

FARRIS MATHEWS BRANAN
BOBANGO HELLEN & DUNLAP, PLC

ATTORNEYS AT LAW

HISTORIC CASTNER-KNOTT BUILDING
618 CHURCH STREET, SUITE 300
NASHVILLE, TENNESSEE 37219

Telephone: (615) 726-1200
Facsimile: (615) 726-1776

May 14, 2007

Honorable Sara Kyle, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

VIA ELECTRONIC DELIVERY

electronically filed in docket office on 05/14/07

**Re: Joint Petition of Time Warner Telecom, Inc. and Xspedius
Communications, LLC for Relief from the Requirements of Tenn.
Code Ann. 65-4-125(j)—Docket No. 07-00077**

Dear Chairman Kyle:

On March 27, 2007, we filed the referenced joint petition on behalf of Time Warner Telecom, Inc. and its wholly-owned subsidiary, Xspedius Communications, LLC, ("Xspedius") seeking relief for Xspedius from posting of security as required by Tenn. Code Ann. § 65-4-125 (j). This section exempts telecommunications service providers owning and operating facilities in Tennessee with a value of more than five million dollars from providing the required security. Since it provided the appropriate security to the Authority, Xspedius has acquired facilities far in excess of the minimum statutory amount, as evidenced by the Company's 2006 state ad valorem tax report, a copy of which is attached hereto.

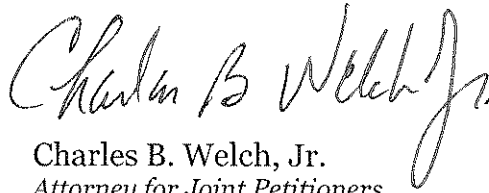
Authority staff has advised that the ad valorem tax report is sufficient proof of the value of Xspedius facilities in Tennessee and consideration of its petition by the Directors is not necessary. Accordingly, we respectfully request the security be released and the petition be withdrawn.

If I can be of further assistance in this matter, please do not hesitate to contact me. Thank you for your time and consideration in this matter.

Honorable Sara Kyle, Chairman
May 14, 2007
Page 2 of 2

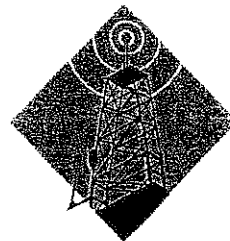
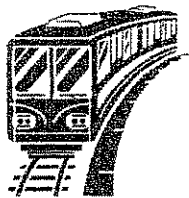
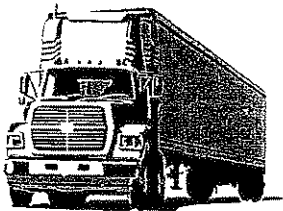
Very truly yours,

FARRIS MATHEWS BRANNAN
BOBANGO HELLEN & DUNLAP, PLC

A handwritten signature in cursive script that reads "Charles B. Welch, Jr." The signature is written in black ink and is positioned above the printed name and title.

Charles B. Welch, Jr.
Attorney for Joint Petitioners

CBW/rlz
Enclosure
Cc: Darlene Stanley
David Foster



STATE OF TENNESSEE

2006

AD VALOREM TAX REPORT



COMPANY NAME Xspedius Communications, LLC.

STREET 5555 Winghaven Blvd. CITY O'Fallon STATE Missouri ZIP CODE 63366
(PRINCIPLE OFFICE INFORMATION)

STREET _____ CITY _____ STATE _____ ZIP CODE _____
(PRINCIPLE OFFICE INFORMATION IN TENNESSEE)

PHONE NUMBER () 636.625.7052 FAX NUMBER () 636.625.7180

E-MAIL ADDRESS Greg.Odell@ryanco.com

MAIL TO:

COMPTROLLER OF THE TREASURY OFFICE OF STATE ASSESSED PROPERTIES

James K. Polk State Office Building
505 Deaderick Street, Suite 1700
Nashville, Tennessee 37243-0281
(615) 401-7900 FAX (615) 532-8666
osap.osap@state.tn.us

1. Company Name Xspedius Communications, LLC.
2. Principal Office Location 5555 Winghaven Blvd.
Number & Street
O'Fallon Missouri 63366
City State Zip
3. Is Company INDIVIDUAL? PARTNERSHIP? CORPORATION?
COOPERATIVE? X OTHER?
4. If a **CORPORATION** or **OTHER** similar enterprise, supply the following information:
 Under laws of what state organized Delaware Date organized 2002
5. Name & address of **PRESIDENT, OWNER, OR PARTNER** Paul Pierron
Name
President & CEO 5555 Winghaven Blvd. O'Fallon MO 63366
Position/Title Number & Street City State Zip
6. Name & address of **GENERAL MANAGER** _____
Name

Number & Street City State Zip
7. GROSS Investment in SYSTEM plant and property December 31, 2005 \$ 225,514,520
8. NET Investment in SYSTEM plant and property December 31, 2005 \$ 109,979,967
9. SYSTEM GROSS Revenue (Income) for year ended December 31, 2005 \$ 214,626,616
10. SYSTEM NET OPERATING Revenue (Income) for year ended December 31, 2005 \$ (34,165,698)
11. Amount of LOANS FROM FEDERAL AGENCIES, if any \$
12. Indicate stock & debt of company:
- | | Amount
Authorized | No. of Shares or
Amount Issued | Book or
Per Value | Market or
Cash Value |
|-----------------------|----------------------|-----------------------------------|----------------------|-------------------------|
| Preferred Stock | _____ | _____ | _____ | _____ |
| Common Stock | _____ | _____ | _____ | _____ |
| Bonds | _____ | _____ | _____ | _____ |
| Other Long-Term Debts | _____ | _____ | _____ | _____ |
13. State surplus at beginning of 2005 \$ End of 2005 \$
14. State amount of dividends paid for the year 2005: Preferred \$ Common \$
15. State exact dollar amount of FEDERAL INCOME TAX ACTUALLY PAID OR OWED FOR 2005 as reported on your Federal Income Tax Return \$
16. State ACTUAL CASH or MARKET VALUE of all Tennessee plant and property as of January 1, 2006 \$ 6,400,000

