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April 11, 2011

**VIA FEDERAL EXPRESS**

Honorable Freeman, Chairman  
Attn: Sharla Dillon, Dockets  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-9021  
(615) 741-3939

filed electronically in docket office on 04/12/11  
Docket #11-00051

Re: Crexendo Business Solutions, Inc.

Dear Ms. Dillon:

Enclosed please find for filing an original and four (4) copies of Crexendo Business Solutions, Inc.'s Application for a Certificate of Public Convenience and Necessity to Provide Competing Local Exchange and Interexchange Telecommunications Services in Tennessee. I have also enclosed a check in the amount of \$25.00 payable to the "Tennessee Regulatory Authority" for the filing fee. This filing has also been sent via e-mail to [sharla.dillon@tn.gov](mailto:sharla.dillon@tn.gov) on April 11, 2011. No copy of the filing fee check is included in the electronic copy.

I have also enclosed an extra copy of this letter to be date stamped and returned to me in the enclosed, self-addressed, postage prepaid envelope. If you have any questions or if I may provide you with any additional information, please do not hesitate to contact me. Thank you.

Respectfully submitted,



Lance J.M. Steinhart  
Attorney for Crexendo Business Solutions, Inc.

Enclosures

cc: Jeff Korn

**STATE OF TENNESSEE  
BEFORE THE TENNESSEE REGULATORY AUTHORITY**

<b>In re:</b>	)	
	)	
<b>Application of</b>	)	
<b>Crexendo Business Solutions, Inc.</b>	)	
	)	
<b>For a Certificate of Public</b>	)	<b>DOCKET NO.</b>
<b>Convenience and Necessity to</b>	)	
<b>Provide Competing</b>	)	
<b>Local Exchange and Interexchange</b>	)	
<b>Telecommunications Services</b>	)	

**APPLICATION OF CREXENDO BUSINESS SOLUTIONS, INC. FOR AUTHORITY  
TO PROVIDE COMPETING LOCAL EXCHANGE & INTEREXCHANGE SERVICE**

Crexendo Business Solutions, Inc. ("Crexendo" or "Applicant"), pursuant to T.C.A. §§ 65-2-103, 65-2-102 and 65-4-201; Section 253 of the Federal Telecommunications Act of 1996; and Section 1220-4-8-.04 of the Rules of the Tennessee Regulatory Authority, Division of Public Utilities, respectfully submits this Application for Authority to Provide Competing Local Exchange and Interexchange Telecommunications Services within the State of Tennessee.

Applicant intends to provide local exchange service to customers located in non-rural local exchange carriers' service areas of Tennessee. Applicant intends to provide interexchange service statewide. Should its Application be granted, Crexendo plans to commence offering service after the establishment of the appropriate and necessary resale and interconnection arrangements with the incumbent Local Exchange Carriers ("LECs"). Initially, Applicant will be negotiating an interconnection/resale agreement with BellSouth Telecommunications, Inc. d/b/a AT&T Tennessee ("AT&T") to provide local service.

In support of its Application, Crexendo submits the following:

**I. Introduction**

1. The full name and address of the Applicant are:  
Crexendo Business Solutions, Inc.  
1615 South 52nd Street  
Tempe, Arizona 85281

The following is a list of applicant's corporate officers and directors:

Officer

Steven G. Mihaylo	Chief Executive Officer
Jeff Korn	Chief Legal Officer
Jonathan Erikson	Chief Financial Officer
Clint Sanderson	President
David Krietzberg	Chief Administrative Officer
David Rosenvall	Chief Technology Officer

Directors

Steven G. Mihaylo

The above-named individuals can be reached at:  
Crexendo Business Solutions, Inc.  
1615 South 52nd Street, Tempe, Arizona 85281  
Telephone: (801) 227-0004

Applicant is currently authorized to provide local exchange and interexchange services in Alabama, California, Colorado, District of Columbia, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Dakota, Texas, Utah, Vermont, Washington, West Virginia, Wisconsin and Wyoming. Applicant has not been denied authority for any of the services for which it seeks authority in this Application.

The name, address and telephone number of a Tennessee contact person responsible for and knowledgeable about Applicant's operations are:

Jeff Korn, Chief Legal Officer  
Crexendo Business Solutions, Inc.  
1615 South 52nd Street  
Tempe, Arizona 85281  
(801) 227-0004

The name, address and telephone number of a person responsible for repair and maintenance (customer service) are:

Patricia Creviston, Customer Support Manager  
Crexendo Business Solutions, Inc.  
1615 South 52nd Street  
Tempe, Arizona 85281  
(801) 234-5988  
(866) 621-6111 (toll-free customer service)



2. All correspondence, notices, inquiries and other communications regarding this Application should be directed to:

Lance J.M. Steinhart  
Lance J.M. Steinhart, P.C.  
1720 Windward Concourse  
Suite 115  
Alpharetta, Georgia 30005  
(770) 232-9200 (Phone)  
(770) 232-9208 (Facsimile)  
[lsteinhart@telecomcounsel.com](mailto:lsteinhart@telecomcounsel.com) (E-mail)

3. In support of this Application, the following exhibits are attached hereto:
- a. Exhibit A - Crexendo's Articles of Incorporation filed with the Secretary of State for the State of Arizona and Bylaws;
  - b. Exhibit B - Crexendo's Certificate of Authority to Operate in Tennessee as a Foreign Corporation;
  - c. Exhibit C - iMergent, Inc.'s SEC Form 10-Q for period ended September 30, 2010
  - d. Exhibit D - Biographies of selected Crexendo management.
  - e. Exhibit E - Corporate Organization Chart
  - f. Exhibit F - IntraLATA Presubscription Implementation Plan
  - g. Exhibit G - Small and Minority-Owned Telecommunications Business Participation Plan
  - h. Exhibit H - Pre-Filed Testimony
  - i. Exhibit I - Numbering Issues & Tennessee Specific Operational Issues
  - j. Exhibit J - Bond or Letter of Credit
  - k. Exhibit K - Tariffs

## **II. Description of the Applicant**

### **1. General Information**

Applicant is an Arizona Corporation, which was formed on April 14, 2009. The company is headquartered at 1615 South 52nd Street, Tempe, Arizona 85281. The company is authorized to transact business in the State of Tennessee.

## **2. Customer Service**

Applicant's customer service department may be contacted via a toll-free number, (866) 621-6111, or a local number. The Company will maintain a Customer Service Department exclusively for Customer's questions, requests for service, complaints and trouble handling. The Company's Customer Service address and toll free number(s) will be printed on the Customer's bill. The Customer Service Department will be located at 1615 South 52nd Street, Tempe, Arizona 85281.

Office Hours- Excluding holidays, Customer Service Representatives will be available 10:00 AM to 7:00 PM mountain time Monday through Friday. Online chat is available 24 hours a day, seven days a week with the exclusion of major U.S. holidays. Customers access the website [www.myquickresponse.com](http://www.myquickresponse.com) and are connected with a support person via online chat. The online session is saved and a copy of the chat is sent to the customer. Customers may also send in email questions ([crexendo@myquickresponse.com](mailto:crexendo@myquickresponse.com)) which when received are automatically assigned a ticket number. These tickets are assigned to Customer Support staff and the customer receives a phone call generally within one business day of the receipt of the request, but always within two business days.

Complaint Procedures-The Customer shall pose any inquiries or disputes directly to the Company for resolution. Written communications should be directed to the Company's Customer Service department. All undisputed portions of any outstanding balance due are to be paid while resolution of the inquiry or dispute is pending. The Company will investigate a Customer inquiry or dispute and report the findings to the Customer. If the Company finds its actions to be consistent with its Tariff, the Company will inform the Customer of its no fault

finding and require full payment of any outstanding balance due. If the Customer is not satisfied with the Company's resolution of an inquiry or dispute, the Customer may refer the matter to the Tennessee Regulatory Authority for determination.

### **III. Crexendo Possesses the Technical, Managerial and Financial Expertise Necessary to Provide Local Exchange Service**

Crexendo possesses the requisite technical, financial and managerial capabilities to operate as a competitive telecommunications provider. These capabilities are explained in detail below.

#### **1. Financial Qualifications**

Crexendo is a wholly owned subsidiary of iMergent, Inc. (iMergent), a publicly traded company. Crexendo is financially able to provide the services proposed in its tariff as evidenced by iMergent's SEC Form 10-Q for period ended September 30, 2010.

#### **2. Managerial Qualifications**

Crexendo's senior management team is highly skilled, and has had extensive experience in the telecommunications industry. Using this expertise, Crexendo's management team has developed innovative marketing and customer care programs, and provides its customers with high quality advanced services at competitive rates. Crexendo has extensive experience in the technical, managerial, and financial aspects of the telecommunications industry.

### **3. Technical Qualifications and Proposed Service Area**

Applicant's key management personnel have significant business and telecommunications experience. Applicant is currently authorized to provide local exchange and interexchange services in Alabama, California, Colorado, District of Columbia, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Dakota, Texas, Utah, Vermont, Washington, West Virginia, Wisconsin and Wyoming. Applicant has not been denied authority for any of the services for which it seeks authority in this Application. Applicant is currently providing service in California, Florida, Idaho, Illinois, Massachusetts, Missouri, Nebraska, New Jersey, New York, North Carolina, Oregon, Pennsylvania, Texas and Washington. No formal complaints have been filed against Applicant by any state or federal agency.

Crexendo will initially resell services and provide service using unbundled network elements obtained through commercial and/or interconnection agreements, utilizing the facilities of the existing LECs or other competitive carriers that presently serve Tennessee. The company has no plans to install facilities in the State of Tennessee.

The Applicant proposes to offer its services throughout the State of Tennessee in non-rural areas, specifically targeting Nashville, Knoxville, Memphis and Chattanooga. These areas are currently being served by AT&T and CenturyLink, which are designated open to competition.

As the foregoing illustrates, Crexendo possesses considerable telecommunications expertise. Applicant will also rely upon the technical expertise and telecommunications experience of its underlying carriers. Thus, Crexendo is technically qualified to provide local exchange and interexchange telecommunications services in Tennessee. Applicant also is willing to adhere to all applicable Tennessee Regulatory Authority policies, rules and orders.

**IV. Approval of Crexendo's Application is in the Public Interest**

Granting Crexendo's Application is consistent with the public interest, and, in that regard Applicant makes the following representations to the Tennessee Regulatory Authority:

- a. Applicant possesses the technical, financial, and managerial resources sufficient to provide the services requested;
- b. Applicant's services will meet the service standards required by the Tennessee Regulatory Authority;
- c. The provision of services by Applicant will not adversely impact the availability of affordable local exchange service;
- d. Applicant, to the extent it is required to do so by the Tennessee Regulatory Authority, will participate in the support of universally available telephone service at affordable rates; and,
- e. The provision of local exchange and interexchange services by Applicant will not adversely impact the public interest.

The demands of a competitive market are a better means to achieve affordability and quality of service than a monopoly environment. As competitors vie for market share, they will compete based upon price, innovation and customer service.

Those providers that offer consumers the most cost effective products will gain market share. In contrast, providers whose products do not meet the needs of consumers will lose market share and may ultimately, be eliminated from the industry.

Additionally, Crexendo's entry into the local exchange and interexchange markets will not unreasonably prejudice or disadvantage any telephone service providers. Incumbent local exchange carriers presently serve a large majority of the local exchange customers in Tennessee. The major advantages of incumbency (i.e., ownership of the existing local network as well as access to, and long-standing relationships with, every local customer) constitute a substantial obstacle to new entrants. Moreover, exchange services competition will stimulate the demand for the services supplied by all local service carriers, including those of the incumbent LECs. Thus, in a competitive market, there will be increased potential for such LECs to generate higher revenues. Additionally, in a competitive market, incumbent providers will have market incentives to improve the efficiency of their operations, thereby reducing their costs and ultimately their profit margins.

In this regard, approval of this Application is clearly in the public interest.

**V. Description of Services Offered**

Crexendo seeks authority to offer a full array of local exchange and interexchange services, and hereby requests authority to provide the following services:

Interexchange (switched and dedicated services):

- A. 1+ and 101XXXX outbound dialing;
- B. 800/888 toll-free inbound dialing;
- C. Calling cards; and
- D. Data Services.

Local Exchange:

- A. Local Exchange Services that will enable customers to originate and terminate local calls in the local calling area served by other LECs, including local dial tone and custom calling features.
- B. Switched local exchange services, including basic service, trunks, carrier access, and any other switched local services that currently exist or will exist in the future.
- C. Non-switched local services (e.g., private line) that currently exist or will exist in the future.
- D. Centrex and/or Centrex-like services that currently exist or will exist in the future.
- E. Digital subscriber line, ISDN, and other high capacity services.

In addition to the services listed above, Crexendo, through interconnection with other carriers, will offer dual-party relay services, 9-1-1 Emergency Services, directory assistance and operator assisted calls, lifeline, and toll-free calling.

The Applicant's IntraLATA Presubscription Implementation Plan is attached hereto as Exhibit F.

Applicant's proposed tariffs are attached hereto as Exhibit K.

## **VI. Waivers and Regulatory Compliance**

Crexendo requests that the Tennessee Regulatory Authority grant it a waiver of those regulatory requirements inapplicable to competitive local service resellers such as Financial Record-Keeping System pursuant to Tennessee Rules and Regulation 1220-4-1-.11(1). Such rules are not appropriate or necessary for competitive providers and constitute an economic barrier to entry into the local exchange market.

### **1. Financial Record-Keeping System**

a. Crexendo requests that it be exempt from any record-keeping rules or regulations that might require a carrier to maintain its financial records in conformance with the Uniform System of Accounts ("USOA"). The USOA was developed by the FCC as a means of regulating telecommunications companies subject to rate base regulation, and as a competitive carrier, Crexendo does not maintain its financial records in this manner.

b. As a competitive carrier, Crexendo maintains its book of accounts in accordance with Generally Accepted Accounting Principles ("GAAP"). Neither the FCC, nor the Tennessee Regulatory Authority, has required Crexendo to maintain its records under the USOA for purposes of Crexendo's interexchange operations. Thus, Crexendo does not possess the detailed cost data required by USOA, nor does it maintain detailed records on a state-specific basis. As a competitive provider, Crexendo's network operations are integrated to achieve maximum efficiency. Having to maintain records pertaining specifically to its Tennessee local service operations would place an extreme burden on Crexendo.

c. Moreover, Crexendo asserts that because it utilizes GAAP, the Tennessee Regulatory Authority will have a reliable means by which to evaluate Crexendo's operations. Therefore, Crexendo hereby respectfully requests to be exempted from the any USOA requirements of the Tennessee Regulatory Authority.



d. The Applicant does agree that it will provide wire line activity reports as required by Tennessee Regulatory Authority rules and regulations.

## **2. Local Exchange Directories**

Crexendo requests that it not be required to publish local exchange directories. Crexendo will make arrangements with the incumbent LECs whereby the names of Crexendo's customers will be included in the directories published by the incumbent LECs. LEC directories will also be modified to include Crexendo's customer service number. These directories will be distributed to Crexendo's customers. This approach is entirely reasonable and will have a direct benefit to the customers of both Crexendo and the incumbent LEC since they need only refer to one directory for a universal listing of customer information. It would be an unnecessary burden on Crexendo to require that it publish and distribute its own directory to all customers located within each exchange area, particularly since nearly all of these customers will be customers of the incumbent LECs. It is more efficient for Crexendo to simply include its limited customer list in the existing directories of the incumbent LECs.

## **VII. Regulatory Obligations**

Applicant shall provide, either directly or indirectly or through arrangements with other carriers or companies, to the extent required by law or regulation:

1. Provide access to 911 and E 911 emergency service;
2. Provide white page directory listings and directory assistance;
3. Provide consumer access to and support for the Tennessee Relay Center in the same manner as incumbent local exchange telephone companies;
4. Provide free blocking service for 900, 976 type services in accordance with Tennessee Regulatory Authority policy;
5. Provide Lifeline and Link-up services to qualifying citizens of this state;
6. Provide educational discounts in existence as of June 6, 1995

Applicant shall also:

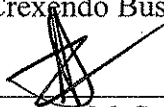
1. Provide support for universal service in a manner determined by the Tennessee Regulatory Authority. This requirement shall not be construed as prohibiting the granting of a certificate before the universal service issues are determined by the Tennessee Regulatory Authority;
2. Provide interconnection with other certificated carriers or Tennessee Regulatory Authority authorized carriers on a nondiscriminatory basis under reasonable terms and conditions;
3. Comply with Tennessee Regulatory Authority basic service standards as defined in any applicable rules and decisions of the Tennessee Regulatory Authority;
4. Provide equal access to authorized inter-and intraLATA long distance providers, unless otherwise exempted by the Tennessee Regulatory Authority.

### **VIII. Conclusion**

This Application demonstrates that Crexendo Business Solutions, Inc. possesses the technical, financial and managerial resources to provide resold and facilities-based/UNE local exchange and interexchange service in the State of Tennessee. Furthermore, granting this Application will promote the public interest by increasing the level of competition in the Tennessee telecommunications market. Ultimately, competition will compel all exchange telecommunications service providers to operate more efficiently and with resulting reduced prices for consumers. In addition, as a result of competition, the overall quality of local exchange service will improve. As stated above, Applicant does not intend to provide local service, by its own facilities or otherwise, to any customer located in a rural incumbent LEC's service area, until Applicant provides such LECs notice of intent at least 30 days prior to the date of the intended service, or as otherwise required by law.

Wherefore, Crexendo Business Solutions, Inc. respectfully petitions this Tennessee Regulatory Authority for a Certificate of Public Convenience and Necessity to Provide Competing local exchange and interexchange telecommunications services in the State of Tennessee in accordance with this Application and for such other relief as it deems necessary and appropriate.

Respectfully submitted,  
Crexendo Business Solutions, Inc.



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Lance J.M. Steinhart, P.C.  
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Alpharetta, Georgia 30005  
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*Attorney for Applicant*

April 11, 2011

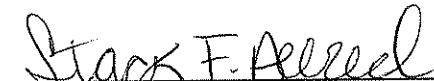
**VERIFICATION OF APPLICANT**

I, Jeff Korn, Chief Legal Officer of Crexendo Business Solutions, Inc., an Arizona Corporation, the applicant for a Certificate of Public Convenience and Necessity from the Tennessee Regulatory Authority, verify that based on information and belief, I have knowledge of the statements in the foregoing Application, and I declare that they are true and correct.

  
\_\_\_\_\_  
Jeff Korn  
Chief Legal Officer  
Crexendo Business Solutions, Inc.

Sworn to me, the undersigned  
Notary Public on this  
27 day of July, 2010.

State of Utah  
County of Utah

  
\_\_\_\_\_  
Notary Public



**EXHIBIT "A"**  
**ARTICLES OF INCORPORATION & BYLAWS**

# STATE OF ARIZONA



## Office of the CORPORATION COMMISSION

I, Ernest G. Johnson, Executive Director of the Arizona Corporation Commission, do hereby certify that the attached copy of the following document:

### ARTICLES OF INCORPORATION 04/19/2009

consisting of 3 pages, is a true and complete copy of the original of said document on file with this office for:

**CREXENDO BUSINESS SOLUTIONS, INC.**  
ACC file number: -1519323-6

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission on this date: February 4, 2010.



  
Executive Director

By:   
Rebekah F. Hernandez

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AZ CORP COMMISSION

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**PROFIT**  
**CERTIFICATE OF DISCLOSURE**  
Pursuant to A.R.S. §10-202. (D).

Crescendo Business Solutions, Inc.  
**EXACT CORPORATE NAME**

- A. Has any person serving either by election or appointment as officer, director, trustee, incorporator and persons controlling or holding over 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation:
1. Been convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate?
  2. Been convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraint of trade or monopoly in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate?
  3. Been or are subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven-year period immediately preceding the execution of this Certificate wherein such injunction, judgment, decree or permanent order:
    - (a) Involved the violation of fraud or registration provisions of the securities laws of that jurisdiction; or
    - (b) Involved the violation of the consumer fraud laws of that jurisdiction; or
    - (c) Involved the violation of the antitrust or restraint of trade laws of that jurisdiction?

Yes \_\_\_\_\_ No x \_\_\_\_\_

B. IF YES, the following information **MUST** be attached:

1. Full name, prior name(s) and aliases, if used.
2. Full birth name.
3. Present home address.
4. Prior addresses (for immediate preceding 7-year period).
5. Date and location of birth.
6. The nature and description of each conviction or judicial action, date and location, the court and public agency involved and file or cause number of case.

- C. Has any person serving as an officer, director, trustee, incorporator or holder of over twenty per cent of the issued and outstanding common shares or twenty per cent of any other proprietary, beneficial or membership interest in the corporation served in any such capacity or held a twenty per cent interest in any other corporation in any jurisdiction on the bankruptcy or receivership of the other corporation?

Yes \_\_\_\_\_ No x \_\_\_\_\_

IF YOUR ANSWER TO THE ABOVE QUESTION IS "YES", YOU MUST ATTACH THE FOLLOWING INFORMATION FOR EACH CORPORATION:

1. Name and address of the corporation.
2. Full name (including aliases) and address of each person involved.
3. State(s) in which the corporation:
  - (a) Was incorporated.
  - (b) Has transacted business.
4. Dates of corporate operation.
5. Date and case number of bankruptcy or receivership.

Under penalties of law, the undersigned incorporator(s)/officer(s) declare(s) that I(we) have examined this Certificate, including any attachments, and to the best of my(our) knowledge and belief it is true, correct and complete, and hereby declare as indicated above.

THE SIGNATURE(S) MUST BE DATED WITHIN THIRTY (30) DAYS OF THE DELIVERY DATE.

BY Steven Miravio BY Steven Miravio

PRINT NAME Steven Miravio PRINT NAME Steven Miravio

TITLE CEO DATE 4/14/09 TITLE CEO DATE 4/14/09

**DOMESTIC CORPORATIONS: ALL INCORPORATORS MUST SIGN THE INITIAL CERTIFICATE OF DISCLOSURE.** If within sixty days, any person becomes an officer, director, trustee or person controlling or holding over 10% of the issued and outstanding shares or 10% of any other proprietary, beneficial, or membership interest in the corporation and the person was not included in this disclosure, the corporation must file an AMENDED certificate signed by at least one duly authorized officer of the corporation.

**FOREIGN CORPORATIONS: MUST BE SIGNED BY AT LEAST ONE DULY AUTHORIZED OFFICER OF THE CORPORATION.**





AZ CORPORATION COMMISSION  
FILED

ARTICLES OF INCORPORATION

OF

APR 14 2009

FILE NO. 15193236 CREXENDO BUSINESS SOLUTIONS, INC.

PURSUANT TO A.R.S. § 10-202

1. Name: The Name of the Corporation is Crexendo Business Solutions, Inc.
2. Initial Business: The Corporation initially intends to conduct the business of: Providing small businesses with e-Commerce, hosting, telecommunications, and internet solutions. In particular, Crexendo Business Solutions, Inc. provides software, training, and hosted telecommunications to enable its customers to market and sell their products or services over the internet.
3. Authorized Capital: The Corporation shall have authority to issue 1,000 shares of Common Stock.
4. Known Place of Business: The street address of the known place of business of the Corporation is: 10201 South 51<sup>st</sup> Street, Phoenix, Arizona 85044.
5. Statutory Agent: The name and address of the statutory agent of the Corporation is: Steven G. Mihaylo, 10201 South 51<sup>st</sup> Street, Phoenix, Arizona 85044.
6. Board of Directors: The initial board of directors shall consist of one (1) director. The name and address of the person who shall serve as the director until the first annual meeting of shareholders or until his successor is elected and qualifies is:

Name: Steven G. Mihaylo

Address: 10201 South 51<sup>st</sup> Street

City, State, Zip: Phoenix, Arizona 85044.

7. Incorporators: The name and address of the incorporator is:

Name: Steven G. Mihaylo

Address: 10201 South 51<sup>st</sup> Street

City, State, Zip: Phoenix, Arizona 85044.

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AZ CORP COMMISSION

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8. Indemnification of Officers, Directors, Employees and Agents: The Corporation shall indemnify any person who incurs expenses or liabilities by reason of the fact he or she is or was an officer, director, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise. This indemnification shall be mandatory in all Circumstances in which indemnification is permitted by law.
9. Limitation of Liability: To the fullest extent permitted by the Arizona Revised Statutes, as the same exists or may hereafter be amended, a director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for any action taken or any failure to take action as a director. No repeal, amendment or modification of this article, whether direct or indirect, shall eliminate or reduce its effect with respect to any act or omission of a director of the Corporation occurring prior to such repeal, amendment or modification.

Executed this 13<sup>th</sup> Day of April, 2009, by the Incorporator.

Signed: 

Steven G. Mihaylo

**ACCEPTANCE OF APPOINTMENT BY STATUTORY AGENT**

The undersigned hereby acknowledges and accepts the appointment

As statutory agent of the above-named corporation effective

This 13<sup>th</sup> Day of April, 2009.

Signed: 

Steven G. Mihaylo

**BYLAWS  
OF  
CREXENDO BUSINESS SOLUTIONS, INC.**

**ARTICLE 1  
STOCKHOLDERS**

**Section 1.1**    Annual Meetings. An annual meeting of stockholders shall be held for the election of directors at such date, time and place, either within or without the State of Arizona, as may be designated by resolution of the Board of Directors from time to time. Any other proper business may be transacted at the annual meeting.

**Section 1.2**    Special Meetings. Special Meetings of the stockholders of the Corporation may be called, for any purposes, by the Chairman of the Board, the Chief Executive Officer or the Board of Directors at any time. Upon written request of any stockholder or stockholders holding in the aggregate one-tenth of the voting power of all stockholders delivered in person or sent by registered mail to the Chairman of the Board, Chief Executive Officer or Chief Financial officer of the Corporation, the Chief Financial Officer shall call a special meeting of stockholders to be held at the office of the Corporation required to be maintained pursuant to Section 2 of Article I hereof at such time as the Chief Financial Officer may fix, such meeting to be held not less than ten nor more than sixty days after the receipt of such request, and if the Chief Financial Officer shall neglect or refuse to call such meeting, within seven days after the receipt of such request, the stockholder making such request may do so.

**Section 1.3**    Notice of Meetings. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by application law or the Certificate of Incorporation, the written notice of any meeting shall be given not less than ten (10), nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the mail, postage prepaid, directed to the stockholder at his or her address as it appears on the records of the Corporation.

**Section 1.4**    Adjournments. Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

**Section 1.5**    Quorum. At each meeting of stockholders, except where otherwise provided by law or the Certificate of Incorporation of these Bylaws, the holders of a majority of the

outstanding shares of stock entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum. In the absence of a quorum, the stockholders so present may, by majority vote, adjourn the meeting from time to time in the manner provided in Section 1.4 of these Bylaws until a quorum shall attend. Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of any corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

**Section 1.6**    Organization. Meetings of stockholders shall be presided over by the Chairman of the Board, if any, or in the absence of such person, the President, or in his or her absence by the Vice President, or in the absence of the foregoing persons, by a chairman designated by the Board of Directors, or in the absence of such designation, by a chairman chosen at the meeting. The Chief Financial Officer shall act as secretary of the meeting, but in his or her absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

**Section 1.7**    Voting; Proxies. Unless otherwise provided by law or the Certificate of Incorporation, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by him which has voting power upon the matter in question. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from this date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Chief Financial Officer of the Corporation. Unless otherwise required by law, voting at meetings of stockholders need not be by written ballot and need not be conducted by inspectors unless the Board of Directors, or holders of a majority of the outstanding shares of all classes of stock entitled to vote thereon present in person or by proxy at such meeting shall so determine. At all meetings of stockholders for the election of directors a plurality of the votes cast shall be sufficient to elect. All other elections and questions shall, unless otherwise provided by law or by the Certificate of Incorporation or these Bylaws, be decided by the vote of the holders of a majority of the outstanding shares of stock entitled to vote thereon present in person or by proxy at the meeting.

**Section 1.8**    Fixing Date for Determination of Stockholders of Record.

(a)    In order that the Corporation may determine the stockholders entitled to notice of or vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date; which shall not precede the date such record date is fixed and shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. If no record date is fixed, the record date for determining stockholders entitled to notice of or vote

at a meeting of stockholders shall be at the close of business on the day next preceeding the day on which notice is given. The record date for any other purpose other than stockholder action by written consent shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Chief Financial Officer, request the Board of Directors to fix a record date. The Board of Directors shall promptly, but in all events within ten (10) days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board of Directors within ten (10) days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or any officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

**Section 1.9** List of Stockholders Entitled to Vote. The Chief Financial Officer shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list of stockholders or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

**Section 1.10** Inspectors of Elections; Opening and Closing the Polls.

(a) If required by the Arizona General Corporation Law, the Board of Directors by resolution shall appoint one or more inspectors, which inspector or inspectors may include individuals who serve the Corporation in other capacities, including, without limitation, as officers, employees, agents or representatives of the Corporation, to act at the meeting and make a written report thereof. The procedures, oath, duties, and determinations with respect to inspectors shall be as provided under the Arizona General Corporation Law.

(b) The chairman of any meeting shall fix and announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting.

**Section 1.11** Action by Written Consent of Stockholders. Unless otherwise restricted by the Certificate of Incorporation, any action required or permitted to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

**ARTICLE II**  
**BOARD OF DIRECTORS**

**Section 2.1** Number; Qualifications. The Board of Directors shall consist of one or more members, the number thereof to be determined from time to time by resolution of the Board of Directors. The initial number of directors shall be three (3), and thereafter shall be fixed from time to time by resolution of the Board of Directors. Directors need not be stockholders.

**Section 2.2** Election; Resignation; Removal; Vacancies. The Board of Directors shall initially consist of the persons elected as such by the incorporator or named in the Corporation's Certificate of Incorporation. At the first annual meeting of stockholders and at each annual meeting thereafter, the stockholders shall elect Directors to replace those Directors whose terms then expire. Any Director may resign at any time upon written notice to the Corporation. Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the Board, although such majority is less than quorum, or by a plurality of the votes cast at a meeting of stockholders, and each Director so elected shall hold office until the expiration of the term of office of the Director whom he or she has replaced.

**Section 2.3** Regular Meetings. Regular meetings of the Board of Directors may be held at such places within or without the State of Arizona and at such times as the Board of Directors may from time to time determine. Notice of regular meetings need not be given if the date, times and places thereof are fixed by resolution of the Board of Directors.

**Section 2.4** Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board, the President or a majority of the members of the Board of Directors then in office and may be held at any time, date or place, within or without the State of Arizona, as the person or persons calling the meeting shall fix. Notice of the time, date and place of such meeting shall be given, orally or in writing, by the person or persons calling the meeting to all directors at least four (4) days before the meeting if the notice is mailed, or at least twenty-four (24) hours before the meeting if such notice is given by telephone, hand delivery, telegram, telex, mailgram, facsimile or similar communication method. Unless otherwise indicated in the notice, any and all business may be transacted at a special meeting.

**Section 2.5** Telephonic Meetings Permitted. Members of the Board of Directors, or any committee designated by the Board, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this bylaw shall constitute presence in person at such meeting.

**Section 2.6** Quorum: Vote Required for Action. At all meetings of the Board of Directors a majority of the whole Board shall constitute a quorum for the transaction of business. Except as otherwise provided in these Bylaws, or in the Certificate of Incorporation or required by law, the vote of a majority of the directors present shall be the act of the Board of Directors.

**Section 2.7** Organization. Meetings of the Board of Directors shall be presided over by the Chairman of the Board, if any, or in his or her absence by the Vice Chairman of the Board, if any, or in his or her absence by the President, or in their absence by a chairman chosen at the meeting. The Chief Financial Officer shall act as a secretary of the meeting, but in his or her absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

**Section 2.8** Written Action by Directors. Unless otherwise restricted by the Certificate of Incorporation, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board or such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

**Section 2.9** Powers. The Board of Directors may, except as otherwise required by law or the Certificate of Incorporation, exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

**Section 2.10** Compensation of Directors. Directors, as such, may receive, pursuant to a resolution of the Board of Directors, fees and other compensation for their services as directors, including without limitation their services as members of committees of the Board of Directors.

### **ARTICLE III COMMITTEES**

**Section 3.1** Committees. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one

or more of the directors of the corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification for a member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have power or authority in reference to amending the Certificate of Incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors as provided in Section 151(a) of the General Corporation Law, fix any of the preferences or rights of such shares, except voting rights of the shares), adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of dissolution, or amending these Bylaws; and, unless the resolution expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock.

**Section 3.2** Committee Rules. Unless the Board of Directors otherwise provides, each committee designated by the board may make, alter and repeal rules for conduct of its business. In the absence of such rules each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to Article II of these Bylaws.

## **ARTICLE IV OFFICERS**

**Section 4.1** Executive Officers; Election; Qualifications; Term of Office; Resignation; Removal; Vacancies. The Board of Directors shall choose a President and Chief Financial Officer, and it may, if it so determines, choose a Chairman of the Board and Vice Chairman of the Board from among its members. The Board of Directors may also choose one or more Vice Presidents, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers. Each such officer shall hold office at the pleasure of the Board of Directors until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any officer may resign at any time upon written notice to the corporation. The Board of Directors may remove any officer with or without cause at any time, but such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation. Any number of offices may be held by the same person. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise may be filled for the unexpired portion of the term by the Board of Directors at any regular or special meeting.

**Section 4.2** Powers and Duties of Executive Officers. The officers of the corporation shall have such powers and duties in the management of the Corporation as may be prescribed by the Board of Directors and, to the extent not so provided, as generally pertain to their respective



offices, subject to the control of the Board of Directors. The Board of Directors may require any officer, agent or employee to give security for the faithful performance of his or her duties.

**Section 4.3** Compensation. The salaries of all officers and agents of the Corporation shall be fixed from time to time by the Board of Directors or by a committee appointed or officer designated for such purpose, and not officer shall be prevented from receiving such compensation by reason of the fact that he is also a director of the Corporation.

## **ARTICLE V STOCK**

**Section 5.1** Certificates. Every holder of stock shall be entitled to have a certificate signed by or in the name of the Corporation by the Chairman or Vice Chairman of the Board of Directors, if any, or the President or a Vice President, and by the Chief Financial Officer, or an Assistant Chief Financial Officer, or by the Treasurer, or an Assistant Treasurer, or the Secretary or an Assistant Secretary, of the Corporation, certifying the number of shares owned by him or her in the Corporation. Any of or all the signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent, or registrar at the date of issue.

**Section 5.2** Lost, Stolen or Destroyed Stock Certificates; Issuance of New Certificates. The Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or his or her legal representative, to agree to indemnify the Corporation and/or to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

**Section 5.3** Other Regulations. The issue, transfer, conversion and registration of stock certificates shall be governed by such other regulations as the Board of Directors may establish.

## **ARTICLE VI INDEMNIFICATION**

**Section 6.1** Right to Indemnification. The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended in a manner more favorable to indemnities, any person (an "Indemnitee") who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding"), by reason of the fact that he, she, or a person for whom he or she is the legal representative, is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit planes, against all liability and loss suffered and expenses (including attorney's

fees) reasonably incurred by such Indemnitee. Notwithstanding the preceding sentence, except as otherwise provided in Section 6.3, the Corporation shall be required to indemnify an Indemnitee in connection with a proceeding (or part thereof) commenced by such Indemnitee only in the commencement of such proceeding (or part thereof) by the Indemnitee was authorized by the Board of Directors of the Corporation.

**Section 6.2** Prepayment of Expenses. The Corporation shall pay the expenses (including attorneys' fees) incurred by an Indemnitee in defending any proceeding in advance of its final disposition, provided, however, that, to the extent required by law, such payment of expenses in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by the Indemnitee to repay all amounts advanced if it should ultimately be determined that the Indemnitee is not entitled to be indemnified under this Article VI or otherwise; and *provided, further*, that the Corporation shall not be required to advance any expenses to a person against whom the Corporation directly brings a claim, in a proceeding, alleging that such person has breached his or her duty of loyalty to the Corporation, committed an act or omission not in good faith or that involves intentional misconduct or a knowing violation of law, or derived an improper professional benefit from a transaction.

**Section 6.3** Claims. If a claim for indemnification or payment of expenses under this Article VI is not paid in full within sixty (60) days after a written claim therefore by the Indemnitee has been received by the Corporation, the Indemnitee may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the Corporation shall have the burden of proving that the Indemnitee is not entitled to the requested indemnification or payment of expenses under applicable law.

**Section 6.4** Nonexclusivity of Rights. The rights conferred on any Indemnitee by this Article VI shall not be exclusive of any other rights which such Indemnitee may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, these Bylaws, agreement, vote of stockholders or disinterested directors or otherwise. Additionally, nothing in this Article VI shall limit the ability of the Corporation, in its discretion, to indemnify or advance expenses to persons whom the Corporation is not obligated to indemnify or advance expenses pursuant to this Article VI.

**Section 6.5** Other Sources. The Corporation's obligation, if any, to indemnify or to advance expenses to any Indemnitee who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such Indemnitee may collect as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, enterprise or nonprofit enterprise.

**Section 6.6** Amendment or Repeal. Any repeal or modification of the foregoing provisions of this Article VI shall not adversely affect any right or protection hereunder of any Indemnitee in respect of any act or omission occurring prior to the time of such repeal or modification.

**Section 6.7** Other Indemnification and prepayment of Expenses. This Article VI shall not limit the right of the Corporation, to the extent and in the manner permitted by law, to indemnify and to advance expenses to persons other than Indemnitees when and as authorized by appropriate corporate action.

**Section 6.8** Indemnification Contracts. The Board of Directors is authorized to cause the Corporation to enter into indemnification contracts with any director, officer, employee or agent to the Corporation, or any person serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including employee benefit plans, providing indemnification rights to such person. Such rights may be greater than those provided in this Article VI.

**Section 6.9** Effect of Amendment. Any amendment, repeal or modification of any provision of this Article VI shall be prospective only, and shall not adversely affect any right or protection conferred on a person pursuant to this Article VI and existing at the time of such amendment, repeal or modification.

**Section 6.10** Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was or has agreed to become a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her on his or her behalf in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article VI.

**Section 6.11** Savings Clause. If this Article VI or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each director and officer of the Corporation as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the Corporation to the full extent permitted by any applicable portion of this Article VI that shall not have been invalidated and to the full extent permitted by applicable law.

## **ARTICLE VII MISCELLANEOUS**

**Section 7.1** Fiscal Year. The fiscal year of the Corporation shall be determined by resolution of the Board of Directors.

**Section 7.2** Seal. The corporate seal shall have the name of the Corporation inscribed thereon and shall be in such form as may be approved from time to time by the Board of Directors.

