



Law Office of Kristopher E. Twomey, Esq.  
LoKT Consulting

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T.R.A. DOCKET ROOM July 3, 2007

Via DHL

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

PAID T.R.A.	
Chk #	1031
Amount	25.00
Rcvd By	TS
Date	7/6/07

07-00165

Re: Aero Communications, LLC – Docket No. 06-00024  
Application for a Certificate to Provide Competing Local Telecommunications Services

To Whom It May Concern:

Please find enclosed an original and thirteen (13) copies of Aero Communications, LLC's resubmission of its *Application* for a certificate to provide competing local telecommunications services in the State of Tennessee for filing the above-captioned docket. The *Application* was originally submitted in 2006 and withdrawn at the request of the applicant, Aero Communications, LLC.

Also enclosed is the filing fee of \$25 for the reopening of Docket No. 06-00024, and the requisite original *Surety Bond* in the amount of \$20,000.00 for filing with the Tennessee Regulatory Authority.

It would be appreciated if you would forward to the undersigned an updated service list, preferably in electronic format, in order to initiate service of the enclosed *Application* on interested parties to this matter. Once service is complete, a *Certificate of Service* will be provided as Exhibit G to the *Application*.

Your assistance in this matter is appreciated. Please contact me at 510/285-8010 with any questions.

Sincerely,

Kristopher E. Twomey  
Counsel to Aero Communications, LLC

KET/bjg  
Enclosures

# TENNESSEE REGULATORY AUTHORITY

## TENNESSEE TELECOMMUNICATIONS SERVICE PROVIDER'S SURETY BOND

Bond #: 104825442

**WHEREAS,** Aero Communications LLC (the "Principal"), has applied to the Tennessee Regulatory Authority for authority to provide telecommunications services in the State of Tennessee; and

**WHEREAS,** under the provisions of Title 65, Chapter 4, Section 125(j) of the Tennessee Code Annotated, as amended, the Principal is required to file this bond in order to obtain such authority and to secure the payment of any monetary sanction imposed in any enforcement proceeding brought under Title 65 of the Tennessee Code Annotated or the Consumer Telemarketing Act of 1990 by or on behalf of the Tennessee Regulatory Authority (the "TRA"); and

**WHEREAS,** Travelers Casualty and Surety Company of America (the "Surety"), a corporation licensed to do business in the State of Tennessee and duly authorized by the Tennessee Commissioner of Insurance to engage in the surety business in this state pursuant to Title 56, Chapter 2 of the Tennessee Code Annotated, has agreed to issue this bond in order to permit the Principal to comply with the provisions of Title 65, Chapter 4, Section 125(j) of the Tennessee Code Annotated:

**NOW THEREFORE, BE IT KNOWN,** that we the Principal and the Surety are held and firmly bound to the STATE OF TENNESSEE, in accordance with the provisions of Tennessee Code Annotated, Title 65, Chapter 4, Section 125(j), in the full amount of twenty thousand dollars (\$20,000.00) lawful money of the United States of America to be used for the full and prompt payment of any monetary sanction imposed against the Principal, its representatives, successors or assigns, in any enforcement proceeding brought under Title 65 of Tennessee Code Annotated or the Consumer Telemarketing Act of 1990, by or on behalf of the TRA, for which obligation we bind ourselves, our representatives, successors and assigns, each jointly and severally, firmly and unequivocally by these presents.

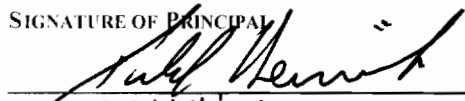
This bond shall become effective on the 1st day of June, 2007, and shall be continuous; provided, however, that each annual renewal period or portion thereof shall constitute a new bond term. Regardless of the number of years this bond may remain in force, the liability of the Surety shall not be cumulative, and the aggregate liability of the Surety for any and all claims, suits or actions under this bond shall not exceed Twenty Thousand Dollars (\$20,000.00). The Surety may cancel this bond by giving thirty (30) days written notice of such cancellation to the TRA and Principal by certified mail, it being understood that the Surety shall not be relieved of liability that may have accrued under this bond prior to the date of cancellation.