17. State NET additions (additions less retirements) to Tennessee plant and property for:
 2004 \$ _____ 2005 \$ 4,790,099 _____
18. Total number of subscribers in Tennessee _____
19. Does your company operate solely (100%) in Tennessee? _____ YES _____ X _____ NO
 If you checked "YES" it will not be necessary to complete questions 20-27.
 If you checked "NO" you must complete questions 20-27.
20. GROSS Investment in Tennessee plant and property December 31, 2005 \$ 29,101,908 _____
21. NET Investment in Tennessee plant and property December 31, 2005 \$ 15,098,992 _____
22. TENNESSEE GROSS Revenue (Income) for year ended December 31, 2005 \$ 21,941,550 _____
23. TENNESSEE NET OPERATING Revenue (Income) for year ended December 31, 2005 \$ 2,407,655 _____
24. Percent of TENNESSEE GROSS Investment as compared to SYSTEM GROSS Investment in plant and property
 December 31, 2005 12.9 _____ %
25. Percent of TENNESSEE NET Investment as compared to SYSTEM NET Investment in plant and property
 December 31, 2005 13.7 _____ %
26. Percent of TENNESSEE GROSS Revenue (Income) as compared to SYSTEM GROSS Revenue (Income) for
 year ended December 31, 2005 10.2 _____ %
27. Percent of TENNESSEE NET OPERATING Revenue (Income) as compared to SYSTEM NET OPERATING
 Revenue (Income) for year ended December 31, 2005 _____ %
28. Does your company or its parent holding company file the following? Check all that apply:
- _____ a. SEC Form 10-K
- _____ b. FCC Form M
- _____ c. Annual report to stockholders

File one copy of each of the items checked in item 28 with the Comptroller of the Treasury, Office of State Assessed Properties.

29. What was the date of your last rate case? _____ Was the case heard by a state PSC
 or a federal entity? _____ What was the return on equity granted? _____ %
30. Special questions regarding this report should be directed to:

NAME: Greg E. Odell _____

TITLE: Property Tax Agent _____

ADDRESS: 13155 Noel Road 12th Flood LB 71 _____
Number & Street

Dallas _____ Texas _____ 75240-5090 _____
City State Zip

PHONE NUMBER: () 972.934.0022 _____

FAX NUMBER: () 972.934.4939 _____

E-MAIL ADDRESS Greg.Odell@ryanco.com _____

BALANCE SHEET
ASSETS

AS OF DECEMBER 31

		<u>2005</u>	<u>2004</u>
<u>Item</u>	<u>Fixed Assets</u>		
1.	Utility Plant in Service	\$ 225,514,521	\$ 207,355,855
2.	Plant Under Construction		
3.	Property Held for Future Use		
4.	Plant Acquisition Adjustment		
5.	Total Fixed Assets		
6.	LESS Depreciation & Amortization Reserve	(115,534,553)	(80,888,711)
7.	Net Fixed Assets	\$ 109,979,967	\$ 126,467,144
<u>Other Property & Investments</u>			
*8.	Non-Utility Property	\$	\$
9.	LESS Accumulated Depreciation		
10.	Net Non-Utility Property		
*11.	INVESTMENT IN AFFILIATED COMPANIES		
*12.	OTHER INVESTMENTS		
13.	Miscellaneous Physical Property		
14.	Sinking Funds		
15.	Other Fund Accounts		
16.	Total Other Property & Investments	\$	\$
<u>Current Assets</u>			
17.	Cash	\$ 2,859,995	\$ 2,854,228
18.	Special Cash Deposits		
19.	Working Funds		
20.	Temporary Cash Investments		
21.	Notes Receivable from Affiliated Companies		
22.	Other Notes Receivable		
23.	Due from Customers & Agent - Net		
24.	Accounts Receivable from Affiliated Companies Net	32,291,255	33,750,452
25.	Other Accounts Receivable - Net		
26.	Interest & Dividends Receivable		
27.	Pre-Payments	2,245,692	2,734,663
28.	MATERIALS & SUPPLIES		
29.	Subscriptions to Security Issues		
30.	Other Current Assets	1,460,601	1,645,712
31.	Total Current Assets	\$ 38,857,542	\$ 40,985,056
<u>Deferred Charges</u>			
32.	Discount on Long-Term Debt	\$	\$
33.	Extraordinary Maintenance & Retirements		
34.	Clearing Accounts		
35.	Other Deferred Charges		
36.	Total Deferred Charges	\$	\$
37.	TOTAL ASSETS	\$ 271,997,202	\$ 280,710,329

*GIVE A DETAILED BREAKDOWN AND DESCRIPTION OF THIS TYPE OF PROPERTY INVESTMENT.

