



Law Office of Kristopher E Twomey, P C  
Telecom/Internet Law & Regulatory Consulting

2006 JAN 30 AM 9

Kristopher E Twomey  
Andrew M Ganz  
attorneys admitted in  
DC, MA and CA

January 27, 2006 TRA DOCKET ROOM

Via Fedex

Tennessee Regulatory Authority  
Dockets and Records  
460 James Robertson Parkway  
Nashville, TN 37243-0505

Re Aero Communications, LLC

To Whom It May Concern

06-00024

Please find enclosed an original and thirteen (13) copies of Aero Communications, LLC's Application for a certificate to provide competing local telecommunications services in the State of Tennessee. Please note, a copy of this Application has been served on the entities listed on the enclosed Certificate of Service.

Please also note that Aero Communications, LLC is in the process of securing the required bond, and will file it with the TRA as soon as it is obtained.

Please contact me at 510-903-1304 with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "AG", with a long, sweeping horizontal line extending to the right.

Andrew Ganz  
Counsel to Aero Communications, LLC

BEFORE THE TENNESSEE REGULATORY AUHTORITY

In the Matter of the Application of )  
Aero Communications, LLC for a Certificate to )  
Provide Competing Local Telecommunications )  
Services )  
\_\_\_\_\_ )

**APPLICATION OF AERO COMMUNICATIONS, LLC FOR A CERTIFICATE TO  
PROVIDE COMPETING LOCAL TELECOMMUNICATIONS SERVICES**

Kristopher E Twomey  
Andrew Ganz  
LoKT Consulting  
1519 E 14<sup>th</sup> Street, Suite A  
San Leandro, CA 94577  
Telephone (510) 903-1304  
Facsimile (510) 868-8418

***Counsel for Aero Communications, LLC***

BEFORE THE TENNESSEE REGULATORY AUTHORITY

In the Matter of the Application of )  
Aero Communications, LLC for a Certificate to )  
Provide Competing Local Telecommunications )  
Services )  
\_\_\_\_\_ )

**APPLICATION OF AERO COMMUNICATIONS, LLC FOR A  
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY**

Pursuant to applicable Tennessee Statutes and the Rules and Regulations of the Tennessee Regulatory Authority and Section 253 of the Federal Telecommunications Act of 1996 ("Act"), Aero Communications, LLC ("Aero" or "Applicant") respectfully requests that the Tennessee Regulatory Authority ("TRA") grant Aero authority to provide competing local telecommunications services, including exchange access telecommunications services, within the State of Tennessee. Aero is willing and able to comply with all applicable rules and regulations in Tennessee pertaining to the provision of competing local telecommunications services pursuant to TCA 65-4-201.

In support of this Application, Aero shows the following

**I Administrative Requirements**

- 1 Applicant's full name and address

Aero Communications, LLC  
1301 Broadway  
Suite 126  
Paducah, KY 42001  
Telephone 270-448-2376  
Toll-free 877-209-3513  
[info@callaero.com](mailto:info@callaero.com)

- 2 Questions concerning this application should be directed to

Kristopher E Twomey  
Andrew Ganz  
LoKT Consulting  
1519 E 14<sup>th</sup> Street, Suite A  
San Leandro, CA 94577  
Telephone (510) 903-1304  
Facsimile (510) 868-8418  
Email [kris@lokt.net](mailto:kris@lokt.net)  
[andrew@lokt.net](mailto:andrew@lokt.net)

- 3 Contact name and address at Applicant

Brian Waid  
Operations Manager  
1301 Broadway  
Suite 126  
Paducah, KY 42001  
Telephone 270-448-2376  
Toll-free 877-209-3513  
[bwaid@hcis.net](mailto:bwaid@hcis.net)

- 4 Organizational chart

Please see Exhibit A

- 5 The name, number and electronic mailing addresses (if available) of the person(s) designated as a contact for the Commission Staff for resolving complaints, inquiries and matters concerning rates and price lists or tariffs

Brian Waid  
Operations Manager  
1301 Broadway  
Suite 126  
Paducah, KY 42001  
Telephone 270-448-2376  
Toll-free 877-209-3513  
[bwaid@hcis.net](mailto:bwaid@hcis.net)

6 Corporate information

Applicant was formed as an Illinois limited liability company on October 27, 1999. A copy of Applicant's articles of organization is attached as Exhibit B. Its certificate of authority to do business in Tennessee is attached as Exhibit C.

7 The names and addresses of the officers and directors of Applicant

Todd Heinrich, President  
8 Park Place  
Paducah, KY 42003  
(270) 898-7871

Matt Heinrich, Vice President  
216 East Stephenson St  
Freeport, IL 61032  
(815) 232-1185

Tom Rutter, Secretary  
216 East Stephenson St  
Freeport, IL 61032  
(815) 232-1185

Ronald Dougherty, Treasurer  
1412 Julianne Drive  
Marion, IL 62959  
(270) 898-7871

Please also see Biographies, attached as Exhibit D

8 Description of Business Plan, Service to be Offered

Aero proposes to offer residential and business end users the opportunity to originate and terminate local and long distance telephone calls to other end users through access to the local exchange network. The local exchange services Aero proposes to provide will also enable end users to select the long distance carrier of their choice. Aero proposes to offer local exchange services by installing and collocating its switching and ancillary equipment in the central offices of incumbent local exchange carriers. Aero may also purchase unbundled network elements and may resell the services of other certificated carriers. It proposes to offer a variety of services, including but not limited to, residential basic line service, business basic line service, PBX trunks, DID service and PRI service. Aero intends to offer long distance services—both intra and inter-LATA—to business and residential customers through the use of its own switching facilities.

and the resale of services of other certificated carriers Aero plans to offer services approximately thirty (30) days after this application is approved by the Commission

## **II Managerial Requirements**

Applicant enjoys decades of combined telecommunications experience Biographies/resumes are attached as Exhibit D Applicant maintains the necessary skill and experience to effectively manage a provider of competitive local telecommunications services

## **III Technical Requirements**

### **1 Facilities to be Used**

All services provided by Applicant will be facilities-based These facilities will use existing structures and as such will not result in any environmental damage Aero proposes to offer local exchange services by installing and collocating its switching and ancillary equipment in the central offices of incumbent local exchange carriers

### **2 Description of Network**

Aero will provide interexchange service throughout the state of Tennessee Aero will also provide local exchange services in all BellSouth incumbent local exchange territories Aero is in the process of determining in which cities it will deploy switching facilities Most likely, these facilities will comprise softswitches, enabling Aero to provide voice and data services

### **3 TRA Standards Will be Met**

Aero's services will satisfy the minimum standards established by the TRA The Company will file and maintain tariffs in the manner prescribed by the TRA and will meet minimum basic local standards, including quality of service and billing standards required of all LECs regulated by the TRA Applicant will not require

customers to purchase CPE, which cannot be used with the Incumbent Local Exchange Carrier's systems. The biographies in Exhibit D attest to the vast experience the management team enjoys, its ability to carry out the plan described above, and that Aero is certainly technically qualified to provide local exchange service in Tennessee.

4 Proposed Service Area

Aero is in the process of acquiring authorizations to provide telecommunications services in several states. Applicant has been approved in the following states: Kentucky, Illinois, Kansas, Colorado and Wisconsin. Aero has never had an application denied. The Applicant proposes to offer its services throughout the State of Tennessee beginning in local exchange areas currently being served by incumbents BellSouth and Sprint/United, which are designated open to competition. Applicant does not plan to offer services in areas served by any incumbent local exchange telephone company with fewer than 100,000 total access lines. Aero intends to offer its advanced communications services through the use of its own facilities, resold facilities, and through a combination of these provisioning methods.

5 Types of Local Exchange Service to be provided

Aero expects to offer a broad variety of local exchange services, primarily to wholesale and business customers in Tennessee. Aero's initial line of local services will be comparable to that currently offered by the incumbent LECs. Initially, Aero plans to offer basic access line service, PBX and DID Services, Optional Calling Features, Directory Assistance, Directory Services, and Operator Services, as well as all services required under Chapter 1220-4-8- 04 (3) (6) and (2).

6      **Repair and Maintenance**

Aero understands the importance of effective customer service for local service customers. Aero has made arrangements for its customers to call the company at its toll-free customer service number (877-209-3513). In addition, customers may contact the company in writing at the headquarters address, as well as via email at [info@callaero.com](mailto:info@callaero.com). The toll free number will be printed on the customer's monthly billing statements. The designated contact person knowledgeable about Aero's operations in Tennessee is Brian Waid, Operations Manager.

**IV      Financial Requirements**

Applicant has the financial resources necessary to carry out its responsibilities as a provider of the telecommunications services described herein. Please see Exhibit E for documentation of Aero's financial status.

**V      Small and Minority-Owned Telecommunications Business Participation Plan**

Please see Exhibit F.

**VI      Service of Application**

Applicant certifies that it has served notice of its application on the eighteen (18) incumbent local exchange telephone companies in Tennessee with a statement regarding Aero's intention of operating geographically. A certificate of service is attached as Exhibit G.

**VII      Toll Dialing Parity Plan**

Applicant's toll dialing parity plan is attached as Exhibit H.

## VIII Numbering Issues

Applicant's expected demand for NXXs per NPA within a year of approval of its Application is as follows

### LATA 468

NPA 270	(2)
662	(6)
731	(36)
901	(8)

### LATA 470

NPA 615	(22)
918	(55)

### LATA 472

NPA 423	(19)
---------	------

### LATA 474

NPA 423	(16)
865	(23)

2 How many NXXs do you estimate that you will request from NANPA when you establish your service footprint?

150

3 When and in what NPA do you expect to establish your service footprint?

See #1

4 Will the company sequentially assign telephone numbers within NXXs?

Yes

5 What measures does the company intend to take to conserve Tennessee numbering resources?

Aero will follow all NANPA guidelines and any TRA or FCC guidance on number conservation With number pooling, Aero will only request NXX 1000 blocks

6 When ordering new NXXs for growth, what percentage fill of an existing NXX does the company use to determine when a request for a new NXX will be initiated?

75%

## **IX Operational Issues**

1 How does the company intend to comply with TCA §65-21-114? In its description, please explain technically how the company will not bill for countywide calls within Tennessee

Aero's billing for calls is different than traditional circuit-switched carriers No calls originated and terminated in Tennessee will be subject to toll charges

2 Is the company aware of the Tennessee County Wide Calling database maintained by BellSouth and the procedures to enter your telephone numbers on the database?

Yes, Aero will cooperate with BellSouth to ensure its telephone numbers are accurately placed in the Tennessee County Wide Calling database

3 Is your company aware of the local calling areas provided by the Incumbent Local Exchange Carriers in your proposed service areas?

Yes

4 Explain the procedures that will be implemented to assure that your customers will not be billed long distance charges for calls within the metro calling areas

Aero's billing for calls is different than traditional circuit-switched carriers No calls originated and terminated in Tennessee will be subject to toll charges

5 Please provide the name and telephone number of an employee of your company that will be responsible to work with the TRA on resolving customer complaints

All customer complaints should be directed first to Aero's Operations manager, Brian Waid The telephone number is 270-448-2376

6 Does the company intend to telemarket its services in Tennessee? If yes, is the company aware of the telemarketing statutes and regulations found in TCA §65-4-401 *et seq* And Chapter 1220-4-11?

