

ORIGINAL

# EARLY, LENNON, CROCKER & BARTOSIEWICZ, P.L.C.

ATTORNEYS AT LAW  
900 COMERICA BUILDING  
KALAMAZOO, MICHIGAN 49007-4752  
TELEPHONE (269) 381-8844  
FAX (269) 381-8822

GEORGE H. LENNON      ROBERT M. TAYLOR  
DAVID G. CROCKER      RON W. KIMBREL  
MICHAEL D. O'CONNOR    PATRICK D. CROCKER  
HAROLD E. FISCHER, JR.    ANDREW J. VORBRICH  
LAWRENCE M. BRENTON    TYREN R. CUDNEY  
GORDON C. MILLER      STEVEN M. BROWN  
GARY P. BARTOSIEWICZ    KRISTEN L. GETTING  
BLAKE D. CROCKER

OF COUNSEL  
THOMPSON BENNETT  
JOHN T. PETERS, JR.  
  
VINCENT T. EARLY  
(1922 - 2001)  
JOSEPH J. BURGIE  
(1926 - 1992)

030474-TI

May 30, 2003

Blanca Bayó  
Florida Public Service Commission  
Capital Circle Office Center  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

RECEIVED-FPSC  
03 JUN -2 AM 10:36  
COMMISSION  
CLERK

Re: Independent Telecommunications Systems, Inc.  
d/b/a ITS Communications  
d/b/a IXC Direct

Dear Ms. Bayó:

Enclosed herewith for filing with the Commission, please find an original and six (6) copies of the above captioned corporation's APPLICATION FOR AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICES WITHIN THE STATE OF FLORIDA, along with a check in the amount of \$250.00 to cover filing fees relating to same.

Also enclosed is an exact duplicate of this letter. Please stamp the duplicate received and return same in the postage-paid envelope attached thereto.

Please contact me if you have additional questions or concerns.

Very truly yours,

EARLY, LENNON, CROCKER & BARTOSIEWICZ, P.L.C.

*Patrick D. Crocker (bmr)*

Patrick D. Crocker

PDC/bmr

enc

RECEIVED & FILED  
*PK*  
FPSC-BUREAU OF RECORDS

Check received with filing and forwarded  
to Fiscal for deposit. Fiscal to forward  
deposit information to Records.

Initials of person who forwarded check:

*gm*

RECEIVED-FPSC  
03 JUN -2 AM 10:05  
COMMISSION CENTER  
03 JUN 2003 10:58 AM  
FPSC-COMMISSION CLERK

FLORIDA PUBLIC SERVICE COMMISSION

INDEPENDENT TELECOMMUNICATIONS )  
SERVICES, INC. d/b/a ITS COMMUNICATIONS, )  
d/b/a IXC DIRECT APPLICATION FOR )  
AUTHORITY TO PROVIDE INTEREXCHANGE ) Case No.  
TELECOMMUNICATIONS SERVICES BETWEEN )  
POINTS WITHIN THE STATE OF FLORIDA )

1. This is an application for  (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:

Independent Telecommunications Systems, Inc.

3. Name under which applicant will do business (fictitious name, etc.): ITS Communications  
IXC Direct

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

4079 Park East Court – Kentwood, MI 49546

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

6. Select type of business your company will be conducting  (check all that apply):

- Facilities based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.
- Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.
- Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.
- Switchless Rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.
- Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discount plans from certain underlying carriers, then offers the resold service by enrolling unaffiliated customers.

**Prepaid Debit Card Provider** - any person or entity that purchases 800 access from an underlying carrier or unaffiliated entity for use with prepaid debit card service and/or encodes the cards with personal identification numbers.

7. Structure of organization

- |  |   |
|--|---|
| <input type="checkbox"/> Individual          | <input checked="" type="checkbox"/> Corporation |
| <input type="checkbox"/> Foreign Corporation | <input type="checkbox"/> Foreign Partnership    |
| <input type="checkbox"/> General Partnership | <input type="checkbox"/> Limited Partnership    |
| <input type="checkbox"/> Other _____         |   |

8. **If individual**, provide: Not Applicable

Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
City/State/Zip \_\_\_\_\_  
Telephone No. \_\_\_\_\_ Fax No. \_\_\_\_\_  
Internet Email Address: \_\_\_\_\_  
Internet Website Address: \_\_\_\_\_

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

(a) **The Florida Secretary of State Corporate Registration number:**  
Not Applicable

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

(a) **The Florida Secretary of State Corporate Registration number:**

A copy of Applicant's Certificate of Authority to transact business within Florida appears as Exhibit A.

11. **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:**

Appears as Exhibit B.

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

(a) **The Florida Secretary of State registration number:** Not Applicable

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

Not Applicable

14. **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:** Not applicable

15. Provide **F.E.I. Number** (if applicable): 38-2642388

16. Provide the following (if applicable):

(a) Will the name of your company appear on the bill for your services?

Yes  No

(b) If not, who will bill for your services?

Name: \_\_\_\_\_

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

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

City/State/Zip \_\_\_\_\_

Telephone No. \_\_\_\_\_ Fax No. \_\_\_\_\_

(c) How is this information provided?

17. Who will receive the bills for your services?

Residential customers.

PATS providers.

Hotels & motels.

Universities.

Other: (specify) \_\_\_\_\_

Business customers.

PATS station end-users.

Hotel & motel guests.

University dormitory residents

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

(a) The Application:

Name: Patrick D. Crocker

Title: Attorney

Company: Early, Lennon, Crocker & Bartosiewicz, P.L.C.

Address: 900 Comerica Building

City/State/Zip Kalamazoo, MI 49007

Telephone No. 269-381-8844 Fax No. 269-381-8822

Internet Email Address: pcrocker@earlylennon.com

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

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

Name: Robert Sweezie

Title: President

Address: 4079 Park East Court

City/State/Zip Kentwood, MI 49546

Telephone No. (616) 242-5300 Fax No. (616) 242-5309

Internet Email Address: rsweezie@itscommunications.com

Internet Website Address: www.itscommunications.com

(c) Complaints/Inquiries from customers:

Name: Douglas Becker

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

Address: 4079 Park East Court

City/State/Zip Kentwood, MI 49546

Telephone No. (888) 693-9509 or (616) 242-5300 Fax No. (616) 242-5309

Internet Email Address: customersupport@itscommunications.com

Internet Website Address: www.itscommunications.com

19. List the states in which the applicant:

(a) has operated as an interexchange telecommunications company.

Applicant has not operated as an interexchange telecommunications company in any jurisdiction.

(b) has applications pending to be certified as an interexchange telecommunications company.

Illinois

(c) is certificated to operate as an interexchange telecommunications company.

Michigan and Ohio

(d) has been denied authority to operate as an interexchange telecommunications company and the circumstances involved.

Applicant has never been denied authority to operate as an interexchange carrier.

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

Applicant has never had regulatory penalties imposed for violations of any telecommunications statutes.

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

Applicant has never been involved in civil court proceedings with an interexchange carrier, local exchange company, or other telecommunications entity.

20. 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. If so, please explain.

No

(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

21. The applicant will provide the following interexchange carrier services  (check all that apply):

- a.  **MTS with distance sensitive per minutes rates**
  - Method of access is FGA
  - Method of access is FGB
  - Method of access is FGD
  - Method of access is 800
  
- b.  **MTS with route specific rates per minute**
  - Method of access is FGA
  - Method of access if FGB
  - Method of access is FGB
  - Method of access is 800
  
- c.  **MTS with statewide flat rates per minute (i.e. not distance sensitive)**
  - Method of access is FGA
  - Method of access is FGB
  - Method of access is FGD
  - Method of access is 800
  
- d.  **MTS for pay telephone service providers**
  
- e.  **Block-of-time calling plan (Reach out Florida, Ring America, etc.)**
  
- f.  **800 Service (Toll free)**
  
- g.  **WATS type service (Bulk or volume discount)**
  - Method of access is via dedicated facilities
  - Method of access is via switched facilities
  
- h.  **Private line services (Channel Services)**  
(For ex. 1.544 ms., DS-3, etc)
  
- i.  **Travel Service**
  - Method of access is 950
  - Method of access is 800
  
- j.  **900 service**
  
- k.  **Operator Services**
  - Available to presubscribed customers
  - Available to nonpresubscribed customers (for example to patrons of hotels, students in Universities, patients in hospitals)
  - Available to inmates
  
- l.  **Services included are:**
  - Station assistance
  - Person to Person assistance
  - Directory Assistance
  - Operator verify and interrupt
  - Conference Calling

22. Submit the proposed tariff under which the Company plans to begin operation. Use the format required by Commission Rule 25-24.485.

The proposed tariff is attached as **Exhibit C.**

23. Submit the following:

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

Background and Experience of Management is attached as **Exhibit D.**

- C. **Financial capability.**

This 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.

Audited financial statements for the 3 most recent years are not available.

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.*

Applicant attaches financial statements as **Exhibit E.**

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

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

Applicant has sufficient financial capability to provide the requested service in the geographic areas proposed to be served. Applicant's operating revenue will provide Applicant with sufficient financial resources to provide service in the proposed areas. Applicant will require additional funding to offer services contemplated within the Application. Should Applicant require additional funding for Applicant's operations in Florida, Applicant's principals shall make \$25,000.00 available to Applicant.

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

Applicant has sufficient financial capability to provide the requested service in the geographic areas proposed to be served. Applicant's operating revenue will provide Applicant with sufficient financial resources to provide service in the proposed areas. Should Applicant require additional funding for Applicant's operations in Florida, Applicant's principals shall make \$25,000.00 available to Applicant.

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

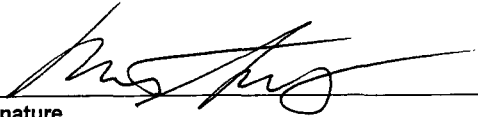
Applicant will operate as a switchless reseller. Applicant will not own or lease any facilities to provide the services proposed within the Application.



**APPLICANT ACKNOWLEDGEMENT 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 its gross operating revenue derived from intrastate business. Regardless of the gross 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:** A non-refundable application fee of \$250.00 must be submitted with the application.

**UTILITY OFFICIAL:**

<u>Robert Sweezie</u> Print Name	 Signature
<u>President</u> Title	<u>5 / 27 / 03</u> Date
<u>616-242-5300</u> Telephone No.	<u>616-242-5309</u> Facsimile No.
Address: <u>4079 Park East Court</u> <u>Kentwood, MI 49546</u>	

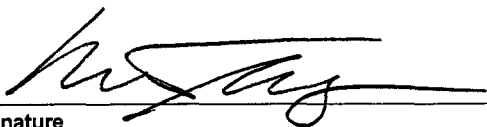


**CUSTOMER DEPOSITS AND ADVANCE PAYMENTS**

A statement of how the Commission can be assured of the security of the customer's deposits and advance payments may be responded to in one of the following ways (applicant please  check one):

- The applicant will **not** collect deposits nor will it collect payments for service more than one month in advance.
- The applicant intends to collect deposits and/or advance payments for more than one month's service and will file and maintain a surety bond with the Commission in an amount equal to the current balance of deposits and advance payments in excess of one month. (The bond must accompany the application.)

**UTILITY OFFICIAL:**


<u>Robert Sweezie</u> Print Name	 Signature
<u>President</u> Title	<u>5 / 27 / 03</u> Date
<u>616-242-5300</u> Telephone No.	<u>616-242-5309</u> Facsimile No.
<u>Address: 4079 Park East Court</u> <u>Kentwood, MI 49546</u>	

**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 interexchange telecommunications 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>Robert Sweezie</u> Print Name	 Signature
<u>President</u> Title	<u>5 / 27 / 03</u> Date
<u>616-242-5300</u> Telephone No.	<u>616-242-5309</u> Facsimile No.
Address: <u>4079 Park East Court</u> <u>Kentwood, MI 49546</u>	

**CURRENT FLORIDA INTRASTATE SERVICES**

Applicant **has**  or **has not**  previously provided intrastate telecommunications in Florida.

If the answer is **has**, fully describe the following:

a. What services have been provided and when did these services begin?

\_\_\_\_\_

\_\_\_\_\_

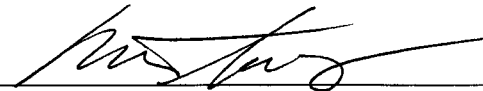
b. If the services are not currently offered, when were they discontinued?

\_\_\_\_\_

\_\_\_\_\_

UTILITY OFFICIAL:

Robert Sweezie  
Print Name

  
Signature

President  
Title

5 / 27 / 03  
Date

616-242-5300  
Telephone No.

616-242-5309  
Facsimile No.

Address: 4079 Park East Court  
Kentwood, MI 49546

**EXHIBIT A**

**Certificate of Authority to Transact Business**

# State of Florida



## Department of State

I certify from the records of this office that INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC., is a corporation organized under the laws of Michigan, authorized to transact business in the State of Florida, qualified on March 26, 2003.

The document number of this corporation is F03000001490.

I further certify that said corporation has paid all fees due this office through December 31, 2003, and its status is active.