BALANCE SHEET
LIABILITIES & OTHER CREDITS

AS OF DECEMBER 31

		<u>2005</u>	<u>2004</u>
<u>Item</u>	<u>Capital Stock & Retained Earnings</u>		
1.	Common Capital Stock Outstanding	\$ (2,796,601)	\$ (2,819,601)
2.	Preferred Capital Stock Outstanding	.50	.50
3.	Premiums on Capital Stock		
4.	Other Capital Liability Accounts		
5.	Proprietor's Capital		
6.	Other Capital	306,511,987	298,267,231
7.	Retained Earnings Reserved	(124,483,524)	(84,189,634)
8.	Unappropriated Retained Earnings		
9.	LESS Discount on Capital Stock		
10.	LESS Capital Stock Expense		
11.	Total Capital Stock & Retained Earnings	\$ 179,231,862	\$ 211,257,997
	<u>Long-Term Debt</u>		
12.	Funded Debt Outstanding	\$	\$
13.	Receivers Certificates		
14.	Advances from Affiliated Companies		
15.	Other Long-Term Debt(s)	51,099,499	23,016,573
16.	Total Long-Term Debt(s)	\$ 51,099,499	\$ 23,016,573
	<u>Current & Accrued Liabilities</u>		
17.	Notes Payable to Affiliated Companies	\$	\$
18.	Other Notes Payable		
19.	Accounts Payable to Affiliated Companies		.75
20.	Other Accounts Payable	11,133,982	19,692,817
21.	Customers Deposits		
22.	Matured Interest & Dividends		
23.	Matured Long-Term Debt(s)		
24.	Advance Billing & Payments		
25.	Taxes Accrued	7,538,167	5,865,169
26.	Unmatured Interest, Dividends, & Rents Accrued		
27.	Refunds Due Customers		
28.	Other Current Liabilities	8,964,991	8,141,944
29.	Total Current & Accrued Liabilities	\$ 27,637,140	\$ 33,699,931
	<u>Deferred Credits & Reserves</u>		
30.	Premium on Long-Term Debt	\$	\$
31.	Insurance Reserve		
32.	Provident Reserve		
33.	Amortization Reserve		
34.	Employment Stabilization Reserve		
35.	Other Deferred Credits & Reserves	14,028,700	12,735,829
36.	Accumulated Deferred Income Taxes		
37.	Total Deferred Credits & Reserves	\$ 14,028,700	\$ 12,735,829
	<u>Contributions in Aid of Construction</u>		
38.	Contributions in Aid of Construction	\$	\$
39.	TOTAL LIABILITIES & OTHER CREDITS	\$ 271,997,202	\$ 280,710,330

LONG-TERM DEBT**Mortgages, Bonds, Promissory Notes, & Miscellaneous Long-Term Debt**

Date of Issue	Date of Maturity	Description: (Bonds, Notes, or Other Instrument)	Beginning of Year Balance	Principal Paid During Year	*End of Year Balance	Interest		Leave This Column Blank
						Rate (%)	for Year Amount	
3/3/05	3/10/10	Term Loan	\$ 55,000,000	\$ 375,000	\$ 54,625,000	14.75	\$ 5,200,174	
		TOTALS	\$ 55,000,000	\$ 375,000	\$ 54,625,000 *	14.75	\$ 5,200,174	

INCOME STATEMENT

AS OF DECEMBER 31

		<u>2005</u>	<u>2004</u>
<u>Item</u>	<u>Operating Revenue</u>		
1.	Local Network Services Revenues	\$	\$
2.	Network Interstate Access Services Revenues		
3.	Network Intrastate Access Services Revenues		
4.	Long Distance Network Services Message Revenues		
5.	Long Distance Private Network Revenues		
6.	Miscellaneous Revenues		
7.	LESS: Uncollectible Operating Revenue		
8.	Total Operating Revenue	\$ 214,626,616	\$ 210,177,707
	<u>Operating Expense</u>		
9.	Plant Specific Operations Expense	\$ (103,956,860)	\$ (90,545,117)
10.	Plant Nonspecific Operations Expense		
11.	Customer Operations Expense		
12.	Corporate Operations Expense	\$ (101,785,776)	\$ (119,632,590)
13.	Other Operating Income and Expenses	\$ (42,796,664)	\$ (34,694,986)
	<u>Operating Taxes</u>		
14.	State, County, and Municipal Taxes	\$ (253,014)	\$ (507,752)
15.	Federal Income Taxes		
16.	Other Miscellaneous Operating Taxes		
17.	Total Operating Expenses	(248,792,314)	(245,380,445)
18.	Net Operating Income	\$ (34,165,698)	\$ (35,202,738)
	<u>Non-Operating Income & Expense</u>		
19.	Dividend Income	\$	\$
20.	Interest Income		
21.	Allowance for Funds Used During Construction		
22.	Miscellaneous Non-Operating Income		
23.	Miscellaneous Special Charges		
24.	Total Non-Operating Income		
25.	State, County, and Municipal Taxes-Non-Operating		
26.	Federal Income Taxes-Non-Operating		
27.	Other Non-Operating Taxes		
28.	Total Non-Operating Taxes		
29.	Gross Income	\$ 110,669,756	\$ 119,632,590
	<u>Interest & Other Deductions</u>		
30.	Interest on Funded Debt	\$	\$
31.	Interest Expense - Capital Leases		
32.	Amortization of Debt Issuance Expense		
33.	Other Interest Deductions	(6,128,193)	(15,647,496)
34.	Total Interest & Other Deductions		
35.	Net Income Before Extraordinary Items	\$	\$
	<u>Extraordinary & Delayed Items</u>		
36.	Extraordinary & Delayed Items	\$	\$
	<u>Nonregulated Income Items</u>		
37.	Nonregulated Income Items	\$	\$
38.	Net Income to Retained Earnings	\$ (40,293,891)	\$ (46,023,770)

LEASED EQUIPMENT

This schedule should include all operating equipment located in Tennessee that is leased or used by your company.