Aero will not use telemarketing in Tennessee Aero is largely a wholesale carrier providing its services to resellers and agents Those partners will be responsible for complying with Tennessee TCA §65-4-401 *et seq* and Chapter 1220-4-11

## **X Public Interest**

Grant of the Application will further the goals of the Tennessee Legislature and further the public interest by expanding the availability of competitive telecommunications services in the State of Tennessee Aero proposes to compete with the incumbent LECs, other competitive local carriers, and providers of long distance services by providing high quality, fairly-priced, innovative telecommunications services Aero's entry into the market will make efficient use of existing communications resources and increase diversification and reliability in the supply of communications services Further, its services will aid the expansion of the telecommunications industry in Tennessee and promote attendant employment opportunities for Tennessee citizens

In particular, the public will benefit both directly, through the use of the competitive services to be offered by Aero and indirectly, because Aero's presence in Tennessee will increase the incentives for other telecommunications providers to operate more efficiently, offer more innovative services, reduce their prices, and improve their quality of service Grant of this Application will further enhance the service options available to Tennessee citizens for the reasons set forth above

## **XI Miscellaneous Issues**

A Sworn pre-filed testimony is attached to this Application Exhibit I

B Tariffs will be filed after this Application is granted

D Applicant is not currently involved in any mergers or acquisitions Applicant's corporate structure is shown in Exhibit A

E Applicant does not require customer deposits

F Applicant has never received a slamming or any other complaint filed with a state or federal regulatory agency involving Applicant or its affiliated entities

G Applicant will not offer services in areas served by any incumbent local exchange telephone company with fewer than 100,000 total access lines, unless that carrier's rural exemption has been eliminated

WHEREFORE, Aero Communications, LLC requests that the Commission

(a) Grant Applicant authorization to provide facilities-based and resale local exchange services in eligible incumbent local exchange carrier areas service provider throughout the State of Tennessee in the service areas of Bell South, ALLTEL, Sprint and any other ILEC that does not enjoy a rural exemption under Section 251(f) of the Telecommunications Act of 1996,

(b) Make the grant effective on the date of issuance,

(c) Authorize the filing of tariffs after the effective date of such a grant, such tariffs to be effective upon approval, and

(d) Grant such further relief as may be just and reasonable

Respectfully submitted,



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Kristopher E Twomey  
Andrew Ganz  
Counsel for Aero Communications, LLC

January 26, 2006

**APPLICATION OF AERO COMMUNICATIONS, LLC FOR A CERTIFICATE  
OF PUBLIC CONVENIENCE AND NECESSITY**

EXHIBIT	DESCRIPTION
A	Organizational Chart
B	Articles of Organization
C	Certificate of authority to do business in Tennessee
D	Biographies of Officers and key personnel
E	Financial information
F	Small and Minority-Owned Telecommunications Business Participation Plan
G	Certificate of Service
H	Toll Dialing Parity Plan
I	Sworn pre-filed testimony

## EXHIBIT A

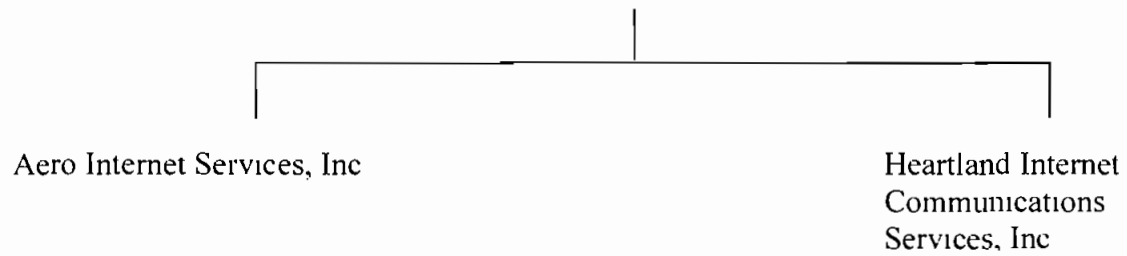
### Organizational Chart

Aero Communication is a Limited Liability Company Aero is a member-managed company, whose members are

- A Heartland Internet Communications Services, Inc
- B Aero Internet Services, Inc

#### Organizational Structure

Aero Communications, LLC



## **EXHIBIT B**

### **Articles of Organization**

Form **LLC-5.5**  
January 1999

Jesse White  
Secretary of State  
Department of Business Services  
Limited Liability Company Division  
Room 359 Howlett Building  
Springfield IL 62756  
http://www.sos.state.il.us

Payment must be made by certified  
check cashier's check Illinois  
attorney's check Illinois C P A's check  
or money order payable to Secretary  
of State

**Illinois**  
**Limited Liability Company Act**  
**Articles of Organization**

**SUBMIT IN DUPLICATE**  
Must be typewritten

This space for use by Secretary of State

Date  
Assigned File #  
Filing Fee  
Approved

**OCT 27, 1999**  
**0033 502 9**  
**\$400.00**  
**JE**

This space for use by  
Secretary of State

**FILED**  
OCTOBER 27, 1999

LIMITED LIABILITY CO DIV  
JESSE WHITE  
SECRETARY OF STATE

**PAID**  
OCTOBER 27 1999

1 Limited Liability Company Name Aero Communications, LLC

(The LLC name must contain the words limited liability company L L C or LLC and cannot contain the terms corporation corp incorporated inc ltd co limited partnership or L P )

2 Transacting business under an assumed name ☐ Yes ☒ No  
(If YES a Form LLC 1 20 is required to be completed and attached to these Articles )

3 The address including county of its principal place of business (Post office box alone and c/o are unacceptable ) \_\_\_\_\_

130 West Main Street, Suite A, P O Box 585, Lena, IL 61048 (Stephenson County)

4 Federal Employer Identification Number ( F E I N ) 36-4308411

5 The Articles of Organization are effective on (Check one)

a) X the filing date or b) \_\_\_\_\_ another date later than but not more than 60 days subsequent  
to the filing date \_\_\_\_\_  
(month day year)

6 The registered agent's name and registered office address is

Registered agent	<u>Brian A. Hart</u>		
	<small>First Name</small>	<small>Middle Initial</small>	<small>Last Name</small>
Registered Office	<u>204 W. Stephenson Street</u>		
( P O Box alone and	<small>Number</small>	<small>Street</small>	<small>Suite #</small>
c/o are unacceptable)	<u>Freeport</u>	<u>61032</u>	
	<small>City</small>	<small>ZIP Code</small>	<small>County</small>

7 Purpose or purposes for which the LLC is organized Include the business code # (from IRS Form 1065)  
(If not sufficient space to cover this point add one or more sheets of this size )

To provide local and long distance telecommunications services and to engage in  
any other activities authorized by the Illinois Limited Liability Company Act  
and other applicable Illinois statutes as amended IRS Business Code 513300

8 The latest date if any upon which the company is to dissolve N/A  
(month day year)

Any other events of dissolution enumerated on an attachment (Optional)

N/A

**LLC-5 5**

- 9 Other provisions for the regulation of the internal affairs of the LLC per Section 5 5 (a) (8) included as attachment

☐ Yes ☒ No

If yes state the provisions(s) and the statutory cite(s) from the ILLCA

- 10 a) Management is vested in whole or in part in the manager(s) ☐ Yes ☒ No  
If yes list names and business addresses

b) Management is vested in the member(s) ☒ Yes ☐ No  
If yes list names and addresses

1) Aero Internet Services, Inc  
130 West Main Street, Suite A  
P O Box 585  
Lena, IL 61048

5916-442-2

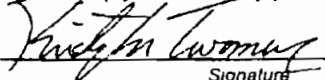
2) Heartland Communications Internet Services, Inc  
P O Box 1602  
Paducah, KY 42002-1602

5927-556-9

- 11 The undersigned affirms under penalties of perjury having authority to sign hereto that these articles of organization are to the best of my knowledge and belief true correct and complete

Dated September 30 1999  
(Month/Day) (Year)

**Signature(s) and Name(s) of Organizer(s)**

1   
Signature  
Kristopher E. Twomey, Attorney  
(Type or print name and title)  
Pepper & Corazzini, L L P  
(Name if a corporation or other entity)

2 \_\_\_\_\_  
Signature  
\_\_\_\_\_  
(Type or print name and title)  
\_\_\_\_\_  
(Name if a corporation or other entity)

3 \_\_\_\_\_  
Signature  
\_\_\_\_\_  
(Type or print name and title)  
\_\_\_\_\_  
(Name if a corporation or other entity)

**Business Address(es)**

1 1776 K Street, N.W., Suite 200  
Number Street  
Washington  
City/Town  
D.C. 20006  
State ZIP Code


2 \_\_\_\_\_  
Number Street  
\_\_\_\_\_  
City/Town  
\_\_\_\_\_  
State ZIP Code

3 \_\_\_\_\_  
Number Street  
\_\_\_\_\_  
City/Town  
\_\_\_\_\_  
State ZIP Code

(Signatures must be in ink on an original document Carbon copy photocopy or rubber stamp signatures may only be used on conformed copies )

**EXHIBIT<sup>1</sup> C**

**Certificate of authority to do business in Tennessee**

<p><b>State of Tennessee</b></p> <p></p> <p><b>Department of State</b> Corporate Filings 312 Eighth Avenue North 6th Floor William R. Snodgrass Tower Nashville, TN 37243</p>	<p>For Office Use Only</p> <p>2005 OCT -6 AM 9:50 SECRETARY OF STATE</p>
<p align="center"><b>APPLICATION FOR CERTIFICATE OF AUTHORITY</b> (Limited Liability Company)</p>	
<p>To the Secretary of State of the State of Tennessee</p> <p>Pursuant to the provisions of § 48-246-301 of the Tennessee Limited Liability Company Act, the undersigned hereby applies for a certificate of authority to transact business in the State of Tennessee and for that purpose sets forth:</p>	
<p>1 The name of the Limited Liability Company is <u>Aero Communications, LLC</u></p> <p>If different the name under which the certificate of authority is to be obtained is _____</p>	
<p><b>NOTE</b> The Secretary of State of the State of Tennessee may not issue a certificate of authority to a foreign Limited Liability Company if its name does not comply with the requirements of § 48-207-101 of the Tennessee Limited Liability Company Act. If obtaining a certificate of authority under an assumed Limited Liability Company name, an application must be filed pursuant to § 48-207-101(d)</p>	
<p>2 The state or country under whose law it is formed is <u>Illinois</u></p>	
<p>3 The date of its organization is <u>October 27, 1999</u> (must be month day and year)</p>	
<p>4 The complete street address (including zip code) of its principal office is</p> <p><u>1301 Broadway Suite 126 Paducah KY 42001</u></p> <p>Street City/State Zip Code</p>	
<p>5 The complete street address (including the county and the zip code) of its registered office in Tennessee</p> <p><u>800 South Gay St, Suite 2021, Knoxville, TN, Knox, 37902</u></p> <p>Street City/State County Zip Code</p> <p>The name of its registered agent at that office is <u>CT Corporation System</u></p>	
<p>6 The number of members at the date of filing <u>2</u></p>	
<p>7 If the limited liability company commenced doing business in Tennessee prior to the approval of this application the date of commencement (month day and year) <u>N/A</u></p>	
<p><b>NOTE</b> This application must be accompanied by a certificate of existence (or a document of similar import) duly authenticated by the Secretary of State or other official having custody of the Limited Liability Company records in the state or country under whose law it is organized. The certificate shall not bear a date of more than two (2) months prior to the date the application is filed in this state</p>	
<p><u>9/22/05</u></p> <p>Signature Date</p> <p><u>President of Aero Communications LLC</u></p> <p>Signer's Capacity</p>	<p><u>Aero Communications LLC</u></p> <p>Name of Limited Liability Company</p> <p><u>Todd Heinrich</u></p> <p>Signature</p> <p><u>Todd Heinrich</u></p> <p>Name (typed or printed)</p>
<p>SS-4233 (Rev 10/03) Filing Fee \$50 per member / minimum fee=\$300 maximum fee=\$3 000 RDA 2458</p>	

## **EXHIBIT D**

### **Biographies of Officers and key personnel**

**Aero Communications, LLC**  
**Background and Summary of Key Personnel**  
**August 18, 2005**

Aero Communications, LLC (Aero) is a CLEC currently doing business in LATA's 362 and 360 in the state of Illinois and LATA 464 in the Commonwealth of Kentucky. Aero was organized in 1998 by a partnering of Heartland Communications Internet Services, Inc. and The Aero Group, Inc., both of which are Internet Service Providers incorporated in the state of Illinois. Aero was established initially to provide cost reductions to the two companies by taking advantage of industry deregulation. This was the basis of Aero – that of a cost center bringing lower contract rates for transport to and from the Internet. Through this licensing, Aero soon began selling traditional phone services to existing and proposed Internet customers through UNE platforms offered by ILEC's in Illinois and Kentucky. Most recently, Aero has added VoIP telephony to its product portfolio. Currently, the company is rolling out services to 14 additional states in a partnering with affiliated companies. Collocations are underway to align Aero with the aggregate marketing goals of these business partners utilizing a partnering of supply chain entities and affiliates. As such, Aero is a small company with fewer than 10 employees and Heartland with 45 employees. The companies, utilizing the resources of parent companies and affiliates, are expanding what is currently a \$ 3 million/year operation.

The following is a background and experience reference for key personnel of Aero.