I further certify that said corporation has not filed a Certificate of Withdrawal.

Given under my hand and the  
Great Seal of the State of Florida  
at Tallahassee, the Capitol, this the  
Twenty-seventh day of March, 2003



CR2EO22 (2-03)

*Glenda E. Hood*  
Glenda E. Hood  
Secretary of State

APPLICATION BY FOREIGN CORPORATION FOR AUTHORIZATION TO TRANSACT BUSINESS IN FLORIDA

IN COMPLIANCE WITH SECTION 607.1503, FLORIDA STATUTES, THE FOLLOWING IS SUBMITTED TO REGISTER A FOREIGN CORPORATION TO TRANSACT BUSINESS IN THE STATE OF FLORIDA:

03 MAR 26 AM 9:39  
SECRETARY OF STATE  
TALLAHASSEE, FLORIDA  
FILED

1. INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC.  
(Name of corporation: must include the word "INCORPORATED", "COMPANY", "CORPORATION" words or abbreviations of like import in language as will clearly indicate that it is a corporation instead of a natural person or partnership if not so contained in the name at present.)

2. Michigan 3. 38-2642388  
(State or country under the law of which it is incorporated) (FEI number, if applicable)

4. March 29, 1984 5. perpetual  
(Date of Incorporation) (Duration: Year corp. will cease to exist or "perpetual")

6. Upon qualification  
(Date first transacted business in Florida. (SEE SECTIONS 607.1501, 607.1502, AND 817.155, F.S.)

7. 4079 Park East Court  
Kentwood, MI 49546  
(Current mailing address)

8. To provide telegommunication services  
(Purpose(s) of corporation authorized in home state or country to be carried out in the state of Florida)

9. Name and street address of Florida registered agent: (P.O. Box or Mail Drop Box NOT acceptable)

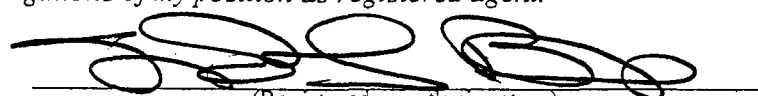
Name: Edwin F. Blanton

Office Address: 825 Thomasville Road

Tallahassee, Florida, 32303  
(Zip Code)

10. Registered agent's acceptance:

Having been named as registered agent and to accept service of process for the above stated corporation at the place designated in this application, I hereby accept the appointment as registered agent and agree to act in this capacity. I further agree to comply with the provisions of all statutes relative to the proper and complete performance of my duties, and I am familiar with and accept the obligations of my position as registered agent.

  
(Registered agent's signature)

11. Attached is a certificate of existence duly authenticated, not more than 90 days prior to delivery of this application to the Department of State, by the Secretary of State or other official having custody of corporate records in the jurisdiction under the law of which it is incorporated.

12. Names and addresses of officers and/or directors: (Street address ONLY- P. O. Box NOT acceptable)

**A. DIRECTORS (Street address only- P. O. Box NOT acceptable)**

Chairman: Robert Sweezie

Address: 4079 Park East Court  
Kentwood, MI 49546

Vice Chairman: \_\_\_\_\_

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

Director: \_\_\_\_\_

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

Director: \_\_\_\_\_

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

03 MAR 26 AM 9:39  
SECRETARY OF STATE  
TALLAHASSEE-FLORIDA

FILED

**B. OFFICERS (Street address only- P. O. Box NOT acceptable)**

President: Robert Sweezie

Address: 4079 Park East Court  
Kentwood, MI 49546

Vice President: \_\_\_\_\_

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

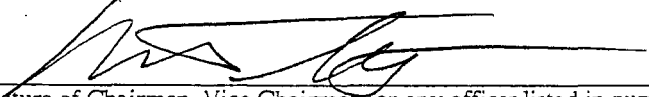
Secretary: Robert Sweezie

Address: 4079 Park East Court  
Kentwood, MI 49546

Treasurer: Robert Sweezie

Address: 4079 Park East Court  
Kentwood, MI 49546

**NOTE:** If necessary, you may attach an addendum to the application listing additional officers and/or directors.

13. x   
(Signature of Chairman, Vice Chairman, or any officer listed in number 12 of the application)

14. Robert Sweezie President  
(Typed or printed name and capacity of person signing application)



**EXHIBIT B**

**Fictitious Name Certificate**

APPLICATION FOR REGISTRATION OF FICTITIOUS NAME

Note: Acknowledgements/certificates will be sent to the address in Section 1 only.

Section 1

1. ITS COMMUNICATIONS  
Fictitious Name to be Registered

2. 4079 Park East Court  
Mailing Address of Business

Kentwood, MI 49546  
City State Zip Code

3. Florida County of principal place of business: Leon

4. FEI Number: 38-2642388

184582

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# (optional)

2. Last First M.I. Address City State Zip Code SS# (optional)

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

1. INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC.  
Entity Name  
4079 Park East Court  
Address  
Kentwood, MI 49546  
City State Zip Code  
Florida Registration Number F030000001490  
FEI Number: 38-2642388  
 Applied for  Not Applicable

2. Entity Name Address City State Zip Code Florida Registration Number FEI Number:  Applied for  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) understand that the signature(s) below shall have the same legal effect as if made under oath. (At Least One Signature Required). INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC.

By: [Signature] Signature of Owner Date Phone Number: 616 212 5300

Signature of Owner Date Phone Number:

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

04-14-2003 90117 011 \*\*\*\*\*60.00  
G03104700111

APPLICATION FOR REGISTRATION OF FICTITIOUS NAME

Note: Acknowledgements/certificates will be sent to the address in Section 1 only.

Section 1

1. IXC DIRECT  
Fictitious Name to be Registered

2. 4079 Park East Court  
Mailing Address of Business

Kentwood, MI 49546  
City State Zip Code

3. Florida County of principal place of business: \_\_\_\_\_  
Leon

4. FEI Number: 38-2642388

184581

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# _____ (optional)	2. Last _____ First _____ M.I. _____ Address _____ City _____ State _____ Zip Code _____ SS# _____ (optional)
--	--

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

1. <u>INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC.</u> Entity Name <u>4079 Park East Court</u> Address <u>Kentwood, MI 49546</u> City State Zip Code Florida Registration Number <u>F03000001490</u> FEI Number: <u>38-2642388</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) understand that the signature(s) below shall have the same legal effect as if made under oath. (At Least One Signature Required) INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC.

By: [Signature] Signature of Owner Date \_\_\_\_\_  
Phone Number: 616 242 5300 Phone Number: \_\_\_\_\_

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

**EXHIBIT C**

**Proposed Tariff**

**TITLE SHEET**

**FLORIDA TELECOMMUNICATIONS TARIFF**

This Tariff contains the descriptions, regulations, and rates applicable to the furnishing of service and facilities for telecommunications services provided by INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC. D/B/A ITS COMMUNICATIONS, D/B/A IXC DIRECT, with principal offices at 4079 Park East Court, Kentwood, MI 49546. This tariff applies for services furnished within the state of Florida. This tariff is on file with the Florida Public Service Commission and copies may also be inspected, during normal business hours, at the Company's principal place of business.

---

Issued: June 2, 2003

Effective:

Issued by: Robert Sweezie, President  
4079 Park East Court  
Kentwood, MI 49546

**CHECK SHEET**

Pages 1-40 inclusive of this Tariff are effective as of the date shown. Original and revised sheets, as named below, comprise all changes from the original Tariff in effect on the date indicated.

<u>SHEET</u>	<u>REVISION</u>	<u>SHEET</u>	<u>REVISION</u>
1	Original	23	Original
2	Original	24	Original
3	Original	25	Original
4	Original	26	Original
5	Original	27	Original
6	Original	28	Original
7	Original	29	Original
8	Original	30	Original
9	Original	31	Original
10	Original	32	Original
11	Original	33	Original
12	Original	34	Original
13	Original	35	Original
14	Original	36	Original
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16	Original	38	Original
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\* New or Revised Sheets

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Issued: June 2, 2003

Effective:

Issued by: Robert Sweezie, President  
4079 Park East Court  
Kentwood, MI 49546

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**SYMBOLS**

- (D) Delete or Discontinue
- (I) Change Resulting In An Increase to A Customer's Bill
- (M) Moved From Another Tariff Location
- (N) New
- (R) Change Resulting In A Reduction To A Customer' Bill
- (T) Change in Text or Regulation But No Change In Rate or Charge

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**TARIFF FORMAT**

Sheet Numbering - Sheet numbers appear in the upper right hand corner of the page. Sheets are numbered sequentially and from time to time new pages may be added to the Tariff. When a new page is added between existing pages, a decimal is added to the preceding page number. For example, a new page added between Sheets 3 and 4 would be numbered 3.1.

Sheet Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the Commission. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc. the Commission follows in the tariff approval process, the most current sheet number on file with the Commission is not always the tariff page in effect. Consult the Check Sheet for the sheet currently in effect.

Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

- 2.
- 2.1.
- 2.1.1.
- 2.1.1.A.
- 2.1.1.A.1.
- 2.1.1.A.1.(a).
- 2.1.1.A.1.(a).i.
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- 2.1.1.A.1.(a).i.(i).(1).

Check Sheets - When a Tariff filing is made with the FPSC, an updated check sheet accompanies the Tariff filing. The check sheet lists the pages contained in the Tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision, all revisions made in a given filing are designed by an asterisk (\*). There will be no other symbols used on this page if these are the only changes made to it. The Tariff user should refer to the latest check sheet to find out if a particular page is the most current on file with the FPSC.

1. TECHNICAL TERMS AND ABBREVIATIONS

For the purpose of this Tariff, the following definitions will apply:

Access Coordination

Provides for the design, ordering, installation, coordination, pre-service testing, service turn-up and maintenance on a Company or Customer provided Local Access Channel.

Access Line

An arrangement that connects the customer's location to the Company's network switching center.

Administrative Change

A change in Customer billing address or contact name.

Alternate Access

Alternate Access is a form of Local Access except that the provider of the Service is an entity, other than the Local Exchange Carrier, authorized or permitted to provide such Service. The charges for Alternate Access may be subject to private agreement rather than published or special tariff if permitted by applicable governmental rules.

Application for Service

A standard Company order form that includes all pertinent billing, technical and other descriptive information that will enable the Company to provide a communication Service as required.

ASR

ASR (Access Service Request) means an order placed with a Local Access Provider for Local Access.

Authorization Code

A numerical code, one or more of which are available to a customer to enable him/her to access the carrier, and which are used by the carrier both to prevent unauthorized access to its facilities and to identify the customer for billing purposes.

Authorized User

A person, firm, corporation or other entity that either is authorized by the Customer to receive or send communications or is placed in a position by the Customer, either through acts or omissions, to send or receive communications.

Bandwidth

The total frequency band, in hertz, allocated for a channel.

Bill Date

The date on which billing information is compiled and sent to the Customer.

Call

A completed connection between the Calling and Called Stations.

Called Station

The telephone number called.

Calling Station

The telephone number from which a Call originates.

Cancellation of Order

A Customer initiated request to discontinue processing a Service order, either in part or in its entirety, prior to its completion. Cancellation charges will be assessed for each Circuit-end or Dedicated Access line canceled from an order prior to its completion by the Company, under the following circumstances: (1) if the LEC has confirmed in writing to the Company that the Circuit-end or Dedicated Access line will be installed; or (2) if the Company has already submitted facilities orders to and interconnecting telephone company.

Channel or Circuit

A dedicated communications path between two or more points having a Bandwidth or Transmission Speed specified in this Tariff and selected by a Customer.

Company or Carrier

INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC. D/B/A ITS  
COMMUNICATIONS, D/B/A IXC DIRECT

Company Recognized National Holidays

The following are Company Recognized National Holidays determined at the location of the originator of the Call: New Year's Day, Martin Luther King Day, President's Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veteran's Day, Thanksgiving Day, Christmas Day.

The evening rate is used unless a lower rate would normally apply. When a Call begins in one rate period and ends in another, the rate in effect in each rate period applies to the portion of the Call occurring within that rate period. In the event that a minute is split between two rate periods, the rate in effect at the start of that minute applies.

Customer

The person, firm, corporation or governmental unit which orders Service and which is responsible for the payment of charges and for compliance with the Company's Tariff regulations. A Customer is considered to be an account for billing purposes. The term Customer also includes an entity that remains presubscribed to the Company Service after its account(s) are removed from the Company's billing system, subsequently continues to use Company's network, and is billed by a local exchange carrier for such use, or otherwise uses Service for which no other Customer is obligated to compensate Company.

Customer Premises/Customer's Premises

Locations designated by a Customer where Service is originated/terminated whether for its own communications needs or for the use of its resale customers.

Day

From 8:00 a.m. up to but not including 5:00 p.m. local time Sunday through Friday.

DCS

DCS means Digital Cross-Connect System.

Dedicated Access/Special Access

Dedicated Local Access between the Customer's Premises or serving wire center and the Company's Point-of-Presence for origination or termination of Calls.

DS-0

Digital Signal Level 0 Service, a 64 Kbps signal.

