



**Cathey, Hutton & Associates, Inc.**  
Telecommunications Management Consulting

3300 Holcomb Bridge Road  
Suite 286  
Norcross, Georgia 30092-3238  
Voice (770) 446-7242  
Facsimile (770) 446-7243

September 17, 1999

Ms. Blanca Vayo  
Director of Records and Reporting  
Florida Public Service Commission  
Division of Telecommunications  
Bureau of Certification and Service Evaluation  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

991431-TX

Dear Ms. Vayo:

We are filing on the behalf of Avana Communications Corporation an Application for a Authority to provide resold local exchange telecommunications services in Florida. Enclosed are the original and seven copies of the application, the authority to do business in Florida, and an illustrative tariff. Please return one signed stamped copy to us in the enclosed pre-addressed envelope.

If you have any questions or need additional information please feel free to contact me at (770) 446-7242.

Yours truly,



Davinci McNab  
Manager

Enclosures

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FLORIDA PUBLIC  
SERVICE COMMISSION

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Initials of person who forwarded check:



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FPSC RECORDS/REPORTING

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Facsimile (972) 243-6139

3721 Executive Center Drive  
Suite 200  
Austin, Texas 78731-1639  
Voice (512) 343-2544  
Facsimile (512) 343-0119

12503 Southeast Mill Plain Blvd.  
Suite 200  
Vancouver, Washington 98684-4009  
Voice (360) 253-5500  
Facsimile (360) 253-5380

8115 Shawnee Mission Pkwy.  
Suite 200  
Merriam, Kansas 66202-2945  
Voice (913) 362-9966  
Facsimile (913) 362-5460

**\*\* FLORIDA PUBLIC SERVICE COMMISSION \*\***

**DIVISION OF TELECOMMUNICATIONS  
BUREAU OF CERTIFICATION AND SERVICE EVALUATION**

**APPLICATION FORM  
for  
AUTHORITY TO PROVIDE  
ALTERNATIVE LOCAL EXCHANGE SERVICE  
WITHIN THE STATE OF FLORIDA**

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Instructions

- ◆ This form is used as an application for an original certificate and for approval of the assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Appendix A).
- ◆ Print or type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.
- ◆ Use a separate sheet for each answer which will not fit the allotted space.
- ◆ Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of **\$250.00** to:

**Florida Public Service Commission  
Division of Records and Reporting  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850  
(850) 413-6770**

- ◆ If you have questions about completing the form, contact:

**Florida Public Service Commission  
Division of Telecommunications  
Bureau of Certification and Service Evaluation  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850  
(850) 413-6600**

## APPLICATION

1. This is an application for  $\checkmark$  (check one):

**Original certificate** (new company).

**Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.

**Approval of assignment of existing certificate:** Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.

**Approval of transfer of control:** Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of company:

Avana Communications Corporation

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3. Name under which the applicant will do business (fictitious name, etc.):

N/A

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4. Official mailing address (including street name & number, post office box, city, state, zip code):

1690 Chantilly Drive

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Atlanta, GA 30324

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5. Florida address (including street name & number, post office box, city, state, zip code):

526 E. Park Avenue

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Tallahassee, Fl. 32301

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6. Structure of organization:

- Individual                       Corporation  
 Foreign Corporation     Foreign Partnership  
 General Partnership     Limited Partnership  
 Other \_\_\_\_\_

7. **If individual**, provide:

**Name:**    N/A \_\_\_\_\_

**Title:** \_\_\_\_\_

**Address:** \_\_\_\_\_

**City/State/Zip:** \_\_\_\_\_

**Telephone No.:** \_\_\_\_\_ **Fax No.:** \_\_\_\_\_

**Internet E-Mail Address:** \_\_\_\_\_

**Internet Website Address:** \_\_\_\_\_

8. **If incorporated in Florida**, provide proof of authority to operate in Florida:

- (a)        **The Florida Secretary of State corporate registration number:**

          N/A \_\_\_\_\_

9. **If foreign corporation**, provide proof of authority to operate in Florida:

- (a)        **The Florida Secretary of State corporate registration number:**

          F99000004355 \_\_\_\_\_

10. **If using fictitious name-d/b/a**, provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:

- (a)        **The Florida Secretary of State fictitious name registration number:**

          See Exhibit A \_\_\_\_\_

11. **If a limited liability partnership**, provide proof of registration to operate in Florida:

(a) **The Florida Secretary of State registration number:**

N/A

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12. **If a partnership**, provide name, title and address of all partners and a copy of the partnership agreement.

**Name:** N/A

**Title:** \_\_\_\_\_

**Address:** \_\_\_\_\_

**City/State/Zip:** \_\_\_\_\_

**Telephone No.:** \_\_\_\_\_ **Fax No.:** \_\_\_\_\_

**Internet E-Mail Address:** \_\_\_\_\_

**Internet Website Address:** \_\_\_\_\_

13. **If a foreign limited partnership**, provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.

(a) **The Florida registration number:** N/A

14. Provide **F.E.I. Number**(if applicable): 58-2193081

15. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. Provide explanation.

No.

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(b) an officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

NO.

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16. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

**Name:** Davinci McNab

**Title:** Manager, Cathey Hutton & Associates

**Address:** 3300 Holcomb Bridge Road, Suite 286

**City/State/Zip:** Norcross, GA 30092-3238

**Telephone No.:** 770-446-7242 **Fax No.:** 770-446-7243

**Internet E-Mail Address:** dmcnab@cha-atlanta.com

**Internet Website Address:** www.catheyhutton.com

(b) Official point of contact for the ongoing operations of the company:

**Name:** Richard Granville

**Title:** Chairman/CEO

**Address:** 1690 Chantilly Drive

**City/State/Zip:** Atlanta, GA 30324

**Telephone No.:** 404-633-3831 **Fax No.:** 404-638-6057

**Internet E-Mail Address:** richardgranville@avana.net

**Internet Website Address:** www.avana.net

(c) Complaints/Inquiries from customers:

**Name:** Sean Duffy

**Title:** Vice President, Marketing

**Address:** 1690 Chantilly Drive

**City/State/Zip:** Atlanta, GA 30324

**Telephone No.:** 404-633-3831 **Fax No.:** 404-638-6057

**Internet E-Mail Address:** seanduffy@avana.net

**Internet Website Address:** www.avana.net

17. List the states in which the applicant:

(a) has operated as an alternative local exchange company.

None

(b) has applications pending to be certificated as an alternative local exchange company.

Georgia

(c) is certificated to operate as an alternative local exchange company.

None

(d) has been denied authority to operate as an alternative local exchange company and the circumstances involved.

None

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(e) has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

None

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(f) has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

None

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18. Submit the following:

A. Financial capability.

The application **should contain** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated.

See Exhibit B

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer **affirming that the financial statements are true and correct** and should include:

1. the balance sheet;
2. income statement; and
3. statement of retained earnings.

**NOTE:** *This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.*



Further, the following (which includes supporting documentation) should be provided:

1. **written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

See Exhibit C

2. **written explanation** that the applicant has sufficient financial capability to maintain the requested service.

See Exhibit C

3. **written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

See Exhibit C

- B. **Managerial capability:** give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

See Exhibit D


- C. **Technical capability:** give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.

See Exhibit D

**\*\* APPLICANT ACKNOWLEDGMENT STATEMENT \*\***

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of \$50 is required.
2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.
3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.
4. **APPLICATION FEE:** I understand that a non-refundable application fee of \$250.00 must be submitted with the application.

**UTILITY OFFICIAL:**

	<u>9/20/97</u>
Signature	Date
Chairman/CEO	404-633-3831
Title	Telephone No.
Address: <u>1690 Chantilly Drive</u>	<u>404-638-6057</u>
<u>Atlanta, GA 30324</u>	Fax No.