**Section 7.3** Waiver of Notice of Meetings of Stockholders, Directors and Committees. Any written waiver of notice, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting

shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice.

**Section 7.4 Interested Directors; Quorum.** No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of committee thereof which authorizes the contract or transaction, or solely because his or her or their votes are counted for such purpose, if: (1) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (2) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (3) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof, or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

**Section 7.5 Form of Records.** Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or be in the form of any information storage device, provided that the records so kept can be converted into clearly legible form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect the same.

**Section 7.6 Reliance Upon Books and Records.** A member of the Board of Directors, or a member of any committee designated by the Board of Directors shall, in the performance of his or her duties, be fully protected in relying in good faith upon records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of the Corporation's officers or employees, or committees of the Board of Directors, or by any other person as to matters the member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

**Section 7.7 Certification of Incorporation Governs.** In the event of any conflict between the provisions of the Corporation's Certificate of Incorporation and these Bylaws, the provisions of the Certificate of Incorporation shall govern.

**Section 7.8 Severability.** If any provision of these Bylaws shall be held to be invalid, illegal, unenforceable or in conflict with the provisions of the Corporation's Certificate of

Incorporation, then such provision shall nonetheless be enforced to the maximum extent possible consistent with such holding and the remaining provisions of these Bylaws (including without limitation, all portions of any section of these Bylaws containing any such provision held to be invalid, illegal, unenforceable or in conflict with the Certificate of Incorporation, that are not themselves invalid, illegal, unenforceable or in conflict with the Certificate of Incorporation) shall remain in full force and effect.

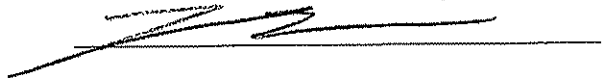
**Section 7.9** Amendments. Stockholders of the Corporation holding a majority of the Corporation's outstanding voting stock shall have power to adopt, amend or repeal Bylaws. To the extent provided in the Corporation's Certificate of Incorporation, the Board of Directors of the Corporation shall also have the power to adopt, amend or repeal Bylaws of the Corporation, except insofar as Bylaws adopted by the stockholders shall otherwise provide.

**CERTIFICATION OF BYLAWS  
OF  
CREXENDO BUSINESS SOLUTIONS, INC.  
(a Arizona corporation)**

KNOW ALL BY THESE PRESENTS:

I, Jonathan R. Erickson, certify that I am Chief Financial Officer of Crexendo Business Solutions, Inc., a Arizona corporation (the "Company"), that I am duly authorized to make and deliver this certification, that the attached Bylaws are a true and correct copy of the Bylaws of the Company in effect as of the date of this certificate.

Dated: June 11, 2009

A handwritten signature in black ink, appearing to read 'Jonathan R. Erickson', is written over a horizontal line.

Jonathan R. Erickson,  
Chief Financial Officer

**ORGANIZATIONAL RESOLUTIONS  
OF THE BOARD OF DIRECTORS  
OF  
CREXENDO BUSINESS SOLUTIONS, INC.**

The undersigned, constituting all of the directors of Crexendo Business Solutions, Inc., a Arizona corporation (the "Corporation"), hereby take the following actions without a meeting, as authorized by the Corporations Law of the State of Arizona (the "ACL"):

IT IS HEREBY RESOLVED AS FOLLOWS:

1. The Certificate of Incorporation of this Corporation, which was filed with the Arizona Secretary of State on the 14th day of April 2009, shall govern the organization and operation of this Corporation.
2. The Corporation shall maintain as part of its corporate records a book entitled "Minute Book," which shall contain (i) a copy of the Corporation's Certificate of Incorporation, as currently in effect; (ii) a copy of the Corporation's Bylaws, as currently in effect; (iii) minutes of all meetings of the Corporation's directors and its shareholders; (iv) a record of all actions taken by the Board of Directors or shareholders, without a meeting; (v) a record of all actions taken on behalf of the Corporation by a committee of the Board of Directors in place of the Board of Directors; and (vi) a record of all waivers of notices of meetings of shareholders, meetings of the Board of Directors, or any meetings of the committees of the Board of Directors.
3. The Corporation shall maintain, either in the Minute Book or elsewhere at its principal office, all other records it is required to maintain as provided in the ACL, including, all written communications to stockholders of the Corporation as a group, a list of the names and business addresses of its current officers and directors, its most recent annual report delivered to the Arizona Secretary of State, and a list of shareholders of the Corporation, in proper form.
4. The Bylaws attached to these resolutions are hereby adopted as the Bylaws of this Corporation, and the Chief Financial Officer of the Corporation is authorized and directed to insert such Bylaws into the Minute Book of the Corporation.
5. In accordance with the Bylaws, the initial number of directors of the Corporation is three.
6. Any and all actions taken by the incorporator and the members of the Board of Directors of the Corporation prior to the date hereof are hereby approved, ratified and adopted by the Corporation.
7. The officers of the Corporation shall be those persons listed below, who shall hold the offices shown opposite their respective names at the pleasure of the board of directors:

Chief Executive Officer  
Chief Financial Officer  
Secretary

Steven G. Mihaylo  
Johnathan R. Erickson  
Jeffrey Korn

8. The proper officers of this Corporation are hereby authorized to pay all charges and expenses incident to or arising out of its organization and to reimburse the persons who have made any disbursements therefore.

9. The proper officers of the Corporation are hereby authorized to open a bank account on behalf of the Corporation at such branch of any federally insured bank as they deem to be in the best interests of the Corporation, and are hereby empowered to execute all forms required by such bank to accomplish the foregoing, including customary bank forms setting forth resolutions empowering the Corporation to open a checking account, and to hold and dispense funds in and from the same, with each of the officers acting alone to be authorized to sign checks on behalf of the Corporation, and the resolutions contained in such forms are incorporated herein as though fully set forth.

10. Such bank is authorized to honor and pay all checks and drafts of this Corporation signed in accordance with such rules and regulations as the Board of Directors may, in its best judgment, adopt, whether or not payable to the person or persons signing them.

11. The Chief Financial Officer of the Corporation is hereby directed to certify to such bank the adoption and existence of these resolutions, the names and specimen signatures of the present officers of the Corporation authorized to sign as aforesaid, and when or if any changes are made in the persons holding such offices, the effect of such change and the names and specimen signature of each new officer.

12. Such bank shall be entitled to rely on all forms executed, delivered or acknowledged by the officers or directors of this Corporation in accordance with these resolutions for all purposes until it shall have received written notice of the revocation or amendment of these resolutions or such forms, documents or instruments by the Board of Directors of this Corporation.

13. Imurgent, Inc., has offered to contribute cash or property equal to five thousand dollars (\$5,000.00) to the Corporation for the purchase of 1,000 shares of the common stock, par value \$.001, of the Corporation. The Corporation hereby accepts such contribution and agrees to such purchase, and the Chief Executive Officer and Chief Financial Officer of the Corporation are hereby directed to cause the Corporation's records to reflect the number of shares of common stock of this Corporation specified above to be issued to such person.

14. The Board of Directors of the Corporation hereby determines that the consideration to be received for the purchase of shares as described in the foregoing resolution is adequate, and such shares, as issued pursuant to these resolutions, shall be deemed to be



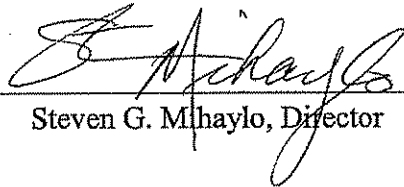
fully paid, non-assessable shares of the Corporation, subject to no lien, charge or encumbrance.

15. The Corporation shall adopt a fiscal year ending December 31<sup>th</sup> and such fiscal year shall remain in effect until changed by the directors of the Corporation and shall control both for federal and state income tax reporting purposes and also for financial reporting purposes.

16. The officers of this Corporation are hereby authorized and directed to do or cause to be done any and all such acts and things, and to execute and deliver any and all such further documents and papers, as, with the advice of counsel, they may deem necessary or appropriate to carry into effect the full intent and purpose of the foregoing resolutions.

In witness whereof, the foregoing resolutions have been duly adopted by the Board of Directors of the Corporation effective the 22<sup>nd</sup> day of April, 2009.

By:

  
Steven G. Mihaylo, Director

**EXHIBIT "B"**  
**FOREIGN CORPORATION QUALIFICATION**



**STATE OF TENNESSEE**  
**Tre Hargett, Secretary of State**  
Division of Business Services  
312 Rosa L. Parks Avenue  
6th Floor, William R. Snodgrass Tower  
Nashville, TN 37243

**RTC-CIS**  
3483 SATELLITE BLVD  
SUITE 202  
DULUTH, GA 30096

May 5, 2010

**Request Type: Certificate of Existence/Authorization**  
Request #: 0013069

Issuance Date: 05/05/2010  
Copies Requested: 1

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**Document Receipt**

Receipt #: 179321	Filing Fee:	\$20.00
Payment-Check/MO - RTC-CIS, DULUTH, GA		\$20.00

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**Regarding: CREXENDO BUSINESS SOLUTIONS, INC**

Filing Type: Corporation For-Profit - Foreign

Charter/Qualification Date: 07/20/2009

Status: Active

Duration Term: Perpetual

Control #: 606540

Date Formed: 04/14/2009

Formation Locale: Arizona

Inactive Date:

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**CERTIFICATE OF AUTHORIZATION**

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that effective as of the issuance date noted above

**CREXENDO BUSINESS SOLUTIONS, INC**

- \* a Corporation formed in the jurisdiction set forth above, is authorized to transact business in this State;
- \* has paid all fees, taxes and penalties owed to this State (as reflected in the records of the Secretary of State and the Department of Revenue) which affect the existence/authorization of the business;
- \* has not filed the most recent annual report required with this office;
- \* has appointed a registered agent and registered office in this State;
- \* has not filed an Application for Certificate of Withdrawal.

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Tre Hargett, Secretary of State  
Business Services Division

**EXHIBIT "C"**  
**FINANCIAL INFORMATION**

**iMergent, Inc.**  
**1615 South 52nd Street**  
**Tempe, Arizona 85281**

July 22, 2010

To: Crexendo Business Solutions, Inc.

Re: Crexendo Business Solutions, Inc.  
Tennessee Regulatory Authority

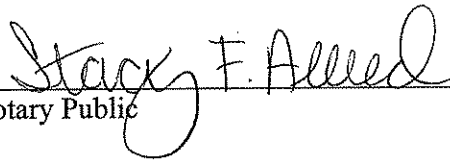
iMergent, Inc., the parent company of Crexendo Business Solutions, Inc., hereby pledges to provide required funding to Crexendo Business Solutions, Inc. for its operations in the Tennessee.

iMergent, Inc.

By: 

\_\_\_\_\_  
Signature of Authorized Officer

Subscribed and sworn to me, this 27 day of July, 2010.

  
\_\_\_\_\_  
Notary Public

My Commission expires on 9-5-2010

cc: Lance J.M. Steinhart, Esq.

Morningstar<sup>®</sup> Document Research<sup>SM</sup>

## **FORM 10-Q**

**IMERGENT INC - IIG**

**Filed: November 03, 2010 (period: September 30, 2010)**

Quarterly report which provides a continuing view of a company's financial position

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2010**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number **001-32277**



**iMergent, Inc.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of  
incorporation or organization)*

**87-0591719**

*(I.R.S. Employer  
Identification No.)*

**1615 South 52<sup>nd</sup> Street, Tempe, AZ**  
*(Address of Principal Executive Offices)*

**85281**  
*(Zip Code)*

**(623) 242-5959**

*(Registrant's telephone number, including area code)*

**N/A**

*(Former name, former address and former fiscal year, if changed since last report)*

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one).

Large accelerated filer ☐

Non-accelerated filer ☐

Accelerated filer ☐

Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes ☐ No ☒.

The number of shares outstanding of the registrant's common stock as of November 1, 2010 was 11,402,341.

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## INDEX

### PART I – FINANCIAL INFORMATION

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# PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS.

### IMERGENT, INC. AND SUBSIDIARIES Condensed Consolidated Balance Sheets (In thousands, except par value and share data) (unaudited)

	September 30, 2010	December 31, 2009
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 17,470	\$ 21,549
Restricted cash	1,088	1,088
Trade receivables, net of allowance for doubtful accounts of \$10,242 as of September 30, 2010 and \$11,827 as of December 31, 2009	10,182	14,162
Inventories	963	243
Income taxes receivable	906	387
Deferred income tax assets, net	168	1,009
Prepaid expenses and other	2,273	2,988
Total Current Assets	33,050	41,426
Certificate of deposit	500	500
Long-term trade receivables, net of allowance for doubtful accounts of \$6,150 as of September 30, 2010 and \$5,882 as of December 31, 2009	7,344	6,264
Property and equipment, net	3,185	1,446
Deferred income tax assets, net	6,848	5,298
Intangible assets, net	1,093	1,206
Goodwill	265	-
Other	251	302
Total Assets	\$ 52,536	\$ 56,442
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities:		
Accounts payable	\$ 2,901	\$ 3,154
Accrued expenses and other	3,396	4,588
Dividend payable	228	229
Income taxes payable	26	24
Deferred revenue, current portion	11,448	15,827
Total Current Liabilities	17,999	23,822
Deferred revenue, net of current portion	7,443	6,447
Other long-term liabilities	1,041	191
Total Liabilities	26,483	30,460
Commitments and contingencies (Note 8)		
Stockholders' Equity:		
Preferred stock, par value \$0.001 per share - authorized 5,000,000 shares; none issued	-	-
Common stock, par value \$0.001 per share - authorized 100,000,000 shares; 11,402,341 shares outstanding as of September 30, 2010 and 11,446,320 shares outstanding as of December 31, 2009	11	11
Additional paid-in capital	53,009	53,033
Accumulated deficit	(26,967)	(27,062)
Total Stockholders' Equity	26,053	25,982
Total Liabilities and Stockholders' Equity	\$ 52,536	\$ 56,442

See accompanying notes.



**iMERGENT, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Operations**  
(In thousands, except per share and share data)  
(unaudited)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenue	\$ 14,284	\$ 17,378	\$ 48,826	\$ 57,669
Operating expenses:				
Cost of revenue	4,707	5,583	15,032	16,917
Selling and marketing	7,232	7,904	25,019	25,692
General and administrative	3,295	3,601	10,395	11,363
Research and development	957	503	2,210	1,600
Total operating expenses	<u>16,191</u>	<u>17,591</u>	<u>52,656</u>	<u>55,572</u>
Income (Loss) from operations	<u>(1,907)</u>	<u>(213)</u>	<u>(3,830)</u>	<u>2,097</u>
Other income (expense):				
Interest income	1,137	1,343	3,571	4,461
Interest expense	(1)	(3)	(3)	(9)
Other income (expense), net	<u>316</u>	<u>(27)</u>	<u>182</u>	<u>(12)</u>
Total other income, net	<u>1,452</u>	<u>1,313</u>	<u>3,750</u>	<u>4,440</u>
Income (loss) before income tax benefit (provision)	<u>(455)</u>	<u>1,100</u>	<u>(80)</u>	<u>6,537</u>
Income tax benefit (provision)	<u>376</u>	<u>(382)</u>	<u>175</u>	<u>4,267</u>
Net income (loss)	<u>\$ (79)</u>	<u>\$ 718</u>	<u>\$ 95</u>	<u>\$ 10,804</u>
Net income (loss) per common share:				
Basic	\$ (0.01)	\$ 0.06	\$ 0.01	\$ 0.95
Diluted	\$ (0.01)	\$ 0.06	\$ 0.01	\$ 0.95
Dividends per common share:	\$ 0.02	\$ 0.02	\$ 0.06	\$ 0.06
Weighted average common shares outstanding:				
Basic	11,383,464	11,398,115	11,403,148	11,366,341
Diluted	11,383,464	11,525,148	11,422,471	11,384,107

*See accompanying notes.*

**iMERGENT, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statement of Stockholders' Equity**  
**Nine Months Ended September 30, 2010**  
(In thousands, except share data)  
(unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance, January 1, 2010	11,446,320	\$ 11	\$ 53,033	\$ (27,062)	\$ 25,982
Expense for stock options granted to employees			855		855
Stock issued under stock award plans (net of forfeitures) and related income tax benefit of \$3	827		13		13
Stock issued for acquisition	20,000		117		117
Dividends declared			(686)		(686)
Repurchase of common stock	(64,806)		(323)		(323)
Net loss				95	95
Balance, September 30, 2010	11,402,341	\$ 11	\$ 53,009	\$ (26,967)	\$ 26,053

*See accompanying notes.*

**iMERGENT, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Cash Flows**  
(In thousands)  
(unaudited)

Nine Months Ended September 30,  
2010                      2009

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income (loss)	\$ 95	\$ 10,804
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	1,030	1,100
Expense for stock options issued to employees	855	1,163
Tax benefit upon issuance of common stock	(3)	-
Deferred income tax provision (benefit)	(709)	823
Changes in assets and liabilities net of effects from acquisition:		
Restricted cash	-	(576)
Trade receivables	2,900	9,813
Inventories	(720)	281
Income taxes receivable	(519)	649
Prepaid expenses and other	505	(2,339)
Other	51	65
Accounts payable, accrued expenses and other	(1,575)	(1,881)
Income taxes payable	5	160
Deferred revenue	(3,383)	(10,897)
Other long-term liabilities	842	(9,104)
Net cash provided by (used for) operating activities	<u>(626)</u>	<u>61</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Acquisition of property and equipment	(2,356)	(496)
Acquisition of company (Note 7)	(250)	-
Acquisition of property held for sale	-	(296)
Proceeds from sale of property held for sale (Note 12)	210	-
Proceeds from sale of available-for-sale securities	-	2,900
Net cash provided by (used for) investing activities	<u>(2,396)</u>	<u>2,108</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from exercise of stock options and related income tax benefit	13	371
Purchase of common stock	(323)	-
Payments made on contingent consideration	(61)	-
Principal payments on note payable	-	(80)
Dividend payments	(686)	(913)
Net cash used for financing activities	<u>(1,057)</u>	<u>(622)</u>

<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(4,079)</b>	<b>1,547</b>
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<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>21,549</b>	<b>18,762</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b><u>\$ 17,470</u></b>	<b><u>\$ 20,309</u></b>

**Supplemental disclosure of cash flow information:**

<b>Cash paid during the period:</b>		
Interest	1	4
Income taxes	190	6,115

*See accompanying notes.*

**iMERGENT, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows (CONTINUED)**  
*(In thousands)*

	<u>Nine Months Ended September 30,</u>	
	<u>2010</u>	<u>2009</u>
Supplemental disclosure of non-cash investing and financing information:		
Dividends declared and not paid	\$ 228	\$ -
Purchase of property and equipment included in accounts payable	82	50
Acquisition of company with stock	117	-
Contingent consideration related to acquisition	128	-

In February 2010, iMergent, Inc. entered into an asset purchase agreement with CastleWave, LLC to purchase their assets for total consideration of \$495,000 (Note 7). The total consideration included a contingent consideration of approximately \$128,000 based upon estimated future revenue generated through CastleWave's sales channels, restricted stock of \$117,000, and cash of \$250,000. The purchase price was allocated to a non-compete agreement for \$60,000, technical know-how for \$60,000, customer list for \$98,000, other assets for \$12,000 and goodwill for \$265,000. See summary below (in thousands):

Fair value of assets acquired (including goodwill of \$265,000)	\$ 495
Cash paid	(250)
Stock issued	(117)
Estimated value of contingent consideration	(128)
Liabilities assumed	<u>None</u>

*See accompanying notes.*

## (1) Description of Business, Basis of Presentation and Summary of Significant Accounting Policies

**Description of Business** - iMergent, Inc. is incorporated in the state of Delaware. When we refer in this Quarterly Report on Form 10-Q to "iMergent," the "Company," "we," "our," and "us," we mean iMergent, Inc., together with its wholly-owned subsidiaries. We are a managed business services company that provides eCommerce technology, training, services and a variety of cost-effective cloud-based technologies and resources to entrepreneurs and small, medium, and large enterprises. Our services are designed to help decrease the risks associated with managing an entity's online presence by providing low-cost, scalable solutions and providing support and information regarding industry developments.

**Basis of Presentation** - These unaudited condensed consolidated financial statements include the financial statements of iMergent, Inc. and its wholly owned subsidiaries. We have eliminated all intercompany balances and transactions in consolidation. In February 2010 we acquired the assets of CastleWave LLC ("CastleWave") for total consideration of approximately \$495,000. Accordingly, we have included the results of operations for CastleWave as of the date of acquisition (Note 7). We have included all adjustments, consisting only of normal recurring items, which we considered necessary for a fair presentation of our financial results for interim periods presented. These unaudited condensed consolidated financial statements and accompanying notes should be read together with the audited consolidated financial statements included in our Transition Report on Form 10-KT for the period ended December 31, 2009. Results of the nine months ended September 30, 2010 do not necessarily indicate the results we expect for the period ending December 31, 2010 or any other period. In view of our revenue recognition policies and the rapidly evolving nature of our business and the markets we serve, we believe period-to-period comparisons of our operating results, including operating expenses as a percentage of revenue and cash flows, are not necessarily meaningful and should not be relied upon as an indication of future performance.

**Seasonality** - Our StoresOnline revenue is subject to seasonal fluctuations. Responses to our marketing for Preview Training Sessions and Internet Training Workshops are historically lower during the period from June through Labor Day, and during the holiday season from Thanksgiving Day through the middle of January.

**Significant Accounting Policies** - We described our significant accounting policies in Note 1 to the financial statements in Item 8 of our Transition Report on Form 10-KT for the period ended December 31, 2009. In January 2010 we changed the contract associated with the sale of our Avail 24/7 subscription. Effective March 31, 2010 any customer that has not activated their Avail 24/7 subscription will be assessed an additional activation fee of \$34.95. Prior to this change in contract, this activation fee was included in a bundle of items sold at the workshop and there was no time limit on activation. All existing customers were notified of the change in contract in January and were given 60 days to activate Avail 24/7 without paying the additional activation fee. As a result of this change in contract, we recognized approximately \$1,000,000 in revenue upon expiration of the 60-day notice in March 2010 for Avail 24/7 activation fees described above as we no longer had an obligation to provide the activation. In addition to the change in the Avail 24/7 contract, this product will not be included in the bundle of items sold at the workshop. Avail 24/7 will continue to be sold as a standalone product and customers will pay the \$34.95 activation fee and these fees will be amortized over the customer life.

**Recently Adopted Accounting Guidance** - On January 1, 2010, we adopted new accounting guidance on Fair Value Measurements and Disclosures. This authoritative guidance requires us to disclose the amount of significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for these transfers, as well as the reasons for any transfers in or out of Level 3 of the fair value hierarchy. In addition, the guidance clarifies certain existing disclosure requirements. This new guidance did not have a material impact on our disclosures in our unaudited condensed consolidated financial statements at September 30, 2010.

On January 1, 2010, we adopted new accounting guidance on the consolidation of variable interest entities. This guidance requires revised evaluations of whether entities represent variable interest entities, ongoing assessments of control over such entities, and additional disclosures for variable interests. This new authoritative guidance had no impact on our financial condition and results of operations at September 30, 2010.

**Recent Accounting Guidance Not Yet Adopted** - In October 2009, the Financial Accounting Standards Board (the "FASB") issued authoritative guidance on revenue recognition that will become effective for us beginning January 1, 2011, with earlier adoption permitted. Under the new guidance on arrangements that include software elements, tangible products that have software components that are essential to the functionality of the tangible product will no longer be within the scope of the software revenue recognition guidance, and software-enabled products will now be subject to other relevant revenue recognition guidance. Additionally, the FASB issued authoritative guidance on revenue arrangements with multiple deliverables that are outside the scope of the software revenue recognition guidance. Under the new guidance, when vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, a best estimate of the selling price is required to separate deliverables and allocate arrangement consideration using the relative selling price method. The new guidance includes new disclosure requirements on how the application of the relative selling price method affects the timing and amount of revenue recognition. We believe adoption of this new guidance will not have a material impact on our financial statements.



**Other Comprehensive Income** – Our unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2010 and 2009 did not reflect any components of other comprehensive income other than net income.

**Significant Customers** – No customer accounted for 10% or more of our total net revenue or total accounts receivable for the three and nine months ended September 30, 2010 or 2009.

## (2) Dividends

During the three and nine months ended September 30, 2010 and 2009, our Board of Directors declared the following cash dividends:

Declaration Date	Per Share Dividend	Record Date	Total Amount	Payment Date
<i>(Fiscal year 2010)</i>				
September 28, 2010	\$ 0.02	October 7, 2010	\$ 228,000	October 14, 2010
June 22, 2010	\$ 0.02	June 29, 2010	\$ 229,000	July 7, 2010
March 29, 2010	\$ 0.02	April 5, 2010	\$ 229,000	April 12, 2010
<i>(Fiscal year 2009)</i>				
September 14, 2009	\$ 0.02	September 22, 2009	\$ 229,000	September 29, 2009
June 30, 2009	\$ 0.02	July 15, 2009	\$ 229,000	July 31, 2009
March 25, 2009	\$ 0.02	April 6, 2009	\$ 228,000	April 20, 2009

## (3) Computation of Net Income (Loss) Per Common Share

We compute basic net income or loss per share using the weighted average number of common shares outstanding during the period. We compute diluted net income per share using the weighted average number of common shares and dilutive potential common shares outstanding during the period. Dilutive common shares include shares issuable upon the exercise of stock options and restricted shares. Dilutive net loss per common share for the three months ended September 30, 2010 is the same as basic net loss per common share because the common share equivalents were anti-dilutive.

We include stock options and restricted shares with combined exercise prices, unrecognized compensation expense and tax benefits that are less than the average market price for our common stock in the calculation of diluted net income per share. We exclude stock options with combined exercise prices, unrecognized compensation expense and tax benefits that are greater than the average market price for our common stock from the calculation of diluted net income per share because their effect is anti-dilutive.

The following table presents the composition of shares used in the computation of basic and diluted net income per share for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net income (loss) (in thousands)	\$ (79)	\$ 718	\$ 95	\$ 10,804
Weighted-average share reconciliation:				
Weighted-average shares outstanding	11,402,341	11,439,166	11,429,702	11,424,285
Weighted-average restricted shares held in escrow	(18,877)	(41,051)	(26,554)	(57,944)
Weighted-average basic shares outstanding	11,383,464	11,398,115	11,403,148	11,366,341
Employee stock options	-	127,033	19,323	17,766
Diluted shares outstanding	11,383,464	11,525,148	11,422,471	11,384,107
Net income (loss) per common share:				
Basic	\$ (0.01)	\$ 0.06	\$ 0.01	\$ 0.95
Diluted	\$ (0.01)	\$ 0.06	\$ 0.01	\$ 0.95

Weighted-average anti-dilutive common share equivalents not included in the calculation of diluted net income per common share totaled 717,460 and 328,885 for the three months ended September 30, 2010 and 2009, respectively, and 1,160,533 and 472,865 for the nine months ended September 30, 2010 and 2009, respectively.

#### (4) Income Taxes

Our effective tax rate for the three months ended September 30, 2010 was 82.6% which resulted in a benefit for income taxes of \$376,000. Our effective tax rate for the nine months ended September 30, 2010 was 218.8% which resulted in a benefit for income taxes of \$175,000. Our tax rate for the three and nine months ended September 30, 2010 was favorable as a result of the reversal of an uncertain tax liability due to a favorable conclusion of an audit in a foreign jurisdiction. Our effective tax rate was 34.7% for the three months ended September 30, 2009. Our tax rate for the three months ended September 30, 2009 was favorable due to the reversal of an allowance on a disputed tax receivable. We had an income tax benefit for the nine months ended September 30, 2009 primarily as a result of the reversal of an uncertain tax liability due to a favorable conclusion to the IRS audit.

Accounting guidance clarifies the accounting for uncertain tax positions and requires companies to recognize the impact of a tax position in their financial statements, if that position is more likely than not of being sustained on audit, based on the technical merits of the position.

Although we believe our estimates are reasonable, there can be no assurance that the final tax outcome of these matters will not be different from that which we have reflected in our historical income tax provisions and accruals. Such difference could have a material impact on our income tax provision and operating results in the period in which we make such determination.

The aggregate changes in the balance of unrecognized tax benefits during the nine months ended September 30, 2010 is as follows (in thousands):

Balance as of December 31, 2009	\$ 140
Increases for tax positions related to the current period	—
Increases for tax positions related to the prior years	975
Decreases for tax positions related to prior years	—
Settlements	(96)
Reductions due to lapsed statute of limitations	—
Balance as of September 30, 2010	\$ 1,019

As of September 30, 2010, we have unrecognized tax benefits of \$1,019,000, which if recognized, would reduce our effective tax rate.

During the nine months ended September 30, 2010, we increased the liability for unrecognized tax benefits by \$975,000 for additional extraterritorial income credits on the sale of our StoresOnline software in foreign jurisdictions as a result of amended returns for the tax years ending June 30, 2005, 2006, and 2007. Additionally, during the nine months ended September 30, 2010, we reduced our liability for unrecognized tax benefits of \$96,000 due to a favorable outcome in the audit of our New Zealand income tax returns.

Estimated interest and penalties related to the underpayment or late payment of income taxes are classified as a component of income tax provision (benefit) in the consolidated statements of operations. Accrued interest and penalties were approximately \$6,000 and \$28,000 as of September 30, 2010 and December 31, 2009, respectively.

#### (5) Fair Value Measurements

The fair value of our financial assets and liabilities was determined based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

*Level 1* — Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

*Level 2* — Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

*Level 3* — Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

Assets (liabilities) measured at fair value on a recurring basis are summarized below as of September 30, 2010 (in thousands):

Description	As of September 30, 2010	Fair value measurement at reporting date		
		Level 1	Level 2	Level 3
Cash equivalents	\$ 5,562	\$ 5,562	—	—
Contingent consideration	\$ (128)	—	—	\$ (128)

The following table provides a reconciliation between the beginning and ending balances of items measured at fair value on a recurring basis that used significant unobservable inputs (Level 3) (in thousands):

	Acquisition Contingent Consideration
Balances as of December 31, 2009	\$ —
Purchases, sales and settlements, net	128
Transfers in and/or (out) of Level 3	—
Balances as of September 30, 2010	\$ 128

During the nine months ended September 30, 2010, there were no transfers of financial assets or liabilities in or out of Level 1 or Level 2 of the fair value hierarchy.

The fair value of cash and cash equivalents and restricted cash approximates fair value because of the short maturity of those instruments. The fair values of the trade receivables and certificate of deposits were computed using a discounted cash flow model using estimated market rates as of September 30, 2010 and December 31, 2009 as follows (in thousands):

	September 30, 2010		December 31, 2009	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Cash and cash equivalents	\$ 17,470	\$ 17,470	\$ 21,549	\$ 21,549
Restricted cash	1,088	1,088	1,088	1,088
Trade receivables	17,526	17,295	20,426	20,071
Certificate of deposit	500	500	500	500

Our disclosure of the estimated fair value of our financial instruments is made in accordance with accounting guidance. The estimated fair value amounts have been determined by us using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data in order to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts we could realize in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value amounts. The fair value estimates presented herein are based on pertinent information available to management as of September 30, 2010 and December 31, 2009.

#### (6) Property and equipment

On June 3, 2010, we acquired a 22,000 square foot building for our corporate offices for total consideration of \$1,525,000. The fair value allocated to the land and building was \$877,000 and \$648,000, respectively. We intend to depreciate the building over its estimated remaining life of 20 years.

## **(7) Acquisition**

On February 9, 2010 we acquired all of the assets of CastleWave for total consideration of \$495,000. For the quarter ended March 31, 2010, we disclosed the provisional total consideration was \$846,000. Subsequent to the acquisition, new information was obtained about facts and circumstances that existed as of the acquisition date that resulted in the Company retrospectively adjusting the provisional contingent consideration from \$479,000 to \$128,000 based upon estimated future revenue to be generated through CastleWave sales channels. This retrospective decrease in contingent consideration resulted in a \$351,000 decrease in goodwill. The total consideration included a contingent consideration based upon future revenue generated from CastleWave sales channels of approximately \$128,000, restricted stock of \$117,000, and cash of \$250,000. The contingent consideration is computed and paid out quarterly based upon a percentage of sales from CastleWave's sales channels for three years after the acquisition date. The provisional contingent consideration is valued on a recurring basis and any future change that are not measurement period adjustments will be recorded through the income statement. CastleWave is a provider of online marketing services with offices in both New York, New York and Provo, Utah. We acquired CastleWave in an effort to expand our online marketing services capabilities and to add a sales office in the New York metropolitan area.

Under the acquisition method of accounting we allocated the fair value of the total consideration transferred to the tangible and identifiable intangible assets acquired from CastleWave based on their estimated fair values on the date of acquisition. The fair values assigned to identifiable intangible assets acquired were based on estimates and assumptions determined by management. We recorded the excess of purchase price over the aggregate fair values as goodwill. Using information available at the time the acquisition closed, we preliminarily allocated approximately \$12,000 of the purchase price to tangible assets and approximately \$218,000 of the purchase price to identified intangible assets. We recorded the excess purchase price of approximately \$265,000 as goodwill, all of which is deductible for income tax purposes. The identified intangible assets are being amortized over a weighted average life of three years.

We have included CastleWave's results of operations in both our Crexendo Business Solution division and our consolidated results of operations from the date of acquisition. Pro forma disclosures of CastleWave's results of operations for periods prior to the date of acquisition are not presented herein as they were not material when compared with our consolidated results of operations.

## **(8) Commitments and Contingencies**

### **Legal Proceedings**

From time to time we receive inquiries from federal, state, city and local government officials in the various jurisdictions in which we operate. These inquiries and investigations generally concern compliance with various city, county, state and/or federal regulations involving sales, representations made, customer service, refund policies, and marketing practices. We respond to these inquiries and have generally been successful in addressing the concerns of these persons and entities, without a formal complaint or charge being made, although there is often no formal closing of the inquiry or investigation. There can be no assurance that the ultimate resolution of these or other inquiries and investigations will not have a material adverse effect on our business or operations, or that a formal complaint will not be initiated. We also receive complaints and inquiries in the ordinary course of business from both customers and governmental and non-governmental bodies on behalf of customers, and in some cases these customer complaints have risen to the level of litigation. There can be no assurance that the ultimate resolution of these matters will not have a material adverse effect on our business or results of operations. There have been no material changes to current legal events as outlined in our Transition Report on Form 10-KT for the period ended December 31, 2009.

We have recorded liabilities of approximately \$50,000 and \$1,079,000 as of September 30, 2010 and December 31, 2009, respectively, for estimated losses resulting from various legal proceedings in which we are engaged. Attorneys fees associated with the various legal proceedings are expensed as incurred. We are also subject to various claims and legal proceedings covering matters that arise in the ordinary course of business. We believe that the resolution of these other cases will not have a material adverse effect on our business, financial position, or results of operations.

## (9) Restricted Cash

We classified \$1,088,000 as restricted cash as of September 30, 2010 and December 31, 2009, to reflect the compensating balance requirement for our purchasing card, ACH, and foreign currency agreements. Restricted cash consists of funds held in an account as collateral for the issuer of our corporate credit card, ACH and foreign currency. All changes in restricted cash presented in the cash flow statements is presented in the operating section as the restricted cash was received directly from customers and was immediately restricted from use in our operations.

## (10) Stockholders' Equity

### *Stock Options*

We granted 565,000 options to purchase shares of our common stock during the nine months ended September 30, 2010 to our employees and directors. The options generally have a four-year vesting period, during which the recipient must remain employed with iMergent or its subsidiaries.

The weighted-average fair value of stock options on the date of grant and the assumptions used to estimate the fair value of stock options granted during the nine months ended September 30, 2010 using the Black-Scholes option-pricing model were as follows:

	<u>Nine Months Ended September 30, 2010</u>
Weighted-average fair value of options granted	\$ 1.51
Expected volatility	66%
Expected life (in years)	4.07
Risk-free interest rate	1.73%
Expected dividend yield	2.37%

The expected volatility of the option is determined using historical volatilities based on historical stock prices. The expected life of the options granted is based on the Company's historical share option exercise experience. The risk-free interest rate is determined using the yield available for zero-coupon U.S. government issues with a remaining term equal to the expected life of the option. Expected dividend yield is based on the Company's announced dividends each period during the term of the option.

During the nine months ended September 30, 2010, we granted 20,000 shares of restricted stock as part of a business combination (Note 7). The restricted stock vested immediately and is restricted for a period of one year.

## (11) Segment Information

Our management has chosen to organize the Company around differences in products and services. Crexendo Business Solutions generates revenue from managing eCommerce or lead generation offerings, web sites, search engine optimization/management and online promotional needs for small, medium, and large businesses. Crexendo Network Services is currently in the development stage and is expected to market data and telecommunication services. We intend for StoresOnline to continue to offer businesses a continuum of services and technology providing tools and training to establish a successful website on the Internet for entrepreneurs and small office/home office ("SOHO") customers.

Segment revenue and operating income (loss) was as follows for the periods indicated (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenue:				
StoresOnline	\$ 13,969	\$ 17,334	\$ 47,904	\$ 57,625
Crexendo Business Solutions	315	44	922	44
Crexendo Network Services	-	-	-	-
Consolidated revenue	\$ 14,284	\$ 17,378	\$ 48,826	\$ 57,669
Operating Income(Loss):				
StoresOnline	\$ 1,205	\$ 2,716	\$ 4,910	\$ 10,428
Crexendo Business Solutions	(435)	(248)	(1,263)	(502)
Crexendo Network Services	(435)	(115)	(982)	(314)
Total segment operating income	\$ 335	\$ 2,353	\$ 2,665	\$ 9,612
Other Income:				
StoresOnline	\$ 1,452	\$ 1,313	\$ 3,750	\$ 4,440
Total segment other income	\$ 1,452	\$ 1,313	\$ 3,750	\$ 4,440
Income (loss) before income tax benefit (provision):				
StoresOnline	\$ 2,657	\$ 4,029	\$ 8,660	\$ 14,868
Crexendo Business Solutions	(435)	(248)	(1,263)	(502)
Crexendo Network Services	(435)	(115)	(982)	(314)
Total segment income before income tax benefit (provision)	\$ 1,787	\$ 3,666	\$ 6,415	\$ 14,052
Unallocated corporate items:				
Share-based compensation expense	322	429	855	1,165
Other common expenses	1,920	2,137	5,640	6,350
Total unallocated corporate items	2,242	2,566	6,495	7,515
Total income before income tax benefit (provision)	\$ (455)	\$ 1,100	\$ (80)	\$ 6,537

Revenue generated from the StoresOnline division during the three months ended September 30, 2010 and 2009 in foreign countries was \$587,000 and \$1,190,000, respectively. Revenue generated for the StoresOnline division during the nine months ended September 30, 2010 and 2009 in foreign countries was \$3,308,000 and \$3,887,000, respectively. No revenue was generated in foreign countries for the Crexendo Business Solutions division.

