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ORIGINAL

28DR

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Our File No.: 4153600040

July 25, 2006

Arizona Corporation Commission
DOCKETED
JUL 26 2006
DOCKETED BY nr

Bingham McCutchen LLP
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3000 K Street NW
Washington, DC
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Docket Control
Arizona Corporation Commission
Utilities Division
1200 W. Washington Street
Phoenix, AZ 85007-2927

Re: Docket No. T-04310A-05-0127 – Application of ATX Licensing, Inc. for a Certificate of Convenience and Necessity to Provide Resold Long Distance Telecommunications Services in the State of Arizona

Dear Sir or Madam:

On behalf of ATX Licensing, Inc. ("ATX"), enclosed for filing are an original and thirteen (13) copies of ATX's response to Staff's Second Set of Data Requests in the above-referenced docket.

Please date-stamp the extra copy of this filing and return it in the envelope provided. Should you have any questions, please do not hesitate to contact me.

Respectfully submitted,

Brett P Ferenchak

Brett P. Ferenchak

Enclosure

cc: John F. Bostwick (AZ CC) (via email)

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DOCUMENT CONTROL

1

STAFF'S REVISED SECOND SET OF DATA REQUESTS TO
ATX LICENSING, INC.
DOCKET NO. T-04310A-05-0127
July 6, 2006

JFB2-1. Please submit a PDF file of your responses to this data request to jbostwick@cc.state.az.us .

Response: On July 25, 2006, Brett Ferenchak emailed John Bostwick an electronic copy of Applicant's Responses to Staff's Revised Second Set of Data Requests in PDF format.

Respondent: Brett P. Ferenchak
Bingham McCutchen LLP
3000 K Street, N.W., Suite 300
Washington, D.C. 20007-5116
Tel: (202) 373-6697
Fax: (202) 424-7647
Email: brett.ferenchak@bingham.com

2

JFB2-2. You have indicated that you want to provide resold long distance telecommunications services in Arizona. For each type of tariffed service, please answer the set of questions JFB2-3 through JFB2-7.

Response: Applicant has responded to questions JFB2-3 through JFB2-7 with respect to the resold long distance telecommunications services that Applicant is seeking authorization to provide.

Respondent: Brett P. Ferenchak
Bingham McCutchen LLP
3000 K Street, N.W., Suite 300
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Email: brett.ferenchak@bingham.com

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STAFF'S REVISED SECOND SET OF DATA REQUESTS TO
ATX LICENSING, INC.
DOCKET NO. T-04310A-05-0127
July 6, 2006

JFB2-3. Please explain how your company calculated the actual maximum and actual minimum rates that will be contained in your tariffs for each of your services.

Response: As explained in Applicant's response to AL1-1 in Staff's 1st Set of Data Requests, the ATX tariff provides the current rate, and maximum rate for each element. The current rate is a standard charge ATX uses across most states where ATX provides the services addressed, and it is calculated based on average cost of goods sold and the generally accepted market rates for the service. The maximum rate was figured as a function of other carrier's maximum rates, but are generally lower or equivalent to those found in other tariffs. While ATX has no knowledge of actual future costs to provide service or upward market trends, the maximum rate is a rate that ATX believes should encompass changes in these factors in the future.

Respondent: Bruce Bennett
Vice President for External Affairs
ATX Licensing, Inc.
23489 Chesapeake Drive
Kildeer, Illinois 60047

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STAFF'S REVISED SECOND SET OF DATA REQUESTS TO
ATX LICENSING, INC.
DOCKET NO. T-04310A-05-0127
July 6, 2006

JFB2-4. **Please indicate why you believe that your range of rates is just and reasonable using a competitive market analysis. Your analysis should contain publicly available examples of tariff rates and charges charged by the incumbent and other carriers for similar services. Include and any other information that you believe demonstrates that your actual or proposed tariff rates and charges are just and reasonable. For a list of telecommunications carriers certificated in Arizona, go to www.cc.state.az.us/utility/utility. For a list of telecommunications carriers' tariff rates and charges, go to www.cc.state.az.us/utility/tariffs. Provide actual tariff pages or use a matrix format to show your actual or proposed tariff rates and charges. Then show each competitor's tariff rates and charges for comparable telecommunications services and/or calling plans. At a minimum, show tariff information of Qwest and three other competitors in Arizona. The material you provide should enable Staff to determine whether the tariff rates and charges of the Applicant are just and reasonable compared to other competitors offering the same or similar telecommunications services in Arizona. Provide all source documentation.**

Response: As provided in ATX's response to AL1-2 of Staff's 1st Set of Data Requests and supplemented herein, interexchange telecommunications rates set forth by ATX in the proposed tariff fall well below, or within reasonable range of competitors rates. The information below was collected from competitor tariffs as listed on the Arizona Commission web page. Documentation for the rates of ATX's competitors are attached hereto.

Company	Product	Rate
ATX Licensing Inc.	***Long Distance – 1 Year term – Current***	***$0.0690***
ATX Licensing Inc.	***Long Distance – 1 Year term – Maximum***	***$0.1000***
Qwest Communications Corp.	Lead Flat Plan with $5.95 Monthly Rate	$0.1000
Qwest Communications Corp.	Qwest Membership Plan with $29.95 Annual Rate	$0.1000
ALLTEL Communications Inc.	Business Long Distance –1 Year Term	$0.1000
Covista Inc.	Long Distance – "1+ Dialing"	$0.1490
ICG Telecom Group Inc.	Long Distance	$0.146
Paetec Communications, Inc.	Commercial Switched Outbound (1+)	$0.199
ATX Licensing Inc.	***Toll Free Number Fee***	***$4.00***
Qwest Communications Corp.	Toll Free Number Fee (business, month to month)	$5.00
ALLTEL Communications Inc.	Business Toll Free Number Fee	$5.00
Covista Inc.	Toll Free Number Fee	$20.00

STAFF'S REVISED SECOND SET OF DATA REQUESTS TO
ATX LICENSING, INC.
DOCKET NO. T-04310A-05-0127

Company	Product	Rate
ATX Licensing Inc.	***Travel Card Per Minute Rate – Current***	***$0.26***
ATX Licensing Inc.	***Travel Card Per Minute Rate – Maximum***	***$0.50***
Qwest Communications Corp.	Q.Biz worldcard	$0.30
Covista Inc.	Calling Card Per Minute Rate	$0.25
Globalcom	Travel Card Per Minute (Rate Plans 1-2)	$0.25
ICG Telecom Group Inc.	Calling Card Per Minute Rate	$0.276
ATX Licensing Inc.	***Local Directory Assistance – per local call – Current***	***$0.57***
ATX Licensing Inc.	***Local Directory Assistance – per local call – Maximum***	***$0.95***
ATX Licensing Inc.	***National Directory Assistance – per local call – Current***	***$0.95***
ATX Licensing Inc.	***National Directory Assistance – per local call – Maximum***	***$1.45***
ATX Licensing Inc.	***National Directory Assistance – per LD/8XX call - Current***	***$1.48***
ATX Licensing Inc.	***National Directory Assistance – per LD/8XX call - Maximum***	***$1.98***
Qwest Communications Corp.	Directory Assistance	$1.99
Globalcom	Directory Assistance	$1.50-$0.35
ICG Telecom Group Inc.	Directory Assistance	$0.60
PaeTec Communications, Inc.	Directory Assistance	$0.75
ATX Licensing Inc.	***Account Codes – Monthly***	***$5.00***
ATX Licensing Inc.	***Account Codes – NRC***	***$15.00***
Qwest Communications Corp.	Project Accounting Codes, per 8XX number (NRC & Monthly)	$15.00
Winstar Communications	Access Codes – Unverified (NRC & Monthly)	$15.00
XO Communications	Access Codes – Monthly	$10.00
XO Communications	Access Code – NRC	$25.00
ATX Licensing Inc.	***Payphone Surcharge – Current***	***$0.65***
ATX Licensing Inc.	***Payphone Surcharge – Maximum***	***$0.85***
Qwest Communications Corp.	Payphone Surcharge	$0.30
Globalcom	Payphone Surcharge	$0.30
ICG Telecom Group, Inc.	Payphone Surcharge	$0.30
PaeTec Communications, Inc.	Payphone Surcharge	$0.29

STAFF'S REVISED SECOND SET OF DATA REQUESTS TO
ATX LICENSING, INC.
DOCKET NO. T-04310A-05-0127

Respondent: Bruce Bennett
Vice President for External Affairs
ATX Licensing, Inc.
23489 Chesapeake Drive
Kildeer, Illinois 60047

LONG DISTANCE RATES

3. CONSUMER LONG DISTANCE SERVICE OFFERINGS

3.2 CALLING PLANS (Cont'd)

3.2.6 LEAD FLAT

A. Terms and Conditions

Refer to 3.2.6 of the Arizona Tariff No. 2 for terms, conditions, and application of rates and charges.

B. Rates and Charges

The per minute usage rates are as follows:

	INTERLATA RATE	INTRALATA RATE
• All Time Periods - Per Minute	$0.10	$0.10

	MONTHLY RATE
• Monthly Fee - Per Line[1]	$5.95

APPROVED FOR FILING
DECISION #: 66612

[1] Monthly recurring rate is applied once for each line with this plan, whether the customer has the interstate and/or intrastate plan.

3. CONSUMER LONG DISTANCE SERVICE OFFERINGS

3.2 CALLING PLANS (Cont'd)

3.2.11 QWEST MEMBERSHIP PLAN

A. Terms and Conditions

Refer to 3.2.11 of the Arizona Tariff No. 2 for terms, conditions, and application of rates and charges.

B. Rates and Charges

The per minute usage rates are as follows:

	INTERLATA RATE	INTRALATA RATE
• All Time Periods - Per Minute	$0.10	$0.10

	ANNUAL RATE
• Annual Fee - Per Line[1]	$29.95

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DECISION #: 66612

[1] Monthly recurring rate is applied once for each line with this plan, whether the customer has the interstate and/or intrastate plan.

1. Effective Rate Schedule (Cont'd)

1.2 Specialized Services, Rates and Regulations

1.2.1 Business Circle Plan 1 Rates Per Minute

Month to Month Time Commitment:

Usage Per Month	1Plus/Outgoing	1-8XX/Incoming	Calling Card
$0 - $99	$0.160	$0.135	$0.250
$100 - $499	$0.155	$0.130	$0.250
$500 - $2,499	$0.150	$0.125	$0.250
$2,500 +	$0.145	$0.120	$0.250

Six (6) Month Time Commitment:

Usage Per Month	1Plus/Outgoing	1-8XX/Incoming	Calling Card
$100 - $499	$0.140	$0.120	$0.250
$500 - $2,499	$0.140	$0.115	$0.250
$2,500 +	$0.140	$0.110	$0.250

Eighteen (18) Month Time Commitment:

Usage Per Month	1Plus/Outgoing	1-8XX/Incoming	Calling Card
$100 - $499	$0.130	$0.110	$0.200
$500 - $2,499	$0.130	$0.105	$0.200
$2,500 +	$0.130	$0.100	$0.200

A $5.00 monthly fee will be added for each 8XX number.

All 1+ and 1-8XX calls are billed in six (6) second increments with a thirty (30) second minimum. All calling card calls are billed in 60-second increments with a 60-second minimum.

These rates are only available to existing customers at existing locations. (N)

1.2.1.1 The following rates are available to business customers of intrastate LDMTS. (N)
Customers may select a month-to-month plan or a 12-month plan. The per minute rates listed below are applicable at all times for calls made within the State of Arizona where technically available.

Business Circle Plan 2 - Switched Rates

Time Commitments	1+ Outgoing Rate Per Minute	1-8XX Incoming Rate Per Minute	Calling Card Rate Per Minute
Month to Month	$0.105	$0.080	$0.25
12 Months	$0.100	$0.075	$0.20

All 1+ and 1-8XX calls are billed in 6-second increments with an 18-second minimum. All calling card calls are billed in 6-second increments with a 60-second minimum.

A $5.00 monthly fee will be added for each 8XX number. (N)

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SECTION 4 - RATES

4.1 1+ Dialing

$0.149 per minute

4.2 Travel Cards

$0.25 per minute

A per call charge of $.35 will apply for calls originated from a pay phone.

4.3 800 Service (Toll Free)

$0.154 per minute

A monthly service charge of $20 will apply per number. In addition, a per call charge of $.35 will apply for calls originated from a pay phone.

4.4 Prepaid Calling Cards

Prepaid Calling Cards are available in various Telecom Unit denominations starting at $5, in $5 increments. Prepaid Calling Cards may be recharged in $1 increments (min. $5). Prices are inclusive of all taxes.

Price Per Telecom Unit

$.30

Cards will be decremented by one Telecom Unit for each minute or fractional part of a minute for intrastate calls. These rates apply twenty-four hours per day, seven days per week.

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SECTION 3 - SERVICE DESCRIPTIONS AND RATES (CONT'D)

3.6 Outbound/Inbound Long Distance Service

The Company's Outbound/Inbound Long Distance Service is a combined " 1+" direct dial and inbound toll-free number (e.g., 800,888) service available for Customer use twenty-four (24) hours a day, seven (7) days a week. Inbound toll-free calls may originate from any exchange in Arizona and terminate to the Customer's location at no charge to the calling party. Customers access the Company's network through Switched Access Origination/Termination.

Outbound/Inbound Long Distance Service offers Customers a single rate for intrastate service regardless of time of day or distance. Calls are billed in six (6) second increments after a minimum initial period of six (6) seconds. Each call is rounded up to the nearest one-tenth of a minute after the first minute. (R)

		Actual	Maximum
A)	Non-Recurring Charges:	$0.000	$0.000
B)	Monthly Recurring Charges:	$0.000	$0.000
C)	Per Call Charges:	See Section 3.5	
D)	Per Minute Charges:	$0.146	$0.183

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SECTION 4 - RATE SCHEDULE

Unless otherwise specified, the following rates are per minute of use as timed by Carrier in seconds.

