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December 5, 2001

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AZ CORP COMMISSION
DOCUMENT CONTROL

**VIA FEDERAL EXPRESS**

Docket Control Center
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2996

**Re: Docket No. T-03714A-01-0805**

Enclosed please find for filing an original plus eleven copies of this letter, a Filings Cover Sheet, and Amendment to Application for Certificate of Convenience and Necessity to Provide Facilities-Based and Resold Local Exchange and Exchange Access Telecommunications Services by Tri-M Communications, Inc. d/b/a TMC Communications.

Please file-stamp the extra copy and return it in the enclose self-addressed stamped envelope. If you have any questions or require additional information, please contact me at (415) 765-8443 or at jclark@gmssr.com.

Thank you for your assistance regarding this matter.

Very truly yours,

John Clark

Enc.

2585/002/X29787-1

Arizona Corporation Commission
DOCKETED

DEC 06 2001

DOCKETED BY

**ARIZONA CORPORATION COMMISSION**

**Amendment to Application for Certificate of Convenience and Necessity to Provide Competitive Facilities-Based and Resold Local Exchange and Exchange Access Telecommunications Services by Tri-M Communications, Inc. d/b/a TMC Communications**

Tri-M Communications, Inc. d/b/a TMC Communications ("Applicant") hereby submits the following revisions and amendments to its application in response to Staff's First Set of Data Requests. By this amendment, Applicant also expands the scope of authority requested to include resold local exchange and exchange access telecommunications services. Therefore, in addition to providing the information requested by Staff in its data request, Applicant has included in this amendment information pertaining to the additional services following its responses to Staff's data requests. Finally, Applicant has included updated information for its management contact and its counsel.

## I. INFORMATION IN RESPONSE TO STAFF DATA REQUEST

1. You indicated that you want to provide:

   **__x__ Facilities-based local exchange services, voice and/or data (answer items 1-13 and items 14-32)**

   **Applicant also seeks authority to provide the following services:**

   **__x__ Resold local exchange services (Applicant has included additional information relating to this request as items 33-to 43, which correspond to items 36-46 in the Commission's published list of information required for CC&N applications)**

2. Provide facsimile number (including area code) of the Applicant.

   **805-965-8620**

   Provide the e-mail address of the Applicant.

   **Dbean@tmccom.com**

Provide the Web address (if one is available for customer access) of the Applicant.

www.tmccom.com

3. Please provide the name of the Company's complaint contact person.

**Denise Moritz**

Provide the address of the Company's complaint contact person.

**TMC Communications**
**125 E. De La Guerra, Suite 201**
**Santa Barbara, CA 93101**

Provide the telephone number (including area code) of the Company's complaint contact person.

**805-965-8620**

Provide facsimile number (including area code) of the Company's complaint contact person.

**805-965-7822**

Provide the e-mail address of the Company's complaint contact person.

Dmoritz@tmccom.com

4. Please identify the type of legal entity the Applicant is:

**Corporation please indicate type: __ "S", _x_ "C", __ Non-profit, __**
**please indicate domicile: __ Arizona, _x_ Foreign**

**A certified copy of Applicant's Articles of Incorporation is attached as Attachment A. Also included in Attachment A is a copy of Applicant's authority to conduct business in the state of Arizona**

5. You provided us with a copy of your proposed tariffs as Attachment "B".

**Applicant has attached as Attachment B a revised set of proposed tariffs.**

Indicate by reference to page number(s) the proposed rates and charges for each service to be provided.

Indicate by reference to page number(s) the tariff (maximum) rate as well as the price to be charged:

| Service | Maximum Charges | Initial Prices |
|---|---|---|
| **Business Services** | **pp. 24- 28** | **pp. 47-49** |
| **Residential Services** | **pp. 29-31** | **p. 50** |
| **Custom Calling Services** | **p. 36** | **p. 51** |
| **Directory** | **p. 37 (no charge)** | **n.a.** |
| **Non-Published Service** | **p. 37** | **p. 52** |
| **Directory Assistance** | **p. 38** | **p. 52** |
| **900/976 Blocking** | **p. 40** | **p. 52** |
| **PIC Selection** | **p. 42** | **p. 52** |
| **Changes, Discontinuation, Suspension, Restoral** | **p. 43** | **p. 53** |
| **Switched Access** | **p. 46** | **p. 54** |

Indicate by reference to page number(s) the terms and conditions that will apply to provision of the service(s) by your Company.

**The general terms and conditions that will apply to Applicant's services are shown on pages 6-23 of the proposed tariff.**

Indicate by reference to page number(s) the deposits, advances, and/or prepayments that will apply to provision of the service(s) by your Company.

**The Company will not require deposits, advances, or prepayments.**

6. Please indicate if your customers will be able to access alternative toll service providers or resellers via 1+101XXXX access.

   **Yes.**

7. You have provided us with a balance sheet and an income statement for the two most recent years as Attachment "C".

   Provide us with a copy of your Company's audit report (if audited) in Attachment "C".

   **A copy of the Company's audit report is attached as Attachment C**

Provide all related notes to these financial statements for the two most recent years that your Company has been in business in Attachment "C".

**A copy of all related notes to the financial statements is included in Attachment C.**

8. Please provide retained earnings account information on the balance sheet or on a separate sheet in Attachment "C".

   **Retained earnings ("stockholders' deficit") information is included in Attachment C.**

9. Please indicate if your customers will be required (or have the option) to pay advances, prepayments, or deposits for any of your products or services.

   **No.**

   If "yes", provide an explanation of how and when these customer advances, prepayments, or deposits will be applied or reference the terms and conditions section of your Company's tariffs (by reference to page number(s)) with this explanation. If this information is not explained in the tariff, provide it on a separate sheet.

   **Not applicable.**

10. Please state the proposed fee that will be charged for returned checks.

    **$25.00**

11. Please clarify and indicate by reference to page number(s) in your tariff your Company's deposit policy.

    **Not applicable. The Company will not require deposits, advances, or prepayments.**

12. Please submit copies of affidavits of publications that the Company has, as required, published legal notice of the application in all counties where services will be provided. Prior to the issuance of a CC&N, the Applicant is to complete and submit the following:

    A correspondence letter. Refer to the Sample Correspondence Letter in the Legal Notice Material;

    Affidavits of publication form. Refer to the Sample Proof of Publication and an Affidavit of Publication in the Legal Notice Material; and

    The actual copy of your Company's published Legal Notice as noted in the Legal Notice Material.

    **Applicant will submit the required correspondence letter, affidavits, and legal notice by separate filing.**

13. Based on the review of the financial information submitted, Staff will determine whether or not the Applicant lacks sufficient financial resources.

    If Staff determines the Applicant lacks sufficient financial resources, the Applicant must do one of the following:

    1. Staff recommends that the Applicant procure a performance bond equal to $10,000. The minimum bond amount of $10,000 should be increased if at any time it would be insufficient to cover prepayments or deposits collected from the Applicant's customers. Staff further recommends that proof of the above mentioned performance bond be docketed within 90 days of the effective date of an order in this matter or 30 days prior to the provision of service, which ever comes first. If the Applicant is currently providing service, then please docket the performance bond within **60** days of the date of this letter.

       *(Note: The minimum bond amount for each type of telecommunication services is as follows: resold long distance $10,000; resold local exchange $25,000; facilities-based long distance $100,000; and facilities-based local exchange, including access service, $100,000. The amount of performance bond for multiple services is an aggregate of the minimum bond amount for each type of telecommunications services requested by the Applicant.)*

       **OR**

    2. The Applicant must file a letter stating that it does not currently, and will not in the future, charge its customers for any prepayments, advances, or deposits. If the Applicant is currently collecting prepayments, advances,

or deposits, the Applicant must refund those charges to customers to avoid maintaining the above mentioned performance bond. If in the future, the Applicant desires to charge prepayments, advances, or deposits, it must file information with the Commission that demonstrates the Applicant's financial viability. Staff will review the information and forward its recommendation to the Commission for a Decision.

**The Applicant does not currently, and will not in the future, charges its customers for any prepayments, advances, or deposits. If in the future, the Applicant desires to charge prepayments, advances, or deposits, it will file information with the Commission that demonstrates Applicant's financial viability.**

14. Please indicate if your Company is currently selling facilities-based local exchange telecommunications services in Arizona. This applies to Applicant requesting a geographic expansion of their CC&N.

**No.**

If "yes", please provide the date or approximate date you began selling facilities-based local exchange telecommunications services in Arizona.

**Not applicable.**

Identify the types of facilities-based local exchange telecommunications services you resell.

**Not applicable.**

Identify whether operator services are provided or sold.

**No.**

Identify whether operator services are provided or sold to traffic aggregators (as defined in A.A.C. Rule R14-2-1001 (3)).

**No.**

Identify the number of customers in Arizona for each type of facilities-based local exchange telecommunications service.

**Not applicable.**

Identify the total number of facilities-based local exchange intrastate minutes sold in the latest 12-month period for which data is available.

**Not applicable.**

If "no", please indicate the date when your Company plans to begin selling facilities-based local exchange telecommunications services in Arizona.

**Applicant intends to begin selling facilities-based local exchange telecommunications services in Arizona immediately upon receiving authority to do so.**

15. Please list the states in which you have applied for authority to offer facilities-based local exchange telecommunications services.

**California.**

16. Please indicate the facilities-based local exchange telecommunications services you applied for in each state.

**Applicant applied for authority to provide all types of facilities-based local exchange services in California (the California Public Utilities Commission does not require applicants to specify the types of local exchange services they will provide).**

17. Please list the states in which you have been approved to offer facilities-based local exchange telecommunications services similar to those you intend to sell in Arizona.

**California.**

18. Please list the states in which you currently offer facilities-based local exchange telecommunications services similar to those you intend to sell in Arizona.

**California.**

19. Please provide a list of the states in which you have sought authority to sell facilities-based long distance telecommunications services and either granted the authority with major changes and conditions, or had grant your application for those services denied.

**None.**

For each state listed, provide a copy of the Commission's decision modifying or denying your application for authority to provide facilities-based local exchange telecommunications services.

**Not applicable.**

20. Please indicate if the Company has been granted authority to provide or sell facilities-based local exchange telecommunications services in any state where subsequently the authority was revoked.

**No.**

If "yes", provide copies of the State Regulatory Commission's decision revoking its authority.

**Not applicable.**

21. Please list and give a detailed explanation of complaints you have received (if any) regarding facilities-based local exchange telecommunications services offered in other states.

**None.**

State what actions were taken to remedy these complaints and to prevent them from occurring again.

**Not applicable.**

22. Please indicate if your Company is a switchless seller of facilities-based local exchange telecommunications services

**Applicant does not currently sell any local exchange services in Arizona. However, following receipt of the requested authorizations, Applicant may resell local exchange services of QWEST Corporation on a switchless basis.**

If "yes", provide the name of the company or companies whose facilities-based local exchange telecommunications services you sell.

**Applicant does not currently sell any local exchange services in Arizona. However, following receipt of the requested authorizations, Applicant may resell local exchange services of QWEST Corporation on a switchless basis.**

If "no"' include Attachment "H".

**Attached as Attachment H is a diagram showing the unbundled network element ("UNE")-based basic call network that Applicant intends to use to provide intrastate facilities-based exchange services in Arizona. This diagram shows how a typical call is routed in both its originating and terminating ends (i.e. shows the access network and call completion network). Also included on the diagram is the carrier(s) used for each major network component and an indication if the carrier is facilities-based or not. If the carrier is not facilities-**

**based, the diagram indicates who owns the facilities (within the State of Arizona) that are used to originate and terminate the Applicant's intrastate telecommunications traffic.**

23. Please provide a detailed description of the interconnection agreement(s) your Company has with other facilities-based local exchange carriers to ensure your network is properly connected to other facilities-based local exchange company networks. Unless the Company provides services solely through the use of it own facilities, the Company needs to procure an interconnection agreement that is consistent with established guidelines before being allowed to offer facilities-based local exchange service.

    **Applicant has not yet entered into an interconnection agreement. Applicant currently intends to provide its facilities-based services using, solely, combinations of unbundled network elements acquired from QWEST Corporation. Applicant will use the existing interconnections between QWEST Corporation and other local exchange carriers to complete traffic to and from such carriers.**

24. Please indicate how your Company plans to have its customers' telephone numbers included in the incumbent's Directories and Directory Assistance databases before it begins to provide local exchange service. Since callers should be able to determine the telephone numbers belonging to customers of alternative local exchange companies, such as the Applicant; please make sure your plan answers the following questions:

    Indicate the need for one or more Directory Assistance database administrators.

