

ORIGINAL

**\*\* FLORIDA PUBLIC SERVICE COMMISSION \*\***  
**DIVISION OF TELECOMMUNICATIONS**  
**BUREAU OF CERTIFICATION AND SERVICE EVALUATION**  
**APPLICATION FORM**  
for  
**AUTHORITY TO PROVIDE**  
**ALTERNATIVE LOCAL EXCHANGE SERVICE**  
**WITHIN THE STATE OF FLORIDA**

000599-TX

Instructions

This form is used as an application for an original certificate and for approval of the assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Appendix A).

Print or type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why. Use a separate sheet for each answer which will not fit the allotted space. Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of \$250.00 to:

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

If you have questions about completing the form, contact:

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

## APPLICATION

1. This is an application for : (check one):  
 **Original certificate** (new company).  
  
 **Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.  
  
 **Approval of assignment of existing certificate:** Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.  
  
 **Approval of transfer of control:** Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.
2. Name of company: State Discount Telephone, L.L.C.
3. Name under which the applicant will do business (fictitious name, etc.):  
  
State Discount Telephone, L.L.C.
4. Official mailing address (including street name & number, post office box, city, state, zip code):  
  
2023 Sam Houston Avenue # 2 Huntsville, Texas 77340
5. Florida address (including street name & number, post office box, city, state, zip code):  
  
The Applicant will not have an office located in the State of Florida.

6. Structure of organization:

- Individual                       Corporation  
 Foreign Corporation       Foreign Partnership  
 General Partnership       Limited Partnership  
 Other: Foreign Limited Liability Company

7. **If individual**, provide:

**Name:**

**Title:**

**Address:**

**City/State/Zip:**

**Telephone No.:**                      **Fax No.:**

**Internet E-Mail Address:**

**Internet Website Address:**

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

(a) **The Florida Secretary of State corporate registration number:** N/A

9. **If a foreign limited liability company**, provide proof of authority to operate in Florida:

(a) **The Florida Secretary of State corporate registration number:**  
**File #: M00000000831 See "Attachment A"**

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

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

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

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

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

**Name:**

**Title:**

**Address:**

**City/State/Zip:**

**Telephone No.:**

**Fax No.:**

**Internet E-Mail Address:**

**Internet Website Address:**

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

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

14. Provide F.E.I. Number(if applicable): 76-0574997

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

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

Neither State Discount Telephone, L.L.C. nor any of its officers, directors, or any of the ten largest stockholders have previously been adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime.

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

State Discount Telephone, L.L.C. does not have any officers, directors, partners or stockholders in any other Florida certificated telephone company.

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

(a) The application:

**Name: Misty Fruge'**

**Title: Co-owner**

**Address: 2023 Sam Houston Ave. # 2**

**City/State/Zip: Huntsville, Texas 77340**

**Telephone No.: (936) 295-9600 Fax No.: (936) 435-9601**

**Internet E-Mail Address: fruge@lightnetinternet**

**Internet Website Address: n/a**

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

**Name: Misty Fruge' or Rene Thielepape**

**Title: Owners**

**Address: 2023 Sam Houston Ave. # 2**

**City/State/Zip: Huntsville, Texas 77340**

**Telephone No.: (936) 295-9600 Fax No.: (936) 435-9601**

**Internet E-Mail Address: sdt@lightnetinternet**

**Internet Website Address: n/a**

(c) Complaints/Inquiries from customers:

**Name: Misty Fruge' or Rene Thielepape**

**Title: Owners**

**Address: 2023 Sam Houston Avenue # 2**

**City/State/Zip: Huntsville, Texas 77340**

**Telephone No.: (800) 797-3547 Fax No.: (936) 435-9601**

**Internet E-Mail Address: sdt@lightnetinternet.com**

**Internet Website Address: n/a**

17. List the states in which the applicant:

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

The Applicant operates as an alternative local exchange company in the State of Texas.

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

The Applicant has applications pending in Alabama, Florida, Georgia, and Tennessee.

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

The Applicant is certified to operate as an alternative local exchange company in the State of Texas.

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

The Applicant has never been denied authority to operate as an alternative local exchange company.

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

The Applicant has never had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

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

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

18. Submit the following:

A. Financial capability.

See "Attachment B" 1999 Tax Return, Dun & Bradstreet Report, and Business Plan, a 1999 year-end Balance Sheet, and a year-to-date Balance Sheet.

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

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

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

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

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

1. **written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served. **See "Attachment C"**
  2. **written explanation** that the applicant has sufficient financial capability to maintain the requested service. **See "Attachment C"**
  3. **written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations. **See "Attachment C"**
- B. Managerial capability: give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.  
**See "Attachment D"**
- C. Technical capability: give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.

**State Discount Telephone, L.L.C. will rely on the Incumbent Carriers to provide all Technical Maintenance.**

**Note:**

**See "Attachment E" for a Proposed Price List**

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

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

**UTILITY OFFICIAL:**

Signature 

Date: May 10, 2000

Title : Co Owner

Telephone No: 936-295-9600

Address: 2023 Sam Houston Ave. #2  
Huntsville, Texas 77340

Fax No: 936-435-9601

**ATTACHMENTS:**

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

**CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT**

I, Misty Fruge', Co-Owner of State Discount Telephone, L.L.C.  
and current holder of Florida Public Service Commission Certificate Number #  
, have reviewed this application and join in the petitioner's request for  
a:

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

of the above-mentioned certificate.

**UTILITY OFFICIAL:**

Signature 

Date: May 10, 2000

Title : Co Owner

Telephone No: 936-295-9600

Address: 2023 Sam Houston Ave. # 2    Fax No: 936-435-9601  
Huntsville, Texas 77340

**The above certificate of sale, transfer, or assignment statement does not apply to State Discount Telephone, L.L.C. The Company is requesting a Certificate of Authority to Provide Alternative Local Exchange Service within the State of Florida.**



**AFFIDAVIT**

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

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

**UTILITY OFFICIAL:**

Signature 

Date: May 10, 2000

Title: Co Owner

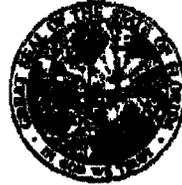
Telephone No: 936-295-9600

Address: 2023 Sam Houston Ave. # 2  
Huntsville, Texas 77340

Fax No: 936-435-9601

**“ATTACHMENT A”**

**AUTHORIZATION  
TO TRANSACT BUSINESS IN FLORIDA  
ISSUED BY FLORIDA SECRETARY OF STATE**



**FLORIDA DEPARTMENT OF STATE**  
**Katherine Harris**  
Secretary of State

April 28, 2000

**UCC FILING**

Qualification documents for STATE DISCOUNT TELEPHONE, L.L.C. were filed on April 28, 2000, and assigned document number M00000000831. Please refer to this number whenever corresponding with this office.

Your limited liability company is now qualified and authorized to transact business in Florida as of the file date. In accordance with section 608.406(2), F.S., the name of this limited liability company is filed with the Department of State for public notice only and is granted without regard to any other name recorded with the Division of Corporations.

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

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

Should you have any questions regarding this matter, please telephone (850) 487-6051, the Registration and Qualification Section.

Tammi Cline  
Document Specialist  
Division of Corporations

Letter Number: 800A00023309

**APPLICATION BY FOREIGN LIMITED LIABILITY COMPANY FOR AUTHORIZATION TO  
TRANSACTION BUSINESS IN FLORIDA**

IN COMPLIANCE WITH SECTION 608.503, FLORIDA STATUTES, THE FOLLOWING IS SUBMITTED TO REGISTER A FOREIGN LIMITED LIABILITY COMPANY TO TRANSACTIONS BUSINESS IN THE STATE OF FLORIDA:

1. State Discount Telephone, L.L.C.  
(Name of foreign limited liability company)

2. Texas 3. 76-0574997  
(Jurisdiction under the law of which foreign limited liability company is organized) (FEI number, if applicable)

4. June 16, 1998 5. Perpetual  
(Date of Organization) (Duration: Year limited liability company will cease to exist or "perpetual")

6. Upon Qualification  
(Date first transacted business in Florida. (See sections 608.501, 608.502, and 817.155, F.S.))

7. 2023 Sam Houston Avenue Suite 2  
Huntsville, Texas 77340  
(Street address of principal office)

8. If limited liability company is a manager-managed company, check here

9. The usual business addresses of the managing members or managers are as follows:

2023 Sam Houston Avenue Suite 2  
Huntsville, Texas 77340

10. Attached is an original certificate of existence, no more than 90 days old, duly authenticated by the official having custody of records in the jurisdiction under the law of which it is organized. (A photocopy is not acceptable. If the certificate is in a foreign language, a translation of the certificate under oath of the translator must be submitted.)

11. Nature of business or purposes to be conducted or promoted in Florida: Resell local  
telecommunications services

Misty Fruge  
Signature of a member or an authorized representative of a member.  
(In accordance with section 608.408(3), F.S., the execution of this document constitutes an affirmation under the penalties of perjury that the facts stated herein are true.)

Misty Fruge'  
Typed or printed name of signee

FILED  
00 APR 28 AM 8:47  
SECRETARY OF STATE  
TALLAHASSEE, FLORIDA

**CERTIFICATE OF DESIGNATION OF  
REGISTERED AGENT/REGISTERED OFFICE**

PURSUANT TO THE PROVISIONS OF SECTION 608.415 or 608.507, FLORIDA STATUTES,  
THE UNDERSIGNED LIMITED LIABILITY COMPANY SUBMITS THE FOLLOWING  
STATEMENT TO DESIGNATE A REGISTERED OFFICE AND REGISTERED AGENT IN THE  
STATE OF FLORIDA.

1. The name of the Limited Liability Company is:

State Discount Telephone, L.L.C.

2. The name and the Florida street address of the registered agent and office are:

UCC Filing & Search Services, Inc.

(Name)

526 East Park Avenue

Florida street address (P.O. Box **NOT** ACCEPTABLE)

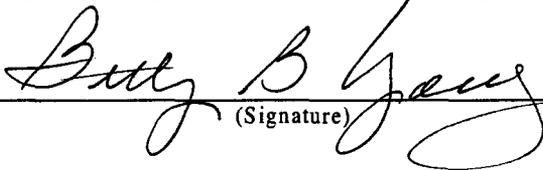
Tallahassee

FL

32301

City/State/Zip

*Having been named as registered agent and to accept service of process for the above stated limited liability company at the place designated in this certificate, I hereby accept the appointment as registered agent and agree to act in this capacity. I further agree to comply with the provisions of all statutes relating to the proper and complete performance of my duties, and I am familiar with and accept the obligations of my position as registered agent as provided for in Chapter 608, F.S..*

  
\_\_\_\_\_  
(Signature)

\$ 100.00	Filing Fee for Application
\$ 25.00	Designation of Registered Agent
\$ 30.00	Certified Copy (optional)
\$ 5.00	Certificate of Status (optional)



RECEIVED  
OFFICE OF THE SECRETARY OF STATE  
00 APR 12 AM 9:24  
RILEY DARNELL  
SECRETARY OF STATE

# The State of Texas

## SECRETARY OF STATE

IT IS HEREBY CERTIFIED that  
Articles of Organization of

**STATE DISCOUNT TELEPHONE LLC**  
File No. 7038292-22

were filed in this office and a certificate of organization was issued to this limited liability company, and no certificate of dissolution is in effect and the company is currently in existence.

*IN TESTIMONY WHEREOF, I have hereunto signed my name officially and caused to be impressed hereon the Seal of State at my office in Austin, Texas on March 30, 2000.*



Elton Bomer  
Secretary of State

BAM

"ATTACHMENT B"

1999 TAX RETURN,  
DUN & BRADSTREET REPORT,  
BUSINESS PLAN

▶ See separate instructions.

IRS use only — Do not write or staple in this space.

For calendar year 1999, or tax year beginning 1999, and ending 1999, and ending OMB No. 1545-0099

<b>A</b> Principal Business Activity	<b>Use the IRS label. Otherwise, please print or type.</b>	Name of Partnership <b>STATE DISCOUNT TELEPHONE LLC</b>	<b>D</b> Employer Identification Number <b>76-0574997</b>
<b>B</b> Principal Product or Service <b>LONG DISTANCE</b>		Number, Street, and Room or Suite Number. If a P.O. Box. See Instructions. <b>2023 SAM HOUSTON AVE</b>	<b>E</b> Date Business Started <b>12/01/97</b>
<b>C</b> Business Code Number		City or Town State ZIP Code <b>HUNTSVILLE TX 77340</b>	<b>F</b> Total Assets (see instrs) <b>\$ 5,401.</b>

**G** Check applicable boxes: (1)  Initial return (2)  Final return (3)  Change in address (4)  Amended return

**H** Check accounting method: (1)  Cash (2)  Accrual (3)  Other (specify) ▶

**I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ **2**

**Caution:** Include *only* trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

<b>I N C O M E</b>	1 a Gross receipts or sales	<b>1 a</b>	416,204.		
	b Less returns and allowances	<b>1 b</b>		<b>1 c</b>	416,204.
	2 Cost of goods sold (Schedule A, line 8)	<b>2</b>		<b>2</b>	232,938.
	3 Gross profit. Subtract line 2 from line 1c	<b>3</b>		<b>3</b>	183,266.
	4 Ordinary income (loss) from other partnerships, estates, and trusts (attach schedule)	<b>4</b>		<b>4</b>	
	5 Net farm profit (loss) (attach Schedule F (Form 1040))	<b>5</b>		<b>5</b>	
	6 Net gain (loss) from Form 4797, Part II, line 18	<b>6</b>		<b>6</b>	
	7 Other income (loss) (attach schedule)	<b>7</b>		<b>7</b>	
<b>8 Total income (loss).</b> Combine lines 3 through 7	<b>8</b>			<b>8</b>	183,266.
<b>S E E I N S T R U C T I O N S F O R L I M I T A T I O N S</b>	9 Salaries and wages (other than to partners) (less employment credits)	<b>9</b>		<b>9</b>	60,980.
	10 Guaranteed payments to partners	<b>10</b>		<b>10</b>	
	11 Repairs and maintenance	<b>11</b>		<b>11</b>	1,849.
	12 Bad debts	<b>12</b>		<b>12</b>	
	13 Rent	<b>13</b>		<b>13</b>	21,727.
	14 Taxes and licenses	<b>14</b>		<b>14</b>	4,929.
	15 Interest	<b>15</b>		<b>15</b>	6,607.
	16 a Depreciation (if required, attach Form 4562)	<b>16 a</b>	1,640.		
	b Less depreciation reported on Schedule A and elsewhere on return	<b>16 b</b>		<b>16 c</b>	1,640.
	17 Depletion (Do not deduct oil and gas depletion.)	<b>17</b>		<b>17</b>	
	18 Retirement plans, etc	<b>18</b>		<b>18</b>	
	19 Employee benefit programs	<b>19</b>		<b>19</b>	
	20 Other deductions (attach schedule) See Other deductions	<b>20</b>		<b>20</b>	98,989.
	<b>21 Total deductions.</b> Add the amounts shown in the far right column for lines 9 through 20	<b>21</b>			<b>21</b>
<b>22 Ordinary income (loss) from trade or business activities.</b> Subtract line 21 from line 8	<b>22</b>			<b>22</b>	-13,455.

**Please Sign Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member) is based on all information of which preparer has any knowledge.

▶ \_\_\_\_\_ Date \_\_\_\_\_  
Signature of General Partner or Limited Liability Company Member

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**Paid Preparer's Use Only**

Preparer's Signature: \_\_\_\_\_ Date: \_\_\_\_\_ Check if self-employed:

Firm's Name (or yours if self-employed) and Address: **Financial & Tax Services**  
**P O Box 6007**  
**Huntsville TX** EIN: **59-5980123**  
ZIP Code: **77342**

**Schedule A Cost of Goods Sold** (see instructions)

1	Inventory at beginning of year	1	
2	Purchases less cost of items withdrawn for personal use	2	232,938.
3	Cost of labor	3	
4	Additional Section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	<b>Total.</b> Add lines 1 through 5	6	232,938.
7	Inventory at end of year	7	
8	<b>Cost of goods sold.</b> Subtract line 7 from line 6. Enter here and on page 1, line 2	8	232,938.