Due to the integrated structure of our business, certain costs incurred by one segment may benefit other segments. The costs that are identifiable are allocated to the segments that benefit from those costs so that one segment is not solely burdened by the cost of a mutually beneficial activity. Each allocation is measured differently based on the specific facts and circumstances of the costs being allocated. These cost allocations were not material in any period presented. Certain other corporate-level activity is not allocated to our segments, including costs of: option expense; support services; human resources; legal; finance; information technology; corporate development and procurement activities; research and development that is not specifically identifiable to a business segment; and depreciation.

Crexendo Network Services is a development stage company. Since the inception of Crexendo Network Services in March 2009 through September 30, 2010, this segment has incurred approximately \$1,393,000 in expenses.

## (12) Related Party

On April 7, 2010, Steven G. Mihaylo, our Chief Executive Officer, purchased property we held for sale for \$210,000, which represented management's best estimate of the fair market value of the property. There was no gain or loss recorded on the transaction.

## (13) Subsequent Events

On November 2, 2010, the Board of Directors approved a Tender Offer to purchase up to \$4,750,000 in value of shares of its common stock, or a lower amount depending on the number of shares that are properly tendered. The price paid will not be greater than \$4.75 nor less than \$4.35, net to the seller in cash, without interest.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*"Management's discussion and analysis of financial condition and results of operations" and other portions of this report contain forward-looking information that involves risks and uncertainties. Our actual results will vary, and may vary materially from those anticipated by this forward-looking information. Factors that may cause such differences include, but are not limited to, those discussed under the heading, "Risk Factors," in Part I, Item 1A of our Transition Report on Form 10-KT for the period ended December 31, 2009. When we refer in this Form 10-Q to "iMergent," the "Company," "we," "our," and "us," we mean iMergent, Inc., a Delaware corporation, together with its wholly-owned subsidiaries.*

### OVERVIEW

The following Management's Discussion and Analysis of Financial Condition and Results of Operation ("MD&A") is intended to help the reader understand our results of operations and financial condition with respect to the periods indicated. MD&A is provided as a supplement to, and should be read in conjunction with, our unaudited condensed consolidated statements and the accompanying notes to the financial statements set forth in this report (the "Notes").

#### *Sources of Revenue*

We generate revenue by developing, licensing, training and supporting eServices technology, and a variety of cost-effective cloud-based technologies and resources, including search engine optimization and search engine management services, for entrepreneurs and small, medium, and large enterprises. Our eServices offering leverages both industry and client best practices that are designed for Internet merchants. Our services are also designed to help decrease the risks associated with managing an entity's online presence by providing low-cost, scalable solutions with ongoing industry updates and support. Our strategic vision is to expand on our managed business services offerings focused on our target markets. We sell and market our products and services in the United States and international (English-speaking) markets, including Canada, UK, Australia, New Zealand, and Singapore.



Revenue from our StoresOnline division is generated primarily through cash collected on the sale of StoresOnline software licenses at workshop events held throughout the year, as well as principal amounts collected on the sale of StoresOnline software licenses sold through extended payment term arrangements ("EPTAs"). In addition to sales of StoresOnline software licenses, our StoresOnline division also generates revenue from monthly web hosting fees and commissions paid by contracted third-party companies who telemarket complementary products and services to our customer base. As we are reliant upon sales generated through our workshop channel, for both current revenue in the form of cash collected on the initial sale of the StoresOnline software licenses and future revenue in the form of principal cash collected on EPTA contracts, our revenue will fluctuate based upon the quantity of sales teams we deploy at any point in time, the quantity of events we hold, the average cash percentage of buyers at those events, the average number of buying units at those events, the average purchase price, and the average sales rate at each event. In addition to the metrics associated with our workshop events, our revenue will fluctuate with the dollar volume of collections on our receivables, because we recognize revenue upon receipt of cash from our customers and not at the time of sale.

During the quarter we were able to transition the majority of our StoresOnline sales to the SaaS model (Software-as-a-Service) from our traditional license model. During this transition we experienced a brief decline in the response rate to our direct mail advertising which adversely affected us this quarter as discussed below. We took steps to correct the decline and believe we have made the necessary corrections.

We have historically sold our software licenses through a seminar model which has subjected us to claims by some governmental agencies that we are required to register as a seller of business opportunities, as well as raised questions about the manner in which we sell those software licenses and other products. While we have successfully defended the claim of selling a business opportunity, except in the State of California which has a statute with different requirements than other jurisdictions, we have made changes to the manner in which we sell our software licenses and other products at our seminars in an effort to increase the transparency of our operations. We do not believe our model constitutes a business opportunity, but we have the ability to adjust our model if there are changes in the law relative to selling business opportunities. Our ability to effectively align our business model with the needs of our customers, while maintaining compliance with applicable laws and regulations, will impact our future growth opportunities.

Revenue from our Crexendo Business Solutions division is generated primarily through the sale of Search Engine Optimization ("SEO"), Search Engine Management ("SEM-PPC"), Conversion Rate Optimization ("CRO"), and website design and development services. We also generate recurring revenue monthly through additional services that support the above products.

#### *Economic Factors*

The unfavorable global economic environment continued to adversely affect our business during the nine months ended September 30, 2010, as consumers and businesses continued to be limited in their ability to obtain alternate sources of financing. Since we offer a product focused on providing a more efficient and effective use of marketing and infrastructure resources, we believe that we are well-positioned to weather the economic downturn. To the extent the domestic and global economy improves, we believe there will be new opportunities to increase our revenues. To further help weather the economic downturn during the transition period we made several adjustments to our cost structure and streamlined our internal business processes.

#### *Opportunities*

Technological and product innovation has been the foundation of our long-term growth, and we intend to maintain our commitment to invest in product development, engineering excellence, and delivering high-quality products and services to customers. Recognizing that one of our primary business objectives is to help entrepreneurs and small, medium, and large enterprises increase the effectiveness and visibility of their online presence, we created our Crexendo Business Solutions division. The Crexendo division offers a wide range of services, including content management software as a service, search engine optimization services, search engine management services, website and logo design services and conversion rate optimization services.

We believe our long-term focus on investing in products and developing new and alternative sales channels is enabling us to build a foundation for growth by delivering innovative products, creating opportunities for potential channel partners, and improving customer satisfaction. Our focus continues to be to execute in key areas through ongoing innovation on our integrated content management software solution, responding effectively to customer and partner needs, and focusing internally on product excellence, business efficacy, and accountability across the Company.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our financial statements, we make estimates, assumptions and judgments that can have a significant impact on our net revenue, operating income or loss and net income or loss, as well as on the value of certain assets and liabilities on our balance sheet. We believe that the estimates, assumptions and judgments involved in our accounting policies described in Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of our Transition Report on Form 10-KT for the period ended December 31, 2009 have the greatest potential impact on our financial statements, so we consider them to be our critical accounting policies and estimates. Except for the changes to our critical accounting policies and estimates discussed below, we believe that there were no significant changes to those critical accounting policies during the nine months ended September 30, 2010. Our senior management has reviewed the development and selection of our critical accounting policies and estimates and their disclosure in this Quarterly Report on Form 10-Q with the Audit Committee of our Board of Directors.

### *Change in Avail Contract*

In January 2010 we changed the contract that is associated with the sale of our Avail 24/7 subscription. Effective March 31, 2010 any customer that has not activated their Avail 24/7 subscription was assessed an activation fee of an additional \$34.95. Prior to this change in contract, this activation fee was included in a bundle of items sold at the workshop and there was no time limit on activation. All existing customers were notified of the change in contract in January and were given 60-days to activate Avail 24/7 without paying the additional activation fee. As a result of this change in contract, we recognized approximately \$1,000,000 in revenue upon expiration of the 60 day notice in March 2010 for the Avail 24/7 activation fees described above as we no longer had an obligation to provide the activation. In addition to the change in the Avail 24/7 contract, this product will not be included in the bundle of items sold at the workshop. Avail 24/7 will continue to be sold as a standalone product and customers will pay the \$34.95 activation fee and these fees will be amortized over the customer life.

## RESULTS OF OPERATIONS

### Three Months Ended September 30, 2010 Compared to Three Months Ended September 30, 2009

#### Financial Overview

<i>In thousands except per share data</i>	Three months ended September 30,		\$	%
	2010	2009	Change	Change
Total net revenue	\$ 14,284	\$ 17,378	\$ (3,094)	(18%)
Operating income (Loss)	(455)	1,100	(1,555)	(141%)
Net income (Loss)	(79)	718	(797)	(111%)
Diluted net income (loss) per share	\$ (0.01)	\$ 0.06	\$ (0.07)	(117%)

#### *Current Fiscal Quarter*

Total net revenue decreased 18% in the third quarter of 2010 compared with the same quarter of 2009, primarily due to a 20% decrease in principal collected on our accounts receivable balance, a 15% decrease in commissions payable to us by third parties as a result of fewer leads generated from our StoresOnline division, and a 24% decrease in the number of workshops held. Our Crexendo Business Solutions group generated revenue of \$315,000 during the current quarter compared with \$44,000 in the corresponding quarter in 2009.

Operating income (loss) decreased \$1.6 million, or 141%, in the third quarter of 2010 compared with the corresponding quarter of 2009. Revenue for the third quarter of 2010 decreased \$3.1 million, or 18% as compared to the third quarter of 2009. The increase in operating expenses as a percentage of revenue, from 101% in three months ended September 30, 2009 to 113% in the three months ended September 30, 2010, was primarily attributable to a decrease in response to our direct mail advertising, as discussed below under the heading "Business Segment Results – Selling and Marketing."

Net income (loss) decreased \$797,000, or 111%, in the third quarter of 2010 compared with the corresponding quarter of 2009. Our effective tax rate for the three months ended September 30, 2010 was 82.6%, which resulted in a benefit for income taxes of \$376,000. Our tax rate for the three months ended September 30, 2010 was favorable as a result of the reversal of an uncertain tax liability due to a favorable conclusion of an audit in a foreign jurisdiction. Our effective income tax rate was 34.7% for the three months ended September 30, 2009, which resulted in an income tax provision of \$382,000 due to the reversal of an allowance on a disputed tax receivable.

## Business Segment Results

The information below is organized in accordance with our three reportable segments. Segment operating income or loss is equal to segment net revenue less segment cost of revenue, marketing, and operating expenses. Segment expenses do not include certain costs, such as corporate general and administrative expenses and share-based compensation expenses, which are not allocated to specific segments. These unallocated costs totaled \$2.2 million and \$2.6 million in the three months ended September 30, 2010 and 2009, respectively. Unallocated costs decreased in the third quarter of 2010 compared with the third quarter of 2009 due, in part, to a decrease in salaries and option expense from the prior year.

### *Revenue*

#### *StoresOnline*

Revenue for the three months ended September 30, 2010 decreased 19% to \$13,969,000 from \$17,334,000 for the three months ended September 30, 2009.

Revenue from our StoresOnline division is generated primarily through cash collected on the sale of StoresOnline software licenses at workshop events held throughout the year, as well as principal amounts collected on the sale of StoresOnline software licenses sold through EPTAs. Fees for our SOS licenses sold under EPTAs are recognized as revenue as cash payments are received from the customer and not at the time of sale. Revenue related to cash collected under EPTA agreements decreased to \$4,346,000 for the three months ended September 30, 2010, compared to \$5,448,000 for the three months ended September 30, 2009. The decrease in cash collected under EPTA agreements was primarily due to a decrease in our accounts receivable balance. Our accounts receivable balance will increase or decrease depending upon the number of sale teams we have had in the prior two years, the number of customers financing the purchases of our products and services, and fluctuations in sales rates. In the past two years we have reduced the number of our sales teams and we have seen a decline in our sales rates, which has resulted in our lower accounts receivables balance. Commissions from third parties decreased 15% to \$2,228,000 for the three months ended September 30, 2010, from \$2,620,000 for the three months ended September 30, 2009. Cash sales of SOS licenses and other products at our events as well as hosting revenue decreased to \$7,395,000 in the three months ended September 30, 2010, compared to \$9,266,000 in the three months ended September 30, 2009. The decrease was primarily attributable to:

(1) The number of Internet Training Workshops we conducted during the three months ended September 30, 2010 decreased 24% to 117 (including two that were held outside the United States) compared to 154 (four were held outside the United States) during the three months ended September 30, 2009.

(2) The average number of buying units in attendance at our workshops during the three months ended September 30, 2010 decreased to 70 from 77 during the three months ended September 30, 2009. Persons who pay an enrollment fee to attend our workshops are allowed to bring a guest at no additional charge, and that individual and his/her guest constitute one buying unit. If the person attends alone, that single person also counts as one buying unit. As a result of the decrease in number of events and number of buying units per event, we had approximately 852 fewer workshop buyers in the three months ended September 30, 2010 as compared to the three months ended September 30, 2009. The decrease in the number of workshop buyers reduced revenue for the three months ended September 30, 2010 by approximately \$1,985,000, compared to the corresponding period of 2009.

(3) Cash purchases as a percentage of total workshop purchases decreased to 37% for the three months ended September 30, 2010 from 42% in September 30, 2009. The lower percentage of cash at the workshop further decreased revenue for the three months ended September 30, 2010 by approximately \$718,000, compared to the corresponding period of 2009.

(4) Offsetting the decrease in workshop buying units and the lower cash percentage was the fact that approximately 29% of buying units made a purchase at the workshops during the three months ended September 30, 2010, compared to 23% for the three months ended September 30, 2009, which resulted in 539 additional buyers and \$1,040,000 in additional workshop revenue.

(5) Further decreasing revenue was a \$88,000 decrease in hosting revenue for the three months ended September 30, 2010, compared to the corresponding period of 2009.

(6) Revenue decreased \$505,000 for the three months ended September 30, 2010 compared to the corresponding period of 2009 as a result of a change in the current product mix offered at our workshops and the timing of revenue recognition associated with those products. As a result of the change in our product mix, deferred revenue increased by \$505,000.

(7) Partially offsetting the overall decrease in revenue was a decrease in refunds when compared to the prior period. As a result of giving fewer refunds in the current period, revenue increased \$887,000 in the three months ended September 30, 2010 compared to the three months ended September 30, 2010.

#### *Crexendo Business Solutions*

Revenue for the three months ended September 30, 2010 was \$315,000, compared to \$44,000 in the three months ended September 30, 2009. Revenue from our Crexendo Business Solutions division is generated primarily through on page and off page search engine optimization services, search engine management services, conversion rate optimization services, and website design and development services.

#### *Cost of Revenue*

##### *StoresOnline*

Cost of revenue consists primarily of the cost to conduct Internet Training Workshops, credit card fees and the cost of products sold. Cost of revenue for the three months ended September 30, 2010 decreased 18% to \$4,461,000, from \$5,420,000 for the three months ended September 30, 2009. Cost of revenue as a percentage of revenue increased to 32% in the current year quarter compared to 31% in prior year quarter. The increase in cost of revenue as a percentage of revenue was primarily due to the implementation of certain tests in the month of September designed to increase the attendance at our workshops. The impact of these tests was an increase of 3% cost of revenue as a percentage of revenue. This increase was partially offset by the implementation of cost-saving measures designed to reduce travel and event costs, which reduces event costs to 7% of revenue in the current year period from 9% of revenue in the prior year period. Trends in cost of revenue will not always be consistent with the trends in revenue due to the fact that cost of revenue is typically recognized at the time of sale and no later than the expiration of the customer's three-day cancellation period, but the related revenue is often deferred in accordance with accounting standards.

##### *Crexendo Business Solutions*

Cost of revenue consists primarily of salaries related to fulfillment of our web services. Cost of revenue for the three months ended September 30, 2010 was \$202,000 compared to \$121,000 for the three months ended September 30, 2009. The increase in salaries for the current period is related to an increase in headcount as we continue to increase our fulfillment capacity.

#### *Selling and Marketing*

##### *StoresOnline*

Selling and marketing expenses consist of payroll and related expenses for sales and marketing activities, advertising, and promotional and public relations expenses. Selling and marketing expenses for the three months ended September 30, 2010 decreased 11% to \$6,912,000, from \$7,757,000 for the three months ended September 30, 2009. Selling and marketing expense as a percentage of revenue increased to 49% in the current quarter from 42% in prior year quarter, primarily due to a decrease in the response to our direct mail advertising. This decrease in response rate resulted in fewer attendees at our preview events compared to the prior year quarter. As a result of the decrease in response rate despite the same level of expense on our direct mail advertising, our revenue per advertising dollar decreased, which significantly impacted our selling and marketing expense as a percentage of revenue. The overall decrease in selling and marketing expense is due primarily to a 32% decrease in number of preview events to 753 in the current quarter compared to 1,108 in the prior year quarter, which decreased preview related event costs by approximately \$582,000. Trends in selling and marketing expenses will not always be consistent with the trends in revenue due to the fact that selling and marketing expenses are typically recognized when incurred, at the time of sale, and no later than the expiration of the customer's three-day cancellation period, but the related revenue is often deferred in accordance with the application of generally accepted accounting principles.

### *Crexendo Business Solutions*

Selling and marketing expenses consist primarily of salaries and benefits, as well as advertising expenses. Selling and marketing expense was \$301,000 and \$123,000 for the three months ended September 30, 2010 and 2009, respectively. The large increase was primarily attributable to an increase in sales teams and other sales activity. Since the end of second quarter we have hired six additional direct sales reps in major US cities, with the majority of those coming in September and October. In total, we now have 12 direct sales reps in major US cities, the majority of which have been with us less than five months.

### *General and Administrative*

#### *StoresOnline*

General and administrative expenses consist of payroll and related expenses for executive, accounting and administrative personnel, legal, accounting and other professionals, finance company service fees, and other general corporate expenses. General and administrative expenses for the three months ended September 30, 2010 decreased to \$1,391,000 from \$1,441,000 for the three months ended September 30, 2009.

### *Crexendo Business Solutions*

General and administrative expenses consist of payroll and related expenses for account managers, accounting and administrative personnel. General and administrative expenses were \$247,000 and \$48,000 for the three months ended September 30, 2010 and 2009, respectively. The large increase reflected the growth of our business between the two periods.

### *Crexendo Network Services*

General and administrative expenses consist of payroll and related expenses for rent, professional fees and administrative personnel. General and administrative expenses were \$71,000 and \$18,000 for the three months ended September 30, 2010 and 2009, respectively. The large increase, which primarily related to legal and consulting fees, was primarily attributable to preparation of our hosted telecom phase 1 product launch.

### *Other Income*

Other income is primarily derived from interest income from our StoresOnline segment and relates to EPTA contracts, which generally carry an 18% simple interest rate. For the three months ended September 30, 2010 and 2009, other income was \$1,452,000 and \$1,313,000 respectively. The increase was primarily due to a one time sale of receivables that had previously been written off the books for \$303,000 in the current quarter. This increase was partially offset by a decrease in interest income for the three months ended September 30, 2010, which decreased 15% to \$1,137,000 compared to \$1,343,000 for the three months ended September 30, 2009. The decrease in interest income was primarily attributable to the decrease in the collection of trade receivables.

### *Income Tax Provision*

During the three months ended September 30, 2010, we recorded an income tax benefit of \$376,000. This compares to income tax provision of \$382,000 for the three months ended September 30, 2009. Income taxes are based on the estimated effective federal, state and foreign income tax rates. Our tax rate for the three months ended September 30, 2010 was favorable as a result of the reversal of an uncertain tax liability due to a favorable conclusion of an audit in a foreign jurisdiction.

## Nine Months Ended September 30, 2010 Compared to Nine Months Ended September 30, 2009

### Financial Overview

<i>In thousands except per share data</i>	Nine months ended September 30,		\$	%
	2010	2009	Change	Change
Total net revenue	\$ 48,826	\$ 57,669	\$ (8,843)	(15%)
Operating income (Loss)	(80)	6,537	(6,617)	(101%)
Net income	95	10,804	(10,709)	(99%)
Diluted net income per share	\$ 0.01	\$ 0.95	\$ (0.94)	(99%)

#### Current Nine Month Period

Total net revenue decreased 15% in the nine months ended September 30, 2010 compared with the corresponding period of 2009, due primarily to a 30% decrease in principal collected on our accounts receivable balance and a 14% decrease in commissions from third-parties as a result of fewer leads generated in the StoresOnline group. Our Crexendo Business Solutions group generated revenue of \$902,000 compared to \$44,000 revenue in the same period in 2009.

Operating income (loss) decreased \$6.6 million, or 101%, in the nine months ended September 30, 2010, compared with the corresponding period of 2009. Revenue decreased \$8.8 million, or 15%, while costs and expenses decreased \$2.9 million, or 5%, in the fiscal 2010 period. The increase in operating expenses as a percentage of revenue, from 96% in nine months ended September 30, 2009 to 108% in the nine months ended September 30, 2010, was primarily attributable to a \$5.8 million or 30% decrease in revenue related to principal collected on our accounts receivables. The collection of principal on our accounts receivable balance has approximately 10% in costs associated with this revenue. Additionally, a decrease in response to our direct mail advertising, as discussed below in the selling and marketing section, increased our costs as a percentage of revenue.

Net income decreased \$10.7 million, or 99%, in the nine months ended September 30, 2010, compared with the corresponding period of fiscal 2009. Our effective tax rate for the nine months ended September 30, 2010 was 218.8% which resulted in a benefit for income taxes of \$175,000. We had an income tax benefit of \$4,267,000 for the nine months ended September 30, 2009, primarily as a result of the reversal of an uncertain tax liability due to a favorable conclusion to the IRS audit.

### Business Segment Results

The information below is organized in accordance with our three reportable segments. Segment operating income or loss is equal to segment net revenue less segment cost of revenue, marketing, and operating expenses. Segment expenses do not include certain costs, such as corporate general and administrative expenses and share-based compensation expenses, which are not allocated to specific segments. These unallocated costs totaled \$6.5 million and \$7.5 million in the nine months of 2010 and 2009, respectively. Unallocated costs decreased in the nine months of 2010 compared with the first nine months of 2009 due, in part, to a decrease in salaries and option expense from the prior year.

#### Revenue

##### StoresOnline

Revenue for the nine months ended September 30, 2010 decreased 17% to \$47,904,000 from \$57,625,000 for the nine months ended September 30, 2009.

Revenue from our StoresOnline division is generated primarily through cash collected on the sale of StoresOnline software licenses at workshop events held throughout the year, as well as principal collected on the sale of StoresOnline software licenses sold through EPTAs. Fees for our SOS licenses sold under EPTAs are recognized as revenue as cash payments are received from the customer and not at the time of sale. Revenue related to cash collected under EPTA agreements decreased to \$13,880,000 for the nine months ended September 30, 2010 compared to \$19,759,000 for the nine months ended September 30, 2009. The decrease in cash collected under EPTA agreements was primarily due to a decrease in our accounts receivable balance. Our accounts receivable balance will increase or decrease depending upon the number of sales teams the Company has had in the prior two years, the number of customers financing the purchases of our products and services, and fluctuations in sales rates. In the past two years we have reduced the number of our sales teams and we have seen a decline in our sales rates, which has resulted in our lower accounts receivables balance. Commissions derived from third parties decreased 14% to \$8,370,000 for the nine months ended September 30, 2010 compared to \$9,749,000 for the nine months ended September 30, 2009. The decrease was primarily attributable to a decrease in commissions from third parties as a result of fewer leads sent to third parties due to a decrease in our product and service sales. Cash sales at the workshop, preview, and follow-up events, along with hosting revenue, decreased to \$25,654,000 in the nine months ended September 30, 2010 compared to \$28,117,000 in the nine months ended September 30, 2009. The decrease was primarily attributable to:

(1) The number of Internet Training Workshops conducted during the nine months ended September 30, 2010 decreased 14% to 418 (including 28 that were held outside the United States) compared to 485 (four were held outside the United States) during the nine months ended September 30, 2009.

(2) The average number of buying units in attendance at our workshops during the nine months ended September 30, 2010 decreased to 75 from 80 during the nine months ended September 30, 2009. As a result of the decrease in number of events and number of buying units per event, we had approximately 1,840 fewer workshop buyers in the nine months ended September 30, 2010 as compared to the nine months ended September 30, 2009. The result of the decrease in number of workshop buyers reduced revenue by approximately \$5,407,000.

(3) Offsetting this decrease was the fact that the workshop buy rate increased from 25% in nine months ended September 30, 2009 to 27.5% in nine months ended September 30, 2010, which resulted in 783 additional workshop buyers and \$1,360,000 in additional workshop revenue in the current year period.

(4) Cash purchases as a percentage of total workshop purchases decreased to 38.9% for the nine months ended September 30, 2010 from 40.1% in the nine months ended September 30, 2009. The lower percentage of cash at the workshops further decreased revenue for the three months ended September 30, 2010 by approximately \$782,000, compared to the corresponding period of 2009.

(5) Further decreasing revenue was a \$61,000 decrease in hosting revenue for the nine months ended September 30, 2010, compared to the corresponding period of 2009.

(6) Revenue decreased \$505,000 for the nine months ended September 30, 2010 compared to the corresponding period of 2009 as a result of a change in the current product mix offered at our workshops and the timing of revenue recognition associated with those products. As a result of the change in our product mix, deferred revenue increased by \$505,000.

(7) Partially offsetting the overall decrease in revenue was a decrease in refunds when compared to the prior period. As a result of giving fewer refunds in the current period, revenue increased \$572,000 in the nine months ended September 30, 2010 compared to the nine months ended September 30, 2010.

(8) The overall decrease in revenue was further off-set by an increase of \$1,000,000 as a result of the change in the Avail 24/7 contract.

(9) Revenue decreased \$1,280,000 during the nine months ended September 30, 2009 as a result of various legal matters, in which agreements were reached, or expected to be reached, allowing for customer refunds.

### *Crexendo Business Solutions*

Revenue for the nine months ended September 30, 2010 was \$922,000, compared to \$44,000 in the nine months ended September 30, 2009. Revenue from our Crexendo Business Solutions division is generated primarily through on-page and off-page search engine optimization services, search engine management services, conversion rate optimization services, and website design and development services.

### *Cost of Revenue*

#### *StoresOnline*

Cost of revenue consists primarily of the cost to conduct Internet Training Workshops, credit card fees and the cost of products sold. Cost of revenue for the nine months ended September 30, 2010 decreased 14% to \$14,374,000, from \$16,618,000 for the nine months ended September 30, 2009. Cost of revenue as a percentage of revenue increased to 30% in the current year period compared to 29% in prior year period. The increase in cost of revenue as a percentage of revenue is primarily due to the implementation of certain tests in the month of September designed to increase the attendance at our workshops. The impact of these tests was an increase of one percent cost of revenue as a percentage of revenue. Trends in cost of revenue will not always be consistent with the trends in revenue due to the fact that cost of revenue is typically recognized at the time of sale and no later than the expiration of the customer's three-day cancellation period, but the related revenue is often deferred in accordance with accounting standards.

### *Crexendo Business Solutions*

Cost of revenue consists primarily of salaries related to fulfillment of our web services. Cost of revenue for the nine months ended September 30, 2010 was \$517,000, compared to \$191,000 in the nine months ended September 30, 2009. The increase in salaries for the current period is related to an increase in headcount to fulfill additional sales.

### *Selling and Marketing*

#### *StoresOnline*

Selling and marketing expenses consist of payroll and related expenses for sales and marketing activities, advertising, and promotional and public relations expenses. Selling and marketing expenses for the nine months ended September 30, 2010 decreased 5% to \$24,026,000, from \$25,345,000 for the nine months ended September 30, 2009. Selling and marketing expense as a percentage of revenue increased to 50% in the current period from 44% in prior year period primarily due to a decrease in the response to our direct mail advertising. This decrease in response rate resulted in fewer attendees at our preview events compared to the prior year quarter. As a result of the decrease in response rate despite a \$400,000 increase in our direct mail advertising spent, our revenue per advertising dollar decreased, which significantly impacted our selling and marketing expense as a percentage of revenue. The overall decrease in selling and marketing expense was due primarily to a 14% decrease in the number of Internet Training Workshops conducted during nine months ended September 30, 2010 compared to nine months ended September 30, 2009. Trends in selling and marketing expenses will not always be consistent with the trends in revenue due to the fact that selling and marketing expenses are typically recognized when incurred, at the time of sale, and no later than the expiration of the customer's three-day cancellation period, but the related revenue is often deferred in accordance with accounting guidance.

### *Crexendo Business Solutions*

Selling and marketing expenses consists primarily of salaries and benefits as well as advertising expenses. Selling and marketing expense was \$926,000 and \$257,000 for the nine months ended September 30, 2010 and 2009, respectively. The large increase was related to an increase in sales teams and other sales activity.

### *General and Administrative*

#### *StoresOnline*

General and administrative expenses consist of payroll and related expenses for executive, accounting and administrative personnel, legal, accounting and other professionals, finance company service fees, and other general corporate expenses. General and administrative expenses for the nine months ended September 30, 2010 decreased 12% to \$4,594,000 from \$5,234,000 for the nine months ended September 30, 2009. The decrease was primarily due to a decrease in finance servicing company payments of \$778,000 as a result of a reduction in principal collected on our receivables portfolio.



### *Crexendo Business Solutions*

General and administrative expenses consist of payroll and related expenses for account managers, accounting and administrative personnel. General and administrative expenses were \$742,000 and \$98,000 for the nine months ended September 30, 2010 and 2009, respectively. The large increase was primarily attributable to the growth of our business since the prior year.

### *Crexendo Network Services*

General and administrative expenses consist of payroll and related expenses for rent, professional fees and administrative personnel. General and administrative expenses were \$363,000 and \$48,000 for the nine months ended September 30, 2010 and 2009, respectively. The large increase, which mostly included legal and consulting fees, was primarily attributable to preparation of our hosted telecom phase 1 product launch.

### *Other Income*

Other income is primarily derived from interest income from our StoresOnline segment and relates to EPTA contracts, which generally carry an 18% simple interest rate. For nine months ended September 30, 2010 and 2009, other income was \$3,750,000 and \$4,440,000 respectively. The decrease was primarily attributable to interest income decreasing 22% to \$3,571,000 for the nine months ended September 30, 2010 compared to \$4,461,000 for nine months ended September 30, 2009. The decrease was primarily attributable to the decrease in the collection of trade receivables. This decrease was partially offset by a one time sale of receivables that had previously been written off the books for \$303,000 in the current quarter.

### *Income Tax Provision*

During the nine months ended September 30, 2010, we recorded an income tax benefit of \$175,000. This compares to an income tax benefit of \$4,267,000 for the nine months ended September 30, 2009. Income taxes are based on the estimated effective federal, state and foreign income tax rates. Our tax rate for the nine months ended September 30, 2010 was favorable as a result of the recognition of additional research and development credits related to prior years and the reversal of an uncertain tax liability due to a favorable conclusion of an audit in a foreign jurisdiction. Our tax rate for the nine months ended September 30, 2009 was favorable due to the reversal of an uncertain tax liability due to a favorable conclusion to an IRS audit.

## **Liquidity and Capital Resources**

### *Working Capital*

As of September 30, 2010, we had working capital of \$15,051,000, compared to \$17,604,000 as of December 31, 2009. As of September 30, 2010, we had working capital, excluding deferred revenue, of \$26,499,000 compared to \$33,431,000 as of December 31, 2009. Deferred revenue balances represent historical contract sales for which we cannot immediately recognize revenue. The costs and expenses we incur as these deferred revenue amounts are recognized as revenue are expected to be insignificant. Consequently, we do not consider deferred revenue to be a factor that impacts our liquidity or future cash requirements. The decrease in working capital and working capital excluding deferred revenue is primarily attributable to the purchase of a building, repurchase of shares of common stock, dividends paid, and a decrease in prepaid expenses as a result of direct response advertising costs that related to future workshops. We believe we have sufficient liquidity and capital resources to meet our needs for at least the next twelve months.

### *Cash and Cash Equivalents*

As of September 30, 2010, we had \$17,470,000 of cash and cash equivalents held primarily in operating accounts, compared to \$21,549,000 as of December 31, 2009. During the nine months ended September 30, 2010, we used \$626,000 in cash from operating activities. During the nine months ended September 30, 2010, we used cash flows from investing activities of \$2,396,000. During the nine months ended September 30, 2010 we used cash of \$1,057,000 in financing activities, primarily for the payment of dividends to stockholders and the repurchase of shares of common stock.

### *Trade Receivables*

Current trade receivables, net of allowance for doubtful accounts, totaled \$10,182,000 as of September 30, 2010 compared to \$14,162,000 as of December 31, 2009. Long-term trade receivables, net of allowance for doubtful accounts, were \$7,344,000 as of September 30, 2010 compared to \$6,264,000 as of December 31, 2009. We offer our customers a 24-month installment contract as one of several payment options. The payments that become due more than 12 months after the end of the fiscal period are classified as long-term trade receivables.

### *Accounts Payable*

Accounts payable as of September 30, 2010 totaled \$2,901,000, compared to \$3,154,000 as of December 31, 2009. Our accounts payable as of September 30, 2010 were generally within our vendors' terms of payment.

### *Capital*

As of September 30, 2010, total stockholders' equity was \$26,053,000, up from \$25,982,000 at December 31, 2009. In addition to a net income of \$95,000, other significant changes in stockholders' equity during the first nine months of fiscal year 2010 included \$855,000 in expense for options granted, \$686,000 in common stock dividends, \$117,000 in restricted stock issued, and \$323,000 in shares of our common stock that were re-purchased. The remaining change related to stock options exercised by employees, net of the related income tax benefit.

During the nine months ended September 30, 2010 we declared and paid three cash dividends of \$0.02 per common share on March 29, 2010, June 22, 2010, and September 28, 2010 respectively. The dividend declared on March 29, 2010 was paid to stockholders of record as of April 5, 2010 and was paid on April 12, 2010. The dividend declared on June 22, 2010 was paid to stockholders of record as of June 29, 2010 and was paid on July 7, 2010. The dividend declared on September 28, 2010 was paid to stockholders of record as of October 7, 2010 and was paid on October 14, 2010. As we experienced a net loss for the nine months ended September 30, 2010, the dividend payout ratio, representing dividends per share divided by basic and diluted income per share, is not a meaningful measure.

### *Common Stock Repurchases*

In September 2006, our board of directors authorized the repurchase of up to \$20,000,000 of our common stock. In September 2007, our board of directors authorized the repurchase of an additional \$50,000,000 of our common stock. During the nine months ended September 30, 2010, we paid \$323,000 to purchase 64,806 shares of our common stock. The common stock we repurchased has been retired.

### *Acquisition of CastleWave*

On February 9, 2010 we acquired all of the assets of CastleWave for total consideration of \$495,000. The total consideration included a contingent consideration based upon future revenue generated from CastleWave sales channels of approximately \$128,000, restricted stock of \$117,000, and cash of \$250,000. The contingent consideration is paid out quarterly based upon a percentage of sales from CastleWave's sale channels. CastleWave is a provider of online marketing services and became part of our Crexendo Business Solutions segment.

### *Off Balance Sheet Arrangements*

We have no off-balance sheet arrangements other than operating leases. We believe that these operating leases are immaterial to our current or future financial position, results of operations, revenues or expenses, liquidity, capital expenditures or capital resources.

## Impact of Recent Accounting Pronouncements

**Recently Adopted Accounting Guidance** – On January 1, 2010, we adopted new accounting guidance on Fair Value Measurements and Disclosures. This guidance requires us to disclose the amount of significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for these transfers, as well as reasons for any transfers in or out of Level 3 of the fair value hierarchy. In addition, the guidance clarifies certain existing disclosure requirements. This new authoritative guidance did not have a material impact on our disclosures in our condensed consolidated financial statements at September 30, 2010.

On January 1, 2010, we adopted new accounting guidance on the consolidation of variable interest entities. This guidance requires revised evaluations of whether entities represent variable interest entities, ongoing assessments of control over such entities, and additional disclosures for variable interests. This new authoritative guidance had no impact on our financial condition and results of operations at September 30, 2010.

**Recent Accounting Guidance Not Yet Adopted** - In October 2009, the FASB issued authoritative guidance on revenue recognition that will become effective for us beginning January 1, 2011, with earlier adoption permitted. Under the new guidance on arrangements that include software elements, tangible products that have software components that are essential to the functionality of the tangible product will no longer be within the scope of the software revenue recognition guidance, and software-enabled products will now be subject to other relevant revenue recognition guidance. Additionally, the FASB issued authoritative guidance on revenue arrangements with multiple deliverables that are outside the scope of the software revenue recognition guidance. Under the new guidance, when vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, a best estimate of the selling price is required to separate deliverables and allocate arrangement consideration using the relative selling price method. The new guidance includes new disclosure requirements on how the application of the relative selling price method affects the timing and amount of revenue recognition. We believe adoption of this new guidance will not have a material impact on our financial statements.

## Forward-Looking Statements and Factors That May Affect Future Results and Financial Condition

With the exception of historical facts, the statements contained in the foregoing MD&A are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, which reflect our current expectations and beliefs regarding our future results of operations, performance and achievements. These statements are subject to risks and uncertainties and are based upon assumptions and beliefs that may or may not materialize. These forward-looking statements include, but are not limited to, statements concerning:

- our belief that our target market will increasingly look to Internet solution providers who leverage industry and customer practices, increase predictability of success of their Internet initiatives and decrease implementation risks by providing low-cost, scalable solutions with minimal lead time;
- our belief that we can compete successfully by relying on our infrastructure, marketing strategies as well as techniques, systems and procedures, and by adding additional products and services in the future;
- our belief that we can continue the development of our business by periodic review and revision of our methods of doing business and by continuing our expansion into domestic and international markets;
- our belief that a key component of our business comes from a number of new, recently developed proprietary technologies and that these technologies and advances distinguish our services and products from our competitors and further help to substantially reduce our operating costs and expenses;
- our contention that we do not offer our customers a “business opportunity” or a “franchise” as those terms are defined in applicable statutes of the states and other jurisdictions in which we operate;
- our belief that we operate in compliance with laws concerning sales practices and more particularly that we are not obligated to offer more than a three-day right of rescission;
- our belief that there is a large, fragmented and under-served population of small businesses and entrepreneurs searching for professional services firms that offer business-to-consumer eCommerce solutions coupled with support and continuing education;
- our belief that continuously testing and implementing changes to our business model may further reduce the level of investment necessary to get customers to attend our events and to increase our value proposition to these customers;
- our belief that we took steps to correct the decline and believe we have made the necessary corrections;
- our expectation that our offering of products and services will evolve as some products are replaced by new and enhanced products intended to help our customers achieve success with their Internet-related businesses; and

- our expectation that the costs and expenses we incur will be insignificant as deferred revenue amounts are recognized as revenue when cash is collected.

