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OF COUNSEL COMPLISSION JOHN THETENSIN VINCENT T. EARLY (1922-2001)

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November 1, 2006

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

RE: Joint Petition for Authority for Acceris Management and Acquisition, LLC (TK011) to Acquire Certain Assets of Cognigen Networks, Inc. (TJ917)

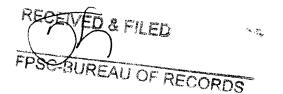
Dear Ms. Bayó:

Enclosed herewith for filing with the Commission, please find an original and six (6) copies of the above referenced Application and a Request to waive the carrier selection requirements of Rule 25-4.118.

Please date stamp the enclosed duplicate copy of this letter and return it to our firm using the postage-paid envelope provided.

Should you have any questions or concerns relating to this matter, please contact my assistant, Beth Ronfeldt, or me.

Very truly yours, EARLY, EENNON, CROCKER & BARTOSIEWICZ, P.L.C. Patrick D. Crocker PDC/bmr enc



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FPSC-COMMISSION OF FOR

Before the FLORIDA PUBLIC SERVICE COMMISSION

Petition for Authority for Acceris Management and Acquisition, LLC to Acquire Certain Assets of Cognigen Networks, Inc.

Docket No.

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JOINT PETITION FOR APPROVAL TO ACQUIRE ASSETS AND REQUEST FOR EXPEDITED APPROVAL

NOW COMES Acceris Management and Acquisition, LLC ("Acceris" or "Buyer") and Cognigen Networks, Inc. ("Cognigen" or "Seller" and collectively with Acceris, "the Parties"), by and through their attorneys Early, Lennon, Crocker & Bartosiewicz, P.L.C., pursuant to the rules and regulations of the Florida Public Service Commission ("Commission"), and hereby request that the Commission approve the acquisition by Acceris to acquire the telecommunications customer base of Cognigen and to grant such relief on an expedited basis to allow for the consummation of the transaction without undue delay. Expeditious approval of this Application will allow Acceris to promptly assume responsibility for the provision of telecommunications services to the Florida customers to be transferred, and thereby more speedily bring to Florida consumers the benefits that will inure from permitting Acceris to acquire these accounts. Applicants therefore respectfully request that approval of this Application be granted on an expedited basis and <u>not later than</u> November 30, 2006.

Acceris and Cognigen provide the following in support of this request:

The Parties

Acceris Management and Acquisition, LLC (TK011)

Acceris, a limited liability company organized under the laws of the State of Minnesota, also conducts business under the trade names Acceris Communications or WorldxChange. Acceris is a wholly-owned subsidiary of North Central Equity LLC, a privately-held Minnesota holding company. Acceris holds authorization under Section 214 of the Communications Act of 1934, as amended, to provide domestic interstate and international telecommunications service, and is authorized to provide intrastate, interexchange service in the contiguous 48 states, Hawaii and the District of Columbia, with local exchange authority in Florida, Massachusetts, New Jersey, New York, and Pennsylvania.

Acceris is a broad based communications company, serving residential, small and mediumsized business, and large enterprise customers throughout the United States. Acceris has one affiliate, New Access Communications LLC, which offers domestic local telecommunications primarily in the Qwest territories and long distance resale services in Qwest territories and several other states.

The Commission has already determined Acceris is well-qualified managerially, technically, and financially to provide telecommunications services in Florida. This information is a matter of public record in Docket No. 050428-TP, Order PSC-05-1195-CO-TP and the Parties respectfully request that it be incorporated by reference herein. Acceris provides recent financial statements as **Exhibit A**.

The principal office of Acceris is located at:

9530 Padgett Street, Suite 101 San Diego, CA 92126 Telephone: (858) 547-5700

Cognigen Networks, Inc. (TJ917)

Cognigen is a corporation organized under the laws of the State of Colorado with principal offices located at Mountlake Terrace, WA. Cognigen has authority to provide intrastate, interexchange service in 47 states, including the State of Florida as authorized on May 12, 2004 in Docket No. 04044-TI.

The principal office of Cognigen is located at:

6405 218th Street SW, Suite 305 Mountlake Terrace, WA 98043 Telephone: (425) 329-2300

Please direct any questions concerning the Parties and this application to:

Patrick D. Crocker Early, Lennon, Crocker & Bartosiewicz, P.L.C. 900 Comerica Building Kalamazoo, MI 49007 Telephone: (269) 381-8844 Facsimile: (269) 381-8822 Email: pcrocker@earlylennon.com

The Transaction

Pursuant to an Asset Purchase Agreement ("Agreement") executed on or about October 13, 2006, Cognigen agrees to sell, convey, assign and transfer to the Buyer, and Acceris agrees to purchase and accept from the Seller, the "Sale Assets" summarized as follows: (1) all of the existing residential and business customers of any type or kind that constitute the Business originating in the top 34 states by revenue as set forth in the Agreement, and all contractual or other rights of the Seller with respect to such customer accounts; (2) all the names, addresses, and other pertinent information for all of the Seller's customer lists, if any; customer agreements, customer billing and collection data and the complete customer billing history of each customer account with the Seller's or any predecessor entities; and (3) all cash and cash equivalents, proceeds of every nature, attributable to the Sold Customers accrued, due or collected after the applicable Closing Date. A copy of the Agreement appears as **Exhibit B** hereto.

After the Closing, Acceris will provide telecommunications services to Cognigen's customers pursuant to its own telecommunications authorizations. After consummation of the transactions, Cognigen will retain its telecommunications authorizations in order to continue to provide telecommunications services apart from the business being acquired by Acceris. **Thus, Cognigen does not seek to surrender its authorization at this time.** The Parties also are not requesting permission to adopt Cognigen's existing tariff. Rather, Acceris will amend its existing tariff to establish rates, terms, and conditions identical to those in the Seller's tariff for the purchased customers, thus providing a seamless transition for existing customers of Cognigen.

The proposed transfer of customers to Acceris will have no adverse impact on customers. Cognigen customers will continue to receive their existing services at the same rates, terms, and conditions that they have prior to the transfer and any future changes in the rates, terms, and conditions of service will be made consistent with Commission regulations. To avoid customer confusion and ensure a seamless transition, the Parties will provide advance written notice to the affected customers at least thirty (30) days prior to the transfer, explaining the change in service provider in accordance with applicable Commission and state regulations for changing a customer's presubscribed carrier. A copy of the sample notice of the transfer appears as **Exhibit C** attached hereto.

Public Interest Considerations

The transaction contemplated by the Agreement will serve the public interest. Acceris is a strong company that will continue to provide high quality services to Cognigen customers. The purchase of Cognigen's assets will strengthen Acceris, enable it to expand and better ensure that it remains a viable long-term competitor in the telecommunications market.

The proposed transfer does not present any competitive issues. The Parties note that there are a number of other carriers operating in each market, including the incumbent carrier, which controls a substantial market share.

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Further, Acceris has extensive experience offering interexchange telecommunications services. Consequently, the former Cognigen customers will continue to receive these services from an experienced and qualified carrier. These customers will also be given sufficient notification of the proposed transaction and their rights. As such, the Parties anticipate that customers will experience a seamless transition of service provider.

In sum, grant of the Application will serve the public interest by strengthening the competitive position of Acceris without negatively impacting either Cognigen customers or competition in the markets in which the Parties operate.

* * * * *

WHEREFORE, Acceris respectfully requests that the Commission authorize the sale of assets from Cognigen to Acceris. In addition, the Parties respectfully request expedited processing of this Petition so that the transaction may proceed without undue delay.

Respectfully submitted this 1st day of November 2006.

Acceris Management and Acquisition, LLC Cognigen Networks, Inc.

By: Patrick D. Crocker / Early, Lennon, Crocker & Bartosiewicz, P.L.C. Its Attorneys

Before the FLORIDA PUBLIC SERVICE COMMISSION

Petition for Authority for Acceris Management and Acquisition, LLC to Acquire Certain Assets of Cognigen Networks, Inc.

Docket No.

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REQUEST FOR WAIVER

Pursuant to rule 25-4.118(1), Florida Administrative Code, the local, local toll call, or long distance provider of a customer shall not be changed without the customer's authorization. Rule 25-4.118-(2) provides that a local provider or IXC shall submit a change request to the local exchange carrier only if one of the following has occurred: (a) the provider has a letter of agency from the customer requesting the change; (b) the provider has received a customer-initiated call for service; or (c) a third party firm has verified the customer's requested change. The Parties ask the Commission to waive the conditions in 25-4.118-(2) in order to allow the transfer of customers of record. The Parties have made the necessary filing with the Federal Communications Commission in accordance with streamlined procedures currently effective.

WHEREFORE, Acceris and Cognigen respectfully request that the Commission authorize the sale of assets from Cognigen to Acceris. In addition, the Parties respectfully request expedited processing of this Joint Petition so that the transaction may proceed without undue delay, and that the Commission grant such other relief deemed necessary or proper.

Respectfully submitted this 1st day of November 2006./

Acceris Management and Acquisition, LLC Cognigen Networks, Inc.

By: Patrick D. Crocker Early, Lennon, Crocker & Bartosiewicz, P.L.C. Its Attorneys

VERIFICATION

I, Jessica Newman, am the President and Chief Executive Officer of Acceris Management and Acquisition, LLC and am authorized to make this verification on its behalf. I do hereby verify that I have read the foregoing Application and the statements made therein are true, correct, and complete to the best of my knowledge, information, and belief.

Executed on the $\cancel{25}$ day of October 2006.

Commission # 1524351 Notary Public - California San Diego County fy Comm. Expires Dec 1, 2000 Acceris Management and Acquisition, LLC

ca Newman

Subscribed and sworn before me this 25th day of October 2006 Notary Public SAMI SHAKKOU ARY PUBLIC-CALIFORNI SAN DIEGO COUNTY SAM! SHAKKOUR

VERIFICATION

I, Gary L. Cook, am the Acting CEO of Cognigen Networks, Inc., and am authorized to make this verification on its behalf. I do hereby verify that I have read the foregoing Application and the statements made therein are true, correct, and complete to the best of my knowledge, information, and belief.

Executed on the $\frac{25}{25}$ day of October 2006.

Cognigen Networks, Inc.

Subscribed and sworn before me this $\frac{25}{25}$ day of October 2006.

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Notary Public



MY COMMISSION EXPIRES 4/13/2010

EXHIBIT A

Year-to-Date 2006 Financial Statements for

ACCERIS MANAGEMENT AND ACQUISITION, LLC

Filters										
Date Filter										
Currency			·							
	Jan-06	Feb-06	Mar-06	Apr-06	May-06	June-06	July-06	Aug-06	Sept-06	Acct No.
Assets										
Cesh PNC Dep acct WFF#8019339123	172,471.37	80,533.35	71,108.64	20,999.80	33,996.37	61,649.37	254,069.84	46,161.24	24,985.96	10130
PNC Payrall #0019339115 PNC Operating #8013580346	\$.788.44 2.009,353.42	1.681,711.40	1,386,622.29	1,184,200.07	1,742,625.36					10131
PNC OS checks #1017287567	2,009,353.42	1.001,711.40	1,300,622.29	1,184,200.07	1,742,020.30	1,300,165.76	1,109,792.00	1,871,825.58	1,501,755.17	10132
PNC Lockbox #8019342402	234,430.98	314,688.37	262,413.70	248,428 39	209,870.48	143,771.75	223,517.34	203,064.12	178,178.25	10135
PNC Lockbox # 8026217335 PNC AP Disb #8026218668	24,747 94 (1,233,274.77)	50,282 93 (851,363.40)	18,638.04 (1,159,565.89)	17,823.10 (423,714.74)	16,870.31 (884,455.37)	7,517.62 (1,035,359.40)	15 133 97 (970 102 27)	27,960.75 (681,744.44)	7,634.03 (837,604.06)	10136 10137
PNC Comm Disb #8026218696	(40,760.57)	(60,111.23)	(38,509.88)	(39,687.66)	(38,774.24)	(26,007.22)	(25,169.83)	{32,053.41}	(34,271.08)	1013B
PNC Tax Disb #8026218653 WF-AMA Corp Checking	(22,966.53)	(38,706.24)	(19,027.79)	(39,626 20)	(46,395.50)	(18,968.22)	(15,194.63)	(11,259 72)	(51,669.22)	10139
Total Cash	1,149,790.28	1,177,035,18	521,879.11	968,222.76	1,033,737.41	432,769.66	592,046.42	1,423,954.12	789,009.05	10499
Letters of Credit	101,945.91	285,574,13	286,609.62	287,588.03	288,770.29	289,873.95	291,018.75	292,217.51	210,223.36	10615
CD relating to bonds-AMA corp	36,000.00	36,000.00	36,000.00	36,000.00	36,000.00	36,000.00	36,000.00	36,000.00	36,000.00	10616
Total Cash Equivalents	137,945.91	321,574.13	322,609.62	323,588.03	324,770.29	325,873.95	327,018.75	328,217.51	246,223.36	10899
Accounts Receivable										
AR-LEC AR-LEC unbitled	5,126,143.95 52,063.26	4,745,099.21 49,815.57	4,400,505.42 48,735.82	4,230,095 88	4,120,110.16 49,747.42	3,993,314.16	3,698,237.49	3,441,583.87	3,137,557,51	11110
AR-Teleflex retail	833,368.97	1,138,354.97	701,439.71	955,138.88	758,012.41	43,241.53 718,134.27	45,979.70 639,106.68	38,562.36 664,998.54	77,947.25 707,973.02	11119 11210
AR-Teleflex unbilled AR-NABS local	1,691,442.27 1,008,238.22	1,487,345,69 992,984,38	1,788,256.93 929,188.70	1,555.026.20 881,914.73	1,608,914.11 848,708.92	1,553,415.33	1,492,458.91	1,458,099.58	1,388,917.77	11219
AR-NABS local unbilled	16,521.91	10,439.44	12,094.98	10,369.35	11,311,23	832,247.67 9,646.19	805,294,25 11,111,79	782,674.40 9,988.69	771,383.27 7,814.10	11250 11259
AR-DBS retail AR-DBS unbilled	1,524,037 20 305,350 10	1,385,638.75 275,349.82	1,093,826.67 312,449.80	1,250,852.88 265,073.00	1,204,238.50	1,168,146.55	986,045.88	1,122,558.72	1,135,448.50	11310
AR-Other	18,514.16	(5,801.29)	(9,716.38)	(11,982.80)	279,432.03 56,752.42	262,368.57 28,957.93	232,800.76 19,111.63	254,908.10 18,931.20	220,689.64 21,538.38	11350
AR-Cash Clearing Total accounts receivable	10,282.95	43,683.98	25,948.18 9,302,729.83	45,112.14 9,328,808.81	(45,628.92) 8,891,598.28	33,131 61 8,642,603.81	(3,034.52)	6,350.76 7,800,656.22	20,826.55	
	10,003,302,33	10,144,910.92	0,302,123.03	*,3£0,000.d1	0,091,380,28	0,042,803.61	7,927,112.57	1,000,000.22	7,491,095.99	11499
Allow for doubtful accounts Allow for bad debt-LEC	(649,124.04)	(731,850,19)	(709,723.13)	(682, 113, 94)	(680,070.96)	(704,480.31)	(529,941.63)	(509 705 06)	1407 022 46	44540
Allow for bad debt-LEC unbilled	(043,124.04)		(105,123,13)		(000,070,90)	(704,480.31)	[529,941.03]	(508,705.06)	(497,032.45)	11510
Allow for bad deb-Telefx retal Allow for bad debt-Telefx unbilled	(225,936.50)	(269,613.07)	(261,803.15)	(299,790.06)	(249,814.23)	(228,271.90)	(194,493.00)	(174,676,64)	(156,579,53)	
Allow for bad debt-NABS	(534,828.78)	(573,171.77)	(573,171.77)	(604,886 73)	(604,866.73)	(651,491.00)	(571,491.00)	(571,491.00)	(571,491.00)	11619
Allow for bad debt-DBS retail	(82,255 31)	(87,298.03)	(86,486.44)	(90,928.62)	(95,072.12)	(99 168 06)	(103,010.79)	(107,251.37)	(110,695.47	11710
Total allow for doubtful accts	(1,492,144.63)	(1,661,933.06)	(1,631,184.49)	(1,677,719.35)	(1,629,844.04)	(1,683,411.27)	(1,398,936,42)	(1,362,124.07)	(1,335,798.45	11899
Accounts receivable-Net	9,093,818.36	8,450,977.46	7,671,545.34	7,651,089.46	7,261,754.24	6,959,192.54	6,528,176.15	6,438,532.15	6,155,297.54	11999
Inventory	<u></u>	2,318.85				-			{	12010
Other currents assets Prepaid expenses										
Prepaid employee adv		400.00				3,500.00				13005
Prepaid rent Prepaid insurance	116,932.47	17,047.80 91,528.69	17,047.80 74,333.04	17,047.80 57,137.39	39,941,74	116,494,59	106,785.44	98,062.54	63,645.65	13010 13020
Prepaid maintenance	88,451.51	67,366.42	72,635.88	71,535.52	56,831.89	77,707.12	59,712.42	47,398 09	41,659.20	13040
Prepaid telecom bills Prepaid other	28,254.56	26,684.41	21,829.26	18,371.11	16,010.96	10,045.89	17,647.69	13,041.66	18,839.39	13080
Total prepaid	233,638.54	223,027.32	185,845.98	164,091.82	112,784.59		184,145.55	158,502.29	124,144.24	
Deposits	845,102.46	871,548.58	885,548.58	808,089 96	728,289.24	729,389.24	729,259.24	487,038 27	487,038.27	13110
Deferred financing costs	240,242.74	220,219.84	288,501.83	263,529.61	238,557.40		188,612.98	163,640.77		13130
Other current assets Total other current assets	1,318,983.74	1,314,795.74	1,359,896.39	1,235,711.39	1,079,631.23	1,150,722.03	1,102,017.77	809,181.33	749,851.07	13290
Total current assets	11,700,538.29	11,276,701.36	9,875,930.46	10,178,611.64	9,699,893.17	8,868,558.18	8,549,259.09	8,999,885.11	7,940,381.02	14999
Intercompany accts-net NCE	ļ							1		15050
Furn, fix,equip & software										
Telecommunications equipment	4,945,558.51	4,953,224,29	4,904,268.06	4,927,544 33	4,849,819.97		4,853,698.67			
Furn, fix & office equipment	203,234.31	201 619.97 1,451,113.75	201,619,97	200,800.25	246,935,18		246,935.18			
Computer equipment Building/ leasehold improvemts	38,513.62	38,513.62	38,513.62	38,513.62	81,407.28	81,912.78	81,912,78	81,912.78	81,912.78	16030
Software and information sys	519,859.75 7,159,939.92	524,495.86 7,168,967.49	524,495,86 7,120,011.26	524,495 86 7,138,417.91	523,784,12 7,149,010.40		523,784.12 7,147,248.50	523,784.12 7,130,818.01		
Tot furn, fix,equip & software	1,139,939.92	1,100,307.45							1	
Accumulated depreciation	1225 660 67	(418 535 80)	(495 159 58)	(577 654 63)	(647 D48 73	(729 736 35	(812 536.67	(892,325,26	(974.851.65	16110
Accum depr-telecomm equipment Accum depr-furn, fix & off equ	(335,669.67) (9,732.52)	(418,525,89) (12,069,55)	(14,483 46)	(16,750.98)	(19,122.99	(22,332.80	(25,542.58	(28,752.39	(31,962.17) 16120
Accum depr-computer equipment Accum dept-build/leasehold imp	(160,139.16) (1,833.96)	(200,303.48)	(240,652,14)	(280,213.44)) (440,495,78) (41,390,64	(480,512.54	16125
Accum depr-software & info sys	(57,762.44)	(72,203.00)	(86,643.54)	(101,084.12)	(115,366.50	(129,916.10	(144,465.62) (159,015.24	(173,564.71) 16140
Total accumulated depreciation	(565,137.75)	(705,394.37)	(848,286.47)	(996,106.21)	(1,132,161.03	(1,282,614.61	(1,423,690.60	(1,561,979.31) (1,703,005.32	16199
Furn, fix,equip & software-Net	6,594,802.17	6,463,573.12	6,271,724.79	6,142,311.70	6,016,849.37	5,865,529.99	5,723,557.90	5,568,838.70	5,427,812.69	16299
	+				<u> </u>					
Intangible assets-Sub to amort Customer List-AMA Corp	+				<u> </u>				+	17015
Direct cont & relations (60 mth)	2,423,295.37	2,423,295.37	2,323,295.37	2,323,295.37	2,323,295.37	2,323,295.37	2,323,295.37	2,323,295.37	2,323,295.37	17020
Transpoint Agent relationships Total intangibles-Sub to amort	2,423,295.37	2,423,295.37	2,323,295.37	2,323,295.37	2,323,295.37	2,323,295.37	2,323,295.37	2,323,295.37	2,323,295.31	
	<u> </u>				l					+
Accumulated amortization AA-Customer List-AMA Corp	+			1						17115
AA-Direct cont&relation (60 mth)	(403,882.56)	(504,853,20)	(580,823.82)	(677,627.79	(774,431.76	(871,235 73	(968,039.70	1,064,843 67	(1,161,647.64	17120

