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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
DOCKET CONTROL

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COMMISSIONERS
MIKE GLEASON – Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF FIRST COMMUNICATIONS, INC. FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY FOR RESOLD LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES IN ARIZONA.

DOCKET NO. T-20473A-08-0162

SUPPLEMENT TO APPLICATION

First Communications, Inc. hereby files its 2007 audited financial statement as a supplement to the application in this docket.

RESPECTFULLY SUBMITTED this 12th day of June 2008.

ROSHKA DEWULF & PATTEN, PLC

By [signature]
Michael W. Patten
One Arizona Center
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

Attorneys for First Communications, Inc.

Original and 13 copies of the foregoing filed this 12th day of June 2008 with:

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

By [signature]

Arizona Corporation Commission
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FIRST COMMUNICATIONS, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

Period from Inception (July 2, 2007)
through December 21, 2007

FIRST COMMUNICATIONS, INC.
AND SUBSIDIARIES

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Bober, Markey, Fedorovich
& Company

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee and the Board of Directors
First Communications, Inc. and Subsidiaries
Fairlawn, Ohio

We have audited the consolidated balance sheet of First Communications, Inc. and Subsidiaries (the "Company") as of December 31, 2007, and the consolidated statements of income, shareholders' equity, and cash flows for the period from inception (July 2, 2007) through December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of First Communications, Inc. and Subsidiaries as of December 31, 2007, and the results of its operations and its cash flows for the period from inception (July 2, 2007) through December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

Bober, Markey, Fedorovich & Company

BOBER, MARKEY, FEDOROVICH & COMPANY

March 26, 2008

FIRST COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
December 31, 2007

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 11,162,633
Accounts receivable - trade, less allowance for doubtful accounts of $1,171,000	14,468,552
Accounts receivable - related party	501,821
Inventory	135,501
Deferred tax asset - current	215,482
Prepaid expenses	1,255,987
TOTAL CURRENT ASSETS	27,739,976
PROPERTY AND EQUIPMENT	
Switches	2,749,710
Technical equipment	1,922,697
Leasehold improvements	27,943
Office equipment	277,774
Furniture and fixtures	605,902
Software	1,500,000
Software development in progress	822,939
	7,906,965
Less: Accumulated depreciation	(684,637)
NET PROPERTY AND EQUIPMENT	7,222,328
OTHER ASSETS	
Goodwill	103,410,455
Other intangible assets, net	63,280,000
Deposits and other assets	1,706,588
TOTAL OTHER ASSETS	168,397,043
TOTAL ASSETS	$ 203,359,347

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

FIRST COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
December 31, 2007

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES	
Line of credit	$ 624,598
Accounts payable - trade	14,802,904
Federal income tax payable	1,465,943
Accrued expenses	2,455,203
Deferred revenue - current	1,625,476
TOTAL CURRENT LIABILITIES	20,974,124
NON-CURRENT LIABILITIES	
Deferred tax liability - long term	13,735,243
Deferred revenue - long term	169,688
TOTAL NON-CURRENT LIABILITIES	13,904,931
TOTAL LIABILITIES	34,879,055
SHAREHOLDERS' EQUITY	
Common Stock, $0.001 par value; 60,000,000 shares authorized, 26,902,000 shares issued and outstanding	26,902
Redeemable Preferred Stock, $0.001 par value; 10,000,000 shares authorized, 40,000 shares issued and outstanding (liquidation preference $1,000 per share)	40
Additional paid in capital	164,854,058
Retained earnings	3,599,292
TOTAL SHAREHOLDERS' EQUITY	168,480,292
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 203,359,347

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

FIRST COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
For the Period from Inception (July 2, 2007) through December 31, 2007

REVENUES, NET	
Revenues, net	$ 64,286,293
Revenues, net - related party	4,353,210
TOTAL REVENUES, NET	68,639,503
COST OF FACILITIES, exclusive of depreciation and amortization stated below	43,683,169
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	15,383,877
DEPRECIATION AND AMORTIZATION	3,712,047
OPERATING INCOME	5,860,410
OTHER EXPENSES, NET	6,458
INCOME BEFORE INCOME TAXES	5,853,952
PROVISION FOR INCOME TAXES	2,254,660
NET INCOME	$ 3,599,292

