

**ORIGINAL**  
**EARLY, LENNON, CROCKER & BARTOSIEWICZ, P.E.C.**

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OF COUNSEL  
COMMISSION  
JOHN L. PETERS JR.  
CLERK

VINCENT T. EARLY  
(1922-2001)

JOSEPH J. BURGIE  
(1926-1992)

THOMPSON BENNETT  
(1912-2004)

November 1, 2006

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

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

060725

Dear Ms. Bayó:

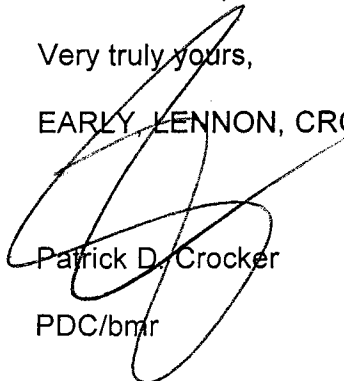
Enclosed herewith for filing with the Commission, please find an original and six (6) copies of the above referenced Application and a Request to waive the carrier selection requirements of Rule 25-4.118.

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

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

Very truly yours,

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



Patrick D. Crocker

PDC/bmr

enc

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**Before the  
FLORIDA PUBLIC SERVICE COMMISSION**

**Petition for Authority for )  
Acceris Management and )  
Acquisition, LLC ) Docket No.  
to Acquire Certain Assets of )  
Cognigen Networks, Inc. )**

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

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

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

## **The Parties**

### **Acceris Management and Acquisition, LLC (TK011)**

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

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

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

The principal office of Acceris is located at:

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

Cognigen Networks, Inc. (TJ917)

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

The principal office of Cognigen is located at:

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

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

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

**The Transaction**

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

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

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

### **Public Interest Considerations**

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

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

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

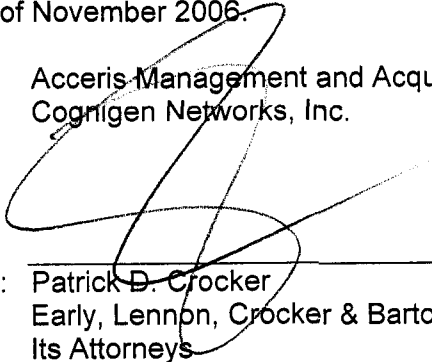
In sum, grant of the Application will serve the public interest by strengthening the competitive position of Acceris without negatively impacting either Cognigen customers or competition in the markets in which the Parties operate.

\* \* \* \* \*

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

Respectfully submitted this 1<sup>st</sup> day of November 2006.

Acceris Management and Acquisition, LLC  
Cognigen Networks, Inc.



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

**Before the  
FLORIDA PUBLIC SERVICE COMMISSION**

<b>Petition for Authority for</b>	)	
<b>Acceris Management and</b>	)	
<b>Acquisition, LLC</b>	)	<b>Docket No.</b>
<b>to Acquire Certain Assets of</b>	)	
<b>Cognigen Networks, Inc.</b>	)	

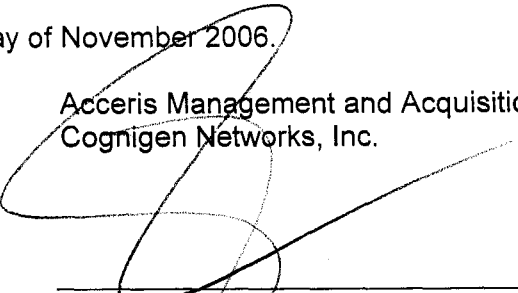
**REQUEST FOR WAIVER**

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

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

Respectfully submitted this 1<sup>st</sup> day of November 2006.

Acceris Management and Acquisition, LLC  
Cognigen Networks, Inc.

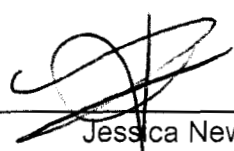
By:   
Patrick D. Crocker  
Early, Lennon, Crocker & Bartosiewicz, P.L.C.  
Its Attorneys

VERIFICATION

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

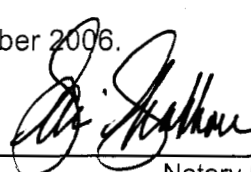
Executed on the 25 day of October 2006.

Acceris Management and Acquisition, LLC

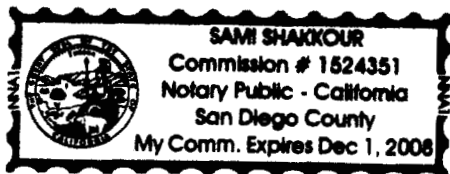
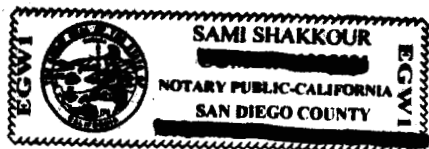


\_\_\_\_\_  
Jessica Newman

Subscribed and sworn before me this 25<sup>th</sup> day of October 2006.



\_\_\_\_\_  
Notary Public





**VERIFICATION**

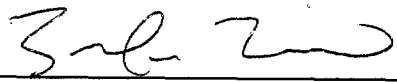
I, Gary L. Cook, am the Acting CEO of Cognigen Networks, Inc., and am authorized to make this verification on its behalf. I do hereby verify that I have read the foregoing Application and the statements made therein are true, correct, and complete to the best of my knowledge, information, and belief.

Executed on the 25<sup>th</sup> day of October 2006.

Cognigen Networks, Inc.

  
\_\_\_\_\_  
Gary L. Cook

Subscribed and sworn before me this 25<sup>th</sup> day of October 2006.