Filters	1								·····	
Date Filter						······································				
Currency										
	Jan-06	Feb-06	Mar-06	Apr-06	May-06	June-06	July-06	Aug-06	Sept-06	Acct No.
AA-Transpoint agent relationsh										17140
Total accumulated amortization	(403,882.56)	(504,853.20)	(580,823.82)	(677,627.79)	(774,431.76)	(871,235.73)	(968,039.70)	(1,064,843.67)	(1,161,647.64)	17199
Intang assets-sub to amort-Net	2,019,412.81	1,918,442.17	1,742,471.55	1,645,667.58	1,548,863.61	1,452,059.64	1,355,255.67	1,258,451.70	1,181,647.73	17299
						and the second second	es esta de la companya de la company		aleatone.	
Goodwill										17350
Intangible assets-Net	2,019,412.81	1,918,442.17	1,742,471.55	1,645,667.58	1,548,863.61	1,452,059.64	4 345 355 67	4 959 454 70		
interigible assets-tree	2,013,412.01	1,510,442.17	1,742,471.33	1,045,007.58	1,548,863.01	1,432,059.64	1,355,255.87	1,258,451.70	1,161,647.73	17499
Other assets										·
LT deposits LT deferred financing costs	491,075.89	470,011.89	470,011.89	470,011.89	450,360.89	450,360 B9	250,360.89	233,852.89	233,852.89	18020
Other assets										18030
Total other assets	491,075.89	470,011.89	470,011.89	470,011.89	450,360.89	450,360.89	250,360.89	233,852.89	233,852.89	18090
T-1-1 0										
Total Assets	20,805,829,16	20,128,728.54	18,360,138.69	18,436,602.81	17,715,967.04	16,636,508.70	15,878,433.55	16,061,028.40	14,763,694.33	19999
Llabilities			·····			·				II
Accounts payable										
Accounts payable-Trade Accounts payable AMA corp	2,004,825.93	2,079,504.01	1,581,097.12	1,856,782.59	1,338,937.37	980,869.22	1,153,951.58	951,984.10	798,215.34	20110
Accounts pay-T&E (payrl reimb)			140.99			1,983.95				20115 20120
Accounts pay-suspense	59,769.12	59,675.64	59,675.64	59,675.64	59,675.64	60,999.61	60,999.61	60,999.61	60,999.61	20125
Accounts payable - accrued Total accounts payable	15,532.91 2,080,127.96	(8,862.56) 2,130,317.09	(13,612.76) 1,627,300.99	1,563.24 1,918,021.47	31,529.57	56,943.42	50,907.57	53,264.27	(6,554.26)	
Payable	08.121,000,2	4, 10, 11, 09	1,027,300.89	1,010,021.47	1,430,142.58	1,100,796.20	1,265,858.76	1,066,247.98	852,660.69	20999
AP - Intercompany NCE	929,101.69	867,118.02	855,331.03	745,215.19	622,790.74	587,342.33	(46,026.51)	11,049.22	39,137.53	21010
Accrued liabilities Accrued network-bill verif	2,636,795.48	2,810,827.06	2,772,700 61	2 973 777 04	3 654 356 60	1 000 000 00		0.000 100 01		
Accrued network	60,837.75	72,626.06	89,547.38	2,873,722.04 39,163.08	2,651,356.89 66,264.36	2,623,653,63 84,530.86	2,237,124 81 123,934 50	2,382,465.34 92,559.21	2,442,561.44 39,336.31	21110 21112
Accrued Disputes-D										2112
Accrued Disputes-C	60,698 23	75,512.73	101,804 43	108,908.98	70,160.45	80,724.74	93,178.42	86,316,46	103,686.91	21121
Accrued payroll Accrued vacation	53,925.75 364,599.98	56,666,14 361,371,12	80,439.35 366,310.68	76,194.90 372,349.96	104,451.04 370,635.98	39,240.45 339,555.59	42,017.79 305,467.89	56,179,79 278,694.58	62,392.45	21210
Accrued bonus	504,535.60	301,371,12		372,343.80	370,033.96	339,555,59	303,407.89	278,034.36	281,069.66	21220
Accrued payroll taxes										21225
Accrued benefits	3,600.00	6,872.14	14,202.42	12,142.52	(4,531.14)	12,758.42	11,027.76	6,316.00	(6,542.00)	
Accrued 401K Accrued commissions-inside	21,100.00	8,800.00	3 200 00	9,032.75	14,232.75	6,232.00	4,732.00	4,773.33	4,748.13	21235 21240
Accrued commissions-outside	360,112.45	284,199.79	309,124.26	223,611.48	229,471.73	227,330.03	224,999.54	246,662.99	225,624.54	21310
Accrued rent/utilities	24,008.00	22,278.00	19,652.88	19,540.00	34,186.09	48,991.71	96,134.08	134,053.30	103,882.56	21410
Accrued insurance	10,985.00	10.627.50	19,219 00	5,200.00	5,200.00	5,200.00	5,200.00	5,200.00	4,500.00	21420
Accrued legal Accrued travel	4,350.00	3,500.00	3,150.00	2,950.00	2,800.00	5,226.88	7,485.42	4,794.02	3,350.00	
Accrued SG&A-other	45,242.37	43,568.29	42,819.00	39,868.00	40,346.46	39,425.50	35,069.50	39,011.50	42,073.00	21490
Accrued billing & collections	538,313.82	522,181.80	516,110.29	519,634.30	488,434 30		519,091.79	501,396.27	463,755.33	21510
Accrued USF Accrued sales & use/excise tax	1,691,427.14 715,980.33	1,809,280.74 615,022.30	1,900,659.33 466,052.85	2,007,843.91 460,708.04	2,160,497.52 473,918.58		1,922,716.81 414,138.57	90,945.48 361,397.02	85,576.27 293,400.99	21610 21620
Accrued regulatory fees	91,136.71	107 146 14	119,815,10	128,477.11	143,677.63		174,971.37	158.312.02	147,620.47	21630
Accrued property taxes	37,500.22	45,024.88	43,854,46 7,663,11	37,463.95	48,244.79 9,599.13		47,240.44	47,240.44	46,992.59	21650
Accrued rent escalation Accrued customer deposits	5,751.01	6,964.14 47,700.00	48,700.00	8,511.84 46,000.00	11,000.00		13,416 86 11,250 00	15,153.25 11,250.00	11,250,00	
Accrued customer refunds		8,110.55				(23.21)	(23.21)			21755
Accrued restructuring	26,938.71	30,600.00	30,594.66	30,594.66	89,753.93	103,227.46	94,888.52	77,201.16		21785
Accrued Liab-First Com Accrued interest	86,370.64	120,437.73	71,151 69	84,972.96	119,913.91	60,618.62	1.054.591.45 63,313.09	1,119,288.03 111,654.44		
Total accrued liabilities	6,887,373.59	7,069,317.11	7,026,771.50	7,105,890.48			7,521,967.40	5,830,864.63		
Unearned revenue	793,138.39	722,610,18	673,327.68	654,960.11	623,593.40	567,984.99	543,887.73	527,702.58	521,462.73	22010
Curr portion of notes payable		t			1	1	1	1	1	
Note payable Marquette Revolver	3,753,109.79	3,861,251.15	3,124,188.57	3,332,482.51	3,646,617.37	3,211,435.30	2,392,831.85	2,688,823.54	1,618,307.54	24120
Note payable AMA Revolver						-		1,748,048.45	1,647,521.26	24125
Note payable USF Note payable NCE						1		1,140,040.45	1,047,021.20	24130
Note payable Info Directions	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00	100,000.02	91,666,69	83,333.36	75,000.03	24140
Note payable Concretio			E 052 000	F 050 000 -0	E 050 000 00	E 050 700 70	E 050 000 00	E 0E0 000 00	5,950,000.00	24145
Senior secured bridge loan Total current of notes payable	5,950,000.00 9,803,109.79	5,950,000.00 9,911,251.15	5,950,000.00 9,174,188.57					5,950,000.00		
Total current of hotes payable	2,000,100.13									1
Total current liabilities	20,492,851.42	20,700,613.55	19,356,919.77	19,807,569.76	19,502,758.49	18,553,196.80	17,720,185.92	17,906,069.76	16,614,633.26	25999
Notes payable			+	├ ───	+	<u> </u>			+	+
Senior secured bridge loan-LT			<u> </u>							26120
Convertible subordinated debt	2,750,000.00	2,750,000.00	2,750,000 00	2,750,000.00		2,750,000.00	2,750,000.00	2,750,000.00	2,750,000 00	26125 26130
USAC Deferred Paymt Plan-LT	1,077,108.74 41,666.67	810,842.07 33,333.34	542,578.39 25,000.01	272,302.74	8,333.35		<u> </u>	+	1	26130
Note payable-LT InfoDirections Note payable-LT Concretio	1,000.07						1			26145
Total Notes Payable	3,868,775.41	3,594,175.41	3,317,578,40	3,038,969.42	2,758,333.35	2,750,000.00	2,750,000.00	2,750,000.00	2,750,000.00	
Total Llabilities	24,361,626.83	24,294,788.96	22,674,498.17	22,846,539.18	22,261,091.84	21,303,196.80	20,470,185.92	20,656,069.76	19,364,633.26	29999
i otar Liaburnes	24,301,020.83	27,234,700.90	44,07 4,400. H			21,000,100.00	20,0,0,100.02			
Equity		L		+						
NCE's investment in AMA	(2,889,691.66)	(2,689,691.66)	(2,889,691.66)	(2,889,691.66	(2,889,691.66	(2,889,691.66	(2,889,691 66	(2,889,691.66	(2,889,691.66	31010 33010
Retained earnings - PY Net Income Retained earning - CY Net Income	(666,106.01)			(1,520,244.71	(1,655,433.14		(1,702,060.71) (1,705,349.70	(1,711,247.27	33020
Total Equity	(3,555,797.67)) (4,545,124.80					39999
			18,360,138.69	18,436,602.81	17,715,967.04	16,636,508.70	15,878,433.55	16,061,028.40	14,763,694.33	+
Total Llabilities and Equity	20,805,829.16	20,128,728.54	10,300,138.69	10,436,602.81	111112967.04	10,036,508.70	13,0/8,433.55	10,001,028.40	14,103,034,33	