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

FIRST COMMUNICATIONS, INCORPORATED
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the period from inception (July 2, 2007) through December 31, 2007

	Common Stock	Redeemable Preferred Stock	Additional Paid In Capital	Retained Earnings	Total Shareholders' Equity
Balances at July 2, 2007 (date of inception)	$ -	$ -	$ -	$ -	$ -
Issuance of 26,902,000 shares of common stock and warrants, net of issuance costs	26,902	-	124,854,098	-	124,881,000
Issuance of 40,000 shares of redeemable preferred stock and warrants	-	40	39,999,960	-	40,000,000
Net income	-	-	-	3,599,292	3,599,292
Balances at December 31, 2007	$ 26,902	$ 40	$ 164,854,058	$ 3,599,292	$ 168,480,292

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

FIRST COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Period from Inception (July 2, 2007) through December 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$ 3,599,292
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	3,712,047
Deferred taxes	587,194
Changes in operating assets and liabilities, net of effects of acquisition:	
Accounts receivable - trade, net	(155,869)
Prepaid expenses	541,468
Inventory	92,693
Deposits and other assets	(635,236)
Accounts payable - trade	(101,922)
Federal tax payable	1,465,943
Accrued expenses	(244,364)
Deferred revenue	(711,031)
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,150,215
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(1,931,130)
Acquisition of assets and assumption of liabilities, net of cash acquired	(80,775,886)
Investment in joint venture	(125,000)
Net change in accounts receivable - related party	45,070
NET CASH USED IN INVESTING ACTIVITIES	(82,786,946)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from common stock issuance, net of issuance and transaction costs	85,524,766
Payment of deferred financing costs	(350,000)
Net borrowings on line of credit	624,598
NET CASH PROVIDED BY FINANCING ACTIVITIES	85,799,364
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,162,633
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 11,162,633

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Interest paid	$ 61,891
Income taxes paid	$ -
Stock issued in exchange for assets acquired and liabilities assumed	$ 77,880,000

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation
The consolidated financial statements reflect the accounts of First Communications, Inc. and its wholly owned subsidiaries, First Communications, LLC and Xtension Services, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

Nature of Operations
First Communications, Inc. and Subsidiaries (the "Company"), provides local and long-distance telephone and other telecommunications related services to commercial and residential customers throughout the United States.

Cash and Cash Equivalents
The Company considers all short-term securities purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable
The Company makes sales on credit to customers in the ordinary course of business and carries its accounts receivable at cost less allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts based on its history of past write-offs, collections and current credit conditions. Accounts are written off when the Company determines that the accounts are uncollectible.

Inventory
Inventory consists of cellular telephones and is valued at the lower of cost or market.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation. Major additions and improvements are charged to the property accounts while replacements, maintenance and repairs, which do not improve or extend the life of the assets, are expensed currently. When property is retired or otherwise disposed of, the cost of the property is removed from the asset accounts, accumulated depreciation is charged with an amount equivalent to the depreciation provided, and associated gain or loss recorded in cost of facilities in the Consolidated Statement of Income.

Software included in property and equipment includes amounts paid for purchased software and implementation services and direct internal payroll for software used internally that has been capitalized in accordance with the Statement of Position (SOP) 98-1, *"Accounting for the Costs of Computer Software Developed or Obtained for Internal Use"*.

Depreciation is computed using the straight-line method over the assets' estimated useful lives, which are as follows:

	Years
Switches	7
Technical equipment and software	5
Leasehold improvements	5
Office furniture, fixtures and equipment	5

Depreciation expense for the period from inception (July 2, 2007) through December 31, 2007 amounted to $684,637.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquired entity over the net fair value of assets acquired and liabilities assumed. The Company accounts for its goodwill in accordance with Statement of Financial Accounting Standard ("SFAS") No. 142 - *Goodwill and Other Intangible Asset.* Under this pronouncement, goodwill is not amortizable, but requires the Company to test goodwill for impairment annually. Impairments, if any, will be expensed in the year incurred. As of December 31, 2007, there was no impairment to goodwill.