Type of Equipment	No. Of Units	Total Annual Amount of Rent	Age Of Units	Annual Depreciation Rate	Lease Expiration Date	Owner	Tax Liability Lessor or Lessee	Original Cost	Accumulated Depreciation	Depreciated Cost	Location (County & City)
		\$						\$	\$	\$	

	System	
No. Single Wire Miles - Buried Cable		
No. Miles of Pole Line		
No. Stations		
No. Single Wire Miles - Other Wire & Cable		
Gross Investment - Buried Cable Only	\$ 51,088,458	\$ 7,291,374
Gross Investment - Conduit	990,202	
Gross Investment - Poles		
Gross Investment - Other Wire, Cable, Station Equip.	173,435,861	14,696,799
TOTAL GROSS INVESTMENT	\$ 225,514,521	\$ 21,988,173

CENTRAL OFFICE AND OTHER LOCALIZED EQUIPMENT - TENNESSEE

	Gross Investment Outside Corporate Limits	Gross Investment Inside Corporate Limits	Gross Investment Total
Gross Investment-COE	\$	\$	\$ 4,343,604
Gross Investment-Fixtures, Furniture, Equipment, Autos, Materials & Supplies, and Other General Equipment	\$	\$	\$ 2,770,131

CONSTRUCTION WORK IN PROGRESS - TENNESSEE

Gross Investment (CWIP)	\$	\$	\$
Personal @ 15%	\$	\$	\$
Real @ 100%	\$	\$	\$

REAL ESTATE - TENNESSEE

A. Land:

Acres	Location	Year Acquired	Purchased From	Deed Book	Page No.	Gross Investment	FOR OFFICE USE ONLY
						\$	\$
Total Land						\$	\$

B. Structures:

Kind & Type	Location	Year Constructed/Acquired	Gross Investment	FOR OFFICE USE ONLY
			\$	\$
Total Structures			\$	\$

C. Leasehold Improvements:

Kind & Type	Location	Year Completed	Gross Investment	FOR OFFICE USE ONLY
			\$	\$
Total Real Estate/Tennessee			\$	\$
Grand Total All Property/Tennessee			\$	\$

OPERATING PROPERTY

(Used predominantly to provide long distance telephone service)

	<u>Gross Investment</u>	<u>Net Investment</u>
Buried Cable Only	7,291,374	3,664,733
Conduit		
Poles		
Other Wire, Cable, & Station Equipment	14,696,799	7,759,509
TOTAL INVESTMENT	\$ 21,988,173	\$ 11,424,242

CENTRAL OFFICE AND OTHER LOCALIZED EQUIPMENT - TENNESSEE

	<u>Outside Corporate Limits</u>	<u>Inside Corporate Limits</u>	<u>Total</u>
Gross Investment	\$	\$	\$ 4,343,604
Net Investment	\$	\$	\$ 2,661,619
Gross Investment-Fixtures, Furniture, Equipment, Autos, Materials & Supplies, and Other General Equipment	\$	\$	\$
Net Investment	\$	\$	\$

CONSTRUCTION WORK IN PROGRESS - TENNESSEE

Gross Investment	\$	\$	\$
Net Investment	\$	\$	\$

REAL ESTATE - TENNESSEE**A. Land:**

Acres	Location	Year Acquired	Purchased From	Deed Book	Page No.	Gross Investment	FOR OFFICE USE ONLY
						\$	\$
Total Land						\$	\$

B. Structures:

Kind & Type	Location	Year Constructed/Acquired	Gross Investment	FOR OFFICE USE ONLY
			\$	\$
Total Structures			\$	\$

C. Leasehold Improvements:

Kind & Type	Location	Year Completed	Gross Investment	FOR OFFICE USE ONLY
			\$	\$
Total Real Estate/Tennessee			\$	\$
Grand Total All Property/Tennessee			\$	\$

Note: One sheet to be filed for each county. Properties located in the city will be designated as Inside Corporate Limits. Properties located outside of cities-Outside Corporate Limits. Total of inside & outside corporate limits equals County Total.

County	Outside Corp. Limits	Inside Corp. Limits	Total
No. Single Wire Miles - Buried Cable			
No. Miles of Pole Line			
No. Stations			
No. Single Wire Miles - Other Wire & Cable			
Gross Investment - Buried Cable Only	\$	\$	\$
Gross Investment - Conduit			
Gross Investment - Poles			
Gross Investment - Other Wire, Cable, Station Equip.			
TOTAL GROSS INVESTMENT	\$	\$	\$

CENTRAL OFFICE AND OTHER LOCALIZED EQUIPMENT - TENNESSEE

	Gross Investment Outside Corporate Limits	Gross Investment Inside Corporate Limits	Gross Investment Total
Gross Investment-COE	\$	\$	\$
Gross Investment-Fixtures, Furniture, Equipment, Autos, Materials & Supplies, and Other General Equipment	\$	\$	\$

CONSTRUCTION WORK IN PROGRESS - TENNESSEE

Gross Investment (CWIP)	\$	\$	\$
Personal @ 15%	\$	\$	\$
Real @ 100%	\$	\$	\$

REAL ESTATE - TENNESSEE

A. Land:

Acres	Location	Year Acquired	Purchased From	Deed Book	Page No.	Gross Investment \$	FOR OFFICE USE ONLY \$
Total Land						\$	\$

B. Structures:

Kind & Type	Location	Year Constructed/Acquired	Gross Investment \$	FOR OFFICE USE ONLY \$
Total Structures			\$	\$

C. Leasehold Improvements:

Kind & Type	Location	Year Completed	Gross Investment \$	FOR OFFICE USE ONLY \$
Total Real Estate/Tennessee			\$	\$
Grand Total All Property/Tennessee			\$	\$

NOTE: ONE SHEET TO BE FILED FOR EACH CITY & SPECIAL SCHOOL DISTRICT

City/Special School District

Inside Corporate Limits

No. Single Wire Miles - Buried Cable

No. Miles of Pole Line

No. Stations

No. Single Wire Miles - Other Wire & Cable

Gross Investment - Buried Cable

\$

Gross Investment - Conduit

Gross Investment - Poles

Gross Investment - Other Wire, Cable, Station Equip.

