ORIGINAL NEW APPLICATION

0000786448

ARIZONA CORPORATION COMMISSION

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

Mail original plus 13 copies of completed application to:

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

For Docket Control Only:
(Please Stamp Here)

Arizona Corporation Commission
DOCKETED
NOV 16 2007
DOCKETED BY

T-20565A-07-0651

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: ______________________

Docket No.: __________ Date: __________ 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 mark the appropriate box(s).

- [x] Resold Long Distance Telecommunications Services (Answer Sections A, B).
- [ ] 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, C, D, E)
- [ ] Alternative Operator Services Telecommunications Services (Answer Sections A, B)
- [ ] Other __________ (Please attach complete description)

(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:

Broadview Networks, Inc.
800 Westchester Avenue, Suite N-501
Rye Brook, NY 10573
Telephone: 914-922-7000
Facsimile: 914-922-7001
Toll-Free Customer Service Number: 1-800-276-2384
Web Address: www.broadviewnet.com

AZ CORP COMMISSION
DOCUMENT CONTROL
2007 NOV 16 P 3:03

RECEIVED

(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): **Not Applicable**
(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: **Charles C. Hunter, Executive Vice President, Secretary and General Counsel** **Broadview Networks, Inc.** **800 Westchester Avenue, Suite N-501** **Rye Brook, NY 10573** **Telephone: 914-922-7589** **Facsimile: 914-922-7001** **Toll-Free Customer Service Number: 1-800-276-2384** **Web Address: chunter@broadviewnet.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: **Catherine M. Hannan, Esq.** **Regulatory Counsel** **Helein & Marashlian, LLC** **The *Comm*Law Group** **1483 Chain Bridge Road, Suite 301** **McLean, Virginia 22101** **Telephone: (703) 714-1326** **Facsimile: (703) 714-1330** **E-mail: cmh@commlawgroup.com**
(A-6) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Complaint Contact Person: **Charles C. Hunter, Executive Vice President and General Counsel** **Broadview Networks, Inc.** **800 Westchester Avenue, Suite N-501** **Rye Brook, NY 10573** **Telephone: 914-922-7589** **Facsimile: 914-922-7001** **Toll-Free Customer Service Number: 1-800-276-2384** **Web Address: chunter@broadviewnet.com**

(A-7) What type of legal entity is the Applicant? Mark the appropriate box(s) and category.

☐ Sole proprietorship

☐ Partnership: _____ Limited, _____ General, _____ Arizona, _____ Foreign

☐ Limited Liability Company: _____ Arizona, _____ Foreign

■ Corporation: __X__ "S", _____ "C", _____ Non-profit

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 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 of each person listed in A-8.2.

Please see Attachment A.

(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).

Please see Attachment B.

(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 or any of its officers, directors, partners, or managers has been or are currently involved in any formal or informal complaint proceedings pending before any state or federal regulatory commission, administrative agency, or law enforcement agency.

Describe in detail any such involvement. Please make sure you 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.

Please see Attachment E.

(A-12) Indicate if the Applicant or any of its officers, directors, partners, or managers has been or are currently involved in any civil or criminal investigation, or had judgments entered in any civil matter, judgments levied by any administrative or regulatory agency, or been convicted of any criminal acts within the last ten (10) years.

Describe in detail any such judgments or convictions. Please make sure you 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.

Neither Applicant nor any of its officers or directors have been or are currently involved in any such investigations.

(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).

☒ <u>For Long Distance Resellers, a $10,000 bond will be recommended for those resellers who collect advances, prepayments or deposits.</u>

☐ Yes ☒ No

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

☐ <u>For Local Exchange Resellers, a $25,000 bond will be recommended.</u>

☐ Yes ☐ No

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

<u>For Facilities-Based Providers of Long Distance, a $100,000 bond will be recommended.</u>

☐ Yes ☐ No

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

☐ <u>For Facilities-Based Providers of Local Exchange, a $100,000 bond will be recommended.</u>

☐ Yes ☐ No

If any box in (A-14) is marked "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 any box in (A-14) is marked "No", 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.

Please see Attachment F.

(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 Applicant is requesting authority to provide service.

Note: For Resellers, the Applicant must complete and submit an Affidavit of Publication Form as Attachment "C" before Staff prepares and issues its report. Refer to the Commission's website for Legal Notice Material (Newspaper Information, Sample Legal Notice and Affidavit of Publication). For Facilities-Based Service Providers, the Hearing Division will advise the Applicant of the date of the hearing and the publication of legal notice. Do not publish legal notice or file affidavits of publication until you are advised to do so by the Hearing Division.

Please see Attachment C.

(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 Arizona:

■ Yes ☐ No

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

Applicant will resell the long distance telecommunications services of certificated underlying carriers such as Qwest and Global Crossing.

(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 Arizona:

Note: If the Applicant is currently approved to provide telecommunications services that the Applicant intends to provide in Arizona in less than six states, excluding Arizona, list the Public Utility Commission ("PUC") of each state that granted the authorization. For each PUC listed provide the name of the contact person, their phone number, mailing address including zip code, and e-mail address.

Applicant has been granted authority by the Federal Communications Commission pursuant to Section 214 of the Communications Act of 1934, as amended, to provide interstate domestic and international telecommunications services. Broadview Networks, Inc., is presently authorized to provide local exchange and interexchange long distance telecommunications services in the States of Connecticut, Massachusetts, New Hampshire, New York, New Jersey, Pennsylvania and Rhode Island. The Company is also certified, registered or otherwise authorized to provide interexchange, long distance services in the States of California, Delaware, Florida, Georgia, Maine, Maryland, North Carolina, Ohio, Texas, Vermont, Virginia and West Virginia and Wyoming. In addition, Broadview presently has pending, or expects to file in the near future, applications for

authority to provide long distance telecommunications services in the States of Alabama, Arkansas, Colorado, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Carolina, Tennessee, Utah, Washington and Wisconsin.

(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 Arizona.

Note: If the Applicant currently provides telecommunication services that the Applicant intends to provide in Arizona in six or more states, excluding Arizona, list the states. If the Applicant does not currently provide telecommunications services that the Applicant intends to provide in Arizona in five or less states, list the key personnel employed by the Applicant. Indicate each employee's name, title, position, description of their work experience, and years of service in the telecommunications services industry.

As noted above, Applicant is authorized to provide, and does provide, interstate and international long distance telecommunications services; furthermore, Applicant currently offers telecommunications services similar to those Applicant will or intends to offer in Arizona in the States of Connecticut, Massachusetts, New Hampshire, New York, New Jersey, Pennsylvania and Rhode Island, California, Delaware, Florida, Georgia, Maine, Maryland, North Carolina, Ohio, Texas, Vermont, Virginia and West Virginia and Wyoming.

(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.

None. Applicant is a wholly-owned subsidiary of Broadview Networks Holdings, Inc. Applicant's parent company also owns a number of entities authorized to provide telecommunications services. One of these entities is authorized to provide long distance telecommunications services in Arizona. The name and address of this entity is as follows:

ATX Licensing, Inc.
800 Westchester Avenue, Suite N-501
Rye Brook, NY 10573

(A-21) Check here if you wish to adopt as your petition a statement that the service has already been classified as competitive by Commission Decision:

- [x] Decision # 64178 Resold Long Distance
- [ ] Decision # 64178 Resold LEC
- [ ] Decision # 64178 Facilities Based Long Distance
- [ ] Decision # 64178 Facilities Based LEC

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.

Note: Make sure "most recent years" includes current calendar year or current year reporting period.

Please see Attachment D.

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

Applicant will not rely on the financial resources of its Parent Company.

(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.

Please see Attachment G.

C. RESOLD AND/OR FACILITIES-BASED 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.

Not Applicable

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 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 in 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 Arizona.

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 Arizona.

Not Applicable

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 59421: ☐ Yes ☐ No **Not Applicable**
(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 **Not Applicable**
(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 **Not Applicable**

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.

____
(Signature of Authorized Representative)

11/06/07
(Date)

Charles C. Hunter
(Print Name of Authorized Representative)

Executive Vice President and General Counsel
(Title)

SUBSCRIBED AND SWORN to before me this 6 day of November, 2007

____
NOTARY PUBLIC

My Commission Expires 9/21/09

COREY RINKER
NOTARY PUBLIC, STATE OF NEW YORK
No. 02RI6013491
QUALIFIED IN WESTCHESTER COUNTY
MY COMMISSION EXPIRES 9/21/2009

ATTACHMENTS

ATTACHMENT A	CERTIFICATE OF GOOD STANDING & OWNERSHIP INFORMATION
ATTACHMENT B	PROPOSED TARIFF
ATTACHMENT C	AFFIDAVIT OF PUBLICATION FORM
ATTACHMENT D	FINANCIAL INFORMATION
ATTACHMENT E	COMPLAINT HISTORY
ATTACHMENT F	NON-NECESSITY OF PERFORMANCE BOND
ATTACHMENT G	REVENUE AND EXPENSE PROJECTIONS

ATTACHMENT A

CERTIFICATE OF GOOD STANDING
AND
OWNERSHIP INFORMATION

STATE OF ARIZONA

Office of the
CORPORATION COMMISSION

CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

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

******BROADVIEW NETWORKS, INC.******

a foreign corporation organized under the laws of New York did obtain authority to transact business in the State of Arizona on the 28th day of August 2007.

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

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

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 14th Day of November, 2007, A. D.

SEAL OF THE ARIZONA CORPORATION COMMISSION * 1912 *
DITAT DEUS

Executive Director

Order Number: 188262

Arizona Corporation Commission

11/13/2007 State of Arizona Public Access System 10:02 AM

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Annual Reports Scanned Documents

Corporate Inquiry	
File Number: F-1390421-0	Check Corporate Status
Corp. Name: BROADVIEW NETWORKS, INC.	

Domestic Address

3384 BELL ST
ASHLAND CITY, TN 37015

Foreign Address

%CTR CORPORATION SYSTEM
2394 E CAMELBACK RD
PHOENIX, AZ 85016

Statutory Agent Information

Agent Name: CT CORPORATION SYSTEM
Agent Mailing/Physical Address:
2394 E CAMELBACK RD
PHOENIX, AZ 85016
Agent Status: APPOINTED 08/28/2007
Agent Last Updated: 10/25/2007

Additional Corporate Information

Corporation Type: BUSINESS	**Business Type:**
Incorporation Date: 08/28/2007	**Corporate Life Period:** PERPETUAL
Domicile: NEW YORK	**County:** MARICOPA
Approval Date: 10/25/2007	**Original Publish Date:**

Officer Information

CHARLES C HUNTER PRESIDENT 800 WESTCHESTER AVE # N501 RYE BROOK,NY 10573 **Date of Taking Office:** 10/04/2007 **Last Updated:** 10/25/2007	BICHAEL K ROBINSON PRESIDENT 800 WESTCHESTER AVE # N501 RYE BROOK,NY 10573 **Date of Taking Office:** 10/04/2007 **Last Updated:** 10/25/2007

Annual Reports

Next Annual Report Due: 08/28/2008	E-FILE An Annual Report Online << Click Here
FORMS For Annual Reports To Be Printed And Mailed << Click Here	
No Annual Reports on File	

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(Click on gray button to view document)

Document Number	Description	Date Received
02178145	APPLICATION FOR AUTHORITY	10/04/2007

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- **Return to Arizona Corporation Commission Home Page**

Arizona Corporation Commission

11/13/2007 State of Arizona Public Access System 10:02 AM

Corporate Status Inquiry
File Number: F-1390421-0
Corp. Name: BROADVIEW NETWORKS, INC.

This Corporation is in Good Standing

This information is provided as a courtesy and does not constitute legally binding information regarding the status of the entity listed above. To obtain an official Certificate indicating that the entity is in good standing click on Print Certificate and follow printing instructions. To re-print a previously generated Certificate of Good Standing click Reprint Certificate.

Print Certificate Reprint Certificate

Return to Corporate Inquiry

Officers of Broadview Networks, Inc.

Michael K. Robinson	Chief Executive Officer and President
Brian Crotty	Chief Operating Officer
Corey Rinker	Chief Financial Officer and Assistant Secretary
Charles C. Hunter	Executive Vice President, General Counsel and Secretary

Directors of Broadview Networks, Inc.

Brian J. Mitchell

Steven F. Tunney, Sr.

Samuel G. Rubenstein

John S. Patton, Jr.