  
\_\_\_\_\_  
Notary Public

BRANDON RINNAN  
NOTARY PUBLIC  
STATE OF COLORADO  
MY COMMISSION EXPIRES 4/13/2010

**EXHIBIT A**

**Year-to-Date 2006 Financial Statements for  
ACCERIS MANAGEMENT AND ACQUISITION, LLC**



Filters										
Date Filter										
Currency										
	Jan-06	Feb-06	Mar-06	Apr-06	May-06	June-06	July-06	Aug-06	Sept-06	Acct No.
<b>AA-Transpoint agent relationsh</b>										17140
Total accumulated amortization	(403,882.56)	(504,853.20)	(580,823.82)	(677,627.79)	(774,431.76)	(871,235.73)	(968,039.70)	(1,064,843.67)	(1,161,647.64)	17199
<b>Intang assets-sub to amort-Net</b>	<b>2,019,412.81</b>	<b>1,918,442.17</b>	<b>1,742,471.55</b>	<b>1,645,667.58</b>	<b>1,548,863.61</b>	<b>1,452,059.64</b>	<b>1,355,255.87</b>	<b>1,258,451.70</b>	<b>1,161,647.73</b>	<b>17269</b>
Goodwill										17350
<b>Intangible assets-Net</b>	<b>2,019,412.81</b>	<b>1,918,442.17</b>	<b>1,742,471.55</b>	<b>1,645,667.58</b>	<b>1,548,863.61</b>	<b>1,452,059.64</b>	<b>1,355,255.87</b>	<b>1,258,451.70</b>	<b>1,161,647.73</b>	<b>17499</b>
<b>Other assets</b>										
LT deposits	491,075.89	470,011.89	470,011.89	470,011.89	450,360.89	450,360.89	250,360.89	233,852.89	233,852.89	18020
LT deferred financing costs										18030
Other assets										18090
<b>Total other assets</b>	<b>491,075.89</b>	<b>470,011.89</b>	<b>470,011.89</b>	<b>470,011.89</b>	<b>450,360.89</b>	<b>450,360.89</b>	<b>250,360.89</b>	<b>233,852.89</b>	<b>233,852.89</b>	<b>18099</b>
<b>Total Assets</b>	<b>20,805,829.16</b>	<b>20,128,728.54</b>	<b>18,360,138.69</b>	<b>18,436,602.81</b>	<b>17,715,967.04</b>	<b>16,636,508.70</b>	<b>15,878,433.55</b>	<b>16,061,028.40</b>	<b>14,763,694.33</b>	<b>19999</b>
<b>Liabilities</b>										
<b>Accounts payable</b>										
Accounts payable-Trade	2,004,825.93	2,079,504.01	1,581,097.12	1,856,782.59	1,338,937.37	980,869.22	1,153,951.58	951,984.10	798,215.34	20110
Accounts payable-AMA corp										20115
Accounts pay-T&E (payrl reimb)			140.99			1,983.95				20120
Accounts pay-suspense	59,769.12	59,675.64	59,675.64	59,675.64	59,675.64	60,999.61	60,999.61	60,999.61	60,999.61	20125
Accounts payable - accrued	15,532.91	(8,862.56)	(13,612.76)	1,563.24	31,529.57	56,043.42	50,907.57	53,264.27	(6,554.26)	20130
<b>Total accounts payable</b>	<b>2,080,127.96</b>	<b>2,130,317.09</b>	<b>1,627,300.99</b>	<b>1,918,021.47</b>	<b>1,430,142.58</b>	<b>1,100,796.20</b>	<b>1,265,858.76</b>	<b>1,066,247.98</b>	<b>852,660.69</b>	<b>20999</b>
AP - Intercompany NCE	929,101.69	867,118.02	855,331.03	745,215.19	622,790.74	587,342.33	(46,026.51)	11,049.22	39,137.53	21010
<b>Accrued liabilities</b>										
Accrued network-bill verif	2,636,795.48	2,810,827.06	2,772,700.61	2,873,722.04	2,651,356.89	2,623,653.63	2,237,124.81	2,382,465.34	2,442,561.44	21110
Accrued network	60,837.75	72,626.06	89,547.38	39,163.08	66,264.36	84,530.66	123,934.50	92,559.21	39,336.31	21112
Accrued Disputes-D										21120
Accrued Disputes-C	60,894.23	75,512.73	101,894.43	108,098.98	70,160.45	80,724.74	93,178.42	86,316.48	103,686.91	21121
Accrued payroll	53,925.75	56,666.14	80,439.35	76,194.90	104,451.04	39,240.45	42,017.79	56,179.79	62,392.45	21210
Accrued vacation	364,599.88	361,371.12	366,310.68	372,349.96	370,635.98	339,555.59	305,467.89	278,694.58	281,069.66	21220
Accrued bonus										21222
Accrued payroll taxes										21225
Accrued benefits	3,600.00	6,972.14	14,202.42	12,142.52	(4,531.14)	12,758.42	11,027.76	6,316.00	(6,542.00)	21230
Accrued 401K										21235
Accrued commissions-inside	21,100.00	8,800.00	3,200.00	9,032.75	14,232.75	6,232.00	4,732.00	4,773.33	4,748.13	21240
Accrued commissions-outside	360,112.45	284,199.79	309,124.26	223,611.48	229,471.73	227,330.03	224,999.54	246,662.99	225,624.54	21310
Accrued rent/utilities	24,008.00	22,278.00	19,652.88	19,540.00	34,186.09	48,991.71	96,134.08	134,053.30	103,882.56	21410
Accrued insurance										21420
Accrued legal	10,985.00	10,627.50	19,219.00	5,200.00	5,200.00	5,200.00	5,200.00	5,200.00	4,500.00	21425
Accrued travel	4,350.00	3,500.00	3,150.00	2,800.00	2,800.00	2,226.88	7,485.42	4,794.02	3,350.00	21430
Accrued SG&A-other	45,242.37	43,568.29	42,819.00	39,868.00	40,346.46	39,425.50	35,069.50	39,011.50	42,073.00	21490
Accrued billing & collections	538,313.82	522,181.80	516,110.29	519,634.30	488,434.30	542,234.30	519,091.79	501,396.27	463,755.33	21510