Other intangible assets primarily consist of trademarks, customer lists and LMDS licenses. The useful lives of trademarks were determined to be indefinite and, therefore, these assets are not being amortized and have been tested for impairment. There was no impairment of trademarks at December 31, 2007. LMDS is an authorized fixed broadband wireless service that may be used to provide high-speed data transfer, telephone service, telecommunications network transmission, internet access, video broadcasting, video conferencing, and other services. Customer lists and LMDS licenses are being amortized on a straight-line basis over their estimated economic lives of 8 and 25 years, respectively.

The straight-line method of amortization reflects an appropriate allocation of the cost of the intangible assets to earnings in proportion to the amount of economic benefits obtained by the Company in each reporting period.

Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109 – "Accounting for Income Taxes." Deferred income taxes are determined based upon enacted tax laws and the rates applied to the differences between the financial statements and tax basis of assets and liabilities.

Accounts Payable

The Company performs periodic bill verification procedures to identify errors in vendors' billing processes. The bill verification procedures include the examination of bills, comparing billed rates with contracted rates, evaluating the trends of invoices amounts by vendors, and reviewing the types of charges being assessed. If the Company concludes that it has been billed inaccurately, it will dispute the charge with the vendor and begin resolution procedures. Although dispute charges may relate to several periods, in accordance with industry standards dispute resolutions are taken in the period of resolution. Disputes of this nature occur in the ordinary course of business within the telecommunications' industry. As of December 31, 2007, the offset to accounts payable as a result of the unresolved disputes was $1,470,797. Also, included in accounts payable in the Consolidated Balance Sheet is a liability for outstanding checks of $3,458,771 as of December 31, 2007.

Warrants

Warrants (as defined in Note 11) to purchase shares of the Company's common stock have been classified as equity in accordance with EITF 00-19: "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock."

Sales Taxes

The Company collects sales taxes from customers and remits these amounts to applicable taxing authorities. The Company's accounting policy is to exclude these taxes from revenues and cost of sales.

Revenue Recognition

The Company records as revenue the amount of communications services rendered. Revenue is recognized as service is provided to customers, who are billed monthly. Provisions for discounts and credits are recorded as revenue is recognized. Unbilled receivables (Note 2) represent revenues earned for communications services rendered but not yet billed.

Advertising

The Company expenses all advertising costs when the advertising first takes place. Advertising expenses for the period from inception (July 2, 2007) through December 31, 2007 amounted to $45,875.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of accounts receivable and cash depository accounts. The Company grants credit and perform ongoing credit evaluations of its customers, and generally does not require collateral. The Company maintains all of its cash in accounts at high credit quality financial institutions. The Federal Deposit Insurance Corporation ("FDIC") insures these cash accounts up to $100,000. The Company periodically assessed the financial conditions of the commercial banks and believes the risk of loss is minimal.

Accounting Estimates

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

Management's estimates of the accrued potential back-bill charges is based on actual back-bill charges received from certain carriers, terms of carrier contracts allow back-bills for 24 months, and historical experience with back-bills from carriers.

Recently Issued Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Management does not expect the adoption of SFAS 157 to significantly affect the Company's financial condition or results of operations.

In February 2007, the FASB issued SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value and establishes presentation and disclosure requirements to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective for fiscal years beginning after November 15, 2007. Management has not yet determined the impact, if any, from the adoption of SFAS 159.

NOTE 2 – INITIAL PUBLIC OFFERING AND BUSINESS COMBINATIONS

The Company completed an initial public offering ("IPO") of 26,902,000 shares of common stock and 40,000 shares of redeemable preferred stock on July 2, 2007 raising $90 million in cash less issuance costs of $3 million. Also, included in the number of shares denoted above was an issuance of 15,576,000 shares of common stock in conjunction with the concurrent acquisitions of First Communications, LLC and Xtension Services, Inc. and 1,326,000 shares of common stock to certain members of management of First Communications, LLC and Xtension Services, Inc. In addition, warrants were issued to purchasers of Preferred Stock and certain common stockholders.