4.1 Commercial Switched Outbound (1+)

Billing Minimum: Six Seconds
Milling Increments: Six Seconds

Maximum Rate:	$0.300	
Current Rate:	$0.199	(R)

4.2 Commercial Switched 800/888/877 Inbound

Billing Minimum: Thirty Seconds
Billing Increments: Six Seconds

Maximum Rate:	$0.300	(R)
Current Rate:	$0.199	
MRC:	$ 4.95	(N)

4.3 Commercial Dedicated Outbound

Billing Minimum: Six Seconds
Billing Increments: Six Seconds

Maximum Rate:	$0.200
Actual Rate:	$0.139

4.4 Commercial Dedicated 800/888/877 Inbound

Billing Minimum: Thirty Seconds
Billing Increments: Six Seconds

Maximum Rate:	$0.200
Actual Rate:	$0.139

ADMINISTRATIVELY
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TOLL FREE NUMBER FEES

4. Business Complex Service Offerings

4.2 *QWEST TOTAL ADVANTAGE*

B.4. (Cont'd)

b. Charge for Each Toll-Free Number

	MONTHLY RATE
• Month-to-Month	$5.00
• 1-Year term	5.00
• 2-Year term	2.50
• 3-Year term	1.00

5. *QWEST FRAME RELAY SERVICE*

a. Rates

PORT INCREMENT IN KBPS	MONTHLY RECURRING CHARGE/PORT	INSTALL CHARGE/PORT	CHANGE CHARGE/PORT
64	$ 260.00	$ 25.00	$ 25.00
128	490.00	25.00	25.00
192	570.00	25.00	25.00
256	655.00	25.00	25.00
320	765.00	25.00	25.00
384	905.00	25.00	25.00
448	985.00	25.00	25.00
512	1,085.00	25.00	25.00
576	1,185.00	25.00	25.00
640	1,240.00	25.00	25.00
704	1,280.00	25.00	25.00
768	1,340.00	25.00	25.00
832	1,455.00	25.00	25.00
896	1,565.00	25.00	25.00
960	1,635.00	25.00	25.00
1,024	1,700.00	25.00	25.00
1,088	1,765.00	25.00	25.00
1,152	1,835.00	25.00	25.00
1,216	1,900.00	25.00	25.00
1,280	1,955.00	25.00	25.00
1,344	2,020.00	25.00	25.00
1,408	2,090.00	25.00	25.00
1,472	2,155.00	25.00	25.00
1,536	2,205.00	50.00	50.00
45,000	8,700.00	100.00	100.00

APPROVED FOR FILING
DECISION # 66612

1. Effective Rate Schedule (Cont'd)

1.2 Specialized Services, Rates and Regulations (Cont'd)

1.2.6 The following rates are available to business customers of intrastate LDMTS. Customers may select a month-to-month plan or a 12-month plan. The per minute rates listed below are applicable at all times for calls made within the State of Arizona where technically available. (N)

1.2.6.A Switched Rates

Time Commitments	1+ Outgoing Rate Per Minute	1-8XX Incoming Rate Per Minute	Calling Card Rate Per Minute
Month to Month	$0.105	$0.105	$0.25
12 Months	$0.100	$0.100	$0.20

All 1+ and 1-8XX calls are billed in 6-second increments with an 18-second minimum. All calling card calls are billed in 6-second increments with a 60-second minimum.

A $5.00 monthly fee will be added for each 8XX number. (N)

ADMINISTRATIVELY
APPROVED FOR FILING

SECTION 4 - RATES

4.1 1+ Dialing

$0.149 per minute

4.2 Travel Cards

$0.25 per minute

A per call charge of $.35 will apply for calls originated from a pay phone.

4.3 800 Service (Toll Free)

$0.154 per minute

A monthly service charge of $20 will apply per number. In addition, a per call charge of $.35 will apply for calls originated from a pay phone.

4.4 Prepaid Calling Cards

Prepaid Calling Cards are available in various Telecom Unit denominations starting at $5, in $5 increments. Prepaid Calling Cards may be recharged in $1 increments (min. $5). Prices are inclusive of all taxes.

Price Per Telecom Unit

$.30

Cards will be decremented by one Telecom Unit for each minute or fractional part of a minute for intrastate calls. These rates apply twenty-four hours per day, seven days per week.

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TRAVEL CARD RATES

6. OPERATOR SERVICES

ORIGINAL

6.4 CALLING CARD SERVICE OFFERINGS

6.4.1 *worldcard*

B. Rates and Charges (Cont'd)

6. *Q.BIZ worldcard*

	INTERLATA PER MINUTE RATE	INTRALATA PER MINUTE RATE
• Month-to-Month	$0.3000	$0.3000
• 1-Year	0.3000	0.3000
• 2-Year	0.3000	0.3000
• 3-Year	0.3000	0.3000

	CHARGE
• Per call surcharge	–
• Operator surcharge[1]	

[1] In addition, an Operator Services surcharge will apply, if appropriate, as specified in 6.2.6.

APPROVED FOR FILING

DECISION #: 66612

SECTION 4 - RATES

4.1 1+ Dialing

$0.149 per minute

4.2 Travel Cards

$0.25 per minute

A per call charge of $.35 will apply for calls originated from a pay phone.

4.3 800 Service (Toll Free)

$0.154 per minute

A monthly service charge of $20 will apply per number. In addition, a per call charge of $.35 will apply for calls originated from a pay phone.

4.4 Prepaid Calling Cards

Prepaid Calling Cards are available in various Telecom Unit denominations starting at $5, in $5 increments. Prepaid Calling Cards may be recharged in $1 increments (min. $5). Prices are inclusive of all taxes.

Price Per Telecom Unit

$.30

Cards will be decremented by one Telecom Unit for each minute or fractional part of a minute for intrastate calls. These rates apply twenty-four hours per day, seven days per week.

ADMINISTRATIVELY APPROVED FOR FILING

SECTION 5 • CURRENT RATES, (CONT'D.)

5.4 Travel Card

Per Minute Rate:

Rate Plans 1-2	$0.25
Rate Plans 3-4	$0.20
Rate Plans 5-8	$0.15

5.5 Authorization Codes

Service Establishment Charge (per 50 Authorization Codes)	$25.00
Monthly recurring charge	$10.00

5.6 Directory Assistance

Directory Assistance, Per Call:

Rate Plan 1	$1.50
Rate Plan 2	$0.95
Rate Plan 3	$0.75
Rate Plan 4	$0.65
Rate Plan 5	$0.55
Rate Plan 6	$0.45
Rate Plan 7	$0.40
Rate Plan 8	$0.35

5.7 Public Telephone Surcharge

Per Call	$ 0.30

APPROVED FOR FILING
DECISION #: 63189

SECTION 3 - SERVICE DESCRIPTIONS AND RATES (CONT'D)

ORIGINAL

3.7 Postpaid Calling Card Services

ICG's Calling Card Service is offered to all ICG local exchange and long distance customers or as a standalone service. Service is offered twenty-four (24) hours a day, seven (7) days a week to all valid terminating locations. Intrastate service is sold as an add-on to interstate service. Access to ICG's Calling Card service is via a toll **free** number. The Customer must input a valid Authorization Code in addition to the destination number with area code.

Charge per minute	**$0.276** per minute (within continental US)

Calling card calls are billed in six (6) second increments with a thirty (30) second call minimum. After the initial 30 second minimum, each fractional call is rounded up to the nearest one-tenth of a minute. Fractional cents will be rounded to the nearest cent.

Usage of the calling card affirms that the customer **agrees** to the terms and conditions set forth by this tariff and any supporting material sent to the Customer together with the Calling Card.

APPROVED FOR FILING
DECISION #: 61220

DIRECTORY ASSISTANCE RATES

6. OPERATOR SERVICES

6.3 DIRECTORY ASSISTANCE SERVICE

A. Terms and Conditions

Refer to 6.3 of the Arizona Tariff No. 2 for terms, conditions, and application of rates and charges.

B. Rates and Charges

	CHARGE
• Direct dialed call by customer	
- Each call	$1.99

APPROVED FOR FILING
DECISION #: 66612

SECTION 5 - CURRENT RATES, (CONT'D.)

5.4 Travel Card

Per Minute Rate:

Rate Plans 1-2	$0.25
Rate Plans 3-4	$0.20
Rate Plans 5-8	$0.15

5.5 Authorization Codes

Service Establishment Charge (per 50 Authorization Codes)	$25.00
Monthly recurring charge	$10.00

5.6 Directory Assistance

Directory Assistance, Per Call:

Rate Plan 1	$1.50
Rate Plan 2	$0.95
Rate Plan 3	$0.75
Rate Plan 4	$0.65
Rate Plan 5	$0.55
Rate Plan 6	$0.45
Rate Plan 7	$0.40
Rate Plan 8	$0.35

5.7 Public Telephone Surcharge

Per Call	$ 0.30

APPROVED FOR FILING
DECISION #: 63189

SECTION 4 - SUPPLEMENTAL SERVICES (CONT'D) ORIGINAL

4.2 Directory Assistance

Long Distance Directory Assistance for intraLATA and interLATA numbers is available to Customers of the Company's Outbound/Inbound Long Distance Services. A Directory Assistance charge applies to each call to the Directory Assistance Bureau. Up to two requests may be made on each call to Directory Assistance. The Directory Assistance charge applies to each call regardless of whether the Directory Assistance Bureau is able to furnish the requested telephone number. Customers must dial "1" plus an area code followed by "555-1212" to reach the Company's Long Distance Directory Assistance Bureau.

	Actual	Maximum
Directory Assistance Charge, Per Call	$0.600	$0.900

APPROVED FOR FILING
DECISION #: 61220

SECTION 4 - RATE SCHEDULE (Cont'd)

4.5 Residential Switched Outbound (1+)

Billing Minimum: One Minute
Billing Increments: One Minute

Maximum Rate: $0.300 (R)
Actual Rate: $0.199

4.6 Residential Switched 800/888/877 Inbound

Billing Minimum: One Minute
Billing Increments: One Minute

Maximum Rate: $0.300
Actual Rate: $0.199 (R)
MRC: $2.95 (N)

4.7 800/888/877 Travel Card Service

Commercial Billing

Billing Minimum: Thirty Seconds
Billing Increment: Six Seconds

Maximum Rate: $0.250
Actual Rate: $0.170

Residential Billing

Billing Minimum: One Minute
Billing Increment: One Minute
Maximum Rate: $0.250 (I)
Actual Rate: $0.200

4.8 Directory Assistance

Maximum Rate: $1.15 per request (I)
Actual Rate: $0.75 per request

ADMINISTRATIVELY
APPROVED FOR FILING

Issued by: Richard E. Ottalagana, Executive Vice President
PaeTec Communications, Inc.
One PaeTec Plaza, 600 Willowbrook Office Park (T)
Fairport, New York 14450

ACCOUNT CODES RATES

4. BUSINESS COMPLEX SERVICE OFFERINGS

4.4 *QWEST* LONG DISTANCE ADVANTAGE

B.2.a. (Cont'd)

FEATURE	INSTALLATION/ NONRECURRING CHARGE	MONTHLY RATE	CHANGE CHARGE	SURCHARGE
Menu Routing, per 8XX number,	$250.00	$25.00	$100.00	–
per call	–	–	–	$0.05
Percent Allocation Routing, per 8XX number	50.00	50.00	50.00	–
Project Accounting Codes, per 8XX number	15.00	15.00	15.00	–
Tailored Call Coverage, per 8XX number	50.00	–	50.00	–
Time of Day Routing, per 8XX number	50.00	50.00	50.00	–
Toll-Free Directory Assistance, per 8XX number	35.00	3.00	35.00	–
Expedite	100.00	–	100.00	–

b. Charge for Each Toll-Free Number

The first Toll-Free Number has no monthly rate.

	MONTHLY RATE
• Month-to-Month	$5.00
• 1-Year term	5.00

APPROVED FOR FILING

DECISION #: 66612

ORIGINAL

MESSAGE TOLL SERVICE (CONT'D)

9.2 Rates

Rates set forth below are for all direct dialed Message Toll Service (MTS) calls. Rates for Operator-assisted calls are set forth in Section 12.

MTS calls are billed in an initial 18 second and additional six second increments, with a minimum of 18 seconds per call.

Company requires Customer to bill a minimum of $100.00 per month in long distance charges beginning with the third invoice. Company will charge Customer the difference if this minimum is not met.

Plan A – the following rates are available to Customers that subscribe to service before January 9, 2003. (C)

9.2.1 Switched Long Distance Rates

Month-to-Month	1 Year Commitment	2 Year Commitment
$ 0.127	$ 0.110	$0.110

9.2.2 Dedicated Long Distance Rates

Month-to-Month	1 Year Commitment	2 Year Commitment
N/A	$ 0.076	$ 0.076

9.2.3 Long Distance Feature Charges

Outbound Features	Non Recurring Set-Up	Monthly	Non Recurring Charge
Account Codes Verified	$ 0.00	$ 0.00	$ 0.00
Account Codes Non-Verified	$ 15.00	$ 15.00	$ 0.00

APPROVED FOR
ADMINISTRATIVELY

SECTION 5 – CURRENT RATES AND CHARGES

The following sections will apply to customers who are served by a Central Office where the former XO Arizona, Inc. has facilities and to existing Customers of XO Communications Services, Inc. as of February 7, 2005.

Category One - Sections 5.1 thru 5.6

5.1 Gold and Platinum

Platinum Rate	$0.090

Effective June 21, 2003, for new service orders only, the Platinum Rate listed above will be replaced with the new rate below.

Platinum Rate	$0.086
Gold Rate	$0.140
Payphone Surcharge	$0.30
Calling Card	$0.20 per MOU

Operator Assistance

Direct Connect/Station to Station	$1.05
Direct Connect/Person to Person	$4.95

	Automated	**Live Operator**
Credit Card/Calling Card	$1.00	$2.00
Third Number Billed	$2.25	$2.25
Collect Calling	$2.00	$3.00
Person to Person	$3.00	$3.00
Station to Station	$1.80	$1.80

Optional Features

	MRC	**NRC**
Verified Account Codes, 1-100	$10.00	$25.00
Verified Account Codes, per 100 after 1st 100	$10.00	$25.00
Changes to Verified Account Codes, per change	N/A	$30.00

ADMINISTRATIVELY
APPROVED FOR FILING

PAYPHONE SURCHARGE RATES

6. OPERATOR SERVICES

6.1 GENERAL

6.1.4 MISCELLANEOUS OPERATOR SERVICES CHARGES

Refer to 6.1.4 of the Arizona Tariff No. 2 for terms, conditions, and application of rates and charges.

	CHARGE
A. Non-Subscriber Surcharge	
1. Rates and Charges	
• Non-Subscriber Surcharge	$3.50
B. Payphone Surcharge	
1. Rates and Charges	
• Payphone Surcharge	
- Residence (calls to Consumer Calling Card or Home 800)	0.25
- Business (calls to *worldcard* or Toll Free service)	0.30
- All Others	0.30

APPROVED FOR FILING
DECISION #: 66612

SECTION 5 - CURRENT RATES, (CONT'D.)