### PRINCIPAL

Aero Communications LLC  
Name of Company authorized by the TRA  
0503860

Company ID # as assigned by TRA

SIGNATURE OF PRINCIPAL

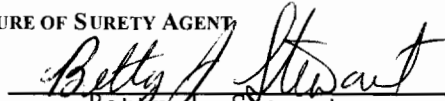
  
Name: Todd Heinrich  
Title: President

### SURETY

Travelers Casualty and Surety Company of America  
Name of Surety  
Eight Corporate Center, 6640 Carothers Parkway  
Franklin, TN 37067

Address of Surety

SIGNATURE OF SURETY AGENT

  
Name: Betty J. Stewart  
Title: Attorney-In-Fact

Address of Surety Agent:  
111 Westwood Place, Suite 100  
Brentwood, TN 37027  
(615) 515-6000

THIS BOND IS ISSUED IN ACCORDANCE WITH THE PROVISIONS OF SECTION 125, CHAPTER 4, TITLE 65 OF THE TENNESSEE CODE ANNOTATED AS AMENDED BY CHAPTER NO. 586, 2000 PUBLIC ACTS. SHOULD THERE BE ANY CONFLICT WITH THE TERMS HEREOF AND THE STATUTE OR REGULATIONS PROMULGATED THEREUNDER, THE STATUTE OR REGULATIONS SHALL PREVAIL. (POWER OF ATTORNEY FROM AN APPROVED INSURANCE COMPANY MUST BE ATTACHED.)



## POWER OF ATTORNEY

Farmington Casualty Company  
 Fidelity and Guaranty Insurance Company  
 Fidelity and Guaranty Insurance Underwriters, Inc.  
 Seaboard Surety Company  
 St. Paul Fire and Marine Insurance Company

St. Paul Guardian Insurance Company  
 St. Paul Mercury Insurance Company  
 Travelers Casualty and Surety Company  
 Travelers Casualty and Surety Company of America  
 United States Fidelity and Guaranty Company

Attorney-In Fact No. 215290

Certificate No. 000235050

**KNOW ALL MEN BY THESE PRESENTS:** That Seaboard Surety Company is a corporation duly organized under the laws of the State of New York, that St. Paul Fire and Marine Insurance Company, St. Paul Guardian Insurance Company and St. Paul Mercury Insurance Company are corporations duly organized under the laws of the State of Minnesota, that Farmington Casualty Company, Travelers Casualty and Surety Company, and Travelers Casualty and Surety Company of America are corporations duly organized under the laws of the State of Connecticut, that United States Fidelity and Guaranty Company is a corporation duly organized under the laws of the State of Maryland, that Fidelity and Guaranty Insurance Company is a corporation duly organized under the laws of the State of Iowa, and that Fidelity and Guaranty Insurance Underwriters, Inc. is a corporation duly organized under the laws of the State of Wisconsin (herein collectively called the "Companies"), and that the Companies do hereby make, constitute and appoint

Sylvia M. Robinson, Betty J. Stewart, Johnny H. Thompson, Tom Greek, and Donald S. Denbo

of the City of Brentwood, State of Tennessee, their true and lawful Attorney(s)-in-Fact, each in their separate capacity if more than one is named above, to sign, execute, seal and acknowledge any and all bonds, recognizances, conditional undertakings and other writings obligatory in the nature thereof on behalf of the Companies in their business of guaranteeing the fidelity of persons, guaranteeing the performance of contracts and executing or guaranteeing bonds and undertakings required or permitted in any actions or proceedings allowed by law.

IN WITNESS WHEREOF, the Companies have caused this instrument to be signed and their corporate seals to be hereto affixed, this 31st day of March, 2006.

Farmington Casualty Company  
 Fidelity and Guaranty Insurance Company  
 Fidelity and Guaranty Insurance Underwriters, Inc.  
 Seaboard Surety Company  
 St. Paul Fire and Marine Insurance Company

St. Paul Guardian Insurance Company  
 St. Paul Mercury Insurance Company  
 Travelers Casualty and Surety Company  
 Travelers Casualty and Surety Company of America  
 United States Fidelity and Guaranty Company



State of Connecticut  
 City of Hartford ss.

By: George W. Thompson  
 George W. Thompson, Senior Vice President

On this the 31st day of March, 2006, before me personally appeared George W. Thompson, who acknowledged himself to be the Senior Vice President of Farmington Casualty Company, Fidelity and Guaranty Insurance Company, Fidelity and Guaranty Insurance Underwriters, Inc., Seaboard Surety Company, St. Paul Fire and Marine Insurance Company, St. Paul Guardian Insurance Company, St. Paul Mercury Insurance Company, Travelers Casualty and Surety Company, Travelers Casualty and Surety Company of America, and United States Fidelity and Guaranty Company, and that he, as such, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing on behalf of the corporations by himself as a duly authorized officer.