**ATTACHMENTS:**

- A - CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT
- B - INTRASTATE NETWORK
- C - AFFIDAVIT

**INTRASTATE NETWORK (if available)**

Chapter 25-24.825 (5), Florida Administrative Code, requires the company to make available to staff the alternative local exchange service areas only upon request.

**1. POP: Addresses where located, and indicate if owned or leased.**

- |                            |          |
|----------------------------|----------|
| 1) <u>To be determined</u> | 2) _____ |
| _____                      | _____    |
| 3) _____                   | 4) _____ |
| _____                      | _____    |

**2. SWITCHES: Address where located, by type of switch, and indicate if owned or leased.**

- |                            |          |
|----------------------------|----------|
| 1) <u>To be determined</u> | 2) _____ |
| _____                      | _____    |
| 3) _____                   | 4) _____ |
| _____                      | _____    |

**3. TRANSMISSION FACILITIES: POP-to-POP facilities by type of facilities (microwave, fiber, copper, satellite, etc.) and indicate if owned or leased.**


- | <u>POP-to-POP</u>          | <u>OWNERSHIP</u> |
|----------------------------|------------------|
| 1) <u>To be determined</u> | <u>Leased</u>    |
| 2) _____                   | _____            |
| 3) _____                   | _____            |
| 4) _____                   | _____            |

**AFFIDAVIT**

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange company service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

**Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."**

UTILITY OFFICIAL:

	<u>9/20/99</u>
Signature	Date
<u>Chairman/CEO</u>	<u>404-633-3831</u>
Title	Telephone No.
Address: <u>1690 Chantilly Drive</u>	<u>404-638-6057</u>
<u>Atlanta, GA 30324</u>	Fax No.
_____	
_____	

**Avana Communications Corporation  
d/b/a AvanaCom**

**Application For Authority to Provide Alternative  
Local Exchange Service Within  
The State of Florida.**

**Exhibit A – Authority to Transact Business  
in Florida and Fictitious Name Registration**



FLORIDA DEPARTMENT OF STATE  
Katherine Harris  
Secretary of State

August 23, 1999

RICHARD MCDANIEL  
CATHEY, HUTTON & ASSOCIATES  
3300 HOLCOMB BRIDGE ROAD, SUITE 286  
NORCROSS, GA 30092-3238

Qualification documents for AVANA COMMUNICATIONS CORPORATION were filed on August 16, 1999 and assigned document number F9900004355. Please refer to this number whenever corresponding with this office.

Your corporation is now qualified and authorized to transact business in Florida as of the file date.

A corporation annual report will be due this office between January 1 and May 1 of the year following the calendar year of the file date. A Federal Employer Identification (FEI) number will be required before this report can be filed. If you do not already have an FEI number, please apply NOW with the Internal Revenue by calling 1-800-829-3676 and requesting form SS-4.

Please be aware if the corporate address changes, it is the responsibility of the corporation to notify this office.

Should you have any questions regarding this matter, please telephone (850) 487-6091, the Foreign Qualification/Tax Lien Section.

Tammi Cline  
Document Specialist  
Division of Corporations

Letter Number: 199A00042252



Cathey, Hutton & Associates, Inc.  
Telecommunications Management Consulting

3300 Holcomb Bridge Road  
Suite 286  
Norcross, Georgia 30092-3238  
Voice (770) 446-7242  
Facsimile (770) 446-7243

## TRANSMITTAL LETTER

August 12, 1999

TO: Qualifications/Tax Lien Section  
Division of Corporations  
Secretary of State  
State of Florida

SUBJECT: Avana Communications Corporation

Dear Sir or Madam:

The enclosed "Application for Registration of Fictitious Name," "Application by a Foreign Corporation for Authorization to Transact Business in Florida," "Certificate of Existence," and checks are submitted to register the above referenced foreign corporation to transact business in Florida.

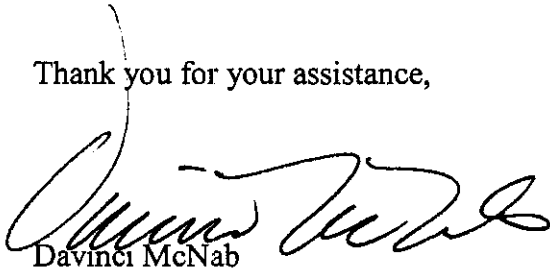
Please return all correspondence concerning this matter to:

Davinci McNab  
Cathey, Hutton & Associates, Inc.  
3300 Holcomb Bridge Road, Suite 286  
Norcross, GA 30092-3238

Should you need to call someone concerning this matter, please call:

Davinci McNab or Richard McDaniel at (770) 446-7243.

Thank you for your assistance,



Davinci McNab  
Manager

Enclosures

2711 LBJ Freeway  
Suite 560  
Dallas, Texas 75234-7321  
Voice (972) 484-2323  
Facsimile (972) 243-6139

3721 Executive Center Drive  
Suite 200  
Austin, Texas 78731-1639  
Voice (512) 343-2544  
Facsimile (512) 343-0119

12503 Southeast Mill Plain Blvd.  
Suite 200  
Vancouver, Washington 98684-4009  
Voice (360) 253-5500  
Facsimile (360) 253-5380

8115 Shawnee Mission Pkwy.  
Suite 200  
Merriam, Kansas 66202-2945  
Voice (913) 362-9966  
Facsimile (913) 362-5460

**APPLICATION FOR REGISTRATION OF FICTITIOUS NAME**

**Section 1**

1. AvanaCom  
Fictitious Name to be Registered

---

2. 526 E. Park Avenue  
Mailing Address of Business  
Tallahassee, FL 32301  
City State Zip Code

3. Florida County of principal place of business: multiple

4. FEI Number: \_\_\_\_\_

This space for office use only

**Section 2**

**A. Owner(s) of Fictitious Name If Individual(s): (Use an attachment if necessary):**

1. _____ Last First M.I. _____ Address _____ City State Zip Code SS# _____	2. _____ Last First M.I. _____ Address _____ City State Zip Code SS# _____
--	--

**B. Owner(s) of Fictitious Name if other than Individuals(s): (Use attachment if necessary):**

1. <u>Avana Communications Corporation</u> Entity Name <u>1690 Chantilly Drive</u> Address <u>Atlanta, GA 30324</u> City State Zip Code Florida Registration Number <u>Applied for</u> FEI Number: <u>58-2193081</u> <input type="checkbox"/> Applied for <input type="checkbox"/> Not Applicable	2. _____ Entity Name _____ Address _____ City State Zip Code Florida Registration Number _____ FEI Number: _____ <input type="checkbox"/> Applied for <input type="checkbox"/> Not Applicable
---	---

**Section 3**

I (we) the undersigned, being the sole (all the) party(ies) owning interest in the above fictitious name, certify that the information indicated on this form is true and accurate. I (we) further certify that the fictitious name shown in Section 1 of this form has been advertised at least once in a newspaper as defined in chapter 50, Florida Statutes, in the county where the applicant's principal place of business is located. I (we) understand that the signature(s) below shall have the same legal effect as if made under oath. (At Least One Signature Required)

_____ Signature of Owner Phone Number: <u>904 633-3831</u> Date _____	_____ Signature of Owner Phone Number: <u>904-841-5858</u> Date <u>8/14/99</u>
---	--

**Section 4**

FOR CANCELLATION COMPLETE SECTION 4 ONLY:  
FOR FICTITIOUS NAME OR OWNERSHIP CHANGE COMPLETE SECTIONS 1 THROUGH 4:

I (we) the undersigned, hereby cancel the fictitious name \_\_\_\_\_  
\_\_\_\_\_, which was registered on \_\_\_\_\_ and was assigned registration number \_\_\_\_\_

_____ Signature of Owner Date _____	_____ Signature of Owner Date _____
---	---

Mark the applicable boxes  Certificate of Status - \$10  Certified Copy - \$30  
Filing Fee: \$50

Note: Acknowledgements/certificates will be sent to the address in Section 1 only. CR4E-001 (5/96).



