



TO: Wi-SKY Inflight Shareholders
RE: Investor Update
October 21, 2010

As you know from previous correspondence, we are engaged in litigation with our former CTO and others who are assisting him. By way of summarizing the situation, we are providing you with this overview of what has transpired.

We have been working since January 2009 under an agreement with our CTO whereby we paid him just under \$1.5 million cash plus issued him stock worth 10% of our equity in exchange for building our radio and assigning the patents related for the radio to Wi-SKY Inflight. Funding of the development effort for this proprietary radio system included:

- Payment to multiple consultants to design and document various elements of the radio system
- Purchase of unique components custom-built for the radio
- Payment for the assembly of the custom components with other new-to-market parts
- Funding for testing, re-design, re-work and diagnostic studies and adjustments
- Advance payments to an FAA-authorized engineering vendor to begin FAA certification work
- Payment for drawings and applications for FCC approvals

During that same period of time, we worked very successfully to get a major customer to the contract-signing stage. This major customer would have been a springboard for us to obtain subsequent airline customers in both North America and Europe, whose total estimated revenue over the next several years may have exceeded \$150 million USD.

On the eve of signing this business-launching contract, our CTO decided to discontinue his performance under the contract with Wi-SKY, and began soliciting business directly with our major prospective customer without Wi-SKY's involvement. Despite the fact that Wi-SKY Inflight had paid for the parts, components, consultants and assembly of the radio hardware, our prospective major customer decided to purchase the equipment from the CTO rather than Wi-SKY Inflight. With full knowledge that Wi-SKY Inflight had paid for the development of the intellectual property (IP), and had contractual rights to file the patents for the radio Wi-SKY paid to develop, the prospective major customer chose to enter into negotiations with the CTO and his venture capital (VC) backers with regard to acquiring the radio.

The CTO is funded by two VC firms who learned of his radio through introduction from Wi-SKY Inflight. Both of these VC firms had offered to invest in Wi-SKY Inflight, and both wanted to dilute our shareholders down to only 20% of each person's current stake in the company. When Wi-SKY Inflight rejected the highly dilutive offers of the VC firms, they conspired to bypass Wi-SKY and support the CTO, intentionally ignoring the investment, expenditures for radio development, marketing efforts and legal rights of Wi-SKY Inflight.



As a settlement offer, the VC offered Wi-SKY Inflight a token royalty over 5 years “to help offset our cash investment, if they were successful.” They refused to give us any further details as to amounts, but clearly cut Wi-SKY off from contact with our prospective major customer and their business dealings with our CTO.

Concurrent with this activity, Wi-SKY Inflight had obtained an investment commitment from an investor willing to put \$5 million cash into the business. A line of credit had been established for \$1 million to pay the immediate payables of notes to the VC firms incurred by Wi-SKY during their evaluation period. As a result of their actions to abscond with our equipment, IP and cause the defection of our CTO, the investor backed out of the deal. Now the VC firms are asserting their claims on the notes Wi-SKY was unable to pay as a direct result of the VC’s tortuous interference with Wi-SKY’s business activities.

In this situation, Wi-SKY Inflight had no choice but to cure this injustice through the courts and filed a lawsuit for this asset and IP theft and extremely damaging disruption to our business.

At this stage, all the parties are attempting to bring legal actions and court pleadings against each other to intimidate and discourage the other party from proceeding with the litigation. We hope these efforts result in a quick settlement resolution. We are hoping to proceed with the business from where we left off, after recovery of the assets Wi-SKY bought and paid for. However, if need be, Wi-SKY is prepared to take this case to a jury trial over an extended period of time.

Our foremost and primary objective in this litigation is to obtain legal validation of our ownership of the radio equipment and intellectual property developed with Wi-SKY funding and our rights to continue the business prospects and operations we worked so hard to put in place.

Toward the objective of defending our patent rights, on October 6, 2010 Wi-SKY Inflight exercised a specific contractual provision granted by the CTO and filed a 40-page Provisional Patent with the U.S. Patent and Trademark Office claiming protection of the intellectual property developed with Wi-SKY funding over the past year and a half. The Provisional Patent contains 27 claims pertaining to the unique and proprietary features of the Wi-SKY radio. Wi-SKY is confident that even if a portion of the 27 claims overlap with the claims the CTO has already filed, there still be claims granted to Wi-SKY from the patent which will be further developed and modified over the coming year.

We feel confident that a jury would look past the technicalities and legal maneuverings of this lawsuit and make a sound decision based on what is innately the right thing to do in this situation. Our attorneys are making significant progress in letting the defendants know that Wi-SKY Inflight will do whatever it takes to protect its assets and business activities.

We will keep you posted on any substantial developments as they occur.

M. Grant Sharp
President & CEO