9a Check all methods used for valuing closing inventory:

- (i)  Cost as described in Regulations Section 1.471-3
- (ii)  Lower of cost or market as described in Regulations Section 1.471-4
- (iii)  Other (specify method used and attach explanation)

b Check this box if there was a writedown of 'subnormal' goods as described in Regulations Section 1.471-2(c)

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

d Do the rules of Section 263A (for property produced or acquired for resale) apply to the partnership?  Yes  No

e Was there any change in determining quantities, cost, or valuations between opening and closing inventory?  Yes  No

If 'Yes', attach explanation

**Schedule B Other Information**

	Yes	No
1 What type of entity is filing this return? Check the applicable box: a <input type="checkbox"/> General partnership    b <input type="checkbox"/> Limited partnership    c <input checked="" type="checkbox"/> Limited liability company    d <input type="checkbox"/> Limited liability partnership e <input type="checkbox"/> Other		
2 Are any partners in this partnership also partnerships?		X
3 Is this partnership a partner in another partnership?		X
4 Is this partnership subject to the consolidated audit procedures of Sections 6221 through 6233? If 'Yes,' see <b>Designation of Tax Matters Partner</b> below	X	
5 Does this partnership meet <b>All Three</b> of the following requirements? a The partnership's total receipts for the tax year were less than \$250,000; b The partnership's total assets at the end of the tax year were less than \$600,000; <b>And</b> c Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return.		
If 'Yes,' the partnership is not required to complete Schedules L, M-1, and M-2; item F on page 1 of Form 1065; or item J on Schedule K-1		X
6 Does this partnership have any foreign partners?		X
7 Is this partnership a publicly traded partnership as defined in Section 469(k)(2)?		X
8 Has this partnership filed, or is it required to file, <b>Form 8264</b> , Application for Registration of a Tax Shelter?		X
9 At any time during calendar year 1999, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for Form TD F 90-22.1. If 'Yes,' enter the name of the foreign country		X
10 During the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If 'Yes,' the partnership may have to file Form 3520. See instructions		X
11 Was there a distribution of property or a transfer (e.g., by sale or death) of a partnership interest during the tax year? If 'Yes,' you may elect to adjust the basis of the partnership's assets under Section 754 by attaching the statement described in the instructions under <b>Elections Made by the Partnership</b>		X

**Designation of Tax Matters Partner** (see instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

Name of Designated TMP **▶ DAROLYN RENE THIELEPAPE** Identifying Number of TMP **▶ 459-28-8516**

Address of Designated TMP **▶ 2023 SAM HOUSTON AVE HUNTSVILLE, TX 77340**

**Schedule K-1 Partners' Shares of Income, Credits, Deductions, etc**

		(a) Distributive share items	(b) Total amount	
Income (Loss)	1	Ordinary income (loss) from trade or business activities (page 1, line 22)	1	-13,455.
	2	Net income (loss) from rental real estate activities (attach Form 8825)	2	
	3a	Gross income from other rental activities	3a	
		b Expenses from other rental activities (attach schedule)	3b	
		c Net income (loss) from other rental activities. Subtract line 3b from line 3a	3c	
	4	Portfolio income (loss):		
		a Interest income	4a	63.
		b Ordinary dividends	4b	
		c Royalty income	4c	
		d Net short-term capital gain (loss) (attach Schedule D (Form 1065))	4d	
		e Net long-term capital gain (loss) (attach Schedule D (Form 1065)):		
	(1) 28% rate gain (loss) (2) Total for year	4e (2)		
	f Other portfolio income (loss) (attach schedule)	4f		
	5 Guaranteed payments to partners	5		
	6 Net Section 1231 gain (loss) (other than due to casualty or theft) (attach Form 4797)	6		
	7 Other income (loss)	7		
Deductions	8	Charitable contributions (attach schedule)	8	
	9	Section 179 expense deduction (attach Form 4562)	9	
	10	Deductions related to portfolio income (itemize)	10	
	11	Other deductions	11	
Credits	12a	Low-income housing credit:		
		(1) From partnerships to which Section 42(j)(5) applies for property placed in service before 1990	12a (1)	
		(2) Other than on line 12a(1) for property placed in service before 1990	12a (2)	
		(3) From partnerships to which Section 42(j)(5) applies for property placed in service after 1989	12a (3)	
		(4) Other than on line 12a(3) for property placed in service after 1989	12a (4)	
		b Qualified rehabilitation expenditures related to rental real estate activities (attach Form 3468)	12b	
		c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	12c	
	d Credits related to other rental activities	12d		
	13 Other credits	13		
Investment Interest	14a	Interest expense on investment debts	14a	
		b(1) Investment income included on lines 4a, 4b, 4c, and 4f above	14b (1)	63.
		(2) Investment expenses included on line 10 above	14b (2)	
Self-Employment	15a	Net earnings (loss) from self-employment	15a	-13,455.
		b Gross farming or fishing income	15b	
		c Gross nonfarm income	15c	183,266.
Adjustments and Tax Preference Items	16a	Depreciation adjustment on property placed in service after 1986	16a	
		b Adjusted gain or loss	16b	
		c Depletion (other than oil and gas)	16c	
		d (1) Gross income from oil, gas, and geothermal properties	16d (1)	
		(2) Deductions allocable to oil, gas, and geothermal properties	16d (2)	
	e Other adjmnts & tax pref items	16e		
Foreign Taxes	17a	Type of income		
		b Name of foreign country or U.S. possession		
		c Total gross income from sources outside the United States (attach schedule)	17c	
		d Total applicable deductions and losses (attach schedule)	17d	
		e Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	17e	
		f Reduction in taxes available for credit (attach schedule)	17f	
		g Other foreign tax information (attach schedule)	17g	
Other	18	Section 59(e)(2) expenditures: a Type b Amount	18b	
	19	Tax-exempt interest income	19	
	20	Other tax-exempt income	20	
	21	Nondeductible expenses	21	
	22	Distributions of money (cash and marketable securities)	22	
	23	Distributions of property other than money	23	
	24	Other items and amounts required to be reported separately to partners (attach schedule)		

**Analysis of Net Income (Loss)**

1 Net income (loss). Combine Schedule K, lines 1 through 7 in column (b). From the result, subtract the sum of Schedule K, lines 8 through 11, 14a, 17e, and 18b						1	-13,392.
2 Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other	
a General partners							
b Limited partners		-13,392.					

**Schedule L Balance Sheets per Books** (Not required if question 5 on Schedule B is answered 'Yes.')

Assets	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
1 Cash		7,552.		-1,162.
2a Trade notes and accounts receivable	11,329.		0.	
b Less allowance for bad debts		11,329.		0.
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets (attach schedule)				
7 Mortgage and real estate loans				
8 Other investments (attach schedule)				
9a Buildings and other depreciable assets			15,117.	
b Less accumulated depreciation			8,554.	6,563.
10a Depletable assets				
b Less accumulated depletion				
11 Land (net of any amortization)				
12a Intangible assets (amortizable only)	4,319.			
b Less accumulated amortization		4,319.		
13 Other assets (attach schedule)				
14 Total assets		23,200.		5,401.
Liabilities and Capital				
15 Accounts payable				1,781.
16 Mortgages, notes, bonds payable in less than 1 year				
17 Other current liabilities (attach sch)		22,263.		21,341.
18 All nonrecourse loans				
19 Mortgages, notes, bonds payable in 1 year or more				
20 Other liabilities (attach schedule)				
21 Partners' capital accounts		937.		-17,721.
22 Total liabilities and capital		23,200.		5,401.

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

(Not required if question 5 on Schedule B is answered 'Yes.' See instructions.)

1 Net income (loss) per books	-18,661.	6 Income recorded on books this year not included on Schedule K, lines 1 through 7 (itemize):	
2 Income included on Schedule K, lines 1 through 4, 6, and 7, not recorded on books this year (itemize):		a Tax-exempt interest	\$
3 Guaranteed payments (other than health insurance)		7 Deductions included on Schedule K, lines 1 through 11, 14a, 17e, and 18b, not charged against book income this year (itemize):	
4 Expenses recorded on books this year not included on Schedule K, lines 1 through 11, 14a, 17e, and 18b (itemize):		a Depreciation	\$
a Depreciation	\$	See Sch M-1, Line 7	2.
b Travel and entertainment	\$	8 Add lines 6 and 7	2.
See Sch M-1, Line 4	5,271.	9 Income (loss) (Analysis of net income (loss), line 1). Subtract line 8 from line 5	-13,392.
5 Add lines 1 through 4	-13,390.		

**Schedule M-2 Analysis of Partners' Capital Accounts** (Not required if question 5 on Schedule B is answered 'Yes.')

1 Balance at beginning of year	937.	6 Distributions: a Cash	
2 Capital contributed during year		b Property	
3 Net income (loss) per books	-18,661.	7 Other decreases (itemize):	
4 Other increases (itemize):			
ROUNDING	3.	8 Add lines 6 and 7	
5 Add lines 1 through 4	-17,721.	9 Balance at end of year. Subtract line 8 from line 5	-17,721.

**Depreciation and Amortization**  
(Including Information on Listed Property)

**1999**

67

Department of the Treasury  
Internal Revenue Service (99)

▶ See Instructions.  
▶ Attach this form to your return.

Name(s) Shown on Return <b>STATE DISCOUNT TELEPHONE LLC</b>	Business or Activity to Which This Form Relates <b>Form 1065 Line 22</b>	Identifying Number <b>76-0574997</b>
----------------------------------------------------------------	-----------------------------------------------------------------------------	-----------------------------------------

**Part I Election to Expense Certain Tangible Property (Section 179)**

(Note: If you have any 'listed property,' complete Part V before you complete Part I.)

1 Maximum dollar limitation. If an enterprise zone business, see instructions	1	\$19,000.
2 Total cost of Section 179 property placed in service. See instructions	2	5,271.
3 Threshold cost of Section 179 property before reduction in limitation	3	\$200,000.
4 Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	0.
5 Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	19,000.

6 (a) Description of property	(b) Cost (business use only)	(c) Elected cost	
COMPUTER SYSTEM	5,271.	5,271.	

7 Listed property. Enter amount from line 27	7	
8 Total elected cost of Section 179 property. Add amounts in column (c), lines 6 and 7	8	5,271.
9 Tentative deduction. Enter the smaller of line 5 or line 8	9	5,271.
10 Carryover of disallowed deduction from 1998. See instructions	10	
11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs)	11	0.
12 Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	0.
13 Carryover of disallowed deduction to 2000. Add lines 9 and 10, less line 12	▶ 13	5,271.

Note: Do not use Part II or Part III below for listed property (automobiles, certain other vehicles, cellular telephones, certain computers, or property used for entertainment, recreation, or amusement). Instead, use Part V for listed property.

**Part II MACRS Depreciation for Assets Placed in Service Only During Your 1999 Tax Year**  
(Do Not Include Listed Property)

**Section A – General Asset Account Election**

14 If you are making the election under Section 168(i)(4) to group any assets placed in service during the tax year into one or more general asset accounts, check this box. See instructions ▶

**Section B – General Depreciation System (GDS) (See instructions)**

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only – see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
15a 3-year property						
b 5-year property		8,200.	5.0 YRS	HY	200DB	1,640.
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27.5 yrs	MM	S/L	
i Nonresidential real property			27.5 yrs	MM	S/L	
			39 yrs	MM	S/L	

**Section C – Alternative Depreciation System (ADS) (See instructions)**

16a Class life					S/L
b 12-year			12 yrs		S/L
c 40-year			40 yrs	MM	S/L

**Part III Other Depreciation (Do Not Include Listed Property) (See instructions)**

17 GDS and ADS deductions for assets placed in service in tax years beginning before 1999	17	
18 Property subject to Section 168(f)(1) election	18	
19 ACRS and other depreciation	19	

**Part IV Summary (See instructions)**

20 Listed property. Enter amount from line 26	20	
21 Total. Add deductions on line 12, lines 15 and 16 in column (g), and lines 17 through 20. Enter here and on the appropriate lines of your return. Partnerships and S corporations – see instructions	21	1,640.
22 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to Section 263A costs	22	

Part III Listed Property - Automobiles, Certain Other Vehicles, Cellular Telephones, Certain Computers, and Property Used for Entertainment, Recreation, or Amusement

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 23a, 23b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A - Depreciation and Other Information (Caution: See instructions for limits for passenger automobiles.)

Table with 10 columns: (a) Type of property, (b) Date placed in service, (c) Business/investment use percentage, (d) Cost or other basis, (e) Basis for depreciation, (f) Recovery period, (g) Method/Convention, (h) Depreciation deduction, (i) Elected Section 179 cost. Includes lines 23a-23b and 24-27.

Section B - Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other 'more than 5% owner,' or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

Table with 6 main columns: (a) Vehicle 1, (b) Vehicle 2, (c) Vehicle 3, (d) Vehicle 4, (e) Vehicle 5, (f) Vehicle 6. Includes lines 28-34 regarding miles driven and personal use.

Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons.

Table with 2 columns: Yes, No. Includes lines 35-39 regarding policy statements and requirements for employees.

Part VI Amortization

Table with 6 columns: (a) Description of costs, (b) Date amortization begins, (c) Amortizable amount, (d) Code Section, (e) Amortization period or percentage, (f) Amortization for this year. Includes lines 40-42.

Form 1065, Line 20

**Other deductions**

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ADVERTISING	39,120.
AUTOMOBILE AND TRUCK EXPENSE	2,958.
BANK CHARGES	1,520.
DUES AND SUBSCRIPTIONS	265.
EQUIPMENT RENT	7,353.
INSURANCE	10,409.
LEGAL AND PROFESSIONAL	3,150.
POSTAGE	3,040.
SECURITY	3,247.
SUPPLIES	7,533.
TELEPHONE	10,597.
TRAVEL	5,221.
UTILITIES	3,060.
CONTINUING EDUCATION	1,516.
Total	<u>98,989.</u>

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Form 1065, Schedule M-1, Line 4

**Sch M-1, Line 4**

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SECTION 179 CARRYOVER	5,271.
Total	<u>5,271.</u>

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Form 1065, Schedule M-1, Line 7

**Sch M-1, Line 7**

---

ROUNDING	2.
Total	<u>2.</u>

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**Schedule K-1**  
**(Form 1065)**

**Partner's Share of Income, Credits, Deductions, Etc**

OMB No. 1545-0099

**1999**

Department of the Treasury  
Internal Revenue Service

For calendar year 1999 or tax year

beginning , 1999, and ending

<b>Partner's identifying number</b> ▶ [REDACTED]	<b>Partnership's identifying number</b> ▶ 76-0574997
<b>Partner's Name, Address, and ZIP Code</b> DAROLYN RENE THIELEPAPE 2023 SAM HOUSTON AVE HUNTSVILLE, TX 77340	<b>Partnership's Name, Address, and ZIP Code</b> STATE DISCOUNT TELEPHONE LLC 2023 SAM HOUSTON AVE HUNTSVILLE, TX 77340

**A** This partner is a  general partner  limited partner  
 limited liability company member

**B** What type of entity is this partner? ▶ INDIVIDUAL

**C** Is this partner a  domestic or a  foreign partner?

**D** Enter partner's % of: (i) Before change or termination (ii) End of year

Profit sharing	..... %	..... 60.0000 %
Loss sharing	..... %	..... 60.0000 %
Ownership of capital	..... %	..... 60.0000 %

**E** IRS Center where partnership filed return: AUSTIN, TX

**F** Partner's share of liabilities:

Nonrecourse	..... \$
Qualified nonrecourse financing	..... \$
Other	..... \$

**G** Tax shelter registration number ▶ \_\_\_\_\_

**H** Check here if this partnership is a publicly traded partnership as defined in section 469(k)(2)

**I** Check applicable boxes: (1)  Final K-1 (2)  Amended K-1

**J Analysis of partner's capital account:**

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
568.		-11,195.		-10,627.

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:	
Income (Loss)	1 Ordinary income (loss) from trade or business activities	1 -8,073.	See Partner's Instructions for Schedule K-1 (Form 1065).	
	2 Net income (loss) from rental real estate activities	2		
	3 Net income (loss) from other rental activities	3		
	4 Portfolio income (loss):	a Interest	4a 38.	Schedule B, Part I, line 1 Schedule B, Part II, line 5 Schedule E, Part I, line 4 Schedule D, line 5, column (f)
		b Ordinary dividends	4b	
		c Royalties	4c	
		d Net short-term capital gain (loss)	4d	
		e Net long-term capital gain (loss):		
		(1) 28% rate gain (loss)	e(1)	
	(2) Total for year	e(2)	Schedule D, line 12, column (f)	
	f Other portfolio income (loss) (attach schedule)	4f	Enter on applicable ln of your return	
5 Guaranteed payments to partner	5	See Partner's Instructions for Schedule K-1 (Form 1065).		
6 Net section 1231 gain (loss) (other than due to casualty or theft)	6			
7 Other income (loss) (attach schedule)	7	Enter on applicable ln of your return		
Deductions	8 Charitable contributions (see instructions) (attach schedule)	8	Schedule A, line 15 or 16	
	9 Section 179 expense deduction	9	See Partner's Instructions for Schedule K-1 (Form 1065).	
	10 Deductions related to portfolio income (attach schedule)	10		
	11 Other deductions (attach schedule)	11		
Credits	12a Low-income housing credit:		Form 8586, line 5	
	(1) From section 42(j)(5) p'ships for property placed in service before 1990	a(1)		
	(2) Other than on line 12a(1) for property placed in service before 1990	a(2)		
	(3) From section 42(j)(5) partnerships for property placed in service after 1989	a(3)		
	(4) Other than on line 12a(3) for property placed in service after 1989	a(4)		
	b Qualified rehabilitation expenditures related to rental real estate activities	12b	See Partner's Instructions for Schedule K-1 (Form 1065).	
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	12c		
	d Credits related to other rental activities	12d		
13 Other credits	13			

BAA For Paperwork Reduction Act Notice, see instructions for Form 1065.