5.4 Travel Card

Per Minute Rate:

Rate Plans 1-2	$0.25
Rate Plans 3-4	$0.20
Rate Plans 5-8	$0.15

5.5 Authorization Codes

Service Establishment Charge (per 50 Authorization Codes)	$25.00
Monthly recurring charge	$10.00

5.6 Directory Assistance

Directory Assistance, Per Call:

Rate Plan 1	$1.50
Rate Plan 2	$0.95
Rate Plan 3	$0.75
Rate Plan 4	$0.65
Rate Plan 5	$0.55
Rate Plan 6	$0.45
Rate Plan 7	$0.40
Rate Plan 8	$0.35

5.7 Public Telephone Surcharge

Per Call	$ 0.30

APPROVED FOR FILING
DECISION #: 63189

SECTION 3 • SERVICE DESCRIPTIONS AND RATES (CONT'D)

ORIGINAL

3.5 Public Telephone Surcharge

In order to recover the Company's expenses to comply with the FCC's pay telephone compensation plan effective on October 7, 1997 (FCC 97-371), an undiscountable per call charge is applicable to all interstate, intrastate, and international calls that originate from any domestic pay telephone used to access Company services. This surcharge, which is in addition to standard tariffed usage charges and any applicable service charges and surcharges associated with service, applies for the use of the instrument used to access Company service and is unrelated to the Company service accessed from the pay telephone.

Pay telephones include coin-operated and coinless phones owned by local telephone companies, independent companies and other interexchange carriers. The Public Pay Telephone Surcharge applies to the initial completed call and any reoriginated call (i.e., using the # symbol).

Whenever possible, the Public Pay Telephone Surcharge will appear on the same invoice containing the usage charges for the surcharged call. In cases where proper pay telephone coding digits are not transmitted to the Company prior to completion of a call, the Public Pay Telephone Surcharge may be billed on a subsequent invoice after the Company has obtained information from a carrier that the originating station is an eligible pay telephone.

The Public Pay Telephone Surcharge does not apply to calls placed from pay telephones at which the Customer pays for service by inserting coins during the progress of the call.

	Actual	Maximum
Per Call Charge:	$0.300	$0.450

APPROVED FOR FILING
DECISION #: 61220

SECTION 4 - RATE SCHEDULE (Cont'd)

4.10 Public Pay Telephone Surcharge (Cont'd)

Whenever possible, the Public Pay Telephone Surcharge will appear on the same invoice containing the usage charges for the surcharged call. In cases where proper pay telephone coding digits are not transmitted to the Company prior to completion of a call, the Public Pay Telephone Surcharge may be billed on a subsequent invoice after the Company has obtained information from a carrier that the originating station is an eligible pay telephone.

The Public Pay Telephone Surcharge does not apply to calls placed from pay telephones at which the Customer pays for service by inserting coins during the progress of the call.

Per Call Charge: $0.29 (R)

Issued by: Richard E. Ottalagana, Executive Vice President
PaeTec Communications, Inc.
One PaeTec Plaza, 600 Willowbrook Office Park (T)
Fairport, New York 14450

ADMINISTRATIVELY
APPROVED FOR FILING

5

STAFF'S REVISED SECOND SET OF DATA REQUESTS TO
ATX LICENSING, INC.
DOCKET NO. T-04310A-05-0127
July 6, 2006

JFB2-5. Please indicate why you believe that your range of rates is just and reasonable using a fair value or cost basis. Please include economic justification or cost support data. Please include any supporting materials.

Response: As stated in ATX's response to AL1-3 of Staff's 1st Set of Data Requests, interexchange telecommunications rates are primarily market driven. If a consumer is offered better rates by another carrier, it is easy for the consumer to switch carriers. Therefore ATX's charges must be competitive with the going market rates for the services offered. As you can see in the response to JFB2-4, ATX's rates fall well within ranges tariffed by our competition.

Respondent: Bruce Bennett
Vice President for External Affairs
ATX Licensing, Inc.
23489 Chesapeake Drive
Kildeer, Illinois 60047

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STAFF'S REVISED SECOND SET OF DATA REQUESTS TO
ATX LICENSING, INC.
DOCKET NO. T-04310A-05-0127
July 6, 2006

JFB2-6. Please identify other states/jurisdictions in which your company or an affiliate provides resold long distance telecommunications services. Please specify, in a matrix format, the tariff rates and charges that your company and/or affiliate charges for long distance telecommunications services in these other jurisdictions. If there is a difference between the tariff rates and charges that your company will charge in Arizona and the tariff rates and charges that your company and/or affiliate charges in other jurisdictions for long distance telecommunications services: please identify and indicate the amount of the difference and explain why you are charging different tariff rates and charges in Arizona. The material you provide should enable Staff to determine whether these tariff rates and charges are identical or comparable to the tariff rates and charges charged in other jurisdictions. Provide all source documentation.

Response: Below is a summary of the charges for long distance service in Arizona and five other jurisdictions. The charges are uniform except that Alabama has a slightly lower payphone surcharge. Documentation of the rates in other states is attached hereto.

PRODUCT	AZ	IN	KS	NE	MS	AL
Long Distance 1 Year term Current	$0.0690	$0.0690	$0.0690	$0.0690	$0.0690	$0.0690
Toll Free Number Fee	$4.00	$4.00	$4.00	$4.00	$4.00	$4.00
Travel Card Per Minute Rate	$0.26	$0.26	$0.26	$0.26	$0.26	$0.26
Local Directory Assistance per local call	$0.57	$0.57	$0.57	$0.57	$0.57	$0.57
National Directory Assistance per local call	$0.95	$0.95	$0.95	$0.95	$0.95	N/A
National Directory Assistance per LD/8XX call	$1.48	$1.48	$1.48	$1.48	$1.48	N/A
Account Codes	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00
Payphone Surcharge	$0.65	$0.65	$0.65	$0.65	$0.65	$0.62

Respondent: Bruce Bennett
Vice President for External Affairs
ATX Licensing, Inc.
23489 Chesapeake Drive
Kildeer, Illinois 60047

ALABAMA RATES

SECTION 4 -RATES (Cont'd)

4.2 Usage Charges: Inbound/Outbound Domestic WATS – Dedicated

Uniform Rate Period: All calls, placed at any time, will be billed at the following uniform rate:

Term	Rate
1 Year	$0.0690
2 Year	$0.0625
3 Year	$0.0590
Canadian Origination	$0.1500

- 30 second minimum/6 second increment billing
- Minimum 1 year term plan.
- Each toll free number will be billed $4.00 per month.

4.3 Usage Charges: Inbound/Outbound Domestic WATS – Switched

Term	Rate
1 Year	$0.0690
2 Year	$0.0625
3 Year	$0.0590
Canadian Origination	$0.1500

- 30 second minimum/6 second increment billing
- Minimum 1 year term plan.
- Each toll free number will be billed $4.00 per month.

Bruce Bennett, Vice President - External Affairs
ATX Licensing, Inc.
2100 Renaissance Boulevard
King of Prussia, PA 19406

4.4 Usage Charges: Domestic Corporate Travel Service

Standard Rate: $0.26 per minute

- Calls to Canadian and International Destinations: $0.75 surcharge per call
- Standard travel pricing applies to all other call card calls
- Full Minute Billing

Bruce Bennett, Vice President - External Affairs
ATX Licensing, Inc.
2100 Renaissance Boulevard
King of Prussia, PA 19406

SECTION 4 -RATES (Cont'd)

4.5 Usage Charges: Directory Assistance

Uniform Rate Period: All IntraLATA, Intrastate Directory Assistance calls, placed at any time, will be billed at the following uniform rate::

Rate Element	Cost per Call
Local Directory Assistance - per local call	$0.57

4.6 Account Codes

- Verifiable Account Codes
  - Codes are available for both Dedicated and Switched Long Distance customers.
  - They are available in lengths of 2-12 digits on-switch, and 2-5 digits off-net.
  - A customer will be charged a $5.00 fee per account/per month and a one-time installation fee of $15.00.
- Non-Verifiable Account Codes
  - Codes are available for both Dedicated and Switched Long Distance customers.
  - They are available in lengths of 2-12 digits on-switch, and 2-5 digits off-net.
  - A customer will be charged a $5.00 fee per account/per month and a one-time installation fee of $15.00.

Bruce Bennett, Vice President - External Affairs
ATX Licensing, Inc.
2100 Renaissance Boulevard
King of Prussia, PA 19406

SECTION 6- **PAYPHONE SURCHARGE**

6.1 PAYPHONE SURCHARGE

The Payphone Surcharge shall apply to each coinless call placed by a Customer that is identified by the Company as placed from a domestic payphone by the Customer or its permitted users. This charge is for the use of the payphone instrument to access the Company's services.

Additionally, a per call surcharge shall apply to all calls to the Customer's 800/877/888 number that originate from a payphone.

Payphone Use Charge: $0.62 per call

Bruce Bennett, Vice President - External Affairs
ATX Licensing, Inc.
2100 Renaissance Boulevard
King of Prussia, PA 19406

INDIANA RATES

SECTION 4 -RATES (Con'd)

4.2 Usage Charges: Inbound/Outbound Domestic WATS – Dedicated

Uniform Rate Period: All calls, placed at any time, will be billed at the following uniform rate:

Term	Rate
1 Year	$0.0690
2 Year	$0.0625
3 Year	$0.0590
Canadian Origination	$0.1500

- 30 second minimum/6 second increment billing
- Minimum 1 year term plan.
- PICC – The monthly recurring charge from the underlying carrier will be passed along as a $3.20 per month charge.
- Each toll free number will be billed $4.00 per month.

4.3 Usage Charges: Inbound/Outbound Domestic WATS – Switched

Term	Rate
1 Year	$0.0690
2 Year	$0.0625
3 Year	$0.0590
Canadian Origination	$0.1500

- 30 second minimum/6 second increment billing
- Minimum 1 year term plan.
- PICC – The monthly recurring charge from the underlying carrier will be passed along as a $3.20 per month charge.
- Each toll free number will be billed $4.00 per month.

Bruce Bennett, Vice President - External Affairs
ATX Licensing, Inc.
2100 Renaissance Boulevard
King of Prussia, PA 19406

4.4 Usage Charges: Domestic Corporate Travel Service

Standard Rate: $0.26 per minute

- Calls to Canadian and International Destinations: $0.75 surcharge per call
- Standard travel pricing applies to all other call card calls
- Full Minute Billing

Bruce Bennett, Vice President - External Affairs
ATX Licensing, Inc.
2100 Renaissance Boulevard
King of Prussia, PA 19406

SECTION 4 -RATES (Con'd)

4.5 Usage Charges: Directory Assistance

Uniform Rate Period: All IntraLATA, Intrastate Directory Assistance calls, placed at any time, will be billed at the following uniform rate::

Rate Element	Cost per Call
Local Directory Assistance - per local call	$0.57
National Directory Assistance - per local call	$0.95
National Directory Assistance - per LD/8XX call	$1.48

4.6 Account Codes

- Verifiable Account Codes
  - Codes are available for both Dedicated and Switched Long Distance customers.
  - They are available in lengths of 2-12 digits on-switch, and 2-5 digits off-net.
  - A customer will be charged a $5.00 fee per account/per month and a one-time installation fee of $15.00.
- Non-Verifiable Account Codes
  - Codes are available for both Dedicated and Switched Long Distance customers.
  - They are available in lengths of 2-12 digits on-switch, and 2-5 digits off-net.
  - A customer will be charged a $5.00 fee per account/per month and a one-time installation fee of $15.00.

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SECTION 6- **PAYPHONE SURCHARGE**

6.1 PAYPHONE SURCHARGE

The Payphone Surcharge shall apply to each coinless call placed by a Customer that is identified by the Company as placed from a domestic payphone by the Customer or its permitted users. This charge is for the use of the payphone instrument to access the Company's services.

Additionally, a per call surcharge shall apply to all calls to the Customer's 800/877/888 number that originate from a payphone.

Payphone Use Charge: $0.65 per call

Bruce Bennett, Vice President - External Affairs
ATX Licensing, Inc.
2100 Renaissance Boulevard
King of Prussia, PA 19406

KANSAS RATES

SECTION 4 -RATES (Cont'd)

4.2 Usage Charges: Inbound/Outbound Domestic WATS – Dedicated

Uniform Rate Period: All calls, placed at any time, will be billed at the following uniform rate:

Term	Rate
1 Year	$0.0690
2 Year	$0.0625
3 Year	$0.0590
Canadian Origination	$0.1500

- 30 second minimum/6 second increment billing
- Minimum 1 year term plan.
- PICC – The monthly recurring charge from the underlying carrier will be passed along as a $3.20 per month charge.
- Each toll free number will be billed $4.00 per month.

4.3 Usage Charges: Inbound/Outbound Domestic WATS – Switched

Term	Rate
1 Year	$0.0690
2 Year	$0.0625
3 Year	$0.0590
Canadian Origination	$0.1500

- 30 second minimum/6 second increment billing
- Minimum 1 year term plan.
- PICC – The monthly recurring charge from the underlying carrier will be passed along as a $3.20 per month charge.
- Each toll free number will be billed $4.00 per month.

Bruce Bennett, Vice President - External Affairs
ATX Licensing, Inc.
2100 Renaissance Boulevard
King of Prussia, PA 19406

4.4 Usage Charges: Domestic Corporate Travel Service

Standard Rate: $0.26 per minute

- Calls to Canadian and International Destinations: $0.75 surcharge per call
- Standard travel pricing applies to all other call card calls
- Full Minute Billing

Bruce Bennett, Vice President - External Affairs
ATX Licensing, Inc.
2100 Renaissance Boulevard
King of Prussia, PA 19406

SECTION 4 -RATES (Cont'd)

4.5 Usage Charges: Directory Assistance

Uniform Rate Period: All IntraLATA, Intrastate Directory Assistance calls, placed at any time, will be billed at the following uniform rate::

Rate Element	Cost per Call
Local Directory Assistance - per local call	$0.57
National Directory Assistance - per local call	$0.95
National Directory Assistance - per LD/8XX call	$1.48

4.6 Account Codes

- Verifiable Account Codes
  - Codes are available for both Dedicated and Switched Long Distance customers.
  - They are available in lengths of 2-12 digits on-switch, and 2-5 digits off-net.
  - A customer will be charged a $5.00 fee per account/per month and a one-time installation fee of $15.00.
- Non-Verifiable Account Codes
  - Codes are available for both Dedicated and Switched Long Distance customers.
  - They are available in lengths of 2-12 digits on-switch, and 2-5 digits off-net.
  - A customer will be charged a $5.00 fee per account/per month and a one-time installation fee of $15.00.

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ATX Licensing, Inc.
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SECTION 6- **PAYPHONE SURCHARGE**

6.1 PAYPHONE SURCHARGE

The Payphone Surcharge shall apply to each coinless call placed by a Customer that is identified by the Company as placed from a domestic payphone by the Customer or its permitted users. This charge is for the use of the payphone instrument to access the Company's services.