David C. Ruberg

Robert Manning

Peter J. Barris

Beneficial Ownership Interests

Ownership Percentages of Officers and Directors

Applicant is a wholly-owned subsidiary of Broadview Networks Holdings, Inc. The beneficial ownership interests of the officers and directors in Applicant, as a result of this parent relationship, are set forth on the following pages.

Beneficial Ownership Interest

Individual	Broadview Networks Holdings, Inc.	Ownership Percentage
Michael K. Robinson	Series A Preferred: 368 shares	less than 1%
	Series B-1 Preferred: 383 shares	less than 1%
	Class A Common: 18,750 shares	less than 1%
Brian Crotty	Series A Preferred: 750 shares	less than 1%
	Class A Common: 18,750 shares	less than 1%
Corey Rinker	Series A Preferred: 450 shares	less than 1%
	Class A Common: 11,250 shares	less than 1%
Charles C. Hunter	Series A Preferred: 350 shares	less than 1%
	Class A Common: 8,750 shares	less than 1%
Brian J. Mitchell*	Series A Preferred: 87,254 shares	97.5%
	Series A-1 Preferred: 101,746 shares	100%
	Class A Common: 4,725,000 shares	53.2%
Steven F. Tunney, Sr.*	Series A Preferred: 87,254 shares	97.5%
	Series A-1 Preferred: 101,746 shares	100%
	Class A Common: 4,725,000 shares	53.2%
Samuel G. Rubenstein*	Series A Preferred: 87,254 shares	97.5%
	Series A-1 Preferred: 101,746 shares	100%
	Class A Common: 4,725,000 shares	53.2%
John S. Patton, Jr.*	Series A Preferred: 87,254 shares	97.5%
	Series A-1 Preferred: 101,746 shares	100%
	Class A Common: 4,725,000 shares	53.2%

* Each of Mr. Mitchell, Mr. Tunney, Mr. Rubenstein and Mr. Patton are officers of MCG Capital Corporation. By virtue of such relationship, each of Mr. Mitchell, Mr. Tunney, Mr. Rubenstein and Mr. Patton may be deemed to beneficially own the shares listed as beneficially owned by MCG. Each of Mr. Mitchell, Mr. Tunney, Mr. Rubenstein and Mr. Patton disclaims beneficial ownership of such shares.

Individual	Broadview Networks Holdings, Inc.		Ownership Percentage
David C. Ruberg**	Series B Preferred:	38,118 shares	41.1%
	Series B-1 Preferred:	22,459 shares	54.2%
	Class A Common:	1,514,467 shares	17.1%
Robert Manning**	Series B Preferred:	38,118 shares	41.1%
	Series B-1 Preferred:	22,459 shares	54.2%
	Class A Common:	1,514,467 shares	17.1%
Peter J. Barris***	Series B Preferred:	20,838 shares	22.5%
	Series B-1 Preferred:	12,146 shares	29.3%
	Class A Common:	824,585 shares	9.3%

** Each of Mr. Ruberg and Mr. Manning are managers of the general partners of Baker Communications Fund, L.P. and Baker Communications Fund II (QP) L.P. By virtue of such relationship, each of Mr. Ruberg and Mr. Manning may be deemed to beneficially own the shares listed as beneficially owned by Baker. Each of Mr. Ruberg and Mr. Manning disclaims beneficial ownership of such shares.

*** Mr. Barris is the managing general partner of New Enterprise Associates VII, L.P., New Enterprise Associates 9, L.P., New Enterprise Associates 10, L.P. and NEA Presidents Fund. By virtue of such relationship, Mr. Barris may be deemed to beneficially own the shares listed as beneficially owned by NEA. Mr. Barris disclaims beneficial ownership of such shares.

ATTACHMENT B

PROPOSED TARIFF

Tariff Page Number References

	Page(s)
Proposed Rates and Charges for Each Service Offered	19-23
Tariff Maximum Rates and Prices To be Charged	19-23
Terms and Conditions Applicable to The Provision of Service	8-14
Deposits, Advances and/or Prepayments Applicable to the Provision of Service	12
Proposed Return Check Fee	N/A

TELECOMMUNICATIONS SERVICES TARIFF

TITLE SHEET

ARIZONA TELECOMMUNICATIONS TARIFF

This tariff contains the description, regulations, and rates applicable to the furnishing of service and facilities for telecommunications services provided by BROADVIEW NETWORKS, INC., with principal offices at 800 Westchester Avenue, Suite N-501, Rye Brook, NY 10573. This tariff applies to services furnished within Arizona. This tariff is on file with the Arizona Public Utilities Commissions, where copies may be inspected during normal business hours.

Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

The name, address and telephone numbers for the officer of Broadview Networks, Inc. who is responsible for providing information with respect to the operating procedures of the Company is as follows:

Charles C. Hunter
Executive Vice President, Secretary and General Counsel
Broadview Networks, Inc.
800 Westchester Avenue, Suite N-501
Rye Brook, NY 10573

TELECOMMUNICATIONS SERVICES TARIFF

CHECK SHEET

Pages 1 through 23 inclusive of this tariff are effective as of the date shown at the bottom of the respective page(s). Original and revised pages as named below comprise all changes from the original tariff and are currently in effect as of the date at the bottom of this page.

PAGE	REVISION
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
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12	Original
13	Original
14	Original
15	Original
16	Original
17	Original
18	Original
19	Original
20	Original
21	Original
22	Original
23	Original

By: Charles C. Hunter,
Executive Vice President, Secretary and General Counsel
BROADVIEW NETWORKS, INC.
800 Westchester Avenue, Suite N-501
Rye Brook, NY 10573

TELECOMMUNICATIONS SERVICES TARIFF

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By: Charles C. Hunter
Executive Vice President, Secretary and General Counsel
BROADVIEW NETWORKS, INC.
800 Westchester Avenue, Suite N-501
Rye Brook, NY 10573

TELECOMMUNICATIONS SERVICES TARIFF

SYMBOLS

The following are the only symbols used for the purposes indicated below:

(D)	-	Deleted rate or regulation
(I)	-	Increase in rate
(M)	-	Moved to/from another tariff location
(N)	-	New rate or regulation
(R)	-	Reduction in rate
(T)	-	Change in text only

By: Charles C. Hunter
Executive Vice President, Secretary and General Counsel
BROADVIEW NETWORKS, INC.
800 Westchester Avenue, Suite N-501
Rye Brook, NY 10573

TELECOMMUNICATIONS SERVICES TARIFF

TARIFF FORMAT

A. Page Numbering - Page numbers appear in the upper right corner of the page. Pages are numbered sequentially. However, new pages are occasionally added to the tariff. When a new page is added between pages already in effect, a decimal is added. For example, a new page added between pages 14 and 15 would be 14.1.

B. Page Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current page version on file with the A.C.C. For example, 4th Revised Page 14 cancels the 3rd Revised Page 14. Because of various suspension periods, deferrals, etc. the A.C.C. follows in its tariff approval process, the most current page number on file with the A.C.C. is not always the tariff page in effect. Consult the Check Sheet for the page currently in effect.

C. Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

2.
2.1.
2.1.1.
2.1.1.A.
2.1.1.A.1.
2.1.1.A.1.(a).
2.1.l.A.1.(a).I.
2.l.l.A.l.(a).I.(i).
2.l.l.A.l.(a).I.(i).(l).

By: Charles C. Hunter
Executive Vice President, Secretary and General Counsel
BROADVIEW NETWORKS, INC.
800 Westchester Avenue, Suite N-501
Rye Brook, NY 10573

TARIFF FORMAT (Cont'd)

D. Check Sheets - When a tariff filing is made with the A.C.C., an updated check sheet accompanies the tariff filing. The check sheet lists the pages contained in the tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this page if these are the only changes made to it (i.e., the format, etc., remains the same, just revised revision levels on some pages). The tariff user should refer to the latest check sheet to find out if a particular page is the most current on file with the A.C.C.

By: Charles C. Hunter
Executive Vice President, Secretary and General Counsel
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Rye Brook, NY 10573

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

Access Line - A telephone line provided by local exchange carriers which connect a telephone or other communications device at a customer's location to Broadview Networks, Inc.'s underlying carrier's telecommunications network switching center(s).

Authorization or Account Code - A numerical code of four to eleven digits, one or more of which codes are available to a customer to enable the customer to lawfully connect its communication devices for the purpose of accessing the telecommunications network of Broadview Networks, Inc., and which thereby are used to prevent unauthorized network access and to identify the customer and its calling volumes for billing purposes.

Broadview – Broadview Networks, Inc.

Carrier or Company - Broadview Networks, Inc.

Customer - The person, firm, corporation, end user, or other entity which orders or uses services and is responsible for the payment of charges.

A.C.C. - Arizona Corporation Commission.

Rate Center - The Points of Presence (POPs) or first point of interconnection of local exchange facilities providing access to the long distance network of the Company's Underlying Carrier and the point from which a customer's traffic is rated and billed.

Service Agreement - Company's standard form for the ordering and acceptance of a customer's request for and commitment to take Company's service offerings pursuant to this tariff.

Underlying Carrier - The telecommunications carrier whose network facilities provide the technical capability and capacity necessary for the transmission and reception of customer telecommunications traffic within Arizona.

Holidays - New Year's Day, Fourth of July, Labor Day, Thanksgiving Day, and Christmas Day.

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SECTION 2 - RULES AND REGULATIONS

2.1 Undertaking of Company

Company undertakes to provide only those designated Services as are furnished under the terms and subject to the conditions and customer payment of the applicable rates of this tariff for communications originating and terminating within Arizona.

The Company's Services are available to its customers twenty four hours per day, seven days per week.

2.2 Limitations

2.2.1 Service is offered subject to the availability of the facilities of Company's Underlying Carrier and the provisions of this tariff.

2.2.2 Company reserves the right to discontinue furnishing service, or limit the use of service necessitated by conditions beyond its control, including without limitation, for customer non-payment of charges; or when the customer's use of a service becomes or is in violation of the law or the provisions of this tariff.

2.2.3 The services provided under this tariff are subject to the direct and exclusive control of the Company. No one may alter or affect the Services nor transfer or assign its use of the Services without the express written consent of the Company, which consent may be withheld, without limitation, by Company in its sole discretion at any time such alteration, effect, transfer or assignment would result in an interruption of the services or a change in the customer's location to which the services are to be provided.

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.2 Limitations (Cont'd)

2.2.4 In the event prior written permission from Company is given for any assignment or transfer, all regulations and conditions contained in this tariff shall apply to all such permitted assignees or transferees, as well as all conditions for service.

2.3 Liabilities of the Company

2.3.1 Company has no liability for damages arising out of mistakes, interruptions, omissions, delays, errors, or defects in the transmission or call processing of customer's communications traffic by the Underlying Carrier. The Company's liability for such damages occurring in the course of furnishing the Company's services but not caused by its gross negligence or willful misconduct or that of its employees or agents in no event shall exceed an amount equivalent to the proportionate charge to the customer for the period during which such mistakes, interruptions, omissions, delays, errors, or defects in the Company's furnishing of its services occur.

2.3.2 Acceptance of the provisions of Section 2.3.1 by the Commission does not constitute its determination that the limitation of liability imposed by Company should be upheld in a court of law; but the recognition that as it is the duty of the courts to adjudicate negligence claims and rights to recover damages therefor, so it is the duty of the courts to determine the validity of the exculpatory provisions of Section 2.3.1.

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.3 Liabilities of the Company (Cont'd)

2.3.3 Company shall be indemnified and held harmless by the customer against:

(A) Claims for libel, slander, or infringement of copyright arising out of the material, data, information, or other content of a Customer's communications traffic;

(B) Claims for patent infringement arising from a Customer's use of its equipment, facilities, or systems with the Company's Services; and

(C) All other claims arising out of any act or omission of the Customer in connection with any service provided by Company.

2.4 Interruption of Service

2.4.1 Credit allowance for the interruption of service is subject to the general liability provisions set forth in Section 2.3.1 herein. Customer shall receive no credit allowance for interruption of service due to Carrier's testing or adjusting, to negligence of the customer, or to the failure of channels or equipment provided by the customer. It shall be the obligation of the customer to notify the Company immediately of any interruption in service for which a credit allowance is claimed. Before giving such notice, the customer shall ascertain that the trouble is not being caused by any action or omission within Customer's control, or is not in wiring or equipment, if any, furnished by the Customer in connection with the Company's Services.

2.4.2 No credit is allowed in the event service must be interrupted in order to provide routine service quality or related investigations.

