

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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In the Matter of the Application of Vycera )  
Communications, Inc. for a Certificate of )  
Public Convenience and Necessity Allowing )  
Operation as a Provider of Competitive )  
Telecommunications Services )  
\_\_\_\_\_ )

Case No. VYC-T-05-01 IDAHO PUBLIC UTILITIES COMMISSION  
Application for CPCN

Pursuant to the Laws of Idaho and the Rules of the Idaho Public Utilities Commission (the "Commission"), including Idaho Code § 62-601 *et seq.* and Commission Procedural Order No. 26665, Vycera Communications, Inc. ("Vycera") hereby submits this application (the "Application") for a certificate of public necessity and convenience allowing Vycera to operate in Idaho as a provider of competitive telecommunications services. In accordance with the Commission's Rules, Vycera provides the following information:

1. Proposed Services.

Response: Vycera, f/k/a Genesis Communications International, Inc. ("Genesis"), has been operating as a provider of competitive telecommunications services, including as an interexchange carrier ("IXC") and competitive local exchange carrier ("CLEC"), since 1995. Currently, Vycera provides residential telecommunications services in California and Texas, using internal and outside telemarketing sales representatives as its exclusive marketing technique. In addition to California and Texas, Vycera is a certificated CLEC in Nevada, New Mexico, Oregon, Washington, and Colorado, with recent CLEC applications pending in Utah and Arizona. For a list of key management personnel and experience demonstrating further Vycera's technical and managerial abilities to provide the applied-for telecommunications services, please see Vycera's Executive Management Biographies appended hereto at Exhibit A. In addition, an organization chart is appended hereto at Exhibit B.

Pursuant to the instant application, Vycera seeks authority to provide competitive local exchange telecommunications services in Idaho in those areas where Qwest Corporation (“Qwest”) serves as the incumbent local exchange carrier. Vycera entered into an interconnection agreement and commercial agreement (known as the Qwest QPP Agreement) with Qwest on or about January 27, 2005. Under those agreements, Vycera leases parts of the Qwest network to provide Vycera’s services. Vycera has no immediate plans to build its own facilities in Idaho; however, if and when that plan changes, Vycera will seek all necessary Commission approvals prior to such an undertaking.

Granting Vycera’s request for a certificate of public necessity and convenience allowing Vycera to operate as a competitive local exchange carrier in Idaho would be in the public interest in that it will promote competition and consumer choice in accordance with the telecommunications laws and related public policy in the State of Idaho and pursuant to the Telecommunications Act of 1996 (the “1996 Act”).

2. Form of Business.

Response: Vycera is a corporation that provides telecommunications services. Vycera is incorporated in the State of California on May 16, 1995, with its principal offices located at 12750 High Bluff Drive, Suite 200, San Diego, California 92130. Vycera’s registered agent for service in Idaho is HIQ Corporate Services, Inc., located at 101 S Capitol Boulevard, Floor 10, Boise, Idaho 83702.

Appended hereto at Exhibit C are the following items: (1) a certified copy of Vycera's articles of incorporation; (2) a certificate of good standing issued by the California Secretary of State; and (3) a certificate of existence issued by the Idaho Secretary of State.

The officers of Vycera are Derek M. Gietzen, President and CEO, 12750 High Bluff Drive, Suite 200, San Diego, California 92130, and Thalia R. Gietzen, Treasurer, Secretary and CFO, 12750 High Bluff Drive, Suite 200, San Diego, California 92130. In addition, both Derek Gietzen and Thalia Gietzen are Vycera directors, and the other director of Vycera is John McCartin, 12750 High Bluff Drive, Suite 200, San Diego, California 92130.

Ownership of Vycera is as follows:

<i>(\$ in thousands)</i>	<b>Common Shares</b>	<b>Percentage Ownership</b>
Gietzen Family Trust	3,100,000	58.9%
Jesse Cohen	235,500	4.5%
Al Gietzen	214,409	4.1%
PRICE Trust	202,000	3.8%
Cantway - Pension & Profit Sharing Trust	125,000	2.4%
Other Investors <sup>(1)</sup>	1,387,336	26.4%
<b>Total</b>	<b>5,264,245</b>	<b>100.0%</b>

*Note:*  
<sup>(1)</sup> Represents the remaining other 123 investors, none of which holds an ownership position greater than 2.0%.

Source: Company Data

Vycera is the parent corporation of Televas Comunicaciones S.A. de C.V. ("Televas"), a wholly-owned subsidiary of Vycera. Televas is a telemarketing company based in Mexico.

3. Telecommunication Service.

Response: As noted, Vycera has entered into interconnection and commercial agreements with Qwest in Idaho. Vycera intends to begin offering service as soon as practicable following the Commission's grant of CLEC authority to Vycera. Because Vycera will be utilizing Qwest's underlying network to provide Vycera's local exchange services, Vycera does not plan to construct any facilities at this time.

Vycera intends to offer local exchange service to residential customers in Idaho. At this time, Vycera has no plans to expand its offering to encompass business customers. Further, Vycera intends to provide those residential customers with flat-rate residential basic local exchange service and bundled services consisting of basic local exchange service and toll calling service and value calling plans.

For a list of the additional services Vycera intends to offer, including custom calling features like Caller ID, Call Waiting and Voice Mail, please see Vycera's illustrative tariff and price list filing appended hereto as Exhibit D.

4. Service Territory.

Response: Vycera will compete with Qwest in those Idaho exchange service areas where Qwest operates as the incumbent local exchange carrier.

Vycera, primarily a UNE-P competitive local exchange carrier until the recent Federal Communications Commission's *TRRO Order*, will provide service through a UNE-P type

arrangement where it obtains unbundled network elements in a platform from Qwest. The Qwest product that replaces the UNE-P product is known as Qwest Platform Plus Service (“QPP”).

At this time, Vycera does not plan to construct its own facilities. To offer the services set forth in response to item number 4 below, Vycera will purchase or lease the necessary network elements and facilities from Qwest. At some point in the future, Vycera may consider constructing limited facilities in Idaho to provide telecommunications services; however, Vycera would not undergo such construction without first obtaining the necessary approvals from the Commission and other pertinent regulating entities.

Regarding facilities owned by Vycera, the Commission should be advised that Vycera owns and operates two long distance switches – one in Los Angeles, California, and the other in Dallas, Texas – which it uses to provide some interexchange, interstate services.

Vycera is likely to compete with Qwest and other providers of residential basic local exchange services.

5. Financial Information.

Response: Appended hereto at Exhibit E are copies of Vycera’s financial statements, including balance sheets from 2001 to the present.

6. Illustrative Tariff Filings.

Response: Appended hereto at Exhibit D is a proposed initial tariff and price list filing of Vycera setting forth rates, rules, terms and regulations applicable to the local exchange and intrastate toll services contemplated under this Application.

7. Customer Contacts.

Response: Vycera maintains a robust customer service staff that can be reached toll-free at 800.705.3500 or by mail at 12750 High Bluff Drive, Suite 200, San Diego, CA 92130. In addition, Vycera's main number at that address is 858.792.2400. Those numbers and that address may be used for consumer/customer inquiries and complaints.

Further, Thalia R. Gietzen, Chief Financial Officer, should be listed by the Commission as Vycera's main contact for Commission Staff for resolving consumer complaints. Ms. Gietzen may be reached at 858.792.2400 or 12750 High Bluff Drive, Suite 200, San Diego, CA 92130. Her email address is [tgietzen@vycera.com](mailto:tgietzen@vycera.com).

Dale Dixon, Vice President of Regulatory Affairs, should be listed by the Commission as Vycera's primary contact for Commission Staff inquiries concerning rates, price lists, tariffs or other regulatory concerns. He may be reached at 858.792.2400 or 12750 High Bluff Drive, Suite 200, San Diego, CA 92130. His email address is [ddixon@vycera.com](mailto:ddixon@vycera.com).

8. Interconnection Agreements.

Response: Vycera, which intends to offer local exchange service in the areas in Idaho served by Qwest, entered into an interconnection agreement and commercial agreement (known as the Qwest QPP Agreement) with Qwest on or about January 27, 2005.

9. Compliance with Commission Rules.

Response: By submitting this signed application, Vycera understands and affirms that it has reviewed all of the applicable Commission Rules and hereby agrees to comply with them or, in

the event Vycera believes a Commission Rule to be inapplicable to its situation, seek a waiver of such Commission Rule.

10. Escrow Account and Security Bond.

Response: Vycera respectfully requests a waiver of the Commission's bond requirement.

Vycera has a history of providing excellent service in the states where it operates and is managerially and technically qualified to provide local exchange services in the State of Idaho. With respect to its intended deposit policy, the Commission should be advised that the Vycera proposes to take customer deposits only in the following manner:

Deposits

- A. Requirement: The Company may require an Applicant or an existing Customer who fails to establish a satisfactory credit history to post a deposit as a guarantee for the payment of charges as a condition to receiving service or additional services. The Company reserves the right to review an Applicant's or Customer's credit history at anytime to determine if a deposit is required.
- B. Amount: The amount of the deposit for a residential Customer will not exceed the charges for two months of service based on the Applicant's or Customer's average bills during the previous twelve months. When, in the Company's judgment circumstances so require, the amount of the deposit may be based on an estimate of two month's service determined from the Customer's past usage, the Customer's own estimate of expected usage, or the Company's network average usage considering the type and nature of the Customer's service.
  - (1) The Utility may require a new applicant for residence service or an existing residence Customer to make an additional or separate deposit of 25% of a balance found owing to a previously serving utility, but not less than an amount equal to twice the average monthly billing for the Utility's residence accounts; and
  - (2) If the Customer does not fully pay the previous servicing utility within thirty (30) days, the deposit may be increased to a maximum of 75% of the balance found owing, but not less than an

amount equal to twice the average monthly billing for the Utility's residence accounts.

(3) The Utility will send a fifteen (15) day written notification of deposit requirements due in accordance with the provisions of (a) and (b) above. Where the deposit, stated in (a) above, is not received by the Utility within fifteen (15) days of the date notice is sent, the Utility may discontinue service without further notification.

(4) For those Customers who have paid the initial deposit in (a) above within fifteen (15) days, but have not fully paid the previous utility within the thirty (30) days as stated in (b) above, the Utility will send a seven (7) day written notice requesting the additional deposit. Where the Utility fails to receive the additional deposit within seven (7) days of the date notice is sent, the Utility may discontinue service without further notification.

C. Nondiscrimination: Deposit requirements will not be based on race, sex, creed, national origin, marital status, age, number or dependents, condition or physical handicap, source of income, or geographical area of business.

D. Refund or Credit: Upon discontinuance of service or prompt and timely payment of all charges for twelve consecutive billing periods, whichever comes first, the Company will refund the deposit together with any interest due. In the case of discontinuance of service, the Company will credit the deposit to the charges stated on the final bill. The balance, if any, will be returned to Customer within 30 days after the discontinuance of service. In the case a refund is due after timely payment of the Company's charges, the Company will refund the deposit and interest within 30 days. Payment of a charge is satisfactory if received prior to the date that the charge becomes delinquent provided that it is not returned for insufficient funds or closed account. If a deposit is refunded within 30 days of receipt, no interest payment will be required.

E. Interest: Interest will be compounded annually and shall be equal to an annual rate as set by the Commission.

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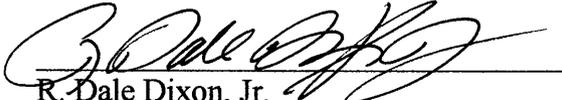
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BASED ON THE FOREGOING INFORMATION AND SUPPORTING EXHIBITS, Vycera respectfully requests that the Commission grant, on an expedited basis, Vycera a certificate of public necessity and convenience to provide competitive telecommunications services in Idaho.

DATED this 4<sup>th</sup> day of April, 2005.

VYCERA COMMUNICATIONS, INC.

By:   
R. Dale Dixon, Jr.  
Vice President of Regulatory Affairs  
12750 High Bluff Drive, Suite 200  
San Diego, CA 92130  
858.792.2400 (tel)  
858.794.0050 (fax)  
[ddixon@vycera.com](mailto:ddixon@vycera.com) (email)

# EXHIBIT A

Vycera's Executive Management Biographies

## Executive Management Biographies

### **Derek M. Gietzen**

President, CEO and Co-Founder

Derek M. Gietzen, the president, CEO and co-founder of Vycera Communications, has more than 15 years of telecom experience with an established track record of managing high-growth companies. Prior to co-founding Vycera, he served as president and chief operating officer of WXL Communications. Before that, he was vice president and general manager of a start-up long distance carrier, where he directed the company's growth from its start-up phase to an organization with more than 400 employees and \$40 million in annual revenues in less than three years. Gietzen began his telecommunications career at Com Systems, Inc., a \$150-million long distance carrier and operator services provider.

He is an acknowledged industry spokesperson who frequently is quoted in leading industry publications including America's Network, Telephony and Phone+. He has been a featured guest speaker and panelist at numerous telecom trade conferences and participates in a variety of telecom industry organizations.

### **Thalia Gietzen**

Chief Financial Officer and Co-Founder

Thalia Gietzen oversees all financial, accounting, human resources, customer care and order processing operations at Vycera. She has extensive financial expertise and more than 15 years of experience in managing the financial operations of various telecommunications companies. Prior to co-founding Vycera, she served as the CFO and vice president of finance for a large long-distance and operator services provider. In this capacity, Ms. Gietzen managed the finance, accounting and human resources functions for the company and its subsidiaries. She began her telecommunications career as assistant controller for Com Systems, Inc., a \$150-million long-distance and operator services provider. Ms. Gietzen, a licensed CPA, also worked as an auditor with Grant Thornton accountants and management consultants.

