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TN REGULATORY AUTHORITY
TELECOMMUNICATIONS DIVISION

December 5, 2003

VIA FACSIMILE TO 615-741-5015
AND FEDERAL EXPRESS

Ms. Patsy Fulton
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

RE: Citynet Tennessee, LLC (the "Company")
Docket No.: 03-00469

Dear Ms. Fulton:

Thank you for your letter of November 20, 2003 and for the courtesy you extended to me by allowing additional time within which to answer the questions posed in your letter.

1. Enclosed is the Forecasted Financial Statements for the Company for the period January through December 31, 2003, December 31, 2004 and December 31, 2005 (the "Company Forecasted Financials"). This will serve as the supplemental information in response to Data Request No. 4 of the August 20, 2003 letter from the Tennessee Regulatory Authority (the "Authority") .

2. The cost of the network switching equipment is approximately $500,000. The balance of the equipment was purchased from Adelphia Business Solutions for $10,700,000, together with certain other assets and is located in approximately eight (8) states. The reasonable allocation of the cost attributed to the Company in Tennessee is $1,337,500.

3.-5. Under separate cover, you will receive the written sworn testimony of James R. J. Martin, II, President of the Company, regarding the fact that the source of funding for the Company is from private investors and detail in connection therewith.

6. The Company Forecasted Financials contain and provide all of the detail of the Accounts Payable Citynet, LLC.

Steven P Hershey
215-851-8421
sph@escm com
{M0436242 1}

7. Enclosed please find interim financial statements for Citynet Columbus, LLC for the nine months ended September 30, 2003, as well as Citynet Holding, LLC interim financial statements for the nine months ending September 30, 2003 and for 2002. Also enclosed is Citynet Holding, LLC Detail Schedule of Operating Expenses for the nine month period ending September 30, 2003.

8. The Citynet Holding, LLC companies that have been certified are Citynet Ohio, LLC, Citynet West Virginia, LLC, Citynet Kentucky, LLC, Citynet Illinois, LLC and Citynet Indiana, LLC. Citynet Pennsylvania, LLC has been granted temporary authority in Pennsylvania .

Please advise me or Maxine DiRenza of my office whether the above information sufficiently answers the questions to which they pertain. Should you have any questions, please do not hesitate to contact me.

Thank you for your assistance and courtesy.

Sincerely,

Steven P. Hershey

cc: *Mr. James Martin*
Mr. Duane Bennett
Andrew G. Fusco, Esquire

Citynet Tennessee, LLC

Forcasted Financial Statements

January through December 31, 2004 and December 31, 2005 and 2006

Prepared :

November 1, 2003

The following forecasted balance sheets of Citynet Tennessee, LLC as of January through December 31, 2004 and December 31, 2005 and 2006, and the related statements of forecasted income, members' equity, and cash flows for the twelve month ending December 31, 2004 and the three years ending December 31, 2004, 2005 and 2006 are in accordance with attestation standards established by the American Institute of Certified Public Accountants.

Notes :

Citynet Tennessee, LLC (assets) is wholly owned by Citynet Holding, LLC.

Citynet Holding, LLC (management) is owned by Citynet, LLC.

Citynet, LLC (funding source) has been acquiring several distressed or bankrupt telecommunication assets over the past 12 months through the private financial support of its owners James Martin, Mike Puskar, Parry Petroplus, and Steve Lorenze. The combined personal asset value of these partners is in excess of $200 million. Assets are sufficient to provide liquidity to ensure Citynet Tennessee operations for 12 months. Upon signing non-disclosure statements, these financials can be viewed by relevant authorities.

Beginning January 1, 2004 Citynet Tennessee, LLC will operate as an independent entity as reflected in the accompanying financials. The original values of the assets that will be contributed to Citynet Tennessee, LLC are in excess of $5 million. However, most of those assets were acquired in federal bankruptcy court from Adelphia Business Solutions. Citynet, LLC has been paying the lease, utilities, operating expenses, and payroll expenses for the Tennessee operation since October 2002. Those expenses will increase slightly in January 2004 when it becomes fully licensed and operational and are reflected with the accompanying statements.

