

# VAC

VALUE-ADDED  
  
COMMUNICATIONS



0000058016

ORIGINAL 1601 N. Collins Blvd.

Richardson, TX 75080

Tel: 972-479-1919

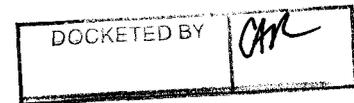
Fax: 972-808-3332

2003 MAY -9 A 10: 14

AZ CORP COMMISSION  
DOCUMENT CONTROL

Arizona Corporation Commission  
**DOCKETED**

MAY 09 2003



May 6, 2003

Arizona Corporation Commission  
Attn: Docket Control Center  
1200 West Washington Street  
Phoenix, Arizona 85007-2927

RE: STAFF'S FIRST SET OF REQUESTS TO VALUE-ADDED  
COMMUNICATIONS, INC.  
DOCKET NO. T-03798A-99-0604

Dear Sir or Madam:

Enclosed please find an original and ten (10) copies of the Revised Application for Certificate of Convenience and Necessity to provide Alternate Operator Services in the state of Arizona for Value-Added Communications, Inc.

If you have any questions regarding this application, please give me a call at (972) 808-3319.

Thank You,



Cheryl Cook  
Value-Added Communications, Inc.  
(972) 808-3319  
(972) 808-3432 Fax  
[Cheryl.Cook@vaci.com](mailto:Cheryl.Cook@vaci.com)

Enclosures  
Cc: file

ARIZONA CORPORATION COMMISSION

Application and Petition for Certificate of Convenience and Necessity to Provide  
Intrastate Telecommunications Services

Mail original plus 10 copies of completed application to: For Docket Control Only:  
(Please Stamp Here)

Docket Control Center  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007-2927

Please indicate if you have current applications pending  
in Arizona as an Interexchange reseller, AOS provider,  
or as the provider of other telecommunication services.

Type of Service: AOS Provider

Docket No.: T-03798A-99-0604 Date: 10/22/1999 Date Docketed: \_\_\_\_\_

Type of Service: \_\_\_\_\_

Docket No.: \_\_\_\_\_ Date: \_\_\_\_\_ Date Docketed: \_\_\_\_\_

**A. COMPANY AND TELECOMMUNICATION SERVICE INFORMATION**

(A-1) Please indicate the type of telecommunications services that you want to provide in Arizona and answer the appropriate numbered items:

- Resold Long Distance Telecommunications Services (Answer Sections A, B, C).
- Resold Local Exchange Telecommunications Services (Answer Sections A, B, C).
- Facilities-Based Long Distance Telecommunications Services (Answer Sections A, B, D).
- Facilities-Based Local Exchange Telecommunications Services (Answer Sections A, B, D, E)
- Alternative Operator Services Telecommunications Services (Answer Sections A, B)

(A-2) The name, address, telephone number (including area code), facsimile number (including area code), e-mail address, and World Wide Web address (if one is available for consumer access) of the Applicant:

Value-Added Communications, Inc.  
1601 N. Collins Blvd.  
Richardson, TX 75080  
(972) 479-1919  
(972) 808-3432 fax [www.vaci.com](http://www.vaci.com)

(A-3) The d/b/a ("Doing Business As") name if the Applicant is doing business under a name different from that listed in Item (A-2):

(A-4) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Management Contact:

Kermit D. Heaton  
Executive Vice President  
1601 N. Collins Blvd.  
Richardson, TX 75080  
(972) 479-1919 Kermit.Heaton@vaci.com

(A-5) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Attorney and/or Consultant:

(A-6) The name, address, telephone number (including area code), facsimile number (including area code), E-mail address of the Applicant's Complaint Contact Person:

Kermit Heaton  
1601 N. Collins Blvd.  
Richardson, TX 75080  
(972) 479-1919  
(972) 808-3432 Kermit.Heaton@vaci.com

(A-7) What type of legal entity is the Applicant?

