assets to any person or entity in response to any unsolicited inquiry, proposal or offer if, after consultation with independent legal counsel, the board of directors determines in good faith that such action is required by its fiduciary obligations and further determines in good faith and after consultation with its independent financial advisor that the proposal made is a superior proposal; and

following receipt of a *bona fide* superior proposal, disclose to our stockholders, after providing Buyer opportunity to revise its offer, a statement that the board no longer believes the merger advisable and no longer recommends its approval.

Before submitting a position statement to the stockholders, withdrawing or modifying a recommendation of the board of directors as discussed above, the board of directors must conclude in good faith after consultation with counsel that any such action is required by the board of directors fiduciary duties to our stockholders under applicable law.

Director and Officer Liability

We and Buyer agreed that Cypress, as the surviving corporation, will indemnify and hold harmless all of our and our subsidiaries future, present and former directors or officers, for all claims relating to their position as director or officer and for all claims related to the merger.

In addition, we and Buyer agreed that for a period of six years after the effective time of the merger, Cypress, as the surviving corporation, will maintain in effect policies of director s and officer s liability insurance currently maintained by us (with at least the same coverage and amounts including terms and conditions that are no less favorable to the officers and directors) to cover all of our and our subsidiaries future, present and former directors and officers with respect to matters occurring prior to the effective time of the merger agreement, with certain limitations on the amount that Cypress would be required to expend.

Expenses

Generally, each party will pay its own costs and expenses incurred in connection with the merger agreement and the transactions contemplated by the merger whether or not the merger is consummated, except (i) that the costs and expenses of printing and mailing this proxy statement, and all filing and other fees paid to the SEC in connection with the merger will be borne equally by us and Buyer and (ii) if an accounting firm is required to figure the closing net working capital, the party whose determination less closely approximates the actual closing net working capital determined by the accounting firm shall pay the costs and expenses of the accounting firm.

Conditions

The respective obligation of each party to complete the merger shall be subject to the fulfillment at or prior to the closing date of the following conditions:

the approval of the merger agreement by the affirmative vote of holders of a majority of the issued and outstanding shares of our common stock and a majority of the holders of the issued and outstanding Series A preferred stock entitled to vote thereon;

the absence of any legal prohibitions to the consummation of the merger;

the determination of closing net capital in accordance with the merger agreement; and

the receipt of all regulatory approvals required to consummate the merger.

Our obligation to complete the merger depends on the following conditions:

the representations and warranties of Buyer and Mergerco in the merger agreement that are qualified by materiality being true and correct in all respects as of the date of the merger agreement and as of the effective time of the merger (unless such representations and warranties are as of another date) and the representations and warranties not qualified by materiality being true and correct in all respects as of the date of the merger agreement and as of the effective time of the merger (unless such representations and warranties are as of another date), provided that such condition is satisfied unless the failure to be true and correct would not, individually or in the aggregate with all other failures, reasonably be expected to have a material adverse effect on the ability of Buyer and Mergerco to consummate the merger;

the satisfactory performance by Buyer and Mergerco of their covenants and agreements under the merger agreement;

Buyer s delivery of the merger consideration to the paying agent; and

Buyer s and Mergerco s delivery of an Officer s Certificate to the effect that the above three conditions have been satisfied.

The obligation of Buyer and Mergerco to complete the merger depends on the following conditions:

our representations and warranties in the merger agreement that are qualified by materiality being true and correct in all respects as of the date of the merger agreement and as of the effective time of the merger (unless such representations and warranties are as of another date) and the representations and warranties not qualified by materiality being true and correct in all respects as of the date of the merger agreement and as of the effective time of the merger (unless such representations and warranties are as of another date), provided that such condition is satisfied unless the failure to be true and correct would not, individually or in the aggregate with all other failures, reasonably be expected to have an adverse effect on (x) our business or results of operations, taken as a whole or (y) our ability to perform our obligations under the merger agreement, in each case in an amount which would exceed, or reasonably be expected to exceed, $2 million;

our satisfactory performance of our covenants and agreements under the merger agreement;

our delivery of an Officer s Certificate to the effect that the above two conditions have been satisfied;

redemption of all the issued and outstanding shares of Series A preferred stock;

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- repayment of indebtedness outstanding under our term loan and convertible debt;
- holders of less than 10% of the issued and outstanding shares of common stock demanding appraisal rights;
- our directors tender of resignation letters;
- the absence of any pending governmental actions regarding Buyer s ownership of Cypress or the merger, or which would otherwise have a material adverse effect on Cypress; and
- no events having occurred which have, or would reasonably be expected to have, in the discretion of Buyer, a material adverse effect on us.

Termination

The merger agreement may be terminated and the merger abandoned at any time before the completion of the merger by the written consent of Cypress and Buyer.

We or Buyer may terminate the merger agreement if:

- we and Buyer agree in writing to terminate the merger agreement;
- the merger is not completed on or prior to July 18, 2005;
- there has been an action by a governmental entity permanently prohibiting the merger;
- required approval by any governmental entity is denied; or
- our stockholders do not approve the merger agreement.

We may terminate the merger agreement if our conditions have become incapable of fulfillment, or if there has been a breach by Buyer or Mergerco of any material representation, warranty, covenant or agreement of Buyer or Mergerco set forth in the merger agreement which is not cured.

Buyer may terminate the merger agreement if:

- our conditions have become incapable of fulfillment;
- there has been a breach by us any of our material representation, warranty, covenant or agreement set forth in the merger agreement which is not cured;
- our board of directors withdraws or modifies its approval or recommendation of the merger or the merger agreement;
- our board of directors approves or recommends a competing transaction, or executes an agreement in principle or a definitive agreement relating to a competing transaction, or our board of directors publicly proposes to do so;
- our board of directors fails to recommend the rejection of a competing transaction;

- we breach or circumvent the no shop provisions in the merger agreement, where such breach or circumvention results in a proposal for a competing transaction; or

- we fail to give notice of or hold a meeting of our stockholders to vote on the merger agreement.

We will be required to pay the Buyer a termination fee in the amount of $1,500,000 if the merger agreement is terminated because:

- our stockholders do not approve the merger;

- our board of directors withdraws or modifies its approval or recommendation of the merger or the merger agreement;

- our board of directors approves or recommends a competing transaction, or executes an agreement in principle or a definitive agreement relating to a competing transaction, or our board of directors publicly proposes to do so;

- our board of directors fails to recommend the rejection of a competing transaction;

- we breach or circumvent the no shop provisions in the merger agreement, where such breach or circumvention results in a proposal for a competing transaction; or

- we fail to give notice of our hold a special meeting of our stockholders to vote on the merger agreement.

In the event our board of directors determines that a competing transaction represents a superior offer, we do not have the right to terminate the merger agreement and we will remain obligated to convene and hold a special meeting of stockholders to consider the transactions discussed in this proxy statement. We may, however, terminate the merger agreement if our stockholders fail to approve the merger agreement at the stockholders meeting. In addition, the voting agreements will terminate if the board of directors withdraws or modifies its approval and recommendation of the merger agreement.