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.4 Interruption of Service (Cont'd)

2.4.3 Credit for failure of service shall be allowed only when such failure is caused by or occurs due to causes within the control of Company or in the event Company is entitled to a credit for the failure of the facilities of Company's Underlying Carrier used to furnish Customer's service.

2.4.4 No credit shall be allowed:

(A) For failure of services or facilities of Customer; or

(B) For failure of services or equipment caused by the negligence or willful acts of Customer.

2.4.5 Credit for an interruption shall commence after Customer notifies Company of the interruption or when Company becomes aware thereof, and ceases when service has been restored.

2.4.6 Before Customer notifies Company of an interruption, Customer shall make reasonable attempts to ascertain that Customer, a third party, or its or their actions and/or equipment is/are not the cause thereof.

2.4.7 Credits are applicable only to that portion of service interrupted.

2.4.8 For purposes of credit computation, every month shall be considered to have 720 hours.

2.4.9 No credit shall be allowed for an interruption of a continuous duration of less than two hours.

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.4 Interruption of Service (Cont'd)

2.4.10 The customer shall be credited for an interruption of two hours or more at the rate of 1/720th of the monthly charge for the service affected for each hour or major fraction thereof that the interruption continues. Calculations of the credit shall be made in accordance with the following formula.

Credit Formula:

$$\text{Credit} = \frac{A}{720} \times B$$

"A" = outage time in hours
"B" = total monthly charge for affected facility

2.5 Restoration of Service

The use and restoration of service shall be administered by the Underlying Carrier in accordance with the priority system specified in the Rules and Regulations of the Arizona Public Utilities Commission.

2.6 Deposits

The Company does not require a deposit from its customers.

2.7 Advance Payments

The Company does not collect advance payments.

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.8 Taxes

All state and local taxes (i.e., gross receipts tax, sales tax, municipal utilities tax and so forth) are listed as separate line items and are not included in the Company's scheduled rates.

2.9 Collections

2.9.1 In the event Company incurs fees or expenses, including attorney's fees, to collect, or to attempt to collect, any charges owed Company by customer, including charges alleged to have resulted from fraud or abuse of customer's services, the Company shall charge customer all such fees and expenses, including Company's reasonable attorneys' fees, incurred to collect or to attempt to collect its charges.

2.9.2 In accordance with the "filed tariff doctrine," as established by judicial and regulatory decisions and precedents, customer shall pay all charges due and owing irrespective of any claims of loss, liability, set off, damages, or other claims against Company to which customer may claim to be entitled. The duty to pay such charges shall arise upon the demand for payment by the Company. Customer's duty to pay can only be delayed or deferred by the initiation of a billing dispute by the customer.

2.9.3 Customer agrees that all actions, suits, or proceedings, to recover charges due under this tariff shall be prosecuted in the State of New York. Customer consents to and submits to the exercise of jurisdiction over the subject matter, waives personal service of any and all process upon it, and consents that all such service of process be made by registered mail directed to customer at its address registered with Company. Service so made shall be deemed to be completed five business days after such process shall have been deposited in the mail, postage prepaid. Customer waives trial by jury, any objection based on forum on conveniens, any objection to venue or jurisdiction of any action instituted hereunder, and consents to the granting of such legal or equitable relief as deemed appropriate by the Court.

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.10 Employee Concessions

There are no employee concessions.

2.11 Specific Services

The Company does not currently offer any services for which conditions of eligibility apply.

2.12 Billing

All charges due by the Customer are payable to any agency duly authorized to receive such payments. The billing agency may be a local exchange telephone company, credit card company, or other billing service. Terms of payment shall be according to the rules and regulations of the agency and subject to the rules of regulatory agencies, such as the A.C.C. Any objections to billed charges must be reported within 60 days to the Company's billing agent. Adjustments to Customer's bills shall be made to the extent that circumstances exist which reasonably indicate that such changes are appropriate.

Customer inquiries regarding service or billing may be made in writing or by calling the toll free number listed below:

Broadview Networks, Inc.
800 Westchester Avenue, Suite N-501
Rye Brook, NY 10573
(800) 176-1283

Customers who are dissatisfied with the response to their complaint may contact the Arizona Corporation Commission for resolution of the issues at the following address:

Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

SECTION 3 - DESCRIPTION OF SERVICES

3.1 Usage Based Services

3.1.1 Long distance usage charges are based on the actual usage of the Company's network. Timing for all calls begins when the called party answers the call (i.e. when two-way communications are established). Answer detection is based on standard industry answer detection methods, including hardware and software answer detection.

3.1.2 Chargeable time for all calls ends when one of the parties disconnects from the call.

3.1.3 The minimum call duration for billing purposes varies by service offering.

3.1.4 Unless otherwise specified in this tariff, calls are billed in increments, with usage measured and rounded to the next higher call duration increment.

3.1.5 There are no billing charges applied for incomplete calls.

3.1.6 There are no billing charges applied for incomplete calls.

3.2 Outbound Interexchange Service

The Company's service is provided for use by presubscribed Customers or Authorized Users. Calls are routed over the Company's resold transmission and switching facilities to any valid NPA-NXX in the state of Arizona.

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SECTION 3 - DESCRIPTION OF SERVICES (Cont'd)

3.3 Carrier offers a calling card, which allows Customer to gain access to its long distance service from anywhere in Arizona via a toll-free access number with service billed back to the Customer's account. Calling Card service allows customers to originate outbound, direct dial long distance calls.

SECTION 3 - DESCRIPTION OF SERVICES (Cont'd)

3.4 Directory Assistance

The Company provides standard Directory Assistance.

3.5 Services Not Available

Carrier does not offer 900, 911, collect, or third-party billed calling.

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SECTION 4 - RATES

4.1 Description of Rates

Services are available to subscribers under the following rate plans. Calls in each rate plan are billed in increments with minimum billing increments as specified. No charge is made for an uncompleted call.

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SECTION 4 - RATES (Cont'd)

4.2 Billing Plan

4.2.1 1+ Outbound - Basic Plan

Switched 1+ Outbound Service is billed in one minute increments with a minimum billing increment of two minutes at the following flat rate.

Per Minute or Fraction Thereof:	$0.109/minute 24 hours per day, every day
Maximum Rate:	$0.299/minute 24 hours per day, every day

4.2.2 Calling Card Service - Basic Plan

Calling Card Service is billed in one minute increments with a minimum billing increment of one and one-half minutes at the following flat rate:

Per Minute or Fraction Thereof:	$0.239/minute 24 hours per day, every day
Maximum Rate:	$0.299/minute we hours per day, every day

4.2.3 A nonrecurring charge also applies:

Account Set-Up Fee: $6.00

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SECTION 4 - RATES (Cont'd)

4.3 Save Plan

4.3.1 1+Outbound - Save Plan

Switched 1+ Outbound Service is billed in one minute increments with a minimum billing increment of two minutes at the following flat rate:

Per Minute or Fraction Thereof: $0.069/minute 24 hours per day, every day plus a $3.00 monthly charge
Maximum Rate: $0.269/minute 24 hours per day, every day plus a $3.00 monthly charge

4.3.2 Calling Card Service -Save Plan

Calling Card Service is billed in one minute increments with a minimum billing increment of one and a half minutes at the following flat rate:

Per Minute or Fraction Thereof: $0.239minute 24 hours per day, every day
Maximum Rate: $0.299/minute 24 hours per day, every day

4.3.3 A nonrecurring charge also applies:

Account Set-Up Fee: $6.00/account (BTN)

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TELECOMMUNICATIONS SERVICES TARIFF

SECTION 4 - RATES (Cont'd)

4.4 Miscellaneous Charges

4.4.1 Monthly Service Fee

$4.95

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SECTION 4 - RATES (Cont'd)

4.5 Discount Calling Plan. Customers may obtain discounted service by purchasing a fixed amount of minutes for a fixed monthly service charge with additional usage charged at a specified per minute rate based on the jurisdictional nature of the call. International calls are not included in the fixed monthly minimum. International calls are billed according to Company's International Tariff on file with the FCC.

4.5.1 IntraLATA Call Rates. For presubscribed outbound interstate intraLATA calling service, the rates 24 hours a day, seven days a week are:

1st 1,000 Minutes Or Fraction	Each Add'l Minute or Fraction over 1,000 Minutes
$24.95	$0.139

4.5.2 InterLATA Call Rates. For presubscribed outbound interstate interLATA calling service, the rates 24 hours a day, seven days a week are:

1st 1,000 Minutes Or Fraction	Each Add'l Minute or Fraction over 1,000 Minutes
$24.95	$0.069

4.5.3 A nonrecurring charge also applies:

Account Set-Up Fee: $6.00/account (BTN)

All intrastate (also referred to as in-state) and interstate intraLATA and interLATA calls are included in determining Customer's fixed minutes of use (1,000 minutes) for any given month. International calls are not included. The charges for minutes of use in excess of the fixed monthly minimum is charged pursuant to whether the call is an intraLATA (often referred to as local long distance) or an interLATA call (a call placed between LATAs (local access and transport areas) located in the same state). If a Customer is located in a single-LATA state (for example, New Mexico), all in-state calls which exceed the 1,000 minutes in a given month will be rated at the rates set forth in 4.5.1, above.

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TELECOMMUNICATIONS SERVICES TARIFF

SECTION 4 - RATES (Cont'd)

4.6 Flat Rate Plan. Customers may choose the following flat rate plan. Rates are distance, time-of-day, day of week, and jurisdictionally insensitive, that is, do not change up or down depending on when or to where the call is placed.

$0.199/minute

A nonrecurring charge also applies:

Account Set-Up Fee: $6.00/account (BTN)

A monthly recurring charge applies to all customers whose usage (based on all call types – in-state, interstate or international) is less than $50.00 per month.

$4.95/month

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ATTACHMENT C

AFFIDAVIT OF PUBLICATION FORM

Applicant's draft Affidavit of Publication follows this page. Applicant will finalize and publish the requisite notice at the direction of the Hearing Division.

NOTICE OF APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE COMPETITIVE RESOLD INTEREXCHANGE TELECOMMUNICATIONS SERVICES BY STARTTALK, INC.

Broadview Networks, Inc. ("Applicant") has filed with the Arizona Corporation Commission ("Commission") an application for a Certificate of Convenience and Necessity ("Certificate") to provide competitive resold interexchange telecommunications services in the State of Arizona. Applicant will be required to provide this service under the rates and charges and terms and conditions established by the Commission.

A.R.S. § 40-282 provides that the Commission may act on an application for a Certificate to provide resold telecommunications services without a hearing, or with a hearing, if one is requested by any party. Applicant or any other party must request a hearing within twenty (20) days of the date of this notice, or the Commission will rule on the application without a hearing.

The application, report of the Commission's Utilities Division Staff, and any written exceptions to the Staff report prepared by the Applicant are available for inspection during regular business hours at the offices of the Commission located at 1200 West Washington Street, Phoenix, Arizona, 85007, and at Broadview Networks, Inc., 800 Westchester Avenue, Suite N-501, Rye Brook, NY 10573.

Under appropriate circumstances, interested parties may intervene in the proceedings, and participate as a party. Intervention shall be in accordance with the A.A.C. R 14-3-105, except that all motions to intervene must be filed on or within twenty (20) days of the date of this notice. You may have the right to intervene in the proceedings, or you may make a statement for the record. If you have any comments, mail them to:

The Arizona Corporation Commission
Attention Docket Control
Re: Broadview Networks, Inc.
Docket No. ______________
1200 West Washington Street
Phoenix, Arizona 85007

All Comments should be received within twenty (20) days of the date of this notice. If you have any questions about this application or have any objections to its approval, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona, 85007, or call 1-800-222-7000.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request reasonable accommodations such as sign language interpreter, as well as request this document in an alternative format, by contacting Shelley Hood, ADA Coordinator, voice phone number (602) 542-3931, E-Mail shood@cc.state.az.us. Requests should be made as early as possible to allow time to arrange the accommodation.

