

American Telecharge, Inc.

24 Winding Way, Suite One
Mullica Hill, NJ 08062
www.atcprepaid.com

Phone: 856-223-0400

Fax: 856-223-1168

Email - info@atcprepaid.com

June 2, 2005

**Florida Public Service Commission
Division of the Commission Clerk and
Administrative Services**

2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

050388-JX

RE: Application and Price List – American Telecharge

Dear Sir/Madam:

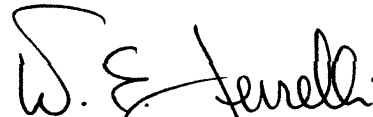
Enclosed with this letter are:

1. An original and two (2) copies (per Ray Kennedy) of American Telecharge's Application Form for Authority to Provide Alternative Local Exchange Service Within the State of Florida;
2. The accompanying Florida Telecommunications Price List;
3. Our company's check in the amount of \$250.00 to cover the application fee for our submission;
4. A copy of our approval by the Secretary of State of Florida approving our request to do business in the State of Florida as a foreign corporation.

Accordingly, please begin the application process for approval of our company to become a Local Exchange Service Reseller in the State of Florida.

If you should have any questions or concerns, please do not hesitate to contact William Ferrelli at the above telephone number, email, or address. Thank you for your attention and cooperation in this process.

Respectfully Submitted:



William E. Ferrelli, President
American Telecharge, Inc.

Original Price list forwarded
to CUP
Enclosures

THE SERVICES YOU NEED...GUARANTEED!

DOCUMENT NUMBER-DATE

05428 JUN-6 05

FPSC-COMMISSION CLERK

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

DIVISION OF COMPETITIVE MARKETS AND ENFORCEMENT
CERTIFICATION

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

Instructions

- ◆ This form is used as an application for an original certificate and for approval of the assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Page 12).
- ◆ Print or type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.
- ◆ Use a separate sheet for each answer which will not fit the allotted space.
- ◆ Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of **\$250.00** to:

Florida Public Service Commission
Division of the Commission Clerk and Administrative Services
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850
(850) 413-6770

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

Florida Public Service Commission
Division of Competitive Markets and Enforcement
Certification
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850
(850) 413-6600

APPLICATION

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

(X) 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:

American Telecharge, Inc.

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

American Telecharge, Inc.

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

24 Winding Way, Suite One, Mullica Hill, NJ 08062

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

1250 Tennis Court , A-33, Sanibel, FL 33957

6. Structure of organization:

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

7. If individual, provide:

Name:

Title:

Address:

City/State/Zip:

Telephone No.: _____ Fax No.:

Internet E-Mail Address:

Internet Website Address:

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

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

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

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

Registration Number – F05000002910

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

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

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

(a) The Florida Secretary of State registration number:

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

Name:

Title:

Address:

City/State/Zip:

Telephone No.: _____ Fax No.:

Internet E-Mail Address:

Internet Website Address:

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

(a) The Florida registration number:

14. Provide F.E.I. Number(if applicable):

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

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

No.

(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.

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

(a) The application:

Name: William E. Ferrelli

Title: President

Address: 24 Winding Way, Suite One

City/State/Zip: Mullica Hill, NJ 08062

Telephone No.: 856-223-0400

Fax No.: 856-223-1168

Internet E-Mail Address: williamferrelli@atcprepaid.com

Internet Website Address: www.atcprepaid.com

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

Name: William E. Ferrelli
Title: President
Address: 24 Winding Way, Suite One
City/State/Zip: Mullica Hill, NJ 08062
Telephone No.: 856-223-0400
Fax No.: 856-223-1168
Internet E-Mail Address: williamferrelli@atcprepaid.com
Internet Website Address: www.atcprepaid.com

(c) Complaints/Inquiries from customers:

Name: William E. Ferrelli
Title: President
Address: 24 Winding Way, Suite One
City/State/Zip: Mullica Hill, NJ 08062
Telephone No.: 856-223-0400
Fax No.: 856-223-1168
Internet E-Mail Address: williamferrelli@atcprepaid.com
Internet Website Address: www.atcprepaid.com

17. List the states in which the applicant:

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

New Jersey, Maryland, & Pennsylvania

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

Delaware

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

New Jersey, Maryland, & Pennsylvania

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

None.

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

None.

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

None.

18. Submit the following:

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

See Attached

- 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.**

See Attached

C. Financial capability.

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

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:

See Attached

2. income statement: and

See Attached

3. statement of retained earnings.

See Attached

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

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

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

See Attached

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

See Attached

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

See Attached

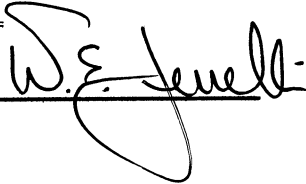
THIS PAGE MUST BE COMPLETED AND SIGNED

APPLICANT ACKNOWLEDGMENT STATEMENT

- 1. REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of \$50 is required.
- 2. APPLICATION FEE:** I understand that a non-refundable application fee of \$250.00 must be submitted with the application.

UTILITY OFFICIAL:

William E. Ferrelli
Print Name



Signature

President
Title

May 26, 2005
Date

856-223-0400
Telephone No.

856-223-1168
Fax No.

Address:

24 Winding Way, Suite One
Mullica Hill, NJ 08062

THIS PAGE MUST BE COMPLETED AND SIGNED

AFFIDAVIT

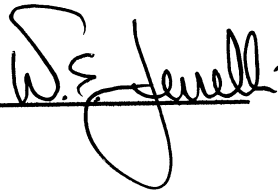
By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange company service in the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

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

UTILITY OFFICIAL:

William E. Ferrelli

Print Name



Signature

President

Title

May 26, 2005

Date

856-223-0400

Telephone No.

856-223-1168

Fax No.

Address:

24 Winding Way, Suite One

Mullica Hill, NJ 08062

INTRASTATE NETWORK (if available)

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

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

1) _____ 2)

3) _____ 4)

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

1) _____ 2)

3) _____ 4)

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

POP-to-POP

OWNERSHIP

1) _____

2) _____

3) _____

4) _____

CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT

I, (Name)
(Title) _____ of (Name of Company)

and current holder of Florida Public Service Commission Certificate Number #
_____, have reviewed this application and join in the petitioner's request for a:

- () sale
- () transfer
- () assignment

of the above-mentioned certificate.

UTILITY OFFICIAL:

Print Name

Signature

Title

Date

Telephone No.

Fax No.

Address:

American Telecharge, Inc.
24 Winding Way Suite 1
Mullica Hill NJ 08062

Item: 18 Sufficient Financial Capability To Provide Service and Maintenance

American Telecharge, Inc. has provided telephone service to residential subscribers since 1987 in New Jersey and since 2004 in Maryland and Pennsylvania. We are a reseller of Verizon, which is a regional telephone provider such as BellSouth. We have had interconnection agreements in good standing since our inception. As a matter of fact, it is customary for Verizon to request substantial deposits to secure their receivables but they have been waived for our company. This is attributable to our excellent payment history with them. We have been incorporated in New Jersey since 1987 and provided a letter of good standing which allowed us to become a foreign corporation in Florida.

BellSouth will be providing all our installations for residential customers in Florida and we will utilize their technicians to provide ongoing maintenance when required. The customer is responsible for inside wiring but we offer wire maintenance programs and this is the norm in all instances for residential installations. Though we are a somewhat small company in size of revenue we have a staff whose average employment with our company is 6 years. All our senior staff has extensive backgrounds in sales, marketing, customer service and maintenance. We have never had a situation for an installation or repair that eventually could not come to a satisfactory solution. Our business is built on quality installations and service. We rely heavily on our reputation for future business by referrals from satisfied customers. We have not had a single complaint from the Public Utility Commissions of Pennsylvania and Maryland and in 18 years of business have been called 2 times to satisfy the demands of customers in New Jersey. I think our reputation for customer service and fair pricing is why our average customer has been with us 3 years, which is high in this market place when the customers have many choices.

In summation, we believe that we have the financial capability and the experience to provide quality telephone service in Florida for its residents who desire our service.

Sincerely,



William Ferrelli

President, American Telecharge, Inc.

America TeleCharge Management

William E. Ferrelli, President

Mr. Ferrelli has over 20 years experience in the telecommunications industry. As founder and Chief Executive Officer since 1984 of American TeleCharge, his duties include: corporate operations, regulatory affairs, marketing, and administration. Mr. Ferrelli has successfully negotiated inter-connection agreements with Verizon for New Jersey, Pennsylvania, and Maryland as an authorized reseller for local resale service.

Scott D. Smith, Information Technology

Mr. Smith has an impressive resume of technology skills. He is responsible for in-house database management, order provisioning via the Verizon Graphical User Interface, and computer automation. Mr. Smith brings 10 years of computer hardware and software management.

Christine L. Smith, Vice President of Marketing

Mrs. Smith has 15 years experience in marketing with various organizations such as BankOne and AT&T, and has developed and managed marketing strategies for many Fortune 500 companies as a consultant. Mrs. Smith has developed and implemented sales and marketing programs throughout the United States. Mrs. Smith's duties include marketing strategies, creation of marketing materials, reporting and forecasting.

William M. Ferrelli, Distribution and Agent Relations

Mr. "Mike" Ferrelli manages all interaction with agents in each state, supplying them with the appropriate materials, solving any issues, payment of agent commissions, and developing new agents for our business.

Clint R. Davis & Rachel Vargas, Customer Relations

Both Mr. Davis and Ms. Vargas manage the day-to-day contact with customers, on both an inbound and outbound basis. Other duties include invoicing, service and/or repair orders, collections, retention, and daily activity reporting.

State of Florida



Department of State

I certify from the records of this office that AMERICAN TELECHARGE, INC., is a corporation organized under the laws of New Jersey, authorized to transact business in the State of Florida, qualified on May 9, 2005.

The document number of this corporation is F05000002910.

I further certify that said corporation has paid all fees due this office through December 31, 2005, 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
Seventeenth day of May, 2005



CR2EO22 (2-03)

Glenda E. Hood
Glenda E. Hood
Secretary of State

STATE OF NEW JERSEY
DEPARTMENT OF TREASURY
SHORT FORM STANDING

AMERICAN TELECHARGE, INC.
0100350172

I, the Treasurer of the State of New Jersey, do hereby certify that the above-named New Jersey Domestic Profit Corporation was registered by this office on September 11, 1987.

As of the date of this certificate, said business continues as an active business in good standing in the State of New Jersey, and its Annual Reports are current.

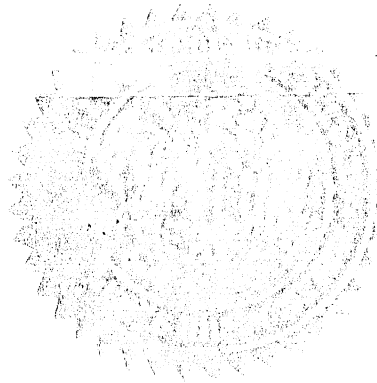
I further certify that the registered agent and registered office are:

*William Ferrelli.
24 Winding Way
Mullica Hill, NJ 08062*

Continued on next page . . .

STATE OF NEW JERSEY
DEPARTMENT OF TREASURY
SHORT FORM STANDING

AMERICAN TELECHARGE, INC.



IN TESTIMONY WHEREOF, I have
hereunto set my hand and
affixed my Official Seal
at Trenton, this
3rd day of May, 2005

A handwritten signature in cursive script, appearing to read "John E. McCormac".

John E McCormac, CPA
State Treasurer

Cash Flow Report

1/1/03 Through 6/1/05

| Category Description | 1/1/03- 6/1/05 |
|-------------------------------|-------------------|
| INFLOWS | |
| Gr Sales | 1,919,272.58 |
| Other Inc | 2,692.42 |
| | <hr/> |
| TOTAL INFLOWS | 1,921,965.00 |
| OUTFLOWS | |
| ACCOUNTING | 7,661.51 |
| Ads | 10,299.06 |
| Auto: | |
| Fuel | 15,068.60 |
| Registration | 186.00 |
| Service | 613.78 |
| Auto-Other | 14,840.92 |
| | <hr/> |
| TOTAL Auto | 30,709.30 |
| Bank Charge | 83.04 |
| CALLING CARD CHARGES | 29,702.48 |
| Charity | 2,925.00 |
| Commission | 208,605.17 |
| Gifts Given | 155.00 |
| Insurance | 41,712.14 |
| Insurance, Bus | 886.00 |
| Legal-Prof Fees | 895.00 |
| Licenses and Permits | 700.00 |
| line charges | 1,206.38 |
| line charges ATC Maryland | 42,898.34 |
| line charges ATC Pennsylvania | 3.43 |
| line charges ATC PREPAID | 652,097.40 |
| line charges ATC PREPAID PA | 6,800.30 |
| LOAN | 0.00 |
| LONG DISTANCE CHARGES | 4,966.62 |
| MARYLAND FRANCHISE TAX | 447.00 |
| Office | 57,366.13 |
| PARTS | 5,099.45 |
| PENSION CONTRIBUTION | 23,000.00 |
| Postage and Delivery | 19,741.72 |
| Printing and Reproduction | 587.58 |
| REFUND | 140,409.84 |
| Rent | 11,600.00 |
| Repairs | 5,763.50 |
| SALES TAX MD. | 1,876.07 |
| SALES TAX PA. | 469.41 |
| Tax: | |
| Fed | 118,563.08 |
| Fed Excise Tax | 27,202.42 |
| Other | 399.44 |
| State | 53,142.05 |
| State Maryland Franchise Tax | 111.75 |
| State Sales | 50,603.13 |
| | <hr/> |
| TOTAL Tax | 250,021.87 |
| Tax, Business: | |
| Fed | 112.00 |
| State | 9,901.75 |
| | <hr/> |
| TOTAL Tax, Business | 10,013.75 |
| Travel, Bus | 3,551.18 |
| Utilities: | |
| Telephone | 32,907.81 |

Cash Flow Report
1/1/03 Through 6/1/05

| Category Description | 1/1/03- 6/1/05 |
|-----------------------------|---------------------------|
| TOTAL Utilities | 32,907.81 |
| Wages | 275,818.48 |
| Uncategorized Outflows | 3,985.66 |
| TOTAL OUTFLOWS | 1,884,965.62 |
| OVERALL TOTAL | 36,999.38 |

Do not file this form unless the corporation has timely filed

Form 2553 to elect to be an S corporation.