On July 2, 2007, the Company acquired all of the issued and outstanding membership units of First Communications, LLC (an Ohio Limited Liability Company) ("FC LLC") for $59.2 million in cash which included $29.5 million for the repayment of its debt and the issuance of 13,176,000 shares of common stock having a value, based on the $5 IPO price, of approximately $65.9 million, together with an earn-out in an amount equal to five percent of gross revenues of the in-building BPL business payable on a rolling five year basis, with the Company having an option at the end of each such five year period to purchase royalty streams for their fair market value.

Concurrently, the Company acquired all of the issued and outstanding stock of Xtension Services, Inc. (a Delaware Corporation) ("Xtension") for $11 million cash and the issuance of 2,400,000 shares of common stock having a value, based on the $5 IPO price, of approximately $12 million.

The primary reason for the acquisitions was to increase the Company's market share in certain targeted areas and to position the Company for further expansion.

In accordance with SFAS 141, Business Combinations, the Company applied the purchase method of accounting to record these acquisitions. The accompanying consolidated financial statements include the operating results of each company from the date of acquisition.

The purchase price allocation to the assets acquired and liabilities assumed are based on their fair values on the date of acquisition and are as follows:

Assets Acquired:	
Cash and cash equivalents	$ 493,691
Accounts receivable - trade, net	14,312,683
Accounts receivable - related party	546,991
Inventory	228,194
Prepaid expenses	1,797,455
Property and equipment	5,883,245
Goodwill	103,410,455
Other intangibles, net	66,400,000
Deferred tax assets	459,583
Deposits and other assets	596,352
Total assets acquired	194,128,649
Liabilities Assumed:	
Accounts payable - trade	14,904,826
Accrued expenses	11,787,677
Deferred tax liabilities	13,392,150
Deferred revenues	2,506,195
Total liabilities assumed	42,590,848
Net assets acquired	$ 151,537,801

Approximately $66.5 million of goodwill arising from prior acquisitions of FC LLC is expected to be deductible for income tax purposes over a period of 15 years from the original acquisition dates.

NOTE 3 – ACCOUNTS RECEIVABLE - TRADE

Trade accounts receivable are comprised of billed and unbilled receivables. At December 31, 2007, billed receivables amounted to $15,269,657. Unbilled receivables amounted to $871,716 as of December 31, 2007. Trade accounts receivable are offset by an allowance for doubtful accounts of $1,171,000 at December 31, 2007.

NOTE 4 – OTHER INTANGIBLE ASSETS

The following is a summary of other intangible assets at December 31, 2007:

	Other Intangible Assets	Accumulated Amortization	Net
Trademarks	$ 12,400,000	$ -	$ 12,400,000
Customer lists	48,000,000	3,000,000	45,000,000
LMDS licenses	6,000,000	120,000	5,880,000
	$ 66,400,000	$ 3,120,000	$ 63,280,000

Total amortization expense related to other intangible assets for the period from inception (July 2, 2007) through December 31, 2007 was $3,120,000.

As of December 31, 2007, future estimated amortization expense related to amortizable other identifiable intangible assets will be:

2008	$ 6,240,000
2009	$ 6,240,000
2010	$ 6,240,000
2011	$ 6,240,000
2012	$ 6,240,000
Thereafter	$ 19,680,000

NOTE 5 – LINE OF CREDIT

In July 2007, the Company entered into a $6,000,000 unsecured demand line of credit with a bank, with variable interest rate at one month LIBOR plus 150 basis (6.345% at December 31, 2007). The balance outstanding on the line of credit was $624,598 at December 31, 2007.

NOTE 6 – OPERATING LEASES

The Company leases facilities and certain office equipment under operating leases expiring at various dates through February 2013. Certain leases require the Company to pay specified taxes, insurance, utilities, repairs and maintenance on the leased items.

