

601-109

KC/BB

TC03-109

DOCKET NO.

In the Matter of \_ IN THE MATTER OF THE  
APPLICATION OF MOTION TELECOM,  
INC. FOR A CERTIFICATE OF  
AUTHORITY TO PROVIDE  
I N T E R E X C H A N G E  
TELECOMMUNICATIONS SERVICES IN  
SOUTH DAKOTA

Public Utilities Commission of the State of South Dakota

DATE	MEMORANDA
7/7 03	<i>Filed and docketed;</i>
7/10 03	<i>Weekly filing;</i>
7/23 03	<i>Surety bond;</i>
7/23 03	<i>Revised tariff pages;</i>
8/8 03	<i>Order granting C&amp;A;</i>
8/8 03	<i>Docket closed.</i>

TC03-109

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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

STATE OF SOUTH DAKOTA

In the matter of the Application  
of Motion Telecom, Inc. for  
Certificate of Authority for Interexchange Service  
The State of SOUTH DAKOTA

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STATEMENT OF BUSINESS OPERATIONS

Application is hereby made to the SOUTH DAKOTA Public Utilities Commission for a certificate authorizing Motion Telecom, Inc., ("Applicant") to operate as a reseller of long distance telecommunications services including prepaid calling card service pursuant to SOUTH DAKOTA Public Service Commission Telecommunication Resellers Rules and Regulations.

The following general information and exhibits are furnished in support thereof:

Applicant's legal name, complete address and telephone/fax numbers:

Motion Telecom, Inc.  
7101 South Fulton Street #200  
Englewood, Colorado 80112  
(303) 784-5300  
(303) 784-5345 (fax)

Fed Tax ID# 13-4246167

Certificate of Incorporation

Applicant is authorized to transact business in the SOUTH DAKOTA. A copy of its Certificate of Authority, State of Colorado Articles of Incorporation, and Amendment to Articles are attached hereto as Exhibit 1. The record reveals that Motion Telecom, Inc. is a privately held corporation, organized under the laws of the State of Colorado and is authorized to transact business in the SOUTH DAKOTA as a foreign corporation by the SOUTH DAKOTA Secretary of State.

Questions concerning this Application should be directed to

Barbara H. Vonderheid  
Chief Legal Officer/General Counsel  
7101 South Fulton Street #200  
Englewood, Colorado 80112  
(303) 784-5329  
(303) 754-5367 (fax)  
bvonderheid@awipcs.com

Registered agent, complete address, telephone/fax numbers

Person Enterprises  
819 W. 3rd  
Pierre, SD 57501

Attorney of record, complete address, telephone/fax numbers

Barbara H. Vonderheid  
Chief Legal Officer/General Counsel  
7101 South Fulton Street #200  
Englewood, Colorado 80112  
(303) 784-5329  
(303) 754-5367 (fax)  
bvonderheid@awipcs.com

Notice, orders and other papers may be served upon Applicant's counsel and such service constitutes service upon Applicant.

General description of operations:

Applicant is a switchless, non-facilities based interexchange resale carrier proposing to provide long distance communication services and prepaid calling card services to residential and commercial customers in the State of SOUTH DAKOTA for their direct transmission and reception of voice, data and other types of telecommunications. Applicant proposes offering these services throughout the State of SOUTH DAKOTA. UUNet (formerly WorldCom Telecommunications) supplies all network services. From time to time, Applicant may offer other services provided by other registered interexchange carriers. All network facilities are the property of other carriers. Service will be available on a full-time basis, twenty-four hours a day, seven days a week. Applicant supplies its own billing services. Customer service is available through a toll free number (1-800-864-4306) during normal business hours. An answering service is utilized outside normal business hours for emergency purposes. Applicant does not provide alternative operator services nor own or lease facilities. A complete description of Applicant's services and rates is set forth in Applicant's proposed tariff attached as Exhibit 2. An original and 10 copies of the tariff are enclosed. Please date stamp and return an extra copy of the tariff in the enclosed self-addressed envelope provided.

Attached is information demonstrating the applicant has sufficient technical, financial, and managerial capabilities to provide the interexchange services it intends to offer consistent with the requirements of this chapter and other applicable rules and laws. Exhibit 3.

Applicant is solely dependent on the technical capabilities of its underlying carrier.

The company has not acquired a customer by switching it from another company without the customer's authorization. The company has not been the subject of a complaint and/or investigation for unauthorized switching of a customer's local or long distance service from one carrier to another.

Applicant's Officers and Directors are:

Mark Gritz, President  
Susan Spurr, Vice President  
Barbara Vonderheid, Vice President  
Victor Mitchell, Secretary, Treasurer, Ass't Secretary

Directors:

Mark Gritz  
Victor Mitchell  
Susan Spurr

All officers and directors can be located at:

7101 South Fulton Street #200  
Englewood, Colorado 80112

Corporate officers and major stockholders or partners holding a five- percent or greater equity interest:

Name, Address, Telephone	# of Shares	% of shares	% of voting
Advantage Advisory Service, Inc Parent Company 7101 South Fulton Street #200 Englewood, Colorado 80112	50,000	50%	100%

A Copy of Advantage Advisory Service, Inc. 2002 audited financials is attached as Exhibit 2.

#### Financial Qualifications

Attached as Exhibit 2 is a copy of Applicant's most recent balance sheet and income statement which demonstrates that Applicant has the financial ability to provide the services that

it proposes to offer. Applicant is a privately held corporation therefore, no annual report is prepared.

Territory to be Served by Applicant

Applicant proposes to provide its services originating throughout the entire State of SOUTH DAKOTA.

Operations in Other States

Applicant intends to file for certification in the remaining states not listed. In no instance has any application been denied or rejected.

Exhibit 4.

No officer, director, or shareholder having five percent or more of applicant's voting securities nor any of applicant's business operations have been involved in a formal complaint or other investigatory or enforcement proceeding.

The Applicant's office hours are Monday through Friday, 7:00 a.m. to 6:00 P.M. Mountain standard or Mountain Daylight time. Complaints are handled during business hours by the following customer representatives:

Shirlene Anaya  
7101 South Fulton Street #200  
Englewood, Colorado 80112  
(303) 784-5300  
(303) 754-5345 (fax)  
1-800-864-4306

Regulatory contact person, complete address, telephone/fax numbers:

Barbara H. Vonderheid  
General Counsel  
7101 South Fulton Street #200  
Englewood, Colorado 80112  
(303) 784-5300  
(303) 754-5367 (fax)  
1-800- 864-4306

## Marketing

The Applicant intends to use third party referrals and dealer representatives to market to residential and business customers. See Exhibit 5 for copies of marketing collateral.

## Applicant's Public Interest Statement


Applicant provides telecommunications services by reselling the services of facilities-based interexchange carriers. By buying the services in bulk, Applicant is able to provide cost-effective, high-quality telecommunications services to residential and commercial customers. Applicant will enhance competition in the State of SOUTH DAKOTA by offering additional service options, competitive rate plans and high service quality to SOUTH DAKOTA telecommunications users. Applicant has examined the regulations applicable to its services and has provided a Letter of Authorization, third party verification and customer billing and notices in compliance with such regulations. Applicant's entry into the SOUTH DAKOTA market will also provide an efficient use of existing telecommunications resources, as Applicant uses the facilities constructed by other companies and resells their services. Applicant has hired seasoned technical and management staff to operate its long distance resale business and is fully staffed to operate for the customers in SOUTH DAKOTA.

The information contained in the application and in the exhibits fully describes applicant's business and its ability to provide end users and customers in SOUTH DAKOTA with a viable and economical alternative telecommunications service.

## Conclusion

In view of the foregoing, Motion Telecom, Inc. respectfully requests that the Public Utilities Commission of the State of SOUTH DAKOTA grant it a Certificate of Public Convenience and Necessity to operate as a reseller of interexchange telecommunications services within the State of SOUTH DAKOTA pursuant to the SOUTH DAKOTA Rules and Regulations.

Respectfully submitted,

  
\_\_\_\_\_  
(Signature)

Barbara H. Vonderheid, Chief Legal Officer/General Counsel

Motion Telecom, Inc.  
7101 South Fulton Street Suite 200  
Englewood, CO 80112  
303-784-5300

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ARTICLES OF INCORPORATION OF  
ADVANTAGE TELECOM, INC.

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SECRETARY OF STATE  
STATE OF COLORADO

I, the undersigned, being a natural person more than eighteen years of age, desiring to form a Corporation, the objects of which are herein set forth, under and by virtue of the provisions of the Colorado Corporation Code, and in accordance with the provisions and requirements thereof, do hereby make, execute, and acknowledge these Articles of Incorporation in writing, stating:

ARTICLE I

Name

The name of the Corporation is: **ADVANTAGE TELECOM, INC.**

ARTICLE II

Period of Duration

The Corporation shall have perpetual existence.

ARTICLE III

Purpose

The purposes for which this Corporation is formed are to do any or all of the things hereafter mentioned in the United States or any of its possessions, or as hereinafter set forth as fully and to the same extent as natural persons might or could do, viz:

(a) To carry on any business whatsoever that this corporation may deem proper or convenient or otherwise, or that it may deem calculated, directly or indirectly, to improve the interests of this corporation, and to do all things specified in the Colorado Corporation Code, and to have and to exercise all powers conferred by the laws of the State of Colorado on corporations formed under the laws pursuant to which and under which this corporation is formed, and such laws are now in effect or may at any time hereafter be amended, and to do any and all things hereinabove set forth to the same extent and as fully as natural persons might or could do, either alone or in connection with other persons, firms, associations, or corporations, and in any part of the world.

(b) The foregoing statement of purposes shall be construed as a statement of both purposes and powers, shall be liberally construed in aid of the powers of this corporation, and the powers and purposes stated in each clause shall, except where otherwise stated, be in nowise limited or restricted by any term or provisions of any other clause, and shall be regarded not only as independent purposes, by the purposes and powers stated shall be construed distributively as each object expressed, and the enumeration as to specific powers shall not be construed as to limit in any manner the aforesaid general powers, but are in furtherance of, and in addition to and not in limitation of said general powers.

(c) To buy, sell, lease, rent, loan, trade, barter, distribute, ship and/or otherwise deal with any and all aspects, either directly related to or incidental to, the carrying on of the business aforesaid; to engage in business or provide services including, but not limited to, the following: research and development, assembly, manufacturing, or acquisition of any and all apparatus in any way related to the aforesaid business, equipment and accessories, fabrication, wholesaling, retailing, delivery and trucking.

(d) To buy, sell, design, manufacture, assemble, publish, lease, rent, and/or deal in any and all apparatus, equipment, computer software, literature and accessories in any way related to the aforesaid business, patents, processes, procedures, data, tools, supplies, related items, and things for use with the above-mentioned items and all other articles connected with or incidental to the carrying on of the business.

(e) To apply for, purchase, or by other means acquire, hold, sell, assign, lease, or otherwise dispose of, and protect, prolong, and renew, whether in the United States or elsewhere, any patents, patent rights, inventions, processes, licenses, protections, concessions, trademarks, and tradenames that may appear likely to be advantageous or useful to the Corporation, and to use and turn to account and to manufacture under or grant licenses or privileges in respect of the same, and to expend money in experimenting on and testing and improving or seeking to improve any patents, inventions, or rights that the Corporation may acquire or propose to acquire.

(f) To purchase, lease, build, construct and otherwise obtain any and all buildings, structures, storage and warehouse facilities and works necessary and useful in carrying on any part of the business of the Corporation, and to acquire, own, hold, use, and operate any other kind of real and personal property deemed necessary or useful in and about its business.

(g) To purchase or otherwise acquire, own, hold, maintain and use any and all machinery, equipment, automobiles, trucks and tractors as may be deemed necessary or useful in carrying on the business of the Corporation or any part thereof.

(h) To engage in the business of disposing of any real estate, equipment or supplies acquired by the Corporation, and to sell, lease, mortgage or otherwise encumber, or otherwise dispose of any or all of its real or personal property from time to time when deemed necessary or advisable.

(i) To make and enter into contracts with other persons, firms, partnerships, associations or Corporations, or with any state, government or agency thereof, for any and all lawful purposes.

(j) To borrow money and to make, issue, negotiate and deliver its promissory notes, debentures, bonds and/or other securities or evidences of indebtedness, and to secure payment thereof by mortgage, pledge, or other encumbrance upon all or any part of its property and assets.



(k) To purchase or otherwise acquire the properties and assets of any other person, firm, partnership, association or Corporation and the business and good will thereof, when such acquisition is deemed advisable, and to pay therefor in cash, or in its stock, notes, debentures, bonds or other securities or other evidences of its indebtedness or any such securities or obligations of the person, firm, partnership, association or Corporation whose properties and business are so acquired.

(l) To purchase or otherwise acquire, and to invest in, hold, own and dispose of the stock, bonds, notes, debentures, and other obligations or securities issued by any persons, firm, partnership, association or Corporation, and the bonds or other evidences of the obligations of any government, state, territory or province, or any city, county or other governmental subdivision thereof; and to guarantee payment of dividends on, or of the principal of, or interest on, any stock, bonds, notes, debentures, or other securities or obligations, of any person, firm, partnership, association or Corporation in which this Corporation has interests as shareholder, creditor or otherwise.

(m) To purchase or otherwise acquire shares of its own capital stock, and to hold, sell, exchange, pledge or otherwise dispose of or retire the same; provided, that this Corporation shall not use any of its funds or property for the purchase of its own shares when such use would cause any impairment of the capital of this Corporation, and provided further, that the shares of its own stock belonging to this Corporation shall not be voted directly or indirectly while so owned.

(n) To conduct business and to have offices and places of business, and to acquire, own and dispose of property of all kinds in the State of Colorado, and in other states and territories, districts, dependencies or colonies of the United States, and in any foreign country, subject to compliance with the laws thereof; and generally to have and exercise all of the powers now or hereafter conferred by the General Corporation Laws of the State of Colorado, whether or not herein specifically mentioned.

(o) To carry on any other lawful business which may be deemed related or tributary to the business of the Corporation.

The foregoing clauses shall be construed as both objects and powers, and the foregoing enumeration of powers shall not be deemed to limit or restrict in any manner the general powers of this Corporation; and the purposes, objects and powers specified in each of the paragraphs of this Article II, shall not be limited or restricted by reference to or inference from the terms of any other paragraph.

**ARTICLE IV**  
**Capital Stock**

(a) The amount of the capital stock of the Corporation shall be 100,000 authorized shares of no par value per share common stock, and all or any part of such stock may be issued fully paid in payment for labor, time, services rendered or for leases on real estate or other property, real or personal, cash, or for the purchase of existing business enterprises, or in the purchase of such property as may be deemed by the Board of Directors necessary for the Corporation and when so issued shall be fully paid stock.