2004

See separate instructions.

Department of the Treasury Internal Revenue Service

For calendar year 2004 or tax year beginning and ending

Header section containing: A Effective date of S election (9/01/90), B Business code number (517000), Name (AMERICAN TELECHARGE INC), Address (24 WINDING WAY, SUITE 1, MULLICA HILL NJ 08062), C Employer identification number (22-2922389), D Date incorporated (9/11/1987), E Total assets (\$41,141), F Check applicable boxes, G Enter number of shareholders (3).

Caution: Include only trade or business income and expenses on lines 1a through 21. See page 13 of the instructions for more information

Table with 21 rows for Income and Deductions. Line 1a: 653,298; Line 1b: 2,016; Line 1c: 651,282; Line 2: 331,283; Line 3: 319,999; Line 6: 320,007; Line 11: 7,000; Line 12: 16,741; Line 13: 506; Line 14a: 91; Line 14c: 91; Line 16: 4,606; Line 17: 5,000; Line 19: 76,957; Line 20: 282,588; Line 21: 37,419.

Table for Tax and Payments. Line 22a: Excess net passive income tax; Line 22b: Tax from Schedule D; Line 22c: Additional taxes; Line 23a: 2004 estimated tax payments; Line 23b: Tax deposited with Form 7004; Line 23c: Credit for Federal tax paid on fuels; Line 23d: Total tax payments; Line 24: Estimated tax penalty; Line 25: Tax due; Line 26: Overpayment; Line 27: Refunded amount.

Sign Here section: Signature of officer William Ferrelli, Date 2/17/05, Title President. Includes declaration text and a box for 'May the IRS discuss this return with the preparer shown below (see instr.)?' with 'Yes' checked.

Paid Preparer's Use Only section: Preparer's signature, Date 2/17/05, Check if self-employed, Preparer's SSN or P.I.N. P00173025, Firm's name Ball, Buckley and Seher, LLP, address 1301 North Broad Street, Woodbury, NJ 08096, Phone no 856-848-6250.

Schedule A Cost of Goods Sold (see page 18 of the instructions)

- 1 Inventory at beginning of year
 - 2 Purchases
 - 3 Cost of labor
 - 4 Additional section 263A costs (attach schedule)
 - 5 Other costs (attach schedule)
 - 6 Total. Add lines 1 through 5
 - 7 Inventory at end of year
 - 8 **Cost of goods sold.** Subtract line 7 from line 6. Enter here and on page 1, line 2
- 9a Check all methods used for valuing closing inventory: (i) Cost as described in Regulations section 1.471-3
 (ii) Lower of cost or market as described in Regulations section 1.471-4
 (iii) Other (specify method used and attach explanation) ▶
- b Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c) ▶
- c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶
- d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO
- e If property is produced or acquired for resale, do the rules of Section 263A apply to the corporation? Yes No
- f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? Yes No
 If "Yes," attach explanation.

| | |
|---|--------|
| 1 | |
| 2 | |
| 3 | |
| 4 | |
| 5 | 331,28 |
| 6 | 331,28 |
| 7 | |
| 8 | 331,28 |

Stmt 3

| | |
|----|---|
| 9d | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |

Schedule B Other Information (see page 19 of instructions)

- 1 Check method of accounting. (a) Cash (b) Accrual (c) Other (specify) ▶
- 2 See pages 36 through 38 of the instructions and enter the:
 (a) Business activity ▶ **Communication** (b) Product or service ▶ **Tele serv.**
- 3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a schedule showing (a) name, address, and employer identification number and (b) percentage owned
- 4 Was the corporation a member of a controlled group subject to the provisions of section 1561?
- 5 Check this box if the corporation has filed or is required to file Form 8264, Application for Registration of a Tax Shelter
- 6 Check this box if the corporation issued publicly offered debt instruments with original issue discount. If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.
- 7 If the corporation (a) was a C corporation before it elected to be an S corporation or the corporation acquired an asset with a basis determined by reference to its basis (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain (defined in section 1374(d)(1)) in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years ▶ \$
- 8 Check this box if the corporation had accumulated earnings and profits at the close of the tax year
- 9 Are the corporation's total receipts (see page 19 of the instructions) for the tax year and its total assets at the end of the tax year less than \$250,000? If "Yes," the corporation is not required to complete Schedules L and M-1

Note: If the corporation had assets or operated a business in a foreign country or U.S. possession, it may be required to attach Schedule N (Form 1120), Foreign Operations of U.S. Corporations, to this return. See Schedule N for details

Schedule K Shareholders' Shares of Income, Deductions, Credits, etc.

| Shareholders' Pro Rata Share Items | | Total amount | |
|------------------------------------|---|--------------|------|
| 1 | Ordinary business income (loss) (page 1, line 21) | 1 | 37,4 |
| 2 | Net rental real estate income (loss) (attach Form 8825) | 2 | |
| 3a | Other gross rental income (loss) | 3a | |
| b | Expenses from other rental activities (attach schedule) | 3b | |
| c | Other net rental income (loss). Subtract line 3b from line 3a | 3c | |
| 4 | Interest income | 4 | |
| 5 | Dividends: a Ordinary dividends | 5a | |
| | b Qualified dividends | 5b | |
| 6 | Royalties | 6 | |
| 7 | Net short-term capital gain (loss) | 7 | |
| 8a | Net long-term capital gain (loss) | 8a | |
| b | Collectibles (28%) gain (loss) | 8b | |
| c | Unrecaptured section 1250 gain (attach schedule) | 8c | |
| 9 | Net section 1231 gain (loss) (attach Form 4797) | 9 | |
| 10 | Other income (loss) (attach schedule) | 10 | |

Note: The corporation is not required to complete Schedules L and M-1 if question 9 of Schedule B is answered "Yes"

Schedule L Balance Sheets per Books

| | Beginning of tax year | | End of tax year | |
|--|-----------------------|---------|-----------------|-------|
| | (a) | (b) | (c) | (d) |
| Assets | | | | |
| 1 Cash | | 1,178 | | 36,6 |
| 2a Trade notes and accounts receivable | | | | |
| b Less allowance for bad debts | | | | |
| 3 Inventories | | | | |
| 4 U S government obligations | | | | |
| 5 Tax-exempt securities | | | | |
| 6 Other current assets | | | | 4,0 |
| 7 Loans to shareholders | | | | |
| 8 Mortgage and real estate loans | | | | |
| 9 Other investments | | | | |
| 10a Buildings and other depreciable assets | 16,620 | | 16,620 | |
| b Less accumulated depreciation | 16,067 | 553 | 16,158 | 4 |
| 11a Depletable assets | | | | |
| b Less accumulated depletion | | | | |
| 12 Land (net of any amortization) | | | | |
| 13a Intangible assets (amortizable only) | | | | |
| b Less accumulated amortization | | | | |
| 14 Other assets (attach sch) | | | | |
| 15 Total assets | | 1,731 | | 41,1 |
| Liabilities and Shareholders' Equity | | | | |
| 16 Accounts payable | | | | |
| 17 Mortgages, notes, bonds payable in less than 1 year | | 560 | | |
| 18 Other current liabilities Stmt 4 | | 56 | | 10,0 |
| 19 Loans from shareholders | | 69,790 | | 62,7 |
| 20 Mortgages, notes, bonds payable in 1 year or more | | | | |
| 21 Other liabilities (attach sch) | | | | |
| 22 Capital stock | | 2,500 | | 2,5 |
| 23 Additional paid-in capital | | | | |
| 24 Retained earnings | | -71,175 | | -34,1 |
| 25 Adjustments to shareholders' equity (attach schedule) | | | | |
| 26 Less cost of treasury stock | | | | |
| 27 Total liabilities and shareholders' equity | | 1,731 | | 41,1 |

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

| | | | |
|--|--------|--|------|
| 1 Net income (loss) per books | 37,026 | 5 Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize) | |
| 2 Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize) | | a Tax-exempt interest \$ | |
| 3 Expenses recorded on books this year not included on Schedule K, lines 1 through 12, and 14l or (14m) (itemize) | | 6 Deductions included on Schedule K, lines 1 through 12, and 14l or (14m), not charged against book income this year (itemize) | |
| a Depreciation \$ | | a Depreciation \$ | |
| b Travel and entertainment \$ | | 7 Add lines 5 and 6 | |
| Stmt 5 393 | 393 | 8 Income (loss) (Schedule K, line 17e) Line 4 less line 7 | 37,4 |
| 4 Add lines 1 through 3 | 37,419 | | |

Schedule M-2 Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed (see page 32 of the instructions)

| | (a) Accumulated adjustments account | (b) Other adjustments account | (c) Shareholders' undistributed taxable income previously taxed |
|--|-------------------------------------|-------------------------------|---|
| 1 Balance at beginning of tax year | -118,495 | | |
| 2 Ordinary income from page 1, line 21 | 37,419 | | |
| 3 Other additions | | | |
| 4 Loss from page 1, line 21 | | | |
| 5 Other reductions Stmt 6 | 393 | | |
| 6 Combine lines 1 through 5 | -81,469 | | |
| 7 Distributions other than dividend distributions | | | |
| 8 Balance at end of tax year Subtract line 7 from line 6 | -81,469 | | |

Federal Statements**Form 1120S, Page 1, Line 1a - Gross Receipts**

| <u>Description</u> | <u>Amount</u> |
|-------------------------|---------------|
| Gross receipts or sales | \$ 653,298 |
| Total | \$ 653,298 |

Returns and Allowances

| <u>Description</u> | <u>Amount</u> |
|------------------------|---------------|
| Returns and allowances | \$ 2,016 |
| Total | \$ 2,016 |

Form 1120S, Page 1, Line 12 - Taxes and Licenses

| <u>Description</u> | <u>Amount</u> |
|----------------------|---------------|
| State income taxes | \$ 1,000 |
| Payroll Taxes | 15,221 |
| Licenses and permits | 420 |
| Annual report | 100 |
| Total | \$ 16,741 |

Form 1120S, Page 1, Line 13 - Interest

| <u>Description</u> | <u>Amount</u> |
|--------------------|---------------|
| Interest expense | \$ 506 |
| Total | \$ 506 |

**Schedule K-1
(Form 1120S)**

Department of the Treasury
Internal Revenue Service

2004

Tax year beginning _____
and ending _____

Final K-1

American K-1

REDACTED

671

1545-012

Part III

Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

Shareholder's Share of Income, Deductions, Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
22-2922389

B Corporation's name, address, city, state, and ZIP code
AMERICAN TELECHARGE INC
24 WINDING WAY, SUITE 1
MULLICA HILL NJ 08062

C IRS Center where corporation filed return
Cincinnati, OH 45999

D Tax shelter registration number, if any _____

E Check if Form 8271 is attached

Part II Information About the Shareholder

F Shareholder's identifying number _____

G Shareholder's name, address, city, state, and ZIP code
WILLIAM E. FERRELLI
24 WINDING WAY
MULLICA HILL NJ 08062

H Shareholder's percentage of stock ownership for tax year **98.814208 %**

| | | | |
|---|---------------|---|--------------|
| 1 Ordinary business income (loss) | 36,975 | 13 Credits & credit recapture | |
| 2 Net rental real estate income (loss) | | | |
| 3 Other net rental income (loss) | | | |
| 4 Interest income | | | |
| 5a Ordinary dividends | | | |
| 5b Qualified dividends | | 14 Foreign transactions | |
| 6 Royalties | | | |
| 7 Net short-term capital gain (loss) | | | |
| 8a Net long-term capital gain (loss) | | | |
| 8b Collectibles (28%) gain (loss) | | | |
| 8c Unrecaptured section 1250 gain | | | |
| 9 Net section 1231 gain (loss) | | | |
| 10 Other income (loss) | | 15 Alternative minimum tax (AMT) items | A 44 |
| 11 Section 179 deduction | | 16 Items affecting shareholder basis | C 386 |
| 12 Other deductions | | E | 7,000 |
| | | 17 Other information | |

* See attached statement for additional information.