Schedule K-1 (Form 1065) 1999

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Investment Interest	14 a Interest expense on investment debts	14 a	Form 4952, line 1
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f	b(1) 38.	See Partner's Instructions for Schedule K-1 (Form 1065).
	(2) Investment expenses included on line 10	b(2)	
Self-employment	15 a Net earnings (loss) from self-employment	15 a -8,073.	Schedule SE, Section A or B
	b Gross farming or fishing income	15 b	See Partner's Instructions for Schedule K-1 (Form 1065).
	c Gross nonfarm income	15 c 109,960.	
Adjustments and Tax Preference Items	16 a Depreciation adjustment on property placed in service after 1986	16 a	See Partner's Instructions for Schedule K-1 (Form 1065) and instructions for Form 6251.
	b Adjusted gain or loss	16 b	
	c Depletion (other than oil and gas)	16 c	
	d (1) Gross income from oil, gas, and geothermal properties	d(1)	
	(2) Deductions allocable to oil, gas, and geothermal properties	d(2)	
e Other adjustments & tax preference items (attach schedule)	16 e		
Foreign Taxes	17 a Type of income ▶		Form 1116, check boxes
	b Name of foreign country or possession ▶		Form 1116, Part I
	c Total gross income from sources outside the United States (attach schedule)	17 c	
	d Total applicable deductions and losses (attach schedule)	17 d	
	e Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	17 e	Form 1116, Part II
	f Reduction in taxes available for credit (attach schedule)	17 f	Form 1116, Part III
	g Other foreign tax information (attach schedule)	17 g	See instructions for Form 1116.
Other	18 a Section 59(e)(2) expenditures: a Type ▶		See Partner's Instructions for Schedule K-1 (Form 1065).
	b Amount	18 b	
	19 Tax-exempt interest income	19	Form 1040, line 8b
	20 Other tax-exempt income	20	See Partner's Instructions for Schedule K-1 (Form 1065).
	21 Nondeductible expenses	21	
	22 Distributions of money (cash and marketable securities)	22	
	23 Distributions of property other than money	23	Form 8611, line 8
	24 Recapture of low-income housing credit:		
a From section 42(j)(5) partnerships	24 a		
b Other than on line 24a	24 b		

25 Supplemental information required to be reported separately to each partner (attach additional schedules if more space is needed):

Supplemental Information

**Schedule K-1**  
**(Form 1065)**

**Partner's Share of Income, Credits, Deductions, Etc**

OMB No. 1545-0099

**1999**

Department of the Treasury  
Internal Revenue Service

For calendar year 1999 or tax year

beginning , 1999, and ending

<b>Partner's identifying number</b> ▶ <del>XXXXXXXXXX</del> <small>Partner's Name, Address, and ZIP Code</small> MISTY R FRUGE 2023 SAM HOUSTON AVE HUNTSVILLE, TX 77340	<b>Partnership's identifying number</b> ▶ 76-0574997 <small>Partnership's Name, Address, and ZIP Code</small> STATE DISCOUNT TELEPHONE LLC 2023 SAM HOUSTON AVE HUNTSVILLE, TX 77340
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

<p><b>A</b> This partner is a <input type="checkbox"/> general partner <input type="checkbox"/> limited partner  <input checked="" type="checkbox"/> limited liability company member</p> <p><b>B</b> What type of entity is this partner? ▶ <b>INDIVIDUAL</b></p> <p><b>C</b> Is this partner a <input checked="" type="checkbox"/> domestic or a <input type="checkbox"/> foreign partner?</p> <p><b>D</b> Enter partner's % of: (i) Before change or termination (ii) End of year</p> <table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:30%;">Profit sharing</td> <td style="width:10%; text-align: center;">%</td> <td style="width:10%; text-align: center;">40.00000</td> <td style="width:10%; text-align: center;">%</td> <td style="width:10%; text-align: center;">40.00000</td> <td style="width:10%; text-align: center;">%</td> </tr> <tr> <td>Loss sharing</td> <td style="text-align: center;">%</td> <td style="text-align: center;">40.00000</td> <td style="text-align: center;">%</td> <td style="text-align: center;">40.00000</td> <td style="text-align: center;">%</td> </tr> <tr> <td>Ownership of capital</td> <td style="text-align: center;">%</td> <td style="text-align: center;">40.00000</td> <td style="text-align: center;">%</td> <td style="text-align: center;">40.00000</td> <td style="text-align: center;">%</td> </tr> </table> <p><b>E</b> IRS Center where partnership filed return: <b>AUSTIN, TX</b></p>	Profit sharing	%	40.00000	%	40.00000	%	Loss sharing	%	40.00000	%	40.00000	%	Ownership of capital	%	40.00000	%	40.00000	%	<p><b>F</b> Partner's share of liabilities:</p> <table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:80%;">Nonrecourse</td> <td style="width:20%; text-align: right;">\$</td> </tr> <tr> <td>Qualified nonrecourse financing</td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">\$</td> </tr> </table> <p><b>G</b> Tax shelter registration number ▶</p> <p><b>H</b> Check here if this partnership is a publicly traded partnership as defined in section 469(k)(2) <input type="checkbox"/></p> <p><b>I</b> Check applicable boxes: (1) <input type="checkbox"/> Final K-1 (2) <input type="checkbox"/> Amended K-1</p>	Nonrecourse	\$	Qualified nonrecourse financing	\$	Other	\$
Profit sharing	%	40.00000	%	40.00000	%																				
Loss sharing	%	40.00000	%	40.00000	%																				
Ownership of capital	%	40.00000	%	40.00000	%																				
Nonrecourse	\$																								
Qualified nonrecourse financing	\$																								
Other	\$																								

**J Analysis of partner's capital account:**

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
369.		-7,463.		-7,094.

	(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
<b>Income (Loss)</b>	1 Ordinary income (loss) from trade or business activities	1	-5,382.	See Partner's Instructions for Schedule K-1 (Form 1065).
	2 Net income (loss) from rental real estate activities	2		
	3 Net income (loss) from other rental activities	3		
	4 Portfolio income (loss):			
	a Interest	4a	25.	Schedule B, Part I, line 1
	b Ordinary dividends	4b		Schedule B, Part II, line 5
	c Royalties	4c		Schedule E, Part I, line 4
	d Net short-term capital gain (loss)	4d		Schedule D, line 5, column (f)
	e Net long-term capital gain (loss):			
	(1) 28% rate gain (loss)	e(1)		Schedule D, line 12, column (g)
	(2) Total for year	e(2)		Schedule D, line 12, column (f)
f Other portfolio income (loss) (attach schedule)	4f		Enter on applicable ln of your return	
5 Guaranteed payments to partner	5			
6 Net section 1231 gain (loss) (other than due to casualty or theft)	6		See Partner's Instructions for Schedule K-1 (Form 1065).	
7 Other income (loss) (attach schedule)	7		Enter on applicable ln of your return	
<b>Deductions</b>	8 Charitable contributions (see instructions) (attach schedule)	8		Schedule A, line 15 or 16
	9 Section 179 expense deduction	9		
	10 Deductions related to portfolio income (attach schedule)	10		See Partner's Instructions for Schedule K-1 (Form 1065).
	11 Other deductions (attach schedule)	11		
<b>Credits</b>	12a Low-income housing credit:			Form 8586, line 5
	(1) From section 42(j)(5) p'ships for property placed in service before 1990	a(1)		
	(2) Other than on line 12a(1) for property placed in service before 1990	a(2)		
	(3) From section 42(j)(5) partnerships for property placed in service after 1989	a(3)		
	(4) Other than on line 12a(3) for property placed in service after 1989	a(4)		
	b Qualified rehabilitation expenditures related to rental real estate activities	12b		See Partner's Instructions for Schedule K-1 (Form 1065).
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	12c		
	d Credits related to other rental activities	12d		
13 Other credits	13			

BAA For Paperwork Reduction Act Notice, see instructions for Form 1065.

Schedule K-1 (Form 1065) 1999

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Investment Interest	14a Interest expense on investment debts	14a	Form 4952, line 1
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f	b(1) 25.	See Partner's Instructions for Schedule K-1 (Form 1065).
	(2) Investment expenses included on line 10	b(2)	
Self-employment	15a Net earnings (loss) from self-employment	15a -5,382.	Schedule SE, Section A or B
	b Gross farming or fishing income	15b	See Partner's Instructions for Schedule K-1 (Form 1065).
	c Gross nonfarm income	15c 73,306.	
Adjustments and Tax Preference Items	16a Depreciation adjustment on property placed in service after 1986	16a	See Partner's Instructions for Schedule K-1 (Form 1065) and instructions for Form 6251.
	b Adjusted gain or loss	16b	
	c Depletion (other than oil and gas)	16c	
	d (1) Gross income from oil, gas, and geothermal properties	d(1)	
	(2) Deductions allocable to oil, gas, and geothermal properties	d(2)	
e Other adjustments & tax preference items (attach schedule)	16e		
Foreign Taxes	17a Type of income ▶		Form 1116, check boxes
	b Name of foreign country or possession ▶		Form 1116, Part I
	c Total gross income from sources outside the United States (attach schedule)	17c	
	d Total applicable deductions and losses (attach schedule)	17d	Form 1116, Part II
	e Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	17e	
	f Reduction in taxes available for credit (attach schedule)	17f	
	g Other foreign tax information (attach schedule)	17g	Form 1116, Part III
Other	18a Section 59(e)(2) expenditures: a Type ▶		See Partner's Instructions for Schedule K-1 (Form 1065).
	b Amount	18b	
	19 Tax-exempt interest income	19	Form 1040, line 8b
	20 Other tax-exempt income	20	See Partner's Instructions for Schedule K-1 (Form 1065).
	21 Nondeductible expenses	21	
	22 Distributions of money (cash and marketable securities)	22	
	23 Distributions of property other than money	23	
	24 Recapture of low-income housing credit:		Form 8611, line 8
a From section 42(j)(5) partnerships	24a		
b Other than on line 24a	24b		
25 Supplemental information required to be reported separately to each partner (attach additional schedules if more space is needed):			

Supplemental Information

# Business Information Report™

For: MISTY  
DUN & BRADSTREET

March 30, 2000  
4:10 pm

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## BUSINESS SUMMARY

STATE DISCOUNT TELEPHONE LLC	DUNS: 02-722-9231	RATING	2R2
2023 SAM HOUSTON AVE STE 2	TELEPHONE		FORMERLY
HUNTSVILLE TX 77340	COMMUNICATIONS	STARTED	--
TEL: 936 295-9600	SIC NO.	GR REV	\$500,000
	4813	EMPLOYS	4
		HISTORY	CLEAR
MISTY FRUGE, MEMBER			
RATING CHANGE			

## SPECIAL EVENTS

03/21/00	The Chief Executive Officer is now Misty Fruge, member.
----------	---------------------------------------------------------

## CUSTOMER SERVICE

If you have questions about this report, please call our Customer Service Center at 1-800-333-0505 from anywhere within the U.S. If you are outside the U.S., contact your local D&B office.

\*\*\* Additional Decision Support Available \*\*\*

Additional D&B products, credit recommendations and specialized investigations are available to help you evaluate this company or its industry. Call Dun & Bradstreet's Solution Center at 1-800-362-3425 from anywhere within the U.S.

## SUMMARY ANALYSIS

The Summary Analysis section reflects information in D&B's file as of March 27, 2000.

**RATING SUMMARY . . . .**

The Rating was changed on March 22, 2000 because of D&B's overall assessment of the company's financial, payment and history information. The "2R" portion of the Rating (the Rating Classification) indicates

For: MISTY  
DUN & BRADSTREETMarch 30, 2000  
4:10 pm*This report should not be reproduced or redistributed.***SUMMARY ANALYSIS (continued)**

business size of fewer than 10 employees for this company. The "2" on the right (Composite Credit Appraisal) indicates an overall "good" credit appraisal. This credit appraisal was assigned because the payment information in D&B's file indicates the majority of this company's obligations are retired satisfactorily and a search of D&B's file indicates no open suits, liens or judgments.

Below is an overview of the company's D&B Rating(s) since 04/14/99:

RATING	DATE APPLIED
2R2	03/22/00
--	04/14/99

**PAYMENT SUMMARY**

The Payment Summary section reflects payment information in D&B's file as of the date of this report.

The PAYDEX for this company is 80.

This PAYDEX score indicates that payments to suppliers are generally within terms, weighted by dollar amounts. When dollar amounts are not considered, approximately 100% of the company's payments are within terms.

Below is an overview of the company's dollar-weighted payments, segmented by its suppliers' primary industries:

	TOTAL RCV'D	TOTAL DOLLAR AMOUNTS	LARGEST HIGH CREDIT	% W/IN TERMS	DAYS SLOW			
	#	\$	\$	%	<31	31-60	61-90	91+
					%	%	%	%
Total in D&B's file	5	2,150	750					
Payment By Industry:								
1 Misc business service	2	150	100	100	-	-	-	-
2 Mfg photograph equip	1	750	750	100	-	-	-	-
3 Whol office supplies	1	750	750	100	-	-	-	-
4 Short-trm busn credit	1	500	500	100	-	-	-	-
Other Payment Categories:								
Cash experiences	0	0	0					
Payment record unknown	0	0	0					
Unfavorable comments	0	0	0					
Placed for collection with D&B	0	0						



For: MISTY  
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### HISTORY (continued)

on MAR 20 2000.

Business started 1997 by Harry Thielepape and Misty Fruge.  
Through the Texas State Comptroller, State Discount Telephone LLC  
is a limited liability company formed as of Jun 16 1998 under State ID  
0703829222.

MISTY FRUGE. 1997-present active here.

DAROLYN RENE THIELEPAPE. 1998-present active here.

### OPERATION

03/21/00

Telephone communications.

Terms, territory and customers unavailable.

EMPLOYEES: 4 which includes officer(s).

FACILITIES: Occupies premises in building.

LOCATION: Commercial section on well traveled street.