(b) Such shares shall be of a single class and no preferences, qualifications, limitations, restrictions, or special rights, other than those provided by law, shall exist with respect to any of the shares of the corporation or any of the holders of such shares except as hereinafter provided.

**ARTICLE V**  
**Cumulative Voting**

Cumulative voting of shares of stock shall not be allowed.

**ARTICLE VI**  
**Preemptive Rights**

Shareholders' preemptive right to acquire additional or treasury shares of the Corporation shall not be allowed.

**ARTICLE VII**  
**Initial Board of Directors**

The business and affairs of said Corporation shall be managed by the Board of Directors which shall consist of not less than three (3) member.

The initial Board of Directors shall consist of the following individuals who shall manage the business and affairs of the Corporation and shall hold office until the first annual meeting of shareholders and until her successor(s) have been duly elected and qualified, are:

**Name and Address**

Victor Mitchell	7101 S. Fulton Street, Suite 200, Englewood, CO 80112
Mark Gritz	7101 S. Fulton Street, Suite 200, Englewood, CO 80112
Susan Spurr	7101 S. Fulton Street, Suite 200, Englewood, CO 80112

The number of Directors may be increased or decreased by amendment to or in the manner provided in the Articles of Incorporation or the By-Laws of the Corporation, but no decrease shall have the effect of shortening the term of any incumbent Director. In the absence of a By-Law providing for the number of Directors, the number shall be the same as that provided for in these Articles of Incorporation.

### **ARTICLE VIII** **Board of Director's Power**

In furtherance and not in limitation of the powers hereinbefore conferred, or conferred by the statutes or the By-Laws of this Corporation, the Board of Directors shall have the following powers:

(a) By-Laws. The Board of Directors may make, alter, amend or repeal bylaws for the corporation, but any by-law so made may be altered, amended or repealed by the stockholders at any annual or special meeting.

(b) Working Capital. From time to time the Board of Directors may fix and determine and vary the amount of working capital of this corporation, and may determine and direct the use and disposition thereof.

(c) Dividends. In accordance with applicable law and the by-laws, the Board of Directors may set apart, out of any funds of the corporation available for dividends, a reserve or reserves for any proper purpose and to abolish such reserve in the manner in which it was created; and to declare dividends from time to time out of any funds legally available therefor.

(d) Distributions From Capital Surplus. The Board of Directors of the corporation may, from time to time, distribute to the shareholders out of capital surplus of the corporation a portion of the assets of the corporation, in cash or property, provided:

(1) No such distribution shall be made at a time when the corporation is insolvent or when such distribution would render the corporation insolvent.

(2) No such distribution shall be made to the holders of any class of shares unless all cumulative dividends accrued on all preferred classes of shares entitled to preferential dividends shall have been fully paid.

(3) No such distribution shall be made to the holders of any class of shares which would reduce the remaining net assets of the corporation below the aggregate preferential amount payable in the event of an involuntary liquidation to the holders of shares having preferential rights to the assets of the corporation in the event of liquidation.

(4) Each such distribution, when made, shall be identified as a distribution from capital surplus and the amount per share disclosed to the shareholders receiving the same concurrently with the distribution thereof.

(e) Disposition Of Corporate Assets. The corporation shall have the power to sell, lease or convey any part or all of its property and assets, including its good will and corporate franchise, upon such terms and conditions and for such consideration as the Board of Directors may deem expedient and for the best interest of the corporation; provided that the sale or disposal of all or substantially all of the property and assets shall be in accordance with the provisions as set forth in the bylaws.

(f) Books and Records. The Board of Directors may determine, from time to time, whether and to what extent and at what time and places and under what conditions the stock books, accounting books and other books and records of the corporation shall be open for inspection by stockholders, and no stockholder shall have any right to inspect any stock record, account book, paper or record of this corporation unless the request therefor shall be made in writing and in good faith and for an honest purpose and not for the purpose of injuring the corporation or of interfering with its business.

(g) Repurchase of Corporate Shares. Pursuant to the bylaws and in conformity with the statutes of Colorado, the Board of Directors shall have full power and authority at any meeting, after first paying or having made adequate provision for payment of the debts and obligations of the corporation, to make one or more distributions, pro-rata or non-pro-rata, of part or all of the assets of the corporation in kind, or in cash, or partly in kind and partly in cash, for the purpose of redeeming any or all outstanding stock of the corporation. Such distribution shall come from any surplus then in existence which has not been otherwise reserved or restricted.

(h) Pension, Profit-Sharing, Stock Bonus, and Retirement Plans. Subject to any provisions set forth in these Articles of Incorporation and the bylaws, the Board of Directors shall have power to adopt and implement any pension, profit-sharing (where applicable to the form of corporate structure), stock bonus and/or retirement plan which qualifies for specific tax treatment under the provisions of the federal "Employee Retirement Income Security Act of 1974" (as amended or supplemented), or under the provisions of any other act of the United States government enacted as a substitute or replacement for the said act of 1974.

(i) Stock Rights and Options. Subject to any provisions set forth in these Articles of Incorporation and the bylaws, the corporation may create and issue, whether or not in connection with the issuance and sale of any of its shares or other securities, rights or options entitling the holders thereof to purchase from the corporation shares of any class or classes.

(j) Vote of Directors. Unless otherwise specified in this Article VIII, no resolution of the corporation at any meeting, whether regular or special, shall be adopted except by a vote of a simple majority of the directors duly elected as provided herein.

**ARTICLE IX**  
**Indemnification**

The corporation may:

(a) Indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the corporation), by reason of the fact that he is or was a director, officer, employee, or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit, or proceeding, if he acted in good faith and in a manner he reasonably believed to be in the best interest of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, or conviction, or upon a plea of nolo contendere or its equivalent shall not of itself create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in the best interest of the corporation and, with respect to any criminal action or proceeding, had reasonable cause to believe his conduct was unlawful.

(b) The corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee, or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in the best interest of the corporation; but no indemnification shall be made in respect of any claim, issue, or matter as to which such person has been adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless and only to the extent that the court in which such action or suit was brought determines upon application that, despite the adjudication of liability, but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expenses which such court deems proper.

(c) To the extent that a director, officer, employee, or agent of a corporation has been successful on the merits in defense of any action, suit, or proceeding referred to in (a) or (b) of this Article IX or in defense of any claim, issue, or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(d) Any indemnification under (a) or (b) of this Article IX (unless ordered by a court) and as distinguished from (c) of this Article shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee, or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in (a) or (b) above. Such determination shall be made by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit, or proceeding, or, if such a quorum is not obtainable or, even if obtainable, if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or by the shareholders.

(e) Expenses (including attorneys' fees) incurred in defending a civil or criminal action, suit, or proceeding may be paid by the corporation in advance of the final disposition of such action, suit, or proceeding as authorized in (c) or (d) of this Article IX upon receipt of an undertaking by or on behalf of the director, officer, employee, or agent to repay such amount unless it is ultimately determined that he is entitled to be indemnified by the corporation as authorized in this Article IX.

(f) The indemnification provided by this Article IX shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of shareholders or disinterested directors, or otherwise, and any procedure provided for by any of the foregoing, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of heirs, executors, and administrators of such a person.

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

## **ARTICLE X**

### **Transactions With Interested Directors**

No contract or other transaction between the corporation and one or more of its directors or any other corporation, firm, association, or entity in which one or more of its directors are directors or officers or are financially interested shall be either void or voidable solely because of such relationship or interest, or solely because such directors are present at the meeting of the Board of Directors or a committee thereof which authorizes, approves, or ratifies such contract or transaction, or solely because their votes are counted for such purpose if:

(a) The fact of such relationship or interest is disclosed or known to the Board of Directors or committee which authorizes, approves, or ratifies the contract or transaction by a vote or consent sufficient for the purpose without counting the votes or consents of such interested directors;

(b) The fact of such relationship or interest is disclosed or known to the shareholders entitled to vote and they authorize, approve, or ratify such contract or transaction by vote or written consent; or

(c) The contract or transaction is fair and reasonable to the corporation.

Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or a committee thereof which authorizes, approves, or ratifies such contract or transaction.

**ARTICLE XI**  
**Registered Office and Agent**

The address of the initial registered office of the Corporation shall be:

**7101 S. Fulton Street, Suite 200, Englewood, CO 80112**

and the name of its initial registered agent at such address is:

**Victor Mitchell**

The Registered agent appointed by a Corporation shall be an agent of such Corporation upon whom any process, notice or demand required or permitted by law to be served upon the corporation may be served.

**ARTICLE XII**  
**Principal Office**

The principal office and place of business of this Corporation in the State of Colorado, shall be kept at:

**7101 S. Fulton Street, Suite 200, Englewood, CO 80112**

The Corporation may also have an office and own, hold, and operate properties in other counties of the State of Colorado, or elsewhere, as hereinbefore stated.

The original stock books and ledgers and other books and records required by the State of Colorado to be kept for inspection by shareholders or creditors, shall be kept at the principal

office of the Corporation.

The meetings of the Board of Directors and the shareholders may be held from time to time outside the State of Colorado, at such times and places as may be designated by the By-laws or resolution of the Board of Directors.

**ARTICLE XIII**  
**Stock Restrictions**

The Corporation shall have the right by appropriate action to impose restrictions upon the transfer of any shares of its common stock, or any interest therein, from time to time issued, provided that such restrictions as may from time to time be so imposed, or notice of the substance thereof shall be set forth upon the face or back of the certificates representing such shares of common stock.

**ARTICLE XIV**  
**Stock Ownership**

The Corporation shall be entitled to treat the person in whose name any shares of stock are registered on its books as the owner thereof for all purposes, and shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not the Corporation shall have notice thereof, except upon such presentation of the certificate or certificates for such shares properly endorsed by the person or persons appearing upon the face of such certificate to be the owner thereof, or accompanied by proper transfer or assignment separate from the certificate, with the signatures of such endorsement or assignment duly witnessed or guaranteed, or except as may be otherwise expressly provided by the Statutes of Colorado, or ordered by a Court of competent jurisdiction.

**ARTICLE XV**  
**Voting of Shareholders**

(a) Unless otherwise specified by these Articles of Incorporation, any action to be taken by shareholders of this corporation shall require a vote or concurrence of the holders of a majority of the outstanding shares, or of any class or series of shares, entitled to vote thereon.

(b) When, with respect to any action to be taken by the shareholders of this corporation, the Articles of Incorporation require the vote or concurrence of the holders of a greater proportion or number of the shares, or of any class or series thereof, than required by law with respect to such action, the provisions of these Articles of Incorporation shall control.

(c) When, with respect to any action to be taken by shareholders of a corporation, the Colorado Corporation Code requires the vote or concurrence of the holders of two-thirds (2/3) of the outstanding shares, of the shares entitled to vote thereon or of any class or series, the



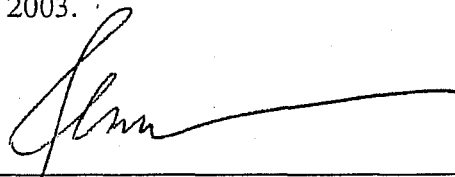
corporation may reduce such requirement by providing in its Articles of Incorporation that such action be taken by the vote or concurrence of a lesser proportion or number, but not less than a majority, of such shares or class or series thereof. In such event the provisions of the Articles of Incorporation shall control.

**ARTICLES XVI**  
**Incorporator**

One or more natural persons of the age of eighteen (18) years or more may act as incorporator(s) of this corporation by signing, verifying, and delivering in duplicate to the Secretary of State Articles of Incorporation for the corporation. The name and address of the incorporator is as follows:

R. Michael Jackson  
165 S. Union Boulevard, Suite 705  
Lakewood, Colorado 80228

**IN WITNESS WHEREOF**, the above-named incorporator signed these **ARTICLES OF INCORPORATION** on the 3 day of April, 2003.



---

R. Michael Jackson

**WAIVER OF NOTICE OF MEETING AND  
UNANIMOUS CONSENT IN LIEU OF MEETING OF  
SHAREHOLDERS OF ADVANTAGE TELECOM, INC.**

The sole Shareholder of Advantage Telecom, Inc. (the "Corporation") hereby waives notice of meeting and votes 100% of its shares in favor of the following Amendment to the Articles of Incorporation:

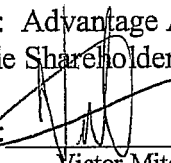
"The Articles of Incorporation of the Corporation are hereby amended to provide that the name of the Corporation shall be changed to Motion Telecom, Inc., and that the name Motion Telecom, Inc. is hereby adopted for use in the all of the fifty United States for all purposes and internationally."

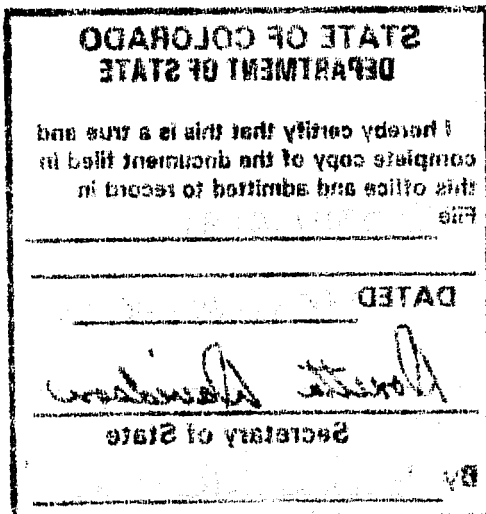
The officers of the Corporation are authorized and directed to take all steps that they deem necessary and appropriate to qualify the Corporation to do business within the states of the United States under the name of Motion Telecom, Inc. and to carry out all business in the United States and internationally under the name Motion Telecom, Inc.

Dated this 20 day of May, 2003

By: Advantage Advisory Service, Inc., its  
Sole Shareholder

By:

  
Victor Mitchell  
CEO & Secretary



# State of South Dakota



## OFFICE OF THE SECRETARY OF STATE

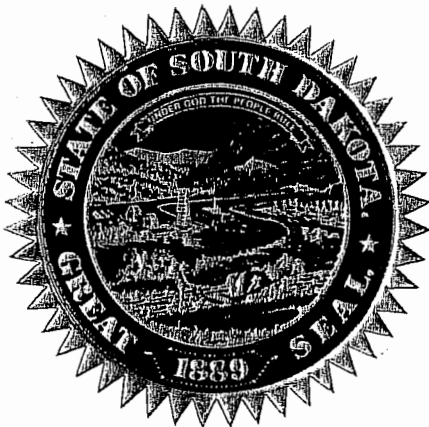
### Amended Certificate of Authority

ORGANIZATIONAL ID #: FB027263

I, **Chris Nelson** Secretary of State of the State of South Dakota, hereby certify that duplicate of the Application for an Amended Certificate of Authority of **ADVANTAGE TELECOM, INC. changing its name to MOTION TELECOM, INC. (CO)** to transact business in this state duly signed and verified pursuant to the provisions of the South Dakota Corporation Acts, have been received in this office and are found to conform to law.