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Bill Bill Bill Bill Bill				the second second second second second						1,569,948	1,612,051	1,453,882	4,635,880	15,289,655
Bill Bill Bill Bill Bill	Dir bill var voice-rev rec adj	(31,221)	18,906	(15,375)	(27,690)	(14,673)	(6,173)	912	(19,934)	3,781	6,070	(8,583)	1,269	(46.355)
Lill Burgel Adden fam. 09.841 56.425 56.425 172.90 65.100 172.90 67.200	Dir bill var voice-USAC	159,788	141,206	158,155	457,149	144,149	137,759	132,297			140 233			
ref ar verse menuel eq ref ar	Dir bill var-USAC Admin fee	63.641	56.425	56,628	176.693									
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Next Media Control Contro Control <thcontrol< th=""> <</thcontrol<>		2,201,040	2,000,000	2,200,700	0,040,001	1,343,711	1,044,050	1,530,225	5,010,039	1,030,273	1,039,081	1,650,215	5,388,175	17,752,402
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Jane Mark Mark Jane 1 Jane 1 <thjane 1<="" th=""> <thj< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td>(24,879)</td><td>(22,454)</td><td>(81,781)</td><td>(18,219)</td><td>(10,750)</td><td>(9,697)</td><td>(38,665)</td><td>(209,648)</td></thj<></thjane>							(24,879)	(22,454)	(81,781)	(18,219)	(10,750)	(9,697)	(38,665)	(209,648)
See: March 2000 Sold, Shi 1		832,317	784,892	843,797	2,461,006	730,717	_751,184	678,182	2,160,083	668,174	639,116	643,383	1,950,672	6,571,761
withed date-man adj 200 238,411 338,911 149,0412 298,172 298,172 298,172 298,172 298,172 298,172 298,172 298,172 298,172 298,172 298,172 298,172 298,172 198,263 993,264 993,272 191,206 276,401 358,401 993,263 193,476 276,411 153,460 256,111 266,101 276,921 276,176 276,176 276,176 276,176 276,176 276,176 276,176 276,176 276,176 276,176 276,177 192,075 276,177 192,075 276,177 192,075 276,177 192,075 276,177 193,076 163,350 166,255 113,860 277,174 153,860 257,174 153,860 166,257 113,860	Direct billed fixed data									A	·			
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and decel bilef fined 396,810 336,811 336,711 1064/12 286,72 286,320 277,440 856,346 255,272 112,264,005 286,424 790,140 255,370 Cf Jahd undab voice 177,4118 145,553 151,3400 125,5141 115,460 37,4031 122,151,71 115,460 37,4031 122,151,71 115,460 37,4031 122,151,71 115,460 37,4031 122,151,71 115,460 37,4031 122,151,71 115,460 37,4031 122,151,71 115,460 126,521 114,856 114,	Dir billed fixed data-man adj						1		1				1	
Chald decal billed fixed 1,197,127 1,122,702 1,122,898 3,301,418 1,202,109 95,200 3,016,929 932,844 903,722 912,206 2,740,413 5,225,160 EC billed vandee-variation 1,748,118 1,445,662 1,815,476 4,447,227 1,485,583 1,315,406 1,552,486 3,742,481 1,152,408 3,746,483 1,727,641,71 1,152,408 3,762,493 1,727,641,71 1,152,408 3,763,493 1,227,611,71 1,227,611,71 1,227,611,71 1,227,611,71 1,227,611,71 1,22,207 2,237 6,330 4,233,4300 1,953,145,71 1,444,444 1,452,728 4,445,441 1,452,728 4,444,444 1,452,728 4,445,441 1,452,728 4,444,444 1,452,728 4,445,441 1,452,728 4,444,444 1,452,728 4,444,444 1,452,728 4,444,444 1,452,728 4,444,744 1,452,728 4,444,744 1,452,728 4,444,744 1,452,728 4,444,744 1,452,744 1,452,744 1,452,744 1,452,744 1,452,744 1,452,744 1,452,744 1,452,744	Total direct billed fixed data	364.810	336.811	338.791	1,040,412	298.172	280.926	277 74R	856 846	255 711	264 604	269 824	700 140	2 687 300
<i>E.C. bind starbabe volce</i> 1.136 1														
EC biles dura volce-terffic 1/26,178 1/46,262 1.013/178 4.447.227 1,444.220 1,396,894 (135,558 1,139,409 1,275,414 1,153,408 1,376,351 12,751,176 (25.194 volce-terrere) 4.64,059 (45,059) (16,027) 140,010 117,596 4.2472 134,175 120,270 122,489 (15.350 (65.327) (160,227) 138,448 1.133,298 1.255 (11.138,298 1.255 (11.13				.,,		-,020,030	.,002,110	333,330	3,010,323	- 323,004	303,122	313,200	2,140,013	9,209,160
EC bill var vicke erv rec end (64.065) (94.307) (70.754) (223.150) (65.316) (56.379) (26.339) (165.326) (45.339		1 740 440	1 495 662	1 613 479	4 947 757	1 444 333	1 305 001	1 245 400	1 4EE 500	4 340 400	4 975 44 4	4 450 400	0.740.00	
EC billed var volce-USAC 166.07 140,760 147,866 442.472 154.75 120,720 12244 377,388 116,255 14,496 105,257 158,249 1,220 0,224 2,257 6,398 2,213 2,044 158,208 1,322,086 1,322,														
BC billed war voice 5183 2,549 1,820 9,552 1,729 2,287 5,289 2,213 2,004 1,855 6,200 220 BC billed field MRC 230,610 214,020 224,224 667,284 214,699 1,213 4,255,811 1,72,625 1,850,20 1,851,91 3,72,625 2,78,55 2,78,65 2,79,07 0,607 5,743 19,742 9,101 Stoced monore income														
otal LEC billed var volee 1,485,371 1,642,313 6,662,132 1,446,474 1,465,723 1,417,235 4,355,631 1,772,605 1,343,000 1,195,919 3,310,796 1,338,726 bernise 91,171 84,738 81,880 227,889 91,509 76,544 80,417 251,530 75,241 86,749 72,855 216,645 778,625 526,725 216,645 778,625 526,725 216,645 778,726 778,726 778,726 778,726 778,726 778,726 778,726 778,726 778,726 778,726 778,726 778,726 778,726 778,726 778,726 77,199 6,607 5,743 197,722 91,010 Intercorrenance														
EC based fined-MRC 223,610 216,020 224,244 672,844 214 (199) 210 (138) 625,756 628,633 194,719 185,740 723,862 554,421 1,952,246 Utber deleard revenue 91,171 84,738 81,880 237,890 91,569 725,44 60,417 251,530 75,241 66,749 72,862 554,421 1,952,246 Mail code treenae 0							2,287	2,257	6,336	2,213	2,004	1,983	6,200	22,088
Semina 91,171 84,738 81,800 227,889 91,569 79,544 80,17 251,530 75,241 68,749 72,855 216,845 726,264 belt add revenue belt add revenue <td< td=""><td>Total LEC billed var voice</td><td>1,855,312</td><td>1,534,690</td><td>1,662,131</td><td>5,052,132</td><td>1,484,874</td><td>1,459,723</td><td>1,411,235</td><td>4,355,831</td><td>1,372,605</td><td>1,343,000</td><td>1,195,191</td><td>3,910,796</td><td>13,318,760</td></td<>	Total LEC billed var voice	1,855,312	1,534,690	1,662,131	5,052,132	1,484,874	1,459,723	1,411,235	4,355,831	1,372,605	1,343,000	1,195,191	3,910,796	13,318,760
Venue 91,171 84,738 81,890 237,889 91,569 79,544 80,177 25,150 75,241 68,749 72,855 216,845 728,864 balt cad revenue	LEC biled fixed-MRC	230,610	218,020	224,264	672,894	214,999	210,138	203,796	628,933	194,719	185,840	173,862	554,421	1,856,248
Uther Velocionar revenue Image: Construction of the second o	Premise	91,171	84,738	81,980	257,889	91,569	79,544	80,417	251,530	75,241	68,749	72,855		
Debit carryenue (discount) (stal alter vereue (stal alter vereue) (stal alter vereue (stal alter vereue (stal alter vereue (stal alter vereue (stal alter vereue) (stal alter vereue (stal alter vereue (stal alter vereue) (stal alter vereue (stal alter vereue) (stal alter ve	Other telecom revenue										·			
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Vir Interstate Access MEB 16,718 16,158 9,996 42,872 9,245 12,603 6,556 28,405 7,193 6,007 5,743 19,742 91,018 intecorpany revenue								ł			1			
Intercompany revenue Intercomp		16 718	16 158	9.996	42 872	9 245	12 603	6 556	28 405	7 193	6 807	5 743	19 742	91 018
Intercorrevenue Intercorrevenue Späc 2, 50 Späc 7, 720 16,072,591 4,773,288 4,739,017 4,588,163 14,100,467 4,411,916 4,407,804 4,011,073 12,830,792 43,003,861 ALM agent membership fees 11,788 8,439 20,227 2,160 2,160 49 22,2387 700,725 5,367,720 5,367,720 5,367,720 5,367,720 5,367,720 5,367,720 5,367,720 6,148,247 1,798,288 4,739,017 4,589,627 4,411,916 4,407,804 4,011,723 4,582,862 1,582,627 1,243,028,277 4,419,216 4,407,804 4,011,723 1,242,052 1,243,042 1,233,461 4,202,827 4,419,916 4,407,804 4,011,723 1,422,828,828 1,582,627 1,798,288 1,558,617 1,559,557 5,002,469 1,611,150 1,599,147 </td <td></td> <td></td> <td>10,150</td> <td>0,000</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>0,007</td> <td></td> <td>1</td> <td></td>			10,150	0,000							0,007		1	
Intercompany revenue 5,662,280 5,567,290 16,072,591 4,773,288 4,739,017 4,568,163 14,100,467 4,411,916 4,407,804 4,011,073 12,830,792 43,003,851 Uher revenue 11,768 8,439 20,227 2,160 2,160 4,411,916 4,407,804 4,011,073 12,830,792 43,003,851 Otal other revenue 5,654,370 5,070,729 5,357,720 16,092,818 4,773,288 4,739,017 4,590,323 14,102,627 4,411,916 4,407,804 4,011,122 12,830,841 43,026,287 Colat of goods soid						· · · ·	·	<u> </u>						
total tencom revenue 5,642,582 5,062,290 5,387,720 16,072,591 4,773,288 4,739,017 4,588,163 14,109,467 4,411,916 4,407,804 4,011,073 12,830,792 43,003,851 Direr revenue 11,788 8,439 20,227 2,160 2,160 4,411,916 4,407,804 4,011,073 12,830,792 43,002,827 Otal other revenue 5,564,370 5,070,729 5,547,720 116,092,818 4,773,288 4,733,281 4,102,827 4,119,16 4,407,804 4,011,122 12,830,841 43,026,287 Cold of goods sold					· · · · · · · · · · · · · · · · · · ·	· · · ·								
Intervenue Interve				6 263 300	40.070 504	(772 200	4 770 047	4 500 402	14 400 467	4 444 016	4 407 804	4 011 072	12 020 702	42 002 061
ALM agent membership fees 11,766 8,439 20,227 2,160 2,160 49 49 49 49 Orbal other revenue 11,788 8,439 20,227 2,160 2,160 49 49 49 49 49 49 49 422,435 Orbal other revenue 5,654,370 5,077,729 15,092,481 4,773,288 4,739,017 4,590,323 14,102,627 4,411,916 4,407,804 4,011,122 12,830,841 43,026,287 Cost of goods sold 2,248 15,877,63 273,742 866,389 278,323 258,479 254,740 791,542 253,546 254,645 232,164 740,355 2.288,286 15,852,660 1611,550 1,599,147 1,472,189 4,662,886 15,852,660 1611,550 1,599,147 1,472,189 4,662,886 15,852,660 1611,550 1,599,147 1,472,189 4,662,886 1,582,3602 1,511,113 392,737 1,472,189 4,662,886 1,582,3602 1,511,113 392,737 3,7372 1,077,246 3,397,27<		5,642,582	5,062,290	5,367,720	16,072,591	4,773,288	4,739,017	4,588,163	14,100,467	4,411,916	4,407,804	4,011,073	12,030,792	43,003,831
Dimer Other revenue 11,788 8,439 20,227 2,160 2,160 49 49 49 49 49 49 49 49 49 22,227 2,160 2,160 2,160 49 49 49 22,237 4,30,26,287 Cotal cher revenue 5,654,370 5,070,729 5,367,720 16,092,818 4,773,288 4,733,288 4,733,288 4,733,283 14,102,627 4,411,916 4,407,804 4,011,122 12,830,841 43,026,287 Cost of goods sold 2,244,105 1,897,669 2,002,472 6,148,247 1,798,285 1,058,617 761,542 253,546 254,145 252,116 740,355 2,386,280 15,922,800 1,511,550 1,599,147 1,472,189 4,682,886 15,922,800 1,987,933 39,147 4,932 2,082,480 14,939 39,765 2,202,472 6,149,939 1,474,950 1,989 4,91,949 39,765 2,270,42 2,989,401 1,424,600 1,141,413 39,2749 2,199,241,1413 39,2737 367,														00.007
Otal other revenue 11,788 8,499 20,227 2,160 2,160 49 49 22,436 Otal revenue 5,654,370 5,070,729 5,367,720 16,092,818 4,773,288 4,739,017 4,590,323 14,102,627 4,411,916 4,407,804 4,011,122 12,330,841 43,026,287 Cost of goods sold		11,788	8,439		20,227			2,160	2,160	L				
Total revenue 5,654,370 5,070,729 5,367,720 16,092,818 4,73,288 4,73,288 4,73,288 4,73,288 4,411,916 4,407,804 4,011,122 12,830,841 43,026,287 Cost of goods sold	Other						L	· · · · · · · ·						
Cost of goods sold Cost of	Total other revenue	11,788	8,439			1								
Variable costs Variabl	Total revenue	5,654,370	5,070,729	5,367,720	16,092,818	4,773,288	4,739,017	4,590,323	14,102,627	4,411,916	4,407,804	4,011,122	12,830,841	43,026,287
Variable costs Variabl							l							
Variable costs Variabl	Cost of goods sold							1				L		
Instruct 2,248,105 1,897,669 2,002,472 6,148,271 1,798,285 1,658,617 1,635,567 5,092,469 1,611,550 1,599,147 1,472,189 4,862,886 176,933,202 JSAC 306,894 275,753 273,742 856,389 278,323 258,479 254,470 791,522 253,546 254,645 232,146 140,355 2,388,286 Vetwork commissions/credits (1,902) (728) (579) (3,200) (590) (4,449) (720) (6,159) (760) (151) (169) (1,000) (10,445,249) (10,201) (10,92) (10,80,294) (10,200) (591) (140,70) 332,3740 2,233,287 7,103,117 2,273,287 2,223,280 2,056,456 6,559,172 21,968,851 Fixed coxts - Telecom 19,062 16,811 17,870 53,763 5,715 9,406 11,811 11,811 11,811 11,811 11,811 11,811 11,811 11,811 11,811 11,811 11,811 11,811 11,811 11,812					1	I	1	1				<u> </u>		
SAC 306,094 275,753 273,742 856,389 276,323 258,479 254,740 791,542 253,546 254,645 232,164 740,355 2.388,268 ARC 21,116 18,622 21,334 61,072 34,188 20,086 19,877 74,122 2.363 2.502 14,899 39,765 174,959 Vetwork commissions/credits (1,902) (726) (578) (4,249) (720) (6,159) (760) (1151) (169) (1,002) (10,445 Circuits-Customer 3,012,643 2,593,054 2,700,955 8,306,562 2,486,090 32,23740 2,233,287 7,103,117 2,279,436 2,223,280 2,056,456 6,559,172 21,968,851 Freed costs, Telecom 3,012,643 2,593,054 2,700,955 5,715 9,406 11,811 26,932 11,811 11,811 11,811 33,432,449 116,126 Circuits 436,277 397,769 288,460 1,122,506 232,258 242,190 241,424 715,873		2 248 105	1 897 669	2.002 472	6,148,247	1,798 285	1.658 617	1.635 567	5,092,469	1,611.550	1,599,147	1,472,189	4,682.886	15,923,602
ARC 21,116 18,622 21,334 61,072 34,158 20,086 19,977 74,122 22,363 2,502 14,899 39,765 174,959 Vetwork commissions/credits (1,902) (726) (578) (3,206) (590) (4,849) (720) (6,159) (760) (151) (169) (1,000) (10445) Cincuits-Customer 438,330 401,736 403,994 1,244,060 375,913 391,407 382,823 1,151,143 392,737 37,372 1,097,246 5,495,492 1,097,246 5,492,492 2,233,807 7,103,117 2,279,436 2,223,280 2,056,456 6,559,172 21,968,851 Vetwork 19,062 16,811 17,870 53,763 5,715 9,406 11,811 26,932 11,811 11,811 11,811 39,466 628,515 2,464,893 Vetwork 436,277 397,769 288,460 1122,506 232,258 242,190 241,424 715,873 159,680 236,648 230,186 661,946<														
Network (1,902) (729) (578) (3,206) (590) (4,849) (720) (6,159) (760) (151) (169) (1,080) (10,445) Circuits Customer 438,330 401,736 403,994 1,244,060 375,913 391,407 383,823 1,151,143 392,737 367,137 337,377 1,097,246 3,492,449 Total var costs - Telecom 3,012,543 2,593,054 2,700,965 8,306,562 2,486,090 2,323,740 2,293,287 7,103,117 2,279,436 2,223,280 2,056,456 6,559,172 21,968,851 Network 19,082 16,811 17,870 53,763 5,715 9,406 11,811 18,811 11,811 11,811 11,811 35,432 116,126 Orcuta 436,277 397,769 288,460 1,122,506 232,258 242,190 241,424 715,873 159,680 236,648 230,186 661,946 2,581,019 Switch site -ent/utilites/etc 106,094 107,118 99,401 312,812														
Circuits Customer 438,330 401,736 403,994 1,244,060 375,913 391,407 388,823 1,151,143 392,737 367,137 337,372 1,097,246 3,492,449 Total var costs - Telecom 3,012,543 2,593,054 2,700,965 8,306,562 2,486,090 2,323,740 2,293,287 7,103,117 2,279,436 2,223,280 2,056,456 6,559,172 21,968,851 Free costs - Telecom 19,082 16,811 17,870 53,763 5,715 9,406 11,811 26,932 11,811 11,811 35,432 116,126 Vetwork 436,277 397,769 288,460 1,122,506 232,258 242,190 241,424 715,873 159,680 236,648 230,186 626,515 2,444,833 Vetwork 455,359 414,579 306,330 1,176,268 237,973 251,597 253,235 742,804 171,491 248,459 241,996 661,946 2,581,019 Switch site - ent/utilities/etc 106,094 107,118 99,401 312,612 </td <td></td>														
Inclusion 3,012,543 2,593,054 2,700,965 8,306,562 2,486,090 2,323,740 2,293,287 7,103,117 2,279,436 2,223,280 2,056,456 6,559,172 21,968,851 Freed costs - Telecom 19,082 16,811 17,870 53,763 5,715 9,406 11,811 26,932 11,811 11,811 35,432 116,126 Vetwork 436,277 397,769 288,460 1,122,506 232,258 242,190 241,424 715,873 159,680 236,648 230,186 626,515 2,464,893 WRC Total ver cover 455,359 414,579 306,330 1,176,268 237,973 251,597 253,235 742,804 171,491 248,459 241,996 661,946 2,581,019 Switch sites 107,118 99,401 312,612 83,726 87,125 77,487 248,339 107,152 79,966 74,327 261,445 822,395 Switch site ent/utilities/etc 106,094 107,118 99,401 312,612 83,726														
Name Construction														
Network 19,082 16,811 17,870 53,763 5,715 9,406 11,811 26,932 11,811 11,811 35,432 116,126 Vaintenance 19,082 16,811 17,870 288,460 1,122,506 232,258 242,190 241,424 715,873 159,680 236,648 230,186 626,515 2,464,893 MRC 455,359 414,579 306,330 1,176,268 237,973 251,597 253,235 742,804 171,491 248,459 241,996 661,946 223,95 Switch site - other 17,344 17,344 6,331 41,019 6,331 12,929 12,929 32,189 151,188 15,188 15,481 131,445 822,395 Switch site - other 17,344 17,344 6,331 41,019 6,331 12,929 12,929 32,189 15,188 15,188 15,481 15,481 13,411 31,442 8,9792 307,266 941,444 Total switch sites 123,348 124,462 105,732<		3,012,543	2,593,054	2,700,965	8,300,562	2,400,090	2,323,740	2,293,281	1,103,117	2,213,430	2,223,200	2,000,400	0,333,172	41,300,031
Vaintenance 19,082 16,811 17,870 53,763 5,715 9,406 11,811 26,932 11,811 11,811 11,811 35,432 116,126 Circuits 436,277 397,769 288,460 1,122,506 232,258 242,190 241,424 715,873 159,680 236,648 230,186 626,515 2,464,893 WRC Total network 455,359 414,579 306,330 1,176,268 237,973 251,597 253,235 742,804 171,491 248,459 241,996 661,946 2,581,019 Switch size 0 107,118 99,401 312,612 83,726 87,125 77,467 248,339 107,152 79,966 74,327 261,445 822,395 Switch size - other 17,344 17,344 6,331 41,019 6,331 12,929 12,929 32,189 151,88 15,465 45,641 119,049 Total switch sites 12,3438 124,462 105,732 353,631 90,057 100,054 9	Fixed costs - Telecom				·I	1						h	+	
Marketable 1000 2016	Network						+	+		41.044	1	11.011	05 400	110 100
Chicking 400,277 507,100 1 260,900 1 112,100 2 61,000 1 112,100 2 61,000 1 112,100 2 61,000 1 112,100 2 61,000 1 114,100 2 61,000 1 114,100 2 61,000 1 114,100 2 61,000 1 114,100 2 61,000 1 114,100 2 61,000 1 114,100 2 61,000 1 114,100 2 61,000 1 114,000 2 61,000 </td <td>Maintenance</td> <td></td>	Maintenance													
Total network 455,359 414,579 306,330 1,176,268 237,973 251,597 253,235 742,804 171,491 248,459 241,996 661,946 2,581,019 Switch sizes 0 0 017,118 99,401 312,612 83,726 87,125 77,467 248,339 107,152 79,966 74,327 261,445 822,395 Switch size - other 17,344 17,344 6,331 41,019 6,331 12,929 12,929 32,189 15,188 15,188 15,465 45,841 119,049 Total switch sizes 123,438 124,462 105,732 353,631 90,057 100,054 90,416 280,527 122,340 95,154 89,792 307,286 941,444 Other telecom direct costs 19,533 (8,126) 13,954 25,361 10,151 7,151 15,082 32,884 10,353 13,442 8,860 32,655 90,399 Total rece costs 19,533 (8,126) 13,954 25,361 10,151	Circuits	436,277	397,769	288,460	1,122,506	232,258	242,190	241,424	715,873	159,680	236,648	230,186	626,515	2,464,893
Odd Outcom Outcom <td>MRC</td> <td></td> <td></td> <td></td> <td>I</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>+</td> <td></td> <td></td> <td>1</td>	MRC				I						+			1
Switch sites 106,094 107,118 99,401 312,812 83,726 87,125 77,487 248,339 107,152 79,966 74,327 261,445 822,395 Switch site - other 17,344 17,344 6,331 41,019 6,331 12,929 12,929 32,189 15,188 15,188 15,465 45,841 119,049 Total switch sites 123,438 124,462 105,732 353,631 90,057 100,054 90,416 280,527 122,340 95,154 89,792 307,286 941,444 Total fixed costs - Telecom 578,797 539,041 412,061 1,529,899 328,030 351,651 343,650 1,023,332 293,831 343,613 331,789 969,232 3,522,463 Other telecom direct costs 19,533 (8,126) 13,954 25,361 10,151 7,151 15,682 32,884 10,353 13,442 8,860 32,655 90,899 Tot at relecom direct costs 19,533 (8,126) 13,954 25,361 1	Total network	455,359	414,579	306,330	1,176,268	237,973	251,597	253,235	742,804	171,491	248,459	241,996	661,946	2,581,019
Switch site-rent/utilities/etc 106,094 107,118 99,401 312,612 83,726 87,125 77,487 248,339 107,152 79,966 74,327 261,445 922,395 Switch site - other 17,344 17,344 6,331 41,019 6,331 12,929 32,189 15,188 15,188 15,465 45,841 119,049 Total switch sites 123,438 124,462 105,732 353,651 90,057 100,054 90,416 280,527 122,340 95,154 89,792 307,286 941,444 Total switch sites 19,533 124,261 1,529,899 328,030 351,651 343,650 1,023,332 293,831 343,613 331,789 969,232 3,522,463 Other telecom direct costs 19,533 (8,126) 13,954 25,361 10,151 7,151 15,682 32,884 10,353 13,442 8,860 32,655 90,399 Groupment 500 500 500 500 500 500 500 500	Switch sites											1	_l	Į
Switch site - other 17,344 17,344 17,344 6,331 41,019 6,331 12,929 32,189 15,188 15,188 15,186 15,166 15,168 15,166 15,166 15,166 16,16,107 15,186 15,166 15,166 15,156 <	Switch site-rent/utilities/etc	106,094	107,118	99,401										
Total switch sites 123,438 124,462 105,732 353,631 90,057 100,054 90,416 280,527 122,340 95,154 89,792 307,286 941,444 Total switch sites 578,797 539,041 412,061 1,529,899 328,030 351,651 343,650 1,023,332 293,831 343,613 331,789 969,232 3,522,463 Other telecom direct costs 19,533 (8,126) 13,954 25,361 10,151 7,151 15,082 32,884 10,353 13,442 8,860 32,655 90,399 Femise 19,533 (8,126) 13,954 25,361 10,151 7,151 15,082 32,884 10,353 13,442 8,860 32,655 90,399 Fouritrent elecom direct costs 19,533 (8,126) 13,954 25,361 10,151 7,151 15,682 32,884 10,353 13,442 8,860 32,655 90,899 Tot other telecom direct costs 19,533 (8,126) 13,954 25,361 10,151 <td></td> <td></td> <td></td> <td>6,331</td> <td>41,019</td> <td>6,331</td> <td>12,929</td> <td>12,929</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>119,049</td>				6,331	41,019	6,331	12,929	12,929						119,049
Total fixed costs - Telecom 578,797 539,041 412,061 1,529,899 328,030 351,651 343,650 1,023,332 293,831 343,613 331,789 969,232 3,522,463 Other telecom direct costs 19,533 (8,126) 13,954 25,361 10,151 7,151 15,082 32,384 10,353 13,442 8,860 32,655 90,399 Couprent 500										122,340				941,444
Other telecom direct costs 19,533 (B,126) 13,954 25,361 10,151 7,151 15,082 32,384 10,353 13,442 8,860 32,655 90,399 Equipment 500 </td <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>293,831</td> <td>343,613</td> <td>331,789</td> <td>969,232</td> <td>3,522,463</td>										293,831	343,613	331,789	969,232	3,522,463
Premise 19,533 (8,126) 13,954 25,361 10,151 7,151 15,082 32,384 10,353 13,442 8,860 32,655 90,399 Equipment 500					1	1	1	1			1			
Fremse 10,000 (c),129 10,000 (c),129 500		19 533	(8 126)	13 954	25.361	10.151	7.151	15.082	32,384	10,353	13,442	8,860	32,655	90,399
Construction Construction<		13,333	1. 10,1201	.0,034	20,001	1	1			1	1	1	1	500
One off control of the costs 1,5,5,5 1,		10 577	(0 175)	13 054	25 361	10 161	7 151			10.353	13.447	8.860	32.655	90,899
Gross Margin 2,043,497 1,946,760 2,240,740 6,230,997 1,949,017 2,056,475 1,937,804 5,943,295 1,828,296 1,827,469 1,614,017 5,269,783 17,444,075														
	Total cost of goods sold	3,610,8/3	3,123,369	3,120,980	9,001,821	2,024,2/1	2,002,342	2,002,019	0,133,332	2,505,520	2,000,004	2,557,104	1.001,000	
			+			100000		1 027 02		1 828 205	1 827 460	1 614 01	5 760 707	17 444 075
% of Revenue 36.1% 38.4% 41.7% 38.7% 40.8% 43.4% 42.2% 42.1% 41.4% 41.5% 40.2% 41.1% 40.5%														
	% of Revenue	36.1%	38.4%	41.79	38.7%	40.8%	43.49	ol 42.29	<u>42.1%</u>	41.4%	41.5%	40.21	41.1%	40.5%