We caution readers that our operating results are subject to various risks and uncertainties that could cause our actual results and outcomes to differ materially from those discussed or anticipated, including changes in economic conditions and Internet technologies, fluctuations in weather patterns, interest rate fluctuations, and the factors set forth in the section entitled, "Risk Factors," under Part II, Item 1A of this report. We also advise readers not to place any undue reliance on the forward-looking statements contained in this report, which reflect our beliefs and expectations only as of the date of this report. We assume no obligation to update or revise these forward-looking statements to reflect new events or circumstances or any changes in our beliefs or expectations, other than as required by law.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest and foreign exchange rates.

As of September 30, 2010, we had approximately \$17,470,000 of cash and cash equivalents. These amounts were invested primarily in money market funds, U.S. government securities, corporate bonds and commercial paper. We believe that while the instruments we hold are subject to changes in the financial standing of the issuer of such securities, we are not subject to any material risks arising from changes in interest rates, commodity prices or other market changes that affect market risk sensitive instruments. However, should interest rates decline, our future interest income will decrease. If overall interest rates had fallen by 10% in the nine months ended September 30, 2010, our interest income would have decreased by an immaterial amount assuming consistent levels of interest-bearing instruments.

As of September 30, 2010, we had approximately \$987,000 of net trade receivables denominated in foreign currencies with maturity dates between 2010 and 2011. These trade receivables are translated into U.S. dollars at the exchange rates as of each balance sheet date and the corresponding adjustments are recorded in deferred revenue. As amounts are collected on our foreign denominated trade receivables, future revenues and cash flows may be adversely impacted by fluctuations in foreign currency exchange rates. If the U.S. dollar had strengthened overall by one percent as of September 30, 2010, our net trade receivable balance would have decreased by approximately \$10,000.

As of September 30, 2010, we had approximately \$442,000 of cash and cash equivalents denominated in foreign currencies. These cash and cash equivalent balances are translated into U.S. dollars at the exchange rates as of each balance sheet date and the corresponding adjustments are recorded in other income, net. Future earnings and cash and cash equivalent balances may be adversely impacted by fluctuations in foreign currency exchange rates. If the U.S. dollar had strengthened overall by one percent as of September 30, 2010, our cash and cash equivalents would have decreased by approximately \$4,000.

### ITEM 4. CONTROLS AND PROCEDURES

#### *Evaluation of Disclosure Controls and Procedures*

Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Exchange Act) as of the end of the period covered by this report, have concluded that, based on the evaluation of these controls and procedures, our disclosure controls and procedures were effective.

#### *Changes in Internal Control Over Financial Reporting*

No changes in our internal control over financial reporting occurred during the nine months ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Information on certain legal proceedings that we believe may be material to our business is set forth in "Part I – Item 3. Legal Proceedings" to our Transition Report on Form 10-KT for the period ended December 31, 2009. Other than the information regarding the legal proceedings set forth under "Legal Proceedings" in Note 8 of Notes to Condensed Consolidated Financial Statements, included in Part I, Item 1 of this report, there were no material changes from the legal proceedings previously disclosed in our Transition Report on Form 10-KT for the period ended December 31, 2009. The information regarding legal proceedings as set forth under "Legal Proceedings" in Note 8 of Notes to Condensed Consolidated Financial Statements, included in Part I, Item 1 of this Report, is incorporated herein by reference.

### ITEM 1A. RISK FACTORS

There are many risk factors that may affect our business and the results of our operations, many of which are beyond our control. Information on certain risks that we believe are material to our business is set forth in "Part I – Item 1A. Risk Factors" to our Annual Report on Form 10-KT for the period ended December 31, 2009. There were no material changes from the risk factors previously disclosed in our Annual Report on Form 10-KT for the period ended December 31, 2009.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. (REMOVED AND RESERVED)

### ITEM 5. OTHER INFORMATION

None

### ITEM 6. EXHIBITS

Exhibits

31.1	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities and Exchange Act of 1934, as amended
31.2	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities and Exchange Act of 1934, as amended
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### **iMergent, Inc.**

November 3, 2010

By: s/ STEVEN G. MIHAYLO  
Steven G. Mihaylo  
Chief Executive Officer

November 3, 2010

By: s/ JONATHAN R. ERICKSON  
Jonathan R. Erickson  
Chief Financial Officer

**Certification Pursuant to  
Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Amended**

I, Steven G. Mihaylo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of iMergent, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2010

By: /s/ STEVEN G. MIHAYLO

Steven G. Mihaylo  
Chief Executive Officer



**Certification Pursuant to  
Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Amended**

I, Jonathan R. Erickson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of iMergent, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2010

By:

/s/ JONATHAN R. ERICKSON

Jonathan R. Erickson  
Chief Financial Officer

**CERTIFICATIONS PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

In connection with the Quarterly Report of iMergent, Inc., a Delaware corporation (the "Company"), on Form 10-Q for the quarter ended September 30, 2010, as filed with the Securities and Exchange Commission (the "Report"), Steven G. Mihaylo, Chief Executive Officer of the Company, does hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ STEVEN G. MIHAYLO

Steven G. Mihaylo  
Chief Executive Officer

Date: November 3, 2010

[A signed original of this written statement required by Section 906 has been provided to iMergent, Inc. and will be retained by iMergent, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]

**CERTIFICATIONS PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

In connection with the Quarterly Report of iMergent, Inc., a Delaware corporation (the "Company"), on Form 10-Q for the quarter ended September 30, 2010, as filed with the Securities and Exchange Commission (the "Report"), Jonathan R. Erickson, Chief Financial Officer of the Company, does hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ JONATHAN R. ERICKSON

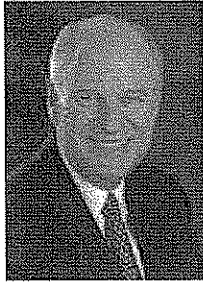
Jonathan R. Erickson  
Chief Financial Officer

Date: November 3, 2010

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<http://documentresearch.morningstar.com>

**EXHIBIT "D"**  
**BIOGRAPHY INFORMATION**

### **Steven G. Mihaylo, Chief Executive Officer and Director**



Steve was appointed as Chief Executive Officer in 2008. He is the retired chairman and chief executive officer of Inter-Tel, Incorporated, which he founded in 1969. Steve led the Inter-Tel evolution from providing business telephone systems to offering complete managed services and software that help businesses facilitate communication and increase customer service and productivity. Before selling Inter-Tel to Mitel for \$720 million in 2007, Steve grew the business to nearly \$500 million in annual sales.

Steve earned an honorary PhD from California State University - Fullerton and received a Bachelor of Arts in Business Administration in Accounting & Finance from the university in 1969. He has served on boards of numerous community organizations including the Arizona Heart Foundation, Junior Achievement of Arizona, Arizona Museum of Science and Technology and the Arizona State University College of Business Dean's Council of 100. Committed to education, Steve is involved with the Karl Eller College of Management at the University of Arizona and has served on the advisory board of Junior Achievement of Central Arizona for over 25 years, as a member of the board of directors of the Big Bear High School Education Foundation and on the Dean's Advisory Board of CSU-Fullerton.

### **Clint Sanderson, Senior Vice President**



Mr. Sanderson joined StoresOnline in 2002 and has served as SVP and President of our StoresOnline and Crexendo divisions since February 2009. Since joining iMergent, Sanderson has held positions of increasing responsibility, including Senior Vice President of Sales of our StoresOnline Division, Sales Manager and vice president of operations. Prior to joining StoresOnline, Mr. Sanderson served as director of sales for two enterprise software companies. Mr. Sanderson also serves on the Board of Directors of the American Lung Association of Utah. Mr. Sanderson received a Bachelor of Science Degree from Brigham Young University.

### **David Krietzberg, Chief Administrative Officer**



Mr. Krietzberg has served as the Chief Administrative Officer since 2009. Prior to joining iMergent, Inc., Krietzberg held positions with Mitel Networks, Inc, Inter-Tel Technologies, Inc and Executone Information Systems, Inc., including Chief Financial Officer, Vice President of Finance and Treasurer. Krietzberg has extensive experience in operations management, strategic planning, financial management, building organizations and developing high performance teams. Mr. Krietzberg has both an MBA in finance and a BBA in accounting from Pace University.

### **Jonathan R. Erickson, Chief Financial Officer**



Mr. Erickson has served as iMergent's Chief Financial Officer since February 2009. Prior to his that he served as a controller since 2006. Prior to joining iMergent Mr. Erickson held various positions of increasing responsibility at Deloitte & Touche LLP, which he joined in May 2003, culminating with the position of Audit Senior specializing primarily in international manufacturing operations. Mr. Erickson received a Bachelor of Science degree in Accounting from Brigham Young University in 2002 and a Master of Accountancy from Brigham Young University in 2003. Mr. Erickson is also a certified public accountant.

### **David L. Rosenvall, Chief Technology Officer**



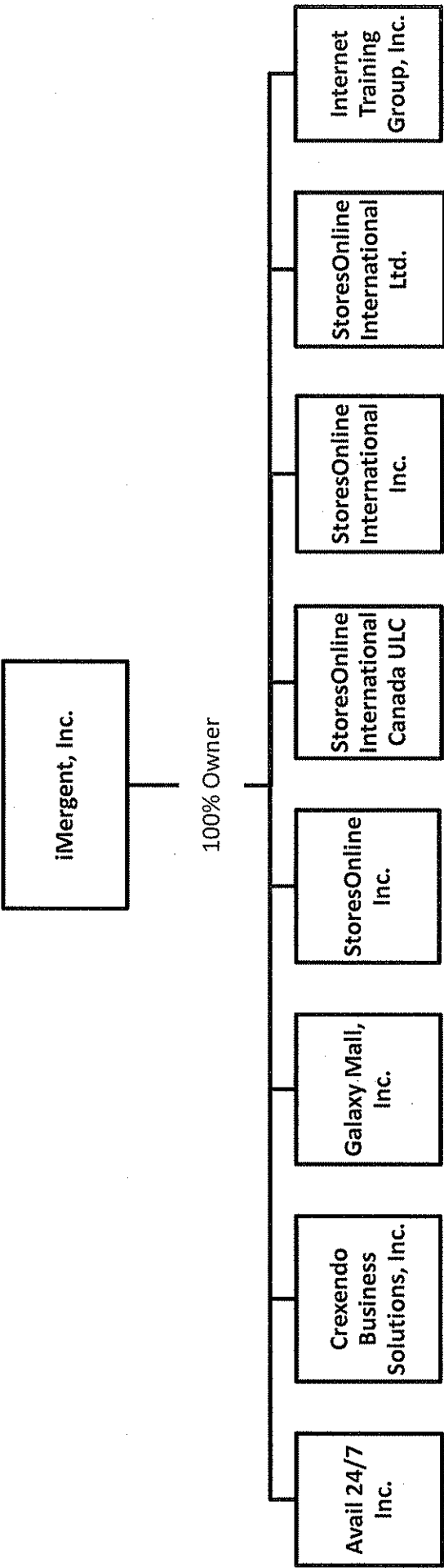
Mr. Rosenvall was appointed as our Chief Technology Officer in February 2001. Prior thereto, he served as our Chief Architect from September 1999. He initially joined us in November 1998 in connection with our acquisition of StoresOnline.com. From September 1997 to December 1998, Mr. Rosenvall was president of Spartan Multimedia in Calgary, Alberta, Canada, and from January 1995 to August 1997, he was Vice-President for Research and Development at Xentel, another Calgary company. Mr. Rosenvall holds a Bachelor of Science degree in Mechanical Engineering from the University of Calgary and an M.B.A. from Brigham Young University.

### **Jeffrey Korn, Chief Legal Officer**



Mr. Korn has served as Chief Legal Officer since February 2009. Prior to that he served as the General Counsel of iMergent since 2002. Prior to joining iMergent, Mr. Korn had a private consulting practice; before that, he had served as general counsel of ProsoftTraining (previously a NASDAQ company), and prior to that, Mr. Korn was a partner in a Jacksonville, Florida, law firm with his practice, specializing in corporate matters and litigation. Mr. Korn has been an advisor to private venture firms, as well as a lecturer and a college instructor. Mr. Korn currently serves on the board of directors of Flanders Corporation and on several charitable and education boards. Mr. Korn has a BA from the State University of New York at New Paltz and a JD from Stetson University College.

**EXHIBIT "E"**  
**CORPORATE ORGANIZATION CHART**





**EXHIBIT "F"**  
**INTRALATA PRESUBSCRIPTION IMPLEMENTATION PLAN**

**CREXENDO BUSINESS SOLUTIONS, INC. (Crexendo)**  
**IntraLATA Presubscription Implementation Plan**

**I. Purpose**

The intent of this Plan is to provide a proposal that, upon implementation, would provide customers the ability to select the telecommunications carrier of their choice for routing their intraLATA toll calls. Crexendo proposes to implement intraLATA toll dialing parity from the date it receives authority to provide local exchange services in Tennessee and has entered into interconnection arrangements with the ILECs. Crexendo proposes to provide toll dialing parity to the Chattanooga, Knoxville, Memphis and Nashville LATAs. Attached hereto are the exchange areas that Crexendo proposes to provide intraLATA toll dialing parity.

**II. Carrier Selection Procedures**

Crexendo will implement the full 2-PIC (Primary Interexchange Carrier) carrier selection methodology. With the full 2-PIC methodology, customers will be able to presubscribe to one telecommunications carrier for interLATA toll calls and presubscribe to the same or a different participating telecommunications carrier, including their existing local exchange company, for all intraLATA toll calls. Orders for changes will be accepted and processed beginning on the implementation date.

Crexendo 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 and direct customers to their chosen intraLATA carriers. Processes will be in place to provide new customers with an opportunity to choose their intraLATA toll carrier from a list of available carriers. Crexendo will implement a PIC change charge waiver period of 90 days.

**New Customers**

Customers who contact Crexendo requesting new telephone exchange service will be provided a list of telecommunications carriers available to provide interLATA toll service. Upon implementation of intraLATA toll presubscription, the customer will be provided a second list of carriers, including Crexendo, that provide intraLATA toll service in their exchange. The list of intraLATA toll carriers will be presented in a competitively neutral manner. Customers who do not make a positive choice for an intraLATA toll carrier will be identified within Crexendo's system as a "no-PIC" and will not be automatically defaulted to a carrier. Customers identified as "no-PIC" within Crexendo's systems will be required to dial 101XXXX to place intraLATA toll calls until they make an affirmative choice for an intraLATA toll carrier.

### III. Customer Education/Notification

Customers will receive information explaining their opportunity to select an intraLATA carrier a minimum of 30 days in advance of the offering of intraLATA toll dialing parity via a bill message. In addition, during the 30 days following implementation of intraLATA Dialing Parity, customers will receive a bill insert also explaining their opportunity to select an intraLATA carrier. Crexendo anticipates that promotional strategies by carriers will contribute to customer awareness of intraLATA toll dialing parity. Customer telephone directories will be updated as new editions are published to reflect the opportunity for customers to choose an intraLATA toll carrier.

### IV. Carrier Notification

Current interexchange carriers will be notified of Crexendo's intraLATA toll dialing parity implementation via letter approximately 90 days in advance of the proposed implementation date. Carriers should provide a list of exchanges in which they plan to offer intraLATA toll service at least 60 days in advance of Crexendo's implementation date. Crexendo needs notification in advance to include the carrier on the list of participating carriers in each Crexendo exchange. Certified carriers who enter the market after implementation will be added to the list of participating carriers within 30 days of notifying Crexendo.

Crexendo will provide subscriber listing information to carriers in "readily accessible" tape or electronic formats in a timely manner as requested through the processes that currently exist for the interLATA market. The process includes subscriber listing updates to carriers for new customers who choose that carrier or of existing customers of a carrier who revise their subscriber listing information. In addition, carriers can obtain complete subscriber listings in several formats. The provision of this information is in compliance with FCC Order No. 96-333, Paragraph 389.

Crexendo will comply with Part 51, Sections, 305, 307, 325, 327, 329, 331, 333 and 335 of the FCC Order in providing the required information and notice to the public of network changes. Crexendo plans to file a public notice with the FCC, with possible migration of the notice to the Internet process as described in Section 329. The notice will include network information as outlined in Section 327. The notice will be provided within the timeframes described in Sections 331-333. Crexendo will comply with all rules of the FCC and the TRA.

## V. Non-Discriminatory Access

Crexendo will provide:

- non-discriminatory access to emergency services and services for the hearing and speech impaired;
- non-discriminatory access to local and long distance directory assistance and provision of local telephone directories to end users;
- non-discriminatory access to operator services;
- non-discriminatory access using standard dialing patterns to all interLATA and intraLATA long distance carriers, including 1+ and 0+ access to the customer's carrier of choice for interLATA calls; and
- non-discriminatory access to telephone numbers and number portability where technically and economically feasible.

## VI. Slamming Policy

### Verification of orders

Crexendo will not submit a change order for local exchange or intrastate toll service until the change order is confirmed in accordance with one of the following procedures:

(a) Crexendo has obtained the customer's written authorization to submit the order which includes the following information from the customer:

- (1) The customer billing name, billing telephone number and billing address and each telephone number to be covered by the change order;
- (2) The decision to change; and
- (3) The customer's understanding of the change fee.

(b) Crexendo has obtained the customer's authorization, as described in (a) of this subsection, electronically.

Calls to the number(s) shall connect a customer to a voice response unit, or similar, that records the required information regarding the change, including automatically recording the originating automatic number identification (ANI).

(c) An appropriately qualified and independent third party operating in a location physically separate from the telemarketing representative has obtained the customer's oral authorization to submit the change order that confirms and includes appropriate verification data in (a) of this subsection.

### Implementing order changes

(a) Telemarketing orders. Within three business days of any telemarketing order for a change, Crexendo will send each new customer an information package by first class mail containing at least the following information concerning the requested change:

- (1) The information is being sent to confirm a telemarketing order placed by the customer.
- (2) The name of the customer's current telecommunications company.
- (3) A description of any terms, conditions or charges that will be incurred.

- (4) The name of the newly requested telecommunications company.
- (5) The name of the person ordering the change.
- (6) The name, address and telephone number of both the customer and Crexendo.
- (7) A postpaid postcard which the customer can use to deny, cancel or confirm a service order.
- (8) A clear statement that if the customer does not return the postcard, the customer's service will be switched fourteen days after the date the information package was mailed. If customers have cancelled their orders during the waiting period, Crexendo cannot submit the customer's order.
- (9) The name, address and telephone number of a contact point for consumer complaints.
- (b) The documentation of the order shall be retained by Crexendo, at a minimum, for twelve months to serve as verification of the customer's authorization to change its telecommunications company. The documentation will be made available to the customer upon request.
- (c) Customer initiated orders. Crexendo when receiving the customer initiated request for a change of local exchange and/or intrastate toll shall keep an internal memorandum or record generated at the time of the request. Such internal record shall be maintained by Crexendo for a minimum of twelve months to serve as verification of the customer's authorization to change telecommunications companies. The internal record will be made available to the customer upon request. Within three business days of the order, Crexendo will send each new customer an information package by first class mail containing at least the following information concerning the request to change.

### List of Exchanges

Adams-Cedar Hill	Arlington	Ashland City	Athens
Bean Station	Bells	Bent Creek	Benton
Bethel Springs	Big Sandy	Blanche	Bolivar
Brownsville	Bulls Gap	Camden	Carthage
Cedar Grove	Centerville	Charleston	Charlotte
Chattanooga	Chestnut Hill	Clarksville	Cleveland
Clinton	Collierville	Columbia	Copper Basin
Covington	Cross Plains	Culleoka	Cumberland City
Cumberland Gap	Cunningham	Dandridge	Dayton
Decatur	Dickson	Dover	Dyer
Dyersburg	Eagleville	East Sango	Elkton
Etowah	Fairview	Fayetteville	Flintville
Franklin	Fredonia	Gallatin	Gatlinburg
Georgetown	Gibson	Gleason	Goodlettsville
Grand Junction	Greenback	Greenbrier	Greenfield
Halls	Hampshire	Harriman	Hartsville
Henderson	Hendersonville	Henning	Hohenwald
Hornbeak	Humboldt	Huntington	Huntland
Jackson	Jasper	Jefferson City	Jellico
Kenton	Kingston	Kingston Springs	Knoxville
LaFollette	LaGrange	Lake City	Lawrenceburg
Lebanon	Lenoir City	Lewisburg	Lexington
Loudon	Lyles	Lynchburg	Lynnville
Madisonville	Manchester	Maryville	Mascot
Maynardville	McEwen	McKenzie	Medina
Memphis	Middleton	Milan	Morristown
Moscow	Mt. Pleasant	Murfreesboro	Nashville
Newbern	Newport	Normandy	Norris
N. Spring Hill	Oak Ridge	Old Hickory	Oliver Springs
Palmyra	Paris	Petersburg	Pleasant View
Portland	Pulaski	Ridgely	Ripley
Rockwood	Rogersville	Sango	Santa Fe
Savannah	Selmer	Sevierville	Sewanee
Shelbyville	Smyrna	Sneedville	Soddy-Daisy
Solway	Somerville	S. Cunningham	S. Fredonia
S. Pittsburgh	Spencer Mill	Spring City	Springfield
Spring Hill	Summertown	Surgoinsville	Sweetwater
Tiptonville	Trenton	Triune	Troy
Tullahoma	Union City	Vanleer	Wartrace
Watertown	Waverly	W. Sweetwater	W. Whiteville
White Bluff	White House	White Pine	Whiteville
Whitewell	Williamsport	Winchester	

**EXHIBIT "G"**  
**SMALL & MINORITY OWNED TELECOMMUNICATIONS BUSINESS**  
**PARTICIPATION PLAN**

**CREXENDO BUSINESS SOLUTIONS, INC.**

**SMALL & MINORITY OWNED TELECOMMUNICATIONS BUSINESS  
PARTICIPATION PLAN**



Pursuant to T.C.A. §65-5-212, as amended, Crexendo Business Solutions, Inc. (“Crexendo”) 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 §65-5-212 is to provide opportunities for small and minority-owned businesses to provide goods and services to Telecommunications service providers. Crexendo 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. Crexendo 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, Crexendo will make efforts to identify and inform minority-owned and small businesses that are qualified and capable of providing goods and services to Crexendo of such opportunities. Crexendo’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, Crexendo 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 §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

Crexendo'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 Crexendo's full efforts to provide equal opportunities for small and minority-owned businesses. The Administrator of the Plan will be:

Jeff Korn, Chief Legal Officer  
Crexendo Business Solutions, Inc.  
1615 South 52nd Street  
Tempe, Arizona 85281  
Telephone: (801) 227-0004  
Facsimile: (801) 426-6712

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 Crexendo 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**

Crexendo will maintain records of qualified small and minority-owned business and efforts to use the goods and services of such businesses. In addition, Crexendo will maintain records of educational and training activities conducted or attended and of the internal procurement procedures adopted to support this plan.

Crexendo will submit records and reports required by the Tennessee Regulatory Authority concerning the Plan. Moreover, Crexendo will cooperate fully with any surveys and studies required by the Tennessee Regulatory Authority.

Crexendo Business Solutions, Inc.

By: \_\_\_\_\_

Jeff Korn  
Chief Legal Officer

Dated: July 27, 2010

**EXHIBIT "H"**  
**PRE-FILED TESTIMONY**

**PRE-FILED TESTIMONY  
OF  
JEFF KORN**

**I. Introduction**

1     1.     Q.     Please state your name and business address.

2           A.     My name is Jeff Korn. My business address is 1615 South 52nd Street, Tempe,  
3                 Arizona 85281.

4     2.     Q.     By whom are you employed and in what capacity?

5           A.     I am Chief Legal Officer for Crexendo Business Solutions, Inc. ("Crexendo").

6     3.     Q.     Please give a brief description of your background and experience in business and  
7                 telecommunications.

8           A.     My background and experience, as well as other members of the management team  
9                 of Crexendo, are set forth in Exhibit D to our application.

10

1 4. Q. What is the purpose of your testimony?

2 A. The purpose of my testimony is to describe the nature of Crexendo's proposed  
3 service offering within the State of Tennessee, and to demonstrate its financial,  
4 managerial, and technical ability to provide the telecommunications services for  
5 which authority is sought herein.

6 5. Q. Do you wish to incorporate by reference any documents into your testimony?

7 A. Yes. I wish to incorporate by reference the underlying Application filed in this  
8 proceeding and its associated attachments.

9 II. The Business of Crexendo

10 6. Q. Has Crexendo registered to do business in Tennessee?

11 A. Yes. Crexendo is an Arizona Corporation that has received authorization to transact  
12 business within the State of Tennessee. A copy of Crexendo's Articles of  
13 Incorporation and bylaws are attached to the Application as Exhibit A and a copy of  
14 the document of authorization from the State of Tennessee is attached to that  
15 Application as Exhibit B.  
16

1 7. Q. Please describe the services Crexendo intends to provide within the State of  
2 Tennessee.

3 A. Crexendo expects to offer a full array of local exchange, and requests authority to provide  
4 the following services:

5  
6 Interexchange (switched and dedicated services):

- 7 A. 1+ and 101XXXX outbound dialing;
- 8 B. 800/888 toll-free inbound dialing;
- 9 C. Calling cards; and
- 10 D. Data Services.

11  
12 Local Exchange:

- 13 A. Local Exchange Services that will enable customers to originate and terminate local  
14 calls in the local calling area served by other LECs, including local dial tone and  
15 custom calling features.
- 16 B. Switched local exchange services, including basic service, trunks, carrier access, and  
17 any other switched local services that currently exist or will exist in the future.
- 18 C. Non-switched local services (e.g., private line) that currently exist or will exist in the  
19 future.
- 20 D. Centrex and/or Centrex-like services that currently exist or will exist in the future.
- 21 E. Digital subscriber line, ISDN, and other high capacity services.

22 In addition to the services listed above, Crexendo, through interconnection with  
23 other carriers, will offer dual-party relay services, 9-1-1 Emergency Services,  
24 directory assistance and operator assisted calls, lifeline, and toll-free calling.



1     8.     Q.     How does Crexendo intend to provide service in the State of Tennessee?  
2             A.     Crexendo will initially resell services and provide service using unbundled  
3             network elements utilizing the facilities of the existing LECs or other competitive  
4             carriers that presently serve Tennessee. Crexendo has no plans at this time to  
5             install facilities to provide local exchange services in Tennessee.

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9. Q. Does Crexendo have authorization to provide intrastate telecommunications services in any other state?

A. Yes. Applicant is currently authorized to provide local exchange and interexchange services in Alabama, California, Colorado, District of Columbia, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Dakota, Texas, Utah, Vermont, Washington, West Virginia, Wisconsin and Wyoming. Applicant is currently providing service in California, Florida, Idaho, Illinois, Massachusetts, Missouri, Nebraska, New Jersey, New York, North Carolina, Oregon, Pennsylvania, Texas and Washington. Applicant is currently providing service in California, Florida, Idaho, Illinois, Massachusetts, Missouri, Nebraska, New Jersey, New York, North Carolina, Oregon, Pennsylvania, Texas and Washington.

10. Q. Has Crexendo ever had an application for a certificate of public convenience and necessity denied?

A. No.

11. Q. Does Crexendo intend to file a tariff with the Tennessee Regulatory Authority?

A. Yes. Crexendo has filed proposed tariffs with its application.

12. Q. Is Applicant is willing and able to adhere to all applicable TRA policies, rules and orders?

A. Yes. Applicant is willing and able to adhere to all applicable TRA policies, rules and orders. In addition, Crexendo at all times will provide interstate services in compliance with all FCC rules and regulations. Crexendo will at all times provide and market services in accordance with current Tennessee Regulatory Authority policies and will attempt to comply with the terms of that order in every respect possible.

13. Q. Has Crexendo provided any intrastate telecommunications services within the State of Tennessee?
- A. No it has not.
14. Q. What rates will Crexendo charge upon receipt of certification?
- A. Crexendo will charge the tariffed rates approved by the Tennessee Regulatory Authority.
15. Q. How will Crexendo market services in Tennessee?
- A. Crexendo intends to market its services via direct sales by Crexendo's employees.

### III. Managerial, Technical and Financial Qualifications

16. Q. Does Crexendo have sufficient managerial, technical, and financial resources and ability to provide the telecommunications services proposed in its Application?
- A. Yes. Crexendo has sufficient technical, financial, and managerial resources and ability to provide the telecommunications services for which authority is sought herein. Crexendo's personnel represent a broad spectrum of business and technical disciplines, possessing many years of individual and aggregate telecommunications experience.

My qualifications and experience, as well as members of Crexendo's current management team, are discussed on Exhibit D which is attached to our Application in support of Applicant's managerial and technical ability to provide the services for which authority is sought herein.

17. Q. How does Crexendo handle customer service requests?

A. Applicant's customer service department may be contacted nationwide via a local or toll-free number. The Company will maintain a Customer Service Department exclusively for Customer's questions, requests for service, complaints and trouble handling. The Company's Customer Service address and applicable local or toll free number(s) will be printed on the Customer's bill. The Customer Service Department will be located at 1615 South 52nd Street, Tempe, Arizona 85281.

Office Hours- Excluding holidays, Customer Service Representatives will be available 10:00 AM to 7:00 PM mountain time Monday through Friday. Online chat is available 24 hours a day, seven days a week with the exclusion of major U.S. holidays. Customers access the website [www.myquickresponse.com](http://www.myquickresponse.com) and are connected with a support person via online chat. The online session is saved and a copy of the chat is sent to the customer. Customers may also send in email questions ([crexendo@myquickresponse.com](mailto:crexendo@myquickresponse.com)) which when received are automatically assigned a ticket number. These tickets are assigned to Customer Support staff and the customer receives a phone call generally within one business day of the receipt of the request, but always within two business days.

Complaint Procedures- The Customer shall pose any inquiries or disputes directly to the Company for resolution. Written communications should be directed to the Company's Customer Service department. All undisputed portions of any outstanding balance due are to be paid while resolution of the inquiry or dispute is

pending. The Company will investigate a Customer inquiry or dispute and report the findings to the Customer. If the Company finds its actions to be consistent with its Tariff, the Company will inform the Customer of its no fault finding and require full payment of any outstanding balance due.

If the Customer is not satisfied with the Company's resolution of an inquiry or dispute, the Customer may refer the matter to the Tennessee Regulatory Authority for final determination.

18. Q. Please describe the financial condition of Crexendo.

A. Crexendo is a wholly owned subsidiary of iMergent, Inc. (iMergent), a publicly traded company. In support of Crexendo's financial ability to provide the services sought herein, a copy of iMergent's SEC Form 10-Q for period ended September 30, 2010, was submitted as Exhibit C to its Application.

#### IV. Public Interest

19. Q. How will residents of Tennessee benefit from Crexendo's services and presence in Tennessee?

A. The Tennessee Regulatory Authority's grant of this certificate is in the public interest because residential and business consumers of telecommunications services within Crexendo's service territory will receive increased choice, improved quality of service, and heightened opportunities to obtain improved technology in the homes and businesses. Market incentives for new and old telecommunications providers in Tennessee will be improved greatly through an increase in the diversity of suppliers and competition within the local exchange telecommunications market. Consistent with the Tennessee Regulatory Authority's intent to aid in the development of a competitive telecommunications environment in Tennessee, the granting of a certificate of authority to provide local exchange and interexchange service will offer increased efficiency to the State's telecommunications infrastructure through greater reliability of services and an increase in competitive choices.

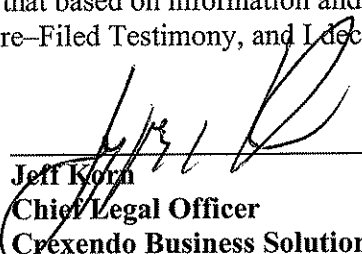
20. Q. Does this conclude your testimony?

A. Yes. I would like to thank the Tennessee Regulatory Authority for this opportunity to provide information relevant to Crexendo's Application and am ready to provide any additional information that the Tennessee Regulatory Authority may need in making its decision.



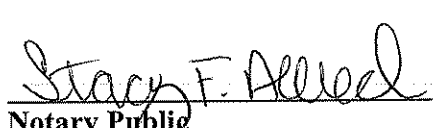
**VERIFICATION OF APPLICANT**

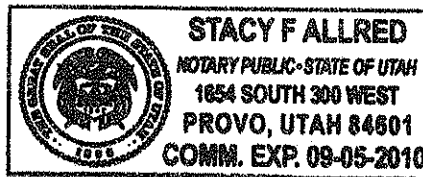
I, Jeff Korn, Chief Legal Officer of Crexendo Business Solutions, Inc., an Arizona Corporation, the applicant for a Certificate of Public Convenience and Necessity from the Tennessee Regulatory Authority, verify that based on information and belief, I have knowledge of the statements in the foregoing Pre-Filed Testimony, and I declare that they are true and correct.

  
\_\_\_\_\_  
Jeff Korn  
Chief Legal Officer  
Crexendo Business Solutions, Inc.

Sworn to me, the undersigned  
Notary Public on this  
27 day of July, 2010.

State of Utah  
County of Utah

  
\_\_\_\_\_  
Notary Public



**EXHIBIT "I"**  
**NUMBERING ISSUES & TENNESSEE SPECIFIC OPERATION ISSUES**

Numbering Issues

1. Applicant's expected demand for NXXs within a year of approval of our application is 60 to 80 NXXs per NPA.
2. Applicant estimates it will request 60 NXXs from NANPA when we establish our service footprint.
3. We expect to establish our initial service footprint in the 615 and 931 NPAs within 6 months of certification.
4. The company will sequentially assign numbers within NXXs if it is required by Tennessee Regulatory Authority rules and regulations. In other jurisdictions customer requirements have dictated the non-sequential assignment of telephone numbers.
5. The company will follow NANPA guidelines and Tennessee Regulatory Authority regulations and assign numbers accordingly.
6. When ordering NXXs for growth, we follow the forecasting guidelines set by NANPA and the state regulatory body. In the California jurisdiction we currently apply a 6 or 12 month forecast, depending on the jeopardy situation in a given NXX.

Tennessee Specific Operation Issues

1. Our current billing system will allow us to bill the calling plan in compliance with TCA Section 65-21-114.
2. At this time, the company is not aware of the Tennessee County Wide Calling database maintained by AT&T and the procedures to enter your telephone numbers on the database. The company intends to address all interconnection requirements and procedures with AT&T during the negotiation process and prior to the provision of local exchange service.
3. The company initially intends to provide service in Nashville, Memphis, Knoxville and Chattanooga. It is the Company's usual practice to mirror the calling pattern on the incumbent LEC, therefore this is how the company will provide metro area toll-free calling around Memphis, Nashville, Knoxville & Chattanooga.

4. At this time, the company is not aware of the MAC database maintained by BellSouth and the procedures to enter your telephone number on the database. The company intends to address all interconnection requirements and procedures with Bell South during the negotiation process and prior to the provision of local exchange service.
5. Employee responsible to work with the TRA on resolving customer complaints:  
Regulatory contact: Jeff Korn  
(801) 227-0004  
  
Customer Service contact: Patricia Creviston  
(866) 621-6111
6. The company intends to use telesales by its own employees. The company is aware of the telemarketing statutes and limitations found in TCA Section 65-4-401 and Chapter 1220-4-11 and will make every effort to comply with these regulations.

**EXHIBIT "J"**  
**BOND OR LETTER OF CREDIT**

**CHANGE RIDER**

To be attached to and form a part of Bond No. 0528148

Executed by Crexendo Business Solutions

as Principal and by The Cincinnati Insurance Company as Surety,

in favor of State of Tennessee

as Obligee and effective as of November 5, 2010

(original effective date of bond)

In consideration of the mutual agreements herein contained the Principal and the Surety hereby consent to changing

Field:

From:

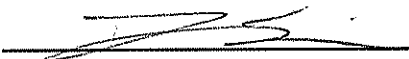
To:

Principal Name:

Crexendo Business Solutions

Crexendo  
Business Solutions, Inc.

Nothing herein contained shall vary, alter or extend any provision or condition of this bond except as herein expressly stated. This rider is effective on the 5th day of November 2010.

  
Principal

Accepted:

The Cincinnati Insurance Company

\_\_\_\_\_  
Obligee

By

  
Attorney-in-fact  
Carl Carter

By \_\_\_\_\_  
Title

THE CINCINNATI INSURANCE COMPANY

Fairfield, Ohio

POWER OF ATTORNEY

0528148

KNOW ALL MEN BY THESE PRESENTS: That THE CINCINNATI INSURANCE COMPANY, a corporation organized under the laws of the State of Ohio, and having its principal office in the City of Fairfield, Ohio, does hereby constitute and appoint

Carl Carter

of Phoenix, AZ its true and lawful Attorney(s)-in-Fact to sign, execute, seal and deliver on its behalf as Surety, and as its act and deed, any and all bonds, policies, undertakings, or other like instruments, as follows:

Any such obligations in the United States,  
Two Million Five Hundred Thousand and No/100 Dollars (\$2,500,000.00).

This appointment is made under and by authority of the following resolution passed by the Board of Directors of said Company at a meeting held in the principal office of the Company, a quorum being present and voting, on the 6th day of December, 1958, which resolution is still in effect:

RESOLVED, that the President or any Vice President be hereby authorized, and empowered to appoint Attorneys-in-Fact of the Company to execute any and all bonds, policies, undertakings, or other like instruments on behalf of the Corporation, and may authorize any officer or any such Attorney-in-Fact to affix the corporate seal; and may with or without cause modify or revoke any such appointment or authority. Any such writings so executed by such Attorneys-in-Fact shall be binding upon the Company as if they had been duly executed and acknowledged by the regularly elected officers of the Company.

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of the Company at a meeting duly called and held on the 7th day of December, 1973.

RESOLVED, that the signature of the President or a Vice President and the seal of the Company may be affixed by facsimile on any power of attorney granted, and the signature of the Secretary or Assistant Secretary and the seal of the Company may be affixed by facsimile to any certificate of any such power and any such power of certificate bearing such facsimile signature and seal shall be valid and binding on the Company. Any such power so executed and sealed and certified by certificate so executed and sealed shall, with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Company.

IN WITNESS WHEREOF, THE CINCINNATI INSURANCE COMPANY has caused these presents to be sealed with its corporate seal, duly attested by its Vice President this 1st day of April, 2007.