**ACCORDINGLY** and by virtue of the authority vested in me by law, I hereby issue this Amended Certificate of Authority and attach hereto a duplicate of the application to transact business in this state.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this June 24, 2003.



*Chris Nelson*

Chris Nelson  
Secretary of State

**SUMMARY BALANCE SHEET**  
**3/31/2003**

Assets	
Equipment	185,112
Addl Equipment	25,000
Cust Base	2,530,061
Accounts Receivable	1,358,079
Total Assets	<u>4,098,252</u>
Liabilities	
Accounts Payable	625,000
Due to AW	2,690,173
Capital	
100,000 authorized	
50,000 issued	50,000
Retained Earnings	733,079
Total Liab /Cap	<u>4,098,252</u>

Assets	
MCI Position	800,000
CPDI Call Control Hardware buyout	75,000
Data General Sys Billing Sys	78,000
Phone Sys	8,612
Phone Sys	23,500
Unsecured Creditors	300,000
Rent April	19,439
US Escrow Secured Financing	1,410,622
	<u>2,715,173</u>
Account Receivable	1,358,080
Accounts Payable	
MCI	550,000
Xtension	75,000

Consolidated Financial Statements and  
Report of Independent Certified Public Accountants  
**Advantage Advisory Service, Inc. and Subsidiary**  
**d.b.a. Advantage Wireless**  
December 31, 2002 and 2001

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Advantage Advisory Services, Inc. and Subsidiary

We have audited the accompanying consolidated balance sheet of Advantage Advisory Service, Inc. and subsidiary as of December 31, 2002, and the related consolidated statements of earnings, stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit. The consolidated financial statements of Advantage Advisory Service, Inc. and subsidiary as of and for the year ended December 31, 2001, were audited by other auditors whose report dated February 22, 2002, expressed an unqualified opinion on those statements.

We conducted our audit 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 consolidated 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 our audit provides a reasonable basis for our opinion.

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

*Grant Thornton LLP*

Denver, Colorado  
February 28, 2003

1600 Broadway, Suite 1800  
Denver, CO 80202  
Tel: 303 861-5555  
Fax: 303 839-5711 Audit  
Fax: 303 839-5701 Tax

Grant Thornton LLP  
US Member of Grant Thornton International

*Consolidated Financial Statements*



Advantage Advisory Service, Inc. and Subsidiary  
d.b.a. Advantage Wireless

CONSOLIDATED BALANCE SHEETS

December 31, 2002 and 2001

	2002	2001
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 6,476,054	\$ 5,316,026
Accounts receivable - trade, net of allowance of \$15,000 and \$50,000, respectively	2,931,487	4,474,861
Accounts receivable - other	148,106	757,038
Inventory	3,404,673	1,663,379
Income taxes receivable	252,179	-
Note receivable	235,594	-
Deferred income taxes	156,967	-
Other current assets	458,806	397,484
Total current assets	14,063,866	12,608,788
Property and equipment, net of accumulated depreciation of \$633,064 and \$526,363, respectively	799,462	603,935
Shareholder receivable	136,000	-
Advances to shareholder	-	1,375,000
Note receivable	-	326,544
Total assets	\$ 14,999,328	\$ 14,914,267
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 697,127	\$ 1,359,491
Accrued commissions payable	1,512,834	2,614,413
Other accrued liabilities	353,633	147,670
Dividends payable	-	208,988
Deferred income taxes	-	42,000
Current portion of long-term debt	1,890,000	2,195,809
Total current liabilities	4,453,594	6,568,371
Long-term debt, net of current portion	5,985,000	7,228,953
Stockholders' equity:		
Common stock, no par value:		
Class A - 50,000,000 shares authorized; 24,560,000 shares issued and outstanding in 2002 and 2001	37,000	37,000
Class B Super - 50,000,000 shares authorized; 8,662,500 shares issued and outstanding in 2002 and 2001 (\$10 per share annual dividend, aggregate liquidation preference of \$10,500,000)	-	-
Unearned ESOP shares	(7,451,398)	(9,424,762)
Retained earnings	11,975,132	10,504,705
Total stockholders' equity	4,560,734	1,116,943
Total liabilities and stockholders' equity	\$ 14,999,328	\$ 14,914,267

The accompanying notes are an integral part of these consolidated financial statements.

Advantage Advisory Service, Inc. and Subsidiary  
d.b.a. Advantage Wireless

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended December 31,

	2002	2001
Revenue		
Activation revenue	\$ 20,422,650	\$ 29,746,701
Equipment sales	29,479,790	22,639,365
Advertising and other revenue	2,749,004	4,883,349
Total revenue	52,651,444	57,269,415
Operating expenses		
Commission expense	15,534,756	21,331,234
Cost of equipment sales	26,691,596	20,734,094
Other operating costs	624,946	3,161,493
Selling, general, and administrative	1,290,771	1,192,695
Salaries and benefits	1,956,363	2,326,155
Legal and professional	856,645	1,093,244
Shareholder compensation	379,894	887,131
Depreciation	296,381	211,624
ESOP contribution	1,713,376	1,075,238
Total operating expenses	49,344,728	52,012,908
Net earnings from operations	3,306,716	5,256,507
Other income (expense)		
Interest income	91,130	156,905
Interest expense	(350,438)	-
Total other income (expense), net	(259,308)	156,905
Earnings before provision for income taxes	3,047,408	5,413,412
Provision for income taxes	1,291,754	2,015,000
Net earnings	\$ 1,755,654	\$ 3,398,412

The accompanying notes are an integral part of these consolidated financial statements.

Advantage Advisory Service, Inc. and Subsidiary  
d.b.a. Advantage Wireless

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended December 31, 2002 and 2001

	Common stock				Unearned ESOP shares	Retained earnings	Total stockholders' equity
	Series A		Series B				
	Shares	Amount	Shares	Amount			
Balance at January 1, 2001	24,560,000	\$ 37,000	8,662,500	\$ -	\$ -	\$ 7,106,293	\$ 7,143,293
Purchase of ESOP shares	-	-	-	-	(10,500,000)	-	(10,500,000)
ESOP shares allocated	-	-	-	-	1,075,238	-	1,075,238
Net earnings	-	-	-	-	-	3,398,412	3,398,412
Balance at December 31, 2001	24,560,000	37,000	8,662,500	-	(9,424,762)	10,504,705	1,116,943
ESOP shares allocated	-	-	-	-	1,973,364	(206,468)	1,766,896
Dividends on allocated ESOP shares	-	-	-	-	-	(78,759)	(78,759)
Net earnings	-	-	-	-	-	1,755,654	1,755,654
Balance at December 31, 2002	<u>24,560,000</u>	<u>\$ 37,000</u>	<u>8,662,500</u>	<u>\$ -</u>	<u>\$ (7,451,398)</u>	<u>\$ 11,975,132</u>	<u>\$ 4,560,734</u>

The accompanying notes are an integral part of these consolidated financial statements.

Advantage Advisory Service, Inc. and Subsidiary  
d.b.a. Advantage Wireless

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	2002	2001
Cash flows from operating activities:		
Net earnings	\$ 1,755,654	\$ 3,398,412
Adjustments to reconcile earnings to net cash provided by operating activities		
Depreciation	296,381	211,624
Deferred income taxes	(198,967)	9,876
ESOP shares allocated	1,766,896	-
Dividends on allocated ESOP shares	(78,759)	-
Loss on disposal of assets	-	2,859
Changes in operating assets and liabilities		
Decrease (increase) in accounts receivable - trade	1,543,374	(893,866)
Decrease in accounts receivable - other	608,932	699,903
Increase in inventory	(1,741,294)	(607,042)
Increase in income taxes receivable	(252,179)	-
Increase in other current assets	(61,322)	(171,059)
Decrease (increase) in note receivable	90,950	(173,215)
Decrease in accounts payable	(662,364)	(958,522)
Increase (decrease) in accrued commissions payable	(1,101,579)	1,485,529
Increase (decrease) in dividends payable	(208,988)	208,988
Increase (decrease) in other accrued liabilities	205,963	(480,974)
Net cash provided by operating activities	1,962,698	2,732,513
Cash flows from investing activities		
Advances to shareholder, net	1,239,000	(125,000)
Purchases of equipment	(491,908)	(436,232)
Net cash provided by (used in) investing activities	747,092	(561,232)
Cash flows from financing activities		
Principal payments on long term debt	(1,549,762)	-
Net cash used in financing activities	(1,549,762)	-
Increase in cash and cash equivalents	1,160,028	2,171,281
Cash and cash equivalents, beginning of year	5,316,026	3,144,745
Cash and cash equivalents, end of year	\$ 6,476,054	\$ 5,316,026
Supplemental cash flow information		
Cash paid for interest	\$ 350,438	\$ -
Cash paid for taxes	1,679,792	1,787,364
Supplemental disclosure of noncash investing and financing activities:		
Purchase of unearned ESOP shares with proceeds from note payable	\$ -	\$ 10,500,000

The accompanying notes are an integral part of these consolidated financial statements.

Advantage Advisory Service, Inc. and Subsidiary  
d.b.a. Advantage Wireless

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002 and 2001

NOTE A – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

1. *Basis of Presentation*

Advantage Advisory Service, Inc. (AAS) is a distributor of wireless services, phones, and phone accessories. Advantage Wireless represents the consolidated operations of Advantage Wireless, Inc. (AWI) and Advantage Advisory Services (AAS) (collectively the Company). During 2001, AAS purchased all the outstanding shares of AWI from a related party and accordingly, was a combination of entities under common control and has been accounted for in a manner similar to a pooling of interests. All significant intercompany accounts and transactions have been eliminated in consolidation. The Company sells products and services through subdealers and licensees. As of December 31, 2002, the Company had approximately 700 subdealers and licensees representing greater than 1,100 retail locations in certain target cities, in approximately 22 states.

2. *Revenue Recognition*

The Company has contracted with various mobile phone operators for a specific commission to be earned by the Company for each subscription and activation to their respective mobile phone service. These commissions are paid to the Company by the wireless service providers. Activation revenues are recorded in the period which phone activations occur, less deferrals for deactivations, which have historically been insignificant. The Company recognizes revenue from phone equipment sales as phones are sold to subdealers and licensees. The Company also recognizes advertising revenue from carriers where proof of expenditure is not required. Amounts received as a direct reimbursement for specific advertising is included in selling, general, and administrative expenses.

3. *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash and highly liquid investments such as money market funds with maturities of less than three months at date of purchase.

Advantage Advisory Service, Inc. and Subsidiary  
d.b.a. Advantage Wireless

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2002 and 2001

NOTE A – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

4. *Property and Equipment*

Property and equipment is recorded at cost. Costs which increase the life of an asset are capitalized and depreciated over the estimated remaining useful life of the asset. Depreciation of office equipment, furniture, fixtures, and company vehicles is calculated using the straight-line method over the estimated useful lives of the respective assets. Depreciation of leasehold improvements is calculated using the straight-line method over the estimated useful lives of the respective assets or over the lease term, whichever is shorter. Repairs and maintenance are charged to expense as incurred. The depreciable lives of property and equipment are as follows :

	<u>Depreciable Lives</u>
Office equipment, furniture, and fixtures	3-5 years
Leasehold improvements	3-5 years
Company vehicles	4 years

5. *Inventory*

Inventory consists of wireless telephones which are carried at the lower of cost or market. Cost is determined using the first-in, first-out method for all inventories. The Company receives price protection from its suppliers, but establishes reserves for damage and loss, which have historically been insignificant.

6. *Income Taxes*

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes that enactment date. A valuation allowance is recorded against deferred tax assets if it is more likely than not that all or a portion of the deferred tax assets will not be realized.

Advantage Advisory Service, Inc. and Subsidiary  
d.b.a. Advantage Wireless

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2002 and 2001

NOTE A – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

7. *Use of Estimates*

The preparation of the consolidated financial statements in accordance 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. These estimates are based upon management's best findings, after considering past and current events and assumptions about future events. Actual results could differ from those estimates.

8. *Reclassifications*

Certain items included in the 2001 consolidated financial statements have been reclassified to conform to the current year presentation.

9. *Employee Stock Ownership Plan*

The Company accounts for its Employee Stock Ownership Plan (ESOP) in accordance with AICPA SOP 93-6, *Employer's Accounting for Employee Stock Ownership Plans*.

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2002 and 2001, consisted of the following:

	2002	2001
Office equipment, furniture, and fixtures	\$ 744,398	\$ 833,199
Leasehold improvements	596,017	204,988
Company vehicles	<u>92,111</u>	<u>92,111</u>
	1,432,526	1,130,298
Less accumulated depreciation	<u>(633,064)</u>	<u>(526,363)</u>
	\$ <u>799,462</u>	\$ <u>603,935</u>

Advantage Advisory Service, Inc. and Subsidiary  
d.b.a. Advantage Wireless

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2002 and 2001

NOTE C – LONG TERM DEBT

On January 29, 2002, the Company signed a \$9,450,000 note payable with a bank, which bears interest at the prime rate (4.25% as of December 31, 2002). The note payable is due in monthly principal installments of \$157,500 plus accrued interest, and matures on February 1, 2007. The note payable is secured by substantially all of the assets of the Company. See note J.

Future maturities of the note payable are as follows:

Year ending December 31,	
2003	\$ 1,890,000
2004	1,890,000
2005	1,890,000
2006	1,890,000
2007	<u>315,000</u>
	<u>\$ 7,875,000</u>

NOTE D – SHAREHOLDER RECEIVABLES

The Company has made payments on behalf of the Company's majority shareholder for life insurance premiums. The entire amount of payments made by the Company are recorded as a receivable, as the amount will be repaid from the death benefits received by the shareholder under the insurance policy. Shareholder receivable totaled \$136,000 and \$-0- as of December 31, 2002 and 2001, respectively.

NOTE E – SHAREHOLDER ADVANCES AND COMPENSATION

The Company, from time to time, has made advances to its chief executive officer and majority shareholder. The shareholder advances are subject to a note agreement and do not bear interest.