VOTING AGREEMENTS

The following is a summary of the material terms of the voting agreements entered into by certain directors and stockholders. The summary is qualified in its entirety by reference to the complete text of the form of voting agreements, which are incorporated by reference herein and attached hereto as Appendices B and C. Our stockholders are urged to read the full text of the form of voting agreement in its entirety.

In order to induce Buyer to enter into the merger agreement, certain stockholders entered into voting agreements with Buyer concurrently with our execution of the merger agreement. There are two different voting agreements, a common stock voting agreement and a preferred stock voting agreement, but the terms of the two agreements are the same. The common stockholders who are parties to the common stock voting agreement collectively owned, as of the close of business on the record date, 38.5% of our issued and outstanding shares of common stock. The Series A preferred stockholders who are parties to the preferred stock voting agreement collectively owned, as of the close of business on the record date, 89.6% of our issued and outstanding shares of Series A preferred stock. Pursuant to these voting agreements, these stockholders have agreed to vote their shares of our capital stock (i) in favor of the approval of the merger and (ii) against any action or agreement that would reasonably be expected to result in a breach of the merger agreement or any third-party acquisition proposal and any other matter that could reasonably be expected to impede, interfere, or be inconsistent with, delay, postpone, discourage or adversely affect the merger. These stockholders also have irrevocably appointed the members of the board of directors of Buyer, as the sole and exclusive attorneys and proxies to vote the shares of our capital stock owned by these stockholders in accordance with the above terms.

As a result of the Series A preferred stock voting agreement, the Series A preferred stockholders are expected to approve the merger agreement.

None of the stockholders who are parties to the voting agreements were paid any consideration for entering into the voting agreements.

Pursuant to the voting agreements, each stockholder who is a party thereto has agreed that such stockholder will not, directly or indirectly, transfer, sell, exchange, pledge or otherwise dispose of any shares of our capital stock and options owned by such stockholder until the earlier of the termination of the merger agreement or the effective time of the merger.

These voting agreements will terminate upon the earlier of the termination of the merger or the effective time of the merger. In addition, the voting agreements will terminate if the board of directors withdraws or modifies its approval and recommendation of the merger agreement.

APPRAISAL RIGHTS

If the merger is consummated, holders of our common stock who choose not to vote in favor of the merger and who follow the procedures specified in Section 262 of the Delaware General Corporation Law, or the DGCL, within the appropriate time periods will be entitled to have their shares of our common stock appraised by a court and to receive the fair value of their shares of our common stock in cash as determined by the Delaware Court of Chancery in lieu of the consideration that such dissenting stockholders would otherwise be entitled to receive pursuant to the merger agreement.

Our stockholders who properly perfect appraisal rights and who do not subsequently withdraw or lose such appraisal rights will not be entitled to surrender their shares of our common stock for payment of the merger consideration in the manner otherwise provided in the merger agreement and described in this proxy statement.

The following summary of appraisal rights under the DGCL is qualified in its entirety by reference to Section 262 of the DGCL, a copy of which is attached hereto as Annex E.

Failure to strictly follow the procedures set forth in Section 262 of the DGCL may result in the loss, termination or waiver of appraisal rights. If you vote to adopt the merger agreement and approve the merger, you will not have a right to have your shares of our common stock appraised. If you desire to exercise your appraisal rights, you must also submit a written demand for payment of the fair value of our common stock held by you. Also, not that you must continuously hold your shares of Cypress stock from the date of the making of the demand through the effective time of the merger. You will lose any right to appraisal if you transfer your shares prior to the effective time of the merger.

Stockholders who are considering the exercise of their appraisal rights under the DGCL should note that they could receive a value for their shares that is more, the same as or less than the consideration they would receive pursuant to the merger agreement if they did not seek appraisal. You should be aware that financial

advisor opinions are not opinions as to fair value under Section

262. Furthermore, under the DGCL, the evaluation of fair value is exclusive of any element of value arising from the accomplishment or expectation of the merger. Due to the complexity of appraisal rights, if you are considering exercising such rights, we urge you to seek the advice of counsel.

Under Section 262, where a proposed merger is to be submitted for approval at a meeting of stockholders as is the case of the special meeting, the corporation, not less than 20 days prior to the meeting, must notify each of its stockholders entitled to appraisal rights that such appraisal rights are available and include in such notice a copy of Section 262.

A written demand for appraisal rights must be delivered before the taking of the vote on the merger proposal at the special meeting. The written demand for appraisal rights must be executed by or for the stockholder of record, should specify the stockholder s name and mailing address, that the stockholder is thereby demanding appraisal of his, her or its shares of our common stock and the number of shares of Cypress for which you are demanding appraisal. If the shares of stock are owned of record by more than one person, as in a joint tenancy or tenancy in common, such demand must be executed by or for all joint owners. An authorized agent, including an agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner and expressly disclose the fact that, in exercising the demand, he is acting as agent for the record owner. A person having a beneficial interest in our common stock held of record in the name of another person, such as a broker or nominee, must act promptly to cause the record holder to follow the steps summarized below and in a timely manner to perfect whatever appraisal rights the beneficial owner may have, if any. Each stockholder who elects to exercise appraisal rights should mail or deliver his, her or its written demand to us at Fifteen Piedmont Center, 3575 Piedmont Road, Suite 100, Atlanta, Georgia 30305, Attention: Corporate Secretary. If a stockholder holds shares of our common stock through a broker who in turn holds such shares through a central securities depository nominee such as Cede & Co., a demand for appraisal of such shares must be made by or on behalf of the depository nominee and must identify the depository nominee as record holder. Within ten days after the effective date of the merger, we must provide notice of the effective date of the merger to all of our stockholders who have complied with Section 262 of the DGCL and have not voted for the merger.

A record holder, such as a broker, fiduciary, depository or other nominee, who holds shares of our common stock as a nominee for others, may exercise appraisal rights with respect to the shares held for all or less than all beneficial owners of shares as to which such person is the record holder. In such case, the written demand must set forth the number of shares covered by such demand. Where the number of shares is not expressly stated, the demand will be presumed to cover all shares of common stock outstanding in the name of such record holder.

At any time within 60 days after the effective date of the merger, any stockholder who has delivered a written demand to us will have the right to withdraw such written demand for appraisal and to accept the terms of the merger agreement; after this period, a stockholder may withdraw his, her or its written demand for appraisal and receive payment for his, her or its shares of our common stock as provided in the merger agreement only with our consent. Notwithstanding the foregoing, no appraisal proceeding in the Delaware Court of Chancery will be dismissed as to any stockholder without the approval of the court, and such approval may be conditioned upon such terms as the court deems just. Withdrawal after 60 days will require written approval of the surviving corporation.

The Delaware Court of Chancery may require stockholders who have demanded appraisal rights on their shares and who hold stock represented by certificates to submit their certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings, and if any stockholder fails to comply with the requirement, the Delaware Court of Chancery may dismiss the proceedings as to that stockholder.