CityNet, LLC has valued the combined contributed assets of its Tennessee operation at $1 million. Citynet, LLC will lend $500K to Citynet Tennessee, LLC in January 2004 for operating capital bringing the total financial obligation to $1.5 million. The debt repayment is reflected.

Citynet Tennessee, LLC
Forcasted Balance Sheets
January 31,2004 through December 31,2006

	January 2004	February 2004	March 2004	April 2004	May 2004	June 2004	July 2004	August 2004	September 2004	October 2004	November 2004	December 2004	Year Ending Dec 31 2005	Year Ending Dec 31 2006
ASSETS														
CURRENT ASSETS														
Cash	$ 469,975 50	$ 435,439 50	$ 406,291 50	$ 382,531 50	$ 364,159 50	$ 351,175 50	$ 343,579 50	$ 341,371 50	$ 344,551 50	$ 353,119 50	$ 367,075 50	$ 386,419 50	$ 1,038,811 50	$ 2,467,075 50
Trade Accounts Receivables	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Construction deposits	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Current Assets	$ 469,975 50	$ 435,439 50	$ 406,291 50	$ 382,531 50	$ 364,159 50	$ 351,175 50	$ 343,579 50	$ 341,371 50	$ 344,551 50	$ 353,119 50	$ 367,075 50	$ 386,419 50	$ 1,038,811 50	$ 2,467,075 50
PROPERTY AND EQUIPMENT, at cost														
Fiber Network	$ 750,000 00	$ 750,000 00	$ 750,000 00	$ 750,000 00	$ 750,000 00	$ 750,000 00	$ 750,000 00	$ 750,000 00	$ 750,000 00	$ 750,000 00	$ 750,000 00	$ 750,000 00	$ 750,000 00	$ 750,000 00
Fiber Network Equipment	$ 250,000 00	$ 250,000 00	$ 250,000 00	$ 250,000 00	$ 250,000 00	$ 250,000 00	$ 250,000 00	$ 250,000 00	$ 250,000 00	$ 250,000 00	$ 250,000 00	$ 250,000 00	$ 250,000 00	$ 250,000 00
Buildings	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Leasehold Improvements	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Vehicles	$ 15,000 00	$ 15,000 00	$ 15,000 00	$ 15,000 00	$ 15,000 00	$ 15,000 00	$ 15,000 00	$ 15,000 00	$ 15,000 00	$ 15,000 00	$ 15,000 00	$ 15,000 00	$ 15,000 00	$ 15,000 00
Office Furniture and Equipment	$ 2,000 00	$ 2,000 00	$ 2,000 00	$ 2,000 00	$ 2,000 00	$ 2,000 00	$ 2,000 00	$ 2,000 00	$ 2,000 00	$ 2,000 00	$ 2,000 00	$ 2,000 00	$ 2,000 00	$ 2,000 00
	$1,017,000 00	$1,017,000 00	$1,017,000 00	$1,017,000 00	$1,017,000 00	$1,017,000 00	$1,017,000 00	$1,017,000 00	$1,017,000 00	$1,017,000 00	$1,017,000 00	$1,017,000 00	$ 1,017,000 00	$ 1,017,000 00
Less Accumulated Depreciation	$ 3,000 00	$ 6,000 00	$ 9,000 00	$ 12,000 00	$ 15,000 00	$ 18,000 00	$ 21,000 00	$ 24,000 00	$ 27,000 00	$ 30,000 00	$ 33,000 00	$ 36,000 00	$ 72,000 00	$ 108,000 00
	$1,014,000 00	$1,011,000 00	$1,008,000 00	$1,005,000 00	$1,002,000 00	$ 999,000 00	$ 996,000 00	$ 993,000 00	$ 990,000 00	$ 987,000 00	$ 984,000 00	$ 981,000 00	$ 945,000 00	$ 909,000 00
OTHER ASSETS														
Other Accounts Receivables	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other Assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$1,483,975 50	$1,446,439 50	$1,414,291 50	$1,387,531 50	$1,366,159 50	$1,350,175 50	$1,339,579 50	$1,334,371 50	$1,334,551 50	$1,340,119 50	$1,351,075 50	$1,367,419 50	$ 1,983,811 50	$ 3,376,075 50
LIABILITIES AND MEMBER'S EQUITY														
CURRENT LIABILITIES														
Bank line of credit borrowings	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Long-term notes payable (20 years / 5%)	$1,500,000 00	$1,493,750 00	$1,487,515 21	$1,481,295 68	$1,475,091 49	$1,468,902 70	$1,462,729 38	$1,456,571 56	$1,450,429 34	$1,444,302 78	$1,438,191 94	$1,432,096 89	$ 1,360,211 77	$ 1,290,726 60
Short-term payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Trade accounts payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Current Liabilites	$1,500,000 00	$1,493,750 00	$1,487,515 21	$1,481,295 68	$1,475,091 49	$1,468,902 70	$1,462,729 38	$1,456,571 56	$1,450,429 34	$1,444,302 78	$1,438,191 94	$1,432,096 89	$ 1,360,211 77	$ 1,290,726 60
Members's Equity	$ (16,024 50)	$ (47,310 50)	$ (73,223 71)	$ (93,764 18)	$ (108,931 99)	$ (118,727 20)	$ (123,149 86)	$ (122,200 06)	$ (115,877 84)	$ (104,183 28)	$ (87,116 44)	$ (64,677 39)	$ 623,599 73	$ 2,085,348 90
	$1,483,975 50	$1,446,439 50	$1,414,291 50	$1,387,531 50	$1,366,159 50	$1,350,175 50	$1,339,579 50	$1,334,371 50	$1,334,551 50	$1,340,119 50	$1,351,075 50	$1,367,419 50	$ 1,983,811 50	$ 3,376,075 50