- Sole proprietorship
- Partnership: \_\_\_ Limited, \_\_\_ General, \_\_\_ Arizona, \_\_\_ Foreign
- Limited Liability Company: \_\_\_ Arizona, \_\_\_ Foreign
- Corporation: \_\_\_ "S", X "C", \_\_\_ Non-profit, \_\_\_ Arizona, \_\_\_ Foreign
- Other, specify: \_\_\_\_\_

(A-8) Please include "Attachment A":

Attachment "A" must include the following information:

1. A copy of the Applicant's Certificate of Good Standing as a domestic or foreign corporation, LLC, or other entity in the State of Arizona.
2. A list of the names of all owners, partners, limited liability company managers (or if a member managed LLC, all members), or corporation officers and directors (specify).
3. Indicate percentages of ownership.

(A-9) Include your Tariff as "Attachment B".

Your Tariff must include the following information:

1. Proposed Rates and Charges for each service offered (reference by Tariff page number).
2. Tariff Maximum Rate and Prices to be Charged (reference by Tariff page number).
3. Terms and Conditions Applicable to provision of Service (reference by Tariff page number).
4. Deposits, Advances, and/or Prepayments Applicable to provision of Service (reference by Tariff page number).
5. The proposed fee that will be charged for returned checks (reference by Tariff page number).

(A-10) Indicate the geographic market to be served:

- Statewide. (Applicant adopts statewide map of Arizona provided with this application).
- Other. Describe and provide a detailed map depicting the area.

(A-11) Indicate if the Applicant has been or if the Applicant is currently involved in any formal or informal complaint proceedings pending before any State or federal Regulatory Commission:

- Yes  No

If "Yes", please provide the following information:

1. States in which the Applicant has been or is involved in proceedings.
2. Detailed explanations of the Substance of the Complaints.
3. Commission Orders that resolved any and all Complaints.
4. Actions taken by the Applicant to remedy and/or prevent the Complaints from re-occurring.

(A-12) Indicate if the Applicant has been or is currently involved in any civil or criminal investigations AND/OR had judgment entered against it in any civil matter or been convicted of any criminal acts related to the delivery of telecommunications services within the last five (5) years:

- Yes  No

If "Yes", please provide the following information.

1. States involved in the judgments and/or convictions.
2. Reasons for the investigation and/or judgment.
3. Copy of the Court order, if applicable.

(A-13) Indicate if the Applicant's customers will be able to access alternative toll service providers or resellers via 1+101XXXX access.

Yes

No

(A-14) Is applicant willing to post a Performance Bond? Please check appropriate box(s).

For Long Distance Resellers, a \$10,000 bond will be recommended for those resellers who collect advances, prepayments or deposits.

Yes

No

If "No", continue to question (A-15).

For Local Exchange Resellers, a \$25,000 bond will be recommended.

Yes

No

If "No", continue to question (A-15).

For Facilities-Based Providers of Long Distance, a \$100,000 bond will be recommended.

Yes

No

If "No", continue to question (A-15).

For Facilities-Based Providers of Local Exchange, a \$100,000 bond will be recommended.

Yes

No

If "No", continue to question (A-15).

*Note: Amounts are cumulative if the Applicant is applying for more than one type of service.*

(A-15) If No to any of the above, provide the following information. Clarify and explain the Applicant's deposit policy (reference by tariff page number). Provide a detailed explanation of why the applicant's superior financial position limits any risk to Arizona consumers.

We are a AOS provider, not Facilities Based or Reseller

(A-16) Submit copies of affidavits of publication that the Applicant has, as required, published legal notice of the Application in all counties where the services will be provided.

Prior to issuance of the CC&N, the Applicant must complete and submit an Affidavit of Publication Form. Refer to Attachment C - Legal Notice Material (Newspaper Information, Sample Legal Notice and Affidavit of Publication).