Within 120 days after the effective date of the merger (but not thereafter), any stockholder who has satisfied the requirements of Section 262 of the DGCL may deliver to us a written demand for a statement listing the aggregate number of shares not voted in favor of the merger proposal and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. We, as the surviving corporation in the merger, must mail such written statement to the stockholder no later than ten days after the stockholder s request is received by us.

A stockholder timely filing a petition for appraisal with the Delaware Court of Chancery must deliver a copy to the surviving corporation which will then be obligated within 20 days to provide the Delaware Court of Chancery with a duly verified list containing the names and addresses of all stockholders who have demanded appraisal of their shares.

Within 120 days after the effective date of the merger, the surviving corporation or any dissenting stockholder who is entitled to appraisal rights may file a petition with the Delaware Court of Chancery demanding a determination of the value of the stock of all such dissenting stockholders. We have no present intention to file such a petition if demand for appraisal is made. Note that if no petition is filed within the allotted time, then the right of the dissenting stockholder to an appraisal will cease and any stockholder otherwise entitled to appraisal will be entitled to receive only the merger consideration, without interest.

At the hearing on such petition, the Delaware Court of Chancery will determine the stockholders who are entitled to an appraisal of their shares and may require the stockholders who have demanded appraisal to submit their certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings. Failure to comply may result in a dismissal of the proceedings as to such stockholder. After determining the stockholders entitled to an appraisal, the Delaware Court of Chancery will appraise the shares, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any. The Delaware Court of Chancery will direct the payment of the fair value of the shares, together with interest, if any, by the surviving corporation to the stockholders entitled thereto.

Although we believe that the merger consideration is fair, no representation is made as to the outcome of the appraisal of fair value as determined by the Delaware Court of Chancery and our stockholders should recognize that such an appraisal could result in a determination of a value higher or lower than, or the same as, the merger consideration. Moreover, we do not anticipate offering more than the merger consideration to any stockholder exercising appraisal rights and we reserve the right to assert, in any appraisal proceeding that, for purposes of Section 262 of the DGCL, the fair value of a share of our common stock is less than the merger consideration.

In determining fair value , the Delaware court is required to take into account all relevant factors. In Weinberger v. UOP, Inc., the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that the proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered and that [f]air price obviously requires consideration of all relevant factors involving the value of a company. The Delaware Supreme Court has stated that in making this determination of fair value, the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts which could be ascertained as of the date of the merger which throw any light on future prospects of the merged corporation. Section 262 of the DGCL provides that fair value is to be exclusive of any element of value arising from the accomplishment or expectation of the merger. In Cede & Co. v. Technicolor, Inc., the Delaware Supreme Court stated that such exclusion is a narrow exclusion [that] does not encompass known elements of value, but which rather applies only to the speculative elements of value arising from such accomplishment or expectation. In Weinberger, the Delaware Supreme Court construed Section 262 to mean that elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered.

The cost of the appraisal proceeding may be determined by the Delaware Court of Chancery and taxed against the parties as the Delaware Court of Chancery deems equitable in the circumstances. However, costs do not include attorneys and expert witness fees. Each dissenting stockholder is responsible for his, her or its attorneys and expert witness expenses, although, upon application of a dissenting stockholder, the Delaware Court of Chancery may order that all or a portion of the expenses incurred by any dissenting stockholder in connection with the appraisal proceeding, including without limitation, reasonable attorneys fees and the fees and expenses of experts, be charged pro rata against the value of all shares of stock entitled to appraisal.

Any holder of shares of our common stock who has duly demanded appraisal in compliance with Section 262 of the DGCL will not, after the effective time of the merger, be entitled to vote for any purpose any shares subject to such demand or to receive payment of dividends or other distributions on such shares, except for dividends or distributions payable to stockholders of record at a date prior to the effective date of the merger.

To the extent that there are any inconsistencies between the foregoing summary and Section 262 of the DGCL, the DGCL will control.

Stockholders considering exercising their appraisal rights under the DGLC should carefully read and must strictly comply with Section 262 of the DGLC attached as Annex E.

WHERE CAN YOU FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any reports, statements or other information that we file with the Securities and Exchange Commission at the Securities and Exchange Commission s public reference room at the following location:

Public Reference Room
450 Fifth Street, N.W., Room 1024
Washington, D.C. 20549

Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference room. These Securities and Exchange Commission filings are also available to the public from commercial document retrieval services and at the Internet World Wide Web site maintained by the Securities and Exchange Commission at http://www.sec.gov .

STOCKHOLDER PROPOSALS

Stockholders interested in submitting a proposal for inclusion in the proxy materials for our annual meeting of stockholders may do so by following the procedures prescribed above and in SEC Rule 14a-8. To be eligible for inclusion, stockholder proposals must be received by us no later than February 11, 2005.

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Buyer, Mergerco, FIIB and Crescent have supplied all information in this proxy statement related to Buyer, Mergerco, FIIB and Crescent. We have not independently verified any of the information relating to Buyer, Mergerco, FIIB and Crescent. You should rely only on the information contained in this proxy statement. We have not authorized anyone to provide you with information that is different from what is contained in this proxy statement.

This proxy statement is dated February 9, 2005. You should not assume that the information contained in this proxy statement is accurate as of any date other than that date.

There is no other business to be brought before the special meeting of stockholders.

BY ORDER OF THE BOARD OF DIRECTORS,

Ross J. Mangano, Chairman of the Board

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Appendix A

Merger Agreement

AGREEMENT AND PLAN OF MERGER

by and among

TECHINVEST HOLDING COMPANY, INC.,

TECHINVEST ACQUISITION, INC.

and

CYPRESS COMMUNICATIONS HOLDING CO., INC.

dated as of

November 5, 2004

and amended as of

February 3, 2005

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER, dated as of November 5, 2004 and amended as of February 3, 2005, by and among **TECHINVEST HOLDING COMPANY, INC.**, a Delaware corporation (Parent), **TECHINVEST ACQUISITION, INC.**, a Delaware corporation and a wholly owned subsidiary of Parent (Purchaser), and **CYPRESS COMMUNICATIONS HOLDING CO., INC.**, a Delaware corporation (the Company). As used in this Agreement, capitalized terms have the meanings ascribed to them in Section 8.1.