**Todd Heinrich – President and Founder**

Todd holds a B.S. in Electrical Engineering from Southern Illinois University with a background in system automation, networking, telecommunications and software engineering. He has been with Aero since its inception in 1998. Over 15 years experience in telecommunications. Todd built Heartland/Aero from the ground up with expertise in all areas of switching, routing, Internet Protocol, software/hardware design, marketing, and customer development. Heartland began in Todd's basement and has grown to near 50 employees with combined revenues in excess of \$ 3 million/year. Currently, Heartland/Aero has over 5,000 subscribers ranging from dial-up internet to Fiber-to-the-Business subscribers and standard POTS line customers to businesses using custom designed solutions such as a hosted PBX over VoIP. Responsible for the day to day operations of the company, he has designed and provided oversight for expansion into all growth areas of the business including:

- A 45 Mbps wireless backbone covering most of Western Kentucky and Southern Illinois,
- A successful partnering with a local utility to build out a Gigabit Ethernet Loop, providing next generation connectivity to businesses and residential customers in Western Kentucky,
- Successful VoIP and custom PBX solutions,
- Strategic Operations with AT&T for multi-state network platforms,
- Six years of Class 4 / Class 5 Switch Experience,
- Four Years experience in Fiber Optic Network and WDM technology

## **Aero Communications, LLC**

### **Background and Summary of Key Personnel (continued)**

#### **Brian Waid – CLEC Manager**

- Business manager and owner for over 15 years,
- Working with counsel, supervised all interconnection agreements with ILECs in multiple LATAs leading to successful operation of telephony sales effort,
- Supervised all tariff filings, and miscellaneous licensing requirements for FCC, and state Public Service Commission requirements,
- Responsible for all POPs, POIs, CLLI codes, obtaining NPA/NXXs, OCNs and ACNA,
- Staffed and provided training for staff in all areas of ordering and customer support including but not limited to UNEs , LSR and ASR Processes,
- Worked with ILECs to get proper trunking established for call routing, including but not limited to SS7 A-Links, Inter-Machine Trunks from multiple ILEC end offices, as well as Voice Gateway Integration and Knowledge
- Responsible for vendor negotiation and design of E-911 solution for all phones services, inclusive of VoIP, and complete with a National Intrado PSAP network Integration

#### **Grant Copley – Software Development Manager**

- Responsible for co-design, programming and implementation of an in-house, web based, enterprise software solution used for all areas of Heartland/Aero business including Order Entry, Billing and Accounts Receivable, Accounts Payable, General Ledger, Purchasing, Sales and Quotes, Quality and Service Orders, and Contact Management,
- Designed interface and functionality for the enterprise software to sell to resellers to facilitate implementation of a wholesale business model,
- Working with Operations, created all interfaces to the enterprise software automating data collection from telephony hardware switches, VoIP soft switch, Wireless maintenance system, and various other databases used for e-mail, voice mail and Internet access,
- Designed and implemented numerous databases used for collection and interface of external data to the enterprise software including CABS billing to other CLECs and carriers, MSAG and 911, long distance billing information and call detail records,
- Staffed and trained the Software Development group which provides internal support for projects and expansion as well as web design and hosting for Heartland/Aero customers

## **Aero Communications, LLC**

### **Background and Summary of Key Personnel (continued)**

#### **Brad Housewright – General Manager**

- B S in Business Administration, Southern Illinois University
- Owned and operated a Internet Service Provider in Southern Illinois acquired by Heartland,
- Responsible for business development,
- Works with local and regional political and business leaders to find synergies and drive business growth
- Responsible for Customer Service function and Marketing and Advertising
- Assisted in coordination of Southern Illinois Rural Enterprise (S I R E ), a non-profit group of academic, government, and private enterprise leaders responsible for the Southern Illinois broadband effort working through RUS and the Illinois Commerce Commission Currently in grant approval stage,
- Actively involved in the Illinois GIO (Get Illinois Online), an initiative pushed by the Lt Governor and the Connect Kentucky project, which is pushed by the Governor's office

#### **Robert Stivers, CPA – Chief Financial Officer**

- B S in Business with emphasis in Accounting, Murray State University,
- Attained designation of C P A and specialty designation by the AICPA as a Certified Information Technology Professional (CITP),
- Over 15 years experience as a business analyst, manager and director in Corporate Development, Planning and Analysis, Information System Design and Implementation, as well as Controllershship functions in Accounting for both small companies and Fortune 500 companies,
- Responsible for Accounting and Finance of Heartland/Aero including Budgeting, Forecasting, Financial Reporting and Regulatory Compliance,
- Working with Software Development and Accounting, managed the design and implementation of the financial, purchasing and sales functions within the company's enterprise software,
- Responsible for all business modeling used in management and capital acquisition including business plans and forecasts for venture capital and bank financing,
- Managed the due diligence process of a proposed investment resulting in the successful sale of 49% of company stock and a significant cash infusion for expansion

## **EXHIBIT E**

### **Financial information**

**Heartland Communications Internet Services, Inc**  
**Consolidated Balance Sheet – Aero/HCIS**

**April 30, 2005**

**Heartland Communications Internet Services, Inc**  
**Consolidated Balance Sheet - Aero/HCIS**  
**30 Apr-05**

**ASSETS****Current Assets**

Cash on Hand		\$	979 609	
Investment in Money Market			1 000 000	
Investment in CD			278 000	
Accounts Receivable Trade	\$	173 848		
Account Receivable My Choice		27 316		
Bad Debt Allowance		<u>(20 116)</u>	181 048	
Accounts Receivable Switch Termination		182 000		
Bad Debt Allowance		<u></u>	182 000	
Inventory (Resale and PC Repair)			<u>11 472</u>	
<b>Total Current Assets</b>				<b>\$ 2,632 129</b>

**Plant & Equipment**

Active Assets	1 674 871			
Wireless Equipment	442 765			
Stores Equipment	34 735			
Inactive Assets	<u>79 831</u>	2 232 201		
Accumulated Depreciation		<u>(618 975)</u>		
<b>Net Fixed Assets</b>				<b>1 613 226</b>
<b>Shareholder Receivable</b>				

**TOTAL ASSETS** **\$ 4,245 356**

**LIABILITIES AND CAPITAL****Short Term Liabilities**

Accounts Payable	\$	148 035		
Accounts Payable RyBrand		42 362		
Equipment Lease Payable Wireless CPE		46 111		
Note Payable Ford Van		<u>2 455</u>		
<b>Total Short Term Liabilities</b>				<b>\$ 238 963</b>

**Long Term Liabilities**

Equipment Lease Payable Wireless CPE	68 208			
Note Payable Ford Van	18 477			
Long Term Trade Accounts	<u></u>			
<b>Total Long Term Debt</b>			<b>86,685</b>	
<b>Total Liabilities</b>				<b>325 648</b>

**Shareholders Equity**

Capital Stock	57 500			
Additional Paid In Capital	3 485 000			
Current Earnings	(153 141)			
Retained Earnings	<u>291 385</u>			
<b>Total Shareholder Equity</b>			<b>3 680 745</b>	
<b>TOTAL LIABILITIES AND CAPITAL</b>				<b>\$ 4,245 356</b>

**HEARTLAND COMMUNICATIONS  
INTERNET SERVICES, INC**  
**FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2004**

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# L. A. MILLER

## CPA • PSC

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To the Board of Directors  
Heartland Communications Internet Services, Inc  
1301 Broadway  
Paducah, Kentucky 42001

I have compiled the accompanying balance sheet of Heartland Communications Internet Services, Inc as of March 31, 2004, and the related statements of income, retained earnings and statement of changes in cash for the year then ended and supplementary data, in accordance with Statements on Standards for Accounting and Review Services established by the American Institute of Certified Public Accountants

A compilation is limited to presenting in the form of financial statements and supplementary data information that is the representation of management. I have not audited or reviewed the accompanying financial statements and supplementary data and accordingly, do not express an opinion or any other form of assurance on them.

The company has not recorded accounts payable balances currently in accordance with generally accepted accounting principles. The effects of these departures from generally accepted accounting principles has not been determined.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, retained earnings, cash flows and supplementary data. Accordingly, these financial statements are not designed for those who are not informed about such matters.

The shareholders have elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under these provisions, the Company does not pay corporate income taxes on its taxable income. Instead, the stockholders are liable for the individual income taxes on their respective shares of the Company's profit in their individual income tax returns.



*Linda A. Miller CPA, PSC*

October 4, 2004

**Aero South  
Income Statement  
Year Ended December 31, 2004 Unaudited**

**REVENUE**

Internet Services Dialup	\$	
Internet Services Dialup Sondata		
Internet Services DSL		
Internet Services Wireless		
Terminating Switch Revenue Current Year		
Terminating Switch Revenue Prior Periods		
Phone Service Landline	118,532	
Phone Service VOIP		
Lease Revenue Rybrand		
3rd Party Access		
Web Services		
Product Resale		
Misc		
Returns & Allowances and Discounts		
<b>GROSS REVENUE</b>	<b>\$</b>	<b>118,532</b>

**OPERATING COST OF SALES**

Phone Circuits	\$	
Depreciation		
Cost of Resale		
Long Distance on Phone Svc		
EUM and User Prem Cost		
Credit Card Fees		
Local Exchange Competitors		
Other COGS		
<b>Total Cost of Sales</b>		
<b>Income From Operations</b>	<b>\$</b>	<b>118,532</b>

**GENERAL AND ADMINISTRATIVE EXPENSE**

Administration	\$	
Advertising		
Contributions		
Outside Services		
Gifts/Incentives		
Insurance		
Maintenance & Repairs		
Miscellaneous		
Telephone		
Rent		
Salaries & Wages		
Travel		
License and Fees		
Utilities		
<b>Total General and Administrative Expense</b>	<b>\$</b>	
<b>Income Before Tax and Interest</b>	<b>\$</b>	<b>118,532</b>

**OTHER INCOME/(EXPENSE)**

Taxes	\$	
Interest Expense		
<b>Total Miscellaneous Expense</b>	<b>\$</b>	
<b>NET INCOME</b>	<b>\$</b>	<b>118,532</b>

**Heartland Internet, Inc**  
**Income Statement**  
**Year Ended December 31, 2004 Unaudited**

**REVENUE**

Internet Services Dialup	\$ 674 247
Internet Services Dialup Sondata	17 202
Internet Services DSL	146 558
Internet Services Wireless	
Terminating Switch Revenue Current Year	442 800
Terminating Switch Revenue Prior Periods	773 164
Phone Service Landline	
Phone Service VOIP	
Lease Revenue Rybrand	
3rd Party Access	393 692
Web Services	25 036
Product Resale	50 710
Misc	32 720
Returns & Allowances and Discounts	<u>(5 296)</u>
<b>GROSS REVENUE</b>	<b>\$ 2 550 833</b>

**OPERATING COST OF SALES**

Phone Circuits	\$ 524 216
Depreciation	160 018
Cost of Resale	47 601
Long Distance on Phone Svc	
EUM and User Prem Cost	
Credit Card Fees	19 371
Local Exchange Competitors	7 250
Other COGS	<u>10 473</u>
<b>Total Cost of Sales</b>	<b><u>768,929</u></b>
<b>Income From Operations</b>	<b>\$ 1 781 904</b>

**GENERAL AND ADMINISTRATIVE EXPENSE**

Administration	\$ 57 269
Advertising	21 770
Contributions	45 455
Outside Services	
Gifts/Incentives	9 021
Insurance	38 939
Maintenance & Repairs	43 229
Miscellaneous	7 828
Telephone	39 581
Rent	104 000
Salaries & Wages	655 874
Travel	31 352
License and Fees	7 130
Utilities	<u>30 160</u>
<b>Total General and Administrative Expense</b>	<b>\$ 1,091,608</b>
<b>Income Before Tax and Interest</b>	<b>\$ 690 296</b>

**OTHER INCOME/(EXPENSE)**

Taxes	\$ (5 596)
Interest Expense	<u>(14 314)</u>
<b>Total Miscellaneous Expense</b>	<b>\$ (19,910)</b>
<b>NET INCOME</b>	<b><u>\$ 670,386</u></b>

**Heartland Communications Internet Services, Inc**  
**Balance Sheet CONSOLIDATED**  
**December 31 2004 - Unaudited**

**ASSETS****Current Assets**

Cash on Hand		\$ 298 290	
Accounts Receivable Internet	\$ 177 400		
Bad Debt Allowance	<u>(17 740)</u>	159 660	
Accounts Receivable Switch Termination	182 000		
Bad Debt Allowance	<u></u>	182 000	
Inventory (Resale and PC Repair)		<u>11 472</u>	
<b>Total Current Assets</b>			<b>\$ 651 422</b>
<b>Intercompany Receivable</b>			<b>179 394</b>

**Plant & Equipment**

Land and Building	950 000		
Active Assets	1 429 547		
Wireless Equipment	195 792		
Stores Equipment	30 502		
Inactive Assets	<u>79 831</u>	2 685 672	
Accumulated Depreciation		<u>(618 975)</u>	
<b>Net Fixed Assets</b>			<b>2 066 697</b>
<b>Shareholder Receivable</b>			<b><u>75,000</u></b>