Shareholder advances totaled \$-0- and \$1,375,000 as of December 31, 2002 and 2001, respectively (see note J).

Shareholder compensation expense was comprised of cash compensation of \$379,894 and \$887,131 in 2002 and 2001, respectively.



Advantage Advisory Service, Inc. and Subsidiary  
d.b.a. Advantage Wireless

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2002 and 2001

NOTE F – INCOME TAXES

Income tax expense attributable to income from operations consists of:

	Current	Deferred	Total
Year ended December 31, 2001			
U.S. Federal	\$ 1,749,000	\$ 9,000	\$ 1,758,000
State and local	<u>256,000</u>	<u>1,000</u>	<u>257,000</u>
	<u>\$ 2,005,000</u>	<u>\$ 10,000</u>	<u>\$ 2,015,000</u>
Year ended December 31, 2002			
U.S. Federal	\$ 1,333,131	\$(173,280)	\$ 1,159,851
State and local	<u>157,590</u>	<u>(25,687)</u>	<u>131,903</u>
	<u>\$ 1,490,721</u>	<u>\$(198,967)</u>	<u>\$ 1,291,754</u>

Income tax expense was \$1,291,754 and \$2,015,000 for the years ended December 31, 2002 and 2001, respectively, and differed from the amounts computed by applying the U.S. federal income tax rate of 34% to pretax income from continuing operations as a result of the following:

	2002	2001
Computed "expected" tax expense	\$ 1,036,119	\$ 1,841,000
Increase (reduction) in income tax resulting from:		
State and local income taxes, net of federal income tax benefit	87,056	170,000
ESOP valuation	(96,977)	-
Meals and entertainment expenses	6,918	-
Change in estimate of accruals from prior year	258,638	-
Other, net	<u>-</u>	<u>4,000</u>
	<u>\$ 1,291,754</u>	<u>\$ 2,015,000</u>

Advantage Advisory Service, Inc. and Subsidiary  
d.b.a. Advantage Wireless

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2002 and 2001

NOTE F – INCOME TAXES (CONTINUED)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2002 and 2001 are presented below. A valuation allowance against the Company's deferred tax assets is not deemed necessary as of December 31, 2002.

	2002	2001
Allowance for doubtful accounts	\$ 5,550	\$ 19,000
Inventory reserve	3,700	6,000
ESOP contributions	156,733	9,000
Other	612	9,000
Deferred tax liabilities – adjustment for differences in cash vs. accrual methods of accounting	<u>(9,628)</u>	<u>(85,000)</u>
Net deferred tax asset (liability)	<u>\$ 156,967</u>	<u>\$ (42,000)</u>

NOTE G – EQUITY

In 2001, the Company amended its articles of incorporation to increase the authorized shares of AAS. In addition, a stock split was effected wherein each share of common stock was exchanged for 245 shares of Class A Common Stock and 84 shares of Class B Super Common Stock. The Class B shares will automatically convert into shares of Class A Common Stock at such time as the Employees Stock Ownership Plan (ESOP) debt has been paid in full. The Class B shares are convertible into Class A shares on a one for one basis (the conversion rate), subject to periodic adjustment as provided for in the Company's articles of incorporation. Both classes of common stock vote as one group, and Class B shareholders are entitled to annual dividends of \$0.10 per share, payable when and if declared. The dividends shall accumulate for a period of five years and will adjust the conversion rate to the extent not paid. The Class B shares have a liquidation preference of the greater of the accrued but unpaid dividends plus \$1.25, or the amount that would be shared mutually in a liquidation with Class A shareholders. All share and per share information included in the accompanying consolidated financial statements and notes thereto has been restated to reflect the stock split.

Advantage Advisory Service, Inc. and Subsidiary  
d.b.a. Advantage Wireless

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2002 and 2001

NOTE H – COMMITMENTS

*Operating Leases*

The Company leases certain equipment and occupies facilities rented under noncancelable operating leases expiring through 2007. Future minimum rental commitments under these leases are as follows:

Year ending December 31,	
2003	\$ 769,579
2004	574,966
2005	525,239
2006	332,789
2007	<u>21,667</u>
	<u>\$ 2,224,240</u>

Rental expense under noncancelable operating leases was \$647,102 and \$259,853 for the years ended December 31, 2002 and 2001, respectively.

NOTE I – BUSINESS AND CREDIT CONCENTRATIONS

The Company maintains four primary multi-year commission-based contracts. These contracts are with AT&T Wireless Services, LEAP Wireless, Alamosa PCS, and Verizon (collectively referred to hereafter as the service providers). The Company also has multi-year contracts with other master dealers providing a revenue sharing arrangement from service activations generated from Voicestream on the Company's distribution network. All of the Company's revenues are generated under these contracts and from phone equipment sales.

The Company's distribution network is comprised of subdealers, licensees, and the Company's direct sales fulfillment program. The Company pays a fee to subdealers and licensees based upon specific rates per activation under separately negotiated contracts. These fees are included in commission expense in the accompanying consolidated financial statements.

Advantage Advisory Service, Inc. and Subsidiary  
d.b.a. Advantage Wireless

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2002 and 2001

NOTE I – BUSINESS AND CREDIT CONCENTRATIONS (CONTINUED)

The Company purchases all phones and accessories for resale primarily from the service providers. The Company has entered into price protection agreements with their suppliers which provides protection to the Company with respect to changes in technology and market declines. The Company distributes this equipment to the subdealers and licensees.

Revenue earned from significant customers is as follows:

	Year ended December 31	
	2002	2001
Customer A	- %	34%
Customer B	57%	23%
Customer C	- %	17%
Customer D	16%	12%
Customer E	7%	11%
Customer F	19%	- %

At December 31, 2002 and 2001, receivables from these customers represented 75% and 78%, respectively, of trade accounts receivable.

NOTE J – EMPLOYEE STOCK OWNERSHIP PLAN

During 2001, the Company established a leveraged ESOP for substantially all of its employees in the amount of \$10,500,000. The amount was refinanced in January 2002 through a promissory note arrangement with a bank in the amount of \$9,450,000 (see note C). Proceeds of the note were used to purchase 8,662,500 shares of the Company's Series B Super Common Stock, which are reflected as unearned ESOP contributions in the accompanying consolidated statements of stockholders' equity. The shares purchased are pledged as security under the note. Contributions to the plan are made in the form of dividends on the unallocated shares and additional contributions as allowed by ERISA and are at the discretion of the Company. The Company recognized \$1,713,376 and \$1,075,238 as compensation costs during 2002 and 2001, respectively, resulting from contributions to the plan at the current fair value of the shares. Dividends paid on allocated shares totaled \$78,759 and \$-0- during the years ended December 31, 2002 and 2001, respectively. In conjunction with the refinancing in January 2002, the primary shareholders repaid \$1,375,000 in advances that had been made as of December 31, 2001 (see note E).

Advantage Advisory Service, Inc. and Subsidiary  
d.b.a. Advantage Wireless

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2002 and 2001

NOTE J – EMPLOYEE STOCK OWNERSHIP PLAN (CONTINUED)

The following is a summary of ESOP shares as of December 31, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Allocated shares	787,586	-
Shares released for allocation	1,651,737	787,586
Unreleased shares	<u>6,223,177</u>	<u>7,874,914</u>
Total ESOP shares	<u>8,662,500</u>	<u>8,662,500</u>

The fair value of unreleased shares as of December 31, 2002 and 2001 was \$5,974,250 and \$9,528,646, respectively.

NOTE K – 401(k) PLAN

The Company has a 401(k) Plan covering all eligible employees. Eligible employees are current employees of the Company who have attained age 21 and completed six months of service. The Company made matching contributions of 50% of employee's contributions, up to \$5,000 until March 15, 2002, at which time the Company discontinued their matching policy. Employees can contribute up to \$11,000 for the year ended December 31, 2002. The Company's 401(k) matching contributions totaled \$17,565 and \$39,702 for the years ended December 31, 2002 and 2001, respectively.

NOTE L – SUBSEQUENT EVENT

On June 1, 2001, the Company lent Wireless Depot \$375,000 to purchase certain assets in the Phone Connection bankruptcy. The note required monthly payments of \$12,455 from July 1, 2001 to May 1, 2002, with a final payment of \$277,050 due on June 1, 2002. During 2002, Wireless Depot defaulted on their obligation. The outstanding balance of this note receivable as of December 31, 2002 and 2001 was \$235,594 and \$326,544, respectively.

On March 18, 2002, the Company filed a Verified Complaint for Emergency and Preliminary Injunctive Relief, and for Damages and Permanent Injunctive Relief in Larimer County District Court against Wireless Depot and its owners, Corporate Plus, Inc., Phones Plus, Inc., Wireless Choices, Inc. and their owners. The Company claimed that the funding agreement mentioned above was breached, along with breach of various other contracts.

Advantage Advisory Service, Inc. and Subsidiary  
d.b.a. Advantage Wireless

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2002 and 2001

NOTE L – SUBSEQUENT EVENT (CONTINUED)

On May 31, 2002, a hearing was held after which the Court entered an Order directing the parties to submit all of their disputes to binding arbitration. Thereafter, all parties entered into a written Arbitration Agreement, agreeing to submit their disputes to binding arbitration.

On January 6, 2003, the Arbitrator entered a written award, and thereafter, on January 24, 2003, the arbitrator entered a modified award to include attorney fees and costs. The final award of January 24, 2003, awarded the Company \$2,058,047 from the above mentioned entities and their owners, and imposed a constructive trust and a charging order on certain assets of Wireless Depot. This award is not reported as an asset or gain of the Company as of and for the year ended December 31, 2002.

**MOTION TELECOM, INC.  
LONG DISTANCE AND PREPAID CALLING CARD SERVICE**

This tariff applies to Motion Telecom, Inc. (the "Company") Long Distance services and Prepaid Calling Card services (the "Services") furnished for intrastate telecommunications in accordance with the SOUTH DAKOTA Public Utilities Commission and the laws of the State of SOUTH DAKOTA. Service is provided between points within the State of SOUTH DAKOTA.

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Issued: July 3, 2003

Effective:

Issued by:  
Victor Mitchell, CEO  
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7101 South Fulton Street #200  
Englewood, CO 80112  
(303) 784-5300

**MOTION TELECOM, INC.**

CHECK SHEET

Pages 1 through 34, inclusive of this tariff are effective as of the date shown at the bottom of the respective sheet(s).

Page	Revision
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**MOTION TELECOM, INC.**

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Issued: July 3, 2003

Effective:

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**MOTION TELECOM, INC.**

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**MOTION TELECOM, INC.**

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**MOTION TELECOM, INC.**

CONCURRING CARRIERS

No Concurring Carriers

CONNECTING CARRIERS

No Connecting Carriers

OTHER PARTICIPATING CARRIERS

EXPLANATION OF SYMBOLS

- C - to signify a changed regulation
- D - to signify a discontinued rate or regulation
- I - to signify a rate increase
- M - to signify a matter moved or relocated without change
- N - to signify a new rate or regulation
- R - to signify a reduction
- S - to signify a reissued matter
- T - to signify a change in text but no change in rate or regulation
- Z - to signify a correction

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**MOTION TELECOM, INC.**

EXPLANTION OF ABBREVIATIONS

Company	-	Motion Telecom, Inc.
STD.	-	Standard
DIS.	-	Discount
ECO.	-	Economy

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**MOTION TELECOM, INC.**

1. APPLICATION OF TARIFF

This tariff contains the regulations and rates applicable to the provision of Long Distance Telecommunications service and Prepaid Calling Card service (the "Services") by Motion Telecom, Inc. (hereinafter referred to as the Company), in the State of SOUTH DAKOTA. Services are furnished subject to transmission, atmospheric and like conditions.

2. REGULATIONS

2.1 Undertaking of the Company

2.1.1 Scope

The Company undertakes to provide the Services in accordance with the terms and conditions set forth in this tariff.

2.1.2 Shortage of Facilities

All Services are subject to availability of suitable facilities. The Company reserves the right to limit the length of communications or to discontinue Services when necessary because of the lack of local facilities or other transmission medium capacity or because of any causes beyond its control.

2.1.3 Limitations of Liability of the Company

Except as stated in Section 2.1.3, the Company shall have no liability for damages of any kind arising out of or related to events, acts, rights or privileges contemplated in this tariff.

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**MOTION TELECOM, INC.**

2. REGULATIONS (Cont'd)

2.1 Undertaking the Company (Cont'd)

2.13 Limitations of Liability of the Company (Cont'd)

- (A) The Company shall not be liable for any failure of performance hereunder for any claim or loss, expense of damages (including indirect, special or consequential damages) for any interruption, delay, error, mistake, omission, or other defect or misrepresentation in any service, facility (including services and facilities involved in emergency calling activity) or transmission provided under this tariff, if caused by any person or entity other than the Company by any malfunction of any service or facility provided by any other carrier, by an act of God, fire, war, explosion, vandalism, cable cut, storm, riot, civil disturbance, or act of government, or by any other similar occurrence or cause beyond the Company's direct control.
- (B) The Company shall not be liable for, and shall be fully indemnified and held harmless by customer against:
  - (1) Any claim or loss, expense, or damage (including indirect, special or consequential damage) for defamation, libel, slander, invasion, infringement or copyright or patent, unauthorized use of any trademark, tradename or service mark, unfair competition, interference with or misappropriation or violation of any contract, proprietary or creative right, or any other injury to any person, property or entity arising out of the material, data, information, or other content revealed to, transmitted by, or used by the Company under this tariff.

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**MOTION TELECOM, INC.**

2. REGULATIONS (Cont'd)

2.1 Undertaking the Company (Cont'd)

2.13 Limitations of Liability of the Company (Cont'd)

- (2) Any claim or loss, expense, or damage (including indirect, special or consequential damage) for any act or omission of the Customer or for any claim or loss, expense or damage due to the failure of Customer-provided equipment, facilities, or Services.
- (C) The Company shall not be liable for any defacement of or damages to the premises of a customer, resulting from the furnishing of service, which is not the result of the Company's negligence.
- (D) The Company is not liable for any act or omission of any other company or companies furnishing a portion of the Services.
- (E) All or a portion of the Services may be provided over facilities of third parties, and the Company shall not be liable to Customer or any other person, firm or entity in any respect whatsoever arising out of defects caused by such third parties.