**Tim Miranda**

Vice President of Sales and Marketing

As vice president of sales and marketing for Vycera and Director General of Televas Comunicaciones S.A. de C.V., Tim Miranda manages all aspects of Vycera's sales and marketing activities. Mr. Miranda, who is fluent in Spanish and English, is instrumental in ensuring that Vycera maintains high levels of sales customized for the company's Spanish-speaking consumers. Prior to joining Vycera in 1998, Mr. Miranda owned and operated a large call center operation that employed hundreds of Spanish-speaking sales representatives. Mr. Miranda, who has more than 10 years of telecommunications experience, started his career in telecommunications managing customer service at a fast-growing competitive long distance carrier.

**R. Dale Dixon, Jr.**

Vice President of Regulatory Affairs

As vice president of regulatory affairs for Vycera, Dale Dixon oversees all aspects of Vycera's compliance with federal and state telecommunications regulations and ensures Vycera maintains an active role in vital proceedings before federal and state utility regulatory agencies. Mr. Dixon brings nearly nine years of telecommunications regulatory experience to Vycera. He began his career in telecommunications as in-house regulatory counsel for MCI in Washington, D.C. Prior to joining Vycera, he represented dozens of technology and telecommunications companies in private practice in transactional, regulatory and litigation matters. Mr. Dixon received his undergraduate degree from Duke University and his law degree from American University.

**Michael Ginolfi**

Director of Engineering and Operations

Michael Ginolfi is responsible for overseeing all areas of the company's network and switching operations along with managing network provisioning operations. With more than 20 years of telecommunications experience, Mr. Ginolfi brings extensive technical and management expertise to his position. Prior to joining Vycera, he served as the vice president of carrier services for Colorado-based QUOcom Inc. Previous to that, Mr. Ginolfi was the general operations manager of Thrifty Tel, a California-based telecommunications company. During his tenure in the telecom industry, Mr. Ginolfi has managed switch-site activities and network operations for companies ranging from \$5 million to \$1 billion in annual revenues.

**Christopher N. Bacquet**  
Corporate Controller

Christopher Bacquet is an accounting professional with more than seven years experience managing accounting, budgeting, and financial reporting at fast-growth telecom companies. Mr. Bacquet oversees all of the day-to-day operations of Vycera's accounting group, including A/P, A/R and GL. Mr. Bacquet, who is bilingual English/Spanish, also supervises the accounting operations for the Company's U.S. and Mexican subsidiaries. In 2001, Mr. Bacquet earned his MBA at California State University, San Marcos.

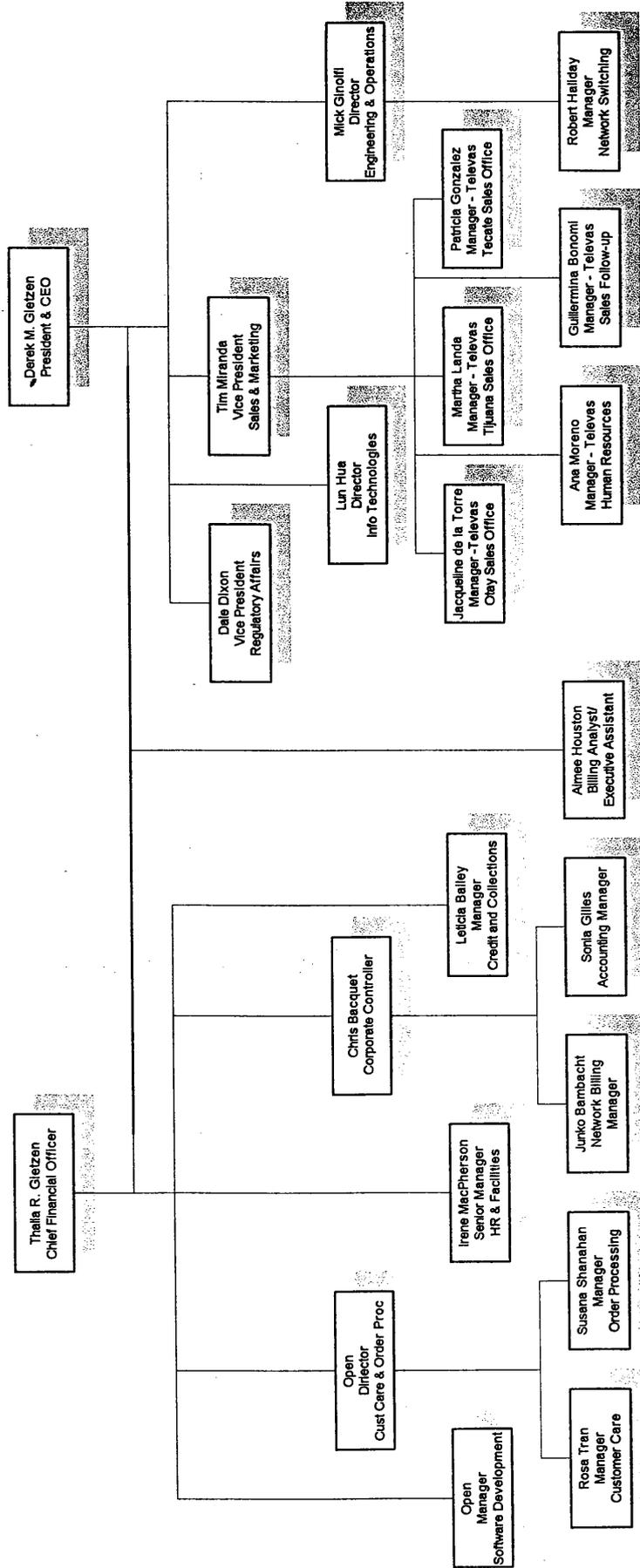
# EXHIBIT B

Vycera Organization Chart



# Organization Chart

March 2005



## EXHIBIT C

1. **Certified Copy of Vycera's Articles of Incorporation**
2. **Certificate of Good Standing Issued by the California Secretary of State**
3. **Certificate of Existence Issued by the Idaho Secretary of State**

1921342

**ENDORSED  
FILED**  
In the office of the Secretary of State  
of the State of California

MAR 16 1995

*Bill Jones*  
BILL JONES, Secretary of State

ARTICLES OF INCORPORATION  
OF

GENESIS COMMUNICATIONS INTERNATIONAL, INC.

**FIRST:** The name of this corporation is:  
**GENESIS COMMUNICATIONS INTERNATIONAL, INC.**

**SECOND:** The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

**THIRD:** The name and address in this State of this corporation's initial agent for service of process is:

Derek M. Gietzen  
1339 Caminito Laura  
Olivenhain, California 92024

**FOURTH:** This corporation is authorized to issue only one class of shares which shall be designated "Common shares". The total number of shares which this corporation is authorized to issue is ten million (10,000,000).

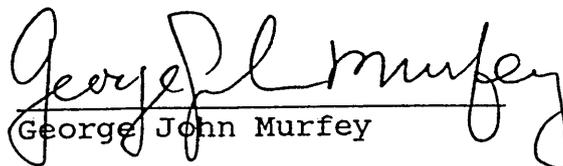
**FIFTH:** The liability of the directors of the corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

Dated: 3-15-95

  
George John Murfey

I hereby declare that I am the person who executed the foregoing ARTICLES OF INCORPORATION, which execution is my act and deed.

Dated: 3-15-95

  
George John Murfey

**ENDORSED - FILED**  
in the office of the Secretary of State  
of the State of California

**CERTIFICATE OF AMENDMENT  
OF ARTICLES OF INCORPORATION OF  
GENESIS COMMUNICATIONS INTERNATIONAL, INC.**

FEB 20 2002

BILL JONES, Secretary of State

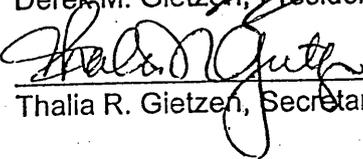
Derek M. Gietzen and Thalia R. Gietzen certify that:

1. They are the president and secretary, respectively, of Genesis Communications International, Inc., a California Corporation.
2. The Articles of Incorporation of this corporation are amended as follows:  
Article FIRST is amended to read as follows:  
"FIRST: The name of the corporation is: Vicera Communications, Inc."
3. The foregoing amendment of the articles of incorporation has been duly approved by the board of directors.
4. The foregoing amendment and restatement of the articles of incorporation has been duly approved by the required vote of shareholders in accordance with Section 902 of the Corporations Code. The total number of outstanding voting shares of the corporation is 5,288,145. The number of shares voting in favor of the amendment equaled or exceeded the vote required. The percentage vote required was more than fifty percent (50%).

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

DATED: January 30, 2002

  
 \_\_\_\_\_  
 Derek M. Gietzen, President

  
 \_\_\_\_\_  
 Thalia R. Gietzen, Secretary



ENDORSED - FILED  
in the office of the Secretary of State  
of the State of California

AUG 09 2002

BILL JONES, Secretary of State

CERTIFICATE OF AMENDMENT  
OF ARTICLES OF INCORPORATION OF  
VICERA COMMUNICATIONS, INC.

Derek M. Gietzen and Thalia R. Gietzen certify that:

1. They are the president and secretary, respectively, of Vicera Communications, Inc., a California Corporation.

2. Article First of  
The Articles of Incorporation of this corporation is amended as follows:

"FIRST: The name of the corporation is: Vicera Communications, Inc."

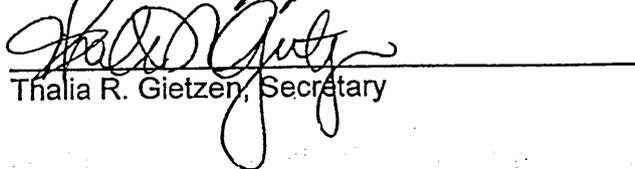
3. The foregoing amendment of the articles of incorporation has been duly approved by the board of directors.

4. The foregoing amendment of the articles of incorporation has been duly approved by the required vote of shareholders in accordance with Section 902 of the Corporations Code. The total number of outstanding voting shares of the corporation is 5,614,245. The number of shares voting in favor of the amendment equaled or exceeded the vote required. The percentage vote required was more than fifty percent (50%).

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

DATED: August 8, 2002

  
Derek M. Gietzen, President

  
Thalia R. Gietzen, Secretary



# State of California



## SECRETARY OF STATE

### CERTIFICATE OF STATUS DOMESTIC CORPORATION

I, KEVIN SHELLEY, Secretary of State of the State of California, hereby certify:

That on the **16th day of March, 1995, VYCERA COMMUNICATIONS, INC.** became incorporated under the laws of the State of California by filing its Articles of Incorporation in this office; and

That no record exists in this office of a certificate of dissolution of said corporation nor of a court order declaring dissolution thereof, nor of a merger or consolidation which terminated its existence; and

That said corporation's corporate powers, rights and privileges are not suspended on the records of this office; and

That according to the records of this office, the said corporation is authorized to exercise all its corporate powers, rights and privileges and is in good legal standing in the State of California; and

That no information is available in this office on the financial condition, business activity or practices of this corporation.



IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of February 11, 2005.

*Kevin Shelley*  
KEVIN SHELLEY  
Secretary of State

# State of Idaho

Office of the Secretary of State

CERTIFICATE OF EXISTENCE  
OF  
VYCERA COMMUNICATIONS, INC.

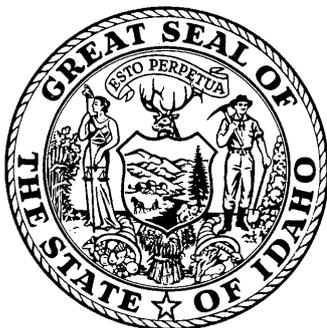
File Number C 159503

I, BEN YSURSA, Secretary of State of the State of Idaho, hereby certify that I am the custodian of the corporation records of this State.

I FURTHER CERTIFY That the record of this office show that the above-named corporation was incorporated under the laws of CALIFORNIA and filed for authorization to transact business in Idaho on 18 March 2005.

I FURTHER CERTIFY That the corporation is in goodstanding on the records of this office.

Dated: 22 March 2005



*Ben Yursa*  
SECRETARY OF STATE

By *A. Glason*

# EXHIBIT D

Vycera's Illustrative Initial Tariff and Price List

**REGULATIONS AND SCHEDULE OF INTRASTATE CHARGES**

**APPLYING TO**

**TELECOMMUNICATIONS SERVICES**

**WITHIN**

**THE STATE OF IDAHO**

This Price List applies to the Telecommunications Services furnished by Vycera Communications, Inc. ("Carrier" or "Company"), between one or more points in the State of Idaho. This Price List is on file with the Idaho Public Utilities Commission ("Commission") and copies may be inspected during normal business hours at the Company's principal place of business 12750 High Bluff Drive, Suite 200, San Diego, California 92130-2083, (858) 792-2400, or toll-free (800) 705-3500. A copy of this Price List schedule will be available for public inspection in the Company's business office during regular business hours.

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Issued: \_\_\_\_\_, 2005

Effective: \_\_\_\_\_, 2005

By: R. Dale Dixon, Jr., VP of Regulatory Affairs

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**CHECK SHEET**

The pages of this Price List are effective as of the date shown at the bottom of the respective page(s). Original and revised pages as named below comprise all changes from the original Price List and are currently in effect as of the date on the bottom of this page.