Filters												<u> </u>	
Date Filter													·······
Currency													
	100 00	Feb-06	Mar-06	New OTR 2000	1								
	Jan-06	rep-vo	Mar-Uo	Mar QTD 2006	Apr-06	May-06	June-06	June QTD 2006	July-06	Aug-06	Sept-06	Sept QTD 2006	YTD 2006
Selling, general & admin													
Salaries & benefits								· · · · · · · · · · · · · · · · · · ·			· · · ·		
Wages - regular	521,885	481,400	506,569	1,509,854	468,093	506,979	455,852	1,430,924	394,928	386,408	362,291	1,143,628	4,084,406
Wages - holiday	6,456	00.000	05 000	6,456		224	6,612	6,835	6,721	1,304	5,409	13,434	26,725
Wages - vacation Wages - sick	36,039 5,039	29,368 12,130	25,090 7,991	90,496 25,160	29,296 11,146	25,996 7,899	61,023 8,861	116,315 27,905	48,020	52,398	19,856	120,274	327,086
Wages - overtime	5,794	7,722	3,343	16,858	5,218	4,048	11,175	20,442	9,426 6,613	4,782 3,779	5,115 6,381	19,323 16,774	72,388
Wages - commissions	20,511	4,519	3,106	28,136	7,226	9,616	4,316	21,158	616	681	814	2,112	54,074 51,406
Wages - bonus retention													01,400
Wages - bonus performance		1,500		1,500	4,055	4,000	20,282	28,337	2,500			2,500	32,337
Employer payroli taxes Employer 401K Match	68,202	54,310	45,478	167,990	40,249	41,062	42,406	123,718	37,772	33,936	28,221	99,929	391,637
Employee insurance	30,741	2,742 35,816	2,910	5,652 101,055	2,874 32,076	3,002	3,527	9,403	2,417	2,178	1,998	6,593	21,649
Vacation liability expense	(10,113)	(3,229)	4,940	(8,402)	6,039	34,410 (1,714)	28,319 (31,080)	94,805 (26,755)	25,425 (34,088)	20,958 (26,773)	17,989 2,375	64,371	260,231
Awards / gifts	253	19	182	454	400		5,985	6,385	(34,000)	(200)	2,375	(58,486) (200)	(93,643) 6,639
Professional memberships dues			45	45					185			185	230
Total salary & benefits	684,807	626,297	634,151	1,945,255	606,672	635,523	617,278	1,859,473	500,536	479,452	450,448	1,430,436	5,235,164
Education training Recruitment & relocation	125	50	475	650	99	1,580		1,679	2,125		L	2,125	4,454
Employee relocation exp					3,360		3,441	6,801	4,215			4.945	44.022
Recruiting costs				· · · · · · · · · · · · · · · · · · ·	5,500	956	5,441	956	4,215		563	4,215	11,016 2,035
Total recruitment & relocation	`			1	3,360	956	3,441	7,757	4,731		563	5,294	13,051
Travel & entertainment													
Transportation	4,611	426	5,909	10,946	5,396	9,129	6,167	20,692	6,018	2,134	3,231	11,384	43,022
Lodging Meals	1,428 212	587 52	3,411	5,426 1,852	3,332 514	2,375	3,649	9,356	1,899	1,240	1,105	4,244	19,026
Travel other	1,510	821	1,545	3,876	2,653	485	1,092 2,467	2,092 7,017	688 2,048	<u>117</u> 1,489	281 1,372	1,086 4,908	5,030 15,801
Entertainment					2,000	1,000	2,407		2,040	1,405	1,572	4,506	15,601
Business meetings	607	197	672	1,476	328	510	492	1,331		571	217	788	3,595
Total travel & entertainment	8,368	2,082	13,125	23,576	12,224	14,395	13,868	40,487	10,653	5,551	6,207	22,410	86,473
Commissions Agents Agent Comm-residual	240 407	077 057	207 224	010 500	224 500		000.074		010.000				
Agent Comm-bonuses	349,197 2,880	277,057 4,763	287,334 (1,250)	913,588 6,393	224,566	215,414	223,274	663,253	219,623	235,067	202,483	657,172	2,234,014
Agent Comm-bounty	2,000	4,705	(1,250)						· ·				6,393
Agent Comm-promotion	5,933	(2,443)	(841)	2,649	(784)	7,216	1,567	8,000	3,314	5,357	794	9,464	20,114
Total Agent Commissions	358,010	279,377	285,243	922,631	223,782	222,630	224,842	671,253	222,936	240,424	203,277	666,637	2,260,521
Marketing													
Third party bill verification Marketing PIC charges	2,564 12,976	2,457	2,442 11,825	7,463	2,463 9,250	1,697 9,939	1,709	5,869 31,956	2,436	2,897	2,102	7,434	20,766
Customer promotions	12,976	11,135 162	151	475	9,250	9,939	1,122	1,402	144	5,378 152	11,343 180	24,406 476	92,299 2,354
Advertising trade shows	102	320	5,117	5,437	192	300	1,122	300		152	100		5,737
Advertising material	28	28	28	83	228	1,046	916	2,189	1,543			1,543	3,814
Rebranding							L						
Public relations	1.0.10							0.005					
Customer welcome letter/call	1,042	1,699	1,266	4,007	836	2,083	1,006	3,925	532	738	642	1,912	9,843
New Agent Matl Kits (off49510) Total marketing	16,772	15,800	20,829	53,401	12,909	15,213	17,520	45,641	12,340	9,165	14,267	35,771	134,813
LEC billings & collections	253,790	313,006	310,733	877,530	252,442	229,893	216,687	699,021	262,854	225,220	172,585	660,659	2,237,210
Direct billings svcs-OSG	37,734	17,009	11,620	66,363	17,249	16,891	04 202	55,532	14,118	19,259	11,745		167,017
Direct collections svc-D&B							21,392						74 0 44
Direct billing svcs-CC & Lckbox	22,433	21,161	3,020	46,613	3,459	4,596	4,728	12,783	5,787	3,637	3,021	12,445	71,841
	48,977	53,649	3,020 37,796	46,613 140,422	3,459 41,315	4,596 31,203	4,728 45,303	12,783 117,820	5,787 38,752	3,637 34,895	30,522	104,170	362,412
Total Billings & Collections			3,020	46,613	3,459	4,596	4,728	12,783	5,787	3,637		104,170	
	48,977	53,649	3,020 37,796	46,613 140,422	3,459 41,315	4,596 31,203	4,728 45,303	12,783 117,820	5,787 38,752	3,637 34,895	30,522	104,170 822,395	362,412
Total Billings & Collections Outside services Consulting services Temporary services	48,977 362,934	53,649 404,826	3,020 37,796 363,169	46,613 140,422 1,130,928	3,459 41,315 314,464	4,596 31,203 282,583	4,728 45,303 288,109	12,783 117,820 885,156	<u>5,787</u> 38,752 321,511	3,637 34,895 283,012	30,522 217,872	104,170 822,395	362,412 2,838,480
Total Billings & Collections Outside services Consulting services Temporary services Accounting fees - audit	48,977 362,934 33,680	53,649 404,826 37,175	3,020 37,796 363,169 32,961	46,613 140,422 1,130,928 103,816	3,459 41,315 314,464	4,596 31,203 282,583	4,728 45,303 288,109	12,783 117,820 885,156	<u>5,787</u> 38,752 321,511	3,637 34,895 283,012	30,522 217,872	104,170 822,395	362,412 2,838,480 275,807
Total Billings & Collections Outside services Consulting services Temporary services Accounting fees - audit Other SEC reporting	48,977 362,934 33,680 2,376	53,649 404,826 37,175 3,538	3,020 37,796 363,169 32,961 2,525	46,613 140,422 1,130,928 103,816 	3,459 41,315 314,464 31,813	4,596 31,203 282,583 32,133	4,728 45,303 288,109 30,376	12,783 117,820 885,156 94,323	<u>5,787</u> <u>38,752</u> <u>321,511</u> <u>23,468</u>	3,637 34,895 283,012 32,892	30,522 217,872 21,308	104,170 822,395 77,668	362,412 2,838,480 275,807 8,439
Total Billings & Collections Ourside services Consulting services Temporary services Accounting fees - audit Other SEC reporting Legal fees & court costs	48,977 362,934 33,680 2,376 5,663	53,649 404,826 37,175 3,538 3,714	3,020 37,796 363,169 32,961 2,525 12,371	46,613 140,422 1,130,928 103,816 8,439 21,748	3,459 41,315 314,464 31,813 1,900	4,596 31,203 282,583 32,133 2,174	4,728 45,303 288,109 30,376 	12,783 117,820 885,156 94,323 6,637	<u>5,787</u> <u>38,752</u> <u>321,511</u> <u>23,468</u> <u>6,807</u>	3,637 34,895 283,012 32,892 7,425	30,522 217,872 21,308 (614	104,170 822,395 77,668 13,618	362,412 2,838,480 275,807 8,439 42,002
Total Billings & Collections Outside services Consulting services Temporary services Accounting fees - audit Other SEC reporting	48,977 362,934 33,680 2,376 5,663 18,010	53,649 404,826 37,175 3,538 3,714 10,348	3,020 37,796 363,169 32,961 2,525 12,371 13,599	46,613 140,422 1,130,928 103,816 8,439 21,748 41,957	3,459 41,315 314,464 31,813	4,596 31,203 282,583 32,133	4,728 45,303 288,109 30,376	12,783 117,820 885,156 94,323	<u>5,787</u> <u>38,752</u> <u>321,511</u> <u>23,468</u>	3,637 34,895 283,012 32,892 7,425 9,895	30,522 217,872 21,308	104,170 822,395 77,668 13,618 31,502	362,412 2,838,480 275,807 8,439 42,002 108,585
Total Billings & Collections Outside services Consulting services Temporary services Accounting fees - audit Other SEC reporting Legal fees & court costs Bank service fees/exchange exp Payroll processing fees Public/Media relations	48,977 362,934 33,680 2,376 5,663 18,010 1,413	53,649 404,826 37,175 3,538 3,714 10,348 4,160	3,020 37,796 363,169 32,961 2,525 12,371 13,599 (796)	46,613 140,422 1,130,928 103,816 8,439 21,748 41,957 4,777	3,459 41,315 314,464 31,813 1,900 12,717 160	4,596 31,203 282,583 32,133 2,174 10,663 164	4,728 45,303 288,109 30,376 2,563 11,746 155	12,783 117,820 885,156 94,323 6,637 35,126 479	5,787 38,752 321,511 23,468 6,807 10,660 150	3,637 34,895 283,012 32,892 7,425 9,895 150	30,522 217,872 21,308 (614 10,947 728	104,170 822,395 77,668 13,618 31,502 1,028	362,412 2,838,480 275,807 8,439 42,002 108,585 6,284
Total Billings & Collections Outside services Consulting services Temporary services Accounting fees - audit Other SEC reporting Legal fees & court costs Bank service fees/exchange exp Payroll processing fees Public/Media relations Management Fee-NCE	48,977 362,934 33,680 2,376 5,663 18,010	53,649 404,826 37,175 3,538 3,714 10,348	3,020 37,796 363,169 32,961 2,525 12,371 13,599	46,613 140,422 1,130,928 103,816 8,439 21,748 41,957	3,459 41,315 314,464 31,813 1,900 12,717	4,596 31,203 282,583 32,133 2,174 2,174 10,663	4,728 45,303 288,109 30,376 2,563 11,746	12,783 117,820 885,156 94,323 6,637 35,126	5,787 38,752 321,511 23,468 6,807 10,660 150 36,412	3,637 34,895 283,012 32,892 7,425 9,895 150 50,927	30,522 217,872 21,308 (614 10,947 728 53,612	104,170 822,395 77,668 13,618 31,502 1,028 140,951	362,412 2,838,480 275,807 8,439 42,002 108,585 6,284 605,877
Total Billings & Collections Outside services Consulting services Temporary services Accounting fees - audit Other SEC reporting Legal fees & court costs Bank service fees/exchange exp Payroll processing fees Public/Media relations Management Fee-NCE Managment Fee-First Com	48,977 362,934 33,680 2,376 5,663 18,010 1,413	53,649 404,826 37,175 3,538 3,714 10,348 4,160	3,020 37,796 363,169 32,961 2,525 12,371 13,599 (796)	46,613 140,422 1,130,928 103,816 8,439 21,748 41,957 4,777	3,459 41,315 314,464 31,813 1,900 12,717 160	4,596 31,203 282,583 32,133 2,174 10,663 164	4,728 45,303 288,109 30,376 2,563 11,746 155	12,783 117,820 885,156 94,323 6,637 35,126 479	5,787 38,752 321,511 23,468 6,807 10,660 150	3,637 34,895 283,012 32,892 7,425 9,895 150	30,522 217,872 21,308 (614 10,947 728	104,170 822,395 77,668 13,618 31,502 1,028 140,951	362,412 2,838,480 275,807 8,439 42,002 108,585 6,284
Total Billings & Collections Outside services Consulting services Temporary services Accounting fees - audit Other SEC reporting Legal fees & court costs Bank service fees/exchange exp Payroll processing fees Public/Media relations Management Fee-NCE Management Fee-First Com Tax Svc-Property-Ryan&Co	48,977 362,934 33,660 2,376 5,663 18,010 1,413 71,733	53,649 404,826 37,175 3,538 3,714 10,348 4,160 63,103	3,020 37,796 363,169 32,961 2,525 12,371 13,599 (796) 130,597	46,613 140,422 1,130,928 103,816 8,439 21,748 41,957 4,777 265,432	3,459 41,315 314,464 31,813 1,900 12,717 160 75,879	4,596 31,203 282,583 32,133 2,174 10,663 164 63,851	4,728 45,303 288,109 30,376 2,563 11,746 155 59,764	12,763 117,820 885,156 94,323 6,637 35,126 479 199,494	5,787 38,752 321,511 23,468 6,807 10,660 150 36,412 54,591	3,637 34,895 283,012 32,892 7,425 9,895 150 50,927 64,697	30,522 217,872 21,308 (614 10,947 728 53,612 66,740	104,170 822,395 77,668 13,618 31,502 1,028 140,951 186,028	362,412 2,838,480 275,807 8,439 42,002 108,585 6,284 605,877 186,028
Total Billings & Collections Outside services Consulting services Temporary services Accounting fees - audit Other SEC reporting Legal fees & court costs Bank service fees/exchange exp Payroll processing fees Public/Media relations Management Fee-NCE Management F	48,977 362,934 33,680 2,376 5,663 18,010 1,413 71,733 2,124	53,649 404,826 37,175 3,538 3,714 10,348 4,160 63,103 2,124	3,020 37,796 363,169 32,961 2,525 12,371 13,599 (796) 130,597 2,124	46,613 140,422 1,130,928 103,816 8,439 21,748 41,957 4,777 265,432 6,371	3,459 41,315 314,464 31,813 1,900 12,717 160 75,879 2,124	4,596 31,203 282,583 32,133 2,174 10,663 164 63,851 2,124	4,728 45,303 288,109 30,376 2,563 11,746 155 59,764 2,124	12,783 117,820 885,156 94,323 6,637 35,126 479 199,494 6,371	5,787 38,752 321,511 23,468 	3,637 34,895 283,012 32,892 7,425 9,895 150 50,927 64,697 2,124	30,522 217,872 21,308 (614 10,947 728 53,612 66,740 2,124	104,170 822,395 77,668 13,618 31,502 1,028 140,951 186,028 6,371	362,412 2,838,460 275,807 8,439 42,002 108,585 6,284 605,877 186,028
Total Billings & Collections Outside services Consulting services Temporary services Accounting fees - audit Other SEC reporting Legal fees & court costs Bank service fees/exchange exp Payroll processing fees Public/Media relations Management Fee-NCE Management Fee-First Com Tax Svc-Property-Ryan&Co	48,977 362,934 33,660 2,376 5,663 18,010 1,413 71,733	53,649 404,826 37,175 3,538 3,714 10,348 4,160 63,103	3,020 37,796 363,169 32,961 2,525 12,371 13,599 (796) 130,597	46,613 140,422 1,130,928 103,816 8,439 21,748 41,957 4,777 265,432	3,459 41,315 314,464 31,813 1,900 12,717 160 75,879	4,596 31,203 282,583 32,133 2,174 10,663 164 63,851	4,728 45,303 288,109 30,376 2,563 11,746 155 59,764	12,783 117,820 885,156 94,323 6,637 35,126 479 199,494 6,371	5,787 38,752 321,511 23,468 6,807 10,660 150 36,412 54,591	3,637 34,895 283,012 32,892 7,425 9,895 150 50,927 64,697 2,124	30,522 217,872 21,308 (614 10,947 728 53,612 66,740	104,170 822,395 77,668 13,618 31,502 1,028 140,951 186,028 6,371	362,412 2,838,460 275,807 8,439 42,002 108,565 6,284 605,877 186,028
Total Billings & Collections Outside services Consulting services Temporary services Accounting fees - audit Other SEC reporting Legal fees & court costs Bank service fees/exchange exp Payroll processing fees Public/Media relations Management Fee-NCE Management Fee-Strist Com Tax Svc-Invoicing-Vertex Tax Svc-Invoicing-Vertex Tax Svc-Invoicing-Vertex Tax consulting Regulatory Fees	48,977 362,934 33,680 2,376 5,663 18,010 1,413 71,733 2,124 7,310 61,475	53,649 404,826 37,175 3,538 3,714 10,348 4,160 63,103 2,124 6,270 63,566	3,020 37,796 363,169 32,961 2,525 12,371 13,599 (796) 130,597 2,124 4,760 60,866	46,613 140,422 1,130,928 103,816 8,439 21,748 41,957 4,777 265,432 6,371 18,340 185,907	3,459 41,315 314,464 31,813 1,900 12,717 160 75,879 2,124 9,980 60,865	4,596 31,203 282,583 32,133 2,174 10,663 164 63,851 2,124 4,820 60,941	4,728 45,303 288,109 30,376 2,563 11,746 155 59,764 2,124 6,125 55,158	12,783 117,820 885,156 94,323 6,637 35,126 479 199,494 6,371 20,925 176,065	5,787 38,752 321,511 23,468 6,807 10,660 150 36,412 54,591 2,124 (560) 19,644	3,637 34,895 283,012 32,892 7,425 9,895 150 50,927 64,697 2,124 4,500 19,644	30,522 217,872 21,308 (614 10,947 728 53,612 66,740 2,124	104,170 822,395 77,668 13,618 31,502 1,028 140,951 186,028 6,371 8,440 58,933	362,412 2,838,460 275,807 8,439 42,002 108,585 6,284 605,877 186,028 19,114 47,705 421,804
Total Billings & Collections Outside services Consulting services Temporary services Temporary services Accounting fees - audit Other SEC reporting Legal fees & court costs Bank service fees/exchange exp Payroll processing fees Public/Media relations Management Fee-NCE Management Fee-First Com Tax Svc-Property-Ryan&Co Tax Svc-Invoicing-Vertex Tax Svc-S&U/Fexise-E&Y Tax Svc-Sulting	48,977 362,934 33,660 2,376 5,663 18,010 1,413 71,733 2,124 7,310	53,649 404,826 37,175 3,538 3,714 10,348 4,160 63,103 2,124 6,270	3,020 37,796 363,169 32,961 2,525 12,371 13,599 (796) 130,597 2,124 4,760	46,613 140,422 1,130,928 103,816 	3,459 41,315 314,464 31,813 1,900 12,717 160 75,879 2,124 9,980	4,596 31,203 282,583 32,133 2,174 10,663 164 63,851 2,124 4,820	4,728 45,303 288,109 30,376 2,563 11,746 155 59,764 2,124 6,125	12,783 117,820 885,156 94,323 6,637 35,126 479 199,494 6,371 20,925 176,965 9,565	5,787 38,752 321,511 23,468 6,807 10,660 150 36,412 54,591 2,124 (560)	3,637 34,895 283,012 32,892 7,425 9,895 150 50,927 64,697 2,124 4,500	30,522 217,872 21,308 (614 10,947 728 53,612 66,740 2,124 4,500	104,170 822,395 77,668 13,618 31,502 1,028 140,951 186,028 6,371 8,440 58,933 17,170	362,412 2,838,460 275,807 8,439 42,002 108,585 6,284 605,877 186,028 19,114 47,705