TOTAL GROSS INVESTMENT

\$

CENTRAL OFFICE EQUIPMENT, BOOTHS, & FITTINGS - TENNESSEE

Gross Investment-Central Office Equipment, Booths, and Fittings

\$

Gross Investment-Furniture, Fixtures, Equipment, Automobiles,
Materials and Supplies, and Other General Equipment

\$

CONSTRUCTION WORK IN PROGRESS - TENNESSEE

Gross Investment (CWIP)

\$

\$

\$

Personal @ 15%

\$

\$

\$

Real @ 100%

\$

\$

\$

REAL ESTATE - TENNESSEE**A. Land:**

Acres	Location	Year Acquired	Purchased From	Deed Book	Page No.	Gross Investment	FOR OFFICE USE ONLY
						\$	\$
Total Land						\$	\$

B. Structures:

Kind & Type	Location	Year Constructed/Acquired	Gross Investment	FOR OFFICE USE ONLY
			\$	\$
Total Structures			\$	\$
Total All Property/City or SSD			\$	\$

PURCHASES AND SALES OF TENNESSEE PROPERTY

List all purchases and sales of Tennessee real property (including Telecommunications Towers) that occurred during the year 2005. Give all applicable information for each transaction separately. (You may copy pages as needed)
Please attach a copy of the warranty deed or sales contract.

PURCHASES

Date of Purchase:

County/City:

Assessor's Tax Map & Parcel Number:

Purchase Price:

Physical Address:

Number & Street

City

State

Zip

Description of Property:

Grantor (seller):

Type of Improvement:

SALES

Date of Sale:

County/City:

Assessor's Tax Map & Parcel Number:

Sale Price:

Physical Address:

Number & Street

City

State

Zip

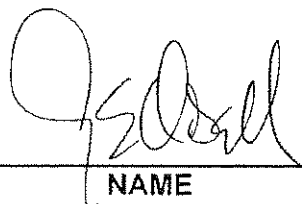
Description of Property:

Grantee (buyer):

Type of Improvement:

DATE: March 30, 2006

I, Greg E. Odell, being the OWNER, PRESIDENT,
SECRETARY, AND /OR PARTNER OF Xspedius Communications, LLC, do hereby
swear and affirm that the foregoing Ad Valorem Tax Report for the year two thousand six has
been prepared from only the original books, papers, and records of said respondent under my
direction in accordance with Tennessee Code Annotated, §67-5-1316, and is true and correct
to the best of my knowledge and belief.



NAME

Property Tax Agent

OFFICIAL CAPACITY

XSPEDIUS COMMUNICATIONS, LLC.
XCC Balance Sheet
As of December, 31, 2004

Run Date //11/05
Run Time: 4:31:36 PM
Includes 04 Audit Adj

ACCT #	DESCRIPTION	ACTUAL
ASSETS		
<u>Current Assets</u>		
	Cash	2,808,703.07
	Cash - Restricted	45,524.67
	Cash - Total	2,854,227.74
	Accounts Receivable Gross	47,672,327.91
	Allowance for Doubtful Accounts	(13,388,945.26)
	Sales Allowance	(532,930.26)
	Accounts Receivable Net	33,750,452.39
	Pre-paid Expenses	2,734,663.49
	Other Current Assets	1,645,712.12
	Total Current Assets	40,985,055.74
<u>Fixed Assets</u>		
	Network and Equipment	170,711,641.26
	Leasehold, Furniture/Fixtures, Other	36,644,214.27
	Accumulated Depreciation	(80,888,711.18)
	Total Net Fixed Assets	126,467,144.35
<u>Non-Current Assets</u>		
	Intangible and Goodwill	106,771,680.68
	Other	6,486,448.32
	Total Non-Current Assets	113,258,129.00
TOTAL ASSETS		280,710,329.09
LIABILITIES		
	Accounts Payable	19,692,816.89
	Accrued Employee Benefits & Taxes	2,288,422.46
	Accrued Taxes	3,576,746.42
	Accrued Expenses	7,897,431.87
	Other Current Liabilities	244,512.31
	Deferred Revenue	12,735,829.00
	Intercompany Payables	0.75
	Total Current Liabilities	46,435,759.70
	LT Notes Payable	8,000,000.00
	Other Long Term Liabilities	15,016,572.70
	Total Long-term Liabilities	23,016,572.70
TOTAL LIABILITIES		69,452,332.40
EQUITY		
	Minority Interest	-
	Capital	298,267,230.72
	Preferred Stock	0.50
	Common Stock	(2,819,601.00)
	Additional Paid-in-Capital	-
	Equity in Subsidiary	-
	Retained Earnings Beg. Balance	(38,165,863.19)
	Income/(Loss) Curr Year	(46,023,770.34)
	Earnings	(84,189,633.53)
TOTAL EQUITY		211,257,996.69
TOTAL LIABILITIES + EQUITY		280,710,329.09