<b><u>Sheet</u></b>	<b><u>Revision</u></b>	<b><u>Sheet</u></b>	<b><u>Revision</u></b>
1	Original	32	Original
2	Original	33	Original
3	Original	34	Original
4	Original	35	Original
5	Original	36	Original
6	Original	37	Original
7	Original	38	Original
8	Original	39	Original
9	Original	40	Original
10	Original	41	Original
11	Original	42	Original
12	Original	43	Original
13	Original	44	Original
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15	Original	46	Original
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18	Original	49	Original
19	Original	50	Original
20	Original	51	Original
21	Original	52	Original
22	Original	53	Original
23	Original	54	Original
24	Original	55	Original
25	Original	56	Original
26	Original	57	Original
27	Original	58	Original
28	Original	59	Original
29	Original	60	Original
30	Original		
31	Original		

\*New or revised pages.

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Issued: \_\_\_\_\_, 2005

Effective: \_\_\_\_\_, 2005

By: R. Dale Dixon, Jr., VP of Regulatory Affairs

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**CHECK SHEET (Cont'd.)**

<u>Sheet</u>	<u>Revision</u>	<u>Sheet</u>	<u>Revision</u>
61	Original		
62	Original		
63	Original		
64	Original		
65	Original		
66	Original		
67	Original		
68	Original		
69	Original		
70	Original		
71	Original		
72	Original		
73	Original		
74	Original		
75	Original		

\*New or revised pages.

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Issued: \_\_\_\_\_, 2005

Effective: \_\_\_\_\_, 2005

By: R. Dale Dixon, Jr., VP of Regulatory Affairs

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By: R. Dale Dixon, Jr., VP of Regulatory Affairs

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**SYMBOLS USED IN THIS PRICE LIST**

- (C) To signify changed listing, term, or condition which may affect rates or charges.
- (D) To signify discontinued material.
- (I) To signify an increase.
- (M) To signify material relocated from or to another part of Price List with no change.
- (N) To signify new material.
- (R) To signify reduction.
- (T) To signify change in wording of text but not change in rate.

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**PRELIMINARY STATEMENT**

Vycera Communications, Inc. has been granted authority by the Idaho Public Utilities Commission to provide local exchange and interexchange services within the State of Idaho. This schedule contains effective rates and regulations together with information relating to and applicable to intrastate telecommunications service provided by the Company in Idaho.

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**SECTION 1 - DEFINITIONS**

Access: Connection to one carrier by a second carrier to obtain the services of any or all network facilities and services within the network, including unbundled elements.

Access Service Request ("ASR"): A written request for special access services executed by the Customer and the Company in the format devised by the Company. The signing of an ASR by the Customer and acceptance by the Company initiates the respective obligations of the parties as set forth therein and pursuant to this Price List, but the duration of the service is calculated from the Service Commencement Date. Should a Customer use the Company's access service without an executed ASR, the Company will then request the Customer to submit one.

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

Applicant: An individual, partnership, corporation, association, or government agency who applies to the Company for any new or additional telephone service.

Authorized User: A person, firm or corporation that is authorized by the Customer or joint user to be connected to the service of the Customer or joint user, respectively.

Business Hours: The time after 8:00 A.M. and before 6:00 P.M., Monday through Friday, excluding holidays.

Commission: The Idaho Public Utilities Commission.

Company: "Company" or "Utility" means Vycera Communications, Inc.

Customer: The firm, company, corporation, or other entity that contracts for service under this Price List and that is responsible for the payment of charges as well as compliance with the Company's regulations pursuant to this Price List.

Dedicated or Private Line: A facility or equipment system or subsystem set aside for the sole use of a specific Customer.

Deposit: A cash or equivalent of cash security held as a guarantee for payment of the charges.

Delinquent or Delinquency: An account for which payment has not been paid in full on or before the last day for timely payment.

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**SECTION 1 - DEFINITIONS (Cont'd)**

End User or User: A Customer, joint user, or any other person authorized by a Customer to use service provided under this Price List.

Exchange Telephone Company or Telephone Company: Any individual, partnership, association, joint-stock company, trust, or corporation authorized by the appropriate regulatory bodies to engage in providing public switched communication service throughout an exchange area, and between exchange areas within the LATA.

Hunting Service: An arrangement to search multiple lines of the same class of service and of the same Customer for a vacant line for each incoming call.

ICB or Individual Case Basis: A service arrangement in which the regulation, rates and charges are developed based on the specific circumstances of the case.

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.

Kbps: Kilobits per second, denotes thousands of bits per second.

Local Access Transport Area ("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.

Local Interconnection Trunking Service: A local circuit administration point, other than a cross-connect or an information outlet, that provides capability for routing and re-routing circuits.

Mbps: Megabits, denotes millions of bits per second.

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

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**SECTION 1 - DEFINITIONS (Cont'd)**

Network: Refers to the Company's facilities, equipment, and services provided under this Price List.

Network Service: Intrastate communications service providing one-way and/or two-way information transmissions originating from points within the State of Idaho.

Non-Published or Unlisted Service: The term "non-published" or "unlisted" service means service that is not accompanied by inclusion of the Customer's name, address, or telephone number in a published directory or directory assistance data base.

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

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

Service Commencement Date: The first date on which the Company notifies the Customer that the requested service or facility 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 or this Price List, in which case the Service Commencement Date is the date of the Customer's acceptance. The Company and the Customer may mutually agree on a substitute Service Commencement Date. If the Company does not have an executed Service Order from a Customer, the Service Commencement Date will be the first date on which the service or facility was used by a Customer.

Service Order: The written request for dedicated services executed by the Customer and the Company in the format devised by the Company. The signing of a Service Order by the Customer and acceptance by the Company initiates the respective obligations of the parties as set forth therein and pursuant to this Price List, but the duration of the service is calculated from the Service Commencement Date. Should a Customer use the Company's dedicated service without an executed Service Order, the Company will then request the Customer to submit a Service Order.

Shared: A facility or equipment system or subsystem that can be used simultaneously by several Customers.

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## SECTION 2 - GENERAL REGULATIONS

### 2.1 Description of Service

- 2.1.1 The Company provides residential local exchange telephone services between points within Idaho, in those areas where Qwest Corporation serves as the incumbent local exchange carrier.
- 2.1.2 The application of residential rates to the services provided the Company is governed by the actual or obvious use made of the service by the Customer. Residential service will not be provided to a business premises or to portions of residential premises used primarily or largely for business purposes.
- 2.1.3 The Company's services are furnished subject to the condition that they will not be used for any unlawful purpose. Service will not be furnished if any law enforcement agency, acting within its jurisdiction, advises that such services are being used or are likely to be used in violation of the law. If the Company receives other evidence giving reasonable cause to believe that such services are being or are likely to be so used, it will either discontinue or deny the services or refer the matter to the appropriate law enforcement agency.

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## SECTION 2 - GENERAL REGULATIONS (Cont'd)

### 2.2 Application for Service

- 2.2.1 Applicants requesting new or additional services from the Company may be required to provide identification acceptable to the Company and to sign a completed service order. In addition, Applicants may be required to meet credit or deposit requirements as set forth in this Price List.
- 2.2.2 At the time of all initial contacts for service, Applicants will be informed of the basic services available to the class of Customer to which the Applicant belongs. In addition, Applicants will be informed of their right to request blocking of access to 900 and 976 pay-per-call information services and that such blocking is free of charge for residential Customers.
- 2.2.3 In the event the Company, at its sole option, accepts an oral request for service, the Company will, within 10 business days of initiating the service order, provide a confirmation letter setting forth a brief description of the services ordered and itemizing all charges that will appear on the Customer's bill. The letter will be in the language in which the sale was made.
- 2.2.4 Within 10 business days of initiating service, the Company will provide all new Customers with a written statement of all material terms and conditions that could affect what the Customer pays for local exchange services provided by the Company.
- 2.2.5 Applicants whose requests for service are accepted by the Company are responsible for all charges for services provided by the Company, including any charges to the Company assessed by any underlying carrier for special arrangements or services undertaken on the Applicant's behalf. In the event an Applicant cancels, changes, defers, or modifies any request for service before the service commences, the Applicant remains responsible for any nonrecoverable costs incurred by the Company in meeting the Applicant's request prior to cancellation, change, deferral, or modification, including any charges to the Company assessed by any underlying carrier for special arrangements or services undertaken on the Applicant's behalf. Notwithstanding the foregoing, an Applicant will not be liable for any charges or nonrecoverable costs that were not disclosed to the Applicant by the Company before initiating service.
- 2.2.6 Applicants who are denied service due to failure to establish credit or pay a deposit will be given the reason for the denial in writing within 10 days of the denial of service.

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**SECTION 2 - GENERAL REGULATIONS (Cont'd)**

2.3 Contracts

Company and a Customer may enter into a contract for service to be provided under a specified rate plan for a specified term, which term may be automatically renewed if agreed to by the parties. Unless otherwise provided, contracts may be terminated by the Customer only upon providing the Company with 30 days' advance written notice. In the event the effective date of termination is prior to the end of the current contract term, the Customer will be liable for a termination fee equal to the sum of the recurring service charges specified for the remainder of the contract.

2.4 Establishment and Reestablishment of Credit

Each Applicant must provide credit information satisfactory to the Company or pay a deposit.

2.4.1 A deposit will not be required if the Applicant provides a credit history acceptable to the Company. Credit information contained in an Applicant's account record may include, without limitation, account establishment date, 'can-be-reached' number, name of employer, employer's address, driver's license number or other acceptable personal identification, billing name, and location of current and previous service. Credit will not be denied for failure to provide a social security number. A cosigner or guarantor with a credit history acceptable to the Company agrees in writing to be responsible for all charges.

2.4.2 The Company will not refuse a deposit to establish credit for service. However, the Company may request the deposit to be in cash or another acceptable form of payment (e.g., cashier's check, money order, bond, letter of credit.)

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**SECTION 2 - GENERAL REGULATIONS (Cont'd)**

2.5 Deposits and Advance Payments

2.5.1 Deposits

- A. Requirement: The Company may require an Applicant or an existing Customer who fails to establish a satisfactory credit history to post a deposit as a guarantee for the payment of charges as a condition to receiving service or additional services. The Company reserves the right to review an Applicant's or Customer's credit history at anytime to determine if a deposit is required.
- B. Amount: The amount of the deposit for a residential Customer will not exceed the charges for two months of service based on the Applicant's or Customer's average bills during the previous twelve months. When, in the Company's judgment circumstances so require, the amount of the deposit may be based on an estimate of two month's service determined from the Customer's past usage, the Customer's own estimate of expected usage, or the Company's network average usage considering the type and nature of the Customer's service.
- (1) The Utility may require a new applicant for residence service or an existing residence Customer to make an additional or separate deposit of not more than an amount equal to twice the average monthly billing for the Utility's residence accounts; and
- (2) The Utility will send a fifteen (15) day written notification of deposit requirements due in accordance with the provisions of (a) and (b) above. Where the deposit, stated in (a) above, is not received by the Utility within fifteen (15) days of the date notice is sent, the Utility may discontinue service without further notification.

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**SECTION 2 - GENERAL REGULATIONS (Cont'd)**

2.5 Deposits and Advance Payments (Cont'd)

2.5.1 Deposits (Cont'd)

- C. Nondiscrimination: Deposit requirements will not be based on race, sex, creed, national origin, marital status, age, number or dependents, condition or physical handicap, source of income, or geographical area of business.
- D. Refund or Credit: Upon discontinuance of service or prompt and timely payment of all charges for twelve consecutive billing periods, whichever comes first, the Company will refund the deposit together with any interest due. In the case of discontinuance of service, the Company will credit the deposit to the charges stated on the final bill. The balance, if any, will be returned to Customer within 30 days after the discontinuance of service. In the case a refund is due after timely payment of the Company's charges, the Company will refund the deposit and interest within 30 days. Payment of a charge is satisfactory if received prior to the date that the charge becomes delinquent provided that it is not returned for insufficient funds or closed account. If a deposit is refunded within 30 days of receipt, no interest payment will be required.
- E. Interest: Interest will be compounded annually and shall be equal to an annual rate as set by the Commission.

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**SECTION 2 - GENERAL REGULATIONS (Cont'd)**

2.5 Deposits and Advance Payments (Cont'd)

2.5.2 Advance Payments

- A. At the time an application for service is made, an Applicant may be required to pay an amount equal to one month's service charges and applicable service connection charges. The amount of the first month's service charges and applicable service connection charges will be credited to the Customer's account on the first bill rendered.
  
- B. Negotiation of a Customer's advance payment shall not itself obligate the Company to provide services or continue to provide service if a later check of Applicant's credit record is unacceptable to the Company and no deposit has been tendered. In the event that service is not provided, the advance payment will be refunded.

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**SECTION 2 - GENERAL REGULATIONS (Cont'd)**

2.6 Rendering and Payment of Bills

2.6.1 Customer Bills

- A. Customers' bills are issued monthly. The Customer will receive bills on or about the same day of each month. Months are presumed to have 30 days. The billing date is dependent on the billing cycle assigned to the Customer. Each bill contains monthly recurring charges billed in advance, usage charges billed in arrears, and the last date for timely payment. Recurring charges will be prorated in the event that the service for which the charges are made is less than 30 days. The Company will be identified on each bill. Each bill will prominently display a toll-free number for service or billing inquiries, along with an address where the Customer may write. If the Company uses a billing agent, the Company will also include the name of the billing agent. Each bill will contain the following information: payment due date and the total amount due; billing detail including the period of service covered by the bill; late payment charge and when applied; applicable taxes, fees and surcharges and identification of charges for which non-payment will not result in disconnection of basic local exchange service.
- B. Bills are due and payable as specified on the bill, no less than 10 days after the date of the bill issuance or five days after the date of mailing, whichever is later. Bills may be paid by mail or in person at the Company's business office or an agency authorized to receive such payment. All charges for service are payable only in United States currency. Payment may be made by cash, check, money order, or cashier's check.