**TOTAL ASSETS** **\$ 2,972,513**

**LIABILITIES AND CAPITAL****Short Term Liabilities**

Accounts Payable	\$ 22 760		
Line of Credit	250 000		
Notes Payable Current	144 570		
Lease Payable Current	<u>31 438</u>		
<b>Total Short Term Liabilities</b>			<b>\$ 448 768</b>

**Long Term Liabilities**

Note Payable Paducah Bank	438 915		
Note Payable Banterra			
Lease Payable Elan	72 262		
Note Payable SBA	263 397		
Long Term Trade Accounts	<u></u>		
<b>Total Long Term Debt</b>		<b><u>772,574</u></b>	
<b>Total Liabilities</b>			<b>1 221 342</b>

**Intercompany Payable/Receivable****Shareholders Equity**

Capital Stock	57 500		
Additional Paid in Capital	512 875		
Current Earnings	849 780		
Retained Earnings	<u>331 216</u>		
<b>Total Shareholder Equity</b>		<b><u>1,751,171</u></b>	
<b>TOTAL LIABILITIES AND CAPITAL</b>			<b>\$ 2,972,513</b>

**Heartland Communications Internet Services Inc**  
**Balance Sheet**  
**December 31, 2004 - Unaudited**

**ASSETS****Current Assets**

Cash on Hand		\$ 298 290	
Accounts Receivable - Internet	\$ 177 400		
Bad Debt Allowance	<u>(17 740)</u>	159 680	
Accounts Receivable - Switch Termination	182 000		
Bad Debt Allowance	<u></u>	182 000	
Inventory (Resale and PC Repair)		<u>11 472</u>	
<b>Total Current Assets</b>			<b>\$ 851 422</b>

**Intercompany Receivable****Plant & Equipment**

Land and Building			
Active Assets	1 429 547		
Wireless Equipment			
Stores Equipment			
Inactive Assets	<u>79 831</u>	1 509 378	
Accumulated Depreciation		<u>(805 506)</u>	
<b>Net Fixed Assets</b>			<b>903 872</b>
<b>Shareholder Receivable</b>			<b><u>75,000</u></b>
<b>TOTAL ASSETS</b>			<b><u>\$ 1 630,294</u></b>

**LIABILITIES AND CAPITAL****Short Term Liabilities**

Accounts Payable	\$ 22 760		
Line of Credit	250 000		
Notes Payable - Current	27 358		
Lease Payable - Current			
<b>Total Short Term Liabilities</b>			<b>\$ 300 118</b>

**Long Term Liabilities**

Note Payable - Paducah Bank	41 074		
Note Payable - Benterra			
Lease Payable - Elan			
Note Payable - SBA			
Long Term Trade Accounts	<u></u>		
<b>Total Long Term Debt</b>		<b><u>41,074</u></b>	
<b>Total Liabilities</b>			<b>341 192</b>

**Intercompany Payable/Receivable****Shareholders' Equity**

Capital Stock	57 500		
Additional Paid In Capital	500 000		
Current Earnings	670 386		
Retained Earnings	<u>61 216</u>		
<b>Total Shareholder' Equity</b>		<b><u>1,289,102</u></b>	
<b>TOTAL LIABILITIES AND CAPITAL</b>			<b><u>\$ 1,630,294</u></b>

**Aero South  
Balance Sheet  
December 31, 2004 Unaudited**

**ASSETS****Current Assets**

Cash on Hand	\$	
Accounts Receivable - Internet	\$	
Bad Debt Allowance		_____
Accounts Receivable - Switch Termination		
Bad Debt Allowance		_____
Inventory (Resale and PC Repair)		_____
<b>Total Current Assets</b>	<b>\$</b>	

**Intercompany Receivable** 118,532

**Plant & Equipment**

Land and Building		
Active Assets		
Wireless Equipment		
Stores Equipment		
Inactive Assets		_____
Accumulated Depreciation		_____
<b>Net Fixed Assets</b>		
<b>Shareholder Receivable</b>		_____

**TOTAL ASSETS** **\$ 118,532**

**LIABILITIES AND CAPITAL****Short Term Liabilities**

Accounts Payable	\$	
Line of Credit		
Notes Payable - Current		
Lease Payable - Current		_____
<b>Total Short Term Liabilities</b>	<b>\$</b>	

**Long Term Liabilities**

Note Payable - Paducah Bank		
Note Payable - Banterra		
Lease Payable - Elan		
Note Payable - SBA		
Long Term Trade Accounts		_____
<b>Total Long Term Debt</b>		_____

**Total Liabilities**

**Intercompany Payable/Receivable****Shareholders' Equity**

<b>Capital Stock</b>		
Additional Paid In Capital		
Current Earnings	118,532	
Retained Earnings		_____
<b>Total Shareholder Equity</b>		<b>118,532</b>
<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>\$</b>	<b>118,532</b>

**Heartland Communications Internet Services, Inc**  
**Income Statement CONSOLIDATED**  
**Year Ended December 31, 2004 Unaudited**

**REVENUE**

Internet Services Dialup	\$ 674 247	
Internet Services Dialup Sondata	17 202	
Internet Services DSL	146 558	
Internet Services Wireless	9 237	
Terminating Switch Revenue Current Year	442 800	
Terminating Switch Revenue Prior Periods	773 164	
Phone Service Landline	118 532	
Phone Service VOIP	21 134	
Lease Revenue Rybrand	100 000	
3rd Party Access	393 692	
Web Services	58 281	
Product Resale	50 710	
Misc	32 720	
Returns & Allowances and Discounts	<u>(5 296)</u>	
<b>GROSS REVENUE</b>	<b>\$ 2,830 981</b>	

**OPERATING COST OF SALES**

Phone Circuits	\$ 524 218	
Depreciation	173 487	
Cost of Resale	47 601	
Long Distance on Phone Svc		
EUM and User Prem Cost		
Credit Card Fees	20 122	
Local Exchange Competitors	7 250	
Other COGS	<u>10 473</u>	
<b>Total Cost of Sales</b>		<b><u>783 149</u></b>
<b>Income From Operations</b>	<b>\$ 2 047 832</b>	

**GENERAL AND ADMINISTRATIVE EXPENSE**

Administration	\$ 58 614	
Advertising	21 770	
Contributions	45 455	
Outside Services		
Gifts/Incentives	9 021	
Insurance	38 939	
Maintenance & Repairs	44 103	
Miscellaneous	7 828	
Telephone	39 883	
Rent	104 000	
Salaries & Wages	655 874	
Travel	31 352	
License and Fees	7 130	
Utilities	<u>75 811</u>	
<b>Total General and Administrative Expense</b>		<b><u>\$ 1,139,780</u></b>
<b>Income Before Tax and Interest</b>	<b>\$ 908 052</b>	

**OTHER INCOME/(EXPENSE)**

Taxes	\$ (5 596)	
Interest Expense	<u>(52,676)</u>	
<b>Total Miscellaneous Expense</b>		<b><u>\$ (58 272)</u></b>
<b>NET INCOME</b>		<b><u>\$ 849,780</u></b>

**Heartland Communications Internet Services, Inc**  
**BALANCE SHEET**  
**As of March 31, 2004**

**LIABILITIES AND EQUITY**

**CURRENT LIABILITIES**

Accounts Payable	\$ 28 658 64
Short Term Note Payable	143 363 88
FICA And Federal W/H	6 453 86
State Withholding Kentucky	1 026 19
State Withholding Illinois	307 47
Local Withholding	1 152 74
401(k) Withholding & Employer Match	<u>904 03</u>

**Total Current Liabilities** 181 866 81

**LONG-TERM LIABILITIES**

Note Payable Shareholder Adjustments	32 292 44
Current Portion Long Term Debt	(143 363 88)
Note Payable Banterra	160 075 28
Note Payable Irwin Business	9 713 42
Note Payable Manifest Group #2	6 477 10
Note Payable FNF Capital	5 905 78
Note Payable Blaine Mohler	3 639 63
Note Payable Banterra 2	31 805 77
Note Payable Rybrand Paducah Bank	382 693 20
Note Payable Rybrand SBA	316 598 85
Note Payable Shareholder Wolfe	15 300 00
Note Payable Shareholder Heinrich	<u>11,960 00</u>

**Total Long-Term Liabilities** 833 097 59

**Total Liabilities** 1 014 964 40

**STOCKHOLDERS EQUITY**

Capital Stock	57 500 00
Paid in Excess	139 621 00
Retained Earnings	<u>358,120 41</u>

**Total Stockholders Equity** 555 241 41

**TOTAL LIABILITIES AND  
STOCKHOLDERS EQUITY** \$ 1 570 205 81

# Heartland Communications Internet Services Inc

## STATEMENT OF RETAINED EARNINGS

	3 Months Ended March 31 2004
Beginning Period	\$ 427,683.07
Plus Net Income	\$ (64,622.66)
Less Dividends Paid	4,650.00
<b>RETAINED EARNINGS END OF PERIOD</b>	<b>\$ 358,410.41</b>

See Accounts Compliance Report  
3

### Heartland Communications Internet Services Inc Income Statement

	One Month Ended January 31 2004	One Month Ended February 29 2004	One Month Ended March 31 2004	Three Months Ended March 31 2004
<b>Sales</b>				
Sale of Internet Services	\$81,494.21	\$115,251.45	\$116,988.24	\$313,733.90
Service	1,562.05	13,630.59	95,216.43	110,409.07
Less Returns & Allowances	0.00	0.00	0.00	0.00
<b>Total Sales</b>	<b>83,056.26</b>	<b>128,882.04</b>	<b>212,204.67</b>	<b>424,142.97</b>
<b>Cost of Goods Sold</b>				
Resale Items	7,821.82	0.00	3,400.91	11,222.73
CLEC/COGS	42,662.23	122,239.98	53,744.47	218,646.58
<b>Total Cost of Goods Sold</b>	<b>50,484.05</b>	<b>122,239.98</b>	<b>57,145.38</b>	<b>229,869.41</b>
<b>Gross Profit</b>	<b>32,572.21</b>	<b>6,642.06</b>	<b>155,059.29</b>	<b>194,273.56</b>
<b>Operating Expenses</b>				
Advertising	1,421.08	3,243.03	498.44	5,162.55
Bank Service Charges	251.74	111.63	154.87	518.24
Contracted Fees	180.29	199.86	174.61	554.76
Contractors	250.00	900.00	1,190.00	2,340.00
Operating Expenses	15,279.42	15,279.42	15,279.42	45,838.26
Deceased Subscriptions	195.00	20.00	0.00	215.00
Insurance	0.00	0.00	2,923.85	2,923.85
Insurance Employee Benefit	1,847.37	1,601.68	1,161.69	4,610.74
Interest Expense	3,512.35	2,514.95	1,657.81	7,685.11
Miscellaneous	2,653.14	3,076.47	4,246.12	9,985.73
Postage and Delivery	500.00	1,010.99	1,290.20	2,801.19
Professional Fees Accounting	1,683.60	2,153.20	3,302.47	7,139.27
Rent	3,230.00	10,482.11	8,457.80	22,149.91
Buildup Rep	3,600.00	4,125.00	5,000.00	12,725.00
Equipment Reps	110.00	0.00	0.00	110.00
Telephone	2,762.83	2,459.00	2,802.32	8,064.15
Meals	330.30	0.00	0.00	330.30
Taxes	1,076.85	1,100.85	1,052.92	3,230.62
Utilities	946.64	2,260.74	857.77	4,065.15
Office Supplies	934.30	632.39	952.90	2,519.59
Operating Supplies	5,030.00	4,468.77	3,532.28	13,031.05
Outside Services	2,629.63	0.00	0.00	2,629.63
Payroll Salary & Wage	31,017.76	29,544.81	29,263.03	89,825.60
Retirement Expense	388.25	352.54	290.68	1,031.47
Travel	128.89	100.00	15.00	243.89
Payroll Tax	2,367.45	2,253.88	2,195.43	6,816.76
Property Tax	0.00	2,345.67	0.00	2,345.67
<b>Total Operating Expenses</b>	<b>82,336.89</b>	<b>90,256.99</b>	<b>86,305.42</b>	<b>258,899.30</b>
<b>Operating Income (Loss)</b>	<b>(49,764.68)</b>	<b>(83,614.93)</b>	<b>68,753.87</b>	<b>(64,622.74)</b>
<b>Other Income</b>				
Interest Income	0.00	0.00	3.08	3.08
<b>Total Other Income (Loss)</b>	<b>0.00</b>	<b>0.00</b>	<b>3.08</b>	<b>3.08</b>
<b>Net Income (Loss)</b>	<b>(49,764.68)</b>	<b>(83,614.93)</b>	<b>69,756.95</b>	<b>(64,622.66)</b>