Attachment C

# Attachment C

## Affidavits of Publication

# COURIER

**PUBLIC NOTICE OF FILING BY  
VALUE-ADDED COMMUNICATION,  
INC. TO PROVIDE COMPETITIVE  
INTERLATA/INTRA LATA  
TELECOMMUNICATIONS SERVICE,  
INCLUDING ALTERNATE  
OPERATOR SERVICE PROVIDER**

## AFFIDAVIT OF PUBLISHER

Susan G. Curtis being first

That (s)he is the CLERK

of the EASTERN ARIZONA COURIER, a weekly newspaper, published in the City of Safford, County of Graham, State of Arizona:

That the Notice, a copy of which is hereto attached, described as follows: \_\_\_\_\_

ANA  
Value Added Communication  
Telecommunication Services

\_\_\_\_\_ was published weekly in the entire and regular issue of said the EASTERN ARIZONA COURIER, for \_\_\_\_\_

consecutive weeks, the FIRST publication of said notice being Dec in the issue dated 15

\_\_\_\_\_ 1999

and the LAST publication being in the issue dated Dec 15 1999

The deponent further says that the Notice was published in the newspaper proper, and not in a supplement thereof.

(SIGNED) Susan G. Curtis

Sworn and Subscribed to me this 15 day of Dec 1999

Monica L. Watson  
Notary Public



My Commission expires Dec 31 2002

On October 22, 1999, Value-Added Communications, Inc. filed an application and petition with the Arizona Corporation Commission ("Commission") for a Certificate of Convenience and Necessity to provide competitive interLATA and intra LATA resold telecommunications services, throughout the State of Arizona at the rates and terms specified in the tariffs filed with the application. The Company's application and petition is available for inspection during regular business hours at the offices of the Arizona Corporation Commission in Phoenix, Arizona at 1200 West Washington Street and at Value-Added Communications, Inc. in Richardson, Texas at 1601 N. Collins Boulevard.

Interested persons shall have twenty (20) days from the publication of this notice to file objections to the application and petition. The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Intervention shall be permitted to any person entitled by law to intervene and having a direct and substantial interest in this matter. Persons desiring to intervene must file a written motion to intervene with the Commission within twenty (20) days from the date of publication of this notice. This motion should be sent to the Company or its counsel and to all parties of record, and which, at the minimum, shall contain the following:

1. The name, address and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding (e.g., a customer of the Company, a shareholder of the Company, a competitor, etc.).
3. A statement certifying that a copy of the motion to intervene has been mailed to the Company or its counsel and to all parties of record in the case.

A.A.C. R14-3-105 shall govern the granting of motions to intervene. The granting of intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and making a statement on their own behalf.

If you have any questions concerning this application, or want information on intervention; you should contact the Consumer Services Section of the Commission by calling 1-800-222-7000.

Req: Value-Added Communications, Inc.  
Published December 15, 1999 in the Eastern Arizona Courier, Safford, Arizona 85548.

STAR PUBLISHING COMPANY

Tucson, Arizona

STATE OF ARIZONA)
COUNTY OF PIMA)

Janice Anderson, being first duly sworn deposes and says: that she is the Legal Advertising Representative of the STAR PUBLISHING COMPANY, a corporation organized and existing under the laws of the State of Arizona, and that the said STAR PUBLISHING COMPANY prints and publishes The Arizona Daily Star, a daily newspaper printed and published in the City of Tucson, Pima County, State of Arizona, and having a general circulation in said City, County, State and elsewhere, and that the attached

Legal Notice

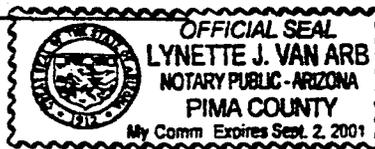
was printed and published correctly in the entire issue of the said The Arizona Daily Star on each of the following dates, to-wit:

December 8, 1999

Janice Anderson (signature)

Subscribed and sworn to before me this 8th day of December, 1999

(Signature)
Notary Public



My commission expires

TNI AD NO. 503671

PUBLIC NOTICE
PUBLIC NOTICE OF FILING BY VALUE-ADDED COMMUNICATIONS INC. TO PROVIDE COMPETITIVE INTERLATA/INTRALATA TELECOMMUNICATIONS SERVICE INCLUDING ALTERNATE OPERATOR SERVICE PROVIDER
October 22, 1999; Value-Added Communications, Inc. filed an application and petition with the Arizona Corporation Commission...
Interested persons shall have twenty (20) days from the publication of this notice to file objections to the application and petition...
1. The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding (e.g., a customer of the Company, a shareholder of the Company, a competitor, etc.)
3. A statement certifying that a copy of the motion to intervene has been mailed to the Company or its counsel and to all parties of record in this case.
A.A.C. R14-3-106 shall govern the granting of motions to intervene. The granting of intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and making a statement on their own behalf.
If you have any questions concerning this application, or want information on intervention, you should contact the Consumer Services Section of the Commission by calling 1-800-222-7000.
Published December 8, 1999
The Arizona Daily Star

PUBLIC NOTICE OF FILING BY VALUE ADDED COMMUNICATION, INC. TO PROVIDE COMPETITIVE INTERLATA INTRALATA TELECOMMUNICATIONS SERVICE, INCLUDING ALTERNATE PROVIDER SERVICE.