03-30(803 /803)

99999

073083083

-- END OF REPORT --

05/11/00

## STATE DISCOUNT TELEPHONE

## Balance Sheet

As of December 31, 1999

	Dec 31, '99
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
Daily Sales Account	-1,979.92
Employee Tax	317.04
Sales Tax	154.28
Western Union Account	346.40
<b>Total Checking/Savings</b>	<u>-1,162.20</u>
<b>Total Current Assets</b>	-1,162.20
<b>Fixed Assets</b>	
Machinery & Equipment	15,116.53
Accumulated Depreciation	<u>-8,556.53</u>
<b>Total Fixed Assets</b>	6,560.00
<b>TOTAL ASSETS</b>	<u><u>5,397.80</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Other Current Liabilities</b>	
P/R Fed W/H	728.00
P/R Fica & Medi	1,064.48
P/R Futa & TEC	-186.85
Sales Taxes Payable	175.56
<b>Total Other Current Liabilities</b>	<u>1,781.19</u>
<b>Total Current Liabilities</b>	1,781.19
<b>Long Term Liabilities</b>	
N/P Doches	6,500.00
N/P Paul Bellarud	12,000.00
Obligaton Under Capital Lease	2,841.05
<b>Total Long Term Liabilities</b>	<u>21,341.05</u>
<b>Total Liabilities</b>	23,122.24
<b>Equity</b>	
Retained Earnings	937.00
Net Income	<u>-18,661.44</u>
<b>Total Equity</b>	<u>-17,724.44</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>5,397.80</u></u>

**STATE DISCOUNT TELEPHONE****Balance Sheet**

As of May 11, 2000

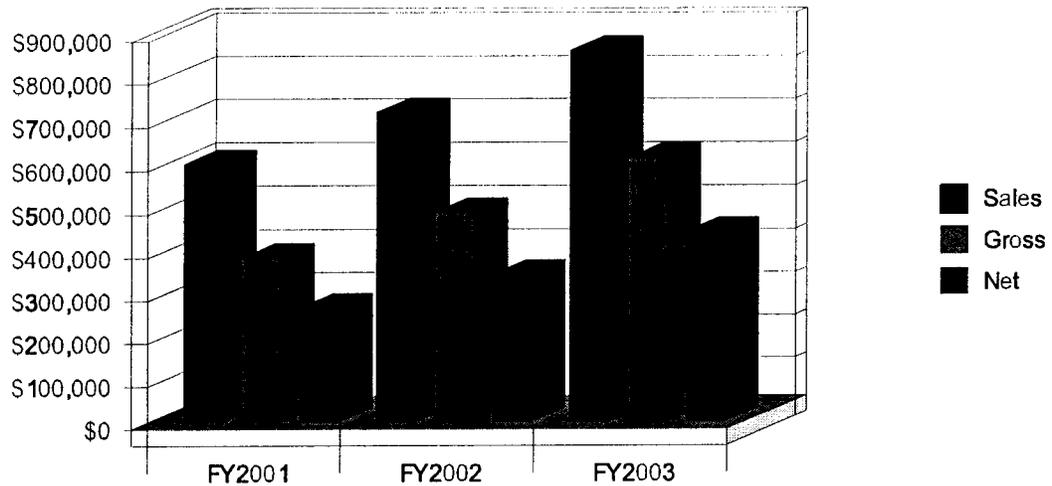
05/11/00

	May 11, '00
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
Daily Sales Account	8,023.46
Western Union Account	2,937.34
<b>Total Checking/Savings</b>	<u>10,960.80</u>
<b>Other Current Assets</b>	
Telecheck	127.77
<b>Total Other Current Assets</b>	<u>127.77</u>
<b>Total Current Assets</b>	11,088.57
<b>Fixed Assets</b>	
<b>Machinery &amp; Equipment</b>	
Machinery & Equipment	15,116.53
Accumulated Depreciation	-8,556.53
<b>Total Fixed Assets</b>	<u>6,560.00</u>
<b>TOTAL ASSETS</b>	<u><u>17,648.57</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Other Current Liabilities</b>	
P/R Fed W/H	865.00
P/R Fica & Medl	1,107.90
P/R Futa & TEC	-100.58
Sales Taxes Payable	12,298.52
<b>Total Other Current Liabilities</b>	<u>14,170.84</u>
<b>Total Current Liabilities</b>	14,170.84
<b>Long Term Liabilities</b>	
N/P Doches	6,500.00
N/P Paul Bellarud	12,000.00
Obligation Under Capital Lease	2,841.05
<b>Total Long Term Liabilities</b>	<u>21,341.05</u>
<b>Total Liabilities</b>	35,511.89
<b>Equity</b>	
Opening Bal Equity	-14.00
Retained Earnings	-17,724.44
Net Income	-124.88
<b>Total Equity</b>	<u>-17,863.32</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>17,648.57</u></u>

## 1.0 Executive Summary

The goal of State Discount Telephone, LLC. is to cover a ten State area including Alabama, Texas, Tennessee, Oklahoma, Missouri, Louisiana, Florida, Kansas, Georgia, and South Carolina. These ten states have proven to be the most profitable at this time. We currently have applications pending in three of these states, and we are certified in the State of Texas currently.

### Business Plan Highlights



## 1.1 Objectives

1. To cover a ten state area by the year 2002.
2. To double our proceeds every year.
3. To advertise effectively in each state.

## 1.2 Mission

To cover a Ten State area including Alabama, Texas, Oklahoma, Missouri, Georgia, Tennessee, Louisiana, Kansas, Florida, and South Carolina.

## 1.3 Keys to Success

1. Developing Visibility to generate new business leads.
2. Excellence in service- reliable, trustworthy, expertise in the field.

## 2.0 Company Summary

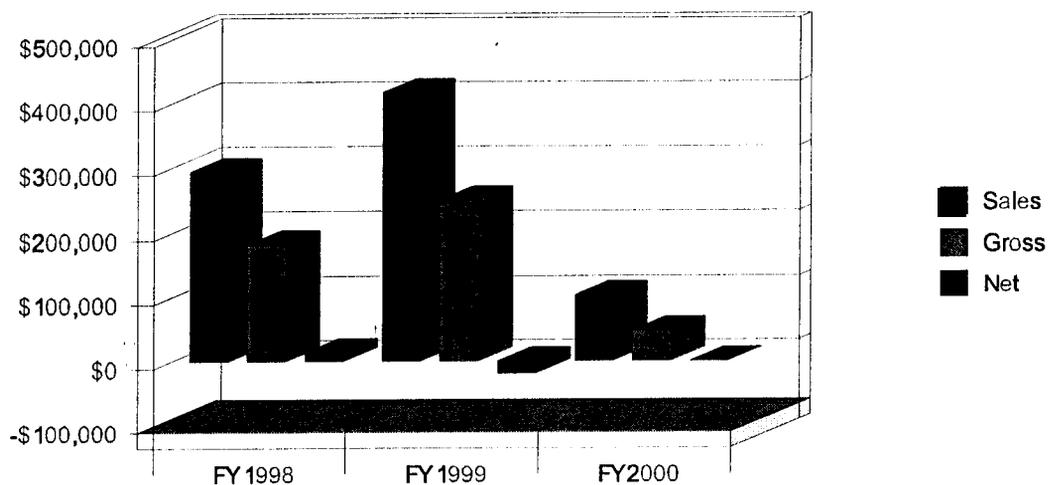
State Discount Telephone, LLC. was formed in December of 1997. It became a Limited Liability Company on June 16, 1998. Currently, State Discount Telephone has its headquarters of operation in Huntsville, Texas. The company has four employees including the owners, Rene Thielepape & Misty Fruge'. State Discount Telephone is certified as a Local Service Reseller in the State of Texas, by the Texas Public Utility Commission. Operating as a CLEC in Texas, the company currently has interconnection agreements with Southwestern Bell and GTE, along with TXU Communications, EastTex Telephone, Livingston Telephone Coop., Alltel, and Sprint. State Discount Telephone offers local service state wide in Texas. State Discount Telephone, LLC. has pending Interconnection Agreements with BellSouth, GTE, Alltel and Sprint.

## 2.1 Company Ownership

State Discount Telephone, LLC. was formed in December of 1997, and it became a Limited Liability Company June 16, 1998. The owners include Darolyn Rene Thielepape & Misty Fruge'. The ownership is equal between the two parties, it is a privately owned telecommunications business.

## 2.2 Company History

### Past Financial Performance



# State Discount Telephone, LLC. Business Plan

**Table 2.2: Past Performance**

	FY1998	FY1999	FY2000
Sales	\$293,881	\$416,204	\$103,100
Gross Margin	\$182,208	\$249,861	\$47,500
Gross % (calculated)	62.00%	60.03%	46.07%
Operating Expenses	\$235,536	\$200,920	\$62,100
Collection period (days)	0	0	0
Inventory turnover	0	0	0
 <b>Balance Sheet</b>			
Short-term Assets	FY1998	FY1999	FY2000
Cash	\$18,088	\$5,398	\$7,000
Accounts receivable	\$0	\$0	\$0
Inventory	\$0	\$0	\$0
Other Short-term Assets	\$0	\$0	\$0
Total Short-term Assets	\$18,088	\$5,398	\$7,000
Long-term Assets			
Capital Assets	\$0	\$0	\$0
Accumulated Depreciation	\$0	(\$8,500)	(\$8,500)
Total Long-term Assets	\$0	\$8,500	\$8,500
Total Assets	\$18,088	\$13,898	\$15,500
 <b>Capital and Liabilities</b>			
	FY1998	FY1999	FY2000
Accounts Payable	\$235,536	\$200,920	\$9,900
Short-term Notes	\$55	\$23,122	\$0
Other ST Liabilities	\$0	\$0	\$0
Subtotal Short-term Liabilities	\$235,591	\$224,042	\$9,900
Long-term Liabilities	\$0	\$0	\$21,000
Total Liabilities	\$235,591	\$224,042	\$30,900
Paid in Capital	\$0	\$0	\$0
Retained Earnings	(\$231,827)	(\$191,483)	(\$15,400)
Earnings	\$14,324	(\$18,661)	\$0
Total Capital	(\$217,503)	(\$210,144)	(\$15,400)
Total Capital and Liabilities	\$18,088	\$13,898	\$15,500
 <b>Other Inputs</b>			
	FY1998	FY1999	FY2000
Payment days	30	30	30
Sales on credit	\$0	\$0	\$0
Receivables turnover	0.00	0.00	0.00

## 3.0 Services

State Discount Telephone is a local telephone service provider. The company offers resold service to the general public at a higher rate than the Incumbent Service Provider. State Discount Telephone is a pre-paid phone service company. The company offers pre-paid long distance to its customers in packages of \$10, \$20, and \$30. All user features are sold on a resold basis for an additional fee of \$4.00, including call waiting, call forwarding, call return, non-published number, call block, anonymous call reject, speed dial, and caller id name and number for a rate of \$10.00 per month added to the monthly bill. Customer's lines are totally toll-restricted. Customers have access to all local numbers in their calling area, 911 for an emergency, and any toll-free number (8XX). All other services are blocked, including operator assistance, and collect calls.

## 3.1 Service Description

1. Pre-paid local telephone service
2. Pre-paid long distance
3. Options (example: call waiting, caller id.)

## 3.2 Competitive Comparison

**State Discount Telephone** has a basic monthly rate of \$48.00 and an activation fee of \$35.99 in comparison to other CLEC's such as:

Fast Reconnections: \$55.00 with an activation fee of \$39.00.

Basic Phone: \$43.00 with an activation fee of \$20.00

TeleOne: \$49.11 with an activation fee of \$0.00

EZ Talk Communications, L.L.C.: \$54.50 with an activation fee of \$45.00.

## 3.3 Sales Literature

State Discount Telephone advertises in the Thrifty Nickel Newspaper, The Huntsville Item, The Texas Trader, KSAM Radio, and on Texas Cable Stations.

Florida Newspapers include: The Thrifty Nickel Paper in Clearwater, Ft. Walton Beach, Merrit Island, Ocala, Panama City, Pensacola, N. Orlando, and Tallahassee. Advertisements will be placed on local cable stations throughout Florida, and Radio Stations.

## 3.4 Fulfillment

The key fulfillment and delivery will be provided by the principals of the business. The real core value is professional expertise, provided by a combination of experience, hard work, and education .

## 3.5 Technology

State Discount Telephone, LLC will rely on the underlying carriers to provide its state-of-the-art telecommunications equipment. Those resources will be passed along to the customer on a resold basis.

## 3.6 Future Services

In the future, State Discount Telephone, LLC will broaden its customer base by expanding into coverage of additional markets.(e.g. Alabama, Georgia, Oklahoma, Missouri, Kansas, Florida, South Carolina, Tennessee, Louisiana, and Mississippi. In the future we will offer a broader range of complete services as they become available on a resold basis.

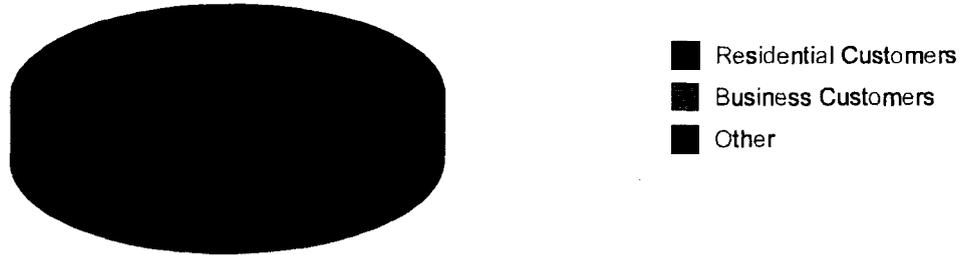
#### 4.0 Market Analysis Summary

Our most important group of potential customers are those who are unable to get regular phone service with their local telephone company, due to past due bills or high deposit requirements. These customers are potentially high credit risk customers, or those who are unhappy with their current phone service provider. Our goal is to provide a toll restricted phone line to the customer on a pre-paid basis without the hassles of a credit check or large deposit.

#### 4.1 Market Segmentation

1. High risk credit customers
2. No credit customers
3. Unhappy customers from other phone companies

#### Potential Market by Segment



**Table 4.1: Market Analysis**

Potential Customers	Growth	2000	2001	2002	2003	2004	CAGR
Residential Customers	30%	1,500	1,950	2,535	3,296	4,285	30.01%
Business Customers	20%	200	240	288	346	415	20.02%
Other	0%	0	0	0	0	0	0.00%
<b>Total</b>	<b>28.95%</b>	<b>1,700</b>	<b>2,190</b>	<b>2,823</b>	<b>3,642</b>	<b>4,700</b>	<b>28.95%</b>

## 4.2 Target Market Segment Strategy

We cannot survive just waiting for the customer to come to us. Instead, we must get better at focusing on the specific market segments whose needs match our offerings. Focusing on targeted segments is the key to our future.

Therefore, we need to focus our marketing message and our product offerings. We need to develop our message, communicate it, and make good on it.

## 5.0 Strategy and Implementation Summary

State Discount Telephone, LLC will focus on one geographical market, the United States.

The target customer is usually a high credit risk individual.

### 5.1 Strategy Pyramids

Our main strategy is emphasis on a no credit check, hassle free, low fee, phone service connection.

### 5.2 Value Proposition

State Discount Telephone, LLC offers local service at a fixed monthly rate, without a lengthy credit check, and high deposit.

### 5.3 Competitive Edge

We start with a critical competitive edge: Our positioning on this point is very hard to match, and we offer a service that is set at a competitive rate. We will maintain this focus in our strategy, marketing, business development, and fulfillment.

### 5.4 Marketing Strategy

We will develop and maintain a database of people in the right positions. It starts with the contacts we bring in as we start the business. From there we add inquiries and participants from newspaper readers and radio listeners, along with cable watchers. We use the database to make regular contact with mailings and newsletters, and trade show appearances.

#### 5.4.1 Positioning Statement

For customers who need local phone service at a low rate, State Discount Telephone, LLC will provide toll restricted lines on a resold basis. Unlike some other Resellers, it provides a low monthly rate and a minimum activation fee.

**5.4.2 Pricing Strategy**

State Discount Telephone will price its monthly service at an upper edge of what the market will bear, competing with other Resellers.

**5.4.3 Promotion Strategy**

State Discount Telephone will promote its services through newspaper advertisements, cable television, and radio advertising.

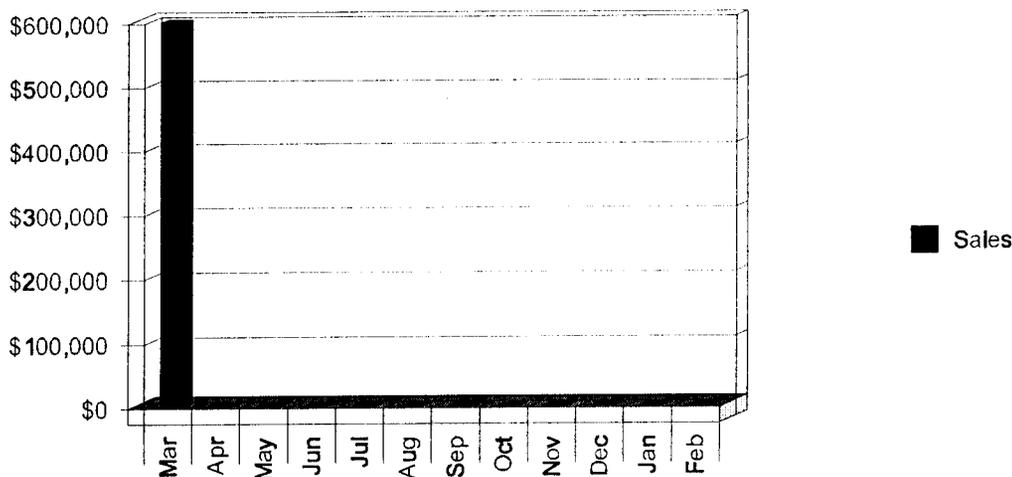
**5.5 Sales Strategy**

Sales in our business is generated by new customers purchasing local service in their calling area. Customer service is the key to selling our service to a new customer. One doesn't merely sell a service, one develops a proposal that a customer cannot refuse.

**5.5.1 Sales Forecast**

The table below gives a run-down on forecasted sales for the next three years. We expect sales to increase at a rate of 20% per year.