**AVANA COMMUNICATIONS CORP.**

OPERATING ACCOUNT

770-353-2000

1155 HAMMOND DR. BLDG. D STE. 4080  
ATLANTA, GA 30328

2343

64-25/610  
BRANCH 24445

DATE 8-3-99


PAY  
TO THE  
ORDER OF

Dept of State

\$ 50.00

- Fifty & no/100

DOLLARS

 Security Features  
Details on back.

**SouthTrust  
Bank**  
Atlanta, GA 

FOR Florida



⑈002343⑈

CHARLANS STYLE 700

**Avana Communications Corporation  
d/b/a AvanaCom**

**Application For Authority to Provide Alternative  
Local Exchange Service Within  
The State of Florida.**

**Exhibit B – Financial Statements of Avana Communications Corporation  
and parent company New Millennium Multimedia**

SMITH & RADIGAN

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FINANCIAL STATEMENTS  
AVANA COMMUNICATIONS CORPORATION  
December 31, 1998

Financial Statements

AVANA COMMUNICATIONS CORPORATION

December 31, 1998

CONTENTS:

Independent Auditors' Report.....	1
Financial Statements:	
Balance Sheets .....	2
Statements of Operations and Retained Earnings (Deficit) .....	3
Statements of Cash Flows .....	4
Notes to Financial Statements .....	5

750 Hammond Drive, Building 2  
Atlanta, Georgia 30328-5532  
Telephone (404) 255-1300  
FAX (404) 255-1301  
E-Mail: info@smithandradian.com

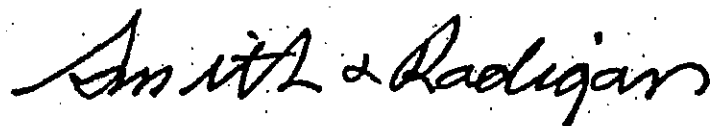
INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Avana Communications Corporation

We have audited the accompanying balance sheets of Avana Communications Corporation (a Georgia corporation) as of December 31, 1998, 1997 and 1996, and the related statements of operations and retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Avana Communications Corporation as of December 31, 1998, 1997 and 1996, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.



Atlanta, Georgia  
June 15, 1999

Balance Sheets

AVANA COMMUNICATIONS CORPORATION

	<u>ASSETS</u>		
	<u>December 31,</u>		
	<u>1998</u>	<u>1997</u>	<u>1996</u>
<b>CURRENT ASSETS</b>			
Cash	\$ 14,426	\$ 58,066	\$ 16,723
Accounts receivable	3,000	6,275	-0-
Advance to stockholder	483	483	483
Prepaid expenses	-0-	12,893	-0-
<b>TOTAL CURRENT ASSETS</b>	<u>17,909</u>	<u>77,717</u>	<u>17,206</u>
<b>PROPERTY AND EQUIPMENT, at cost</b>			
Net of accumulated depreciation of \$60,644 in 1998, \$32,079 in 1997 and \$10,483 in 1996	118,265	119,852	76,795
<b>OTHER ASSETS</b>			
Deposits	6,947	6,947	6,947
Organization costs	862	1,411	1,960
	<u>7,809</u>	<u>8,358</u>	<u>8,907</u>
	<u>\$ 143,983</u>	<u>\$ 205,927</u>	<u>\$ 102,908</u>

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY IN ASSETS)

	<u>December 31,</u>		
	<u>1998</u>	<u>1997</u>	<u>1996</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 37,942	\$ 46,135	\$ 71,634
Unearned revenue	153,126	140,613	52,920
Advance from related party	-0-	78	12,548
Dividend payable	-0-	7,658	-0-
<b>TOTAL CURRENT LIABILITIES</b>	<u>191,068</u>	<u>194,484</u>	<u>137,102</u>
<b>STOCKHOLDERS' EQUITY</b>			
Common stock -- no par value:			
Authorized -- 100,000 shares			
Issued and outstanding -- 68,173 shares in 1998, 67,273 shares in 1997 and 1996	171,260	171,260	171,260
Retained earnings (deficit)	(218,345)	(159,817)	(205,454)
	<u>(47,085)</u>	<u>11,443</u>	<u>(34,194)</u>
	<u>\$ 143,983</u>	<u>\$ 205,927</u>	<u>\$ 102,908</u>

The Notes to Financial Statements are an integral part of these Statements.

Statements of Operations and Retained Earnings (Deficit)

AVANA COMMUNICATIONS CORPORATION

	December 31.		
	<u>1998</u>	<u>1997</u>	<u>1996</u>
REVENUES			
Net sales revenue	\$ 833,509	\$ 771,674	\$ 464,967
OPERATING EXPENSES			
Wages and benefits	305,191	321,168	207,991
Communications	287,845	154,651	175,493
Office space	54,441	53,274	38,064
Equipment rental	97,193	57,789	30,156
General and administrative	63,775	62,070	62,827
Marketing	54,598	43,357	46,155
Interest	-0-	1,585	1,553
Depreciation and amortization expense	<u>29,114</u>	<u>22,145</u>	<u>10,712</u>
	<u>892,157</u>	<u>716,039</u>	<u>572,951</u>
LOSS FROM OPERATIONS	(58,648)	55,635	(107,984)
INTEREST INCOME	<u>120</u>	<u>-0-</u>	<u>103</u>
NET LOSS	(58,528)	55,635	(107,881)
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR	(159,817)	(205,454)	(97,573)
DIVIDEND DECLARED	<u>-0-</u>	<u>(9,998)</u>	<u>-0-</u>
RETAINED EARNINGS (DEFICIT), END OF YEAR	<u>\$ (218,345)</u>	<u>\$ (159,817)</u>	<u>\$ (205,454)</u>

The Notes to Financial Statements are an integral part of these Statements.

Statements of Cash Flows

AVANA COMMUNICATIONS CORPORATION

	December 31.		
	<u>1998</u>	<u>1997</u>	<u>1996</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$ (58,528)	\$ 55,635	\$ (107,881)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:			
Depreciation and amortization	29,114	22,145	10,712
Decrease (increase) in:			
Accounts receivable	3,275	(6,275)	315
Other assets	12,893	(12,893)	(1,198)
Increase (decrease) in:			
Accounts payable and accrued expenses	(8,271)	(37,969)	45,117
Other liabilities	12,513	87,693	40,967
Total adjustments	<u>49,524</u>	<u>52,701</u>	<u>95,913</u>
Net cash provided (used) by operating activities	(9,004)	108,336	(11,968)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Capital expenditures	(26,978)	(64,653)	(71,760)
Decrease (increase) in loans to stockholder	<u>-0-</u>	<u>-0-</u>	<u>(223)</u>
Net cash used by investing activities	(26,978)	(64,653)	(71,983)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Capital contributions	-0-	-0-	56,000
Dividends paid	<u>(7,658)</u>	<u>(2,340)</u>	<u>-0-</u>
Net cash provided (used) by financing activities	<u>(7,658)</u>	<u>(2,340)</u>	<u>56,000</u>
NET INCREASE (DECREASE) IN CASH	(43,640)	41,343	(27,951)
CASH BALANCE AT BEGINNING OF YEAR	<u>58,066</u>	<u>16,723</u>	<u>44,674</u>
CASH BALANCE AT END OF YEAR	<u>\$ 14,426</u>	<u>\$ 58,066</u>	<u>\$ 16,723</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			
Interest paid	<u>\$ -0-</u>	<u>\$ 1,585</u>	<u>\$ 1,553</u>

The Notes to Financial Statements are an integral part of these Statements.



Notes to Financial Statements

AVANA COMMUNICATIONS CORPORATION

December 31, 1998

Note A — Summary of Significant Accounting Policies

Organization

Avana Communications Corporation ("the Company") was incorporated on July 11, 1995, in the state of Georgia. The Company was formed to provide internet access, training, web site development and support to individuals and businesses.