In Witness Whereof, I hereunto set my hand and official seal.  
 My Commission expires the 30th day of June, 2006.



Marie C. Tetreault  
 Marie C. Tetreault, Notary Public

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 TO  
PROVIDE COMPETING LOCAL TELECOMMUNICATIONS SERVICES**

Kristopher E. Twomey  
LoKT Consulting  
1425 Leimert Boulevard, Suite 404  
Oakland, CA 94602  
Telephone: (510) 285-8011  
Facsimile: (510) 868-8418  
Email: kris@lokt.net  
*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  
LoKT Consulting  
1425 Leimert Boulevard, Suite 404  
Oakland, CA 94602  
Telephone: (510) 285-8011  
Facsimile: (510) 868-8418  
Email: [kris@lokt.net](mailto:kris@lokt.net)

3. Contact name and address at Applicant:

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

Brent Gottshall  
Operations Manager  
1301 Broadway  
Suite 126  
Paducah, KY 42001  
Telephone: 270-448-2376  
Toll-free: 877-209-3513  
[bgottshall@hcis.net](mailto:bgottshall@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 Brent Gottshall, 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 system will be able to distinguish between customers to ensure that all countywide calls, regardless of mileage distance, will be included for free as part of Tennessee customers' local exchange service. For each customer, the billing system will be loaded with the applicable NPA-NXX information for that customer's surrounding county and the billing software will thus ensure that calls made from the customer to one of those NPA-NXXs are not charged as toll calls. The billing software will be updated with the latest information from the LERG at the beginning of each billing cycle in order to maintain accuracy.

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, Brent Gottshall. 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?

At the present time, Aero does not foresee using telemarketing in Tennessee. Aero does not currently use telemarketing to sell services in any of its markets. If this changes in the future, Aero will comply 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**

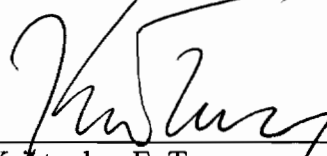
- A. Sworn pre-filed testimony is attached to this Application Exhibit I.
- B. Tariffs will be filed after this Application is granted.
- D. Applicant is not currently involved in any mergers or acquisitions. Applicant's corporate structure is shown in Exhibit A.
- E. Applicant does not require customer 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,

A handwritten signature in black ink, appearing to read 'K. Twomey', written over a horizontal line.

Kristopher E. Twomey  
Counsel for Aero Communications, LLC

July 3, 2007

**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

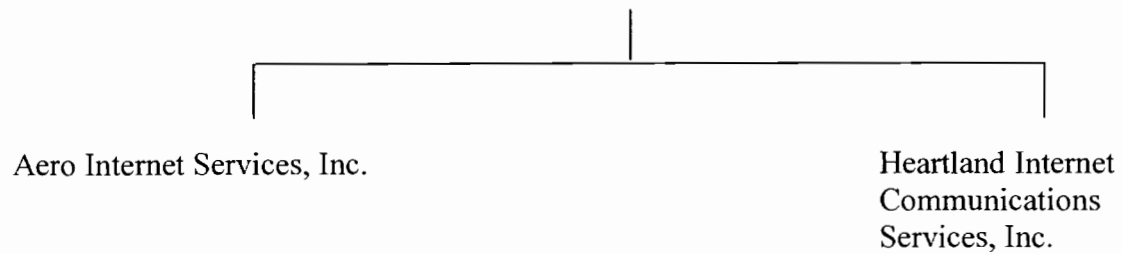
### Organizational Chart

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: Brian A. Hart  
First Name Middle Initial Last Name

Registered Office: 204 W. Stephenson Street  
Number Street Suite #

(P.O. Box alone and c/o are unacceptable) Ereepart 61032  
City ZIP Code County

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

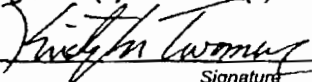
2) Heartland Communications Internet Services, Inc.  
P.O. Box 1602  
Paducah, KY 42002-1602