Accrued USF	1,691,427.14	1,809,280.74	1,900,659.33	2,007,843.91	2,160,497.52	2,035,581.93	1,922,716.81	90,945.48	85,576.27	21610
Accrued sales & use/excise tax	716,980.33	615,022.30	466,052.85	460,708.04	473,918.58	557,856.56	414,138.57	361,397.02	293,400.99	21620
Accrued regulatory fees	91,136.71	107,146.14	119,815.10	129,477.11	143,677.63	152,085.67	174,971.37	159,312.02	147,620.17	21630
Accrued property taxes	31,500.22	46,024.86	43,854.46	37,463.95	48,240.79	48,258.35	47,240.44	47,240.44	46,952.59	21660
Accrued rent escalation	5,751.01	6,964.14	7,663.13	8,511.84	9,599.13	11,660.47	13,516.86	15,153.25	16,889.64	21710
Accrued customer deposits	47,700.00	47,700.00	48,700.00	46,000.00	11,000.00	11,250.00	11,250.00	11,250.00	11,250.00	21750
Accrued customer refunds		8,110.55				(23.21)	(23.21)			21755
Accrued restructuring	26,938.71	30,600.00	30,594.66	30,594.66	89,753.93	103,227.46	94,888.52	77,201.16	66,156.41	21785
Accrued Liab-First Com							1,054,591.45	1,119,288.03	1,436,027.92	21806
Accrued interest	86,370.64	120,437.73	71,151.69	84,872.96	119,913.91	60,616.62	83,313.09	111,654.44	36,190.86	21810
<b>Total accrued liabilities</b>	<b>6,887,373.59</b>	<b>7,069,317.11</b>	<b>7,026,771.50</b>	<b>7,106,890.48</b>	<b>7,129,614.40</b>	<b>7,035,637.96</b>	<b>7,521,967.40</b>	<b>6,830,864.63</b>	<b>6,910,543.48</b>	<b>21999</b>
Unearned revenue	793,138.38	722,610.18	673,327.68	654,960.11	623,593.40	567,984.99	543,887.73	527,702.58	521,462.73	22010
<b>Curr portion of notes payable</b>										
Note payable Marquette Revolver	3,753,109.79	3,861,251.15	3,124,188.57	3,332,482.51	3,646,617.37	3,211,435.30	2,392,831.85	2,686,823.54	1,618,307.54	24120
Note payable AMA Revolver										24125
Note payable USF								1,748,048.45	1,647,521.26	24130
Note payable NCE			100,000.00	100,000.00	100,000.00	100,000.02	91,666.69	83,333.36	75,000.03	24135
Note payable Info Directions	100,000.00	100,000.00								24140
Note payable Concrete										24145
Senior secured bridge loan	5,950,000.00	5,950,000.00	5,950,000.00	5,950,000.00	5,950,000.00	5,950,000.00	5,950,000.00	5,950,000.00	5,950,000.00	24220
<b>Total current of notes payable</b>	<b>9,803,109.79</b>	<b>9,911,251.15</b>	<b>9,174,188.57</b>	<b>9,382,482.51</b>	<b>9,698,617.37</b>	<b>9,261,435.32</b>	<b>8,434,498.54</b>	<b>10,470,205.35</b>	<b>9,290,828.83</b>	<b>24499</b>
<b>Total current liabilities</b>	<b>20,492,851.42</b>	<b>20,700,613.55</b>	<b>19,356,919.77</b>	<b>19,807,569.76</b>	<b>19,502,758.49</b>	<b>18,553,196.80</b>	<b>17,720,185.92</b>	<b>17,906,069.76</b>	<b>16,614,633.26</b>	<b>25999</b>
<b>Notes payable</b>										
Senior secured bridge loan-LT										26120
Convertible subordinated debt	2,750,000.00	2,750,000.00	2,750,000.00	2,750,000.00	2,750,000.00	2,750,000.00	2,750,000.00	2,750,000.00	2,750,000.00	26125
USAC Deferred Paymt Plan-LT	1,077,108.74	810,842.07	542,578.39	272,302.74						26130
Note payable-LT InfoDirections	41,666.67	33,333.34	25,000.01	16,666.68	8,333.35					26140
Note payable-LT Concrete										26145
<b>Total Notes Payable</b>	<b>3,868,775.41</b>	<b>3,594,175.41</b>	<b>3,317,578.40</b>	<b>3,038,869.42</b>	<b>2,758,333.35</b>	<b>2,750,000.00</b>	<b>2,750,000.00</b>	<b>2,750,000.00</b>	<b>2,750,000.00</b>	<b>26499</b>
<b>Total Liabilities</b>	<b>24,361,626.83</b>	<b>24,294,788.96</b>	<b>22,674,498.17</b>	<b>22,846,539.18</b>	<b>22,261,091.84</b>	<b>21,303,196.80</b>	<b>20,470,185.92</b>	<b>20,656,069.76</b>	<b>19,364,633.26</b>	<b>28999</b>
<b>Equity</b>										
NCE's investment in AMA										31010
Retained earnings - PY Net Income	(2,889,691.66)	(2,889,691.66)	(2,889,691.66)	(2,889,691.66)	(2,889,691.66)	(2,889,691.66)	(2,889,691.66)	(2,889,691.66)	(2,889,691.66)	33010
Retained earning - CY Net Income	(666,106.01)	(1,276,368.76)	(1,424,687.82)	(1,520,244.71)	(1,655,433.14)	(1,776,996.44)	(1,702,060.71)	(1,705,349.70)	(1,711,247.27)	33020
<b>Total Equity</b>	<b>(3,555,797.67)</b>	<b>(4,166,060.42)</b>	<b>(4,314,359.48)</b>	<b>(4,409,936.37)</b>	<b>(4,545,124.80)</b>	<b>(4,666,688.10)</b>	<b>(4,591,752.37)</b>	<b>(4,595,041.36)</b>	<b>(4,600,938.93)</b>	<b>39999</b>
<b>Total Liabilities and Equity</b>	<b>20,805,829.16</b>	<b>20,128,728.54</b>	<b>18,360,138.69</b>	<b>18,436,602.81</b>	<b>17,715,967.04</b>	<b>16,636,508.70</b>	<b>15,878,433.55</b>	<b>16,061,028.40</b>	<b>14,763,694.33</b>	