Additionally, a per call surcharge shall apply to all calls to the Customer's 800/877/888 number that originate from a payphone.

Payphone Use Charge: $0.65 per call

Bruce Bennett, Vice President - External Affairs
ATX Licensing, Inc.
2100 Renaissance Boulevard
King of Prussia, PA 19406

MISSISSIPPI RATES

SECTION 4 -RATES (Con'd)

4.2 Usage Charges: Inbound/Outbound Domestic WATS – Dedicated

Uniform Rate Period: All calls, placed at any time, will be billed at the following uniform rate:

Term	Rate
1 Year	$0.0690
2 Year	$0.0625
3 Year	$0.0590
Canadian Origination	$0.1500

- 30 second minimum/6 second increment billing
- Minimum 1 year term plan.
- PICC – The monthly recurring charge from the underlying carrier will be passed along as a $3.20 per month charge.
- Each toll free number will be billed $4.00 per month.

4.3 Usage Charges: Inbound/Outbound Domestic WATS – Switched

Term	Rate
1 Year	$0.0690
2 Year	$0.0625
3 Year	$0.0590
Canadian Origination	$0.1500

- 30 second minimum/6 second increment billing
- Minimum 1 year term plan.
- PICC – The monthly recurring charge from the underlying carrier will be passed along as a $3.20 per month charge.
- Each toll free number will be billed $4.00 per month.

Bruce Bennett, Vice President - External Affairs
ATX Licensing, Inc.
2100 Renaissance Boulevard
King of Prussia, PA 19406

4.4 Usage Charges: Domestic Corporate Travel Service

Standard Rate: $0.26 per minute

- Calls to Canadian and International Destinations: $0.75 surcharge per call
- Standard travel pricing applies to all other calling card calls
- Full Minute Billing

Bruce Bennett, Vice President - External Affairs
ATX Licensing, Inc.
2100 Renaissance Boulevard
King of Prussia, PA 19406

SECTION 4 -RATES (Con'd)

4.5 Usage Charges: Directory Assistance

Uniform Rate Period: All IntraLATA, Intrastate Directory Assistance calls, placed at any time, will be billed at the following uniform rate::

Rate Element	Cost per Call
Local Directory Assistance - per local call	$0.57
National Directory Assistance - per local call	$0.95
National Directory Assistance - per LD/8XX call	$1.48

4.6 Account Codes

- Verifiable Account Codes
  - Codes are available for both Dedicated and Switched Long Distance customers.
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  - A customer will be charged a $5.00 fee per account/per month and a one-time installation fee of $15.00.

Bruce Bennett, Vice President - External Affairs
ATX Licensing, Inc.
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King of Prussia, PA 19406

SECTION 6- **PAYPHONE SURCHARGE**

6.1 PAYPHONE SURCHARGE

The Payphone Surcharge shall apply to each coinless call placed by a Customer that is identified by the Company as placed from a domestic payphone by the Customer or its permitted users. This charge is for the use of the payphone instrument to access the Company's services.

Additionally, a per call surcharge shall apply to all calls to the Customer's 800/877/888 number that originate from a payphone.

Payphone Use Charge: $0.65 per call

Bruce Bennett, Vice President - External Affairs
ATX Licensing, Inc.
2100 Renaissance Boulevard
King of Prussia, PA 19406

NEBRASKA RATES

SECTION 4 -RATES (Cont'd)

4.2 Usage Charges: Inbound/Outbound Domestic WATS – Dedicated

Uniform Rate Period: All calls, placed at any time, will be billed at the following uniform rate:

Term	Rate
1 Year	$0.0690
2 Year	$0.0625
3 Year	$0.0590
Canadian Origination	$0.1500

- 30 second minimum/6 second increment billing
- Minimum 1 year term plan.
- PICC – The monthly recurring charge from the underlying carrier will be passed along as a $3.20 per month charge.
- Each toll free number will be billed $4.00 per month.

4.3 Usage Charges: Inbound/Outbound Domestic WATS – Switched

Term	Rate
1 Year	$0.0690
2 Year	$0.0625
3 Year	$0.0590
Canadian Origination	$0.1500

- 30 second minimum/6 second increment billing
- Minimum 1 year term plan.
- PICC – The monthly recurring charge from the underlying carrier will be passed along as a $3.20 per month charge.
- Each toll free number will be billed $4.00 per month.

Bruce Bennett, Vice President - External Affairs
ATX Licensing, Inc.
2100 Renaissance Boulevard
King of Prussia, PA 19406

SECTION 4 -RATES (Cont'd)

4.4 Usage Charges: Domestic Corporate Travel Service

Standard Rate: $0.26 per minute

- Calls to Canadian and International Destinations: $0.75 surcharge per call
- Standard travel pricing applies to all other calling card calls
- Full Minute Billing

Bruce Bennett, Vice President - External Affairs
ATX Licensing, Inc.
2100 Renaissance Boulevard
King of Prussia, PA 19406

SECTION 4 -RATES (Cont'd)

4.5 Usage Charges: Directory Assistance

Uniform Rate Period: All IntraLATA, Intrastate Directory Assistance calls, placed at any time, will be billed at the following uniform rate::

Rate Element	Cost per Call
Local Directory Assistance - per local call	$0.57
National Directory Assistance - per local call	$0.95
National Directory Assistance - per LD/8XX call	$1.48

4.6 Account Codes

- Verifiable Account Codes
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  - A customer will be charged a $5.00 fee per account/per month and a one-time installation fee of $15.00.

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ATX Licensing, Inc.
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SECTION 6- **PAYPHONE SURCHARGE**

6.1 PAYPHONE SURCHARGE

The Payphone Surcharge shall apply to each coinless call placed by a Customer that is identified by the Company as placed from a domestic payphone by the Customer or its permitted users. This charge is for the use of the payphone instrument to access the Company's services.

Additionally, a per call surcharge shall apply to all calls to the Customer's 800/877/888 number that originate from a payphone.

Payphone Use Charge: $0.65 per call

Bruce Bennett, Vice President - External Affairs
ATX Licensing, Inc.
2100 Renaissance Boulevard
King of Prussia, PA 19406

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STAFF'S REVISED SECOND SET OF DATA REQUESTS TO
ATX LICENSING, INC.
DOCKET NO. T-04310A-05-0127
July 6, 2006

JFB2-7. Please identify any other states/jurisdictions in which your company or an affiliate is applying to provide resold long distance telecommunications services. Please specify, in a matrix format, the tariff rates and charges that your company and/or affiliate will charge for long distance telecommunications services in other jurisdictions. If there is a difference between the rates that your company will charge in Arizona and the tariff rates and charges that your company and/or affiliate will charge in other jurisdictions for long distance telecommunications services, please identify and indicate the amount of the difference and explain why you intend to charge different tariff rates and charges in Arizona. The material you provide should enable Staff to determine whether these tariff rates and charges are identical or comparable to the tariff rates and charges that will be charged in other jurisdictions. Provide all source documentation.

Response: Applicant does not have any pending applications for resold long distance authority. Applicant is already authorized to provide long distance services in 45 states.

Respondent: Bruce Bennett
Vice President for External Affairs
ATX Licensing, Inc.
23489 Chesapeake Drive
Kildeer, Illinois 60047

8

STAFF'S REVISED SECOND SET OF DATA REQUESTS TO
ATX LICENSING, INC.
DOCKET NO. T-04310A-05-0127
July 6, 2006

JFB2-8. Please submit a complete tariff setting forth your rates and charges. Do you intend to offer switched or special access services to other wholesale providers. If so, have you or do you intend to file an access tariff for these services?

Response: A complete tariff setting forth ATX's rates and charges was provided with its Application and is incorporated herein by reference. At this time, ATX does not intend to offer switched or special access services to other wholesale providers.

Respondent: Bruce Bennett
Vice President for External Affairs
ATX Licensing, Inc.
23489 Chesapeake Drive
Kildeer, Illinois 60047

9

STAFF'S REVISED SECOND SET OF DATA REQUESTS TO
ATX LICENSING, INC.
DOCKET NO. T-04310A-05-0127
July 6, 2006

JFB2-9. Please confirm or deny that your company intends to provide service to both retail end-users and other carriers.

Response: At this time, ATX only intends to provide service to retail end-users in Arizona.

Respondent: Bruce Bennett
Vice President for External Affairs
ATX Licensing, Inc.
23489 Chesapeake Drive
Kildeer, Illinois 60047

10

STAFF'S REVISED SECOND SET OF DATA REQUESTS TO
ATX LICENSING, INC.
DOCKET NO. T-04310A-05-0127
July 6, 2006

JFB2-10. Please provide the Applicant's financial information for the two (2) most recent years. Provide copies of the Applicant's balance sheet, income statement, audit report, and retained earning balance. The most recent year ending should be for December 31, 2005.

Response: Attached are the most recent audited financial statements for ATX for the period April 23, 2005 to December 31, 2005. ATX emerged from bankruptcy on April 23, 2005 and, therefore, does not have audited financial statements for the period prior to that date.

Respondent: Bruce Bennett
Vice President for External Affairs
ATX Licensing, Inc.
23489 Chesapeake Drive
Kildeer, Illinois 60047

ATX Communications, Inc.

Consolidated Financial Statements
December 31, 2005

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Two Commerce Square, Suite 1700
2001 Market Street
Philadelphia PA 19103-7042
Telephone (267) 330 3000
Facsimile (267) 330 3300

Report of Independent Auditors

To the Board of Directors and
Shareholders of ATX Communications, Inc.:

In our opinion, the accompanying consolidated balance sheet and the related statements of operations, of shareholders' deficiency and of cash flows present fairly, in all material respects, the financial position of ATX Communications, Inc. and its subsidiaries (the "Company") at December 31, 2005 and the results of their operations and their cash flows for the period from April 23, 2005 to December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 4 to the consolidated financial statements, the United States Bankruptcy Court for the Southern District of New York confirmed the Company's Modified Second Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (the "Plan") on April 13, 2005. Confirmation of the plan resulted in the discharge of all claims against the Company that arose before January 15, 2004 and substantially terminates all rights and interests of equity security holders as provided for in the Plan. The Plan was substantially consummated on April 22, 2005 and the Company emerged from bankruptcy. In connection with its emergence from bankruptcy, the Company adopted fresh start accounting as of April 22, 2005.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
April 5, 2006, except Note 15(a) as to which the date is June 2, 2006

ATX COMMUNICATIONS, INC.

CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2005

(in thousands, except share data)

ASSETS		
Current assets:		
Cash and cash equivalents	$	12,700
Restricted cash		3,265
Accounts receivable — trade, less allowance for doubtful accounts of $7,340		19,814
Current portion of notes receivable		3,118
Prepaid expenses and other current assets		4,676
Total current assets		43,573
Fixed assets, net		16,045
Goodwill		5,848
Intangible assets, net		16,469
Notes receivable, net of discount		4,861
Other		2,064
	$	88,860
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable and accrued expenses	$	21,950
Accrued reorganization costs		9,002
Current portion of Leucadia Term Loan		5,000
Deferred revenue		1,801
Due to Leucadia		4,031
Total current liabilities		41,784
7% Subordinated promissory notes, net of discount		1,852
Leucadia Term Loan		50,000
Other		149
Commitments and contingent liabilities		
Shareholders' deficiency:		
Common stock $.01 par value; authorized 1,000,000 shares; issued and outstanding 900,000 shares		9
Additional paid-in capital		1,312
Retained deficit		(6,246)
		(4,925)
	$	88,860

The accompanying notes are an integral part of these financial statements.

ATX COMMUNICATIONS, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE PERIOD FROM APRIL 23, 2005 TO DECEMBER 31, 2005

(in thousands)

Revenues	$	111,192
Costs and expenses		
Operating		69,591
Selling, general and administrative		36,179
Depreciation		4,515
Amortization		2,981
Total costs and expenses		113,266
Operating loss		(2,074)
Other income (expense)		
Interest income and other		183
Interest expense		(4,018)
Loss from continuing operations before income taxes		(5,909)
Income taxes		(163)
Loss from continuing operations		(6,072)
Loss from discontinued operations		(174)
Net loss	$	(6,246)

The accompanying notes are an integral part of these financial statements.

ATX COMMUNICATIONS, INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIENCY

FOR THE PERIOD FROM APRIL 23, 2005 TO DECEMBER 31, 2005

	Common Stock		Additional Paid-In	
	Shares	Par	Capital	Deficit
(in thousands, except share data)				
Capitalization upon Fresh Start	900,000	$ 9	$ 1,312	$ -
Net loss	-	-	-	(6,246)
Balance, December 31, 2005	900,000	$ 9	$ 1,312	$ (6,246)

The accompanying notes are an integral part of these financial statements.

ATX COMMUNICATIONS, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM APRIL 23, 2005 TO DECEMBER 31, 2005

(in thousands)

Operating activities		
Net loss	$	(6,246)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss from discontinued operations		174
Depreciation		4,515
Amortization		2,981
Provision for doubtful accounts		2,940
Amortization of debt discount		38
Amortization of discount on notes receivable		(6)
Gain on termination of capital lease obligations		(42)
Changes in operating assets and liabilities		
Accounts receivable		(4,584)
Other current assets		(1,963)
Other assets		(727)
Accounts payable and accrued expenses		1,454
Accrued reorganization costs		(4,391)
Deferred revenue		254
Due to Leucadia		150
Cash used in continuing operations		(5,453)
Cash used in discontinued operations		(1,703)
Net cash used in operating activities		(7,156)
Investing activities		
Purchase of fixed assets		(3,460)
Cash used in continuing operations		(3,460)
Cash provided by discontinued operations		6,739
Net cash provided by investing activities		3,279
Financing activities		
Interest accrued on Leucadia Term Loan		3,881
Principal payments of capital lease obligations		(38)
Net cash used in financing activities		3,843
Net decrease in cash and cash equivalents		(34)
Cash and cash equivalents at beginning of period		12,734
Cash and cash equivalents at end of period	$	12,700
Supplemental disclosure of cash flow information		
Cash paid for interest	$	3
Income taxes paid		33
Restricted cash utilized to pay accrued reorganization costs		4,946
Supplemental schedule of non-cash items		
Notes received from sale of discontinued operations, net of associated discount of $227	$	7,973

The accompanying notes are an integral part of these financial statements.

ATX COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements

Note 1. Organization and Business

ATX Communications, Inc. together with its subsidiaries, ("ATX" or the "Company") is an integrated communications provider that offers customers a full range of communications services, including local and long distance telephone services, data and Internet services, web development, collocation and managed services. Additionally, the Company provides conference calling, travel services, enhanced fax and Web-based billing. The Company's target market is small to medium sized enterprises located in the Mid-Atlantic region of the U.S. The Company does not rely on any one customer for a significant portion of its revenue.