See Accounts Compliance Report

**Heartland Communications Internet Services, Inc**  
**Statement of Cash Flows**  
**For the 3 months Ended March 31, 2004**

**2004**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net Income (Loss)	\$ (64 622 66)
Adjustments to reconcile Net Income (Loss) to net Cash provided by (used in) operating activities	
Depreciation and Amortization	45 838 26
Losses (Gains) on sales of Fixed Assets	0 00
Decrease (Increase) in Operating Assets	
Accounts Receivable	33 217 37
Increase (Decrease) in Operating Liabilities	
Accrued Liabilities	(139 65)
Total Adjustments	<u>78 915 98</u>
<b>Net Cash Provided By (Used in) Operating Activities</b>	<b>14 293 32</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Capital Expenditures	(11 665 39)
Proceeds From Sale of Fixed Assets	<u>0 00</u>
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>(11 665 39)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Notes Payable Repayments	(41 081 81)
Shareholder Investments	100 000 00
Shareholder Distributions	<u>(4,950 00)</u>
<b>Net Cash Provided By (Used In) Financing Activities</b>	<b><u>53 968 19</u></b>

**NET INCREASE (DECREASE) IN CASH  
AND CASH EQUIVALENTS**

56 596 12

**CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD**

80 246 16

**CASH AND CASH EQUIVALENTS AT END OF PERIOD**

**\$ 136 842 28**

HEARTLAND INTERNET INC

FINANCIAL STATEMENTS

FORECASTED AND HISTORICAL

YEARS ENDING DECEMBER 31 2006 2005 2004 AND 2003 (FORECAST)

AND

PERIODS ENDED SEPTEMBER 30 2003 DECEMBER 31 2002 AND 2001 (HISTORICAL)

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To the Board of Directors  
Heartland Internet Inc  
Paducah Kentucky

We have compiled the accompanying forecasted balance sheets of Heartland Internet Inc (an S corporation) as of December 31 2006 2005 2004 and 2003 and the related statements of income and retained earnings statements of cash flows and supplementary data for the years then ending in accordance with standards established by the American Institute of Certified Public Accountants

A compilation is limited to presenting in the form of a forecast information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast We have not examined the forecast and accordingly do not express an opinion or any other form of assurance on the accompanying statements or assumptions Furthermore there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected and those differences may be material We have no responsibility to update this report for events and circumstances occurring after the date of this report

We have also compiled the accompanying historical balance sheets of Heartland Internet Inc as of September 30 2003 December 31 2002 and 2001 and the related statements of income and retained earnings statements of cash flows and supplementary data for the periods then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants

Such a compilation is limited to presenting in the form of historical financial statements information that is the representation of management We have not audited or reviewed the accompanying historical financial statements and supplementary data and accordingly do not express an opinion or any other form of assurance on them

Miller Stivers & Company Inc

October 03 2003

HEARTLAND INTERNET INC  
BALANCE SHEETS  
Years Ending December 31 2006 2005 2004 and 2003 (Forecast) and  
Nine Months Ended September 30 2003 and Years Ended December 31 2002 and 2001 (Historical)

	Forecast					Historical	
	2006	2005	2004	2003		Historical	Historical
						Sep YTD 2003	2002 2001
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash	\$ 4 381 536	\$ 1 284 352	\$ 829 033	\$ 165 794	\$	74 212	\$ 34 512 \$ 41 855
Trade accounts receivable less	2 596 270	1 634 931	571 654	319 896		183 765	95 041 60 500
Allowance for doubtful accounts	(259 627)	(163 493)	(57 165)	(31 990)		(18 377)	(14 873) (6 050)
<b>TOTAL CURRENT ASSETS</b>	<b>6 718 179</b>	<b>2 755 790</b>	<b>1 343 522</b>	<b>453 700</b>		<b>239 601</b>	<b>114 680 96 305</b>
<b>PROPERTY AND EQUIPMENT</b>							
Equipment	2 500 152	2 250 152	1 300 152	1 289 852		949 852	949 852 763 785
Furniture and fixtures	62 501	52 500	52 500	32 500		32 500	32 500 21 000
Less accumulated depreciation	2 562 653	2 302 652	1 352 652	1 302 352		982 352	982 352 784 785
	(1 423 915)	(1 103 681)	(774 326)	(530 681)		(488 789)	(363 113) (233 205)
	1 138 738	1 198 971	578 326	771 671		493 563	619 240 551 580
	<b>\$ 7 856 918</b>	<b>\$ 3 954 761</b>	<b>\$ 1 921 848</b>	<b>\$ 1 225 371</b>		<b>\$ 733 164</b>	<b>\$ 733 920 \$ 647 885</b>

See accompanying notes and accountants report

	Forecast				Historical		
	2006	2005	2004	2003	Sep YTD 2003	2002	2001
LIABILITIES AND STOCKHOLDERS EQUITY							
CURRENT LIABILITIES							
Notes payable shareholder				\$ 30 000	\$ 30 000	\$ 30 000	\$ 25 710
Current maturities of long term debt				14 700	160 000	152 701	145 089
Trade accounts payable	498 054	286 753	369 332	110 426	47 630	45 418	6 401
Accrued payroll liabilities	23 556	22 223	20 965	16,789	13 578	6 667	5 061
TOTAL CURRENT LIABILITIES	521 610	308 976	390 297	171 915	251 208	234 786	182 261
LONG TERM DEBT							
Notes payable nor current portion					159 050	282 980	365 018
STOCKHOLDERS EQUITY							
Common Stock 4000 voting shares 2 780 issued	627 500	627 500	627 500	627 500	57 500	57 500	57 500
Retained earnings	6 707 807	3 018 286	904 051	425 956	265 406	158 654	43 106
	7 335 307	3 645 786	1 531 551	1 053 456	322 906	216 154	100 606
	\$ 7 856 918	\$ 3 954 761	\$ 1 921 848	\$ 1 225 371	\$ 733 164	\$ 733 920	\$ 647 885

See accompanying notes and accountants report

HEARTLAND INTERNET INC  
INCOME STATEMENTS  
Years Ending December 31 2006 2005 2004 and 2003 (Forecast) and  
Nine Months Ended September 30 2003 and Years Ended December 31 2002 and 2001 (Historical)

	Forecast				Historical	
	2006	2005	2004	2003	Sep YTD 2003	2002 2001
NET SALES	\$ 11 567 851	\$ 7 284 626	\$ 2 547 331	\$ 1 425 110	\$ 1 039 472	\$ 1 168 328 \$ 989 953
COST OF GOODS SOLD	5 329 047	3 232 604	909 505	424 638	383 802	396 258 428 534
GROSS PROFIT	6 238 804	4 052 022	1 637 826	1 000 472	655 670	772 070 561 419
OTHER OPERATING REVENUE						2 459
	6 238 804	4 052 022	1 637 826	1 000 472	655 670	774 529 561 419
GENERAL AND ADMINISTRATIVE EXPENSES	1 319 442	1 233 043	1 048 721	785 439	506 061	607 640 581 107
INCOME FROM OPERATIONS	4 919 362	2 818 979	589 105	215 033	149 609	166 889 (19 688)
OTHER INCOME AND (EXPENSE)			(3 246)	(28 483)	(16 857)	(37 399) (53 265)
Interest expense						
NET INCOME	\$ 4 919 362	\$ 2 818 979	\$ 585 859	\$ 186 550	\$ 132 752	\$ 129 490 \$ (72 953)

See accompanying notes and accountants report

HEARTLAND INTERNET INC  
 STATEMENTS OF RETAINED EARNINGS  
 Years Ending December 31 2006 2005 2004 and 2003 (Forecast) and  
 Nine Months Ended September 30 2003 and Years Ended December 31 2002 and 2001 (Historical)

	Forecast				Historical	
	2006	2005	2004	2003	Sep YTD 2003	2002 2001
RETAINED EARNINGS BEGINNING OF YEAR	\$ 3 018 286	\$ 904 051	\$ 425 956	\$ 265 406	\$ 158 654	\$ 43 106 \$ 127 500
Net income (loss)	4 919 362	2 818 979	585 859	186 550	132 752	129 490 (72 953)
Shareholder distributions	(1 229 841)	(704 745)	(107 764)	(26 000)	(26 000)	(13 942) (11,441)
RETAINED EARNINGS END OF YEAR	\$ 6 707 807	\$ 3 018 286	\$ 904 051	\$ 425 956	\$ 265 406	\$ 158 654 \$ 43 106

See accompanying notes and accountants report

HEARTLAND INTERNET INC.  
STATEMENTS OF CASH FLOWS  
Years Ending December 31 2006 2005 2004 and 2003 (Forecast) and  
Nine Months Ended September 30 2003 and Years Ended December 31 2002 and 2001 (Historical)

	Forecast				Historical	
	2006	2005	2004	2003	Sep YTD 2003	2002 2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net income (loss)	\$ 4 919 362	\$ 2 818 979	\$ 585 859	\$ 186 550	\$ 132 752	\$ 129 490 \$ (72 953)
Adjustments to reconcile net income to net cash provided by operating activities						
Depreciation and amortization	320 234	329 355	198 945	143 987	95 264	105 412 101 201
(Gain) loss on sale of assets						
Changes in operating assets and liabilities						
Accounts receivable and prepaid expenses	(865 205)	(956 949)	(226 582)	(122 518)	(12 343)	(9 151) (43 114)
Accounts payable and accrued expenses	212 634	(81 321)	263 082	(81 321)	55 302	7 740 (1 405)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>4 587 025</b>	<b>2 110 064</b>	<b>821 303</b>	<b>126 698</b>	<b>270 975</b>	<b>233 491 (16 271)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
Purchase of property and equipment	(260 000)	(950 000)	(50 300)	(320 000)	(92 000)	(113 010) (139 477)
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<b>(260 000)</b>	<b>(950 000)</b>	<b>(50 300)</b>	<b>(320 000)</b>	<b>(92 000)</b>	<b>(113 010) (139 477)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Proceeds (repayment) of note payable				570 000		8 647 (20 890)
Proceeds from long-term debt				(305 050)	(121 089)	59 000 404 970
Repayment of long term debt				(32 000)	(20 000)	(116 340) (306 599)
Shareholder distributions	(1 229 841)	(704 745)	(107 764)	(32 000)		(13 942) (11 441)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>(1 229 841)</b>	<b>(704 745)</b>	<b>(107 764)</b>	<b>232,950</b>	<b>(141 089)</b>	<b>(62 635) 66 040</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3 097 184</b>	<b>455 319</b>	<b>663 239</b>	<b>39 648</b>	<b>37 886</b>	<b>57 846 (89 708)</b>
<b>CASH AND CASH EQUIVALENTS BEGINNING OF YEAR</b>	<b>1 284 352</b>	<b>829 033</b>	<b>165 794</b>	<b>126 146</b>	<b>88 260</b>	<b>30 414 120 122</b>
<b>CASH AND CASH EQUIVALENTS END OF YEAR</b>	<b>\$ 4 381 536</b>	<b>\$ 1 284 352</b>	<b>\$ 829 033</b>	<b>\$ 165 794</b>	<b>\$ 126 146</b>	<b>\$ 88 260 \$ 30 414</b>

See accompanying notes and accountants report

HEARTLAND INTERNET INC  
NOTES TO FINANCIAL STATEMENTS

NOTE A SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS

This financial forecast presents to the best of management's knowledge and belief the Company's expected financial position, results of operations, and cash flows for the forecast period. Accordingly, the forecast reflects management's judgment as of October 19, 2002, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The major assumptions inherent in the forecast are based on an incremental increase in sales due to an aggressive product repositioning and early market penetration. The Company is already positioned to be the first internet service provider in the area to offer true high speed internet services, coupled with local and long distance telephony and digital or high definition video services. The details follow:

Net Sales

Currently, the Company provides a wide range of Internet services including dial up and DSL connectivity. The Company is also a 50% owner of a licensed competitive local exchange carrier (CLEC) which it utilizes for telephony service to its Internet customers as well as providing service to the competition. A local power service provider has approved plans to lay a fiber optic loop around the Paducah area. The Company is well positioned to access this loop in order to enable true fiber to the business (FTTB) and fiber to the home (FTTH) technology. By combining this opportunity with the established Internet/CLEC structure, the Company is planning aggressive market expansion into Western Kentucky and Southern Illinois offering high speed Internet, telephone and video services in bundled and unbundled packages.