DS-1

Digital Signal Level 1 Service, a 1.544 Mbps signal.

DS-3

Digital Signal Level 3 Service, a 44.736 Mbps signal.

DS-0 with Analog Access

Service with Analog Local Access facilities provides for the transmission of analog voice and/or data within the 300-hertz to 3000-hertz frequency range.

DS-0 with Digital Access

Service with Digital Local Access facilities provides for the transmission of Digital data at speeds of 2.4, 4.8, 9.6, 19.2, 56 or 64 Kbps.

Due Date

The Due Date is the date on which payment is due.

Evening

From 5:00 PM up to but not including 11:00 PM local time Sunday through Friday.

Expedite

A Service order initiated at the request of the Customer that is processed in a time period shorter than the Company's standard Service interval.

FCC

Federal Communications Commission

FPSC

Florida Public Service Commission

Individual Case Basis (ICB)

Individual Case Basis (ICB) determinations involve situations where complex Customer-specific Company arrangements are required to satisfactorily serve the Customer. The nature of such Service requirements makes it difficult or impossible to establish general tariff provisions for such circumstances. When it becomes possible to determine specific terms and conditions for such offerings, they will be offered pursuant to such terms and conditions.

Installation

The connection of a Circuit, Dedicated Access line, or port for new, changed or an additional Service.

Interexchange Service

Interexchange Service means that portion of a communications channel between a Company-designated Point-of-Presence in one exchange and a Point-of-Presence in another exchange.

Interruption

Interruption shall mean a condition whereby the Service or a portion thereof is inoperative, beginning at the time of notice by the Customer to Company that such Service is inoperative and ending at the time of restoration.

Kbps

Kilobits per second.

LATA (Local Access Transport Area)

A geographical area established for the provision and administration of communications Service of a local exchange company.

Local Access

Local Access means the Service between a Customer Premises and a Company designated Point-of-Presence.

Local Access Provider

Local Access Provider means an entity providing Local Access.

Local Exchange Carrier (LEC)

The local telephone utility that provides telephone exchange services.

Mbps

Megabits per second.

Multiplexing

Multiplexing is the sequential combining of lower bit rate Private Line Services onto a higher bit rate Private Line Service for more efficient facility capacity usage or vice versa.

N/A

Not available.



Night/Weekend

From 11:00 PM up to but not including 8:00 AM Sunday through Friday, and 8:00 AM Saturday up to but not including 5:00 PM Sunday.

Nonrecurring Charges

Nonrecurring Charges are one-time charges.

Payment Method

The manner that the Customer designates as the means of billing charges for Calls using the Company's Service.

Physical Change

The modification of an existing Circuit, Dedicated Access line or port, at the request of the Customer, requiring some Physical Change or retermination.

Point-of-Presence (POP)

A Company-designated location where a facility is maintained for the purpose of providing access to its Service.

Primary Route

The route that in the absence of Customer-designated routing or temporary re-routing would be used by the Company in the provision of Service.

Private Line

A dedicated transmission channel furnished to a customer without intermediate switching arrangements for full-time customer use.

Private Line Service

A dedicated full-time transmission Service utilizing dedicated access arrangements.

Rate Center

A specified geographical location used for determining mileage measurements.

Requested Service Date

The Requested Service Date is the date requested by the Customer for commencement of Service and agreed to by the Company.

Restore

To make Service operative following an interruption by repair, reassignment, re-routing, substitution of component parts, or otherwise, as determined by the carrier(s) involved.

Route Diversity

Two channels that are furnished partially or entirely over two physically separate routes.

Service

Service means any or all Service(s) provided pursuant to this Tariff.

Service Commitment Period

The term elected by the Customer and stated on the Service order during which the Company will provide the Services subscribed to by the Customer. The term can be monthly or in the case of Private Line Services for a period of up to 5 years.

Special Promotional Offerings

Special trial offerings, discounts, or modifications of its regular Service offerings that the Company may, from time to time, offer special contract and/or promotions to its customers, waiving certain charges. These promotions will be approved by the FPSC with specific starting and ending dates and under no circumstances run for longer than 90 days in any 12-month period.

Start of Service Date

The Requested Service Date or the date Service first is made available by the Company whichever is later.

Tariff

The current Intrastate Services Tariff and effective revisions thereto filed by the Company with the FPSC.

Toll Call

Any call extending beyond the local exchange of the originating caller that is rated on a toll schedule by the local exchange telephone company.

Transmission Speed

Data transmission speed or rate, in bits per seconds (bps).

Two-Way Conversation

A Two-Way Conversation is a telephone conversation between or among two or more parties.

VF

VF is voice frequency or voice-grade Service designed for private-line Service. Normal transmission is in the 300 hertz to 3000-hertz frequency band.



## 2. RULES AND REGULATIONS

### 2.1. Description and Limitations of Services

- 2.1.1. Intrastate Telecommunications Service ("Service") is the furnishing of Company communication Services contained herein between specified locations under the terms of this Tariff. The Company will provide Service to the public by reselling services purchased from underlying facilities based carriers.
- 2.1.2. Any member of the general public (including any natural person or legally organized entity such as a corporation, partnership, or governmental body) is entitled to obtain Service under this Tariff, provided that the Company reserves the right to deny Service: (A) to any Customer that, in the Company's reasonable opinion, presents an undue risk of nonpayment, (B) in circumstances in which the Company has reason to believe that the use of the Service would violate the provisions of this Tariff or any applicable law or if any applicable law restricts or prohibits provision of the Service, or (C) if insufficient facilities are available to provide the Service (in such cases Company shall make best efforts to accommodate the needs of all potential Customers by means of facility improvements or purchases, of capacity, if such efforts will, in the Company's opinion, provide the Company with a reasonable return on its expenditures), but only for so long as such unavailability exists.
- 2.1.3. Company, when acting at the Customer's request and as its authorized agent, will make reasonable efforts to arrange for Service requirements, such as special routing, Diversity, Alternate Access, or circuit conditioning.
- 2.1.4. Service is offered in equal access exchanges subject to the availability of facilities and the provisions of this Tariff. Company reserves the right to refuse to provide Service to or from any location where the necessary facilities and/or equipment are not available.
- 2.1.5. Service may be discontinued after five business days written notice to the Customer if:
- 2.1.5.A. the Customer is using the Service in violation of this Tariff; or
- 2.1.5.B. the Customer is using the Service in violation of the law or Commission regulation.
- 2.1.6. Service begins on the date that billing becomes effective and is provided on the basis of a minimum period of at least one month, 24 hours per day. For the purposes of computing charges in this Tariff, a month is considered to have 30 days.

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2.1.7. The Company reserves the right to discontinue furnishing Services or billing options, upon written notice, when necessitated by conditions beyond its control. Conditions beyond the Company's control include, but are not limited to, a Customer's having Call volume or a calling pattern that results, or may result, in network blockage or other Service degradation which adversely affects Service to the calling party, the Customer, or other Customers of the Company.

2.2. Other Terms and Conditions

2.2.1. The name(s) of the Customer(s) desiring to use the Service must be stipulated in the application for Service.

2.2.2. The Customer agrees to operate the Company provided equipment in accordance with instructions of the Company or the Company's agent. Failure to do so will void the Company liability for interruption of Service and may make Customer responsible for damage to equipment pursuant to Section 2.2.3 below.

2.2.3. Customer agrees to return to the Company all Company-provided equipment delivered to Customer within five (5) days of termination of the Service in connection with which the equipment was used. Said equipment shall be in the same condition as when delivered to Customer, normal wear and tear only excepted. Customer shall reimburse the Company, upon demand, for any costs incurred by the Company due to Customer's failure to comply with this provision.

2.2.4. A Customer shall not use any service mark or trademark of the Company or refer to the Company in connection with any product, equipment, promotion, or publication of the Customer without prior written approval of the Company.

2.2.5. In the event suit is brought or any attorney is retained by the Company to enforce the terms of this Tariff, the Company shall be entitled to recover, in addition to any other remedy, reimbursement for reasonable attorneys' fees, court costs, costs of investigation and other related expenses incurred in connection therewith.

2.2.6. The provision of Service will not create a partnership or joint venture between the Company and the Customer nor result in joint Service offerings to their respective Customers.

- 2.2.7. The rate or volume discount level applicable to a Customer for a particular Service or Services shall be the rate or volume discount level in effect at the beginning of the monthly billing period applicable to the Customer for the particular Service or Services. When a Service is subject to a minimum monthly charge, account charge, port charge or other recurring charge or Nonrecurring Charge for both intrastate and interstate Service, only one such charge shall apply per account and that charge shall be the interstate charge.
- 2.2.8. Service requested by Customer and to be provided pursuant to this Tariff shall be requested on Company Service Order forms in effect from time to time or Customer's forms accepted in writing by an authorized headquarters representative of the Company (collectively referred to as "Service Orders").
- 2.2.9. If an entity other than the company (e.g., another carrier or a supplier) imposes charges on the Company in connection with a Service that entity's charges will be passed through to the Customer also.
- 2.2.10 The Service Commitment Period for any Service shall be established by the Service Order relevant thereto and commence on the Start of Service Date. Upon expiration, each Service Commitment Period for such Service shall automatically be extended subject to written notice of termination by either Company or Customer as of a date not less than thirty (30) days after delivery of said notice to the other. The charges for Interexchange Service during any such extension shall not exceed the then current Company month-to-month charges applicable to such Service.

2.3. Liability

- 2.3.1. Except as provided otherwise in this Tariff, the Company shall not be liable to Customer or any other person, firm or entity for any failure of performance hereunder if such failure is due to any cause or causes beyond the reasonable control of the Company. Such causes shall include, without limitation, acts of God, fire, explosion, vandalism, cable cut, storm or other similar occurrence, any law, order, regulation, direction, action or request of the United States government or of any other government or of any civil or military authority, national emergencies, insurrections, riots, wars, strikes, lockouts or work stoppages or other labor difficulties, supplier failures, shortages, breaches or delays, or preemption of existing Services to restore service in compliance with Part 64, Subpart D, Appendix A, of the FCC's Rules and Regulations.

- 2.3.2. With respect to the Services contained herein and except an otherwise provided herein, the Company's liability shall not exceed an amount equal to the charge applicable to a one minute Call to the Called Station at the time the affected Call was made. If the initial minute rate is higher than the additional minute rate, the higher rate shall apply. For those Services with monthly recurring charges, the Company's liability is limited to an amount equal to the proportionate monthly recurring charges for the period during which Service was affected.
- 2.3.3. The Company is not liable for any act or omission of any other company or companies (including any Company affiliate that is a participating or concurring carrier) furnishing a portion of the Service or facilities, equipment, or Services associated with such Service.
- 2.3.4. The Customer is responsible for taking all necessary legal steps for interconnecting the Customer provided terminal equipment with the Company facilities. The Customer shall ensure that the signals emitted into the Company's network do not damage Company equipment, injure personnel or degrade Service to other Customers. The Customer is responsible for securing all licenses, permits, rights-of-way, and other arrangements necessary for such interconnection. In addition, the customer shall comply with applicable LEC signal power limitations.
- 2.3.5. The Company may rely on Local Exchange Carriers or other third parties for the performance of other Services such as Local Access. Upon Customer request and execution and delivery of appropriate authorizing documents, the Company may act as agent for Customer in obtaining such other Services. Customer's liability for charges hereunder shall not be reduced by untimely Installation or non-operation of Customer provided facilities and equipment.
- 2.3.6. The failure to give notice of default, to enforce or insist upon compliance with any of the terms or conditions herein, the waiver of any term or conditions herein, or the granting of an extension of time for performance by the Company or the Customer shall not constitute the permanent waiver of any term or condition herein. Each of the provisions shall remain at all time in full force and effect until modified in writing.
- 2.3.7. With respect to the routing of Calls by the Company to public safety answering points or municipal Emergency Service providers, Company liability, if any, will be limited to the lesser of: (a) the actual monetary damages incurred and proved by the Customer as the direct result of the Company's action, or failure to act, in routing the Call, or (b) the sum of \$1,000.00.

- 2.3.8. In the event parties other than Customer (e.g., Customer's customers) shall have use of the Service directly or indirectly through Customer, then Customer agrees to forever indemnify and hold Company and any affiliated or unaffiliated third-party, third-party provider or operator of facilities employed in provision of the Service harmless from and against any and all claims, demands, suits, actions, losses, damages, assessments or payments which may be asserted by said parties arising out of or relating to any Defects.
- 2.3.9. In the event that Company is required to perform a Circuit redesign due to inaccurate information provided by the Customer; or, circumstances in which such costs and expenses are caused by the Customer or reasonably incurred by the Company for the benefit of the Customer, the Customer is responsible for the payment of all such charges.