ATTACHMENT D

FINANCIAL INFORMATION

CONSOLIDATED FINANCIAL STATEMENTS

Broadview Networks Holdings, Inc. and Subsidiaries

Years ended December 31, 2006 and 2005, ten months ended December 31, 2004
and two months ended February 29, 2004
with Report of Independent Registered Public Accounting Firm

Broadview Networks Holdings, Inc. and Subsidiaries

Consolidated Financial Statements

Years ended December 31, 2006 and 2005, ten months ended December 31, 2004
and two months ended February 29, 2004

Contents

Ernst & Young LLP
5 Times Square
New York, New York 10036-6530

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Broadview Networks Holdings, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Broadview Networks Holdings, Inc. and Subsidiaries (the "Company") as of December 31, 2006 and 2005 (Successor Company) and the related consolidated statements of operations, stockholders' equity (deficiency) and cash flows for the years ended December 31, 2006 and 2005, for the period from March 1, 2004 to December 31, 2004 (Successor Company) and for the period from January 1, 2004 to February 29, 2004 (Predecessor Company). 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 audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Broadview Networks Holdings, Inc. and Subsidiaries at December 31, 2006 and 2005 (Successor Company) and the consolidated results of its operations and its cash flows for the years ended December 31, 2006 and 2005, for the period from March 1, 2004 to December 31, 2004 (Successor Company) and for the period from January 1, 2004 to February 29, 2004 (Predecessor Company), in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for stock-based compensation effective January 1, 2006.

Ernst + Young LLP

March 29, 2007

Broadview Networks Holdings, Inc. and Subsidiaries

Consolidated Balance Sheets

	Successor	
	December 31	
	2006	2005
	(In thousands, except share amounts)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 43,952**	$ 16,753
Restricted cash	**460**	–
Accounts receivable, less allowance for doubtful accounts of $7,971 in 2006 and $6,695 in 2005	**41,313**	24,495
Other current assets	**8,308**	3,162
Total current assets	**94,033**	44,410
Property and equipment, net	**61,395**	39,547
Goodwill	**69,632**	27,964
Intangible assets, net of accumulated amortization of $65,128 in 2006 and $34,672 in 2005	**79,848**	80,986
Other assets	**13,417**	4,206
Total assets	**$ 318,325**	$ 197,113
Liabilities and stockholders' equity (deficiency)		
Current liabilities:		
Accounts payable	**$ 12,684**	$ 26,069
Accrued expenses and other current liabilities	**47,506**	20,015
Taxes payable	**8,604**	8,238
Deferred revenues	**8,019**	5,748
Current portion of capital lease obligations	**3,084**	2,095
Current portion of long-term debt	–	10,000
Total current liabilities	**79,897**	72,165
Long-term debt	**210,000**	74,000
Senior unsecured subordinated debt	–	59,862
Deferred rent payable	**2,747**	2,411
Capital lease obligations, net of current portion	**4,685**	1,247
Other	**526**	–
Total liabilities	**297,855**	209,685
Stockholders' equity (deficiency):		
Common stock—$.01 par value; authorized 90,000,000, issued and outstanding 8,871,427 shares and 6,605,872 shares at December 31, 2006 and 2005, respectively	**102**	66
Series A Preferred stock—$.01 par value; authorized 89,526 shares, designated, issued and outstanding 89,521 shares at December 31, 2006 and 2005	**1**	1
Series A-1 Preferred stock—$.01 par value; authorized 105,000 shares at December 31, 2006, designated, issued and outstanding 100,702 shares at December 31, 2006	**1**	–
Series B Preferred stock—$.01 par value; authorized 93,180 shares, designated, issued and outstanding 92,832 shares at December 31, 2006 and 2005	**1**	1
Series B-1 Preferred stock—$.01 par value; authorized 46,000 shares at December 31, 2006, designated, issued and outstanding 42,231 shares at December 31, 2006	–	–
Additional paid-in capital	**117,689**	44,254
Accumulated deficit	**(97,324)**	(55,811)
Deferred compensation	–	(1,083)
Total stockholders' equity (deficiency)	**20,470**	(12,572)
Total liabilities and stockholders' equity (deficiency)	**$ 318,325**	$ 197,113

See notes to consolidated financial statements.

Broadview Networks Holdings, Inc. and Subsidiaries

Consolidated Statements of Operations

	Successor			Predecessor
	Year ended December 31, 2006	**Year ended December 31, 2005**	**Ten months ended December 31, 2004**	**Two months ended February 29, 2004**
	(In thousands)			
Revenues	**$272,653**	$240,396	$ 72,826	$13,631
Operating expenses:				
Cost of revenues (exclusive of depreciation and amortization)	**130,841**	115,214	36,105	7,081
Selling, general and administrative	**105,232**	93,465	30,215	5,363
Deferred compensation	**754**	673	308	–
Software development	**1,819**	2,301	–	–
Depreciation and amortization	**49,781**	45,756	8,554	284
Merger integration costs	**1,430**	4,531	2,834	10
Total operating expenses	**289,857**	261,940	78,016	12,738
(Loss) income from operations	**(17,204)**	(21,544)	(5,190)	893
Other income (expense)	**21**	–	(4,523)	(1,001)
Interest expense	**(25,463)**	(17,842)	(3,399)	(704)
Interest income	**1,395**	458	31	29
Loss before provision for income taxes	**(41,251)**	(38,928)	(13,081)	(783)
Provision for income taxes	**(262)**	–	(3,802)	(2)
Net loss	**$ (41,513)**	$ (38,928)	$(16,883)	$ (785)

See notes to consolidated financial statements.

Broadview Networks Holdings, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity (Deficiency)

	Successor Company						Predecessor Company	
	Year ended December 31				Ten months ended December 31, 2004		Two months ended February 29, 2004	
	2006		2005					
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
	(In thousands, except share amounts)							
Common stock								
Balance at beginning of year	6,605,872	$ 66	336	$ –	–	$ –	756,256	$ 8
Common stock issued	–	–	–	–	–	–	–	–
Issuance of shares pursuant to the plan of merger	–	–	–	–	336	–	–	–
Net effect of merger recapitalization	–	–	6,605,536	66	–	–	–	–
Repurchase of lender shares	(1,307,770)	–	–	–	–	–	–	–
Issuance of shares pursuant to conversion of senior unsecured subordinated notes	3,573,325	36	–	–	–	–	–	–
Balance at end of year	8,871,427	102	6,605,872	66	336	–	756,256	8
Series A Preferred stock								
Balance at beginning of year	89,521	1	36,444	–	–	–	–	–
Issuance of shares pursuant to the plan of merger	–	–	–	–	36,000	–	–	–
Issuance of new shares in cancellation of note payable	–	–	–	–	444	–	–	–
Net effect of merger recapitalization	–	–	53,077	1	–	–	–	–
Balance at end of year	89,521	1	89,521	1	36,444	–	–	–
Series A-1 Preferred Stock								
Balance at beginning of year	–	–	–	–	–	–	–	–
Issuance of shares pursuant to conversion of senior unsecured subordinated notes	100,702	1	–	–	–	–	–	–
Balance at end of year	100,702	1	–	–	–	–	–	–
Series B Preferred Stock								
Balance at beginning of year	92,832	1	–	–	–	–	–	–
Net effect of merger recapitalization	–	–	92,832	1	–	–	–	–
Balance at end of year	92,832	1	92,832	1	–	–	–	–
Series B-1 Preferred Stock								
Balance at beginning of year	–	–	–	–	–	–	–	–
Issuance of shares pursuant to conversion of senior unsecured subordinated notes	42,231	–	–	–	–	–	–	–
Balance at end of year	42,231	–	–	–	–	–	–	–

See notes to consolidated financial statements.

Broadview Networks Holdings, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity (Deficiency) (continued)

	Successor Company						Predecessor Company	
	Year ended December 31				Ten months ended December 31, 2004		Two months ended February 29, 2004	
	2006		2005					
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
				(In thousands, except share amounts)				
Additional paid-in capital								
Balance at beginning of year	–	$ 44,254	–	$ 37,391	–	$ –	–	$ 207
Issuance of shares pursuant to the plan of merger	–	–	–	–	–	35,838	–	–
Issuance of new shares in cancellation of note payable	–	–	–	–	–	444	–	–
Net effect of merger recapitalization	–	–	–	5,908	–	–	–	–
Deferred compensation	–	754	–	955	–	1,109	–	–
Adoption of SFAS No. 123R	–	(1,083)	–	–	–	–	–	–
Issuance of shares pursuant to conversion of senior unsecured subordinated notes	–	73,764	–	–	–	–	–	–
Balance at end of year	–	117,689	–	44,254	–	37,391	–	207
Note receivable stockholders								
Balance at beginning of year	–	–	–	–	–	–	–	(1,351)
Payment of stock receivable	–	–	–	–	–	–	–	789
Balance at end of year	–	–	–	–	–	–	–	(562)
Accumulated deficit								
Balance at beginning of year	–	(55,811)	–	(16,883)	–	–	–	3,861
Net Loss	–	(41,513)	–	(38,928)	–	(16,883)	–	(785)
Balance at end of year	–	(97,324)	–	(55,811)	–	(16,883)	–	3,076
Deferred compensation								
Balance at beginning of year	–	(1,083)	–	(801)	–	–	–	–
Deferred compensation	–	–	–	(282)	–	(801)	–	–
Adoption of SFAS No. 123R	–	1,083	–	–	–	–	–	–
Balance at end of year	–	–	–	(1,083)	–	(801)	–	–
Total stockholders' equity (deficiency)	–	$ 20,470	–	$ (12,572)	–	$ 19,707	–	$ 2,729

See notes to consolidated financial statements.

Broadview Networks Holdings, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Successor			Predecessor
	Year ended December 31, 2006	Year ended December 31, 2005	Ten months ended December 31, 2004	Two months ended February 29, 2004
	(In thousands)			
Cash flows from operating activities				
Net loss	**$ (41,513)**	$ (38,928)	$(16,883)	$ (785)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation	**19,302**	17,679	1,959	284
Amortization and write-off of deferred financing costs	**2,383**	1,030	809	162
Amortization of intangible assets	**30,479**	28,077	6,595	–
Provision for doubtful accounts	**4,115**	3,823	1,332	169
Noncash subordinated debt interest	**4,920**	5,991	–	–
Amortization of deferred compensation	**754**	673	308	–
Increase in fair value of derivatives	–	(762)	–	–
Deferred income taxes	–	–	3,790	–
Other	**(18)**	(65)	–	–
Changes in operating assets and liabilities:				
Restricted cash	**(460)**	–	–	–
Accounts receivable	**(1,492)**	(3,243)	(765)	(1,537)
Prepaid expenses and other current assets	**(1,328)**	1,180	1,078	(494)
Deferred acquisition costs	–	–	(6,578)	–
Other assets	**(208)**	(1,307)	39	–
Accounts payable	**(15,598)**	(6,007)	120	1,365
Accrued and other current liabilities	**11,349**	(378)	6,280	21
Deferred revenue	**260**	(359)	193	163
Deferred rent	**336**	747	(12)	–
Other liabilities	**15**	–	–	–
Net cash provided by (used in) operating activities	**13,296**	8,151	(1,735)	(652)
Cash flows from investing activities				
Proceeds from disposal of property and equipment	–	223	–	–
Cash acquired in merger	–	7,991	–	–
Acquisition, net of cash and restricted cash acquired	**(88,787)**	–	–	–
Merger acquisition costs	**(3,635)**	(10,030)	–	–
Purchase of property and equipment	**(23,146)**	(18,915)	(4,763)	(1,038)
Purchase of predecessor shares, net of cash received from shareholders	–	–	(35,573)	–
Net cash used in investing activities	**(115,568)**	(20,731)	(40,336)	(1,038)

See notes to consolidated financial statements.

Broadview Networks Holdings, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (continued)

	Successor			Predecessor
	Year ended December 31, 2006	Year ended December 31, 2005	Ten months ended December 31, 2004	Two months ended February 29, 2004
	(In thousands)			
Cash flows from financing activities				
Proceeds from capital lease financing	**$ 7,794**	$ 372	$ –	$ –
Proceeds from issuance of long-term debt	**210,000**	–	–	–
Repayments of long-term debt	**(84,000)**	(3,000)	–	–
Proceeds from issuance of subordinated debt	**10,000**	30,000	–	–
Repayment of subordinated debt	**(972)**	–	–	–
Subordinated debt conversion fees	**(1,531)**	–	–	–
Payment of deferred financing fees	**(8,453)**	–	–	–
Capital contribution	**–**	–	36,282	–
Repayments of note payable—stockholder	**–**	–	562	789
Payments on capital lease obligations	**(3,367)**	(2,080)	(190)	(5)
Other	**–**	115	–	–
Net cash provided by financing activities	**129,471**	25,407	36,654	784
Net increase (decrease) in cash and cash equivalents	**27,199**	12,827	(5,417)	(906)
Cash and cash equivalents at beginning of period	**16,753**	3,926	9,343	10,249
Cash and cash equivalents at end of period	**$ 43,952**	$ 16,753	$ 3,926	$ 9,343
Supplemental disclosure of cash flow information				
Cash paid during the year for interest	**$ 7,123**	$ 10,584	$ 3,133	$ 542

See notes to consolidated financial statements.

