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Access One, Inc.

Financial Statements for the Years Ended December 31, 2004 and 2003

Access One, Inc.

Years Ended December 31, 2004 and 2003

Contents

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Board of Directors
Access One, Inc.
Chicago, Illinois

We have compiled the accompanying balance sheets of **Access One, Inc.** as of December 31, 2004 and 2003, the related statements of income, stockholders' equity and cash flows for the years then ended, and the accompanying supplemental information contained in the schedule of operating expenses, which is presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

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

Blackman Kallick Bartelstein, LLP

March 29, 2005

Access One, Inc.

Balance Sheets

December 31, 2004 and 2003

<u>Assets</u>

	2004	2003
Current Assets		
Cash		
Receivables		
Customers (Net of allowance for doubtful accounts of)		
Unbilled receivables		
Due from vendors		
Commissions		
Other		
Total Current Assets		
Furniture and Equipment (Net of accumulated depreciation)		
Other Assets		
Deferred line installation costs (Net of accumulated amortization)		
Customer acquisition costs (Net of accumulated amortization)		
Customer list (Net of accumulated amortization)		
Deposits		
Total Other Assets		

See accountants' compilation report.
The accompanying notes are an integral part of the financial statements.

Liabilities and Stockholders' Equity

	2004	2003
Current Liabilities		
Accounts payable		
Accrued operations and support expenses		
Customer deposits		
Capital lease obligations due within one year		
Sales tax payable		
Other payable		
Total Current Liabilities		
Stockholders' Equity (Exhibit C)		
Common stock - Voting - No par value; authorized -		
Additional paid-in capital		
Retained earnings		
Total Stockholders' Equity		

Exhibit B

Access One, Inc.

Statements of Income

Years Ended December 31, 2004 and 2003

	Amount		% of Operating Revenues	
	2004	2003	2004	2003
Operating Revenues				
Operating Expenses				
Operating Income				
Interest Income				
Loss on Sale of Equipment				
Income before Cumulative Effect of a Change in Accounting Principle				
Cumulative Effect on Prior Years of Retroactive Application of Change in Accounting Principle				
Net Income				
Pro Forma amounts, Assuming Retroac				
Net Income				

See accountants' compilation report.
The accompanying notes are an integral part of the financial statements.

Exhibit C

Access One, Inc.

Statements of Stockholders' Equity

Years Ended December 31, 2004 and 2003

	Common Stock - Voting		Additional Paid-In	Retained
	Shares	Amount	Capital	Earnings
Balance, December 31, 2002				
Dividends declared				
Net income (Exhibit B)				
Balance, December 31, 2003 (Exhibit A)				
Dividends declared				
Net income (Exhibit B)				
Balance, December 31, 2004 (Exhibit A)				

See accountants' compilation report.
The accompanying notes are an integral part of the financial statements.

Exhibit D

Access One, Inc.

Statements of Cash Flows

Years Ended December 31, 2004 and 2003

	2004	2003
Cash Flows from Operating Activities		
Net income		
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization		
Amortization of deferred line installation costs		
Amortization of customer acquisition costs		
Provision for losses on receivables - Customers		
Cumulative effect of change in accounting principle		
Loss on sale of equipment		
(Increase) decrease in		
Receivables		
Prepaid expenses and other		
Increase (decrease) in		
Accounts payable		
Other payable		
Accrued expenses		
Customer deposits		
Total Adjustments		
Net Cash Provided by Operating Activities		
Cash Flows from Investing Activities		
Capital expenditures		
Cash paid for acquisition of customer list		
Proceeds from sale of asset		
Payments for customer acquisition costs		
Payments for deferred line installation costs		
Net Cash Used in Investing Activities		
Cash Flows from Financing Activities		
Principal payments on capital lease obligations		
Payment of dividends		
Net Cash Used in Financing Activities		
Net (Decrease) Increase in Cash		
Cash, Beginning of Year		
Cash, End of Year		

See accountants' compilation report.
The accompanying notes are an integral part of the financial statements.

Access One, Inc.

Notes to Financial Statements

Years Ended December 31, 2004 and 2003

Note 1 - Nature of Operations

Access One, Inc. provides local and long-distance telecommunications services to its customers located throughout the United States. The company was incorporated on June 30, 1993 in the state of Illinois.

Note 2 - Summary of Significant Accounting Policies

Cash

Substantially all of the company's cash is held by . The company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The company has not experienced any losses in such accounts. The company believes it is not exposed to any significant credit risk on cash.

Receivables

Receivables are carried at original invoice or closing statement amount less estimates made for doubtful receivables. Management determines the allowances for doubtful accounts by reviewing and identifying troubled accounts on a semi-annual basis and by using historical experience applied to an aging of accounts. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Depreciation and Amortization

The company's policy is to depreciate the cost of furniture and equipment over the estimated useful lives of the assets by use of accelerated methods.

	Years
Communication and computer equipment	5
Furniture and equipment under capital leases	5-7
Furniture and fixtures	7
Leasehold improvements	15

Deferred line installation costs include line charges incurred in the establishment of local access lines for customers and are being amortized on the straight-line method over the economic life of the contracts with new customers. The terms of these contracts do not exceed 60 months.