FOR IRS USE ONLY

REDACTED

Federal Statements

Statement 1 - Form 1120S, Page 1, Line 5 - Other Income

| Description | Amount |
|------------------|-------------|
| Discounts earned | \$ 8 |
| Total | \$ <u>8</u> |

Statement 2 - Form 1120S, Page 1, Line 19 - Other Deductions

| Description | Amount |
|-------------------------|------------------|
| Promotion | \$ 155 |
| Travel | 1,372 |
| Insurance | 11,628 |
| Utilities and telephone | 14,998 |
| Vehicle expense | 12,367 |
| Legal and accounting | 3,068 |
| Office supplies | 24,279 |
| Postage and supplies | 9,090 |
| Total | \$ <u>76,957</u> |

Statement 3 - Form 1120S, Page 2, Schedule A, Line 5 - Other Costs

| <u>Description</u> | <u>Amount</u> |
|-----------------------|-------------------|
| Line charges | \$ 299,801 |
| Repairs | 4,052 |
| Calling card charges | 14,854 |
| Sales commissions | 11,669 |
| Long distance charges | 907 |
| Total | <u>\$ 331,283</u> |

Do not file this form unless the corporation has timely filed Form 2553 to elect to be an S corporation.

2003

See separate instructions.

Department of the Treasury Internal Revenue Service

For calendar year 2003, or tax year beginning and ending

Header section containing: A Effective date of election as an S corporation (9/01/90), B Business code number (517000), C Employer identification number (22-2922389), D Date incorporated (9/11/87), E Total assets (1,731), F Check applicable boxes, G Enter number of shareholders.

Caution: Include only trade or business income and expenses on lines 1a through 21. See page 12 of the instructions for more information.

Table with 21 rows for Income and Deductions. Line 1a: 353,752; Line 1b: 135,000; Line 1c: 218,752; Line 2: 192,222; Line 3: 26,530; Line 6: 26,530; Line 7: 10,000; Line 12: 1,494; Line 13: 10; Line 14a: 98; Line 14b: 98; Line 15: 18,000; Line 19: 6,350; Line 20: 35,950; Line 21: -9,420.

Table for Tax and Payments. Line 22a: 22a; Line 22b: 22b; Line 22c: 22c; Line 23a: 23a; Line 23b: 23b; Line 23c: 23c; Line 23d: 23d; Line 24: 24; Line 25: 25; Line 26: 26; Line 27: 27.

Sign Here: Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, this return is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. Signature of officer: William Ferrelli, Date: 2/21/04, Title: President.

Paid Preparer's Use Only: Preparer's signature: Mary Mary Seher, Date: 2/21/04, Check if self-employed: [], Preparer's SSN or PTIN: P00173025, Firm's name (or yours if self-employed): Ball, Buckley and Seher, LLP, address, and ZIP code: 1301 North Broad Street, Woodbury, NJ 08096, EIN: 21-0717247, Phone no.: 856-848-6250.

Schedule A Cost of Goods Sold (see page 18 of the instructions)

| | | | | |
|---|--|--------|---|-------|
| 1 | Inventory at beginning of year | | 1 | |
| 2 | Purchases | | 2 | |
| 3 | Cost of labor | | 3 | |
| 4 | Additional section 263A costs (attach schedule) | | 4 | |
| 5 | Other costs (attach schedule) | Stmt 2 | 5 | 192,2 |
| 6 | Total. Add lines 1 through 5 | | 6 | 192,2 |
| 7 | Inventory at end of year | | 7 | |
| 8 | Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2 | | 8 | 192,2 |

Check all methods used for valuing closing inventory: (i) Cost as described in Regulations section 1.471-3
(ii) Lower of cost or market as described in Regulations section 1.471-4
(iii) Other (specify method used and attach explanation) ▶
b Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c) ▶
c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶
d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO 9d ▶
e If property is produced or acquired for resale, do the rules of section 263A apply to this property? Yes No
f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? Yes No
If "Yes," attach explanation.

Schedule B Other Information (see page 19 of instructions)

| | | |
|---|---|--------------------------|
| 1 | Check method of accounting: (a) <input checked="" type="checkbox"/> Cash (b) <input type="checkbox"/> Accrual (c) <input type="checkbox"/> Other (specify) ▶ | Yes |
| 2 | See pages 31 through 33 of the instructions and enter the: (a) Business activity ▶ | |
| 3 | At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a schedule showing: (a) name, address, and employer identification number and (b) percentage owned | |
| 4 | Was the corporation a member of a controlled group subject to the provisions of section 1561? ▶ | <input type="checkbox"/> |
| 5 | Check this box if the corporation has filed or is required to file Form 8264 , Application for Registration of a Tax Shelter ▶ | <input type="checkbox"/> |
| 6 | Check this box if the corporation issued publicly offered instruments. If checked, the corporation may have to file Form 8281 , Information Return for Publicly Offered Original Issue Discount Instruments. | |
| 7 | If the corporation: (a) was a C corporation before it elected to be an S corporation or the corporation acquired an asset with a basis determined by reference to its basis (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain (defined in section 1374(d)(1)) in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain ▶ \$ ▶ | |
| 8 | Check this box if the corporation had accumulated earnings and profits at the close of the tax year ▶ | <input type="checkbox"/> |
| 9 | Are the corporation's total receipts (see page 19 of the instructions) for the tax year and its total assets at the end of the tax year less than \$250,000? If "Yes," the corporation is not required to complete Schedules L and M-1. | |

Note: If the corporation had assets or operated a business in a foreign country or U.S. possession, it may be required to attach Schedule N (Form 1120), Foreign Operations of U.S. Corporations, to this return.

Schedule K Shareholders' Shares of Income, Credits, Deductions, etc.

| | | (a) Pro rata share items | (b) Total amount | |
|------------------|----|---|------------------|-----|
| | 1 | Ordinary income (loss) from trade or business activities (page 1, line 21) | 1 | -9, |
| | 2 | Net income (loss) from rental real estate activities (attach Form 8825) | 2 | |
| | 3a | Gross income from other rental activities | | |
| | 3b | Expenses from other rental activities (attach schedule) | | |
| | 3c | Net income (loss) from other rental activities. Subtract line 3b from line 3a | 3c | |
| Income (Loss) | 4 | Portfolio income (loss): | | |
| | a | Interest income | 4a | |
| | b | Dividends: (1) Qualified dividends ▶ (2) Total ordinary dividends ▶ | 4b(2) | |
| | c | Royalty income | 4c | |
| | d | Net short-term capital gain (loss): (1) Post-May 5, 2003 ▶ (2) Entire year ▶ | 4e(2) | |
| | e | Net long-term capital gain (loss): (1) Post-May 5, 2003 ▶ (2) Entire year ▶ | 4f | |
| | 5 | Net section 1231 gain (loss) (attach Form 4797): (a) Post-May 5, 2003 ▶ (b) Entire year ▶ | 5(b) | |
| | 6 | Other income (loss) (attach schedule) | 6 | |

Schedule K Shareholders' Shares of Income, Credits, Deductions, etc. (continued)

| | | (a) Pro rata share items | (b) Total amount | |
|---------------------|--|---|------------------|----|
| | 7 | Charitable contributions (attach schedule) | 7 | |
| | | | 8 | |
| | 9 | Deductions related to portfolio income (loss) (itemize) | 9 | |
| | 10 | Other deductions (attach schedule) | 10 | |
| Investment Interest | 11a | Interest expense on investment debts | 11a | |
| | b (1) | Investment income included on lines 4a, 4b(2), 4c, and 4f on page 2 | 11b(1) | |
| | | | 11b(2) | |
| Credits | 12a | Credit for alcohol used as a fuel (attach Form 6478) | 12a | |
| | b | Low-income housing credit: | 12b(1) | |
| | (1) | From partnerships to which section 42(j)(5) applies | 12b(2) | |
| | (2) | Other than on line 12b(1) | 12c | |
| | c | Qualified rehabilitation expenditures related to rental real estate activities (attach Form 3468) | 12d | |
| | e | Credits related to other rental activities | 12e | |
| | 13 | Other credits | 13 | |
| Adjustments and Tax | 14a | Depreciation adjustment on property placed in service after 1986 | 14a | -3 |
| | b | Adjusted gain or loss | 14b | |
| | c | Depletion (other than oil and gas) | 14c | |
| | | | 14d(1) | |
| Preference Items | (2) | Deductions allocable to oil, gas, or geothermal properties | 14e | |
| | e | Other adjustments and tax preference items (attach schedule) | | |
| Foreign Taxes | 15a | Name of foreign country or U.S. possession | 15b | |
| | b | Gross income from all sources | 15c | |
| | c | Gross income sourced at shareholder level | | |
| | (1) | Passive | 15d(2) | |
| | (2) | Listed categories (attach schedule) | 15d(3) | |
| | (3) | General limitation | | |
| | e | Deductions allocated and apportioned at shareholder level: | 15e(1) | |
| | (1) | Interest expense | 15e(2) | |
| | f | Deductions allocated and apportioned at corporate level to foreign source income: | 15f(1) | |
| | (1) | Passive | 15f(2) | |
| (2) | Listed categories (attach schedule) | 15f(3) | | |
| (3) | General limitation | | | |
| g | Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued | 15g | | |
| | | 15h | | |
| Other | 16 | Section 59(e)(2) expenditures: a Type | 16 | |
| | 17 | Tax-exempt interest income | 17 | |
| | 18 | Other tax-exempt income | 18 | |
| | 19 | Nondeductible expenses | 19 | |
| | 20 | Total property distributions (including cash) other than dividends reported on line 22 below | 20 | |
| | | (attach schedule) | | |
| | 22 | Total dividend distributions paid from accumulated earnings and profits | 22 | |
| 23 | Income (loss). (Required only if Schedule M-1 must be completed.) Combine lines 1 through 6 in column (b). From the result, subtract the sum of lines 7 through 11a, 15g, and 16b | 23 | -9 | |

Note: The corporation is not required to complete Schedules L and M-1 if question 9 of Schedule B is answered "Yes."

| Schedule L | Balance Sheets per Books | Beginning of tax year | | End of tax year | |
|---|---|-----------------------|---------|-----------------|---------|
| | | (a) | (b) | (c) | (d) |
| Assets | | | | | |
| 1 | Cash | | 956 | | 1,170 |
| 2a | Trade notes and accounts receivable | | | | |
| 3 | Inventories | | | | |
| 4 | U.S. government obligations | | | | |
| 5 | Tax-exempt securities | | | | |
| 6 | Other current assets | | | | |
| 7 | Loans to shareholders | | | | |
| 9 | Other investments | | | | |
| 10a | Buildings and other depreciable assets | 16,620 | | 16,620 | |
| b | Less accumulated depreciation | 15,970 | 650 | 16,067 | 500 |
| 11a | Depletable assets | | | | |
| b | Less accumulated depletion | | | | |
| 13a | Intangible assets (amortizable only) | | | | |
| b | Less accumulated amortization | | | | |
| 14 | Other assets (attach sch.) | | | | |
| 15 | Total assets | | 1,606 | | 1,700 |
| Liabilities and Shareholders' Equity | | | | | |
| 16 | Accounts payable | | | | |
| 17 | Mortgages, notes, bonds payable in less than 1 year | | | | |
| 18 | Other current liabilities Stmt 3 | | 203 | | |
| 19 | Loans from shareholders | | 60,649 | | 69,700 |
| 20 | Mortgages, notes, bonds payable in 1 year or more | | | | |
| 21 | Other liabilities (attach sch.) | | | | |
| 22 | Capital stock | | 2,500 | | 2,500 |
| 23 | Additional paid-in capital | | | | |
| 24 | Retained earnings | | -61,746 | | -71,100 |
| 25 | Adjustments to shareholders' equity (attach schedule) | | | | |
| 26 | Less cost of treasury stock | | | | |
| 27 | Total liabilities and shareholders' equity | | 1,606 | | 1,700 |

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

| | | | | | |
|---|---|--------|---|--|--------|
| 1 | Net income (loss) per books | -9,429 | 5 | Income recorded on books this year not included on Schedule K, lines 1 through 6 (itemize): | |
| 2 | Income included on Schedule K, lines 1 through 6, not recorded on books this year (itemize): | | a | Tax-exempt interest \$ | |
| 3 | Expenses recorded on books this year not included on Schedule K, lines 1 through 11a, 15g, and 16b (itemize): | | 6 | Deductions included on Schedule K, lines 1 through 11a, 15a, and 16b, not charged against book income this year (itemize): | |
| a | Depreciation \$ | | a | Depreciation \$ | 1 |
| b | Travel and entertainment \$ | | 7 | Add lines 5 and 6 | |
| | Stmt 4 | 2 | 8 | Income (loss) (Schedule K, line 23). Line 4 less line 7 | -9,429 |
| | Add lines 1 through 3 | -9,427 | | | |

Schedule M-2 Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed (see page 29 of the instructions)

| | (a) Accumulated adjustments account | (b) Other adjustments account | (c) Shareholders' undistributed taxable income previously taxed |
|---|---|-------------------------------|---|
| 1 | Balance at beginning of tax year | -109,066 | |
| 2 | Ordinary income from page 1, line 21 | | |
| 3 | Other additions | | |
| 4 | Loss from page 1, line 21 | 5,740 | |
| 5 | Other reductions Stmt 5 | 1 | |
| 6 | Combine lines 1 through 5 | -118,495 | |
| 7 | Distributions other than dividend distributions | | |
| 8 | Balance at end of tax year. Subtract line 7 from line 6 | -118,495 | |

SCHEDULE K-1 (Form 1120S)

Shareholder's Share of Income, Credits, Deductions, etc.