Property and Equipment

Property and equipment are stated at cost and include expenditures for new facilities and replacements or betterments of existing facilities. Expenditures for normal maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the useful lives of the assets, which range from three to seven years for furniture and equipment.

Depreciation expense was \$28,529 for the year ended December 31, 1998, \$21,560 for the year ended December 31, 1997 and \$10,127 for the year ended December 31, 1996.

Organizational Costs

Organization costs represent the costs to incorporate the Company. The costs are being amortized over five years on a straight-line basis. Amortization for the years ended December 31, 1998, 1997 and 1996 was \$585.

Sales

Revenue is recognized as it is earned, not when it is collected from the customer. An adjustment made to record the deferred income which has been collected from the customer but not yet earned.

Income Taxes

The Company accounts for income taxes under the liability method. Under this method, deferred income taxes are recorded to reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for income taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Cash Flows

The Company's policy is to report all short-term investments with maturities of three months or less at the time of their acquisition by the Company as cash equivalents.

Notes to Financial Statements — Continued

AVANA COMMUNICATIONS CORPORATION

December 31, 1998

Note C — Commitments and Contingencies

The Company's future lease obligations for building and equipment rentals under noncancelable operating leases are as follows:

Year Ending December 31,	Amount Related		
	Building	Party Equipment	Total
1999	\$ 41,528	\$ 85,337	\$126,865
2000	<u>-0-</u>	<u>25,550</u>	<u>25,550</u>
Total	<u>\$ 41,528</u>	<u>\$110,887</u>	<u>\$152,415</u>

Rental expense was \$151,634 for the year ending December 31, 1998, \$111,063 for 1997 and \$68,220 for 1996.

The Company rents computer equipment from a company owned by a major stockholder. Payments for equipment rental to the stockholder were \$87,664 in 1998, \$56,489 in 1997 and \$28,152 in 1996.

Note D — Income Taxes

No provision for income taxes has been recorded due to net operating loss (NOL) carryforward of \$80,953 that will be offset against future taxable income. The NOL carryforward will expire in the year 2018. No tax benefit has been recorded in the financial statements due to the uncertainty of predicting the Company's future taxable income.

The Company's deferred tax assets at December 31, 1998 are as follows:

Deferred tax assets — net operating loss carryforwards	\$ 28,000
Cash basis of accounting	66,000
Valuation allowance	<u>(94,000)</u>
Total	<u>\$ -0-</u>

Note E — Subsequent Events

On May 5, 1999, the stockholders of the Company sold all of the issued and outstanding shares of stock in the Company to an independent third party.

# SMITH & RADIGAN

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FINANCIAL STATEMENTS  
AVANA COMMUNICATIONS CORPORATION  
June 30, 1999

Financial Statements

AVANA COMMUNICATIONS CORPORATION

June 30, 1999

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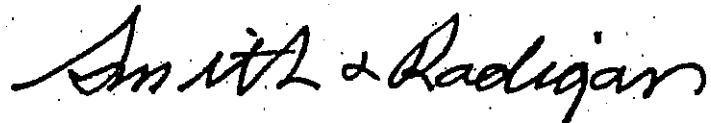
ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors  
Avana Communications Corporation

We have compiled the accompanying balance sheets of Avana Communications Corporation (a Georgia corporation) as of June 30, 1999 and 1998 and the related statements of operations and retained earnings (deficit) and cash flows for the six-month period then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The Company has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.



Atlanta, Georgia  
July 16, 1999

Balance Sheets

AVANA COMMUNICATIONS CORPORATION

ASSETS

	<u>June 30,</u>	
	<u>1999</u>	<u>1998</u>
CURRENT ASSETS		
Cash	\$ 10,706	\$ 59,527
Accounts receivable	200	1,008
Prepaid expenses	-0-	9,100
TOTAL CURRENT ASSETS	<u>10,906</u>	<u>69,635</u>
PROPERTY AND EQUIPMENT, at cost		
Net of accumulated depreciation		
of \$75,833 in 1999 and \$45,002		
in 1998	199,496	130,555
OTHER ASSETS		
Deposits	6,945	6,947
Organization costs	672	1,183
	<u>7,617</u>	<u>8,130</u>
	<u>\$ 218,019</u>	<u>\$ 208,320</u>

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY IN ASSETS)

	<u>June 30,</u>	
	<u>1999</u>	<u>1998</u>
CURRENT LIABILITIES		
Accounts payable and accrued		
expenses	\$ 62,435	\$ 31,872
Unearned revenue	177,659	130,334
Advance from parent company	28,618	-0-
Current maturities of long-term debt	10,921	-0-
TOTAL CURRENT LIABILITIES	<u>279,633</u>	<u>162,206</u>
LONG-TERM DEBT	83,394	-0-
STOCKHOLDERS' EQUITY (DEFICIENCY IN ASSETS)		
Common stock — no par value:		
Authorized — 100,000 shares		
Issued and outstanding —		
68,173 shares in 1999 and 1998	171,260	171,260
Retained earnings (deficit)	(316,268)	(125,146)
	<u>(145,008)</u>	<u>46,114</u>
	<u>\$ 218,019</u>	<u>\$ 208,320</u>

See Accountants' Compilation Report.

Statements of Operations and Retained Earnings (Deficit)

AVANA COMMUNICATIONS CORPORATION

	For the Period Ended June 30,	
	<u>1999</u>	<u>1998</u>
REVENUES		
Net sales revenue	\$ 367,901	\$ 450,282
OPERATING EXPENSES		
Wages and benefits	143,807	148,087
Communications	198,791	125,637
Office space	27,686	26,822
Equipment rental	47,721	39,252
General and administrative	27,094	32,230
Marketing	5,346	30,552
Depreciation and amortization expense	<u>15,379</u>	<u>13,151</u>
	<u>465,824</u>	<u>415,731</u>
INCOME (LOSS) FROM OPERATIONS	(97,923)	34,551
INTEREST INCOME	<u>-0-</u>	<u>120</u>
NET INCOME (LOSS)	(97,923)	34,671
RETAINED EARNINGS (DEFICIT), BEGINNING OF PERIOD	<u>(218,345)</u>	<u>(159,817)</u>
RETAINED EARNINGS (DEFICIT), END OF PERIOD	<u>\$ (316,268)</u>	<u>\$ (125,146)</u>

See Accountants' Compilation Report.

Statements of Cash Flows

AVANA COMMUNICATIONS CORPORATION

	For the Period Ended June 30,	
	<u>1999</u>	<u>1998</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	(97,923)	34,671
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	15,379	13,151
Decrease (increase) in:		
Accounts receivable	2,800	5,750
Other assets	2	3,793
Increase (decrease) in:		
Accounts payable and accrued expenses	24,493	(14,341)
Advance from parent company	28,618	-0-
Other liabilities	24,533	(10,279)
Total adjustments	<u>95,825</u>	<u>(1,926)</u>
Net cash provided (used) by operating Activities	(2,098)	32,745
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	<u>(96,420)</u>	<u>(23,626)</u>
Net cash used by investing activities	(96,420)	(23,626)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Advance from stockholder	483	-0-
Long-term debt	94,315	-0-
Dividends paid	<u>-0-</u>	<u>(7,658)</u>
Net cash provided (used) by financing activities	<u>94,798</u>	<u>(7,658)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(3,720)</b>	<b>1,461</b>
<b>CASH BALANCE AT BEGINNING OF PERIOD</b>	<b><u>14,426</u></b>	<b><u>58,066</u></b>
<b>CASH BALANCE AT END OF PERIOD</b>	<b><u>\$ 10,706</u></b>	<b><u>\$ 59,527</u></b>
<b>CASH FLOW INFORMATION:</b>		
Capital lease transaction	<u>\$ 94,315</u>	<u>\$ -0-</u>

See Accountants' Compilation Report.