WHEREAS, the Board of Directors of each of Parent, Purchaser and the Company has unanimously approved this Agreement, and deems it advisable and in the best interests of its respective stockholders to consummate the acquisition of the Company by Parent upon the terms and subject to the conditions set forth herein;

WHEREAS, the non-employee members of the Company Board of Directors have resolved to recommend approval of the Merger and approval and adoption of this Agreement to the holders of the Common Stock and have determined that the consideration to be paid for each share of Common Stock in the Merger is fair to the holders of Common Stock;

WHEREAS, the parties intend to effect the acquisition of the Company by Parent through the merger of Purchaser with and into the Company (the Merger), with the Company surviving the Merger (the Surviving Corporation) as the wholly owned subsidiary of Parent, upon the terms and subject to the conditions set forth in this Agreement;

WHEREAS, concurrently with the execution and delivery of this Agreement, and as a condition and inducement to Parent entering into this Agreement, Ross J. Mangano, Gerard H. Sweeney, Brandywine Operating Partnership, L.P. and Jo & Co (the Specified Common Stockholders), which have the power to vote shares of Common Stock representing approximately 29.4% of the outstanding Common Stock, have entered into a voting agreement, dated as of the date hereof (the Common Stock Voting Agreement), whereby each Specified Common Stockholder has agreed to vote its shares of Common Stock and shares of Common Stock acquired after the date hereof in favor of approval and adoption of this Agreement, the Merger and the other Transactions;

WHEREAS, concurrently with the execution and delivery of this Agreement, and as a condition and inducement to Parent entering into this Agreement, Noro-Moseley V, LLP, and Wakefield Group III, LLC (the Specified Preferred Stockholders), which have the power to vote (i) no shares of Common Stock and (ii) shares of Series A Preferred Stock representing 89.6% of the outstanding Series A Preferred Stock, have entered into a preferred stock voting agreement, dated as of the date hereof (the Preferred Stock Voting Agreement and, together with the Common Stock Voting Agreement, the Voting Agreements), whereby each Specified Preferred Stockholder has agreed to vote its shares of Common Stock and/or Series A Preferred Stock and shares of Common Stock and/or Series A Preferred Stock acquired after the date hereof in favor of approval and adoption of this Agreement, the Merger and the other Transactions; and

WHEREAS, the Company, Parent and Purchaser desire to make certain representations, warranties, covenants and agreements in connection with the Merger.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

THE MERGER

Section 1.1. The Merger. Subject to the terms and conditions of this Agreement and in accordance with the DGCL, at the Effective Time, the Company and Purchaser shall consummate the Merger pursuant to which (a) the separate corporate existence of Purchaser shall thereupon cease, (b) the Company shall continue as the Surviving Corporation and, as the Surviving Corporation, it shall continue to be governed by the laws of the State of Delaware. The separate corporate existence of the Company with all its rights, privileges, immunities, powers and franchises shall continue unaffected and unimpaired by the Merger. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time all the property, rights, privileges, powers and franchises of the Company and Purchaser shall vest in the Surviving Corporation, and all debts, liabilities, obligations, restrictions, disabilities and duties of the Company and Purchaser shall become the debts, liabilities, obligations, restrictions, disabilities and duties of the Surviving Corporation. The Merger shall have the effects specified in the DGCL.

Section 1.2. Effective Time. Parent, Purchaser and the Company shall cause a certificate of merger (the Certificate of Merger) to be executed and filed on the Closing Date (or on such other date as Parent and the Company may agree) with the Secretary of State of Delaware in accordance with Section 251 of the DGCL, and shall otherwise cause the Merger to be consummated by making all other filings or recordings required under the DGCL in connection with the Merger, in such form as is required by, and executed in accordance with the relevant provisions of, the DGCL. The Merger shall become effective at such time as the Certificate of Merger is duly filed with the Secretary of State of the State of Delaware, or at such other time as the parties hereto agree shall be specified in the Certificate of Merger (the date and time the Merger becomes effective, the Effective Time).

Section 1.3. Closing. Subject to Section 1.8, a closing (the Closing) shall take place as promptly as practicable on a date to be agreed upon by the parties, and if such date is not agreed upon by the parties, on the second (2nd) business day after satisfaction or waiver in writing of all of the Conditions (other than the Conditions that by their nature are to be satisfied or waived at the Closing) (the Closing Date), at the offices of Hunton & Williams LLP, 600 Peachtree Street, NE, Suite 4100, Atlanta, Georgia 30308 or at such other time and place as the parties mutually agree.

Section 1.4. Certificate of Incorporation; By-Laws. Pursuant to the Merger, (a) the Charter shall be amended and restated in its entirety to read as the certificate of incorporation of Purchaser in effect immediately prior to the Effective Time and, as so amended and restated, shall be the certificate of incorporation of the Surviving Corporation until thereafter amended as provided by law and such certificate of incorporation, and (b) the by-laws of the Company shall be amended and restated in their entirety to read as the by-laws of Purchaser, as in effect immediately prior to the Effective Time, and, as so amended and restated, shall be the by-laws of the Surviving Corporation until thereafter amended as provided by law, by the Surviving Corporation s certificate of incorporation or by such by-laws.

Section 1.5. Directors and Officers of the Surviving Corporation. The directors and officers of Purchaser at the Effective Time shall, from and after the Effective Time, be the directors and officers, respectively, of the Surviving Corporation until their successors shall have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the certificate of incorporation and the by-laws of the Surviving Corporation. If, at the Effective Time, a vacancy shall exist on the Board of Directors of the Surviving Corporation or in any office of the Surviving Corporation, such vacancy may thereafter be filled in accordance with the Surviving Corporation s certificate of incorporation, bylaws and the DGCL.

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Section 1.6. Subsequent Actions. If, at any time after the Effective Time, the Surviving Corporation determines or is advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to vest, perfect or confirm of record or otherwise in the Surviving Corporation its right, title or interest in, to or under any of the rights, properties or assets of either of the Company or Purchaser acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger or otherwise to carry out or give effect to this Agreement and the Transactions, the officers and directors of the Surviving Corporation shall be authorized to execute and deliver, in the name and on behalf of either the Company or Purchaser, all such deeds, bills of sale, instruments of conveyance, assignments and assurances and to take and do, in the name and on behalf of each of such corporations or otherwise, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title or interest in, to and under such rights, properties or assets in the Surviving Corporation or otherwise to carry out or give effect to this Agreement and the Transactions.

Section 1.7. Stockholders Meeting.

(a) In order to consummate the Merger, the Company, acting through the Company Board of Directors, shall:

(i) in accordance with the Charter, the by-laws of the Company and the DGCL, duly call, give notice of, convene and hold a special meeting of the holders of the Shares and the Series A Preferred Stock (the Stockholders Meeting) as promptly as practicable following execution of this Agreement for the purpose of considering and taking action upon the approval of the Merger and the approval and adoption of this Agreement;

(ii) as promptly as practicable following execution of this Agreement (and in no event later than fifteen (15) days after the date hereof), prepare and file with the SEC a preliminary Proxy Statement relating to the Merger and this Agreement after prior consultation with Parent and its counsel and affording Parent and its counsel reasonable opportunity to comment on such preliminary Proxy Statement and use commercially reasonable efforts to obtain and furnish the information required to be included by the SEC in a Proxy Statement and, after consultation with Parent, to respond promptly to any comments or requests for additional information made by the SEC with respect to the preliminary Proxy Statement and cause a definitive Proxy Statement to be mailed to the holders of the Shares at the earliest practical time, provided that no amendment or supplement to such Proxy Statement shall be made by the Company without prior consultation with Parent and its counsel. If (A) at any time prior to the Stockholders Meeting, any event should occur relating to the Company or any of the Company Subsidiaries which should be set forth in an amendment of, or a supplement to, the Proxy Statement, the Company will promptly inform Parent, and (B) if at any time prior to the Stockholders Meeting, any event should occur relating to Parent or the Purchaser that should be set forth in an amendment of, or a supplement to, the Proxy Statement, Parent will promptly inform the Company, and in the case of (A) or (B) the Company will, upon learning of such event, promptly prepare and file and, if required, mail such amendment or supplement to the holders of the Shares and the Series A Preferred Stock; provided, prior to such filing or mailing, the Company shall consult with Parent with respect to such amendment or supplement and Parent shall have a reasonable opportunity to comment thereon;