OMB No. 1545-0030

See separate instructions.

For calendar year 2003 or tax year

2003

Department of the Treasury Internal Revenue Service

beginning

and ending

Corporation's identifying number 22-2922389

Shareholder's name, address, and ZIP code

Corporation's name, address, and ZIP code

WILLIAM E. FERRELLI 24 WINDING WAY MULLICA HILL NJ 08062

AMERICAN TELECHARGE INC 24 WINDING WAY, SUITE 1 MULLICA HILL NJ 08062

- A Shareholder's percentage of stock ownership for tax year (see instructions for Schedule K-1) 100.000000
B Internal Revenue Service Center where corporation filed its return Cincinnati, OH 45999
C Tax shelter registration number (see instructions for Schedule K-1)
D Check applicable boxes: (1) Final K-1 (2) Amended K-1

Table with 3 main columns: (a) Pro rata share items, (b) Amount, (c) Form 1040 filers enter the amount in column (b) on. Rows include Income (Loss), Deductions, Investment Interest, and Credits.

For Paperwork Reduction Act Notice, see the Instructions for Form 1120S.

Schedule K-1 (Form 1120S) 20

Statement 1 - Form 1120S, Page 1, Line 19 - Other Deductions

| <u>Description</u> | <u>Amount</u> |
|----------------------|-----------------|
| Office supplies | \$ 2,837 |
| Promotion | 700 |
| Legal and accounting | 2,769 |
| Annual report | 50 |
| Total | <u>\$ 6,356</u> |

Statement 2 - Form 1120S, Page 2, Schedule A, Line 5 - Other Costs

| <u>Description</u> | <u>Amount</u> |
|---------------------|-------------------|
| Location commission | \$ 185,351 |
| Line charges | 3,340 |
| Parts | 3,531 |
| Total | <u>\$ 192,222</u> |

Federal Statements

Statement 3 - Form 1120S, Page 4, Schedule L, Line 18 - Other Current Liabilities

| <u>Description</u> | <u>Beginning of Year</u> | <u>End of Year</u> |
|------------------------------|------------------------------|------------------------|
| Accounts Payable-payroll tax | \$ 203 | \$ 56 |
| Total | \$ <u>203</u> | \$ <u>56</u> |

Statement 4 - Form 1120S, Page 4, Schedule M-1, Line 3 - Expense on Books Not on Return

| <u>Description</u> | <u>Amount</u> |
|---------------------|---------------|
| Rounding Adjustment | \$ 2 |
| Total | \$ <u>2</u> |

Statement 5 - Form 1120S, Page 4, Schedule M-2, Line 5(a) - Other Reductions

| <u>Description</u> | <u>Amount</u> |
|--------------------|---------------|
| Rounding | \$ 1 |
| Total | \$ <u>1</u> |

Federal Statements

FYE: 12/31/2003

Form 1120S, Page 1, Line 1a - Gross Receipts

| <u>Description</u> | <u>Amount</u> |
|-------------------------|--------------------------|
| Gross receipts or sales | \$ <u>353,752</u> |
| Total | \$ <u><u>353,752</u></u> |

Returns and Allowances

| <u>Description</u> | <u>Amount</u> |
|------------------------|--------------------------|
| Returns and allowances | \$ <u>135,000</u> |
| Total | \$ <u><u>135,000</u></u> |

Form 1120S, Page 1, Line 12 - Taxes and Licenses

| <u>Description</u> | <u>Amount</u> |
|--------------------|------------------------|
| NJCBT | \$ 500 |
| Payroll Taxes | 994 |
| Total | \$ <u><u>1,494</u></u> |

Form 1120S, P4, Sch L, Line 17 - Mortgages, Notes Bonds Pay in Less Than One Yr

| <u>Description</u> | <u>Beginning of Year</u> | <u>End of Year</u> |
|-------------------------|---------------------------------|-----------------------------------|
| Notes payable - current | \$ <u> </u> | \$ <u> 560</u> |
| Total | \$ <u> 0</u> | \$ <u> 560</u> |

Form 1120S, Page 4, Schedule L, Line 19 - Loans from Shareholders

| <u>Description</u> | <u>Beginning of Year</u> | <u>End of Year</u> |
|-------------------------|------------------------------|----------------------------|
| Loans from stockholders | \$ <u> 60,649</u> | \$ <u> 69,790</u> |
| Total | \$ <u> 60,649</u> | \$ <u> 69,790</u> |

Do not file this form unless the corporation has timely filed

Form 2553 to elect to be an S corporation.

2002

Department of the Treasury Internal Revenue Service

See separate instructions.

For calendar year 2002, or tax year beginning and ending

Header section containing: A Effective date of election as an S corporation (9/01/90), B Business code no. (517000), C Employer identification no. (22-2922389), D Date incorporated (9/11/87), E Total assets (1,606), F Check applicable boxes, G Enter number of shareholders (1)

F Check applicable boxes: (1) Initial return (2) Final return (3) Name change (4) Address change (5) Amended return
G Enter number of shareholders in the corporation at end of the tax year 1

Caution: Include only trade or business income and expenses on lines 1a through 21. See page 11 of the instructions for more information.

Income section table with columns 1a-1c and rows 1-6. Total income (loss) is 35,508.

Deductions section table with columns 14a-14c and rows 7-21. Total deductions is 112,930. Ordinary income (loss) is -77,422.

Tax and Payments section table with columns 22a-22c, 23a-23c, 24-27. Tax due is 0, overpayment is 0.

Sign Here: Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. Signature of officer: William Ferrelli, Date: 3/1/03, Title: President.

Paid Preparer's Use Only: Preparer's signature: Mary DeAngelis, Date: 2/27/03, Check if self-employed: [], Preparer's SSN or PTIN: P00173025, Firm's name: Ball, Buckley and Seher, LLP, address: 1301 North Broad Street, Woodbury, NJ 08096, EIN: 21-0717247, Phone no.: 856-848-6250.

Schedule A Cost of Goods Sold (see page 17 of the instructions)

| | | | | |
|---|--|--------|---|---------|
| 1 | Inventory at beginning of year | | 1 | |
| 2 | Purchases | | 2 | |
| 3 | Cost of labor | | 3 | |
| 4 | Additional section 263A costs (attach schedule) | | 4 | |
| 5 | Other costs (attach schedule) | Stmt 3 | 5 | 429,572 |
| 6 | Total. Add lines 1 through 5 | | 6 | 429,572 |
| 7 | Inventory at end of year | | 7 | |
| 8 | Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2 | | 8 | 429,572 |

9a Check all methods used for valuing closing inventory: (i) Cost as described in Regulations section 1.471-3
(ii) Lower of cost or market as described in Regulations section 1.471-4
(iii) Other (specify method used and attach explanation) ▶

b Check if there was a writedown of "subnormal" goods as described in Regulations section 1.471-2(c) ▶

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO 9d

e Do the rules of section 263A (for property produced or acquired for resale) apply to the corporation? Yes No
 Yes No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? Yes No
If "Yes," attach explanation.

Schedule B Other Information

| | Yes | No |
|--|-----|----|
| 1 Check method of accounting: (a) <input checked="" type="checkbox"/> Cash (b) <input type="checkbox"/> Accrual (c) <input type="checkbox"/> Other (specify) ▶ | | |
| 2 Refer to the list on pages 29 through 31 of the instructions and state the corporation's principal: (a) Business activity ▶ Communication (b) Product or service ▶ Tele serv. | | |
| 3 Did the corporation at the end of the tax year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a schedule showing: (a) name, address, and employer identification number and (b) percentage owned | | X |
| 4 Was the corporation a member of a controlled group subject to the provisions of section 1561? | | X |
| 5 Check this box if the corporation has filed or is required to file Form 8264 , Application for Registration of a Tax Shelter ▶ <input type="checkbox"/> | | |
| 6 Check this box if the corporation issued publicly offered debt instruments with original issue discount If so, the corporation may have to file Form 8281 , Information Return for Publicly Offered Original Issue Discount Instruments. ▶ <input type="checkbox"/> | | |
| 7 If the corporation: (a) was a C corporation before it elected to be an S corporation or the corporation acquired an asset with a basis determined by reference to its basis (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain (defined in section 1374(d)(1)) in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years (see page 17 of the instructions) ▶ \$ | | |
| 8 Check this box if the corporation had accumulated earnings and profits at the close of the tax year (see page 18 of the instructions) ▶ <input type="checkbox"/> | | |
| 9 Are the corporation's total receipts (see page 29 of the instructions) for the tax year and total assets at the end of the tax year less than \$250,000? If "Yes," the corporation is not required to complete Schedules L and M-1 | | X |

Note: If the corporation had assets or operated a business in a foreign country or U.S. possession, it may be required to attach **Schedule N (Form 1120)**, Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

Schedule K Shareholders' Shares of Income, Credits, Deductions, etc.

| | (a) Pro rata share items | | (b) Total amount | |
|---|--------------------------|--|------------------|---------|
| | | | | |
| 1 Ordinary income (loss) from trade or business activities (page 1, line 21) | | | 1 | -77,422 |
| 2 Net income (loss) from rental real estate activities (attach Form 8825) | | | 2 | |
| 3a Gross income from other rental activities | 3a | | | |
| b Expenses from other rental activities (attach schedule) | 3b | | | |
| c Net income (loss) from other rental activities. Subtract line 3b from line 3a | | | 3c | |
| 4 Portfolio income (loss): | | | | |
| a Interest income | | | 4a | 43 |
| b Ordinary dividends | | | 4b | |
| c Royalty income | | | 4c | |
| d Net short-term capital gain (loss) (attach Schedule D (Form 1120S)) | | | 4d | |
| e (1) Net long-term capital gain (loss) (attach Schedule D (Form 1120S)) | | | 4e(1) | |
| (2) 28% rate gain (loss) ▶ (3) 5-year gain ▶ | | | | |
| f Other portfolio income (loss) (attach schedule) | | | 4f | |
| 5 Net section 1231 gain (loss) (other than due to casualty or theft) (attach Form 4797) | | | 5 | |
| 6 Other income (loss) (attach schedule) | | | 6 | |

Schedule K Shareholders' Shares of Income, Credits, Deductions, etc. (continued)

| | (a) Pro rata share items | (b) Total amount |
|---|--|-------------------------|
| Deductions | 7 Charitable contributions (attach schedule) | 7 |
| | 8 Section 179 expense deduction (attach Form 4562) | 8 |
| | 9 Deductions related to portfolio income (loss) (itemize) | 9 |
| | 10 Other deductions (attach schedule) | 10 |
| Investment Interest | 11a Interest expense on investment debts | 11a |
| | b (1) Investment income included on lines 4a, 4b, 4c, and 4f above | 11b(1) 43 |
| | (2) Investment expenses included on line 9 above | 11b(2) |
| Credits | 12a Credit for alcohol used as a fuel (attach Form 6478) | 12a |
| | b Low-income housing credit: | |
| | (1) From partnerships to which section 42(j)(5) applies | 12b(1) |
| | (2) Other than on line 12b(1) | 12b(2) |
| | c Qualified rehabilitation expenditures related to rental real estate activities (attach Form 3468) | 12c |
| | d Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities | 12d |
| | e Credits related to other rental activities | 12e |
| 13 Other credits | 13 | |
| Adjustments and Tax Preference Items | 14a Depreciation adjustment on property placed in service after 1986 | 14a -425 |
| | b Adjusted gain or loss | 14b |
| | c Depletion (other than oil and gas) | 14c |
| | d (1) Gross income from oil, gas, or geothermal properties | 14d(1) |
| | (2) Deductions allocable to oil, gas, or geothermal properties | 14d(2) |
| e Other adjustments and tax preference items (attach schedule) | 14e | |
| Foreign Taxes | 15a Name of foreign country or U.S. possession ▶ | |
| | b Gross income from all sources | 15b |
| | c Gross income sourced at shareholder level | 15c |
| | d Foreign gross income sourced at corporate level: | |
| | (1) Passive | 15d(1) |
| | (2) Listed categories (attach schedule) | 15d(2) |
| | (3) General limitation | 15d(3) |
| | e Deductions allocated and apportioned at shareholder level: | |
| | (1) Interest expense | 15e(1) |
| | (2) Other | 15e(2) |
| | f Deductions allocated and apportioned at corporate level to foreign source income: | |
| (1) Passive | 15f(1) | |
| (2) Listed categories (attach schedule) | 15f(2) | |
| (3) General limitation | 15f(3) | |
| g Total foreign taxes (check one): ▶ <input type="checkbox"/> Paid <input type="checkbox"/> Accrued | 15g | |
| h Reduction in taxes available for credit (attach schedule) | 15h | |
| Other | 16 Section 59(e)(2) expenditures: | |
| | a Type ▶ | b Amount ▶ |
| | 17 Tax-exempt interest income | 17 |
| | 18 Other tax-exempt income | 18 |
| | 19 Nondeductible expenses | 19 308 |
| | 20 Total property distributions (including cash) other than dividends reported on line 22 below | 20 |
| | 21 Other items and amounts required to be reported separately to shareholders (attach schedule) | |
| 22 Total dividend distributions paid from accumulated earnings and profits | 22 | |
| 23 Income (loss) . (Required only if Schedule M-1 must be completed.) Combine lines 1 through 6 in column (b). From the result, subtract the sum of lines 7 through 11a, 15g, and 16b | 23 -77,379 | |