1. Organization and Description of Business

Broadview Networks Holdings, Inc. (the "Company,"), formerly Bridgecom Holdings, Inc., is an integrated communications company whose primary interests consist of its wholly-owned subsidiaries, Broadview Networks, Inc. ("BNI"), Bridgecom Holdings, Inc. ("BH"), and Corecomm-ATX Inc., competitive local exchange carriers. The Company also provides phone systems and other customer service offerings through its subsidiary, Bridgecom Solutions Group, Inc. ("BSG"). The Company was founded in 1996 to take advantage of the deregulation of the U.S. telecommunications market following the Telecommunications Act of 1996. The Company has one reportable segment, which provides domestic wireline telecommunications services consisting of local and long distance voice services, Internet, and data services to commercial and residential customers in the northeast United States.

Change of Ownership

In November 2003, BH ("Predecessor Company") entered into a merger agreement with MCG Capital Corp. ("MCG"), Telecomm North Corp. (a wholly-owned subsidiary of MCG) and certain stockholders of BH. The transaction closed in March 2004. Under the terms of the agreement, Telecomm North Corp. acquired 100% of BH's shares, buying out all other stockholders. The surviving company continued to carry the name Bridgecom Holdings, Inc. ("Successor Company") until the January 2005 merger with BNI became effective at which time the Company began doing business under the name Broadview Networks Holdings, Inc.

In October 2004, the Company entered into a merger agreement with BNI and subsidiaries, the principal stockholders of BNI and MCG, 100% owners of BH, which closed and became effective in January 2005. As a result of the merger and certain related transactions, MCG became the owner of 60% of the voting power of the Company's capital stock and approximately 40% of the Company's capital stock on a fully diluted basis, excluding options reserved but not issued under the Company's employee stock incentive plan as of January 14, 2005. BH was considered to be the acquirer for accounting purposes.

In June 2006, the Company entered into a merger agreement with ATX Communications, Inc. ("ATX") and its shareholders and Leucadia National Corporation which closed and became effective in September 2006. The Company was considered to be the acquirer for accounting purposes.

2. Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation. As a result of the mergers effective September 29, 2006, January 14, 2005 and March 3, 2004, the consolidated financial statements of the Company reflect the acquisitions under the purchase method of accounting in accordance with the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 141, *Business Combinations* ("SFAS 141"). For periods following the March 3, 2004 acquisition, the consolidated statements of the Company are presented as "Successor." For periods preceding the March 3, 2004 acquisition, the consolidated financial statements are presented as "Predecessor."

Revenue Recognition

The Company's revenue is derived primarily from subscriber usage and fixed monthly recurring fees. Such revenue is recognized in the month the actual services and other charges are provided and costs are incurred, with deferral of revenue and prepayment of those monthly charges that are billed in advance. Services rendered for which the customer has not been billed are recorded as unbilled revenues until the period such billings are provided. Cable and wiring revenues are recognized when the Company provides the services.

Unbilled revenue included in accounts receivable represents revenue for earned services, which was billed in the succeeding month and totaled $5,306 and $3,681 as of December 31, 2006 and 2005, respectively.

Revenue from carrier interconnection and access amounting to $15,028 and $14,843 in the years ended December 31, 2006 and 2005, $4,706 for the ten months ended December 31, 2004 and $990 for the two months ended February 29, 2004, respectively, is recognized in the month in which service is provided.

(In thousands, except share information)

2. Significant Accounting Policies (continued)

Costs of Revenue

Costs of revenue include direct costs of sales and network costs. Direct costs of sales include the costs incurred with telecommunication carriers 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 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.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. A significant portion of cash balances are maintained with several high credit quality financial institutions, which are members of the FDIC.

Restricted Cash

Restricted cash represents the balance of cash that ATX was required to set aside for the purpose of paying certain claims and administrative expenses.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are reported at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts. The Company estimates doubtful accounts based on historical bad debts, factors related to the specific customers' ability to pay, percentages of aged receivables and current economic trends. Allowances for doubtful accounts are recorded as selling, general and administrative expenses. The Company writes off accounts deemed uncollectible after efforts to collect such accounts are not successful.

2. Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful life is three years for computer equipment, five years for furniture and fixtures, and seven years for network equipment. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the related lease term. Capitalized software costs are amortized on a straight-line basis over the estimated useful life, typically two years. Construction in progress includes amounts incurred in the Company's expansion of its network. The amounts include switching and co-location equipment, switching and co-location facilities design and co-location fees. The Company has not capitalized interest to date since the construction period has been short in duration and the related imputed interest expense incurred during that period was insignificant. When construction of each switch or co-location facility is completed, the balance of the assets is transferred to network equipment and depreciated in accordance with the Company's policy. Maintenance and repairs are expensed as incurred.

Impairment of Long-lived Assets

The Company accounts for the impairment of long-lived assets in accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS 144"). SFAS 144 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company compares the carrying amount of the asset to the estimated undiscounted future cash flows expected to result from the use of the asset. If the carrying amount of the asset exceeds estimated expected undiscounted future cash flows, the Company records an impairment charge for the difference between the carrying amount of the asset and its fair value.

Goodwill and Other Intangible Assets

The Company accounts for goodwill and other intangible assets in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"), whereby goodwill is not subject to amortization over its estimated useful life. Rather, goodwill is subject to at least an annual assessment for impairment by applying a fair-value-based test.

2. Significant Accounting Policies (continued)

Additionally, an acquired intangible asset should be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented or exchanged, regardless of the acquirer's intent to do so.

Third Party Conversion Costs

The Company currently capitalizes third party conversion costs incurred to provision customers to its network. These costs include external vendor charges, but exclude costs incurred internally. At January 1, 2006, the Company changed the third party conversion costs amortization period from two to four years. The Company believes that an amortization period of four years more properly reflects the expected life of its current customer base. The effect of changing this estimate in useful life was a reduction in depreciation expense of $2,951 for the year ended December 31, 2006.

Debt Issuance Costs

The costs related to the issuance of long-term debt are deferred and amortized into interest expense over the life of each debt issuance.

Significant Vendor

The Company purchases approximately 79% of its telecommunication services from one vendor. Accounts payable and accrued expenses in the accompanying consolidated balance sheets include $28,244 and $29,053 as of December 31, 2006 and 2005, respectively, due to this vendor.

2. Significant Accounting Policies (continued)

Income Taxes

The Company recognizes deferred income taxes using the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for differences between the financial reporting and tax bases of assets and liabilities at enacted statutory tax rates in effect for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. In addition, valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

Stock-Based Compensation

Effective January 1, 2006, the Company began recording compensation expense associated with stock options and other forms of equity compensation in accordance with SFAS No. 123R, *Share-Based Payment* ("SFAS 123R"), using the prospective method (as permitted under SFAS No. 148, *Accounting for Stock-Based Compensation–Transition and Disclosure)* to all new awards granted, modified or settled after January 1, 2003. SFAS 123R eliminates the ability to account for stock-based compensation transactions using the intrinsic value method under Accounting Principles Board Opinion No. 25 ("APB 25"), *Accounting for Stock Issued to Employees*, and instead generally requires that such transactions be accounted for using a fair value based method.

As permitted under SFAS 123R, the Company uses the Black-Scholes-Merton ("BSM") option-pricing model to determine the fair value of stock-based awards. The BSM model is consistent with the option-pricing model the Company used to value stock-based awards granted prior to January 1, 2006.

Software Development Costs

The Company capitalizes the cost of internal use software in accordance with Statement of Position 98-1, *Accounting for the Cost of Computer Software Developed or Obtained for Internal Use* ("SOP 98-1"). SOP 98-1 provides guidance for the accounting for computer software developed or acquired for internal use, including the requirement to capitalize certain costs and amortization of these costs. Costs for preliminary stage projects are expensed as incurred while application stage projects are capitalized.

2. Significant Accounting Policies (continued)

The latter costs are typically internal payroll costs of employees associated with the development of internal use computer software. The Company commences amortization of the software on a straight-line basis over the estimated useful life, typically two years, when it is ready for intended use.

During the years ended December 31, 2006 and 2005, the Company capitalized approximately $2,184 and $1,759 of software development costs, respectively, which are included in property and equipment. Amortization expense related to these assets was approximately $2,768 and $3,712 for the years ended December 31, 2006 and 2005, respectively. No software development costs were capitalized for the ten months ended December 31, 2004 and the two months ended February 29, 2004.

Advertising

The Company expenses advertising costs in the period incurred and these amounts are included in selling, general and administrative expenses. Advertising expenses approximated $536 and $584 for the years ended December 31, 2006 and 2005, $54 for the ten months ended December 31, 2004 and $3 for the two months ended February 29, 2004, respectively.

Disputes

The Company accounts for disputed billings from carriers based on the estimated settlement amount of disputed balances. The estimate is based on a number of factors including historical results of prior dispute settlements with the carriers and is periodically reviewed by management to reassess the likelihood of success. Actual settlements may differ from estimated amounts (see Note 15).

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and

2. Significant Accounting Policies (continued)

liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Management periodically reviews such estimates and assumptions as circumstances dictate. Actual results could differ from those estimates.

Comprehensive Income

Comprehensive income represents the change in net assets of a business enterprise during a period from non-owner sources. For the years ended December 31, 2006 and 2005, the ten months ended December 31, 2004 and the two months ended February 29, 2004, the Company's net loss was the only item of other comprehensive income.

Accounting for Derivatives and Hedging Activities

The Company had interest rate swap derivatives for a period in 2005 and 2006. These derivatives were not designated as a hedge for accounting purposes. As a result, the change in the fair value of the derivatives totaling $762 for the year ended December 31, 2005 was recorded in expense. There was no liability on the consolidated balance sheet at December 31, 2005 and the derivates expired during the year ended December 31, 2006 with no effect on the consolidated statement of operations. The Company has no outstanding derivative transactions at December 31, 2006.

3. Recent Accounting Pronouncements

Uncertainty in Income Taxes

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"). FIN 48 requires the use of a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return and disclosures regarding uncertainties in income tax positions. The Company is required to adopt FIN 48 effective January 1, 2007. The cumulative effect of initially adopting FIN 48 will be recorded as an adjustment to opening retained earnings in the year of adoption and will be presented separately. Only tax positions that meet the more likely than not recognition threshold at the effective date may be recognized upon adoption of FIN 48. The Company is currently evaluating the impact of FIN 48 and does not expect the adoption as of January 1, 2007 to have a material impact on its consolidated financial position or results of operations.

(In thousands, except share information)

3. Recent Accounting Pronouncements (continued)

Fair Value Measurements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurement* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States and establishes a hierarchy that categorizes and prioritizes the sources to be used to estimate fair value and expands disclosure about fair value measurements. The Company is required to adopt SFAS 157 effective January 1, 2008 on a prospective basis. The Company is currently evaluating the impact this new standard will have on its consolidated financial position and results of operations.

4. Acquisitions and Merger Agreements

2006 Acquisition

On June 26, 2006, the Company entered into a stock purchase agreement with ATX and its shareholders in a transaction that closed on September 29, 2006 (the "2006 Merger"). Accordingly, the results of ATX are included in these consolidated financial statements beginning September 30, 2006. ATX is a facilities-based competitive communications provider operating in the mid-Atlantic Region states including Pennsylvania, New Jersey, Delaware, Maryland and the District of Columbia.

The Company purchased all of the outstanding capital stock of ATX for net aggregate cash consideration of approximately $88,787. The total purchase consideration has been allocated to the assets acquired and liabilities assumed based on their respective fair value as of September 30, 2006. The liabilities included in the acquisition cost allocation for exit activities included severance costs for terminated ATX executives and employees affected by the merger. These liabilities were accounted for in accordance with Emerging Issues Task Force ("EITF") 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination* ("EITF 95-3"). The balance of such liabilities was approximately $1,810 as of December 31, 2006 and is expected to be paid in 2007.