On October 22, 1999, Value-Added Communications, Inc. filed an application and petition with the Arizona Corporation Commission ("Commission") for a Certificate of Convenience and Necessity to provide competitive InterLATA and intraLATA resold telecommunications services, throughout the State of Arizona at the rates and terms specified in the tariffs filed with the application. The Company's application and petition is available for inspection during regular business hours at the offices of the Arizona Corporation Commission in Phoenix, Arizona at 1200 West Washington Street and at Value-Added Communications, Inc. in Richardson, Texas at 1601 N. Collins Boulevard.

Interested persons shall have twenty (20) days from the publication of this notice to file objections to the application and petition. The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Intervention shall be permitted to any person entitled by law to intervene and having a direct and substantial interest in this matter. Persons desiring to intervene must file a written motion to intervene with the Commission within twenty (20) days from the date of publication of this notice. A motion should be sent to the Company or its counsel and to all parties of record, and which, at the minimum, shall contain the following:

1. The name, address and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different than the intervenor.
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3. A statement certifying that a copy of the motion to intervene has been mailed to the Company or its counsel and to all parties of record in this case.

A.A.C. R14-3-105 shall govern the granting of motions to intervene. The granting of intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person, or entity from appearing at the hearing and making a statement on their own behalf.

If you have any questions concerning this application, or want information on intervention you should contact a Consumer Services Section of the Commission by calling 1-800-222-7000.

Dec 8, 1999/971614

# THE Tribune

Legal Advertising

120 W. First Avenue Mesa, Arizona 85201

## Affidavit of Publication

P.O. Number: Value-Added Communications, Inc.  
Order# 99122CVO-006062

Invoice Number: 971614

Price: \$64.99

STATE OF ARIZONA  
County of Maricopa

I, Dianna Nedd, Legal Clerk, acknowledge that the attached ad was published in a newspaper of general circulation. The dates of the publication are as follows: December 8, 1999

The Tribune (East Valley Edition)

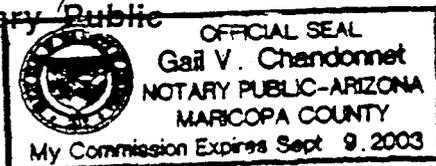
*Dianna Nedd*

Legal Clerk

Subscribed and sworn to me on this date:  
December 8, 1999

*Gail V. Chandonnet*

Notary Public



(A-17) Indicate if the Applicant is a switchless reseller of the type of telecommunications services that the Applicant will or intends to resell in the State of Arizona:

Yes  No

If "Yes", provide the name of the company or companies whose telecommunications services the Applicant resells.

(A-18) List the States in which the Applicant has had an application approved or denied to offer telecommunications services similar to those that the Applicant will or intends to offer in the State of Arizona:

(A-19) List the States in which the Applicant currently offers telecommunications services similar to those that the Applicant will or intends to offer in the State of Arizona.

(A-20) List the names and addresses of any alternative providers of the service that are also affiliates of the telecommunications company, as defined in R14-2-801.

N/A

#### B. FINANCIAL INFORMATION

(B-1) Indicate if the Applicant has financial statements for the two (2) most recent years.

Yes  No

If "No," explain why and give the date on which the Applicant began operations.

(B-2) Include "Attachment D".

Provide the Applicant's financial information for the two (2) most recent years.

1. A copy of the Applicant's balance sheet.
2. A copy of the Applicant's income statement.
3. A copy of the Applicant's audit report.

4. A copy of the Applicant's retained earnings balance.
5. A copy of all related notes to the financial statements and information.