2.4. Cancellation of Service by a Customer

- 2.4.1. If a Customer cancels a Service order before the Service begins, before completion of the Minimum Period, or before completion of some other period mutually agreed upon by the Customer and the Company, a charge will be levied upon the Customer for the nonrecoverable portions of expenditures or liabilities incurred expressly on behalf of the Customer by the Company and not fully reimbursed by Installation and monthly charges. If, based on a Service order by a Customer, any construction has either begun or been completed, but no Services provided, the nonrecoverable costs of such construction shall be borne by the Customer.
- 2.4.2. Upon thirty (30) days' prior written notice, either Customer or Company shall have the right, without cancellation charge or other liability, to cancel the affected portion of the Service, if the Company is prohibited by governmental authority from furnishing said portion, or if any material rate or term contained herein and relevant to the affected Service is substantially changed by order of the highest court of competent jurisdiction to which the matter is appeal, the Federal Communications Commission, or other local, state or federal government authority.

2.5. Cancellation for Cause by the Company

- 2.5.1. Upon nonpayment of any sum owing to the Company, or upon a violation of any of the provisions governing the furnishing of Service under this Tariff, the Company may, upon five business days written notification to the Customer, except in extreme cases, without incurring any liability, immediately discontinue the furnishing of such Service. The written notice shall be separate and apart from the regular monthly bill for service. Customer shall be deemed to have canceled Service as of the date of such disconnection and shall be liable for any cancellation charges set forth in this Tariff.

- 2.5.2. Without incurring any liability, the Company may discontinue the furnishing of Service(s) to a Customer upon five business days written notice if the Company deems that such action is necessary to prevent or to protect against fraud or to otherwise protect its personnel, agents, facilities or Services under the following circumstances, except under extreme cases where the customer may be disconnected immediately and without notice:
- 2.5.2.A. if the Customer refuses to furnish information to the Company regarding the Customer's credit-worthiness, its past or current use of common carrier communications Services or its planned use of Service(s);
  - 2.5.2.B. if the Customer provides false information to the Company regarding the Customer's identity, address, credit-worthiness, past or current use of Customer communications Services, or its planned use of the Company Service(s);
  - 2.5.2.C. if the Customer states that it will not comply with a request of the Company for reasonable security for the payment for Service(s);
  - 2.5.2.D. if the Customer has been given five business days written notice in a separate mailing by the Company of any past due amount (which remains unpaid in whole or in part) for any of the Company's communications Services to which the Customer either subscribes or had subscribed or used;
  - 2.5.2.E. in the event of unauthorized use.
  - 2.5.2.F. Following the disconnection of service for any of these reasons, the Company or the local exchange utility acting as Company agent, will notify the telephone end user/customer that service was disconnected and why. The notice will include all reasons for the disconnection and will include a toll-free number where an end user/customer can obtain additional information. Notice shall be deemed given upon deposit, postage prepaid, in the U.S. Mail to the end user's/customer's last known address and in compliance with the Commission's rules.
- 2.5.3. The discontinuance of Service(s) by the Company pursuant to this Section does not relieve the Customer of any obligations to pay the company for charges due and owing for Service(s) furnished up to the time of discontinuance. The remedies set forth herein shall not be exclusive and the Company shall at all times be entitled to all rights available to it under either law or equity.



2.6. Credit Allowance

- 2.6.1. Credit allowance for the interruption of Service is subject to the general liability provisions set forth in this Tariff. Customers shall receive no credit allowance for the interruption of service that is due to the Company's testing or adjusting, negligence of the Customer, or to the failure of channels or equipment provided by the Customer. The Customer should notify the Company when the Customer is aware of any interruption in Service for which a credit allowance is desired. Before giving such notice, the Customer shall ascertain that the trouble is not being caused by any action or omission within Customer's control, or is not in wiring or equipment, if any, furnished by the Customer in connection with the Company's Services.
- 2.6.2. No credit is allowed in the event service must be interrupted in order to provide routine service quality or related investigations.
- 2.6.3. No credit shall be allowed:
  - 2.6.3.A. For failure of services or facilities of Customer; or
  - 2.6.3.B. For failure of services or equipment caused by the negligence or willful acts of Customer.
- 2.6.4. Credit for an interruption shall commence after Customer notifies Company of the interruption and ceases when services have been restored.
- 2.6.5. Credits are applicable only to that portion of Service interrupted.
- 2.6.6. For purposes of credit computation, every month shall be considered to have 720 hours.
- 2.6.7. No credit shall be allowed for an interruption of a continuous duration of less than two hours.
- 2.6.8. The Customer shall be credited for an interruption of two hours or more at a rate of 1/720th of the monthly recurring charge for the service affected for each hour or major fraction thereof that the interruption continues. Calculations of the credit shall be made in accordance with the following formula.

Credit Formula:

$$\text{Credit} = \frac{A}{720} \times B$$

"A" = outage time in hours

"B" = total monthly charge for affected facility

2.7. Use of Service

- 2.7.1 The Services offered herein may be used for any lawful purpose, including residential, business, governmental, or other use. There are no restrictions on sharing or resale of Services. However, the Customer remains liable for all obligations under this Tariff notwithstanding such sharing or resale and regardless of the Company's knowledge of same. The Company shall have no liability to any person or entity other than the Customer and only as set forth in Section 2.3. The Customer shall not use nor permit others to use the Service in a manner that could interfere with Services provided to others or that could harm the facilities of the Company or others.
- 2.7.2. Service furnished by the Company may be arranged for joint use or authorized use. The joint user or Authorized User shall be permitted to use such Service in the same manner as the Customer, but subject to the following:
- 2.7.2.A. One joint user or Authorized User must be designated as the Customer.
- 2.7.2.B. All charges for the Service will be computed as if the Service were to be billed to one Customer. The joint user or Authorized User that has been designated as the Customer will be billed for all components of the Service and will be responsible for all payments to the Company. In the event that the designated Customer fails to pay the Company, each joint user or Authorized User shall be liable to the Company for all charges incurred as a result of its use of the Company's Service.
- 2.7.3. In addition to the other provisions in this Tariff, Customers reselling company Services shall be responsible for all interaction and interface with their own subscribers or customers. The provision of the Service will not create a partnership or joint venture between Company and Customer nor result in a joint communications Service offering to the Customers of either the Company or the Customer.
- 2.7.4. Service furnished by the Company shall not be used for any unlawful or fraudulent purposes.
- 2.7.5. The Customer will be billed directly by the LEC for certain Dedicated Access arrangements selected by the Customer for the provisioning of direct access arrangements. In those instances where the Company at the Customer's request may act as agent in the ordering of such arrangements, the Company will bill the Customer Local Access charges.

2.8. Payment and Billing

- 2.8.1 The following rules apply only to the Carrier's resold interexchange services and will govern payment and billing practices of the Carrier, unless inconsistent with any rule, order or regulation of the Commission. In the case of any inconsistency, the rule, order, or regulation of the Commission, or other provision of law, shall prevail. Carrier's billing agent is OAN.
- 2.8.a. Service is provided and billed on a billing cycle basis, beginning on the date that the service becomes effective. Billing is payable upon receipt. A late payment charge of 1.5% per billing cycle and 18% per annum will accrue upon any unpaid amount commencing Twenty Eight (28) Days after rendition of bills.
- 2.8.b. The customer is responsible for payment of all charges for service and facilities furnished by the Carrier to the customer, as well as, all charges for services and facilities furnished by the Carrier to all persons using the customer's codes, premises, facilities, or equipment, with or without the knowledge or consent of the customer. The security of the customer's authorization codes, premises, switched access connections, and direct connect facilities is the sole responsibility of the customer. All calls placed using such direct connect facilities, authorization codes, premises, or switched access connections will be billed to, and must be paid by, the customer. Recurring and non-recurring charges are billed in arrears.
- 2.8.c. All bills are presumed accurate, and shall be binding on the customer unless objection is received by the Carrier in writing within Ninety (90) Days after such bills are rendered.
- 2.8.d. Carrier shall be entitled to revise bills previously rendered to adjust for previously un-billed service, or to adjust upward a bill previously rendered, for a period equivalent to the applicable contract law statute of limitations.
- 2.8.e. Advance Payments: For customers whom the Company feels an advance payment is necessary, the Company reserves the right to collect an amount not to exceed one (1) month's estimated charges, as an advance payment for service. This will be applied against the next month's charges and if necessary, a new advance payment will be collected for the next month.
- 2.8.5. If a LEC has established or establishes a Special Access surcharge, the Company will bill the surcharge beginning on the effective date of such surcharge for Special Access arrangements presently in Service. The Company will cease billing the Special Access surcharge upon receipt of an Exemption Certificate or if the surcharge is removed by the LEC.

2.8.6. In the event the Company incurs fees or expenses, including attorney's fees, in collecting, or attempting to collect, any charges owed the Company, the Customer will be liable to the Company for the payment of all such fees and expenses reasonably incurred.

2.9. Local Charges

2.9.1. In certain instances, customers may be subject to local telephone company charges or message unit charges to access the Carrier's terminal. Carrier is not responsible for any such local or message unit charges incurred by customer in gaining access to Carrier's terminal.

2.10. Assignment

2.10.1. The obligations set forth in this Tariff shall be binding upon and inure to the benefit of the parties hereto and their respective successors or assigns, provided, however, the Customer shall not assign or transfer its rights or obligations without the prior written consent of the Company.

2.11. Tax and Fee Adjustments

2.11.1. All state and local taxes (i.e., gross receipts tax, sales tax, municipal utilities tax) are listed as separate line items and are not included in the quoted rates.

2.11.2. If at any future time a municipality acquires the legal right to impose an occupation tax, license tax, permit fee, franchise fee or other similar charge upon the Carrier, and imposes the same by ordinance or otherwise, such taxes, fees or charges shall be billed to the end users receiving service within the territorial limits of such municipality. Such billing shall allocate the tax, fee or charge among end users uniformly on the basis of each end user's monthly charges for the types of service made subject to such tax, fee or charge.

2.11.3. If at any future time a county or other local taxing authority acquires the legal right to impose an occupation tax, license tax, permit fee, franchise fee or other similar charge upon the Carrier, and imposes the same by ordinance or otherwise, such taxes, fees or charges shall be billed to the end users receiving service within the territorial limits of such county or other taxing authority. Such billing shall allocate the tax, fee or charge among end users uniformly on the basis of each end user's monthly charges for the types of service made subject to such tax, fee or charge.

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Issued: June 2, 2003

Effective:

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- 2.11.4 When utility or telecommunications assessments, franchise fees, or privilege, license, occupational, excise, or other similar taxes or fees, based on interstate or intrastate receipts are imposed by certain taxing jurisdictions upon the Company or upon local exchange companies and passed on to the Company through or with interstate or intrastate access charges, the amounts of such taxes or fees will be billed to Customers in such a taxing jurisdiction on a prorated basis. The amount of charge that is prorated to each Customer's bill is determined by the interstate or intrastate telecommunications service provided to and billed to an end user/customer service location in such a taxing jurisdiction with the aggregate of such charges equal to the amount of the tax or fee imposed upon or passed on to the Company.
- 2.11.5. When any municipality, or other political subdivision, local agency of government, or department of public utilities imposes upon and collects from the Company a gross receipts tax, occupation tax, license tax, permit fee, franchise fee or regulatory fee, such taxes and fees shall, insofar as practicable, be billed pro rata to the Company's Customers receiving service within the territorial limits of such municipality, other political subdivision, local agency of government, or public utility commission.
- 2.11.6. The Company may adjust its rates and charges or impose additional rates and charges on its Customers in order to recover amount it is required by governmental or quasi-government authorities to collect from or pay to others in support of statutory or regulatory programs. Examples of such programs include, but are not limited to, the Universal Service Fund, the Primary Interexchange Carrier Charge, and compensation to payphone service providers for use of their payphones to access the Company's services.

2.12. Method for Calculation of Airline Mileage

- 2.12.1 The airline mileage between two cities can be calculated using the Vertical (V) and Horizontal (H) coordinates of the serving wire centers associated with the Company's POP locations. The method for calculating the airline mileage is obtained by reference to AT&T's Tariff F.C.C. No. 10 in accordance with the following formula:

the square root of: 
$$\frac{(V1-V2)^2 + (H1-H2)^2}{10}$$

where V1 and H1 correspond to the V&H coordinates of City 1 and V2 and H2 correspond to the V&H coordinates of City 2.

Example:

	<u>V</u>	<u>H</u>
City 1	5004	1406
City 2	5987	3424

the square root of: 
$$\frac{(5004-5987)^2 + (1406-3424)^2}{10}$$

The result is 709.83 miles. Any fractional miles are rounded to the next higher whole number; therefore, the airline mileage for this example is 710 miles.

### 2.13. Time of Day Rate Periods

2.13.1 Time of Day Rate Periods are determined by the time of day at the location of the Calling station.

The rates shown in Section 4 apply as follows:

DAY: From 8:01 AM to 5:00 PM Monday - Friday  
EVENING: From 5:01 PM to 11:00 PM Monday - Friday and Sunday  
NIGHT/  
WEEKEND: From 11:01 PM to 8:00 AM Everyday  
From 8:01 AM to 11:00 PM Saturday  
From 8:01 AM to 5:00 PM Sunday

### 2.14. Special Customer Arrangements

2.14.1 In cases where a Customer requests a special or unique arrangement which may include engineering, conditioning, Installation, construction, facilities, assembly, purchase or lease of facilities and/or other special Services not offered under this Tariff, the Company, at this option, may provide the requested Services. Appropriate recurring charges and/or Nonrecurring Charges and other terms and conditions will be developed for the Customer for the provisioning of such arrangements.