    If there is one Directory Assistance database administrator, what should the rates be to include customers' telephone numbers in the directories?

    Indicate the specific items that should be included in the Directory Assistance database.

    **Applicant will contract with U.S.West to ensure that its customers' telephone numbers are included in QWEST Corporation's directories and directory assistance datebases. As Applicant will be providing local exchange services utilizing QWEST Corporation UNEs or by reselling QWEST Corporation services, the necessary data, including telephone number, name, and address for each listed subscriber, will be included automatically in the applicable databases through the QWEST Corporation service ordering process. Consequently, Applicant has no need for a directory assistance database administrator.**

25. Please provide a detailed description of how your Company will administer the portability of telephone numbers.

**As Applicant will be providing local exchange services utilizing QWEST Corporation UNEs or by reselling QWEST Corporation services, all number portability administration will be handled by QWEST Corporation.**

If your service area will include rate centers in one of the top 100 Metropolitan Statistical Areas, please confirm that your switches will be equipped with Local Number Portability ("LNP").

**As Applicant will be providing local exchange services utilizing QWEST Corporation UNEs or by reselling QWEST Corporation services, Applicant must rely on QWEST Corporation to provide LNP. Applicant assumes that al QWEST Corporation switches are properly equipped to do so.**

Indicate in your description the permanent LNP arrangements made with other local exchange carriers ("LECs"), the Number Portability Administrative Center ("NPAC") or other industry agency that are consistent with federal laws, federal rules and state orders or rules.

**As Applicant will be providing local exchange services utilizing QWEST Corporation UNEs or by reselling QWEST Corporation services, Applicant must rely on QWEST Corporation to administer LNP. Applicant assumes that QWEST Corporation will properly perform all necessary queries and route traffic to ported numbers in accordance with all applicable regulatory requirements and intercarrier agreements.**

26. Please indicate that your Company intends to abide by the quality of service standards that were approved by the Commission for USWC in Docket No. T-01051B-93-0183 (Decision No. 59421).

**Yes.**

27. Please indicate that your Company will provide all customers with 911 and E911 service, where available and will coordinate with incumbent local exchange carriers ("ILECs") and emergency service providers to provide the service.

**Yes, as Applicant will be providing facilities-based local exchange services utilizing QWEST Corporation UNEs it will have the capability to provide, and will provide, 911 and E911 services through existing QWEST Corporation facilities and arrangements.**

28. Please indicate that your Company intends to abide by all the Commission decisions and policies regarding Caller ID and other Custom Local Area Signaling Services ("CLASS").

    **Yes.**

29. Please indicate by reference to page number(s) in your Company's tariff that there is no Call Blocking charge.

    **Caller I.D. Blocking is included in the statement of prices at page 51 of the proposed tariff and "no charge" is indicated for that service.**

30. Please provide your Operating Company Number ("OCN").

    **Applicant's OCN (resale) is 5894 and its OCN (UNE-P is 5893)**

31. Please indicate the rate centers you plan on requesting initial codes for.

    **None at this time. (Applicant's current plans are to provide facilities-based local exchange services solely through UNEs).**

    Please provide the number of codes you plan on requesting in each rate center.

    **None at this time. (Applicant's current plans are to provide facilities-based local exchange services solely through UNEs).**

32. Please indicate that your Company's switch is "fully equal access capable" (i.e. would provide equal access to facilities-based long distance companies).

    **Applicant's current plans are to provide facilities-based local exchange services solely through UNEs obtained from QWEST Corporation. Applicant assumes that all QWEST Corporation switches are fully equal access capable.**

## II. ITEMS APPLICABLE TO RESOLD LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

33. Please indicate if your Company is currently reselling local exchange telecommunications services in Arizona.

    **No.**

    If "yes", please provide the date or approximate date you began reselling local exchange telecommunications services in Arizona.

    **Not Applicable.**

Identify the types of local exchange telecommunications services you resell.

**Not applicable.**

Identify whether operator services are provided or resold.

**No.**

Identify whether operator services are provided or resold to traffic aggregators (as defined in A.A.C. Rule R14-2-1001 (3)).

**No.**

Identify the number of customers in Arizona for each type of resold local exchange telecommunications service.

**Not applicable.**

Identify the total number of local exchange intrastate minutes resold in the latest 12-month period for which data is available.

**Not applicable.**

If "no", please indicate the date when your Company plans to begin reselling local exchange telecommunications services in Arizona.

**Applicant intends to begin reselling local exchange services in Arizona immediately following its receipt of authorization to do so.**

34. Please list the states in which you have applied for authority to offer resold local exchange telecommunications services.

**California**

35. Please indicate the resold local exchange telecommunications services you applied for in each state.

**Applicant applied for authority to provide all types of resold local exchange services in California (the California Public Utilities Commission does not require applicants to specify the types of local exchange services they will provide).**

36. Please list the states in which you have been approved to offer resold local exchange telecommunications services similar to those you intend to resell in Arizona.

**California.**

37. Please list the states in which you currently offer resold local exchange telecommunications services similar to those you intend to resell in Arizona.

**Applicant's local exchange services in California are offered without distinction between those that are provided on a resold basis and those that are provided on a facilities-based basis. Currently, Applicant is not providing any local exchange services through resale in California.**

38. Please provide a list of the states in which you have sought authority to resell local exchange telecommunications services and either granted the authority with major changes and conditions, or had your application denied.

**None.**

For each state listed, provide a copy of the Commission's decision modifying or denying your application for authority to provide resold local exchange telecommunications services.

**Not applicable.**

39. Please indicate if the Company has been granted authority to provide or resell local exchange telecommunications services in any state where subsequently the authority was revoked.

**No.**

If "yes", provide copies of the State Regulatory Commission's decision revoking its authority.

**Not applicable.**

40. Please list and give a detailed explanation of complaints you have received (if any) regarding resold local exchange telecommunications services offered in other states.

**None.**

State what actions were taken to remedy these complaints and to prevent them from occurring again.

**Not applicable.**

Please indicate if your Company is a switchless reseller of local exchange telecommunications services.

**No. However, Applicant intends to resell QWEST Corporation local exchange telecommunications services on a switchless basis.**

If "yes", provide the name of the company or companies whose local exchange telecommunications services you resell.

**Applicant intends to resell QWEST Corporation local exchange telecommunications services on a switchless basis.**

41. Please list the companies with which you have signed resale agreements for local exchange, along with the states in which they were approved.

**Pacific Bell Telephone Company (for California)**

42. Please provide us with a copy of the resale agreement or contract between your Company and the applicable local exchange service provider. All applications for resold local exchange telecommunications services must include a resale agreement or contract as Attachment "F".

**Applicant has not yet entered into an agreement with QWEST for resale of local exchange service; however, Applicant expects that its agreement will be in the form of QWEST's latest "statement of generally applicable terms" ("SGAT").**

## III. UPDATED CONTACT INFORMATION

43. Please provide the name of the management contact.

**Don Bean, President**

44. Provide the address of the management contact.

**TMC Communications**
**1180 Iron Point Road, Suite 210**
**Folsom, California 95630**

45. Provide the telephone number (including area code) of the management contact.

**916-294-3901**

46. Provide facsimile number (including area code) of the management contact.

**888-965-8622**

47. Provide the e-mail address of the management contact.

**Dbean@tmccom.com**

48. Please provide the name of the Attorney and/or Consultant representing the Applicant.

**John Clark**

49. Provide the address of the Attorney and/or Consultant representing the Applicant.

**Goodin, Mac Bride, Squeri, Ritchie & Day, LLP**
**505 Sansome Street, Suite 900**
**San Francisco, CA 94111**

50. Provide the telephone number (including area code) of the Attorney and/or Consultant representing the Applicant.

**415-765-8443**

51. Provide facsimile number (including area code) of the Attorney and/or Consultant representing the Applicant.

**415-398-4321**

52. Provide the e-mail address of the Attorney and/or Consultant representing the Applicant.

Jclark@gmssr.com

Dated: December 5, 2001

John L. Clark
GOODIN, MACBRIDE, SQUERI,
RITCHIE & DAY, LLP
505 Sansome Street, Suite 900
San Francisco, California 94111
Tel: 415-765-8443
Fax: 415-398-4321
E-mail: jclark @gmssr.com

John L. Clark

Attorneys for Applicant

2585/002/X29559-1

# A

# STATE OF ARIZONA

Office of the

## CORPORATION COMMISSION

### CERTIFICATE OF GOOD STANDING

*To all to whom these presents shall come, greeting:*

*I, Brian C. McNeil, Executive Secretary of the Arizona Corporation Commission, do hereby certify that*

******TRI-M COMMUNICATIONS, INC.******

*a foreign corporation organized under the laws of California did obtain authority to transact business in the state of Arizona on the 12th day of December 1997.*

*I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation has not had its authority revoked for failure to comply with the provisions of the Arizona Business Corporation Act; that its most recent Annual Report, subject to the provisions of A.R.S. 10-122,10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed an Application for Withdrawal as of the date of this certificate.*

*This certificate relates only to the legal authority of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.*

*IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capitol, this 30th Day of November, 2001, A. D.*

EXECUTIVE SECRETARY

BY: _____

2012280

FILED

In the office of the Secretary of State of the State of California

MAY 30 1997

BILL JONES, Secretary of State

**ARTICLES OF INCORPORATION**

**OF**

**TRI-M COMMUNICATIONS, INC.**

**ARTICLE I**

The name of this Corporation is **TRI-M COMMUNICATIONS, INC.**

**ARTICLE II**

The purpose of this Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

**ARTICLE III**

The name and address in the State of California of this Corporation's initial agent for service of process is:

Michael E. Pfau, Esq. c/o
Reicker, Clough, Pfau & Pyle LLP
1421 State Street, Suite B
Santa Barbara, California 93101

**ARTICLE IV**

This Corporation is authorized to issue only one class of stock, which shall be designated Common Capital Stock, and the total number of shares which this Corporation is authorized to issue is Two Hundred Thousand (200,000).

**ARTICLE V**

The liability of the directors of this Corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

**ARTICLE VI**

Subject to the limits on excess indemnification set forth in Section 204 of the Corporations Code, the Corporation is authorized to indemnify its agents (as that term is defined in Section 317 of the Corporations Code) for breaches of duty to the Corporation and its shareholders through bylaw provisions, agreements with its agents, the vote of disinterested shareholders or disinterested directors, or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the Corporation Code.

Dated: May 29, 1997

Michael E. Pfau
Incorporator

A508286

2012280

# CERTIFICATE OF AMENDMENT

# OF

# ARTICLES OF INCORPORATION

FILED
in the office of the Secretary of State
of the State of California

MAY 8 1998

BILL JONES, Secretary of State

**BERNADETTE RICHARDSON** and **DENISE MORITZ** certify that:

1. They are the President and Secretary, respectively, of **TRI-M COMMUNICATIONS, INC.**, a California corporation.

2. Article IV of the Articles of Incorporation of this corporation is amended to read as follows:

**ARTICLE IV**

"This Corporation is authorized to issue only one class of stock, which shall be designated Common Stock, and the total number of shares which this Corporation is authorized to issue is Ten Million (10,000,000)."

3. The foregoing amendment of Articles of Incorporation has been duly approved by the Board of Directors.

4. The foregoing amendment of Articles of Incorporation has been duly approved by the required vote of shareholders in accordance with Section 902, Corporations Code. The total number of outstanding shares of this corporation is Eighty-Six Thousand (86,000). The number of shares voting in favor of the amendment equal or exceeded the vote required. The percentage vote required was more than 50%.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

5/6/98
Date

Bernadette Richardson, President

5/6/98
Date

Denise Moritz, Secretary

mep\tri-m\corp\cert-amd

00570488

C 2012280

FILED
In the Office of the Secretary of State
of the State of California

SEP 24 2001

BILL JONES, Secretary of State

**CERTIFICATE OF AMENDMENT**

**OF**

**ARTICLES OF INCORPORATION**

**JOHN M. GIBBONS** and **DENISE MORITZ** certify that:

1. They are the President and Secretary, respectively, of **TRI-M COMMUNICATIONS, INC.**, a California corporation.

2. Article IV of the Articles of Incorporation of this corporation is amended to read as follows:

**ARTICLE IV**

**Section 1. AUTHORIZED CLASS AND NUMBER OF SHARES.** This Corporation is authorized to issue only one class of shares of stock, which shall be denominated "Common Stock," and subject to Section 2(b) of this Article IV, the total number of shares of Common Stock which this Corporation is authorized to issue is Ten Million (10,000,000).