Attachment D

(B-3) Indicate if the Applicant will rely on the financial resources of its Parent Company, if applicable.

(B-4) The Applicant must provide the following information.

1. Provide the projected total revenue expected to be generated by the provision of telecommunications services to Arizona customers for the first twelve months following certification, adjusted to reflect the maximum rates for which the Applicant requested approval. Adjusted revenues may be calculated as the number of units sold times the maximum charge per unit.
2. Provide the operating expenses expected to be incurred during the first twelve months of providing telecommunications services to Arizona customers following certification.
3. Provide the net book value (original cost less accumulated depreciation) of all Arizona jurisdictional assets expected to be used in the provision of telecommunications service to Arizona customers at the end of the first twelve months of operation. Assets are not limited to plant and equipment. Items such as office equipment and office supplies should be included in this list.
4. If the projected value of all assets is zero, please specifically state this in your response.
5. If the projected fair value of the assets is different than the projected net book value, also provide the corresponding projected fair value amounts.

See Attachment D

**C. RESOLD LONG DISTANCE AND/OR LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES**

(C-1) Indicate if the Applicant has a resale agreement in operation

Yes

No

If "Yes", please reference the resale agreement by Commission Docket Number or Commission Decision Number.

N/A

**D. FACILITIES-BASED LONG DISTANCE AND/OR FACILITIES BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES**

(D-1) Indicate if the Applicant is currently selling facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services in the State of Arizona. This item applies to an Applicant requesting a geographic expansion of their CC&N:

Yes

No

If "Yes," provide the following information:

1. The date or approximate date that the Applicant began selling facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services for the State of Arizona.
2. Identify the types of facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services that the Applicant sells in the State of Arizona.

N/A

If "No," indicate the date when the Applicant will begin to sell facilities-based long distance telecommunications AND/OR facilities-based local exchange telecommunications services in the State of Arizona:

(D-2) Check here if you wish to adopt as your petition a statement that the service has already been classified as competitive by Commission Decision:

- Decision # 64178 Resold Long Distance
- Decision # 64178 Resold LEC
- Decision # 64178 Facilities Based Long Distance
- Decision # 64178 Facilities Based LEC

N/A

**E. FACILITIES-BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES**

(E-1) Indicate whether the Applicant will abide by the quality of service standards that were approved by the Commission in Commission Decision Number 59241:

- Yes
- No

N/A

(E-2) Indicate whether the Applicant will provide all customers with 911 and E911 service, where available, and will coordinate with incumbent local exchange carriers ("ILECs") and emergency service providers to provide this service:

- Yes
- No

N/A

(E-3) Indicate that the Applicant's switch is "fully equal access capable" (i.e., would provide equal access to facilities-based long distance companies) pursuant to A.A.C. R14-2-1111 (A):

- Yes
- No

N/A

Attachment D

Audit Reports

VAC HOLDING, INC.  
CONSOLIDATED BALANCE SHEET  
DECEMBER 31, 2001

ASSETS

|   |                     |
|---|---------------------|
| Current assets:   |                     |
| Cash and cash equivalents   | \$ 2,919,714        |
| Accounts receivable-trade, net of allowance<br>for doubtful accounts - \$28,275 | 1,695,643           |
| Accounts receivable-other   | 83,998              |
| Note receivable   | 100,000             |
| Inventory   | 960,094             |
| Prepaid expense   | <u>23,601</u>       |
| Total current assets  | <u>5,783,050</u>    |
| Property and equipment:   |                     |
| Equipment   | 97,380              |
| Furniture & fixtures  | 91,451              |
| Leasehold improvements  | 69,862              |
| Computer hardware   | 1,441,541           |
| Computer software   | <u>409,309</u>      |
|   | 2,109,543           |
| Less: Accumulated depreciation and amortization                                 | <u>(380,438)</u>    |
| Total property and equipment  | <u>1,729,105</u>    |
| Other assets:   |                     |
| Intangible assets, net of accumulated<br>amortization - \$433,664               | 1,150,782           |
| Deposits  | <u>5,160</u>        |
| Total other assets  | <u>1,155,942</u>    |
| TOTAL ASSETS  | <u>\$ 8,668,097</u> |