Historic sales growth has shown a 25% to 40% annual increase since startup. The 2003 forecast assumes the remaining three months of the year continue this trend using growth of 25%. The assumptions over the remaining forecast period are as follows:

- 16% sales growth of existing Internet customers with proportionate product mix
- Introduction of local telephone services as an alternative to existing providers: the model assumes an average of 2 lines per small business customer at \$100 per month per customer with 500 customers in 2004, growing to 2,000 by year 2006. Using this as a test market, residential service begins to roll out in January of 2005.
- Introduction of long distance service to small business at \$0.05 per minute with 500 customers in 2004, growing to 2,000 customers in 2006. Residential market penetration begins in January of 2005.
- Addition of 500 business customers in 2004 due to bundled package and lower rates. Assuming 2-3 DSL connections per subscriber at \$150/month up to 2000 by year end 2006. This is accomplished through introduction of high speed (100mb) data and video conferencing services at speeds up to 75 times DSL rates. Video sales to this market beginning January 1, 2005 at \$40.00 per subscriber for basic service.

HEARTLAND INTERNET INC  
NOTES TO FINANCIAL STATEMENTS

NOTE A SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS (Continued)

Net Sales -- (continued)

Several factors combine to give the Company such a healthy growth record. Sales of existing services are increasing based on demand for more bandwidth which is caused by the multimedia explosion and a growing dependency on Internet communication. The addition of product offerings (already beginning with technical service, data storage and retrieval) combined with increased bandwidth, telephony and video, will help solidify long term growth. The Company is essentially building a locally owned and operated multimedia alternative to what most consumers see as a complacent, sluggish and unresponsive supplier base. The Company's well focused, customer oriented staff and philosophy has created a brand loyalty which fosters continued growth and a customer base eager to consolidate media services while supporting the local economy.

With the infrastructure nearly in place to create a regional phone service across Southern Illinois and Western Kentucky without long distance charges, and ample capacity for expansion, the Company is on strong footing to quickly gain market share.

Cost of Sales

Circuit charges necessary for connecting with national telephony providers have historically been the single largest cost to the Company. These charges represented 86% of historical cost of goods sold and prior to the creation of the CLEC represented a 45% charge against sales. Since the inception of the CLEC, this charge as a percentage of sales has fallen below 35%. For 2004 forward, the actual cost of bandwidth per customer is calculated based on circuit charges and the increased bandwidth required for the high speed service including loop access charges. The result is a blended bandwidth charge which further reduces this component of Cost of Goods Sold to 31% of related sales. This is a blend of Fiber to the Business customers and existing DSL, T1 and Dial up customers.

Other cost of goods sold includes resale cost on modems and other equipment and CLEC charges for telephony which increase in proportion to sales. The remaining items in cost of goods sold are incremental to the expanded telephony services which include \$ .10 per line per customer per month charge for local connection and \$0.02 per minute charge for long distance coverage.

General and Administrative Expenses

The significant changes in General and Administrative expense are as follows:

- Staff salaries increase by \$72,000 in 2004 to accommodate hiring managers and staff in the sales and service areas necessary for new product offerings. Salaries continue to increase by 6 1/4 % per year due to new positions necessary for sales growth and merit increases.
- Payroll taxes increase in proportion to salaries and wages.
- All other fixed overheads are increased by 2% to 3% per year to reflect inflation.
- Insurance and miscellaneous expense increase relative to the purchase of a new building.

HEARTLAND INTERNET INC  
NOTES TO FINANCIAL STATEMENTS

NOTE A SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS (Continued)

Interest Expense

Interest expense decreases from \$37 399 in 2003 to \$3 246 in 2004 to reflect the retirement of debt associated with the acquired investment and payoff of existing equipment leases. There will be no remaining amortization of debt as the company will be debt free in early 2004.

Long Term Debt

The remaining debt at year end 2003 of \$ 20 205 consists of two equipment leases and one note payable to shareholder which will be retired in early 2004.

NOTE B SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Heartland Internet Inc. was incorporated under the laws of the State of ~~Kentucky~~ <sup>ILLINOIS</sup> on February 24 1997. The Company is in the Internet service provider business offering network and Internet solutions to business and residential customers in Western Kentucky and Southern Illinois. These services include dial up and DSL Internet connections web site hosting and e mail services. The Company provides credit in the normal course of business to its customers and performs ongoing credit evaluations of those customers. It maintains allowances for doubtful accounts based on factors surrounding the credit risk of specific customers historical trends and other information. Credit losses when realized have been within the range of the Company's expectations and historically have not been significant.

Property and Equipment

Property and equipment are stated at cost. Depreciation expense is calculated by the straight line method. The depreciation methods are designed to amortize the cost of the assets over their estimated useful lives.

Maintenance and repairs are charged to expenses as incurred. When assets are retired or otherwise disposed of the cost is removed from the asset accounts and the related depreciation reserve is adjusted with the difference being charged to income or expense.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities the disclosure of contingent assets and liabilities and the reported revenues and expenses.

HEARTLAND INTERNET INC  
NOTES TO FINANCIAL STATEMENTS

NOTE B SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Company with the consent of its shareholders has elected under the Internal Revenue Code and similar state provisions to be an S corporation. In lieu of corporation income taxes the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore no provision or liability for federal income taxes has been included in these financial statements.

NOTE C — LONG TERM DEBT

As of September 30, 2003 and December 31, 2002, long term debt consisted of the following:

	2002	2003
Note payable Banterra Bank due in monthly installments of \$8,131 including interest at 6.75%	\$ 291,467	\$ 248,949
Note payable, Banterra Bank due in monthly installments \$1,632 including interest at 7.5%	57,512	41,802
Note payable Irwin Business due in monthly installments of \$2,248 including interest at 18.7%	42,655	
Note payable GF Funding due in monthly installments of \$1,269 including interest at 16.8%	4,286	
Note payable Manifest Group due in monthly installments of \$1,143 including interest at 10.4%	25,541	
Note payable FNF Capital due in monthly installments of \$1,659 including interest at 10.44%	<u>31,306</u>	<u>14,299</u>
	\$ 452,767	\$305,050
Less current portion	<u>(147,052)</u>	<u>( )</u>
	<u>\$ 305,715</u>	<u>\$ 305,050</u>

Substantially all of the Company's assets are pledged as collateral against its short term and long term indebtedness.

HEARTLAND INTERNET INC  
NOTES TO FINANCIAL STATEMENTS

NOTE D - NOTES PAYABLE SHAREHOLDER

As of September 30 2003 the Company carries three shareholder notes payable Note payable to Todd Heinrich of \$13 000 with interest only paid at 7% Note payable to Al Wolfe of \$17 000 with interest only paid at 7%

NOTE E RELATED PARTY TRANSACTION

Included in Cost of Goods Sold is a recurring charge for CLEC carrier and circuit expense This is the telephone service charge attributed to telephony for Internet service Some of this expense is paid to Aero Communications LLC of which the Company is a 50% member/owner Aero acts as a cost center and as a result bills out to the Company at cost For the nine months ended September 30 2003 cost of sales included \$31 918 of these charges and for the year ended December 31 2002 these charges totaled \$39 785 The amount included in accounts payable as of September 30 2002 and December 31 2002 were \$2 618 and \$0 00 respectively

NOTE F DISCLOSURES REGARDING THE STATEMENTS OF CASH FLOWS

Accounting Policy For purposes of the statements of cash flows cash and cash equivalents include all highly liquid debt instruments with maturities of three months or less

Supplemental Disclosure of Cash Flow Information

Cash paid during the nine months ended September 30 2003 and year ended December 31 2002

	2002	2003
Interest	\$ 37 399	\$ 16 857
Noncash investing transactions		
Acquisition of property and equipment		
Cost of property and equipment net of trade in allowances	\$ 113 010	\$ 92 000
Property and equipment loans	59,000	
Cash down payments for equipment	\$ 54,010	\$

HEARTLAND INTERNET INC  
 SCHEDULE I NET SALES DETAIL  
 Years Ending December 31 2006 2005 2004 and 2003 (Forecast) and  
 Nine Months Ended September 30 2003 and Years Ended December 31 2002 and 2001 (Historical)

	Forecast				Historical	
	2006	2005	2004	2003	Sep YTD 2003	2002
Internet sales existing subscribers	\$ 2 169 151	\$ 1 885 976	\$ 1 648 459	\$ 1 425 110	\$ 1 039 472	\$ 1 168 328
Incremental business subscribers						
High speed Internet sales	3 150 000	2 025 000	468 000			
Video	840 000	540 000				
Local telephone service	2 131 500	1 350 000	312 000			
Long distance telephone service	800 100	514 350	118 872			
Subtotal business subscribers	6 921 600	4 429 350	898 872			
Incremental residential subscribers						
High speed Internet sales	862 500	337 500				
Video	690 000	270 000				
Local telephone service	862 500	337 500				
Long distance telephone service	62 100	24 300				
Subtotal residential subscribers	2 477 100	969 300				
TOTAL NET SALES	\$ 11 567 851	\$ 7 284 626	\$ 2 547 331	\$ 1 425 110	\$ 1 039 472	\$ 1 168 328
						\$ 989 953

See accompanying notes and accountants report

HEARTLAND INTERNET INC  
 SCHEDULE 2 COST OF GOODS SOLD  
 Years Ending December 31, 2006, 2005, 2004, and 2003 (Forecast) and  
 Nine Months Ended September 30, 2003 and Years Ended December 31, 2002 and 2001 (Historical)

	Forecast				Historical	
	2006	2005	2004	2003	Sept YTD 2003	2002 2001
Circuit charges existing subscribers	\$ 505,312	\$ 476,985	\$ 450,115	\$ 424,638	\$ 383,802	\$ 396,258 \$ 428,534
<b>Incremental cost business subscribers</b>						
Circuit charges	252,000	162,000	37,440	-		
High speed Internet	2,227,890	1,390,500	312,000			
Video	432,600	270,000				
Local telephone service	432,695	274,050	62,400			
Long distance telephone service	320,040	205,740	47,549			
Subtotal business subscribers	3,665,225	2,302,290	459,389			
<b>Incremental cost residential subscribers</b>						
High speed Internet sales	603,750	236,250				
Video	345,000	135,000				
Local telephone service	172,500	67,500				
Long distance telephone service	37,260	14,580				
Subtotal residential subscribers	1,158,510	453,330				
<b>TOTAL COST OF GOODS SOLD</b>	<b>\$ 5,329,047</b>	<b>\$ 3,232,605</b>	<b>\$ 909,504</b>	<b>\$ 424,638</b>	<b>\$ 383,802</b>	<b>\$ 396,258 \$ 428,534</b>

See accompanying notes and accountants report

**Heartland Communications**

**Financial Statements**

**Twelve Months Ended December 31 2003**

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# L.A. MILLER

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CPA • PSC

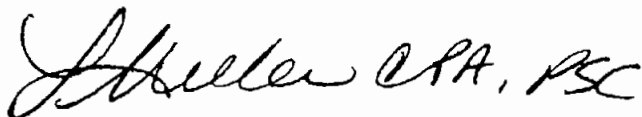
To the Board of Directors  
Heartland Communications Internet Services, Inc  
1301 Broadway  
Paducah, KY 42001

I have compiled the accompanying balance sheet of Heartland Communications Internet Services, Inc as of December 31 2003, and the related statements of income, retained earnings and statement of changes in cash for the year then ended in accordance with Statements on Standards for Accounting and Review Services established by the American Institute of Certified Public Accountants

A compilation is limited to presenting in the form of financial statements that is the representation of management I have not audited or reviewed the accompanying financial statements and accordingly, do not express an opinion or any other form of assurance on them

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, retained earnings and cash flows Accordingly, these financial statements are not designed for those who are not informed about such matters

The shareholders have elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code Under these provisions, the Company does not pay corporate income taxes on its taxable income Instead, the stockholders are liable for the individual income taxes on their respective shares of the Company's profit in their individual income tax returns



June 30 2004

**Heartland Communications Internet Services, Inc****BALANCE SHEET****As of December 31, 2003****ASSETS****CURRENT ASSETS**

Cash in Bank Banterra	\$	21 566 92
Cash in Bank Paducah Bank Operating		33 334 62
Cash in Bank - Paducah Bank Payroll		(599 45)
Cash in Bank Paducah Bank Savings		3 944 07
Cash in Money Market Account		22 000 00
Accounts Receivable		123 943 16
Receivable Rybrand		702 283 26
Bad Debt Allowance		<u>(12,394 32)</u>

**Total Current Assets** 894 078 26

**PROPERTY AND EQUIPMENT**

Equipment	1 190 914 64
Less Accumulated Depreciation	<u>(533,766 97)</u>

**Net Property and Equipment** 657 147 67

**OTHER ASSETS**

Investment in Aero	<u>29,774 00</u>
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**Total Other Assets** 29 774 00