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**SECTION 2 - GENERAL REGULATIONS (Cont'd)**

2.6 Rendering and Payment of Bills (Cont'd.)

2.6.1 Customer Bills (Cont'd.)

- C. Charges deemed delinquent will be subject to a late payment charge accruing at the rate of one and a half percent (1.5%) per month from the due date on all delinquent amounts.
- D. A bill will not include any previously unbilled charge for service furnished prior to three months immediately preceding the date of the bill, except charges for collect calls, credit card calls, third party calls and "error file" calls (those that cannot be billed due to the unavailability of complete billing information to the Company), which shall have a six-month backbilling period.
  - (1) When the billing for service has not been determined accurately because of omission or negligence, Company shall offer and enter into reasonable payment arrangements with Customer using the following criteria: (a) whenever Company overbills Customer for the service, Company shall offer Customer choice of an immediate voucher refund when the amount exceeds the charges for two months of basic local exchange service, or a credit on future bills; and (b) whenever Company underbills Customer for service, Customer shall be allowed to make installment payments when the amount exceeds the charges for two months of basic local exchange service. Any installment payments under the provisions of this subsection may, at the option of Customer, extend over a time period equal in length to the period over which the errors were accumulated. The amount due would include no interest.
- E. The Company will notify Customers in writing of a change in ownership or identity in the Company's next monthly billing cycle.

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**SECTION 2 - GENERAL REGULATIONS (Cont'd)**

2.7 Disputed Bills

2.7.1 In the case of a billing dispute between the Customer and the Company for service furnished to the Customer that cannot be settled to the mutual satisfaction of the Customer and the Company, the Customer has up to ninety (90) days (commencing five (5) days after such bills have been mailed or otherwise rendered per the Company's normal course of business) to take the following course of action.

- A. First, the Customer may request and the Company will provide an in-depth review of the disputed amount. The Company has available a toll-free number 1-800-705-3500 for Customer service inquiries.
- B. Second, if after investigation and review by the Company, a disagreement remains as to the disputed amount, the Customer may file an appropriate complaint with:

Idaho Public Utilities Commission  
Consumer Assistance Section  
PO Box 83720  
Boise, Idaho 83720-0074  
Phone: (800) 432-0369 (toll-free call within Idaho) or (208) 334-0369  
Fax: (208) 334-4045  
Web Site: <http://www.puc.state.id.us/scripts/polyform.dll/cons>

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## SECTION 2 - GENERAL REGULATIONS (Cont'd)

### 2.8 Discontinuance and Restoration of Service

#### 2.8.1 Discontinuance by Customers

- A. Customers may discontinue service by giving the Company proper notice as specified in the Company's Price List. The Customer is responsible for payment of all charges incurred for the period during which service is rendered. In addition, if termination occurs prior to the end of a current contract term, the Customer may be liable for a termination fee as provided in Section 2.3.
- B. No minimum or termination charge will apply if service is terminated because of condemnation, destruction, or damage to the property by fire or other causes beyond the control of the Customer.

#### 2.8.2 Discontinuance by the Company

- A. Local service may not be discontinued for nonpayment of unregulated competitive activities.
- B. The Company may discontinue service with notice under the following circumstances:
  - (1) Nonpayment of any sum due to the Company for service more than 30 days beyond the due date.
  - (2) A violation of, or failure to comply with, any regulation governing the furnishing of service.
  - (3) Failure to post a required deposit or guarantee.
  - (4) In the event that the Customer supplied false or inaccurate information of a material nature in order to obtain service.
  - (5) Incurring charges not covered by a deposit or guarantee and evidencing an intent not to pay such charges when due.
  - (6) Any violation of the conditions governing the furnishing of service.

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## SECTION 2 - GENERAL REGULATIONS (Cont'd)

### 2.8 Discontinuance and Restoration of Service (Cont'd)

#### 2.8.2 Discontinuance by the Company (Cont'd)

- C. The Company may discontinue service without notice under the following circumstances:
- (1) If service is connected without authority.
  - (2) If service is reconnected without authority.
  - (3) If the Carrier's equipment has been tampered with or stolen.
- D. Service may be discontinued during business hours on or after the date specified in the notice of discontinuance, which date will be at least 10 days after such notice is given. Service will not be discontinued on any Saturday, Sunday, legal holiday, or any other day when the Company's offices are not available to facilitate reconnection of service.
- E. Subject to the availability and continuation of such service from the underlying facilities-based carrier, a residential Customer whose service is discontinued under this section will continue to receive access to 911 service at no charge until such time as service is rendered by another carrier.
- F. The Company will impose a service discontinuation charge in accordance with its Price List upon discontinuation of service by the Company under this Section.
- G. Company shall postpone discontinuance of basic local exchange service to Customer for 30 days from the date of a certificate by a licensed physician which states that discontinuance of service will aggravate an existing medical emergency or create a medical emergency for Customer, a member of Customer's family, or other permanent resident on the premises where service is rendered. This postponement may be limited to 60 days within a continuous 12 month period or a lesser period agreed upon by the LEC and the customer or physician. This notice or certificate of medical emergency must be in writing and show clearly the name of the person whose illness would be exacerbated by discontinuance of service, and the name, title, and signature of the person giving notice of or certifying the medical emergency.

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## SECTION 2 - GENERAL REGULATIONS (Cont'd)

### 2.8 Discontinuance and Restoration of Service (Cont'd)

#### 2.8.3 Restoration of Service

The Company will restore service to a Customer upon full payment of all amounts due and the Customer's payment of a deposit or reestablishment of credit. However, the Company may refuse to accept a personal check if the Customer's check for payment of service has been dishonored, excepting bank error, within the last twelve months.

#### 2.8.4 Notices

Customers are responsible for notifying the Company of their desire to discontinue service on or before the date of disconnection. Such notice may be either verbal or written. Notices to discontinue service for nonpayment of bills will be provided in writing by first class mail to the Customer not less than 10 calendar days prior to termination. Each notice will include all of the following information:

- A. The name and address of the Customer.
- B. The amount that is delinquent.
- C. The date when payment or arrangements for payment must be made in order to avoid termination.
- D. The procedure the Customer may use to request amortization of the unpaid charges.
- E. The procedure the Customer may use to initiate a complaint or to request an investigation concerning service or charges.
- F. The telephone number of the Company's representative who can provide additional information or institute arrangements for payment.

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**SECTION 2 - GENERAL REGULATIONS (Cont'd)**

2.9 Limitation of Liability

2.9.1 Liability of the Company

- 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 2.10.
  
- B. Except for the extension of allowances to the Customer for interruptions in service as set forth in Section 2.10, 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 - GENERAL REGULATIONS (Cont'd)**

2.9 Limitation of Liability (Cont'd)

2.9.1 Liability of the Company (Cont'd)

D. The Company shall not be liable for any claims for loss or damages involving:

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;
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 transmission of communications by means of Company-provided facilities or services; or by means of the combination of Company-provided facilities or services with Customer-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 - GENERAL REGULATIONS (Cont'd)**

2.9 Limitation of Liability (Cont'd)

2.9.1 Liability of the Company (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 2.9.1.
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 intentional, wrongful act of a Company employee when such act is not within the scope of the employee's responsibilities for the Company and/or is not authorized by the Company;
10. Any representations made by Company employees that do not comport, or that are inconsistent, with the provisions of this Price List;

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**SECTION 2 - GENERAL REGULATIONS (Cont'd)**

2.9 Limitation of Liability (Cont'd)

2.9.1 Liability of the Company (Cont'd)

D. (Cont'd)

11. Any act or omission in connection with the provision of 911, E911, or similar services;
12. Any noncompletion of calls due to network busy conditions;
13. Any calls not actually attempted to be completed during any period that service is unavailable.

E. The Company shall be indemnified, defended and held harmless by the Customer or end user from and against any and all claims, loss, demands, suits, expense, or other action or any liability whatsoever, including attorney fees, whether suffered, made, instituted, or asserted by the Customer or by any other party, for any personal injury to or death of any person or persons, and for any loss, damage or destruction of any property, including environmental contamination, whether owned by the Customer or by any other party, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, presence, condition, location, use or removal of any Company or Customer equipment or facilities or service provided by the Company.

F. The Company does not guarantee nor make any warranty with respect to installations provided by it for use in an explosive atmosphere. The Company shall be indemnified, defended and held harmless by the Customer from and against any and all claims, loss, demands, suits, or other action, or any liability whatsoever, including attorney fees, whether suffered, made, instituted or asserted by the Customer or by any other party, for any personal injury to or death of any person or persons, and for any loss, damage or destruction of any property, including environmental contamination, whether owned by the Customer or by any other party, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, presence, condition, location, use or removal of any equipment or facilities or the service.

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**SECTION 2 - GENERAL REGULATIONS (Cont'd)**

2.9 Limitation of Liability (Cont'd)

2.9.1 Liability of the Company (Cont'd)

G. The Company assumes no responsibility for the availability or performance of any cable or satellite systems or related facilities under the control of other entities, or for other facilities provided by other entities used for service to the Customer, even if the Company has acted as the Customer's agent in arranging for such facilities or services. Such facilities are provided subject to such degree of protection or nonpreemptibility as may be provided by the other entities.

H. Any claim of whatever nature against the Company shall be deemed conclusively to have been waived unless presented in writing to the Company within thirty (30) days after the date of the occurrence that gave rise to the claim.

I. 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.

2.9.2 THE INCLUDED EXCULPATORY LANGUAGE DOES NOT CONSTITUTE A DETERMINATION BY THE COMMISSION THAT A LIMITATION OF LIABILITY IMPOSED BY THE COMPANY SHOULD BE UPHELD IN A COURT OF LAW. ACCEPTANCE FOR FILING BY THE COMMISSION RECOGNIZES THAT IT IS A COURT'S RESPONSIBILITY TO ADJUDICATE NEGLIGENCE AND CONSEQUENTIAL DAMAGE CLAIMS. IT IS ALSO THE COURT'S RESPONSIBILITY TO DETERMINE THE VALIDITY OF THE EXCULPATORY CLAUSE.

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## SECTION 2 - GENERAL REGULATIONS (Cont'd)

### 2.10 Allowances for Interruptions in Service

#### 2.10.1 General

- A. A service is interrupted when it becomes unusable 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 Price List.
- B. An interruption period begins when the Customer reports a service, facility or circuit to be inoperative or the interruption is discovered by the Company, whichever occurs first.
- C. If the Customer reports a service, facility or circuit to be inoperative but declines to release it for testing and repair, 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.

#### 2.10.2 Limitations on Allowances

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

- A. due to the negligence of, or noncompliance with the provisions of this Price List by, any person or entity other than the Company, including but not limited to the Customer or other common carriers connected to the service of the Company;
- B. due to the failure of power, equipment, systems, or services not provided by the Company;
- C. due to circumstances or causes beyond the 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 - GENERAL REGULATIONS (Cont'd)**

2.10 Allowances for Interruptions in Service (Cont'd)

2.10.2 Limitations on Allowances (Cont'd)

- E. during any period in which the Customer continues to use the service on an impaired basis;
- 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.

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**SECTION 2 - GENERAL REGULATIONS (Cont'd)**

2.10 Allowances for Interruptions in Service (Cont'd)

2.10.3 Application of Credits for Interruptions of Service

- A. In the event Customer's service from Company is interrupted and remains out of order for more than 8 hours during a continuous 24-hour period after being reported by Customer, or found to be out of order by Company, whichever occurs first, appropriate adjustments shall be made automatically by Company to Customer's bill.
- (1) The adjustment will be, at a minimum, a credit on the monthly bill for services proportional to the duration of the service interruption, with each occurrence of the loss of service for 8 hours during the 24-hour time period counting as one day. For the purpose of this subsection, every month is considered to have 30 days.
  - (2) Company will not be required to provide an adjustment for the loss of service during time periods due to the following conditions: (a) the negligence or willful act of Customer; or (b) a malfunction of facilities other than those under the control of Company; or (c) natural disasters or other events affecting large numbers of customers; or (d) the inability of Company to gain access to Customer's premises when required.
- B. The refund may be accomplished by a credit on a subsequent bill.

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## SECTION 2 - GENERAL REGULATIONS (Cont'd)

### 2.11 Privacy Notices

- 2.11.1 The Company will furnish Customers with a written description of how it handles Customers' private information and a disclosure of any ways that such information might be used or transferred that would not otherwise be obvious to the Customer. This information will be provided at the time service is initiated and annually thereafter.
- 2.11.2 Any residential Customer who gives written consent for the release of one or more of the foregoing categories of personal information will, upon written request, be informed by the Company of the identity of the person or corporation to whom any such information has been released. The Company will notify each residential Customer who is requested to consent to the release of such information of the provisions of this paragraph. Consent for the release of such information may be rescinded by the Customer upon 30 days' written notice to the Company.
- 2.11.3 The Company will provide an annual written notice to all Customers that use of 800, 888, and 900 numbers may result in disclosure of the Customer's telephone number to the called party.
- 2.11.4 The Company will provide Customers with notice prior to participating in the provision of call identification services that: (i) callers using the Company's service may withhold display of the calling telephone number, on an individual call basis, from the telephone instrument of the individual receiving a telephone call by dialing \*67 as the first three digits of the number being called; (ii) Customers may request that the Company withhold display of the calling number, on a per line basis, from the telephone instruments of all individuals receiving telephone calls dialed over the Customer's line, and in such case, callers using the line may allow display of the calling telephone number, on an individual call basis, by dialing \*82 as the first three digits of the number being called; and, (iii) there is no charge for withholding display of the calling number in accordance with this section.