### 2.15. Inspection

The Company may, upon notice, make such tests and inspections as may be necessary to determine that the requirements of this Tariff are being complied with in the Installation, operation or maintenance of Customer or the Company equipment. The Company may interrupt the Service at any time, without penalty to the Company, should Customer violate any provision herein.

2.16. Deposits

The Company does not require a deposit from the customer.

2.17. Employee Concessions

The Company does not offer concessions to employees.

2.18. Rate Quotes

Rate quotes will be provided to end users from 8:00 a.m. to 5:00 p.m. Eastern Time, Monday through Friday by dialing **(888) 693-9509**.

2.19. Bad Check Charges

The Company charges Customers **\$25.00** for checks that are returned.

2.20. Usage Charges Rounding

The charges for all calls during a billing month will be totaled. If the total charge includes a fraction of a cent, the fraction is rounded to the next whole cent (e.g., \$4,101.345 would be rounded to \$4,101.35).

2.21. Directory Assistance Service

The Company does not offer directory assistance at this time.

2.22. Special Contracts

2.22.1. Carrier may enter into contracts with end users such as hotels, or special categories of users, wherein additional discounts may be provided for volume use categories of users, wherein additional discounts may be provided for volume use or to reflect services performed for the Carrier by such users.

2.23. Service Agreement

2.23.1. The name(s) of the customer(s) desiring to use the services must be set forth in the Service Agreement. An executed Service Agreement and letter of Agency is required to initiate service.

3. DESCRIPTION OF SERVICE

3.1. Wide Area ("WATS") and Message ("MTS") Telecommunications Services

3.1.1. The Company offers WATS and MTS intrastate interexchange long distance service utilizing switched or dedicated access arrangements between the Customers Premises and the Company's facilities for call origination. Call completion is completed by underlying carrier.

3.2. Timing of Calls

3.2.1. Timing for all calls begins when the called party answers the call (i.e. when two way communications are established.) Answer detection is based on standard industry answer detection methods, including hardware and software answer detection. Chargeable time for all calls ends when one of the parties disconnects from the call. There are no billing charges applied for incomplete calls.

3.3. Switched Outbound Service

3.3.1. Company's 1+ switched outbound services permit outward calling utilizing premium switched Feature Group D access on both the originating and terminating ends. The minimum call duration for billing purposes is sixty (60) seconds. Usage is measured thereafter in six (6) second increments and rounded to the next higher six (6) second period.

3.4. Dedicated Outbound Service

3.4.1. Dedicated outbound service permits outward 1+ calling to stations. Dedicated outbound service is distinguished from other services by the existence of a dedicated, special access connection on one end. High Volume Customers may elect Dedicated Access 1+ Service. Customer selecting this Service shall commit to utilize the Company's Service for a specified term, and shall agree to pay any applicable local loop charges. The minimum call duration for billing purposes is sixty (60) seconds. Usage is measured thereafter in six (6) second increments and rounded to the next higher six (6) second period.

3.5. Switched Inbound Service

3.5.1. The Company's 800 Switched Inbound Service permits inward calling (via 800 codes) to a specific location utilizing premium switched, Feature Group D access on both ends. The Company's 800 Switched Service is available to Customers executing a month to month or long term contract having a minimum one year commitment with the Company. The minimum call duration for billing purposes is sixty (60) seconds. Usage is measured thereafter in six (6) second increments and rounded to the next higher six (6) second period.



3.6. Dedicated Inbound Service

3.6.1. The Company's Dedicated Inbound 800 Service permits inward calling (via 800 codes) to a specific location featuring the use of a dedicated, special access type connection on the terminating end. Dedicated 800 Service is available to Customers executing a one or two year term commitment with the Company. The minimum call duration for billing purposes is sixty (60) seconds. Usage is measured thereafter in six (6) second increments and rounded to the next higher six (6) second period. In addition to the charges set forth below, the Customer is responsible for any applicable local loop charges.

3.7. Data Services

3.7.1 DS-0 Service

DS-0 Private Line Service provides 64 Kbps of bandwidth for the digital transmission of data, voice, and video signals. DS-0 with Digital Access Service provides Point-to-Point Digital Service.

3.7.2. DS-1 Service

DS-1 Private Line Service provides 1.544 Mbps of point-to-point bandwidth for the digital transmission of data, voice, and video signals.

3.7.3. DS-3 Service

DS-3 provides 44.736 Mbps of point-to-point bandwidth for the digital transmission of data, voice, and video signals.

3.8. Calling Card Service

3.8.1. The Company's Calling Card Service is a customized calling card service with features including voice response or touch-tone dialing. Customers may pay both a per card surcharge and a measured usage charge for each call. Customers access the service through an "800" number established by the Company. The Company may charge an activation fee of \$1.00. The Company will assess a surcharge of \$1.00 in addition to the rates shown below, depending on the program selected. The charges for Calling Card Service are calculated on the basis of each complete call. The minimum call duration for billing purposes is sixty (60) seconds. Usage is measured thereafter in six (6) second increments and rounded to the next higher six (6) second period.

3.9. Special Promotional Offerings

3.9.1. The Company may from time to time engage in Special Promotional Offerings or Trial Service Offerings limited to certain dates, times or locations designed to attract new subscribers or increase subscriber usage when approved by the Commission. All promotions shall include exactly what charges are being reduced or waived, who is eligible, what customers have to do to be eligible, and the starting and ending date of such promotion. Individual customers may not receive such reduced rates for more than 90 days per a 12-month period.

3.10. Emergency Calls

3.10.1. Customer shall configure its PBX or other switch vehicle from which a customer places a call so that 911 emergency calls, where available, and similar emergency calls will be automatically routed to the emergency answering point for the geographical location where the call originated without the intervention of Company.

3.11. Minimum Call Completion Rate

3.11.1. A Customer can expect a call completion rate of not less than 90% during peak use periods for all Feature Group D services.



4. RATES AND CHARGES

4.1. Usage Rates

4.1.1. The following are the maximum per minute usage charges which apply to all calls. These charges are in addition to the Non-recurring Charges and Recurring Charges referred to herein.

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Issued: June 2, 2003

Effective:

Issued by: Robert Sweezie, President  
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Kentwood, MI 49546

4.2. Switched Inbound Usage Rates

**DAY/EVENING/NIGHT/WEEKEND**

<b>Mileage</b>	<b>Initial 60 Seconds</b>	<b>Additional 6 Seconds</b>
Intra	\$0.1952	\$0.0195
Inter	\$0.0739	\$0.00739

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4.3. Dedicated Inbound Usage Rates

**DAY/EVENING/NIGHT/WEEKEND**

<b>Mileage</b>	<b>Initial 60 Seconds</b>	<b>Additional 6 Seconds</b>
Intra	\$0.1421	\$0.0142
Inter	\$0.0425	\$0.00425

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Issued: June 2, 2003

Effective:

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4.4. Switched Outbound Usage Rates

**DAY/EVENING/NIGHT/WEEKEND**

<b>Mileage</b>	<b>Initial 60 Seconds</b>	<b>Additional 6 Seconds</b>
Intra	\$0.1953	\$0.0195
Inter	\$0.0696	\$0.00696

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4.5. Dedicated Outbound Usage Rates

**DAY/EVENING/NIGHT/WEEKEND**

<b>Mileage</b>	<b>Initial 60 Seconds</b>	<b>Additional 6 Seconds</b>
Intra	\$0.1240	\$0.0124
Inter	\$0.0356	\$0.00356

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4.6. Calling Card Usage Rates

4.6.1. Customers using the Company's Calling Card to place long distance calls. Incur a \$1.00 per call charge in addition to the per minute usage charge set forth hereinafter.

**DAY/EVENING/NIGHT/WEEKEND**

<b>Mileage</b>	<b>Initial 60 Seconds</b>	<b>Additional 6 Seconds</b>
ALL	\$0.2240	\$0.0224



4.7. Data Services

4.7.1. DS-0 Service

Rate Element	1-Year Contract	3-Year Contract	5-Year Contract*
	Rates per VH Mile with 250 Mile Minimum		
Per Mile Monthly	\$1.25	\$1.15	\$1.05
Installation	\$500.00	\$500.00	\$500.00

4.7.2. DS-1 Service

Rate Element	1-Year Contract	3-Year Contract	5-Year Contract*
	Rates per VH Mile with 250 Mile Minimum		
Per Mile Monthly	\$2.10	\$1.93	\$1.76
Installation	\$500.00	\$500.00	\$500.00

4.7.3. DS-3 Service

Rate Element	1-Year Contract	3-Year Contract	5-Year Contract*
	Rates per VH Mile with 250 Mile Minimum		
Per Mile Monthly	\$8.05	\$7.40	\$6.76
Installation	\$2,000.00	\$2,000.00	\$2,000.00

\*The Company normally waives installation on all five-year contracts.

4.7.4 DIA Port—1.544 Mbps

Rate Element	1-Year Contract	3-Year Contract	5-Year Contract*
Monthly	\$595.00	\$545.00	\$495.00
Installation	\$500.00	\$500.00	\$500.00

4.7.5. DIA Port—45 Mbps

Rate Element	1-Year Contract	3-Year Contract	5-Year Contract*
Monthly	\$10,400.00	\$9,800.00	\$9,125.00
Installation	\$2,500.00	\$2,500.00	\$2,500.00

\*The Company normally waives installation on all five-year contracts.

4.8. Recurring Charges

4.8.1. Customers will incur the following monthly Recurring Charges:

	<u>SWITCHED ACCESS</u>	<u>DEDICATED ACCESS</u>
Per 800/888 Number	\$1.00	\$1.00
Accounting Codes (non-verified)	1.50	\$1.50
Charge Per T-1	N/C	\$395.00
Monthly Billing Charge	\$4.95	\$4.95

4.9. Non-recurring Charges

4.9.1. Customers will incur the following Non-recurring Charges:

	<u>SWITCHED ACCESS</u>	<u>DEDICATED ACCESS</u>
Accounting Codes (non-verified)	\$250.00	\$250.00
Charge Per T-1	N/C	\$200.00
Authorization Code change/add/delete	\$100.00	\$100.00

4.10. Hearing/Speech Impaired Provisions

4.10.1. For purposes of this tariff, the definitions of impaired refers to those persons with communication impairments, including those hearing impaired, deaf, deaf/blind, and speech impaired persons who have an impairment that prevents them from communicating over the telephone without the aid of a telecommunications device for the deaf.

4.10.2. Residential impaired customers or impaired members of a customer's household, upon written application and upon certification of their impaired status, which is evidenced by either a certificate from a physician, health care official, or state agency, or a diploma from an accredited educational institution for the impaired, may receive a discount off their message toll service rates, and, if they utilize telebraile devices, they may receive free access to local and intrastate long distance directory assistance. Additionally, TDD lines maintained by nonprofit organizations and governmental agencies, upon written application and verification that such lines maintained for the benefit of the impaired may receive a discount off their message toll service rates.

4.11. Rules for Special Rates for Handicapped Customers

4.11.1. Below are Sections of the Florida Rules concerning handicapped hearing/speech impaired persons and discounts on toll calls using the telecommunications relay service.

4.11.1.a. Hearing/Speech Impaired Persons "Intrastate toll message rates for TDD users shall be evening rates for daytime calls and night rates for evening and night calls. These discounts shall be offered by all interexchange carriers and LECs."

4.11.1.b. Operation of Telecommunications Relay Service "For intrastate toll calls received from the relay service, the Company shall discount relay service calls by 50 percent off of the otherwise applicable rate for a voice nonrelay call except that were either the calling or called party indicates that either party is both hearing and visually impaired, the call shall be discounted 60 percent off of the otherwise applicable rate for a voice nonrelay call. The above discounts apply only to time-sensitive elements of a charge for the call and shall not apply to per call charges, such as a credit card surcharge. In the case of a tariff that includes either a discount based on number of minutes or the purchase of minutes in blocks, the discount shall be calculated by discounting the minutes of relay use before the tariffed rate is applied.

4.11.1.c. Directory Assistance Charges for Handicapped Persons: Pursuant to Florida Public Service Commission Rules and Regulations, Company will not charge for the first 50 directory assistance calls made each month by a handicapped person.

4.12. Payphone Use Service Charge

4.12.1. A Payphone Use Service Charge applies to each completed interLATA and intraLATA non-sent paid message made over a pay phone owned by a utility or Customer Owned Pay Telephone (COPT) Service. This includes calling card service, collect calls, calls billed to a third number, completed calls to Directory Assistance and Prepaid Card Service calls. This charge is collected on behalf of the pay phone owner. All Customers will pay the Company a per call service charge of \$2.50.

**EXHIBIT D**

**Background and Experience of Management Team**

**Robert Sweezie** has been in the telecommunications business since 1985. He has designed and sold PBX systems, Key systems, data equipment, and wide area network. He has owned and managed a business providing all of the above listed services and equipment. Prior to entering the telecommunications business, Mr. Sweezie was involved in a number of business ventures including ownership of a brokerage firm.