Note: The corporation is not required to complete Schedules L and M-1 if question 9 of Schedule B is answered "Yes."

| Schedule L | Balance Sheets per Books | Beginning of tax year | | End of tax year | |
|---|---|-----------------------|--------|-----------------|---------|
| | | (a) | (b) | (c) | (d) |
| Assets | | | | | |
| 1 | Cash | | -3,016 | | 956 |
| 2a | Trade notes and accounts receivable | | | | |
| b | Less allowance for bad debts | | | | |
| 3 | Inventories | | | | |
| 4 | U.S. Government obligations | | | | |
| 5 | Tax-exempt securities | | | | |
| 6 | Other current assets | | | | |
| 7 | Loans to shareholders | | 20,753 | | |
| 8 | Mortgage and real estate loans | | | | |
| 9 | Other investments | | | | |
| 10a | Buildings and other depreciable assets | 16,620 | | 16,620 | |
| b | Less accumulated depreciation | 15,860 | 760 | 15,970 | 650 |
| 11a | Depletable assets | | | | |
| b | Less accumulated depletion | | | | |
| 12 | Land (net of any amortization) | | | | |
| 13a | Intangible assets (amortizable only) | | | | |
| b | Less accumulated amortization | | | | |
| 14 | Other assets (attach sch.) | | | | |
| 15 | Total assets | | 18,497 | | 1,606 |
| Liabilities and Shareholders' Equity | | | | | |
| 16 | Accounts payable | | | | |
| 17 | Mortgages, notes, bonds payable in less than 1 year | | | | |
| 18 | Other current liabilities Stmt 4 | | 56 | | 203 |
| 19 | Loans from shareholders | | | | 60,649 |
| 20 | Mortgages, notes, bonds payable in 1 year or more | | | | |
| 21 | Other liabilities (att. sch.) | | | | |
| 22 | Capital stock | | 2,500 | | 2,500 |
| 23 | Additional paid-in capital | | | | |
| 24 | Retained earnings | | 15,941 | | -61,746 |
| 25 | Adjustments to shareholders' equity (attach schedule) | | | | |
| 26 | Less cost of treasury stock | | | | |
| 27 | Total liabilities and shareholders' equity | | 18,497 | | 1,606 |

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

| | | | | | |
|---|---|---------|---|--|---------|
| 1 | Net income (loss) per books | -77,687 | 5 | Income recorded on books this year not included on Schedule K, lines 1 through 6 (itemize): | |
| 2 | Income included on Schedule K, lines 1 through 6, not recorded on books this year (itemize): | | a | Tax-exempt interest \$ | |
| 3 | Expenses recorded on books this year not included on Schedule K, lines 1 through 11a, 15g, and 16b (itemize): | | 6 | Deductions included on Schedule K, lines 1 through 11a, 15g, and 16b, not charged against book income this year (itemize): | |
| a | Depreciation \$ | | a | Depreciation \$ | |
| b | Travel and entertainment \$ | | 7 | Add lines 5 and 6 | |
| | Stmt 5 308 | 308 | 8 | Income (loss) (Schedule K, line 23). Line 4 less line 7 | |
| 4 | Add lines 1 through 3 | -77,379 | | | -77,379 |

Schedule M-2 Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed (see page 26 of the instructions)

| | (a) Accumulated adjustments account | (b) Other adjustments account | (c) Shareholders' undistributed taxable income previously taxed |
|---|---|-------------------------------|---|
| 1 | Balance at beginning of tax year | -31,379 | |
| 2 | Ordinary income from page 1, line 21 | | |
| 3 | Other additions Stmt 6 | 43 | |
| 4 | Loss from page 1, line 21 | 77,422 | |
| 5 | Other reductions Stmt 7 | 308 | |
| 6 | Combine lines 1 through 5 | -109,066 | |
| 7 | Distributions other than div. distributions | | |
| 8 | Balance at end of tax year. Subtract ln. 7 from ln. 6 | -109,066 | |

SCHEDULE K-1
(Form 1120S)

Shareholder's Share of Income, Credits, Deductions, etc.

OMB No. 1545-0130

Department of the Treasury
Internal Revenue Service

▶ See separate instructions.
For calendar year 2002 or tax year
beginning and ending

REDACTED

Shareholder's identifying number ▶

Corporation's identifying number ▶ **22-2922389**

Shareholder's name, address, and ZIP code

Corporation's name, address, and ZIP code

WILLIAM E. FERRELLI
24 WINDING WAY
MULLICA HILL NJ 08062

AMERICAN TELECHARGE INC
24 WINDING WAY, SUITE 1
MULLICA HILL NJ 08062

- A Shareholder's percentage of stock ownership for tax year (see instructions for Schedule K-1) ▶ **100.000000%**
 B Internal Revenue Service Center where corporation filed its return ▶ **Cincinnati, OH 45999**
 C Tax shelter registration number (see instructions for Schedule K-1) ▶
 D Check applicable boxes: (1) Final K-1 (2) Amended K-1

| (a) Pro rata share items | | (b) Amount | (c) Form 1040 filers enter the amount in column (b) on: |
|--|--|-------------------------|---|
| Income (Loss) | 1 Ordinary income (loss) from trade or business activities | 1 -77,422 | ▶ See page 4 of the Shareholder's Instructions for Schedule K-1 (Form 1120S). |
| | 2 Net income (loss) from rental real estate activities | 2 | |
| | 3 Net income (loss) from other rental activities | 3 | |
| | 4 Portfolio income (loss): | | ▶ Sch. B, Part I, line 1 Sch. B, Part II, line 5 Sch. E, Part I, line 4 Sch. D, line 5, col. (f) Sch. D, line 12, col. (f) Sch. D, line 12, col. (g) Line 5 of worksheet for Sch. D, line 29 (Enter on applicable ln. of your rtn.) See Shareholder's Instructions for Schedule K-1 (Form 1120S). (Enter on applicable ln. of your rtn.) |
| | a Interest | 4a 43 | |
| | b Ordinary dividends | 4b | |
| | c Royalties | 4c | |
| | d Net short-term capital gain (loss) | 4d | |
| | e (1) Net long-term capital gain (loss) | 4e(1) | |
| | (2) 28% rate gain (loss) | 4e(2) | |
| (3) Qualified 5-year gain | 4e(3) | | |
| f Other portfolio income (loss) (attach schedule) | 4f | | |
| 5 Net section 1231 gain (loss) (other than due to casualty or theft) | 5 | ▶ Sch. A, line 15 or 16 | |
| 6 Other income (loss) (attach schedule) | 6 | | |
| Deductions | 7 Charitable contributions (attach schedule) | 7 | ▶ See pages 5 and 6 of the Shareholder's Instructions for Schedule K-1 (Form 1120S). |
| | 8 Section 179 expense deduction | 8 | |
| | 9 Deductions related to portfolio income (loss) | 9 | |
| | 10 Other deductions (attach schedule) | 10 | |
| Investment Interest | 11a Interest expense on investment debts | 11a | ▶ Form 4952, line 1 See Shareholder's Instructions for Schedule K-1 (Form 1120S). |
| | b (1) Investment income included on lines 4a, 4b, 4c, and 4f above | 11b(1) 43 | |
| | (2) Investment expenses included on line 9 above | 11b(2) | |
| Credits | 12a Credit for alcohol used as fuel | 12a | ▶ Form 6478, line 10 Form 8586, line 5 See pages 6 and 7 of the Shareholder's Instructions for Schedule K-1 (Form 1120S). |
| | b Low-income housing credit: | | |
| | (1) From section 42(j)(5) partnerships | 12b(1) | |
| | (2) Other than on line 12b(1) | 12b(2) | |
| | c Qualified rehabilitation expenditures related to rental real estate activities | 12c | |
| | d Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities | 12d | |
| | e Credits related to other rental activities | 12e | |
| 13 Other credits | 13 | | |

For Paperwork Reduction Act Notice, see the Instructions for Form 1120S.

Schedule K-1 (Form 1120S) 2002

REDACTED

| | | (a) Pro rata share items | (b) Amount | (c) Form 1040 filers enter the amount in column (b) on: | |
|--------------------------------------|------------------------|--|------------|---|---|
| Adjustments and Tax Preference Items | 14a | Depreciation adjustment on property placed in service after 1986 | 14a | -425 | See page 7 of the Shareholder's Instructions for Schedule K-1 (Form 1120S) and Instructions for Form 6251 |
| | b | Adjusted gain or loss | 14b | | |
| | c | Depletion (other than oil and gas) | 14c | | |
| | d (1) | Gross income from oil, gas, or geothermal properties | 14d(1) | | |
| | d (2) | Deductions allocable to oil, gas, or geothermal properties | 14d(2) | | |
| | e | Other adjustments and tax preference items | 14e | | |
| Foreign Taxes | 15a | Name of foreign country or U.S. possession ▶ | | | Form 1116, Part I |
| | b | Gross income from all sources | 15b | | |
| | c | Gross income sourced at shareholder level | 15c | | |
| | d | Foreign gross income sourced at corporate level: | | | |
| | d (1) | Passive | 15d(1) | | |
| | d (2) | Listed categories (attach schedule) | 15d(2) | | |
| | d (3) | General limitation | 15d(3) | | |
| | e | Deductions allocated and apportioned at shareholder level: | | | |
| | e (1) | Interest expense | 15e(1) | | |
| | e (2) | Other | 15e(2) | | |
| Other | f | Deductions allocated and apportioned at corporate level to foreign source income: | | | Form 1116, Part II See Instructions for Form 1116 |
| | f (1) | Passive | 15f(1) | | |
| | f (2) | Listed categories (attach schedule) | 15f(2) | | |
| | f (3) | General limitation | 15f(3) | | |
| | g | Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued | 15g | | |
| | h | Reduction in taxes available for credit (attach sch.) | 15h | | |
| | 16 | Section 59(e)(2) expenditures: | | | |
| | a | Type ▶ | | | |
| b | Amount | 16b | | | |
| Other | 17 | Tax-exempt interest income | 17 | | Form 1040, line 8b |
| | 18 | Other tax-exempt income | 18 | | |
| | 19 | Nondeductible expenses | 19 | 308 | See page 7 of the Shareholder's Instructions for Schedule K-1 (Form 1120S). |
| | 20 | Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV | 20 | | |
| | 21 | Amount of loan repayments for "Loans From Shareholders" | 21 | | |
| | 22 | Recapture of low-income housing credit: | | | Form 8611, line 8 |
| | a | From section 42(j)(5) partnerships | 22a | | |
| b | Other than on line 22a | 22b | | | |
| Supplemental Information | 23 | Supplemental information required to be reported separately to each shareholder (attach additional schedules if more space is needed): | | | |

Federal Statements

Statement 1 - Form 1120S, Page 1, Line 5 - Other Income

| <u>Description</u> | <u>Amount</u> |
|--------------------|---------------|
| Lease inclusion | \$ 308 |
| Total | \$ 308 |

Statement 2 - Form 1120S, Page 1, Line 19 - Other Deductions

| <u>Description</u> | <u>Amount</u> |
|---------------------------|---------------|
| Printing and Reproduction | \$ 180 |
| Sundry | 40 |
| Insurance | 1,617 |
| Utilities and telephone | 2,781 |
| Vehicle expense | 8,423 |
| Legal and accounting | 2,049 |
| Office supplies | 9,286 |
| Postage and supplies | 1,704 |
| Total | \$ 26,080 |

Statement 3 - Form 1120S, Page 2, Schedule A, Line 5 - Other Costs

| <u>Description</u> | <u>Amount</u> |
|----------------------|-------------------|
| Location commission | \$ 181,868 |
| Line charges | 144,276 |
| Polling and Rating | 70,711 |
| Repairs | 978 |
| Parts | 2,257 |
| Calling card charges | 1,107 |
| Sales commissions | 28,375 |
| Total | <u>\$ 429,572</u> |

Federal Statements

Statement 4 - Form 1120S, Page 4, Schedule L, Line 18 - Other Current Liabilities

| <u>Description</u> | <u>Beginning of Year</u> | <u>End of Year</u> |
|------------------------------|------------------------------|------------------------|
| Accounts Payable-payroll tax | 56 | |
| Accounts Payable-payroll tax | | 203 |
| Total | <u>56</u> | <u>203</u> |

Statement 5 - Form 1120S, Page 4, Schedule M-1, Line 3 - Expense on Books Not on Return

| <u>Description</u> | <u>Amount</u> |
|--------------------|---------------|
| Lease inclusion | \$ 308 |
| Total | <u>\$ 308</u> |

Statement 6 - Form 1120S, Page 4, Schedule M-2, Line 3(a) - Other Additions

| <u>Description</u> | <u>Amount</u> |
|--------------------|---------------|
| Interest Income | 43 |
| Total | <u>43</u> |

Statement 7 - Form 1120S, Page 4, Schedule M-2, Line 5(a) - Other Reductions

| <u>Description</u> | <u>Amount</u> |
|--------------------|---------------|
| Lease inclusion | \$ 308 |
| Total | <u>\$ 308</u> |

Form 1120S, Page 1, Line 1a - Gross Receipts

| <u>Description</u> | <u>Amount</u> |
|-------------------------|-----------------------|
| Gross receipts or sales | <u>565,401</u> |
| Total | <u><u>565,401</u></u> |

Returns and Allowances

| <u>Description</u> | <u>Amount</u> |
|------------------------|--------------------------|
| Returns and allowances | <u>\$ 100,629</u> |
| Total | <u><u>\$ 100,629</u></u> |

Form 1120S, Page 1, Line 12 - Taxes and Licenses

| <u>Description</u> | <u>Amount</u> |
|----------------------------|------------------------|
| Taxes and licenses expense | <u>\$ 350</u> |
| Payroll Taxes | <u>5,207</u> |
| Total | <u><u>\$ 5,557</u></u> |

Federal Statements

Form 1120S, Page 4, Schedule L, Line 7 - Loans to Shareholders

| <u>Description</u> | <u>Beginning of Year</u> | <u>End of Year</u> |
|---------------------------|------------------------------|------------------------|
| Officer's loan receivable | <u>20,753</u> | <u> </u> |
| Total | <u>20,753</u> | <u> 0</u> |

Form 1120S, Page 4, Schedule L, Line 19 - Loans from Shareholders

| <u>Description</u> | <u>Beginning of Year</u> | <u>End of Year</u> |
|-------------------------|------------------------------|------------------------|
| Loans from stockholders | <u> </u> | <u>60,649</u> |
| Total | <u> 0</u> | <u>60,649</u> |

FLORIDA TELECOMMUNICATIONS PRICE LIST

FOR

AMERICAN TELECHARGE, INC.