On January 15, 2004 (the "Petition Date), the Company and 31 of its wholly owned subsidiaries filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code ("Chapter 11") in the United States Bankruptcy Court for the Southern District of New York. On March 10, 2004, one wholly owned subsidiary of the Company filed a voluntary petition for relief with the Court under Chapter 11. Pursuant to Bankruptcy Court orders dated January 15, 2004 and March 31, 2004, the 33 cases of the Company and its subsidiaries, referred to collectively as the Company, were being jointly administered under Case Number 04-10214. On April 13, 2005, the Bankruptcy Court confirmed the Company's Modified Second Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, Dated as of April 13, 2005 (the "Plan of Reorganization"). The Plan of Reorganization became effective and the Company emerged from Chapter 11 on April 22, 2005 (the "Emergence Date").

Pursuant to the terms of the Plan of Reorganization, Leucadia National Corporation ("Leucadia") acquired the Company on the Emergence Date. Leucadia received 94.4% of the Company's common stock in partial settlement of its bankruptcy claims.

Note 2. Significant Accounting Policies

Basis of Financial Statement Preparation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Inter-company accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"), requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Such estimates and assumptions impact, among others, the following: revenue related allowances, allowance for doubtful accounts, accrued carrier costs, depreciation of fixed assets, income taxes, accrued and contingent liabilities, impairment charges, valuation of long-lived assets, valuation of goodwill and other intangible assets and fresh-start reporting. Actual results could differ from those estimates. The Company evaluates and updates its assumptions and estimates on an ongoing basis and may engage outside experts to assist in its evaluations.

Note 2. Significant Accounting Policies (continued)

Cash Equivalents

Cash equivalents are short-term highly liquid investments purchased with a remaining maturity at the date of purchase of three months or less. Cash equivalents were approximately $11.6 million at December 31, 2005 and consisted primarily of fully collateralized repurchase agreements, securities of the United States, and money market funds.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and cash equivalents, certificates of deposit and accounts receivable. The Company places its cash and cash equivalents and certificates of deposit with high quality financial institutions. Concentrations of credit risk with respect to trade receivables are limited due to a significant number of customers comprising the Company's customer base.

Accounts Receivable and Allowance for Doubtful Accounts

The Company records accounts receivable and related accruals based upon customer billings. The Company records estimated allowances for doubtful accounts receivable based on estimates of the collectibility of these receivables. These allowances are provided based on the age of outstanding receivable balances and specifically identified risks. The Company considers current customer balances, customer payment histories and economic conditions on a monthly basis to determine if additional allowances are required. Accounts receivable are considered delinquent when payment is not received within standard terms of sale and are charged off against allowances for doubtful accounts receivable when management determines that recovery is unlikely and the Company ceases its internal collection efforts. The Company charges finance fees to its delinquent customers, which it recognizes as income at the time the fees are collected. The Company also requires security deposits in the normal course of business if customers do not meet its criteria established for offering credit. If the financial condition of the Company's customers were to deteriorate and result in an impaired ability to make payments, additions to the allowances may be required.

The activity of allowances for doubtful accounts receivable for the period from April 23, 2005 to December 31, 2005 is as follows:

Balance as of Fresh Start	Additions to Allowance Based on Collectibility Estimates	Uncollectible Accounts Written-off	Balance December 31, 2005
(in thousands)			
$ 4,824	$ 2,940	$ (424)	$ 7,340

Note 2. Significant Accounting Policies (continued)

Assets and Liabilities Held for Sale

The Company classifies and reports separately assets and liabilities of operations held for sale when all of the following conditions are met: a formal plan for disposal has been authorized by management with proper authority, the operations to be disposed of are available for immediate sale in its present condition, an active program to sell the operations at a reasonable price has been initiated, the sale is expected to occur in one year, and it is unlikely that significant changes to the disposition plan will occur. Assets of operations held for sale are not depreciated or amortized, are recorded at the lower of their carrying amount or fair value less estimated costs to sell, and are separately presented in the consolidated balance sheet. The operating results of assets held for sale that meet the requirements for discontinued operations presentations are separately reported as discontinued operations in the consolidated statement of operations.

Fixed Assets

Fixed assets are stated at cost. Fixed assets are assigned useful lives, which impacts the annual depreciation expense. The assignment of useful lives involves significant judgments and the use of estimates. Changes in technology or changes in intended use of these assets may cause the estimated useful life to change. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Estimated useful lives are as follows, except for leasehold improvements for which the estimated useful lives are the remaining term of the underlying lease, if shorter:

Automobiles	5 years
Network equipment	5 to 7 years
Furniture and fixtures	7 to 13 years
Computer equipment and software	3 to 7 years

Maintenance and repairs on fixed assets are expensed as incurred. Replacements and betterments, which increase the useful lives or functionality of the assets, are capitalized. The cost and related accumulated depreciation of assets sold or retired are removed from the accounts, and any resulting gain or loss is reflected as a separate component on the consolidated statement of operations.

The Company incurs costs to increase the useful life and functionality of its network facilities. Internal and external labor costs directly related to these improvements are capitalized. Such capitalized costs were $98,000 for the period from April 23, 2005 to December 31, 2005.

The Company also includes in fixed assets, the costs incurred to develop software for internal use. Certain direct development costs and software enhancements associated with internal-use software are capitalized, including external direct costs of material and service, and internal labor costs devoted to these software projects under SOP 98-1, *"Accounting for Costs of Computer Software Developed or Obtained for Internal Use"*. Costs incurred during the preliminary project stage, as well as maintenance and training costs are expensed as incurred. Such capitalized costs were $194,000 for the period from April 23, 2005 to December 31, 2005.

Note 2. Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate, in management's judgment, that the carrying amount may not be recoverable. In analyzing potential impairments, projections of future cash flows from the asset (or asset group) are used to estimate fair value. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset (or asset group), a loss is recognized for the difference between the estimated fair value and carrying value of the asset. The projections are based on assumptions, judgments and estimates of growth rates for the related business, anticipated future economic, regulatory and political conditions, the assignment of discount rates relative to risk and estimates of terminal values.

Intangible Assets

Intangible assets include trademarks, customer relationships, software and non-compete arrangements. These are fresh start related assets, which were stated at their fair value as of the Emergence Date. Amortization is recorded on an accelerated basis for customer relationships and on a straight-line basis for the remaining intangible assets over the following estimated useful lives:

Trademarks	10 years
Customer relationships	7 years
Software	5 years
Non-compete arrangements	2 years

Goodwill

Goodwill is the excess of the purchase price over the fair value of net assets acquired in business combinations. In accordance with Financial Accounting Standards Board, ("FASB"), Statement of Financial Accounting Standards ("SFAS") 142, "*Goodwill and Other Intangible Assets*", the Company evaluates its goodwill for impairment at least annually and when events and circumstances warrant such review. Impairment charges, if any, are charged to the results of operations.

Contingent Liabilities

The Company's determination of the treatment of contingent liabilities is based on a view of the expected outcome of the applicable contingency. The Company's internal and external legal counsel is consulted on matters related to litigation. Experts both within and outside the Company are consulted with respect to other matters that arise in the ordinary course of business. A liability is accrued if the likelihood of an adverse outcome is probable of occurrence and the amount is estimable.

Note 2. Significant Accounting Policies (continued)

Revenue Recognition

The Company recognizes revenue on telecommunications services in the period the services are provided. Revenue is recognized when persuasive evidence of a sales arrangement exists, services have been rendered, the sales price to the buyer is fixed or determinable and collection is reasonably assured. The Company records provisions against revenue based on estimates derived from factors that include, but are not limited to, historical results, analysis of credits issued and the likelihood of collection. The provisions against revenue are recorded as reductions of revenue.

The Company's derives revenue principally by providing local telephone services, toll-related telephone services, Internet, data and web-related services to business customers. Local telephone services consist of local dial tone, local calling and other custom calling features. Toll-related telephone services consist of long distance, international calls, toll free services and other related services. Internet, data and web-related services includes high-speed dedicated Internet access, private line and frame relay services, web-hosting and co-location services. Customer telephone revenue is comprised of monthly recurring charges, usage charges and initial non-recurring charges. Monthly recurring charges include the fees paid by customers for facilities in service and additional features on those facilities. Usage charges consist of fees paid for the duration of calls made. Charges for services that are billed in advance are deferred and recognized over the period that services are provided.

Additionally, the Company derives revenue from other telecommunications carriers for interconnection charges, carrier access billing and reciprocal compensation. Carrier access billing is comprised of charges paid by inter-exchange carriers, competitive local exchange carriers and incumbent local exchange carriers for the origination and termination of inter-exchange toll and toll free calls. Reciprocal compensation is the charge paid by a local exchange carrier to complete calls on another local exchange carriers' network. Carrier access billing and reciprocal compensation revenue is based on minutes of usage. Interconnection charges are monthly fees paid by a local exchange carrier for the use of certain network elements of another local exchange carrier. The rates for carrier access billing, reciprocal compensation and interconnection charges are established by interconnection agreements, federal and state regulations and other contractual arrangements, whether under tariffs or separate contracts.

Local telephone services, long distance telephone services and Internet, data and web-related services currently account for approximately 85% of the Company's revenues. For the period from April 23, 2005 to December 31, 2005, the Company's revenues were concentrated in certain states, principally Pennsylvania, 45%; New Jersey, 31%; Maryland, 6%; Virginia and Washington D.C., 6%; and Delaware, 5%.

Operating Costs

Operating costs includes direct costs of sales and network costs. Direct cost of sales includes the costs incurred with telecommunications carriers in order to render services to customers. Network costs include the costs of fiber and access, points of presence, repairs and maintenance, rent and utilities of the telephone, Internet and data network, as well as salaries and related expenses of network personnel. Network costs are recognized during the month in which the service is utilized. The Company accrues for network costs incurred but not billed by the carrier.

Note 2. Significant Accounting Policies (continued)

The accrued costs are subsequently reconciled to actual invoices as they are received, which is a process that can take several months to complete. This process includes an invoice validation procedure that normally identifies errors and inaccuracies in rate and/or volume components of the invoices resulting in invoice disputes. It is the Company's policy to adjust the accrual for the probable amount it believes will ultimately be paid on disputed invoices, a determination which requires significant estimation and judgment. Due to the number of negotiated and regulated rates, constantly changing traffic patterns, uncertainty in the ultimate resolution of disputes, the period of time required to complete the reconciliation and delays in invoicing by access vendors, changes in these estimates should be expected.

Advertising Expense

The Company charges the cost of advertising to expense as incurred. Advertising costs for the period from April 23, 2005 to December 31, 2005 were $143,000.

Exit and Disposal Costs

The Company accounts for the costs surrounding exit and disposal activities in accordance with SFAS 146 "Accounting for Costs Associated with Exit or Disposal Activities". Under SFAS 146, liabilities for costs associated with exit or disposal activities such as one-time termination benefits and certain contract termination costs are recognized and initially measured at fair value only when they are incurred.

Income Taxes

The Company provides for income taxes in accordance with SFAS 109, "*Accounting for Income Taxes*". SFAS 109 requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities. The future benefit of certain tax loss carryforwards and the future deduction is recorded as an asset and a valuation allowance is provided if, based on available evidence, it is more likely than not that the deferred tax assets will not be realized.

Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS 153, "*Exchanges of Nonmonetary Assets – An Amendment of APB Opinion No. 29*", which is effective for fiscal periods beginning after June 15, 2005. SFAS 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB 29, "*Accounting for Nonmonetary Transactions*," and replaces it with an exception for exchanges that do not have commercial substance. SFAS 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The Company adopted SFAS 153 as of the Emergence Date. The adoption of SFAS 153 did not have any effect on the Company's consolidated financial statements; however, SFAS 153 could impact the accounting for future transactions, if any, within its scope.

Note 2. Significant Accounting Policies (continued)

The Company adopted SFAS 123R "*Share-Based Payment*" as of the Emergence Date. SFAS 123R requires that the cost of all share-based payments to employees, including grants of employee stock options, be recognized in the financial statements based on their fair values. That cost is recognized as an expense over the vesting period of the award. Pro forma disclosures previously permitted under SFAS 123 no longer are an alternative to financial statement recognition. In addition, the Company is required to determine fair value in accordance with SFAS 123R. The adoption of SFAS 123R did not have a material impact on the Company's consolidated financial statements.

At the Emergence Date, the Company adopted SFAS 154, "*Accounting Changes and Error Corrections-a replacement of APB Opinion No. 20 and FASB Statement No. 3*", which is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. SFAS 154 applies to all voluntary changes in accounting principles, and changes the accounting and reporting requirements for a change in accounting principle. SFAS 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless doing so is impracticable. The adoption of SFAS 154 did not have a material impact on these consolidated financial statements.

Note 3. Certain Risks and Uncertainties

Competition

The telecommunications industry is highly competitive and regulated, and is impacted by product substitution, technological advances, excess network capacity and the entrance of new competitors. Competition for products and services is based on price, quality, network reliability, service features and responsiveness to customers' needs.

The Company faces competition from regional Bell operating companies such as Verizon Communications, Inc. ("Verizon") and AT&T, Inc. ("AT&T") formerly SBC Communications, Inc., as well as other providers of wireline telecommunications services, wireless telephone companies and Voice-over-Internet Protocol ("VoIP") providers. In the local telephone markets, the Company's principal competitor is the Incumbent Local Exchange Carrier ("ILEC"), which is usually Verizon. Verizon is also the Company's principal supplier of telecommunications services. Services purchased from Verizon account for approximately 60% of the Company's total operating costs. Wireless telephone companies have been taking market share from providers of wireline voice communications. Cable television companies that offer high-speed Internet access are expanding their offerings to voice based telephone services.

Note 3. Certain Risks and Uncertainties (continued)

The Company, which is known as a Competitive Local Exchange Carrier ("CLEC"), would not be able to provide existing local services to its customers without the right and ability to purchase telecommunications services from the ILEC at reasonable rates. Many facilities-based CLECs have committed substantial resources to building their networks or to purchasing other industry participants with complementary facilities. By building or purchasing a network or entering into interconnection agreements or resale agreements with ILECs or long distance carriers, a provider can offer a single source for local and long distance services similar to those offered by the Company. Many of the Company's competitors have substantially greater financial, personnel and other resources, with greater flexibility and a lower relative cost structure than the Company. The recent completion of large mergers within the telecommunications industry could result in improved cost structures for the Company's competitors, which could result in competitors offering lower prices.