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(iii) include in the Proxy Statement the recommendation of the Company Board of Directors that the holders of the Shares and the Series A Preferred Stock approve the Merger and approve and adopt this Agreement (unless the recommendation of the Company Board of Directors has been withdrawn, amended or modified pursuant to Section 5.5(c) hereof);

(iv) use commercially reasonable efforts to solicit from holders of the Shares and the Series A Preferred Stock proxies in favor of the approval of the Merger and the approval and adoption of this Agreement and shall take all other action necessary or advisable to secure any vote of the holders of the Shares and the Series A Preferred Stock required by the Charter, Bylaws or the DGCL to effect the Merger (unless the recommendation of the Company Board of Directors has been withdrawn, amended or modified pursuant to Section 5.5(c) hereof);

(v) notify Parent of the receipt of any comments of the SEC with respect to the Proxy Statement and of any requests by the SEC for any amendment or supplement thereto or for additional information, and shall provide to Parent promptly copies of all correspondence between the Company or any Representative of the Company and the SEC with respect to the Proxy Statement;

(vi) cause its counsel to permit Parent and its counsel to participate in all communications with the SEC and its staff, including any meetings and telephone conferences, relating to the Proxy Statement, the Transactions and/or this Agreement; and

(vii) give Parent and its counsel the opportunity to review the Proxy Statement and all responses to requests for additional information by and replies to comments of the SEC before their being filed with, or sent to, the SEC.

(b) Parent shall provide the Company with the information concerning Parent and Purchaser required to be included in the Proxy Statement.

Section 1.8. Working Capital Adjustment.

(a) Determination of Working Capital. The amount of the Unadjusted Consideration is determined, in part, on the assumption the Net Working Capital of the Company will be negative Five Million Six Hundred Thirty Eight Thousand Dollars (-$5,638,000) (the Assumed Net Working Capital). Exhibit 1.8 of the Disclosure Schedules sets forth the method by which the Assumed Net Working Capital was calculated, which shall be the method used for calculating the Net Working Capital. Not less than ten (10) days prior to the anticipated Closing Date, the Company shall prepare and deliver to Parent a written statement (the Working Capital Statement) of its calculation of the Net Working Capital as of the end of the month immediately prior to the anticipated Closing Date, provided that if the end of such month is less than thirty (30) days from the anticipated Closing Date, then the Net Working Capital shall be determined as of the end of the second month immediately prior to the anticipated Closing Date (such date, the Measurement Date). Upon the request of Parent, the Company shall promptly make available, during normal business hours, to Parent, its employees and advisors who prepared the Working Capital Statement such information, documents, books, records and other back-up material as Parent may reasonably request and is necessary to calculate the Net Working Capital and prepare the Working Capital Statement. The Net Working Capital shall be calculated in the manner indicated on Exhibit 1.8.

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(b) Calculation of the Adjusted Consideration. The Unadjusted Consideration shall be increased or decreased in the amounts set forth below (the Unadjusted Consideration subject to any increase or decrease required under this Section 1.8(b), the Adjusted Consideration).

(i) In the event that the Closing Net Working Capital is (i) less than the Assumed Net Working Capital (a Working Capital Shortfall) or (ii) greater than the Assumed Net Working Capital (a Working Capital Excess), the Unadjusted Consideration shall be (x) in the case of clause (i), decreased on a dollar-for-dollar basis by the amount of the Working Capital Shortfall or (y) in the case of clause (ii), increased on a dollar-for-dollar basis by the amount of the Working Capital Excess;

(ii) The Unadjusted Consideration shall be decreased on a dollar-for-dollar basis by the indebtedness of the Company under the Senior Loan as of the Measurement Date;

(iii) The Unadjusted Consideration shall be increased on a dollar-for-dollar basis by the amount of cash on the Company s balance sheet as of the Measurement Date and, if mutually determined by the Parties, by the amount of cash received by the Company through the Closing Date upon the exercise of Company Options and Warrants between the Measurement Date and the Closing Date; and

(iv) The Unadjusted Consideration shall be decreased by the amount of cash received by the Company, on or prior to the Measurement Date, that relates to refunds attributable to the Company s having made payments to telecommunications service providers, in periods prior to July 1, 2004, for taxes and surcharges from which the Company might be exempt (the Telecom Tax Recovery), other than cash received by the Company from telecommunications service providers identified on Schedule 1.8(b) of the Disclosure Schedules relating to the Telecom Tax Recovery.

(c) Working Capital Disputes. In the event that Parent desires to dispute the Company s determination of the Net Working Capital as set forth in the Working Capital Statement, Parent shall provide, not less than five (5) days prior to the anticipated Closing Date, written notice to the Company of such dispute and a reasonably detailed description of the reasons therefor. Parent and the Company shall attempt in good faith to resolve such dispute after receipt by the Company of such written notice, and in the event that the parties are unable to resolve such dispute by the anticipated Closing Date, the parties agree that the Atlanta, Georgia office of PriceWaterhouseCoopers (the Accounting Firm) shall be engaged to resolve such dispute and provide a written determination of the Net Working Capital as soon as reasonably practicable. If Parent fails to object as provided herein to the Company s determination of the Net Working Capital by the end of the fifth (5th) day prior to the anticipated Closing Date, then the Company s Net Working Capital calculation shall be deemed accepted by the Parent and Purchaser and shall be final, binding and conclusive upon the parties. The Net Working Capital as agreed between the parties or otherwise determined under this Section 1.8 to be final, binding and conclusive shall be for all purposes the Closing Net Working Capital.

(d) Review by Accounting Firm. If required by subsection 1.8(c) above, the parties shall direct the Accounting Firm to review the Working Capital Statement as necessary in order to determine the actual Net Working Capital. The written determination of such Accounting Firm shall be final, binding and conclusive upon the parties. The Closing shall occur within two (2) business days after the parties receipt of such written determination, provided that all other Conditions have been satisfied or waived in writing. The parties agree to enter into, execute and deliver indemnity and other agreements that may be required by the Accounting Firm prior to engagement. In the event that the Accounting Firm is so engaged, the party whose determination of the Closing Net Working Capital less closely approximates the actual Closing Net Working Capital (as determined by the Accounting Firm), measured by dollar amounts and not percentages, shall pay all the costs and expenses of the Accounting Firm.