ilters Date Filter													
												t	
Surrency									4				
	Jan-06	Feb-06	Mar-06	Mar QTD 2006	Apr-06	May-06	June-06	June QTD 2006	July-06	Aug 00	C1 0C	0	
Dues, subscriptions & fees						indy-00	ounc-oo	Surie Q10 2000	July-00	Aug-06	Sept-06	Sept QTD 2006	YTD 2006
Aembership dues and subscript	3,022	185	55	3,262	210	783	265	1,258		200	2,965	3,165	7,6
icenses/permits lotal dues, subscript & fees	8 000					an a	NAME OF BRIDE OF	The second s	246			248	2
acilities	3,022	185	55	3,262	210	783	265	1,258	246	200	2,965	3,411	7,9
Office rent	175,625	175,755	164,451	515,832	149,978	169,690	135 012	455 500					
Jtilities	44,683	46,103	31,428	122,214	29,362	27,108	135,913	455,580 85,215	99,024 23,689	86,328 32,987	77,522	262,873	1,234,2
Common area expense	14,032	10,902	14,832	39,766	13,021	23,559	56,848	93,428	19,678	32,967	33,986 (13,074)	90,663 7,170	298,0
nternal phone services	10,497	12,020	8,894	31,410	8,086	10,752	7,533	26,371	7,329	18,043	16,563	41,935	140, 99,
Storage costs	4,996	3,417	6,755	15,169	6,332	5,052	5,940	17,324	4,730	5,159	4,540	14,429	46.
Equipment rental	3,608	2,659	(1,811)	4,456	2,424	2,294	28,978	33,696	4,392	6,253	3,996	14,641	52,
Maintenance & repair	4,611	4,512	6,976	16,099	6,122	24,174	(20,772)	3,402	(471)	1,038	1,850	2,417	5,
Security	416	416	416	1,248	210	3,852	1,853	11,827 210	3,208	4,857	4,525	12,590	40,
Consumables						· · · · · · · · · · · · · · · · · · ·	·	210	250	250	250	750	2,
Phones & Pagers	3,367	2,460	3,072	8,899	2,159	2,216	2,626	7,001	2,522	4,380	1,748	8.650	24.
Restructuring costs	255,056	203,326	5,003	463,385	172	59,159	17,314	76,645	28,738	10,642	(5,211)	34,169	574.
Total facilities	516,892	461,571	240,016	1 240 470	047.000						555	555	
Business insurance	510,852	401,371	240,016	1,218,479	217,866	327,856	264,978	810,699	193,090	170,503	127,251	490,843	2,520,
Property & casualty insurance	10,325	33,447	15,162	58,934	15,137	12,981	7,189	35,306	7,189	7 400			
0 & O insurance	1,747	2,521	2,521	6,788	2,521	2,521	2,521	7,562	2,521	7,189	5,593	19,970 5,589	<u>114,</u> 19,
Total business insurance	12,072	35,968	17,683	65,722	17,658	15,502	9,709	42,868	9,709	8,723	7,128	25,560	134,
Office supplies													
Printing, postage & mailing	2,052	2,653	3,612	8,317	1,261	3,498	6,440	11,199	4,197	2,944	2,770	9,911	29
Express mail	2,210	29,197	2,184	64,725 6,726	18,725 2,329	15,540 2,247	13,754	48,019	20,889	16,881	15,898	53,668	166,
Office equipment-non capital		2,552	17	17	2,329	2,247	3,111	7,688	3,759	8,974 135	(3,559)		23,
CPU hardware-non capital										456		135 456	
CPU software-non capital	650			650								430	
CPU maint-hardware	22,665	15,328	7,861	45,854	9,313	8,123	9,100	26,536	8,329	8,054	12,313	28,696	101,
CPU maint-software	4,722	22,470	5,035	32,226	8,498	8,683	8,504	25,685	9,632	10,398	9,502	29,532	87,
Taxes	49,036	71,980	37,499	158,515	40,142	38,092	40,909	119,143	46,806	47,842	36,925	131,572	409,
Personal property taxes	18,456	15,449	15,617	49,521	15,567	15,567	945	32,080					
Sales tax	2,109	1,694	1,284	5,087	1,007	1,247	2,933	5,187	911	1,054	(945) 804	(945) 2,769	
State income tax	500	· · · · · · · · · ·	12,870	13,370				0,101		1,034	(1,936)	(1,936)	13,
Total Taxes	21,065	17,143	29,771	67,979	16,574	16,814	3,878	37,266	911	1,054	(2,077)	(112)	105,
ate payment fees/penaities	158	169	158	486			317	317		14	481	495	1,
Misc expense	(110 105)	(440 770)	(400 404)	(007.000)									
Transferd & misc credits Misc expense	(118,105) 7,500	(118,778) 36	(100,401) (36)	(337,283) 7,500	(84,726)	(88,125)	(78,487)	(251,339)	(108,152)	(80,966)	(75,327)	(264,445)	(853,
Total misc expense	(110,605)	(118,741)	(100,437)	(329,783)	(84,726)	(88,125)	(78,487)	(251,339)	(108,152)	(80,966)	(75,327)	(264,445)	(845
Total SG&A	2,133,903	1,997,453	1,807,881	5,939,237		1,668,041		4,826,087	1,381,094			3,920,470	14,685,
				-								1	
Prov for bad debt losses	60.570		50 504	171 705	00 500								
Bad Debt-LEC Bad Debt-Teleflex Direct	62,578 42,736	52,596 73,818	56,591 88,875	171,765 205,429	28,566	50,095	48,450	127,111	47,019	45,863	41,073	133,954	432
Bad Debt-DBS Direct	5,318	(314)	4,196	9,200	(5,933)	37,463 4,144	4,096	37,463 2,306	3,843	3,516	1,201	8,560	242
Bad Debt-NABS	40,078	38,343		78,421	31,715			31,715	(80,000)	3,510	1,201	(80,000)	20
Total Prov for bad debt losses	150,710	164,443	149,662	464,816	54,348	91,702	52,546	198,595	(29,138)	49,379	42,274	62,515	725
BITDA	(241,116)	(215,136)	283,197	(173,056)	311,092	296,732	310,789	918,613	476,340	415,521	394,937	1,286,798	2,032
Depreciation & amortization					·			·					
Depreciation expense	141,336	141,215	148,475	431,026	148,620	149,339	150,454	448,413	141,300	141,027	141,026	423,353	1,302
Amort exp intangible	120,994	120,994	121,776	363,763	121,776	121,776	121,776	365,329	121,776	121,776	121,776	365,329	1,094
Total depreciation & amort	262,329	262,208	270,252	794,789	270,396	271,115	272,230	813,741	263,076	262,803	262,802	788,682	2,397,
				 									