24 WINDING WAY, SUITE ONE
MULLICA HILL, NJ 08062

Between Points Within the State Of Florida

This Price List contains the descriptions, regulations, and rates applicable to the furnishing of resale of service for alternative local exchange telecommunications services provided by American Telecharge, Inc., with principal offices at 24 Winding Way, Suite One, Mullica Hill, NJ 08062. This Price List applies for services furnished within the State of Florida. This Price List is on file with the Florida Public Service Commission (FPSC), and copies may be inspected, during normal business hours, at the Company's principal place of business.

Issued: May 31, 2005
By:

William E. Ferrelli, President
24 Winding Way, Suite One
Mullica Hill, NJ 08062

Effective Date:

CHECK SHEET

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

| <u>Page</u> | <u>Number of Revision</u> | <u>Page</u> | <u>Number of Revision</u> |
|-------------|---------------------------|-------------|---------------------------|
| 1 | Original | 30 | Original |
| 2 | Original | 31 | Original |
| 3 | Original | 32 | Original |
| 4 | Original | 33 | Original |
| 5 | Original | 34 | Original |
| 6 | Original | 35 | Original |
| 7 | Original | 36 | Original |
| 8 | Original | 37 | Original |
| 9 | Original | 38 | Original |
| 10 | Original | 39 | Original |
| 11 | Original | 40 | Original |
| 12 | Original | | |
| 13 | Original | | |
| 14 | Original | | |
| 15 | Original | | |
| 16 | Original | | |
| 17 | Original | | |
| 18 | Original | | |
| 19 | Original | | |
| 20 | Original | | |
| 21 | Original | | |
| 22 | Original | | |
| 23 | Original | | |
| 24 | Original | | |
| 25 | Original | | |
| 26 | Original | | |
| 27 | Original | | |
| 28 | Original | | |
| 29 | Original | | |

* = New/Revised Sheet

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APPLICABILITY

This Price List sets forth the service offerings, rates, terms and conditions applicable to the furnishing of intrastate residential communications services by American Telecharge, Inc. to residential Customers within the local exchange service area defined herein.

EXPLANATION OF SYMBOLS

The following are the symbols used for the purposes indicated below:

D - Delete Or Discontinue

I - Change Resulting In An Increase to A Customer's Bill

M - Moved From Another Price List Location

N - New

R - Change Resulting In A Reduction To A Customer's Bill

T - Change in Text Or Regulation But No Change In Rate Or Charge

PRICE LIST FORMAT

- A. Sheet Numbering - Sheet numbers appear in the upper right corner of the sheet. Sheets are numbered sequentially. However, new sheets are occasionally added to the Price List. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.
- B. Sheet Revision Numbers – In the future, revision numbers may also appear in the upper right corner of each sheet. These numbers will be used to determine the most current sheet version on file with the Florida Public Service Commission (FPSC). For example, the 4th revised Sheet 14 will cancel the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc. the FPSC follows in their Price List approval process, the most current sheet number on file with the FPSC is not always the Price List sheet in effect. Consult the Check Sheet for the sheet currently in effect.
- C. Paragraph Numbering Sequence - There are six levels of paragraph coding. Each level of coding is subservient to its next higher level:
- 2.
 - 2.1
 - 2.1.1
 - 2.1.1.1
 - 2.1.1.1.1
 - 2.1.1.1.1.1
- D. Check Sheets - When a Price List filing is made with the FPSC, an updated Check Sheet will accompany the filing. The Check Sheet will list the sheets contained in the Price List, with a cross-reference to the current revision number. When new sheets are added, the Check Sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this sheet if these are the only changes made to it. The Price List user should refer to the latest Check Sheet to find out if a particular sheet is the most current on file with the FPSC.

1 **DEFINITIONS**

Certain terms used generally throughout this Price List are defined below.

Basic Service: Local telephone service that allows the customer to make unlimited local calls, unlimited toll free calls, and emergency service calls.

Call Block *60: Call Block prevents unwanted calls and interruptions. Call Block *60 lets the customer select up to twelve phone numbers from their local calling area to be blocked from reaching them. They can also block incoming calls placed from the last calling number even if the number is unknown. A blocked caller will hear a voice recording that says the Customer is not presently accepting calls. Dial *60 to turn on and *80 to turn off.

Call Forwarding: Call Forwarding forwards all incoming calls to another telephone number specified by the Customer. Press *72 and enter the phone number where the calls are to be forwarded. Two short tones will verify Call Forwarding is activated. Press *73 to turn it off.

Call Return *69: Activate Call Return by dialing *69. User can turn Call Return off by dialing *89. Call Return will automatically store the number of the last person who called. It can be used to return a call whether the call was answered or not. If the return number is busy, it will ring the number when it is no longer busy for up to thirty minutes. This service will monitor a busy number for one half hour.

Call Waiting: Provides the User with a burst of tone to indicate that another call is waiting. The second call can either be answered by flashing the switch-hook or by hanging up the telephone and being rung back by the caller.

Caller ID: Provides the User with the calling party's name and telephone number. This information will be displayed only if the User provides the appropriate hardware. Such hardware is not available from the Company.

1 DEFINITIONS (CONT'D)

Calling Features: Optional features in addition to "basic service" that include call blocking, call forwarding, call return (*69), call waiting, caller ID, non-published number, and 3 way calling.

Change Order Fee: A fee that is charged to a customer when they either add a feature or change features on an existing phone line. For example, if a customer with existing service decides to add call waiting after their line has already been connected, a change order fee will be charged to the customer.

Company or Carrier: American Telecharge, Inc., a New Jersey foreign corporation that is the issuer of this Price List.

Completed Call: A call that the Company's network has determined to be answered by a person, answering machine, fax machine, computer modem device, or other answering device.

Connection Fee: A one time, non-recurring charge to the customer's account that covers the cost of the initial connection of the customer's new telephone line.

Customer: The person or other entity that ordered service and is responsible for the payment of charges and for compliance with the Company's Price List regulations.

Customer-Provided Equipment: This relates to any wiring and jacks that are inside of the customer's residence that provide service from the outside phone box (company equipment) inside the residence.

1 DEFINITIONS (CONT'D)

Deluxe Package: A package of services that consists of "basic service" and the customer's choice of any three standard calling features (No Caller ID).

Due Date: The date in which a customer's invoice needs to be paid by. Standard invoices are due fifteen (15) days from mailing date. Some invoices for unauthorized usage or repair charges are due upon receipt.

Extended Area Service: A geographic area beyond the local service area to which traffic is classified as local for selected customers, i.e., telephone service that allows subscribers in one exchange to call subscribers of another exchange without a toll charge.

FCC Charge: A charge that goes on every invoice to cover the cost taxes owed to the FCC.

ILEC: The underlying incumbent Local Exchange Carrier, or other alternative carrier, which provides facilities and/or local exchange telephone services to the Company for resale to the Customer.

Invoice: Statements sent to customers on a monthly basis or as needed to let the customer know the amount that they owe for service for the coming month. Amounts vary based on each individual customer services.

Monthly Charges: The monthly charges to the Customer for services that continue for the agreed-upon duration of the service.

1 DEFINITIONS (CONT'D)

One-Time Charges: The one-time charges for services including, but not limited to, charges for installation and special fees for which the Customer becomes liable at the time the Service Order is executed.

Premium Package: A package of services that consists of "basic service" and the customer's choice of any four standard calling features (No Caller ID).

Premium Plus Package: A package of services that consists of "basic service" and the customer's choice of any four standard calling features in addition to caller ID.

Proration Fee: Customers can pay a fee to have the due date of their invoice moved to a date that is more convenient for them to make payments. This fee is the amount of the remaining difference between the customers current due date, and the date they wish to prorate to.

Reconnection Fee: A fee charged to re-establish previous Customer's account.

Service Continuation Fee: The amount that each individual customer pays in full on a monthly basis to continue their contract with the Company for local telephone service.

Service Order: The request for local exchange services initiated by the Customer in a format specified by the Company, which is in the form of an application signed by the customer.

1 DEFINITIONS (CONT'D)

Service Suspension Notice: Notification mailed to Customer following the passing of that customer's due date without payment of their current service continuation fee. This notice allows the customer a five (5) day extension of their due date in which to make payment. After this date has passed, the company may temporarily deny, or suspended, the customer's service at any time, requiring a reconnection fee to restore service.

Services: The Company's telecommunication services offered to the Customer.

Standard Calling Features: All calling features except for Caller ID (call blocking, call forwarding, call return (*69), call waiting, non-published number, and 3 way calling).

Station: Telephone equipment from or to which calls are placed.

Three-Way Calling: The User can sequentially call two other people and add them together to make up a three-way call.

Toll Restriction: This feature precludes the user from dialing certain outgoing long distance calls.

Unlimited Long Distance: Service that a customer pays for that allows them to make unlimited domestic (continental United States only) long distance phone calls during their 30 days of service.

Unlimited Bronze Package: A service package that a customer can purchase that will give them basic service and unlimited long distance for one price.

1 DEFINITIONS (CONT'D)

Unlimited Silver Package: A service package that a customer can purchase that will give them basic service, one standard feature, and unlimited long distance for one price.

Unlimited Gold Package: A service package that a customer can purchase that will give them basic service, their choice of two standard features or Caller ID, and unlimited long distance for one price.

Unlimited Platinum Package: A service package that a customer can purchase that will give them basic service, their choice of either three standard features or two standard features and Caller ID, and unlimited long distance for one price.

Unlisted (Non-Published) Listing: A directory listing which is neither printed in a directory nor available from directory assistance.

User: A Customer or any other person authorized by the Customer to use service provided under this Price List.

2 RULES AND REGULATIONS

2.1 Undertaking of the Company

The Company undertakes to furnish communication service on a resale basis in connection with one-way and/or two-way information transmission between points within the State of Florida under the terms of this Price List.

Customers may use services and facilities provided under this Price List to obtain access to services offered by other service providers. The Company is responsible under this Price List only for the services provided herein, and it assumes no responsibility for any service provided by any other entity.

2.2 Obligations of the Customer

2.2.1 The customer shall be responsible for:

2.2.1.1 The payment of all applicable charges pursuant to this Price List;

2.2.1.2 Reimbursing the Company for damage to, or loss of, the Company's facilities or equipment caused by the acts or omissions of the customer; or the noncompliance by the customer, with these regulations, or by fire or theft or other casualty on the customer's premises unless caused by the negligence or willful misconduct of the employees or agents of the Company.

2.2.1.3 Providing at no charge, as specified from time to time by the Company, any needed space and power to operate the Company's facilities and equipment installed on the customer's premises.

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- 2.2.1.4 Complying with all laws and regulations regarding the working conditions on the premises at which the Company's employees and agents shall be installing or maintaining the Company's facilities and equipment. The customer may be required to install and maintain the Company's facilities and equipment within a hazardous area if, in the Company's opinion, injury or damage to the Company's employees or property might result from installation or maintenance by the Company. The customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material prior to any construction or installation work.
- 2.2.1.5 Complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses and permits as may be required with respect to, the location of the Company's facilities and equipment in any customer premises for the purpose of installing, inspecting, maintaining, repairing, or upon termination of service as stated herein, removing the facilities or equipment of the Company.
- 2.2.1.6 Making Company facilities and equipment available periodically for maintenance purposes at a time agreeable to both the Company and the customer. No allowance for interruptions in service will be made for the period during which service is interrupted for such purposes.
- 2.2.2 With respect to any service or facility provided by the Company, the customer shall indemnify, defend and hold harmless the Company from all claims, actions, damages, liabilities, costs and expenses for:
- 2.2.2.1 Any loss, destruction or damage to property of the Company or any third party, or injury to persons, including, but not limited to, employees or invitees of either the Company or the customer, to the extent caused by or resulting from the negligent or intentional act or omission of the customer, its employees, agents, representatives or invitees; or
- 2.2.2.2 Any claim, loss, damage, expense or liability for infringement of any copyright, patent, trade secret, or any proprietary infringement of any copyright, patent, trade secret, or any proprietary or intellectual property right of any third party, arising from any act or omission by the customer.