XSPEDIUS COMMUNICATIONS, LLC.
XCC Balance Sheet
As of December, 31, 2005

Run Date: 02/09/06
Run Time: 1:10:42 PM

ACCT #	DESCRIPTION	ACTUAL
ASSETS		
<u>Current Assets</u>		
	Cash	2,729,282
	Cash - Restricted	130,713
	Cash - Total	2,859,995
	Accounts Receivable Gross	38,654,637
	Allowance for Doubtful Accounts	(5,916,139)
	Sales Allowance	(447,243)
	Accounts Receivable Net	32,291,255
	Pre-paid Expenses	2,245,692
	Other Current Assets	1,460,601
	Total Current Assets	38,857,542
<u>Fixed Assets</u>		
	Network and Equipment	180,972,008
	Leasehold, Furniture/Fixtures, Other	44,542,513
	Accumulated Depreciation	(115,534,553)
	Total Net Fixed Assets	109,979,968
<u>Non-Current Assets</u>		
	Intangible and Goodwill	115,536,873
	Other	7,622,819
	Total Non-Current Assets	123,159,692
TOTAL ASSETS		271,997,202
LIABILITIES		
	Accounts Payable	11,133,982
	Accrued Employee Benefits & Taxes	2,951,201
	Accrued Taxes	4,586,966
	Accrued Expenses	8,645,179
	Other Current Liabilities	319,812
	Deferred Revenue	14,028,700
	Intercompany Payables	0
	Total Current Liabilities	41,665,841
	LT Notes Payable	47,788,967
	Other Long Term Liabilities	3,310,532
	Total Long-term Liabilities	51,099,499
TOTAL LIABILITIES		92,765,340
EQUITY		
	Minority Interest	0
	Capital	306,511,987
	Preferred Stock	1
	Common Stock	(2,796,601)
	Additional Paid-in-Capital	0
	Equity in Subsidiary	0
	Retained Earnings Beg. Balance	(84,189,634)
	Income/(Loss) Curr Year	(40,293,891)
	Earnings	(124,483,524)
TOTAL EQUITY		179,231,862
TOTAL LIABILITIES + EQUITY		271,997,202

XSPEC COMMUNICATIONS, LLC
INCOME STATEMENT by MARKETS
YTD - December 2004

ACCT #	DESCRIPTION	TOTAL XCC ACTUAL
RETAIL REVENUE		
<u>Local Service</u>		
491710	Local Service -Switch -Business	73,635,994
491810	Local Service -Resale -Business	13,039,465
	Total Local Service Business	86,675,459
491730	Local Service -Switch -Residential	18,744
491830	Local Service -Resale -Residential	203,347
	Total Local Service Residential	222,091
491910	Local Service -Switch -Wholesale ISP	1,918,959
	Local Service - NRC	(357,563)
493860	Local Service Sales Allowance	(1,150,635)
	Total Local Service Revenue	87,308,312
<u>Internet Access:</u>		
491510	Internet Access - Fractional DS-1 Business	22,131,742
493110	Internet Access - DS-1 Business	10,879,769
493210	Internet Access - DS-3 Business	697,357
491610	Internet Access - DSL Business	-
492110	Internet Access - Residential	22,254
493710	Internet Access - Dialup - Retail	164,671
492310	Internet Access - Dialup - Wholesale	60
492330	Web Hosting	112,536
	Internet Access - NRC	(155,109)
493840	Internet Access Sales Allowance	(208,826)
	Total Internet Access Revenue	33,644,453
<u>Data Services:</u>		
491110	Frame Relay - Fractional DS-1	1,246,275
492410	Frame Relay - DS-1	561,645
	Total Frame Relay	1,807,920
491210	ATM - Fractional DS-1	-
492610	ATM - DS-1	148,782
492710	ATM - DS-3	124,707
	Total ATM	273,488
	Data Services NRC	(38,377)
493870	Data Services Sales Allowance	(198,583)
	Total Data Services	1,844,448
<u>Other Revenue</u>		
	Long Distance	11,053,524
	Colocation	952,947
491050	Remedy Payments	1,601,070
	Miscellaneous	2,837,113
491045	Late Fees	1,157,898
493810	Other Revenue Sales Allowance	(585,922)
	Total Other Revenue	17,016,630
<u>Intercarrier Compensation:</u>		
440000	Carrier Access Billing (CABS)	11,838,958
450000	Reciprocal Compensation - Local Usage	3,343,871
450100	Reciprocal Compensation - IntraLata Toll Usage	1,188,497
450200	Reciprocal Compensation - ISP Usage	231,227
493410	XCLocal Transport Billing (LTB)- MRC	4,594,317
493420	XCLocal Transport Billing (LTB)- NRC	-
493830	Inter-carrier Compensation Sales Allowance	-
	Total Inter-carrier Compensation Revenue	21,196,870
	TOTAL RETAIL REVENUE	161,010,714
WHOLESALE REVENUE		
<u>Dedicated Transport Services</u>		
490110	Special Access - Fractional DS-1	90,294
490210	Special Access - DS-1	8,487,090
490310	Special Access - DS-3	24,120,912
490410	Special Access - OC-3	1,898,335
490510	Special Access - OC-12	4,713,486

XSPEC COMMUNICATIONS, LLC
INCOME STATEMENT by MARKETS
YTD - December 2004

ACCT #	DESCRIPTION	TOTAL XCC ACTUAL
490610	Special Access - OC-48	1,096,934
	Total Special Access	40,207,051
491410	Private Line - Fractional DS-1	72,313
492810	Private Line - DS-1	3,915,955
492910	Private Line - DS-3	2,173,922
	Total Private Line	6,162,189
	Dedicated Transport Service NRC	322,659
493850	Dedicated Transport Service Sales Allowance	(309,375)
	Total Dedicated Transport Services	46,382,524
Fiber Services:		
460000	Fiber	2,505,112
460100	Conduit	-
460300	Maintenance Fees	226,952
460910	Colocation Fees	-
460200	Project Management Fees	52,406
493820	Fiber Services Sales Allowance	-
	Total Fiber Service Revenue	2,784,470
	TOTAL WHOLESALE REVENUE	49,166,994
	TOTAL REVENUE	210,177,707