**Total Sales by Month in Year 1**



**Table 5.5.1: Sales Forecast**

Sales	FY2001	FY2002	FY2003
Row 1	\$599,040	\$718,848	\$862,618
Other	\$0	\$0	\$0
<b>Total Sales</b>	<b>\$599,040</b>	<b>\$718,848</b>	<b>\$862,618</b>
Direct Cost of sales	FY2001	FY2002	FY2003
Row 1	\$215,000	\$230,000	\$250,000
Other	\$0	\$0	\$0
<b>Subtotal Cost of Sales</b>	<b>\$215,000</b>	<b>\$230,000</b>	<b>\$250,000</b>

## 5.5.2 Sales Programs

State Discount Telephone offers customer service awards for those employees who best exemplify the State Discount Telephone commitment to customers, along with bonuses and incentives yearly.

## 5.6 Strategic Alliances

We depend on our alliance with Southwestern Bell, Bellsouth, Alltel, Sprint, TXU, Eastex, Livingston Telephone, and GTE to ensure excellence in facilities provided to telecommunications customers.

## 6.0 Management Summary

The initial management team depends on the founders themselves, with little back-up. As we grow, we will take on additional personnel.

## 6.1 Organizational Structure

State Discount Telephone, LLC depends on the owners for management. Main management responsibilities should be divided between the top two partners. While both are still focused mainly on the quality of expertise, one must take ultimate responsibility for administration and finance, and the other for marketing, and customer service.

## 6.2 Management Team

State Discount Telephone, LLC is not departmentalized. The owners, Darolyn Rene Thielepape, and Misty Fruge' are the lead managers. The company makes all decisions in accordance with the company mission. Employees are given specific tasks based upon their creativity, knowledge, and social ability.

Every three months, the CEO assesses the results of these tasks and the personality of the employee involved to determine promotion and/or salary issues.

## 6.3 Management Team Gaps

The present team requires business development and administrative support. Most of the partners have been working in business environments in which this kind of support was provided to them as part of a larger organization.

We will turn to the Small Business Development Center for programs, and seminars for our ongoing development.

## 6.4 Personnel Plan

The following table summarizes our personnel expenditures for the first three years, with a 20% increase in salaries every year, based in assumed growth. We believe this plan is a fair compromise between fairness and expedience, and meets the commitment of our mission statement.

**Table 6.4: Personnel Plan**

Personnel		FY2001	FY2002	FY2003
Name or title	Owners	\$50,000	\$60,000	\$70,000
Inserted row	Office Manager	\$20,000	\$25,000	\$30,000
Inserted row	Sales People	\$14,000	\$19,000	\$24,000
Other		\$0	\$0	\$0
Total Payroll		\$84,000	\$104,000	\$124,000
Total Headcount		0	6	8
Payroll Burden		\$12,600	\$15,600	\$18,600
Total Payroll Expenditures		\$96,600	\$119,600	\$142,600

## 7.0 Financial Plan

\* We want to finance growth mainly through cash flow. We recognize that this means we will have to grow more slowly than we might like.

\* The most important factor in our case is collection days. Therefore we have developed a permanent system of receivables financing, using a proven system of collecting payments via Western Union.

## 7.1 Important Assumptions

The financial plan depends on important assumptions, most of which are shown in the following table as annual assumptions. The monthly assumptions are included in the appendices. From the beginning, we recognize that collection days are critical, but not a factor we can influence easily. At least we are planning on the problem, and dealing with it. Interest rates, tax rates, and personnel burden are based on conservative assumptions.

Some of the more important underlying assumptions are:

\* We assume a strong economy, without major recession.

\* We assume, of course, that there are no unforeseen changes in technology to make our clients' products immediately obsolete.

**Table 7.1: General Assumptions**

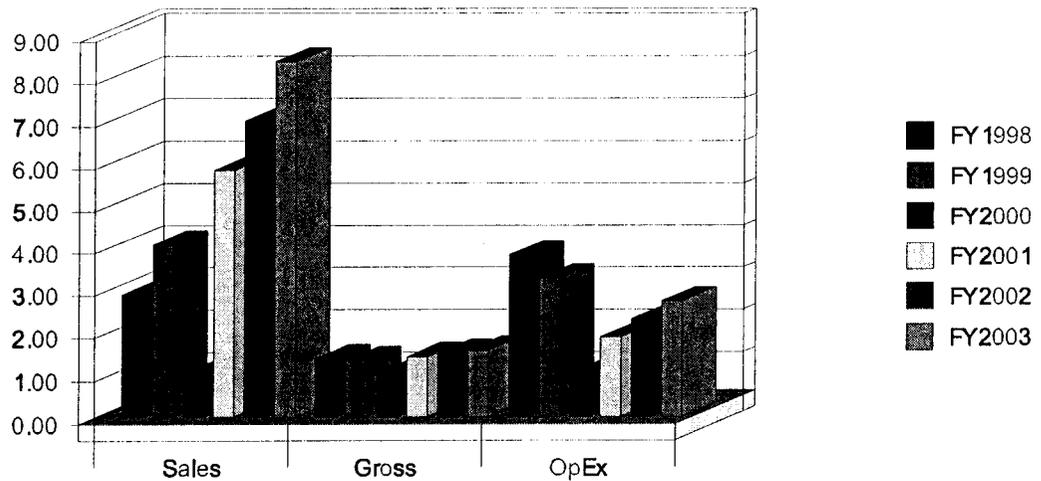
	FY2001	FY2002	FY2003
Short-term Interest Rate %	8.25%	8.25%	8.25%
Long-term Interest Rate %	6.25%	6.25%	6.25%
Payment Days Estimator	30	30	30
Tax Rate %	0.00%	0.00%	0.00%
Expenses in Cash %	10.00%	10.00%	10.00%
Personnel Burden %	15.00%	15.00%	15.00%

## 7.2 Key Financial Indicators

The following benchmark chart indicates our key financial indicators for the first three years. We foresee major growth in sales and operating expenses, and a bump in our collection days as we spread the business during expansion.

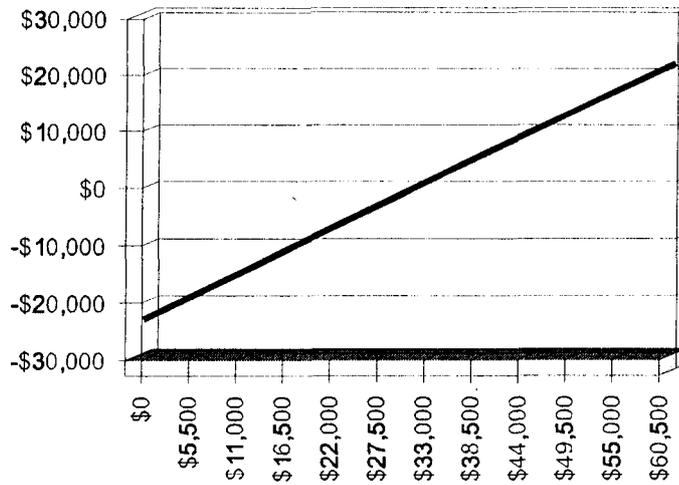
Collection days are very important. We do not want to let our average collection days get above 55 under any circumstances. This could cause a serious problem with cash flow. However, we recognize that we can control this factor easily, because of the relationship with our clients.

**Benchmark Comparison**



## 7.3 Break-even Analysis

**Breakeven Analysis**



**Table 7.3: Break-even Analysis**

Monthly Units Break-even	575
Monthly Sales Break-even	\$31,625
Assumptions:	
Average Per-Unit Revenue	\$55.00
Average Per-Unit Variable Cost	\$15.00
Estimated Monthly Fixed Cost	\$23,000

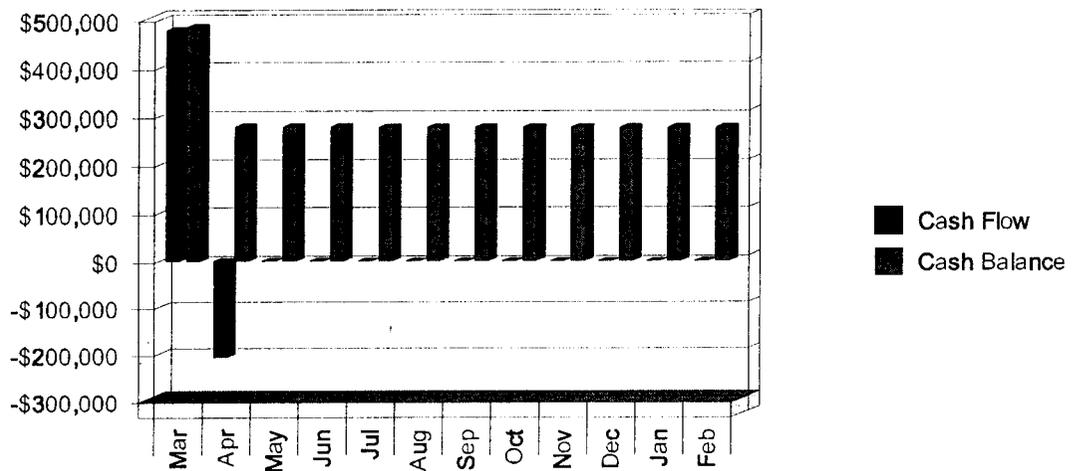
**7.4 Projected Profit and Loss**

**Table 7.4: Projected Profit and Loss**

	FY2001	FY2002	FY2003
Sales	\$599,040	\$718,848	\$862,618
Direct Cost of Sales	\$215,000	\$230,000	\$250,000
Other	\$0	\$0	\$0
<b>Total Cost of Sales</b>	<b>\$215,000</b>	<b>\$230,000</b>	<b>\$250,000</b>
Gross Margin	\$384,040	\$488,848	\$612,618
Gross Margin %	64.11%	68.00%	71.02%
Operating expenses:			
Advertising/Promotion	\$4,350	\$5,005	\$5,755
Travel	\$197	\$300	\$600
Miscellaneous	\$883	\$1,900	\$3,000
Payroll Expense	\$84,000	\$104,000	\$124,000
Payroll Burden	\$12,600	\$15,600	\$18,600
Depreciation	\$0	\$0	\$0
Leased Equipment	\$3,619	\$3,800	\$4,100
Utilities	\$460	\$500	\$520
Insurance	\$1,914	\$2,500	\$3,000
Rent	\$7,200	\$7,200	\$7,200
Contract/Consultants	\$0	\$0	\$0
<b>Total Operating Expenses</b>	<b>\$115,222</b>	<b>\$140,805</b>	<b>\$166,775</b>
Profit Before Interest and Taxes	\$268,818	\$348,043	\$445,843
Interest Expense Short-term	\$0	\$0	\$0
Interest Expense Long-term	\$2,063	\$2,063	\$2,063
Taxes Incurred	\$0	\$0	\$0
Net Profit	\$266,755	\$345,981	\$443,781
Net Profit/Sales	44.53%	48.13%	51.45%

## 7.5 Projected Cash Flow

### Cash Analysis



**Table 7.5: Projected Cash Flow**

	FY2001	FY2002	FY2003
Net Profit	\$266,755	\$345,981	\$443,781
Plus:			
Depreciation	\$0	\$0	\$0
Change in Accounts Payable	(\$9,747)	\$11	\$15
Current Borrowing (repayment)	\$0	\$0	\$0
Increase (decrease) Other Liabilities	\$0	\$0	\$0
Long-term Borrowing (repayment)	\$12,000	\$0	\$0
Capital Input	\$0	\$0	\$0
Subtotal	\$269,008	\$345,992	\$443,795
Less:	FY2001	FY2002	FY2003
Change in Other Short-term Assets	\$0	\$0	\$0
Capital Expenditure	\$0	\$0	\$0
Dividends	\$0	\$0	\$0
Subtotal	\$0	\$0	\$0
Net Cash Flow	\$269,008	\$345,992	\$443,795
Cash Balance	\$276,008	\$621,999	\$1,065,795

## 7.6 Projected Balance Sheet

**Table 7.6: Projected Balance Sheet**

Assets	Starting Balances	FY2001	FY2002	FY2003
Short-term Assets				
Cash	\$7,000	\$276,008	\$621,999	\$1,065,795
Other Short-term Assets	\$0	\$0	\$0	\$0
Total Short-term Assets	\$7,000	\$276,008	\$621,999	\$1,065,795
Long-term Assets				
Capital Assets	\$0	\$0	\$0	\$0
Accumulated Depreciation	(\$8,500)	(\$8,500)	(\$8,500)	(\$8,500)
Total Long-term Assets	\$8,500	\$8,500	\$8,500	\$8,500
Total Assets	\$15,500	\$284,508	\$630,499	\$1,074,295
Liabilities and Capital				
Accounts Payable	\$9,900	\$153	\$164	\$179
Short-term Notes	\$0	\$0	\$0	\$0
Other Short-term Liabilities	\$0	\$0	\$0	\$0
Subtotal Short-term Liabilities	\$9,900	\$153	\$164	\$179
Long-term Liabilities	\$21,000	\$33,000	\$33,000	\$33,000
Total Liabilities	\$30,900	\$33,153	\$33,164	\$33,179
Paid in Capital	\$0	\$0	\$0	\$0
Retained Earnings	(\$15,400)	(\$15,400)	\$251,355	\$597,336
Earnings	\$0	\$266,755	\$345,981	\$443,781
Total Capital	(\$15,400)	\$251,355	\$597,336	\$1,041,116
Total Liabilities and Capital	\$15,500	\$284,508	\$630,499	\$1,074,295
Net Worth	(\$15,400)	\$251,355	\$597,336	\$1,041,116

## 7.7 Business Ratios

**Table 7.7: Projected Business Ratios**

<b>Profitability Ratios:</b>				
	FY2001	FY2002	FY2003	RMA
Gross Margin	64.11%	68.00%	71.02%	0
Net Profit Margin	44.53%	48.13%	51.45%	0
Return on Assets	93.76%	54.87%	41.31%	0
Return on Equity	106.13%	57.92%	42.63%	0
<b>Activity Ratios</b>				
	FY2001	FY2002	FY2003	RMA
AR Turnover	0.00	0.00	0.00	0
Collection Days	0	0	0	0
Inventory Turnover	0.00	0.00	0.00	0
Accts Payable Turnover	1,390.30	1,390.30	1,390.30	0
Total Asset Turnover	2.11	1.14	0.80	0
<b>Debt Ratios</b>				
	FY2001	FY2002	FY2003	RMA
Debt to Net Worth	0.13	0.06	0.03	0
Short-term Liab. to Liab.	0.00	0.00	0.01	0
<b>Liquidity Ratios</b>				
	FY2001	FY2002	FY2003	RMA
Current Ratio	1809.07	3793.83	5960.16	0
Quick Ratio	1809.07	3793.83	5960.16	0
Net Working Capital	\$275,855	\$621,836	\$1,065,616	0
Interest Coverage	130.34	168.75	216.17	0
<b>Additional Ratios</b>				
	FY2001	FY2002	FY2003	RMA
Assets to Sales	0.47	0.88	1.25	0
Debt/Assets	12%	5%	3%	0
Current Debt/Total Assets	0%	0%	0%	0
Acid Test	1809.07	3793.83	5960.16	0
Asset Turnover	2.11	1.14	0.80	0
Sales/Net Worth	2.38	1.20	0.83	0

## Confidentiality Agreement

The undersigned reader acknowledges that the information provided by \_\_\_\_\_ in this business plan is confidential; therefore, reader agrees not to disclose it without the express written permission of \_\_\_\_\_.

It is acknowledged by reader that information to be furnished in this business plan is in all respects confidential in nature, other than information which is in the public domain through other means and that any disclosure or use of same by reader, may cause serious harm or damage to \_\_\_\_\_.

Upon request, this document is to be immediately returned to \_\_\_\_\_.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name (typed or printed)

This is a business plan. It does not imply an offering of securities.