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**MOTION TELECOM, INC.**

2. REGULATIONS (Cont'd)

2.1 Undertaking the Company (Cont'd)

2.13 Limitations of Liability of the Company (Cont'd)

(F) IN NO EVENT SHALL THE COMPANY BE LIABLE FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL SPECIAL, ACTUAL, OR PUNITIVE DAMAGES, OR FOR ANY DEFECTS IN SERVICES OR EQUIPMENT PROVIDED OR ANY OTHER CAUSE. THE WARRANTY AND REMEDIES SET FORTH IN THIS TARIFF ARE EXCLUSIVE AND IN LIEU OF ALL OTHER WARRANTIES OR REMEDIES, WHETHER EXPRESS, IMPLIED OR STATUTORY, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANT ABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

(G) Prepaid Calling Card Services

The Company makes no express or implied representations or warranties about its services and disclaims any implied warranties. The liability of the Company is limited to the face value of each card and will not include any indirect, special, incidental, consequential, exemplary, or punitive losses or damages. The Company nor any of its authorized agents or contractors shall be liable or responsible for theft, loss or unauthorized use of any prepaid cards or card numbers. The Company will not refund or issue credit for unused units (minutes) on any prepaid card.

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**MOTION TELECOM, INC.**

2. REGULATIONS (Cont'd)

2.1 Undertaking the Company (Cont'd)

2.1.4 Claims

The Company shall be indemnified and hold harmless by the Customer from and against all loss, liability, damage and expense, including reasonable counsel fees, due to claims for libel, slander, or infringement of copyright in connection with the material transmitted over the Company's facilities; and any claim resulting from any act or omission of the Customer or patron(s) of the Customer relating to the use of the Company's facilities.

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**MOTION TELECOM, INC.**

2. REGULATIONS (Cont'd)

2.1 Undertaking the Company (Cont'd)

2.1.5 Provision of Equipment and Facilities

The Company shall not be responsible for the installation, operation or maintenance of any Customer-provided communications equipment. Where such equipment is connected to the Services furnished pursuant to this tariff, the responsibility of the Company shall be limited to the furnishing of Services under this tariff and to the maintenance and operation of such Services in the proper manner. Subject to this responsibility, the Company shall not be responsible for:

- (1) the through transmission of signals generated by Customer-provided equipment or for the quality of, or defects in, such transmission; or
- (2) the reception of signals by Customer-provided equipment; or
- (3) network control signaling where such signaling is performed by Customer-provided network control signaling equipment.

2.2 Prohibited Uses

The Services shall not be used for any unlawful purposes.

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**MOTION TELECOM, INC.**

2. REGULATIONS (Cont'd)

2.3 Obligations of the Customer

2.3.2 Customer Premises Provisions

- (A) The Customer shall provide the personnel, power and space required to operate all facilities and associated equipment installed on the premises of the Customer.
- (B) The Customer shall be responsible for providing Company personnel access to premises of the Customer at any reasonable hour for the purpose of testing the facilities or equipment of the Company.

2.3.2 Liability of the Customer

The Customer will be liable for damages to facilities of the Company caused by negligence or willful acts of its officers, employees, agents or contractors of the Customer.

The Customer shall indemnify, defend and hold harmless the Company (including the costs of reasonable attorney's fees) against:

Claims for libel, slander infringement of copyright or unauthorized use of any trademark, trade name or service mark arising out of the material, data, information, or other content transmitted over the Company's facilities or equipment; and

Claims for patent infringement arising from combining or connecting the Company's facilities or equipment with facilities, equipment, apparatus or systems of the Company; and

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**MOTION TELECOM, INC.**

2. REGULATIONS (Cont'd)

2.3.2 Liability of the Customer(Cont'd)

All other claims (including, without limitations, claims for damage to any business or property, or injury to, or death of, any person) arising out of any act or omission of the Customer, or the Customer's agents, Customers, in connection with any service or facilities or equipment provided by the Company.

The Customer will be liable for damages to the facilities of the Company and for all incidental and consequential damages caused by the negligent or intentional acts or omissions of the Customer, its officers, employees, agents, invitees, or contractors where such acts or omissions are not the direct result of the Company's negligence or intentional misconduct.

2.3.2 Credit Requirements and Deposit Information for Long Distance Services

Any Customer determined to be "high risk" for poor credit history requires a minimum deposit, which varies.

If the Company has disconnected a Customer's Services, the Company may request that Customer to pay in advance for any of the Services based on a good faith estimate of traffic volumes. At the Company's discretion, a deposit of three (3) month's average estimated call volume may be required and may be reimbursed upon establishing prompt payment history.

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**MOTION TELECOM, INC.**

3. REGULATIONS (Cont'd)

2.3 Obligations of the Customer (Cont'd)

2.3.3 Credit Requirements and Deposit Information for Long Distance Service  
(Cont'd)

The Company handles complaints regarding transmission or network problems immediately via "trouble tickets" issued to the underlying Local Exchange Carriers and InterExchange Carriers. The Company follows up with Customers to insure the problems have been corrected. Problems stemming from charges or credits owed are also handled during regular business hours. All Customers may reach The Company through our toll free line 1-800-864-4306. Should Customers feel they have been overcharged or misrepresented and have documented proof of rates offered, the Company will credit all overcharges. The Company will make reasonable efforts to honor all rates. If it is determined the rates offered are unreasonable and / or unprofitable, The Company may pay the charges to convert the Customer to their previous carrier.

The Company practices "standard" rate programs for all customers. In the event the Company was to provide a "non-standard" rate program, the Company would file an additional tariff in the appropriate state in which the Customer does business or resides and any other applicable states.

2.4 Use of Service

Long Distance Telecommunications Service may be used to transmit communication of the Customer in a manner consistent with the terms of this tariff and the policies and regulations of the Federal Communications Commission and state public utilities commissions, as applicable.

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**MOTION TELECOM, INC.**

2. REGULATIONS (Cont'd)

2.4 Use of Service (Cont'd)

Use of Long Distance Telecommunications Service is considered an order for such Services.

The Customer shall be solely responsible, at its own expense, for Customer-provided equipment and services. The Customer shall be solely responsible for the overall design of its services and for any redesigning or rearrangement of its equipment or services that may be required because of changes in Company Services, operations or procedure, or changes in the minimum protection criteria or operating or maintenance characteristics of the Customer's equipment or services. The Company will provide reasonable notification to the Customer of any Company-initiated change that may require a change in Customer-provided equipment and services.

The Customer, authorized user, or joint user is responsible for ensuring that Customer-provided equipment connected to network equipment and facilities is compatible with such equipment and facilities. The magnitude and character of the voltage and currents impressed on Customer-provided equipment and wiring by the connection, operation or maintenance of such equipment and wiring shall be such as not to cause damage to the Company-provided equipment and wiring or the Customer-provided equipment and wiring, or injury to the Company employees or to other persons. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the Customer's expense. The Customer shall provide the personnel, power and space required to operate all facilities and associated equipment installed on the premises of the Customer.

The Customer shall be responsible for providing Company personnel access to premises of the Customer at any reasonable hour for the purpose of testing the facilities or equipment of the Company.

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2. REGULATIONS (Cont'd)

2.4 Use of Service (Cont'd)

The signing of a service order by the Customer and acceptance by the Company initiates the respective obligations of the parties as set forth in this tariff. Should a customer use the Company's Services without a service order, the Company may require that the Customer execute a written service order within a reasonable time from the inception of service. Customers using the Company's Services without an executed service order agree to comply with the general regulations and other provisions contained in this tariff.

2.5 Customer Equipment and Channels for Long Distance Services

2.5.1 Interconnection of Facilities

- (A) Interconnection between Customer-provided and Company-provided service must be made by the Customer by leased channel or dial-up service. Where interconnection between Customer-provided and Company-provided service is not made by lease of Company facilities, interconnection must be made by the Customer at the Company's operating offices. Leased channels from the Company for Long Distance Telecommunications Services are not covered by this tariff.
  
- (B) In order to protect the Company's facilities and personnel and the Services furnished to other customers by the Company from potentially harmful effects, the signals applied to the Company's Services shall be such as not to cause damage to the facilities of the Company. Any special interface equipment necessary to achieve the compatibility between facilities of the Company and the channels or facilities of others shall be provided at the Customer's expense.

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**MOTION TELECOM, INC.**

2. REGULATIONS (Cont'd)

2.5 Customer Equipment and Channels for Long Distance Services (Cont'd)

2.5.2 Inspections

- (A) The Company may, upon notification of the Customer, at a reasonable time, make such tests and inspections as may be necessary to determine that the requirements regarding the equipment and interconnections are being complied with in the installation, operation and maintenance of Customer-provided equipment and in the wiring of the connection of Customer channels to Company-owned facilities.
  
- (B) If the protective requirements in connection with Customer-provided equipment are not being complied with, the Company may take such action as necessary to protect its facilities and personnel and will notify the Customer by registered mail in writing of the need for protective action. In the event that the Customer fails to advise the Company within ten (10) days after such notice is received, or within the time specified in the notice, that corrective action has been taken, the Company may take whatever additional action is deemed necessary, including the suspension of Services, to protect its facilities and personnel from harm. The Company will, upon request 24 hours in advance, provide Customer with a statement of parameters that the Customer's equipment must meet.

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**MOTION TELECOM, INC.**

2. REGULATIONS (Cont'd)

2.6 Payment Arrangements

2.6.1 Payment for Services

The Customer is responsible for payment of all charges for facilities and Services furnished by the Company. Federal, state and local sales, use and excise taxes, where applicable, shall be added to the charges contained herein. It shall be the responsibility of the Customer to pay these taxes and to accept the liability of any such unpaid taxes that may subsequently become applicable retroactively.

Long Distance Services

- (A) Most Customers are billed monthly on a net 15 or net 30-day cycle. If the Customer's net bill is not paid (payment received by the Company) within thirty (30) days after the invoice date listed on the bill, it shall become a delinquent bill and interest at the highest rate allowed by law per month shall accrue upon any unpaid amount. In some cases, including Dedicated Long Distance Services, Customers may be required to pay for these Services in advance. If the Company initiates legal proceedings to collect any amount due hereunder, and the Company substantially prevails in such proceedings, then the defendant Customer shall pay the reasonable attorneys' fees and costs of the Company in prosecuting such proceedings and appeal therefrom.
- (B) Online billing is available for all rate plans. There is no monthly service fee assessed to customer accounts utilizing online billing.
- (C) The Customer will be assessed a charge of twenty-five dollars (\$25.00) for each check submitted by the Customer to the Company which a financial institution refuses to honor for insufficient funds or non-existent account.

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**MOTION TELECOM, INC.**

3. REGULATIONS (Cont'd)

2.6 Payment Arrangements (Cont'd)

2.6.1 Long Distance Services (Cont'd)

- (D) Customers are responsible for any previously unbilled charges for Services furnished prior to three months immediately preceding the date of the bill, except for collect calls, credit card calls, third party calls and "Error File" calls (those which cannot be billed due to the unavailability of complete billing information to the Company) which shall have a six-month back billing period. In case of fraud, a back billing period of no more than three years will apply.
- (E) Customers may be required to sign agreements for a minimum twelve-month term agreement for certain Long Distance rate plans. Penalties and cancellation fees will be assessed if Services are terminated prior to the term expiration dates agreed upon.

2.6.2 Discontinuance of Service for Cause

Upon non-payment of any sum owing to the Company for more than 30 days beyond the date of rendition of the bill for service or upon violation of any of the terms or conditions governing the furnishing of service under this tariff, the Company may, after 24 hours advance notice in writing to the Customer, without incurring any liability, discontinue the furnishing of Services under this tariff.

These restrictions on Long Distance Telecommunications Services may include, but are not limited to, the following: The Company may withhold the use of a specific 800 number or deny its transfer to another carrier for nonpayment of charges due as specified in 2.6.1 "Payment for Services" preceding. Such action may be taken without written notice being sent to the Customer. Upon payment of charges in full by the Customer, this restriction on the use of a specific 800 number will be removed.

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**MOTION TELECOM, INC.**

2. REGULATIONS (Cont'd)

2.6 Payment Arrangements (Cont'd)

2.6.3 Prepaid Calling Card Services

A Prepaid Calling Card Service account is decreased only for a completed call. Station busy signals and unanswered calls shall not be considered completed calls and shall not be charged against the account.

A surcharge will not be levied more than once on a given call.

Domestic rates and surcharges will be disclosed at the time of purchase.

Upon verbal or written request, the Company will provide the following call detail data information at no charge:

- a) Dialing and signaling information that identifies the inbound access telephone number called;
- b) The number of originating telephone;
- c) The date and time the call originated;
- d) The date and time the call terminated;
- e) The called telephone number;
- f) The PIN and/or account number associated with the call.

The Company will maintain call detail data records for at least two years.

2.7 Definitions

Access Line: A transmission path that connects a Customer premise to a Local Exchange Carrier's Central Office.

Call: A completed connection established between a calling station and one or more called stations.

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**MOTION TELECOM, INC.**

2. REGULATIONS (Cont'd)

2.7 Definitions (Cont'd)

Called Station: The station (i.e. telephone number) called, or the terminating point of call.

Calling Card: Service provided to customer will access to intrastate, interstate and international calling by dialing a Toll Free number and entering a customer specific access code.

Company: The term "Company" denotes Motion Telecom, Inc.

Customer: The person or legal entity which orders long distance service (either directly or through an agent) or is responsible for payment of tariff charges for services furnished to that Customer.

Customer Dialed Calling Card Station: A Calling Card call, which does not require intervention by an attended operator position to complete.

Customer Dialed/Automated: Calls wherein the end user dials "0" plus the called number and chooses to bill the call to a calling card or the called number (collect call) and wherein call placement and recordation of billing information is performed without the assistance of a live operator.

Operator Assisted: Calls wherein the end user dials "0" plus the called number and, with the assistance of an operator, chooses to bill the call to a third party number to provide billing and collection services on behalf of its customers, including the Company.

Operator Station: Services, other than Customer Dialed Calling Station service and person-to person service, which require the assistance of an operator to complete the call.

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**MOTION TELECOM, INC.**

2. REGULATIONS (Cont'd)

2.7 Definitions (Cont'd)

Online Billing: Billing and account management with secure and private access through the Internet. Payment by credit card and electronic funds transfer is available.

Person-to-Person: Service for which the person originating the call specifies to the operator a particular person, mobile station, department, extension, or office to be reached.

Premises: A building on continuous property not separated by a public thoroughfare.

Prepaid Calling Card: A card or any other device purchased to establish a Prepaid Calling Services account.

Prepaid Calling Services: Any telecommunications transaction in which a) a customer pays in advance for telecommunications services; b) the customer's prepaid calling services account is depleted at a predetermined rate as the customer uses the service; and c) the customer must use a PIN and an access telephone number to use the telecommunications services.