ARTICLE II

CONVERSION OF SECURITIES

Section 2.1. Conversion of Common Stock. At the Effective Time, by virtue of the Merger and without any further action on the part of the holders of any Shares or holders of Purchaser Common Stock:

(a) Purchaser Common Stock. Each issued and outstanding share of Purchaser Common Stock shall be converted into and become one fully paid and nonassessable share of common stock of the Surviving Corporation.

(b) Cancellation of Treasury Stock and Parent-Owned Stock. All Shares that are owned by the Company as treasury stock or otherwise shall be cancelled and retired and shall cease to exist, and no consideration shall be delivered in exchange therefor.

(c) Conversion of Shares. Each Share (other than the Shares cancelled in accordance with Section 2.1(b) and other than any Dissenting Shares) shall be converted into the right to receive the Merger Consideration, payable to the holder thereof upon surrender of the holder s Certificate in the manner provided in Section 2.2. From and after the Effective Time, all such Shares shall no longer be outstanding and shall be deemed to be cancelled and retired and shall cease to exist, and each holder of Shares shall cease to have any rights with respect to his Shares except the right to receive the Merger Consideration therefor upon the surrender of such Certificate in accordance with Section 2.2.

Section 2.2. Exchange of Certificates; Paying Agent.

(a) Prior to the Effective Time, Parent shall designate a bank or trust company to act as agent (the Paying Agent) for the holders of the Shares in connection with the Merger to receive in trust the aggregate Merger Consideration to which holders of the Shares shall become entitled pursuant to Section 2.1(c). At the Effective Time, Parent or Purchaser shall deposit, or cause to be deposited, with the Paying Agent for the benefit of holders of Shares the aggregate Merger Consideration which the holders of the Shares shall be entitled to receive pursuant to Section 2.1(c). The Paying Agent shall invest and reinvest the aggregate Merger Consideration as directed by Parent in (i) money-market or other interest-bearing accounts or short term certificates of deposit issued by the Paying Agent or of any other commercial bank of comparable or larger size; (ii) short-term securities issued or guaranteed by the United States Government; or (iii) mutual funds or common trust funds of the Paying Agent consisting solely of obligations issued or guaranteed by the United States government. Parent shall replace any monies lost through any investment made pursuant to this Section 2.2(a). Registered ownership of or other legal title to the Merger Consideration and investments thereof may be maintained in the name of the Paying Agent, or its nominee. Earnings from such investments shall be the sole and exclusive property of Purchaser and the Surviving Corporation, and no part of such earnings shall accrue to the benefit of holders of Shares.

(b) Exchange Procedures. As soon as reasonably practicable after the Effective Time, the Surviving Corporation shall cause the Paying Agent to mail to each Person who was a record holder of the Shares at the Effective Time, (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Paying Agent and shall be in such form and have such other provisions not inconsistent with this Agreement as Parent may specify) and (ii) instructions for use in effecting the surrender of Certificates in exchange for payment of the Merger Consideration. Upon surrender of a Certificate by a holder of Shares for cancellation to the Paying Agent, together with a duly executed and completed letter of transmittal and such other documents as may be required by the instructions to the letter of transmittal, the holder of such Certificate shall be entitled to receive in exchange therefor the Merger Consideration for each Share represented by such Certificate, and the Certificate so surrendered shall forthwith be cancelled. Until so surrendered, each such Certificate shall, at and after the Effective Time, represent for all purposes, only the right to receive the Merger Consideration. No interest shall accrue or be paid to any record holder of Shares with respect to the Merger Consideration payable upon surrender of any Certificate. If payment of the Merger Consideration is to be made to a person other than the person in whose name the surrendered Certificate is registered, it shall be a condition of payment that the Certificate so surrendered shall be properly endorsed or shall be otherwise in proper form for transfer and that the person requesting such payment shall have paid any transfer and other Taxes required by reason of the payment of the Merger Consideration to a person other than the registered holder of the Certificate surrendered or shall have established to the satisfaction of the Surviving Corporation that such Tax either has been paid or is not applicable. If any Certificate shall have been lost, stolen or destroyed, upon making of an affidavit of that fact by the person claiming such Certificate to be lost, stolen or destroyed and, if reasonably required by the Surviving Corporation or Parent, the posting by such person of a bond, in such reasonable amount as the Surviving Corporation or Parent may direct, as indemnity against any claim that may be made against it with respect to such Certificate, the Paying Agent will issue in exchange for such lost, stolen or destroyed Certificate the applicable Merger Consideration such holder is entitled to receive pursuant to Section 2.1(c). The Merger Consideration paid upon surrender of each Share in accordance with the terms hereof shall be deemed to have been paid in full satisfaction of all rights pertaining to such Share.

(c) Transfer Books; No Further Ownership Rights in the Shares. At the Effective Time, the stock transfer books of the Company shall be closed, and thereafter there shall be no further registration of transfers of the Shares on the records of the Company. From and after the Effective Time, the holders of the Shares immediately prior to the Effective Time shall cease to have any rights with respect to such Shares, except as otherwise provided for herein or by applicable law.

(d) Withholding Taxes. Parent, the Surviving Corporation and the Paying Agent, as the case may be, shall be entitled to deduct and withhold from the Merger Consideration otherwise payable pursuant to this Agreement to any holder of Shares and any Warrants or Company Options such amounts as Parent, the Surviving Corporation or the Paying Agent is required to deduct and withhold with respect to the making of such payment under the Code, the rules and regulations promulgated thereunder or any provision of state, local or foreign Tax law. To the extent that amounts are so withheld by Parent, the Surviving Corporation or the Paying Agent, such amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the Shares, Warrants or Company Options in respect of which such deduction and withholding was made by Parent, the Surviving Corporation or the Paying Agent.

Section 2.3. Termination of Fund; No Liability. At any time following one (1) year after the Effective Time, the Surviving Corporation shall be entitled to require the Paying Agent to deliver to it any funds (including any earnings received with respect thereto) which had been made available to the Paying Agent and not disbursed to holders of the Shares, and thereafter such holders shall be entitled to look only to the Surviving Corporation (subject to abandoned property, escheat or other similar laws) and only as general creditors thereof with respect to the Merger Consideration payable upon due surrender of their Certificates. Notwithstanding the foregoing, neither the Surviving Corporation, Parent nor the Paying Agent shall be liable to any holder of the Shares for the Merger Consideration delivered in respect of such Shares to a public official pursuant to any applicable abandoned property, escheat or similar law.

Section 2.4. Dissenting Shares.

(a) Notwithstanding any provision of this Agreement to the contrary, the Shares of any holder that has demanded and perfected such holder s appraisal rights, if applicable and available, in accordance with and as contemplated by Section 262 of the DGCL and, as of the Effective Time, has not either effectively withdrawn such demand for appraisal rights nor voted in favor of, or consented in writing to, the Merger (the Dissenting Shares), shall not be converted into or represent a right to receive the Merger Consideration but shall be entitled to only such rights as are granted by Section 262 of the DGCL. From and after the Effective Date, all such Dissenting Shares shall no longer be outstanding and shall be deemed to be cancelled and retired and shall cease to exist, and each holder of a Dissenting Share shall cease to have any rights with respect to such Dissenting Share, except the right to receive from the Surviving Corporation payment of the fair value of the Dissenting Share, as such is determined in accordance with Section 262 of the DGCL.