Approximate minimum future rental payments under these operating leases are as follows:

2008	$ 1,343,884
2009	1,437,700
2010	1,034,551
2011	683,931
2012	567,398
Thereafter	94,567
	$ 5,162,031

Rental expense under these operating leases aggregated $779,635 for the period from inception (July 2, 2007) through December 31, 2007.

NOTE 7 – RELATED PARTY TRANSACTIONS

The Company provides telecommunication services to a shareholder, and also had a management service agreement (the "agreement") with the shareholder to provide management services through December 31, 2007 which amounted to $4,353,210 or 6.7% of revenues, recorded within revenues, net – related party in the Consolidated Statement of Income, for the period from inception (July 2, 2007) through December 31, 2007. The agreement related to this shareholder's telecommunications subsidiary, which the Company subsequently acquired on March 6, 2008. In accordance with the agreement, included in the related party revenue is management fee income of $400,000. The accounts receivable balance for this shareholder was $501,821 at December 31, 2007

The Company has an agreement with related parties to provide services to unrelated parties. As a result of this agreement, the Company has recorded deferred revenue of $196,151 from an unrelated party at December 31, 2007 of which $27,463 is classified as current. This deferred revenue will be earned ratably over twenty years beginning October 2003.

NOTE 8 – EMPLOYEE BENEFIT PLAN

The Company has a contributory 401(k) profit-sharing plan covering substantially all employees. Generally, employees must have at least one-half year of service and be twenty-one years of age to be eligible to participate in the plan. Employees are able to contribute up to 15% of their compensation to the plan with employer matching contributions of up to 4% of employee compensation. Total employer contributions made under the plan equaled $49,025 for the period from inception (July 2, 2007) through December 31, 2007.

NOTE 9 – MAJOR CARRIERS

The Company has agreements with various carriers to permit the Company's customers to use their networks. If these carriers decide not to continue those agreements due to a change in ownership or other circumstances, this could cause a loss of service in certain areas and possible loss of customers.

The Company purchases network access from three major carriers comprised 65.6% (24.3%, 21.6%, and 19.7%) of cost of facilities for the period from inception (July 2, 2007) through December 31, 2007.

NOTE 10 – INCOME TAXES

The income tax provision is comprised of the following:

Current:	
Federal	$ 1,045,932
State and local	143,534
	1,189,466
Deferred:	
Federal	934,720
State and local	130,474
	1,065,194
	$ 2,254,660

The difference between the Company's effective income tax rate and the federal statutory rate of 35% is primarily due to the impact of the state and local income taxes. Deferred income taxes are provided for temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. The Company's deferred tax balances are primarily due to temporary differences related to prepaid expenses, allowance for doubtful accounts, depreciation of fixed assets and amortization of intangible assets.

The net deferred tax balances consist of the following:

Total deferred tax assets	$ 641,163
Total deferred tax liabilities	(14,160,924)
Total net deferred tax liabilities	$ (13,519,761)

The realization of the Company's deferred tax assets are significant estimates requiring assumptions regarding the sufficiency of future taxable income to realize the future tax deductions from the reversal of deferred tax assets.

The Company adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes* on July 2, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a Company's financial statements in accordance with Financial Accounting Standards Board (FASB) Interpretation No. 109 (FIN 109), *Accounting for Income Taxes*. The interpretation prescribes a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken within an income tax return. For each tax position, the Company must determine whether it is more likely than not that the position will be sustained upon examination based on the technical merits of the position, including resolution of any related appeals or litigation. A tax position that meets the more likely than not recognition threshold is then measured to determine the amount of benefit recognized within the financial statements. No benefits may be recognized for tax positions that do not meet the more likely than not threshold. The adoption of FIN 48 did not have a material impact on the Company's financial position or results of operations.

The Company's unrecognized tax benefit for uncertain tax positions was immaterial at December 31, 2007.

NOTE 11 – STOCKHOLDERS' EQUITY

Common Stock
The Company issued 26,902,000 shares of common stock, par value of $0.001 per share, in its IPO on the AIM exchange on July 2, 2007, consisting of 26,067,000 Class A voting shares and 835,000 Class B non-voting shares.