Citynet Tennessee, LLC
Forcasted Statements of Income
January 31,2004 through December 31,2006

	January 2004	February 2004	March 2004	April 2004	May 2004	June 2004	July 2004	August 2004	September 2004	October 2004	November 2004	December 2004	Year Ending Dec 31 2005	Year Ending Dec 31 2006
Operating Revenue	$ 6,000 00	$ 12,000 00	$ 18,000 00	$ 24,000 00	$ 30,000 00	$ 36,000 00	$ 42,000 00	$ 48,000 00	$ 54,000 00	$ 60,000 00	$ 66,000 00	$ 72,000 00	$ 1,332,000 00	$ 2,196,000 00
Operating Expenses	$ 39,024 50	$ 39,636 50	$ 40,248 50	$ 40,860 50	$ 41,472 50	$ 42,084 50	$ 42,696 50	$ 43,308 50	$ 43,920 50	$ 44,532 50	$ 45,144 50	$ 45,756 50	$ 596,814 00	$ 684,942 00
Income (loss) from operations	$ (33,024 50)	$ (27,636 50)	$ (22,248 50)	$ (16,860 50)	$ (11,472 50)	$ (6,084 50)	$ (696 50)	$ 4,691 50	$ 10,079 50	$ 15,467 50	$ 20,855 50	$ 26,243 50	$ 735,186 00	$ 1,511,058 00
Other Income														
Interest Income	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Gains for the sale of property and equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest Expense	$ -	$ (6,250 00)	$ (6,234 79)	$ (6,219 52)	$ (6,204 19)	$ (6,188 79)	$ (6,173 33)	$ (6,157 81)	$ (6,142 22)	$ (6,126 56)	$ (6,110 84)	$ (6,095 05)	$ (71,885 12)	$ (69,485 17)
	$ -	$ (6,250 00)	$ (6,234 79)	$ (6,219 52)	$ (6,204 19)	$ (6,188 79)	$ (6,173 33)	$ (6,157 81)	$ (6,142 22)	$ (6,126 56)	$ (6,110 84)	$ (6,095 05)	$ (71,885 12)	$ (69,485 17)
Net Income (loss)	$ (33,024 50)	$ (33,886 50)	$ (28,483 29)	$ (23,080 02)	$ (17,676 69)	$ (12,273 29)	$ (6,869 83)	$ (1,466 31)	$ 3,937 28	$ 9,340 94	$ 14,744 66	$ 20,148 45	$ 663,300 88	$ 1,441,572 83