(In thousands, except share information)

4. Acquisitions and Merger Agreements (continued)

The purchase price of the transaction as determined with the assistance of a third party appraisal was allocated as follows:

Assets acquired:	
Cash and cash equivalents	$ 10,646
Restricted cash	1,508
Accounts receivable	19,441
Other current assets	3,817
Property and equipment	17,607
Goodwill	38,033
Customer-based intangibles	21,412
Other intangibles	7,909
Other non-current assets	1,811
Total assets acquired	122,184
Liabilities assumed:	
Current liabilities	20,732
Other liabilities	511
Total liabilities assumed	21,243
Net assets acquired	$ 100,941

The following unaudited pro forma financial information was prepared in accordance with SFAS 141 and assumes the acquisition had occurred at the beginning of the periods presented. The unaudited pro forma information is provided for informational purposes only. These pro forma results are based upon the respective historical financial statements of the respective companies, and do not incorporate, nor do they assume, any benefits from cost savings or synergies of operations of the combined company. The pro forma results of operations do not necessarily reflect the results that would have occurred had the acquisition occurred at the beginning of the periods presented or the results that may occur in the future.

(In thousands, except share information)

4. Acquisitions and Merger Agreements (continued)

The pro forma combined results are as follows:

	Year ended December 31, 2006	**Year ended December 31, 2005**
Revenues	**$ 391,640**	$ 402,403
Net loss	**(48,347)**	(44,446)

Included in the consolidated statements of operations for the year ended December 31, 2006 are merger integration costs of approximately $862 of severance costs and consulting fees for Broadview employees.

2005 Merger

In October 2004, BH entered into a merger agreement with BNI that became effective January 14, 2005 (the “2005 Merger”) and, accordingly, the results of BNI are included in these consolidated financial statements beginning January 14, 2005. The 2005 merger was effectuated by way of a stock for stock exchange whereby holders of the capital stock of BH and BNI each exchanged their capital stock for certain newly issued common and preferred shares of the Company. BH was considered the acquirer for accounting purposes. The total purchase consideration has been allocated to the assets acquired and liabilities assumed based on their respective fair value as of January 1, 2005. There is no resulting goodwill that is expected to be deductible for tax purposes. The liabilities included in the acquisition cost allocation for exit activities included severance costs for terminated BNI executives and employees affected by the merger and certain lease termination costs related to leases terminated due to the merger. These liabilities were accounted for in accordance with EITF 95-3. The balance of such liabilities was $802 and $1,795 as of December 31, 2006 and 2005, respectively, and primarily consists of lease termination costs to be paid through 2010.

(In thousands, except share information)

4. Acquisitions and Merger Agreements (continued)

The purchase price of the transaction as determined with the assistance of a third party appraisal was allocated as follows:

Assets acquired:	
Cash and cash equivalents	$ 7,991
Accounts receivable	14,915
Other current assets	3,335
Property and equipment	29,225
Customer-based intangibles	84,000
Goodwill	19,842
Other	985
Total assets acquired	160,293
Liabilities assumed:	
Current liabilities	56,893
Long-term debt	87,870
Other long term liabilities	3,745
Total liabilities assumed	148,508
Net assets acquired	$ 11,785

The following unaudited pro forma financial information was prepared in accordance with SFAS 141 and assumes the acquisition had occurred at the beginning of the periods presented. The unaudited pro forma information is provided for informational purposes only. These pro forma results are based upon the respective historical financial statements of the respective companies, and do not incorporate, nor do they assume, any benefits from cost savings or synergies of operations of the combined company. The pro forma results of operations do not necessarily reflect the results that would have occurred had the acquisition occurred at the beginning of the periods presented or the results that may occur in the future.

(In thousands, except share information)

4. Acquisitions and Merger Agreements (continued)

The pro forma combined results are as follows:

	Year ended December 31, 2005	Ten months ended December 31, 2004	Two months ended February 29, 2004
Revenues	$ 245,771	$ 202,967	$ 40,425
Net loss	(45,588)	(42,717)	(3,401)

Included in the consolidated statements of operations for the year ended December 31, 2005 are merger integration costs of approximately $2,601 of network shutdown costs incurred to shut down components of the Bridgecom network and to migrate customers to BNI's network and approximately $1,265 of severance costs and consulting fees related to Bridgecom employees.

2004 Merger

In November 2003, BH entered into a merger agreement with MCG, Telecomm North Corp. (a wholly-owned subsidiary of MCG) and certain stockholders of BH in a transaction that closed in March 2004 (the "2004 Merger"). Under the terms of the agreement, Telecomm North Corp. acquired 100% of BH's shares. The total purchase consideration has been allocated to the assets acquired and liabilities assumed based on their respective fair values as of February 29, 2004. Such allocation resulted in intangible assets of $39,697, including goodwill of $8,379. The current assets as of February 29, 2004 approximated $21,567, the current liabilities $13,518 and the fixed assets $6,280.

Historically, MCG was the Predecessor Company's primary lender and continued to be so after the merger. MCG charged the Company advisory fees and certain closing costs in conjunction with this transaction and certain management fees subsequent to it. Amounts expensed related to these and other ongoing services and transactions with MCG amounted to approximately $325 for the ten months ended December 31, 2004 and $10 for the two months ended February 29, 2004, respectively, and are included in merger integration costs in the consolidated statements of operations. Also included in merger integration costs for the ten months ended December 31, 2004 are $2,509 of employee related bonus payments incurred in connection with the merger paid to certain key employees of the Company.

(In thousands, except share information)

5. Other Assets

Other current assets consist of the following at December 31:

	2006	2005
Deferred carrier charges	**$ 3,021**	$ 1,355
Prepaid expenses	**2,729**	1,068
Other	**2,558**	739
Total other current assets	**$ 8,308**	$ 3,162

Other non-current assets consist of the following at December 31:

	2006	2005
Deferred financing costs	**$ 9,648**	$ 2,119
Lease security and carrier deposits	**2,017**	2,075
Other	**1,752**	12
Total other non-current assets	**$ 13,417**	$ 4,206

Amortization of deferred financing costs amounted to approximately $1,173 and $1,030 for the years ended December 31, 2006 and 2005, $809 for the ten months ended December 31, 2004 and $162 for the two months ended February 29, 2004, respectively.

6. Property and Equipment

Property and equipment, at cost, consists of the following at December 31:

	2006	2005
Network equipment	**$ 65,018**	$ 33,116
Computer and office equipment	**16,794**	14,297
Capitalized software costs	**8,639**	6,456
Furniture and fixtures and other	**8,084**	5,589
Leasehold improvements	**4,661**	2,577
	103,196	62,035
Less accumulated depreciation and amortization	**(41,801)**	(22,488)
	$ 61,395	$ 39,547

(In thousands, except share information)

6. Property and Equipment (continued)

Property and equipment includes amounts acquired under capital leases of approximately $9,655 and $2,684, respectively, net of accumulated depreciation and amortization of approximately $1,429 and $1,808, respectively, at December 31, 2006 and 2005.

7. Identifiable Intangible Assets and Goodwill

The Company accounts for intangible assets under SFAS 142. The Company's intangible assets, consisting primarily of its customer base and trademark, were valued as follows:

Customer Relationships: The Company's customer base is composed of subscribers to the Company's various telecommunications services. The multi-period excess earnings method, a variant of the income approach, was utilized to value the customer base intangibles.

The customer relationship intangible is amortized over the average expected life of the customer relationship of four years based on the Company's historical disconnect statistics. The unamortized balances are evaluated for potential impairment based on future estimated cash flows when an impairment indicator is present.

Trademark: The Company's trademark was valued using a variant of the income approach, referred to as the relief from royalty method.

The Company has assumed the trademark intangible will generate cash flows for the Company for an indefinite period of time. Accordingly, no amortization expense has been recorded for this intangible. This intangible will be evaluated periodically to determine whether events and circumstances continue to support an indefinite useful life and will be tested at least annually for impairment

Amortization of intangible assets for the years ended December 31, 2006 and 2005, the ten months ended December 31, 2004 and the two months ended February 29, 2004 amounted to $30,479, $28,077, $6,595 and $0, respectively.

(In thousands, except share information)

7. Identifiable Intangible Assets and Goodwill (continued)

Future projected amortization expense is as follows:

Year ending December 31:	
2007	$ 34,949
2008	27,657
2009	6,227
2010	4,015
	$ 72,848

The components of intangible assets at December 31 are as follows:

	2006	2005
Customer base	**$ 137,067**	$ 115,658
Trademarks	**7,000**	–
Other	**909**	–
Less accumulated amortization	**(65,128)**	(34,672)
Net intangible assets	**$ 79,848**	$ 80,986

Changes in the carrying amount of goodwill are as follows:

Balance at December 31, 2004	$ 8,379
Effects of 2005 merger	19,585
Balance at December 31, 2005	27,964
Effects of 2006 acquisition	41,668
Balance at December 31, 2006	$ 69,632

(In thousands, except share information)

8. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following at December 31:

	2006	2005
Recurring network costs and other operating accruals	**$ 14,211**	$ 4,630
Unbilled carrier and disputed charges	**15,186**	8,659
Accrued interest	**8,615**	26
Merger transaction fees	**2,999**	2,761
Payroll related liabilities	**6,320**	3,813
Other	**175**	126
Total accrued expenses and other current liabilities	**$ 47,506**	$ 20,015

Recurring network costs and other operating accruals are primarily costs of revenue amounts that have been incurred in a current service period but for which the Company has not yet been billed. Unbilled carrier and disputed charges are amounts that the Company has accrued for either estimated settlements of disputed charges or anticipated charges that have not been billed for various reasons.

Accrued interest for the year ended December 31, 2006 represents amounts due on the Company's Senior Secured $210,000 Notes (see Note 10). Payroll related liabilities include amounts accrued in the normal course of business at month-end for payroll incurred but not yet paid plus any payroll actions accrued at management's discretion.

9. Obligations Under Capital and Operating Leases

Capital Leases

In March 2006, the Company entered into a capital lease facility, as amended in October 2006, with a third party that allows the Company to finance the acquisition of up to $12,500, or as otherwise limited by our indenture (see Note 10), of network related equipment through December 31, 2007. The Company is obligated to repay the borrowings in thirteen quarterly installments. At the end of the final installment period, the Company has the option of renewing, returning or purchasing the equipment at a mutually agreed fair value which is not to exceed 18% of original equipment cost. The company had borrowings of $6,226 outstanding on this facility at December 31, 2006.

(In thousands, except share information)

9. Obligations Under Capital and Operating Leases (continued)

The future minimum lease payments under all capital leases at December 31, 2006 are as follows:

Year ending December 31:	
2007	$ 4,099
2008	2,795
2009	2,542
2010	841
	10,277
Less amounts representing interest	(2,508)
	7,769
Less current portion	(3,084)
Capital lease obligations, net of current portion	$ 4,685

Amortization of capital leases is included in depreciation and amortization expense in the consolidated statements of operations.

Operating Leases

The Company rents office space and equipment under various operating leases. The future minimum lease payments under operating leases at December 31, 2006 are as follows:

Year ending December 31:	
2007	$ 10,096
2008	8,781
2009	8,320
2010	7,851
2011	4,355
Thereafter	8,158
Total minimum lease payments	$ 47,561

(In thousands, except share information)

9. Obligations Under Capital and Operating Leases (continued)

Future minimum lease payments are net of sublease rentals as follows:

Year ending December 31:	
2007	$ 671
2008	679
2009	688
2010	602
2011	27
Total sublease rentals	$ 2,667

Total rent expenses under these operating leases, including escalation charges for real estate taxes and other expenses, amounted to approximately $7,703 and $7,094 for the years ended December 31, 2006 and 2005, $1,588 for the ten months ended December 31, 2004 and $366 for the two months ended February 29, 2004, net of approximately $284, $438, $4 and $8 of sublease rental income, respectively. Rent expense is charged to operations ratably over the terms of the leases, which results in deferred rent payable.

10. Debt

Senior Secured $210,000 Notes

On August 23, 2006, the Company issued $210,000 principal amount of 11 3/8% Senior Secured Notes due 2012 (the "Senior Secured Notes"). The net proceeds from the Senior Secured Notes were used to fund the ATX acquisition, repay indebtedness under the Company's senior secured credit facility and senior unsecured subordinated notes due 2009, and for general corporate purposes. The Company is required to pay cash interest on the principal amount of the notes at a rate of 11 3/8% per annum, which is due semi-annually on March 1 and September 1 of each year, commencing on March 1, 2007. The Senior Secured Notes mature on September 1, 2012. The notes are fully, unconditionally and irrevocably guaranteed on a senior secured basis, jointly and severally, by each of the Company's existing and future domestic restricted subsidiaries. The notes and the guarantees rank senior in right of payment to all existing and future subordinated indebtedness of the Company and its subsidiary guarantors, as applicable, and equal in right of payment with all existing and future senior indebtedness of the Company and of such subsidiaries.