Government Regulation

The Company is subject to significant federal, state and local laws, regulations and orders that affect the rates, terms and conditions of certain of its service offerings, its costs and other aspects of its operations. Regulation of the telecommunications industry varies from state to state, and changes in response to technological developments, competition, government policies and judicial proceedings. The Company cannot predict the impact, nor give any assurances about the materiality of any potential impact, that such changes may have on its business or results of operations, nor can it guarantee that regulatory authorities will not raise issues regarding its compliance with applicable laws and regulations.

The Federal Communications Commission ("FCC") has jurisdiction over the Company's facilities and services to the extent those facilities are used to provide interstate telecommunications services. State regulatory commissions generally have jurisdiction over facilities and services to the extent the facilities are used in intrastate telecommunications services. Generally, the FCC and state commissions do not regulate Internet, video conferencing or certain data services, although the underlying telecommunications services components of such offerings may be regulated in some instances.

The implementation of the Telecommunications Act of 1996 (the "Telecom Act"), the emergence of new technologies and the financial distress of many in the telecommunications industry have involved numerous industry participants, including the Company, in disputes, lawsuits, proceedings and arbitrations before state and federal regulatory commissions, private arbitration organizations, and federal and state courts. These issues include the interpretation and enforcement of existing interconnection agreements, the terms of new interconnection agreements, inter-carrier compensation, access rates applicable to different categories of traffic, the jurisdiction of traffic for inter-carrier compensation purposes, the services and facilities available to the Company, the price that the Company will pay for those services and facilities and the regulatory treatment of new technologies and services. The Company anticipates that it will continue to be involved in various disputes, lawsuits, arbitrations and proceedings over these and other material issues, although no material litigation is currently pending. The Company anticipates that further legislative initiatives and regulatory rulemaking will occur—on the federal and state level—as the industry deregulates and as the Company enters new markets or offers new products. Rulings adverse to the Company, adverse legislation, new regulations or changes in governmental policy on issues material to the Company could have a material adverse effect on the Company's financial condition or results of its operations.

Note 3. Certain Risks and Uncertainties (continued)

As a CLEC, the availability of services and facilities purchased from ILECs and the rates ILECs can charge have a significant impact on ATX's profitability. The enactment of the Telecom Act enabled the Company to purchase ILEC services at favorable rates; however, certain subsequent regulatory action has resulted in more flexibility for ILECs in determining what products and services it provides and the rates it can charge. In certain instances, regulatory action is shifting the determination of these rates from regulatory jurisdiction towards commercial negotiation between the parties, generally resulting in ILEC price increases. Future regulatory changes could have an adverse impact on the Company's ability to sell its products, to sell its products at a competitive price or to acquire the services it needs at a cost effective rate. In addition, the Company incurs substantial expenses complying with various local, state and federal regulations.

Note 4. Voluntary Reorganization under Chapter 11

Bankruptcy Proceedings

On January 15, 2004, the Company filed a voluntary petition for relief under Chapter 11. The Company remained in possession of its assets and properties, and continued to operate its business, as a "debtor-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code. In general, as a debtor-in-possession, the Company was authorized to continue to operate its business and maintain its properties while in Chapter 11, although the Company was precluded from engaging in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.

Under Section 362 of the Bankruptcy Code, the filing of the bankruptcy petition automatically stayed most actions against the Company, including most actions to collect pre-petition indebtedness or to exercise control over property of the Company's bankruptcy estate.

On April 13, 2005, the Bankruptcy Court confirmed the Company's Plan of Reorganization. The Plan of Reorganization became effective in accordance with its terms on April 22, 2005. Pursuant to the Plan of Reorganization, except as otherwise provided in the Plan of Reorganization or in the order confirming the Plan of Reorganization, all claims against the Company and equity interests in the Company were discharged and terminated, and all holders of claims and equity interests are precluded and enjoined from asserting against the reorganized company, or any of their assets or properties, any other or further claim or equity interest based on any act, failure to act, error, omission, transaction, occurrence or other event or activity of any kind or nature that arose or occurred prior to the Emergence Date. A summary of the significant provisions of the Plan of Reorganization is set forth below:

The historical common shares, preferred equity shares, stock options and warrants, collectively referred to as Old Common Stock and Other Equity Interests, of the Company were extinguished.

The Company issued 850,000 shares of common stock, referred to as New Common Stock, to partially settle Leucadia National Corporation's ("Leucadia") claims and issued 50,000 shares pursuant to Management Transition Agreements.

Note 4. Voluntary Reorganization under Chapter 11 (continued)

All debt securities of the Company were settled and cancelled.

Unexpired leases and executory contracts of the Company were accepted or rejected.

The Company entered into a $55 million Leucadia Term Loan due 2010 bearing interest at 10% per annum. $25 million of the note issued under the Leucadia Term Loan was issued in partial settlement of Leucadia's pre-petition claims and $30 million was issued as exit financing. The exit financing was used to fund certain payments due under the Plan of Reorganization, repay a $5 million DIP Loan received from Leucadia prior to emergence and fund the business operations of the Company.

The Company issued $2 million in 7% Subordinated Promissory Notes due 2008.

Pursuant to a settlement agreement with Verizon, the Company made a payment of $16.5 million to Verizon to assume certain executory contracts and other agreements.

Pursuant to a settlement agreement with AT&T, the Company was required to sell or shutdown certain of its Midwest CLEC operations and AT&T would receive 45% of the net proceeds from this sale.

Plan of Reorganization

The following briefly summarizes the classification and treatment of claims and equity interests under the Plan of Reorganization.

Claims of Unimpaired Classes - estimated to be fully recoverable

Administrative expenses and other priority claims, secured tax claims, other secured claims and customer claims are to be paid in cash.

Obligations incurred in the ordinary course of business after the Petition Date or approved by the Bankruptcy Court will be paid in full when due.

Claims of Impaired Classes – estimated recovery of less than 100%

Convenience claims are to be settled by cash payments of 15% of the allowed claim amount.

General unsecured claims, excluding AT&T and Verizon, received a pro-rata share of $7 million in cash, plus an amount equal to 8% of the net proceeds, if any, in excess of $3.5 million received by the Company in respect of any avoidance actions, after payment of all costs of prosecution, settlement and collection, including reasonable attorney's fees and costs. Verizon has waived its right to receive any distribution in respect to its general unsecured claim, unless and until the other holders of general unsecured claims have received distributions under the Plan of Reorganization equal to 15% of the allowed amount of such claims, at which time, Verizon shall be entitled to share in any additional distributions available for holders of general unsecured claims, on a pro-rata basis. AT&T shall receive its distributions pursuant to its settlement agreement and not from the cash amount established for the holders of the general unsecured claims.

Note 4. Voluntary Reorganization under Chapter 11 (continued)

Leucadia's pre-petition claims were satisfied by the issuance of a $25 million note under the Leucadia Term Loan and 850,000 shares of New Common Stock.

Claims of Impaired Classes – receiving no compensation

Subordinated claims, Old Common Stock and Other Equity Interests in ATX and equity interests in securities litigation claims will receive no distribution.

Pursuant to the Plan of Reorganization, the Company was required to restrict $8,211,000 in cash as of the Emergence Date for the purpose of paying the general unsecured claims and certain administrative expenses. As of December 31, 2005, the Company had $3,265,000 remaining in restricted cash.

Accrued Reorganization Costs

The following table summarizes the accrued reorganization costs as of December 31, 2005 (in thousands):

Claims of unimpaired classes	$	5,019
Claims of impaired classes		3,083
Othe claims		900
	$	9,002

Note 5. Fresh-Start Reporting / Leucadia Acquisition

Pursuant to the Plan of Reorganization, Leucadia acquired the Company on the Emergence Date. In accordance with SOP 90-7 and SFAS No. 141, "*Business Combinations*", the Company adopted fresh-start reporting and completed its purchase accounting, concurrently, as of the close of business on the Emergence Date. The purchase accounting required under SFAS 141 is substantially identical to the accounting required for fresh-start reporting. The Company engaged an independent third party valuation specialist to assist in the determination of the Company's reorganized value as defined in SOP 90-7 as well as the fair value of its identifiable intangible assets and fixed assets as of the Emergence Date. The consolidated balance sheet as of April 22, 2005, gave effect to allocations to the carrying value of assets or amounts and classification of liabilities that were necessary when adopting fresh-start reporting. In applying fresh-start reporting, the Company followed these principles:

The reorganized value of the entity was allocated to the entity's assets in conformity with the procedures specified by SFAS No. 141, "*Business Combinations*".

Each liability existing as of the fresh-start reporting date, other than deferred taxes, has been stated at the present value of the amounts to be paid, determined by appropriate current interest rates. Deferred revenue was adjusted to reflect the fair value of future costs of contractual performance obligations.

Note 5. Fresh-Start Reporting / Leucadia Acquisition (continued)

Deferred taxes were reported in conformity with applicable income tax accounting standards, pursuant to SFAS No. 109, "*Accounting for Income Taxes*". Deferred tax assets and liabilities have been recognized for differences between the assigned values and the tax basis of the reorganized assets and liabilities.

Changes in existing accounting principles that otherwise would have been required in the consolidated financial statements of Reorganized ATX within the twelve months following the adoption of fresh-start reporting were adopted at the time fresh-start reporting was adopted.

Fixed assets were recorded at fair value.

Reorganization Value

The Company determined an overall reorganization value as well as the reorganization value of its continuing and discontinued operations, together with the financial advisor, using valuation methods including: (i) the market approach, which measures fair value by examining transactions in the marketplace involving the sale of stocks of similar but publicly traded companies, or the sale of entire companies engaged in operations similar to those of the subject and (ii) the discounted cash flow method of the income approach, which recognizes that the current value of an investment is premised upon the receipt of future economic benefits. These analyses are necessarily based on a variety of estimates and assumptions which, though considered reasonable by management, may not be realized and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company's control.

The assumptions used in the calculations for the discounted cash flow analysis regarding projected revenue, costs and cash flows for the period 2005 – 2008 were determined by the Company's management based upon their best estimate at the time the analysis was performed. The estimates and assumptions used are inherently subject to uncertainties and contingencies beyond the control of the Company. Accordingly, there can be no assurance that the estimates, assumptions and values reflected in the valuations will be realized, and actual results could vary materially.

The reorganized enterprise value of the Company was determined to be approximately $58.1 million. The equity value was $1.3 million, which represents the enterprise value of $58.1 million less $56.8 million of post-emergence debt. The post emergence debt includes the Leucadia Term Loan and the 7% Subordinated Promissory Notes. The fair value of the Company's discontinued operations classified as held for sale was determined to be $13.2 million. The fair value of the Company's goodwill was determined to be $5.8 million after specifically allocating its reorganized enterprise value to its assets and liabilities. This goodwill is not deductible for tax purposes.

Fixed Assets

The Company's fixed assets were valued based on a combination of the cost approach sales comparison approach and income capitalization approach. The fair value of the Company's fixed assets was determined to be $17.1 million.

Note 5. Fresh-Start Reporting / Leucadia Acquisition (continued)

Identifiable Intangible Assets

The Company's intangible assets consisting of its customer base, software, trademarks and non-compete arrangements were valued as follow:

Customer Relationships – The Company's customer base is composed of the subscribers to the Company's various telecommunications services. The cost – saving method of the income approach was utilized to value the customer base. The fair value of the Company's customer relationships was determined to be $10.9 million.

Software – The Company's existing software was valued utilizing estimates of the costs that would be incurred if the Company's existing software had to be purchased and modified as necessary. The fair value of the Company's software was determined to be $5.1 million.

Trademarks – The Company's trademarks were valued using a variant of the income approach, referred to as the relief – from – royalty method. The fair values of the Company's trademarks were determined to be $2.6 million.

Non-compete Arrangements – The Company has non-compete arrangements with its former CEO and former CFO stemming from Management Transition Agreements entered into by and between the Company and its former CEO and former CFO on the Emergence Date. The value of the non-compete arrangement of $850,000 was established by the payments to be made by the Company to its former CEO and former CFO under the agreements.

As of December 31, 2005, intangible assets consist of the following (in thousands):

Customer relationships, net of accumulated amortization of $1,797	$	9,093
Software, net of accumulated amortization of $701		4,399
Trademarks, net of accumulated amortization of $179		2,421
Non-compete agreements, net of accumulated amortization of $294		556
	$	16,469

Amortization expense on intangible assets was $2,971,000 for the period from April 23, 2005 to December 31, 2005. The estimated aggregate future amortization expense for the intangible assets for is as follows: 2006 - $4,115,000; 2007 - $3,512,000; 2008 - $3,048,000; 2009 - $2,683,000; 2010 - $1,563,000; and thereafter $1,548,000.

ATX COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements (continued)

Note 5. Fresh-Start Reporting / Leucadia Acquisition (continued)

Unaudited Consolidated Fresh-Start Balance Sheet

The Company's unaudited consolidated balance sheet as of the Emergence Date upon the application of fresh start reporting and purchase accounting is as follows (in thousands):

ASSETS		
Current assets:		
Cash and cash equivalents	$	12,734
Restricted cash		8,211
Accounts receivable — trade		18,170
Assets held for sale		26,725
Prepaid expenses and other current assets		2,713
Total current assets		68,553
Fixed assets, net		17,100
Goodwill		5,848
Intangible assets, net		19,440
Other		1,337
	$	112,278
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$	20,496
Accrued reorganization costs		18,339
Current portion of Leucadia Term Loan		5,000
Current portion of capital lease obligations		80
Deferred revenue		1,547
Liabilities of assets held for sale		13,542
Total current liabilities		59,004
7% Subordinated promissory notes		1,814
Leucadia Term Loan		50,000
Asset retirement obligations		139
Shareholders' equity		1,321
	$	112,278

Note 6. Verizon Settlement Agreement

On January 25, 2005, the Company and Verizon entered into a Comprehensive Settlement Agreement (the "Verizon Settlement Agreement") providing for the compromise and settlement, except as otherwise expressly set forth in the Verizon Settlement Agreement, of any and all litigation and all other claims among such parties arising prior to the date of the Verizon Settlement Agreement, all pursuant to the terms and subject to the conditions set forth in the Verizon Settlement Agreement. In addition to the settlement of such litigation and claims, the Verizon Settlement Agreement provided for, among other things, the assumption or termination by the Company of certain interconnection agreements and other contracts and arrangements provided under tariffs pursuant to which Verizon provides and/or furnishes certain services and facilities to or for the benefit of the Company.