State Discount Telephone, LLC. Business Plan  
March, 2000

**“ATTACHMENT C”**

**WRITTEN FINANCIAL EXPLANATION**

## CONFIDENTIAL

### STATEMENT OF FINANCIAL CAPABILITY

State Discount Telephone, L.L.C. has access to the financing and capital necessary to provide the requested service in the geographic area proposed to be served, to maintain the requested service and to meet its lease or ownership obligations. As a resale carrier, State Discount Telephone, L.L.C. will rely upon its existing personnel and technological and financial resources to provide Alternative Local Exchange Service within the State of Florida. As a privately held Limited Liability Company, State Discount Telephone, L.L.C. does not issue an annual report. However, attached hereto under seal, as part of Attachment B is State Discount Telephone's December 31, 1999 year-end balance sheet and 1999 Tax Return, along with our Dun & Bradstreet Report. You will also find a Business Plan, which includes a three year projected cash flow statement. Please note that the information provided in Attachment B is confidential, proprietary, and non-public information, and has been attached as "Confidential." As it contains sensitive information regarding State Discount Telephone, L.L.C. business operations, the Company respectfully requests that this information be treated confidentially and not released to any member of the public absent from State Discount Telephone, L.L.C. written permission. This attachment is being offered to demonstrate State Discount Telephone, L.L.C. has the financial ability to provide the proposed services. The Company possesses the sound financial resources necessary to effectively procure, install, and operate the facilities and services requested in this Application.

# Misty R. Fruge'

---

2023 Sam Houston Ave.# 2  
Huntsville, Texas 77340 (936) 295-9600  
Fax: (936) 435-9601  
Email: fruge@lightnetinternet.com

## **Profile**

As an Owner of State Discount Telephone L.L.C., I have extensive experience in all aspects of sales, customer support, accounting, data entry, billing, accounts receivable, and collections. I am qualified in the day to day operations of providing telephone service to the general public. I am responsible for all new install customers, collections, and billing. I have experience in repair services and line termination on non-payment accounts. I am responsible for personnel training, development and supervision. I have experience with Quick Books, Microsoft Access, and Platypus 2.9. I maintain all advertising and marketing for State Discount Telephone, L.L.C. My experience encompasses all aspects of marketing, including development, and program planning.

## **Employment Background**

**Service Representative, Lone Star State Telephone Company 1996- 1997**  
Responsible for all order processing, collections, accounts receivable, repair reports, and personnel training. I was responsible for the collections process of over 2,700 accounts.

**Owner, State Discount Telephone L.L.C. 1997- Present**  
I am responsible for the day to day operations of State Discount Telephone LLC, including, but not limited to all that is listed above.

**Owner, LightNet Internet 1999- Present**  
I am responsible for all aspects advertising, marketing and public relations. My duties include data entry, billing, sales, accounts receivable, and technical support.

## **Educational Background**

Bachelor of Science, Sam Houston State University, 1998.

Certificate of Christian Ministry, Indiana Christian University, 1999.

**"ATTACHMENT E"**

**PROPOSED  
PRICE LIST**

**“ATTACHMENT D”**

**RESUMES  
INDICATING SUFFICIENT  
MANAGERIAL CAPABILITIES**

# Rene Thielepape

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2023 Sam Houston Ave.# 2  
Huntsville, Texas 77340 (936) 295-9600  
Fax (936) 435-9601  
Email drt@lightnetinternet.com

## ***Profile***

As an Owner of State Discount Telephone L.L.C., I have extensive experience in customer support, accounting, data entry, billing, program planning, and administration. I am qualified in the day to day operations of providing telephone service to the general public. I am responsible for payroll, employee tax reports, sales tax reports, 911 fee reports, and billing issues with underlying carriers. I have experience in accounts payable and receivable. I have experience with Quick Books, Microsoft Access, and Platypus 2.9.

## ***Employment Background***

***Service Representative, Lufkin Conroe Telephone*** ***1987- 1998***  
Responsible for payment entry, bookkeeping, accounting, training of personnel, balancing end of day operations, and new order processing. My duties included customer service, payment agreements, and billing issues.

***Owner, State Discount Telephone LLC*** ***1997- Present***  
I am responsible for the day to day operations of State Discount Telephone L.L.C., including, but not limited to all that is listed above.

***Owner, LightNet Internet*** ***1999- Present***  
I am responsible for all public relations, and customer support issues. My duties include data entry, billing, sales, accounts receivable, and tech support.

## ***Educational Background***

Certification in Customer Relations, Lufkin Conroe Telephone Exchange, 1998.  
Certification in Pager Operations, Lufkin Conroe Telephone Exchange, 1998.  
Certification in Internet Operations, Lufkin Conroe Telephone Exchange 1997.  
Diploma, Conroe High School, 1978.

Telecommunications Services

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STATE DISCOUNT TELEPHONE, L.L.C.

REGULATIONS AND SCHEDULE OF INTRASTATE CHARGES  
APPLYING TO RESOLD LOCAL EXCHANGE SERVICES  
WITHIN THE STATE OF FLORIDA

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Issued: May 10, 2000  
Issued By:

State Discount Telephone, L.L.C.  
Misty Fruge'  
2023 Sam Houston Avenue # 2  
Huntsville, Texas 77340

Effective: May 10, 2000

## Telecommunications Services

CHECK SHEET

All sheets of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets are named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this page.

<u>Sheet</u>	<u>Revision</u>	<u>Effective Date</u>	<u>Sheet</u>	<u>Revision</u>	<u>Effective Date</u>
1	Original		31	Original	
2	Original		32	Original	
3	Original		33	Original	
4	Original		34	Original	
5	Original		35	Original	
6	Original		36	Original	
7	Original		37	Original	
8	Original		38	Original	
9	Original		39	Original	
10	Original		40	Original	
11	Original				
12	Original				
13	Original				
14	Original				
15	Original				
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17	Original				
18	Original				
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23	Original				
24	Original				
25	Original				
26	Original				
27	Original				
28	Original				
29	Original				
30	Original				

Issued: May 10, 2000  
Issued By:

State Discount Telephone, L.L.C.  
Misty Fruge'  
2023 Sam Houston Avenue # 2  
Huntsville, Texas 77340

Effective: May 10, 2000

Telecommunications Services

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Telecommunications Services

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**SYMBOLS**

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

- D - To signify discontinued rate or regulation
- I - To signify increased rate
- M - To signify a move in location of text
- N - To signify new rate or regulation
- R - To signify rate reduction
- T - To signify change in text, but no change in rate or regulation

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Telecommunications Services

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**TARIFF FORMAT**

- A. **Sheet Numbering-** Sheet numbers appear in the upper-right corner of the sheet. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff.
- B. **Sheet Revision Numbers-** Revision numbers also appear in the upper-right corner of the sheet. These numbers are used to determine the most current sheet revision on file with the Commission. For example, 4th revised Sheet 14 cancels 3rd Revised Sheet 14.
- C. **Paragraph Numbering Sequence-** There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level of coding.
- 2.
  - 2.1.
  - 2.1.1.
  - 2.1.1.A.
  - 2.1.1.A.1.
  - 2.1.1.A.1.(a)
  - 2.1.1.A.1.(a).I.
  - 2.1.1.A.1.(a).I.(i)
  - 2.1.1.A.1.(a).I.(i).(1)
- D. **Check Sheets-** When a tariff filing is made with the Commission, an updated Check Sheet accompanies the tariff filing. The Check Sheet lists the sheets contained in the tariff cross reference to the current revision number. When new sheets are added, the Check Sheet is changed to reflect the revision. All revisions made in a given filing are designated by an (\*). There will be no other symbols used on this sheet if these are the only changes made to it (i.e., the format, etc., remains the same, just revised revision levels on some sheets). The tariff user should refer to the latest Check Sheet to find out if a particular sheet is the most current sheet on file with the Commission.

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Telecommunications Services

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**SECTION 1 - DEFINITIONS AND ABBREVIATIONS****1.1 Definitions:**

**Account Number:** Customer's telephone number is his/her account number

**Activation Fee:** A nonrecurring charge applying to the establishment of basic telephone service.

**Advance Payment:** Payment of all or part of a charge required before the start of service.

**Anonymous Call Rejection:** This feature where facilities are available allows a Customer to automatically reject incoming calls when the call originates from a telephone number which has invoked a blocking feature that prevents the delivery of their number to the called party. When ACR is activated on the Customer's line and an incoming call marked private is received, the called party's telephone will not ring. The call will be routed to an announcement and subsequently terminated. The announcement informs the calling party that the person he or she is trying to reach will not accept the call as long as the calling number is not delivered. Incoming calls are checked for acceptance or rejections by Anonymous Call rejection regardless of the status of the Customer's line (e.g., off hook or idle).

**Authorized User:** A person that either is authorized by the Customer to use local exchange telephone service at the Customer's residence or other location, or is placed in a position by the Customer, either through acts or omissions, to use local exchange telephone service.

**Auto Redial:** Where facilities permit, auto redial, when activated, automatically redials the last number the Customer attempted to call. If the called line is busy, a confirmation announcement is heard, the Customer hangs up and a queuing process begins. For a predetermined period a time subsequent to the call both the calling and the called lines are checked periodically for availability to complete the call. If in this queuing process the called line becomes idle, the Customer is notified, via a distinctive ring, that the network is ready to place the call. When the Customer picks up the telephone the call will automatically be placed.

Telecommunications Services

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**SECTION 1 - DEFINITIONS (continued)**

**Call Block:** This feature provides the Customer the ability to prevent incoming calls from a predetermined list of Customer designated telephone numbers. A screening list is created by the Customer either by adding the last number associated with the line (incoming or outgoing), or by pre-selecting the telephone number to be blocked. When a call is placed to the Customer's number from a number on the screening list, the caller receives an announcement indicating that the party he is attempting to call does not wish to receive his call at this time. This feature will not work if the incoming call is from a telephone number in a multi-line hunt group unless the telephone number is the main telephone number in the hunt group, or is Telephone Number identified. Additionally, this feature will not block calls from coin or cellular telephones or operator assisted calls.

**Call Forwarding:** Provides for transferring incoming calls to another telephone number by dialing a code and the telephone number of the service to which calls are to be transferred. Calls cannot be forwarded outside of the Local Calling Area.

**Call Forward-Busy Line:** This feature provides for calls terminating to a Customer's busy directory number to be forwarded to another telephone number within the local calling area. The Customer selected forward-to telephone number is preprogrammed at the time service is established and can only be changed via service order.

**Call Forwarding-Busy Line/Do Not Answer:** This feature provides for calls terminating to a Customer's busy directory or does not answer within a prescribed period of time. The calls are forwarded to another telephone number within the local calling area. The Customer selected forward-to telephone number is preprogrammed at the time service is established and can only be changed via service order.

**Caller ID (Name & Number):** This feature enables the Customer to view on a display unit the calling party directory Name and Directory Number on incoming telephone calls. When activated on a Customer's line, the calling party Directory Name and Directory Number on incoming calls will be displayed on the called CPE during the first long silent interval of the ringing cycle. The date and time of the call is also transmitted to the Called ID Name & Number Customer.

**SECTION 1 - DEFINITIONS (continued)**

**Caller ID Deluxe (Name&Number) with Anonymous Call Rejection "ACR":**  
Where facilities permit, Deluxe also includes Anonymous Call Rejection. This feature allows Customers to automatically reject incoming calls when the call originates from a telephone number which has invoked a blocking feature that prevents the delivery of their number to the called party. When ACR is activated on the Customer's line and an incoming call marked private is received, the called party's telephone will not ring. The call will be routed to an announcement and subsequently terminated. The announcement informs the calling party that the person he or she is trying to reach will not accept the call as long as the calling number is not delivered. Incoming calls " are checked for acceptance or rejection by Anonymous Call Rejection regardless of the current state of the Customer's line (e.g., off hook or idle). Any Customer subscribing to Called ID or Call ID Deluxe will be responsible for the display device which will be located on the Customer's premises. The installation, repair and technical capability of that equipment to function in conjunction with the feature specified herein will be the responsibility of the Customer. The Company assumes no liability and will be held harmless for any incompatibility of the equipment to perform satisfactorily with the network features described herein.

**Call Return:** Where facilities permit, upon activation of the feature, the Customer will receive a voice announcement stating the Call Return has been accessed. In addition, the announcement will provide the Directory Number of the last incoming call. The Call Return user will then be prompted to enter an additional digit to continue with the feature activation, or to hang up to about the activation. This feature is not available on operator handled calls. In connection with Call Return, the Company will deliver all numbers, subject to technical limitation, including telephone number associated with Non-Published Listing Service. If the last incoming call originated from a telephone where delivery of the number was suppressed, either via per call or per line blocking, that number will not be available for voicing-back and the call cannot be returned by the Call Return Customer. The Call Return user will receive a voice announcement stating that this service cannot be used to call the number.

**Call Waiting:** Provides the user, busy on a call, with a private signal which alerts him to an unanswered call waiting to be completed to his number. The user may, then, hold the existing call, answer the incoming call and alternately talk on both calls until one has been terminated.

Telecommunications Services

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**SECTION 1 - DEFINITIONS (continued)**

**Collect Call:** The procedure by which certain messages, upon request, maybe reversed (charged to the called station) upon acceptance of the call at the called station. The Company attempts to block the Customer's ability to place or accept Collect Calls.

**Commission:** Tennessee Regulatory Authority of the State of Tennessee unless content indicates otherwise.

**Company:** State Discount Telephone, L.L.C., a Texas Limited Liability Company, which is the issuer of this Price List.

**Customer:** The person, firm, corporation or entity which orders service, uses and/or is responsible for the payment of charges and for compliance with the Company's Price List regulations.

**Demarcation Point:** The premises wire demarcation point begins where the Customer's inside wire connects to the intrabuilding network cable (INC). Where there is no INC, the demarcation point is the point of entry at Company's entrance facility. This demarcation point separates the responsibility of the end user from that of a vendor or Company's vendor of choice for premises wire repair and Customer Provided Equipment trouble isolation.

**Disconnection Of Service:** Initiated by the Company for violation of Price List regulation and/or non payment by the Customer.

**Extended Local Calling Services:** An optional calling plan that combines basic local exchange service with a calling plan that allows a Customer to reach more exchanges as local calls.

**Incumbent Local Exchange Carrier (ILEC):** Any certified local exchange company who held a Certificate of Convenience and Necessity before the effective date of the Federal Telecommunications Act of 1996.

**LATA:** A local access and transport area established pursuant to the Modification of Final Judgment entered by the United States District Court for the District of Columbia in Civil Action No. 82-0192 for the provision and administration of communications services.

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Issued: May 10, 2000

State Discount Telephone, L.L.C.

Effective: May 10, 2000

Issued By:

Misty Fruge'

2023 Sam Houston Avenue # 2

Huntsville, Texas 77340

Telecommunications Services

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**SECTION 1 - DEFINITIONS (continued)**

**Lifeline**: A low income assistance program, available to qualified residential Customer, which reduces monthly charges for local service through credits supported by universal service funding. To receive these reductions, proof of eligibility must be provided prior to installation or any changes in existing service.

**Link-Up**: A low income assistance program available to qualified residential Customers, which reduces charges for connection of service through credits supported by universal service funding. To receive these reductions, proof of eligibility must be provided prior to installation or any changes in existing service. A Customer must be a current recipient of Medicaid.

**Local Exchange Service**: Service which provides for exchange telephone communication within the local service area at rates and under regulations as provided in this Price List.

**Local Calling Area**: That area within which a Customer to local service can make telephone calls at exchange rates without incurring any long distance charges. A local service area maybe made up of one or more central office areas or exchange areas.

**Non-Published Number**: A telephone number associated with an exchange station which at the request of the Customer has the listing omitted from the telephone directory and is not shown on records available to the general public.

**Non-Recurring Charges**: The one-time charge(s) for additions or changes to services or features, including but not limited to, charges for processing and/or installation, for which the Customer becomes liable at the time the service is ordered.

**Premises**: Customer premises is all space in the same building occupied by a Customer and all space occupied by the same Customer in different buildings or continuous property. (Premises) Inside Wire: Inside (premises) wire (simple wire) refers to all non system inside (premises) telephone wire on the Customer's side of the inside wire demarcation point but does not include Customer premises equipment.

**Recurring Charges**: The monthly charges to the Customer for services, facilities and/or equipment, which continue for the agreed upon duration of the service.

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**Telecommunications Services**

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**SECTION 1 - DEFINITIONS (continued)**

**Service Commencement Date:** The first day following the date on which the Company notifies the Customer that the requested service or facility is available for use, unless extended by the Customer's refusal to accept service which does not conform to standards set forth in the Service Order or this Price List, in which case the Service Commencement Date is the date of the Customer's acceptance of service. The parties may mutually agree on a substitute Service Commencement Date.

**Services:** The Company's local exchange telecommunications services offered to the Customer within the State of Florida.

**Suspension of Service:** Initiated by the Company for violation of Price List regulations and/or for non-payment of services. Temporarily discontinuing service without removing the telephone equipment from the Customer's premises.

**Speed Calling:** Provides for the calling of a 7 or 10-digit telephone number by dialing an abbreviated code.

**Three-Way Calling:** Permits an existing call to be held, and by dialing, a second telephone call can be established and added to the connection. A Customer or any other person authorized by the Customer to use Services provided under this Price List.