Filters													
Date Filter													
Currency													
	Jan-06	Feb-06	Mar-06	Mar QTD 2006	Apr-06	May-06	June-06	June QTD 2006	July-06	Aug-06	Sept-06	Sept QTD 2006	YTD 2006
<b>Revenues</b>													
<b>Telecom revenue</b>													
<i>Direct bill variable voice</i>													
Dir bill var voice-traffic	1,943,979	1,755,299	1,948,359	5,647,627	1,656,841	1,707,511	1,641,796	5,006,148	1,569,948	1,612,051	1,453,882	4,635,880	15,289,655
Dir bill var voice-rec adj	(31,221)	18,906	(15,375)	(27,690)	(14,673)	(6,173)	912	(19,934)	3,781	6,070	(8,583)	1,289	(48,355)
Dir bill var voice-USAC	159,788	141,206	158,155	457,149	144,149	137,759	132,297	414,205	137,291	140,233	126,907	404,431	1,275,786
Dir bill var-USAC Admin fee	63,641	56,425	56,628	176,693	56,110	51,973	56,373	164,455	54,719	54,103	53,058	161,881	503,029
Dir bill var voice-manual adj	(2,634)	(1,235)	(54,040)	(57,908)	(8,962)	(50,123)	(3,603)	(62,688)	(27,308)	(12,295)	(65,927)	(105,531)	(226,127)
Dir bill var voice-PICC	118,092	116,392	115,033	349,517	110,247	103,951	102,454	316,652	99,842	99,525	90,878	290,245	956,414
<b>Total direct bill var voice</b>	<b>2,251,645</b>	<b>2,086,983</b>	<b>2,206,760</b>	<b>6,545,387</b>	<b>1,943,711</b>	<b>1,944,898</b>	<b>1,930,229</b>	<b>5,818,839</b>	<b>1,838,273</b>	<b>1,899,687</b>	<b>1,650,215</b>	<b>5,388,175</b>	<b>17,752,402</b>
<i>Direct bill fixed</i>													
<i>Direct billed fixed voice</i>													
Dir billed fixed voice-MRC	805,452	750,611	811,911	2,367,974	688,657	701,526	627,535	2,017,718	611,146	588,168	581,219	1,780,533	6,166,225
Dir billed fixed-Fees/Disc	55,009	52,874	74,350	182,234	76,509	74,537	73,101	224,147	75,246	61,698	71,860	208,804	615,185
Dir billed fixed voice-man adj	(28,144)	(18,594)	(42,465)	(89,202)	(34,449)	(24,879)	(22,454)	(81,781)	(18,219)	(10,750)	(9,697)	(38,665)	(209,648)
<b>Total dir billed fixed voice</b>	<b>832,317</b>	<b>784,892</b>	<b>843,797</b>	<b>2,461,006</b>	<b>730,717</b>	<b>751,184</b>	<b>678,182</b>	<b>2,160,083</b>	<b>668,174</b>	<b>639,116</b>	<b>643,383</b>	<b>1,950,672</b>	<b>6,571,761</b>
<i>Direct billed fixed data</i>													
Dir billed fixed data-MRC	364,810	336,811	338,791	1,040,412	298,172	280,926	277,748	856,846	255,711	264,606	269,824	790,140	2,687,398
Dir billed fixed data-man adj													
<b>Total direct billed fixed data</b>	<b>364,810</b>	<b>336,811</b>	<b>338,791</b>	<b>1,040,412</b>	<b>298,172</b>	<b>280,926</b>	<b>277,748</b>	<b>856,846</b>	<b>255,711</b>	<b>264,606</b>	<b>269,824</b>	<b>790,140</b>	<b>2,687,398</b>
<b>Total direct billed fixed</b>	<b>1,197,127</b>	<b>1,121,702</b>	<b>1,182,589</b>	<b>3,501,418</b>	<b>1,028,890</b>	<b>1,032,110</b>	<b>955,930</b>	<b>3,016,929</b>	<b>923,884</b>	<b>903,722</b>	<b>913,206</b>	<b>2,740,813</b>	<b>9,259,160</b>
<i>LEC billed variable voice</i>													
LEC billed var voice-traffic	1,748,118	1,485,662	1,613,478	4,847,257	1,444,223	1,395,894	1,315,420	4,155,538	1,319,469	1,275,414	1,153,498	3,748,381	12,751,176
LEC bill var voice-rec adj	(64,096)	(94,301)	(70,754)	(229,150)	(95,316)	(59,179)	(28,885)	(183,380)	(65,332)	(49,354)	(65,547)	(180,232)	(592,762)
LEC billed var voice-USAC	166,107	140,780	117,586	424,472	134,175	120,720	122,443	377,338	116,255	114,936	105,257	336,448	1,138,258
LEC billed var voice-PICC	5,183	2,549	1,820	9,552	1,791	2,287	2,257	6,336	2,213	2,004	1,983	6,200	22,088
<b>Total LEC billed var voice</b>	<b>1,855,312</b>	<b>1,534,690</b>	<b>1,662,131</b>	<b>5,052,132</b>	<b>1,484,874</b>	<b>1,459,723</b>	<b>1,411,235</b>	<b>4,355,831</b>	<b>1,372,605</b>	<b>1,343,000</b>	<b>1,195,191</b>	<b>3,910,796</b>	<b>13,318,760</b>
LEC billed fixed-MRC	230,610	218,020	224,264	672,894	214,999	210,138	203,796	628,933	194,719	185,840	173,862	554,421	1,856,248
Premise	91,171	84,738	81,980	257,889	91,569	79,544	80,417	251,530	75,241	68,749	72,855	216,845	726,264
<i>Other telecom revenue</i>													
<i>Debit card revenue</i>													
<i>Debit card revenue (discount)</i>													
<i>Miscellaneous income</i>													
<b>Total other telecom revenue</b>	<b>16,718</b>	<b>16,158</b>	<b>9,996</b>	<b>42,872</b>	<b>9,245</b>	<b>12,603</b>	<b>6,556</b>	<b>28,405</b>	<b>7,193</b>	<b>6,807</b>	<b>5,743</b>	<b>19,742</b>	<b>91,018</b>
