

LY Holdings, LLC

BALANCE SHEET
November 30, 2009

| DESCRIPTION | CURRENT MONTH | PRIOR YEAR END | INC/(DEC) PRIOR YEAR |
|---|-----------------------|-----------------------|-------------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash in Bank | \$440 | \$440 | \$0 |
| Investments | 60,754 | 60,185 | 569 |
| Trade Accounts Receivable | 9,181,013 | 5,770,679 | 3,410,333 |
| Allowance for Bad Debt | (3,599,008) | (665,477) | (2,933,531) |
| Prepaid Expenses | 593,557 | 403,062 | 190,496 |
| Other Assets | 1,898,447 | 1,651,248 | 247,200 |
| TOTAL CURRENT ASSETS | \$8,135,203 | \$7,220,136 | \$915,067 |
| FIXED ASSETS | | | |
| Furniture & Fixtures | 68,286 | 68,286 | 0 |
| Equipment | 1,646,045 | 1,542,113 | 103,933 |
| Leasehold Improvements | 474,279 | 474,279 | 0 |
| Leased Equipment under Capital Leases | 257,947 | 257,947 | 0 |
| Accumulated Depreciation | (1,894,279) | (1,641,195) | (253,084) |
| Accumulated Amortization - Capital Leases | (224,959) | (153,496) | (71,463) |
| TOTAL FIXED ASSETS | \$327,318 | \$547,933 | (\$220,615) |
| OTHER ASSETS | | | |
| Intangible Assets | 4,654,583 | 4,654,583 | 0 |
| Trademarks | 920,000 | 920,000 | 0 |
| Accumulated Amortization | (5,273,542) | (4,753,611) | (519,930) |
| Loan Costs | 900,000 | 462,500 | 437,500 |
| Other Non-Current Assets | 283,891 | 252,614 | 31,278 |
| TOTAL OTHER ASSETS | \$1,484,932 | \$1,536,085 | (\$51,153) |
| TOTAL ASSETS | \$9,947,453 | \$9,304,154 | \$643,299 |
| LIABILITIES AND EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Accounts Payable | 1,750,792 | 1,049,599 | 701,193 |
| Line Cost Payable | 5,543,926 | 4,276,995 | 1,266,931 |
| Notes Payable | 1,250,000 | 1,250,000 | 0 |
| Interest Payable - Notes | 1,642,736 | 1,084,831 | 557,904 |
| Excise Tax Payable | 736,527 | 664,749 | 71,778 |
| Payroll & Payroll Tax Payable | 210,241 | 282,627 | (72,385) |
| Commissions Payable | 625,161 | 827,859 | (202,698) |
| Obligations under Capital Leases | 35,727 | 79,173 | (43,446) |
| Other Accrued Expenses | 2,356,795 | 2,261,181 | 95,614 |
| TOTAL CURRENT LIABILITIES | \$14,151,905 | \$11,777,015 | \$2,374,891 |
| LONG-TERM LIABILITIES | | | |
| Notes Payable | 18,016,262 | 15,416,262 | 2,600,000 |
| Interest Payable - Notes | 2,891,912 | 2,276,674 | 615,238 |
| Obligations under Capital Leases | 1,730 | 34,028 | (32,299) |
| TOTAL LONG-TERM LIABILITIES | \$20,909,904 | \$17,726,964 | \$3,182,940 |
| TOTAL LIABILITIES | \$35,061,809 | \$29,503,978 | \$5,557,831 |
| EQUITY | | | |
| Members Interest | 1,310,199 | 1,310,199 | 0 |
| Distributions | (55,369) | (53,588) | (1,781) |
| Retained Earnings | (21,456,435) | (18,606,020) | (2,850,415) |
| Retained Earnings - Current Year | (4,912,751) | (2,850,415) | (2,062,336) |
| TOTAL EQUITY | (\$25,114,356) | (\$20,199,824) | (\$4,914,532) |
| TOTAL LIABILITIES AND EQUITY | \$9,947,453 | \$9,304,154 | \$643,299 |

OFFICIAL FILE

I.C.C. DOCKET NO. 09 0517
Applint Exhibit No. _____

CONFIDENTIAL - FOR INTERNAL USE ONLY (UNAUDITED)

01/08/10

Witness _____
Date 1/13/10 *Reporter*

LY Holdings, LLC

INCOME STATEMENT
November 30, 2009

| | <u>YEAR TO DATE</u> |
|-------------------------------------|----------------------|
| | <u>ACTUAL</u> |
| REVENUE | |
| Data | \$4,504,028 |
| Local | 7,997,785 |
| Long Distance | 21,420,588 |
| VOIP | 4,367,437 |
| Wireless | 6,102,095 |
| Other | 7,118,415 |
| TOTAL REVENUE | \$51,510,348 |
| LINE COSTS | |
| Data | 3,702,220 |
| Local | 6,637,770 |
| Long Distance | 13,176,077 |
| VOIP | 3,570,845 |
| Wireless | 3,659,638 |
| Other | 2,983,080 |
| TOTAL LINE COSTS | \$33,729,628 |
| GROSS MARGIN | \$17,780,720 |
| SG&A | |
| Salaries | 4,985,415 |
| Salaries - Overtime | 54,312 |
| Bonuses | 32,200 |
| Payroll Taxes | 442,258 |
| Employee Benefits | 593,194 |
| Commissions - Agent Sales | 4,903,361 |
| Product Research | 71 |
| Advertising | 46,932 |
| Promotion | 182,597 |
| Marketing Product Expense | 3,792 |
| Billing Costs | 575,122 |
| Rent - Building | 526,014 |
| Amortization Expense | 190,352 |
| Depreciation Expense | 253,685 |
| Contract Labor | 303,439 |
| Dues, Subscrip's & Publ. | 45,756 |
| Business Insurance | 157,811 |
| Operating Leases Expense | 164,783 |
| Legal Fees | 341,466 |
| Other Professional Fees | 92,530 |
| Licenses & Fees | 462,043 |
| Meals & Entertainment | 84,025 |
| Office Supplies | 85,042 |
| Minor Equipment | 18,372 |
| Parking & Tolls | 5,564 |
| Bank Fees | 513,563 |
| Outside Services | 334,762 |
| Postage and Express Mail | 75,928 |
| Seminars & Meetings | 3,066 |
| Printing and Reproduction | 21,912 |
| Employee Recruitment | 899 |
| Repair & Maintenance | 169,387 |
| Maintenance Agreements | 131,464 |
| Property Taxes | 114,266 |
| Telephone & Pagers | 482,426 |
| Bad Debt Expense | 3,408,095 |
| Agent Recruitment & Training | 46,145 |
| Trade Shows | 46,081 |
| Transportation | 32,701 |
| Travel | 177,209 |
| Utilities | 152,468 |
| Excise Tax | 5,606 |
| Gifts and Contributions | 1,527 |
| TOTAL SG&A | \$20,267,640 |
| OPERATING INCOME (LOSS) | (\$2,486,920) |
| EBITDA | (\$2,042,883) |
| OTHER INCOME & EXPENSE | |
| Interest Income | 73,866 |
| Other Income | 10,084 |
| Other Expense | (723,655) |
| Interest Expense - Other | (1,771,571) |
| Income Tax Expense | (15,156) |
| Gain/Loss on Sale of Assets | 601 |
| TOTAL OTHER INCOME & EXP | (\$2,425,831) |
| NET INCOME (LOSS) | (\$4,912,751) |