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

Telecommunications Services

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[RESERVED FOR FUTURE USE]

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**Telecommunications Services**

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**SECTION 2 - RULES AND REGULATIONS****2.1 Undertaking of the Company****2.1.1 Scope**

2.1.1.A The Company undertakes to furnish intrastate telecommunications services within the State of Florida under the terms of this Price List as a reseller. Service is available Monday through Friday from 8:30 AM to 5:30 PM, and Saturday from 9:00AM to 1:00 PM.

2.1.1.B The Company is responsible under this Price List only for the services and facilities provided herein. Should Customers use such services and facilities to obtain access to services offered by other providers, the Company assumes no responsibility for such other service.

**2.1.2 Shortage of Equipment or Facilities:**

2.1.2.A The Company reserves the right to limit or allocate the use of existing facilities, or of additional facilities offered by the Company when necessary because of lack of facilities or due to some other cause beyond the Company's control.

2.1.2.B The furnishing of service under this Price List is subject to availability on a continuing basis of all necessary facilities from the Incumbent Local Exchange Carrier or other providers to the Company for resale.

**2.1.3 Terms and Conditions**

2.1.3.A Except as otherwise provided herein, the minimum period of service is one month (30 days). All payments for service are due in advance on the date specified by the Company. Service may be discontinued if a Customer's account is not paid in full on the due date. All calculations of dates set forth in this Price List shall be based on calendar days. Should the applicable date fall on a Sunday or Federal holiday, the Customer will be permitted to make payment on the next regular business day.

2.1.3.B This Price List shall be interpreted and governed by the laws of the State of Florida.

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**Telecommunications Services**

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**2.1 Undertaking of the Company (Cont'd)**

2.1.3 .C The Customer has no property right to the telephone number or any other call number designation associated with services furnished by the Company. The Company reserves the right to change such numbers, or the central office designation associated with such numbers, or both, assigned to the Customer, whenever the Company deems it necessary to do so in the conduct of its business.

**2.1.4 Liability of the Company**

2.1.4.A The liability of the Company for damages arising out of the furnishing of its services, including but not limited to mistakes, omissions, interruptions, delays, or errors, other defects, or representations by the Company, or use of these services or damages arising out of the failure to furnish the service whether caused by acts or omission, shall be limited to the extension of allowances for interruptions as set forth in Section 2.7 below. The extension of such allowances for interruption shall be the sole remedy of the Customer and the sole liability of the Company. The Company will not be liable for any direct, indirect, incidental, special, consequential, exemplary or punitive damages to Customer as a result of any Company service, equipment or facilities, or the acts or omissions or negligence of the Company's employees or agents.

2.1.4.B The Company shall not be liable for any delay or failure of performance or equipment due to causes beyond its control, including but not limited to: acts of God, fire, flood, explosion or other catastrophes; and law, order, regulation, direction, action or request of the United States government or of any other government, including state and local governments having or claiming jurisdiction over the Company, or of any department, agency, commission, bureau, corporation or other instrumentality of any one or more of these federal, state, or local governments, or of any military authority; preemption of existing service in compliance with national emergencies; insurrections; riots; wars; unavailability of rights-of-way or materials, or strikes, lockouts, work stoppages, or other labor difficulties.

2.1.4.C The Company shall not be liable for: (a) any actor omission of any entity furnishing the Company or the Company's Customers facilities or equipment used for or with the services the Company offers; or (b) for the acts or omissions of other common carriers or local exchange companies.

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Telecommunications Services

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**2.1 Undertaking of the Company (Cont'd)**

2.1.4.D The Company shall not be liable for any damages or losses due to the fault or negligence of, or any omission by, the Customer or due to the failure or malfunction of Customer-provided equipment or facilities.

2.1.4.E The Customer shall indemnify and hold the Company harmless from any and all loss, claims, demands, suits or other action, or any liability whatsoever, whether suffered, made, instituted, or asserted by any other party or person(s), and for any loss, damage, or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, removal, condition, location or use of any installation provided by the Company. The Company will not be entitled to collect any attorney's fees from the Customer in any action. The Company reserves the right to require each Customer to sign an agreement acknowledging acceptance of the provisions of this section as a condition precedent to such installations.

2.1.4.F The Company shall not be liable for any defacement of or damage to Customer premises resulting from the furnishing of services of equipment on such premises or the installation or removal thereof, unless such defacement or damage is caused by gross negligence or willful misconduct of the Company's agents or employees. No agents or employees of other participating carriers shall be deemed to be agents or employees of the Company.

2.1.4.G Notwithstanding the Customer's obligations set forth in Section 2.3.2, the Company shall be indemnified, defended, and held harmless by the Customer or by others authorized by it to use the service against any claim, loss or damage arising from Customer's use of services furnished under this Price List, including:

1. Claims for defamation libel, slander, invasion of privacy, infringement of copyright, unauthorized use of trademark, trade name, or service mark, unfair competition, interference with or misappropriation, or violation of any contract, proprietary or creative right, or any other injury to any proprietary or creative right, or any other injury to any person, property, or entity arising from the material, data, information, or content, revealed to, transmitted, processed, handled, or used by the Company under this Price List.

Telecommunications Services

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2.1 Undertaking of the Company (Cont'd)

2.1.4. Liability of the Company, (Cont'd)

2. patent infringement claims arising from combining or connecting the service offered by the Company with apparatus and systems of the Customer or others; and
3. all other claims arising out of any act or omission of the Customer or others, in connection with any service provided by the Company pursuant to this Price List.

2.1.4.H The entire liability of the Company for any claim, loss, damage or expense from any cause whatsoever shall in no event exceed sums actually paid to the Company by the Customer for the specific services giving rise to the claim, and no action or proceeding against the Company shall be commenced more than one year after the service is rendered.

2.1.4.I THE COMPANY MAKES NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE, EXCEPT THOSE EXPRESSLY SET FORTH HEREIN.

2. 1.4.J The Company shall not be liable for any act or omission of any other company or companies furnishing a portion of the service, or for damages associated with service, channels, or equipment which it does not furnish, or for damages which result from the operation of Customer-provided systems, equipment, facilities or services which are interconnected with Company services.

2. 1.4.K No agent or employee of any other carrier shall be deemed to be an agent or employee of the Company.

Telecommunications Services

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2.1 Undertaking of the Company (Cont'd)

2.1.4. Liability of the Company, (Cont'd)

2.1.4.L With respect to Emergency Number 911 Service:

1. This service is offered as an aid in handling assistance calls in connection with fire, police and other emergencies. The Company is not responsible for any losses, claims, demands, suits or any liability whatsoever, whether suffered, made, instituted or asserted by the Customer or by any other party or person for any personal injury to or death of any person or persons, and for any loss, damage or destruction of property, whether owned by the Customer or others, caused or claimed to have been caused by: (1) mistakes, omissions, interruptions, delays, errors or other defects in the provision of this service, or (2) installation, operation, failure to operate, maintenance, removal, presence, condition, location or use of any equipment and facilities furnishing this service.
2. Neither is the Company responsible for any infringement or invasion of the right of privacy of any person or persons, caused or claimed to have been caused, directly or indirectly, by the installation, operation, failure to operate, maintenance, or occasion by the use of Emergency 911 service features and the equipment associated therewith, or by any services furnished by the Company, including, but not limited to, the identification of the telephone number, address or name associated with the telephone used by the party or parties accessing Emergency 911 service, and which arise out of the negligence or other wrongful act of the Company, the Customer, its Users, agencies or municipalities, or the employees or agents of any one of them.

Telecommunications Services

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2.1 Undertaking of the Company (Cont'd)

2.1.4. Liability of the Company, (Cont'd)

2.1.4.M The Company's liability arising from errors or omissions in Directory Listings, other than charged listings, shall be limited to the amount of actual impairment to the Customer's service and in no event shall exceed one-half the amount of the fixed monthly charges applicable to exchange service affected during the period covered by the directory in which the error or omission occurs. In cases of charged Directory Listings, the liability of the Company shall be limited to an amount not exceeding the amount of charges for the charged listings involved during the period covered by the directory in which the error or omission occurs.

2.1.4.N In conjunction with a non-published telephone number, the Company will not be liable for failure or refusal to complete any call to such telephone when the call is not placed by the number. The Company will try to prevent the disclosure of the number of such telephone, but will not be liable should such number be divulged.

2.1.4.0 When a Customer with a non-published telephone number places a call to the Emergency 911 Service, the Company will release the name and address of the calling party, where such information can be determined to the appropriate local governmental authority responsible for the Emergency 911 Service upon request of such governmental authority. By subscribing to service under this Price List, Customer acknowledges and agrees with the release of information as described above.

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**Telecommunications Services**

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**2.1 Undertaking of the Company (Cont'd)****2.1.4. Liability of the Company, (Cont'd)****2.1.5 Notification of Service-Affecting Activities**

The Company will provide the Customer reasonable notification of service-affecting activities that may occur in normal operation of its business. Such activities may include, but are not limited to, equipment or facilities additions, removals or rearrangements and routing and preventive maintenance. Generally, such activities are not specific to an individual Customer but affect many Customer's services. No specific advance notification period is applicable to all service activities. The Company will work cooperatively with the Customer to determine the reasonable notifications requirements. With some emergency or unplanned service-affecting conditions, such as outage resulting from cable damage, notification to the Customer may not be possible.

**2.1.6 Provision of Equipment and Facilities**

2.1.6.A The Company shall use reasonable efforts to make available services to a Customer on or before a particular date, subject to the provisions of and compliance by the Customer with, the regulations contained in this Price List. The Company does not guarantee availability by any such date and shall not be liable for any delays in commencing service to any Customer.

2.1.6.B The Company shall use reasonable efforts to maintain facilities that it furnishes to the Customer. The Customer may not, nor may the Customer permit others except the Incumbent Local Exchange Carrier to, rearrange, disconnect, remove, attempt to repair or otherwise interfere with any of the facilities installed by the Company, except upon written consent of the Company.

2.1.6.C The Company shall not be responsible for the installation, operation, or maintenance of any Customer provided communications equipment. Where such equipment is connected to the facilities furnished pursuant to this Price List, the responsibility of the Company shall be limited to the furnishing of facilities offered under this Price List and to the maintenance and operation of such facilities. Beyond this responsibility, the Company shall not be responsible for:

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**Telecommunications Services**

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**2.1 Undertaking of the Company (Cont'd)**

1. the transmission of signals by Customer provided equipment or for the quality of, or defects in, such transmission or
2. the reception of signals by Customer provided equipment; or
3. network control signaling where such signaling is performed by Customer-provided network control signaling equipment.

**2.1.7 Non-routine Installation**

At the Customer's request, installation and/or maintenance may be performed outside Company's regular business hours or in hazardous locations. In such cases, charges based on the cost of the actual labor, material, or other costs incurred by or charged to the Company will apply. If installation is started during regular business hours into time periods including, but not limited to, weekends, holidays, and/or night hours, additional charges may apply.

**2.1.8 Ownership of Facilities**

Title to all facilities provided in accordance with this Price List remains in the Company, its agents or contractors or the Incumbent Local Exchange Carrier.

**2.2 Prohibited Uses**

- 2.2.1 The services the Company offers shall not be used for any unlawful purposes or for any use as to which the Customer has not obtained all required governmental approvals, authorizations, licenses, consents and permits. Services also may not be used for any purpose for which any payment or other compensation is received by the Customer except when the Customer is a duly authorized regulated common carrier. This provision does not prohibit an arrangement between the Customer, authorized user, or joint user to share the cost of the service as long as the arrangement generates no profit for any participant in the arrangement.
- 2.2.2 The Company may require a Customer to immediately shut down its transmission of signals if said transmission is causing interference to others.

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Telecommunications Services

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**2.3 Obligations of the Customer****2.3.1 General**

The Customer shall be responsible for:

- A. When placing an order for service, Customer must provide:
  - 1. The name(s) and address(es) of the person(s) responsible for the payment of service charges; and
  - 2. The name(s), telephone number(s), and address(es) of the Customer contact person(s).
- B. The payment of all applicable charges pursuant to this Price List and any other charges incurred by the Customer on the service including, but not limited to, third-party calls, collect calls, operator assisted calls, directory assistance, etc. If such charges are incurred by the Customer and the rates are not set forth in this Price List, the Customer will be billed by the Company at its cost of the service plus fifty-percent (50%).
- C. reimbursing the Company for damages to, or loss of, the Company's facilities or equipment caused by the acts or omissions of the Customer; or the noncompliance by the Customer, with these regulations; or by fire or theft or other casualty on the Customer's premises, unless caused by the negligence or willful misconduct of the employees or agents of the Company. The Company will, upon reimbursement for damages, cooperate with the Customer in prosecuting a claim against the person causing such damage and the Customer shall be subrogated to the Company's right of recovery of damages to the extent of such payment.
- D. providing at no charge, as specified from time to time by the Company, any needed personnel, equipment, space and power to operate Company facilities and equipment installed on the premises of the Customer, and the level of heating and air conditioning necessary to maintain the operating environment on such premises;

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Telecommunications Services

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2.3 Obligations of the Customer (Cont'd)

- E. obtaining, maintaining, and otherwise having till responsibility for all rights-of-way and conduit necessary for installation of fiber optic cable and associated equipment used to provide local exchange service to the Customer from the cable building entrance or property line to the location of the equipment space described in 2.3. 1.D. Any costs associated with obtaining and maintaining the rights-of-way described herein, including the costs of altering the structure to permit installation of the Company-provided facilities, shall be borne entirely by, or may be charged by the Company to, the Customer. The Company may require the Customer to demonstrate its compliance with this section prior to accepting an order for service;
- F. providing a safe place to work and complying with all laws and regulations regarding the working conditions on the premises at which Company employees and agents shall be installing or maintaining the Company's facilities and equipment. The Customer may be required to install and maintain Company facilities and equipment within a hazardous area if, in the Company's opinion, injury or damage to the Company's employees or property might result from installation or maintenance by the Company. The Customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material (e.g. friable asbestos) prior to any construction or installation work.
- G. complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses and permits as maybe required with respect to, the location of Company facilities and equipment in any Customer premises or the rights-of-way for which Customer is responsible under section 2.3. 1.D above; and granting or obtaining permission for Company agents or employees to enter the premises of the Customer at any time for the purpose of installing, inspecting, maintaining, repairing, or upon termination of service as stated herein, removing the facilities or equipment of the Company;

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2.3 Obligations of the Customer (Cont'd)

- H. not creating or allowing to be placed or maintained any liens or other encumbrances on the Company's equipment or facilities; and
- I. making Company facilities and equipment available periodically for maintenance purposes at a time agreeable to both the Company and the Customer. No allowance for interruptions in service will be made for the period during which service is interrupted for such purposes.

2.3.2 Claims

With respect to any service or facility provided by the Company, Customer shall indemnify, defend and hold harmless the Company from all claims, actions, damages, liabilities, costs and expenses, including reasonable attorney's fees for:

- A. any loss, destruction or damage to property of the Company or any third party, or the death of or injury to persons, including, but not limited to, employees or invitees of either the Company or the Customer, to the extent caused by or resulting from negligent or intentional act or omission of the Customer, its employees, agents, representatives or invitees; or
- B. any claim, loss damage, expense or liability for infringement of any copyright, patent, trade secret, or any proprietary or intellectual property right of any third party, arising from any act or omission by the Customer, including, with limitation, use of the Company's services and facilities in a manner not contemplated by the agreement between the Customer and the Company.

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2.4 Customer Equipment and Channels

2.4.1 Interconnection of Facilities

- 2.4.1.A Services furnished by the Company maybe connected to the services or facilities of other authorized communications carriers only when authorized by, and in accordance with, the terms and conditions of the Price Lists of the other communications carriers which are applicable to such connections. Service furnished by the company is not part of a joint undertaking with such other carriers.
- 2.4.1.B Any special interface equipment necessary to achieve compatibility between the facilities and equipment of the Company used for furnishing local exchange service and the channels, facilities, or equipment of others may be provided at the Customer's expense.
- 2.4.1.C Facilities furnished under this Price List may be connected to Customer provided terminal equipment in accordance with the provision of this Price List.
- 2.4.1.D The Customer is responsible for taking all necessary legal steps for interconnecting his or her Customer provided terminal equipment of communications systems with Company's facilitates. Customers shall secure all licenses, permits, rights-of-way, and other arrangements necessary for such interconnections.