See auditors' report and accompanying notes

VAC HOLDING, INC.  
CONSOLIDATED BALANCE SHEET  
DECEMBER 31, 2001

LIABILITIES AND STOCKHOLDERS' EQUITY

|  |                     |
|--|---------------------|
| Current liabilities:   |                     |
| Accounts payable   | \$ 461,322          |
| Accrued liabilities  | 3,641,992           |
| Current portion of long-term debt  | <u>489,541</u>      |
| Total current liabilities  | <u>4,592,855</u>    |
| Long-term liabilities:   |                     |
| Deferred tax liability   | 73,376              |
| Deferred revenue   | <u>609,785</u>      |
| Total long-term liabilities  | <u>683,161</u>      |
| Total liabilities  | <u>5,276,016</u>    |
| Stockholders' equity:  |                     |
| Common Stock, \$.01 par value, 5,000,000<br>shares authorized & 2,354,300 shares<br>issued and outstanding | 23,543              |
| Additional paid-in capital   | 1,496,272           |
| Retained earnings  | <u>1,872,266</u>    |
| Total stockholders' equity   | <u>3,392,081</u>    |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY   | <u>\$ 8,668,097</u> |

See auditors' report and accompanying notes

VAC HOLDING, INC.  
CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2001

|  |                    |
|--|--------------------|
| Sales  | \$5,526,238        |
| Costs of sales                               | <u>1,405,283</u>   |
| Gross Profit                                 | <u>4,120,955</u>   |
| <br>   |                    |
| Selling, general and administrative expenses | 4,953,408          |
| Depreciation and amortization                | <u>380,323</u>     |
|  | <u>5,333,731</u>   |
| <br>   |                    |
| Operating loss before income taxes           | <u>(1,212,776)</u> |
| <br>   |                    |
| Other income (expense):                      |                    |
| Other income                                 | 1,180,730          |
| Interest income                              | 109,137            |
| Interest expense                             | <u>(56,804)</u>    |
|  | <u>1,233,063</u>   |
| <br>   |                    |
| Net income before income taxes               | 20,287             |
| <br>   |                    |
| Income taxes:                                |                    |
| Current expense                              | 0                  |
| Deferred expense                             | <u>5,124</u>       |
|  | <u>5,124</u>       |
| Net income                                   | <u>\$ 15,163</u>   |

See auditors' report and accompanying notes

VAC HOLDING, INC.  
 CONSOLIDATED BALANCE SHEET  
 DECEMBER 31, 2002

ASSETS

|   |                     |
|---|---------------------|
| Current assets:   |                     |
| Cash and cash equivalents   | \$ 1,659,697        |
| Accounts receivable-trade, net of allowance<br>for doubtful accounts - \$72,897 | 1,269,213           |
| Accounts receivable-other   | 477                 |
| Tax refund receivable   | 178,000             |
| Note receivable   | 100,000             |
| Inventory   | 1,588,204           |
| Prepaid expense   | <u>25,008</u>       |
| Total current assets  | <u>4,820,599</u>    |
| Property and equipment:   |                     |
| Equipment   | 101,335             |
| Furniture & fixtures  | 134,870             |
| Leasehold improvements  | 116,964             |
| Computer hardware   | 1,782,231           |
| Computer software   | <u>458,332</u>      |
|   | 2,593,732           |
| Less: Accumulated depreciation and amortization                                 | <u>(820,956)</u>    |
| Total property and equipment  | <u>1,772,776</u>    |
| Other assets:   |                     |
| Deferred charges  | 210,340             |
| Intangible assets, net of accumulated<br>amortization - \$621,915               | 962,531             |
| Deposits  | <u>11,374</u>       |
| Total other assets  | <u>1,184,245</u>    |
| TOTAL ASSETS  | <u>\$ 7,777,620</u> |