XSPEF COMMUNICATIONS, LLC
INCOME STATEMENT by MARKETS
YTD - December 2004

ACCT #	DESCRIPTION	TOTAL XCC ACTUAL
COST OF SERVICE		
<u>ICP Cost of Service:</u>		
	Total Intra-city Network Expense - MRC	53,397,376
	Total Intra-city Network Expense - NRC	(182,060)
	Total Inter-city Network Expense	7,502,686
	Total Network Access Fee Expense	4,610,915
	Total Network Facility Leases	7,294,471
	Total Network Repair and Maintenance	3,285,854
	Other ICP Cost	14,583,565
	Total ICP Cost of Service	90,492,806
<u>Fiber Cost of Service:</u>		
535310	Direct Materials - Fiber	52,171
535320	Direct Materials - Conduit	-
535380	Maintenance Costs	140
535370	Management Costs	-
	Total Fiber Cost of Service	52,311
TOTAL COST OF SERVICE		90,545,117
GROSS PROFIT		119,632,590
GROSS PROFIT MARGIN		1

XSPEI COMMUNICATIONS, LLC
INCOME STATEMENT by MARKETS
YTD - December 2004

ACCT #	DESCRIPTION	TOTAL XCC ACTUAL
GENERAL AND ADMINISTRATIVE		
	G&A Wages and Salaries	31,018,492
701210	G&A Bonuses	203,593
702000	G&A Employee Benefits	2,448,095
703000	G&A Payroll Taxes	2,349,987
750500	Contract Labor	845,928
710300	Professional Fees	916,089
860000	Management Fees	-
	Legal/Regulatory Fees	2,246,147
	Recruiting and Relocation	158,356
	Billing Expense	4,124,212
	Bad Debt Expense	15,943,872
	Property and Other Taxes	2,678,937
	License Expense	74,770
	Facilities Expense	12,384,375
	Office Equip/Furniture Expense	297,365
	Total Vehicle Expense	452,965
	Repair and Maintenance	186,872
800100	Insurance	1,961,701
710600	Bank Fees	404,615
	IT Maintenance and Consumables	2,623,713
770100	Office Supplies	454,324
	Travel and Entertainment	701,162
771100	Postage and Shipping	423,075
	Office Telephone Expense	635,254
740100	Cell Phones/Pager Expense	319,623
704200	Dues and Subscriptions	115,926
704100	Seminars and Training	67,565
	Capitalized Labor	(8,685,025)
	Other G&A Expenses	26,271
	Other Expenses	129,143
TOTAL GENERAL AND ADMINISTRATIVE		75,507,402
SALES AND MARKETING		
	S & M Wages and Salaries	22,630,912
	Commissions	10,653,657
701210	S & M Bonuses	19,862
	S & M Employee Benefits	1,753,248
	S & M Payroll Taxes	2,295,492
	Advertising Expense	108,876
	Marketing Expense	750,293
	Travel and Entertainment	929,505
740100	Cell Phones/Pager Expense	115,920
	Customer Credit Checks	21,405
	Other Sales and Marketing	19,557
TOTAL SALES AND MARKETING		39,298,725
TOTAL OPERATING EXPENSES		114,806,127
EBITDA		4,826,463
EBITDA MARGIN		0
	Depreciation	26,373,840
	Amortization	8,321,146
TOTAL DEPRECIATION & AMORTIZATION		34,694,986
	Interest Expense	2,445,693
	Interest Income	(57,582)
	Other (Income) Expense	13,259,384
TOTAL OTHER (INCOME) EXPENSE		15,647,496
	Taxes	507,752

XSPEC COMMUNICATIONS, LLC
 INCOME STATEMENT by MARKETS
 YTD - December 2004

ACCT #	DESCRIPTION	TOTAL XCC ACTUAL
	NET INCOME (LOSS)	(46,023,770)

XSPEDIUS COMMUNICATIONS, LLC
INCOME STATEMENT-XCC Business Units
December 2005

ACCT #		DESCRIPTION	YEAR-TO-DATE ACTUAL
RETAIL REVENUE			
<u>Local Service</u>			
491710	Local Service -Switch -Business		40,128,179.29
491810	Local Service -Resale -Business		9,025,447.65
491730	Local Service -Switch -Residential		(306.60)
491830	Local Service -Resale -Residential		(5,413.14)
491910	Local Service -Switch -Wholesale ISP		(1,649.33)
	Local Service - NRC		98,194.48
493860	Local Service Sales Allowance		(995,256.31)
Total Local Service Revenue			48,249,196.04
<u>Internet Access:</u>			
491510	Internet Access - Fractional DS-1 Business		6,604,909.02
493110	Internet Access - DS-1 Business		8,165,810.47
493210	Internet Access - DS-3 Business		1,072,261.29
491610	Internet Access - DSL Business		-
492110	Internet Access - Residential		(522.67)
493710	Internet Access - Dialup - Retail		108,775.42
492310	Internet Access - Dialup - Wholesale		(1.67)
492330	Web Hosting		67,163.53
	Internet Access - NRC		98,528.15
493840	Internet Access Sales Allowance		(138,657.05)
Total Internet Access Revenue			15,978,266.49
<u>Integrated Services:</u>			
	Integrated Service Revenue		65,082,295.98
493880	Integrated Service Sales Allowance		-
Total Integrated Service Revenue			65,082,295.98
<u>Data Services:</u>			
491110	Frame Relay - Fractional DS-1		1,316,831.41
492410	Frame Relay - DS-1		(1,604.67)
491210	ATM - Fractional DS-1		264,683.91
492610	ATM - DS-1		-
492710	ATM - DS-3		-
	Data Services NRC		3,446.36
493870	Data Services Sales Allowance		(61,443.56)
Total Data Services			1,521,913.45
<u>Other Revenue</u>			
	Long Distance		9,931,506.17
	Colocation		1,344,539.08
491050	Remedy Payments		656,099.69
	Miscellaneous		1,894,401.96
491045	Late Fees		450,354.32
493810	Other Revenue Sales Allowance		(1,055,614.88)
493815	Other Sales Allow Hurricane Rlf		(90,288.50)
Total Other Revenue			13,130,997.84
<u>Intercarrier Compensation:</u>			
	Carrier Access Billing (CABS)		10,604,258.02
450000	Reciprocal Compensation - Local Usage		1,849,549.32
450100	Reciprocal Compensation -Intralata Toll Usage		246,297.91
450200	Reciprocal Compensation - ISP Usage		235,047.50
493410	Local Transport Billing (LTB)- MRC		3,153,236.47
493420	Local Transport Billing (LTB)- NRC		-
493830	Intercarrier Compensation Sales Allowance		-
Total Intercarrier Compensation Revenue			16,088,389.22
TOTAL RETAIL REVENUE			160,051,059.02
WHOLESALE REVENUE			
<u>Dedicated Transport Services</u>			
490110	Special Access - Fractional DS-1		616,700.83
490210	Special Access - DS-1		7,089,799.78
490310	Special Access - DS-3		25,977,240.61
490410	Special Access - OC-3		3,149,081.85