(b) Notwithstanding the provisions of Section 2.4(a), if any holder of Shares who demands appraisal of his Shares under Section 262 of the DGCL effectively withdraws or loses (through failure to perfect or otherwise) his right to appraisal, then as of the Effective Time or the occurrence of such event, whichever later occurs, such holder s Shares shall automatically be converted into and represent only the right to receive the Merger Consideration as provided in Section 2.1(c) upon surrender of his Certificate or Certificates pursuant to Section 2.2.

(c) The Company shall give Parent (i) prompt written notice of any written demands for appraisal or payment of the fair value of any Shares, withdrawals of such demands and any other instruments served on the Company pursuant to Section 262 of the DGCL and received by the Company and (ii) the opportunity to direct all negotiations and proceedings with respect to demands for appraisal under Section 262 of the DGCL. Except with the prior written consent of Parent, the Company shall not voluntarily make any payment with respect to any demands for appraisal, settle or offer to settle any such demands.

Section 2.5. Conversion of Warrants.

(a) Immediately prior to the Effective Time, the Company shall take all reasonable and necessary steps to cause the Warrants, whether exercisable or unexercisable, to be converted into an obligation of the Company to pay, and the right of the holder of the Warrant to receive, in full satisfaction of each of the Warrants, the Warrant Cash Amount. The Warrant Cash Amount for any Warrant shall equal the product of: (i) the excess, if any, of the Merger Consideration over the exercise price per share of Common Stock of such Warrants and (ii) the number of shares of Common Stock underlying such Warrants; provided, however, if the Merger Consideration is less than or equal to the exercise price per share of Common Stock of any Warrant, then the holder of such Warrant shall not be entitled to receive any compensation in connection with the Merger or otherwise.

(b) As soon as practicable after the Effective Time and following (i) surrender of such Warrant to the Surviving Corporation and (ii) delivery to the Surviving Corporation of an acknowledgement by the holder of such Warrant that such Warrant shall be cancelled and extinguished upon payment of the Warrant Cash Amount as provided in this Section 2.5(b), the Surviving Corporation shall cause to be mailed to the holder of such Warrant, the Warrant Cash Amount payable, if any, with respect to such Warrant to such holder pursuant to Section 2.5(a) hereof.

(c) The Company represents and warrants that (i) the Company can take the actions described in Section 2.5(a) without obtaining the consent of any holders of Warrants or (ii) if such consent is required, that, except as set forth on Exhibit 2.5(c), the Company will use its best efforts to obtain such consents in writing and provide evidence thereof to Parent at least ten (10) days prior to the Closing Date.

Section 2.6. Conversion of Options.

(a) At the Effective Time, each outstanding and unexercised option to purchase shares of Common Stock (a Company Option) issued pursuant to the 1999 Employee Equity Incentive Plan, as amended (Company Option Plan), or pursuant to any other compensatory option plans or agreements set forth in Schedule 2.6 of the Disclosure Schedules, whether vested or unvested, shall be converted into an obligation of the Company to pay, and the right of the holder thereof to receive, in full satisfaction of each Company Option, the Option Cash Amount with respect to such Company Option; provided, however, if the Option Cash Amount is less than or equal to zero (0), then the Company shall use its best efforts to terminate such Company Option and to cancel it as of the Effective Time. The Option Cash Amount for any Company Option shall equal the product of: (1) the excess, if any, of the Merger Consideration over the exercise price per share of Common Stock of such Company Option and (2) the number of shares of Common Stock underlying such Company Option. The Company shall take all reasonable actions necessary to cause the Company s employees to consent, to the extent required, to the transactions contemplated by this Section 2.6 no later than immediately prior to the Effective Time. Except as may be otherwise agreed to by Parent or Purchaser and the Company, as of the Effective Time, (i) the Company Option Plan shall terminate, (ii) the provisions in any other plans or agreements providing for the issuance or grant of any other interest in respect of the capital stock of the Company or any of the Company Subsidiaries shall be deleted and (iii) no holder of Company Options or any participant in the Company Option Plan or any other plans or agreements shall have any rights thereunder to acquire any Equity Interests of the Company, the Surviving Corporation or any subsidiary thereof. The Company and Parent agree that, except as otherwise mutually agreed, the Option Cash Amounts are the sole payments that will be made with respect to or in relation to the Company Options.

(b) As soon as practicable, and in no event more than five (5) business days following the Effective Time, the Surviving Corporation shall cause to be mailed to the holder of each Company Option, the Option Cash Amount payable, if any, with respect to such Company Option to such holder pursuant to Section 2.6(a) hereof.

(c) The Company represents and warrants that all Company Options provide that either (i) the Company can take the actions described in Section 2.6(a) without obtaining the consent of any holders of Options or (ii) if such consent is required, except as otherwise mutually agreed, the Company will use its best efforts to obtain such consents in writing and provide evidence thereof to Parent at least ten (10) days prior to the Closing Date.

Section 2.7. Series A Preferred Stock. Immediately prior to the Effective Time, the Company shall take all actions necessary in accordance with the Charter to redeem all shares of Series A Preferred Stock outstanding.

Section 2.8. Repayment of Certain Indebtedness. Immediately prior to the Effective Time, Parent or the Surviving Corporation shall pay from the Adjusted Consideration all obligations of the Company outstanding with respect to the Convertible Debt in exchange for evidence of cancellation of the Convertible Debt in forms reasonably satisfactory to Parent. Immediately following the Effective Time, Parent or the Surviving Corporation shall pay from the Adjusted Consideration all obligations of the Company outstanding with respect to the Term Loans in exchange for evidence of cancellation of the Term Loans in forms reasonably satisfactory to Parent.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as set forth in the Disclosure Schedules, the Company represents and warrants to Parent and Purchaser as follows:

Section 3.1. Organization; Qualification. The Company (a) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware; (b) has all necessary corporate power and authority to carry on its business as it is now being conducted and to own the properties and assets it now owns; and (c) except as set forth in the Schedule 3.1 of the Disclosure Schedules, is duly qualified or licensed to do business as a foreign corporation and is in good standing in every jurisdiction in which ownership or lease of property or the conduct of its business requires such qualification, except in case of subsection (c) where such failure would not, individually or in the aggregate, have a Company Material Adverse Effect.

Section 3.2. Authorization; Validity of Agreement; Necessary Action.