<i>Intercompany revenue</i>													
<i>Interco revenue</i>													
<b>Total intercompany revenue</b>													
<b>Total telecom revenue</b>	<b>5,642,582</b>	<b>5,062,290</b>	<b>5,367,720</b>	<b>16,072,591</b>	<b>4,773,288</b>	<b>4,739,017</b>	<b>4,588,163</b>	<b>14,100,467</b>	<b>4,411,916</b>	<b>4,407,804</b>	<b>4,011,073</b>	<b>12,830,792</b>	<b>43,003,851</b>
<i>Other revenue</i>													
MLM agent membership fees	11,788	8,439		20,227			2,160	2,160					22,387
Other											49	49	49
<b>Total other revenue</b>	<b>11,788</b>	<b>8,439</b>		<b>20,227</b>			<b>2,160</b>	<b>2,160</b>			<b>49</b>	<b>49</b>	<b>22,436</b>
<b>Total revenue</b>	<b>5,654,370</b>	<b>5,070,729</b>	<b>5,367,720</b>	<b>16,092,818</b>	<b>4,773,288</b>	<b>4,739,017</b>	<b>4,590,323</b>	<b>14,102,627</b>	<b>4,411,916</b>	<b>4,407,804</b>	<b>4,011,122</b>	<b>12,830,841</b>	<b>43,026,287</b>
<b>Cost of goods sold</b>													
<i>Variable costs</i>													
Traffic	2,248,105	1,897,669	2,002,472	6,148,247	1,798,285	1,658,617	1,635,567	5,092,469	1,611,550	1,599,147	1,472,189	4,682,886	15,923,602
USAC	306,894	275,753	273,742	856,389	278,323	258,479	254,740	791,542	253,546	254,645	232,164	740,355	2,388,286
MRC	21,116	18,622	21,334	61,072	34,158	20,086	19,877	74,122	22,363	2,502	14,899	39,765	174,959
Network commissions/credits	(1,902)	(726)	(578)	(3,206)	(590)	(4,849)	(720)	(6,159)	(760)	(151)	(169)	(1,080)	(10,445)
Circuits-Customer	438,330	401,736	403,994	1,244,060	375,913	391,407	383,823	1,151,143	392,737	367,137	337,372	1,097,246	3,492,449
<b>Total var costs - Telecom</b>	<b>3,012,543</b>	<b>2,593,054</b>	<b>2,700,965</b>	<b>8,306,562</b>	<b>2,486,090</b>	<b>2,323,740</b>	<b>2,293,287</b>	<b>7,103,117</b>	<b>2,279,436</b>	<b>2,223,280</b>	<b>2,056,456</b>	<b>6,559,172</b>	<b>21,968,851</b>
<i>Fixed costs - Telecom</i>													
<i>Network</i>													
Maintenance	19,082	16,811	17,870	53,763	5,715	9,406	11,811	26,932	11,811	11,811	11,811	35,432	116,126
Circuits	436,277	397,769	288,460	1,122,506	232,258	242,190	241,424	715,873	159,680	236,648	230,186	626,515	2,464,893
MRC													
<b>Total network</b>	<b>455,359</b>	<b>414,579</b>	<b>306,330</b>	<b>1,176,269</b>	<b>237,973</b>	<b>251,597</b>	<b>253,235</b>	<b>742,804</b>	<b>171,491</b>	<b>248,459</b>	<b>241,996</b>	<b>661,946</b>	<b>2,581,019</b>
<i>Switch sites</i>													
Switch site-rent/utilities/etc	106,094	107,118	99,401	312,612	83,726	87,125	77,487	248,339	107,152	79,966	74,327	261,445	822,395
Switch site - other	17,344	17,344	6,331	41,019	6,331	12,929	12,929	32,189	15,188	15,188	15,465	45,841	119,049
<b>Total switch sites</b>	<b>123,438</b>	<b>124,462</b>	<b>105,732</b>	<b>353,631</b>	<b>90,057</b>	<b>100,054</b>	<b>90,416</b>	<b>280,527</b>	<b>122,340</b>	<b>95,154</b>	<b>89,792</b>	<b>307,286</b>	<b>941,444</b>
<b>Total fixed costs - Telecom</b>	<b>578,797</b>	<b>539,041</b>	<b>412,061</b>	<b>1,529,899</b>	<b>328,030</b>	<b>351,651</b>	<b>343,650</b>	<b>1,023,332</b>	<b>293,831</b>	<b>343,613</b>	<b>331,789</b>	<b>969,232</b>	<b>3,522,463</b>
<i>Other telecom direct costs</i>													
Premise	19,533	(8,126)	13,954	25,361	10,151	7,151	15,082	32,384	10,353	13,442	8,860	32,655	90,399
Equipment							500	500					500
<b>Total other telecom direct costs</b>	<b>19,533</b>	<b>(8,126)</b>	<b>13,954</b>	<b>25,361</b>	<b>10,151</b>	<b>7,151</b>	<b>15,582</b>	<b>32,884</b>	<b>10,353</b>	<b>13,442</b>	<b>8,860</b>	<b>32,655</b>	<b>90,899</b>
<b>Total cost of goods sold</b>	<b>3,610,873</b>	<b>3,123,969</b>	<b>3,126,980</b>	<b>9,861,821</b>	<b>2,824,271</b>	<b>2,682,542</b>	<b>2,652,519</b>	<b>8,159,332</b>	<b>2,583,620</b>	<b>2,580,334</b>	<b>2,397,104</b>	<b>7,561,059</b>	<b>25,582,212</b>
<b>Gross Margin</b>	<b>2,043,497</b>	<b>1,946,760</b>	<b>2,240,740</b>	<b>6,230,997</b>	<b>1,949,017</b>	<b>2,056,475</b>	<b>1,937,804</b>	<b>5,943,295</b>	<b>1,828,296</b>	<b>1,827,469</b>	<b>1,614,017</b>	<b>5,269,783</b>	<b>17,444,075</b>
<b>% of Revenue</b>	<b>36.1%</b>	<b>38.4%</b>	<b>41.7%</b>	<b>38.7%</b>	<b>40.8%</b>	<b>43.4%</b>	<b>42.2%</b>	<b>42.1%</b>	<b>41.4%</b>	<b>41.5%</b>	<b>40.2%</b>	<b>41.1%</b>	<b>40.5%</b>