XSPEDIUS COMMUNICATIONS, LLC
INCOME STATEMENT-XCC Business Units
December 2005

ACCT #		DESCRIPTION		YEAR-TO-DATE
				ACTUAL
490510		Special Access - OC-12		4,920,745.16
490610		Special Access - OC-48		1,552,043.22
491410		Private Line - Fractional DS-1		7,942,099.32
492810		Private Line - DS-1		(47,131.80)
492910		Private Line - DS-3		(20,242.07)
491430		Metro Ethernet		-
		Dedicated Transport Service NRC		1,013,990.31
493850		Dedicated Transport Service Sales Allowance		(551,195.35)
		Total Dedicated Transport Services		51,643,131.86
Fiber Services:				
460000		Fiber		1,992,189.60
460100		Conduit		28,700.00
460300		Maintenance Fees		317,578.07
460910		Colocation Fees		9,550.00
460200		Project Management Fees		584,407.14
493820		Fiber Services Sales Allowance		-
		Total Fiber Service Revenue		2,932,424.81
TOTAL WHOLESALE REVENUE				54,575,556.67
TOTAL REVENUE				214,626,615.69
COST OF SERVICE				
ICP Cost of Service:				
		Total Intra-city Network Expense - MRC		57,464,368.86
		Total Intra-city Network Expense - NRC		4,743,262.94
		Total Inter-city Network Expense		7,878,317.15
		Total Network Access Fee Expense		5,458,530.22
		Total Network Facility Leases		7,384,672.91
		Total Network Repair and Maintenance		6,756,244.61
		Other ICP Cost		14,048,723.54
		Total ICP Cost of Service		103,734,120.23
Fiber Cost of Service:				
535310		Direct Materials - Fiber		226,754.68
535320		Direct Materials - Conduit		(27,190.70)
535380		Maintenance Costs		7,410.47
535370		Management Costs		15,764.88
		Total Fiber Cost of Service		222,739.33
TOTAL COST OF SERVICE				103,956,859.56
GROSS PROFIT				110,669,756.13
GROSS PROFIT MARGIN				0.52
GENERAL AND ADMINISTRATIVE				
		G&A Wages and Salaries		29,788,275.60
701210		G&A Bonuses		36,876.41
702000		G&A Employee Benefits		2,510,708.41
703000		G&A Payroll Taxes		2,335,020.58
750500		Contract Labor		355,242.58
710300		Professional Fees		1,047,849.34
860000		Management Fees		-
		Legal/Regulatory Fees		2,573,716.96
		Recruiting and Relocation		160,521.94
		Billing Expense		3,326,649.72
		Bad Debt Expense		5,179,563.47
		Property and Other Taxes		3,760,242.10
		License Expense		121,456.81
		Facilities Expense		12,957,958.55
		Office Equip/Furniture Expense		167,451.08
		Total Vehicle Expense		557,199.46
		Repair and Maintenance		198,479.67
800100		Insurance		1,478,571.63

XSPEDIUS COMMUNICATIONS, LLC
INCOME STATEMENT - XCC Business Units
December 2005

ACCT #	DESCRIPTION	YEAR-TO-DATE
		ACTUAL
710600	Bank Fees	529,552.63
	IT Maintenance and Consumables	2,101,523.56
770100	Office Supplies	315,689.03
	Travel and Entertainment	394,953.25
	Employee Parking	
771100	Postage and Shipping	324,534.39
	Office Telephone Expense	796,735.32
	Cell Phones/Pager Expense	270,615.31
704200	Dues and Subscriptions	128,510.61
704100	Seminars and Training	15,662.06
	Capitalized Labor	(7,016,575.77)
	Other G&A Expenses	9,212.83
	Other Expenses	2,463,431.65
TOTAL GENERAL AND ADMINISTRATIVE		66,889,629.18
SALES AND MARKETING		
	S & M Wages and Salaries	17,916,715.63
	Commissions	11,135,017.49
701210	S & M Bonuses	4,816.94
	S & M Employee Benefits	1,532,053.44
	S & M Payroll Taxes	2,017,415.72
	Advertising Expense	76,419.68
	Marketing Expense	722,848.59
	Travel and Entertainment	785,709.74
	Cell Phones/Pager Expense	116,782.72
710700	Customer Credit Checks	24,019.46
	Other Sales and Marketing	564,347.66
TOTAL SALES AND MARKETING		34,896,147.06
TOTAL OPERATING EXPENSES		101,785,776.24
EBITDA		8,883,979.89
EBITDA MARGIN		0.04
	Depreciation	34,789,520.03
	Amortization	8,007,144.00
TOTAL DEPRECIATION & AMORTIZATION		42,796,664.03
	Interest Expense	6,859,740.49
	Interest Income	(523,131.03)
	Other (Income) Expense	(208,416.73)
TOTAL OTHER (INCOME) EXPENSE		6,128,192.73
	Taxes	253,013.71
NET INCOME (LOSS)		(40,293,890.58)