**Section 2. SERIES OF COMMON STOCK.** The shares of this Corporation's Common Stock shall be issued in two (2) series.

**(a) NUMBER OF EACH SERIES.** The Corporation is authorized to issue (i) Nine Million Seven Hundred Thousand (9,700,000) shares of Series A Common Stock, and (ii) Three Hundred Thousand (300,000) shares of Series B Common Stock.

**(b) SERIES A COMMON STOCK: RECLASSIFICATION OF OUTSTANDING SHARES OF COMMON STOCK.** Effective upon the filing of this Certificate of Amendment, each outstanding share of Common Stock shall be reclassified as "Series A Common Stock."

**(c) VOTING RIGHTS.** Except to the extent that the provisions of the California Corporations Code expressly require that any class or series of shares be entitled to vote upon any matter described therein, (i) only the holders of outstanding shares of Series A Common Stock shall be entitled to any voting rights with respect to their shares, and (ii) the holders of outstanding shares of Series B Common Stock shall not have any voting rights whatsoever.

**(d) OTHER RIGHTS OF HOLDERS.** Except as expressly set forth in the foregoing Section 2(c) of this Article IV, the rights, preferences, and privileges of and limitations on the holders of Common Stock solely in their capacity as holders of such Common Stock shall be identical.

3. The foregoing amendment of Articles of Incorporation has been duly approved by the Board of Directors.

4. The foregoing amendment of Articles of Incorporation has been duly approved by the required vote of shareholders in accordance with Section 902, Corporations Code. The total number of outstanding shares of this corporation is One Million Eighty-five Thousand Two Hundred Eighty-six (1,085,286). The number of shares voting in favor of the amendment equal or exceeded the vote required. The percentage vote required was more than 50%.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

| | |
|---|---|
| 9-17-01 | |
| Date | John M. Gibbons, President |
| 9-17-01 | |
| Date | Denise Moritz, Secretary |

# B

Tariff Schedules

Applicable to

Resold and Facilities-Based

Arizona Intrastate Local Exchange

Telephone Services

of

# Tri-M Communications, Inc.
# d/b/a TMC Communications

ISSUED:

BY: Don Bean, President
Tri-M Communications, Inc.
dba TMC Communications
1180 Iron Point Road, Suite 210
Folsom, CA 95630

EFFECTIVE:

## TARIFF CHECKING SHEET

Current sheets in this tariff schedule CLC 1-T are as follows:

| Sheet | Revision | Sheet | Revision |
|---|---|---|---|
| Title | Original | 31 | Original |
| 1 | Original | 32 | Original |
| 2 | Original | 33 | Original |
| 3 | Original | 34 | Original |
| 4 | Original | 35 | Original |
| 5 | Original | 36 | Original |
| 6 | Original | 37 | Original |
| 7 | Original | 38 | Original |
| 8 | Original | 39 | Original |
| 9 | Original | 40 | Original |
| 10 | Original | 41 | Original |
| 11 | Original | 42 | Original |
| 12 | Original | 43 | Original |
| 13 | Original | 44 | Original |
| 14 | Original | 45 | Original |
| 15 | Original | 46 | Original |
| 16 | Original | 47 | Original |
| 17 | Original | 48 | Original |
| 18 | Original | 49 | Original |
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## PRELIMINARY STATEMENT

This tariff schedule contains effective rates and rules together with information relating to and applicable to intrastate local exchange services provided by Tri-M Communications, Inc. d/b/a TMC Communications (the "Company") in Arizona.

## SYMBOLS USED IN THIS TARIFF

(C) To signify changed listing, rule, or condition which may affect rates or charges.
(D) To signify discontinued material, including listing, rate, rule or condition.
(I) To signify an increase.
(L) To signify material relocated from or to another part of tariff schedule with no change in text, rate, rule or condition.
(N) To signify new material including listing, rate, rule or condition.
(R) To signify reduction.
(T) To signify change in wording of text but not change in rate, rule, or condition.

## RULES

### Rule 1 - Definitions

Unless the context otherwise requires or, in the case of a special contract, other definitions apply, the following definitions govern the meaning of terms used in this tariff and in special contract for local exchange service.

Applicant: The term "Applicant" means an individual, partnership, corporation, association, or government agency who applies to the Company for any new or additional telephone service.

Base Rate Area: The term "base rate area" means a closely built up section of an exchange area as shown in the effective and current tariffs of the Incumbent LECs.

Business Hours: The phrase "business hours" means the time after 8:00 A.M. and before 5:00 P.M., Monday through Friday excluding holidays.

Commission: The term "Commission" means the Arizona Corporation Commission.

Company: The term "Company" or "Utility" means Tri-M Communications, Inc. d/b/a TMC Communications.

Customer: The term "Customer" is synonymous with the term "Subscriber" and means the firm, company, corporation, or other entity that contracts for service under this tariff or, as set forth herein, is otherwise responsible for the payment of charges and compliance with the Company's regulations. Customers include, without limitation, interexchange carriers who utilize the Company's facilities to complete calls from or to end users served by the Company.

Day: The term "Day," when used for purposes of applying rates, means 8:00a.m. to 5:00p.m., Monday through Friday, including Legal Holidays.

Delinquent or Delinquency: The terms "delinquent" and "delinquency" refer to an account for which payment has not been paid in full on or before the last day for timely payment.

Evening: The term "Evening," when used for purposes of applying rates, means 5:00p.m. to 11:00p.m., Monday through Friday, including Holidays.

RULES (Cont'd)

Rule 1 - Definitions (Cont'd)

Holiday: The term "Holiday" means New Year's Day (January 1), Washington's Birthday (3rd Monday in February), Independence Day (July 4), Labor Day, Thanksgiving Day, and Christmas Day (December 25).

Interexchange carrier: The term "interexchange carrier" means a provider of telecommunications service between local calling areas.

Local Calling Area: The term "local calling area" means the local calling area as described in the current and effective tariffs of the Incumbent LECs within whose serving area the Subscriber is located.

Local Access Transport Area ("LATA"): The phrase "Local Access Transport Area" means a geographical area established by the U.S. District Court for the District of Columbia in Civil Action No. 820192.

Night: The term "Night," when used for purposes of applying rates, means 11:00p.m. to 8:00a.m., Monday through Friday, including Holidays.

Non-Published or Unlisted Service: The term "non-published" or "unlisted" service means service that is not accompanied by inclusion of the Subscriber's name, address, or telephone number in a published directory or directory assistance data base.

Subscriber: See definition of "Customer."

RULES (Cont'd)

Rule 2 – Description of Service

A. The Company provides residential and business local exchange telephone services and associated access services between points within the base rate areas of local exchanges served by Incumbent LECs as shown in their current and effective tariffs.

B. Demarcation

The Company does not undertake, by this tariff, to provide, maintain, repair, or operate any wiring, equipment, facilities, or service on the Subscriber's side of the minimum point of entry as determined by the Company in accordance with applicable regulations established by the Federal Communications Commission. In the event that Subscriber reports a service problem that is determined to be due to one or more causes on Subscriber's side of the point of demarcation, Subscriber shall pay the Company its prevailing minimum charge for premises visits, plus its charges (also at its prevailing rates) for any labor and materials expended in repairing the problem.

RULES (Cont'd)

Rule 3 – Application for Service

A. Applicants requesting new or additional services from the Company may be required to provide identification acceptable to the Company. In addition, Applicants will be required to meet the Company's credit requirements.

B. Service initiation requires a written agreement between the Company and the Applicant.

C. Applicants whose requests for service are accepted by the Company are responsible for all charges for services provided by the Company, including any charges to the Company assessed by any underlying carrier for special arrangements or services undertaken on the Applicant's behalf. In the event an Applicant cancels, changes, defers, or modifies any request for service before the service commences, the Applicant remains responsible for any nonrecoverable costs incurred by the Company in meeting the Applicant's request prior to cancellation, change, deferral, or modification, including any charges to the Company assessed by any underlying carrier for special arrangements or services undertaken on the Applicant's behalf.

RULES (Cont'd)

Rule 4 - Contracts

The Company and a Subscriber may enter into a contract for service to be provided under a specified rate plan for a specified term, which term may be automatically renewed if agreed to by parties. Unless otherwise provided, contracts may be terminated by the Subscriber only upon providing the Company with 30 days' advance written notice. Except as otherwise provided in the contract, in the event the effective date of termination is prior to the end of the current contract term, the Subscriber will be liable for a termination fee equal to the sum of the recurring service charges specified for the remainder of the contract.

RULES (Cont'd)

Rule 5 - Information Set Forth on Bills

The Company will be identified on each bill. Each bill for telephone service will contain notations concerning the following areas:

1. Monthly charge for basic exchange service including delineation of the following: (a) total charge for customer requested services and/or equipment; (b) Installation costs or other service fees, where applicable; (c) reconnect fee, where applicable.

2. Toll charges broken down to include the following details by toll call: (a) date of call; (b) time of call; (c) location called; (d) phone number called; (e) duration of call; (e) indication of any rate class applied.

3. Miscellaneous charges and credits shall be shown separately.

4. Any taxes included in the Customer's billing.

5. Total amount due and due date.

6. Past due amount.

7. Utility telephone number.

8. Customer's name.

9. Service account number.

RULES (Cont'd)

Rule 6 - Establishment and Reestablishment of Credit

Each Applicant must provide credit information satisfactory to the Company.

RULES (Cont'd)

Rule 7 - Deposits and Advance Payments

The Company does not require or accept deposits or advance payments to establish service.

RULES (Cont'd)

Rule 8 - Notices

A. General

Unless otherwise provided by these Rules, any notice required to be given by a Subscriber to the Company must be given by written notice mailed to the Company's business office.

B. Rate and Other Information

Rate information and information regarding the terms and conditions of service, including the Company's policies and Commission rules regarding termination of service, billing and collection, and handling of complaints will be provided in writing within 60 days of Subscriber's request therefor. The Company will notify affected Customers of any tariff changes within 60 days. b.

C. Discontinuance of Service

1. Subscribers are responsible for notifying the Company of their desire to discontinue service at least 3 days before the date of disconnection.

2. Notices by the Company to discontinue service for cause will be provided in writing by first class mail to the Subscriber not less than 5 calendar days prior to termination. Each notice will include all of the following information:

   a. The name, telephone number, and address of the Subscriber.

   b. The Company rule or regulation that was violated and explanation thereof or the amount of the bill that the Subscriber has failed to pay in accordance with the payment policy of the Company, as applicable.

   c. The date on or after which service may be terminated and, if applicable, the date when payment must be made in order to avoid termination.

   d. The telephone number of the Company's representative who can provide additional information regarding any deferred billing or other procedures that the Company may offer or to work out some other mutually agreeable solution to avoid termination of the Subscriber's service.

RULES (Cont'd)

Rule 9 - Rendering and Payment of Bills

A. Subscribers' bills are issued monthly. The Subscriber will receive bills on or about the same day of each month. Months are presumed to have 30 days. The billing date is dependent on the billing cycle assigned to the Subscriber. Each bill contains monthly recurring charges and usage charges, which are billed in arrears, and the last date for timely payment, which date will be displayed prominently on the bill. Recurring charges will be prorated in the event that the service for which the charges are made is less than 30 days.

B. Bills are due and payable on the date of mailing as specified on the bill. Bills may be paid by mail or in person at the Company's business office or an agency authorized to receive such payment. All charges for service are payable only in United States currency. Payment may be made by cash, check, money order, or cashier's check.

C. Subscribers' payments are considered prompt when received by the Company or its agent within 15 days of the due date. Payments will be credited within 24 hours of receipt by the Company or its agent. The due date is the date the bill is mailed, as shown by the postmark on the billing envelope, or such later date as set forth on the Subscriber's bill. A Subscriber will have 15 days from the due date to timely pay the charges stated. The last date for timely payment will be displayed prominently on the bill.

D. However, if a Subscriber's service has been discontinued within the past 12 months or if a Subscriber incurs usage charges during a billing period that exceed the Company's credit limit established for the Subscriber, immediate payment may be demanded for the usage charges by a telephone call to the Subscriber followed by written notification of such demand sent by first class mail. If the usage charges remain unpaid for seven days after written notification, service may be suspended or terminated by the Company.

E. Charges deemed delinquent will be subject to a late payment charge accruing at the rate of 1-1/2% per month from the due date on all delinquent amounts.