- 2.2.3 The customer is responsible for ensuring that customer-provided equipment connected to company-provided equipment and facilities is compatible with such equipment and facilities and must be in working order. The Company is not responsible for the customer-provided equipment, and will not perform testing, maintenance, or service work to any customer-provided equipment. The connection, operation, testing, or maintenance of such customer-provided equipment shall be such as not to cause damage to the Company-provided equipment and facilities or injury to the Company's employees or other persons. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the customer's expense.
- 2.2.4 The Company's services (as detailed in this Price List) may be connected to the services or facilities or other communications carriers only when authorized by, and in accordance with, the terms and conditions of the Price Lists or contracts that are applicable to such connections.
- 2.2.5 Upon reasonable notification to the customer, and at a reasonable time, the Company may make such tests and inspections as may be necessary to determine that the customer is complying with the requirements set forth in this Price List for the installation, operation, and maintenance of customer-provided facilities and equipment that is connected to Company-owned facilities and equipment.

2.3 Liability of the Company

In view of the fact that the customer has exclusive control over the use of service and facilities furnished by the Company, and because certain errors incident to the services and to the use of such facilities of the Company are unavoidable, services and facilities are furnished by the Company subject to the terms, conditions and limitations herein specified:

2.3.1 Service Irregularities

2.3.1.1 The liability of the Company for damages arising out of mistakes, omissions, interruptions, delays, errors or defects in transmission, or failures or defects in facilities furnished by the Company, occurring in the course of furnishing service or other facilities and not caused by the negligence of the customer, shall in no event exceed an amount equivalent to the proportionate charge to the customer for the service or facilities affected during the period such mistake, omission, interruption, delay, error or defect in transmission, or failure or defect in facilities continues after notice and demand to Company.

2.3.1.2 The Company shall not be liable for any act or omission of any connecting carrier, underlying carrier, or local exchange Company except where Company contracts the other carrier; for acts or omission of any other providers of connections, facilities, or service; or for culpable conduct of the customer or failure of equipment, facilities or connection provided by the customer.

2.3.2 Claims of Misuse of Service

2.3.2.1 The Company shall be indemnified and saved harmless by the customer against claims for libel, slander, fraudulent or misleading advertisements or infringement of copyright arising directly or indirectly from material transmitted over its facilities or the use thereof; against claims for infringement of patents arising from combining or using apparatus and systems of the customer with facilities of the Company; and against all other claims arising out of any act or omission of the customer in connection with the services and facilities provided by the Company.

2.3.2.2 The Company does not require indemnification from the customer where the action for which it is seeking indemnification is based on a claim of negligence by the Company.

2.3.3 Defacement of Premises

2.3.3.1 The Company is not liable for any defacement of, or damage to, the customer's premises resulting from the furnishing of service or the attachment of equipment and facilities furnished by the Company on such premises or by the installation or removal thereof, when such defacement or damage is not the result of negligence of the Company. For the purpose of this paragraph, no agents or employees of the other participating carriers shall be deemed to be agents or employees of the Company except where contracted by the Company.

2.3.4 Facilities and Equipment in Explosive Atmosphere, Hazardous or Inaccessible Locations

2.3.4.1 The Company does not guarantee nor make any warranty with respect to installations provided by it for use in an explosive atmosphere. Company shall be indemnified, defended and held harmless by the customer from and against any and all claims, loss, demands, suits, or other action, or any liability whatsoever, whether suffered, made, instituted or asserted by the customer or by any other party, for any personal injury to or death of any person or persons, and for any loss, damage or destruction of any property, including environmental contamination, whether owned by the customer or by any other party, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, presence, condition, location, use or removal of any equipment or facilities or the service and not due to the gross negligence or willful misconduct of the Company.

2.3.5 Service at Outdoor Locations

2.3.5.1 The Company reserves the right to refuse to provide, maintain or restore service at outdoor locations unless the customer agrees in writing to indemnify and save the Company harmless from and against any and all loss or damage that may result to equipment and facilities furnished by the Company at such locations. The customer shall likewise indemnify and save the Company harmless from and against injury to or death of any person that may result from the location and use of such equipment and facilities.

2.3.6 Warranties

2.3.6.1 The company makes no warranties or representations, express or implied either in fact or by operation of law, statutory or otherwise, including warranties of merchantability or fitness for a particular use, except those expressly set forth herein.

2.3.6.2 Acceptance of the provisions of Section 2.3 by the Commission does not constitute its determination that any disclaimer of warranties or representations imposed by the Company should be upheld in a court of law.

2.3.7 Limitation of Liability

2.3.7.1 Nothing in this Price List shall be construed to limit the Company's liability in cases of gross negligence or willful misconduct.

2.4 Application for Service

2.4.1 Minimum Contract Period

Company does not have a minimum contract period.

2.4.2 Service Order

2.4.2.1 Customers fill out a service order that provides Company with the customer's name, address, contact phone number, and the calling features that the customer would like. The service order is a contractual agreement, which describes the service in full and along with the rules and restrictions of service. Company will not accept a service order that is not signed by the customer.

2.4.2.2 When the customer fills out and signs his or her service order, the customer will pay his or her connection fee and the fee for any features that the customer is signing up for at that time. A service order will not be processed until the customer has paid the connection fee.

2.4.2.3 Service orders are processed within 2 business days of receipt.

2.4.3 Cancellation of Service

2.4.3.1 Where the applicant cancels an order for service prior to the submittal of the request for service to Bell South, a \$10.00 processing fee shall apply. The remainder of the customer's connection fee will be refunded to the customer.

2.4.3.2 Where submittal of the request for service has been sent to Bell South, and a confirmation of an installation date has been given, a \$20.00 processing and cancellation fee shall apply. The remainder of the customer's connection fee will be refunded to the customer.

2.4.3.3 Where the applicant cancels an order for service after the submittal of the request for service to Bell South, and service has been supplied to the company-provided equipment at the customer's location, there will be no refund of the connection fee to the customer, as service has already been connected.

2.4.3.4 Customers can request cancellation of their service at any time. All outstanding charges must be paid in full before service is disconnected at customer's request.

2.5 Payment for Service

2.5.1 Service will be billed directly by the Company on a monthly basis and is due and payable upon receipt or as specified on the customer's bill. Service will continue to be provided until canceled by the customer or discontinued by the Company as set forth in Section 2.13 of this Price List.

2.5.2 Customer's first bill will be sent to the customer on the day that installation of service in the customer's residence is confirmed. This first bill is always for the customer's basic service only for the coming month, and is due 20 days after the date of the bill.

2.5.3 The customer is responsible for payment of all charges for service furnished to the customer. All fixed monthly and nonrecurring charges for services and charges for actual usage will be billed on a monthly basis.

2.5.4 The Company does not collect advance payments from its customers.

2.6 Customer Deposits

2.6.1 Company does not collect customer deposits.

2.7 Late Payment Charges

2.7.1 Any charges that are disputed by a customer shall not be subject to late payment charges regardless of the outcome of the dispute.

2.7.2 The Company will consider delinquent and apply late payment charges on bills not paid within 20 days of the billing invoice date for all residential customers

2.8 Allowance for Interruptions in Service

2.8.1 Credit for failure of service or equipment will be allowed only when failure is caused by or occurs in equipment owned, provided, or billed for, by the Company.

2.8.2 Customers with interruption of service due to problems with customer-provided equipment will not be given credit. These customers will continue to be billed as long as there is working service to the company-provided equipment.

2.9 Taxes and Fees

- 2.9.1 All state and local taxes and fees shall be listed as separate line items on the customer's bill.
- 2.9.2 If a municipality, other political subdivision or local agency of government, or the FPSC imposes 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, as allowed by law, be billed pro rata to the customer receiving service from the Company within the territorial limits of such municipality, other political subdivision or local agency of government.
- 2.9.3 Service shall not be subject to taxes for a given taxing jurisdiction if the customer provides the Company with written verification, acceptable to the Company and to the relevant taxing jurisdiction, that the customer has been granted a tax exemption.

2.10 Returned Check Charge

The charge for a returned check is \$25.00.

2.11 Directory Assistance Call Allowance

- 2.11.1 Company does not provide Directory Assistance for its customers.
- 2.11.2 When a customer attempts to dial directory assistance, they will be connected to a recording that informs them that directory assistance is not a feature that is provided with their service.

2.12 Special Customer Arrangements

In cases where a customer requests special or unique arrangements which may include but are not limited to engineering, conditioning, installation, construction, facilities, assembly, purchase or lease of facilities and/or other special services not offered under this Price List, the Company, 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.

2.13 Termination of Service

2.13.1 Denial of Service Without Notice

The Company may discontinue service without notice for any of the following reasons:

- 2.13.1.1 Hazardous Condition. For a condition on the customer's premises determined by the Company to be hazardous.
- 2.13.1.2 Adverse Effect on Service. Customer's use of equipment in such a manner as to adversely affect the Company's equipment or the Company's service to others.
- 2.13.1.3 Tampering With Company Property. Customer's tampering with equipment furnished and owned by the Company.
- 2.13.1.4 Unauthorized Use of Service. Customer's unauthorized use of service by any method which causes hazardous signals over the Company's network.
- 2.13.1.5 Illegal use of Service. Customer's use of service or equipment in a manner to violate the law.

2.13.2 Denial of Service Requiring Notice

2.13.2.1 The Company may deny service for any of the following reasons provided it has notified the customer of its intent, in writing, to deny service and has allowed the customer a reasonable time of not less than 10 days in which to remove the cause for denial:

2.13.2.1.A Non-compliance with Regulations. For violation of or non-compliance with regulations of the Florida Public Service Commission, or for violation of or non-compliance with the Company's Price List on file with the FPSC.

2.13.2.1.B Failure on Contractual Obligations. For failure of the customer to fulfill his contractual obligations for service or facilities subject to regulation by the Florida Public Service Commission.

2.13.2.1.C Refusal of Access. For failure of the customer to permit the Company to have reasonable access to its equipment.

2.13.2.1.D Non-payment of Bill.

2.13.2.1.D.1 For non-payment of a bill for service, provided that the Company has made a reasonable attempt to effect collection and has given the customer written notice of its intent to deny service if settlement of his account is not made and provided the customer has at least 5 days, excluding Sundays and holidays in which to make settlement before his service is denied.

2.13.2.1.D.2 Except in cases where a prior promise to pay has not been kept or bankruptcy, receivership, abandoned service, or abnormal toll usage is involved, the Company may not deny service on the day preceding any day on which it is not prepared to accept payment of the amount due and to reconnect service.

2.13.2.1.E Failure to Comply with Service Conditions. For failure of the customer to furnish the service equipment, permits, certificates, or rights-of-way, specified by the Company as a condition to obtaining service, or if the equipment or permissions are withdrawn or terminated.

2.13.2.1.F Failure to Comply with Municipal Ordinances. For failure to comply with municipal ordinances or other laws pertaining to telephone service.

2.13.2.2 Service will be denied on a temporary basis, or "suspended," for thirty (30) days in order to give the customer a chance to rectify the cause of service denial and have service restored. After thirty (30) days of the line being suspended, service can be disconnected at any time by the company without notice.

2.13.3 Insufficient Reasons for Denial of Service

2.13.3.1 The following may not constitute cause for refusal of service to a present or prospective customer:

2.13.3.1.A Failure of a prior customer to pay for service at the premises to be serviced;

2.13.3.1.B Failure to pay for a different class of service for a different entity;

2.13.3.1.C Failure to pay the bill of another customer as guarantor of that bill;

2.13.3.1.D Failure to pay directory advertising charges or;

2.13.3.1.E Failure to pay an outstanding bill that is over 7 years old, unless the:

2.13.3.1.E.1 Customer signed an agreement to pay the outstanding bill before the expiration of this period;

2.13.3.1.E.2 Outstanding bill is for service obtained by the customer by means of tampering with equipment furnished and owned by the Company or by unauthorized use of service by any method; or

2.13.3.1.E.3 Outstanding bill is for service obtained by the customer by means of an application made:

- (i) In a fictitious name,
- (ii) In the name of an individual who is not an occupant of the dwelling unit, without disclosure of the individual's actual address,
- (iii) In the name of a third party without disclosing that fact or without bonafide authority from the third party, or
- (iv) Without disclosure of a material fact or by misrepresentations of a material fact.

2.13.3.2 This regulation applies to both residential and nonresidential classes of service.

2.13.4 911 Access During Denial of Service

Access to 911 services will be maintained during temporary denials of service for non-payment of a residential subscriber's local service.

2.14 Unlawful Use of Service

2.14.1 Service shall not be used for any purpose in violation of law or for any use as to which the customer has not obtained all required governmental approvals, authorizations, licenses, consents, and permits. The Company shall refuse to furnish service to an applicant or shall disconnect the service without notice of a customer when:

2.14.1.1 An order shall be issued, signed by a judge finding that probable cause exists to believe that the use made or to be made of the service is prohibited by law, or

2.14.1.2 The Company is notified in writing by a law enforcement agency acting within its jurisdiction that any facility furnished by the Company is being used or will be used for the purpose of transmitting or receiving gambling information in interstate or foreign commerce in violation of the law.