See auditors' report and accompanying notes

VAC HOLDING, INC.  
CONSOLIDATED BALANCE SHEET  
DECEMBER 31, 2002

LIABILITIES AND STOCKHOLDERS' EQUITY

|  |                     |
|--|---------------------|
| Current liabilities:   |                     |
| Accounts payable   | \$ 497,781          |
| Accrued liabilities  | 2,796,896           |
| Current portion of long-term debt  | <u>687,398</u>      |
| Total current liabilities  | <u>3,982,075</u>    |
| Long-term liabilities:   |                     |
| Deferred tax liability   | 198,787             |
| Deferred revenue   | <u>333,333</u>      |
| Total long-term liabilities  | <u>532,120</u>      |
| Total liabilities  | <u>4,514,195</u>    |
| Stockholders' equity:  |                     |
| Common Stock, \$.01 par value, 5,000,000<br>shares authorized & 2,379,300 shares<br>issued and outstanding | 23,793              |
| Additional paid-in capital   | 1,502,272           |
| Retained earnings  | <u>1,737,360</u>    |
| Total stockholders' equity   | <u>3,263,425</u>    |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY   | <u>\$ 7,777,620</u> |

See auditors' report and accompanying notes

VAC HOLDING, INC.  
 CONSOLIDATED STATEMENT OF CASH FLOWS  
 DECEMBER 31, 2002

Cash flows from operating activities:

|   |                  |
|---|------------------|
| Net loss  | \$ (134,906)     |
| Adjustments to reconcile net loss to net cash provided by operations: |                  |
| Depreciation and amortization   | 640,611          |
| Loss on disposal of assets  | 6,361            |
| Tax refund receivable   | (178,000)        |
| Deferred tax expense  | 125,411          |
| Net changes in certain working capital items                          | <u>(769,726)</u> |
| Net cash used in operating activities                                 | <u>(310,249)</u> |

Investing activities:

|                                       |                  |
|---------------------------------------|------------------|
| Purchase of equipment                 | (660,870)        |
| Increase in deposits                  | <u>(6,214)</u>   |
| Net cash used in investing activities | <u>(667,084)</u> |

Financing activities:

|                                       |                  |
|---------------------------------------|------------------|
| Additions to debt                     | 480,000          |
| Repayment of debt                     | (282,142)        |
| Increase in deferred charges          | (210,340)        |
| Decrease in deferred revenues         | (276,452)        |
| Issuance of common stock              | <u>6,250</u>     |
| Net cash used in financing activities | <u>(282,684)</u> |

|  |                    |
|--|--------------------|
| Decrease in cash and cash equivalents        | (1,260,017)        |
| Cash and cash equivalents, beginning of year | <u>2,919,714</u>   |
| Cash and cash equivalents, end of year       | <u>\$1,659,697</u> |

Supplemental information:

|                       |                  |
|-----------------------|------------------|
| Interest paid in cash | <u>\$ 43,040</u> |
|-----------------------|------------------|

See auditors' report and accompanying notes

I certify that if the applicant is an Arizona corporation, a current copy of the Articles of Incorporation is on file with the Arizona Corporation Commission and the applicant holds a Certificate of Good Standing from the Commission. If the company is a foreign corporation or partnership, I certify that the company has authority to transact business in Arizona. I certify that all appropriate city, county, and/or State agency approvals have been obtained. Upon signing of this application, I attest that I have read the Commission's rules and regulations relating to the regulations of telecommunications services (A.A.C. Title 14, Chapter 2, Article 11) and that the company will abide by Arizona state law including the Arizona Corporation Commission Rules. I agree that the Commission's rules apply in the event there is a conflict between those rules and the company's tariff, unless otherwise ordered by the Commission. I certify that to the best of my knowledge the information provided in this Application and Petition is true and correct.

*Kermit D. Heaton*

\_\_\_\_\_  
(Signature of Authorized Representative)

*5/7/03*

\_\_\_\_\_  
(Date)

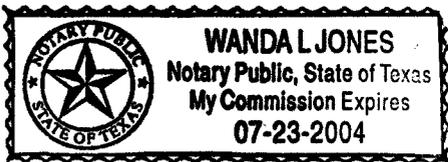
Kermit D. Heaton

\_\_\_\_\_  
(Print Name of Authorized Representative)

Executive Vice-President

\_\_\_\_\_  
(Title)

SUBSCRIBED AND SWORN to before me this 7 day of May, 2003



*Wanda L. Jones*  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires 7/23/04