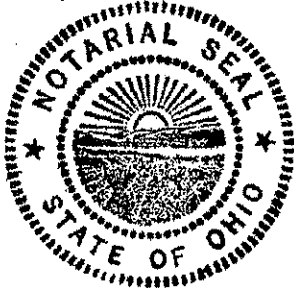
STATE OF OHIO ) ss:  
COUNTY OF BUTLER )

THE CINCINNATI INSURANCE COMPANY

*Thomas H. Kelly*

Vice President

On this 1st day of April, 2007, before me came the above-named Vice President of THE CINCINNATI INSURANCE COMPANY, to me personally known to be the officer described herein, and acknowledged that the seal affixed to the preceding instrument is the corporate seal of said Company and the signature of the officer were duly affixed and subscribed to said instrument by the authority and direction of said corporation.



*Mark J. Huller*  
MARK J. HULLER, Attorney at Law  
NOTARY PUBLIC - STATE OF OHIO  
My commission has no expiration  
date. Section 147.03 O.R.C.

I, the undersigned Secretary or Assistant Secretary of THE CINCINNATI INSURANCE COMPANY, hereby certify that the above is a true and correct copy of the Original Power of Attorney issued by said Company, and do hereby further certify that the said Power of Attorney is still in full force and effect.

GIVEN under my hand and seal of said Company at Fairfield, Ohio.  
this 7th day of February 2011



*Bruce J. Schlemmer*

Secretary

# TENNESSEE REGULATORY AUTHORITY

## TENNESSEE TELECOMMUNICATIONS SERVICE PROVIDER'S SURETY BOND

Bond #: 0528148

**WHEREAS, Crexendo Business Solutions** (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(i) 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, The Cincinnati Insurance Company**

(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(i) 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(i), 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 5th day of November, 20 10, 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.

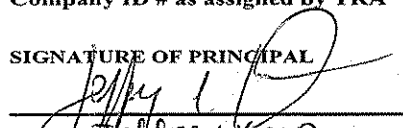
### PRINCIPAL

Crexendo  
Business Solutions

Name of Company authorized by the TRA

Company ID # as assigned by TRA

SIGNATURE OF PRINCIPAL

  
Name: Jeffrey Horn  
Title: Chief Legal Officer

### SURETY

The Cincinnati Insurance Company

Name of Surety

6200 S GILMORE RD  
FAIRFIELD OH 45014-5141

Address of Surety

SIGNATURE OF SURETY AGENT

  
Name: Scott M Donovan  
Title: Attorney-in-Fact

Address of Surety Agent:

2201 E Camelback Rd Ste 220  
Phoenix, AZ 85016

**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 HEREUNDER, THE STATUTE OR REGULATIONS SHALL PREVAIL. (POWER OF ATTORNEY FROM AN APPROVED INSURANCE COMPANY MUST BE ATTACHED.)**

ACKNOWLEDGMENT OF PRINCIPAL

STATE OF Utah  
COUNTY OF Utah

Before me, a Notary Public of the State and County aforesaid, personally appeared Jeffrey Korn  
with whom I am personally acquainted and who, upon oath, acknowledged himself to be the individual who executed the foregoing  
bond on behalf of Crescendo Business Solutions, and he acknowledged to me that he executed the same.

WITNESS my hand and seal this 19 day of November, 2010.

My Commission Expires:

09-05, 2014

Stacy Fernelius Allred  
Notary Public



ACKNOWLEDGMENT OF SURETY

STATE OF OHIO  
COUNTY OF BUTLER

Before me, a Notary Public of the State and County aforesaid, personally appeared Scott M. Donovan  
with whom I am personally acquainted and who, upon oath, acknowledged himself to be the individual who executed the  
foregoing bond on behalf of Cincinnati Insurance Co., the within named 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, and that he as such an individual being authorized to do so,  
executed the foregoing bond, by signing the name of the corporation by himself and as such individual.

WITNESS my hand and seal this 2nd day of November, 2010.

My Commission Expires:

**VICKI A. GALL**

Notary Public, State of Ohio, ~~XXX~~

My Commission Expires 10-22-12

Vicki A. Gall  
Notary Public

APPROVAL AND INDORSEMENT

This is to certify that I have examined the foregoing bond and found the same to be sufficient and in conformity to law, that the  
sureties on the same are good and worth the penalty thereof, and that the same has been filed with the Tennessee Regulatory  
Authority, State of Tennessee, this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Name:

Title:



THE CINCINNATI INSURANCE COMPANY

Fairfield, Ohio

POWER OF ATTORNEY

0528148

KNOW ALL MEN BY THESE PRESENTS: That THE CINCINNATI INSURANCE COMPANY, a corporation organized under the laws of the State of Ohio, and having its principal office in the City of Fairfield, Ohio, does hereby constitute and appoint

Scott M Donovan

of FAIRFIELD, OH its true and lawful Attorney(s)-in-Fact to sign, execute, seal and deliver on its behalf as Surety, and as its act and deed, any and all bonds, policies, undertakings, or other like instruments, as follows:  
Any such obligations in the United States,  
in any amount.

This appointment is made under and by authority of the following resolution passed by the Board of Directors of said Company at a meeting held in the principal office of the Company, a quorum being present and voting, on the 6th day of December, 1958, which resolution is still in effect:

RESOLVED, that the President or any Vice President be hereby authorized, and empowered to appoint Attorneys-in-Fact of the Company to execute any and all bonds, policies, undertakings, or other like instruments on behalf of the Corporation, and may authorize any officer or any such Attorney-in-Fact to affix the corporate seal; and may with or without cause modify or revoke any such appointment or authority. Any such writings so executed by such Attorneys-in-Fact shall be binding upon the Company as if they had been duly executed and acknowledged by the regularly elected officers of the Company.

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of the Company at a meeting duly called and held on the 7th day of December, 1973.

RESOLVED, that the signature of the President or a Vice President and the seal of the Company may be affixed by facsimile on any power of attorney granted, and the signature of the Secretary or Assistant Secretary and the seal of the Company may be affixed by facsimile to any certificate of any such power and any such power of certificate bearing such facsimile signature and seal shall be valid and binding on the Company. Any such power so executed and sealed and certified by certificate so executed and sealed shall, with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Company.

IN WITNESS WHEREOF, THE CINCINNATI INSURANCE COMPANY has caused these presents to be sealed with its corporate seal, duly attested by its Vice President this 1st day of April, 2007.



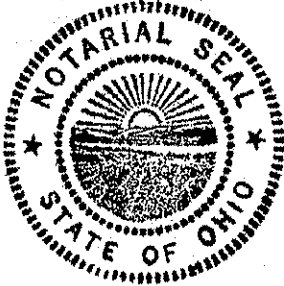
STATE OF OHIO ) ss:  
COUNTY OF BUTLER )

THE CINCINNATI INSURANCE COMPANY

*Thomas H. Kelly*

Vice President

On this 1st day of April, 2007, before me came the above-named Vice President of THE CINCINNATI INSURANCE COMPANY, to me personally known to be the officer described herein, and acknowledged that the seal affixed to the preceding instrument is the corporate seal of said Company and the corporate seal and the signature of the officer were duly affixed and subscribed to said instrument by the authority and direction of said corporation.



*Mark J. Huller*  
MARK J. HULLER, Attorney at Law  
NOTARY PUBLIC - STATE OF OHIO  
My commission has no expiration  
date. Section 147.03 O.R.C.

I, the undersigned Secretary or Assistant Secretary of THE CINCINNATI INSURANCE COMPANY, hereby certify that the above is a true and correct copy of the Original Power of Attorney issued by said Company, and do hereby further certify that the said Power of Attorney is still in full force and effect.

GIVEN under my hand and seal of said Company at Fairfield, Ohio.  
this 2nd day of November 2010



*Beggy J. Schlemmer*

Secretary

**EXHIBIT "K"**  
**PROPOSED TARIFFS**

**TITLE SHEET**

**TENNESSEE TELECOMMUNICATIONS TARIFF**

**INTRASTATE INTEREXCHANGE SERVICE**

**This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service or facilities for Telecommunications Services furnished by Crexendo Business Solutions, Inc. ("Crexendo"), with principal offices at 1615 South 52nd Street, Tempe, Arizona 85281. This tariff applies for services furnished within the State of Tennessee. This tariff is on file with the Tennessee Regulatory Authority, and copies may be inspected, during normal business hours, at the company's principal place of business.**

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**Issued: April 13, 2011**

**By:**

**Jeff Korn, Chief Legal Officer  
1615 South 52nd Street  
Tempe, Arizona 85281**

**Effective: May 13, 2011**

**CONCURRING, CONNECTING OR OTHER PARTICIPATING CARRIERS**

1. Concurring Carriers - None
2. Connecting Carriers - None
3. Other Participating Carriers - None

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Issued: April 13, 2011

By:

Jeff Korn, Chief Legal Officer  
1615 South 52nd Street  
Tempe, Arizona 85281

Effective: May 13, 2011

---

**CHECK SHEET**

The Sheets of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this sheet.

<u>SHEET</u>	<u>REVISION</u>	<u>SHEET</u>	<u>REVISION</u>
1	Original	20	Original
2	Original	21	Original
3	Original	22	Original
4	Original	23	Original
5	Original	24	Original
6	Original	25	Original
7	Original	26	Original
8	Original	27	Original
9	Original	28	Original
10	Original	29	Original
11	Original	30	Original
12	Original	31	Original
13	Original	32	Original
14	Original	33	Original
15	Original		
16	Original		
17	Original		
18	Original		
19	Original		

\* New or Revised Sheet

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Issued: April 13, 2011

By:

Jeff Korn, Chief Legal Officer  
1615 South 52nd Street  
Tempe, Arizona 85281

Effective: May 13, 2011

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Issued: April 13, 2011

By:

Jeff Korn, Chief Legal Officer  
1615 South 52nd Street  
Tempe, Arizona 85281

Effective: May 13, 2011

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**TARIFF FORMAT**

A. Sheet Numbering: Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between pages 11 and 12 would be page 11.1.

B. Sheet Revision Numbers: Revision numbers also appear in the upper right corner of each sheet where applicable. These numbers are used to indicate the most current page version on file with the Commission. For example, 4th Revised Sheet 13 cancels 3rd Revised Sheet 13. Consult the Check Sheet for the sheets currently in effect.

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

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

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

---

**Issued: April 13, 2011****By:**

**Jeff Korn, Chief Legal Officer**  
**1615 South 52nd Street**  
**Tempe, Arizona 85281**

**Effective: May 13, 2011**

**SYMBOLS**

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

- (C) to signify change in regulation
- (D) to signify a deletion
- (I) to signify a rate increase
- (L) to signify material relocated in the tariff
- (N) to signify a new rate or regulation
- (R) to signify a rate reduction
- (T) to signify a change in text, but no change in rate or regulation

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Issued: April 13, 2011

By:

Jeff Korn, Chief Legal Officer  
1615 South 52nd Street  
Tempe, Arizona 85281

Effective: May 13, 2011



**SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS**

Access Line - An arrangement from a local exchange telephone company or other common carrier, using either dedicated or switched access, which connects a Customer's location to the Company's location or switching center.

Authorization Code - A numerical code, one or more of which may be assigned to a Customer, to enable the Company to identify the origin of the call so it may rate and bill the call. Automatic number identification (ANI) is used as the authorization code wherever possible.

Commission - Used throughout this tariff to mean the Tennessee Regulatory Authority.

Company or Crexendo - Used throughout this tariff to mean Crexendo Business Solutions, Inc., an Arizona Corporation.

Customer - The person, firm, corporation or other legal entity which orders the services of the Company or purchases a Company Prepaid Calling Card and/or originates prepaid calls using such cards, and is responsible for the payment of charges and for compliance with the Company's tariff regulations.

Dedicated Access - The Customer gains entry to the Company's services by a direct path from the Customer's location to the Company's point of presence.

Holiday - New Year's Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. Holidays shall be billed at the evening rate from 8 a.m. to 11 p.m. After 11 p.m., the lower night rate shall go into effect.

Prepaid Account - An inventory of Telecom Units purchased in advance by the Customer, and associated with one and only one Authorization Code as contained in a specific Prepaid Calling Card.

---

Issued: April 13, 2011

By:

Jeff Korn, Chief Legal Officer  
1615 South 52nd Street  
Tempe, Arizona 85281

Effective: May 13, 2011

Prepaid Calling Card - A card issued by the Company, containing an Authorization Code which identifies a specific Prepaid Account of Telecom Units, which enables calls to be processed, account activity to be logged, and balances to be maintained, on a prepayment basis.

Resp. Org - Responsible Organization or entity identified by a Toll-Free service Customer that manages and administers records in the toll free number database and management system.

Switched Access - The Customer gains entry to the Company's services by a transmission line that is switched through the local exchange carrier to reach the Company's point of presence.

Telecom Unit - A measurement of telecommunications service equivalent to one minute of usage between any two points within the State of Tennessee.

Telecommunications - The transmission, between or among points specified by the user, of information of the user's choosing, without change in the form or content of the information as sent and received.

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

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Issued: April 13, 2011

By:

Jeff Korn, Chief Legal Officer  
1615 South 52nd Street  
Tempe, Arizona 85281

Effective: May 13, 2011

---

**SECTION 2 - RULES AND REGULATIONS****2.1 Undertaking of the Company**

This tariff contains the regulations and rates applicable to intrastate interexchange telecommunications services provided by the Company for telecommunications between points within the State of Tennessee. Services are furnished subject to the availability of facilities and subject to the terms and conditions of this tariff in compliance with limitations set forth in the Commission's rules. The Company's services are provided on a statewide basis and are not intended to be limited geographically. The Company offers service to all those who desire to purchase service from the Company consistent with all of the provisions of this tariff. Customers interested in the Company's services shall file a service application with the Company, which fully identifies the Customer, the services requested and other information requested by the Company. The Company reserves the right to examine the credit record and check the references of all applicants and Customers prior to accepting the service order. The service application shall not in itself obligate the Company to provide services or to continue to provide service if a later check of applicant's credit record is, in the opinion of the Company, contrary to the best interest of the Company. The Company may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the Customer, to allow connection of a Customer's location to a service provided by the Company. The Customer shall be responsible for all charges due for such service arrangement.

---

**Issued: April 13, 2011****By:**

**Jeff Korn, Chief Legal Officer**  
1615 South 52nd Street  
Tempe, Arizona 85281

**Effective: May 13, 2011**

- 2.1.1 The services provided by the Company are not part of a joint undertaking with any other entity providing telecommunications channels, facilities, or services, but may involve the resale of the Message Toll Services (MTS) and Wide Area Telecommunications Services (WATS) of underlying common carriers subject to the jurisdiction of this Commission.
- 2.1.2 The rates and regulations contained in this tariff apply only to the services furnished by the Company and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other common carriers for use in accessing the services of the Company.
- 2.1.3 The Company reserves the right to limit the length of communications, to discontinue furnishing services, or limit the use of service necessitated by conditions beyond its control, including, without limitation: lack of satellite or other transmission medium capacity; the revision, alteration or repricing of the Underlying Carrier's tariffed offerings; or when the use of service becomes or is in violation of the law or the provisions of this tariff.

## **2.2 Use of Services**

- 2.2.1 The Company's services may be used for any lawful purpose consistent with the transmission and switching parameters of the telecommunications facilities utilized in the provision of services, subject to any limitations set forth in this Section 2.2.
- 2.2.2 The use of the Company's services to make calls which might reasonably be expected to frighten, abuse, torment, or harass another or in such a way as to unreasonably interfere with use by others is prohibited.

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- 2.2.3 The use of the Company's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, schemes, false or invalid numbers, or false calling or credit cards is prohibited.
- 2.2.4 The Company's services are available for use twenty-four hours per day, seven days per week.
- 2.2.5 The Company does not transmit messages, but the services may be used for that purpose.
- 2.2.6 The Company's services may be denied for nonpayment of charges or for other violations of this tariff.
- 2.2.7 Customers shall not use the service provided under this tariff for any unlawful purpose.
- 2.2.8 The Customer is responsible for notifying the Company immediately of any unauthorized use of services.

**2.3 Liability of the Company**

- 2.3.1 The Company shall not be liable for any claim, loss, expense or damage for any interruption, delay, error, omission, or defect in any service, facility or transmission provided under this tariff, if caused by the Underlying Carrier, an act of God, fire, war, civil disturbance, act of government, or due to any other causes beyond the Company's control.
- 2.3.2 The Company shall not be liable for, and shall be fully indemnified and held harmless by the Customer against any claim, loss, expense, or damage for defamation, libel, slander, invasion, infringement of copyright or patent, unauthorized use of any trademark, trade name or service mark, proprietary or creative right, or any other injury to any person, property or entity arising out of the material, data or information transmitted.

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- 2.3.3 No agent or employee of any other carrier or entity shall be deemed to be an agent or employee of the Company.
- 2.3.4 The Company's liability for damages, resulting in whole or in part from or arising in connection with the furnishing of service under this tariff, including but not limited to mistakes, omissions, interruptions, delays, errors, or other defects or misrepresentations shall not exceed an amount equal to the charges provided for under this tariff for the long distance call for the period during which the call was affected. No other liability in any event shall attach to the Company.
- 2.3.5 The Company shall not be liable for and shall be indemnified and saved harmless by any Customer or by any other entity from any and all loss, claims, demands, suits, or other action or any liability whatsoever, whether suffered, made, instituted, or asserted by any Customer or any other entity for any personal injury to, or death of, any person or persons, and for any loss, damage, defacement or destruction of the premises of any Customer or any other entity or any other property whether owned or controlled by the Customer or others.
- 2.3.6 The Company shall not be liable for any indirect, special, incidental, or consequential damages under this tariff including, but not limited to, loss of revenue or profits, for any reason whatsoever, including the breakdown of facilities associated with the service, or for any mistakes, omissions, delays, errors, or defects in transmission occurring during the course of furnishing service.
- 2.3.7 The remedies set forth herein are exclusive and in lieu of all other warranties and remedies, whether express, implied, or statutory, **INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.**

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**2.4 Responsibilities of the Customer**

- 2.4.1 The Customer is responsible for placing any necessary orders and complying with tariff regulations. The Customer is also responsible for the payment of charges for services provided under this tariff.
- 2.4.2 The Customer is responsible for charges incurred for special construction and/or special facilities, which the Customer requests and which are ordered by the Company on the Customer's behalf.
- 2.4.3 If required for the provision of the Company's services, the Customer must provide any equipment space, supporting structure, conduit and electrical power without charge to the Company.
- 2.4.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to the Company and the Customer when required for Company personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of the Company's services.
- 2.4.5 The Customer shall cause the temperature and relative humidity in the equipment space provided by Customer for the installation of the Company's equipment to be maintained within the range normally provided for the operation of microcomputers.

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2.4.6 The Customer shall ensure that the equipment and/or system is properly interfaced with the Company's facilities or services, that the signals emitted into the Company's network are of the proper mode, bandwidth, power and signal level for the intended use of the subscriber and in compliance with criteria set forth in this tariff, and that the signals do not damage equipment, injure personnel, or degrade service to other Customers. If the Federal Communications Commission (FCC) or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with interstate communications service, the Company will permit such equipment to be connected with its channels without the use of protective interface devices. If the Customer fails to maintain the equipment and/or the system properly, with resulting imminent harm to Company equipment, personnel or the quality of service to other Customers, the Company may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, the Company may, upon written notice, terminate the Customer's service.

- 2.4.7 The Customer must pay the Company for replacement or repair of damage to the equipment or facilities of the Company caused by negligence or willful act of the Customer or others, by improper use of the services, or by use of equipment provided by Customer or others.
- 2.4.8 The Customer must pay for the loss through theft of any Company equipment installed at Customer's premises.
- 2.4.9 If the Company installs equipment at Customer's premises, the Customer shall be responsible for payment of any applicable installation charge.

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2.4.10 The Customer must use the services offered in this tariff in a manner consistent with the terms of this tariff and the policies and regulations of all state, federal and local authorities having jurisdiction over the service.

**2.5 Cancellation or Interruption of Services**

2.5.1 Without incurring liability, upon five (5) working days' (defined as any day on which the company's business office is open and the U.S. Mail is delivered) written notice to the Customer, the Company may immediately discontinue services to a Customer or may withhold the provision of ordered or contracted services:

2.5.1.A For nonpayment of any sum due the Company for more than thirty (30) days after issuance of the bill for the amount due,

2.5.1.B For violation of any of the provisions of this tariff,

2.5.1.C For violation of any law, rule, regulation, policy of any governing authority having jurisdiction over the Company's services, or

2.5.1.D By reason of any order or decision of a court, public service commission or federal regulatory body or other governing authority prohibiting the Company from furnishing its services.

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- 2.5.2 Without incurring liability, the Company may interrupt the provision of services at any time in order to perform tests and inspections to assure compliance with tariff regulations and the proper installation and operation of Customer and the Company's equipment and facilities and may continue such interruption until any items of noncompliance or improper equipment operation so identified are rectified.
- 2.5.3 Service may be discontinued by the Company without notice to the Customer, by blocking traffic to certain countries, cities or NXX exchanges, or by blocking calls using certain Customer authorization codes, when the Company deems it necessary to take such action to prevent unlawful use of its service. The Company will restore service as soon as it can be provided without undue risk, and will, upon request by the Customer affected, assign a new authorization code to replace the one that has been deactivated.
- 2.5.4 The Customer may terminate service upon thirty (30) days written notice for the Company's standard month to month contract. Customer will be liable for all usage on any of the Company's service offerings until the Customer actually leaves the service. Customers will continue to have Company usage until the Customer notifies its local exchange carrier and changes its long distance carrier. Until the Customer so notifies its local exchange carrier, it shall continue to generate and be responsible for long distance usage.

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**2.6    Credit Allowance**

2.6.1    Credit may be given for disputed calls, on a per call basis.

2.6.2    Credit shall not be issued for unavailability of long distance services.

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**2.7     Restoration of Service**

The use and restoration of service shall be in accordance with the priority system specified in part 64, Subpart D of the Rules and Regulations of the Federal Communications Commission.

**2.8     Deposit**

The Company does not require deposits.

**2.9     Advance Payments**

The Company does not require advance payments.

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**2.10 Payment and Billing**

- 2.10.1 Service is provided and billed on a billing cycle basis, beginning on the date that service becomes effective. Billing is payable upon receipt. A late fee will be assessed on any unpaid amount 30 days after rendition of bills.
- 2.10.2 The customer is responsible for payment of all charges for services furnished to the Customer, as well as to all persons using the Customer's codes, exchange lines, facilities, or equipment, with or without the knowledge or consent of the Customer. The security of the Customer's Authorization Codes, subscribed exchange lines, and direct connect facilities is the responsibility of the Customer. All calls placed using direct connect facilities, subscribed exchange lines, or Authorization Codes will be billed to and must be paid by the Customer. Recurring charges and non-recurring charges are billed in advance. Charges based on actual usage during a month and any accrued interest will be billed monthly in arrears.
- 2.10.3 All bills are presumed accurate, and shall be binding on the customer unless objection is received by the Company in writing within 30 days after such bills are rendered. No credits, refunds, or adjustments shall be granted if demand therefore is not received by the Company in writing within such 30 day period.

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**2.11 Collection Costs**

In the event Company is required to initiate legal proceedings to collect any amounts due to Company for regulated or non-regulated services, equipment or facilities, or to enforce any judgment obtained against a Customer, or for the enforcement of any other provision of this tariff or applicable law, Customer shall, in addition to all amounts due, be liable to Company for all reasonable costs incurred by Company in such proceedings and enforcement actions, including reasonable attorneys' fees, collection agency fees or payments, and court costs. In any such proceeding, the amount of collection costs, including attorneys' fees, due to the Company, will be determined by the court.

**2.12 Taxes**

All federal, state and local taxes, assessments, surcharges, or fees, including sales taxes, use taxes, gross receipts taxes, and municipal utilities taxes, are billed as separate line items and are not included in the rates quoted herein.

**2.13 Late Charge**

A late fee of 1.5% monthly or the amount otherwise authorized by law, whichever is lower, will be charged on any past due balances.

**2.14 Returned Check Charge**

A fee will be charged whenever a check or draft presented for payment for service is not accepted by the institution on which it is written. See Section 4.5.

**2.15 Reconnection Charge**

A reconnection fee \$25 per occurrence will be charged when service is reestablished for Customers which have been disconnected due to non-payment. Payment of the reconnection fee and any other outstanding amounts will be due in full prior to reconnection of service.

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**SECTION 3 - DESCRIPTION OF SERVICE**

**3.1 Computation of Charges**

- 3.1.1 The total charge for each completed call may be a variable measured charge dependent on the duration, distance and time of day of the call. The total charge for each completed call may also be dependent only on the duration of the call, i.e. a statewide flat rate per minute charge. The variable measured charge is specified as a rate per minute that is applied to each minute. All calls are measured in increments as set forth in the Rates Section of this tariff. Fractions of a billing increment are rounded up to a full billing increment on a per call basis. Fractions of a cent per minute are rounded up to a full cent on a per call basis.
- 3.1.2 Where mileage bands appear in a rate table, rates for all calls are based upon the airline distance between the originating and terminating points of the call, as determined by the vertical and horizontal coordinates associated with the exchange (the area code and three digit central office code) associated with the originating and terminating telephone numbers. If the Customer obtains access to the Company's network by a dedicated access circuit, that circuit will be assigned an exchange for rating purposes based upon the Customer's main telephone number at the location where the dedicated access circuit terminates. The vertical and horizontal (V & H) coordinates for each exchange and the airline distance between them will be determined according to industry standards.

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- 3.1.3 Timing begins when the called station is answered and two way communication is possible, as determined by standard industry methods generally in use for ascertaining answer, including hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. Recognition of answer supervision is the responsibility of the Underlying Carrier. Timing for each call ends when either party hangs up. The Company will not bill for uncompleted calls.

**3.2 Customer Complaints and/or Billing Disputes**

Customer inquiries or complaints regarding service or accounting may be made in writing or by telephone to the Company at:

1615 South 52nd Street  
Tempe, Arizona 85281  
(866) 621-6111

Any objection to billed charges should be reported promptly to the Company. Adjustments to Customers' bills shall be made to the extent that records are available and/or circumstances exist which reasonably indicate that such charges are not in accordance with approved rates or that an adjustment may otherwise be appropriate. Where overbilling of a subscriber occurs, due either to Company or subscriber error, no liability exists which will require the Company to pay any interest, dividend or other compensation on the amount overbilled.

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If a Customer accumulates more than One Dollar of undisputed delinquent Company 800 Service charges, the Company Resp. Org. reserves the right not to honor that Customer's request for a Resp. Org. change until such undisputed charges are paid in full.

**3.3 Level of Service**

A Customer can expect end to end network availability of not less than 99% at all times for all services.

**3.4 Billing Entity Conditions**

When billing functions on behalf of the Company or its intermediary are performed by local exchange telephone companies or others, the payment of charges conditions and regulations of such companies and any regulations imposed upon these companies by regulatory bodies having jurisdiction apply. The Company's name and toll-free telephone number will appear on the Customer's bill.

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**3.5    Service Offerings**

**3.5.1    1+ Dialing**

This service permits Customers to originate calls via switched or dedicated access lines, and to terminate intrastate calls. The Customer dials "1+" followed by "ten digits" or dials "101XXXX" followed by "1+ ten digits".

**3.5.2    Travel Cards**

The Customer utilizes an 11 digit "toll-free" access number established by the Company to access a terminal. Upon receiving a voice prompt, the Customer uses push button dialing to enter an identification code assigned by the Company, and the ten digit number of the called party.

**3.5.3    Toll-Free Service**

This service is inbound calling only where an 800, 888 or other toll-free prefix number rings into a Customer's premise routed to a specific telephone number or terminated over a dedicated facility.

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**3.5.4 Company Prepaid Calling Cards**

This service permits use of Prepaid Calling Cards for placing long distance calls. Customers may purchase Company Prepaid Calling Cards at a variety of retail outlets or through other distribution channels. Company Prepaid Calling Cards are available at a variety of face values ranging from five dollars (\$5.00), in one dollar (\$1.00) increments. Company Prepaid Calling Card service is accessed using the Company toll-free number printed on the card. The caller is prompted by an automated voice response system to enter his/her Authorization Code, and then to enter the terminating telephone number. The Company's processor tracks the call duration on a real time basis to determine the number of Telecom Units consumed. The total consumed Telecom Units and applicable taxes for each call are deducted from the remaining Telecom Unit balance on the Customer's Company Prepaid Calling Card.

All calls must be charged against Prepaid Calling Card that has a sufficient Telecom Unit balance. A Customer's call will be interrupted with an announcement when the balance is about to be depleted.

When the balance is depleted, the Customer can either call the toll-free number on the back of the Company Prepaid Calling Card and "recharge" the balance on the card using a nationally recognized credit card, or the Customer can throw the card away and purchase a new one. Calls in progress will be terminated by the Company if the balance on the Company Prepaid Calling Card is insufficient to continue the call.

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A card will expire on the date indicated on the card, or if no date is specified, 6 months from the date of purchase, or the date of last recharge, whichever is later. The Company will not refund unused balances.

A credit allowance for Company Prepaid Calling Card Service is applicable to calls that are interrupted due to poor transmission, one-way transmission, or involuntary disconnection of a call. To receive the proper credit, the Customer must notify the Company at the designated toll-free customer service number printed on the Company Prepaid Calling Card and furnish the called number, the trouble experienced (e.g. cut-off, noisy circuit, etc.), and the approximate time that the call was placed.

When a call charged to a Company Prepaid Calling Card is interrupted due to cut-off, one-way transmission, or poor transmission conditions, the Customer will receive a credit equivalent of one Telecom Unit.

Credit allowances for calls pursuant to the Company Prepaid Card Service do not apply for interruptions not reported promptly to the Company or interruptions that are due to the failure of power, equipment or systems not provided by the Company.

Credit for failure of service shall be allowed only when such failure is caused by or occurs due to causes within the control of the Company.

The Company will block all calls beginning with the NPA "900" and NXX "976" calls, therefore such calls can not be completed.

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3.5.5 Directory Assistance.

Access to long distance directory assistance is obtained by dialing 1 + 555-1212 for listings within the originating area code and 1 + (area code) + 555-1212 for other listings.

3.5.6 Specialized Pricing Arrangements.

Customized service packages and competitive pricing packages at negotiated rates may be furnished on a case-by-case basis in response to requests by Customers to the Company for proposals or for competitive bids. Service offered under this tariff provision will be provided to Customers pursuant to contract. Unless otherwise specified, the regulations for such arrangements are in addition to the applicable regulations and prices in other sections of the tariff. Specialized rates or charges will be made available to similarly situated Customers on a non-discriminatory basis. Discounts may apply based upon volume, affinity group plans, or term plan commitments.

3.5.7 Emergency Call Handling Procedures

Emergency "911" calls are not routed to company, but are completed through the local network at no charge.

3.5.8 Promotional Offerings

The Company may, from time to time, make promotional offerings to enhance the marketing of its services. These offerings may be limited to certain dates, times and locations. The Company will notify the Commission of such offerings as required by Commission rules and regulations.

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**3.5.9 Operator Verification/Interruption Service**

Intra-LATA Verification Service provides operator assistance in determining if a called line is in use. Intra-LATA Interruption Service provides for operator interruption of a conversation in progress on a called line. The customer may request these intra-LATA long distance services for a charge, where facilities are available, by calling the "O" operator.

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**SECTION 4 - RATES****4.1 1+ Dialing**

	DAY		EVENING		NIGHT/ WEEKEND	
Mileage	First Minute	Add'l Minute	First Minute	Add'l Minute	First Minute	Add'l Minute
10	0.1000	0.1000	0.0700	0.0700	0.0470	0.0470
16	0.1000	0.1000	0.0700	0.0700	0.0470	0.0470
22	0.1500	0.1500	0.1050	0.1050	0.0705	0.0705
30	0.1500	0.1500	0.1050	0.1050	0.0705	0.0705
40	0.1900	0.1900	0.1330	0.1330	0.0893	0.0893
55	0.1900	0.1900	0.1330	0.1330	0.0893	0.0893
70 +	0.2100	0.2100	0.1470	0.1470	0.0987	0.0987

A \$4.95 per month per number service charge applies.  
Billed in one minute increments

**4.2 Travel Cards**

\$.25 per minute

A \$0.80 per call service charge applies.  
Billed in one minute increments

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**4.3    Toll Free**

\$0.15 per minute

A \$10 per month per number service charge applies.  
Billed in one minute increments

**4.4    Prepaid Calling Cards****Program**

A	\$0.15 Per Telecom Unit
B	\$0.19 Per Telecom Unit
C	\$0.25 Per Telecom Unit
D	\$0.29 Per Telecom Unit
E	\$0.32 Per Telecom Unit
F	\$0.35 Per Telecom Unit
G	\$0.39 Per Telecom Unit
H	\$0.49 Per Telecom Unit
I	\$0.05 Per Telecom Unit
J	\$0.059 Per Telecom Unit
K	\$0.06 Per Telecom Unit
L	\$0.08 Per Telecom Unit
M	\$0.09 Per Telecom Unit
N	\$0.10 Per Telecom Unit
O	\$0.11 Per Telecom Unit
P	\$0.12 Per Telecom Unit
Q	\$0.13 Per Telecom Unit
R	\$0.14 Per Telecom Unit
S	\$0.15 Per Telecom Unit
T	\$0.19 Per Telecom Unit
U	\$0.20 Per Telecom Unit
V	\$0.25 Per Telecom Unit
W	\$0.29 Per Telecom Unit
X	\$0.30 Per Telecom Unit
Y	\$0.33 Per Telecom Unit

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Z	\$.35 Per Telecom Unit
AA	\$.39 Per Telecom Unit
BB	\$.40 Per Telecom Unit
CC	\$.50 Per Telecom Unit
DD	\$.005 Per Telecom Unit
EE	\$.01 Per Telecom Unit
FF	\$.07 Per Telecom Unit

A \$0.99 per call service charge applies.

A one-time maintenance fee of \$1.00 applies after the 1<sup>st</sup> call.

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**4.5    Returned Check Charge**

\$20.00

**4.6    Directory Assistance**

\$0.59

**4.7    Station Charges**

The following charges are in addition to the MTS rates in Section 4.1, preceding.

	Charge per Call
Calling Card	0.80
Operator Assisted Station-to-Station	2.25
Person-to-Person	4.90
Operator Verification <sup>1</sup>	1.50
Interrupt Service <sup>2</sup>	3.00

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<sup>1</sup> A charge applies each time the operator verifies a called line and hears voice communication.

<sup>2</sup> A charge applies each time the operator interrupts a conversation that is in progress on the called line. The charge is for both the verify and interrupt service and does not depend on whether the called party agrees to release the line and accept the call.

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**4.8 Rate Periods**

	Monday - Friday	Sat.	Sun.
8 a.m. to 5 p.m.*	Daytime Rate Period		Evening Rate Period
5 p.m. to 11 p.m.*	Evening Rate Period		
11 p.m. to 8 a.m.*	Night/Weekend Rate Period		

- \* To, but not including  
When a message spans more than one rate period, total charges for the minutes in each rate period are calculated and the results for each rate period are totaled to obtain the total message charge. If the calculation results in a fractional charge, the amount will be rounded up to the higher cent.

**4.9 Payphone Dial Around Surcharge**

A dial around surcharge of \$0.90 per call will be added to any completed intrastate toll access code and subscriber toll-free 800/888 type calls placed from a public or semi-public payphone.

**4.10 Universal Service Fund Assessment**

The Customer will be assessed a monthly Universal Service Fund Contribution charge on all telecommunications services, which in no event shall be less than the prevailing contribution percentage rate charged the Company on intrastate traffic by the Universal Service Administrative Company (or any successor) or any state agency or its administrator.

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**RULES, REGULATIONS, AND  
SCHEDULE OF RATES AND CHARGES  
APPLICABLE TO END USERS**

**LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES**

**FURNISHED BY  
CREXENDO BUSINESS SOLUTIONS, INC.  
WITHIN THE STATE OF TENNESSEE**

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CHECK SHEET

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16	Original	41	Original	66	Original	91	Original		
17	Original	42	Original	67	Original	92	Original		
18	Original	43	Original	68	Original	93	Original		
19	Original	44	Original	69	Original	94	Original		
20	Original	45	Original	70	Original	95	Original		
21	Original	46	Original	71	Original	96	Original		
22	Original	47	Original	72	Original	97	Original		
23	Original	48	Original	73	Original	98	Original		
24	Original	49	Original	74	Original	99	Original		
25	Original	50	Original	75	Original	100	Original		

Issued: April 13, 2011  
Issued by:

Jeff Korn, Chief Legal Officer  
Crexendo Business Solutions, Inc.  
1615 South 52nd Street  
Tempe, Arizona 85281

Effective: May 13, 2011

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EXPLANATION OF SYMBOLS

The following symbols shall be used in this tariff for the purpose indicated below:

- (C) To signify changed regulation.
- (D) To signify discontinued rate and regulation.
- (I) To signify increased rate.
- (M) To signify a move in the location of text.
- (N) To signify new rate or regulation.
- (R) To signify reduced rate.
- (S) To signify reissued matter.
- (T) To signify a change in text but no change in rate or regulation.

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APPLICATION OF TARIFF

This tariff sets forth the service offerings, rates, terms and conditions applicable to the local exchange telecommunications services provided by Crexendo Business Solutions, Inc., to customers within the state of Tennessee.

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Issued: April 13, 2011  
Issued by:

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Tempe, Arizona 85281

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**SECTION 1.0 - DEFINITIONS**

For the purpose of this tariff, the following definitions will apply:

**Access Line** - An arrangement which connects the Customer's location to a switching center or point of presence.

**Account Codes** - Optional, Customer-defined digits that allow the Customer to identify the individual user, department or client associated with a call. Account Codes appear on the Customer bill.

**Advance Payment** - Part or all of a payment required before the start of service.

**Authorized User** - A person, firm, corporation, or any other entity authorized by the Customer to communicate utilizing the Company's service.

**Business** - A class of service provided to individuals engaged in business, firms, partnerships, corporations, agencies, shops, works, tenants of office buildings, and individuals practicing a profession or operating a business who have no offices other than their residences and where the use of the service is primarily or substantially of a business, professional or occupational nature.

**Commission** - Tennessee Regulatory Authority.

**Company or Carrier** - Crexendo Business Solutions, Inc., unless otherwise clearly indicated by the context.

**Customer** - The person, firm, corporation or other entity which orders, cancels, amends or uses service and is responsible for payment of charges and compliance with the Company's tariff.