# SMITH & RADIGAN

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FINANCIAL STATEMENTS  
NEW MILLENNIUM MULTIMEDIA, INC.  
December 31, 1998

Financial Statements

NEW MILLENNIUM MULTIMEDIA, INC.

December 31, 1998

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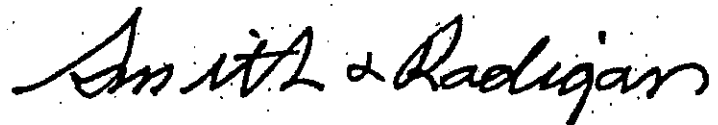
INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
New Millennium Multimedia, Inc.

We have audited the accompanying balance sheet of New Millennium Multimedia, Inc. (a Georgia corporation) as of December 31, 1998, and the related statements of operations and retained earnings (deficit) and cash flows for the period from October 6, 1998 (date of inception) through December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Millennium Multimedia, Inc. as of December 31, 1998, and the results of its operations and its cash flows for the period from October 6, 1998 (date of inception) through December 31, 1998, in conformity with generally accepted accounting principles.



Atlanta, Georgia  
June 24, 1999

Balance Sheet

NEW MILLENNIUM MULTIMEDIA, INC.

December 31, 1998

ASSETS

CURRENT ASSETS

Cash	\$ 3,719
Advances to stockholder	820
TOTAL CURRENT ASSETS	<u>4,539</u>

PROPERTY AND EQUIPMENT, at cost

Net of accumulated depreciation of \$506	<u>12,611</u>
--	---------------

\$ 17,150

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 5,391
---------------------------------------	----------

STOCKHOLDERS' EQUITY

Common stock — par value \$1 per share:	
Authorized — 1,000,000 shares	
Issued and outstanding — 32,500 shares	32,500
Retained earnings (deficit)	<u>(20,741)</u>
	<u>11,759</u>

\$ 17,150

The Notes to Financial Statements are an integral part of these Statements.

Statement of Operations and Retained Earnings (Deficit)

NEW MILLENNIUM MULTIMEDIA, INC.

For the period from October 6, 1998 (Date of Inception) through December 31, 1998

OPERATING EXPENSES	
General and administrative	\$ 7,146
Marketing	13,203
Depreciation	<u>506</u>
	<u>20,855</u>
LOSS FROM OPERATIONS	(20,855)
INTEREST INCOME	<u>114</u>
NET LOSS	(20,741)
RETAINED EARNINGS, BEGINNING OF PERIOD	<u>-0-</u>
RETAINED EARNINGS (DEFICIT), END OF PERIOD	<u>\$ (20,741)</u>

The Notes to Financial Statements are an integral part of these Statements.

Statement of Cash Flows

NEW MILLENNIUM MULTIMEDIA, INC.

For the period from October 6, 1998 (Date of Inception) through December 31, 1998

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss	\$ (20,741)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization	506
Increase in accounts payable and accrued expenses	<u>5,391</u>
Total adjustments	<u>5,897</u>
Net cash used by operating activities	<u>(14,844)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Capital expenditures	(13,117)
Increase in advances to officers	<u>(820)</u>
Net cash used by investing activities	<u>(13,937)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Capital contributions	<u>32,500</u>
Net cash provided by financing activities	<u>32,500</u>

NET INCREASE IN CASH	3,719
CASH BALANCE AT BEGINNING OF PERIOD	<u>-0-</u>
CASH BALANCE AT END OF PERIOD	<u>\$ 3,719</u>

The Notes to Financial Statements are an integral part of these Statements.

Notes to Financial Statements

NEW MILLENNIUM MULTIMEDIA, INC.

December 31, 1998

Note A — Summary of Significant Accounting Policies

Organization

New Millennium Multimedia, Inc. ("the Company") was incorporated on October 6, 1998, in the state of Georgia. The Company was formed to provide telecommunications services to businesses and individuals.

Property and Equipment

Property and equipment are stated at cost and include expenditures for new facilities and replacements or betterments of existing facilities. Expenditures for normal maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the useful lives of the assets, which range from five to seven years for furniture and equipment.

Depreciation expense was \$506 for the year ended December 31, 1998.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Company accounts for income taxes under the liability method. Under this method, deferred income taxes are recorded to reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for income taxes.

Statement of Cash Flows

The Company's policy is to report all short-term investments with maturities of three months or less at the time of their acquisition by the Company as cash equivalents.

Note B — Subsequent Events

Capitalization

Subsequent to the balance sheet date, the Company increased the number of authorized shares of common stock to 1,000,000.

Notes to Financial Statements — Continued

NEW MILLENNIUM MULTIMEDIA, INC.

December 31, 1998

Note A — Summary of Significant Accounting Policies — Continued

Acquisitions

On May 5, 1999, the Company purchased all of the issued and outstanding stock of a company that provides internet access, training, web site development and support to both businesses and individuals. The Company purchased the stock of the Company in exchange for \$350,000 in cash, \$100,000 note payable to the stockholders of the entity and 97,824 shares of New Millennium Multimedia, Inc. common stock.

Note B — Income Taxes

No provision for income taxes has been recorded due to net operating loss (NOL) carryforward of \$20,000 that will be offset against future taxable income. The NOL carryforward will expire in the year 2018. No tax benefit has been recorded in the financial statements due to the uncertainty of predicting the Company's future taxable income.

The Company's deferred tax asset at December 31, 1998 is as follows:

Deferred tax assets — net operating loss carryforwards	\$ 7,000
Valuation allowance	<u>(7,000)</u>
Total	<u>\$ -0-</u>



# SMITH & RADIGAN

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CONSOLIDATED FINANCIAL STATEMENTS

NEW MILLENNIUM MULTIMEDIA, INC.

June 30, 1999

Consolidated Financial Statements

NEW MILLENNIUM MULTIMEDIA, INC.

June 30, 1999

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# SMITH & RADIGAN,

CERTIFIED PUBLIC ACCOUNTANTS, LLC

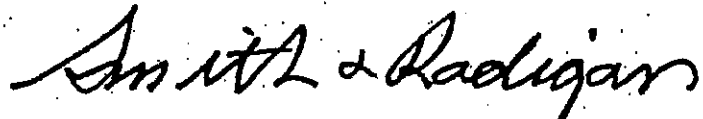
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## ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors  
New Millennium Multimedia, Inc.

We have compiled the accompanying consolidated balance sheet of New Millennium Multimedia, Inc. (a Georgia corporation) as of June 30, 1999 and the related consolidated statements of operations, stockholders' equity and cash flows for the six-month period then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.



Atlanta, Georgia  
July 16, 1999

Consolidated Balance Sheet

NEW MILLENNIUM MULTIMEDIA, INC.

June 30, 1999

ASSETS

CURRENT ASSETS

Cash	\$101,839
Accounts receivable	200
Prepaid expenses	<u>1,650</u>
TOTAL CURRENT ASSETS	103,689

PROPERTY AND EQUIPMENT, at cost  
Net of accumulated depreciation  
of \$79,938

276,218

OTHER ASSETS

Deposits	24,339
Escrow deposit	38,000
Organization costs, net of accumulated Amortization of \$2,072	672
Goodwill, net of accumulated amortization of \$1,838	<u>880,613</u>
	<u>943,624</u>

\$1,323,531

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 172,197
Unearned revenue	177,659
Advance from stockholders	1,699
Current portion of long-term debt	<u>94,789</u>
TOTAL CURRENT LIABILITIES	446,344

LONG-TERM DEBT

604,110

STOCKHOLDERS' EQUITY

Common stock — \$1 par value: Authorized — 1,000,000 shares Issued and outstanding — 543,824	543,824
Additional paid-in capital	195,648
Retained earnings (deficit)	<u>(466,395)</u>
	<u>273,077</u>

\$1,323,531

See Notes to Consolidated Financial Statements and Accountants' Compilation Report.