United States: The term "United States" designates the forty-eight (48) contiguous states and the District of Columbia, Hawaii, Alaska, Puerto Rico, the U.S. Virgin Islands and Guam, as well as the off-shore areas outside the boundaries of the coastal states of the forty-eight contiguous states to the extent that such areas appertain to and are subject to the jurisdiction and control of the United States.

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Issued: July 3, 2003

Effective:

Issued by:  
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**MOTION TELECOM, INC.**

3. SERVICE OFFERINGS

3.1 Intrastate Long Distance Telecommunications Service

3.1.1(a) Description of Services

Intrastate Long Distance Telecommunications Service consists of the furnishing of switched and dedicated telephone service between points within the State of SOUTH DAKOTA. Interstate Long Distance Telecommunications Service consists of the furnishing of switched and dedicated telephone service between points within the United States Mainland; and between the Mainland and Alaska and Hawaii, Puerto Rico, U.S. Virgin Islands and Guam. Such services are available twenty-four (24) hours a day, seven (7) days a week.

The Company maintains its headquarters in Englewood, Colorado.

3.1.1(b) Explanation of Rates For Intrastate Long Distance Telecommunications Service

The rates for the Company's Intrastate Long Distance Telecommunications Service will depend on the length of the call. Rates are "flat" rated and apply to all contiguous SOUTH DAKOTA and contiguous U.S. calls regardless of distance. Non-mainland U.S. calls are charged by destination and are also "flat" rated. The following Rate Schedule in Section 4 represents the maximum applied rate for all Services.

Rates do not change based on the time-of-day or the day-of-week that calls are made.

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**MOTION TELECOM, INC.**

3 SERVICE OFFERINGS (Cont'd)

3.1 Intrastate Long Distance Telecommunications Service (Cont'd)

3.1.1(c) Operator Service

The appropriate per minute rate as described in Section 4 will apply plus a call placement charge added to the first minute of each call as shown in Section 4. An operator- dialed surcharge will be applied, if necessary.

3.1.1(d) Class of Service

The Company provides the following classes of Services:

Direct Dial

Toll Free Service

The Business Cents Plan and the Penny Plan have one year terms with a ninety (90) day advance notice prior to end of term. If no notice is given, the plans automatically renew for an additional one year term. Early termination penalties will be based on the monthly minimum charges multiplied by the number of remaining months on the contract.

Dedicated Service. Dedicated Service is a heavily discounted service for large-volume users of long distance and is used by business Customers only. Rates are described in Section 4.



**MOTION TELECOM, INC.**

3 SERVICE OFFERINGS (Cont'd)

3.1 Intrastate Long Distance Telecommunications Service (Cont'd)

3.1.1(d) Class of Service (Cont'd)

Calling Card. Calling Card Service is provided to Customer for access to intrastate, interstate and international calling by dialing a Toll Free number and entering a Customer specific access code. Rates are described in Section 4.

Toll Free Miscellaneous Services

Toll Free Vanity Numbers -All Toll Free numbers generated as a result of a customer request for specific numbers.

Toll Free Directory Assistance Listings – Listing a Toll Free number in the National Toll Free Directory.

Account Codes - Codes that users can assign in association with whatever they want to track their long distance usage against, such as a project, a department, a division or a customer. When a long distance call is dialed, the caller must enter the code before the call can be completed. Account codes provide users with the ability to track usage for all long distance calls and provide security for all locations. Account codes are one to five digits in length and are always entered after the telephone number that the caller is dialing. Verified account codes are always validated in the network before the call is allowed to complete. Unverified account codes are not validated in the network before the call is allowed to complete.

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**MOTION TELECOM, INC.**

3 SERVICE OFFERINGS (Cont'd)

3.1 Intrastate Long Distance Telecommunications Service (Cont'd)

3.1.1(d) Class of Service (Cont'd)

Prepaid Calling Card Services - Prepaid calling cards provide customers with the ability to prepay for long distance calling cards, which are utilized to place calls to both domestic and international locations.

Prepaid Calling Card Services are billed in sixty (60) second initial increments and sixty (60) second additional billing increments.

The prepaid calling cards are measured in minutes or units depending on the type of card purchased. Balances will be reduced and depleted based upon usage.

A verbal warning is provided to the caller when the amount of units remaining on the card reaches a certain level. A call will be disconnected upon depletion Customer of all available units on the card. The acquisition of a card will entitle the Customer to make calls from the time of purchase until the card balance is either depleted or until the card expires, whichever, occurs first.

Calls must originate in a U.S. Territory and do not support International origination. Cards cannot be used to place 700, 900, or 976 number calls. Prepaid calling cards cannot be used to place certain toll-free, operator-assisted, third party billed, or collect calls.

Prepaid calling cards expire ninety (90) days from the date of activation. Once a card expires or is depleted, the card no longer holds any value. Prepaid calling cards are non-returnable, non-refundable, and non-rechargeable.

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**MOTION TELECOM, INC.**

3 SERVICE OFFERINGS (Cont'd)

3.1 Intrastate Long Distance Telecommunications Service (Cont'd)

3.1.2 Billing Increments

Group V, K59, K69, VG4, VG5, Bi-Lo, Passport, Dollar Saver, K31, K35, K39, MD01-02, MD03-07 rate plans are billed in 30 to 60 second minimums and 60 second rounding thereafter.

Motion Connect Outbound, Toll Free and Calling Card are billed in 60-second initial increments and 60-second additional billing increments.

Univance Outbound, Toll Free and Calling card (Business/Residential) are billed in 30-second initial increments and 6-second additional billing increments.

Affinity Outbound, Toll Free and Calling Card are billed in 30-second initial increments and 30-second additional billing increments.

UniVoice Outbound, Toll Free and Calling Card are billed in 60-second initial increments and 30-second additional billing increments.

UniBiz and Convergent 5.0 Dedicated Outbound and Toll Free are billed in 6-second initial increments with a minimum 6-second per call.

Business Cents Plan and Penny Plan are billed in 6-second rounding increments with a minimum 6-second per call.

Motion Connect Outbound Long Distance Service is available to Customers in both Regional Bell Operating Company (RBOC) and Non-RBOC locations. Some Univance Residential and Business, UniVoice Residential/Business and Affinity Residential Outbound Long Distance Services are only available in RBOC areas.

UniVoice is sold as a bundled product offering.

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**MOTION TELECOM, INC.**

4. RATES

4.1.1 Intrastate Rate Programs

(a) Switched Outbound Access Intrastate Rates

• Group V	15.3	cents/min
• K59	16.4	cents/min
• K69	18.4	cents/min
• KB59B, K69B	16.4	cents/min
• VG4	16.7	cents/min
• VG5	16.7	cents/min
• Bi-Lo	19.6	cents/min
• Passport	13.35	cents/min
• Dollar Saver	16.6	cents/min
• Motion Connect 4.5 – Residential	19.9	cents/min
• Univance 4.5 LD – Residential	20.5	cents/min
• Affinity – Residential	22.3	cents/min
• Univance 4.5 LD – Business	20.5	cents/min
• UniVoice Residential/Business	25.0	cents/min
• Business Cents Plan	16.9	cents/min
• Penny Plan	16.9	cents/min

(b) Dedicated Outbound Intrastate Service Rates

• K31, K35, K39	10.7	cents/min
• K31B, K35B, K39B	9.22	cents/min
• MD01-02	10.73	cents/min
• MD03-07	11.55	cents/min
• UniBiz 3.5 – Business	14.2	cents/min
• Convergent 5.0 – Business	14.2	cents/min

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4. RATES (Cont'd)

4.1.1 Intrastate Rate Programs (Cont'd)

(c)	Calling Card Intrastate Service Rates		
	• Group V, K59, K69	18.0	cents/min
	• K59B, K69B	13.5	cents/min
	• VG4, VG5, Passport	17.9	cents/min
	• Bi-Lo, Dollar Saver	13.9	cents/min
(d)	Switched Access Toll Free Intrastate Service Rates		
	• Group V	15.3	cents/min
	• K59	16.4	cents/min
	• K69	18.4	cents/min
	• K59B, K69B	16.4	cents/min
	• VG4	16.7	cents/min
	• VG5	16.7	cents/min
	• Bi-Lo	19.6	cents/min
	• Passport	13.35	cents/min
	• Dollar Saver	16.6	cents/min
	• Motion Connect 4.9 Toll Free – Residential	20.9	cents/min
	• Univance 5.5 Toll Free - Residential	22.1	cents/min
	• Affinity – Residential	22.7	cents/min
	• Univance 4.9 Toll Free – Business	22.1	cents/min
	• UniVoice Residential/Business	25.0	cents/min
(e)	Dedicated Access Toll Free Intrastate Service Rates		
	• K31, K35, K39	10.7	cents/min
	• K31B, K35B, K39B	9.48	cents/min
	• MD01-02	10.73	cents/min
	• MD03-07	11.55	cents/min
	• UniBiz 3.5 – Business	14.2	cents/min
	• Convergent 5.0 – Business	14.2	cents/min

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**MOTION TELECOM, INC.**

4. RATES (Cont'd)

4.1.1 New Intrastate Long Distance Rate Programs (Cont'd)

e) Calling Card Intrastate Rates (Cont'd)

- |   |      |           |
|---|------|-----------|
| • Motion Connect                          | 9.0  | cents/min |
| • Univance 9.9 Calling Card – Residential | 9.9  | cents/min |
| • Univance 9.5 Calling Card – Business    | 9.5  | cents/min |
| • UniVoice Residential/Business           | 10.0 | cents/min |

4.1.2 Monthly Fees, Service Charges and Surcharges

Monthly Fees

- |  |         |
|--|---------|
| • Switched Access, Toll Free, Calling Card<br>Motion Connect, Univance Residential/Business<br>per Monthly Service Fee month/account | \$ 2.95 |
| • Affinity Monthly Service Minimum month per/account   | \$ 2.95 |
| • UniVoice Residential Monthly Service Minimum<br>month/account  | \$ 3.95 |
| • UniVoice Business Monthly Service Minimum<br>month/account   | \$15.95 |
| • Business Cents Plan per account  | \$15.00 |
| • Penny Plan 1 <sup>st</sup> and 2 <sup>nd</sup> line  | \$10.00 |
| Penny Plan additional line/per line  | \$ 7.00 |
| • Toll Free Monthly Service Fee  | \$ 0.99 |
| • Dollar Saver Monthly Service Fee   | \$ 3.95 |
| • K59B, K69B Monthly Fee   | \$ 3.00 |

Service Charges

- |  |             |
|--|-------------|
| • Universal Service Fund Charge (USF) per month          | As required |
| • Operator Assisted Service Charge (per call)            | \$ 0.35     |
| • Switched Access Outbound<br>PICC Charge month/per line | As required |

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4. RATES (Cont'd)

4.1.2 Monthly Fees, Service Charges and Surcharges (Cont'd)

Surcharges

- Payphone Surcharge (Switched Access  
Toll Free/Calling Card) for Motion  
Residential/Business, Motion Connect,  
Affinity \$ 0.43 per call
- Payphone Surcharge Calling Card Only  
UniVoice Residential/Business \$ 0.43 per call
  
- Directory Assistance Surcharge for all plans \$ 0.30 per call
- Business Cents Plan and Penny Plan  
Monthly Direct Billing Surcharge per invoice \$ 2.00

4.1.3 Dedicated Outbound and Toll Free Long Distance Services

(1)The minimum monthly usage charge varies per commitment per circuit. A short fall of the difference will be assessed monthly per account.

Local access fees into Local Exchange Carrier's (LEC) Point of Presence (POP) will be assessed monthly per circuit. These fees are distance sensitive and will vary based on the LEC provider.

If local loop is provided through an outside vendor an entrance facility charge will be assessed monthly per circuit. This charge will vary based on the LEC provider.

- Universal Service Fund Charge (USF) As required
- Payphone Surcharge \$ 0.43 per call

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4. RATES (Cont'd)

(2) Change Fees for Dedicated Long Distance Service

- Administrative Changes \$25.00
- Change of Service Date \$125.00
- Change of Service Order
  - Pre-Engineered \$150.00
  - Post-Engineered \$250.00
- Order Cancellation
  - Pre-Engineered \$150.00
  - Post-Engineered \$250.00

4.1.3 (a) Toll Free – Miscellaneous Services (per Toll Free number)

- Dedicated/Switched Vanity Numbers \$35.00 Non Recurring Charge
- Dedicated/Switched Directory Assistance Listing \$25.00 Non Recurring Charge

4.1.3 (b) Account Codes (Per Customer Account)

(1) Non-Recurring Charge

Dedicated / Switched Verified Account Codes  
(1-1000 per account) \$10.00

(2) Monthly Recurring Charge

Switched Non-Verified Account Codes \$15.00  
Dedicated Non-Verified Account Codes \$20.00  
Dedicated / Switched Verified Account Codes  
(1-100 per account) \$15.00  
Dedicated / Switched Verified Account Codes  
(101-1000 per account) \$30.00

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4. RATES (Cont'd)

4.1.3 (b) Account Codes (Per Customer Account) (Cont'd)

(3) <u>Charges incurred for a Change of Service</u>		
Switched Non-Verified Account Codes		\$10.00
Dedicated Non-Verified Account Codes		\$10.00
Dedicated / Switched Verified Account Codes (1-100 per account)		\$10.00
Dedicated /Switched Verified Account Codes (101-1000 per account)		\$10.00

4.1.4 Prepaid Calling Cards

1) Prepaid Calling Cards

- Domestic Cards
  - 60 Minutes \$3.99 /card \$ .067 cents/min
  - 120 Minutes \$6.99 /card \$ .058 cents/min
  - 250 Minutes \$11.99 /card \$ .048 cents/min
  - 500 Minutes \$19.99 /card \$ .040 cents/min
- Calls terminating in Alaska and Hawaii \$ .09 cents/min
- Calls terminating a Toll Free number \$ .068 cents/min
- International Cards
  - Domestic Rate \$ .048 cents/min

2) Service Charges

- Payphone surcharge \$ .75 per call
- Directory Assistance Charge \$ .75 per call

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## Executive Summary

Motion Telecom, Inc., a wholly owned subsidiary of Advantage Advisory Service, Inc., d/b/a Advantage Wireless acquired substantially all of the assets of Univance Telecommunications, Inc. and is currently managing all of the Univance telecommunications business. Through this arrangement, Motion Telecom offers one of the most diversified and unique products sets in the telecommunication market today and is a leading nationwide reseller of comprehensive long distance and data communications services. Customers range from large global companies to smaller businesses and residential consumers. Current customers include Winstar Communications, ICG Telecommunications, and Electric Lightwave, Inc.