RULES (Cont'd)

Rule 10 - Disputed Bills

In the event a Subscriber disputes the amount of a bill for the Company's service, the Company will, at the Subscriber's request, conduct an investigation and review of the disputed amount. In order to avoid terminate or suspend of service for nonpayment, the Subscriber must notify the company of the dispute and pay the undisputed portion of the bill within 15 days of the due date. Within 5 days of receiving such notice, the Company will notify the Subscriber that it is investigating the dispute. The Company will not terminate or suspend service prior to completion of its investigation. Upon completing its investigation, the Company shall promptly notify the Subscriber of the results of the investigation. If the Company determines that the Subscriber owes all or any part of the disputed amount, it shall so inform the Subscriber and notify the Subscriber that service may be terminated if the payment is not made within 5 days. Such notice shall advise the Subscriber that the Subscriber has the right to appeal the Company's decision to the Commission.

RULES (Cont'd)

Rule 11 - Discontinuance and Restoration of Service

A. Discontinuance by Subscribers

1. Subscribers may discontinue service by giving the Company proper notice as specified in Rule 8. The Subscriber is responsible for payment of all charges incurred for the period during which service is rendered.

2. No minimum or termination charge will apply if service is terminated because of condemnation, destruction, or damage to the property by fire or other causes beyond the control of the Subscriber.

B. Discontinuance by the Company

1. The Company may discontinue service under the following circumstances:

(i) Nonpayment of any sum due to the Company for service more than 22 days beyond the due date. In the event an action is brought for nonpayment, the nonprevailing party may be liable for reasonable court costs and attorney's fees as determined by the Commission or by the court.

(ii) A violation of, or failure to comply with, any regulation governing the furnishing of service.

(iii) In the event that the Subscriber supplied false or inaccurate information of a material nature in order to obtain service.

(iv) Any violation of the conditions governing the furnishing of service.

2. Notwithstanding anything in this tariff to the contrary: residential and business local exchange service will not be disconnected due to Subscriber's failure to pay for toll service or any services not regulated by the Commission; and, residential local exchange service may not be discontinued due to Subscriber's failure to pay for another class of local exchange service.

3. The Company will impose a service discontinuation charge in accordance with its tariff upon discontinuation of service by the Company under this Rule.

C. Restoration of Service

The Company will restore service to a Subscriber upon full payment of all amounts due and the Subscriber's reestablishment of credit. However, the Company may refuse to accept a personal check if the Subscriber's check for payment of service has been dishonored, excepting bank error, within the last twelve months. The Company will impose a charge for restoration of service after disconnection in accordance with its tariff.

RULES (Cont'd)

Rule 12 – Limitation of Liability

1. The provisions of this rule do not apply to errors and omissions caused by willful misconduct, fraudulent conduct, or violations of law.

2. In the event an error or omission is caused by the gross negligence of the Company, the liability of the Company shall be limited to and in no event exceed the sum of $10,000.

3. The Company will not provide a credit allowance for interruptions of service caused by the Subscriber's facilities, equipment, or systems.

4. Except as provided in section 3, the liability of the Company for damages arising out of mistakes, omissions, interruptions, delays, errors, or defects in any of the services or facilities furnished by the Company under this tariff up to and including its local loop demarcation point, including exchange, toll, private line, supplemental equipment, alphabetical directory listings (excluding the use of bold face type), and all other services, shall in no event exceed an amount equal to the pro rated charges to the Subscriber for the period during which the services or facilities are affected by the mistake, omission, interruption, delay, error, or defect, provided, however, that where any mistake, omission, interruption, delay, error, or defect in any one service or facility affects or diminishes the value of any other service said liability shall include such diminution, but in no event shall the liability exceed the total amount of the charges to the Subscriber for all services or facilities for the period affected by the mistake, omission, interruption, delay, error, or defect.

5. The Company will allow for interruptions in exchange telephone service of 24 hours or more not due to conduct of Customer an amount equal to the fixed monthly charges for exchange service multiplied by the ratio of the days of interruption to thirty days. When interruptions continue beyond 24 hours, credit allowance will be given in successive 24-hour multiples.

RULES (Cont'd)

Rule 12 - Limitation of Liability (Cont'd)

A. Liability of the Company (Cont'd)

6. The Company shall have the right to make necessary repairs or changes in its facilities at any time and will have the right to suspend or interrupt service temporarily for the purpose of making the necessary repairs or changes in its system. When such suspension or interruption of service for any appreciable period is necessary, the Company will give the Customers who may be affected as reasonable notice thereof as circumstances will permit, and will prosecute the work with reasonable diligence, and if practicable at times that will cause the least inconvenience.

   When the Company is repairing or changing its facilities, it shall take appropriate precautions to avoid unnecessary interruptions of conversation or Customers' service.

7. The Company shall not be liable for errors in transmitting, receiving, or delivering oral messages by telephone over the lines of the Company and connecting utilities.

RULES (Cont'd)

Rule 13 – Use of Service for Unlawful Purposes

The Company's services are furnished subject to the condition that they will not be used for any unlawful purpose. Service will not be furnished if any law enforcement agency, acting within its jurisdiction, advises that such services are being used or are likely to be used in violation of the law. If the Company receives other evidence giving reasonable cause to believe that such services are being or are likely to be so used, it may either discontinue or deny the services or refer the matter to the appropriate law enforcement agency.

Any individual who uses or receives the Company's service, other than under the provisions of an accepted application for service and a current Subscriber relationship, may be liable for both the tariffed cost of the service received and the Company's cost of investigation and collection as determined by a court.

RULES (Cont'd)

Rule 14 - Returned Check Charge

A. If a check for payment of any deposit, advance, or charge is returned to the Company by the bank, for any reason other than bank error, a Returned Check Charge of $25.00 will added to the amount due.

B. If telephone service is disconnected or suspended for nonpayment as a result of a returned check, the Returned Check Charge, as well as any other applicable charges, must be paid before service will be re-established.

C. If a check received as a deposit or advance payment to establish service is returned, establishment of service will be denied until the amount of the returned check and the Returned Check Charge is paid, or, if already connected, the service will be discontinued until the Returned Check Charge and other amounts applicable to discontinuance and reestablishment of service are paid.

RULES (Cont'd)

Rule 15 - Customer Responsibility

1. Customer and any authorized or joint users, jointly and severally, shall indemnify and hold the Company harmless from: (1) claims, loss, damage, expense (including reasonable court costs and attorneys' fees as determined by the CPUC or the court), and liability for patent infringement arising from (i) combining with, or using in connection with facilities the Company furnished, facilities Customer, an authorized user, or joint user furnished or (ii) use of facilities the Company furnished in a manner the Company did not contemplate and over which the Company exercises no control, and (2) all other claims, loss, damage, expense (including the reasonable court costs and attorneys' fees), or liability arising out of any act or omission by Customer, an authorized user, or joint user in connection with the service.

2. In addition and without limitation, Customer, authorized users, or joint users shall defend, on behalf of the Company and upon request by the Company, any suit brought or claim asserted against the Company for any such claims, including but not limited to slander, libel, or infringement.

3. Customer is responsible for the security of all assigned access numbers and authorization codes, and for maintaining the security of its PBX equipment and all services furnished to Customer that afford remote access, dialing, call completion, and similar capabilities, including, but not limited to, DID-to-DOD Call Transfer feature and Centrex-type services. Customer shall be liable for all misdialed and fraudulent use of toll and other services furnished by Company or interconnected carriers, including without limitation, fraudulent use of such services by unknown third parties using remote access features of Customer's PBX equipment or using remote access, dialing, call completion, and similar capabilities of services furnished to Customer, including, without limitation, DID-to-DOD Call Transfer feature, and Centrex-type services, and shall be responsible for any and all calls made on its assigned access lines. Lost or stolen cards must be reported immediately. Company reserves the right to change access numbers and authorization codes upon notice to Customer.

## TAXES AND SURCHARGES

In addition to the charges specifically pertaining to the Company's services, whether set forth herein or established by special contract, certain federal, state, and municipal surcharges, taxes, and fees will be applied. These surcharges, taxes and fees are calculated based upon the amount billed to the end user for the Company's intrastate telecommunications services.

## BASIC SERVICES

A-1 Business Service Packages – QWEST Service Area

1. Applicability

These rates apply to local exchange service furnished to business customers as part of a package of bundled long distance and local exchange service provided by the Company.

2. Territory

Within the base rate areas of all exchanges served by Qwest Corporation as shown and defined in its current and effective tariffs on file with the Commission, except as specified below.

3. Service Establishment Charges – Assessed on a per line basis. Charges vary depending on length of Customer's contractual service commitment and whether line is in use (existing) or not (new) at time service is established with Company.

| | | | Maximum Rate |
|---|---|---|---|
| a. | Existing lines: | Two year term | $150.00 |
| | | One year term | $150.00 |
| | | Month-to month: | $150.00 |
| b. | New lines: | | $150.00 |

4. Recurring Service Charges – Assessed, in arrears, for each month of service. Charges vary depending upon bundled service package selected by Customer. Each service package includes: access lines, as specified; local and toll usage (intrastate and domestic interstate), as specified; access line hunting, plus choice of two additional custom calling features per line; TMC Global Access Travel Cards. Provision of interexchange service subject to terms and conditions set forth in applicable TMC interexchange tariff or contract.

| | | Maximum Monthly Service Charge |
|---|---|---|
| a. | Business Bundle 1: includes 1 access line and usage specified below: | |
| | Option A (250 local m.o.u; 250 long distance m.o.u.) | $75.00 |
| | Option B (500 local m.o.u; 500 long distance m.o.u.) | $100.00 |
| b. | Business Bundle 2: includes 2 access lines and usage specified below: | |
| | Option A (500 local m.o.u; 250 long distance m.o.u.) | $100.00 |
| | Option B (750 local m.o.u; 500 long distance m.o.u.) | $150.00 |

BASIC SERVICES

A-1 Business Service Packages - QWEST Service Area (Cont'd)

4. Recurring Service Charges (Cont'd)

| | | Maximum Monthly Service Charge |
|---|---|---|
| c. | Business Bundle 3: includes 3 access lines and usage specified below: | |
| | Option A (750 local m.o.u; 250 long distance m.o.u.) | $150.00 |
| | Option B (1500 local m.o.u; 500 long distance m.o.u.) | $200.00 |
| d. | Business Bundle 4: includes 4-6 access lines and usage specified below: | |
| | Option A (3000 local m.o.u; 1000 long distance m.o.u.) | $300.00 |
| | Option B (6000 local m.o.u; 2000 long distance m.o.u.) | $400.00 |
| e. | Business Bundle 5: includes 7-9 access lines and usage specified below: | |
| | Option A (4000 local m.o.u; 1500 long distance m.o.u.) | $500.00 |
| | Option B (8000 local m.o.u; 3000 long distance m.o.u.) | $600.00 |
| f. | Business Bundle 6: includes 10-12 access lines and usage specified below: | |
| | Option A (5000 local m.o.u; 2000 long distance m.o.u.) | $600.00 |
| | Option B (10,000 local m.o.u; 4000 long distance m.o.u.) | $700.00 |
| g. | Business Bundle 7: includes 13-15 access lines and usage specified below: | |
| | Option A (6000 local m.o.u; 2500 long distance m.o.u.) | $750.00 |
| | Option B (12,000 local m.o.u; 5000 long distance m.o.u.) | $950.00 |
| h. | Business Bundle 8: includes 16-18 access lines and usage specified below: | |
| | Option A (7000 local m.o.u; 3000 long distance m.o.u.) | $1000.00 |
| | Option B (14,000 local m.o.u; 6000 long distance m.o.u.) | $1200.00 |

BASIC SERVICES

A-1 Business Service Packages – QWEST Service Area (Cont'd)

4. Recurring Service Charges (Cont'd)

| | Maximum Monthly Service Charge |
|---|---|
| i. Business Bundle 9: includes 19-21 access lines and usage specified below: | |
| Option A (8000 local m.o.u; 3500 long distance m.o.u.) | $1500.00 |
| Option B (16,000 local m.o.u; 7000 long distance m.o.u.) | $2000.00 |
| j. Business Bundle 10: includes 22-24 access lines and usage specified below: | |
| Option A (9000 local m.o.u; 4000 long distance m.o.u.) | $1750.00 |
| Option B (18,000 local m.o.u; 8000 long distance m.o.u.) | $2250.00 |

BASIC SERVICES

A-1 Business Service Packages - QWEST Service Area (Cont'd)

5. Additional Charges - Assessed, in arrears, on a monthly basis for additional lines and features, and for usage in excess of that included in selected package:

| | | Maximum Rate |
|---|---|---|
| a. | Additional lines (per line, per month) | $80.00 |
| b. | Additional custom calling features (per line, per feature, per month) | $20.00 |
| c. | Additional local usage (per minute) | $0.10 |
| d. | Additional toll usage (per minute) | $0.15 |

6. Special Limitations and Conditions

a. Custom calling features available as part of bundled packages are limited to the following: Call Waiting; Call Forwarding; Three-Way Calling; Speed Calling; Caller ID; Call Screen; Message Waiting Indicator; Repeat Dialing; Call Return; Call Forwarding Busy/Delayed; Intercom; Intercom Plus; Remote Access to Call Forwarding; Select Call Forwarding; Call Trace; Call Restriction; Distinctive Ringing; Call Hold.

b. Local usage is charged on a per-call basis in one minute increments, with any less than full-minute portion being rounded up to the next full minute. All other domestic usage is charged on a per call basis in six second increments, with any less than six-second portion being rounded up to the next full six second increment. There is no carry over of unused usage from one month to the next.

c. Contractual service commitment shall automatically renew for a like term at the end of the initial and each subsequent term unless the Customer or the Company gives at least ninety (90) days' prior written notice of its intent not to renew at the end of the then-current term. In the event such notice is given, service under the contract shall terminate as of the end of the then-current term. In the event Customer, for any reason other than material breach by the Company of its obligations, terminates service prior to the end of the service commitment term, or any renewal thereof, or, in the event that the Company terminates service to Customer prior to the end of the service commitment term, or any renewal thereof, for failure to make payment or other breach by Customer of its obligations to Company, Customer shall be liable for an early termination charge in an amount equal to seventy-five percent (75%) of the monthly recurring service charge for each month remaining in the term or renewal term.