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**SECTION 2 - GENERAL REGULATIONS (Cont'd)**

2.11 Privacy Notices (Cont'd)

2.11.5 The foregoing provisions do not apply to: (i) identification services used within the same limited system, including, but not limited to, a Centrex or private branch exchange system, as the recipient telephone; (ii) identification services that are used on public agencies' emergency telephone lines or on lines that receive the primary emergency telephone number (911); (iii) identification services provided in connection with legally sanctioned call tracing or tapping procedures; and (iv) identification services provided in connection with 800, 888, or 900 access code services.

2.12 Unauthorized Use

Any individual who uses or receives the Company's service, other than under the provisions of an accepted application for service and a current Customer relationship, shall be liable for both the price listed cost of the service received and the Company's cost of investigation and collection.

2.13 [RESERVED FOR FUTURE USE]

2.14 Minimum Period

The minimum period for which services are provided and for which rates and charges are applicable is one (1) month unless otherwise specified in this Price List. When a service is discontinued prior to the expiration of the minimum period, charges are applicable, whether the service is used or not.

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**SECTION 2 - GENERAL REGULATIONS (Cont'd)**

2.15 Taxes, Surcharges and Other Fees

The Customer is responsible for the payment of Federal excise taxes, gross receipts, access, state and local sales and use taxes and all taxes, fees, surcharges (however designated) and other exactions imposed on the Company or its services by governmental jurisdictions, other than taxes imposed generally on corporations. Any taxes imposed by a local jurisdiction (e.g. county and municipal taxes) will only be recovered from those customers residing in the affected jurisdictions. All such taxes, fees, and charges shall be separately designated on the Company's invoices, and are not included in the price listed rates. It should be the responsibility of the Customer to pay any such taxes that subsequently become applicable retroactively.

Idaho Telecommunications Service Assistance Program ("ITSAP") Uniform Surcharge

The Customer will be assessed a monthly fee to support Idaho's ITSAP discounts program. This fee will be \$0.12 per access line per month until changed by the Commission pursuant to Idaho Code Sec. 56-901(1).

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES**

3.1 Residential Flat Rate Service – Qwest Corporation Service Area

3.1.1 Applicability

These rates are applicable to flat rate single line local exchange residential service in the Qwest Corporation exchange areas as shown and defined in its current and effective price lists on file with the Idaho Public Utilities Commission.

3.1.2 Rates

- A. Service Establishment to process an order for service (per line, per order): \$30.00
- B. Number Change (per line, per change): \$13.50
- C. Service Charge (per line, per month):<sup>1</sup>

<u>Rate Groups</u>	<u>Monthly Recurring Charge</u>
1	\$11.49
1-A	\$12.62
2	\$17.50

- C-1. Bundled Package Service Charge-Linea Economica/Economy Line<sup>1,2</sup>  
(per line, per month): \$

- C-2. Save Bundled Package Service Charge<sup>1,2</sup>  
(per line, per month): \$

<sup>1</sup> – Includes unlimited calling between points in Customer's Local Calling Area.

<sup>2</sup> - Includes Flat Rate Local Service and Long Distance Calling Plan, Save Plan SV5 or Linea Economica V50 (i.e., there will be no separate Long Distance Monthly Recurring Charge; however, usage charges for long distance shall apply). This package also includes Caller ID, Call Waiting, Call Waiting ID and Monthly Recurring Charge for Linea Mexicana Service. Linea Mexicana is a service regulated by the Federal Communications Commission.

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.1 Residential Flat Rate Service – Qwest Corporation Service Area (Cont'd.)

3.1.3 [Reserved for Future Use]

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### **SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

#### 3.1 Residential Flat Rate Service – Qwest Corporation Service Area

##### 3.1.4 Special Terms and Conditions

- A. The Company will waive an applicable Local Migration Charge associated with a Customer's initiation of local service with the Company if the Customer continues to receive local service from the Company for at least ninety (90) consecutive days beginning on the day the Customer's local service is initiated with the Company. The applicable charge will appear on the Customer's first invoice with an immediate credit of the same charge. If a Customer fails to receive local service for at least ninety (90) consecutive days, the charge will be re-imposed, and payment will be required, on the Customer's final invoice.

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.2 [RESERVED FOR FUTURE USE]

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.2 [RESERVED FOR FUTURE USE]

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.3 [RESERVED FOR FUTURE USE]

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.3 [RESERVED FOR FUTURE USE]

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.3 [RESERVED FOR FUTURE USE]

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.3 [RESERVED FOR FUTURE USE]

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.3 [RESERVED FOR FUTURE USE]

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.3 [RESERVED FOR FUTURE USE]

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.3 [RESERVED FOR FUTURE USE]

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.4	<u>Changes, Service Restoration</u>	<u>Charge</u>
3.4.1	To change class, type, or grade of service (per line or trunk, per order):	
	Residential	\$13.50

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.5 [RESERVED FOR FUTURE USE]

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.6 Directory Listings

The Company does not publish a directory or provide other similar listings of its Customers. However, the Company will arrange for Customers, other than Customers requesting non-published service, to be listed in the directories and directory assistance records of Qwest Corporation in accordance with their listing service tariff or price list schedules, subject to availability of such listing services to Company's Customers. The Company hereby concurs in such schedules on file with the Commission that are current and effective as of the effective date of this Price List page. Customers are responsible for payment of all rates and compliance with all terms and conditions set forth in such schedules.

3.7 Non-Published Service

At the request of the Customer, the Customer's name, address, and telephone number will not be listed in any directory or directory assistance records available to the public, except that the number may be included in reference listings. However, such information, along with call forwarding information from such numbers, will be released in response to legal process or to certain authorized governmental agencies.

Non-Published Service Charge	(installation fee):	\$25.00
	(per line, per month):	\$1.25

Non-Listed Service Charge	(installation fee):	\$25.00
	(per line, per month):	\$0.75

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### SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)

#### 3.8 Custom Calling Services

##### 3.8.1 Custom Calling Features

Custom Calling Features are offered subject to availability from Company's underlying carrier where service is furnished through resale.

##### A. Call Forwarding

Call Forwarding allows for the automatic forwarding (transfer) of all incoming calls to another telephone number. The line can be restored to normal operation at any time.

Busy Call Forwarding allows the forwarding of incoming calls when the line is busy. The forwarded number is fixed by the service order.

Select Call Forwarding allows the automatic forwarding (transfer) of calls from up to ten preselected numbers to another telephone number. The line can be restored to normal operation at any time.

##### B. Call Waiting

Call Waiting sends a tone signal while a call is in progress to indicate a second call is waiting; and by operation of the switchhook, to place the first call on hold and answer the waiting call. Operation of the switchhook permits passage back and forth between the two calls, but a three-way call cannot be established.

Cancel Call Waiting allows the dialing of an activation code prior to making a call, to cancel the Call Waiting feature. Cancel Call Waiting must be activated each time Call Waiting is canceled.

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### SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)

#### 3.8 Custom Calling Services (Cont'd)

##### 3.8.1 Custom Calling Features (Cont'd)

###### C. Three-Way Calling

Three-Way Calling allows the addition of 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 initiator of 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. This feature may be used on both incoming and outgoing calls.

###### D. Repeat Dialing

Repeat Dialing allows calls to be automatically redialed when the first attempt reaches an busy number. The line is checked every 45 seconds for up to 30 minutes and alerts the originating telephone line with a distinctive ringing pattern when the busy number and the originating line are free.

###### E. Calling Number Blocking

Call Number Blocking allows the automatic blocking of incoming calls from up to ten preselected telephone numbers. The list of numbers can be changed at any time. Callers whose numbers have been blocked will hear a recorded message and no usage charges will apply.

###### F. Call Return

Call Return allows the return of 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. A distinctive ringing pattern signals when the busy number is free. When answered, the call is then completed. The calling party's number is not delivered or announced to the call recipient.

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.8 Custom Calling Services (Cont'd)

3.8.2 Regulations

- A. Custom Calling Services are only provided for basic access line services.
- B. Local, message unit, zone calling unit, and toll usage charges apply for completed calls between: (1) call forwarding equipped lines and the numbers to which calls are forwarded, and (2) originating stations and call forwarding equipped lines.
- C. Repeat Dialing and Call Return will operate only when both the caller and the called party are served from capable switches.

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.8 Custom Calling Services (Cont'd)

3.8.3 Rates

The following monthly rates are in addition to the rates and charges for the associated service.

	<u>Non-Recurring Charge</u>	<u>Monthly Rate</u>
Call Forwarding:		
- each residential line	-----	\$3.00
Call Forwarding Select		
- each residential line	-----	\$3.50
Call Curfew		
- each residential line	-----	\$3.95
Do Not Disturb		
- each residential line	-----	\$3.95
Dial Lock		
- each residential line	-----	\$3.95
Custom Ringing		
- each residential line	-----	\$5.00
Additional Listing		
- each residential line	-----	\$1.50

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.8 Custom Calling Services (Cont'd)

3.8.3 Rates (Cont'd)

	<u>Non-Recurring Charge</u>	<u>Monthly Rate</u>
Caller ID		
- each residential line	-----	\$6.95
Caller ID with Privacy		
- each residential line	-----	\$9.95
Call Waiting		
- each residential line	-----	\$5.50
Call Waiting – Selective with ID		
- each residential line	-----	\$5.50
Call Waiting – Talking Call Waiting*		
- each residential line	-----	\$2.95
Call Waiting Deluxe		
- each residential line	-----	\$5.50
Call Waiting ID		
- each residential line	-----	\$5.50
Three-Way Calling		
- each residential	-----	\$3.50
Speed Calling (8-Code Capacity)		
- each residential line	-----	\$2.00
Speed Calling (30-Code Capacity)		
- each residential line	-----	\$3.50

\* - Monthly rate is in addition to Call Waiting monthly rate.

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.8 Custom Calling Services (Cont'd)

3.8.3 Rates (Cont'd)

	<u>Non-Recurring Charge</u>	<u>Monthly Rate</u>
Priority Call		
- each residential line	-----	\$3.50
Repeat Dialing		
- each residential line	-----	\$3.50
Call Return		
- each residential line	-----	\$4.00
Call Blocker/Selective Call Rejection		
- each residential line	-----	\$4.50
Security Call Screen		
- each residential line	-----	\$2.95
Message Notification		
- each residential line	-----	\$4.95
Voice Mail		
- each residential line	-----	\$7.95
Voice Mail with Message Waiting Visual Indicator		
- each residential line	-----	\$7.95
Anywhere Voice Mail		
- each residential line	\$10.00	\$14.90

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.8 Custom Calling Services (Cont'd)

3.8.4 Usage Sensitive Custom Calling Services

A. Description of Service

Usage Sensitive Custom Calling Services allows Customers to use Call Return (\*69), Repeat Dialing (\*66),<sup>1</sup> and Casual Three-Way Calling on a pay-per-use basis. Customers are charged for each successful activation of the feature. A successful activation is defined as an attempt by the serving central office switches to ring the called party's line. A completed call is not guaranteed. Charges will not be assessed if call set up results in a busy condition (the called line remains busy for the entire 30-minute activation period). Additional charges will not be assessed when the calling party reactivates or deactivates the feature within the 30-minute activation period. Charges are incurred for utilizing the feature in an attempt to complete a call and not for completion of the call itself. If the call is completed, any toll charges incurred will continue to apply and be billed separately.

The functionalities of the features and regulations do not differ from those applicable to existing features offered on a monthly subscription basis.

B. Regulations

Usage Sensitive Call Return and Repeat Dialing are available on residential access lines where facilities and operating conditions permit. The Customer is not required to order the features unless the Customer wishes to subscribe to the features as a monthly service.

The company will block the Usage Sensitive Call Return and Repeat Dialing features free of charge unless notified by the Customer to unblock the features.

<sup>1</sup> The features may be activated from rotary dial telephones by dialing 1169 for Call Return and 1166 for Repeat Dialing.

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.8 Custom Calling Services (Cont'd)

3.8.4 Usage Sensitive Custom Calling Services (Cont'd)

C. Rates and Charges

	<u>Activation Charge</u>
Call Return	
- each activation, residence	\$0.95*
Repeat Dialing	
- each activation, residence	\$0.95*
Casual Three-Way Calling	
- each activation, residence	\$0.95*
Call Trace	
- each activation, residence	\$1.00

\* - Call Return, Repeat Dialing and Casual Three-Way Calling on a per use or usage sensitive basis are subject to monthly total charge of \$7.60 for each service, per line. Call Trace is not subject to that \$7.60 cap.

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.9 Operator Services

3.9.1 [RESERVED FOR FUTURE USE]

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.9 Operator Services (Cont'd.)

3.9.2 Busy Line Verify and Line Interrupt Service

- A. Upon request of a calling party the Company will verify a busy condition on a called line.
  - (1) The operator will determine if the line is clear or in use and report to the calling party.
  - (2) The operator will interrupt the call on the called line only if the calling party indicates an emergency.
  
- B. A charge will apply when:
  - (1) The operator verifies that the line is busy.
  - (2) The operator verifies that the line is available for incoming calls.
  - (3) The operator verifies that the called number is busy with a call in progress and the calling party requests interruption. The operator will then interrupt the call, advising the called party the name of the calling party. One charge will apply for both verification and interruption.
  
- C. No charge will apply:
  - (1) When calling party advises that the call is to or from an official public emergency agency.
  - (2) Under conditions other than those specified within, preceding.
  - (3) Charges for verification and interruption may be billed to a third number or a calling card.

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.9 Operator Services (Cont'd.)

3.9.2 Busy Line Verify and Line Interrupt Service (Cont'd)

D. Charges:

Verification            \$1.50

Interruption            \$3.00

E. Busy Verification and Interrupt Service is furnished where and to the extent that facilities permit. The Customer shall identify and save the Company harmless against all claims that may arise from either party to the interrupted call or any person.