10. Debt (continued)

The notes and the guarantees are secured by a lien on substantially all of the Company's assets provided, however, that pursuant to the terms of an intercreditor agreement, the security interest in those assets consisting of receivables, inventory, deposit accounts, securities accounts and certain other assets that secure the notes and the guarantees are contractually subordinated to a lien thereon that secures the Company's five-year senior revolving credit facility with an aggregate principal amount of $25,000 (the "Revolving Credit Facility") and certain other permitted indebtedness.

On or after September 1, 2009, the Company may redeem some or all of the notes at the following redemption prices, expressed as percentages of the aggregate principal amount thereof, plus accrued and unpaid interest to the date of redemption. Prior to September 1, 2009, (i) the Company may redeem up to 35% of the aggregate principal amount of the notes with the net proceeds of certain equity offerings at 111.375% of the aggregate principal amount thereof, plus accrued and unpaid interest to the date of redemption provided that, following the redemption, at least 65% of the aggregate principal amount of the notes originally issued under the indenture remains outstanding and (ii) the Company may redeem the notes, in whole or in part, at a make-whole redemption price set forth herein, plus accrued and unpaid interest to the date of redemption. In addition, the Company may, at its option upon a change of control, redeem all, but not less than all, of the notes at any time prior to September 1, 2009, at 111.375% of their principal amount, plus accrued and unpaid interest to the redemption date.

If the Company experiences a change of control, the holders of the notes will have the right to require the Company to purchase their notes at 101% of the aggregate principal amount thereof, plus accrued and unpaid interest to the date of repurchase.

The Indenture contains covenants limiting the Company's ability to, among other things: incur or guarantee additional indebtedness or issue certain preferred stock; pay dividends; redeem or purchase equity interests; redeem or purchase subordinated debt; make certain acquisitions or investments; create liens; enter into transactions with affiliates; merge or consolidate; make certain restricted payments; and transfer or sell assets, including equity interests of existing and future restricted subsidiaries. The Company was in compliance with all covenants at December 31, 2006.

10. Debt (continued)

Revolving $25,000 Senior Credit Facility

On August 23, 2006, the Company entered into a five year, Revolving $25,000 Senior Credit Facility ("Revolving Credit Facility"). Any outstanding amounts under this facility are subject to a borrowing base limitation based on an advance rate of 85% of the amount of eligible receivables, as defined. The loans bear interest on a base rate method or LIBOR method, in each case plus an applicable margin percentage, at the option of the Company. Interest on the LIBOR loans is paid on a monthly or quarterly basis, and interest on the base rate loans is paid on a quarterly basis. The Company did not have any borrowings outstanding on the Revolving Credit Facility at December 31, 2006.

The Revolving Credit Facility also has a sublimit of $9,000 for the issuance of letters of credit. On the consummation of the ATX acquisition in August 2006, $7,802 of letters of credit were issued in lieu of vendor security deposits. Such amount was outstanding at December 31, 2006.

Indebtedness under the Revolving Credit Facility is guaranteed by all of the Company's direct and indirect subsidiaries that are not borrowers thereunder and is secured by a security interest in all of the Company's and its subsidiaries' tangible and intangible assets.

The Revolving Credit Facility contains negative covenants and restrictions on the Company's assets and the Company's subsidiaries' actions, including, without limitation, incurrence of additional indebtedness, restrictions on dividends and other restricted payments, prepayments of debt, liens, sale-leaseback transactions, loans and investments, hedging arrangements, mergers, transactions with affiliates, changes in business and restrictions on the Company's ability to amend the indenture and terms of the Company's subordinated debt.

The fair value of the Senior Secured Notes and the Revolving Credit Facility approximates their carrying value. Certain of the Company's assets have been pledged to the above creditors pursuant to the debt agreements. Each of the Company's subsidiaries has guaranteed the outstanding debt. The parent company of these subsidiaries has no independent assets or operations and the guarantees are full and unconditional and joint and several.

10. Debt (continued)

Senior Credit Facility

Upon the closing of the 2005 Merger effective January 14, 2005, the Company amended and restated its Loan and Security Agreement, dated as of October 10, 2000, among the Company, its subsidiaries, NTFC Capital Corporation as Administrative Agent, Wachovia Bank, National Association as Syndication Agent and Communication Ventures Corporation (the "Senior Credit Facility").

The Company was required to pay interest in arrears, with varying interest rates on amounts of indebtedness, on each applicable interest payment date. The Senior Credit Facility contained financial and non-financial covenants.

On August 23, 2006, upon the completion of the Company's offering of the Senior Secured Notes, the Company repaid in full the then outstanding balance of $79,000 on the Senior Credit Facility.

Senior Subordinated Debt

In connection with the 2005 Merger, the Company entered into a note purchase agreement with MCG and the other existing equity holders whereby the Company issued senior unsecured subordinated notes ("Subordinated Debt") due 2009. In June 2005, the Company issued additional subordinated notes to those equity holders on terms identical to the existing senior subordinated debt. In general, the terms of the senior subordinated debt include an interest rate of 12% until December 31, 2008 at which point it increases to 15% until the stated maturity date of December 31, 2009.

In July 2006, the Company amended the note purchase agreement and issued an additional aggregate principal amount of $10,000 of senior unsecured subordinated notes due 2009 to three existing equity holders. These notes were issued on substantially the same terms as the senior unsecured subordinated notes due December 31, 2009.

10. Debt (continued)

In August 2006, in connection with the issuance of the Senior Secured Notes, the Company extinguished all outstanding Subordinated Debt, plus accrued interest. The Company converted $73,764 into common stock and series A-1 and B-1 preferred stock, and repaid the remaining balance of $972. The Company paid a conversion fee to all debt holders who converted to equity. This fee amounted to $1,531 and was recorded in interest expense.

Interest expense on all borrowings amounted to approximately $19,625 and $15,461 for the years ended December 31, 2006 and 2005, $2,385 for the ten months ended December 31, 2004 and $433 for the two months ended February 29, 2004, respectively.

11. Shareholders' Equity (Deficiency)

Equity

In July 2006, in anticipation of the acquisition of ATX and the refinancing of the existing senior unsecured subordinated notes, the Company authorized two new series of preferred stock, Series A-1 Preferred Stock, and Series B-1 Preferred Stock. At the refinancing, holders of the senior unsecured subordinated notes were offered the option to convert their existing notes into shares of either Series A-1 Preferred Stock and Class A Common Stock or Series B-1 Preferred Stock and Class A Common Stock at a conversion price per preferred share of $516.35. Each converting note holder would also receive a number of shares of Class A Common Stock equal to twenty-five times the number of shares of preferred stock purchased. The two new series of preferred stock are pari passu with the existing Series A and Series B of preferred stock.

As of December 31, 2006, there were 100,702 shares of Series A-1 Preferred Stock outstanding. Each Share of Series A-1 Preferred Stock carries a liquidation preference identical to the Series A Preferred Stock of $1,000.00 per share that increases at an annual rate of 12%, compounded quarterly. In order to realize a liquidation preference, the holder must simultaneously surrender 25 shares of common stock for each share of preferred stock liquidated. Each share of Series A-1 Preferred Stock is convertible at the option of the holder into that number of common shares equal to the liquidation preference at the date of conversion divided by fifty dollars.

11. Shareholders' Equity (Deficiency) (continued)

As of December 31, 2006, there were 42,231 shares of Series B-1 Preferred Stock outstanding. Each Share of Series B-1 Preferred Stock carries a liquidation preference identical to the Series B Preferred Stock of $1,000.00 per share that increases at an annual rate of 12%, compounded quarterly. In order to realize a liquidation preference, the holder must simultaneously surrender 25 shares of common stock for each share of preferred stock liquidated. Each share of Series B-1 Preferred Stock is convertible at the option of the holder into that number of common shares equal to the liquidation preference at the date of conversion divided by fifty dollars.

As of December 31, 2006, there were 89,521 shares of Series A Preferred Stock outstanding. Each share of Series A Preferred Stock carries an initial liquidation preference of $1,000 per share that increases at an annual rate of 12%, compounded quarterly. To realize a liquidation preference, the holder must simultaneously surrender 25 shares of common stock for each share of preferred stock liquidated. Each share of Series A Preferred Stock is convertible at the option of the holder into that number of common shares equal to the liquidation preference at the date of conversion divided by fifty dollars.

As of December 31, 2006, there were 92,832 shares of Series B Preferred Stock outstanding. Each share of Series B Preferred Stock carries an initial liquidation preference of $1,000 per share that increases at an annual rate of 12%, compounded quarterly. To realize a liquidation preference, the holder must simultaneously surrender 25 shares of common stock for each share of preferred stock liquidated. Each share of Series B Preferred Stock is convertible at the option of the holder into that number of common shares equal to the liquidation preference at the date of conversion divided by fifty dollars.

As of December 31, 2006, there were 8,871,427 shares of common stock outstanding. During 2006, 1,307,770 shares of common stock held by the Company's previous senior lenders were repurchased for nominal consideration, which approximated fair value, after the repayment of the Company's senior credit facility.

11. Shareholders' Equity (Deficiency) (continued)

As a result of the 2005 Merger effective January 14, 2005 and related transactions, MCG, the indirect controlling stockholder of BH, effectively became the owner of stock representing (1) 60% of the voting power of the Company's capital stock and (2) approximately 40% of the Company's capital stock on a fully diluted basis, excluding options reserved but not issued under the Company's employee stock incentive plan as of January 14, 2005. Pursuant to the 2005 Merger, MCG exchanged its 100% interest in BH's corporate parent for Series A preferred stock and Class A common stock of the Company.

Immediately prior to the 2005 Merger, all existing series of capital stock of BNI were reclassified into Series B Preferred Stock and Class A common stock.

During 2005, the Company repurchased 61 shares of Series B preferred stock and 1,522 shares of Class A common stock from certain shareholders for a nominal amount.

Effective with the 2004 Merger, 336 shares of Telecomm North Corp. common stock were converted into 336 shares of BH common stock with a par value of $0.01. Additionally, 36,000 shares of Telecomm North Corp. preferred stock were converted into 36,000 shares of BH preferred stock with a par value of $0.01.

Stock options to acquire 206 shares of Series B Preferred Stock and 5,232 shares of Common Stock are outstanding under the Company's 1997 and 2000 Stock Option Plans.

A warrant to acquire 46 shares of Series B Preferred Stock and 1,151 shares of Common Stock is outstanding as of December 31, 2006.

(In thousands, except share information)

12. Stock Based Compensation

Restricted Stock Awards

In conjunction with the 2005 Merger, the Company issued restricted stock awards that vest over three years at a percentage rate of 40/30/30. The awards consist of 1,900 shares of Series A preferred stock and 47,500 shares of Class A common stock. In 2006, an additional grant with the same vesting terms was provided to one of the Company's executives of 368 shares of Series A preferred stock, 383 shares of Series B preferred stock and 18,750 shares of Class A common stock. Under FASB Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation,* if a company cancels or settles a fixed stock option and replaces that award with stock, a new measurement date would be required and additional compensation expense is recognized over the remaining vesting period. All of the awards were valued at fair market value using public company comparables, recent comparable transactions and discounted cash flow valuation methodologies. Total compensation expense associated with these awards for the years ended December 31, 2006 and December 31, 2005 was $754 and $673, respectively. At December 31, 2006, the total compensation cost related to nonvested awards not yet recognized is $705, of which $652 will be recognized in the year ended December 31, 2007 and $53 will be recognized in the year ended December 31, 2008. If prior to the time the restricted stock has vested, a participants' employment or services, as applicable, terminates for any reason all vesting with respect to restricted stock shall cease and unvested shares of restricted stock shall be forfeited to the Company for no 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.

Stock Options

On March 3, 2004, BH adopted a stock option plan that allows the Board of Directors to grant incentives to employees and directors in the form of incentive stock options and nonqualified stock options. As of December 31, 2004, BH had reserved 105,320 shares of common stock to be issued under the Plan.