Redeemable Preferred Stock
The Company also issued 40,000 shares of its Series A Preferred Stock (Preferred Stock) in its IPO on July 2, 2007 at an original issue price of $1,000 per share. The Preferred Stock has a par value of $0.001 per share and a liquidation preference of $1,000 per share. The Company has the option to redeem preferred stock at any time at the original issue price plus all accrued but unpaid dividends. The holders may redeem part or all of the Preferred Stock on or after July 2, 2012.

The Preferred Stock does not bear interest for the fifteen month period from July 2007 to September 2008. Thereafter, dividends are cumulative and accrue at a 12% annual rate based on the original issue price. On March 6, 2008, 25,000 shares of Preferred Stock were redeemed in conjunction with obtaining a new credit facility which is described in Note 13 Subsequent Events.

Warrants

The Company issued 3 different warrant instruments (Tranche 1, Tranche 2, and IPO warrants):

Tranche 1 Warrants

The Company issued warrants (Tranche 1 Warrants) to Series A Preferred Stockholders in conjunction with its IPO, pursuant to which they are entitled to purchase up to 5,333,333 shares of the Company's common stock at $0.05 per share. The Tranche 1 Warrants are exercisable by the holder at any time and expire on July 2, 2012. The holders of the Tranche 1 Warrants have agreed that, subject to certain exceptions, they will not dispose of any interests in the Tranche 1 Warrants or common stock shares issued upon exercise of the warrants before July 2008. The fair value of the Tranche 1 Warrants was $26,453,432 at issuance date using a Black-Scholes pricing model and is included in additional paid in capital.

Tranche 2 Warrants

The Company issued warrants (Tranche 2 Warrants) to Series A Preferred Stockholders, in conjunction with its IPO, pursuant to which they are entitled to purchase from the Company up to 8,000,000 shares of the Company's common stock at $7.50 per share. The Tranche 2 Warrants are exercisable at any time by the holder and expire on the third anniversary of the date of redemption of the Series A Preferred Stock. The holders of the Tranche 2 Warrants have agreed that, subject to certain exceptions, they will not dispose of any interests in the Tranche 2 Warrants or common stock shares issued upon exercise of the warrants before July 2008. The fair value of the Tranche 2 Warrants was $5,360,000 at issuance date using a Black-Scholes pricing model and is included in additional paid in capital.

IPO Warrants

The Company issued warrants to certain common stockholders, pursuant to which they are entitled to purchase from the Company up to 2,000,000 shares of the Company's common stock at $7.50 per Share. These IPO Warrants are exercisable at any time by the holder and expire on the third anniversary of the date of redemption of the Series A Preferred Stock. The fair value of the IPO Warrants was $1,340,000 at issuance date using a Black-Scholes pricing model and is included in additional paid in capital.

NOTE 12 – CONTINGENCIES

The Company is subject to various claims and legal proceedings covering a range of matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolutions of these matters will not have a material effect on the Company's financial position, results of operations or cash flows.

NOTE 13 – SUBSEQUENT EVENTS

On March 6, 2008, the Company acquired substantially all of the assets of FirstEnergy Telecom Services, Inc. (FE Telecom), a fiber and wireless infrastructure provider, for $45 million in cash along with the assumption of deferred revenue and subject to certain working capital adjustments to be determined within 45 days after closing the transaction. FE Telecom was a subsidiary of FirstEnergy Corp., which is a shareholder of the Company.

Concurrently, the Company closed a $90 million credit facility, syndicated by JP Morgan Securities Inc. The financing facility includes a $70 million term loan and a $20 million revolving line of credit (which replaces the line of credit agreement described in Note 5), secured by substantially all of the Company's assets. The proceeds of the new credit facility were used to pay for the acquisition of FE Telecom, along with the pro-rata redemption of $25 million of the Company's outstanding preferred stock, and will be used ongoing for general working capital purposes. The facility is five years, with pricing starting at 375 basis points over US LIBOR (53% of which is fixed under interest rate swaps for 3 years at 3.03% and 22% of which is fixed for 5 years at 3.56%). The Company also has the ability to increase the term loan by an additional $25 million under an accordion feature.