BASIC SERVICES

A-1 Business Service Packages – QWEST Service Area (Cont'd)

6. Special Limitations and Conditions (cont'd)

d. The Company's Service may not be resold except by an authorized carrier who has entered into an appropriate and currently-effective wholesale service agreement with the Company. However, Customer may make services hereunder available to its own subsidiaries or to entities under common ownership with Customer. If Customer attempts to resell Services in violation of the provisions of this section, the Company may terminate the Service to Customer upon ten (10) days' written notice.

## BASIC SERVICES

B-1 Residential Service Packages - QWEST Service Area

1. Applicability

These rates apply to local exchange service furnished to residential customers as part of a package of bundled long distance and local exchange service provided by the Company.

2. Territory

Within the base rate areas of all QWEST Corporation exchanges as shown and defined in its current and effective tariffs on file with the Commission, except as specified below.

3. Service Establishment Charges - Assessed on a per line basis. Charges vary depending on length of Customer's contractual service commitment and whether line is in use (existing) or not (new) at time service is established with Company.

| | | | Maximum Rate |
|---|---|---|---|
| a. | Existing lines: | One year term | $150.00 |
| | | Month-to month: | $150.00 |
| b. | New lines: | | $150.00 |

4. Recurring Service Charges - Assessed, in arrears, for each month of service. Charges vary depending upon bundled service package selected by Customer. Each service package includes: access lines, as specified; local and toll usage (intrastate, and domestic interstate), as specified; plus choice of two custom calling features per line; TMC Global Access Travel Cards. Provision of interexchange service subject to terms and conditions set forth in applicable TMC interexchange tariff or contract.

a. Basic Residential Bundle: includes 1 residential access line, unlimited local minutes, and 240 long distance minutes.

| | Maximum Rate |
|---|---|
| Monthly Service Charge | $60.00 |

b. Residential/Home Office Bundle: includes 1 residential access line, unlimited local calling; and 720 long distance minutes.

| | Maximum Rate |
|---|---|
| Monthly Service Charge | $75.00 |

BASIC SERVICES

B-1 Residential Service Packages - QWEST Service Area (Cont'd)

5. Additional Charges - Assessed, in arrears, on a monthly basis for additional lines and features, and for usage in excess of that included in selected package:

| | | Maximum Rate |
|---|---|---|
| a. | Additional lines (per line, per month) | $60.00 |
| b. | Additional custom calling features (per line, per feature, per month) are available at the regular tariff rate. | |
| c. | Additional local and toll usage (per minute) | $0.15 |

6. Special Limitations and Conditions

a. Local usage is charged on a per-call basis in one minute increments, with any less than full-minute portion being rounded up to the next full minute. All other domestic usage is charged on a per call basis in six second increments, with any less than six-second portion being rounded up to the next full six second increment. There is no carry over of unused usage from one month to the next.

c. Custom calling features that may be selected by Customer as part of bundled service package include: call waiting, call forwarding, three-way calling, and 8 number speed dialing. Other or additional features area available only at regular tariff rates.

BASIC SERVICES

B-1 Residential Service Packages - QWEST Service Area (Cont'd)

6. Special Limitations and Conditions (Cont'd)

d. Contractual service commitment shall automatically renew for a like term at the end of the initial and each subsequent term unless the Customer or the Company gives at least ninety (90) days' prior written notice of its intent not to renew at the end of the then-current term. In the event such notice is given, service under the contract shall terminate as of the end of the then-current term. In the event Customer, for any reason other than material breach by the Company of its obligations, terminates service prior to the end of the service commitment term, or any renewal thereof, or, in the event that the Company terminates service to Customer prior to the end of the service commitment term, or any renewal thereof, for failure to make payment or other breach by Customer of its obligations to Company, Customer shall be liable for an early termination charge in an amount equal to seventy-five percent (75%) of the monthly recurring service charge for each month remaining in the term or renewal term.

e. The Company's Service may not be resold except by an authorized carrier who has entered into an appropriate and currently-effective wholesale service agreement with the Company. However, Customer may make services hereunder available to its own subsidiaries or to entities under common ownership with Customer. If Customer attempts to resell Services in violation of the provisions of this section, the Company may terminate the Service to Customer upon ten (10) days' written notice.

## CUSTOM CALLING SERVICES

A-1 Feature Descriptions

Custom Calling Features may be offered subject to availability from the underlying carrier:

1. Call Forwarding

Call Forwarding allows for the automatic forwarding (transfer) of all incoming calls to another telephone number. The line can be restored to normal operation at any time.

Busy Call Forwarding allows the forwarding of incoming calls when the line is busy. The forwarded number is fixed by the service order.

Delayed Call Forwarding allows the forwarding of incoming calls when the line remains unanswered after a present number of rings. The number of rings and the forwarded number are fixed by the service order.

Select Call Forwarding allows the automatic forwarding (transfer) of calls from up to ten preselected numbers to another telephone number The line can be restored to normal operation at any time.

Remote Access to Call Forwarding allows the activation and deactivation of the Call Forwarding feature and changes to the forwarded number to number from a location other than where the service is located.

2. Call Waiting

Call Waiting sends a tone signal while a call is in progress to indicate a second call is waiting; and by operation of the switchhook, to place the first call on hold and answer the waiting call. Operation of the switchhook permits passage back and forth between the two calls, but a three-way call cannot be established.

Cancel Call Waiting allows the dialing of an activation code prior to making a call, to cancel the Call Waiting feature. Cancel Call Waiting must be activated each time Call Waiting is canceled.

3. Three-Way Calling

Three-Way Calling allows the addition of a third party to an established connection. When the third party answers, a two-way conversation can be held before adding the original party for a three-way conference. The initiator of the conference controls the call and may disconnect the third party to reestablish the original connection or establish a connection to a different third party. This feature may be used on both incoming and outgoing calls.

CUSTOM CALLING SERVICES (Cont'd)

A-1 Features (Cont'd)

4. Speed Calling

Speed Calling allows a call to be made to a telephone number, from a pre-selected list of six, eight, or thirty numbers established by the customer, by dialing a one or two digit code.

5. Intercom

Intercom permits intercommunication between two or more telephones that answer the same telephone number.

6. Intercom Plus

Intercom Plus includes the intercom feature, plus the following additional features: call transfer (allows transfer of incoming call between extensions); extension hold (allows non-intercom call to be placed on hold); three-way calling (allows third party to be added to an intercom call).

7. Distinctive Ringing

Distinctive Ringing differentiates incoming calls from up to ten preselected telephone numbers by signaling with a distinctive ringing pattern.

8. Repeat Dialing

Repeat Dialing allows calls to be automatically redialed when the first attempt reaches a busy number. The line is checked every 45 seconds for up to 30 minutes and alerts the originating telephone line with a distinctive ringing pattern when the busy number and the originating line are free.

9. Call Screen

Call Screen allows the automatic blocking of incoming calls from up to ten preselected telephone numbers. The list of numbers can be changed at any time. Callers whose numbers have been blocked will hear a recorded message and no usage charges will apply.

CUSTOM CALLING SERVICES (Cont'd)

A-1 Features (Cont'd)

10. Call Return

Call Return allows the return of a call to the last incoming call whether answered or not. Upon activation, it will redial the number automatically and continue to check the number every 45 seconds for up to 30 minutes if the number is busy. A distinctive ringing pattern signals when the busy number is free. When answered, the call is then completed. The calling party's number is not delivered or announced to the call recipient. Call Return is available only when the called and calling parties are in the same LATA.

11. Call Trace

Allows a call to be dialed to automatically record a caller's originating telephone number and the date, and time of the call as well as the date and time of the trace. The recorded information will be disclosed only to a law enforcement agency for purposes of investigation.

12. Caller ID

Displays the name and telephone number of an incoming call on special customer-provided equipment.

13. Anonymous Call Rejection

Rejects calls from telephone numbers for which Caller ID capability is blocked.

14. Call Waiting ID

Displays the name and telephone number of an incoming call on special customer-provided equipment when telephone is in use, except then when the calling party's listing is unpublished, only the name appears. Customer must subscribe to both Call Waiting and Caller ID as well as Call Waiting ID in order to use feature.

15. Call Hold

Allows call to be place on hold.

16. Message Waiting Indicator

Provides an audible interrupted dialtone, and where facilities permit, a lighted indicator, indicating that the Customer a voicemail or other message has been stored by the Customer's message store-and-forward service.

CUSTOM CALLING SERVICES (Cont'd)

A-1 Features (Cont'd)

17. Hunting

Provides for incoming calls to be directed to vacant lines in multi-line service arrangements.

18. Call Restriction

Prevents the completion of billable toll calls. Calls to ZUM Zones 1 and 2, toll-free (800, 888, etc.) calls, 411, 611, 711, and 911 can still be completed. Certain collect and third party-billed calls are not subject to billing validation and may be completed despite subscription to toll blocking service. Customer will be billed for and must pay the charges for such calls.

CUSTOM CALLING SERVICES (Cont'd)

B-1 Rates and Charges – QWEST Service Area

The following monthly rates are in addition to the rates and charges for the associated service (rates are assessed per line, per month)

| | Maximum Rates | |
|---|---|---|
| | Business | Residential |
| Call Forwarding: | $20.00 | $20.00 |
| Busy Call Forwarding: | $20.00 | $20.00 |
| Delayed Call Forwarding: | $20.00 | $20.00 |
| Select Call Forwarding: | $20.00 | $20.00 |
| Remote Access to Call Forwarding: | $20.00 | $20.00 |
| Call Waiting/Cancel Call Waiting: | $10.00 | $10.00 |
| Three-Way Calling: | $10.00 | $10.00 |
| Speed Calling 6: | $10.00 | n/a |
| Speed Calling 8: | $10.00 | $10.00 |
| Speed Calling 30: | $10.00 | $10.00 |
| Intercom: | $10.00 | $10.00 |
| Intercom Plus: | $10.00 | $10.00 |
| Distinctive Ringing: | $10.00 | $10.00 |
| Repeat Dialing: | $10.00 | $10.00 |
| Call Screen: | $10.00 | $10.00 |
| Call Return: | $10.00 | $10.00 |
| Call Trace: | $10.00 | $10.00 |
| Caller ID: | $25.00 | $25.00 |
| Caller ID Blocking | no charge | no charge |
| Anonymous Call Rejection: | $10.00 | $10.00[1] |
| Call Waiting ID: | $10.00 | $10.00 |
| Call Hold: | $15.00 | n/a |
| Message Waiting Indicator: | $15.00 | n/a |
| Hunting: | $15.00 | n/a |
| Call Restriction: | $15.00 | n/a |

[1] Provided at no charge with subscription to Caller ID.