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 C**

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

Secretary of State  
Division of Business Services  
312 Eighth Avenue North  
6th Floor, William R. Snodgrass Tower  
Nashville, Tennessee 37243

ISSUANCE DATE: 01/20/2006  
REQUEST NUMBER: 06020502

FILE/REGISTRATION DATE: 10/06/2005  
STATUS: ACTIVE  
CONTROL NUMBER: 0503860  
JURISDICTION: ILLINOIS

TO:  
LOKT CONSULTING  
1519 E 14TH ST  
STE A  
SAN LEANDRO, CA 94577

REQUESTED BY:  
LOKT CONSULTING  
1519 E 14TH ST  
STE A  
SAN LEANDRO, CA 94577

I, RILEY C DARNELL, SECRETARY OF STATE OF THE STATE OF TENNESSEE DO HEREBY CERTIFY THAT  
"AERO COMMUNICATIONS, LLC"

WAS FORMED OR QUALIFIED TO DO BUSINESS IN THE STATE OF TENNESSEE ON THE ABOVE  
DATE, AND THAT THE ATTACHED DOCUMENT(S) WAS/WERE FILED IN THIS OFFICE ON THE  
DATE(S) AS BELOW INDICATED.

REFERENCE NUMBER	DATE FILED	FILING TYPE	FILING ACTION
5577-1385	10/06/2005	LLC CERT/AUTHOR	NAM DUR STK PRN OFC AGT INC MAL FYC
	04/01/2006	AN RPT	

FOR: REQUEST FOR COPIES

ON DATE: 01/20/06

FROM:  
KRISTOPHER E TWOMEY, PC  
1519 E 14TH ST  
STE A  
SAN LEANDRO, CA 94577-0000


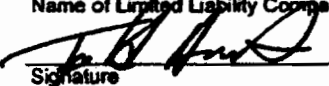
FEES  
RECEIVED: \$20.00 \$0.00  
TOTAL PAYMENT RECEIVED: \$20.00

RECEIPT NUMBER: 00003848733  
ACCOUNT NUMBER: 00511381



*Riley C Darnell*

RILEY C. DARNELL  
SECRETARY OF STATE

<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 9:58 SECRETARY OF STATE</p>
<p align="center"><b>APPLICATION FOR CERTIFICATE OF AUTHORITY (Limited Liability Company)</b></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: 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).</b></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</u>      <u>Paducah</u>      <u>KY</u>      <u>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: 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.</b></p>	
<p><u>9/22/05</u></p> <p>Signature Date</p> <p>President of Aero Communications, LLC</p> <p>Signer's Capacity</p>	<p><u>Aero Communications, LLC</u></p> <p>Name of Limited Liability Company</p> <p></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		(20,116)	181,048
Accounts Receivable - Switch Termination		182,000	
Bad Debt Allowance		-	182,000
Inventory (Resale and PC Repair)			11,472
<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	79,831	2,232,201	
Accumulated Depreciation		(618,975)	
<b>Net Fixed Assets</b>			<b>1,613,226</b>
<b>Shareholder Receivable</b>			<b>-</b>
<b>TOTAL ASSETS</b>			<b>\$ 4,245,356</b>

**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		2,455	
<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		-	
<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		291,385	
<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.



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>-</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>-</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>-</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><u>\$ 1,091,608</u></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><u>\$ (19,910)</u></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	(17,740)	159,660	
Accounts Receivable - Switch Termination	182,000		
Bad Debt Allowance	-	182,000	
Inventory (Resale and PC Repair)		11,472	
<b>Total Current Assets</b>			<b>\$ 651,422</b>

**Intercompany Receivable** - 179,394

**Plant & Equipment**

Land and Building	950,000		
Active Assets	1,429,547		
Wireless Equipment	195,792		
Stores Equipment	30,502		
Inactive Assets	79,831	2,685,672	
Accumulated Depreciation		(618,975)	
<b>Net Fixed Assets</b>			<b>2,066,697</b>
<b>Shareholder Receivable</b>			<b>75,000</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	31,438		
<b>Total Short Term Liabilities</b>			<b>\$ 448,768</b>

**Long Term Liabilities**

Note Payable - Paducah Bank	438,915		
Note Payable - Benterra	-		
Lease Payable - Elan	72,262		
Note Payable - SBA	283,397		
Long Term Trade Accounts	-		
<b>Total Long Term Debt</b>		<b>772,574</b>	