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.9 Operator Services (Cont'd)

3.9.3 [RESERVED FOR FUTURE USE]

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.10 Equal Access\*

3.10.1 The Carrier Selection Process is an agreement whereby:

- A. A Customer may select an authorized carrier to place intrastate, interLATA MTS/MTS-type calls without the 10XXX or 101XXXX access code. This carrier is referred to as the Customer's interLATA primary interexchange carrier (PIC).
- B. A Customer may select an authorized carrier to place intrastate, intraLATA MTS/MTS-type calls without the 10XXX or 101XXXX access code. This carrier is referred to as the Customer's intraLATA primary interexchange carrier (IPIC).

3.10.2 On the effective date(s) of intraLATA equal access, Customers who have not designated a different IPIC will continue with the Company's intraLATA toll service.

3.10.3 In end offices where equal access is available, new Customers must presubscribe to the PIC and/or IPIC of their choice at the time an order is placed for service. If a PIC and/or IPIC is not chosen at the time the order for service is submitted, the Customer may access the interexchange carrier of the Customer's choice by dialing the appropriate 10XXX or 101XXXX carrier identification code.

3.10.4 The full nonrecurring IPIC charge is applicable when an intraLATA IPIC change is ordered separately from the interLATA PIC change and/or when a Customer presubscribes to different carriers, at the same time, for interLATA and intraLATA service. If a Customer changes both PIC and IPIC at the same time, to the same IC, CLC, or LEC, the Company will bill the Customer the full nonrecurring PIC change charge and one-half of the respective IPIC change charge.

\* - Subject to the availability of equal access arrangements from the underlying wholesale local exchange carrier

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.10 Equal Access (Cont'd)

3.10.5 The Company will make post conversion changes in the Customer's PIC or IPIC assignment pursuant to carrier provided list of Customers. Should a Customer dispute authorization of the change within 90 days of the PIC or IPIC assignment, and if the carrier cannot produce a letter of agency of confirmation from the Customer, the Company will place the Customer on the previous carrier's network where possible and the carrier will be billed one Unauthorized PIC or IPIC charge for the change to the disputed carrier and one PIC or IPIC change charge for placing the Customer on the carrier network of his/her choice.

If the carrier produces the letter of agency or confirmation of choice within 30 days of the Company's request, the Customer will be billed two PIC or IPIC charges in lieu of charges to the carrier. Charges are only applicable if a change in an Customer's or agent's carrier selection has been implemented in the switch.

3.10.6 Rates

	<u>Nonrecurring Charge</u>
Charge for authorized PIC Change (per PIC change):	\$5.00
Charge for authorized IPIC Change (per IPIC change):	\$5.00
Total charge if changing both PIC and IPIC:	\$5.00

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Issued: \_\_\_\_\_, 2005

Effective: \_\_\_\_\_, 2005

By: R. Dale Dixon, Jr., VP of Regulatory Affairs

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.10 Equal Access (Cont'd)

3.10.7 If a Customer orders intraLATA toll or interLATA toll simultaneously with an order for local service, the applicable PIC or IPIC change charge associated with a Customer's conversion and initiation of service with the Company will be waived if the Customer continues to receive local service from the Company for at least ninety (90) consecutive days beginning on the day the Customer's local service is initiated with the Company. The applicable charge(s) will appear on the Customer's first invoice with an immediate credit of the same charge(s). If a Customer fails to receive local service for at least ninety (90) consecutive days, the charge(s) will be re-imposed, and payment will be required, on the Customer's final invoice.

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.11 [RESERVED FOR FUTURE USE]

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By: R. Dale Dixon, Jr., VP of Regulatory Affairs

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.12 Returned Check Charge

3.12.1 If a check for payment of any deposit, advance, or charge is returned to the Company by the bank for any reason other than bank error, a Returned Check Charge as specified in this Price List will added to the amount due.

3.12.2 If telephone service is disconnected or suspended for nonpayment as a result of a returned check, the Returned Check Charge, as well as any other applicable charges, must be paid before service will be re-established.

3.12.3 If a check received as a deposit or advance payment to establish service is returned, establishment of service will be denied until the amount of the returned check and the Returned Check Charge is paid, or, if already connected, the service will be discontinued until the Returned Check Charge and other amounts applicable to discontinuance and reestablishment of service are paid.

3.12.4 Returned Check Charge: \$20.00

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**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.13 [RESERVED FOR FUTURE USE]

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By: R. Dale Dixon, Jr., VP of Regulatory Affairs

**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.13 [RESERVED FOR FUTURE USE]

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By: R. Dale Dixon, Jr., VP of Regulatory Affairs

**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.14 [RESERVED FOR FUTURE USE]

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By: R. Dale Dixon, Jr., VP of Regulatory Affairs

**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.14 [RESERVED FOR FUTURE USE]

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By: R. Dale Dixon, Jr., VP of Regulatory Affairs

**SECTION 3 – DESCRIPTION OF SERVICES AND RATES (Cont'd)**

3.15 [RESERVED FOR FUTURE USE]

3.16 [RESERVED FOR FUTURE USE]

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## SECTION 4 – MISCELLANEOUS SERVICE OFFERINGS

### 4.1 Temporary Promotional Programs

The Company may establish temporary promotional programs, wherein it may waive or reduce recurring or non-recurring charges, to introduce a present or potential Customer to a service not previously received by the Customer. The terms of promotional programs will be filed with the Commission subject to the requirements of applicable law, except if the promotion is to reduce rates.

### 4.2 Individual Case Basis Arrangements

Arrangements will be developed on a case-by-case basis in response to a bona fide request from a Customer or prospective Customer to develop a competitive bid for a service offered under this Price List. Rates quoted in response to such competitive requests may be different than those specified for such service in this Price List. ICB rates will be offered to the Customer in writing.

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**SECTION 5 – RESOLD INTERLATA INTRASTATE AND TOLL SERVICES**

5.1 Save Product Rate Plan SV5

The Company offers the following per minute flat rates to residential customers.

Monthly Service Charge:      \$3.95<sup>1</sup>

Single Bill Fee\*                      \$1.95<sup>2</sup>

Usage Rates (per minutes of use):

IntraLATA:

<u>DAY</u>	<u>EVENING</u>	<u>NIGHT/WEEKEND</u>
\$0.1067	\$0.1067	\$0.1067

InterLATA intrastate:

<u>DAY</u>	<u>EVENING</u>	<u>NIGHT/WEEKEND</u>
\$0.1867	\$0.1867	\$0.1867

<sup>1</sup> - This monthly recurring charge is waived for Customers who subscribe to a bundled local and toll service package set forth at Section 3.1.2.C-1 and Section 3.1.2.C-2 in this Price List.

<sup>2</sup> - This monthly charge will apply to Customers who elect to have their long distance charges billed through their incumbent local exchange carrier. This monthly charge will be waived for Customers who elect to have their long distance charges billed directly by Vycera.

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By: R. Dale Dixon, Jr., VP of Regulatory Affairs

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**SECTION 5 – RESOLD INTERLATA INTRASTATE AND TOLL SERVICES (CONT'D)**

5.2 "Linea Economica" Rate Plan V50

The Company offers the following rates to residential customers. "Linea Economica" Program provides a savings of 25% on the first 10 minutes of each call.<sup>1</sup>

Monthly Service Charge: \$3.95<sup>2</sup>

Single Bill Fee \$1.95<sup>3</sup>

Usage Rates (per minutes of use):

IntraLATA:

<u>DAY</u>	<u>EVENING</u>	<u>NIGHT/WEEKEND</u>
\$0.1067	\$0.1067	\$0.1067

InterLATA Intrastate:

<u>DAY</u>	<u>EVENING</u>	<u>NIGHT/WEEKEND</u>
\$0.1867	\$0.1867	\$0.1867

<sup>1</sup> – Special Discount for the first 10 minutes: the Linea Economica plan automatically discounts the per minute rate by 25% for the first 10 minutes of a call. For example, a 15 minute intraLATA call would be rated at \$0.08 per minute during the first 10 minutes of the call and \$0.1067 per minute for the remaining 5 minutes of the call. This 25% discount applies only for those Customers who subscribe to the bundled local service and toll packages

<sup>2</sup> – This monthly recurring charge is waived for Customers who subscribe to a bundled local and toll service package set forth at Section 3.1.2.C-1 and Section 3.1.2.C-2 in this Price List.

<sup>3</sup> - This monthly charge will apply to Customers who elect to have their long distance charges billed through their incumbent local exchange carrier. This monthly charge will be waived for Customers who elect to have their long distance charges billed directly by Vycera.

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Issued: \_\_\_\_\_, 2005

Effective: \_\_\_\_\_, 2005

By: R. Dale Dixon, Jr., VP of Regulatory Affairs

## EXHIBIT E

1. Vycera's Audited Consolidated Financial Statements December 31, 2002 and 2001
2. Vycera's Unaudited Consolidated Balance Sheet 2003
3. Vycera's Unaudited Consolidated Balance Sheet 2004



**VYCERA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
(Formerly Genesis Communications International, Inc.)

Consolidated Financial Statements

December 31, 2002 and 2001

(With Independent Auditors' Report Thereon)



KPMG LLP  
Suite 1500  
750 B Street  
San Diego, CA 92101

## Independent Auditors' Report

The Board of Directors and Stockholders  
Vycera Communications, Inc.:

We have audited the accompanying consolidated balance sheets of Vycera Communications, Inc. and subsidiaries (formerly Genesis Communications International, Inc.) as of December 31, 2002 and 2001, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vycera Communications, Inc. and subsidiaries as of December 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

September 13, 2003, except for  
Note 7 as to which the date is  
November 23, 2004.

**VYCERA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
(Formerly Genesis Communications International, Inc.)

Consolidated Balance Sheets

December 31, 2002 and 2001

Assets	<u>2002</u>	<u>2001</u>
Current assets:		
Cash and cash equivalents	\$ 72,000	171,000
Restricted cash	800,000	800,000
Network receivables, net of allowance for doubtful accounts of \$280,000 and \$276,000, respectively	515,000	1,301,000
Prepaid expenses and other	210,000	292,000
Total current assets	<u>1,597,000</u>	<u>2,564,000</u>
Property and equipment, net	1,509,000	1,714,000
Other assets	342,000	204,000
Total assets	<u>\$ 3,448,000</u>	<u>4,482,000</u>
<b>Liabilities and Stockholders' Deficit</b>		
Current liabilities:		
Accounts payable	\$ 922,000	606,000
Accrued network costs	1,855,000	2,980,000
Other accrued liabilities	763,000	785,000
Current portion of notes payable	246,000	50,000
Current portion of capital lease obligations	337,000	272,000
Total current liabilities	<u>4,123,000</u>	<u>4,693,000</u>
Long-term liabilities:		
Notes payable, net of current portion	1,800,000	2,007,000
Capital lease obligations, net of current portion	95,000	366,000
Total liabilities	<u>6,018,000</u>	<u>7,066,000</u>
Commitments and contingencies		
Stockholders' deficit:		
Common stock, no par value. Authorized 10,000,000 shares; issued and outstanding 5,265,000 shares in 2002 and 2001	2,292,000	2,292,000
Accumulated deficit	(4,862,000)	(4,876,000)
Total stockholders' deficit	<u>(2,570,000)</u>	<u>(2,584,000)</u>
Total liabilities and stockholders' deficit	<u>\$ 3,448,000</u>	<u>4,482,000</u>

See accompanying notes to consolidated financial statements.

**VYCERA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
(Formerly Genesis Communications International, Inc.)

Consolidated Statements of Operations

Years ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Net sales of telecommunications services	\$ 14,409,000	26,932,000
Operating expenses:		
Cost of telecommunications services	5,219,000	17,724,000
Sales and marketing	4,844,000	5,452,000
General and administrative	3,321,000	3,346,000
Depreciation and amortization	440,000	440,000
Total operating expenses	<u>13,824,000</u>	<u>26,962,000</u>
Income (loss) from operations	585,000	(30,000)
Interest expense, net	<u>(568,000)</u>	<u>(533,000)</u>
Income (loss) before income taxes	17,000	(563,000)
Income tax provision	<u>3,000</u>	<u>1,000</u>
Net income (loss)	<u>\$ 14,000</u>	<u>(564,000)</u>

See accompanying notes to consolidated financial statements.

**VYCERA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
 (Formerly Genesis Communications International, Inc.)

Consolidated Statements of Stockholders' Deficit

Years ended December 31, 2002 and 2001

	Common stock		Notes receivable from stockholders	Accumulated deficit	Total
	Shares	Amount			
Balance, December 31, 2000	5,583,000	\$ 3,332,000	(1,050,000)	(4,312,000)	(2,030,000)
Options exercised	28,000	6,000	—	—	6,000
Forgiveness of notes receivable and retirement of outstanding common stock (see note 9)	(350,000)	(1,050,000)	1,050,000	—	—
Shares issued	4,000	4,000	—	—	4,000
Net loss	—	—	—	(564,000)	(564,000)
Balance, December 31, 2001	5,265,000	2,292,000	—	(4,876,000)	(2,584,000)
Net income	—	—	—	14,000	14,000
Balance, December 31, 2002	5,265,000	\$ 2,292,000	—	(4,862,000)	(2,570,000)

See accompanying notes to consolidated financial statements.