Citynet Tennessee, LLC
Forcasted Statements of Cash Flow
January 31,2004 through December 31,2006

	January 2004	February 2004	March 2004	April 2004	May 2004	June 2004	July 2004	August 2004	September 2004	October 2004	November 2004	December 2004	ear Ending Dec : 2005	ear Ending Dec 31 2006
CASH FLOWS FROM OPERATING ACTIVITIES														
Net Income (loss)	$ (33,024 50)	$ (33,886 50)	$ (28,483 29)	$ (23,080 02)	$ (17,676 69)	$ (12,273 29)	$ (6,869 83)	$ (1,466 31)	$ 3,937 28	$ 9,340 94	$ 14,744 66	$ 20,148 45	$ 663,300 88	$1,441,572 83
Adjustments to reconcile net income (loss) to net cash provided by operating activities														
Depreciation and Amoritzation	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 36,000 00	$ 36,000 00
(Increase) descrease in assets														
Trade accounts receivable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Increase (decrease) in liabilities														
Trade accounts payables	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Cash provided by (used in) operating activites	$ (30,024 50)	$ (30,886 50)	$ (25,483 29)	$ (20,080 02)	$ (14,676 69)	$ (9,273 29)	$ (3,869 83)	$ 1,533 69	$ 6,937 28	$ 12,340 94	$ 17,744 66	$ 23,148 45	$ 699,300 88	$1,477,572 83
CASH FLOWS FROM INVESTING ACTIVITIES														
Purchase of Property and Equipment	$1,000,000 00	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CASH FLOWS FROM FINANCING ACTIVITIES														
Line of credit activity	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Distributions to members	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Short-term notes payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Long-term bank borrowing activitiy	$1,500,000 00	$ (3,649 50)	$ (3,664 71)	$ (3,679 98)	$ (3,695 31)	$ (3,710 71)	$ (3,726 17)	$ (3,741 69)	$ (3,757 28)	$ (3,772 94)	$ (3,788 66)	$ (3,804 45)	$ (46,908 88)	$ (49,308 83)
Net cash provided by (used in) financing activites	$1,500,000 00	$ (3,649 50)	$ (3,664 71)	$ (3,679 98)	$ (3,695 31)	$ (3,710 71)	$ (3,726 17)	$ (3,741 69)	$ (3,757 28)	$ (3,772 94)	$ (3,788 66)	$ (3,804 45)	$ (46,908 88)	$ (49,308 83)
CASH														
Ending	$ 469,975 50	$ 435,439 50	$ 406,291 50	$ 382,531 50	$ 364,159 50	$ 351,175 50	$ 343,579 50	$ 341,371 50	$ 344,551 50	$ 353,119 50	$ 367,075 50	$ 386,419 50	$1,038,811 50	$2,467,075 50

Citynet Tennessee, LLC
Forcasted Statements of Operating Expenses
January 31,2004 through December 31,2006