BIT	(503,446)	(477,344)	12,945	(967,845)	40,696	25,617	38,559	104,872	213,264	152,717	132,135	498,116	(364
Other income (expense)					·							· · ·	
nterest income	3,771	4,105	6,160	14,036	27,954	4,755	4,355	37,064	4,767	5,664	5,279	15,710	
Other income		10		10		4,133		5,,004	1,515	1	5,219	1,517	1
nterest expense-NCE	(105,229.24)	(98,339.73)		(311,755)	(104,482)	(107,219)		(316,849)	(103,447)	(103,447)			(935
nterest expense-Marquette	(36,200.53)		(45,749.67)	(117,786)	(37,972)	(39,471)	(42,165)	(119,609)	(38,331)	(31,681)	(26,935)	(96,947)	(334
nterest expense-other	(25,002.07)	(23,091.54)	(19,052.99)	(67,147)	(20,163)		(17,439)		(17,771)	(16,902)	(16,267)	(50,940)	(172
Other expense Gain/(loss) on disp of FA	ii	20,234	5,583	25,817	(1,609)	(1,495) (334)	(24) 300	(1,519) (1,643)	14,938	(9,642)	├ ────	5,296	(1
Fotal other income (expense)	(162,660)		(161,244)										29 (1,346
		,				1.00,000)	1.00,122		1.00,020	(100,000)	1.00,000	[]	
let Income (Loss)	(666,106)	(610,263)	(148,299)	(1,424,668)	(95,577)								

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EXHIBIT B

Asset Purchase Agreement

Asset Purchase Agreement

by and between

Cognigen Networks, Inc. ("Seller")

and

Acceris Management and Acquisition LLC ("Buyer")

Entered into on October 13, 2006 (with an effective date of October 16, 2006 at 12:01 a.m. Pacific Time) for the sale and purchase of certain Customer Accounts and related Assets of Cognigen Networks, Inc.

Asset Purchase Agreement

This Asset Purchase Agreement (this "<u>Agreement</u>") is executed as of this October 13, 2006, and is effective as of October 16, 2006 at 12:01 a.m. ("Effective Date"), between Cognigen Networks, Inc., a Colorado corporation ("<u>Seller</u>"), and Acceris Management and Acquisition LLC, a Minnesota limited liability company (the "<u>Buver</u>").

$\underline{WITNESSETH}$:

WHEREAS, Cognigen Networks, Inc. ("Seller") is engaged in the business of providing competitive intra and interlata, international long distance telephone service, prepaid long distance services and other telecommunications related services to residential and business customers (the "<u>Business</u>"); and

WHEREAS, the Seller desires to sell, and the Buyer desires to purchase certain designated residential and business customer accounts and related assets and rights as described in this Agreement.

NOW, THEREFORE, the parties hereto hereby agree to the above recitations and as follows:

Section 1

Purchase and Sale of Assets

1.1 <u>Purchase and Sale</u>. Subject to all the terms and conditions of this Agreement, and for the consideration herein stated, on each applicable Closing Date, the Seller agrees to sell, convey, assign and transfer to the Buyer, and the Buyer agrees to purchase and accept from the Seller, the customer accounts for which regulatory approvals have been obtained, and all of the other related assets and rights described below (the "<u>Sale Assets</u>"), with such covenants, representations and warranties, agreements and indemnifies as are set forth in this Agreement, free and clear of all liens, claims and encumbrances of any kind whatsoever, including specifically any tax liens of any kind. The Sale Assets shall include all of the Seller's right, title and interest in and to:

(a) all of the existing residential and business customers of any type or kind that constitute the Business originating in the top 34 states by revenue as set forth in the attached **Schedule 1.1(a)** and all contractual or other rights of the Seller with respect to such customer accounts (including any and all carrier access revenue relating to such customers) ("Sold Customers");

(b) all the names, addresses and other pertinent information for all of the Seller's customer lists, if any, (together with the right to solicit, service and bill said customers), customer agreements, customer billing and collection data and customer billing history since inception of each customer account with the Sellers or any predecessor entities in electronic format, manuals, forms, computer programs, business plans, tradenames or brandnames (including the brandnames "Cogni", "Congnidial", "Cognicall", "Congniworld", "Intandem", "Congnistate" and "Cogniphone" or like data or intellectual property rights relating to the Sold Customers;

(c) all cash and cash equivalents, proceeds of every nature, attributable to the Sold Customers accrued, due or collected after the applicable Closing Date for all Sold Customers for which regulatory approval has been obtained at the time of such applicable Closing Date. The proceeds relating thereto shall be handled as provided on the Management Services Agreement between the Seller and Buyer. All of the assets described in this 1.1 (a) through (c) are collectively the "Sale Assets".

The Buyer hereby grants the Seller, for a period of one year after the Closing Date, the right to access and copy, at reasonable times after reasonable notice, any business records transferred to Buyer which the Seller determine is necessary to prepare financial statements, prepare tax returns or otherwise support representations to Legal Authority, or to defend against, or participate in, any actual or pending lawsuit or administrative actions against Seller.

1.2 <u>Excluded Assets</u>. All assets of the Seller not listed in Sections 1.1 (specifically excluded are the Customer accounts from the bottom 34 states of Seller by revenue) or otherwise described in this Agreement will not be transferred to Buyer by the Seller pursuant to this Agreement (the "<u>Excluded Assets</u>").

1.3 <u>No Liabilities</u>. The Buyer is not assuming any liabilities of the Seller in this transaction.

Section 2

Purchase Price

2.1 <u>Purchase Price</u>.

As full consideration for the Sale Assets the Buyer agrees to pay the sum of 1.5 times the amount of Net Billed Revenue relating to the Sold Customers as of the end of the third full month after the date of this Agreement (the "<u>Purchase Price</u>"). By way of example, if this agreement is signed on October 13, 2006, the Net Billed Revenue from which the purchase price shall be determined shall be the Net Billed Revenue related to the Sold Customers for the month of February 1-28, 2007. Buyer shall make a down payment toward the Purchase Price of \$200,000 in immediately available funds payable on the date of execution of this Agreement by wire transfer to the account of the Seller. The balance of th Purchase Price, less \$25,000 shall be paid on the date of the Final Closing Date. The remaining \$25,000 due shall be paid to the Seller on the date which is six months from the date of the Final Closing Date, or the date of final state regulatory approval, whichever is later. Net Billed Revenue means usage revenue based upon intrastate, interstate or international long distance useage charges for calls made by Seller's customers, but excluding regulatory, USF, tax or other nonusage pass through fees, late fees or carrying fees, and specifically excluding nonrecurring fees of every kind and nature.

2.2 <u>Allocation of Purchase Price</u>. The Buyer and Seller shall cooperate and in good faith, within one (1) month following the Final Closing Date, shall allocate the Purchase Price among the Sale Assets in the manner they mutually determine.

Section 3

Representations and Warranties of the Buyer

The Buyer represents and warrants to the Seller as follows:

3.1 <u>Authorization and Enforceability</u>. The Buyer is a Minnesota limited liability company, is legally qualified to do business in such jurisdictions as are necessary to conduct its business, and has all requisite power and authority (corporate or otherwise) to own, lease and operate its properties and to carry on its business as now conducted. The Buyer has taken all action necessary to authorize the execution, delivery and performance of this Agreement and all other agreements and instruments reasonably necessary to complete the transactions contemplated by this Agreement and has full power and authority to enter into this Agreement and such other agreements and instruments and carry out the terms hereof and thereof on the Closing Date. The Buyer has duly executed and delivered this Agreement and this Agreement is the valid and binding obligation of the Buyer enforceable in accordance with its terms.

3.2 <u>Compliance</u>. The execution, delivery and performance of this Agreement by the Buyer, the compliance by the Buyer with the provisions of this Agreement and the consummation of the transactions contemplated by this Agreement will not conflict with or result in the breach of any of the terms or provisions of or constitute a default under:

(a) the articles of organization or bylaws of the Buyer;

(b) any note, indenture, mortgage or deed of trust or loan agreement to which the Buyer is a party or by which the Buyer is bound; or

(c) any material statute or any order, rule or regulation or any decision of any federal, state, local or foreign court or regulatory authority or administrative or arbitrative body, agency or tribunal, or any other governmental body whatsoever ("Legal Authority") applicable to the Buyer.

3.3 <u>Consents</u>. The Buyer has obtained, or shall have obtained prior to the applicable Closing Date, all material consents, authorizations or approvals of any third parties required to be obtained in connection with the execution, delivery and performance of this Agreement. The Buyer has made, or will have made prior to the applicable Closing Date, all material registrations or filings required for the execution and delivery of this Agreement by the Buyer and the consummation of the transactions contemplated hereby if any are required.

3.4 <u>Brokers</u>. The Seller has no obligation to pay any fees or commissions to any broker, finder, agent or other intermediary in connection with the negotiation or consummation of the transactions contemplated hereby as a result of any action or agreement of the Buyer. Seller has disclosed certain finder's fees that Seller will pay upon closing of this transaction. Seller shall be responsible for payment of such finder's fees and shall defend, and hold harmless Buyer for any claims against Buyer by such third parties owed a finder's fee by Seller.