2.14.2 If service has been physically disconnected by law enforcement officials at the customer's premises and if there is not presented to the Company the written finding of a judge, then upon written or verbal request of the subscriber, and agreement to pay restoration of service charges and other applicable service charges, the Company shall promptly restore such service.

2.15 Interference with or Impairment of Service

Service shall not be used in any manner that interferes with other persons in the use of their service, prevents other persons from using their service, or otherwise impairs the quality of service to other customers. The Company may require a customer to immediately shut down its transmission of signals if said transmission is causing interference to others or impairing the service of others.

2.16 Telephone Solicitation by Use of Recorded Messages

- 2.16.1 Service shall not be used for the purpose of solicitation by recorded messages when such solicitation occurs as a result of un-requested or unsolicited calls initiated by the solicitor by means of automatic dialing devices. Such devices, with storage capability of numbers to be called or a random or sequential number generator that produces numbers to be called and having the capability, working alone or in conjunction with other equipment, of disseminating a prerecorded message to the number called and which are calling party or called party controlled, are expressly prohibited.

2.17 Incomplete Calls

- 2.17.1 There shall be no charge for incomplete calls. No charge will be levied for unanswered calls. Customers will receive credit for calls placed to a wrong number if the customer notifies the Company of the error.

2.18 Overcharge/Undercharge

- 2.18.1 Overcharge/undercharge provisions will be in accordance with the Florida Public Service Commission.
- 2.18.2 When a customer has been overcharged, the amount shall be refunded or credited to the customer.

3 SERVICE DESCRIPTIONS

3.1 **Local Exchange Service**

The Company's local telephone service provides a Customer with the ability to connect to the ILEC's switching network that enables the Customer to, on an unlimited basis:

- a) Place or receive calls to any calling station in the local calling area as defined herein;
- b) Access 911 Emergency Services;
- c) Access Operator Services (Charges may apply depending on the services rendered);
- d) Place or receive calls to 800 telephone numbers;
- e) Access Telecommunications Relay Service.

The Company's service will automatically block originating calls to other telephone companies caller-paid information services (e.g. 900, 976) at no charge. Calls to those numbers and other numbers used for caller paid information services will be unblocked on a per directory number basis only.

Toll Service

The Company's Basic Local Service neither includes direct-dialing distance calling nor any other toll service. Customers who desire intraLATA and interLATA toll service have the following options:

- a) Add the Company's Unlimited Long Distance Package to their service;
- b) Using prepaid calling cards; or
- c) Using post-paid calling cards.

This Company will provide at no additional charge, via customer service, information and counseling to its customers on how to obtain long distance service.

3.1.1 Service Area

Where facilities are available, the Company's service area incorporates the geographic regions and exchanges currently served by Bell South FL.

- 3.1.1.1 Local Calling Areas: Exchanges and zones included in the local calling area for the Customer's exchange or zone may be found as exchange maps in the telephone directory published by Bell South FL in the Customer's exchange area.

3.1.2 Local Line

- 3.1.2.1 Standard Features: Local Line provides the Customer with a single, voice-grade communications channel. Each Local Line will include a telephone number.

- 3.1.2.2 Optional Features: A Local Line Customer may order the following optional features, at the rate specified in Section 3.2.2:

- Deluxe Calling Package
- Premium Package
- Premium Plus Package
- Caller ID
- Call Return *69
- Call Forwarding
- Call Block *60
- Call Selector
- Call Waiting
- Three Way calling
- Unlisted (Non-Published) Number
- Unlimited Long Distance
- Unlimited Long Distance Bronze Package
- Unlimited Long Distance Silver Package
- Unlimited Long Distance Gold Package
- Unlimited Long Distance Platinum Package
- Voice Mail

3.1.2.2.A

Caller ID Service will allow the Customer to see the name of the caller, in addition to the caller's telephone number of an incoming call displayed on the Customer-provided display unit. The name and telephone number of an incoming call will be displayed between the first and second ring. Caller ID will work only on calls that originate from, and terminate in, the central offices that are equipped to provide this service or between central offices that are equipped and have SS7 connectivity. Caller ID will be available to customers by monthly subscription only, which will provide unlimited use of the service.

The telephone numbers that will be displayed on Caller ID Customer's display unit will include listed, non-listed, and non-published telephone numbers.

The telephone numbers that will not be displayed to a Caller ID Customer are: (1) calls from callers who use Per-Call or Per-Line Blocking; (2) calls from callers located in central offices not a part of the SS7 Signaling System; and (3) calls placed through an operator.

3.1.2.2.B Anonymous Call Rejection (ACR) will enable Caller ID subscribers to reject calls from callers who have blocked the display of their telephone numbers on outgoing calls. ACR will be automatically available to all Caller ID services' customers free of charge.

ACR will be initially provided to subscribers in the deactivated mode. It can be activated and deactivated by dialing a special code. When activating or deactivating ACR, subscribers will hear a confirmation tone. ACR will remain either on or off until the subscriber dials the deactivation or activation codes.

Users of Per-Call Blocking or Per-Line Blocking will not be able to complete calls to Caller ID subscribers who have activated the ACR. In this instance, the person placing a call will hear an announcement indicating that the called party does not wish to answer blocked calls. The Caller ID subscribers' telephones will not ring.

Blocked calls routed to the ACR announcement will not be rated as completed calls.

3.1.2.2.B (Cont'd)

Callers who block their telephone numbers and/or names can complete calls to the ACR-activated subscribers by:

- (1) Placing the call by unblocking the telephone number.
- (2) Placing the call through an operator, which may involve charges in addition to the cost of the call.

The live operator surcharge will be waived for the Company's customers who are victims of domestic violence, the staffs of domestic violence program agencies and emergency service personnel, while in the performance of their jobs. If the operator surcharge cannot be waived when the call is being placed, the Company will, upon notification, credit the live operator surcharge to the aforementioned party's telephone bill. Furthermore, should alternative methods become available in the future which permit the aforementioned to access the ACR party without revealing the caller's telephone number, the Company will waive any additional charges associated with some alternative methods.

3.1.2.2.C Caller ID Per-Call Blocking (PCB) will be automatically available to all customers served by the Company, free of charge on an unlimited basis. This blocking option will allow callers to block the passage of their telephone numbers and names on outgoing calls by dialing a special code, prior to making each call. When the caller activates this feature, the Caller ID subscriber's display unit will indicate that the incoming call has been blocked.

PCB will not prevent the delivery of the telephone numbers to 911 emergency service providers.

3.1.2.2.D Caller ID Per-Line Blocking (PLB) will allow callers to automatically prevent the display of their telephone numbers and names on a permanent basis unless the service is deactivated, on a per call basis, by dialing a special code. If the caller deactivates the PLB before placing a call, PLB will automatically resume after the unblocked call is completed.

PLB will be available to all customers in the Company's serving area and can only be added or removed from a customer's line by placing a service order with the Company. Initial request for PLB will be provided at no charge. Subsequent requests for PLB for the same customer and telephone number at the same address may be charged the applicable non-recurring charge(s). This non-recurring charge will be waived for customers of the Company who are victims of domestic violence, the staff of domestic violence programs and agencies, and emergency services personnel, while performing their jobs.

PLB will not prevent the delivery of telephone numbers to 911 emergency service providers.

3.2 Local Line Rates and Charges

A Local Line Customer will be charged applicable Non-Recurring and Monthly Recurring Charges as specified in Section 3.1.2.1 and 3.1.2.2 respectively. Local Line charges will vary based on the ILEC providing facilities to the Company in the Customer's exchange.

3.2.1 One-Time Charges

| | |
|---|---------|
| Set-Up Charge (per line) | \$39.00 |
| Change of Service Charge | \$25.00 |
| Calling Features are added to the customers' service during initial connection of the telephone line. If a customer wishes to either add or subtract features after their local service is connected, there will be a fee of \$20.00 to make these additions/removals from the account. | |

3.2.2 Monthly Charges (each charge is per line)

| | |
|--|---------|
| Local Line – Basic Service | \$39.95 |
| Caller ID | \$10.00 |
| Call Return *69 | \$5.00 |
| Call Forwarding | \$5.00 |
| Call Block *60 | \$5.00 |
| Call Selector | \$5.00 |
| Call Waiting | \$5.00 |
| Three Way calling | \$5.00 |
| Unlisted (Non-Published) Number | \$5.00 |
| Voice Mail | \$10.00 |
| Unlimited Long Distance | \$19.95 |
| Deluxe Calling Package | \$49.95 |
| Premium Calling Package | \$54.95 |
| Premium Plus Calling Package | \$59.95 |
| Unlimited Long Distance Bronze Package | \$64.95 |
| Unlimited Long Distance Silver Package | \$69.95 |
| Unlimited Long Distance Gold Package | \$74.95 |
| Unlimited Long Distance Platinum Package | \$79.95 |

3.3 Miscellaneous Fixed One-Time Charges

| | |
|--|---------|
| Change Telephone Number (Per Line) | \$25.00 |
| Transfer Account to New Address (Per Line) | \$39.00 |
| Reconnection Fee (Per Line) | \$25.00 |
| Late Payment Fee (Per Line) | \$10.00 |

3.4 Miscellaneous One-Time Charges

- 3.4.1 For any incidental charges which appear on the Company's billing from the ILEC (e.g., directory assistance, call tracing, etc.), the charges are passed through to the Customer plus a handling charge in an amount equal to the incidental charges (with a maximum of \$5.00 per handling charge).
- 3.4.2 For any toll or other unauthorized charges appearing on the Company's billing from the ILEC, the charges are passed through to the Customer plus a handling charge in an amount equal to the incidental charges (with a maximum of \$5.00 per handling charge)

3.5 Directory Listings

The Company shall provide for a single directory listing in the telephone directory published by the ILEC in the Customer's exchange area.

- 3.5.1 In order for listings to appear in an upcoming directory, the Customer must subscribe to service from the Company in time to meet the directory-publishing schedule.
- 3.5.2 Directory listings are provided in connection with each Customer's service as specified herein:
 - 3.5.2.1 Primary Listing: The listing shall include the first initial and last name of the Customer. The listing will not include the Customer's address.
 - 3.5.2.2 Non-published Listings: A Non-published telephone number will be furnished at the Customer's request providing for the omission or deletion of the Customer's telephone listing from the telephone directory and the directory assistance records.
 - 3.5.2.3 Charges for Non-published Listings are specified in Section 3.2.2.

3.6 Florida Telecommunications Relay Service

- 3.6.1 The Florida Telecommunications Relay Service is a relay telecommunication service for the deaf, hearing and/or speech disabled population of the State. The service permits telephone communications between deaf, hearing and/or speech disabled individuals who must use a Text Telephone and individuals with normal hearing and speech.
- 3.6.2 For calls received from the relay service, the Company will, when billing relay calls, discount relay service calls by 50 percent off of the otherwise applicable rate for a voice non-relay call except that where 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 non-relay call.

Issued: May 31, 2005
By:

Effective Date:

William E. Ferrelli, President
24 Winding Way, Suite One
Mullica Hill, NJ 08062

4 PROMOTIONAL OFFERINGS

The Company, from time to time, may make promotional offerings of its services that may include waiving or reducing the applicable charges for the promoted service. The promotional offerings may be limited as to the duration, the date and times of the offerings and the locations where the offerings are made.

Issued: May 31, 2005
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5 INTRALATA PREFERRED CARRIER FREEZE SELECTION

The Company will offer a preferred carrier freeze option to all customers on a nondiscriminatory basis regardless of the customer's carrier selection at a charge to the end user. The preferred carrier freeze option prevents a change in the end-user's IntraLATA toll provider unless the end users request a change in carrier.

End users may request a preferred carrier freeze on their IntraLATA toll service as a means of protection from unauthorized IntraLATA PIC changes. The Company will only accept preferred carriers freezes either orally or in writing from end users. The preferred carrier freeze will be offered on a per line basis.

The Federal Communications Commission and the Florida Public Service Commission accepted the use of three-way calls to remove PIC freezes when the customer's IntraLATA toll presubscription choice has been frozen. Carriers must still follow the verification procedures for PIC changes of the Federal Communications Commission (e.g., independent 3rd party verification, written letter of agency from customer, electronic authorization) and the Florida Public Service Commission (if issued). The carriers will impose and/or lift preferred carrier freeze request in accordance with Chapter 1 of Title 47 of the Code of Federal Regulation, Section 64.1190

The customer owns the exclusive right to select the PIC freeze option on a per line basis, and may choose to unfreeze their PIC at any time in order to migrate from one carrier to another at any time. The only reason a carrier may refuse to remove a PIC freeze from the line of a customer who has stated their intent to select a different carrier is if that customer has an outstanding balance on their account, or are going to go into a new billing cycle within five (5) days of the request. Once all financial obligations have been met, the PIC Freeze must be removed.

5.1 Marketing of PIC Freeze Option

The Company will not market the PIC freeze option to Customers within a 90-day period after implementation, i.e., 90 days following the Effective Date of this Price List. However, the freeze option is available during that period on Customer request.