	January 2004	February 2004	March 2004	April 2004	May 2004	June 2004	July 2004	August 2004	September 2004	October 2004	November 2004	December 2004	Year Ending Dec 31 2005	Year Ending Dec 31 2006
Network Expense	$ 4,000 00	$ 4,000 00	$ 4,000 00	$ 4,000 00	$ 4,000 00	$ 4,000 00	$ 4,000 00	$ 4,000 00	$ 4,000 00	$ 4,000 00	$ 4,000 00	$ 4,000 00	$ 48,000 00	$ 48,000 00
Payroll Expense	$16,250 00	$16,250 00	$ 16,250 00	$ 16,250 00	$ 16,250 00	$ 16,250 00	$ 16,250 00	$ 16,250 00	$ 16,250 00	$ 16,250 00	$ 16,250 00	$ 16,250 00	$ 195,000 00	$ 195,000 00
Payroll Taxes	$ 5,362 50	$ 5,362 50	$ 5,362 50	$ 5,362 50	$ 5,362 50	$ 5,362 50	$ 5,362 50	$ 5,362 50	$ 5,362 50	$ 5,362 50	$ 5,362 50	$ 5,362 50	$ 64,350 00	$ 64,350 00
Depreciation and Amortization	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 36,000 00	$ 36,000 00
Bad Debt	$ 12 00	$ 24 00	$ 36 00	$ 48 00	$ 60 00	$ 72 00	$ 84 00	$ 96 00	$ 108 00	$ 120 00	$ 132 00	$ 144 00	$ 2,664 00	$ 4,392 00
Agency Fees	$ 600 00	$ 1,200 00	$ 1,800 00	$ 2,400 00	$ 3,000 00	$ 3,600 00	$ 4,200 00	$ 4,800 00	$ 5,400 00	$ 6,000 00	$ 6,600 00	$ 7,200 00	$ 133,200 00	$ 219,600 00
Personal Property	$ 1,000 00	$ 1,000 00	$ 1,000 00	$ 1,000 00	$ 1,000 00	$ 1,000 00	$ 1,000 00	$ 1,000 00	$ 1,000 00	$ 1,000 00	$ 1,000 00	$ 1,000 00	$ 12,000 00	$ 12,000 00
Insurance Expense	$ 750 00	$ 750 00	$ 750 00	$ 750 00	$ 750 00	$ 750 00	$ 750 00	$ 750 00	$ 750 00	$ 750 00	$ 750 00	$ 750 00	$ 9,000 00	$ 9,000 00
Maintenance	$ 1,000 00	$ 1,000 00	$ 1,000 00	$ 1,000 00	$ 1,000 00	$ 1,000 00	$ 1,000 00	$ 1,000 00	$ 1,000 00	$ 1,000 00	$ 1,000 00	$ 1,000 00	$ 12,000 00	$ 12,000 00
Rent Expense	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 3,000 00	$ 36,000 00	$ 36,000 00
Advertising	$ 5,000 00	$ 5,000 00	$ 5,000 00	$ 5,000 00	$ 5,000 00	$ 5,000 00	$ 5,000 00	$ 5,000 00	$ 5,000 00	$ 5,000 00	$ 5,000 00	$ 5,000 00	$ 60,000 00	$ 60,000 00
Postage and Shipping	$ 200 00	$ 200 00	$ 200 00	$ 200 00	$ 200 00	$ 200 00	$ 200 00	$ 200 00	$ 200 00	$ 200 00	$ 200 00	$ 200 00	$ 2,400 00	$ 2,400 00
Professional fees	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 6,000 00	$ 6,000 00
Miscellaneous	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 6,000 00	$ 6,000 00
Data	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contract Labor	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Office Supplies	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 6,000 00	$ 6,000 00
Donations	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Bank Service Charges	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Travel Expense	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 6,000 00	$ 6,000 00
Office Expense	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 500 00	$ 6,000 00	$ 6,000 00
Cleaning and Maintenance	$ 150 00	$ 150 00	$ 150 00	$ 150 00	$ 150 00	$ 150 00	$ 150 00	$ 150 00	$ 150 00	$ 150 00	$ 150 00	$ 150 00	$ 1,800 00	$ 1,800 00
Meals and Entertainment	$ 200 00	$ 200 00	$ 200 00	$ 200 00	$ 200 00	$ 200 00	$ 200 00	$ 200 00	$ 200 00	$ 200 00	$ 200 00	$ 200 00	$ 2,400 00	$ 2,400 00
	$39,024 50	$39,636 50	$ 40,248 50	$ 40,860 50	$ 41,472 50	$ 42,084 50	$ 42,696 50	$ 43,308 50	$ 43,920 50	$ 44,532 50	$ 45,144 50	$ 45,756 50	$ 596,814 00	$ 684,942 00