**Total Liabilities** **1,221,342**

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

Capital Stock	57,500		
Additional Paid in Capital	512,875		
Current Earnings	849,780		
Retained Earnings	331,216		
<b>Total Shareholder' Equity</b>		<b>1,751,171</b>	

**TOTAL LIABILITIES AND CAPITAL** **\$ 2,972,513**

**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>	159,660
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>

**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>(605,506)</u>
<b>Net Fixed Assets</b>		<b>903,872</b>
<b>Shareholder Receivable</b>		<b><u>75,000</u></b>

**TOTAL ASSETS** **\$ 1,630,294****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 - Banterra	-	
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>\$ 1,630,294</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>	<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>-</b>	<b>-</b>
<b>Shareholder Receivable</b>	<b>-</b>	<b>-</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>	<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>	<b>-</b>	<b>-</b>

**Total Liabilities** **-**

**Intercompany Payable/Receivable** **-**

**Shareholders' Equity**

Capital Stock	-	-
Additional Paid in Capital	-	-
Current Earnings	118,532	-
Retained Earnings	-	-
<b>Total Shareholder' Equity</b>	<b>118,532</b>	<b>118,532</b>

**TOTAL LIABILITIES AND CAPITAL** **\$ 118,532**

**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	56,281
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	\$ 524,216
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>\$ 1,139,780</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>\$ (58,272)</b>
<b>NET INCOME</b>	<b>\$ 849,780</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>

<b>Total Current Liabilities</b>	<u><b>181,866.81</b></u>
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**LONG-TERM LIABILITIES**

Note Payable -Shareholder Adjustments	32,292.44
Current Portion Long Term Debl	(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>

<b>Total Long-Term Liabilities</b>	<u><b>833,097.59</b></u>
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<b>Total Liabilities</b>	<u><b>1,014,964.40</b></u>
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**STOCKHOLDERS' EQUITY**

Capital Stock	57,500.00
Paid in Excess	139,621.00
Retained Earnings	<u>358,120.41</u>

<b>Total Stockholders' Equity</b>	<u><b>555,241.41</b></u>
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<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u><u><b>\$ 1,570,205.81</b></u></u>
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**Heartland Communications Internet Services, Inc.**  
**STATEMENT OF RETAINED EARNINGS**

	3 Months Ended March 31, 2004
Beginning of Period	\$ 427,693.07
Plus: Net Income	\$ (64,622.66)
Less: Dividends Paid	<u>4,950.00</u>
<b>RETAINED EARNINGS END OF PERIOD</b>	<b>\$ <u>358,120.41</u></b>

See Accountants' Compilation Report  
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**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>				
Sales - Internet Services	\$81,494.21	\$115,251.45	\$116,988.24	\$313,733.90
Services	1,562.05	13,630.59	95,216.43	110,409.07
Less Returns & Allowances	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<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 / Circuits	<u>42,662.23</u>	<u>122,239.98</u>	<u>53,744.47</u>	<u>218,646.68</u>
<b>Total Cost of Goods Sold</b>	<b>50,484.05</b>	<b>122,239.98</b>	<b>57,145.38</b>	<b>229,669.41</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	1,421.06	3,243.03	498.44	5,162.55
Bank Service Charges	251.74	111.63	154.87	518.24
Credit Card Fees	180.29	199.86	174.61	554.76
Contributions	250.00	900.00	1,190.00	2,340.00
Depreciation Expense	15,279.42	15,279.42	15,279.42	45,838.26
Dues and Subscriptions	195.00	20.00	0.00	215.00
Insurance	0.00	0.00	2,923.65	2,923.65
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	2,663.14	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	10,462.11	8,457.80	22,149.91
Building Repairs	3,600.00	4,125.00	5,000.00	12,725.00
Equipment Repairs	110.00	0.00	0.00	110.00
Telephone	2,762.83	2,499.00	2,802.32	8,064.15
Meals	330.30	0.00	0.00	330.30
Travel	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 - Salaries & Wages	31,017.76	29,544.81	29,263.03	89,825.60
Retirement Expense	388.25	352.54	296.69	1,037.48
Taxes & Licenses	128.89	100.00	15.00	243.89
Payroll Taxes	2,367.45	2,253.88	2,195.43	6,816.76
Property Taxes	<u>0.00</u>	<u>2,345.67</u>	<u>0.00</u>	<u>2,345.67</u>
<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>(64,625.74)</b>
<b>Other Income</b>				
Interest Income	<u>0.00</u>	<u>0.00</u>	<u>3.08</u>	<u>3.08</u>
<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>68,756.95</b>	<b>(64,622.66)</b>