## MISCELLANEOUS SERVICES

A-1 Directory Listings; Distribution of Directories

The Company does not publish a directory or provide other similar listings of its Subscribers. However, the Company will arrange for Subscribers, other than Subscribers requesting nonpublished service, to be listed in the directories and directory assistance records of incumbent local exchange carriers, subject to availability of such listing services to Company's Subscribers. The Company hereby concurs in the directory listing schedules of incumbent carriers on file with the Commission that are current and effective as of the effective date of this tariff sheet. Subscribers are responsible for payment of all rates and compliance with all terms and conditions set forth in such schedules. The Company will distribute or provide for the distribution to each Subscriber, at no charge, one copy of the incumbent local exchange carrier white and yellow pages directory applicable to the location at which the Subscriber receives service.

A-2 Non-Published Service

At the request of the Subscriber, the Subscriber's name, address, and telephone number will not be listed in any directory or directory assistance records available to the public, except that the number may be included in reference listings. However, such information, along with call forwarding information from such numbers, will be released in response to legal process or to certain authorized governmental agencies.

| | Maximum Rate |
|---|---|
| Non-Published Service Charge (per line, per month): | $1.00 |

MISCELLANEOUS SERVICES (Cont'd)

A-3 Directory Assistance

Users of the company's calling services (excluding 800 services), may obtain assistance in determining telephone numbers within Arizona by calling the Directory Assistance operator.

Each number requested is charged for as shown below. Requests for information other than telephone numbers will be charged the same rate as shown for the applicable request for telephone numbers.

A Directory Assistance call charged to a calling card or commercial calling card or to a third number will be billed the appropriate operator charge, as specified in this tariff, plus the charge for Directory Assistance.

Non-published telephone numbers are not available from the Directory Assistance service.

| | | MaximumCharge |
|---|---|---|
| 1. | Directory Assistance (per call): | $2.50 |

2. A credit will be given for calls to Directory Assistance when:

   a. the Customer experiences poor transmission or is cut-off during call.

   b the Customer is given an incorrect telephone number, or the Customer inadvertently misdials an incorrect Directory Assistance NPA.

   c. to receive a credit, the Customer must notify the Company of the problem experienced.

MISCELLANEOUS SERVICES (Cont'd)

A-4 900/976 Blocking

1. Applicability

Applicable to all Subscribers of the Company's local exchange service.

2. Territory

Within the base rate areas of all exchanges served by the Company

3. Description

The Company will, upon a Subscriber's request and where technically feasible, block calls placed from the Subscriber's telephone to intrastate 976 numbers and intrastate or interstate 900 numbers, whether directly dialed or placed through operator assisted service provided by the Company's operators. Call Blocking and Remove Call Blocking charges apply as specified below. At central offices where per-line blocking is not technically feasible, all calls to 976 and 900 numbers will be blocked.

The Company may block calls placed from a Subscriber's telephone to intrastate 976 numbers and intrastate or interstate 900 numbers if the Subscriber fails or refuses to pay any charges billed by the Company for calls to such numbers, except for any charges for which adjustments have been granted. Call Blocking and Remove Call Blocking charges apply as specified below.

The Company may block calls placed from a Subscriber's telephone to intrastate 976 numbers and intrastate or interstate 900 numbers if the accrued, unpaid charges to be billed by the Company for calls to such numbers at any time exceeds $150 and the Company is unable to contact the Subscriber to assure the Subscriber's agreement to pay for such calls. Call Blocking and Remove Call Blocking charges do not apply.

MISCELLANEOUS SERVICES (Cont'd)

A-4 900/976 Blocking (Cont'd)

4. Rates

| | Maximum Non-Recurring Charge | Maximum Monthly Rate |
|---|---|---|
| **Call Blocking** | | |
| Business (per line) | $15.00 | no charge |
| Residential (per line) | $15.00 | no charge |
| **Remove Call Blocking** | | |
| Business (per line): | $15.00 | no charge |
| Residential (per line): | $15.00 | no charge |

MISCELLANEOUS SERVICES (Cont'd)

A-5. Equal Access

A. Carrier Selection Process for Equal Access

1. The Carrier Selection Process is an agreement whereby:

(1) A subscriber may select an authorized carrier to place intrastate, interLATA MTS/MTS-type calls without the 10XXXX access code. This carrier is referred to as the subscriber's interLATA primary interexchange carrier (PIC).

(2) A subscriber may select an authorized carrier to place intrastate, intraLATA MTS/MTS-type calls without the 10XXXX access code. This carrier is referred to as the subscriber's intraLATA primary interexchange carrier (IPIC).

2. On the effective date(s) of intraLATA equal access, subscribers who have not designated a different IPIC will continue with the Company's intraLATA toll service.

3. In end offices where equal access is available, new subscribers must presubscribe to the PIC and/or IPIC of their choice at the time an order is placed for service. If a PIC and/or IPIC is not chosen at the time the order for service is submitted, the subscriber may access the interexchange carrier of the subscriber's choice by dialing the appropriate 10XXXX carrier identification code.

4. The full nonrecurring IPIC charge is applicable when an intraLATA IPIC change is ordered separately from the interLATA PIC change and/or when a subscriber presubscribes to different carriers, at the same time, for interLATA and intraLATA service. If a subscriber changes both PIC and IPIC at the same time, to the same IC, CLC, or LEC, the Company will bill the subscriber the full nonrecurring PIC change charge and one-half of the respective IPIC change charge.

MISCELLANEOUS SERVICES (Cont'd)

A-5. Equal Access (Cont'd)

A. Carrier Selection Process for Equal Access (Cont'd)

5. The Company will make post conversion changes in the subscriber's PIC or IPIC assignment pursuant to carrier provided list of customers. Should a subscriber dispute authorization of the change within 90 days of the PIC or IPIC assignment, and if the carrier cannot produce a letter of agency of confirmation from the subscriber, the Company will place the subscriber on the previous carrier's network where possible and the carrier will be billed one Unauthorized PIC or IPIC charge, for the change to the disputed carrier and one PIC or IPIC change charge, for placing the subscriber on the carrier network of his/her choice.

If the carrier produces the letter of agency or confirmation of choice within 30 days of the Company's request, the subscriber will be billed two PIC or IPIC charges in lieu of charges to the carrier. Charges are only applicable if a change in a subscriber's or agent's carrier selection has been implemented in the switch.

6. Rates -

| | | Maximum Nonrecurring Charge |
|---|---|---|
| (1) | Charge for authorized PIC or IPIC change (per line): | $10.00 |
| | PIC/IPIC Change (change made at the same time to the same IC, CLC or LEC for both interLATA and intraLATA) (per line): | $12.00 |
| (2) | Charge for unauthorized PIC or IPIC change (per line): | $100.00 |

MISCELLANEOUS SERVICES (Cont'd)

B-1. Service Changes, Discontinuation, Suspension, Restoral - QWEST Service Area

Nonrecurring charges apply to process orders for certain changes in service as specified below:

| | | Maximum Charge |
|---|---|---|
| 1. | Changes, additions, or removal of features (per service order, per line): | $15.00 |
| 2. | Temporary suspension of service at Customer request (per service): | $40.00 |
| 3. | Restoral charge following temporary suspension (per service): | $75.00 |
| 4. | Change in telephone number at Customer request (per line): | $45.00 |
| 5. | Change or addition of listing (per listing): | $12.00 |
| 6. | Discontinuation of service (per line): | $35.00 |
| 7. | Change in Caller ID blocking option: | $10 00[1] |

[1] Blocking option may be changed at no charge one time after initial establishment of service.

## INTERCARRIER ARRANGEMENTS

A-1 Interconnection and Termination of Local Traffic

1. Interconnection

Arrangements for interconnection by local exchange carriers and competitive local carriers with the Company's facilities will be negotiated on a case-by-case basis.

2. Termination of Traffic

The Company will terminate local traffic from local exchange carriers and other competitive local carriers with which it interconnects. Terms, conditions, and compensation methods for handling such traffic will be negotiated on a case-by-case basis.

3. Provisions for Number Portability

At the request of a local exchange carrier or other competitive local carrier providing service to a former Subscriber to the Company's service, the Company will automatically forward calls that are dialed to the number assigned by the Company to the former Subscriber, to the Subscriber's new number assigned by the local exchange carrier or other competitive local carrier. The forwarding of such calls shall be undertaken in accordance with, and subject to, all of the tariff rates, terms, and conditions applicable to reciprocal call forwarding services provided by the Incumbent LECs, or the other competitive local carrier, as applicable, and the Company hereby concurs in and incorporates by reference such tariff provisions.

A-2 Switched Access Service

1. Description

Switched Access Service, which may be furnished by the Company jointly with one or more other local exchange carriers, is furnished to interexchange carriers ("IXCs") to establish two-way communications pathways between IXCs' points of presence ("POPs") and end users' premises for the purpose of originating or terminating intrastate interexchange calls from or to end users served by the Company over the Company's local access lines. Switched Access Service is provided as a Feature Group D-type trunk side connection in accordance with the service descriptions and specifications for Feature Group D access as set forth in QWEST Corporation's current and effective intrastate access service tariff.

INTERCARRIER ARRANGEMENTS

A-2 Switched Access Service (Cont'd)

2. Ordering Service

IXC's desiring to establish Switched Access Service arrangements with the Company must submit an application therefor using the Company's Access Service Request ("ASR") form. ASRs must be submitted to the Company on a manual (fax or mail) basis. Notwithstanding this or any other provision in this tariff, an IXC's use or acceptance of the use of the Company's facilities to complete calls to or from end users served by the Company constitutes an agreement by the IXC to comply with the provisions of this tariff and to pay the rates set forth herein for all access services actually provided to the IXC by the Company.

3. Service Elements

Switched Access Service furnished by the Company is composed of the following categories or elements, one or more of which may apply in a particular instance: carrier common line; local switching; local transport, and toll-free service database queries.

a. The carrier common line element provides access to local loop and non-usage-sensitive end office functionality for originating interexchange calls on a pre-subscribed basis. The Company charges a flat monthly rate for this element, which is assessed on a per line basis for each line served by an IXC on a pre-subscribed basis.

b. The local switching element provides the local end office switching functions necessary to complete the transmission of interexchange calls to and from end users, including terminations of calls to an intercept operator or recording. The Company charges for this element on an access minutes of use basis.

c. The local transport element provides for the transmission of interexchange calls between an IXC's POP and the end office that serves the Company's end user. Local transport includes: common (tandem-switched) transport or, alternatively, direct trunked transport between the end office and the wire center serving the IXC POP; and the entrance facility between the IXC POP and serving wire center. The Company charges for common transport on an access minutes of use basis. Direct transport and entrance facility arrangements are furnished on a negotiated contract basis only.

d. Queries to a toll-free service database are made to determine routing and associated information for toll-free calls. The Company charges for this element on a per query (dip) basis.

INTERCARRIER ARRANGEMENTS

A-2 Switched Access Service (Cont'd)

4. Rates

| | | Maximum |
|---|---|---|
| a. | Carrier Common Line (PICC) (per presubscribed line, per month): | $8.00 |
| b. | Local Switching (per access minute of use): | $0.0250 |
| c. | Common Transport (per access minute of use): | $0.001 |
| d. | Toll-Free Database Service (per query): | $0.01 |

5. Billing Name and Address

The Company will furnish IXCs with the complete billing name, street address, city, state, and zip code ("BNA") for telephone numbers assigned by the Company to its end users for the purpose of enabling IXCs to bill such end users for interexchange services provided on a non-pre-subscribed (casual calling) basis. BNA is provided manually. either by fax or by mail as appropriate. BNA must not be used for any purpose other than billing for casual calling. A nonrecurring service establishment charge will be assessed for the initial establishment of BNA service and Master List. Requests for BNA include a per order charge and a per message charge. The rates for BNA are as follows·

| | | |
|---|---|---|
| a. | Service Establishment: | $100.00 |
| b. | BNA Requests: | |
| | i. Per Order | $20.00 |
| | ii. Per Message | $ 2.00 |

CURRENT PRICES

A-1 Business Service Packages - QWEST Service Area

1. Service Establishment Charges

| | | | |
|---|---|---|---|
| a. | Existing lines: | Two year term | $10.95 |
| | | One year term | $19.95 |
| | | Month-to month: | $49.95 |
| b. | New lines: | | $49.95 |

2. Recurring Service Charges

| | | Monthly Service Charge |
|---|---|---|
| a. | Business Bundle 1: includes 1 access line and usage specified below: | |
| | Option A (250 local m.o.u; 250 long distance m.o.u.) | $33.00 |
| | Option B (500 local m.o.u; 500 long distance m.o.u.) | $49.00 |
| b. | Business Bundle 2: includes 2 access lines and usage specified below: | |
| | Option A (500 local m.o.u; 250 long distance m.o.u.) | $53.00 |
| | Option B (750 local m.o.u; 500 long distance m.o.u.) | $69.00 |
| c. | Business Bundle 3: includes 3 access lines and usage specified below: | |
| | Option A (750 local m.o.u; 250 long distance m.o.u.) | $73.00 |
| | Option B (1500 local m.o.u; 500 long distance m.o.u.) | $96.00 |
| d. | Business Bundle 4: includes 4-6 access lines and usage specified below: | |
| | Option A (3000 local m.o.u; 1000 long distance m.o.u.) | $179.00 |
| | Option B (6000 local m.o.u; 2000 long distance m.o.u.) | $259.00 |