Based in Centennial, Colorado, Advantage Wireless and its subsidiary, Motion Telecom, rank as one of Colorado's largest privately held companies. Motion Telecom and Advantage Wireless are profitable, cash flow positive companies without operating debt. This means the flexibility to negotiate excellent rates and credit terms which it can pass on to its customers and dealers. Motion Telecom has a direct relationship with Advantage Wireless which is one of the largest activators wireless services in the United States. The dynamic relationship offers unique opportunities in the market.

## Motion Telecom Team

The Executive and Management team of Advantage Wireless and Motion Telecom has more than 100 years of experience in the communication industry. Advantage Wireless has won numerous awards, including the Colorado Small Business of the Year in 2000, and Denver Business Journal #2 Private Company in 2001. Through its addition of the Univance acquisition, Motion Telecom brings 100 agents selling long distance services to the already existing 1,200 wireless subdealer base of Advantage Wireless. As part of its recent acquisition, Motion Telecom recognized the importance of the employees and hired all of those critical to the existing business, from customer service through executive levels.

## Values

**Choice:** Motion Telecom has world class partnerships with several providers including; MCI, WorldCom, Qwest, Global Crossing and Sprint. These relationships allow Motion to provide highly competitive pricing and diversified solutions to meet customer needs.

**Service:** Highly-trained priority service representatives available 24 hours a day, 7 days a week to respond to questions about your account. Dedicated account managers to provide streamlined communication through a single points of contact.

**Billing:** Billing statements, formats and reports can be tailored to suit customer needs and requirements. Motion Telecom's experience with wholesale and retail customized billing provides limitless flexibility.

**Rapid Provisioning:** Automated web based provisioning can be used by internal and external partners to turn up customers in the shortest time frame possible to maximize revenue opportunities.

## ATTACHMENT D

### Prepared for S Connect

### Account Management

The Motion Telecom Account Management Team is a support and empowerment mechanism for our vendors/agents nationwide. Our primary goal is to develop valuable and productive relationships with our vendors/agents. This in turn should result in an increase in sales as a direct result of proactive support and training.

The Account Manager assigned to the vendor/agent will spend a large percentage of their time communicating via telephone and email such information regarding problem resolution, promotions, new opportunities, rate changes, sales tips etc. to ensure that they have all the tools they need to support their customers. The following presents just some of the support services that you will receive from your Account Manager.

- A dedicated Account Manager will be provided as a single point of contact for all S-Connect representatives
- Technical Support is available 24 hours, 7 days a week.
- Act as first point of contact for all issues and escalations.
- The Account Manager will work as a problem solver and liaison with underlying carrier as pertains to the following for S-Connect and Sears end users.
  - Technical Escalations
  - Provisioning
  - Billing
  - Commission/compensation support
  - End-user customer care.
- Work to resolve any dispute and commission issues on the vendor/agents behalf.
- Will ensure that S-Connect has updated sales and marketing materials.
- Distribute carrier information and promotions.
- Liaison relating to other internal departments.
  - Billing
  - Accounting
  - Customer Care
  - Underlying Carriers - NOC (Network Operations Centers)
- Provide Standard Trouble Ticket and additional NOC reporting.
- Assist in the training of S-Connect and Sears's representatives.

## ATTACHMENT F

### Billing System and Capabilities

Motion Telecom uses UniCom 4.4.1 by OAN to provide one of the most powerful billing platforms in the industry. To ensure that needs are met for today and for tomorrow, UniCom 4.4.1 has been designed to be an open, flexible, scalable and robust mission critical billing system that can grow and react with any dynamic environment.

### Fully Featured

UniCom 4.4.1 is a powerful convergent billing solution that delivers strong productivity tools enabling Motion Telecom to meet customer demands. The following table provides a brief summary of some key features.

Feature	Description
<b>Service Architecture</b>	A highly flexible, service-driven structure that allows unlimited “services” to be attached to single or multiple ANIs.
<b>Revenue Reconciliation</b>	Prevent revenue leakage with UniCom’s highly efficient revenue reconciliation tool.
<b>Product Offerings</b>	Highly flexible rate, surcharge and discount structures allow users to quickly create and introduce products that meet customer needs on an individual basis.
<b>Call Rating</b>	Call detail records are rated in one efficient step, with any irregular calls brought to attention in exception reporting. UniCom 4.4.1 enables an event based rating structure that relates to a true multi-service architecture.
<b>Call Categories</b>	Call categories enable an event driven rating architecture that provides unlimited scenarios for any rating sequence. Any event related to a specific service can be rated in infinite ways.
<b>Billing &amp; Accounts Receivable</b>	Multi-service convergent billing allows communication providers to offer multiple invoice formats and payment method options to customers. Efficient entry, reporting of customer payments and other account transactions provide an instant and accurate integrated accounts receivable function.

<b>Taxation</b>	Direct interfaces to multiple industry standard taxation systems
<b>Discounting</b>	Multiple volume discounting features allow users to attract a growing number of new customers, reward high volume users and retain loyal customers.
<b>Application &amp; Customer Care</b>	Intuitive application entry and tracking from sign up to activation Ensure that subscribers quickly become customers. UniCom 4.4.1's single point of entry feature expedites the process, as all information entered in one module is accessible from all other modules.
<b>Collections</b>	Extensive tracking and documentation of overdue accounts provides timely management information to address issues quickly to minimize bad debt exposure.
<b>Mergers and Acquisitions</b>	Extensive processes, tools and functionality ensure efficient migration of external data into the UniCom database.
<b>Address Verification</b>	Direct interfaces to address verification and correction software.
<b>Reports</b>	Standard detailed and summary reports provide management with the tools necessary to make the decisions that allow companies to remain competitive.

## Flexibility

Information systems should support business operations - not restrict them, as service providers innovate and pro-act to improve their company's competitive position. Motion Telecom's unlimited flexibility makes it easy to make business-critical decisions knowing that today's information system will also be tomorrow's solution.

## Open Systems Architecture

An important feature with UniCom 4.4.1 (versus most competitors) is that this system does not merely *work* with these third party products; in many cases the third party vendors have created a special custom interface to the system to maximize system functionality and processes. The UniCom 4.4.1 product capitalizes on the expertise of many other software companies by making it easy for them to interconnect with.

## **Billing System Policies and Procedures**

Motion Telecom currently invoices thousands of accounts on a monthly basis. This includes wholesale and end user customers. For our wholesale accounts we insure that their CDRs are received in a timely manner in order that they may invoice their customers. Accounts with larger volume CDRs receive an invoice with totals and summaries. Their actual call detail records are sent on floppy diskette or cd-rom. If a customer requests we will email those CDRs to them in order for them to receive them in a timelier manner. We currently run 13 billing cycles throughout the month. Invoices can reflect numerous summaries according to the customer's requirements. All invoicing and call detail are archived and backed up on tape and can be recreated when necessary.

## **Billing Outsource Capabilities**

- Vendor capable of handling volume of invoicing projected.
- Vendor now receives data files in third party print program containing call detail, recurring fees, taxes, credits, adjustments to be reflected on the invoice.
- Invoices are printed and mailed within 3 business days.
- Vendor has the ability to perform custom work such as billing inserts and marketing messages.
- UPC bar code imaging for an accurate scan during the remittance process.
- Envelopes meet postal and remittance processing center specifications.
- Provide an experienced support team to ensure successful implementation and ongoing support.

## **Overview of on-line invoicing capabilities**

- Vendor capable of handling volume of invoicing projected.
- Vendor now receives Univance's data files containing call detail, recurring fees, and taxes.
- Invoices are generated and available for viewing by customers within two business days.
- E-mail transmission is sent to each online invoicing customer stating invoice is ready to be viewed.
- A variety of summaries are available to the online customer.
- Payment due on the account can be made on this site.
- Online service includes the option of producing a printed version of the invoice if the customer chooses this availability.

## ATTACHMENT G

### **Fraud Detection**

Motion Telecom works constantly with our underlying carriers to ensure the protection of our customers against fraud and slamming. With a continuously updated database of known international fraudulent areas, working alongside the carrier we have the ability to monitor for unusual activities and patterns. In the event that we are confronted with suspicious activity, calls are then immediately blocked so they will not be completed. A manager on staff who is available on-call 24 hours a day/ 7-days a week will then make immediate contact with the customer to correct the problem

## ATTACHMENT H

### Customer Care

The Motion Telecom Customer Care Department is provided to offer our valued customers and wholesalers the exceptional service and support that they deserve. We pride ourselves on our ability to grow with the demands of our customer base and the industry. Continually striving to resolve any and all disputes, trouble and maintenance tickets, account adjustments and questions within the first call. As our company is growing at an astounding rate we are reviewing alternative ways to accomplish these goals. In an effort to maintain the current level of service that our customer's and wholesaler's are dependant upon, we are willing to assess our needs in outsourcing this function and have been in discussions with various outsource agencies. The following are just some of the ways we currently support and service our Customers and Wholesalers.

- Customer Care personnel available 24 hours a day, 7 days a week.
- Fully staffed inbound and outbound Customer Care and Provisioning teams.
- Fully staffed 800 RESPORG Department
- In house TPV and provisioning fulfillment.
- One-call resolution rate of 95%.
- Abandonment Rate below 2%
- Bilingual personnel
- Integrated information system availability for all personnel with direct access to customer account information.
- Continuous customer service, problem solving and industry training.
- Collaboration with all internal departments.
- Direct contacts available with underlying carriers and their systems.
- Call benchmark metrics continually reviewed to ensure proper staffing allocations.
- Daily Quality Assurance monitoring.
  - Technical Knowledge
  - Accuracy
  - Voice Tone
  - Enthusiasm
  - Courtesy
  - Enunciation
  - Mirroring the customer
  - Call Control Factors
  - Handling of challenging customers
  - Escalations
  - End Result



# ATTACHMENT I

## Provisioning Systems

### System Overview

Motion Telecom's online Order Entry system (BOSS) is an efficient way to send orders to Motion without manual/ paper entry. Simply enter the new data into the appropriate form on the web page, and they are automatically processed and provisioned through the carrier. BOSS was created in-house, and is updated regularly, to fit the changing needs of its users. On-line forms, reports and various other items can be changed in a timely manner, as in-house programmers are always available.

BOSS is user friendly. The employee logs in through our internet site to provision new long distance orders or make changes to existing accounts. The user is responsible for entering the customer information, and submitting the order. At this point, the customer will go through credit check, a Customer Care representative will verify the order, and upon completion, the order will automatically provision to the carrier.

Customer orders provision within the hour from Motion Telecom, and provision at the respective carrier within 2-24 hours time. Customer Service is then responsible for working error reports, or any other issues which may arise from the carrier. In the event of provisioning errors or verification requests (LOA, TPV) Customer Care representatives from Motion Telecom will contact the customer

### System Highlights

- Scalability- BOSS was created in-house; any and all changes are done with ease and flexibility to the users. BOSS was created for strong program flexibility and modular design.
- Account management via internet- All agents can access, add, update and research their accounts on-line 24x7.
- Rapid integration of new products
- Superior revenue reporting
- Online commission reporting
- Internet sales and kiosk management
- Reliable order tracking and reporting
- Provides grand totals, revenue and customer information at a glance.
- Secure log-in, password verification, user authentication/permission levels



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Operations in Other States

Applicant is filing the necessary documents to operate in most of the United States and Internationally.

Approved authority to provide telecommunications service:

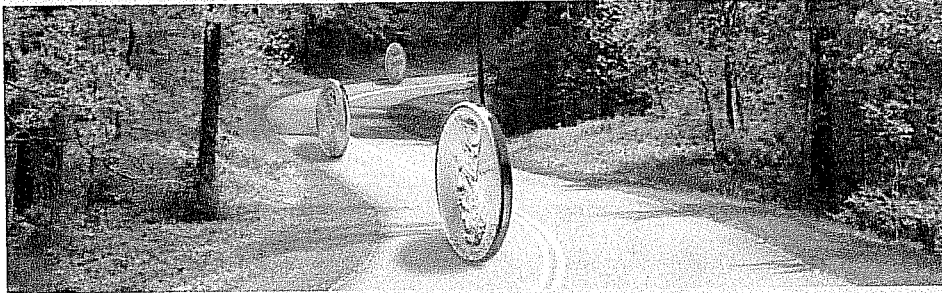
Colorado  
Pennsylvania  
District of Columbia  
Virginia  
Utah

Pending Applications:

Arizona – filed 6-12-03  
New Mexico – filed 6-18-03  
Texas – filed 6-16-03  
Washington – filed 6-6-03  
Connecticut- filed 6-24-03  
Delaware- filed 6-24-03  
North Carolina- filed 6-27-03  
Alabama- filed 6-25-03  
Georgia- filed 6-25-03  
Wisconsin – filed 6-27-03  
Wyoming – filed 6-27-03



# How far do



# pennies go?



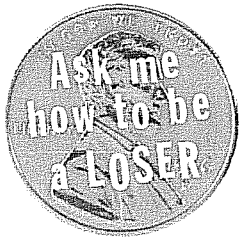
Ask us about **4.5¢** per minute long distance

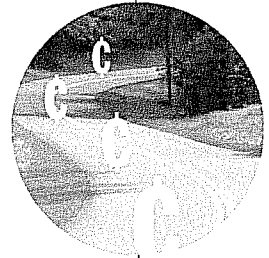
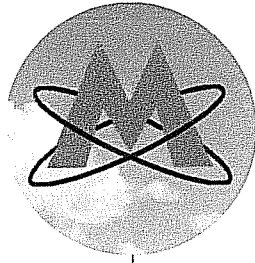