**Deposit** - Refers to a cash or equivalent of cash security held as a guarantee for payment of the charges.

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**DID Trunk** - A form of local switched access that provides the ability for an outside party to call an internal extension directly without the intervention of the PBX operator.

**Dial Pulse (or "DP")** - The pulse type employed by rotary dial station sets.

**Dual Tone Multi-Frequency (or "DTMF")** - The tones employed by tone dial station sets.

**End User** - Any person, firm, corporation, partnership or other entity which uses the services of the Company under the provisions and regulations of this tariff. The End User is responsible for payment unless the charges for the services utilized are accepted and paid for by another Customer.

**End Office** - With respect to each NPA-NXX code prefix assigned to the Company, the location of the Company's "end office" for purposes of this tariff shall be the point of interconnection associated with that NPA-NXX code in the Local Exchange Routing Guide ("LERG"), issued by Bellcore.

**Hearing Impaired** - Those persons with communication impairments, including those hearing impaired, deaf, deaf/blind, and speech impaired persons who have an impairment that prevents them from communicating over the telephone without the aid of a special telecommunications device for the deaf.

**Hunting** - Routes a call to an idle station line in a prearranged group when the called station line is busy.

**In-Only** - A service attribute that restricts outward dial access and routes incoming calls to a designated answer point.

**IXC or Interexchange Carrier** - A long distance telecommunications services provider.

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**LATA** - A Local Access and Transport Area established pursuant to the Modification of Final Judgment entered by the United States District Court for the District of Columbia in Civil Action No. 82-0192; or any other geographic area designated as a LATA in the National Exchange Carrier Association, Inc. Tariff F.C.C. No. 4.

**LEC** - Local Exchange Company

**Minimum Point of Presence ("MPOP")** - The main telephone closet in the Customer's building.

**Monthly Recurring Charges** - The monthly charges to the Customer for services, facilities and equipment, which continue for the agreed upon duration of the service.

**Multi-Frequency or ("MF")** - An inter-machine pulse type used for signaling between telephone switches, or between telephone switches and PBX/key systems.

**Non-Recurring Charge ("NRC")** - The initial charge, usually assessed on a one-time basis, to initiate and establish service.

**Other Telephone Company** - An Exchange Telephone Company, other than the Company.

**PBX** - Private Branch Exchange

**Premises** - A building or buildings on contiguous property.

**Recurring Charges** - The monthly charges to the Customer for services, facilities and equipment which continue for the agreed upon duration of the service.

**Residence or Residential** - A class of service furnished to a Customer at a place of dwelling where the actual or obvious use is for domestic purposes.

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**Service Commencement Date** - The first day following the date on which the Company notifies the Customer that the requested service is available for use, unless extended by the Customer's refusal to accept service which does not conform to standards set forth in the Service Order and this tariff, in which case the Service Commencement Date is the date of the Customer's acceptance. The Company and Customer may mutually agree on a substitute Service Commencement Date.

**Service Order** - The written request for services executed by the Customer and the Company in the format devised by the Company. The signing of an Order by the Customer and acceptance by the Company initiates the respective obligations of the parties as set forth therein and pursuant to this tariff, but the duration of the service is calculated from the Service Commencement Date.

**Telephone Company** - Used throughout this tariff to mean Crexendo Business Solutions, Inc., unless clearly indicated otherwise by the text.

**Two Way** - A service attribute that includes outward dial capabilities for outbound calls and can also be used to carry inbound calls to a central point for further processing.

**Usage Based Charges** - Charges for minutes or messages traversing over local exchange facilities.

**User or End User** - A Customer, Joint User, or any other person authorized by a Customer to use service provider under this tariff.

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**SECTION 2.0 - RULES AND REGULATIONS**

**2.1 Undertaking of the Company**

**2.1.1 Scope**

The Company undertakes to furnish communications service pursuant to the terms of this tariff in connection with one-way and/or two-way information transmission originating from points within the State of Tennessee, and terminating within a local calling area as defined herein.

The Company is responsible under this tariff only for the services and facilities provided hereunder, and it assumes no responsibility for any service provided by any other entity that purchases access to the Company network in order to originate or terminate its own services, or to communicate with its own Customers.

**2.1.2 Shortage of Equipment or Facilities**

- (A) The Company reserves the right to limit or to allocate the use of existing facilities, or of additional facilities offered by the Company, when necessary because of lack of facilities, or due to some other cause beyond the Company's control.
- (B) The furnishing of service under this tariff is subject to the availability on a continuing basis of all the necessary facilities and is limited to the capacity of the Company's facilities as well as facilities the Company may obtain from other carriers to furnish service from time to time as required at the sole discretion of the Company.

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SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.3 Terms and Conditions

- (A) Service is provided on the basis of a minimum period of at least one month, 24 hours per day. For the purpose of computing charges in this tariff, a month is considered to have thirty (30) days.
- (B) Customers may be required to enter into written service orders which shall contain or reference a specific description of the service ordered, the rates to be charged, the duration of the services, and the terms and conditions in this tariff. Customers will also be required to execute any other documents as may be reasonably requested by the Company.
- (C) Except as otherwise stated in the tariff, at the expiration of the initial term specified in each Service Order, or in any extension thereof, service shall continue on a month to month basis at the then current rates unless terminated by either party upon thirty (30) days written notice. Any termination shall not relieve the Customer of its obligation to pay any charges incurred under the service order and this tariff prior to termination. The rights and obligations which by their nature extend beyond the termination of the term of the service order shall survive such termination.
- (D) Service may be terminated upon written notice to the Customer if:
  - (1) the Customer is using the service in violation of this tariff; or
  - (2) the Customer is using the service in violation of the law.
- (E) This tariff shall be interpreted and governed by the laws of the State of Tennessee without regard for its choice of laws provision.

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SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.3 Terms and Conditions, (cont'd.)

- (F) Any Other Telephone Company may not interfere with the right of any person or entity to obtain service directly from the Company. No person or entity shall be required to make any payment, incur any penalty, monetary or otherwise, or purchase any services in order to have the right to obtain service directly from the Company. Customers desiring to terminate a service with any other telephone company in order to subscribe to the company service may incur termination charges.
- (G) To Company will work with other telephone companies to secure needed cable changes.
- (H) The Company hereby reserves its rights to establish service packages specific to a particular Customer. These contracts may or may not be associated with volume and/or term discounts.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.4 Limitations on Liability

- (A) Except as otherwise stated in this section, the liability of the Company for damages arising out of either: (1) the furnishing of its services, including but not limited to mistakes, omissions, interruptions, delays, or errors, or other defects, representations, or use of these services or (2) the failure to furnish its service, whether caused by acts or omission, shall be limited to the extension of allowances to the Customer for interruptions in service as set forth in Section 2.7.
- (B) Except for the extension of allowances to the Customer for interruptions in service as set forth in Section 2.7, the Company shall not be liable to a Customer or third party for any direct, indirect, special, incidental, reliance, consequential, exemplary or punitive damages, including, but not limited to, loss of revenue or profits, for any reason whatsoever, including, but not limited to, any act or omission, failure to perform, delay, interruption, failure to provide any service or any failure in or breakdown of facilities associated with the service.
- (C) The liability of the Company for errors in billing that result in overpayment by the Customer shall be limited to a credit equal to the dollar amount erroneously billed or, in the event that payment has been made and service has been discontinued, to a refund of the amount erroneously billed.



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SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.4 Limitations on Liability (Cont'd.)

- (D) The Company shall be indemnified and saved harmless by the Customer from and against all loss, liability, damage and expense, including reasonable counsel fees, due to:
- (1) Any act or omission of: (a) the Customer, (b) any other entity furnishing service, equipment or facilities for use in conjunction with services or facilities provided by the Company; or (c) common carriers or warehousemen, except as contracted by the Company;
  - (2) Any delay or failure of performance or equipment due to causes beyond the Company's control, including but not limited to, acts of God, fires, floods, earthquakes, hurricanes, or other catastrophes; national emergencies, insurrections, riots, wars or other civil commotions; strikes, lockouts, work stoppages or other labor difficulties; criminal actions taken against the Company; unavailability, failure or malfunction of equipment or facilities provided by the Customer or third parties; and any law, order, regulation or other action of any governing authority or agency thereof;
  - (3) Any unlawful or unauthorized use of the Company's facilities and services;
  - (4) Libel, slander, invasion of privacy or infringement of patents, trade secrets, or copyrights arising from or in connection with the material transmitted by means of Company-provided facilities or services; or by means of the combination of company-provided facilities or services;
  - (5) Breach in the privacy or security of communications transmitted over the Company's facilities;

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SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.4 Limitations on Liability (Cont'd.)

(D) (cont'd)

- (6) Changes in any of the facilities, operations or procedures of the Company that render any equipment, facilities or services provided by the Customer obsolete, or require modification or alteration of such equipment, facilities or services, or otherwise affect their use or performance, except where reasonable notice is required by the Company and is not provided to the Customer, in which event the Company's liability is limited as set forth in paragraph (A) of this Subsection 2.1.4.
- (7) Defacement of or damage to Customer premises resulting from the furnishing of services or equipment on such premises or the installation or removal thereof;
- (8) Injury to property or injury or death to persons, including claims for payments made under Workers' Compensation law or under any plan for employee disability or death benefits, arising out of, or caused by, any act or omission of the Customer, or the construction, installation, maintenance, presence, use or removal of the Customer's facilities or equipment connected, or to be connected to the Company's facilities;
- (9) Any non-completion of calls due to network busy conditions;
- (10) Any calls not actually attempted to be completed during any period that service is unavailable;
- (11) And any other claim resulting from any act or omission of the Customer or patron(s) of the Customer relating to the use of the Company's services or facilities.

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**SECTION 2.0 - RULES AND REGULATIONS (CONT'D)**

**2.1 Undertaking of the Company, (Cont'd.)**

**2.1.4 Limitations on Liability (Cont'd.)**

- (E) The Company does not guarantee nor make any warranty with respect to installations provided for use in an explosive atmosphere.
- (F) The Company makes no warranties or representations, EXPRESS OR IMPLIED, either in fact or by operation of law, statutory or otherwise, including warranties of merchantability or fitness for a particular use, except those expressly set forth herein.
- (G) Failure by the Company to assert its rights pursuant to one provision of this tariff does not preclude the Company from asserting its rights under other provisions.

**2.1.5 Notification of Service-Affecting Activities**

The Company will provide the Customer reasonable notification of service-affecting activities that may occur in normal operation of its business. Such activities may include, but are not limited to, equipment or facilities additions, removals or rearrangements and routine preventative maintenance. Generally, such activities are not specific to an individual Customer but affect many Customers' services. No specific advance notification period is applicable to all service activities. The Company will work cooperatively with the Customer to determine the reasonable notification requirements. With some emergency or unplanned service-affecting conditions, such as an outage resulting from cable damage, notification to the Customer may not be possible.

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SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.6 Provision of Equipment and Facilities

- (A) The Company shall use reasonable efforts to maintain only the facilities and equipment that it furnishes to the Customer. The Customer may not nor may the Customer permit others to rearrange, disconnect, remove, attempt to repair, or otherwise interfere with any of the facilities or equipment installed by the Company, except upon the written consent of the Company.
- (B) The Company may substitute, change or rearrange any equipment or facility at any time and from time to time, but shall not thereby alter the technical parameters of the service provided by the Customer.
- (C) Equipment the Company provides or installs at the Customer Premises for use in connection with the services the Company offers shall not be used for any purpose other than that for which the equipment is provided.
- (D) Except as otherwise indicated, Customer provided station equipment at the Customer's premises for use in connection with the service shall be so constructed, maintained and operated as to work satisfactorily with the facilities of the Company.
- (E) The Company shall not be responsible for the installation, operation, or maintenance of any Customer provided communications equipment. Where such equipment is connected to the facilities furnished pursuant to this tariff, the responsibility of the Company shall be limited to the furnishing of facilities offered under this tariff and to the maintenance and operation of such facilities. Subject to this responsibility, the Company shall not be responsible for:
  - (1) the through transmission of signals by Customer provided equipment or for the quality of, or defects in, such transmission; or
  - (2) the reception of signals by Customer-provided equipment; or
  - (3) network control signaling where such signaling is performed by Customer-provided network control signaling equipment.

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SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

**2.1 Undertaking of the Company, (Cont'd.)**

**2.1.7 Non-Routine Installation**

At the Customer's request, installation and/or maintenance may be performed outside the Company's regular business hours or in hazardous locations. In such cases, charges based on cost of the actual labor, material, or other costs incurred by or charged to the Company will apply. If installation is started during regular business hours but, at the Customer's request, extends beyond regular business hours into time periods including, but not limited to, weekends, holidays, and/or night hours, additional charges may apply.

**2.1.8 Special Construction**

Subject to the agreement of the Company and to all of the regulations contained in this tariff, special construction or facilities may be undertaken on a reasonable efforts basis at the request of the Customer. Special construction is construction undertaken:

- (A) where facilities are not presently available, and there is no other requirement for the facilities so constructed;
- (B) of a type other than that which the Company would normally utilize in the furnishing of its services;
- (C) over a route other than that which the Company would normally utilize in the furnishing of its services;
- (D) in a quantity greater than that which the company would normally construct;
- (E) on an expedited basis;
- (F) on a temporary basis until permanent facilities are available;
- (G) involving abnormal costs; or
- (H) in advance of its normal construction.

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**SECTION 2.0 - RULES AND REGULATIONS (CONT'D)**

**2.1 Undertaking of the Company, (Cont'd.)**

**2.1.9 Ownership of Facilities**

Title to all facilities provided in accordance with this tariff remains in the Company, its partners, agents, contractors or suppliers.

**2.2 Prohibited Uses**

**2.2.1** The services the Company offers shall not be used for any unlawful purpose or for any use as to which the Customer has not obtained all required governmental approvals, authorizations, licenses, consents and permits.

**2.2.2** The Company may require applicants for service who intend to use the Company's offerings for resale and/or for shared use to file a letter with the Company confirming that their use of the Company's offerings complies with relevant laws and the Tennessee Regulatory Authority's regulations, policies, orders, and decisions.

**2.2.3** The Company may block any signals being transmitted over its Network by Customers which cause interference to the Company or other users. Customer shall be relieved of all obligations to make payments for charges relating to any blocked Service and shall indemnify the Company for any claim, judgment or liability resulting from such blockage.

**2.2.4** A Customer, joint user, or authorized user may not assign, or transfer in any manner, the service or any rights associated with the service without the written consent of the Company. The Company will permit a Customer to transfer its existing service to another entity if the existing Customer has paid all charges owed to the Company for regulated communications services. Such a transfer will be treated as a disconnection of existing service and installation of new service, and non-recurring installation charges as stated in this tariff will apply.

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SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.3 Obligations of the Customer

2.3.1 General

The Customer shall be responsible for:

- (A) the payment of all applicable charges pursuant to this tariff;
- (B) damage to or loss of the Company's facilities or equipment caused by the acts or omissions of the Customer; or the noncompliance by the Customer, with these regulations; or by fire or theft or other casualty on the Customer Premises, unless caused by the negligence or willful misconduct of the employees or agents of the Company;
- (C) providing at no charge, as specified from time to time by the Company, any needed equipment, space and power to operate Company facilities and equipment installed on the premises of the Customer, and the level of heating and air conditioning necessary to maintain the proper operating environment on such premises;
- (D) obtaining, maintaining, and otherwise having full responsibility for all rights-of-way and conduit necessary for installation of fiber optic cable and associated equipment used to provide Communications Services to the Customer from the cable building entrance or property line to the location of the equipment space described in Section 2.3.1(C). Any and all costs associated with the obtaining and maintaining the rights-of-way described herein, including the costs of altering the structure to permit installation of the Company provided facilities, shall be borne entirely by, or may be charged by the Company, to the Customer. The Company may require the Customer to demonstrate its compliance with this section prior to accepting an order for service.

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SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.3 Obligations of the Customer

2.3.1 General (cont'd.)

- (E) providing a safe place to work and complying with all laws and regulations regarding the working conditions on the premises at which Company employees and agents shall be installing or maintaining the Company's facilities and equipment. The Customer may be required to install and maintain Company facilities and equipment within a hazardous area if, in the Company's opinion, injury or damage to the Company employees or property might result from installation or maintenance by the Company. The Customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material (e.g., friable asbestos) prior to any construction or installation work;
- (F) complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses and permits as may be required with respect to, the location of Company facilities and equipment in an Customer premises or the rights-of-way for which Customer is responsible under Section 2.3.1(D); and granting or obtaining permission for Company agents or employees to enter the premises of the Customer at a time agreeable for the purpose of installing, inspecting, maintaining, repairing, or upon termination of service as stated herein, removing the facilities or equipment of the Company;
- (G) not creating or allowing to be placed any liens or other encumbrances on the Company's equipment or facilities; and
- (H) making Company facilities and equipment available periodically for maintenance purposes at a time agreeable to both the Company and the Customer. No allowance will be made for the period during which service is interrupted for such purposes.



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SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.3 Obligations of the Customer (Cont'd.)

2.3.2 Liability of the Customer

- (A) The Customer will be liable for damages to the facilities of the Company and for all incidental and consequential damages caused by the negligent or intentional acts or omissions of the Customer, its officers, employees, agents, invites, or contractors where such acts or omissions are not the direct result of the Company's negligence or intentional misconduct.
- (B) To the extent caused by any negligent or intentional act of the Customer as described in (A), preceding, the Customer shall indemnify, defend and hold harmless the Company from and against all claims, actions, damages, liabilities, costs and expenses, including reasonable attorneys' fees, for (1) any loss, destruction or damage to property of any third party, and (2) any liability incurred by the Company to any third party pursuant to this or any other tariff of the Company, or otherwise, for any interruption of, interference to, or other defect in any service provided by the Company to such third party.
- (C) The Customer shall not assert any claim against any other Customer or user of the Company's services for damages resulting in whole or in part from or arising in connection with the furnishing of service under this tariff including but not limited to mistakes, omissions, interruptions, delays, errors or other defects or misrepresentations, whether or not such other Customer or user contributed in any way to the occurrence of the damages, unless such damages were caused solely by the negligent to intentional act or omission of the other Customer or user and not by any act or omission of the Company. Nothing in this tariff is intended either to limit or to expand Customer's right to assert any claims against third parties for damages of any nature other than those described in the preceding sentence.

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SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.4 Customer Equipment and Channels

2.4.1 General

A user may transmit or receive information or signals via the facilities of the Company. The Company's services are designated primarily for the transmission of voice-grade telephonic signals, except as otherwise stated in this tariff. A user may transmit any form of signal that is compatible with the Company's equipment, but the Company does not guarantee that its services will be suitable for purposes other than voice-grade telephonic communication except as specifically stated in this tariff.

2.4.2 Station Equipment

- (A) Terminal equipment of the user's premises and the electric power consumed by such equipment shall be provided by and maintained at the expense of the user. The user is responsible for the provision of wiring or cable to connect its terminal equipment to the Company MPOP.
- (B) The Customer is responsible for ensuring that Customer-provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities. The magnitude and character of the voltages and currents impressed on Company-provided equipment and wiring by connection, operation, or maintenance of such equipment and wiring shall be such as not to cause damage to the Company-provided equipment and wiring or injury to the Company's employees or to other persons. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the Customer's expense, subject to prior Customer approval of the equipment expense.

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SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.4 Customer Equipment and Channels (Cont'd.)

2.4.3 Interconnection of Facilities

- (A) Local Traffic Exchange provides the ability for another local exchange provider to terminate local traffic on the Company's network. In order to qualify for Local Traffic Exchange the call must: (a) be originated by an end user of a company that is authorized to provide local exchange service; (b) originate and terminate within a local calling area.
- (B) Any special interface equipment necessary to achieve compatibility between the facilities and equipment of the Company used for furnishing Communications Services and the channels, facilities, or equipment of others shall be provided at the Customer's expense.
- (C) Communications Services may be connected to the services or facilities of other communications carriers only when authorized by, and in accordance with, the terms and conditions of the tariffs of the other communications carriers which are applicable to such connections.
- (D) Facilities furnished under this tariff may be connected to Customer provided terminal equipment in accordance with the provisions of this tariff. All such terminal equipment shall be registered by the Federal Communications Commission pursuant to Part 68 of Title 47, Code of Federal Regulations; and all user-provided wiring shall be installed and maintained in compliance with those regulations.

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SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.4 Customer Equipment and Channels (Cont'd.)

2.4.4 Inspections

- (A) Upon suitable notification to the Customer, and at a reasonable time, the Company may make such tests and inspections as may be necessary to determine that the Customer is complying with the requirements set forth in Section 2.4.2(B) for the installation, operation, and maintenance of Customer-provided facilities, equipment, and wiring in the connection of Customer-provided facilities and equipment to Company-owned facilities and equipment.
- (B) If the protective requirements for Customer-provided equipment are not being complied with, the Company may take such action as it deems necessary to protect its facilities, equipment, and personnel. The Company will notify the Customer promptly if there is any need for further corrective action. Within ten days of receiving this notice, the Customer must take this corrective action and notify the Company of the action taken. If the Customer fails to do this, the Company may take whatever additional action is deemed necessary, including the suspension of service, to protect its facilities, equipment and personnel from harm.
- (C) If harm to the Company's network, personnel or services is imminent, the Company reserves the right to shut down Customer's service immediately, with no prior notice required.

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SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.5 Customer Deposits and Advance Payments

2.5.1 Advance Payments

The Company does not require advance payments.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.5 Customer Deposits and Advance Payments (Cont'd.)

2.5.2 Deposits

The Company does not require deposits.

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**SECTION 2.0 - RULES AND REGULATIONS (CONT'D)**

**2.6 Payment Arrangements**

**2.6.1 Payment for Services**

The Customer is responsible for the payment of all charges for facilities and services furnished by the Company to the Customer.

The Customer is responsible for the payment of federal excise taxes, state and local sales and use taxes and similar taxes imposed by governmental jurisdictions, all of which shall be separately designated on the Company's invoices. Any taxes imposed by a local jurisdiction (e.g., county and municipal) will only be recovered from those Customers residing in the affected jurisdictions.

Certain telecommunications services, as defined in the Tennessee Code Annotated, are subject to state and local sales taxes at the prevailing tax rates, if the services originate, or terminate in Tennessee, or both, and are charged to a subscriber's telephone number or account in Tennessee.

**2.6.2 Billing and Collection of Charges**

The Customer is responsible for payment of all charges incurred by the Customer or other users for services and facilities furnished to the Customer by the Company.

- (A) Non-recurring charges are due and payable within thirty (30) days after the date the invoice is mailed to the Customer by the Company.
- (B) The Company shall present invoices for recurring charges monthly to the Customer, in advance of the month in which service is provided, and recurring charges shall be due and payable within thirty (30) days after the date the invoice is mailed to the Customer by the Company. When billing is based upon Customer usage, usage charges will be billed monthly for the preceding billing period.
- (C) When service does not begin on the first day of the month, or end of the last day of the month, the charge for the fraction of the month in which service was furnished will be calculated on a pro rata basis. For this purpose, every month is considered to have thirty (30) days.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.6 Payment Arrangements (Cont'd.)

2.6.2 Billing and Collection of Charges (Cont'd.)

- (D) Billing of the Customer by the Company will begin on the Service Commencement Date, which is the day on which the Company notifies the Customer that the service or facility is available for use, except that the Service Commencement Date may be postponed by mutual agreement of the parties, or if the service or facility does not conform to standards set forth in this tariff or the Service Order. Billing accrues through and includes the day that the service, circuit, arrangement or component is discontinued.
- (E) If any portion of the payment is not received by the Company within 30 days of receipt of this bill, or if any portion of the payment is received by the Company in funds which are not immediately available upon presentment, then a late payment charge of 1.5% per month shall be due to the Company. A late payment charge is not applicable to subsequent rebilling of any amount to which a late payment charge has already been applied. Late payment charges are to be applied without discrimination.
- (F) the Customer should notify the Company of any disputed items on an invoice within thirty (30) days of receipt of the invoice. If the Customer and the Company are unable to resolve the dispute to their mutual satisfaction, the Customer may file a complaint with the Tennessee Regulatory Authority in accordance with the Commission's rules and procedure. The address of the Commission is as follows:

Tennessee Regulatory Authority  
460 Robertson Parkway  
Nashville, Tennessee 37243-0505
- (G) If service is disconnected by the Company (in accordance with Section 2.6.3 following) and later re-installed, re-installation of service will be subject to all applicable installation charges in Section 4. If service is suspended by the Company (in accordance with Section 2.6.3 following) and later restored, restoration of service will be subject to the rates in Section 4.3.



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SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.6 Payment Arrangements (Cont'd.)

2.6.3 Discontinuance of Service for Cause

The Company may discontinue service for the following reasons provided in this Section 2.6.3. Customers will be provided five (5) days written notice prior to discontinuance unless otherwise indicated.

Upon the Company's discontinuance of service to the Customer under Section 2.6.3(A) or 2.6.3(B), the Company, in addition to all other remedies that may be available to the Company at law or in equity or under any other provision of this tariff, may declare all future monthly and other charges which would have been payable by the Customer during the remainder of the term for which such services would have otherwise been provided to the Customer to be immediately due and payable (discounted to present value at six percent).

- (A) Upon nonpayment of any amounts owing to the Company, the Company may discontinue or suspend service without incurring any liability. No basic residential service shall be disconnected for nonpayment until at least 29 days from the date of the bill and only following proper written notification.
- (B) Upon violation of any of the other material terms or conditions for furnishing service the Company may, discontinue or suspend service without incurring any liability if such violation continues during that period.
- (C) Upon condemnation of any material portion of the facilities used by the Company to provide service to a Customer or if a casualty renders all or any material portion of such facilities inoperable beyond feasible repair, the Company, by notice to the Customer, may discontinue or suspend service without incurring any liability.
- (D) Upon the Customer's insolvency, assignment for the benefit of creditors, filing for bankruptcy or reorganization, or failing to discharge an involuntary petition within the time permitted by law, the Company will comply with the Federal Bankruptcy Law.
- (E) Upon any governmental prohibition or governmental required alteration of the services to be provided or any violation of an applicable law or regulation, the Company may immediately discontinue service without incurring any liability.

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SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.6 Payment Arrangements, (Continued)

2.6.3 Discontinuance of Service for Cause

- (F) Without notice in the event of fraudulent use of the Company's network. The Customer will be liable for all related costs. The Customer will also be responsible for payment of any reconnection charges.
- (G) Without notice in the event of Customer use of equipment or services in such a manner as to adversely affect the Company's service to others.
- (H) Without notice in the event of tampering with the equipment or services furnished by the Company.

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SECTION 2.0 – RULES AND REGULATIONS, (CONTINUED)

2.6 Payment Arrangements, (Continued)

2.6.4 Notice to Company for Cancellation of Service

Customers desiring to terminate service shall provide the Company thirty (30) days notice of desire to terminate service. If special construction is involved, the required notice shall be written.

2.6.5 Cancellation of Application for Service

- (A) Where the Company permits the Customer to cancel an application for service prior to the start of service or prior to any special construction, no charges will be imposed except for those specified below.
- (B) Where, prior to cancellation by the Customer, the Company incurs any expenses in installing the service or in preparing to install the service that it otherwise would not have incurred, a charge equal to the costs the Company incurred, less net salvage, shall apply, but in no case shall this charge exceed the sum of the charge for the minimum period of services ordered, including installation charges, and all charges others levy against the Company that would have been chargeable to the Customer had service begun.
- (C) Where the Company incurs any expense in connection with special construction, or where special arrangements of facilities or equipment have begun, before the Company receives a cancellation notice, a charge equal to the costs incurred, less net salvage, may apply. In such cases, the charge will be based on such elements as the cost of the equipment, facilities, and material, the cost of installation, engineering, labor, and supervision, general and administrative expense, other disbursements, depreciation, maintenance, taxes, provision for return on investment, and any other costs associated with the special construction or arrangements.
- (D) The special charges described in 2.6.5(A) through 2.6.5(C) will be calculated and applied on a case-by-case basis.

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**SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)**

**2.6 Payment Arrangements, (Continued)**

**2.6.6 Changes in Services Requested**

If the Customer makes or requests material changes in circuit engineering, equipment specifications, service parameters, premises locations, or otherwise materially modifies any provision of the application for service, the Customer's installation fee shall be adjusted accordingly. The Customers will be required to acknowledge the fees.

**2.6.7 Bad Check Charge**

A service charge equal to \$20.00 will be assessed for all checks returned by a bank or other financial institution for: Insufficient or uncollected funds, closed account, apparent tampering, missing signature or endorsement, or any other insufficiency or discrepancy necessitating return of the instrument at the discretion of the drawee bank or other financial institution.

**2.7 Allowances for Interruptions in Service**

**2.7.1 General**

- (A) A credit allowance will be given when service is interrupted, except as specified in Section 2.7.2 following. A service is interrupted when it becomes inoperative to the Customer, e.g., the Customer is unable to transmit or receive, because of a failure of a component furnished by the Company under this tariff.
- (B) An interruption period begins when the Customer reports a service, facility or circuit to be inoperative and, if necessary, releases it for testing and repair. An interruption period ends when the service, facility or circuit is operative.

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**SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)**

**2.7 Allowances for Interruptions in Service, (Continued)**

**2.7.1 General (Continued)**

- (C) If the Customer reports a service, facility or circuit to be interrupted but declines to release it for testing and repair, or refuses access to its premises for test and repair by the Company, the service, facility or circuit is considered to be impaired but not interrupted. No credit allowances will be made for a service, facility or circuit considered by the Company to be impaired.
- (D) The Customer shall be responsible for the payment of service charges as set forth herein for visits by the Company's agents or employees to the premises of the Customer when the service difficulty or trouble report results from the use of equipment or facilities provided by any party other than the Company, including but not limited to the Customer.

**2.7.2 Limitations of Allowances**

No credit allowance will be made for any interruption in service:

- (A) Due to the negligence of or noncompliance with the provisions of this tariff by any person or entity other than the Company, including but not limited to the Customer;
- (B) Due to the failure of power, equipment, systems, connections or services not provided by the Company;
- (C) Due to circumstances or causes beyond the reasonable control of the Company;
- (D) During any period in which the Company is not given full and free access to its facilities and equipment for the purposes of investigating and correcting interruptions;

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**SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)**

**2.7 Allowances for Interruptions in Service, (Continued)**

**2.7.2 Limitations of Allowances**

- (E) A service will not be deemed to be interrupted if a Customer continues voluntarily make use of the service. If the service is interrupted, the Customer can get a service credit, use another means of communications provided by the Company (pursuant to Section 2.7.3), or utilize another service provider:
- (F) During any period when the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements;
- (G) That occurs or continues due to the Customer's failure to authorize replacement of any element of special construction; and
- (H) That was not reported to the Company within thirty (30) days of the date that service was affected.

**2.7.3 Use of Another Means of Communications**

If the Customer elects to use another means of communications during the period of interruption, the Customer must pay the charges for the alternative service used.

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SECTION 2.0 – RULES AND REGULATIONS, (CONTINUED)

2.7 Allowances for Interruption in Service, (Continued)

2.7.4 Application of Credits for Interruptions in Service

- (A) Credits for interruptions in service that is provided and billed on a flat rate basis for a minimum period of at least one month, beginning on the date that billing becomes effective, shall in no event exceed an amount equivalent to the proportionate charge to the Customer for the period of service during which the event that gave rise to the claim for a credit occurred. A credit allowance is applied on a pro rata basis against the rates specified hereunder and is dependent upon the length of the interruption. Only those facilities on the interrupted portion of the circuit will receive a credit.
- (B) For calculating credit allowances, every month is considered to have thirty (30) days.
- (C) A credit allowance will be given for interruption of thirty (30) minutes or more. Two or more interruptions of fifteen (15) minutes or more during any one 24-hour period shall be combined into one cumulative interruption.

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SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.7 Allowances for Interruption in Service, (Continued)

2.7.4 Application of Credits for Interruptions in Service, (Continued)

(D) Interruptions of 24 Hours or Less

Length of Interruption	Amount of Service to be Credited
Less than 30 minutes	None
30 minutes up to but not including 3 hours	1/10 Day
3 hours up to but not including 6 hours	1/5 Day
6 hours up to but not including 9 hours	2/5 Day
9 hours up to but not including 12 hours	3/5 Day
12 hours up to but not including 15 hours	4/5 Day
15 hours up to but not including 24 hours	One Day

(E) Interruptions Over 24 Hours and Less Than 72 Hours

Interruptions over 24 hours and less than 72 hours will be credited 1/5 day for each 3-hour period or fraction thereof. No more than one full day's credit will be allowed for any period of 24 hours.

(F) Interruptions Over 72 Hours

Interruptions over 72 hours will be credited 2 days for each full 24-hour period. No more than thirty (30) days credit will be allowed for any one-month period.



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**SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)**

**2.7 Allowances for Interruption in Service, (Continued)**

**2.7.5 Limitations on Allowances**

No credit allowance will be made for:

- (A) interruptions due to the negligence of or noncompliance with the provisions of this tariff by the Customer, authorized user or joint user;
- (B) interruptions due to the negligence of any person other than the Company, including but not limited to the Customer;
- (C) interruptions of service during any period in which the Company is not given full access to its facilities and equipment for the purpose of investigating and correcting interruptions;
- (D) interruptions of service during a period in which the Customer continues to use the service on an impaired basis;
- (E) interruptions of service during any period when the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements;
- (F) interruption of service due to circumstances or causes beyond the reasonable control of Company; and
- (G) that occur or continue due to the Customer's failure to authorize replacement of any element of special construction.

**2.7.6 Cancellation For Service Interruption**

Cancellation or termination for service interruption is permitted only if any circuit experiences a single continuous outage of eight (8) hours or more or cumulative service credits equaling sixteen(16) hours in a continuous twelve (12) month period. The right to cancel service under this provision applies only to the single circuit which has been subject to the outage or cumulative service credits.

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SECTION 2.0 – RULES AND REGULATIONS, (CONTINUED)

**2.8 Cancellation of Service/Termination Liability**

If a Customer cancels a service order or terminates services before the completion of the term for any reason other than a service interruption (as defined in Section 2.7.1) except where the Company breaches the terms in the service contract, Customer may be requested by the Company to pay to Company termination liability charges, which are defined below. These charges shall become due and owing as of the effective date of the cancellation or termination and be payable within the period set forth in Section 2.6.2.

**2.8.1 Termination Liability**

Customer's termination liability for cancellation of service shall be equal to:

- (A) all unpaid non-recurring charges reasonably expended by Company to establish service to Customer, plus;
- (B) any disconnection, early cancellation or termination charges reasonably incurred and paid to third parties by Company on behalf of Customer, plus;
- (C) all recurring charges specified in the applicable Service Order for the balance of the then current term discounted at the prime rate announced in the *Wall Street Journal* on the third business day following the date of cancellation;
- (D) minus a reasonable allowance for costs avoided by the Company as a direct result of Customer's cancellation.

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**SECTION 2.0 – RULES AND REGULATIONS, (CONTINUED)**

**2.9 Lifeline Program**

**2.9.1 General**

- (A) The Lifeline program is designed to increase the availability of telecommunications services to low income subscribers by providing a credit to monthly recurring local service for qualifying residential subscribers. Basic terms and conditions are in compliance with the FCC's Order on Universal Service in CC Docket No. 97-157, which adopts the Federal-State Joint Board's recommendation in CC Docket No. 96-45, which complies with the Telecommunications Act of 1996. Specific terms and conditions are as prescribed by the Tennessee Regulatory Authority and are as set forth in this tariff.
- (B) Lifeline is supported by the federal universal service support mechanism.
- (C) Federal baseline support of eight dollars and twenty-five cents (\$8.25) is available for each Lifeline service and is passed through to the subscriber. An additional three dollars and fifty cents (\$3.50) credit is provided by the Company. Supplemental federal support of one dollar and seventy-five cents (\$1.75), matching one half of the Company contribution, will also be passed along to the Lifeline subscriber. The total Lifeline credit available to an eligible customer in Tennessee is thirteen dollars and fifty cents (\$13.50). The amount of credit will not exceed the charge for local service, which includes the access line, the Subscriber Line Charge and local usage.

**2.9.2 Regulations**

**(A) General**

- (1) Customers eligible under the Lifeline program are also eligible for connection assistance under the Link-Up program.
- (2) One low income credit is available per household and is applicable to the primary residential connection only. The named subscriber must be a current recipient of any of the low income assistance programs identified in Section 2.9.3 following.
- (3) A Lifeline customer may subscribe to any local service offering available to other residential customers. Since the Lifeline credit is applicable to the primary residential connection only, it may not be applied to multiple lines in a package for local service.
- (4) Toll blocking, if elected, will be provided at no charge to the Lifeline subscriber.
- (5) No deposit will be required of a Lifeline customer who subscribes to toll blocking. If a Lifeline customer removes toll blocking prior to

SECTION 2.0 – RULES AND REGULATIONS, (CONTINUED)

2.9 Lifeline Program (Cont'd)

2.9.2 Regulations (Cont'd)

(A) General (Cont'd)

establishing an acceptable credit history, a deposit may be required. When applicable, advance payments will not exceed the connection and local service charges for one month.

- (6) The Federal Universal Service Charge will not be billed to Lifeline customers.
- (7) Lifeline subscriber's local service will not be disconnected for non-payment of regulated toll charges. Local service may be denied for non-payment of local calls in accordance with Section 2.5. Access to toll service may be denied for non-payment of regulated tolls.
- (8) At no time shall a customer's Lifeline rate go below zero.

2.9.3. Eligibility

- (A) Customers are eligible if they participate in at least one of the following programs:  
Medicaid, Food stamps, Federal Public Housing, Supplemental Security Income, Low Income Home Energy Assistance Program, Temporary Assistance to Needy Families (TANF), or National School Lunch's fee lunch program (NSL). Additionally, a customer with total gross annual income that does not exceed 135% of the federal poverty income guidelines may apply directly to the Tennessee Regulatory Authority (TRA) for Lifeline eligibility certification.
- (B) All applications for service are subject to verification with the state agency responsible for administration of the qualifying program.

2.9.4. Certification

- (A) Proof of eligibility in any of the qualifying low income assistance programs should be provided to the Company at the time of application for services; or eligible Lifeline subscribers may enroll in the Lifeline program by signing a document certifying under penalty of perjury that the customer participates in one of the Tennessee Lifeline eligible programs and identifying the qualifying program. The Lifeline credit will not be established until the Company has received such signed document. If the customer requests installation prior to the Company's receipt of such signed document, the requested service will be provided without the Lifeline credit. When eligibility documentation is provided subsequent to installation, the Lifeline credit will be provided on a going forward basis.