CURRENT PRICES

A-1 Business Service Packages - QWEST Service Area (Cont'd)

2. Recurring Service Charges (Cont'd)

| | | Monthly Service Charge |
|---|---|---|
| e. | Business Bundle 5: includes 7-9 access lines and usage specified below: | |
| | Option A (4000 local m.o.u; 1500 long distance m.o.u.) | $269.00 |
| | Option B (8000 local m.o.u; 3000 long distance m.o.u.) | $389.00 |
| f. | Business Bundle 6: includes 10-12 access lines and usage specified below: | |
| | Option A (5000 local m.o.u; 2000 long distance m.o.u.) | $359.00 |
| | Option B (10,000 local m.o.u; 4000 long distance m.o.u.) | $509.00 |
| g. | Business Bundle 7: includes 13-15 access lines and usage specified below: | |
| | Option A (6000 local m.o.u; 2500 long distance m.o.u.) | $449.00 |
| | Option B (12,000 local m.o.u; 5000 long distance m.o.u.) | $639.00 |
| h. | Business Bundle 8: includes 16-18 access lines and usage specified below: | |
| | Option A (7000 local m.o.u; 3000 long distance m.o.u.) | $539.00 |
| | Option B (14,000 local m.o.u; 6000 long distance m.o.u.) | $759.00 |
| i. | Business Bundle 9: includes 19-21 access lines and usage specified below: | |
| | Option A (8000 local m.o.u; 3500 long distance m.o.u.) | $629.00 |
| | Option B (16,000 local m.o.u; 7000 long distance m.o.u.) | $889.00 |
| j. | Business Bundle 10: includes 22-24 access lines and usage specified below: | |
| | Option A (9000 local m.o.u; 4000 long distance m.o.u.) | $719.00 |
| | Option B (18,000 local m.o.u; 8000 long distance m.o.u.) | $999.00 |

CURRENT PRICES

A-1 Business Service Packages – QWEST Service Area (Cont'd)

3. Additional Charges

| | | |
|---|---|---|
| a. | Additional lines (per line, per month) | $49.95 |
| b. | Additional custom calling features (per line, per feature, per month) | $3.50 |
| c. | Additional local usage (per minute) | $0.029 |
| d. | Additional toll usage (per minute) | $0.059 |

CURRENT PRICES

B-1 Residential Service Packages – QWEST Service Area

1. Service Establishment Charges

| | | | |
|---|---|---|---|
| a. | Existing lines: | One year term | $24.95 |
| | | Month-to month: | $39.95 |
| b. | New lines: | | $29.95 |

4. Recurring Service Charges.

a. Basic Residential Bundle: includes 1 residential access line, unlimited local minutes, and 240 long distance minutes.

Monthly Service Charge $39.95

b. Residential/Home Office Bundle: includes 1 residential access line, unlimited local calling; and 720 long distance minutes.

Monthly Service Charge $59.95

2. Additional Charges – Assessed, in arrears, on a monthly basis for additional lines and features, and for usage in excess of that included in selected package:

| | | |
|---|---|---|
| a. | Additional lines (per line, per month) | $19.95 |
| b. | Additional custom calling features (per line, per feature, per month) are available at the regular tariff rate. | |
| c. | All ZUM Zone 3 usage (per minute) | $0.055 |
| d. | Additional toll usage (other than ZUM Zone 3) (per minute) | $0.059 |

CURRENT PRICES (Cont'd)

CUSTOM CALLING FEATURES

The following monthly rates are in addition to the rates and charges for the associated service (rates are assessed per line, per month)

| | Business | Residential |
|---|---|---|
| Call Forwarding: | $3.50 | $3.23 |
| Busy Call Forwarding: | $3.50 | $2.75 |
| Delayed Call Forwarding: | $3.50 | $2.75 |
| Select Call Forwarding: | $3.50 | $3.23 |
| Remote Access to Call Forwarding: | $3.50 | $0.95 |
| Call Waiting/Cancel Call Waiting: | $3.50 | $3.23 |
| Three-Way Calling: | $3.50 | $3.23 |
| Speed Calling 6: | $3.50 | n/a |
| Speed Calling 8: | $3.50 | $3.23 |
| Speed Calling 30: | $3.50 | $4.65 |
| Intercom: | $3.50 | $2.37 |
| Intercom Plus: | $3.50 | $3.80 |
| Distinctive Ringing: | $3.50 | $3.23 |
| Repeat Dialing: | $3.50 | $3.23 |
| Call Screen: | $3.50 | $3.23 |
| Call Return: | $3.50 | $3.23 |
| Call Trace: | $3.50 | $4.65 |
| Caller ID: | $3.50 | $6.17 |
| Caller ID Blocking | no charge | no charge |
| Anonymous Call Rejection: | n/a | $1.90[1] |
| Call Waiting ID: | n/a | $3.23 |
| Call Hold: | $3.50 | n/a |
| Message Waiting Indicator: | $3.50 | n/a |
| Hunting: | $3.50 | n/a |
| Call Restriction: | $3.50 | n/a |

[1] Provided at no charge with subscription to Caller ID.

CURRENT PRICES

MISCELLANEOUS SERVICES

A-2 Non-Published Service

| | |
|---|---|
| Non-Published Service Charge (per line, per month): | $0.28 |

A-3 Directory Assistance

| | Charge[1] |
|---|---|
| 1. Directory Assistance (per call): | $0.46 |

A-4 900/976 Blocking

| | Non-Recurring Charge | Monthly Rate |
|---|---|---|
| Call Blocking | | |
| Business (per line) | $5.00 | no charge |
| Residential (per line) | $4 75 | no charge |
| Remove Call Blocking | | |
| Business (per line): | $5.00 | no charge |
| Residential (per line): | $4.75 | no charge |

A-5. Equal Access

| | Nonrecurring Charge |
|---|---|
| (1) Charge for authorized PIC or IPIC change (per line): | $5.00 |
| PIC/IPIC Change (change made at the same time to the same IC, CLC or LEC for both interLATA and intraLATA) (per line): | $7.50 |
| (2) Charge for unauthorized PIC or IPIC change (per line): | $50.00 |

[1] A monthly allowance of 3 calls to Directory Assistance for residential Subscribers and 0 calls to Directory Assistance for business Subscribers per line, per month, will be provided. There is no carry over of any unused portion of the Subscriber's allowance from month to month.

CURRENT PRICES

MISCELLANEOUS SERVICES (Cont'd)

B-1. Service Changes, Discontinuation, Suspension, Restoral - QWEST Service Area

| | | Charge | |
|---|---|---|---|
| | | Business | Residential |
| 1. | Changes, additions, or removal of features (per service order, per line): | $ 5.00 | $ 4.75 |
| 2. | Temporary suspension of service at Customer request (per service): | $28.50 | $19.00 |
| 3. | Restoral charge following temporary suspension (per service): | $38.00 | 19.00 |
| 4. | Change in telephone number at Customer request (per line): | $25.00 | $19.00 |
| 5. | Change or addition of listing (per listing): | $ 6.65 | $ 4.75 |
| 6. | Discontinuation of service (per line): | $15.00 | $15.00 |
| 7. | Change in Caller ID blocking option: | $ 5.00[1] | $ 5.00[1] |

[1] Blocking option may be changed at no charge one time after initial establishment of service.

CURRENT PRICES

INTERCARRIER ARRANGEMENTS

A-2 Switched Access Service

| | | |
|---|---|---|
| a. | Carrier Common Line (PICC)<br>(per presubscribed line, per month): | $4.25 |
| b. | Local Switching<br>(per access minute of use): | $0.0240 |
| c. | Common Transport<br>(per access minute of use): | $0.0005 |
| d. | Toll-Free Database Service<br>(per query): | $0.006 |
| e. | Billing Name and Address | |
| | i. Service Establishment: | |
| | ii. BNA Requests: | |
| | a) Per Order | $10.00 |
| | b) Per Message | $ 1.00 |

C

# TRI-M COMMUNICATIONS, INC.
# dba TMC COMMUNICATIONS

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2000 AND 1999

TRI-M COMMUNICATIONS, INC.
dba TMC COMMUNICATIONS
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2000 AND 1999

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SRG
SOLOMON · ROSS · GREY & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS



To the Board of Directors
TRI-M Communications, Inc.,
dba TMC Communications
Santa Barbara, California

We have audited the accompanying balance sheets of TRI-M Communications, Inc., dba TMC Communications as of December 31, 2000 and 1999, and the related statements of income, stockholders' deficit and cash flows for the years then ended. These financial statements are the responsibility of TRI-M Communication, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TRI-M Communications, Inc., dba TMC Communications at December 31, 2000 and 1999 and the results of their operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Solomon Ross Grey & Company

SOLOMON • ROSS • GREY & COMPANY, LLP

Encino, California
February 26, 2001

16633 Ventura Boulevard, Suite 600 · Encino, California 91436-1835 · 818-995-0090 · 310-843-0400 · fax: 818-995-1771

# TRI-M COMMUNICATIONS, INC. dba
# TMC COMMUNICATIONS
## BALANCE SHEETS
## DECEMBER 31, 2000 AND 1999

| ASSETS | 2000 | 1999 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash | $ 852,544 | $ 219,697 |
| Accounts receivable, net of allowance for doubtful accounts of $100,000 and $50,000, respectively | 2,290,345 | 1,910,908 |
| Prepaid expenses and other | 24,731 | 23,279 |
| Prepaid commissions | 183,160 | 154,162 |
| Current portion of note receivable | 18,000 | 18,000 |
| Total Current Assets | 3,368,780 | 2,326,046 |
| PROPERTY AND EQUIPMENT, net of accumulated depreciation | 115,567 | 208,289 |
| OTHER ASSETS | | |
| Note receivable, net of current portion | 4,900 | 22,900 |
| Deferred income taxes | 22,000 | 28,100 |
| Prepaid expenses and other | 6,000 | 0 |
| Total Other Assets | 32,900 | 22,900 |
| TOTAL ASSETS | $ 3,517,247 | $ 2,557,235 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | $ 3,050,340 | $ 1,974,448 |
| Customer deposits | 19,700 | 26,635 |
| Income taxes payable | 4,316 | 2,750 |
| Lines of credit | 0 | 300,000 |
| Note payable | 0 | 131,875 |
| Total Current Liabilities | 3,074,356 | 2,435,708 |
| LONG-TERM LIABILITIES | | |
| Note payable to stockholder | 1,520,072 | 1,620,072 |
| Deferred bonus | 29,500 | 0 |
| Total Long-term Liabilities | 1,549,572 | 1,620,072 |
| Total Liabilities | 4,623,928 | 4,055,780 |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' DEFICIT | | |
| Common stock, no par value: 10,000,000 shares authorized, 1,080,000 and 1,083,333 issued and outstanding, respectively | 505,211 | 506,877 |
| Accumulated deficit | (1,611,892) | (1,977,322) |
| Total Stockholders' Deficit | (1,106,681) | (1,470,445) |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | $ 3,517,247 | $ 2,585,335 |

*See Accompanying Notes and Accountants' Report*

TRI-M COMMUNICATIONS, INC. dba
TMC COMMUNICATIONS
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2000 AND 1999

| | 2000 | | 1999 | |
|---|---|---|---|---|
| REVENUES, NET | $ 14,215,522 | 100.00 % | $ 11,421,897 | 100.00 % |
| COST OF REVENUES | 8,699,690 | 61.20 | 7,531,181 | 65.94 |
| Gross Profit | 5,515,832 | 38.80 | 3,890,716 | 34.06 |
| OPERATING EXPENSES | 4,479,072 | 31.51 | 3,667,552 | 32.10 |
| INCOME FROM OPERATIONS | 1,036,760 | 7.29 | 223,164 | 1.96 |
| OTHER EXPENSE | | | | |
| Interest, net | 182,630 | 1.28 | 201,703 | 1.77 |
| Repurchase of stock options | 180,428 | 1.27 | 0 | 0.00 |
| Total Other Expense | 363,058 | 2.55 | 201,703 | 1.77 |
| INCOME BEFORE INCOME TAXES | 673,702 | 4.74 | 21,461 | 0.19 |
| INCOME TAXES | 11,048 | 0.08 | 3,550 | 0.03 |
| NET INCOME | $ 662,654 | 4.66 % | $ 17,911 | 0.16 % |