Consolidated Statement of Operations

NEW MILLENNIUM MULTIMEDIA, INC.

For the Six-Month Period Ended June 30, 1999

REVENUES

Net sales revenue \$192,917

OPERATING EXPENSES

Wages and benefits	473,254
Communications	39,525
Office space	10,392
Equipment rental	12,144
General and administrative	79,048
Marketing	12,798
Interest	3,751
Depreciation and amortization expense	<u>8,000</u>
	<u>638,912</u>

LOSS FROM OPERATIONS (445,995)

INTEREST INCOME 341

NET LOSS \$ ( 445,654)

See Notes to Consolidated Financial Statements and Accountants' Compilation Report.

Consolidated Statement of Stockholders' Equity

NEW MILLENNIUM MULTIMEDIA, INC.

For the Six-Month Period Ended June 30, 1999

	<u>Common Stock</u>		<u>Additional Paid in Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Total</u>
	<u>No. of Shares</u>	<u>Amount</u>			
Balance at January 1, 1999	32,500	\$ 32,500	\$ -0-	\$ (20,741)	\$ 11,759
Acquisition of Avana Communications Corporations	97,824	97,824	195,648	-0-	293,472
Sale of stock	31,000	31,000	-0-	-0-	31,000
Stock issued as compensation	382,500	382,500	-0-	-0-	382,500
Net loss from operations	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(445,654)</u>	<u>(445,654)</u>
	<u>543,824</u>	<u>\$ 543,824</u>	<u>\$ 195,648</u>	<u>\$(466,395)</u>	<u>\$ 273,077</u>

Consolidated Statement of Cash Flows

NEW MILLENNIUM MULTIMEDIA, INC.

For the Six-Month Period Ended June 30, 1999

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss	\$ (445,654)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:	
Depreciation and amortization	8,000
Stock issued as compensation	382,500
Decrease (increase) in:	
Current assets	(1,650)
Deposits	(17,394)
Increase (decrease) in:	
Accounts payable and accrued expenses	93,219
Total adjustments	<u>464,675</u>
Net cash provided by operating activities	<u>19,021</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of subsidiary:	
Current assets	(7,817)
Property and equipment net of depreciation	(105,181)
Current liabilities	71,023
Unearned revenue	177,659
Note payable	100,000
Stock issued	293,472
Goodwill	<u>(882,450)</u>
Net cash	<u>(353,294)</u>
Capital expenditures	(13,126)
Escrow deposit	<u>(38,000)</u>
Net cash used by investing activities	(404,420)

CASH FLOWS FROM FINANCING ACTIVITIES:

Advance from stockholder	2,519
Issue of common stock	31,000
Long-term debt	<u>450,000</u>
Net cash provided by financing activities	<u>483,519</u>

NET INCREASE IN CASH	98,120
CASH BALANCE AT BEGINNING OF PERIOD	<u>3,719</u>
CASH BALANCE AT END OF PERIOD	<u>\$ 101,839</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Interest paid	<u>\$ 3,751</u>
Non-cash transactions:	
Capital lease transactions	<u>\$ 148,898</u>
Stock issued as compensation	<u>\$ 382,500</u>

See Notes to Consolidated Financial Statements and Accountants' Compilation Report.

Notes to Consolidated Financial Statements

NEW MILLENNIUM MULTIMEDIA, INC.

June 30, 1999

Note A — Summary of Significant Accounting Policies

Organization

New Millennium Multimedia, Inc. ("the Company") was incorporated on October 6, 1998, in the state of Georgia. The Company was formed to provide telecommunications services to businesses and individuals.

Consolidation

The Company acquired Avana Communications Corporation (Avana) on May 5, 1999. Avana provides internet access, training, website development and support to individuals and businesses.

The accompanying consolidated financial statements included the accounts of New Millennium Multimedia, Inc. and its wholly-owned subsidiary, Avana, collectively referred to as "the Company." All significant intercompany accounts and transactions have been eliminated.

Property and Equipment

Property and equipment are stated at cost and include expenditures for new facilities and replacements or betterments of existing facilities. Expenditures for normal maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the useful lives of the assets, which range from three to seven years for furniture and equipment.

Depreciation expense was \$6,130 for the six-month period ended June 30, 1999.

Intangible Asset

Organization costs represent the costs to incorporate. The costs are being amortized over five years on a straight-line basis. Amortization for the period ended June 30, 1999 was \$32.

Goodwill represents the excess of cost over fair market value of assets acquired. Goodwill is being amortized over forty years on the straight-line basis. Amortization for the period ended June 30, 1999 was \$1,838.

Sales

Revenue is recognized as it is earned, not when it is collected from the customer. An adjustment was made to record the deferred income which has been collected from the customer but not yet earned.



Notes to Consolidated Financial Statements - Continued

NEW MILLENNIUM MULTIMEDIA, INC.

June 30, 1999

Note A - Summary of Significant Accounting Policies - Continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Company accounts for income taxes under the liability method. Under this method, deferred income taxes are recorded to reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for income taxes.

Statement of Cash Flows

The Company's policy is to report all short-term investments with maturities of three months or less at the time of their acquisition by the Company as cash equivalents.

Note B - Acquisition of Avana Communications Corporation

On May 5, 1999, the Company completed its acquisition of Avana Communications Corporation (Avana). The acquisition was accounted for as a purchase and the results of Avana's operations were included in the Company's 1999 consolidated statements of operations from the date of acquisition. Total consideration included the issuance of 97,824 of newly issued common shares valued at \$293,472, cash in the amount of \$364,000 and a promissory note in the amount of \$100,000. The total consideration exceeded the fair value of the net assets acquired by \$882,450, which has been recorded as goodwill and is being amortized on a straight-line basis over forty years.

The following unaudited consolidated proforma information utilizes the audited information for New Millennium Multimedia, Inc. for the period from October 6, 1998 (date of inception) through December 31, 1998 and audited information for Avana for the calendar years 1998 and 1997 and unaudited information for the period January 1, 1999 through June 30, 1999. The proforma data assumes the Avana acquisition had occurred on January 1, 1997.

	Period Ended June 30, 1999	Year Ended December 31,	
		1998	1997
Net sales	<u>\$ 506,714</u>	<u>\$ 833,509</u>	<u>\$ 771,674</u>
Net income (loss)	<u>\$(523,547)</u>	<u>\$(79,269)</u>	<u>\$ 55,635</u>

Notes to Consolidated Financial Statements - Continued

NEW MILLENNIUM MULTIMEDIA, INC.

June 30, 1999

Note B - Acquisition of Avana Communications Corporation - Continued

The unaudited consolidated proforma information is not necessarily indicative of the combined results that would have occurred had the acquisition, merger and borrowings occurred on those dates, nor is it indicative of the results that may occur in the future.

Note C - Long-Term Debt

A summary of long-term debt is as follows:

Secured promissory note to a financial institution, dated April 26, 1999, with maximum borrowing in the amount of \$600,000. The Company can borrow in define tranches through April 30, 2000. All borrowings are amortized over 24 months with interest accruing at 10% for three months and 12.5% thereafter. The note is collateralized by equipment.	\$ 450,000
Promissory notes payable to stockholders, dated May 5, 1999, as part of the acquisition of Avana. Principal can be reduced to the extent of account attrition, as defined. Notes are due on May 5, 2000. The notes are not secured. The notes are not interest bearing.	100,000
Capital lease payable to financial institutions Dated April 1999. Amortization of principal and interest in the amount of \$5,223 begins in July 1999 and includes interest at rates between 12.10% and 24.31%. Capital leases are secured by equipment.	<u>148,899</u> <u>698,899</u> <u>94,789</u>
Less: current maturities	<u>\$ 604,110</u>

Future maturities of long-term debt are as follows:

<u>Year Ended</u> <u>December 31,</u>	
1999	\$ 94,789
2000	399,773
2001	169,643
2002	<u>34,694</u>
	<u>\$ 698,899</u>

Notes to Consolidated Financial Statements - Continued

NEW MILLENNIUM MULTIMEDIA, INC.