3.5 <u>Legal Proceedings</u>. There are no claims, actions, suits, inquiries, investigations or proceedings before any Legal Authority pending or, to the Buyer's knowledge, threatened against the Buyer relating to the transactions contemplated hereby or relating to the Sale Assets.

Section 4

Representations and Warranties of the Seller

The Seller represents and warrants to the Buyer as follows:

4.1 <u>Authorization and Enforcement</u>. The Seller is duly organized and validly existing under the laws of the state of Colorado and has all requisite corporate power and authority to own, lease and operate its properties and to carry on the Business. The Seller has full power and authority to perform this Agreement and to execute and deliver the documents and instruments contemplated by this Agreement (the "<u>Seller's Documents</u>"). The Seller has duly executed and delivered this Agreement and will at each applicable Closing Date deliver the Seller's Documents. The Seller's Documents as delivered at the Closing Date will be valid and binding obligations of the Seller's enforceable in accordance with their terms.

4.2 <u>Compliance</u>. The execution, delivery and performance of this Agreement and the Seller's Documents by the Seller, the compliance by the Seller with the provisions of this Agreement and the Seller's Documents, and the consummation of the transactions contemplated by this Agreement and the Seller's Documents will not conflict with or result in the breach of any of the terms or provisions of or constitute a default under:

(a) the certificate of incorporation or bylaws of the Seller;

(b) any note, indenture, mortgage, deed of trust, loan to which the Seller is a party or by which the Seller is bound; or

(c) any material statute or any order, rule or regulation or any decision of any Legal Authority applicable to the Seller.

4.3 <u>Consents</u>. No consent, authorization or approval of any third-party is required to be obtained in connection with the Seller's execution, delivery and performance of this Agreement and the Seller's Documents.

4.4 4.4 <u>Brokers</u>. The Buyer has no obligation to pay any fees or commissions to any broker, finder, agent or other intermediary in connection with the negotiation or consummation of the transactions contemplated hereby as a result of any action or agreement of the Seller. Buyer has disclosed certain finder's fees that Buyer will pay upon closing of this transaction. Buyer shall be responsible for payment of such finder's fees and shall defend, and hold harmless Seller for any claims against Seller by such third parties owed a finder's fee by Buyer.

4.5 <u>Litigation</u>. There are no material claims, actions, suits, inquiries, investigations or proceedings before any Legal Authority pending against the Seller, or the Sale Assets that may adversely affect the transactions contemplated hereby or the value of the Sale Assets. To the best of Seller's knowledge after due inquiry, there are no material claims, actions, suits, inquiries, investigations or proceedings before any Legal Authority pending against the Seller that may adversely affect the transactions contemplated hereby or the value of the Sale Assets.

To the best of Seller's knowledge after due inquiry, the Seller have delivered to Buyer true and complete originals or where originals are not available, executed copies of all customer agreeements for the Business, including (Letters of Authorization) LOA's in written or electronic form and all business records in its possession with respect to the Sale Assets.

4.6 <u>No Liens</u>. The Sale Assets are not encumbured or otherwise pledged leaving the Sale Assets free and clear of any liens or any claims of any sort as of each applicable Closing Date. Seller hereby represents and warrants that it will obtain a release of the Sale Assets from the lien rights of Silicon Valley Bank within five business days of the siging of this Agreement and shall deliver the UCC-3 with respect to such release of the Sale Assets to Buyer. Buyer shall hold the UCC-3 in escrow and shall file the release on the first Closing Date after execution of this Agreement. The Sale Assets are specifically not subject to any tax liens or claims of any kind as of the Closing Date.

4.7 <u>No Undisclosed Encumbrances or Liabilities Affecting the Sale Assets</u>. No facts or circumstances exist, and Seller is not aware of after reasonable due diligence, of any liabilities or any tax liabilities of any kind (federal, state local or otherwise) or obligations of the Seller (whether accrued, contingent, absolute, determined, determinable or otherwise of any nature whatsoever) which, after the passage of time, could reasonably be expected to result in any claims against, or material obligations or liabilities of the Seller relating to or that are or shall become a lien upon the Sale Assets or affecting the Sale Assets.

4.8 <u>Bone Fide Accounts Receivable</u>. To the best of Seller's knowledge after due inquiry, all the accounts receivable relating to the Sold Customer accounts will be bone fide accounts of the Seller for local, long distance or other telecommunications or related services or fees, which excludes negative account balances and tax obligations, and all billings to customers are true and correct and have been billed in conformity with the terms and conditions of the Sellers' tariffs and/or customer agreements in force at the time of such billings with respect to the telecommunications customers of the Seller and are not subject to any offset or setoff by the customers.

4.9 <u>Valid Title</u>. Seller represents and warrants that as of the Closing Date that the Seller shall have good title to all of the Sale Assets which it will convey to the Buyer on the Closing Date.

4.10 <u>Due Diligence Records True and Accurate.</u> Seller represents and warrants that the due diligence records relied upon by Buyer in establishing the Purchase Price for the Sale Assets is materially true and accurate and that Buyer may rely upon the accuracy of such information.

4.11 <u>No Material Misstatement.</u> Seller represents and warrants that there is no material misstatement in any of the due diligence records relied upon by the Buyer in establishing the Purchase Price for the Sale Assets.

4.12 <u>No Change in Representations and Warranties</u>. Seller shall represent and warrant on each applicable Closing Date that there have been no changes in the representations and warranties from the date of this Agreement until the applicable Closing Date that would have a material adverse effect upon the transaction.

Section 5

Covenants

5.1 <u>Access to Sale Assets</u>. Prior to the applicable Closing Date, the Seller shall afford to the Buyer and its authorized representatives access to the Seller's offices for the purpose of preparing for the transfer of the Sale Assets on the applicable Closing Date. Seller shall cooperate and provide all requested information to Buyer to allow Buyer to complete the terms of this Agreement by the applicable Closing Date. Seller covenants and agrees to pay Buyer $\frac{1}{2}$ of the costs of regulatory approval paid to outside counsel and for regulatory filing fees for approval of the transfer of the Sale Assets to Buyer.

5.2 Preservation of Sale Assets.

(a) Except as otherwise required by law or expressly permitted by this Agreement, the Seller agrees that it shall not take any action from execution of this Agreement until the Final Closing Date such as:

(i) dispose of, or agree to dispose of, any of the Sale Assets or lease or license, or agree so to lease or license, any of the Sale Assets and shall take all reasonable actions to preserve the value of the Sale Assets;

(ii) cancel, fail to maintain in force or change any policy of insurance relating to the Sale Assets or any policy or bond providing substantially the same coverage unless such cancellation or change is effective only after the applicable Closing Date. Seller shall within seven (7) days of the execution of this Agreement, provide to Buyer a Certificate of Insurance delivered to the Buyer which describes all insurance coverage in effect at least until the Final Closing Date, or any additional dates for which such insurance has been prepaid; (iii) waive, release, grant or transfer any rights of value or modify or change any existing license, lease, contract or other agreement or arrangement affecting the Sale Assets; or

(iv) discontinue any regulatory approval or other licenses required for the continued operation of the Business with respect to the Sale Assets until the date of foreclosure upon the Sale Assets by the Seller and resale by Seller of the Sale Assets to Buyer;

(v) fail to pay any and all federal, state or local taxes or regulatory fees or charges of any kind which the Seller may owe with respect to the Sale Assets; or

(vi) forgive or otherwise compromise any of rights to payment or other contractual rights with respect to the Sale Assets from the date of execution of this Agreement until the Closing Date.

(b) Except as otherwise required by law or expressly permitted by this Agreement, Seller and Buyer shall after the date of execution of this Agreement and until the Final Closing Date:

(i) use reasonable efforts to maintain the value of all of the Sale Assets and the related telecommunications customers, consistent with reasonable industry practices; and

(ii) use their best efforts to cause the Seller to operate the Business on a goingconcern basis and in the ordinary course of their business.

5.3 <u>Remedies for Breach by the Seller</u>. In the event of a violation or breach of this Agreement by the Seller, the Buyer may obtain specific enforcement of this Agreement and shall have every other damage or other remedy available to it at law or equity.

5.4 Non-Solicitation. After the Final Closing Date Seller will not directly or indirectly, either as principal, agent, employee, employer, stockholder, co-partner or in any other individual or representative capacity whatsoever, solicit, call on, take away, divert or assist any person in so soliciting, diverting, calling on, or taking away any of the Sold Customers from Buyer, and not seek to employ any termporary independent contractors or employees of Buyer that are being used by the Buyer from the date of this Agreement until the Final Closing Date. The covenants contained herein shall be construed and interpreted in any judicial proceeding to permit its enforcement to the maximum extent. Seller agrees that the restraint imposed is necessary for the reasonable and proper protection of Buyer and its affiliates, and that said restraint is reasonable in terms of subject matter, duration, and geographic scope. It is understood by the parties that these restrictive covenants are an essential element of this Agreement and that, but for such covenant, Buyer would not have entered into this Agreement. Without intending in any way to limit the remedies available to Buyer, Seller understands and agrees that damages at law may be an insufficient remedy to Buyer if Seller breach this covenant not to compete and that Buyer may seek injunctive relief in any court of competent jurisdiction to restrain the breach or the threatened breach of or otherwise specifically to enforce the covenants contained in this Section 5.4. The provisions of this covenant shall in no way prohibit the Seller from engaging in the telecommunications business in any other way.

5.5 Quiet Enjoyment of Sale Assets. Seller shall defend the quiet enjoyment and ownership of the Sale Assets for Buyer against any third party claim of ownership and Seller shall indemnify Buyer from any and all liabilities, obligations, losses, damages, penalties, costs and expenses of any kind or nature that are asserted against the Buyer or the Indemnified Parties (as such term is defined in Section 6.1 hereof) that arise from third party claims to ownership or title to the Sale Assets.

5.6 <u>Nondisclosure</u>. From the execution of this Agreement until the earlier of the Final Closing Date or termination of this Agreement by the parties, Seller shall not disclose or otherwise discuss a transaction for the sale of the Sale Assets with any other third party, except as otherwise provided in this Agreement or to finalize regulatory filings with respect to this transaction.

Section 6

Indemnification of Buyer by the Seller

The Seller undertakes the following duties to defend and indemnify the Buyer and other parties defined below for the following matters:

6.1 <u>Tax and Regulatory Indemnity by Seller</u>. Seller shall indemnify and hold Buyer and its governors, officers, managers, employees, members, affiliates and agents (the "Indemnified Parties") harmless from and against, and shall pay to the Indemnified Parties within ten (10) days after Seller's receipt of written demand from the Indemnified Parties, any and all liabilities, obligations, losses, damages, penalties, costs and expenses of any kind or nature that are asserted against the Indemnified Parties or the Sale Assets as a result of any excise, sales, payroll, use or other type of tax or reguatory fee of any kind assessed by, unpaid or due from the Seller (or their precedessors) whatsoever by any federal, state, local or other taxing authority, governmental or quasi-governmental authority ("Seller Tax Liabilities").

Seller shall also defend, indemnify and hold harmless the Indemnified Parties against any regulatory claims, liabilities, obligations, losses, damages, charges, fines, penalties or costs and expenses of any kind or nature ("Seller Regulatory Liabilities") or any other claims, liabilities, obligations, losses, damages, charges, fines, penalties or costs or expenses of any kind or nature relating to ownership, management or control of the Sale Assets prior to the Effective Date (whether or not the claim arose prior to on or after the Effective Date) that are asserted against the Indemnified Parties or the Sale Assets for the regulatory actions or inactions of the Seller or any of their subsidiaries with respect to the Sale Assets or this Agreement or for any other reason. Seller shall also defend, indemnify and hold harmless the Indemnified Parties for all actions taken by Buyer under the Management Services Agreement with the Seller relating to any Seller Tax Liabilities or Seller Regulatory Liabilities.

If Seller does not pay any indemnity amount due under this Agreement, Buyer shall have the additional right to set off such amount against any cash payment due to Buyer under the terms of

this Agreement or the Management Services Agreement after the Indemnified Parties have provided Seller fifteen (15) days advance notice of such obligation in writing, and Seller has not paid the item presented by the Indemnified Parties.

The Seller agrees to defend and indemnify the Indemnified Parties from and against any litigation or arbitration claims, counterclaims, crossclaims, liabilities, obligations, losses, damages, penalties, costs and expenses of any kind or nature that are asserted by any third party or creditor, vendor or shareholder of the Seller against the Indemnified Parties or the Sale Assets relating to this Asset Purchase Agreement or under the Management Services Agreement and related transaction documents.

6.2 <u>Breach of Representations or Warranties or Other Agreements; Limitation Period</u>. The Seller shall defend and indemnify the Indemnified Parties against any breach of any of Seller's representations and warranties, convenants, or other agreements under the terms of this Agreement. The obligation to resolve any breach of representation or warranty or covenant liability shall continue for 18 months after the Final Closing Date and for the applicable statute of limitation period for tax, regulatory breaches or breaches that constitute a material misrepresentation or are the basis for rescission of this agreement by a party. Buyer may offset any payment due to Seller at any time due to a breach of a representation, warranty, covenant or agreement of Seller under this Agreement.

Section 7

Conditions to Obligations of the Buyer

The obligations of the Buyer under Sections 1 and 2 of this Agreement are subject to satisfaction, at or prior to the applicable Closing Date, of each of the following conditions, any one or more of which may be waived in writing by the Buyer:

7.1 <u>Representations, Warranties and Covenants</u>. All representations and warranties, covenants and other agreements of the Seller made in this Agreement and the Seller's Documents shall in all material respects be true and correct on and as of the applicable Closing Date with the same force and effect as if made as of that date. All of the terms, covenants, conditions and agreements set forth in this Agreement and the Seller's Documents to be complied with and performed by the Seller at or prior to the applicable Closing Date shall in all material respects have been complied with or performed thereby.

7.2 <u>Seller's Authorization</u>. Seller shall deliver due proof and authorization of the execution, delivery and performance of this Agreement by the Board of Directors of the Seller to Buyer at the applicable Closing Date.

7.3 <u>Approvals</u>. All material authorizations, consents and approvals of any Legal Authority and third parties required to be obtained by Seller in order to permit consummation of the transactions contemplated by this Agreement by Seller, if any, shall have been obtained and be reasonably satisfactory in form and content to the Buyer. 7.4 <u>Assignment Right of Buyer to Third Party.</u> Buyer shall retain the right at or before the Final Closing Date to designate in writing to the Seller that certain of the Sale Assets shall be assigned to a third party if the Buyer has not been able to obtained the necessary approvals for transfer of such customer accounts in the relevant jurisdictions on or prior to the Final Closing Date. Under such circumstances the Seller will sign an Asset Purchase Agreement for the assets with the third party and the Seller shall deliver to the third party the documents set forth in Section 9.2 on such closing date with respect to the third party buyer.

7.6 <u>Nonsolicitation Agreement</u>. Seller shall deliver a Nonsolicitation Agreement in the form of the attached Schedule 7.6 to the Buyer on the Initial Closing Date.

7.7 <u>All Other Documents</u> Seller shall deliver to Buyer such other Seller closing documentation as reasonably requested by Buyer.

Section 8

Conditions to Obligations of the Seller

The obligations of the Seller under Sections 1 and 2 of this Agreement are subject to satisfaction, at or prior to the applicable Closing Date, of each of the following conditions, any one or more of which may be waived in writing by the Seller:

<u>8.1</u> Representations, Warranties and Covenants. All representations and warranties and covenants of the Buyer made in this Agreement shall in all material respects be true and correct on and as of the Closing Date with the same force and effect as if made on and as of that date. All of the terms, covenants, conditions and agreements to be complied with and performed by the Buyer on or prior to the Closing Date shall in all material respects have been complied with or performed thereby.