**Scott Sweezie** has been in the telecommunications business since 1985. He has designed and sold PBX systems. He has managed a business providing all of the above listed services and equipment. Prior to entering the telecommunications business, Mr. Sweezie was a missionary.

**EXHIBIT E**

**Financial Statements**

**Balance Sheet Detailed**

Account Number	Account Name	Balance 1/1/2003 - 3/31/2003
10000	Assets	
11000	Current Assets	
11010	Cash for Traverse City Cash Reg	0
11020	Cash for K-Zoo Westnedge Cash	0
11030	Cash for K-Zoo Gull Road Cash R	0
11040	Cash for Howell Cash Register	0
11050	Cash for Grand Rapids Cash Reg	0
11060	Cash for Battle Creek Cash Regis	0
11100	Checking and Savings	
11110	General Checking	94,545
11120	Payroll Checking	0
11130	Savings Account NBD	0
11199	Total Checking and Savings	94,545
11200	Accounts Receivable	
11210	AR - Work In progress	0
11220	AR - Contract Sales	0
11230	AR - Long Term	0
11240	Accounts Receivable	403,821
11250	AR - Uninvoiced	88
11260	A/R - COM	0
11270	A/R - TEC	716,887
11280	A/R - DH	0
11290	A/R - CORE	29,259
11295	A/R - BREAK	0
11299	Total Accounts Receivable	1,150,054
11300	Inventory	
11320	Inventory - Normal Stock	103,977
11340	Inventory Raw Materia	0
11350	Inventory - Finished Goods	0
11399	Total Inventory	103,977
11400	Other Current Assets	
11410	Surety Bond Advance	0
11420	Undeposited Funds	0
11430	Loans to Officers	17,581
11440	OLDE Brokerage - 100-03100-	0
11441	Stocks and Securities	0
11445	Deposits Deffered Compensat	-1,000
11450	Prepaid Expenses	
11451	Prepaid Wages - CWA Dues	-4
11452	Prepaid Wages - Advances	0
11453	Rent Deposit	7,909
11454	Prepaid Taxes	10,750
11455	Prepurchase Deposits	42,022
11456	Other Prepaid Expenses	363
11459	Total Prepaid Expenses	61,041
11499	Total Other Current Assets	77,622
11999	Total Current Assets	1,426,198
12000	Fixed Assets	
12100	Furniture and Equipment	473,485
12200	Depreciation - Furniture and Equ	-344,459
12300	Software	164,830
12400	Amortization - Software	-123,306
12500	Vehicles	69,783
12600	Depreciation - Vehicles	-70,282
12700	Leasehold Improvements	37,887
12800	Depreciatioan - Leasehold Impro	-14,718
12810	Building and Warehouse	0
12820	Depreciation - Building and Ware	0
12999	Total Fixed Assets	193,219
13010	Cash Value Officers Life Ins	0
13020	Goodwill Net of Amortization	0
19999	Total Assets	1,619,417
20000	Liabilities	
21000	Current Liabilities	
21100	Accounts Payable	
21110	Accounts Payable	38,785
21120	Accounts Payable Discount	0
21130	Accounts Payable - Uninvoiced	-3,426



**Balance Sheet Detailed**

Account Number	Account Name	Balance 1/1/2003 - 3/31/2003
21140	Accounts Payable - Lease Pay	0
21199	Total Accounts Payable	35,359
21200	Notes Payable - Short Term	
21210	Bank One Line of Credit	0
21220	Short Term Note	0
21299	Total Notes Payable - Short Term	0
21300	Payroll Liabilities	
21310	FUTA	0
21320	Accrued Payroll	107,627
21330	Payroll - 401(k) Deductions	4,330
21340	Payroll - CWA union Retirement	351
21341	Payroll - Flex Medical	0
21342	Payroll - Flex Dependent Care	0
21350	Payroll - Other	0
21360	Sale Finders Fee Holding	0
21399	Total Payroll Liabilities	112,308
21400	Taxes Payable	
21410	Taxes Payable - Property	0
21420	Taxes Payable - Federal Income	0
21430	Taxes Payable - MI SBT	17,400
21440	Taxes Payable - Fed Excise	0
21450	Taxes Payable - GR	0
21460	Taxes Payable - BC	0
21470	Taxes Payable - MI Sales Tax	1,170
21480	Taxes Payable - Deferred tax	-118,900
21490	Taxes payable - USF	-5,031
21499	Total Taxes Payable	-92,771
21500	Deposit - Work to be Performed	0
21600	Accrued Expenses	2,846
21999	Total Current Liabilities	54,896
22000	Long term Liabilities	
22100	Notes Payable - Long Term	
22110	Notes Payable- LT- DH Loan	0
22120	Notes Payable - LT - Bank One	0
22130	Notes Payable - LT - Capital Le	27,975
22140	Notes Payable -LT - Bank One	0
22150	Notes Payable-LT-SBA-Bank O	543,536
22151	Notes Payable -LT-DH Mellem	0
22199	Total Notes Payable	571,511
22999	Total Long Term Liabilities	571,511
29999	Total Liabilities	629,252
30000	Owners Equity	
31000	Opening Equity Balance	0
32000	Beginning Retained Earnings	322,458
32500	YTD Operating Result	-159,357
33000	Paid in Capital	825,738
34000	Capital Stock	1,325
39999	Total Owners Equity	990,165
99998	Liabilities Plus Equity	1,619,417

I affirm these statements are true  
and correct.

Furaha D. H.  
CFO, ITS

INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC.  
AND  
ITS TECHNOLOGIES, LLC

COMBINED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2002 AND 2001

I affirm these statements  
are true and correct

*Frank D. By* CFO  
ITS  
5-20-03

INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC. AND ITS TECHNOLOGIES, LLC

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Combined Schedules of Other Income and Expense	22

To Board of Directors  
Independent Telecommunications Systems, Inc. and ITS Technologies, LLC  
Grand Rapids, Michigan

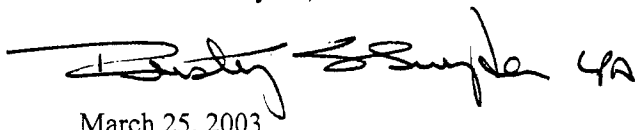
We have reviewed the accompanying combined balance sheets of Independent Telecommunications Systems, Inc. and ITS Technologies, LLC as of December 31, 2002 and 2001, and the related combined statements of revenue and expenses, retained earnings and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Independent Telecommunications Systems, Inc. and ITS Technologies, LLC

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The information included in the accompanying schedules on pages 20-22 is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

Mersman & Snyder, PLC

Handwritten signature of Rusty Snyder in black ink, with the initials 'RS' and '4A' written to the right of the signature.

March 25, 2003

INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC. AND ITS TECHNOLOGIES, LLC  
 COMBINED BALANCE SHEETS  
DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 2)	\$ 271,549	\$ 61,396
Accounts receivable (Note 3)	687,732	797,179
Marketable securities (Note 4)	-	107,131
Inventory	112,839	155,652
Refundable taxes	101,933	331,940
Prepaid expenses and other current assets	10,154	25,681
Deposit	1,000	-
Deferred income taxes (Note 5)	9,100	7,200
<b>Total Current Assets</b>	<u>1,194,307</u>	<u>1,486,179</u>
<b>EQUIPMENT AND LEASEHOLD IMPROVEMENTS</b>		
Furniture and equipment	755,881	746,309
Vehicles	69,783	98,296
Building and warehouse	37,887	37,887
Software	164,830	160,561
	<u>1,028,381</u>	<u>1,043,053</u>
Less: Accumulated depreciation	646,185	498,928
<b>Total Equipment and Leasehold Improvements</b>	<u>382,196</u>	<u>544,125</u>
<b>OTHER ASSETS</b>		
Due from affiliates (Note 9)	68,799	187,298
Deposits	6,909	6,909
Due from stockholder	17,581	-
Goodwill – net of amortization	116,161	124,983
Deferred income taxes (Note 5)	-	5,100
	<u>209,450</u>	<u>324,290</u>
	<u>\$ 1,785,953</u>	<u>\$ 2,354,594</u>

	<u>2002</u>	<u>2001</u>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Bank overdrafts (Note 2)	\$ -	\$ 22,521
Line of credit (Note 6)	-	327,275
Current portion of long-term debt		
Financial institutions (Note 8)	125,531	130,436
Capital leases (Note 10)	20,205	17,529
Due to affiliate (Note 9)	75,053	-
Accounts payable	119,034	339,298
Accrued expenses and payroll liabilities (Note 7)	107,715	168,945
Accrued taxes	22,450	-
Deferred revenue	161,435	127,305
<b>Total Current Liabilities</b>	<u>631,423</u>	<u>1,133,309</u>
<b>LONG-TERM DEBT – NET OF CURRENT PORTION</b>		
Financial institutions (Note 8)	448,767	576,918
Capital leases (Note 10)	7,770	27,975
<b>Total Long-Term Debt</b>	<u>456,537</u>	<u>604,893</u>
<b>DEFERRED INCOME TAXES (Note 5)</b>	<u>15,800</u>	<u>-</u>
<b>Total Liabilities</b>	<u>1,103,760</u>	<u>1,738,202</u>
<b>STOCKHOLDER'S / MEMBER'S EQUITY</b>		
Common stock, 45,000 shares authorized, \$1 par value, 13,250 issued and outstanding (Note 11)		
No par value, 2,427 issued and outstanding (Note 11)	1,325	1,325
Additional paid-in-capital (Note 11)	825,738	825,738
Retained earnings (deficit) / member's equity (deficit)	(144,870)	(212,741)
Accumulated other comprehensive income	-	2,070
<b>Total Stockholder's/Member's Equity</b>	<u>682,193</u>	<u>616,392</u>
	<u>\$ 1,785,953</u>	<u>\$ 2,354,594</u>

See accompanying notes and accountants' report.

INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC. AND ITS TECHNOLOGIES, LLC  
 COMBINED STATEMENTS OF REVENUE AND EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>%</u>	<u>2001</u>	<u>%</u>
REVENUE	\$ 5,689,418	100.0%	\$ 9,230,219	100.0%
COST OF EARNED REVENUE	<u>2,197,335</u>	<u>38.6</u>	<u>4,011,875</u>	<u>43.5</u>
GROSS PROFIT	3,492,083	61.4	5,218,344	56.5
EXPENSES				
Selling, general and administrative expenses	<u>3,573,542</u>	<u>62.8</u>	<u>6,307,812</u>	<u>68.3</u>
LOSS FROM OPERATIONS	(81,459)	(1.4)	(1,089,468)	(11.8)
OTHER INCOME AND (EXPENSE)	<u>85,979</u>	<u>1.5</u>	<u>(114,546)</u>	<u>(1.2)</u>
INCOME (LOSS) BEFORE INCOME TAXES	4,520	0.1	(1,204,014)	(13.0)
INCOME TAX BENEFIT	<u>(63,351)</u>	<u>(1.5)</u>	<u>(280,642)</u>	<u>(3.0)</u>
NET INCOME (LOSS)	67,871	1.6	(923,372)	(10.0)
OTHER COMPREHENSIVE INCOME				
Unrealized gains on marketable securities, net of tax	-	-	2,070	0.0
Less reclassification adjustment for gains realized	<u>(2,070)</u>	<u>(0.0)</u>	<u>-</u>	<u>-</u>
COMPREHENSIVE INCOME (LOSS)	<u>\$ 65,801</u>	<u>1.6%</u>	<u>\$ (921,302)</u>	<u>(10.0)%</u>

See accompanying notes and accountants' report.

INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC. AND ITS TECHNOLOGIES, LLC  
 COMBINED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND MEMBERS' EQUITY  
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	Common Stock	Additional Paid-In-Capital	Retained Earnings (Deficit)/Members Equity (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE – January 1, 2001	\$ 1,325	\$ 47,181	\$ 681,137	\$ -	\$ 729,643
RETAINED EARNINGS					
Adjustment for a correction of an error in previously issued prior period financial statements net of \$15,881 tax expense	-	-	29,494	-	29,494
BALANCE – January 1, 2001 as restated	1,325	47,181	710,631	-	759,137
ADDITIONAL PAID-IN-CAPITAL					
Purchase of common stock	-	778,557	-	-	778,557
COMPREHENSIVE INCOME					
Net loss	-	-	(923,372)	-	(923,372)
Other comprehensive income, gross unrealized gains on marketable securities, net of tax	-	-	-	2,070	2,070
BALANCE – December 31, 2001	<u>\$ 1,325</u>	<u>\$ 825,738</u>	<u>\$ (212,741)</u>	<u>\$ 2,070</u>	<u>\$ 616,392</u>



	Common Stock	Additional Paid-In-Capital	Retained Earnings (Deficit)/Members Equity (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE – January 1, 2002	\$ 1,325	\$ 825,738	\$ (212,741)	\$ 2,070	\$ 616,392
COMPREHENSIVE INCOME					
Net income	-	-	67,871	-	67,871
Other comprehensive income, net of tax:					
Less: reclassification adjustment for Gains realized in net income	-	-	-	(2,070)	(2,070)
BALANCE – December 31, 2002	<u>\$ 1,325</u>	<u>\$ 825,738</u>	<u>\$ (144,870)</u>	<u>\$ -</u>	<u>\$ 682,193</u>

See accompanying notes and accountants' report.

INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC. AND ITS TECHNOLOGIES, LLC  
 COMBINED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 67,871	\$ (923,372)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	164,634	642,317
Bad debt expense	11,380	89,111
(Gain) loss on disposal of assets	4,960	(3,694)
Deferred income taxes	19,000	7,700
Prior period adjustment	-	29,494
(Increase) Decrease in assets:		
Accounts receivable	98,067	440,243
Refundable taxes	230,007	(336,030)
Inventory	42,813	188,680
Marketable securities	105,061	12,730
Prepaid expenses and other assets	14,527	(7,816)
Increase (Decrease) in liabilities:		
Accounts payable	(220,264)	(509,748)
Accrued taxes	22,450	(51,355)
Accrued expenses and payroll liabilities	(61,232)	(74,602)
Deferred revenue	34,130	93,879
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	533,404	(402,463)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of asset	15,000	143,924
Purchase of equipment, leasehold improvements and goodwill	(13,841)	(601,392)
Payments from affiliates – net	193,552	386,848
Cash contributions	-	37,962
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	194,711	(32,658)

See accompanying notes and accountants' report.

INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC. AND ITS TECHNOLOGIES, LLC  
 COMBINED STATEMENTS OF CASH FLOWS (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (payments on) stockholders loans – net	(17,581)	3,406
Proceeds from issuance of common stock	-	778,557
Proceeds (payments) on line of credit – net	(327,275)	(505,615)
Proceeds from bank loans	-	753,539
Payments from long-term debt	(150,585)	(577,264)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(495,441)	452,623
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	232,674	17,502
CASH AND CASH EQUIVALENTS - Beginning of year	38,875	21,373
CASH AND CASH EQUIVALENTS - End of year	\$ 271,549	\$ 38,875

**SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES**

Unrealized gain (loss) on marketable securities	\$ -	\$ 3,136
Purchase of equipment	\$ 13,841	\$ 557,805
Less debt incurred	-	88,748
Cash paid to purchase equipment	\$ 13,841	\$ 469,057

See accompanying notes and accountants' report.

INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC. AND ITS TECHNOLOGIES, LLC  
COMBINED NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING  
POLICIES**

This summary of significant accounting policies of Independent Telecommunications Systems, Inc. (ITS) (a Corporation) and ITS Technologies, LLC (Technologies) (a Limited Liability Company) is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Business

ITS is engaged in the voice and data telecommunications installation and service industry and Technologies is engaged in various forms of technology services from wide area and local area networking to network monitoring and Microsoft supported products, principally in the State of Michigan. ITS incorporated in 1984 and Technologies incorporated in 1996, both in the State of Michigan. All of the offices are located in the State of Michigan in the cities of Grand Rapids, Kalamazoo, Battle Creek, Southfield, Lansing and Traverse City.

Principles of Combination

The combined financial statements include the accounts of ITS and Technologies (The Companies) which are related by virtue of a common and controlling interest. All intercompany balances and transactions have been eliminated in the combined financial statements.

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting that is also used for Federal income tax reporting purposes. Under this method of accounting, revenue is recognized when amounts are earned and when the amount and timing of the revenue can be reasonably estimated. Expenses are recognized when they occur.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.

See accountants' report.

INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC. AND ITS TECHNOLOGIES, LLC  
COMBINED NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING  
POLICIES (Continued)**

Accounts Receivable

The Companies extend credit in the normal course of business to individuals, subcontractors, businesses, organizations and institutions primarily in the State of Michigan. The Companies have extended credit to other organizations that are within the United States and Internationally. These accounts are not significant to the outstanding receivables as of December 31, 2002 and 2001, respectively. Consequently, the ability to collect amounts due may be affected by economic fluctuations locally. The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Inventories

Inventories consist primarily of telephone systems and related service and installation equipment. Inventory is stated at the lower of cost or market with cost determined by the first-in first-out method.

Equipment and Leasehold Improvements

Property and equipment are stated at cost. Depreciation is computed over the estimated useful life of the assets using primarily the straight-line method, ranging from 2 to 39 years. Expenditures for major renewals and betterments that extend the useful lives of equipment and leasehold improvements are capitalized. Expenditures for repairs and maintenance are charged against operations when incurred.

Income Taxes

ITS uses Statement of Financial Accounting Standards No. 109 "Accounting For Income Taxes" (SFAS No. 109) - in reporting deferred income taxes. SFAS No. 109 requires a company to recognize deferred tax assets and liabilities for the expected future income tax consequences of events that have been recognized in the Company's financial statements. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which the temporary differences are expected to reverse.

Technologies have not made a provision for federal income taxes as the Company is a partnership. Generally, the partners are liable for individual federal and state income taxes on their share of the Company's taxable income.

See accountants' report.

INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC. AND ITS TECHNOLOGIES, LLC  
COMBINED NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

**NOTE 1 - NATURE OF BUSINESS AND 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.

Goodwill

Goodwill represents the excess of cost over fair value of net assets acquired through acquisitions. Goodwill recorded on acquisitions prior to June 30, 2001, is being amortized on a straight-line basis over 15 years. In accordance with SFAS No. 142 issued in June 2001, the Companies will evaluate the goodwill on an annual basis for potential impairment.

Comprehensive Income

The Companies adopted SFAS No. 130, *Reporting Comprehensive Income*. Statement No. 130 requires the reporting of comprehensive income in addition to net income from operations. Comprehensive income is a more inclusive financial reporting methodology that includes disclosures of certain financial information that historically has not been recognized in the calculation of net income. As of December 31, 2002 and 2001, the Companies comprehensive income, as shown in the combined statements of changes in stockholders' / members' equity (deficit), consists of unrealized gains (losses) on marketable securities in the amount (net of tax) of \$(2,070) and \$2,070, respectively.

Advertising

The Companies policy is to expense advertising costs as the costs are incurred, unless the benefit extends beyond one fiscal year. For the years ended December 31, 2002 and 2001, advertising costs amounted to \$44,019 and \$102,663, respectively.

See accountants' report.

INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC. AND ITS TECHNOLOGIES, LLC  
 COMBINED NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

**NOTE 2 - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following at December 31:

	2002	2001
Checking accounts		
General	\$ 271,549	\$ 57,376
Payroll	-	(34,333)
Savings account	-	15,832
	\$ 271,549	\$ 38,875

The savings account bears interest at various rates ranging from 0.65 to 2.78 percent depending on the current account balance. At December 31, 2001 the savings account was bearing interest at 1.75 percent.

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following at December 31:

	2002	2001
Trade		
Billed	\$ 685,464	\$ 481,558
Unbilled	126	314,395
Related party	2,142	1,226
	\$ 687,732	\$ 797,179

Related party transactions are described in detail in Note 8.

See accountants' report.

INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC. AND ITS TECHNOLOGIES, LLC  
 COMBINED NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

**NOTE 4 – MARKETABLE SECURITIES**

At December 31, 2001, the marketable securities portfolio was comprised of equity securities classified as trading. Marketable securities considered trading are recorded in the financial statements at fair market value, in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. The corresponding unrealized gain or loss in the fair market value in relation to cost is accounted for as a separate item in the stockholders' equity section of the balance sheet.

Realized gains and losses on the sale of marketable securities are based on original cost, and are included in earnings.

The following summarizes the information related to trading securities as of December 31:

	<u>2002</u>	<u>2001</u>
Market value	\$ -	\$ 174,308
Cost	-	198,635
Unrealized holding loss before income tax effect	<u>\$ -</u>	<u>\$ (24,327)</u>

The Company's investment account has a margin account with a balance of \$67,177 as of December 31, 2001. Total marketable securities net of the margin account was \$107,131 as of December 31, 2001. The margin account bears interest at 6.75% as of December 31, 2001.

**NOTE 5 - INCOME TAXES**

The provision for income taxes consists of the following:

	<u>2002</u>	<u>2001</u>
Current expense	\$ 19,582	\$ 636
Refundable taxes	(101,933)	(287,912)
Other comprehensive income	-	(1,066)
Deferred expense	20,900	185,300
Deferred benefit	<u>(1,900)</u>	<u>(177,600)</u>
Total tax expense (benefit)	<u>\$ (63,351)</u>	<u>\$ (280,642)</u>

See accountants' report.



INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC. AND ITS TECHNOLOGIES, LLC  
 COMBINED NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

**NOTE 5 - INCOME TAXES (Continued)**

Deferred tax assets and liabilities consist of the following:

	2002	2001
Deferred tax asset – current	\$ 9,100	\$ 8,300
Deferred tax asset – non-current	-	18,700
Deferred tax liability – current	-	(1,100)
Deferred tax liability – non-current	(15,800)	(13,600)
	\$ (6,700)	\$ 12,300

Deferred tax assets result from book to tax timing differences on accrued shareholders wages and non-deductible contributions which begin to expire December 31, 2006. Deferred tax liabilities result from an unrealized gain on marketable securities and book to tax timing differences on certain property and equipment. Accelerated depreciation is used for tax reporting, and straight-line depreciation is used for financial statement reporting.

Cash paid for or received from income taxes for the years ended December 31, 2002 and 2001 was \$0 and \$90,000 paid and \$285,868 and \$0 received, respectively.

**NOTE 6 - SHORT-TERM BORROWINGS**

Subsequent to year end the Companies renewed and extended their current bank line-of-credit, which provides short-term borrowings up to \$250,000 for ITS at prime rate plus 1.00% and \$100,000 for Technologies at prime rate plus 1.75%. All components of the note remained the same as listed in the following paragraphs with the exception of the added covenants. ITS and Technologies shall not permit their consolidated earnings before income taxes and depreciation (EBITDA) for the fiscal quarter ending December 31, 2002, and their consolidated EBITDA through March 15, 2003 to be less than zero. The other covenants are related to reporting requirements. The bank lines-of-credit are due to expire March 15, 2003

During 2002, the Companies renewed their current bank line-of-credit, which provides short-term borrowings up to \$350,000 for ITS at prime rate and \$100,000 for Technologies at prime rate plus 0.75%. The prime rate was 4.25% as of December 31, 2002. The note was collateralized by accounts receivable, inventory, equipment and the personal guarantee of the Companies majority shareholder and member. The outstanding balances on these lines-of-credit as of December 31, 2002 were \$0 and \$0, respectively. The bank line-of-credit expired December 15, 2002.

See accountants' report.

INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC. AND ITS TECHNOLOGIES, LLC  
 COMBINED NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

**NOTE 6 - SHORT-TERM BORROWINGS (Continued)**

In connection with the bank line-of-credit, the Companies have agreed to certain covenants. These covenants are described in the security agreement and following paragraphs.

During 2001, ITS had a secured bank line-of-credit, which provided short-term borrowings up to \$600,000 at prime rate. The prime rate was 4.75% as of December 31, 2001. The note was collateralized by accounts receivable, inventory, equipment and the personal guarantee of the Company's majority shareholder. The outstanding balance on this line-of-credit as of December 31, 2001 was \$102,275. The bank line-of-credit expired June 30, 2002.

These covenants disallow the Companies to acquire or retire any of its shares of capital stock, or declare or pay dividends; to issue, sell, or otherwise dispose of any shares of its capital stock or other securities; or to advance or invest \$150,000 or more to any person, firm, or corporation. These covenants require that the Companies keep its working capital at or above \$250,000; keep its tangible net worth at or above \$665,000; and keep its leverage ratio (the ratio of its total liabilities to its tangible net worth) less than 2.50 and 1.00. Due to the noncompliance of certain covenants, the Bank may, at their discretion, call the note due.

Subsequent to December 31, 2002 the Companies have extended their lines-of-credit which expired on March 15, 2003.

The Companies have also guaranteed the lines-of-credit and term loans of two related parties which totaled \$322,228 and \$120,000 as of December 31, 2002 and 2001, respectively.

**NOTE 7 - ACCRUED EXPENSES AND PAYROLL LIABILITIES**

Accrued expenses and payroll liabilities consist of the following at December 31:

	<u>2002</u>	<u>2001</u>
Accrued payroll	\$ 91,304	\$ 144,773
401(k) withholding	4,142	12,963
Accrued interest	2,846	7,154
Union dues withholding	351	394
Cafeteria withholding	-	304
Universal service fee	3,444	-
Sales and use tax	5,628	3,357
	<u>\$ 107,715</u>	<u>\$ 168,945</u>

See accountants' report.

INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC. AND ITS TECHNOLOGIES, LLC  
 COMBINED NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

**NOTE 8 – LONG-TERM DEBT**

Long-term debt consisted of the following at December 31:

	2002	2001
Notes payable to financial institutions, payable in monthly installments ranging from \$580.29 to \$682.53, including interest ranging from 6.98% to 10.00%, collateralized by vehicles.	\$ -	\$ 26,659
Note payable to financial institution, payable in monthly installments of \$12,724.14, including interest at prime plus 1.00%, collateralized by all inventory, chattel paper, accounts receivable, equipment, and general intangibles.	574,298	680,695
Total	574,298	707,354
Less current maturities	125,531	130,436
Long-term debt	\$ 448,767	\$ 576,918

Principal payments on long-term debt are due as follows:

Year ended December 31	
2003	\$ 125,531
2004	132,282
2005	139,397
2006	146,894
2007	30,194
	\$ 574,298

Interest paid during the years ended December 31, 2002 and 2001 was \$45,538 and \$131,659, respectively.

See accountants' report.

INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC. AND ITS TECHNOLOGIES, LLC  
COMBINED NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

**NOTE 9 - RELATED PARTY TRANSACTIONS**

Related party transactions are summarized as follows:

The Company rents office and warehouse space from ITS/Rockford Properties, LLC and NOUS Properties, LLC, both limited liability company's in which the majority stockholder and some minority stockholders are members. The lease between ITS/Rockford Properties, LLC is a ten-year lease beginning in April 2000, with an option for two five year renewals. The lease between NOUS Properties, LLC is a one year lease renewable annually beginning in January 2001. The lease between NOUS Properties, LLC was renewed on a month to month basis after expiring in 2001. The amount paid in aggregate for rent expense during the years ended December 31, 2002 and 2001 to ITS/Rockford Properties, LLC was \$122,416 and \$116,188, and to NOUS properties, LLC was \$75,600 and \$110,400, respectively.

The Companies have a long-term non-interest bearing notes receivable with affiliates which the majority stockholder is a majority member in all affiliated LLC's. Various other minority stockholders are also members. The balance of the note receivable to each affiliate as of December 31, 2002 and 2001 are ITS Coresupport, LLC of \$26,777 and \$145,666, ITS Properties, LLC of \$390 and \$0, and ITS Rockford/Properties, LLC \$35,102 and \$35,102 and NOUS Properties, LLC of \$6,530 and \$6,530, respectively. The funds loaned were for necessary operating capital needs. There is also an amount due to an affiliate at December 31, 2002 of \$75,053 bearing interest at 4.25%, the funds were used for operating capital needs.

**NOTE 10 - LEASES**

The Company leases its facility from the related party's referred to in Note 9, and also rents office space from an unrelated party, under a five-year lease that began in June 2000. The Company also entered into eight operating leases. The Company has entered into a three year lease on a vehicle due to expire January 1, 2002, a three year lease on computers due to expire June 28, 2002, a four year lease on furniture due to expire October 28, 2002, two three year leases on vehicles due to expire June 1, 2003, a four year lease on furniture due to expire June 25, 2003, a three year lease on office equipment due to expire September 14, 2003, and a five year lease on office equipment due to expire April 27, 2004. The remaining rent expense is for various short-term equipment rentals.

The following is a schedule of future minimum operating lease payments:

2003	\$ 207,054
2004	162,991
2005	162,683
2006	165,937
2007	169,256
Thereafter	467,686

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INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC. AND ITS TECHNOLOGIES, LLC  
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**NOTE 10 – LEASES (Continued)**

ITS acquired equipment through a capital lease that had a fair market value buy out, which was exercised during December 2001. The equipment is leased to a customer with related management services. The management services are performed by Technologies. The amount of payments made on the capital lease for the year end December 31, 2001 was \$367,920. The equipment was sold to Technologies after ITS exercised the fair market buy out.

Capital lease consisted of the following at December 31:

	2002	2001
Capital lease payable to leasing company, payable in monthly installments of \$1,909.45, including interest at 14.29%, collateralized by furniture.	\$ 27,975	\$ 45,504
Total	27,975	45,504
Less current maturities	20,205	17,529
Long-term debt	\$ 7,770	\$ 27,975

Future minimum capital lease payments are due as follows:

Year ended December 31	
2003	\$ 20,205
2004	7,770
	\$ 27,975

Rent expense aggregated \$228,227 and \$286,129 for the years ended December 31, 2002 and 2001.

**NOTE 11 – STOCK TRANSACTIONS**

The Directors of ITS approved a ten for one stock split for all current stockholders of record, and issued 2,427 new shares of no par common stock with a call option on June 6, 2001. The call option grants ITS the option to repurchase the newly issued shares at a fixed price of \$481.19 per share, expiring two years from date of issuance of new shares. The issuance of new shares created additional paid-in-capital of \$778,557. The majority stockholder accounted for \$159,753 of the recorded additional paid-in-capital and 498 shares of common stock.

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INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC. AND ITS TECHNOLOGIES, LLC  
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**NOTE 11 – STOCK TRANSACTIONS (Continued)**

The Directors of ITS approved a stock option to a related party as part of the sale of an affiliate on June 14, 2001. The option grants the Purchaser the option to purchase up to three percent of the issued and outstanding common stock. The purchase price of such stock shall be \$50,000 for each one percent purchased. The option shall be exercisable by written notice from Purchaser to majority stockholder for a period of one year after June 14, 2001. The option to purchase up to three percent of ITS was not exercised.

**NOTE 12 – RETIREMENT PLAN**

The Companies have a 401(k) retirement plan. To be eligible to participate in the plan, an employee must have 1,000 hours of employment and attainment of age 21. Participants may contribute a portion of their compensation, up to 15% but not to exceed \$11,000 in 2002 and \$10,500 in 2001, to the plan. Companies' contributions are made at the discretion of management and may include a match of up to 6% of eligible wage declared at calendar year end. Participants are under a six year vesting schedule for employer contributions. The Companies' contributions to the plan during the years ended December 31, 2002 and 2001 were \$0 and \$3,995, respectively.

**NOTE 13 – CAFETERIA PLAN**

The Company takes part in a Cafeteria Plan, commonly known as a Flexible Benefit Plan under Internal Revenue Code Section 125. The purpose of the plan is for the employee to elect to pay a portion of their premium for various health and dental coverage's under the employer-sponsored group insurance plan(s) on a pre-tax basis. The employee may become a participant in the plan upon acceptance by the insurance provider and full time employment.

**NOTE 14 – NON-COMPETITION AGREEMENT**

Related to a previous redemption of 1,000 shares of its common stock, ITS has a non-competition agreement with a former stockholder/employee. The agreement restricts the individual from certain activities for a ten-year period, through the year 2001. As consideration, ITS is paying the individual monthly installments of \$1,500 through the year 2001, for a total cost of \$180,000. Such payments are being expensed as they come due, and totaled \$16,500 for December 31, 2001.

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INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC. AND ITS TECHNOLOGIES, LLC  
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**NOTE 15 - CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Companies to concentrations of credit risk consist principally of trade accounts receivable and are limited due to the large number of customers comprising the Companies customer base. The Companies have two customers which include the amount recorded in unbilled receivables and accounts for approximately 41% and 44% of the Companies net sales for the years ended December 31, 2002 and 2001. The Company maintains its cash in interest bearing checking, money market and savings accounts which, at times, may exceed federally insured limits or not be federally insured due to investment options. The Company has not experienced any losses in such accounts. Management believes the Company is not exposed to any significant credit risk related to cash.

**NOTE 16 – PRIOR PERIOD CORRECTION**

Certain changes in accounting procedures resulted in the understatement of the net income in the Company's previously issued 2000 financial statements. The 2000 net income previously reported, \$199,597, is understated by \$29,494 (net of \$15,881 tax expense).

The changes listed above are from recording major purchases in a prior year that were originally expensed. Another correction was the write off of loan balances that were not offset against principal payments expensed in prior years.

**NOTE 17 – CONTINGENCIES**

The Companies have a notes receivable to affiliates that are cross guaranteed with each line-of-credit respectively. The Companies are in violation of loan covenants and if the bank chooses may call the loans due. These events could create a future loss based on the amounts currently outstanding. The Companies and affiliates referred to in Note 9 have prepared a reorganization plan to put the covenants into formula. Technologies has an off the balance sheet asset from the renewal of a lease agreement with the customer referred to in Note 10, with a value of approximately \$1,650,000.

Management of ITS have signed contracts for communication services with an off the balance sheet value of \$518,655 and estimated gross profit of \$279,000 as of December 31, 2002, and additional contracts have been signed in the value of \$1,258,520 and estimated gross profit of \$600,928 from January 1, 2003 through March 25, 2003.

Subsequent to year end, the Companies and affiliates referred to in Note 9 have implemented the reorganization plan and have been profitable. The plan called for termination of unneeded staff and non profitable departments. Administrative cuts have been implemented in certain locations including the merger of multiple locations into one.

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**NOTE 18 - RECLASSIFICATION OF FINANCIAL STATEMENT PRESENTATIONS**

Certain reclassifications have been made to the December 31, 2001 financial statements to conform to the December 31, 2002 financial statement presentation. Such reclassifications had no effect on net income as previously reported.

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**SUPPLEMENTARY INFORMATION**

INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC. AND ITS TECHNOLOGIES, LLC  
 COMBINED SCHEDULES OF COST OF EARNED REVENUE  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>%</u>	<u>2001</u>	<u>%</u>
<b>COST OF EARNED REVENUE:</b>				
Hardware	\$ 789,702	13.9%	\$ 1,699,813	18.4%
Circuits	89,069	1.6	213,732	2.3
Labor	1,135,402	20.0	1,887,348	20.5
Contract labor	169,466	3.0	186,463	2.0
Shipping and handling	2,138	0.0	12,668	0.2
Tools and supplies	7,547	0.1	8,430	0.1
Equipment repair	1,090	0.0	-	0.0
Equipment rental	1,311	0.0	1,530	0.0
Travel	1,610	0.0	1,891	0.0
<b>TOTAL COST OF EARNED REVENUE</b>	<b><u>\$ 2,197,335</u></b>	<b><u>38.6%</u></b>	<b><u>\$ 4,011,875</u></b>	<b><u>43.5%</u></b>

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INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC. AND ITS TECHNOLOGIES, LLC  
 COMBINED SCHEDULES OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>%</u>	<u>2001</u>	<u>%</u>
<b>SELLING, GENERAL &amp; ADMINISTRATIVE EXPENSES:</b>				
Education and training	\$ 14,915	0.3%	\$ 21,831	0.2%
Contract Labor	1,913	0.0	28,254	0.3
Professional fees	117,974	2.1	131,422	1.4
Advertising	44,019	0.8	102,663	1.1
Office supplies	59,187	1.0	124,472	1.2
Telephone	131,509	2.3	180,915	2.0
Postage and shipping	9,931	0.2	15,000	0.2
Rent	226,916	4.0	284,599	3.0
Repair and maintenance	20,417	0.3	59,030	0.6
Utilities	34,498	0.6	50,246	0.5
Property tax	25,178	0.4	69,936	0.8
Common area maintenance	21,140	0.4	-	-
Travel and mileage	63,938	1.1	88,625	1.0
Meals and entertainment	33,843	0.6	73,371	0.8
Licenses and fees	12,470	0.2	34,733	0.4
Non-competition agreement	-		16,500	0.2
Charitable contributions	7,100	0.1	6,333	0.1
Dues and subscriptions	15,250	0.3	39,512	0.4
Bank charges	13,083	0.2	16,747	0.2
Business insurance	61,578	1.1	79,108	0.9
Medical insurance	163,369	2.9	296,197	3.2
Bad debt	11,380	0.2	89,111	1.0
Guaranteed payments	-	-	50,654	0.6
Wages	1,599,638	28.1	2,490,208	27.0
Commissions	356,718	6.3	752,967	8.2
Payroll taxes	245,923	4.3	373,896	4.0
Retirement plan contributions	-	-	3,995	0.0
Automobile expense	66,654	1.2	136,653	1.5
Sales and use tax	-	-	2,050	0.0
Michigan Single Business Tax	45,778	0.8	42,100	0.5
Depreciation and amortization	164,634	2.9	642,318	7.0
Miscellaneous	4,589	0.1	4,366	0.0
<b>TOTAL SELLING, GENERAL &amp; ADMINISTRATIVE EXPENSES</b>	<b>\$ 3,573,542</b>	<b>62.8%</b>	<b>\$ 6,307,812</b>	<b>68.3%</b>

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INDEPENDENT TELECOMMUNICATIONS SYSTEMS, INC. AND ITS TECHNOLOGIES, LLC  
 COMBINED SCHEDULES OF OTHER INCOME AND EXPENSE  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>%</u>	<u>2001</u>	<u>%</u>
OTHER INCOME (EXPENSE):				
Interest income	\$ 3,955	0.1%	\$ 2,397	0.0%
Interest expense	(41,230)	(0.7)	(137,739)	(1.5)
Other income	115,492	2.0	63,003	0.8
Gain (loss) on sale of investments	9,928	0.1	(45,901)	(0.5)
Gain on sale of assets	(2,166)	0.0	3,694	0.0
TOTAL OTHER INCOME (EXPENSE)	<u>\$ 85,979</u>	<u>1.5%</u>	<u>\$ (114,546)</u>	<u>(1.2)%</u>

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