June 30, 1999

Note D - Income Taxes

No provision for income taxes has been recorded due to net operating loss (NOL) carryforward of approximately \$625,000 that will be offset against future taxable income. The NOL carryforward will expire in the year 2018. No tax benefit has been recorded in the financial statements due to the uncertainty of predicting the Company's future taxable income.

The Company's deferred tax asset at June 30, 1999 is as follows:

Deferred tax assets - net operating loss carryforwards	\$ 156,000
- Cash basis of accounting	62,000
Valuation allowance	<u>(218,000)</u>
Total	<u>\$ -0-</u>

Note E - Commitments and Contingencies

Leases

The Company's future lease obligations for building and equipment rentals under noncancelable operating leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>			
	<u>Building</u>	<u>Related Party Equipment</u>	<u>Other Equipment</u>	<u>Total</u>
1999	19,617	\$ 38,515	\$ 9,472	\$ 67,604
2000	<u>-0-</u>	<u>25,550</u>	<u>1,396</u>	<u>26,946</u>
Total	<u>\$ 19,617</u>	<u>\$ 64,065</u>	<u>\$ 10,868</u>	<u>\$ 94,550</u>

Rental expense was \$22,536 for the six-month period ended June 30, 1999.

The Company rents computer equipment from a company owned by a major stockholder.

Master Leases

The Company entered into master lease agreements prior to June 30, 1999 to lease equipment with a fair market value of approximately \$5,000,000. The leases will be effective subsequent to June 30, 1999 and will be recorded as operating leases. The monthly lease payment will be \$41,667 during the first month and \$179,100 for thirty-five subsequent months.

Notes to Consolidated Financial Statements - Continued

NEW MILLENNIUM MULTIMEDIA, INC.

June 30, 1999

Note E - Commitments and Contingencies - Continued

Warrant

The Company issued a warrant to Ascend Communications, Inc. to purchase 200,000 shares of the common stock of the Company at the price of \$3 per share. The warrant was issued on April 28, 1999 and terminates on April 26, 2006. Ascend Communications, Inc. is affiliated with the companies that provided the master lease of \$5,000,000 and the secured promissory note of \$600,000.

**Avana Communications Corporation  
d/b/a AvanaCom**

**Application For Authority to Provide Alternative  
Local Exchange Service Within  
The State of Florida.**

**Exhibit C – Statement of Financial Capability.**

## Avana Communication Corporation Financial Capability

As a reseller, investments in plant and equipment are not necessary for Avana Communications Corporation in order to provide long distance services in Florida. Avana will simply use proceeds from its accounts receivable (incurred long distance charges made by customers) to meet our accounts payable obligations with the interexchange carriers (IXCs) whose services we will be reselling. Should revenues from accounts receivable fall short (e.g. customer nonpayment or delinquency), Avana will make use of short term loans from lending institutions to meet our financial obligations with the IXCs while we implement collection procedures with delinquent customers. Avana's financial statements (attached as Exhibit C) reflect the revenues of our Internet Services Provider (ISP) operation. Our marketing strategy is to offer consumers a package of services that include Internet access, long distance, and — upon qualification — resold local telephone service. We will present customers with one bill for these services. Offering long distance and local telephone service is a natural extension of our Internet data business and the synergies realized as a multi-service provider will allow us reach profitability in a reasonable amount of time.

**Avana Communications Corporation  
d/b/a AvanaCom**

**Application For Authority to Provide Alternative  
Local Exchange Service Within  
The State of Florida.**

**Exhibit D – Biographies of Avana’s Management Team**

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NEW MILLINUIM MULTIMEDIA DBA AVANA COMMUNICATIONS

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TO: SEAN, SCOTT  
FROM: JIM BLANCHARD  
SUBJECT: EXECUTIVE/ DIRECTOR BIOGRAPHIES  
DATE: 7/22/99

**Chairman Of The Board & Chief Executive Officer**

**Richard S. Granville III**

Mr. Granville co-founded the Telecommunications Company New Millennium Multimedia in August Of 1998. The company embarked on its initial offerings of high-speed data communications, long distance services, and call management services to Inc 500 and Fortune 500 clientele. In January of 1999 in an effort to expand its service offerings, NMM began negotiations with Avana Communications an Atlanta based Internet Service Provider. In May of 1999 the Acquisition of Avana Communications was complete and Internet Services, Web Site Development, Hosting and Management were added to the NMM service offerings.

Prior to founding NMM Mr. Granville served as Regional Vice President of Sales and Marketing Entergy Security 1997-1998 (a new business venture of Entergy Corporation (ETR) one of the nations largest utilities providers. Mr. Granville was responsible for one of the most successful start-ups (new business units) under the Entergy expansion efforts. Mr. Granville also served as Director of Sales and Operation for Republic Industries during 1996-1997 and General Manager with Rollins Protective Services 1993-1996, (a division of Rollins INC.) here, Mr. Granville again, was recognized as developing and maintaining the most successful operation in the nation. Mr. Granville exposure to these rapidly developed and deployed corporate expansion efforts, combined with his track record of results has molded an aggressive, charismatic business leader with a solid foundation of success to continue to build from.

**President & Chief Executive Business Development**

**James M. Blanchard**

Prior to joining New Millennium Multimedia Mr. Blanchard served as Chairman, Chief Executive Officer, and President of LifeTech Corporation. LifeTech serves the small business and consumer markets in a consolidated service offerings including Cellular PCS/ Local and Long Distance Services, Electronic Security & Premise Management, Internet Services and Networking, Paging and Local & Long-Distance Telephone Services. Mr. Blanchard founded his venture after serving as Sr. Vice President Of New Business Development with Entergy Security 1997-1998, and Director of New Business Development at Rollins Protective Services 1992- 1997. In these positions Mr. Blanchard's responsibilities included the development and implementation of new business units, expansion and corporate reorganizations, turn around and leverage positioning, strategic development in addition to mergers, acquisitions and key management development of corporate business objectives. Mr. Blanchard's 20 years serving as both an entrepreneur and corporate development leader has created a foundation from which many successful, innovators, leaders and businesses have been developed.



## **Chief Financial Officer**

**Ronald R. McCallum**

Prior To Joining NMM in January of 1999, Mr. McCallum has served as a senior member of the Financial Management team of many of the nations most recognized growth companies. Mr. McCallum served most recently as Vice President and Senior Financial Analyst For HomeBanc Mortgage Corporation from 1995-1999 where his leadership during their aggressive growth resulted in one of the nations most aggressive and successful Home Mortgage Expansion efforts in the industry. Prior positions held included Vice President, Accounting for Tambone Corporation from 1986-1995, Chief Financial Officer, Hopkins Development 1985-1986, Vice President, Controller Bayshore/ Simpson Corporation from 1980-1985 Senior Accountant, with Kenneth Leventhal & Company from 1997-1980. Mr. McCallum's experience as a senior executive in financial management has already contributed to the success of NMM and balance need to maintain growth and financial stability

## **Chief Sales & Marketing Officer**

**Sean T. Duffy**

Mr. Duffy joined NMM as cofounder and Vice President of Sales & Marketing in August of 1999. Mr. Duffy's 10 years in Sales & Marketing within the telecommunications industry served as the foundation that NMM would build from. Mr. Duffy's success with Network Plus Inc. LCI International and Quest Communications also paved the way for several key developments in the service offerings and negotiations that allowed NMM to enjoy it's early success within the telecommunications service business. Mr. Duffy continues to bring with his experience knowledge in addition to an established network of talent, business partners and innovation to NMM's ongoing product/service offerings and strategic implementation.