(In thousands, except share information)

12. Stock Based Compensation (continued)

At December 31, 2004, options to purchase 29,352 shares of common stock at an exercise price of $0.01 per share were outstanding and were exercisable through March 2014. A summary of the status of the Company's options and changes during the periods is presented below:

	Number of Shares	Weighted-Average Exercise Price
Outstanding at December 31, 2003	102,585	6.51
Granted	29,352	0.01
Settled	101,429	4.71
Canceled	1,156	6.51
Outstanding at December 31, 2004	29,352	
Cancelled January 2005	29,352	0.01
Outstanding at December 31, 2005	–	

In conjunction with the 2005 Merger, outstanding stock options under this plan were cancelled and replaced with restricted stock awards. The options granted during the ten months ended December 31, 2004 had exercise prices below the market value of the underlying common stock; therefore, compensation expense of $308, reflecting the fair value of the stock options, is included in the consolidated statement of operations. For those options granted prior to March 3, 2004, had the Company elected to recognize compensation cost based on the fair value of the options granted at the grant date, as prescribed by SFAS 123, the Company would have recorded approximately $5 of compensation expense for the two months ended February 29, 2004.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes-Merton option pricing model with the following weighted-average assumptions used for the ten months ended December 31, 2004, the two months ended February 29, 2004 and the year ended December 31, 2003, respectively: expected volatility of 0%, risk-free interest rates of 4.8% to 6.7%, expected option life of ten years, and no expected dividends.

(In thousands, except share information)

13. Income Taxes

The components of the provision for income taxes from continuing operations for the year ended December 31, 2006 and 2005, the ten months ended December 31, 2004 and the two months ended February 29, 2004, consist of:

	Successor			Predecessor
	December 31, 2006	**December 31, 2005**	**Ten months ended December 31, 2004**	**Two months ended February 29, 2004**
Current:				
Federal	**$ –**	$ –	$ –	$ –
State	**262**	–	12	2
Deferred	**–**	–	3,790	–
	$ 262	$ –	$ 3,802	$ 2

The following table shows the principal reasons for the difference between the effective income tax rate and the statutory federal income tax rate:

	Successor			Predecessor
	December 31, 2006	**December 31, 2005**	**Ten months ended December 31, 2004**	**Two months ended February 29, 2004**
Statutory federal income tax rate	**34.0%**	34.0%	34.0%	34.0%
State and local income tax, net of federal tax benefits	**0.4**	0.0	1.3	(0.2)
Permanent items	**0.0**	0.0	0.5	(0.3)
Valuation allowance	**(34.4)**	(34.0)	(10.7)	(33.8)
Other	**0.0**	0.0	1.2	0.0
Effective income tax rate	**0.0%**	0.0%	26.3%	(0.3)%

Deferred taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

(In thousands, except share information)

13. Income Taxes (continued)

The components of the net deferred tax assets (liabilities) consist of the following at December 31, 2006 and 2005:

	December 31 2006	December 31 2005
Accounts receivable	**$ 1,859**	$ 2,343
Net operating loss carryforwards	**28,040**	113,621
Deferred revenue	**3,198**	2,012
Customer lists	**1,305**	1,776
Deferred rent	**1,095**	–
Other	**983**	1,908
Total deferred tax assets	**36,480**	121,660
Customer lists	**20,778**	28,358
Trademark	**46**	–
Goodwill	**1,117**	–
Depreciation	**13,565**	8,660
Total deferred tax liabilities	**35,506**	37,018
Net deferred tax assets	**974**	84,642
Valuation allowance	**(974)**	(84,642)
	$ –	$ –

The Company completed a study in 2006 of its available net operating loss carryforwards ("NOLs") resulting from the 2005 Merger. The utilization of these NOL carryovers is subject to restrictions pursuant to Section 382 of the Internal Revenue Code. As such, it was determined that certain NOLs recorded by the Company as deferred tax assets for the year ended December 31, 2005 were limited. At December 31, 2006, the Company had net operating loss carryforwards totaling approximately $70,000 which expire through 2025.

The Company has provided a full valuation allowance against the net deferred tax asset as of December 31, 2006 and 2005 because management does not believe it is more likely than not that this asset will be realized. If the Company achieves profitability, the net deferred tax assets may be available to offset future income tax liabilities.

(In thousands, except share information)

14. Employee Savings and Retirement Plan

The Company has a contributory defined contribution plan under Section 401(k) of the Internal Revenue Code (the "Code") covering all qualified employees. Participants may elect to defer up to 20% of their annual compensation, subject to an annual limitation as provided by the Code. The Company's matching contribution to this plan is discretionary. For the year ended December 31, 2006, the ten months ended December 31, 2004 and the two months ended February 29, 2004, the Company made contributions of approximately $32, $38 and $7, respectively, to this plan. For the year ended December 31, 2005, the company did not make any contributions to this plan.

15. Commitments and Contingencies

The Company has employment agreements with certain key executives at December 31, 2006. These agreements provide for base salaries and performance bonuses over periods ranging from one to two years. These employment agreements also provide for severance compensation for a period of up to 12 months after termination.

The Company has, in the ordinary course of its business, disputed certain billings from carriers and has recorded the estimated settlement amount of the disputed balances. The settlement estimate is based on various factors, including historical results of prior dispute settlements. The amount of such charges in dispute at December 31, 2006 was in excess of $43,000. The Company believes that the ultimate settlement of these disputes will be at amounts less than the amount disputed and has accrued the estimated settlement in accounts payable and accrued expenses and other current liabilities at December 31, 2006. It is possible that actual settlement of such disputes may differ from these estimates and the Company may settle at amounts greater than the estimates.

In February 2007, the Company finalized a settlement with its major telecommunications supplier and paid $15,200 to extinguish approximately $39,000 of outstanding disputes. In connection with the settlement, in 2006 the Company recorded a reduction in costs of revenues of approximately $5,000.

(In thousands, except share information)

15. Commitments and Contingencies (continued)

The Company has entered into a commercial agreement with a vendor under which it purchases certain services that it had previously leased under the UNE-P provisions of the Telecommunications Act of 1996. The agreement requires certain minimum purchase obligations and contains fixed but escalating pricing over its term. The obligation as of December 31, 2006 under this agreement amounts to approximately $84,000 over four years.

The Company is involved in claims and legal actions arising in the ordinary course of business. Management is of the opinion that the ultimate outcome of these matters will not have a material adverse impact on the Company's consolidated financial position, results of operations, or cash flows.

16. Related Party Transactions

In 2004, MCG provided certain management and administrative services to the Company at agreed-upon rates. Management fees of $4,000 and $1,000 are included in other expense in the consolidated statements of operations for the ten months ended December 31, 2004 and the two months ended February 29, 2004, respectively.

17. Subsequent Event—Acquisition Agreement

In February 2007, the Company entered into an agreement to acquire InfoHighway Communications Inc. ("InfoHighway"). InfoHighway is a provider of hosted and managed communications solutions in the northeastern United States. The Company expects to finance the transaction through the issuance of additional Senior Secured Notes. The cash portion of the purchase price plus transaction expenses will be funded from the proceeds of a committed debt financing offered to the Company by a financial institution. The agreement is subject to Federal and State regulatory approvals and is expected to close in the second quarter of fiscal 2007.

(In thousands, except share information)

18. Selected Quarterly Financial Data (Unaudited)

The following tables set forth certain consolidated statement of operations data for each of the quarters in 2006. This information has been derived from the Company's quarterly unaudited condensed consolidated financial statements. The quarterly unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements included in this report and include all adjustments that the Company considers necessary for a fair presentation of such information. The operating results for any quarter do not necessarily indicate the results for any subsequent period or for the entire fiscal year.

	For the quarter ended			
	December 31, 2006 (a)	September 30, 2006	June 30, 2006	March 31, 2006
		Restated	*Restated*	*Restated*
Revenues	$ 96,231	$ 57,675	$59,377	$ 59,369
Operating expenses:				
Cost of revenues (exclusive of depreciation and amortization)	50,556	24,354	27,424	28,506
Selling, general and administrative	35,151	23,968	22,903	23,208
Deferred compensation	163	163	138	290
Software development	619	203	493	505
Depreciation and amortization (b)	15,240	11,723	11,788	11,030
Merger integration costs	362	680	233	155
Total operating expenses	102,091	61,091	62,979	63,694
Loss from operations	(5,860)	(3,416)	(3,602)	(4,325)
Other income (expense)	22	–	–	–
Interest expense	(7,063)	(8,369)	(4,818)	(5,214)
Interest income	467	706	96	127
Loss before provision for income taxes	(12,434)	(11,079)	(8,324)	(9,412)
Provision for income taxes	(262)	–	–	–
Net loss	$ (12,696)	$ (11,079)	$ (8,324)	$ (9,412)

(a) Results for the quarter include the acquisition of ATX Communications which was acquired on September 29, 2006 (see Note 3).

(b) Depreciation and amortization for the March 31, June 30 and September 30 periods has been restated to include reductions of $2,665, $1,602 and $1,199, respectively, from previously reported amounts. Accordingly, net loss was reduced by the same amounts for these periods. This restatement has no impact on depreciation expense or net loss for the year ended December 31, 2006.

BEFORE THE ARIZONA CORPORATION COMMISSION

STATE OF NEW YORK)
) **ss:**
COUNTY OF WESTCHESTER)

CERTIFICATION

I, Corey Rinker, Chief Financial Officer, Treasurer and Assistant Secretary of Broadview Networks, Inc. ("Broadview"), am authorized to make this certification on behalf of Broadview. The statements concerning Broadview in the foregoing financial statements are true, complete, and accurate to the best of my knowledge and are made in good faith.

Broadview Networks, Inc.

By: ______________________
Corey Rinker
Chief Financial Officer, Treasurer
and Assistant Secretary

Subscribed and sworn to before me, in and for the State and County named above this 6th day of November, 2007.

____
Notary Public

My Commission Expires: 9/20/2008

WILSON ROCAFUERTE JR.
NOTARY PUBLIC-STATE OF NEW YORK
No. 01R06116202
Qualified In Westchester County
Commission Expires September 20, 2008

07/07/06

ATTACHMENT E

COMPLAINT HISTORY

Broadview Networks, Inc., is presently authorized to provide local exchange and interexchange long distance telecommunications services in the States of Connecticut, Massachusetts, New Hampshire, New York, New Jersey, Pennsylvania and Rhode Island. The Company is also certified, registered or otherwise authorized to provide interexchange, long distance services in the States of California, Delaware, Florida, Georgia, Maine, Maryland, North Carolina, Ohio, Texas, Vermont, Virginia and West Virginia and Wyoming. Like all telecommunications carriers providing service to the public, Applicant has occasionally been the subject of consumer complaints lodged against it with various state commissions; these complaints have usually concerned service quality and/or billing issues. All have been resolved to the customers' satisfaction and none has been reduced to a Commission Order.

Applicant has never had any application for authority to provide telecommunications services denied by any jurisdiction. However, as a result of the inadvertent failure to remain timely with respect to all filing obligations under the Illinois Business Corporation Act of 1983, Broadview's foreign corporation authority in Illinois was revoked, leading to the cancellation of its authority to provide telecommunications services in the State of Illinois. Because of an internal restructuring of a number of Applicant's office locations in New York, New Jersey and Pennsylvania during the Spring of 2002, Applicant unfortunately did not become aware of this circumstance until after the revocation of its grant of authority. Applicant is now current in the filing of annual and other reports in Illinois, has regained its authority to conduct business as a foreign corporation in that state and is in the process of seeking the reinstatement of its authority to provide Illinois intrastate long distance telecommunications services.

Applicant has instituted safeguards in order to ensure its future compliance with all Secretary of State and public utility commission reporting obligations. Specifically, Applicant has established internal procedures, including the hiring and training of individuals whose primary job responsibility relates specifically to monitoring the status of Applicant's operating authority, responding promptly to any and all state Commission inquiries and/or data requests, and timely submitting all reports and information as required to maintain Applicant's operating authority in all jurisdiction on a going-forward basis.

ATTACHMENT F

NON-NECESSITY OF PERFORMANCE BOND

Broadview will not collect advances, prepayments or deposits in connection with its proposed long distance services offering in Arizona. Accordingly, Applicant respectfully submits that grant by the Commission of the authority sought herein without subjecting Broadview to Performance Bond requirements would pose no risk to Arizona consumers.

Should Broadview determine in the future to collect advances, prepayments or deposits from Arizona consumers, however, it commits to fully comply with the Commission's Performance Bond rules and regulations.

ATTACHMENT G

REVENUE AND EXPENSE PROJECTIONS

Projected Total Revenues for the first 12 months of operation:	$68,000
Projected Operating Expenses for the first 12 months of operation:	$ 8,000
Net book value of all Arizona jurisdictional assets expected to be used in the provision of telecommunications service to Arizona customers at the end of the first 12 months of operations	$0.00