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SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.9 Lifeline Program (Cont'd)

2.9.4. Certification (Cont'd)

- (B) The Company reserves the right to periodically audit its records, working in conjunction with the appropriate state agencies, for the purpose of determining continuing eligibility. Information obtained during such audit will be treated as confidential information to the extent required under State and Federal laws. The use or disclosure of information concerning enrollees will be limited to purposes directly connected with the administration of the Lifeline plan.
- (C) When a customer is determined to be ineligible as a result of an audit, the Company will contact the customer. If the customer cannot provide eligibility documentation within 60 calendar days, the Lifeline credit will be discontinued.

2.9.5. General

- (A) Lifeline is provided as a monthly credit on the eligible residential subscriber's access line bill for local service.
- (B) Service Charges in Section 3 are applicable for installing or changing Lifeline service.
- (C) Link-Up connection assistance in Section 5 may be available for installing or relocating Lifeline service.
- (D) The Service Change Charge in Section 3 is not applicable when existing service is converted intact to Lifeline.
- (E) The total Lifeline credit consists of one federal credit plus one (1) Company credit

- (1) Federal credit

Monthly Credit

All programs, one per Lifeline service \$10.00

- (2) Company credit

All programs, one per Lifeline service \$ 3.50

SECTION 2.0 – RULES AND REGULATIONS, (CONTINUED)

2.10 Link-Up

2.10.1 General

- (A) Link-Up is a program designed to increase the availability of telecommunications services to low income subscribers by providing a credit to the non-recurring installation and service charges to qualifying residential subscribers. Basic terms and conditions are in compliance with the FCC's Order on Universal Service in CC Docket 97-157, which adopts the Federal-State Joint Board's recommendation in CC Docket 96-45, which complies with the Telecommunications Act of 1996. Specific terms and conditions are as prescribed by the Tennessee Regulatory Authority and are as set forth in this tariff.
- (B) Link-Up is supported by the federal universal service support mechanism.
- (C) A federal credit amount of fifty percent (50%) of the non-recurring charges for connection of service, up to a maximum of thirty dollars (\$30.00), is available to be passed through to the subscriber.

2.10.2 Regulations

(A) General

- (1) Customers eligible under Link-Up are also eligible for monthly recurring assistance under the Lifeline program.
- (2) Link-Up connection assistance is available per household and is applicable to the primary residential connection only.
- (3) The Link-Up credit is available each time the customer installs or relocates the primary residential service.
- (4) To receive the credit, proof of eligibility must be provided within 30 days after installation of service.
- (5) The total tariffed charges for connecting service, including service and other installation charges, are considered in the credit calculation.

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SECTION 2.0 – RULES AND REGULATIONS, (CONTINUED)

2.10 Link-Up (Cont'd)

2.10.2 Regulations (Cont'd)

(B) Eligibility

- (1) To be eligible for a Link-Up credit, a customer must be a current recipient of any one of the low income assistance programs set forth in Section 2.9.3.A.
- (2) All applications for service are subject to verification with the state agency responsible for administration of the qualifying program.

(C) Certification

- (1) Proof of eligibility in any of the qualifying low income assistance programs should be provided to the Company within 30 days of application for service. The Link-Up credit will not be established until proof of eligibility has been received by the Company.
- (2) The use or disclosure of information concerning enrollees will be limited to purposes directly connected with the administration of the Link-Up plan.

2.10.3 Rates and Charges

- (A) The federal credit available for a Link-Up connection is thirty dollars (\$30.00) maximum or fifty percent (50%) of the installation and service charges from this Tariff, whichever is less.

2.11 Transfers and Assignments

Neither the Company nor the Customer may assign or transfer its rights or duties in connection with the services and facilities provided by the Company without the written consent of the other party, except that the Company may assign its rights and duties to a) any subsidiary, parent company or affiliate of the Company; b) pursuant to any sale or transfer of substantially all the assets of the Company; or c) pursuant to any financing, merger or reorganization of the Company.

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SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

**2.12 Notices and Communications**

- 2.12.2 The Customer shall designate on the service order an address to which the Company shall mail or deliver all notices and other communications, except that Customer may also designate a separate address to which the Company's bills for service shall be mailed.
- 2.12.3 The Company shall designate on the service order an address to which the Customer shall mail or deliver all notices and other communications, except that Company may designate a separate address on each bill for service to which the Customer shall mail payment on that bill.
- 2.12.4 Except as otherwise stated in this tariff, all notices or other communications required to be given pursuant to this tariff will be in writing. Notices and other communications of either party, and all bills mailed by the Company, shall be presumed to have been delivered to the other party on the third business day following placement of the notice, communication or bill with the U.S. Mail or a private delivery service, prepaid and properly addressed, or when actually received or refused by the addressee, whichever occurs first.
- 2.12.5 The Company or the Customer shall advise the other party of any changes to the addresses designated for notices, other communications or billing, by following the procedures for giving notice set forth herein.



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**SECTION 3.0 – SERVICE AREAS**

**3.1 Exchange Service Areas**

Local exchange services are provided, subject to availability of facilities and equipment, in areas currently served by the following Incumbent LECs: 1) AT&T

**3.2 Rate Classes**

Charges for local services provided by the Company may be based, in part, on the Rate Class associated with the Customers End Office. The Rate Class is determined by the total access lines and PBX trunks in the local calling area which can be reached from each End Office.

In the event that an Incumbent LEC or the Tennessee Regulatory Authority reclassifies an exchange from one Rate Class to another, the reclassification will also apply to customers who purchase services under this tariff. Local calling areas and Rate Class assignments are equivalent to those areas and groups specified in AT&T's Tennessee General Local Exchange Service Tariff.

**3.3 Reserved for Future Use**

SECTION 4.0 - SERVICE CHARGES

**4.1 Service Order and Change Charges**

Non-recurring charges apply to processing Service Orders for new service, for changes in service, and for changes in the Customer's primary interexchange carrier (PIC) code.

	<u>Residence</u>	<u>Business</u>
Line Connection Charge		
First Line	\$41.50	\$58.50
Each Additional Line	\$18.00	\$31.00
Line Change Charge		
First Line	\$28.00	\$47.00
Each Additional Line	\$15.00	\$15.00
Record Order Charge	\$9.95	\$24.00

**4.2 Maintenance Visit Charges**

Maintenance Visit Charges apply when the Company dispatches personnel to a Customer's premises to perform work necessary for installing new service, effecting changes in service or resolving troubles reported by the Customer when the trouble is found to be caused by the Customer's facilities.

Maintenance Visit Charges will be credited to the Customer's account in the event trouble is not found in the Company facilities, but the trouble is later determined to be in those facilities.

The time period for which the Maintenance Visit Charges is applied will commence when Company personnel are dispatched at the Customer premises and end when work is completed. The rates for Maintenance of Service vary by time per Customer request.

<u>Duration of time, per technician</u>	<u>Residential</u>	<u>Business</u>
Initial 15 minute increment	\$28.00	\$28.00
Each Additional 15 minute increment	\$11.00	\$11.00

**4.3 Restoration of Service**

A restoration charge applies to the restoration of suspended service and facilities because of nonpayment of bills and is payable at the time that the restoration of the suspended service and facilities is arranged. The restoration charge does not apply when, after disconnection of service, service is later re-installed.

	<u>Residence</u>	<u>Business</u>
Per occasion	\$15.00	\$35.00

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**SECTION 5.0 – NETWORK SERVICES DESCRIPTIONS**

**5.1 General**

**5.1.1 Services Offered**

The following Network Services are available to residence/business Customers and for resale by other carriers certificated to provide local service:

Standard Residence Line Service  
Standard Business Line Service  
PBX Trunk Service  
Direct Inward Dial (DID) Service  
Optional Calling Features

The following services are available to residence/business Customers and are not offered on a resale basis as of the effective date of this page.

Listing Services (including Non Published and Non Listed Services)  
Directory Assistance  
Miscellaneous Services (including Vanity Numbers and Number Portability)

**5.1.2 Application of Rates and Charges**

All services offered in this tariff are subject to service order and change charges where the Customer requests new services or changes in existing services, as well as indicated Non-Recurring and Monthly Recurring Charges. Charges for local calling services may be assessed on a measured rate basis and are additional to monthly recurring charges shown for Business or Residence lines, PBX Trunks, DID Trunks and Digital/DS1 service.

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SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS, (CONT'D)

5.1 General (Continued)

5.1.3 Emergency Services Calling Plan

Access (at no additional charge) to the local operator or emergency services bureau by dialing 0- or 9-1-1 is offered at no charge to the Customer.

Message toll telephone calls, to governmental emergency service agencies set forth below having primary or principal responsibility with respect to the provision of emergency services to persons and property in the area from which the call is made, meeting the definition and criteria of an emergency call as set forth below are offered at no charge to Customers:

Governmental fire fighting, Tennessee State Highway Patrol, police, and emergency squad service (as designated by the appropriate governmental agency) qualify as governmental emergency service agencies provided they answer emergency service calls on a personally attended (live) twenty-four (24) hour basis, three hundred sixty-five (365) days a year, including holidays.

An emergency is an occurrence or set of circumstances in which conditions pose immediate threat to human life, property, or both and necessitate that prompt action be taken. An emergency call is an originated call of short duration to a governmental emergency services agency in order to seek assistance for such an emergency.

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SECTION 5.0 – NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.2 Call Timing for Usage Sensitive Services

Where charges for a service are specified based on the duration of use, such as the duration of a telephone call, the following rules apply:

- 5.2.1 Calls are measured in durational increments identified for each service. All calls, which are fractions of a measurement increment, are rounded-up to the next whole unit.
- 5.2.2 Timing on completed calls begins when the call is answered by the called party. Answering is determined by hardware answer supervision in all cases where this signaling is provided by the terminating local carrier and any intermediate carrier(s).
- 5.2.3 Timing terminates on all calls when the calling party hangs up or the Company's network receives an on-hook signal from the terminating carrier.
- 5.2.4 Calls originating in one time period and terminating in another will be billed in proportion to the rates in effect during different segments of the call.
- 5.2.5 All times refer to local time.

SECTION 5.0 – NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.3 Distance Calculations

Where charges for a service are specified based upon distance, the following rules apply:

5.3.1 Distance between two points is measured as airline distance between the rate centers of the originating and terminating telephone lines. The rate center is a set of geographic coordinates, as referenced in Local Exchange Routing Guide issued by Bellcore, associated with each NPA-NXX combination (where NPA is the area code and NXX is the first three digits of a seven-digit telephone number). Where there is no telephone number associated with an access line on the Company's network (such as a dedicated 800 or WATS access line), the Company will apply the rate center of the Customer's main billing telephone number.

5.3.2 The airline distance between any two rate centers is determined as follows:

- Step 1: Obtain the "V" (vertical) and "H" (horizontal) coordinates for each Rate Center from the above-referenced Bellcore document.
- Step 2: Compute the difference between the "V" coordinate of the two rate centers; and the difference between the two "H" coordinates.
- Step 3: Square each difference obtained in step (b) above.
- Step 4: Add the square of the "V" difference and the square of the "H" difference obtained in step C) above.
- Step 5: Divide the sum of the squares by 10. Round to the next higher whole number if any fraction is obtained.
- Step 6: Obtain the square root of the whole number result obtained above. Round to the next higher whole number if any fraction is obtained. This is the airline mileage.

5.3.3 The formula for distance calculations is:

$$\sqrt{\frac{(V_1 V_2)^2 + (H_1 H_2)^2}{10}}$$

**SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)**

**5.4 Rate Periods for Time of Day Sensitive Services**

5.4.1 For time of day, usage sensitive services, the following rate periods apply unless otherwise specified in this tariff.

	Monday - Friday	Saturday	Sunday
8:00 a.m. to 5:00 p.m.*	Daytime Rate Period		Evening Rate Period
5:00 p.m. to 11:00 p.m.*	Evening Rate Period		
11:00 p.m. to 8:00 a.m.*	Night/Weekend Rate Period		

\*Up to but not including.

5.4.2 Calls are billed based on the rate in effect for the actual time period(s) during which the call occurs. Calls that cross rate period boundaries are billed the rates in effect in that boundary for each portion of the call, based on the time of day at the Customer location.

5.4.3 For services subject to holiday discounts, the following are Company recognized national holidays, determined at the location of the calling station. The evening rate is used on national holidays, unless a lower rate normally would apply.

New Year's Day	January 1
Memorial Day	As Federally Observed
Independence Day	July 4
Thanksgiving Day	As Federally Observed
Christmas Day	December 25

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**SECTION 5.0 – NETWORK SERVICES DESCRIPTIONS (CONTINUED)**

**5.5 Standard Residence Line**

A Standard Residence Line provides the Customer with a single, analog, voice-grade telephonic communications channel, which can be used to place or receive one call at a time. Standard Residence Lines are provided for the connection of Customer-provided wiring and single station sets or facsimile machines. An optional per line Hunting feature is available for multi-line Customers which routes a call to an idle station line in a prearranged group when the called station line is busy.

**5.6 Standard Business Line**

The Standard Business Line provides a Customer with a single, analog, voice-grade telephonic communications channel, which can be used to place or receive one call at a time. Standard Business Lines are provided for the connection of Customer-provided wiring and single station sets or facsimile machines. An optional per line Hunting feature is available for multi-line Customers which routes a call to an idle station line in a prearranged group when the called station line is busy.

**5.7 PBX Trunk Service**

Basic PBX Trunk Service provides a Customer with a single, voice-grade telephonic communications channel, which can be used to place or receive one call at a time. Basic Trunks are provided for connection of Customer-provided private branch exchanges (PBX) to the public switched telecommunications network. Each Basic PBX Trunk is provided with touch-tone signaling and may be configured into a hunt group at no additional charge with other Company-provided Basic PBX Trunks. The signal is an analog signal at the DS0 level.

**5.8 Direct Inward Dialing (DID) Service**

Direct Inward Dialing ("DID") permits calls incoming to a PBX system or other Customer Premises Equipment to be routed to a specific station without the assistance of an attendant. DID calls are routed directly to the station associated with the called number. DID service as offered by the Company provides the necessary trunks, telephone numbers, and out-pulsing of digits to enable DID service at a Customer's location. DID service requires special PBX software and hardware not provided by the Company. Such hardware and software is the responsibility of the Customer.

**5.9 Reserved for Future Use**



SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.10 Reserved for Future Use

5.11 Optional Calling Features

The features listed in Section 5.11.1 are offered by the Company to Residential and Business Customers. Refer to Price Lists in Sections 6 and 7 of this tariff for specific features offered with each type of local exchange service.

5.11.1 Features Descriptions

- (A) **Flexible Call Forwarding:** Provides end-user control for call forwarding capabilities via dial-accessed voice prompt menus. Customers may forward calls to a primary local or long distance. The end-user may specify a secondary location for routing of go unanswered at the forward-to location or reach a busy signal. This secondary location may be another telephone number, pager or voice messaging service. Other capabilities included with this feature include:

Speed Forwarding;  
Priority Screening;  
Ring Control; and  
Timed Forwarding.

It is the responsibility of the Customer to subscribe to the telephone number, pager or voice messaging service used as the secondary location.

- (B) **Flexible Call Forwarding with Audio Calling Name:** Provides all of the functionality of Flexible Call Forwarding. Also permits the end-user to receive the Directory Name of the party's whose call was forwarded to primary number. In some situations, the end-user may hear the calling party's city and state or telephone number, depending on available call data.
- (C) **Flexible Call Forwarding Plus:** Provides all of the functionality of Flexible Call Forwarding. Also includes an additional telephone number with directory listing and distinctive ringing for calls placed to the additional number. Flexible Call Forwarding Plus allows parties to reach the end-user's location when FCF is active and all calls to the end-users main telephone number would normally forward. Calls to the additional number do not forward even when Flexible Call Forwarding is active.

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**SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)**

**5.11 Optional Calling Features, (continued)**

**5.11.1 Feature Descriptions, (continued)**

- (D) **Flexible Call Forwarding Plus with Audio Calling Name:** Provides all of the functionality of Flexible Call Forwarding Plus including the additional telephone number with listing and distinctive ringing. Also permits the end-user to receive the Directory Name of the party's whose call was forwarded to primary number. In some situations, the end-user may hear the calling party's city and state or telephone number, depending on available call data.
- (E) **Call Forwarding Variable:** Permits the end-user to automatically forward (transfer) all incoming calls to another telephone number, and to restore it to normal operation at their discretion. The end-user must dial an activation code from his/her exchange line along with the forward-to number in order to turn the feature on. A separate code is dialed by the end-user to deactivate the feature.
- (F) **Call Forwarding Variable, Remote Access:** Permits the end-user to automatically forward (transfer) all incoming calls to another telephone number, and to restore it to normal operation at their discretion. The end-user must dial an activation code along with the forward-to number in order to turn the feature on. A separate code is dialed by the end-user to deactivate the feature. Feature activation may be performed from the end-user's exchange line or remotely from some other line. Remote access requires the end-user to (1) dial a special access number 2) enter their seven-digit telephone number and 3) enter a personal identification number prior to forwarding their calls.
- (G) **Call Forwarding Don't Answer, Basic:** Permits the forwarding of incoming calls when the end-user's line remains unanswered after a pre-designated ringing interval. The ringing interval before forwarding and the forward-to number are fixed by the service order.
- (H) **Call Forwarding Don't Answer w/Ring Control:** Permits the forwarding of incoming calls when the end-user's line remains unanswered after a pre-designated ringing interval. The forward-to number is fixed by the service order. However, the end-user has the ability to change the time interval before forwarding occurs at his/her discretion.

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**SECTION 5.0 – NETWORK SERVICES DESCRIPTIONS (CONTINUED)**

**5.11 Optional Calling Features, (continued)**

**5.11.1 Feature Descriptions, (continued)**

- (I) **Call Forwarding Don't Answer w/Customer Control:** Permits the forwarding of incoming calls when the end-user's line remains unanswered after a pre-designated ringing interval. The ringing interval before forwarding and the forward-to number are fixed by the service order. However, the end-user has the ability to turn the feature on or off at his/her discretion.
- (J) **Call Forwarding Busy Line, Basic:** Permits the forwarding of incoming calls when the end-user's line is busy. The forwarded number is fixed by the end-user service order.
- (K) **Call Forwarding Busy Line w/Customer Control:** Permits the forwarding of incoming calls when the end-user's line is busy. The forwarded number is fixed by the end-user service order. However, the end-user has the ability to turn the feature on or off at his/her discretion.
- (L) **Call Waiting – Basic:** Call Waiting provides a tone signal to indicate to a Customer already engaged in a telephone call that a second caller is attempting to dial in. It permits the Customer to place the first call on hold, answer the second call and then alternate between both callers. Cancel Call Waiting is provided with the feature and allows a Call Waiting end-user to disable the Call Waiting feature for the duration of a single outgoing telephone call. Cancel Call Waiting is activate by dialing a special code prior to placing a call, and is automatically deactivated when the Customer disconnects from the call.

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**SECTION 5.0 – NETWORK SERVICES DESCRIPTIONS (CONTINUED)**

**5.11 Optional Calling Features, (continued)**

**5.11.1 Feature Descriptions, (continued)**

- (M) **Call Waiting – Deluxe:** Allows the end-user to control the treatment applied to incoming calls while the Customer is off-hook on an existing call. This feature includes the capabilities of Call Waiting Basic plus additional call treatment options. Treatment options offered with Call Waiting Deluxe include:

Answer the waiting call and placing the first party on hold;  
Answer the waiting call and disconnecting from the first party;  
Direct the waiting caller to hold via a recording  
Forward the waiting caller to another location (e.g., voice mailbox or telephone answering service)

Full utilization of Call Waiting Deluxe requires specialized CPE not provided by the Company. It is the responsibility of the Customer to provide the necessary CPE. The end-user must have Caller ID Basic or Deluxe for display of calling party identification information for waiting calls. The end-user must have a Call Forwarding don't Answer feature active in order to forward a waiting call to another location.

- (N) **Call Waiting – Deluxe with Conferencing:** Provides all of the functionality of Call Waiting Deluxe. Also permits the end-user to conference a waiting call with an existing call (first party) and, if desired, subsequently drop either leg of the conferenced call.

- (O) **Caller ID – Basic:** Permits the end-user to view a Directory Number of the calling party on incoming telephone calls. Information is displayed on a specialized CPE not provided by the Company. The feature also provides the date and time of each incoming call. It is the responsibility of the Customer to provide the necessary CPE.

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.11 Optional Calling Features, (continued)

5.11.1 Feature Descriptions, (continued)

- (P) **Caller ID - Deluxe:** Permits the end-user to view a Directory Name and Directory Number of the calling party on incoming telephone calls. Information is displayed on a specialized CPE not provided by the Company. The feature also provides the date and time of each incoming call. It is the responsibility of the Customer to provide the necessary CPE. In some situations, the calling party's city and state may be displayed rather than a Directory Name, depending on available call data.
- (Q) **Anonymous Call Rejection:** Permits the end-user to automatically reject incoming calls when the call originates from a telephone number which has blocked delivery of its calling number (see Calling Number Delivery Blocking). When active, calls from private numbers will be routed to a special announcement then terminated. The feature may be turned on or off by the end-user by dialing the appropriate feature control code. Anonymous Call Rejection is offered as a stand-alone feature or as an add-on to Caller ID Deluxe.
- (R) **Call Block:** Allows the end-user to automatically block incoming calls from up to six end-user pre-selected telephone numbers programmed into the feature's screening list. Callers whose numbers have been blocked will hear a recorded message stating that their call has been blocked. The end-user controls when the feature is active, and can add or remove calling numbers from the feature's screening list.
- (S) **Call Return:** Allows the Customer to return a call to the last incoming call whether answered or not. Upon activation, it will redial the number automatically and continue to check the number every 45 seconds for up to 30 minutes if the number is busy. The Customer is alerted with a distinctive ringing pattern when the busy number is free. When the Customer answers the ring, the call is then completed. The calling party's number will not be delivered or announced to the call recipient under any circumstances.

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.11 Optional Calling Features, (continued)

5.11.1 Feature Descriptions, (continued)

- (T) **Call Selector:** Allows a Customer to assign a maximum of 15 telephone numbers to a special list. The Customer will hear a distinctive ring when calls are received from telephone numbers on that list.
- (U) **Call Tracing:** Allows the tracing of nuisance calls to a specified telephone number suspected of originating from a given local office. The tracing is activated upon entering the specified dial code. The originating telephone number, outgoing trunk number or terminating number, and the time and date are generated for every call to the specified telephone number can then be identified.
- (V) **Calling Number Delivery Blocking:** Prevents the delivery, display and announcement of the end-user's Directory Number and Directory Name on all calls dialed from an exchange service equipped with this option. When active, the end-user's telephone name and number will not appear on the called party's Caller ID CPE or be disclosed in another way. The feature is available on a per call or per line basis. With per call Calling Number Delivery Blocking, it is necessary for the end-user to dial an activation code prior to placing the call. With the per line version of the feature, all calls are placed with the end-user's number blocked. Per line end-users must dial an activation code prior to utilization.
- (W) **Message Waiting Indication:** Provides the end-user with an audible (stutter dial tone) or visual (lamp or other CPE display) indication that messages are waiting to be retrieved. Message Waiting Indication can only be activated/deactivated by a voice mailbox or other voice messaging service provided by the Company or third party. It is the responsibility of the Customer to subscribe to a compatible voice messaging service. Visual Message Waiting Indication requires specialized CPE not provided by the Company. It is the responsibility of the Customer to provide the necessary CPE.

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SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.11 Optional Calling Features, (continued)

5.11.1 Feature Descriptions, (continued)

(X) **Multiple Directory Number Distinctive Ringing:** This feature allows an end user to determine the source of an incoming call from a distinctive ring. The end user may have up to two additional numbers assigned to a single line (i.e. Distinctive Ringing - First Number and Distinctive Ringing - Second Number). The designated primary number will receive a normal ringing pattern; other numbers will receive distinctive ringing patterns. The pattern is based on the telephone number that the calling party dials.

(Y) **Preferred Call Forwarding:** Permits the end-user to automatically forward to another number calls received from up to six end-user pre-selected telephone numbers programmed into the features screening list. The end-user controls when the feature is active, the forward-to-number and can add or remove calling numbers from the feature's screening list.

(Z) **Repeat Dialing:** Permits the end-user to have calls automatically redialed when the first attempt reaches a busy number. The line is checked every 45 seconds for up to 30 minutes and alerts the Customer with a distinctive ringing pattern when the busy number and the Customer's line are free. The Customer can continue to make and receive calls while the feature is activated. The following types of calls cannot be reached using Repeat Dialing:

- Calls to 800 Service numbers
- Calls to 900 Service numbers
- Calls preceded by an interexchange carrier access code
- International Direct Distance Dialed calls
- Calls to Directory Assistance
- Calls to 911

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SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.11 Optional Calling Features, (continued)

5.11.1 Feature Descriptions, (continued)

- (AA) **Speed Calling:** Permits the Customer to place calls to other telephone numbers by dialing a one or two digit code rather than the complete telephone number. The feature is available as either an eight (8) code list or a thirty (30) code list. Code lists may include local and/or toll telephone numbers. The Customer has the ability to add or remove telephone numbers and codes to/from the speed calling list without assistance from the Company.
- (AB) **Three Way Calling:** Permits the end-user to add a third party to an established connection. When the third party answers, a two-way conversation can be held before adding the original party for a three-way conference. The end-user initiating the conference controls the call and may disconnect the third party to reestablish the original connection or establish a connection to a different third party. The feature may be used on both outgoing and incoming.



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**SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)**

**5.12 Listing Services**

For each Customer of Company-provided Exchange Service(s), the Company shall arrange for the listing of the Customer's main billing telephone number in the directory(ies) published by the dominant Local Exchange Carrier in the area at no additional charge. At a Customer's option, the Company will arrange for additional listings for an additional charge.

**5.12.1 Non-Published Service**

This optional service provides for suppression of printed and recorded directory listings. A Customer's name and number do not appear in printed directories or Directory Assistance Bureau records.

**5.12.2 Non-Listed Service**

This optional service provides for suppression of printed directory listings only. Parties may still obtain the Customer's number by calling the Directory Assistance Bureau.

**5.13 Directory Assistance**

Provides for identification of telephone directory numbers, via an operator or automated platform. Customers are provided with a maximum of 2 listings per each call to Directory Assistance.

**5.14 Miscellaneous Services**

**5.14.1 Pay Per Call Blocking/Unblocking**

This service provides the option of blocking, or subsequent unblocking, all 900 and 976 calls on a per line basis. The Company will provide for per-line blocking where the Company's switching facilities permit.

**5.14.2 Presubscription Services**

This service provides for the Presubscription of local exchange lines provided by the Company to the intraLATA and interLATA long distance carrier(s) selected by the Customer.

SECTION 6.0 - RESERVED FOR FUTURE USE

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SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST

7.1 General

Services provided in this tariff section are available on a Resale Service basis. Local Resale Services are provided through the use of resold switching and transport facilities obtained from Other Telephone Companies.

The rates, terms and conditions set forth in the section are applicable where the Company provides specified local exchange services to Customers through resale of local exchange services.

All rates set forth in this Section are subject to change and may be changed by the Company pursuant to notice requirements established by the Tennessee Regulatory Authority. The rates, terms and conditions set forth in this Section are applicable as of the effective date hereof and will not apply to any Customer whose services may have been provisioned through resale of local exchange services, in whole or in part, prior to the effective date hereof.

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SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST, (CONTINUED)

**7.2 Standard Residence Local Exchange Service**

Standard Residence Local Exchange Service provides the Customer with a single, analog, voice-grade telephonic communications channel, which can be used to place or receive one call at a time. Standard Residence Local Exchange Service lines are provided for the connection of Customer-provided wiring, telephones, facsimile machines or other station equipment. An optional per line Hunting feature is available for multi-line Customers, which routes a call to the next idle line in a prearranged group when the called line is busy.

Local exchange service lines and trunks are provided on a single party (individual) basis only. No multi-party lines are provided. Service is available on a flat rate, measured rate or message rate basis depending on the service plan selected by the Customer. Not all service plans will be available in all areas.

Recurring charges for Standard Residence Local Exchange Service are billed monthly in advance. Usage charges if applicable are billed in arrears. Usage charges may apply for calls placed from the Customer's line. No usage charges will apply to calls received by the Customer. Non-recurring charges for installation or rearrangement of service are billed on the next month's bill immediately following work performed by the Company.

SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.2 Standard Residence Local Exchange Service (Continued)

7.2.1 Monthly Recurring Charges

The following charges apply to Standard Residence Local Exchange Service lines per month. Rates and charges do not include Touch-tone Service. The rates and charges below apply to service provided on a month-to-month basis.

AT&T Area RATE CLASS	SERVICE TYPE		
	Flat Rate	Measured Rate	RegionServ
Rate Class 1	\$7.78	\$5.46	\$4.50
Rate Class 2	\$8.74	\$6.13	\$4.50
Rate Class 3	\$9.32	\$6.54	\$4.50
Rate Class 4	\$12.21	\$8.55	\$5.50
Rate Class 5	\$12.52	\$8.75	\$5.50
Rate Class 1C	\$10.61	\$7.41	N/A
Rate Class 2B	\$9.27	\$6.49	N/A
Rate Class 2C	\$10.25	\$7.16	N/A
Rate Class 2D	\$9.32	\$6.54	N/A
Rate Class 3B	\$9.63	\$6.74	N/A

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SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.2 Standard Residence Local Exchange Service (Continued)

7.2.2 Usage Sensitive Charges and Allowances

(A) Flat Rate Service

No measured or message charges apply to calls placed or received from Flat Rate service lines. Customers receive unlimited calling within their local calling area.

(B) Measured Service

Customers subscribing to Measured Service will be charged a monthly recurring charge and will be charged a per minute rate for all local outgoing calls. Local usage is billed in arrears.

AT&T Area		
	First Minute	Add'l Minute
Day Period	\$0.040	\$0.020
Evening Period	\$0.026	\$0.013
Night Period	\$0.016	\$0.008

SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.2 Standard Residence Local Exchange Service, (Continued)

7.2.2 Usage Sensitive Charges and Allowances, (Continued)

(C) RegionServ Service

RegionServ is an enhanced form of measured service for measured calling to the standard local calling area and all wire centers within 40 miles. Customers subscribing to RegionServ Service will be charged a monthly recurring charge and a per minute charge is applied to local calls placed from the Customer's line. Local usage will be billed in arrears. Peak time is Monday to Friday from 7:00am to 6:59pm. Off-Peak time is all day Saturday and Sunday and Monday to Friday 7:00pm to 6:59am.

AT&T Area

BAND	PEAK MINUTE	OFF-PEAK MINUTE
Band A (Local Calling)	\$0.02	\$0.01
Band B (17-30 miles)	\$0.05	\$0.025
Band C (31-40 miles)	\$0.10	\$0.05

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SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.2 Standard Residence Local Exchange Service, (Continued)

7.2.3 Non-Recurring Charges

Other than those set forth below, non-recurring charges apply to each line installed for the Customer. Non-recurring charges are in addition to applicable service order charges contained in Section 4 of this tariff. All such charges will appear on the next bill following installation of the service.

Non-recurring charges for installation of Residential lines are:

AT&T Area	
First Line	\$41.50
Each Additional Line	\$18.00



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**SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)**

**7.3 Standard Business Local Exchange Service**

Standard Business Local Exchange Service provides the Customer with a single, analog, voice-grade telephonic communications channel, which can be used to place or receive one call at a time. Standard Business Local Exchange Service lines are provided for the connection of Customer-provided wiring, telephones, facsimile machines or other station equipment. An optional per line Hunting feature is available for multi-line Customers which routes a call to the next idle line in a prearranged group when the called line is busy.

Local exchange service lines and trunks are provided on a single party (individual) basis only. No multi-party lines are provided. Service is available on a flat rate, measured rate or message rate basis depending on the service plan selected by the Customer. Not all service plans will be available in all areas.

Recurring charges for Standard Business Local Exchange Service are billed monthly in advance. Usage charges, if applicable are billed in arrears. Usage charges may apply for calls placed from the Customer's line. No usage charges will apply to calls received by the Customer. Non-recurring charges for installation or rearrangement of service are billed on the next month's bill immediately following work performed by the Company.

SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.3 Standard Business Local Exchange Service, (Continued)

7.3.1 Monthly Recurring Charges

The following charges apply to Standard Business Local Exchange Service lines per month. Rates and charges do not include Touchtone Service. The rates and charges below apply to service provided on a month-to-month basis.

AT&T Area

RATE CLASS	SERVICE TYPE		
	Flat Rate	Measured Rate	RegionServ
Rate Class 1	\$27.05	\$18.95	\$24.50
Rate Class 2	\$30.80	\$21.55	\$24.50
Rate Class 3	\$32.75	\$22.95	\$24.50
Rate Class 4	\$39.05	\$27.35	\$27.50
Rate Class 5	\$39.70	\$27.80	\$27.50
Rate Class 1C	\$29.80	\$20.85	N/A
Rate Class 2B	\$32.70	\$22.90	N/A
Rate Class 2C	\$31.75	\$22.25	N/A
Rate Class 2D	\$32.75	\$22.95	N/A
Rate Class 3B	\$33.75	\$23.65	N/A

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**SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)**

**7.3 Standard Business Local Exchange Service, (Continued)**

**7.3.2 Other Monthly Recurring Charges**

**Hunting (a/k/a Rotary or Grouping)**

The following charges apply to Standard Business Local Exchange lines equipped with Hunting. Rates vary based on Rate Group.

Rate Class	Hunting Per Line
Rate Class 1	\$20.29
Rate Class 2	\$23.10
Rate Class 3	\$24.56
Rate Class 4	\$29.29
Rate Class 5	\$16.90
Rate Class 1C	\$22.35
Rate Class 2B	\$24.53
Rate Class 2C	\$23.81
Rate Class 2D	\$22.35
Rate Class 3B	\$25.31

SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.3 Standard Business Local Exchange Service, (Continued)

7.3.3 Usage Sensitive Charges and Allowances

(A) Flat Rate Service

No measured or message charges apply to calls placed or received from Flat Rate service lines. Customers receive unlimited calling within their local calling area.

(B) Measured Service

Customers subscribing to Measured Service will be charged a monthly recurring charge and will be charged a per minute rate for all local outgoing calls. Local usage is billed in arrears.

AT&T Area		
	First Minute	Add'l Minute
Day Period	\$0.04	\$0.02
Evening Period	\$0.026	\$0.013
Night Period	\$0.016	\$0.008

(C) RegionServ Service

RegionServ is an enhanced form of measured service for measured calling to the standard local calling area and all wire centers within 40 miles. Customers subscribing to RegionServ Service will be charged a monthly recurring charge and a per minute charge is applied to local calls placed from the Customer's line. Local usage will be billed in arrears. Peak time is Monday to Friday from 7:00am to 6:59pm. Off-Peak time is all day Saturday and Sunday and Monday to Friday 7:00pm to 6:59am.

AT&T Area		
BAND	PEAK MINUTE	OFF-PEAK MINUTE
Band A (Local Calling)	\$0.02	\$0.01
Band B (17-30 miles)	\$0.05	\$0.025
Band C (31-40 miles)	\$0.10	\$0.05

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SECTION 7.0 – LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.3 Standard Business Local Exchange Service, (Continued)

7.3.4 Non-Recurring Charges

Other than those set forth below, non-recurring charges apply to each line installed for the Customer. Non-recurring charges are in addition to applicable service order charges contained in Section 4 of this tariff. All such charges will appear on the next bill following installation of the service.

Non-recurring charges for installation of Business lines are:

AT&T Area	
First Line	\$58.50
Each Additional Line	\$31.00

SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.5 Business PBX Trunk Service

PBX Trunk service provides a Customer with a single, voice-grade telephonic communications channel which can be used to place one call at a time. Trunks are provided for connection of Customer-provided private branch exchanges (PBX) or other station equipment to the public switched telecommunications network.

PBX Trunks are available to Business Customers as Inward, Outward or Two-Way combination trunks where services and facilities permit.

An optional per trunk Hunting feature is available for Customers which routes a call to the next idle trunk in a prearranged group (see Sections 7.2 and 7.3). Rates are in Section 7.3.1.

PBX Trunks may also be equipped with Direct Inward Dialing (DID) capability and DID number blocks for additional charges (see Section 7.6).

AT&T Area RATE CLASS	SERVICE TYPE		
	Flat Rate	RegionServ	Measured Rate
Class 1	\$27.05	\$24.50	\$20.29
Class 2	\$30.80	\$24.50	\$23.10
Class 3	\$32.75	\$24.50	\$24.56
Class 4	\$39.05	\$27.50	\$29.29
Class 5	\$39.70	\$27.50	\$29.78
Class 1C	\$29.80	N/A	\$22.35
Class 2B	\$32.70	N/A	\$24.53
Class 2C	\$31.75	N/A	\$23.81
Class 2D	\$32.75	N/A	\$22.35
Class 3B	\$33.75	N/A	\$25.31

SECTION 7.0 – LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.6 Direct Inward Dialing (DID) Service

Direct Inward Dialing ("DID") permits calls incoming to a PBX system or other Customer Premises Equipment to be routed to a specific station without the assistance of an attendant. DID calls are route directly to the station associated with the called number. DID service as offered by the Company provides the necessary trunks, telephone numbers, and out-pulsing of digits to enable DID service at a Customer's location. DID service requires special PBX software and hardware not provided by the Company. Such hardware and software is the responsibility of the Customer.

The following charges apply to Customers subscribing to DID service provided by the Company. These charges are in addition to recurring and non-recurring charges for PBX Trunks as shown in Section 7.5 of this tariff. The Customer will be charged for the number of DID numbers utilized out of the available 20 numbers.

	<u>Installation Charge</u>	<u>Monthly Recurring</u>
Establish Trunk Group and Provide 1st Block of 20 DID Numbers	\$480.00	\$4.80
Each Additional Block of 20 DID Numbers	\$0.00	\$4.80
DID Trunk Termination: Per Inward Only Trunk	\$50.00	\$35.00
Dual Tone Multifrequency Pulsing Option, Per Trunk	N/A	\$10.00

SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.7 Reserved For Future Use

7.8 Optional Calling Features

The features in this section are made available on an individual basis or as part of multiple feature packages. All features are provided subject to availability. Certain features may not be available with all classes of service. Transmission levels for calls forwarded or calls placed or received using optional calling features may not be acceptable for all uses in some cases.