Data, Voice, & Internet solutions for the 21st century

**Corporate Office**

6131 Oakbrook Pkwy.  
Norcross, GA 30093

Sales: 877-GOAVANA  
Tel: 770.263.6557  
Fax: 770.263.7233

**MELVIN A. WEED-Chief Operating Officer**

National Foundations Life Insurance Company - 1970-1996

Entry Sales

Branch Manager

Division Manager

Division Vice President

Duties: Developing sales channels for insurance division. Managed daily operations and forecasts. Developed sales training seminars and agent acquisition programs. Worked directly for Vice President of Sales.

Remax - 1996-1998

Independent Remax Owner

Duties: Developed the Remax brand name and acquired new representing agents. Building sales divisions and agent programs. Retired with office sale 1998.

**BRUNO PASQUALI - Vice President of Sales**

Bruno Pasquali was named Vice President of sales in March of 1999. Prior experience includes 8 years in telecommunications sales and management. From 1991-1998, Mr. Pasquali worked for Network Plus, Inc., a telecommunications service provider. He also worked for LCI/Qwest Communications. Before that, Mr. Pasquali was a computer test technician for Raytheon Corporation from 1986-1991.



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Fax: 770.263.7233

Attorney-  
Michael Rosenzweig  
2700 International Tower, Peachtree Center  
229 Peachtree St., NE  
Atlanta, GA 30303  
404-522-4700  
404-525-2224 fax

Corporate 7-Digit 983-6832

FLORIDA LOCAL TELECOMMUNICATIONS TARIFF  
OF  
AVANA COMMUNICATIONS CORPORATION

This price list contains the descriptions, regulations, and rates applicable to the furnishing of service and facilities for alternative local exchange telecommunications services provided by Avana Communications Corporation within the state of Florida. This price list is on file with the Florida Public Service Commission, and copies may be inspected during normal business hours at the Company's principal place of business at 1690 Chantilly Drive, Atlanta, Georgia 30324.

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Issued: \_\_\_\_\_

Effective: \_\_\_\_\_

Richard S. Granville, III, Chief Executive Officer  
1690 Chantilly Drive  
Atlanta, Georgia 30324

**CHECK SHEET**

The sheets listed below, which are inclusive of this price list, are effective as of the date shown at the bottom of the respective sheet. Original and revised sheets as named below comprise all changes from the original price list and are currently in effect as of the date on the bottom of this page.

<u>Page</u>	<u>Revision</u>
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original

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Issued: \_\_\_\_\_

Effective: \_\_\_\_\_

Richard S. Granville, III, Chief Executive Officer  
1690 Chantilly Drive  
Atlanta, Georgia 30324

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**SYMBOLS**

When changes are made in any tariff page, a revised page will be listed canceling the tariff page affected. Changes will be identified on the revised page(s) through the use of the following symbols:

- (D) Deleted or Discontinued
- (I) Change Resulting in an Increase to a Customer's Bill
- (M) Moved from Another Price List Location
- (N) New
- (R) Change Resulting in a Reduction to a Customer's Bill
- (T) Change in Text or Regulation But No Change in Rate or Charge

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Issued: \_\_\_\_\_

Effective: \_\_\_\_\_

Richard S. Granville, III, Chief Executive Officer  
1690 Chantilly Drive  
Atlanta, Georgia 30324

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**1. RULES AND REGULATIONS**

**1.1 Service Availability**

Service is to the residence or business only. The customer is responsible for maintaining the wiring and jacks along with his or her telephone within the agreed residence or business.

**1.2 Suspension of Service**

Non-payment of regulated charges on a specified date, as agreed, will result in a disconnection of service. Any reconnection would involve a reconnection charge of \$35.00.

**1.3 Advance Payments**

A one-time fee equal to one month's estimated charges may be required as an advance payment for service.

**1.4 Refunds and Credits**

A request for a refund or credit, for whatever the reason, must be made in writing by the customer and mailed to: Avana Communications Corporation, 1690 Chantilly Drive, Atlanta, GA 30324. The request will be reviewed, and the customer will either receive a credit, or an explanation as to why no credit is due. This notification will be given to the customer within 30 days of receipt of the actual request.

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Issued: \_\_\_\_\_

Effective: \_\_\_\_\_

**Richard S. Granville, III, Chief Executive Officer**  
1690 Chantilly Drive  
Atlanta, Georgia 30324

**2. DESCRIPTION OF SERVICE**

2.1 Service Description

The Company's services consist of basic local telephone service with 911 access, operator services, and relay service. Service does not include an extended calling area or long distance.

2.2 Rates

2.2.1 Business Local Exchange Line Service

Business Local Exchange Line Service provides a facility from a customer's business location to the Company's central office.

Business Exchange Access Line	Nonrecurring <u>Charge</u>	Monthly <u>Rate</u>
First Line	\$50.00	\$26.00
Each Additional Line	\$12.00	\$26.00

2.2.2 Residential Local Exchange Line Service

Residential Local Exchange Line Service provides a facility from a customer's residence to the Company's central office.

Residence Exchange Access Line		
First Line	\$36.00	\$10.00
Each Additional Line	\$12.00	\$10.00

2.3 Emergency Services (Enhanced 911)

Enhanced 911 service allows customers to reach appropriate emergency services including police, fire and hospital. Enhanced 911 has the ability to selectively route an emergency call to the primary E911 provider so that it reaches the correct emergency service located closest to the caller. In addition, the customer's address and telephone information will be provided to the primary E911 provider for display at the Public Service Answering Point (PSAP).

2.4 Telecommunications Relay Service (TRS)

TRS refers to the provision of a specialized telecommunications service that allows hearing and speech impaired customers to communicate over the telecommunications network as defined in Florida Statute 364.337. The Company will pass through to the customer all charges associated with this service, including associated taxes and franchise fees, at the same level of charge as assessed by the ILEC to the Company. The customer is responsible for the provision of all hardware and installation thereof at the customer's premises in order to utilize this service; the Company maintains no inventory of hardware for this purpose.

Issued: \_\_\_\_\_

Effective: \_\_\_\_\_

Richard S. Granville, III, Chief Executive Officer  
1690 Chantilly Drive  
Atlanta, Georgia 30324



**3. MISCELLANEOUS SERVICES****3.1 Additional Features**

<b>3.1.1. Monthly Rate Per Access Line</b>	<b><u>Business</u></b>	<b><u>Residence</u></b>
Anonymous Call Rejection	\$ 3.50	\$ 3.00
Automatic Busy Redial	\$ 4.50	\$ 4.00
Automatic Call Return	\$ 5.00	\$ 4.50
Call Forwarding	\$ 4.95	\$ 4.00
Call Waiting	\$ 4.50	\$ 4.00
Caller ID	\$10.00	\$ 7.50
Three-Way Calling	\$ 4.95	\$ 4.00
<b>3.1.2 Per Call Features – Charge per Use</b>		
Automatic Busy Redial	\$ 0.75	\$ 0.75
Automatic Call Return	\$ 0.75	\$ 0.75
<b>3.1.3 Installation Charge Per Optional Feature</b>	<b>\$15.00</b>	<b>\$10.00</b>

**3.2 Non-Routine Installation and Maintenance**

At the customer's request, installation and/or maintenance may be performed outside the Company's regular business hours, or (in the Company's sole discretion and subject to any conditions it may impose) in hazardous locations. In such cases, charges are based on the cost of labor, material and other costs incurred by or charged to the Company. If installation is started during regular business hours but, at the customer's request, extends beyond regular business hours into time periods including, but not limited to, weekends, holidays, and/or night hours, additional charges may apply.

**3.3 Directory Listings**

One listing, termed the initial listing, is included with each customer's Service Request.

Issued: \_\_\_\_\_

Effective: \_\_\_\_\_

Richard S. Granville, III, Chief Executive Officer  
1690 Chantilly Drive  
Atlanta, Georgia 30324