**VYCERA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
(Formerly Genesis Communications International, Inc.)

Consolidated Statements of Cash Flows

Years ended December 31, 2002 and 2001

	2002	2001
Cash flows from operating activities:		
Net income (loss)	\$ 14,000	(564,000)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	440,000	440,000
Bad debt expense	1,481,000	1,736,000
Accrued interest on note payable	7,000	—
Changes in assets and liabilities:		
Network receivables	(695,000)	(108,000)
Prepaid expenses and other	(56,000)	(119,000)
Accounts payable	316,000	(172,000)
Accrued network costs	(1,125,000)	(1,249,000)
Other accrued liabilities	(22,000)	65,000
Net cash provided by operating activities	360,000	29,000
Cash flows from investing activities – purchases of property and equipment	(154,000)	(216,000)
Cash flows from financing activities:		
Principal payments under capital lease obligations	(287,000)	(503,000)
Principal payments on notes payable	(18,000)	(20,000)
Proceeds from issuance of notes payable	—	252,000
Proceeds from sale of common stock	—	4,000
Proceeds from stock options exercised	—	6,000
Net cash used in financing activities	(305,000)	(261,000)
Net decrease in cash and cash equivalents	(99,000)	(448,000)
Cash and cash equivalents, beginning of year	171,000	619,000
Cash and cash equivalents, end of year	\$ 72,000	171,000
Noncash investing and financing activities:		
Equipment acquired under capital lease	\$ 82,000	101,000
Forgiveness of notes receivable issued for stock	—	1,050,000

See accompanying notes to consolidated financial statements.

**VYCERA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
(Formerly Genesis Communications International, Inc.)

Notes to Consolidated Financial Statements

December 31, 2002 and 2001

**(1) Organization and Business**

Vycera Communications, Inc. and subsidiaries (formerly Genesis Communications International, Inc.) (the Company) was incorporated in California in March 1995. The Company provides local and long-distance telecommunications services primarily to residential customers throughout California, Arizona, Colorado, New Mexico, Oregon, Florida, Texas, New York, and New Jersey. On September 6, 2002, the stockholders approved a change to the Company's name from Genesis Communications International, Inc. to Vycera Communications, Inc.

**(2) Summary of Significant Accounting Policies**

**(a) Principles of Consolidation**

The consolidated financial statements include the financial statements of Vycera Communications, Inc. and its three wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

**(b) Use of Estimates**

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**(c) Concentration of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of network receivables. The Company's network receivables are geographically dispersed and include many individual customers. Management believes that any risk of loss is significantly reduced due to the diversity of its customers and geographic sales areas. The Company continually evaluates the creditworthiness of its customers and generally does not require deposits. The Company's allowance for doubtful accounts is based on historical trends, current market conditions, and other relevant factors.

**(d) Regulation and Competition**

Rates that are charged by the Company for certain telephone services are subject to the approval of various regulatory authorities. Trends in the telecommunications industry point toward increased competition in virtually all markets and the continued deregulation or alternative regulation of telecommunications services in many jurisdictions.

**(e) Cash Equivalents**

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents at December 31, 2002 and 2001 consists of money market accounts.

**VYCERA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
(Formerly Genesis Communications International, Inc.)

Notes to Consolidated Financial Statements

December 31, 2002 and 2001

**(f) Restricted Cash**

At December 31, 2002 and 2001, \$800,000 of restricted cash has been included in cash and cash equivalents in the accompanying consolidated balance sheets. The terms of the Company's facility lease require a cash deposit to be held at a commercial bank throughout the life of the lease.

**(g) Property and Equipment**

Property and equipment are stated at cost. The Company provides for depreciation and amortization using the straight-line method over the estimated useful lives of the assets. The estimated useful lives for network equipment, computer equipment and software, and office furniture and equipment are 10, 2, and 7 years, respectively. The estimated useful life for leasehold improvements is the shorter of the estimated useful life of the leaseholds or the life of the lease.

Property and equipment consist of the following at December 31:

	2002	2001
Network equipment	\$ 2,196,000	2,139,000
Computer equipment and software	679,000	531,000
Office furniture and equipment	450,000	506,000
Leasehold improvements	152,000	142,000
	3,477,000	3,318,000
Less accumulated depreciation and amortization	(1,968,000)	(1,604,000)
	\$ 1,509,000	1,714,000

Expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in operations.

**(h) Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less cost to sell.

**VYCERA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
(Formerly Genesis Communications International, Inc.)

Notes to Consolidated Financial Statements

December 31, 2002 and 2001

**(i) Other Assets**

The Company's other assets as of December 31, 2002 and 2001 consist primarily of deposits, one-time installation costs, and trademark and deferred financing costs associated with the Company's issuance of debentures. The Company's deferred financing costs are being amortized on a straight-line basis (which approximates the effective-interest method) over the term of the arrangements and are included within interest expense, net in the accompanying consolidated statements of operations.

**(j) Revenue Recognition**

The Company recognizes revenue on telecommunications services in the period that services are provided.

**(k) Advertising**

Advertising costs are expensed during the period in which they are incurred.

**(l) Stock Option Plan**

The Company applies the intrinsic-value-based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations including FASB Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of APB Opinion No. 25*, issued in March 2000, to account for its fixed-plan stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. SFAS No. 123, *Accounting for Stock-Based Compensation*, established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic-value based method of accounting described above, and has adopted only the disclosure requirements of SFAS No. 123. The following table illustrates the effect on net income if the fair-value based method had been applied to all outstanding and unvested awards in each period:

	2002	2001
Net income (loss), as reported	\$ 14,000	(564,000)
Deduct total stock-based employee compensation expense determined under fair-value-based method for all rewards, net of tax	(131,000)	(113,000)
Pro forma net loss	\$ (117,000)	(677,000)

**YYCERA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
(Formerly Genesis Communications International, Inc.)

Notes to Consolidated Financial Statements

December 31, 2002 and 2001

**(m) Income Taxes**

The Company accounts for income taxes utilizing the liability method. Under this method, deferred income taxes are recorded to reflect the tax consequences in future years of temporary differences between the tax bases of assets and liabilities and their financial reporting bases at each year-end. If it is more likely than not that some portion or all of the net deferred tax asset will not be realized, a valuation allowance is recognized.

**(n) Other Comprehensive Income (Loss)**

There were no items of other comprehensive income (loss) for the years ended December 31, 2002 and 2001; therefore, comprehensive income (loss) is the same as net income (loss) for each of these years.

**(o) Transfers of Financial Assets**

During 2001, the Company adopted SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. SFAS No. 140 applies a financial-components approach that focuses on control, whereby after a transfer of financial assets, an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred, de-recognizes financial assets when control is surrendered, and de-recognizes liabilities when extinguished. SFAS No. 140 also provides standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. SFAS No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001 with retroactive application not permitted. For disclosures relating to securitization transactions and collateral, the effective date is fiscal years ending after December 15, 2000. Under the provisions of SFAS No. 140, the Company's activities in relation to its receivable sale agreement with RFC, as discussed in note 6, are subject to these reporting standards.

**(p) Reclassifications**

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation.

**(3) Other Accrued Liabilities**

Other accrued liabilities consists of the following components at December 31:

	2002	2001
Accrued compensation	\$ 219,000	304,000
Other accrued liabilities	544,000	481,000
Total	\$ 763,000	785,000

**VYCERA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
(Formerly Genesis Communications International, Inc.)

Notes to Consolidated Financial Statements

December 31, 2002 and 2001

**(4) Supplemental Cash Flow Information**

Supplemental cash flow items consists of the following components at December 31:

	2002	2001
Cash paid during the year for:		
Interest	\$ 590,000	533,000
Taxes	1,000	1,000

**(5) Income Taxes**

The components of the net deferred tax asset at December 31, 2002 and 2001 are as follows:

	2002	2001
Accrued vacation	\$ 10,000	17,000
Allowance for doubtful accounts	122,000	118,000
Net operating loss carryforwards	1,706,000	1,719,000
Miscellaneous	50,000	48,000
	1,888,000	1,902,000
Less valuation allowance	(1,888,000)	(1,902,000)
Net deferred tax asset	\$ —	—

The realization of the deferred tax asset is dependent upon the Company generating sufficient taxable income prior to expiration of its operating loss carryforwards. Due to the uncertainty regarding the realization of the deferred tax asset, management believes it is not more likely than not that the Company's net deferred tax asset will be realized and, therefore, has provided a full valuation allowance against the net deferred tax asset.

**VYCERA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
(Formerly Genesis Communications International, Inc.)

Notes to Consolidated Financial Statements

December 31, 2002 and 2001

The significant components of the income tax provision for the years ended December 31, 2002 and 2001 are as follows:

	2002	2001
Current:		
Federal	\$ —	—
State	3,000	1,000
	3,000	1,000
Deferred:		
Federal	—	—
State	—	—
	—	—
	\$ 3,000	1,000

Income tax expense for the years ended December 31, 2002 and 2001 differed from the amounts computed by applying the federal statutory income tax rate of 34% primarily due to the effect of the full valuation allowance.

At December 31, 2002, the Company had federal and state net operating loss carryforwards of approximately \$4,347,000 and \$2,583,000, respectively. The federal and state net operating loss carryforwards begin to expire in 2018 and 2002, respectively.

**(6) Receivables Sale Agreement**

In July 1997, the Company entered into a receivables sale agreement (the RFC Agreement), under which the Company can sell fractional ownership interests in eligible pools of the Company's billed and unbilled trade accounts receivable, net of a 5% credit reserve, as defined by the RFC Agreement. In subsequent amendments dated July 1, 1999, June 29, 2001, and June 30, 2002 to the original RFC Agreement, RFC and the Company increased the aggregate purchase commitment to \$2,500,000 and extended the termination date to June 30, 2006. The aggregate purchase commitment represents the maximum amount of uncollected receivables held by RFC at any point in time. The Company is charged a quarterly program fee and interest at rates defined in the RFC Agreement.

The Company has received a legal opinion that the transfers of its receivables to RFC qualify as true sales. In accordance with SFAS No. 140, the Company recorded the net amounts sold under the RFC Agreement as a reduction in the Company's trade accounts receivable balance. Under the provisions of the RFC Agreement for the year ended December 31, 2001, the Company sold receivables of \$23,532,000, and as of December 31, 2001, RFC has made collections totaling \$22,984,000. Program fees, interest, and related financing charges for the year ended December 31, 2001 were \$206,000, recorded as interest expense in the accompanying consolidated statement of operations.

**VYCERA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
(Formerly Genesis Communications International, Inc.)

Notes to Consolidated Financial Statements

December 31, 2002 and 2001

During 2002, the Company sold receivables of \$19,494,000, and as of December 31, 2002, RFC has made collections totaling \$17,441,000. Program fees, interest, and related financing charges for the year ended December 31, 2002 were \$219,000, recorded as interest expense in the accompanying consolidated statement of operations.

**(7) Long-Term Debt and Other Long-Term Obligations**

Long-term debt consists of the following components at December 31:

	2002	2001
14% subordinated debentures, due in 2008	\$ 1,800,000	1,805,000
10% subordinated debentures, due in 2005, issued to related party	209,000	202,000
10% subordinated debentures, due in 2005, issued to related party	37,000	50,000
Total due	2,046,000	2,057,000
Less current portion	246,000	50,000
	\$ 1,800,000	2,007,000

During 1999, the Company issued 14% nonconvertible subordinated debentures due in 2004 in the principal amount of \$1,825,000. The debentures accrue interest on the principal amount at a rate of 14% through December 31, 1999, and thereafter, decrease on the following schedule: 13.5% beginning January 1, 2000 and ending June 30, 2000; 13% beginning July 1, 2000 and ending December 31, 2000; and 12.5% beginning January 1, 2001 and continuing until maturity. Interest is payable monthly and the Company may prepay the principal and accrued but unpaid interest at any time without premium or penalty. Upon the occurrence of an acceleration event, as defined in the debenture agreement, the principal amount and unpaid interest will become immediately due. On various dates during 2004, the Company repaid \$612,000 of the outstanding debentures, issued new debentures in the amount of \$125,000 and extended the maturity date on all remaining debentures to January 2008.

During 2001, the Company entered into two debenture agreements with a related party. The first note was entered into in July 2001 in the principal amount of \$50,000 with an interest rate of 10% payable monthly, with an original maturity date of December 30, 2001. The repayment of this note was extended during 2001 to a maturity date of December 30, 2002. A portion of the note was extinguished in December 2002 upon maturity and replaced by a \$37,000 note bearing interest at 10% per annum and maturing in December 2003. The second note was entered into in September 2001 in the principal amount of \$202,000 with an original maturity date of September 4, 2002, but was extended to September 3, 2003 during 2002. The note has an interest rate of 10% with interest payable semiannually. The balance as of December 31, 2002 includes \$7,000 of accrued interest. The Company may prepay the principal and accrued but unpaid interest on both notes at any time without premium or penalty. In 2003, the maturity date of both related party notes was extended to September 2005.

**VYCERA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
(Formerly Genesis Communications International, Inc.)

Notes to Consolidated Financial Statements

December 31, 2002 and 2001

**(8) Commitments and Contingencies**

**(a) Leases**

The Company has entered into operating lease agreements primarily for office facilities and equipment. The operating leases are subject to annual increases based upon the consumer price index. The Company also leases certain equipment under capital lease agreements that mature on various dates through March 4, 2005 and have interest rates ranging from 9.15% to 16.5%. As of December 31, 2002, approximately \$1,249,000 of such leased equipment is included in property and equipment with accumulated depreciation, totaling \$470,000.

Future minimum payments to be made under lease agreements are as follows:

	Operating leases	Capital leases
Year ending December 31:		
2003	\$ 946,000	363,000
2004	920,000	103,000
2005	170,000	13,000
2006	36,000	—
Total minimum lease payments	\$ 2,072,000	479,000
Less amounts representing interest		(47,000)
Capital lease obligation		432,000
Less current portion		(337,000)
Long-term capital lease obligation		\$ 95,000

Rent expense for the years ended December 31, 2002 and 2001 was approximately \$905,000 and \$930,000, respectively.