(a) The (i) execution, delivery and performance by the Company of this Agreement and any agreements or other instruments contemplated herein to be executed, delivered and performed by the Company (the Company s Related Instruments) and (ii) consummation of the Transactions by the Company, have been duly authorized by unanimous approval of the Company Board of Directors. Subject to the approval of the Merger and the approval and adoption of this Agreement by the holders of the Shares and the Series A Preferred Stock, the Company has all necessary corporate power and authority to execute and deliver this Agreement and the Company s Related Instruments and to consummate the Transactions and no other corporate action on the part of the Company is necessary to authorize the execution and delivery by the Company of this Agreement, the Company s Related Instruments or the consummation of the Transactions, other than the filing and recordation of appropriate merger documents as required by the DGCL. This Agreement has been and as of the Closing each of the Company s Related Instruments will be, duly executed and delivered by the Company, and, assuming due and valid authorization, execution and delivery hereof by each of Parent and Purchaser, are or, in the case of the Company s Related Instruments, will be, legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except as enforceability may be limited by bankruptcy, reorganization, fraudulent conveyance, moratorium, receivership, insolvency or other laws affecting the enforcement of creditor s rights generally and by general principles of equity (the Enforceability Exception).

(b) At a meeting duly called and held on November 5, 2004, the non-employee members of the Company Board of Directors (i) determined that this Agreement and the Transactions are fair to and in the best interests of the Company and the Company s stockholders and declared the advisability of the Merger, (ii) approved, authorized and adopted this Agreement and the Transactions, and (iii) resolved to recommend approval and adoption of this Agreement and approval of the Merger by the Company s stockholders. The actions taken by the Company Board of Directors constitute approval of the Transactions, this Agreement and the Voting Agreements by the Company Board of Directors under the provisions of Section 203 of the DGCL and the Company has taken all actions necessary (A) such that Section 203 of the DGCL does not apply to the Transactions or to this Agreement or the Voting Agreements and (B) to exempt the Transactions, this Agreement and the Voting Agreements from, and the Transactions, this Agreement and the Voting Agreements are exempt from, the requirements of, any moratorium , control share , fair price , affiliate transaction , business combination or other antitakeover laws and regulations of Delaware, including, without limitation, the provisions of Section

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203 of the DGCL. Other than Section 203 of the DGCL, no Delaware anti-takeover or similar statute is applicable in connection with the Transactions, this Agreement or the Voting Agreements.

Section 3.3. Subsidiaries and Affiliates. Schedule 3.3 of the Disclosure Schedules sets forth the name, jurisdiction of incorporation and capitalization of each Company Subsidiary and the jurisdictions in which each Company Subsidiary is qualified to do business. Except for the Company Subsidiaries or as set forth in the Schedule 3.3, the Company does not own, directly or indirectly, any capital stock or other equity securities of any corporation or have any direct or indirect equity or ownership interest in any other Person. Except as set forth in Schedule 3.3 of the Disclosure Schedules, all the issued and outstanding capital stock of each Company Subsidiary is owned directly or indirectly by the Company free and clear of all Liens and is validly issued, fully paid and nonassessable, and there are no outstanding Options of any such Company Subsidiary held by any Person except the Company. Each Company Subsidiary (i) is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation; (ii) has all necessary corporate power and authority to carry on its business as it is now being conducted and to own the properties and assets it now owns; and (iii) is duly qualified or licensed to do business as a foreign corporation and is in good standing in every jurisdiction listed opposite the name of such Company Subsidiary in Schedule 3.3, which are the only jurisdictions in which ownership or lease of property or the conduct of its business requires such qualification, except where such failure would not, individually or in the aggregate, have a Company Material Adverse Effect. The Company has heretofore delivered to Parent complete and correct copies of the certificate of incorporation and by-laws of each Company Subsidiary, as presently in effect. Such certificates of incorporation and by-laws are in full force and effect, and none of the Company Subsidiaries is in violation of any provision of its certificate of incorporation or by-laws.

Section 3.4. Capitalization.

(a) The authorized capital stock of the Company consists of Fifty Five Million (55,000,000) shares of capital stock of which (i) Fifty Million (50,000,000) shares are designated as Common Stock and (ii) Five Million (5,000,000) shares are designated as preferred stock, par value $.001 per share (the Preferred Stock), of which One Hundred (100) shares are designated as Series A Preferred Stock. As of the date hereof, (i) Five Million Eight Hundred Seventy Three Thousand Three Hundred Ninety Five (5,873,395) shares of Common Stock (including without limitation all awards of restricted Common Stock) are issued and outstanding, (ii) Five Hundred Ninety Four Thousand Four Hundred Thirteen (594,413) shares of Common Stock are issued and held in the treasury of the Company, (iii) One Hundred (100) shares of Series A Preferred Stock are issued and outstanding, (iv) Five Million (5,000,000) shares of Common Stock are reserved for issuance upon exercise of Company Options under the Company Stock Option Plan, and (v) as of November 5, 2004, Twelve Million Eight Hundred Forty Three Thousand Six Hundred Ninety Seven (12,843,697) shares of Common Stock are reserved for issuance upon exercise of Warrants. All the issued and outstanding shares of the Company s capital stock are, and the shares of Common Stock which may be issued pursuant to the exercise of outstanding Company Options and the Warrants will be, when issued in accordance with the respective terms thereof, duly authorized, validly issued, fully paid and non-assessable and are not subject to any pre-emptive rights. Except as set forth above, on Schedule 3.4(a) of the Disclosure Schedules and except for the Transactions, as of the date hereof, (A) there are no shares of capital stock of the Company authorized, issued or outstanding; (B) other than the Company Options and Warrants, there are no options, warrants, convertible securities, subscriptions, stock appreciation rights, phantom stock plans or stock equivalents or other rights, agreements, arrangements or commitments (contingent or otherwise) of any character issued or authorized by the Company relating to the issued or unissued capital stock of the Company or any securities convertible into or exchangeable for such capital stock or the capital stock of any Company Subsidiary or any securities convertible into or exchangeable for such capital stock or obligating the Company or any Company Subsidiary to issue or sell any shares of capital stock of, or options, warrants,

subscriptions or other equity interests in, the Company or any Company Subsidiary or any securities convertible into or exchangeable for such capital stock and (C) there are no outstanding contractual obligations of the Company to repurchase, redeem or otherwise acquire any shares of Common Stock or Preferred Stock, other than the Series A Preferred Stock, to pay any dividend or make any other distribution in respect thereof or to provide funds to make any investment (in the form of a loan, capital contribution or otherwise) in any Company Subsidiary or any other entity. Except as set forth on Schedule 3.4(a) of the Disclosure Schedules, neither the Company nor any Company Subsidiary is under any obligation, contingent or otherwise, by reason of agreement or arrangement to register the offer and sale or resale of any of their securities under the Securities Act. There are no voting trusts or other agreements or understandings to which the Company or any of the Company Subsidiaries is a party with respect to the voting of the capital stock of the Company or any of the Company Subsidiaries. Neither the Company nor any Company Subsidiary has adopted a Stockholders Rights Agreement or any similar plan or agreement which limits or impairs the ability to purchase, or become the direct or indirect beneficial owner of, shares of Common Stock or any other equity or debt securities of the Company or any of the Company Subsidiaries.

(b) Schedule 3.4(b) of the Disclosure Schedules sets forth the following information:

(i) al