7.8.1 Features Offered on a Usage Sensitive Basis

The following features are available to all local exchange Business and Residence line Customers where facilities and services permit. Customers may utilize each feature by dialing the appropriate access code. The Customer will be billed the Per Feature Activation Charge shown in the following table each time a feature is used by the Customer. Customers may subscribe to these features on a monthly basis at their option to obtain unlimited use of these features for a fixed monthly charge.

Optional Calling Features	Residence	Business
Three-Way Calling	\$0.90	\$0.90
Call Return	\$0.90	\$0.90
Repeat Dialing	\$0.90	\$0.90
Busy Connect	\$0.90	\$0.90

Denial of per call activation for Three-Way Calling, Call Return and Repeat Dialing from any line or trunk is available to Customers upon request at no additional charge.



SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.8 Optional Calling Features, (Continued)

7.8.2 Features Offered on a Monthly Basis

The following optional calling features are offered to Customers on a monthly basis. Customers are allowed unlimited use of each feature. No usage sensitive charges apply. Multiline Customers must order the appropriate number of features based on the number of lines which will have access to the feature.

Optional Calling Feature	Residence	Business
Call Forwarding Variable	\$5.50	\$5.50
Call Forwarding Variable with Remote Access	\$6.00	\$10.00
Call Forwarding Don't Answer - Basic	\$1.00	\$4.50
Call Forwarding Don't Answer w/Ring Control	\$1.00	\$5.00
Call Forwarding Don't Answer Multipath	\$2.00	\$5.00
Call Forwarding Busy Line - Basic	\$1.00	\$4.50
Call Forwarding Busy Line Multipath	\$2.00	\$5.00
Call Forwarding Variable Multipath	\$3.00	\$5.00
Call Waiting - Basic	\$5.50	\$7.00
Caller ID - Basic	\$8.00	\$11.00
Caller ID - Deluxe with ACR	\$9.00	\$11.00
Caller ID - Deluxe without ACR	\$9.00	\$11.00
Caller ID - Enhanced with ACR & Call Manage	N/A	\$18.00
Caller ID - Enhanced with all features	N/A	\$18.00
Caller ID - Deluxe without ACR	N/A	\$11.00
Anonymous Call Rejection	\$3.00	\$3.50
Call Block	\$4.00	\$5.50
Call Return	\$5.00	\$6.50
Call Selector	\$4.00	\$5.50
Call Tracing	\$4.00	\$7.00
Distinctive Ring - Two Numbers	\$7.00	\$12.00
Distinctive Ring - One Number	\$5.00	\$10.00
Repeat Dialing	\$4.00	\$6.00
Speed Calling (30 codes)	\$4.50	\$6.50
Speed Calling (8 codes)	\$4.00	\$6.00
Three Way Calling	\$5.50	\$6.00
Touch Tone (per line)	\$0.60	\$3.00

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SECTION 8.0 – DIRECTORY ASSISTANCE AND LISTING SERVICES

8.1 Directory Listings

8.1.1 General

The following rules apply to standard listings in light face type in the white pages (alphabetical section) of the telephone directory and to the Directory Assistance records of the Company.

Only information necessary to identify the Customer is included in these listings. The Company use abbreviations in listings. The Company may reject a residence listing, which is judged to be advertising. It may also reject a listing it judges to be objectionable. A name made up by adding a term such as Company, Shop, Agency, Works, etc. to the name of a commodity or service willing to be accepted as a listing unless the subscriber is legally doing business under that name.

A name may be repeated in the white pages only when a different address or telephone number is used.

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**SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES**

**8.1 Directory Listings, (Continued)**

**8.1.2 Composition of Listings**

**(A) Names**

The following names may be included in business service listings:

- (1) The name of subscriber or joint user.
- (2) The name of each business enterprise which the subscriber or joint user conducts.
- (3) The name by which the business of a subscriber or joint user is known to the public. Only one such name representing the same general line of business will be accepted.
- (4) The name of any person associated with the subscriber or joint user in the same business.
- (5) The name of any person, firm or organization which subscriber or joint user is authorized to represent, or the name of an authorized representative of the subscriber or joint user.
- (6) Alternative spelling of an individual name or alternative arrangement of a business name, provided the listing in the judgment of the Company, is not for advertising purposes. The name of a publication issued periodically by the subscriber or joint user.
- (7) The name of an inactive business organization in a cross-reference listing when authorized by such business or organization.
- (8) The name of a member of subscriber's domestic establishment when business service is furnished in the subscriber's residence.
- (9) The name of a corporation which is the parent or a subsidiary of the subscriber.
- (10) The name of a resident of a hotel, apartment house, boarding house or club which is furnished PBX service, may be included in a residence type listing with the telephone number of the PBX service.
- (11) The name of the subscriber to a sharing arrangement.

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**SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES**

**8.1 Directory Listings, (Continued)**

**8.1.2 Composition of Listings, (Continued)**

**(B) Designation**

The purpose of a business designation is to identify the listed party and not to advertise the business. No designation of the nature of the business is included if this is sufficiently indicated by the name. Where a listed party is engaged in more than one general line of business, one additional business designation may be included in the listing when necessary to identify the listed party. When a listed party has two or more listed telephone number or two or more business addresses, designations indicating the branches of the organization may be included where necessary to assist the public in calling.

A designation may include a title to indicate a listed party's official position, but not the name of the firm or corporation with which the individual is connected. Individual names or titles are not shown following the name of a firm or corporation. A term such as "renting agent" may be included in a listing indented under the name of a building, provided the agent maintains a renting office in such a building.

A designation is not ordinarily provided in a residence type listing except for residential service as permitted under the terms of this tariff. A professional designation is permitted on residence service in the case of a physician, surgeon, dentist, osteopath, chiropodist, podiatrist, optometrist, chiropractor, physiotherapist, Christian Science practitioner, veterinary surgeon, registered nurse or licensed practical nurse, provided that the same name and designation is also listed on business service of that subscriber or another subscriber in the same or different directory.

The listing of service in the residence of a clergyman may include the designation "parsonage," "rectory," "parish house," or "manse," and any such listing may be indented under a listing in the name of the church. Where residence service is furnished in a church study, the listing may include the designation "study."

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SECTION 8.0 – DIRECTORY ASSISTANCE AND LISTING SERVICES

8.1 Directory Listings, (Continued)

8.1.2 Composition of Listings, (Continued)

(C) Address

Each residence or non-profit listing may, but does not have to, include the house number and street name of the residence where the telephone service is provided. Other information, such as a building name or a locality designation, may be included to help identify the Customer.

(D) Telephone Number

Each listing may include only one telephone number, except in an alternate telephone number listing where each number listed is considered a line for rate purposes.

A listing may include only the telephone number of the first line of a PBX system or incoming service group, except that a trunk not included in the incoming service group of a PBX system, or the first trunk of a separate incoming service group of a PBX system may be listed to meet special conditions where a corporation and its subsidiaries use the same PBX system.

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**SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES**

**8.1 Directory Listings, (Continued)**

**8.1.3 Types of Listings**

**(A) Standard Listing**

A standard listing includes a name, designation, address and telephone number of the Customer. It appears in the White Pages of the telephone directory and in the Company's Directory Assistance records. The designation in the listing will be provided according to the rules in paragraph 5.12 above.

**(B) Indented Listing**

An indented listing appears under a standard listing and may include only a designation, address and telephone number. An indented listing is allowed only when a Customer is entitled to two or more listings of the same name with different addresses or different telephone numbers. For example:

Smith, John MD  
Office 125 Portland 555-4180  
Residence 9 Glenway 555-8345

Such listing may be furnished as an indented listing or as a sub-caption. The telephone number in such a listing may be that of another service furnished the same subscriber or one of the subscriber's PBX trunks not included in the incoming service group, or the service furnished a different subscriber.

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**SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES**

**8.1 Directory Listings, (Continued)**

**8.1.3 Types of Listings, (Continued)**

**(C) Alternate Telephone Number Listing and Night Listing**

Any listed party who has made the necessary arrangements for receiving telephone calls during his or her absence may have an alternate telephone number listing or a night listing, such as the following.

If no answer call (telephone number)  
Night calls (telephone number)  
Night calls after \_\_\_\_PM (telephone number)  
Nights, Sundays and holidays (telephone number)  
5PM to 9AM weekdays, Saturday until 9AM, Monday and holidays  
(telephone number)

Such listing may be furnished as an indented listing or as a sub-caption. The telephone number in such a listing may be that of another service furnished the same subscriber or one of the subscriber's PBX trunks not included in the incoming service group, or the service furnished a different subscriber.

**(D) Duplicate Listing**

Any listing may be duplicated in a different directory or under a separate geographical heading in the same directory. Such listing may be duplicated in indented form.

**(E) Reference Listing**

A subscriber having exchange services listed under different geographical headings may have an indented listing in reference form in lieu of a duplicate listing.

**(F) Cross Reference Listing**

A cross reference listing may be furnished in the same alphabetical group with the related listing when required for identification of the listed party and not designated for advertising purposes.

**SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES**

**8.1 Directory Listings, (Cont'd.)**

**8.1.4 Free Listings**

The following listings are provided at no additional charge to the Customer: one listing for each individual line service, auxiliary line or PBX system.

**8.1.5 Rates for Additional Listings - Business Customers**

The following monthly rates and charges apply to additional listings requested by the Customer over and above those free listings provided for in Section 8.1.4.

Type of Listing	Residential Charge	Business Charge
Reference/Cross Reference:		
- Each Listing	\$1.20	\$2.10
Alternate Telephone Number/Night Listing:		
- Night, Sundays & Holidays	\$1.80	\$2.10
- First Line	\$1.80	\$2.10
Additional Listing	\$1.20	\$2.10
Foreign Listing	\$1.20	\$2.10
Dual Name Listing - Non Recurring	\$5.50	\$5.50



**SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES**

**8.2 Non-Published Service**

**8.2.1 General**

Non-published service means that the Customer's telephone number is not listed in the directory, nor does it appear in the Company's Directory Assistance Records.

**8.2.2 Regulations**

This service is subject to the rules and regulations for E911 service, where applicable.

The Company will complete calls to a non-published number only when the caller dials direct or gives the operator number. No exceptions will be made, even if the caller says it is an emergency.

When the Company agrees to keep a number unlisted, it does so without any obligation. Except for cases of gross negligence or willful misconduct, the Company is not liable for any damages that might arise from publishing a non-published number in the directory or disclosing it to some. If, in error, the telephone number is published in the directory, the Company's only obligation is to credit or refund any monthly charges the Customer paid for non-published service.

The subscriber indemnifies (i.e., promises to reimburse the Company for any amount the Company must pay as a result of) and save the Company harmless against any and all claims for damages caused or claimed to have been caused, directly or indirectly, by the publication of a non-published service or the disclosing of said number to any person.

**8.2.3 Rates and Charges**

There is a monthly charge for each non-published service. This charge does not apply if the Customer has other listed service at the same location; if the Customer lives in a hotel, boarding house or club with listed service; or if the service is installed for a temporary period.

Non-published service charge, per month	\$4.00
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**SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES**

**8.3 Non-Listed Service**

**8.3.1 General**

Non-listed service means that the Customer's telephone number is not listed in the directory, but does it appear in the Company's Directory Assistance Records.

**8.3.2 Regulations**

This service is subject to the rules and regulations for E911 service, where applicable.

The Company will complete calls to a non-listed number.

When the Company agrees to keep a number unlisted, it does so without any obligation. Except for cases of gross negligence or willful misconduct, the Company is not liable for any damages that might arise from publishing a non-listed number in the directory or disclosing it to someone. If, in error, the telephone number is listed in the directory, the Company's only obligation is to credit or refund any monthly charges the Customer paid for non-listed service.

The subscriber indemnifies (i.e., promises to reimburse the Company for any amount the Company must pay as a result of) and save the Company harmless against any and all claims for damages caused or claimed to have been caused, directly or indirectly, by the publication of a non-listed service or the disclosing of said number to any person.

**8.3.3 Rates and Charges**

There is a monthly charge for each non-listed service. This charge applies if the Customer has other listed service at the same location; if the Customer lives in a hotel, boarding house or club with listed service; or in the service is installed for a temporary period.

Non-listed service charge, per month: \$1.30

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SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES

8.4 Directory Assistance Services

8.4.1 Directory Assistance

A Directory Assistance charge applies per local directory assistance call. The Customer may make two (2) requests for a telephone number per call. The Directory Assistance Charge applies regardless of whether the Directory Assistance operator is able to supply the requested number. No charge applies for the first call per month per residence line.

Each Local Directory Assistance Call	\$0.59
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SECTION 9.0 - ADVANCED SERVICES

**9.1 ISDN PRI Service with Unlimited Local Calling**

ISDN PRI offers an array of value-added features, such as calling number identification and call-by-call selection that enhance productivity. ISDN PRI is configured with 23 64 Kbps bi-directional B (Bearer) channels and one 64 Kbps D (Data) channel. Unique to ISDN PRI is its ability to designate the D channel to handle all of the signaling and call control requirements and leave the remaining 23 B channels free for any mix of circuit-switched voice and data.

Each of these products is offered under a 12, 24 or 36 month term agreement. Rates include unlimited local calling for sent-paid, directly dialed calls. Rates do not include calling card calls, information type calls to Time and Weather, 555, 700, 900, 976 Services, Directory Assistance or any other type of Operator Handled call.

ISDN PRI includes the following non-optional Feature Package: Inbound Calling Line ID-Name & Number and Call by Call Selection.

Regional Toll and Long Distance Services must be PIC'd to the Company. These rates are in addition to ISDN PRI and DS1 rates below.

Recurring Charges

	Monthly Recurring Charge		
	12 Months	24 Months	36 Months
AT&T Area	ICB	ICB	ICB

SECTION 9.0 - ADVANCED SERVICES (CONTINUED)

9.1 ISDN PRI Service with Unlimited Local Calling (Continued)

Non-Recurring Charges

		12 Months	Non-Recurring Charge 24 Months	36 Months
AT&T Area	First Line	ICB	ICB	ICB
	Each Add'l Line	ICB	ICB	ICB
Expedite Service Charge <sup>1</sup>	AT&T	Per PRI ICB		
Order Supplement Charge <sup>2</sup>	AT&T	First Change ICB	Subsequent Change ICB	
Order Cancellation Charge <sup>Error! Bookmark not defined.</sup>	AT&T	Per PRI ICB		

<sup>1</sup> Expedite Service Charges apply when customer requests installation of service in less time than normal installation interval of 30 business days.

<sup>2</sup> Order Supplement Charges apply when a change of the Requested Service Date is requested by customer. A change of requested service date must be within 30 days of the previous requested service date. In no event will the Company be obligated to accept more than three (3) changes to a requested service date. The service will be deemed canceled upon the fourth (4) such request and applicable Order Cancellation Charges will apply.

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SECTION 9.0 - ADVANCED SERVICES (CONTINUED)

**9.2 Digital DS-1 PBX Service with Unlimited Local Calling**

This service provides a trunk side DS1 electrical interface from the customer's digital PBX system to a digital port on a local Company switch for the origination and termination of calls. Traffic to and from the digital PBX can be received or dialed directly from any PBX station without the need for an attendant.

These digital trunks deliver a high-speed DS1 (T1) connection between your PBX and the Company network. There are up to 24 channels on one facility, each of which can be used to place or receive calls. This multi-channel capability dramatically reduces the need for additional PBX circuit cards.

Each of these products is offered under a 12, 24 or 36 month term agreement. Rates include unlimited local calling for sent-paid, directly dialed calls. Rates do not include calling card calls, information type calls to Time and Weather, 555, 700, 900, 976 Services, Directory Assistance or any other type of Operator Handled call.

Regional Toll and Long Distance Services must be PIC'd to the Company. These rates are in addition to ISDN PRI and DS1 rates below.

Monthly Recurring Charges

	Monthly Recurring Charge		
	12 Months	24 Months	36 Months
AT&T Area	ICB	ICB	ICB

SECTION 9.0 - ADVANCED SERVICES (CONTINUED)

9.2 Digital DS-1 PBX Service with Unlimited Local Calling (Continued)

Non-Recurring Charges

		Non-Recurring Charge		
		12 Months	24 Months	36 Months
AT&T Area	First Line	ICB	ICB	ICB
	Each Add'l Line	ICB	ICB	ICB
Expedite Service Charge <sup>1</sup>		Per DS1		
	AT&T	ICB		
Order Supplement Charge <sup>2</sup>		First Change	Subsequent	
	AT&T	ICB	Change	
			ICB	
Order Cancellation Charge <sup>Error</sup>		Per DS1		
Bookmark not defined.				
	AT&T	ICB		

<sup>1</sup> Expedite Service Charges apply when customer requests installation of service in less time than normal installation interval of 30 business days.

<sup>2</sup> Order Supplement Charges apply when a change of the Requested Service Date is requested by customer. A change of requested service date must be within 30 days of the previous requested service date. In no event will the Company be obligated to accept more than three (3) changes to a requested service date. The service will be deemed canceled upon the fourth (4) such request and applicable Order Cancellation Charges will apply.

SECTION 9.0 - ADVANCED SERVICES (CONTINUED)

9.3 ISDN PRI Service with Unlimited Local Calling and Bundled Toll/LD Service

ISDN PRI offers an array of value-added features, such as calling number identification and call-by-call selection that enhance productivity. ISDN PRI is configured with 23 64 Kbps bi-directional B (Bearer) channels and one 64 Kbps D (Data) channel. Unique to ISDN PRI is its ability to designate the D channel to handle all of the signaling and call control requirements and leave the remaining 23 B channels free for any mix of circuit-switched voice and data.

This product is offered under a 12, 24 or 36 month term agreement. Rates include unlimited local calling for sent-paid, directly dialed calls. Rates do not include calling card calls, information type calls to Time and Weather, 555, 700, 900, 976 Services, Directory Assistance or any other type of Operator Handled call.

The Unlimited Local Calling and Bundled Toll/LD Service Products are offered with six different increments of Toll/LD Minutes of Use: 5,000, 10,000, 15,000, 30,000, 50,000 and 100,000. Installation charges are included in the monthly recurring charges. Regional Toll and Long Distance Services must be PIC'd to the Company.

ISDN PRI with Unlimited Local and Bundled 5,000 Long Distance MOU

This package includes unlimited local and 5,000 long distance minutes of use. Also included is Inbound Calling Line ID-Name & Number & Call-by-Call Selection (ISDN PRI) long distance usage @ 5,000 MOUs (including regional toll). Usage over the selected LD package will be billed at \$0.049 per minute.

	Monthly Recurring Charge		
	12 Months	24 Months	36 Months
AT&T Area	ICB	ICB	ICB

ISDN PRI with Unlimited Local and Bundled 10,000 Long Distance MOU

This package includes unlimited local and 10,000 long distance minutes of use. Also included is Inbound Calling Line ID-Name & Number & Call-by-Call Selection (ISDN PRI) long distance usage @ 10,000 MOUs (including regional toll). Usage over the selected LD package will be billed at \$0.049 per minute.

	Monthly Recurring Charge		
	12 Months	24 Months	36 Months
AT&T Area	ICB	ICB	ICB



SECTION 9.0 - ADVANCED SERVICES (CONTINUED)

9.3 ISDN PRI Service with Unlimited Local Calling and Bundled Toll/LD Service (Continued)

ISDN PRI with Unlimited Local and Bundled 15,000 Long Distance MOU

This package includes unlimited local and 15,000 long distance minutes of use. Also included is Inbound Calling Line ID-Name & Number & Call-by-Call Selection (ISDN PRI) long distance usage @ 15,000 MOUs (including regional toll). Usage over the selected LD package will be billed at \$0.049 per minute.

AT&T Area	Monthly Recurring Charge		
	12 Months	24 Months	36 Months
	ICB	ICB	ICB

ISDN PRI with Unlimited Local and Bundled 30,000 Long Distance MOU

This package includes unlimited local and 30000 long distance minutes of use. Also included is Inbound Calling Line ID-Name & Number & Call-by-Call Selection (ISDN PRI) long distance usage @ 30,000 MOUs (including regional toll). Usage over the selected LD package will be billed at \$0.049 per minute.

AT&T Area	Monthly Recurring Charge		
	12 Months	24 Months	36 Months
	ICB	ICB	ICB

ISDN PRI with Unlimited Local and Bundled 50,000 Long Distance MOU

This package includes unlimited local and 50,000 long distance minutes of use. Also included is Inbound Calling Line ID-Name & Number & Call-by-Call Selection (ISDN PRI) long distance usage @ 50,000 MOUs (including regional toll). Usage over the selected LD package will be billed at \$0.049 per minute.

AT&T Area	Monthly Recurring Charge		
	12 Months	24 Months	36 Months
	ICB	ICB	ICB

ISDN PRI with Unlimited Local and Bundled 100,000 Long Distance MOU

This package includes unlimited local and 100,000 long distance minutes of use. Also included is Inbound Calling Line ID-Name & Number & Call-by-Call Selection (ISDN PRI) long distance usage @ 100,000 MOUs (including regional toll). Usage over the selected LD package will be billed at \$0.049 per minute.

AT&T Area	Monthly Recurring Charge		
	12 Months	24 Months	36 Months
	ICB	ICB	ICB

SECTION 9.0 - ADVANCED SERVICES (CONTINUED)

**9.4 Digital DS-1 PBX Service with Unlimited Local Calling and Bundled Toll/LD Service**

This service provides a trunk side DS1 electrical interface from the customer's digital PBX system to a digital port on a local Company switch for the origination and termination of calls. Traffic to and from the digital PBX can be received or dialed directly from any PBX station without the need for an attendant.

These digital trunks deliver a high-speed DS1 (T1) connection between your PBX and the Company network. There are up to 24 channels on one facility, each of which can be used to place or receive calls. This multi-channel capability dramatically reduces the need for additional PBX circuit cards.

Each of these products is offered under a 12, 24 or 36 month term agreement. Rates include unlimited local calling for sent-paid, directly dialed calls. Rates do not include calling card calls, information type calls to Time and Weather, 555, 700, 900, 976 Services, Directory Assistance or any other type of Operator Handled call.

The Digital DS-1 PBX Service with Unlimited Local Calling and Bundled Toll/LD Service Products are offered with six different increments of Toll/LD Minutes of Use: 5,000, 10,000, 15,000, 30,000, 50,000 and 100,000. Installation charges are included in the monthly recurring charges. Regional Toll and Long Distance Services must be PIC'd to the Company.

ISDN DS1 with Unlimited Local and Bundled 5,000 Long Distance MOU

This package includes unlimited local and 5,000 long distance minutes of use. Also included is Inbound Calling Line ID-Name & Number and long distance usage @ 5,000 MOUs (including regional toll). Usage over the selected LD package will be billed at \$0.049 per minute.

	Monthly Recurring Charge		
	12 Months	24 Months	36 Months
AT&T Area	ICB	ICB	ICB
Verizon Area	ICB	ICB	ICB

ISDN DS1 with Unlimited Local and Bundled 10,000 Long Distance MOU

This package includes unlimited local and 10,000 long distance minutes of use. Also included is Inbound Calling Line ID-Name & Number and long distance usage @ 10,000 MOUs (including regional toll). Usage over the selected LD package will be billed at \$0.049 per minute.

	Monthly Recurring Charge		
	12 Months	24 Months	36 Months
AT&T Area	ICB	ICB	ICB

SECTION 9.0 - ADVANCED SERVICES (CONTINUED)

9.4 Digital DS-1 PBX Service with Unlimited Local Calling and Bundled Toll/LD Service  
(Continued)

ISDN DS1 with Unlimited Local and Bundled 15,000 Long Distance MOU

This package includes unlimited local and 15,000 long distance minutes of use. Also included is Inbound Calling Line ID-Name & Number and long distance usage @ 15,000 MOUs (including regional toll). Usage over the selected LD package will be billed at \$0.049 per minute.

	Monthly Recurring Charge		
	12 Months	24 Months	36 Months
AT&T Area	ICB	ICB	ICB

ISDN DS1 with Unlimited Local and Bundled 30,000 Long Distance MOU

This package includes unlimited local and 30,000 long distance minutes of use. Also included is Inbound Calling Line ID-Name & Number and long distance usage @ 30,000 MOUs (including regional toll). Usage over the selected LD package will be billed at \$0.049 per minute.

	Monthly Recurring Charge		
	12 Months	24 Months	36 Months
AT&T Area	ICB	ICB	ICB

ISDN DS1 with Unlimited Local and Bundled 50,000 Long Distance MOU

This package includes unlimited local and 50,000 long distance minutes of use. Also included is Inbound Calling Line ID-Name & Number and long distance usage @ 50,000 MOUs (including regional toll). Usage over the selected LD package will be billed at \$0.049 per minute.

	Monthly Recurring Charge		
	12 Months	24 Months	36 Months
AT&T Area	ICB	ICB	ICB

ISDN DS1 with Unlimited Local and Bundled 100,000 Long Distance MOU

This package includes unlimited local and 100,000 long distance minutes of use. Also included is Inbound Calling Line ID-Name & Number and long distance usage @ 100,000 MOUs (including regional toll). Usage over the selected LD package will be billed at \$0.049 per minute.

	Monthly Recurring Charge		
	12 Months	24 Months	36 Months
AT&T Area	ICB	ICB	ICB

SECTION 9.0 - ADVANCED SERVICES (CONTINUED)

9.5 ISDN BRI Service

ISDN BRI (Basic Rate Interface) uses standard "twisted pair" cables and is nearly three times faster than a 56K dial up line. ISDN PRI (Primary Rate Interface) uses a 1.544 Mbps digital transport facility (T1). Both services provide the superior clarity of digital transmission, a high-speed data interface and sufficient bandwidth capacity to fulfill your current and future communication needs.

ISDN BRI consists of two 64 Kbps B (Bearer) channels and one 16 Kbps D (Data) channel. Each B channel has the ability to integrate voice, data, image and video. The B channels may be kept separate or bonded together to deliver 128 Kbps.

Monthly Recurring Charges

	Monthly Recurring Charge <sup>1</sup>
ISDN Basic Exchange Digital Line, each	ICB
ISDN Basic Exchange Circuit Switched Voice	ICB
ISDN Basic Exchange Circuit Switched Data, each	ICB
ISDN Basic Exchange Alternate Circuit Switched Voice/Data,each	ICB

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<sup>1</sup> These ISDN BRI rates are a supplement to individual Message Rate Service.

SECTION 9.0 - ADVANCED SERVICES (CONTINUED)

9.6 Digital Centrex Service

Digital Centrex Service delivers superior performance, PBX-like functionality including abbreviated dialing, and is compatible with many telephone sets. Each user has a unique seven-digit direct telephone number and customized features. The service is affordable, power failure safe and provides a scalable platform for future growth and technology. Customers must dial 9 to reach lines outside their Centrex Service.

Monthly Recurring Charges

Contract Length	Monthly Recurring Charge
12 months	26.61
12 months	23.15
24 months	21.05
36 months	17.59
60 months	16.51
84 months	15.80

**NOTES FOR ALL:** Availability of services must be verified with the Company based on customer address and NPA-NXX. Rates do not include FCC End User Charge or other surcharges and taxes. Minimum service period is 12 months. If service is cancelled prior to the end of the contract, a termination charge will be calculated as follows: a. The average of the sum of all line charges on three previous Company invoices to the customer (excluding taxes) multiplied by the number of months remaining in the term agreement.

**SECTION 10.0 - LOCAL EXCHANGE AREAS**

**10.1 Exchange Areas**

EXCHANGE	RC	EXCHANGE	RC	EXCHANGE	RC	EXCHANGE	RC
Adams-Cdr.Hl.	5	Arlington	5	Ashland City	5	Athens	2
Bean Station	4	Bells	1	Bent Creek	4	Benton	3
BethelSprings	1	Big Sandy	2C	Blanche	2	Bolivar	1
Brownsville	1	Bulls Gap	3B	Camden	1	Carthage	1
Cedar Grove	1C	Centerville	1	Charleston	4	Charlotte	5
Chattanooga	4	Chestnut Hill	4	Clarksville	3	Cleveland	4
Clinton	4	Collierville	5	Columbia	2	Copper Basin	1
Covington	5	Cross Plains	5	Culleoka	2	Cumberld. City	1
Cumberld. Gap	2	Cunningham	3	Dandridge	4	Dayton	4
Decatur	4	Dickson	5	Dover	1	Dyer	2
Dyersburg	2	Eagleville	5	East Sango	5	Elkton	1
Etowah	2	Fairview	5	Fayetteville	1	Flintville	1
Franklin	5	Fredonia	3	Gallatin	5	Gatlinburg	4
Georgetown	4	Gibson	2	Gleason	1	Goodlettsville	5
GrandJunction	1	Greenback	4	Greenbrier	5	Greenfield	1
Halls	1	Hampshire	2	Harriman	4	Hartsville	1
Henderson	1	Hendersonvl.	5	Henning	1	Hohenwald	1
Hornbeak	1	Humboldt	2	Huntington	1	Huntland	1
Jackson	3	Jasper	4	JeffersonCity	4	Jellico	3
Kenton	2	Kingston	4	Kingston Spgs.	5	Knoxville	4
LaFollette	2	LaGrange	5	Lake City	4	Lawrenceburg	2
Lebanon	5	Lenoir City	4	Lewisburg	1	Lexington	1
Loudon	4	Lyles	2B	Lynchburg	1	Lynnville	1
Madisonville	1	Manchester	2	Maryville	4	Mascot	4
Maynardville	4	McEwen	1	McKenzie	1	Medina	2
Memphis*	5	Middleton	1	Milan	2	Morristown	2
Moscow	5	Mt. Pleasant	2	Murfreesboro	5	Nashville	5
Newbern	2	Newport	1	Normandy	2	Norris	4
N.Spring Hill	5	Oak Ridge	4	Old Hickory	5	OliverSprings	4
Palmyra	3	Paris	2	Petersburg	1	Pleasant View	5
Portland	5	Pulaski	1	Ridgely	1	Ripley	1
Rockwood	4	Rogersville	1	Sango	3	Santa Fe	2
Savannah	1	Selmer	1	Sevierville	4	Sewanee	1
Shelbyville	1	Smyrna	5	Sneedville	1	Soddy-Daisy	4
Solway	4	Somerville	5	S. Cunningham	5	S. Fredonia	5
S. Pittsburg	4	Spencer Mill	5	Spring City	4	Springfield	5
Spring Hill	2	Summertown	2D	Surgoinsville	1	Sweetwater	1
Tiptonville	1	Trenton	2	Triune	5	Troy	1
Tullahoma	2	Union City	1	Vanleer	5	Wartrace	1
Watertown	5	Waverly	1	W. Sweetwater	4	W. Whiteville	5
White Bluff	5	White House	5	White Pine	4	Whiteville	1
Whitwell	4	Williamsport	2	Winchester	1		

**SECTION 11.0 - MISCELLANEOUS SERVICES**

**11.1 Carrier Presubscription**

**11.1.1 General**

Carrier Presubscription is a procedure whereby a Customer designates to the Company the carrier which the Customer wishes to be the carrier of choice for intraLATA and interLATA toll calls. Such calls are automatically directed to the designated carrier, without the need to use carrier access codes or additional dialing to direct the call to the designated carrier. Presubscription does not prevent a Customer who has presubscribed to an IntraLATA or InterLATA toll carrier from using carrier access codes or additional dialing to direct calls to an alternative long distance carrier on a per call basis.

**11.1.2 Presubscription Options - Customers may select the same carrier or separate carriers for intraLATA and interLATA long distance. The following options for long distance Presubscription are available:**

- Option A:** Customer MAY select the Company as the presubscribed carrier for IntraLATA and InterLATA toll calls subject to presubscription.
- Option B:** Customer may select the Company as the presubscribed carrier for IntraLATA calls subject to presubscription and some other carrier as the presubscribed carrier for interLATA toll calls subject to presubscription.
- Option C:** Customer may select a carrier other than the Company for intraLATA toll calls subject to presubscription and the Company for interLATA toll calls subject to presubscription.
- Option D:** Customer may select the carrier other than the Company for both intraLATA and interLATA toll calls subject to presubscription.
- Option E:** Customer may select two different carriers, neither being the Company for intraLATA and interLATA toll calls. One carrier to be the Customers' primary intraLATA interexchange carrier. The other carrier to be the Customer's primary interLATA interexchange carrier.
- Option F:** Customer may select no presubscribed carrier for intraLATA and interLATA toll calls subject to presubscription which will require the Customer to dial a carrier access code to route all intraLATA and interLATA toll calls to the carrier of choice for each call.

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**SECTION 11.0 - MISCELLANEOUS SERVICES (CONTINUED)**

**11.1 Carrier Presubscription, (Continued)**

**11.1.3 Rules and Regulations**

Customers of record will retain their primary interexchange carrier(s) until they request that their dialing arrangements be changed.

Customers of record or new Customers may select either Options A, B, C, D, E or F for intraLATA and interLATA Presubscription.

Customers may change their selected Option and/or presubscribed toll carrier at any time subject to charges specified in 11.1.5 below:

**11.1.4 Presubscription Procedures**

A new Customer will be asked to select intraLATA and interLATA toll carriers at the time the Customer places an order to establish local exchange service with the Company. The Company will process the Customer's order for service. All new Customers initial requests for intraLATA and interLATA toll service presubscription shall be provided free of charge.

If a new Customer is unable to make selection at the time the new Customer places an order to establish local exchange service, the Company will read a random listing of all available intraLATA and interLATA carriers to aid the Customer in selection. If selection is still not possible, the Company will inform the Customer that he/she will be given 90 calendar days in which to inform the Company of his/her choice for primary toll carrier(s) free of charge. Until the Customer informs the Company of his/her choice of primary toll carrier, the Customer will not have access to long distance services on a presubscribed basis, but rather will be required to dial a carrier access code to route all toll calls to the carrier(s) of choice. Customers who inform the Company of a choice for toll carrier presubscription within the 90-day period will not be assessed a service charge for the initial Customer request.

Customers of record may initiate an intraLATA or interLATA presubscription change at any time, subject to the charges specified in 11.1.5 below. If a Customer of record inquires of the Company of the carriers available for toll presubscription, the Company will read a random listing of all available intraLATA carriers to aid the Customer in selection.



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SECTION 11.0 – MISCELLANEOUS SERVICES (CONTINUED)

11.1 Carrier Presubscription, (Continued)

11.1.5 Presubscription Charges

(A) Application of Charges

After a Customer's initial selection for a presubscribed toll carrier and as detailed in Paragraph 11.4.4 above, for any change thereafter, a Presubscription Change Charge, as set forth below will apply. Customers who request a change in intraLATA and interLATA carriers with the same order will be assessed a single charge per line.

(B) Nonrecurring Charges

Per business or residence line, trunk, or port

Initial Line, or Trunk or Port	\$5.00
Additional Line, Trunk or Port	\$5.00

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**SECTION 12.0 – PROMOTIONAL OFFERINGS**

**12.1 Special Promotions**

The Company may from time to time engage in special promotional trial service offerings of limited duration (not to exceed ninety days on a per Customer basis for non-optional, recurring charges) designed to attract new subscribers or to increase subscriber awareness of a particular tariff offering. Requests for promotional offerings will be presented to the Commission for its review in accordance with rules and regulations established by the Commission, and will be included in the Carrier's tariff as an addendum to the Carrier's price lists.

**12.2 Discounts**

The Company may, from time to time as reflected in the price list, offer discounts based on monthly volume (or, when appropriate, "monthly revenue commitment" and/or "time of day" may also be included).


## CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached Notice of Filing was served upon the following parties of record by depositing a copy of same in the United States Mail, First Class, Postage Prepaid, to their last known address as follows:

<b><u>Ardmore Telephone Company</u></b>  P.O. Box 549 517 Ardmore Avenue Ardmore, TN 38449	<b><u>BellSouth Telecommunications, Inc.</u></b>  333 Commerce Street Nashville, TN 37201-3300	<b><u>CenturyTel of Adamsville</u></b>  611 Commerce Street Suite 2605 Nashville, TN 37203
<b><u>CenturyTel of Claiborne</u></b>  611 Commerce Street Suite 2605 Nashville, TN 37203	<b><u>CenturyTel of Ooltewah-Collegedale</u></b>  611 Commerce Street Suite 2605 Nashville, TN 37203	<b><u>Concord Telephone Exchange, Inc.</u></b>  P.O. Box 22995 Knoxville, TN 37933
<b><u>Crockett Telephone Company</u></b>  c/o TSI Payment Processing Center PO Box 24207 Jackson, MS 39225	<b><u>Frontier Communications of Tennessee</u></b>  300 Bland Street Bluefield, WV 24701	<b><u>Frontier Communications of The Volunteer State</u></b>  300 Bland Street Bluefield, WV 24701
<b><u>Humphreys County Telephone Company</u></b>  P.O. Box 22995 Knoxville, TN 37933	<b><u>Loretto Telephone Company</u></b>  P.O. Box 130 Loretto, TN 38469	<b><u>Millington Telephone Company, Inc.</u></b>  4880 Navy Road Millington, TN 38053

<b><u>Peoples Telephone Company</u></b> c/o TSI Payment Processing Center PO Box 24207 Jackson, MS 39225	<b><u>Tellico Telephone Company</u></b> P.O. Box 22995 Knoxville, TN 37933	<b><u>Tennessee Telephone Company</u></b> P.O. Box 22995 Knoxville, TN 37933
<b><u>United Telephone Company, Inc.</u></b> P.O. Box 38 Chapel Hill, TN 37034	<b><u>United Telephone Southeast, LLC</u></b> 611 Commerce Street Suite 2605 Nashville, TN 37203	<b><u>West Tennessee Telephone Co.</u></b> c/o TSI Payment Processing Center PO Box 24207 Jackson, MS 39225

This the 11 day of April, 2011.

  
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Lance J.M. Steinhart, Esq.  
Lance J.M. Steinhart, P.C.  
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Attorney for Applicant:  
Crexendo Business Solutions, Inc.

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

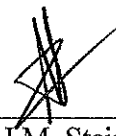
In re: )  
)  
Application of )  
Crexendo Business Solutions, Inc. )  
)  
For a Certificate of Public )  
Convenience and Necessity to )  
Provide Competing )  
Local Exchange And Interexchange )  
Telecommunications Services )

**NOTICE OF FILING**

**TO: ALL INCUMBENT LOCAL EXCHANGE CARRIERS (ILECS)**

PLEASE TAKE NOTICE, that in accordance with the Tennessee Regulatory Authority Rules for the Provision of Competitive Intrastate Telecommunications Services, you are hereby given notice that on April 11, 2011, Crexendo Business Solutions, Inc. filed an Application for a Certificate of Public Convenience and Necessity to Provide Competing Local Exchange and Interexchange Telecommunications Services.

This the 11 day of April, 2011.

  
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