**(b) Legal Proceedings**

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations, or liquidity.

**(9) Stockholders' Deficit**

**Stock Options**

During 1995, the Company adopted a stock option plan (the Plan), which provides for the grant of incentive stock options (ISOs) and nonstatutory options to employees, directors, or consultants. The Company has reserved 1,000,000 shares of common stock for issuance under the Plan.

**VYCERA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
(Formerly Genesis Communications International, Inc.)

Notes to Consolidated Financial Statements

December 31, 2002 and 2001

During 2001, the Company adopted the 2001 Stock Option/Stock Issuance Plan (the 2001 Plan), which provides for either the grant of ISOs or nonstatutory options to employees, members of the board of directors, or consultants under the 2001 Plan's stock option feature. Additionally, under the 2001 Plan's stock issuance program, shares of common stock can be issued directly either through immediate purchase of shares or as a bonus for service rendered to the Company. The Company has reserved a maximum of 1,000,000 shares of common stock for issuance under the 2001 Plan.

The 2001 Plan provides that the exercise price of ISOs and nonstatutory options is not less than the fair value of the underlying shares and not less than 85% of the fair value of the underlying shares, respectively, on the date of grant. The board of directors estimates the fair value on the date of grant and the option vesting upon each grant. Options may be exercised during a maximum 10-year period from the date of grant.

The following table summarizes stock option plan activity:

	<u>Options outstanding</u>	<u>Weighted average exercise price</u>
Balance, December 31, 2000	501,550	\$ 2.73
Granted	668,000	1.00
Exercised	(27,500)	0.20
Canceled	(220,850)	2.52
Balance, December 31, 2001	921,200	1.62
Granted	225,000	0.50
Exercised	—	0.00
Canceled	(354,400)	1.81
Balance, December 31, 2002	<u>791,800</u>	<u>\$ 1.01</u>

At December 31, 2002 and 2001, approximately 305,000 and 200,000 shares under option were exercisable, respectively. The weighted average exercise price for options exercisable at December 31, 2002 and 2001 was \$1.59 and \$3.11, respectively. At December 31, 2002 and 2001, the weighted average remaining contractual life for options outstanding was 2.71 and 2.19 years, respectively. At December 31, 2002 and 2001, the range of exercise prices was \$4.40 to \$0.50 and \$4.40 to \$0.20, respectively.

**VYCERA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
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Notes to Consolidated Financial Statements

December 31, 2002 and 2001

The Company has elected to account for its stock-based compensation plans under APB No. 25. However, the Company has computed, for pro forma disclosure purposes, the value of all options granted using the fair-value method as prescribed by SFAS No. 123. Under this method, the Company used the risk-free interest rate at the date of grant, expected volatility, expected dividend yield, and expected life of the options to determine the fair value of options granted. The risk-free interest rate used in the calculation was 3.70%, expected volatility and dividend yield were assumed to be zero, and the expected life of the options was assumed to be five years.

For purposes of pro forma disclosures, the estimated fair value of options is amortized to expense over the options' vesting period. The pro forma compensation expense may not be representative of such expense in future years.

**(10) Employee Benefits**

The Company has a qualified 401(k) profit sharing plan (the 401(k) Plan) covering all employees completing 12 months of employment with the Company. The Company, at the sole discretion of the board of directors, can make matching contributions equal to some portion or all of the participant's contribution to the 401(k) Plan. Company contributions for the years ended December 31, 2002 and 2001 were \$21,146 and \$23,795, respectively. Participants vest in the Company's contributions over five years.

**(11) Subsequent Events**

In May 2003, the Company entered into a noncancelable capital lease for equipment. The lease matures in May 2006 with an associated interest rate of 11.79%. Future minimum payments to be made under lease agreements are as follows:

Year ending December 31:			
2003	\$	15,239	
2004		26,124	
2005		26,124	
2006		10,885	
Thereafter		—	
		<hr/>	
Total minimum lease payments		78,372	
		<hr/>	
Less amounts representing interest		(12,500)	
		<hr/>	
Total capital lease obligation	\$	<u>65,872</u>	

**Yycera Communications Inc.**  
Consolidated Balance Sheet  
2003  
All Amounts in U.S. Dollars

	January, 2003	February, 2003	March, 2003	April, 2003	May, 2003	June, 2003	July, 2003	August, 2003	September, 2003	October, 2003	November, 2003	December, 2003
<b>ASSETS</b>												
<b>Current assets:</b>												
Cash	\$82,545	\$1,095,916	\$758,171	\$788,246	\$811,082	\$870,910	\$877,821	\$819,674	\$1,023,564	\$938,238	\$836,928	\$844,800
Network receivables, net of allowance for doubtful accounts	\$426,813	\$394,689	\$637,619	\$666,240	\$623,415	\$337,658	\$393,307	\$363,726	(\$95,621)	(\$223,295)	\$151,997	\$333,912
Prepaid expenses and other current assets	\$191,451	\$160,740	\$241,291	\$218,366	\$228,987	\$221,820	\$235,465	\$202,236	\$186,511	\$170,060	\$200,550	\$205,263
Total current assets	1,442,810	1,651,345	1,637,080	1,672,852	1,663,484	1,630,388	1,506,592	1,385,636	1,174,453	885,003	1,189,476	1,383,975
<b>Property and equipment - at cost:</b>												
Network Equipment	2,195,839	2,197,138	2,197,138	2,197,138	2,197,138	2,263,038	2,263,039	2,323,621	2,323,621	2,325,407	2,325,407	2,325,408
Leasehold Improvements	152,236	152,236	156,111	161,975	172,910	182,178	182,937	188,719	188,719	188,720	188,720	188,719
Equipment	687,362	689,174	719,894	737,408	739,587	744,309	749,736	754,342	771,819	776,727	785,568	796,057
Furniture	261,926	262,730	262,730	262,730	262,730	262,730	262,730	262,730	262,730	262,729	262,729	262,729
Software	189,593	189,593	189,593	189,593	189,593	189,593	197,393	197,393	197,393	197,393	198,070	198,070
	3,486,956	3,490,871	3,525,466	3,548,844	3,561,959	3,641,847	3,655,835	3,726,805	3,744,281	3,750,977	3,760,494	3,770,983
Less - accumulated depreciation and amortization	2,005,209	2,041,833	2,078,444	2,115,974	2,153,698	2,191,466	2,232,099	2,272,991	2,311,379	2,349,995	2,388,687	2,428,576
Total property and equipment	1,481,747	1,449,039	1,447,021	1,432,870	1,408,261	1,450,382	1,423,736	1,453,814	1,432,902	1,400,983	1,371,807	1,342,408
Other assets	334,721	339,290	326,817	313,309	309,126	294,769	292,303	280,334	271,029	223,265	219,480	204,391
Total Assets	\$3,259,277	\$3,439,674	\$3,410,918	\$3,419,031	\$3,380,871	\$3,375,539	\$3,222,632	\$3,119,784	\$2,818,364	\$2,509,251	\$2,780,763	\$2,920,773
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>												
<b>Current liabilities:</b>												
Long-term debt maturing within one year - notes payable	37,000	34,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	46,000	46,000	46,000
Long-term debt maturing within one year - capital leases	336,664	336,735	336,797	316,410	290,837	284,650	258,701	250,791	224,425	197,768	170,817	143,569
Accounts payable	914,077	1,031,310	1,080,123	1,085,652	838,709	722,742	824,277	820,489	712,622	863,019	853,708	574,133
Accrued network costs	1,701,304	1,859,913	1,900,781	2,069,670	2,144,795	2,317,601	2,188,140	2,237,166	2,090,139	1,633,127	1,791,228	1,930,403
Other current liabilities	631,986	595,416	481,252	330,141	487,595	435,590	370,925	224,487	255,491	(123,343)	47,974	562,115
Accrued revenue taxes	125,603	172,887	131,576	148,981	154,718	130,321	123,408	132,835	89,855	86,025	100,787	105,596
Total current liabilities	3,746,634	3,970,260	3,979,529	3,999,854	3,965,654	3,940,104	3,814,450	3,714,768	3,421,532	2,722,596	3,010,514	3,381,816
Long-term debt, notes payable, less current portion	2,010,514	2,002,127	2,003,844	2,005,519	2,007,265	2,008,969	2,010,743	2,010,743	2,010,668	2,016,007	2,017,783	2,040,384
Long-term debt, capital leases, less current portion	68,835	41,764	14,429	11,448	8,839	50,920	46,561	82,995	76,708	70,938	64,838	58,743
Stockholders' equity	2,291,376	2,291,376	2,291,376	2,291,376	2,291,376	2,291,376	2,291,376	2,291,377	2,291,376	2,291,376	2,291,376	2,291,377
Common stock, 10,000,000 shares authorized with no par value	(4,858,081)	(4,865,854)	(4,878,239)	(4,889,166)	(4,892,264)	(4,915,830)	(4,940,499)	(4,980,099)	(4,981,900)	(4,991,666)	(4,991,666)	(4,851,547)
Accumulated deficit	(2,566,705)	(2,574,478)	(2,586,883)	(2,597,790)	(2,600,888)	(2,624,454)	(2,649,123)	(2,688,722)	(2,690,524)	(2,300,290)	(2,312,392)	(2,560,170)
Total Liabilities and Stockholders' Deficit	\$3,259,277	\$3,439,674	\$3,410,918	\$3,419,031	\$3,380,871	\$3,375,539	\$3,222,632	\$3,119,784	\$2,818,364	\$2,509,251	\$2,780,763	\$2,920,773

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**Vycera Communications Inc.**

Consolidated Balance Sheet  
2004

All Amounts in U.S. Dollars

	January, 2004	February, 2004	March, 2004	April, 2004	May, 2004	June, 2004	July, 2004	August, 2004
<b>ASSETS</b>								
<b>Current assets:</b>								
Cash	883,641	957,864	880,373	939,988	839,437	1,006,644	917,151	890,777
Network receivables, net of allowance for doubtful accounts	897,582	1,032,053	1,269,399	1,339,834	1,729,068	1,466,035	1,527,784	1,392,810
Prepaid expenses and other current assets	212,089	223,794	256,207	222,587	270,479	229,484	284,340	286,221
Total current assets	1,993,312	2,233,711	2,405,979	2,502,409	2,838,984	2,702,162	2,729,275	2,569,807
<b>Property and equipment - at cost:</b>								
Network Equipment	2,325,407	2,325,408	2,357,882	2,461,898	2,461,898	2,461,898	2,461,898	2,461,898
Leasehold Improvements	188,589	188,588	188,588	188,588	188,589	215,783	230,241	236,732
Equipment	861,780	866,944	868,840	872,791	879,775	913,899	936,173	955,206
Furniture	262,730	262,730	263,268	263,268	263,267	264,015	264,015	264,015
Software	198,069	201,772	201,772	201,772	202,618	206,518	206,517	208,517
	3,836,574	3,845,441	3,880,349	3,988,316	3,996,146	4,061,365	4,098,844	4,126,368
Less - accumulated depreciation and amortization	2,480,137	2,517,741	2,555,470	2,594,179	2,635,298	2,676,328	2,718,175	2,760,029
Total property and equipment	1,356,437	1,327,700	1,324,879	1,394,137	1,360,848	1,385,037	1,380,669	1,366,339
Other assets	201,872	189,007	234,066	198,443	202,392	215,737	246,783	249,768
Total Assets	\$3,551,621	\$3,750,418	\$3,964,924	\$4,094,989	\$4,402,224	\$4,302,936	\$4,356,727	\$4,185,915
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>								
<b>Current liabilities:</b>								
Long-term debt maturing within one year - notes payable	46,000	45,000	45,000	45,000	45,000	45,000	44,000	43,000
Long-term debt maturing within one year - capital leases	134,086	109,969	85,594	115,216	116,364	117,524	115,986	114,435
Accounts payable	528,816	439,200	509,253	428,829	372,480	404,368	350,824	432,010
Accrued network costs	2,346,890	2,568,402	2,816,772	2,978,947	3,181,615	2,686,630	2,703,447	2,769,407
Other current liabilities	651,322	693,933	659,904	617,851	721,182	689,505	779,118	357,041
Accrued revenue taxes	134,333	196,515	220,669	252,825	292,513	322,910	289,588	345,621
Total current liabilities	3,841,647	4,053,019	4,337,193	4,438,667	4,729,154	4,265,937	4,282,963	4,061,514
Long-term debt, notes payable, less current portion	2,042,934	2,032,149	1,881,721	1,826,046	1,813,472	2,161,986	2,192,152	2,232,007
Long-term debt, capital leases, less current portion	84,973	77,511	93,405	157,342	147,108	136,771	129,041	121,230
Stockholders' equity	2,291,377	2,291,376	2,291,376	2,291,377	2,291,376	2,291,376	2,291,376	2,291,377
Common stock, 10,000,000 shares authorized with no par value	(4,709,210)	(4,703,637)	(4,640,770)	(4,618,443)	(4,578,886)	(4,553,133)	(4,538,805)	(4,520,213)
Accumulated deficit	(2,417,833)	(2,412,261)	(2,349,394)	(2,327,066)	(2,287,510)	(2,261,757)	(2,247,459)	(2,228,836)
Total Stockholders' Deficit	\$3,551,621	\$3,750,418	\$3,964,924	\$4,094,989	\$4,402,224	\$4,302,936	\$4,356,727	\$4,185,915
Total Liabilities and Stockholders' Deficit								

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