**TOTAL ASSETS** \$ 1 580 999 93

**Heartland Communications Internet Services, Inc**  
**BALANCE SHEET**  
**As of December 31, 2003**

**LIABILITIES AND EQUITY**

**CURRENT LIABILITIES**

Accounts Payable	\$ 28 658 64
Short Term Note Payable	143 363 88
FICA And Federal W/H	4 495 23
State Withholding Kentucky	598 40
State Withholding Illinois	307 47
Local Withholding	1 049 27
401(k) Withholding & Employer Match	2 843 61
FUTA & SUTA Payable	535 09
Sales Tax Payable	<u>154 87</u>

**Total Current Liabilities** 182 006 46

**LONG TERM LIABILITIES**

Note Payable Shareholder Adjustments	32 292 44
Current Portion Long Term Debt	(143 363 88)
Note Payable Banterra	181 418 69
Note Payable Irwin Business	15 834 54
Note Payable Manifest Group #2	9 690 64
Note Payable FNF Capital	9 071 80
Note Payable Blaine Mohler	3 639 63
Note Payable Banterra 2	36 052 28
Note Payable Rybrand Paducah Bank	384 543 89
Note Payable Rybrand SBA	317 739 37
Note Payable Shareholder Wolfe	15 300 00
Note Payable Shareholder Heinrich	<u>11,960 00</u>

**Total Long-Term Liabilities** 874,179 40

**Total Liabilities** 1 056 185 86

**STOCKHOLDERS EQUITY**

Capital Stock	57 500 00
Paid in Excess	39 621 00
Retained Earnings	<u>427,693 07</u>

**Total Stockholders Equity** 524 814 07

**TOTAL LIABILITIES AND  
STOCKHOLDERS' EQUITY** \$ 1 580 999 93

# Heartland Communications Internet Services, Inc

## INCOME STATEMENT

For the 12 Months  
Ended  
December 31, 2003

<b>Sales</b>	\$ 1 780 708 21
<b>Cost of Goods Sold</b>	<u>548,332 46</u>
<b>Gross Profit</b>	<u>1 232 375 75</u>
<b>Operating Expenses</b>	
Advertising	20 961 36
Bank Service Charges	2 665 91
Credit Card Fees	1 537 78
Contributions	24 655 00
Depreciation Expense	170 654 01
Dues and Subscriptions	1 455 80
Insurance	9 699 24
Insurance Employee Benefit	17 937 26
Interest Expense	31 479 75
Licenses	4 074 80
Miscellaneous	2 282 93
Postage and Delivery	7 605 11
Professional Fees Accounting	21 619 53
Professional Fees Legal	5 150 78
Rent	112 726 84
Building Repairs	2 820 47
Equipment Repairs	5 126 92
Telephone	28 040 43
Travel	11 168 75
Utilities	44 512 69
Office Supplies	24 115 19
Operating Supplies	40 933 62
Outside Services	8 232 05
Payroll Officer s	126 554 62
Payroll Salaries & Wages	165 711 43
Retirement Expense	2 418 62
Payroll Taxes	26 129 03
Property Taxes	5 249 08
State Taxes	<u>2,791 74</u>
<b>Total Operating Expenses</b>	<u>928 310 74</u>
<b>Net Operating Income</b>	304 065 01
Interest Income	<u>23 22</u>
<b>Net Income (Loss)</b>	<u>304 088 23</u>

**Heartland Communications Internet Services, Inc**  
**STATEMENT OF RETAINED EARNINGS**

	<b>12 Months Ended</b>
	<b>December 31, 2003</b>
Beginning of Period	\$ 151,404.84
Plus Net Income	\$ 304,088.23
Less Dividends Paid	<u>27,800.00</u>
 <b>RETAINED EARNINGS</b>	
<b>END OF PERIOD</b>	 <u><u>\$ 427,693.07</u></u>

**Heartland Communications Internet Services, Inc**  
**Statement of Cash Flows**  
**For the 12 months Ended December 31, 2003**

**2003**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net Income (Loss)	\$ 304 088 23
Adjustments to reconcile Net Income	
(Loss) to net Cash provided by	
(used in) operating activities	
Depreciation and Amortization	170 654 01
Losses (Gains) on sales of	
Fixed Assets	0 00
Decrease (Increase) in	
Operating Assets	
Accounts Receivable	(733 664 10)
Increase (Decrease) in	
Operating Liabilities	
Accounts Payable	(16 759 36)
Accrued Liabilities	4 371 06
Total Adjustments	<u>(575 398 39)</u>
<b>Net Cash Provided By (Used in)</b>	
<b>Operating Activities</b>	<b>(271 310 16)</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Capital Expenditures	(238 336 51)
Proceeds From Sale of Fixed Assets	<u>0 00</u>
<b>Net Cash Provided By (Used in)</b>	
<b>Investing Activities</b>	<b>(238 336 51)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Notes Payable Borrowings	743 912 32
Notes Payable Repayments	(152 713 21)
Shareholder Distributions	<u>(27 800 00)</u>
<b>Net Cash Provided By (Used In)</b>	
<b>Financing Activities</b>	<b><u>563 399 11</u></b>

**NET INCREASE (DECREASE) IN CASH  
AND CASH EQUIVALENTS**

53 752 44

**CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD**

35 830 34

**CASH AND CASH EQUIVALENTS AT END OF PERIOD**

**\$ 80,246 16**

## **EXHIBIT F**

### **Small and Minority-Owned Telecommunications Business Participation Plan**

**Aero Communications, LLC Small and Minority-owned**  
**Telecommunications Business Participation Plan**

Pursuant to T C A §65-5-212, as amended, Aero Communications, LLC (“Aero”) submits this small and minority-owned Telecommunications business participation plan (the “Plan”) along with its Application for a Certificate of Public Convenience and Necessity to provide competing intrastate and local exchange services in Tennessee

**I PURPOSE**

The purpose of TCA §65-5-212 is to provide opportunities for small and minority-owned businesses to provide goods and services to Telecommunications service providers Aero is committed to the goals of §65-5-212 and to taking steps to support the participation of small and minority-owned telecommunications businesses in the telecommunications industry Aero will endeavor to provide opportunities for small and minority-owned Telecommunications businesses to compete for contracts and subcontracts for goods and services

As part of its procurement process, Aero will make efforts to identify and inform minority-owned and small businesses that are qualified and capable of providing goods and services to Aero of such opportunities Aero’s representatives have already contacted the Department of Economic and Community Development, the administrator of the small and minority-owned telecommunications assistance program, to obtain a list of qualified vendors Moreover, Aero will seek to increase awareness of such opportunities so that companies not otherwise identified will have sufficient information to participate in the procurement process

**II DEFINITIONS**

As defined in TCA §65-5-212

*Minority-Owned Business* Minority-owned business shall mean a business which is solely owned, or at least fifty-one percent (51%) of the assets or outstanding stock of which is owned, by an individual who personally manages and controls daily operations

of such business, and who is impeded from normal entry into the economic mainstream because of race, religion, sex or national origin and such business has annual gross receipts of less than four million dollars (\$4,000,000)

*Small Business* Small Business shall mean a business with annual gross receipts of less than four million dollars (\$4,000,000)

### **III ADMINISTRATION**

Aero's Plan will be overseen and administered by the individual named below, hereinafter referred to as the Administrator, who will be responsible for carrying out and promoting Aero's full efforts to provide equal opportunities for small and minority-owned businesses

The Administrator of the Plan will be

Brian Waid  
Operations Manager  
1301 Broadway  
Suite 126  
Paducah, KY 42001  
Telephone 270-448-2376  
Toll-free 877-209-3513  
[bwaid@hcis.net](mailto:bwaid@hcis.net)

The Administrator's responsibilities will include

- (1) Maintaining an updated Plan in full compliance with §65-5-212 and the rules and orders of the Tennessee Regulatory Authority
- (2) Establishing and developing policies and procedures necessary for the successful implementation of the Plan
- (3) Preparing and submitting such forms as may be required by the Tennessee Regulatory Authority, including the filing of required annual updates
- (4) Serving as the primary liaison to and cooperate with the Tennessee Regulatory Authority, other agencies of the State of Tennessee, and small and minority-owned businesses to locate and use qualified small and minority-owned businesses as defined in §65-5-212

- (5) Searching for and developing opportunities to use small and minority-owned businesses and encouraging such businesses to participate in and bid on contracts and subcontracts
- (6) Providing records and reports and cooperate in any authorized surveys as required by the Tennessee Regulatory Authority
- (7) Establishing a record-keeping system to track qualified small and minority-owned businesses and efforts to use such businesses
- (8) Providing information and educational activities to persons within Aero and training such persons to seek out, encourage, and promote the use of small and minority-owned businesses

In performance of these duties, the Administrator will utilize a number of resources, including

- Chambers of Commerce
- The Tennessee Department of Economic and Community Development
- The United States Department of Commerce
- Small Business Administration
- Office of Minority Business
- The National Minority Supplier Development Counsel
- The National Association of Women Business Owners
- The National Association of Minority Contractors
- Historically Black Colleges, Universities, and Minority Institutions

The efforts to promote and ensure equal opportunities for small and minority-owned businesses are primarily spelled out in the Administrator's duties above. Additional efforts to provide opportunities to small and minority-owned businesses will include offering, where appropriate and feasible, small and minority-owned businesses assistance with technical, insurance, bonding, licensing, production, and deadline requirements.

#### **IV RECORDS AND COMPLIANCE REPORTS**

Aero will maintain records of qualified small and minority-owned business and

efforts to use the goods and services of such businesses. In addition, Aero will maintain records of educational and training activities conducted or attended and of the internal procurement procedures adopted to support this plan. Aero will submit records and reports required by the Tennessee Regulatory Authority concerning the Plan. Moreover, Aero will cooperate fully with any surveys and studies required by the Tennessee Regulatory Authority.

Aero Communications, LLC

Todd Heinrich

President

Dated: October 31, 2005

**EXHIBIT G**

**Certificate of Service**

Certificate of Service by U S Mail

I, Andrew Ganz, the undersigned hereby declare as follows

- 1 I am over the age of eighteen years I am an associate with the Law Office of Kristopher E Twomey, P C
- 2 My business address is 1519 E 14<sup>th</sup> St , Suite A, San Leandro, CA 94577
- 3 On September 26, 2005, I served, via overnight delivery, a paper copy of the attached filing (initial tariffs) to the entities listed below
- 4 I declare under penalty of perjury that the foregoing is true and correct  
Executed this 27<sup>th</sup> day of January, 2006, at San Leandro, California

  
\_\_\_\_\_  
Andrew Ganz

This Application has been served on the following entities via first class mail

**ARDMORE TELEPHONE COMPANY, INC**  
P O Box 549  
517 Ardmore Avenue  
Ardmore TN 38449

**BELLSOUTH**  
333 Commerce Street  
Nashville TN 37201 3300

**CENTURY TELEPHONE OF ADAMSVILLE**  
P O Box 405  
116 N Oak Street  
Adamsville TN 38310

**CENTURY TELEPHONE OF CLAIBORNE**  
P O Box 100  
507 Main Street  
New Tazewell TN 37825

**CENTURY TELEPHONE OF OOLTEWAH  
COLLEGE DALE, INC**  
P O Box 782  
5616 Main Street  
Ooltewah TN 37363  
**CITIZENS COMMUNICATIONS COMPANY OF  
TENNESSEE**  
P O Box 770  
300 Bland Street  
Bluefield WV 24701

**CITIZENS COMMUNICATIONS COMPANY OF THE  
VOLUNTEER STATE**  
P O Box 770  
300 Bland Street  
Bluefield WV 24701

**LORETTO TELEPHONE COMPANY, INC**  
P O Box 130  
Loretto TN 38469

**MILLINGTON TELEPHONE COMPANY, INC**  
P O Box 429  
4880 Navy Road  
Millington TN 38083 0429

**SPRINT UNITED**  
112 Sixth Street  
Bristol TN 37620

**TDS TELECOM CONCORD TELEPHONE  
EXCHANGE, INC**  
P O Box 22610  
701 Concord Road  
Knoxville TN 37933 0610

**TDS TELECOM HUMPHREYS COUNTY  
TELEPHONE COMPANY**  
P O Box 552  
203 Long Street  
New Johnsonville TN 37134 0552

**TDS TELECOM TELLICO TELEPHONE COMPANY,  
INC**  
P O Box 9  
102 Spence Street  
Tellico Plains TN 37385 0009

**TDS TELECOM TENNESSEE TELEPHONE  
COMPANY**  
P O Box 18139  
Knoxville TN 37928 2139

**TEC CROCKETT TELEPHONE COMPANY, INC**  
P O Box 7  
Friendship TN 38034

**TEC PEOPLE S TELEPHONE COMPANY INC**  
P O Box 310  
Erin TN 37061

**TEC WEST TENNESSEE TELEPHONE COMPANY,  
INC**  
P O Box 10  
244 E Main Street  
Bradford TN 38316

**UNITED TELEPHONE COMPANY**  
P O Box 38  
120 Taylor Street  
Chapel Hill TN 37034

## **EXHIBIT H**

### **Toll Dialing Parity Plan**

## **Aero Communications, LLC**

### **IntraLATA Toll Dialing Parity Plan**

#### **1 Purpose**

Aero Communications, LLC (“Aero”) describes herein the process for implementing IntraLATA Toll Dialing Parity in its exchanges located in the State of Tennessee. The intent of this plan is to provide a proposal that, upon implementation, would provide customers with the ability to pre-select the telecommunications carrier of their choice for routing their 1+intraLATA toll calls.