Filters													
Date Filter													
Currency													
	Jan-06	Feb-06	Mar-06	Mar QTD 2006	Apr-06	May-06	June-06	June QTD 2006	July-06	Aug-06	Sept-06	Sept QTD 2006	YTD 2006
<b>Selling, general &amp; admin</b>													
<i>Salaries &amp; benefits</i>													
Wages - regular	521,885	481,400	506,569	1,509,854	468,093	506,979	455,852	1,430,924	394,928	386,408	362,291	1,143,628	4,084,406
Wages - holiday	6,456			6,456		224	6,612	6,835	6,721	1,304	5,409	13,434	26,725
Wages - vacation	36,039	29,368	25,090	90,496	29,296	25,996	61,023	116,315	48,020	52,398	19,856	120,274	377,086
Wages - sick	5,039	12,130	7,991	25,160	11,146	7,899	8,861	27,905	9,426	4,782	5,115	19,323	72,388
Wages - overtime	5,794	7,722	3,343	16,858	5,218	4,048	11,175	20,442	6,613	3,779	6,381	16,774	54,074
Wages - commissions	20,511	4,519	3,106	28,136	7,226	9,616	4,316	21,158	616	681	814	2,112	51,406
Wages - bonus retention													
Wages - bonus performance		1,500		1,500	4,055	4,000	20,282	28,337	2,500			2,500	32,337
Employer payroll taxes	68,202	54,310	45,478	167,990	40,249	41,062	42,406	123,718	37,772	33,936	28,221	99,929	391,637
Employer 401K Match		2,742	2,910	5,652	2,874	3,002	3,527	9,403	2,417		1,998	6,593	21,649
Employee insurance	30,741	35,816	34,498	101,055	32,076	34,410	28,319	94,805	25,425	20,958	17,989	64,371	260,231
Vacation liability expense	(10,113)	(3,229)	4,940	(8,402)	6,039	(1,714)	(31,080)	(26,755)	(34,088)	(26,773)	2,375	(58,486)	(93,643)
Awards / gifts	253	19	182	454	400		5,985	6,385		(200)		(200)	6,639
Professional memberships dues			45	45				185				185	230
<b>Total salary &amp; benefits</b>	<b>684,807</b>	<b>626,297</b>	<b>634,151</b>	<b>1,945,255</b>	<b>606,672</b>	<b>635,523</b>	<b>617,278</b>	<b>1,859,473</b>	<b>500,536</b>	<b>479,452</b>	<b>450,448</b>	<b>1,430,436</b>	<b>5,235,164</b>
Education training	125	50	475	650	99	1,580		1,679	2,125			2,125	4,454
<i>Recruitment &amp; relocation</i>													
Employee relocation exp					3,360		3,441	6,801	4,215			4,215	11,016
Recruiting costs						956		956	516			563	2,035
<b>Total recruitment &amp; relocation</b>					<b>3,360</b>	<b>956</b>	<b>3,441</b>	<b>7,757</b>	<b>4,731</b>			<b>563</b>	<b>13,051</b>
<i>Travel &amp; entertainment</i>													
Transportation	4,611	426	5,909	10,946	5,396	9,129	6,167	20,692	6,018	2,134	3,231	11,384	43,022
Lodging	1,428	587	3,411	5,426	3,332	2,375	3,649	9,356	1,899	1,240	1,105	4,244	19,026
Meals	212	52	1,588	1,852	514	485	1,092	2,092	688	117	281	1,086	5,030
Travel other	1,510	821	1,545	3,876	2,653	1,896	2,467	7,017	2,048	1,489	1,372	4,908	15,801
Entertainment													
Business meetings	607	197	672	1,476	328	510	492	1,331		571	217	788	3,595
<b>Total travel &amp; entertainment</b>	<b>8,368</b>	<b>2,082</b>	<b>13,125</b>	<b>23,576</b>	<b>12,224</b>	<b>14,395</b>	<b>13,868</b>	<b>40,487</b>	<b>10,653</b>	<b>5,551</b>	<b>6,207</b>	<b>22,410</b>	<b>86,473</b>
<i>Commissions Agents</i>													
Agent Comm-residual	349,197	277,057	287,334	913,588	224,566	215,414	223,274	663,253	219,623	235,067	202,483	657,172	2,234,014
Agent Comm-bonuses	2,880	4,763	(1,250)	6,393									6,393
Agent Comm-bounty													
Agent Comm-promotion	5,933	(2,443)	(841)	2,649	(784)	7,216	1,567	8,000	3,314	5,357	794	9,464	20,114
<b>Total Agent Commissions</b>	<b>358,010</b>	<b>279,377</b>	<b>285,243</b>	<b>922,631</b>	<b>223,782</b>	<b>222,630</b>	<b>224,842</b>	<b>671,253</b>	<b>222,936</b>	<b>240,424</b>	<b>203,277</b>	<b>666,637</b>	<b>2,260,521</b>
<i>Marketing</i>													
Third party bill verification	2,564	2,457	2,442	7,463	2,463	1,697	1,709	5,869	2,436	2,897	2,102	7,434	20,766
Marketing PIC charges	12,976	11,135	11,825	35,937	9,250	9,939	12,767	31,956	7,685	5,378	11,343	24,406	92,299
Customer promotions	162	162		475	132	148	1,122	1,402	144	152	180	476	2,354
Advertising trade shows		320	5,117	5,437		300		300					5,737
Advertising material	28	28	28	83	228	1,046	916	2,189	1,543			1,543	3,814
Rebranding													
Public relations													
Customer welcome letter/call	1,042	1,699	1,266	4,007	836	2,083	1,006	3,925	532	738	642	1,912	9,843
New Agent Matl Kits (off49510)													
<b>Total marketing</b>	<b>16,772</b>	<b>15,800</b>	<b>20,829</b>	<b>53,401</b>	<b>12,909</b>	<b>15,213</b>	<b>17,520</b>	<b>45,641</b>	<b>12,340</b>	<b>9,165</b>	<b>14,267</b>	<b>35,771</b>	<b>134,813</b>
LEC billings & collections	253,790	313,006	310,733	877,530	252,442	229,893	216,687	699,021	262,854	225,220	172,585	660,659	2,237,210
Direct billings svcs-OSG	37,734	17,009	11,620	66,363	17,249	16,891	21,392	55,532	14,118	19,259	11,745	45,122	167,017
Direct collections svc-D&B	22,433	21,161	3,020	46,613	3,459	4,596	4,728	12,783	5,787	3,637	3,021	12,445	71,841
Direct billing svcs-CC & Lckbox	48,977	53,649	37,796	140,422	41,315	31,203	45,303	117,820	38,752	34,895	30,522	104,170	362,412
<b>Total Billings &amp; Collections</b>	<b>362,934</b>	<b>404,826</b>	<b>363,169</b>	<b>1,130,928</b>	<b>314,464</b>	<b>282,583</b>	<b>288,109</b>	<b>885,156</b>	<b>321,511</b>	<b>283,012</b>	<b>217,872</b>	<b>822,395</b>	<b>2,838,480</b>
<i>Outside services</i>													
Consulting services	33,680	37,175	32,961	103,816	31,813	32,133	30,376	94,323	23,468	32,892	21,308	77,668	275,807
Temporary services	2,376	3,538	2,525	8,439									8,439
Accounting fees - audit													
Other SEC reporting													
Legal fees & court costs	5,663	3,714	12,371	21,748	1,900	2,174	2,563	6,637	6,807	7,425	(614)	13,618	42,002
Bank service fees/exchange exp	18,010	10,348	13,599	41,957	12,717	10,663	11,746	35,126	10,660	9,895	10,947	31,502	108,585
Payroll processing fees	1,413	4,160	(796)	4,777	160	164	155	479	150	150	728	1,028	6,284
Public/Media relations													
Management Fee-NCE	71,733	63,103	130,597	265,432	75,879	63,851	59,764	199,494	36,412	50,927	53,612	140,951	605,877
Managmnt Fee-First Com									54,691	64,697	66,740	186,028	186,028
Tax Svc-Property-Ryan&Co													
Tax Svc-Invoicing-Vertex	2,124	2,124	2,124	6,371	2,124	2,124	2,124	6,371	2,124	2,124	2,124	6,371	19,114
Tax Svc-S&U/Excise-E&Y	7,310	6,270	4,760	18,340	9,980	4,820	6,125	20,925	(560)	4,500	4,500	8,440	47,705
Tax consulting													
Regulatory Fees	61,475	63,566	60,866	185,907	60,866	60,941	55,158	176,965	19,644	19,644	19,644	58,933	421,804
Regulatory Services	3,188	3,188	3,188	9,565	3,188	3,188	3,188	9,565	9,105	2,375	5,689	17,170	36,299
Outside service other	4,275	3,563	3,948	11,785	3,718	4,182	(3,357)	4,543	1,249	2,969	2,150	6,368	22,696
<b>Total outside services</b>	<b>211,245</b>	<b>200,748</b>	<b>266,143</b>	<b>678,137</b>	<b>202,344</b>	<b>184,241</b>	<b>167,842</b>	<b>554,427</b>	<b>163,651</b>	<b>197,598</b>	<b>186,827</b>	<b>548,077</b>	<b>1,780,641</b>