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**Telecommunications Services**

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**2.4 Customer Equipment and Channels(Cont'd)****2.4.2 Inspections**

2.4.2.A Upon reasonable notification to the Customer, and at a reasonable time, the Company may make such tests and inspections as may be necessary to determine that the Customer is complying with the requirements set forth herein for the installation, operation, and maintenance of any Customer-provided facilities and equipment to any Company-owned facilities and equipment. No credit will be allowed for any interruptions occurring during such inspections.

2.4.2.B If the protective requirements for Customer-provided equipment are not being complied with, the Company may take such action as it deems necessary to protect its facilities, equipment and personnel. The Company will notify the Customer promptly if there is any need for further corrective action. Within ten days of receiving this notice the Customer must take this corrective action and notify the Company of the action taken. If the Customer fails to do this, the Company may take whatever additional action is deemed necessary, including the suspension of service, to protect its facilities, equipment and personnel from harm. The Company will, upon request 24 hours in advance, provide the Customer with a statement of technical parameters that the Customer's equipment must meet.

**2.5 Payment Arrangements****2.5.1 Payment for Service**

The Customer is responsible for payment of all charges for service and facilities furnished by the Company to the Customer or authorized Users. If an entity other than the Company imposes charges on the Company, in addition to its own internal costs, in connection with a service for which a Company Non-Recurring Charge is specified, those charges may be passed on to the Customer.

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**Telecommunications Services**

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**2.5 Payment Arrangements (Cont'd)**

2.5.1.A Taxes: The Company is responsible for the payment of any sales, use gross receipts, excise, access or other local, state and federal taxes, charges or surcharges (however designated) assessed in conjunction with services provided pursuant to this Price List.

**2.5.2 Billing and Collection of Charges**

It shall be the responsibility of the Customer to pay any such taxes that subsequently become applicable retroactively.

2.5.2.A All payments for service are paid in advance and are due thirty days (30) from the date of installation and on the expiration of each subsequent thirty day (30) period. The Company mails statements to each Customer during every billing cycle indicating the due date and the amount that is due. If payment is not received within 5 days of the due date, service may be disconnected.

2.5.2.B Customers may pay for service by credit card, cash or cash equivalent.

2.5.2.C Company will bill Customer a one-time charge of \$25.00 if Customer's check for payment of service is returned for insufficient or uncollected funds, closed accounts, or any other insufficiency or discrepancy necessitating return of the check at the discretion of the drawee bank or other financial institution.

**2.5.3 Disputed Bills**

The Customer may notify the Company of any disputed items on a bill. If the Customer and the Company are unable to resolve the dispute to their mutual satisfaction, the Customer may register a complaint with the Commission in accordance with the Commission's rules. Complaints may be directed to the Company either orally or in writing by calling 1-800-797-3547 or writing to the address below.

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2.5 Payment Arrangements (Cont'd)

2.5.3 .A The date of the dispute shall be the date the Company receives sufficient documentation to enable it to investigate the dispute.

2.5.4 Discontinuance of Service

The Company may discontinue service or cancel a Service Order for any of the following:

2.5.4.A Upon nonpayment of any regulated amounts owing to the Company, and after 15 days written notice the Company may discontinue service.

2.5.4.B Upon violation of any of the other material terms or conditions for furnishing service, the Company may, by giving 5 days prior notice in writing to the Customer, discontinue or suspend service if such violation continues during that period.

2.5.4.C Upon condemnation of any material portion of the facilities used by the Company to provide service to a Customer or if a casualty renders all or any material portion of such facilities inoperable beyond feasible repair, the Company, by notice to the Customer, may discontinue or suspend service.

2.5.4.D Upon the Customer's abandonment of service, the Company may, with prior notice to the Customer, immediately discontinue service.

2.5.4.E Upon any governmental prohibition, or required alteration of the services to be provided or any violation of any applicable law or regulation, the Company may immediately discontinue or suspend service.

Telecommunications Services

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2.5 Payment Arrangements (Cont'd)

2.5.4.F The Company may discontinue the furnishing of any and/or all service(s) to a Customer:

1. Immediately and without notice if the Company deems that such action is necessary to prevent or to protect against fraud or to otherwise protect its personnel, agents, facilities or services.
2. The Customer provides false information to the Company regarding the Customer's identity, address, or use of services(s).
3. The Customer uses, or attempts to use, service with the intent to avoid the payment, either in whole or in part, of the tariffed charges for the service by:
  - (a) Using or attempting to use service by rearranging, tampering with, or making connections to the Company's service not authorized by this Price List; or
  - (b) Using tricks, schemes, false or invalid numbers, false credit devices, electronic devices; or
  - (c) Any other fraudulent means or devices; or
4. Use of service in such a manner as to interfere with the service of other users; or
5. Use of service for unlawful purposes.

2.5.4.G The discontinuance of service(s) by the Company pursuant to this Section does not relieve the Customer of any obligation to pay the Company for charges due and owing for service(s) furnished up to the time of discontinuance.

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**2.6 Credit Allowance - Directory**

Subject to the provisions of Section 2.4 of this Price List, the Company shall allow, for errors or omissions in alphabetical telephone directories (excluding the use of boldface type), an amount within the following limits:

1. For listings in alphabetical telephone directories furnished without additional charge, an amount not in excess of the minimum monthly charge to the Customer for exchange service during the effective life of the directory in which the error or omission occurred.
2. For listings and lines of information in alphabetical telephone directories furnished at additional charge, an amount not in excess of the charge for that listing during the effective life of the directory in which the error or omission occurred.
3. For listings and lines of information records furnished without additional charge, an amount not in excess of the minimum monthly charge to the Customer for exchange service during the period the error or omission continued.
4. For listings in information records furnished at additional charge, an amount not in excess of the charge for the listing during the period the error or omission continued.

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Telecommunications Services

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**2.7 Allowances for Interruptions of Service**

When the use of service or facilities furnished by the Company is interrupted due to any cause other than the negligence or willful act of the Customer, or the operation or failure of the facilities or equipment provided by the Customer, a pro rata adjustment of the monthly Charges subject to interruption will be allowed for the service and facilities rendered useless and inoperative by reason of the interruption whenever said interruption continues for a period of 24 hours or more from the time the interruption is reported to or known to exist by the Company, except as otherwise specified in the Company's Price List.

It shall be the obligation of the Customer to notify Company immediately of any interruption in service for which a credit allowance is desired by Customer. Before giving such notice, the Customer shall ascertain that the trouble is not being caused by any action or omission of the Customer within his or her control, or is not in wiring or equipment, if any, furnished by Customer and connected to Company's terminal. If the Customer reports a service, facility or circuit to be inoperative but declines to release it for testing and repair, it is considered to be impaired, but not interrupted.

**2.7.1 Credit Allowances**

2.7.1.A Credit allowances for failure of service or equipment starts when Customer notifies Company of the failure or when Company becomes aware of the failure and ceases when the operation has been restored and an attempt has been made to notify the Customer.

2.7.1.B For calculating credit allowances, every month is considered to have 30 days. A credit allowance is applied on a pro rata basis against the monthly Charges specified hereunder and is dependent upon the length of the interruption. Only those facilities on the interrupted portion of the circuit will receive a credit. Credit allowances for services outages that exceed 24 hours in duration will be rounded up to the next whole 24 hours.

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2.7 Allowances for Interruptions of Service (Cont'd)

2.7.2 Limitations on Allowances

No credit will be made for:

2.7.2.A interruptions due to the negligence of, or noncompliance with the provisions of this Price List by, the Customer;

2.7.2.B interruptions due to the negligence of any person using the Company's facilities with the Customer's permission.

2.7.2.C interruptions of service during any period in which the Company is not given full and free access to its facilities and equipment for the purpose of investigating and correcting interruptions;

2.7.2.D interruptions of service during a period in which the Customer continues to use the service on an impaired basis;

2.7.2.E interruptions of service during any period when the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements;

2.8 Cancellation of Service

2.8.1 Cancellation of Service Order

2.8.1.A The Company permits a Customer to cancel a Service Order prior to the start of service or prior to any special constructions.

2.8.1.B Where, prior to cancellation by the Customer, the Company incurs any expenses in installing the service or in preparing to install the service that it otherwise would not have incurred, a charge equal to the costs the Company incurred shall

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**2.8 Cancellation of Service (Cont'd)****2.8.1 Cancellation of Service Order (Cont'd)****2.8.1.B (Cont'd)**

apply, but in no case shall this charge exceed the sum of the charge for the minimum period of service ordered, including installation charges, and all charges others levy against the Company that would have been chargeable to the Customer had service begun.

**2.8.1.C** The special charges described in 2.8.1.A and 2.8.1.B will be calculated and applied on a case-by-case basis.

**2.8.2 Cancellation of Service by a Customer**

**2.8.2.A** If a Customer cancels a Service Order or terminates existing services before the completion of the minimum term of service for any reason whatsoever other than a service interruption (as defined in 2.8 above), Customer agrees to pay to Company the following sums which shall become due and owing as of the effective date of the cancellation or termination and be payable within the period set forth in 2.5.2, all costs, fees and expenses incurred in connection with:

1. all Non-Recurring Charges reasonably expended by Company to establish service to Customer;
2. any disconnection, early cancellation or termination charges reasonably incurred and paid to third parties by Company on behalf of Customer; and/or
3. all Recurring Charges for the applicable term of the service.

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**2.9 Transfers and Assignments**

Neither the Company nor the Customer may assign or transfer its rights or duties in connection with the services and facilities provided by the Company without the written consent of the other party, except that the Company may assign its rights and duties (a) to any subsidiary, parent company or affiliate of the Company; (b) pursuant to any sale or transferor substantially all the assets of the Company; or (c) pursuant to any financing, merger or reorganization of the Company.

**2.10 Notices and Communications**

2.10.1 The Customer shall designate an address to which the Company shall mail or deliver all notices and other communications, except that Customer may also designate a separate address to which the Company's bills for service shall be mailed.

2.10.2 The Company shall designate an address to which the Customer shall mail or deliver all notices and other communications, except that Company may designate a separate address to which the Customer shall mail payment on that bill.

2.10.3 All notices or other communications required to be given pursuant to this Price List will be in writing. Notices and other communications of either party, and all bills mailed by the Company, shall be presumed to have been delivered to the other party on the third business day following deposit or the notice, communication or bill with the U.S. Mail or a private delivery service, prepaid and properly addressed, or when actually received or refused by the addressee, whichever occurs first.

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Telecommunications Services

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**SECTION 3 - SERVICE DESCRIPTIONS AND RATES****3.1 Local Exchange Service**

The Company's Local Telephone Service enables the Customer to:

- Place or receive calls to any calling Station in the local calling area, as defined herein;
- Access basic 911 Emergency Service if available in the Customer's area;
- Where available, place or receive calls to 8XX telephone numbers.

The Company's service can not be used to originate calls to other companies' caller-paid information services (e.g. 900. 976).

**3.1.1 Local Line**

Local Line provides the Customer with a single, voice-grade communications channel. Each Local Line will include a telephone number. The Service does not include any long distance service or other toll services. The following types of calls and services will be blocked by the Company where facilities permit: access to direct dialed long distance; collect calls; operator-assisted calls; third number billed calls; directory assistance calls or any service that may be billed to Customer's telephone number. Any charges incurred on a local line not whose rate is not listed below will be billed to the Customer at cost to the Company plus fifty percent (50%).

**3.1. 1.A Standard Features**

Each Local Line Customer is provided with only local telephone service.

**3.1. 1.B Optional features:**

See 3. 1.1.C.3 below

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**3.1 Local Exchange Service (Cont'd)****3.1.1.C Local Line Rates and Charges**

A Local Line Customer will be charged applicable Non-Recurring Charges and monthly Recurring Charges as specified below.

**1. Non-Recurring Charges**

Activation/Installation Fee	\$35.99
Suspend/Restoral Fee	\$40.00
Service Transfer Fee	\$40.00
Conversion Fee	\$35.99

**2. Recurring Charges**

Local Line - Monthly Recurring	\$48.00*
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\*Includes all applicable taxes.

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3.1 Local Exchange Service (Cont'd)3.1.1.C Local Line Rates and Charges3. Optional Features

	<u>Monthly</u>	<u>Non-recurring Charge*</u>
Anonymous Call Rejection	\$4.00	\$10.00
Auto Redial	\$4.00	\$10.00
Call Blocker	\$4.00	\$10.00
Call Forwarding	\$4.00	\$10.00
Call Forwarding-Busy Line	\$4.00	\$10.00
Call Forwarding Busy Line/No Answer	\$4.00	\$10.00
Caller ID Name & Number	\$10.00	\$10.00
Call Return	\$4.00	\$10.00
Call Waiting	\$4.00	\$10.00
Speed Calling	\$4.00	\$10.00
Three-Way Calling	\$4.00	\$10.00
Extended Local Calling	\$45.00	\$10.00
Unpublished Number	\$4.00	\$10.00
Account Name Change	\$0.00	\$20.00
Telephone Number Change	\$0.00	\$30.00
Directory Assistance-Per call	\$0.30	\$0.00

\*Non-recurring charges do not apply if features are ordered at the time of the initial installation of local service.

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3.2 Directory Listings

The Company shall provide for a single directory listing, termed the primary listing, in the telephone directory published by the dominant exchange service provider in the Customer's exchange area of the Station number which is designated as the Customer's main billing number.

3.2.1. The Company reserves the right to limit the length of any listing in the directory by abbreviations when, in its judgment, the clearness of the listing or the identification of the Customer is not impaired thereby. Where more than one line is required to properly list the Customer, no additional charge is made.

3.2.2 The Company may refuse a listing which is known not to constitute a legally authorized or adopted name, obscenities in the name, or any listing which, in the opinion of the Company, is likely to mislead or deceive calling persons as to the identity of the listed party, or is a contrived name used for advertising purposes or to secure a preferential position in the directory or is more elaborate than is reasonably necessary to identify the listed party. The Company, upon notification to the Customer, will withdraw any listing which is found to be in violation of its rules with respect thereto.

3.2.3 In order for listings to appear in an upcoming directory, the Customer must furnish the listing to the Company in time to meet the directory publishing schedule.

3.2.4 Directory listings are provided in connection with each Customer service as specified herein.

3.2.5 Non-Recurring Charges

Non-Recurring Charges associated with Directory Listings are as follows:

	<u>Non-Recurring</u>
Primary Listing (one number) N/C	N/C

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3.2 Directory Listings (Cont'd)3.2.6 Recurring Charges

Monthly Recurring Charges associated with Directory Listings are as follows:

	<u>Monthly</u>
Primary Listing (one number) N/C	N/C

3.3 Emergency Services (Enhanced 911)

Allows Customers to reach appropriate emergency services including police, fire and medical services. Enhanced 911 has the ability to selectively route an emergency call to the primary E911 provider so that it reaches the correct emergency service located closest to the caller. In addition, the Customer's address and telephone information will be provided to the primary E911 provider for display at the Public Service Answering Point (PSAP). 911 Emergency Services shall be maintained for the duration of any temporary disconnection of any residential subscribers to service

3.4 Prepaid Long Distance Service

Allows Customers to purchase Prepaid Long Distance in packages of \$10.00, \$20.00, and \$30.00. Prepaid Long Distance service is available to customers so long as the customer purchases the long distance in advance. Once the dollar amount that was prepaid is used, the customer can no longer dial out long distance. The customer is given a toll-free number to activate the long distance and it can only be used from the customer's home phone line. The service is similar to a prepaid calling card that can be purchased at convenient stores, however, we do not issue a calling card to the customer. They simply dial 1-800-951-9051 and activate the prepaid long distance on their account. The customer will hear a recording that gives them the exact dollar amount available on their account.

3.4.1 Rates

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**3.5 Promotional Offerings**

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

**3.6 Customer Service**

Customer service is available 8 hours a day, six days a week by calling 1-800-797-3547 or writing the Company at 2023 Sam Houston Avenue #2, Huntsville, Texas 77340. The Company's administrative offices may be reached at 936-295-9600.

**3.7 Repair Service**

The Company provides and maintains service to the point of demarcation. The Customer is not responsible for any charges associated with or related to maintaining service to the point of demarcation. In the event that the Customer reports service trouble to the Company and it is subsequently determined that the problem/failure of the service is located at a point in the network beyond the point of demarcation, the Customer is responsible for any and all charges incurred by the Company in isolating and/or repairing the service.

**3.8 Telecommunications Relay Service**

For calls received from the relay service, the Company will when billing relay calls discount relay service calls by 50 percent off of the otherwise applicable rate for a voice non-relay call except that where either the calling or called party indicates that either party is both hearing and visually impaired, the call shall be discounted 60 percent off of the otherwise applicable rate for a voice non-relay call.