Customer acquisition costs include charges incurred for commissions paid to third parties and are being amortized on the straight-line method over the economic life of the contracts with the new customers. During 2004, the company changed its method of treating customer acquisition costs from expensing as incurred to capitalizing these costs. The effect of adopting this accounting principle was to increase 2004 income before cumulative effect of a change in accounting principle by . Management believes that the new method will result in more predictable and accurate results of operations.

See accountants' compilation report.

Note 2 - Summary of Significant Accounting Policies (Continued)

Intangibles

Costs of the acquired customer list are being amortized straight-line over the economic life of the customer list, which is estimated to be thirty months.

Stock Options

In accordance with the provision of SFAS No. 123, the company applies APB No. 25 and related interpretations in accounting for its stock options plan. and, accordingly, does not recognize compensation cost. As of January 1, 2003 the company adopted SFAS No. 148 and discloses the amount of compensation costs that would have been recorded related to stock options.

If the company had elected to recognize compensation cost based on the fair value of the options granted as of the grant date as prescribed by SFAS No. 123, net income would have been reduced to the pro forma amounts indicated in the table below:

	2004	2003
Net income, as reported		
Adjustment for stock-based employee compensation costs, net of related tax effects, that would have been included in determining net income if the fair value based-method had been applied		
Pro forma net income as if the fair value-based method had been applied		

Advertising

Advertising costs are expensed as incurred. Advertising expenses incurred were in 2004 and 2003, respectively.

Revenue Recognition

Revenue is recognized as service is provided to customers. Monthly recurring charges include fees paid by customers for lines in service and additional features on those lines. These charges are billed monthly, in advance, and are fully earned during the month. Usage charges and reciprocal compensation charges are billed in arrears and are fully earned when billed. Installation charges are deferred and amortized over the contractual period, generally two to five years.

Access One, Inc.

Notes to Financial Statements

Years Ended December 31, 2004 and 2003

Note 2 - Summary of Significant Accounting Policies (Continued)

Management Estimates

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

Note 3 - Furniture and Equipment

	2004	2003
Communication and computer equipment		
Furniture and equipment under capital leases		
Leasehold improvements		
Furniture and fixtures		
Accumulated depreciation		

Accumulated depreciation for furniture and equipment under capital leases was as of December 31, 2004 and 2003, respectively.

Note 4 - Deferred Line Installation Costs

	2004	2003
Line connection charges		
Less accumulated amortization		

Note 5 - Customer Acquisition Costs

	2004	2003
Customer acquisition costs		
Less accumulated amortization		

Note 6 - Customer List

Note 7 - Short-Term Borrowings - Bank

See accountants' compilation report.

Note 8 - Obligations Under Capital Leases

	2004	2003
Obligations under capital leases consist of the following:		
Capital lease obligation, payable in monthly installments of , including interest at an annual rate of due on April 1, 2004; secured by certain furniture and equipment.		
Less current maturities		

Note 9 - Income Taxes

The company has elected to be taxed as an S corporation under provisions of the Internal Revenue Code. Accordingly, the accompanying financial statements do not reflect income taxes, except for state replacement tax.

Note 10 - Operating Leases

Note 10 - Operating Leases (Continued)

Note 11 - Commitments

The company and the stockholders have entered into an agreement for the right of first refusal or an option to purchase shares of the company stock, based upon certain events as stated in the Stockholders' Agreement.

Note 12 - Employee Benefit Plan

Note 13 - Other Cash Flow Information

Note 14 - Stock Option Plans

The company has a stock option plan to benefit key employees, officers and independent contractors. The number of common shares to which options may be granted under this plan and which may be issued upon exercise may not exceed shares. The exercise price of the option granted shall not be less than one hundred percent of the fair market value of a share of common stock on the date the stock option is granted. The company's board determines the vesting period of each option granted under this plan. Each option shall terminate ten years from the grant date or at earlier times as the option agreement provides. The plan expires on July 18, 2012.

Other option activity is as follows:

	2004	2003
Outstanding as of beginning of year		
Granted		
Exercised		
Forfeited/cancelled		
Outstanding as of end of year		
Options exercisable as of end of year		
Weighted-average price of options outstanding, beginning of year		
Weighted-average price of options outstanding, end of year		
Weighted-average price of options granted		
Weighted-average grant-date fair value of options granted		

See accountants' compilation report.

Note 14 - Stock Option Plans (Continued)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Expected dividend yield
Expected stock price volatility
Risk-free interest rate
Expected life

Access One, Inc.

Operating Expenses

Years Ended December 31, 2004 and 2003

	2004	2003
Operations and support		
Commissions		
Salaries		
Officers' salaries		
Taxes - Payroll		
Employee benefits		
Advertising		
Brochures and catalogues		
Delivery		
Depreciation		
Amortization		
Customer list		
Deferred line installation costs		
Customer acquisition costs		
Insurance		
Employee group		
General		
401(k) contributions		
Professional fees		
Dues and subscriptions		
Bad debts		
Other		
Office		
Conferences		
Outside services		
Compliance fees		
Credit card fees		
Bank fees		
Rent and occupancy		
Repairs and maintenance		
Moving		
Supplies		
Utilities		
Travel		
Meals and entertainment		
Total (Exhibit B)		

See accountants' compilation report regarding supplemental information.