Filters														
Date Filter														
Currency														
	Jan-06	Feb-06	Mar-06	Mar QTD 2006	Apr-06	May-06	June-06	June QTD 2006	July-06	Aug-06	Sept-06	Sept QTD 2006	YTD 2006	
<b>Dues, subscriptions &amp; fees</b>														
Membership dues and subscript	3,022	185	55	3,262	210	783	265	1,258		200	2,965	3,165	7,685	
Licenses/permits									246			246	246	
<b>Total dues, subscript &amp; fees</b>	<b>3,022</b>	<b>185</b>	<b>55</b>	<b>3,262</b>	<b>210</b>	<b>783</b>	<b>265</b>	<b>1,258</b>	<b>246</b>	<b>200</b>	<b>2,965</b>	<b>3,411</b>	<b>7,931</b>	
<b>Facilities</b>														
Office rent	175,625	175,755	164,451	515,832	149,978	169,690	135,913	455,580	99,024	86,328	77,522	262,873	1,234,286	
Utilities	44,683	46,103	31,428	122,214	29,362	27,108	28,745	85,215	23,689	32,987	33,986	90,663	298,092	
Common area expense	14,032	10,902	14,832	39,766	13,021	23,559	56,848	93,428	19,678	566	(13,074)	7,170	140,364	
Internal phone services	10,497	12,020	8,894	31,410	8,086	10,752	7,533	26,371	7,329	18,043	16,563	41,935	99,716	
Storage costs	4,996	3,417	6,755	15,169	6,332	5,052	5,940	17,324	4,730	5,159	4,540	14,429	46,922	
Equipment rental	3,608	2,659	(1,811)	4,456	2,424	2,294	28,978	33,696	4,392	6,253	3,996	14,641	52,793	
Facilities rearrange						24,174	(20,772)	3,402	(471)	1,038	1,850	2,417	5,819	
Maintenance & repair	4,611	4,512	6,976	16,099	6,122	3,852	1,853	11,827	3,208	4,857	4,525	12,590	40,516	
Security	416	416	416	1,248	210			210	250	250	250	750	2,208	
Consumables														
Phones & Pagers	3,367	2,460	3,072	8,899	2,159	2,216	2,626	7,001	2,522	4,380	1,748	8,650	24,550	
Restructuring costs	255,056	203,326	5,003	463,385	172	59,159	17,314	76,645	28,738	10,642	(5,211)	34,169	574,199	
Facilities Other											555	555	555	
<b>Total facilities</b>	<b>516,892</b>	<b>461,571</b>	<b>240,016</b>	<b>1,218,479</b>	<b>217,866</b>	<b>327,856</b>	<b>264,978</b>	<b>810,699</b>	<b>193,090</b>	<b>170,503</b>	<b>127,251</b>	<b>490,843</b>	<b>2,520,021</b>	
<b>Business insurance</b>														
Property & casualty insurance	10,325	33,447	15,162	58,934	15,137	12,981	7,189	35,306	7,189	7,189	5,593	19,970	114,211	
D & O insurance	1,747	2,521	2,521	6,788	2,521	2,521	2,521	7,562	2,521	1,534	1,534	5,589	19,939	
<b>Total business insurance</b>	<b>12,072</b>	<b>35,968</b>	<b>17,683</b>	<b>65,722</b>	<b>17,658</b>	<b>15,502</b>	<b>9,709</b>	<b>42,868</b>	<b>9,709</b>	<b>8,723</b>	<b>7,128</b>	<b>25,560</b>	<b>134,151</b>	
<b>Office supplies</b>														
Office supplies	2,052	2,653	3,612	8,317	1,261	3,498	6,440	11,199	4,197	2,944	2,770	9,911	29,427	
Printing, postage & mailing	16,737	29,197	18,791	64,725	18,725	15,540	13,754	48,019	20,889	16,881	15,898	53,668	166,412	
Express mail	2,210	2,332	2,184	6,726	2,329	2,247	3,111	7,688	3,759	8,974	(3,559)	9,174	23,588	
Office equipment-non capital			17	17	16			16		135		135	167	
CPU hardware-non capital										456		456	456	
CPU software-non capital	650			650									650	
CPU maint-hardware	22,665	15,328	7,861	45,854	9,313	8,123	9,100	26,536	8,329	8,054	12,313	28,696	101,086	
CPU maint-software	4,722	22,470	5,035	32,226	8,498	8,683	8,504	25,685	9,632	10,398	9,502	29,532	87,443	
<b>Total office supplies</b>	<b>49,036</b>	<b>71,980</b>	<b>37,499</b>	<b>158,515</b>	<b>40,142</b>	<b>38,092</b>	<b>40,909</b>	<b>119,143</b>	<b>46,806</b>	<b>47,842</b>	<b>36,925</b>	<b>131,572</b>	<b>409,230</b>	
<b>Taxes</b>														
Personal property taxes	18,456	15,449	15,617	49,521	15,567	15,567	945	32,080			(945)	(945)	80,656	
Sales tax	2,109	1,694	1,284	5,087	1,007	1,247	2,933	5,187	911	1,054	804	2,769	13,044	
State income tax	500		12,870	13,370							(1,936)	(1,936)	11,434	
<b>Total Taxes</b>	<b>21,065</b>	<b>17,143</b>	<b>29,771</b>	<b>67,979</b>	<b>16,574</b>	<b>16,814</b>	<b>3,878</b>	<b>37,266</b>	<b>911</b>	<b>1,054</b>	<b>(2,077)</b>	<b>(112)</b>	<b>105,134</b>	
Late payment fees/penalties	158	169	158	486			317	317		14	481	495	1,298	
<b>Misc expense</b>														
Transfer & misc credits	(118,105)	(118,778)	(100,401)	(337,283)	(84,726)	(88,125)	(78,487)	(251,339)	(108,152)	(80,966)	(75,327)	(264,445)	(853,066)	
Misc expense	7,500	36	(36)	7,500									7,500	
<b>Total misc expense</b>	<b>(110,605)</b>	<b>(118,741)</b>	<b>(100,437)</b>	<b>(329,783)</b>	<b>(84,726)</b>	<b>(88,125)</b>	<b>(78,487)</b>	<b>(251,339)</b>	<b>(108,152)</b>	<b>(80,966)</b>	<b>(75,327)</b>	<b>(264,445)</b>	<b>(845,566)</b>	
<b>Total SG&amp;A</b>	<b>2,133,903</b>	<b>1,997,453</b>	<b>1,807,881</b>	<b>5,939,237</b>	<b>1,583,577</b>	<b>1,668,041</b>	<b>1,574,469</b>	<b>4,826,087</b>	<b>1,381,094</b>	<b>1,362,570</b>	<b>1,176,806</b>	<b>3,920,470</b>	<b>14,685,794</b>	
<b>Prov for bad debt losses</b>														
Bad Debt-LEC	62,578	52,596	56,591	171,765	28,566	50,095	48,450	127,111	47,019	45,863	41,073	133,954	432,830	
Bad Debt-Teleflex Direct	42,736	73,818	88,875	205,429		37,463		37,463					242,892	
Bad Debt-DBS Direct	5,318	(314)	4,196	9,200	(5,933)	4,144	4,096	2,306	3,843	3,516	1,201	8,560	20,067	
Bad Debt-NABS	40,078	38,343		78,421	31,715			31,715	(80,000)			(80,000)	30,136	
<b>Total Prov for bad debt losses</b>	<b>150,710</b>	<b>164,443</b>	<b>149,662</b>	<b>464,816</b>	<b>54,348</b>	<b>91,702</b>	<b>52,546</b>	<b>198,595</b>	<b>(29,138)</b>	<b>49,379</b>	<b>42,274</b>	<b>62,515</b>	<b>725,925</b>	
<b>EBITDA</b>	<b>(241,116)</b>	<b>(215,136)</b>	<b>283,197</b>	<b>(173,056)</b>	<b>311,092</b>	<b>296,732</b>	<b>310,789</b>	<b>918,613</b>	<b>476,340</b>	<b>415,521</b>	<b>394,937</b>	<b>1,286,798</b>	<b>2,032,356</b>	
<b>Depreciation &amp; amortization</b>														
Depreciation expense	141,336	141,215	148,475	431,026	148,620	149,339	150,454	448,413	141,300	141,027	141,026	423,353	1,302,792	
Amort exp intangible	120,994	120,994	121,776	363,763	121,776	121,776	121,776	365,329	121,776	121,776	121,776	365,329	1,094,420	
<b>Total depreciation &amp; amort</b>	<b>262,329</b>	<b>262,208</b>	<b>270,252</b>	<b>794,789</b>	<b>270,396</b>	<b>271,115</b>	<b>272,230</b>	<b>813,741</b>	<b>263,076</b>	<b>262,803</b>	<b>262,802</b>	<b>788,682</b>	<b>2,397,212</b>	
<b>EBIT</b>	<b>(503,446)</b>	<b>(477,344)</b>	<b>12,945</b>	<b>(967,845)</b>	<b>40,696</b>	<b>25,617</b>	<b>38,559</b>	<b>104,872</b>	<b>213,264</b>	<b>152,717</b>	<b>132,135</b>	<b>498,116</b>	<b>(364,856)</b>	
<b>Other income (expense)</b>														
Interest income	3,771	4,105	6,160	14,036	27,954	4,755	4,355	37,064	4,767	5,664	5,279	15,710	66,810	
Other income		10		10					1,515	1		1,517	1,527	
Interest expense-NCE	(105,229.24)	(98,339.73)	(108,185.59)	(311,755)	(104,482)	(107,219)	(105,149)	(316,849)	(103,447)	(103,447)	(100,110)	(307,003)	(935,607)	
Interest expense-Marquette	(36,200.53)	(35,835.37)	(45,749.67)	(117,786)	(37,972)	(39,471)	(42,165)	(119,609)	(38,331)	(31,681)	(26,935)	(96,947)	(334,341)	
Interest expense-other	(25,002.07)	(23,091.54)	(19,052.99)	(67,147)	(20,163)	(17,042)	(17,439)	(54,645)	(17,771)	(16,902)	(16,267)	(50,940)	(172,731)	
Other expense					(1,495)		(24)	(1,519)				(1,519)	(1,519)	
Gain/(loss) on disp of FA		20,234	5,583	25,817	(1,609)	(334)	300	(1,643)	14,938	(9,642)		5,296	29,470	
<b>Total other income (expense)</b>	<b>(162,660)</b>	<b>(132,918)</b>	<b>(161,244)</b>	<b>(456,823)</b>	<b>(136,273)</b>	<b>(160,806)</b>	<b>(160,122)</b>	<b>(457,201)</b>	<b>(138,328)</b>	<b>(156,006)</b>	<b>(138,033)</b>	<b>(432,367)</b>	<b>(1,346,391)</b>	
<b>Net Income (Loss)</b>	<b>(666,106)</b>	<b>(610,263)</b>	<b>(148,299)</b>	<b>(1,424,668)</b>	<b>(95,577)</b>	<b>(135,188)</b>	<b>(121,563)</b>	<b>(352,329)</b>	<b>74,936</b>	<b>(3,289)</b>	<b>(5,898)</b>	<b>65,749</b>	<b>(1,711,247)</b>	