In connection with the assumption of certain of its agreements with Verizon, the Company was required to (a) make a cure payment to Verizon in the amount of $16.5 million, (b) allow the balance of Verizon's general unsecured claim in the aggregate amount of $37.5 million, (c) sell or close down certain of their operations in the states of New York and Massachusetts within 90 days of the Effective Date and (d) make certain payments to Verizon in the event that any other executory contract party to whom the Company makes a cure payment in excess of $500,000 receives a recovery on account of its cure claim that, on a percentage basis, exceeds the cure recovery percentage received by Verizon pursuant to the Verizon Settlement Agreement. The Bankruptcy Court approved the Verizon Settlement Agreement in connection with the confirmation of the Plan of Reorganization.

On the Emergence Date, the Company made an irreversible election to provide Verizon with irrevocable letters of credit to secure payment in full for all post-confirmation Verizon charges. The letters of credit, which totaled $14.7 million, were initially in an amount equal to three times the average monthly post confirmation Verizon charges. The letters of credit are subject to readjustments as set forth in the Verizon Settlement Agreement. On April 22, 2006, the letters of credit were readjusted to $7.8 million. Pursuant to a Reimbursement Agreement between Leucadia and the Company, Leucadia issued the letters of credit to Verizon on behalf of the Company. The Reimbursement Agreement, requires the Company to: i) reimburse Leucadia for any amounts paid by Leucadia as a result of any draw under the letters of credit and ii) reimburse Leucadia for all costs, fees and expenses incurred by Leucadia in connection with its ongoing obligations under the letters of credit. The failure of the Company to reimburse Leucadia pursuant to this Reimbursement Agreement constitutes an event of default under the Leucadia Term Loan.

Note 7. AT&T Settlement Agreement

On January 24, 2005, the Company and AT&T, formerly SBC Communications, Inc., entered into a Comprehensive Settlement Agreement (the "AT&T Settlement Agreement") providing for the compromise and settlement, except as otherwise expressly set forth in the AT&T Settlement Agreement, of any and all litigation and all other claims among such parties arising prior to the date of the AT&T Settlement Agreement, all pursuant to the terms and subject to the conditions set forth in the AT&T Settlement Agreement.

In addition to the settlement of such litigation and claims, the AT&T Settlement Agreement provides for, among other things, the disposition by the Company of its Midwest CLEC. AT&T received 45% of the net proceeds of the sale of the Midwest operations in satisfaction of AT&T's claims against the Company. AT&T is entitled to the same pro rata distribution as the other holders of the allowed general unsecured claims if 45% of the net proceeds of the sale, divided by AT&T's allowed general unsecured claim of $30 million, is less than the pro rata distribution to the general unsecured claim holders. The Bankruptcy Court approved the AT&T Settlement Agreement in connection with the confirmation of the Plan of Reorganization.

Note 8. Discontinued Operations and Assets Held for Sale

The Company identified certain assets that it determined were not part of its future operations. As such, these assets and businesses, once identified and qualifying for discontinued operations under SFAS 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*", were reflected as discontinued operations in the consolidated statement of operations and as assets held for sale in the consolidated balance sheet.

Midwest CLEC

Pursuant to the AT&T Settlement Agreement, the Company was required to use its best efforts to consummate a sale of its Midwest CLEC. The Midwest CLEC provided CLEC products and services to end-user customers in the Midwest region of the United States. Immediately, upon execution of the AT&T Settlement Agreement, the Company began marketing the Midwest CLEC for sale. The Midwest CLEC qualified as discontinued operations under SFAS 144 as of the Emergence Date and accordingly, the Company has included all the Midwest CLEC's revenues and expenses in discontinued operations in the consolidated statement of operations.

Note 8. Discontinued Operations and Assets Held for Sale (continued)

On August 1, 2005, the Company and First Communications, LLC ("FirstComm") entered into an Asset Purchase Agreement ("FirstComm Agreement") for the sale of the Midwest CLEC. FirstComm purchased substantially all of the operating assets and liabilities of the Midwest CLEC for $6 million in cash, subject to adjustment for the payment of Ohio property taxes and changes in working capital. The transaction closed on September 14, 2005, at which time the Company received a net cash payment of approximately $3.8 million. At closing, the remaining $2.1 million to was paid to AT&T pursuant to the AT&T Settlement Agreement. During May 2006, the Company paid AT&T an additional $347,000 in connection with the sale of the Midwest CLEC in accordance with the AT&T settlement agreement.

CoreComm New York

Pursuant to the Verizon Settlement Agreement, the Company was required to sell or close down certain of the operations of CoreComm New York, Inc. ("CoreComm NY") in the state of New York within 90 days of the Emergence Date. Upon execution of the Verizon Settlement Agreement, the Company began marketing CoreComm NY operations for sale. The CoreComm NY assets qualified as discontinued operations as of the Emergence Date and accordingly, the Company has included all of CoreComm NY's revenues and expenses in discontinued operations in the consolidated statement of operations. On April 12, 2005, the Company entered into an asset purchase agreement to sell the CoreComm NY assets for approximately $200,000. The Company completed the sale during August 2005.

Voyager

During April 2005, the Company commenced a process to actively market the sale of its subsidiary, CoreComm-Voyager, Inc. and certain other subsidiaries, collectively Voyager. Voyager is an Internet service provider, which primarily provided dial-up and high-speed data services to consumers and small business enterprises located in the Great Lakes region of the United States. Voyager qualified as discontinued operations as of the Emergence Date and accordingly, the Company included all Voyager's revenues and expenses in discontinued operations in the consolidated statement of operations. On November 29, 2005, the Company and CoreComm Internet Services, Inc. (CIS) entered into an Asset Purchase Agreement for the sale of substantially all of the operating assets and liabilities of Voyager. The purchase price was $9.2 million, $1 million of which was in cash and $8.2 million was in the form of two notes receivable collateralized by substantially all of the assets of CIS, including those purchased by CIS from Voyager. The first note receivable is in the amount of $7 million and is payable at an interest rate of 10% over 24 months commencing in February 2006. The second note receivable is for $1.2 million, is payable at a stated interest rate of 0% and is due in February 2008. The Company recorded a discount of $227,000 on the second note receivable based on an effective interest rate of 10%. Additionally, the owner of CIS, personally guaranteed the loans up to $1 million. The transaction closed on December 7, 2005.

ATX COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements (continued)

Note 8. Discontinued Operations and Assets Held for Sale (continued)

The Company did not recognize any gain or loss on the disposal of its discontinued operations. The combined operating results of the Company's discontinued operations for the period from April 23, 2005 to December 31, 2005 are as follows (in thousands):

Revenues	$	31,192
Costs and expenses		
Operating		19,716
Selling, general and administrative		11,643
Total costs and expenses		31,359
Operating loss		(167)
Other income (expense)		
Interest income and other, net		5
Interest expense		(1)
Loss before income taxes		(163)
Income taxes		(11)
Net loss	$	(174)

Note 9. Other Assets

As of December 31, 2005, other assets consisted of the following (in thousands):

Prepaid expenses and other current assets:		
Prepaid expenses	$	1,947
Prepayments and refunds due from carriers		1,934
Credit card reserve		457
Other		338
	$	4,676
Other non-current assets:		
Indefeasible rights of use	$	1,346
Collateral for outstanding letters of credit		661
Other		57
	$	2,064

Note 9. Other Assets (continued)

Prepayments are expensed on a straight-line basis over the corresponding life of the underlying agreements.

During December 2005, the Company purchased a capacity indefeasible right of use ("IRU") for $1,346,000 from Wiltel Communications, LLC, which was a subsidiary of Leucadia at the date of purchase. The IRU gives the Company the right to utilize certain fiber optic telecommunications capacity for a period of 60 months. The Company is amortizing the cost of the IRU to operating expenses on a straight-line basis over the 60-month period.

In the ordinary course of its business, the Company is required to issue letters of credit and surety bonds to regulatory bodies, customers, and landlords. These instruments remain in place for as long as the Company conducts business in certain states, provides services to these customers or occupies a particular facility. In order to obtain these letters of credit and surety bonds, the Company was required to post collateral in an amount equal to their face value.

Note 10. Fixed Assets

As of December 31, 2005, fixed assets consisted of the following (in thousands):

Operating equipment	$	13,575
Computer equipment and software		2,921
Furniture and fixtures		1,961
Leasehold improvements		1,597
Automobiles		322
		20,376
Accumulated depreciation		(4,331)
	$	16,045

For the period from April 23, 2005 to December 31, 2005, depreciation expense for software costs was $106,000. The net book value of undepreciated software costs was $883,000 as of December 31, 2005.

Note 11. Accounts Payable and Accrued Expenses

A summary of accounts payable, accrued expenses and other current liabilities as of December 31, 2005 are as follows (in thousands):

Accrued carrier costs	$	7,285
Accrued compensation and employee benefits		6,524
Accounts payable		3,366
Taxes, including income taxes		2,990
Other		1,128
Accrued professional fees		657
	$	21,950

Note 12. Indebtedness

As of December 31, 2005, the Company's debt consisted of the following (in thousands):

Leucadia Term Loan	$	55,000
7% Subordinated promissory notes, less unamortized discount of $148		1,852
		56,852
Less current portion		(5,000)
	$	51,852

Leucadia Term Loan

On the Effective Date, the Company entered into a $55 million Term Loan with Leucadia, of which $25 million went to satisfy a portion of Leucadia's pre-petition secured claim, and $30 million was used to fund certain payments due under the Plan of Reorganization, repay a $5 million DIP Loan received from Leucadia prior to emergence and fund the business operations of the Company. Pursuant to the Leucadia Term Loan Agreement, the Company, on July 22, 2005, was required to pay to Leucadia cash in a principal amount equal to $5,000,000 and all accrued and unpaid interest thereon, in partial repayment of the Leucadia Term Loan. The remaining principal and all accrued and unpaid interest shall be due and payable at the earliest of April 22, 2010 or the acceleration of the loans by Leucadia in accordance with certain conditions under the Term Loan agreement. Interest is calculated on the daily outstanding principal balance of the loan at a rate of 10% per annum. Interest expense for the period from April 23, 2005 to December 31, 2005 was $3,881,000. The Company is required to meet a minimum Consolidated EBITDA covenant and a maximum Capital Expenditure covenant on a quarterly basis as set forth in the Term Loan Agreement. The loans are secured by substantially all of the Company's assets and have been guaranteed by the Company and certain of its subsidiaries.

Note 12. Indebtedness (continued)

The Company did not make the required July 22, 2005 payments for the Term Loan, which constituted an Event of Default under the Leucadia Term Loan Agreement. During September 2005, the Company received a waiver for this default, which expired January 31, 2006. The Company paid Leucadia $100,000 in connection with this waiver. The Company did not make the required payment upon the expiration of the waiver. In addition, during the quarter ended December 31, 2005, the Company failed to meet its Consolidated EBITDA covenant, which constitutes an Event of Default. On May 1, 2006, the Company, received waivers for these Events of Default, which will expire January 31, 2007.

7% Subordinated Promissory Notes

In order to fund certain cash distributions required to be made pursuant to the Plan of Reorganization, The Company issued 7% Subordinated Promissory Notes ("Promissory Notes") with an aggregate principal amount of $2,000,000. Certain bankruptcy professionals accepted the Promissory Notes as compensation for a portion of the services performed by those professionals through November 30, 2004 in lieu of receiving cash compensation. Additionally, certain former directors and officers of the Company also purchased these Promissory Notes. The total consideration received by the Company for these notes was $1,814,000. The resulting discount of $186,000 is being amortized to interest expense over the expected life of the Promissory notes. The Company recorded interest expense from the amortization of the discount of $38,000 for the period from April 23, 2005 to December 31, 2005.

Interest on the Promissory Notes is payable at 7% per annum, compounded annually. Interest expense for the period from April 23, 2005 to December 31, 2005 was $97,000. The Promissory Notes and all accrued interest and unpaid interest are due and payable at the earliest of: i) 90 days after the Leucadia Term Loan and any unpaid but accrued interest is repaid in full, ii) the date any transfer, sale or other disposition of substantially all of the assets or more than 50% of the outstanding shares or equity interests of the Company, and iii) April 22, 2008. The promissory notes are subject to two maturity extensions of up to fifteen months each if the Leucadia Term Loan is not paid in full on or before April 22, 2008 and if the enterprise value of the Company, less all debts of the Company other than Leucadia Term Loan is less than the balance due under Leucadia Term Loan and all of the Promissory Notes. The Promissory Notes are subordinated to the Leucadia Term Loan. The acceleration of the maturity of the Leucadia Term Loan due to an Event of Default would constitute an Event of Default under the Promissory Notes. Leucadia did not accelerate the maturity of the Leucadia Term Loan prior to issuing the Company waivers in September 2005 and May 2006 for the Events of Default noted above.

The Company and certain of its subsidiaries have guaranteed the Promissory Notes. The Company does not have any independent assets or operations on it's own nor does it have any significant asset or operations in any subsidiaries apart from the subsidiaries, which guaranteed the Promissory Notes. The guarantees are full and unconditional and joint and several.

The aggregate annual mandatory redemptions of debt during the five year period ending December 31, 2010 are as follows: 2006 - $5,000,000; 2007 - $0; 2008 - $1,852,000; 2009 - $0; and 2010 - $50,000,000.

Note 13. Fair Values of Financial Instruments

The following table presents fair value information about certain financial instruments as of December 31, 2005. Fair values are determined as described below. These techniques are significantly affected by the assumptions used. The fair value amounts presented do not purport to represent and should not be considered representative of the underlying "market" or franchise value of the Company. The methods and assumptions used to estimate the fair values of each class of the financial instruments described below are as follows:

Cash and cash equivalents -- For cash equivalents, the carrying amount approximates fair value.

Notes receivable -- The fair values of variable rate notes receivable are estimated to be the carrying amount.

Indebtedness --The fair values of non-variable rate debt are estimated using quoted market prices and estimated rates, which would be available to the Company for debt with similar terms.

(in thousands)	Carrying Amount	Fair Value
Financial Assets:		
Cash and cash equivalents	$ 12,700	$ 12,700
Notes receivable:		
Current	3,118	3,118
Non-current	4,861	4,861
Financial Liabilities:		
Indebtedness:		
Current	5,000	5,000
Non-current	51,852	51,484

Note 14. Leases

As of December 31, 2005, the Company had leases for office space and network facilities, which extend through 2011. Total rent expense for the period from April 23, 2005 to December 31, 2005 under operating leases was $2,360,000, of which $663,000 was included in operating expenses and $1,697,000 was included in selling, general and administrative expenses.

Future minimum annual lease payments under noncancellable operating leases at December 31, 2005 are as follows: 2006 - $2,392,000; 2007 – $2,440,000; 2008 – $2,150,000; 2009 – $1,999,000; 2010 – $1,952,000 and thereafter – $151,000.