<u>8.2</u> Buyer Enters into Billing, Collect Agreement and Representative Agreement or Other Agreement Satisfactory to the Parties. Buyer and Seller shall have entered into a billing, collection, provisioning or other satisfactory agreement prior to November 1, 2006 with respect to the customer accounts of Seller in the bottom 16 states by revenue that the Seller is not selling under this Agreement on terms mutually acceptable to both parties. We need to discuss this aspect of the transaction. Buyer and Seller shall enter into a Representative Agreement so that Seller may act as an independent commissioned agent with respect to future customer acquisition by Seller on behalf of Buyer on terms acceptable to both parties.

8.3 Seller and Buyer shall enter into a Representative Agreement relating to continued commissions payable to Seller on the Sold Customer contracts on and after the Effective Date of this Agreement and for any new customer sales obtained by Buyer as a result of the agent activities of the Seller. The commission rate shall be at the rate of 14% for commissions relating to the Sold Customers or the existing customers subject to a servicing arrangement. The commission for new customers generated by Seller for Buyer after the Effective Date shall be

governed by the commission rate and agreement negotiated by the parties. The form of the Representative Agreement shall be as set forth in the attached Schedule 8.3.

8.4 <u>All Other Documents</u> Buyer shall deliver to Seller such other Seller closing documentation as reasonably requested by Buyer.

Section 9

<u>Termination</u>

<u>9.1 Right of Parties to Terminate</u>. This Agreement may be terminated:

(a) by the Buyer, if the Seller shall have breached any of its material obligations hereunder or under the Management Services Agreement or of the Buyer is unable to obtain satisfactory consents or approvals to consummate the transaction; or

(b) by the Seller, if the Buyer shall have breached any of its material obligations hereunder or under the Management Services Agreement; or

(c) by mutual written agreement by both parties to the Agreement.

<u>9.2</u> Effect of Termination. If either of or both of the Buyer or the Seller terminates this Agreement pursuant to Section 9.1, such party shall promptly give written notice thereof to the other party to this Agreement. Any such termination shall be subject to any right of damages or specific performance as provided in this Agreement or as otherwise provided by applicable law or equity.

Section 10

Closing Date

<u>10.1 Time and Place of Closing</u>. The Interim Closing of the transactions contemplated by this Agreement (the "<u>Interim Closing Date</u>") shall take place at the offices of Buyer, 60 South Sixth Street, Suite 2535, Minneapolis, Minnesota 55402 within five business days of such date as 85% by revenue of Sold Customer accounts have obtained regulatory approval, unless the parties agree to another location in writing, on such date as designated in writing by the Buyer, but not later than December 31, 2006 and the Final Closing Date (as defined below) shall occur upon such time as all final regulatory approvals have been obtained, but no later than March 31, 2007 (the "Final Closing Date").

<u>10.2 Obligations of the Seller at Closing</u>. On the applicable Closing Date, the Seller shall deliver or cause to be delivered to the Buyer the following documents and take the other actions identified :

(a) an assignment and bill of sale, conveying all of the Sale Assets for which regulatory approval has been obtained to the Buyer in the form attached as **Schedule 10.2(a)**

hereof and all of the other Sale Assets as of the Initial Closing Date and the remaining customer account assets for which final regulatory approval as been obtained as of the final closing date ("Final Closing Date");

(b) a closing certificate, pursuant to which the Seller represents and warrants to the Buyer that the representations and warranties, covenants and other agreements made by Seller to the Buyer in this Agreement are true and correct in all material respects as of the applicable Closing Date as if then originally made and that all covenants required by the terms hereof to be performed by the Seller on or before the Closing Date, to the extent not waived by the Buyer in writing, have been so performed in all material respects;

(c) all other documents and instruments as may be reasonably necessary and required to consummate the transactions contemplated by this Agreement approving and authorizing this Agreement and the transactions contemplated thereby.

<u>10.3 Obligations of the Buyer at Closing</u>. On the applicable Closing Date, the Buyer shall deliver or cause to be delivered the following documents, and take the other actions identified below:

(a) a closing certificate pursuant to which the Buyer represents and warrants and covenants to the Seller that the Buyer's representations and warranties and covenants to the Seller are true and correct in all material respects as of the Closing Date, and that all covenants required by the terms hereof to be performed by the Buyer on or before the Closing Date, to the extent not waived by the Seller in writing, have been so performed in all material respects;

(b) all other documents and instruments as may be reasonably necessary and required to consummate the transactions contemplated by this Agreement.

Section 11

<u>Survival</u>

All representations, warranties, covenants and agreements made in this Agreement or in any exhibit, schedule, certificate or agreement delivered in accordance with this Agreement shall survive the execution and delivery of this Agreement as provided in Section 6 of this Agreement.

Section 12

Other Provisions

<u>12.1</u> Further Assurances. After the applicable Closing Date, each of the parties will take such actions and execute and deliver to the other party such further documents, instruments of assignment, conveyances and transfers as, in the reasonable opinion of counsel to the requesting party, may be necessary (a) to ensure, complete and evidence the full and effective transfer of the Sale Assets to the Buyer from the Seller pursuant to this Agreement; (b) to notify all necessary LEC's that the ANI's are to be transferred from the Seller to the Buyer; and (c) to

fully and completely consummate the transactions and agreements contemplated by this Agreement.

<u>12.2</u> <u>Books and Records</u>. On or prior to the Closing Date, the Buyer shall obtain and maintain all business records, books of account, files, invoices, and other materials relating to the Sale Assets of the Seller prior, whether in paper or electronic form.

<u>12.3</u> <u>Benefit and Assignment</u>. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective permitted successors and assigns.

<u>12.4</u> Amendment, Waiver. The provisions of this Agreement may be amended or waived only by an instrument in writing signed by the party against which enforcement of such amendment or waiver is sought. Any waiver of any term or condition of this Agreement or any breach hereof shall not operate as a waiver of any other such term, condition or breach, and no failure to enforce any provision hereof shall operate as a waiver of such provision or of any other provision hereof.

12.5 Governing Law, Jurisdiction. THE CONSTRUCTION AND PERFORMANCE OF THIS AGREEMENT WILL BE GOVERNED BY THE LAWS OF THE STATE OF MINNESOTA. THE DISTRICT COURT FOR HENNEPIN COUNTY, MINNESOTA SHALL HAVE EXCLUSIVE JURISDICTION WITH REGARD TO ALL MATTERS RELATING TO THE INTERPRETATION AND ENFORCEMENT OF THIS AGREEMENT.

<u>12.6</u> Notices. Any notice, demand or request required or permitted to be given under the provisions of this Agreement (a) shall be in writing; (b) shall be delivered personally, including by means of facsimile, overnight express delivery, or mailed by registered or certified mail, postage prepaid and return receipt requested; (c) shall be deemed given on the date of personal delivery or on the date set forth on the return receipt; and (d) shall be delivered or mailed to the addresses or facsimile numbers set forth below or to such other address as any party may from time to time direct in writing in accordance with this section (telephone numbers are provided to assist in coordination, but telephone conversations do not constitute notice):

If to the Buyer:

Elam Baer, Chairman Acceris Management and Acquisition LLC 60 South Sixth Street, Suite 2535 Minneapolis, MN 55402 Telephone: (612) 465-0260 Facsimile: (612) 455-1022

(i) <u>If to the Seller</u>:

Gary L. Cook

Acting CEO, Senior VP/CFO Cognigen Networks, Inc. 6405 218th St. SW, Suite 305 Mountlake Terrace, WA 98043-2180 Phone: (425) 329-2315 Fax: (206) 339-6512

IN WITNESS WHEREOF, the parties have executed this Asset Purchase Agreement as of the day and year first written above.

BUYER:

ACCERIS MANAGEMENT AND ACQUISITION LLC

By: Name: ______ Title: ______

SELLER:

COGNIGEN NETWORKS, INC.

By: Name: ______ Title: _____

SCHEDULES

Schedule 1.1

Schedule of Sale Assets Customer Accounts in 34 states

CA
NY
FL
ТХ
PA
NJ
СТ
MA
MD
ОН
MI
ME
WA
IL
NC
GA
VA
AZ
OR
CO
IN
MN
WI
KY
NV
NH
UT
VT
RI
DC
ID
MT
NM
IA

Schedule 7.7

NONSOLICITATION AGREEMENT

1. Non-Solicitation. After the Final Closing Date of the sale of the Sale Assets to Acceris Management and Acquisition LLC ("Aceris") by Cognigen Networks, Inc. ("Cognigent") as described in the Asset Purchase Agreement dated October 13, 2006 (Asset Purchase Agreement), neither Cognigent or any of its affilates or subsidiaries nor any of each of their officers, directors, employees, agents or successors will directly or indirectly, either as principal, agent, employee, employer, stockholder, co-partner or in any other individual or representative capacity whatsoever, solicit, call on, take away, divert or assist any person in so soliciting, diverting, calling on, or taking away any of the Sale Customers or any other customers of Aceris or any of its affiliates, and not seek to employ any termporary independent contractors that are being used by Aceris from the date of the Asset Purchase Agreement between Aceris and Cognignet until the Closing Date of such Agreement or seek to hire any employees of the Buyer or any of Buyer's affilate or subsidiary companies. The covenants contained herein shall be construed and interpreted in any judicial proceeding to permit its enforcement to the maximum extent. The Seller agree that the restraint imposed is necessary for the reasonable and proper protection of Aceris and its affiliates, and that said restraint is reasonable in terms of subject matter, duration, and geographic scope. It is understood by the Seller that Aceris would not have entered into the Asset Purchase Agreement without this covenant not to solicite by the Seller. Without intending in any way to limit the remedies available to Aceris, the Seller understands and agrees that damages at law may be an insufficient remedy to Aceris if the Seller breach this covenant not to solicite and that Aceris may seek injunctive relief in any court of competent jurisdiction to restrain the breach or the threatened breach of or otherwise specifically to enforce the covenants contained in this Agreement.

2. Miscellaneous.

(a) <u>Benefit and Assignment</u>. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective permitted successors and assigns.

(b) <u>Entire Agreement</u>. This Agreement constitutes the entire agreement and understanding of the parties with respect to the obligation not to compete by the Seller and supersedes any and all prior agreements, arrangements and understandings relating to matters provided for in this Agreement.

(c) <u>Amendment, Waiver</u>. The provisions of this Agreement may be amended or waived only by an instrument in writing signed by the party against which enforcement of such amendment or waiver is sought. Any waiver of any term or condition of this Agreement or any breach hereof shall not operate as a waiver of any other such term, condition or breach, and no failure to enforce any provision hereof shall operate as a waiver of such provision or of any other provision hereof.

(d) Governing Law, Jurisdiction. THE CONSTRUCTION AND PERFORMANCE OF THIS AGREEMENT WILL BE GOVERNED BY THE LAWS OF

THE STATE OF MINNESOTA. THE DISTRICT COURT FOR HENNEPIN COUNTY, MINNESOTA SHALL HAVE EXCLUSIVE JURISDICTION WITH REGARD TO ALL MATTERS RELATING TO THE INTERPRETATION AND ENFORCEMENT OF THIS AGREEMENT.

(e) <u>Notices</u>. Any notice, demand or request required or permitted to be given under the provisions of this Agreement (i) shall be in writing; (ii) shall be delivered personally, including by means of facsimile, overnight express delivery, or mailed by registered or certified mail, postage prepaid and return receipt requested; (iii) shall be deemed given on the date of personal delivery or on the date set forth on the return receipt; and (iv)hall be delivered or mailed to the addresses or facsimile numbers set forth below or to such other address as any party may from time to time direct in writing in accordance with this section (telephone numbers are provided to assist in coordination, but telephone conversations do not constitute notice):

If to Aceris:

Elam Baer, Chairman Aceris Communications LLC 60 South Sixth Street, Suite 2535 Minneapolis, MN 55402 Telephone: (612) 465-0260 Facsimile: (612) 455-1022

(ii) If to the Seller:

Gary L. Cook Acting CEO Cognigen Networks, Inc. 6405 218th St. SW, Suite 305 Mountlake Terrace, WAS 98043-2180 Phone: (425) 329-2315 Fax: (206) 339-6512

IN WITNESS WHEREOF, the parties have executed this Noncompetition Agreement as of the day and year first written above.

BUYER:

ACERIS MANAGEMENT AND ACQUISITION LLC

By: Name: ______ Title: ______

SELLER:

COGNIGEN NETWORKS, INC.

By: Name: ______ Title: _____ Schedule 8.3

Form of Representative Agreement

[to be added]

Schedule 9.2(a)

Bill of Sale of Seller.

Cognigen Networks, Inc., a Colorado corporation, ("Seller") hereby transfers, sells and assigns all of the customer accounts for which regulatory approval has been obtained, as set forth on the attached **Exhibit A** and all of the Sale Assets as defined in the Asset Purchase Agreement between the Seller and Aceris Management and Acquisition LLC ("Buyer") as Buyer under the pursuant to the terms of the Asset Purchase Agreement between Seller and Buyer executed on October 13, 2006 but effective as of October 16, 2006 at 12:01 a.m. Such sale is subject to all of the representations, warranties, covenants and indemnifies made by the Seller with respect to the Sale Assets.

Dated:

SELLER:

COGNIGEN NETWORKS, INC.

By: _____

Its: _____

EXHIBIT A

BILL OF SALE

LISTING OF ALL SALE ASSETS

All of the assets of Seller described in Section 1 of this Agreement unless excluded on Schedule 1.1(b) or in Section 1.2 of this Agreement, and specifically the following Sale Customer accounts located in the 34 states listed below (based upon billing address or number prefex for numbers without a billing address):

[to be added at each closing]

EXHIBIT C

Sample Customer Notice

ACCERIS MANAGEMENT AND ACQUISITION LLC

Date

RE: New Service Provider

Dear Valued Customer:

I am pleased to inform you that ACCERIS MANAGEMENT AND ACQUISITION LLC is acquiring the business operations of COGNIGEN NETWORKS, INC. This is a very positive development for you as our customer. This change will allow us to more rapidly expand our operations and bring you the best telecommunications service in the industry. This change will take place on or about **[DATE]** pending receipt of all required regulatory approvals.

There is no cost to move your existing service to ACCERIS MANAGEMENT AND ACQUISITION LLC. You will continue to receive the services you currently have with no change in rates. All necessary steps have been taken to ensure a smooth transition. If you have any questions or concerns, please contact us at: ACCERIS MANAGEMENT AND ACQUISITION LLC, 60 South Sixth Street, Suite 2535, Minneapolis, MN 55402, or 1-800-852-7023.

Very shortly, we expect to introduce new and innovative products and promotions that will bring added value to you. And of course you will continue to benefit from significant savings. You should know that you have an option to change your telecommunications provider. If you would like to change service providers, you should do so before **DATE**, otherwise your service will automatically convert to ACCERIS MANAGEMENT AND ACQUISITION LLC following approval of the transaction by state and federal regulators, even if you have a "preferred carrier" freeze on your account. If you have a "preferred carrier" freeze on your account and would like to keep that protection after the transfer, you'll need to contact ACCERIS MANAGEMENT AND ACQUISITION LLC at its toll-free number, 800-852-7023.

ACCERIS MANAGEMENT AND ACQUISITION LLC has no plans to change the rates, terms, and conditions of services currently provided to you. In addition, no charges or fees will be imposed as a result of this transfer. ACCERIS MANAGEMENT AND ACQUISITION LLC will provide at least thirty (30) days prior written notice of any changes to these rates, terms, and conditions up to ninety (90) days from the date of the transfer of customers. Any future changes in rates, terms and conditions of service will be done as prescribed by the Federal Communications Commission (FCC) and your state regulatory commission.

Please note that ACCERIS MANAGEMENT AND ACQUISITION LLC will not be responsible for any outstanding complaints filed against COGNIGEN NETWORKS, INC. before ACCERIS MANAGEMENT AND ACQUISITION LLC began providing your service. Those complaints remain the responsibility of COGNIGEN NETWORKS, INC.

On behalf of the entire team of employees, I look forward to continuing to serve you. We realize that you have a choice in selecting a telecommunications provider and we appreciate your business.

Sincerely,

NAME TITLE