**EXHIBIT B**

**Asset Purchase Agreement**



**Asset Purchase Agreement**

**by and between**

**Cognigen Networks, Inc. (“Seller”)**

**and**

**Acceris Management and Acquisition LLC (“Buyer”)**

Entered into on October 13, 2006 (with an effective date of October 16, 2006 at 12:01 a.m.  
Pacific Time)

for the sale and purchase of certain Customer Accounts and related Assets of Cognigen  
Networks, Inc.

## Asset Purchase Agreement

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

### W I T N E S S E T H:

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

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

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

#### Section 1

##### Purchase and Sale of Assets

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

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

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

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

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

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

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

## Section 2

### Purchase Price

#### 2.1 Purchase Price.

As full consideration for the Sale Assets the Buyer agrees to pay the sum of 1.5 times the amount of Net Billed Revenue relating to the Sold Customers as of the end of the third full month after the date of this Agreement (the "Purchase Price"). By way of example, if this agreement is signed on October 13, 2006, the Net Billed Revenue from which the purchase price shall be determined shall be the Net Billed Revenue related to the Sold Customers for the month of February 1-28, 2007. Buyer shall make a down payment toward the Purchase Price of \$200,000 in immediately available funds payable on the date of execution of this Agreement by wire transfer to the account of the Seller. The balance of the Purchase Price, less \$25,000 shall be paid on the date of the Final Closing Date. The remaining \$25,000 due shall be paid to the Seller on the date which is six months from the date of the Final Closing Date, or the date of final state

regulatory approval, whichever is later. Net Billed Revenue means usage revenue based upon intrastate, interstate or international long distance usage charges for calls made by Seller's customers, but excluding regulatory, USF, tax or other nonusage pass through fees, late fees or carrying fees, and specifically excluding nonrecurring fees of every kind and nature.

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

### Section 3

#### Representations and Warranties of the Buyer

The Buyer represents and warrants to the Seller as follows:

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

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

- (a) the articles of organization or bylaws of the Buyer;
- (b) any note, indenture, mortgage or deed of trust or loan agreement to which the Buyer is a party or by which the Buyer is bound; or
- (c) any material statute or any order, rule or regulation or any decision of any federal, state, local or foreign court or regulatory authority or administrative or arbitral body, agency or tribunal, or any other governmental body whatsoever ("Legal Authority") applicable to the Buyer.

3.3 Consents. The Buyer has obtained, or shall have obtained prior to the applicable Closing Date, all material consents, authorizations or approvals of any third parties required to be obtained in connection with the execution, delivery and performance of this Agreement. The Buyer has made, or will have made prior to the applicable Closing Date, all material registrations

or filings required for the execution and delivery of this Agreement by the Buyer and the consummation of the transactions contemplated hereby if any are required.

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

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

## Section 4

### Representations and Warranties of the Seller

The Seller represents and warrants to the Buyer as follows:

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

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

- (a) the certificate of incorporation or bylaws of the Seller;
- (b) any note, indenture, mortgage, deed of trust, loan to which the Seller is a party or by which the Seller is bound; or
- (c) any material statute or any order, rule or regulation or any decision of any Legal Authority applicable to the Seller.

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

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

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

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

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

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

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

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

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

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

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

## Section 5

### Covenants

5.1 Access to Sale Assets. Prior to the applicable Closing Date, the Seller shall afford to the Buyer and its authorized representatives access to the Seller's offices for the purpose of preparing for the transfer of the Sale Assets on the applicable Closing Date. Seller shall cooperate and provide all requested information to Buyer to allow Buyer to complete the terms of this Agreement by the applicable Closing Date. Seller covenants and agrees to pay Buyer ½ of the costs of regulatory approval paid to outside counsel and for regulatory filing fees for approval of the transfer of the Sale Assets to Buyer.

### 5.2 Preservation of Sale Assets.

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

- (i) dispose of, or agree to dispose of, any of the Sale Assets or lease or license, or agree so to lease or license, any of the Sale Assets and shall take all reasonable actions to preserve the value of the Sale Assets;
- (ii) cancel, fail to maintain in force or change any policy of insurance relating to the Sale Assets or any policy or bond providing substantially the same coverage unless such cancellation or change is effective only after the applicable Closing Date. Seller shall within seven (7) days of the execution of this Agreement, provide to Buyer a Certificate of Insurance delivered to the Buyer which describes all insurance coverage in effect at least until the Final Closing Date, or any additional dates for which such insurance has been prepaid;

- (iii) waive, release, grant or transfer any rights of value or modify or change any existing license, lease, contract or other agreement or arrangement affecting the Sale Assets; or
- (iv) discontinue any regulatory approval or other licenses required for the continued operation of the Business with respect to the Sale Assets until the date of foreclosure upon the Sale Assets by the Seller and resale by Seller of the Sale Assets to Buyer;
- (v) fail to pay any and all federal, state or local taxes or regulatory fees or charges of any kind which the Seller may owe with respect to the Sale Assets; or
- (vi) forgive or otherwise compromise any of rights to payment or other contractual rights with respect to the Sale Assets from the date of execution of this Agreement until the Closing Date.

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

- (i) use reasonable efforts to maintain the value of all of the Sale Assets and the related telecommunications customers, consistent with reasonable industry practices; and
- (ii) use their best efforts to cause the Seller to operate the Business on a going-concern basis and in the ordinary course of their business.

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

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



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

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

## Section 6

### Indemnification of Buyer by the Seller

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

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

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

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

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

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

6.2 Breach of Representations or Warranties or Other Agreements; Limitation Period.

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

## Section 7

### Conditions to Obligations of the Buyer

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

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

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

7.3 Approvals. All material authorizations, consents and approvals of any Legal Authority and third parties required to be obtained by Seller in order to permit consummation of the transactions contemplated by this Agreement by Seller, if any, shall have been obtained and be reasonably satisfactory in form and content to the Buyer.

7.4 Assignment Right of Buyer to Third Party. Buyer shall retain the right at or before the Final Closing Date to designate in writing to the Seller that certain of the Sale Assets shall be assigned to a third party if the Buyer has not been able to obtain the necessary approvals for transfer of such customer accounts in the relevant jurisdictions on or prior to the Final Closing Date. Under such circumstances the Seller will sign an Asset Purchase Agreement for the assets with the third party and the Seller shall deliver to the third party the documents set forth in Section 9.2 on such closing date with respect to the third party buyer.

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

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

## Section 8

### Conditions to Obligations of the Seller

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

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

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

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

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

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

## Section 9

### Termination

9.1 Right of Parties to Terminate. This Agreement may be terminated:

- (a) by the Buyer, if the Seller shall have breached any of its material obligations hereunder or under the Management Services Agreement or of the Buyer is unable to obtain satisfactory consents or approvals to consummate the transaction; or
- (b) by the Seller, if the Buyer shall have breached any of its material obligations hereunder or under the Management Services Agreement; or
- (c) by mutual written agreement by both parties to the Agreement.

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

## Section 10

### Closing Date

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

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

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

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

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

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

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

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

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

## Section 11

### Survival

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

## Section 12

### Other Provisions

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

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

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

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

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

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

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

If to the Buyer:

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

(i) If to the Seller:

Gary L. Cook

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

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

**BUYER:**

**ACCERIS MANAGEMENT AND ACQUISITION LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SELLER:**

**COGNIGEN NETWORKS, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SCHEDULES**

**Schedule 1.1**

Schedule of Sale Assets  
Customer Accounts in 34 states

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



## Schedule 7.7

### NONSOLICITATION AGREEMENT

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

2. Miscellaneous.

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

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

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

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

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

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

If to Aceris:

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

(ii) If to the Seller:

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

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

**BUYER:**

**ACERIS MANAGEMENT AND ACQUISITION LLC**

By:  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SELLER:**

**COGNIGEN NETWORKS, INC.**

By:

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

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

Schedule 8.3

Form of Representative Agreement

[to be added]

**Schedule 9.2(a)**

**Bill of Sale of Seller.**

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

Dated: \_\_\_\_\_

**SELLER:**

**COGNIGEN NETWORKS, INC.**

By: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT A**

**BILL OF SALE**

**LISTING OF ALL SALE ASSETS**

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

[to be added at each closing]

**EXHIBIT C**

**Sample Customer Notice**

ACCERIS MANAGEMENT AND ACQUISITION LLC

Date

RE: New Service Provider

Dear Valued Customer:

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

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

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

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

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

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

Sincerely,

NAME  
TITLE