Note 14. Leases (continued)

Pursuant to the lease agreement for the Company's headquarters facility, the Company is required to return the facility to its original condition upon the termination of the lease in January 2011. The Company recorded asset retirement obligations and asset retirement costs (included in leasehold improvements) of $139,000 in connection with this lease. For the period from April 23, 2005 to December 31, 2005, the Company recognized accretion expense of $10,000 for the asset retirement obligation, which is included with amortization expense on the consolidated statement of operations.

Note 15. Related Party Transactions

a) Leucadia Guarantee

On June 2nd, 2006, Leucadia issued a guarantee to the Company, which provides for financing to the Company for the satisfaction of cash obligations in an amount not to exceed $10 million. The guarantee expires at through the earlier of (a) the change in control of the Company whether by its merger, acquisition or sale of all or substantially all of its assets; or (b) March 31, 2007. The Company's management does not anticipate obtaining any financing pursuant this guarantee.

b) Due to Leucadia

For the period from April 23, 2005 to December 31, 2005, Leucadia paid insurance costs of $228,000 and legal costs of $19,000 on behalf of the Company. As of the December 31, 2005, the Company reimbursed Leucadia for $97,000 of these fees.

c) Transactions with Wiltel Communications, LLC

Wiltel Communications, LLC ("Wiltel") is a telecommunications provider, which was wholly owned by Leucadia through December 22, 2005. On December 23, 2005, Leucadia sold its interest in Wiltel. During the period from April 23, 2005 through December 22, 2005, the Company purchased services from Wiltel of $2,325,000, which are included in operating expenses. Additionally, during the period the Company purchased equipment and other goods from Wiltel in the amount of $335,000.

d) Management Transition Agreements

On the Emergence Date, the Company entered into Transition Agreements with Mr. Gravina and Mr. Peterson, the Company's former Chief Executive Officer and Chief Financial Officer, respectively. The Transition Agreements provided for: i) their resignation as executive officers and directors with the Company, ii) for the appointment of Mr. Gravina as the non-executive Chairmen of the Board of the Company and iii) for the appointment of Mr. Peterson as a non-executive Senior Advisor. Pursuant to the Transition Agreements, Mr. Gravina and Mr. Peterson have agreed to serve in these positions for a period of one year from the Emergence Date. Mr. Gravina and Mr. Peterson will receive base salaries of $437,500 and $375,000, respectively, and shall be entitled to participate in health, insurance, retirement and other benefits provided to other senior executives of the Company. Additionally, Mr. Gravina and Mr. Peterson were also granted 30,000 and 20,000 common shares, respectively, under the Management Restricted Stock Plan.

Note 15. Related Party Transactions (continued)

Pursuant to the Transition Agreements, the Company is also required to make payments to Mr. Gravina and Mr. Peterson in the amount of $425,000, of which $212,500 was paid on April 22, 2005 by cash payments of $102,500 and $127,500 and the issuance of Promissory Notes with a face value of $154,000 and $129,000 to Mr. Gravina and Mr. Peterson, respectively. The remaining $212,500 is being paid in equal monthly installments through April 2006. In consideration of these payments, Mr. Gravina and Mr. Peterson have agreed to certain non-compete provisions.

e) Transactions with GPX Enterprises

During August 2005, the Company entered into an assignment agreement with GPX Enterprises ("GPX") to assign all of its rights, title and interest in the Suite License Agreement for the right to use a Suite at Lincoln Financial Field. GPX is a company owned and operated by Thomas Gravina and Michael Peterson. Pursuant to the agreement GPX is to reimburse the Company for $130,000 paid pursuant to the License Agreement for the 2005 season as well as $33,000 paid as a deposit. As of December 31, 2005, the Company has received $78,000.

During September 2005, the Company entered into an assignment agreement with GPX to assign all of its rights, title and interest in the Suite License Agreement for the right to use Suite #82 at the Wachovia Center. Pursuant to the agreement GPX is to pay $27,000 to the Spectrum Arena LP (Operator of the Wachovia Center) and upon doing so the Spectrum Arena LP will reimburse the Company $27,000 for the deposit it previously paid. As of December 31, 2005, the money has not been refunded.

f) Transactions with Directors

On the Emergence Date, the three former non-executive directors of the Company purchased the Promissory Notes of the Company with a face amount of $433,000 for $268,000 in cash and $68,000 in their accrued but unpaid directors fees earned in the performance of services as directors of the Company.

g) Separation and Consulting Agreement

On March 24, 2005, the Company entered into a Separation and Consulting Agreement ("Separation Agreement") with Mr. Holt, the Company's former Senior Vice President – Chief Counsel for Law & External Affairs & Secretary. In consideration of Mr. Holt providing services to the Company through July 15, 2005 in connection with its reorganization process, the Company agreed to pay Mr. Holt $275,000 payable in up to four installments. All payments under the Separation Agreement were made as of May 4, 2005.

Note 16. Employee Benefit Programs

401(k) Plan

The Company sponsors a 401(k) plan in which all full-time employees who have completed 90 days of employment and are 21 years of age may participate. The Board of Directors approves the Company's matching contribution annually. Participants may make salary deferral contributions of 1% to 25% of their compensation not to exceed the maximum allowed by law. The expense for the period from April 23, 2005 to December 31, 2005 was $77,000. The Company made its 2005 matching contribution in March 2006.

ATX COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements (continued)

Note 16. *Employee Benefit Programs (continued)*

Key Employee Severance Program

Pursuant to the Plan of Reorganization, the Company established the Key Employee Severance Program ("KESP"), which became effective on the Emergence Date. The KESP was established to provide cash severance payments to certain employees of the Company in the event their jobs are terminated within one year from the Effective Date. The KESP is administered by the Company's Board or such other person as designated by the Board. The plan administrator has full authority under the KESP to control and manage the operation and administration of the KESP and to make all determinations of eligibility for severance under the KESP.

The total amount of severance pay available to an employee under the KESP is based upon a base severance amount multiplied by a severance multiplier. The base severance amount is equal to the employee's monthly base salary, as in effect immediately prior to termination plus the employee's average monthly commissions, as applicable. As of December 31, 2005, the Company would be obligated to pay $3.2 million in the event that all of the employees included in the KESP were terminated. On March 31, 2006, the Company's Board extended the KESP to critical employees of the Company through April 23, 2007.

In connection with the disposal of the Company's discontinued operations, the former executives of Voyager were terminated. These executives were covered under the KESP and accordingly, the Company accrued $427,000 in connection with their termination, all of which were paid in January 2006.

Midwest CLEC Retention Bonus Program

In connection with the disposal of the Company's Midwest CLEC, the Company established a retention bonus program for initially 42 employees that supported the operations of the Midwest CLEC. Under the retention program, the Company was required to pay a bonus to employees who maintain employment through December 31, 2005 ("Termination Date") at the earlier of the first regular pay period following (a) the Termination Date; or (b) thirty days following the completion of the sale of the Midwest CLEC. In the event that an employee ceased to be employed by the Company prior to the Termination Date due to (a) resignation; or (b) termination for cause, the employee was not entitled to receive the retention bonus. The Company initially estimated the fair value of the liability as of the Termination Date to be $365,000 and was accruing for the liability ratably through the Termination Date. After closing on the sale of the Midwest CLEC in September 2005, the Company paid the retention bonuses pursuant to the terms of the bonus program. During the period from April 23, 2005 to December 31, 2005 the Company recognized expenses of $294,000 under this program, which are included in discontinued operations.

Note 17. Shareholders' Equity

Common Stock

Pursuant to the Plan of Reorganization as of the Emergence Date, the Company's historical common shares, preferred equity shares, stock options and warrants were extinguished. The Articles of Incorporation of the Company authorized 1,000,000 shares of $0.01 par value common stock for issuance. As of the Emergence Date, the Company issued 850,000 shares of common stock to settle a portion of Leucadia pre-petition secured claims and issued 50,000 shares pursuant to the Management Transition Agreements.

Management Restricted Stock Plan

Pursuant to the Plan of Reorganization, the Company established the Management Restricted Stock Plan ("Restricted Stock Plan"), which became effective on the Emergence Date. The Restricted Stock Plan was subsequently amended and rested by the Board on March 31, 2006. Under the Restricted Stock Plan, the Company is authorized to award up to 150,000 shares of its common stock to participants. The Restricted Stock Plan is administered by the Board. The Restricted Stock Plan authorizes the award of restricted stock to participants to encourage such participants to expend their maximum efforts in the creation of stockholder value. On March 31, 2006, the Board granted 72,500 shares of restricted stock to participants under the Restricted Stock Plan.

The number of shares available under the Restricted Stock Plan is subject to adjustment in the event of stock dividends, stock splits, recapitalization, mergers and other similar transactions. The Board will determine the vesting for any restricted stock awarded under the Restricted Stock Plan.

If, prior to the time that the restricted stock has vested, a participant's employment or service, as applicable, terminates for any reason, i) all vesting with respect to the restricted stock shall cease, and ii) unvested shares of restricted stock shall be forfeited by the participant to the Company for no such consideration as of the date of such termination; provided, however, in the event such participant's employment is terminated by the employer without cause or by the participant for good reason, as defined, all shares of restricted stock not previously vested shall immediately vest.

Each participant in the Restricted Stock Plan has Tag-Along Rights, which offers the participant a right to sell its stock for a purchase price per share equal to the purchase price received by Leucadia in the event that Leucadia proposes to sell to a third party any shares of common stock beneficially owed by it. Any participant who notifies Leucadia that it desires to participate in any such sale shall have a right to include in such sale an amount of shares of stock equal to the amount of shares the third party actually proposes to purchase multiplied by the pro-rata portion of unrestricted shares owned by the participant.

Additionally, Leucadia has been granted Drag-Along Rights, which enables Leucadia to require the participant to sell a portion of its stock for a purchase price per share equal to the purchase price received by Leucadia in the event that Leucadia proposes to sell to a third party any shares of common stock beneficially owed by it. Any participant who is notified by Leucadia that it is required to participate in any such sale shall only be required to sell an amount of shares of stock equal to the aggregate number of shares owned by such participant multiplied by the percentage of Leucadia's shares that Leucadia is proposing to sell.

Note 17. Shareholders' Equity (continued)

Upon an initial public offering or other transaction by which the Company is required to file reports pursuant to Section 13 of 15(d) of the Securities Exchange Act of 1934 the Company shall promptly file a registration statement on Form S-8 covering the shares of stock issuable under the Restricted Stock Plan.

Note 18. Income Taxes

The Company is subject to U.S Federal, state and local income taxes. During the period from April 23, 2005 to December 31, 2005, the Company's provision for income taxes consisting solely of current state and local income taxes was $174,000, of which $163,000 related to continuing operations.

The reconciliation of income taxes computed at U.S. federal statutory rates to income tax expense for the period from April 23, 2005 to December 31, 2005 is as follows (in thousands):

Benefit at federal statutory rate (35%)	$	(2,186)
Permanent differences		148
State and local income taxes		163
Valuation allowance		2,038
Actual income tax expense	$	163

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and the impact of available net operating losses, referred to as NOL carryforwards. As of December 31, 2005, the significant components of the Company's deferred tax assets were as follows:

Deferred tax assets:		
Net operating loss carryforwards	$	77,284
Allowance for doubtful accounts		2,936
Accrued expenses		1,242
		81,462
Valuation allowance for deferred tax assets		(74,762)
		6,700
Deferred tax liabilities:		
Intangible assets		(6,365)
Fixed assets		(335)
		(6,700)
Net deferred tax asset	$	-

Note 18. Income Taxes (continued)

The Company's deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company's deferred tax assets have been offset by a valuation allowance of $74.8 million as of December 31, 2005 due to the uncertainty of realizing such tax benefit. The Company's decision to establish a valuation allowance was primarily based on negative evidence of cumulative losses in recent years.

The Company had consolidated federal NOL carryforwards of $220.8 million as of December 31, 2005. The ability of the Company to use its NOL carryforwards and other tax attributes is subject to statutory and other limitations after the Emergence Date. One such limitation is the required reduction of certain tax attributes due to the cancellation of indebtedness. The United States Treasury Department and the Internal Revenue Service ("IRS") have issued regulations that provide for tax attribute reduction when the debt of a member of a consolidated group is forgiven. Following the attribute reduction rules, the Company eliminated $227.2 million of its federal NOL carryforwards and $8 million of capital loss carryforwards. In addition, the Company has eliminated the majority of its state NOL carryforwards. The other limitation in the Company's future ability to utilize any remaining NOL carryforwards occurred when it emerged from bankruptcy and will be limited by Internal Revenue Code Section 382. The maximum amount of NOL carryforwards the Company can use after the Emergence Date is $10.1 million. These remaining federal NOL carryforwards will expire in various amounts through 2024 and the capital loss carryforwards expired April 22, 2005.

Additionally, as a result of the application of the attribute reduction rules, the Company reduced its tax basis in non current assets (including property, plant and equipment, intangibles and other long-term assets) by approximately $1.3 million.

Note 19. Commitments and Contingent Liabilities

As of December 31, 2005, the Company had purchase commitments of $1.2 million outstanding, of which all are due during 2006. Additionally, the Company has standby letters of credit of $573,000 outstanding at December 31, 2005, which are fully collateralized by certificates of deposit classified as part of other non-current assets. The letters of credit renew automatically on an annual basis unless cancelled.

The Company is involved in various legal matters, arising in the ordinary course of its business, which may result in pending or threatened litigation and claims. In addition, the Company is also subject to proceedings under government laws and regulations. These matters are subject to many uncertainties and outcomes, which makes the Company unable to determine the ultimate monetary liability or financial impact with respect to these matters at December 31, 2005. None of these matters are expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Upon filing for Chapter 11 bankruptcy protection, most of the outstanding legal matters relating to pre-petition litigation claims were automatically stayed and have been classified as general unsecured claims of ATX. Pursuant to the Company's Plan of Reorganization, upon finalization of the allowed amount of the pre-petition litigation claims, the allowed claims will be satisfied in cash as part of the general unsecured claims. The pre-petition litigation claims of Verizon and AT&T will be satisfied in accordance with the Verizon Settlement Agreement and AT&T Settlement Agreement, respectively. Claims arising after the Petition Date were not discharged following emergence.

ATX COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements (continued)

Note 19. Commitments and Contingent Liabilities (continued)

Priority Tax and Regulatory Claims

As of December 31, 2005, the Company has provided for an estimated liability for bankruptcy related priority tax and regulatory claims of $4.3 million, which is include as part of accrued reorganization costs. The Company is in the process of validating these outstanding tax claims, the majority of which represent estimated claims related to state tax audits under appeal. ATX estimates that the liability resulting from the reconciliation process with the various state taxing authorities ranges from $3.5 million to $4.5 million.