See Accountants' Compilation Report  
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**Heartland Communications Internet Services, Inc.**  
**Statement of Cash Flows**  
**For the 3 months Ended March 31, 2004**

	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
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)</b>	
<b>Operating Activities</b>	<b>14,293.32</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Capital Expenditures	(11,665.39)
Proceeds From Sale of Fixed Assets	<u>0.00</u>
<b>Net Cash Provided By (Used In)</b>	
<b>Investing Activities</b>	<b>(11,665.39)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
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)</b>	
<b>Financing Activities</b>	<b>53,968.19</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	
<b>AND CASH EQUIVALENTS</b>	<b>56,596.12</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b><u>80,246.16</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>\$ 136,842.28</u></b>

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	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>	6,718,179	2,755,790	1,343,522	453,700	239,601	114,680	96,305
<b>PROPERTY AND EQUIPMENT</b>							
Equipment	2,500,152	2,250,152	1,300,152	1,269,852	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</b>	<b>\$ 647,885</b>

See accompanying notes and accountants' report

	Forecast				Historical	
	2006	2005	2004	2003	Sep YTD 2003	2001
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Notes payable - shareholder	\$ -	\$ -	\$ -	\$ 30,000	\$ 30,000	\$ 25,710
Current maturities of long-term debt	-	-	-	14,700	160,000	145,089
Trade accounts payable	498,054	286,753	369,332	110,426	47,630	6,401
Accrued payroll liabilities	23,556	22,223	20,965	16,789	13,578	5,061
<b>TOTAL CURRENT LIABILITIES</b>	<b>521,610</b>	<b>308,976</b>	<b>390,297</b>	<b>171,915</b>	<b>251,208</b>	<b>182,261</b>
<b>LONG-TERM DEBT</b>						
Notes payable, non-current portion	-	-	-	-	159,050	365,018
<b>STOCKHOLDERS' EQUITY</b>						
Common Stock - 4000 voting shares; 2,760 issued	627,500	627,500	627,500	627,500	57,500	57,500
Retained earnings	6,707,807	3,018,266	904,051	425,956	265,406	43,106
	<u>7,335,307</u>	<u>3,645,766</u>	<u>1,531,551</u>	<u>1,053,456</u>	<u>322,906</u>	<u>100,606</u>
	<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>\$ 647,885</b>

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	\$ 7,284,526	\$ 2,547,331	\$ 1,425,110	\$ 1,039,472	\$ 1,168,328 \$ 989,953
COST OF GOODS SOLD	5,329,047	3,232,504	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	774,528 561,419
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)	(15,857)	(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	-	-	-	-	-	59,000 404,970
Repayment of long-term debt	-	-	-	(305,050)	(121,089)	(115,340) (306,599)
Shareholder distributions	(1,229,841)	(704,745)	(107,764)	(32,000)	(20,000)	(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% 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 <sup>Illinois</sup> ~~Kentucky~~ 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 2001
Internet sales - existing subscribers							
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		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</b>	<b>\$ 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

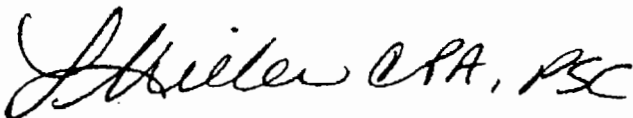
To the Board of Directors  
Heartland Communications Internet Services, Inc.  
1301 Broadway  
Paducah, KY 42001

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>

See Accountants' Compilation Report

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

	<b>12 Months Ended 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 END OF PERIOD</b>	<b><u>\$ 427,693.07</u></b>

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See Accountants' Compilation Report

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

	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
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>	(271,310.16)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
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>	(238,336.51)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
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>	<u>563,399.11</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	
<b>AND CASH EQUIVALENTS</b>	53,752.44
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>35,830.34</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><b>\$ 80,246.16</b></u>

## **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**

**EXHIBIT G – CERTIFICATE OF SERVICE**

**[TO FOLLOW ONCE SERVICE IS COMPLETE]**

## **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’ 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.