#### **2 IntraLATA Environment**

Aero is implementing 1+IntraLATA toll calling. Implementation of 1+IntraLATA toll dialing parity will permit our customers to pre-select the carrier of their choice to provide 1+IntraLATA long distance services.

#### **3 Implementation Schedule**

Aero will implement intraLATA toll dialing parity coincident with the approval of its General Subscriber Services tariff and Interexchange Service tariff. Aero will be operating in LATAs 468, 470, 472, and 474. IntraLATA toll dialing parity will be available in all exchanges served by Aero in Tennessee. The implementation date will be the same for all exchanges. Each customer will be notified of availability of the Plan by bill inserts in their first billing. Aero will not charge its customers to recover incremental costs related to IntraLATA toll dialing parity.

#### **4 Carrier Selection Process**

Aero will implement the full 2-PIC carrier selection methodology. With the full 2-PIC methodology, customers will be able to pre-subscribe to one telecommunications carrier for interLATA toll calls and pre-subscribe to the same or a different participating telecommunications carrier, including their existing local exchange company for intraLATA toll calls.

Aero employees who communicate with the public, accept customer orders, and serve in customer service capacities will be trained to explain the process to customers for making PIC changes for intraLATA toll calls. Business office personnel will be prepared to make changes in customer records based upon requests from customers or carriers. Processes are in place to provide new customers with an opportunity to choose their intraLATA toll carrier from available carriers.

Aero is a new entrant and thus has no existing customers. The competitively neutral selection process will be provided to all new customers when new service is

initiated. Customers will be assessed a PIC change charge of \$5.00 for changing their intraLATA or interLATA carrier, except for new subscribers to Aero service. PIC charges will be waived for new subscribers. This is a permanent policy by Aero. Customers who contact Aero requesting new telephone exchange service will be advised of the telecommunications carriers (including Aero) available to provide interLATA toll service. The intraLATA toll carriers will be presented in a competitively neutral manner. Customers who do not make a positive choice for an intraLATA toll carrier or interLATA toll carrier will be identified as a "no-PIC" and will not be automatically defaulted to a carrier. Customers identified as "no-PIC" will be required to dial 101XXXX to place intraLATA or interLATA toll calls until they make an affirmative choice for an intraLATA and/or interLATA toll carrier.

## **5 Slamming**

Aero will not engage in the practice commonly known as "slamming." Customers will have their services switched to Aero's services without a written letter of authorization for new and changes in services. Aero will also employ third party verification for all customers who seek to change their presubscribed carrier to be Aero. All affected Aero employees are aware of these procedures and will be immediately disciplined if the procedures are not followed.

## **6 Non-discriminatory Access**

Aero will provide non-discriminatory access to telephone numbers, operator services, directory assistance, and directory listings.

## **7 Continued Compliance**

Aero will comply with any rules issued by the TRA or FCC.

## **EXHIBIT I**

**Sworn pre-filed testimony**

BEFORE THE TENNESSEE REGULATORY AUTHORITY

In the Matter of the Application of )  
Aero Communications, LLC for a Certificate to )  
Provide Competing Local Telecommunications )  
Services )  
\_\_\_\_\_ )

PREFILED TESTIMONY OF TODD HEINRICH FILED ON BEHALF OF AERO COMMUNICATIONS, LLC

Q PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS FOR THE RECORD

A My name is Todd Heinrich and I am President of Aero Communications, LLC (hereinafter "Applicant") The company's address is 1301 Broadway, Suite 126, Paducah, Kentucky 42001

Q WHAT ARE YOUR CURRENT JOB RESPONSIBILITIES?

A In my capacity as President of Applicant, I am ultimately responsible for all operations of the company This includes its market entry strategy, obtaining financing, network configuration, sales and marketing, and back office set-up

Q PLEASE GIVE A BRIEF DESCRIPTION OF YOUR BACKGROUND AND EXPERIENCE

A I graduated from the Southern Illinois University in 1987 with a Bachelor's of Science in Electrical Engineering Technology Upon graduation, I obtained a position with Ingersoll Milling Machine Company My duties and responsibilities there included engineering, installation and maintenance of Large Scale machine tools to customers such as Caterpillar, Boeing, Honda, and Toyota Motor companies A major focus of my job

activities there were computer data centers, computer numerical controllers (CNC) and networking

I have over 15 years experience in telecommunications. I have been with Aero since its inception in 1998, I built Heartland/Aero from the ground up with expertise in all areas of switching, routing, Internet Protocol, software/hardware design, marketing, and customer development. Heartland began in my basement and has grown to near 50 employees with combined revenues in excess of \$ 3 million/year.

Currently, Heartland/Aero has over 5,000 subscribers ranging from dial-up internet to Fiber-to-the-Business subscribers and standard POTS line customers to businesses using custom designed solutions such as a hosted PBX over VoIP. I am responsible for the day to day operations of the company, and I have designed and provided oversight for expansion into all growth areas of the business including

- A 45 Mbps wireless backbone covering most of Western Kentucky and Southern Illinois,
- A successful partnering with a local utility to build out a Gigabit Ethernet Loop, providing next generation connectivity to businesses and residential customers in Western Kentucky,
- Successful VoIP and custom PBX solutions,
- Strategic Operations with AT&T for multi-state network platforms,
- Six years of Class 4 / Class 5 Switch Experience,
- Four Years experience in Fiber Optic Network and WDM technology

Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A The purpose of my testimony is to support Aero Communications, LLC's

Application for a Certificate of Authority to provide competing local telecommunications services within the State of Tennessee

Q ARE YOU FAMILIAR WITH THE APPLICATION FILED ON YOUR COMPANY'S BEHALF AT THIS COMMISSION?

A Yes

Q DO YOU RATIFY AND CONFIRM THE STATEMENTS MADE IN THAT APPLICATION AND ALL RELATED FILINGS?

A Yes

Q PLEASE DESCRIBE THE CURRENT OPERATIONS OF AERO COMMUNICATIONS, LLC

A Aero currently offers residential and business end users the opportunity to originate and terminate local and long distance telephone calls to other end users through access to the local exchange network in Kentucky and Illinois. The local exchange services Aero provides enable end users to select the long distance carrier of their choice. Aero offers local exchange services by installing and collocating its switching and ancillary equipment in the central offices of incumbent local exchange carriers. Aero has also, from time to time, purchased unbundled network elements and has resold the services of other certificated carriers. Aero also offers long distance services—both intra and inter-LATA—to business and residential customers through the use of its own switching facilities and the resale of services of other certificated carriers.

Q HAS AERO COMMUNICATIONS, LLC IN THE PAST, OR IS IT CURRENTLY, PROVIDING ANY TELECOMMUNICATIONS SERVICES IN TENNESSEE?

A No

Q PLEASE DESCRIBE THE MANAGERIAL ABILITIES OF THE APPLICANT

A      Applicant has a team of managers and support personnel qualified to operate a communications business. Aero's Operations Manager, Brian Waid, has been with the company for over 15 years. Among other things, he is responsible for all POPs, POIs, CLLI codes, obtaining NPA/NXXs, OCNs and ACNA, staffing and providing training for staff in all areas of ordering and customer support including but not limited to UNEs, LSR and ASR Processes and vendor negotiation and design of E-911 solutions for all phones services, inclusive of VoIP, and complete with a National Intrado PSAP network Integration. Our Software Development Manager, Grant Copley, co-designed, programmed and implemented an in-house, web based, enterprise software solution used for all areas of Heartland/Aero business including Order Entry, Billing and Accounts Receivable, Accounts Payable, General Ledger, Purchasing, Sales and Quotes, Quality and Service Orders, and Contact Management. He has tremendous expertise and experience in software development, and also staffs and trains our software development group. Brad Housewright, Aero's General Manager came to us after we acquired the Internet Service Provider that he owned and operated in Southern Illinois. He is responsible for business development, customer Service function and Marketing and Advertising, among many other duties. Finally, Robert Stivers, a Certified Public Accountant and our Chief Financial Officer possesses over 15 years experience as a business analyst, manager and director in Corporate Development, Planning and Analysis, Information System Design and Implementation, as well as Controllershship functions in Accounting for both small companies and Fortune 500 companies.

Through the above-described experience, Applicant expects to immediately begin successful operations for this new telecommunications carrier.

Q PLEASE DESCRIBE THE APPLICANT'S FINANCIAL ABILITY TO PROVIDE SERVICE

A Aero has access to significant capital, and is a highly profitable company Applicant is already financially strong and independent I have supplied the Commission with detailed information about Aero's finances (Exhibit E of Aero's Application)

Q DOES APPLICANT CURRENTLY PROVIDE TELECOMMUNICATIONS SERVICE IN ANY OTHER STATES OR HAVE APPLICATIONS PENDING?

A Applicant currently provides service in Kentucky and Illinois We also, have been approved to provide service in Florida, Colorado, Indiana, Kansas, Nebraska, Ohio, Texas, West Virginia and Wisconsin, but have not yet begun to provide service in those states We have applications pending in Arkansas, Georgia, Louisiana, Missouri, North Carolina and South Carolina

Q HAS APPLICANT OR ANY AFFILIATED ENTITY EVER BEEN DENIED CERTIFICATION IN ANOTHER STATE?

A No

Q HAS APPLICANT OR ANY OF ITS AFFILIATES EVER BEEN SUBJECT TO ANY FEDERAL OR STATE INVESTIGATION REGARDING ITS SERVICES?

A No

Q PLEASE DESCRIBE THE SERVICES APPLICANT INTENDS TO PROVIDE IN TENNESSEE

A Applicant will be providing local exchange, intraLATA toll, and interLATA interexchange services in Tennessee

Q WILL APPLICANT BE OFFERING ANY PREPAID OR DEBIT-TYPE CALLING CARDS?

A No

Q PLEASE DESCRIBE THE FACILITIES APPLICANT INTENDS TO USE IN PROVIDING ITS PROPOSED SERVICES

A All services provided by Applicant will be facilities-based These facilities will use existing structures and as such will not result in any environmental damage Aero proposes to offer local exchange services by installing and collocating its switching and ancillary equipment in the central offices of incumbent local exchange carriers

Q WILL APPLICANT USE TELEMARKETING TO SELL ITS SERVICES

A No

Q HOW WILL APPLICANT HANDLE CUSTOMER SERVICE MATTERS?

A Applicant will provide the outstanding customer service via a state of the art back office system Any disputed bills will be handled expeditiously via Applicant's toll-free number If the dispute can not be resolved to the customer's full satisfaction, customer

service representatives will notify the customer of his/her right to file a complaint at the Tennessee Regulatory Authority

Q WHICH CARRIERS WILL SERVE AS YOUR UNDERLYING CARRIERS?

A For local exchange services, Applicant will be working with incumbent local exchange carriers such as United Telephone Company ("Sprint") and BellSouth Telecommunications, Inc ("BellSouth"), and other incumbent local exchange carriers that are required to engage in interconnection agreements with competitive carriers For interexchange services, Applicant is working with Global Crossing, Level 3 Communications, and is considering other certificated carriers

Q HAS YOUR COMPANY BEGUN INTERCONNECTION NEGOTIATIONS WITH ANY INCUMBENT LOCAL EXCHANGE CARRIERS?

A Yes, we have contacted Sprint and BellSouth to begin interconnection negotiations and are currently reviewing recently approved interconnection agreements

Q WILL YOU REMAIN AVAILABLE TO RESPOND TO ANY ADDITIONAL QUESTIONS REGARDING THIS APPLICATION?

A Yes

Q DOES THIS CONCLUDE YOUR TESTIMONY?

A Yes