# TRI-M COMMUNICATIONS, INC. dba
# TMC COMMUNICATIONS
## STATEMENTS OF STOCKHOLDERS' DEFICIT
## YEARS ENDED DECEMBER 31, 2000 AND 1999

| | Common Stock | | | |
|---|---|---|---|---|
| | Shares Issued (Redeemed) | Amount | Accumulated Deficit | Total |
| Stockholders' deficit, December 31, 1998, before restatement | 1,086,000 | $ 508,100 | $ (2,024,556) | $ (1,516,456) |
| Prior period adjustment | (2,667) | (1,223) | 29,323 | 28,100 |
| Shareholders' deficit, December 31, 1998, after restatement | 1,083,333 | 506,877 | (1,995,233) | (1,488,356) |
| Net income - 1999 | | | 17,911 | 17,911 |
| Stockholders' deficit, December 31, 1999 | 1,083,333 | 506,877 | (1,977,322) | (1,470,445) |
| Net income - 2000 | | | 662,654 | 662,654 |
| Distributions to shareholders | | | (293,391) | (293,391) |
| Redemptions of stock | (3,333) | (1,666) | (3,833) | (5,499) |
| Stockholders' deficit, December 31, 2000 | 1,080,000 | $ 505,211 | $ (1,611,892) | $ (1,106,681) |

*See Accompanying Notes and Accountants' Report*

# TRI-M COMMUNICATIONS, INC. dba
# TMC COMMUNICATIONS
## STATEMENTS OF CASH FLOWS
## YEARS ENDED DECEMBER 31, 2000 AND 1999

| | 2000 | 1999 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | $ 662,654 | $ 17,911 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities | | |
| Depreciation | 106,370 | 114,486 |
| Bad debts | 102,363 | 103,168 |
| Loss on sale of equipment | 0 | (290) |
| (Increase) decrease in: | | |
| Accounts receivable | (481,800) | (535,590) |
| Due from affiliate | 0 | 12,316 |
| Prepaid expenses and other | (7,452) | (23,279) |
| Prepaid commissions | (28,998) | (94,854) |
| Deferred income tax | 6,100 | 0 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 1,105,392 | 177,585 |
| Customer deposits | (6,935) | 26,635 |
| Income taxes payable | 1,566 | 2,750 |
| Total Adjustments | 796,606 | (217,073) |
| Net Cash Provided by (Used in) Operating Activities | 1,459,260 | (199,162) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (13,648) | (10,780) |
| Proceeds from sale of property and equipment | 0 | 1,090 |
| Net Cash Used in Investing Activities | (13,648) | (9,690) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Advances on note receivable | 0 | (40,000) |
| Principal payments from note receivable | 18,000 | 37,500 |
| Net repayments on line of credit | (300,000) | (200,000) |
| Proceeds from note payable | 0 | 200,000 |
| Principal payments on note payable | (231,875) | (68,125) |
| Redemption of stock | (5,499) | 0 |
| Distributions to shareholders | (293,391) | 0 |
| Proceeds from note payable to stockholder | 0 | 244,000 |
| Net Cash Provided by (Used in) Financing Activities | (812,765) | 173,375 |
| NET INCREASE (DECREASE) IN CASH | 632,847 | (35,477) |
| CASH BEGINNING OF YEAR | 219,697 | 255,174 |
| CASH END OF YEAR | $ 852,544 | $ 219,697 |

*See Accompanying Notes and Accountants' Report*

TRI-M COMMUNICATIONS, INC. dba
TMC COMMUNICATIONS
STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED DECEMBER 31, 2000 AND 1999

| | 2000 | 1999 |
|---|---|---|
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash paid during the year for: | | |
| Interest | $ 211,685 | $ 189,852 |
| Income tax | $ 3,382 | $ 800 |

TRI-M COMMUNICATIONS, INC. dba
TMC COMMUNICATIONS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2000 AND 1999

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BUSINESS ACTIVITY

### Business Activity

TRI-M Communications, Inc. dba TMC Communications (hereinafter referred to as the "Company") is a provider of long distance telephone services through the use of independent agents throughout the United States. The Company was incorporated in June, 1997. The Company maintains an office in Santa Barbara, California and provides telephone services for both commercial and residential customers.

### Accounts Receivable and Allowance For Doubtful Accounts

The Company extends credit to its customers in the normal course of business and performs on-going credit evaluations of its customers and provides allowances for potential credit losses. It is the Company's policy to make their agents responsible for collections on their accounts. Due to this policy, the Company shares the bad debt expense with their agents through withholding of agent commissions and charges to those accounts when amounts become uncollectible.

### Property, Equipment and Depreciation

The Company values its property and equipment at cost. Property and equipment are being depreciated using the straight-line and accelerated methods over the estimated useful lives of the assets. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

### Income Taxes

The corporation, with the consent of its stockholders, elected, under the Internal Revenue Service and the laws of the State of California, to become a S corporation. Since the stockholder's of a S corporation are taxed on their proportionate share of the corporation's taxable income, a S corporation is generally not subject to federal income taxes at the corporate level. However, the Company does business nationwide and the various states impose tax on S corporations. Therefore, the only provision for income taxes is for state income taxes.

TRI-M COMMUNICATIONS, INC. dba
TMC COMMUNICATIONS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2000 AND 1999

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### Stock Based Compensation

The Company has elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25) and related interpretations in accounting for its employee stock options. Under APB 25, because the exercise price of employee stock options is greater than or equal to the market price of the underlying stock on the date of the grant, no compensation expense is recorded. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123 Accounting for Stock-Based compensation (Statement 123).

### Advertising Costs

The Company conducts nondirect response advertising. Accordingly, these costs are expensed as incurred. Advertising costs for the years ended December 31, 2000 and 1999 were $44,748 and $75,280, respectively.

### Reclassifications

Certain reclassifications of 1999 amounts have been made to conform with the 2000 presentation. Such reclassifications had no effect on reported net income.

### Use of Estimates

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

## NOTE 2 LINES OF CREDIT

The Company has a revolving line of credit with a bank. The bank will make advances to the Company up to $500,000 (reduced by any outstanding letters of credit). The line of credit is secured by the Company's assets. Interest is payable monthly and calculated at prime. The interest rate at December 31, 2000 and 1999 was 9.5% and 8.5%, respectively. The line of credit expires May, 2001. At December 31, 2000 and 1999, the Company has borrowings of $0 and $300,000, respectively outstanding on the line of credit. In addition, as part of the Company's contract with its supplier of long distance telephone service, the Company maintains a $500,000 irrevocable standby letter of credit.

TRI-M COMMUNICATIONS, INC. dba
TMC COMMUNICATIONS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2000 AND 1999

## NOTE 2 LINES OF CREDIT - CONTINUED

The line of credit agreement contains covenants regarding certain financial statement amounts, ratios and activities of the Company. At December 31, 2000, the Company was in compliance with, or obtained waivers for, all such covenants.

Concurrently, as of February 2000, the Company has a revolving line of credit with another bank up to $200,000. The line is secured by all Company assets. The line is guaranteed by the principal stockholder and $200,000 of the stockholder note payable is subordinated to the line of credit (see Note 3). Interest is payable monthly and is calculated based on an independent index which is the prime rate as published in the Wall Street Journal. The interest rate at December 31, 2000 was 9.5%. The line of credit matures February 2001. There were no borrowings oustanding at December 31, 2000.

## NOTE 3 RELATED PARTY TRANSACTIONS

The Company has borrowed monies from its principal stockholder in order to support its operations. The note calls for quarterly interest payments at 10%. The balance of the note at December 31, 2000 and 1999 was $1,520,072 and $1,620,072, respectively. Interest expense for the years ended December 31, 2000 and 1999 was $152,424 and $148,260, respectively. The loan is due on demand but it is not the intention of the stockholder to collect the note currently. Accordingly, the balance has been classified as a long-term liability. During 1999, the note was amended in order to increase the maximum loan amount to $2,000,000.

## NOTE 4 PROPERTY AND EQUIPMENT

At December 31, 2000 and 1999, property and equipment consists of the following:

| | 2000 | 1999 |
|---|---|---|
| Equipment | $ 309,794 | $ 296,146 |
| Furniture | 85,299 | 85,299 |
| Software | 50,071 | 50,071 |
| | 445,164 | 431,516 |
| Accumulated depreciation | (329,597) | (223,227) |
| Total Property and Equipment, net | $ 115,567 | $ 208,289 |

TRI-M COMMUNICATIONS, INC. dba
TMC COMMUNICATIONS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2000 AND 1999

## NOTE 5 OPERATING LEASES

The Company leases its facility under a triple net, non-cancelable operating lease expiring June 30, 2001. The lease agreement calls for a monthly base rent of $9,658 and additional common area charges associated with the cost of the office space. Total rental expense under the lease for the years ended December 2000 and 1999 is $154,433 and $145,500, respectively.

## NOTE 6 INCENTIVE STOCK OPTION PLAN

The 1997 Tandem Stock Option Plan (the Plan) provides for the granting of either incentive stock options or nonqualified stock options to purchase shares of the Company's stock to officers, directors and key employees responsible for the direction and management of the Company and to non-employee consultants and independent contractors. At December 31, 2000, options for 254,726 shares are available for future awards under the plan. 1,000 options were granted during 2000.

Information related to stock options during 2000 and 1999 is as follows:

| | Number of Shares | Option Price Per Share Average | Total |
|---|---|---|---|
| Shares under option at December 31, 2000 | 245,274 | $ 0.51 | $ 125,137 |
| Shares exercisable at December 31, 2000 | 207,795 | $ 0.50 | $ 103,898 |
| Shares under option at December 31, 1999 | 323,285 | $ 0.50 | $ 161,643 |
| Shares exercisable at December 31, 1999 | 187,835 | $ 0.50 | $ 93,917 |

The options generally become exercisable in one-third increments at the end of twelve, twenty-four and thirty-six months of consecutive employment with the Company, respectively.

TRI-M COMMUNICATIONS, INC. dba
TMC COMMUNICATIONS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2000 AND 1999

## NOTE 7 BUSINESS AND CREDIT CONCENTRATIONS

At December 31, 2000 and 1999, before adjustments for outstanding checks and deposits in transit, the Company has approximately $800,000 and $600,000, respectively, on deposit with a bank. At December 31, 2000 and 1999, the Company had balances in excess of the $100,000 insurance coverage provided by the Federal Depository Insurance Corporation ("FDIC") in the amount of approximately $700,000 and $500,000, respectively.

The Company currently buys all of its long distance service from two suppliers. Although there are a limited number of providers for these services, management believes that other suppliers could provide similar services on comparable terms. A change in suppliers, however, could cause a delay in service and a possible loss of sales, which would affect operating results adversely.

## NOTE 8 INCOME TAXES

The provision for income taxes consists of the following:

| | 2000 | 1999 |
|---|---|---|
| Current | $ 4,948 | $ 3,550 |
| Deferred | 6,100 | 0 |
| | $ 11,048 | $ 3,550 |

At December 31, 2000 and 1999, the Company has $1,353,293 and $1,792,200 in state operating loss carryforwards, expiring in 2005. At December 31, 2000, the Company has a deferred tax benefit of $22,000 and $28,100 for the tax effects of temporary differences in the reporting of income for financial statement and income tax reporting purposes, and arise principally from net operating loss carryovers, allowances for uncollectible accounts and depreciation. The tax benefit has been classified as long-term as the benefits primarily will be realized in future years. At December 31, 2000 and 1999 no valuation allowance was deemed necessary.

## NOTE 9 NOTE RECEIVABLE

The Company has a note receivable from one of their agents for advances made during the year. The agent is making principal payments of $1,500 per month on the note, which is non-interest bearing. The note is personally guaranteed by the president of the agent's company. At December 31, 2000 and 1999 the balance of the note is $22,900 and $40,900, respectively.

TRI-M COMMUNICATIONS, INC. dba
TMC COMMUNICATIONS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 9 NOTE RECEIVABLE - CONTINUED

The following is a schedule by years of future payments to be received:

| | | |
|---|---|---|
| Year ending December 31, | | |
| 2001 | $ | 18,000 |
| 2002 | | 4,900 |
| | | 22,900 |
| Less current portion | | (18,000) |
| | $ | 4,900 |

# H

# BASIC CALL COMPLETION NETWORK DIAGRAM