CITYNET COLUMBUS, LLC
STATEMENT OF CASH FLOWS

For the nine months ended September 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES	
Net (loss)	$ (347,675)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:	
Depreciation	44,870
Gain on disposal of equipment	(53)
(Increase) in assets:	
Other receivables	(120,000)
Increase in liabilities:	
Accounts payable	35
Net cash (used in) operating activities	(422,823)
CASH FLOWS FROM INVESTING ACTIVITIES	
Construction in progress	(324,756)
Purchase of property and equipment	(96,130)
Net cash (used in) investing activities	(420,886)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from related party loans	841,719
Repayments of long-term debt	(3,381)
Net cash provided by financing activities	838,338
Net (decrease) in cash	(5,371)
Cash	
Beginning	5,371
Ending	$ -
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash payments for interest	$ 1,922
SUPPLEMENTAL DISCLOSURE OF NON CASH ACTIVITIES	
Settlement of disputed accounts payable to Gateway Columbus, LLC	$1,435,417

SEE ACCOUNTANT'S COMPILATION REPORT

CITYNET, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2003 and 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	$(2,727,690)	$ 356,715
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Amortization of loan cost included in interest expense	581,385	-
Depreciation and amortization	648,367	772,219
Loss on investments	2,954,201	-
(Increase) decrease in assets		
Trade accounts receivable	294,874	(390,608)
Deposits and prepaid expenses	(13,128)	(40,033)
Other receivables	209,199	-
Increase (decrease) in liabilities		
Trade accounts payable	301,307	(395,842)
Accrued expenses	9,222	3,656
Deferred rent	-	-
Net cash (used in) operating activities	$ 2,257,737	$ 306,107
CASH FLOWS FROM INVESTING ACTIVITIES		
Receivable from Citynet Columbus, LLC	$ 571,011	$(2,190,000)
Investment in Citynet Columbus, LLC	125,379	-
Receivable from Citynet Holding, LLC	(4,710,330)	-
Investment in Citynet Holding, LLC	(2,828,817)	
Acquisition Cost	-	(4,920)
Purchase of intangible asset	-	(1,200,805)
Purchase of property and equipment	(33,272)	(354,358)
Net cash (used in) investing activities	$(6,876,029)	$(3,750,083)

	2003	2002
CASH FLOWS FROM FINANCING ACTIVITIES		
Draws on line of credit	$ 124,757	$ -
Increase in line of credit	-	399,172
Proceeds from short term loan	16,356	(2,666)
Loans to member	(37,528)	(884,218)
Proceeds from related party loan	3,631,401	2,600,000
Repayment of related party loan	-	(3,457)
Proceeds from long-term bank borrowings	-	1,929,353
Repayments of long-term note payable	881,390	(533,753)
Repayments of obligations under capital leases	-	(68,320)
Net cash provided by financing activities	4,616,376	3,436,111
Net decrease in cash	(1,916)	(7,865)
Cash		
Beginning	115,679	188,262
Ending	$ 113,763	$ 180,397
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	$ 195,992	$ 188,916

CITYNET HOLDING, LLC
DETAIL SCHEDULE OF OPERATING EXPENSES

For the nine months ended September 30, 2003

Rent expense	$ 1,409,178
Salaries and wages	1,070,392
Professional fees	339,985
Utilities	255,074
Insurance	171,507
Management fee expense	152,430
Payroll taxes	78,633
License and permits	50,436
Miscellaneous	48,473
Ethernet expense	40,646
Repairs and maintenance	37,254
Cost of equipment sold	24,556
Travel expense	15,573
Vehicle maintenance	10,814
Postage and delivery	3,721
Office supplies	2,155
Bank service charges	98
	$ 3,710,926

SEE ACCOUNTANT'S COMPILATION REPORT