# Long Distance for Pennies

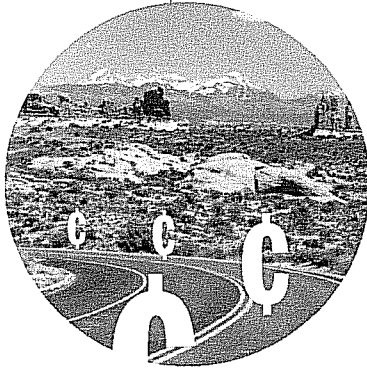
no monthly fees

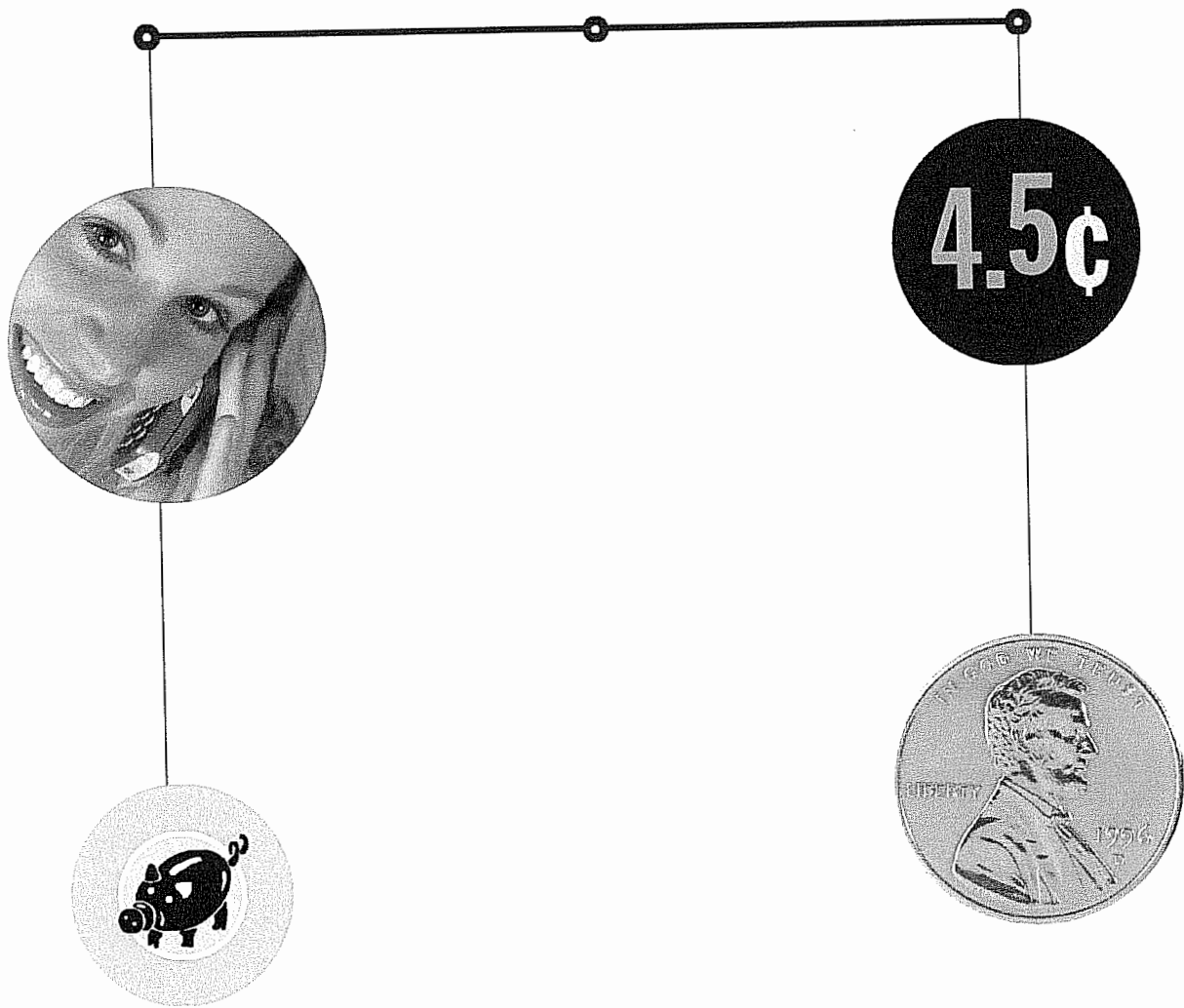






penny  
pLans





second arm



# Motion Telecom

## Penny Plans

### Outbound Long Distance

penny  
plans

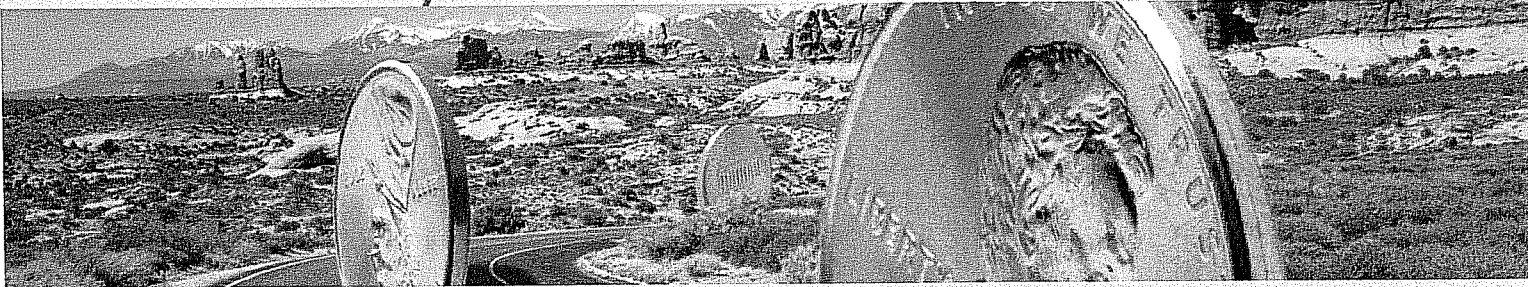
- Interstate rates – 4.5 ¢/minute
- Intrastate rates – see attached
- International rates – see attached
- Mexico rates – as low as 9.9 ¢/minute

- Interstate – 6 second minimum / 6 second rounding
- Intrastate – 6 second minimum / 6 second rounding
- International – 60 second minimum / 60 second rounding

- Monthly Minimum Charge (on same account)**
- 1st and 2nd lines – \$10 each
  - All additional lines – \$7 each

- Charges**
- Monthly Direct Billing Surcharge – \$2 per invoice
  - On-Line Billing – no charge

- Terms**
- 1 year term
  - 90-day advance notice prior to end of term
  - If no notice given, automatically renews for additional 1 year term
  - Early termination penalties will be based on monthly minimum charges multiplied by number of remaining months on contract



# Motion Telecom

## Business Benefits

### Outbound Long Distance

- Interstate rates – 4.2 ¢/minute
- Intrastate rates – see attached
- International rates – see attached
- Mexico rates – as low as 9.9 ¢/minute

- Interstate – 6 second minimum / 6 second rounding
- Intrastate – 6 second minimum / 6 second rounding
- International – 60 second minimum / 60 second rounding

- Monthly Minimum Charge**
- \$15 per account

- Charges**
- Monthly Direct Billing Surcharge – \$2 per invoice
  - On-Line Billing – no charge

- Terms**
- 1 year term
  - 90-day advance notice prior to end of term
  - If no notice given, automatically renews for additional 1 year term
  - Early termination penalties will be based on monthly minimum charges multiplied by number of remaining months on contract



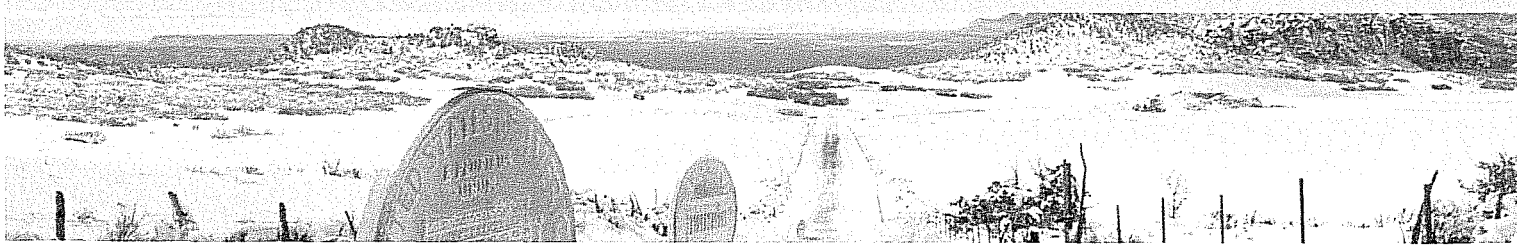


# Real Savings with Motion Telecom

<b>COMPETITION COMPARISON</b> (based on 250 minutes)								
CARRIER	RATE PER MINUTE	COST PER 250 MINUTES	MONTHLY SERVICE CHARGE	MONTHLY CHARGE + MINUTES	EFFECTIVE RATE PER MINUTE	MOTION SAVINGS PER MINUTE	MOTION SAVINGS PER MONTH	MOTION SAVINGS PER YEAR
<b>MOTION</b>	<b>4.5 ¢</b>	<b>\$11.25</b>	<b>\$0.00</b>	<b>\$11.25</b>	<b>4.5 ¢</b>			
AT&T	7 ¢	\$17.50	\$4.95	\$22.45	9 ¢	4.5 ¢	\$11.20	\$134.40
MCI	5 ¢	\$12.50	\$5.95	\$18.45	7.4 ¢	2.9 ¢	\$7.20	\$86.40
Sprint	7 ¢	\$17.50	\$5.95	\$23.45	9.4 ¢	4.9 ¢	\$12.20	\$146.40
Verizon	9 ¢	\$22.50	\$4.95	\$27.45	11 ¢	6.5 ¢	\$16.20	\$194.40

<b>MOTION TELECOM INTRA-STATE RATES</b> per minute			
Alabama	6.5 ¢	Nebraska	12.6 ¢
Arizona	13.0 ¢	Nevada	7.5 ¢
Arkansas	13.0 ¢	New Hampshire	10.9 ¢
California	3.9 ¢	New Jersey	5.5 ¢
Colorado	8.9 ¢	New Mexico	13.9 ¢
Connecticut	4.9 ¢	New York	8.9 ¢
Delaware	4.7 ¢	North Carolina	12.3 ¢
Florida	9.5 ¢	North Dakota	16.0 ¢
Georgia	7.5 ¢	Ohio	5.9 ¢
Idaho	14.9 ¢	Oklahoma	8.9 ¢
Illinois	4.2 ¢	Oregon	10.9 ¢
Indiana	6.5 ¢	Pennsylvania	7.5 ¢
Iowa	10.5 ¢	Rhode Island	11.5 ¢
Kansas	10.0 ¢	South Carolina	11.5 ¢
Kentucky	10.9 ¢	South Dakota	16.9 ¢
Louisiana	5.9 ¢	Tennessee	8.5 ¢
Maine	13.5 ¢	Texas	6.9 ¢
Maryland	6.9 ¢	Utah	8.9 ¢
Massachusetts	7.9 ¢	Vermont	15.5 ¢
Michigan	4.9 ¢	Virginia	11.8 ¢
Minnesota	11.9 ¢	Washington	7.9 ¢
Mississippi	8.5 ¢	West Virginia	13.9 ¢
Missouri	14.9 ¢	Wisconsin	6.2 ¢
Montana	11.9 ¢	Wyoming	12.0 ¢

<b>MOTION TELECOM INTERNATIONAL RATES</b> per minute			
<i>some rates may be higher to mobile numbers or select cities</i>			
Argentina	19.9 ¢	Jordan	53.9 ¢
Australia	11.9 ¢	Malaysia	14.9 ¢
Austria	12.9 ¢	Mexico	9.9 ¢
Bahamas	19.9 ¢	Netherlands	9.9 ¢
Brazil	17.9 ¢	New Zealand	10.9 ¢
Canada	7.9 ¢	Norway	9.9 ¢
Chile	17.9 ¢	Pakistan	44.9 ¢
China	26.9 ¢	Peru	29.9 ¢
Colombia	36.9 ¢	Philippines	19.9 ¢
Costa Rica	24.9 ¢	Russia	22.9 ¢
Cuba	1.19.0 ¢	Saudi Arabia	45.9 ¢
Denmark	9.9 ¢	Singapore	12.9 ¢
Ecuador	34.9 ¢	South Africa	32.9 ¢
France	9.9 ¢	South Korea	12.9 ¢
Germany	10.9 ¢	Spain	9.9 ¢
Greece	25.9 ¢	Sweden	7.9 ¢
Guatemala	35.9 ¢	Switzerland	7.9 ¢
Hong Kong	9.7 ¢	Taiwan	9.9 ¢
India	53.9 ¢	Thailand	23.9 ¢
Israel	13.5 ¢	Turkey	29.9 ¢
Italy	11.9 ¢	United Kingdom	6.9 ¢
Japan	11.9 ¢	Venezuela	24.9 ¢




**ADVANTAGE TELECOM, INC.**

5878

DATE	INVOICE NO	COMMENT	AMOUNT	DISCOUNT	NET	AMOUNT
07/01/03	MOTIONFILI	PUC Regulation	250.00	.00		250.00

TC03-109

CHECK: 005878 07/01/03 South Dakota 50-SDPUC CHK TOTAL: 250.00

		5878	
<b>ADVANTAGE TELECOM, INC.</b>		<b>FIRST NATIONAL BANK OF COLORADO</b>	
7101 S. FULTON ST., #200		BOULDER, CO 80301	
ENGLEWOOD, CO 80112		82-196-1070	
PH. (303) 784-5300		005878	
		DATE	AMOUNT
		07/01/03	*****250.00*
*TWO HUNDRED FIFTY DOLLARS AND NO CENTS			
South Dakota			
Public Utility Commission			
PAY TO THE ORDER OF		VOID AFTER 180 DAYS	
			
⑈005878⑈ ⑆107001980⑆ 07⑈01003343⑈			

081013/6-89

Security Features Included. Details on back.

**South Dakota Public Utilities Commission**  
**WEEKLY FILINGS**  
For the Period of July 3, 2003 through July 9, 2003

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact  
Delaine Kolbo within five business days of this report. Phone: 605-773-3705

**CONSUMER COMPLAINTS**

**CT03-101** In the Matter of the Complaint filed by Bernie Quaschnick, Mobridge, South Dakota, against S&S Communications/Alterna-Cell Regarding Loss of Long Distance Services.

Complainant states that he purchased a three year contract on May 21, 2001, and that service was terminated without notice in early June 2003. Complainant seeks to be reimbursed for the pre-paid service not provided.

Staff Analyst: Jim Mehlhaff  
Staff Attorney: Kelly Frazier  
Date Docketed: 07/03/03  
Intervention deadline: N/A

**CT03-102** In the Matter of the Complaint filed by Delton Hitchcock, Conde, South Dakota, against S&S Communications/Alterna-Cell Regarding Loss of Long Distance Services.

Complainant states that he purchased a seven year contract on September 27, 1999, and that service was terminated without notice in early June 2003. Complainant seeks to be reimbursed from the bond or letter of credit for the pre-paid service not provided.

Staff Analyst: Jim Mehlhaff  
Staff Attorney: Kelly Frazier  
Date Docketed: 07/03/03  
Intervention deadline: N/A

**CT03-103** In the Matter of the Complaint filed by Victor H. Paltz on behalf of First National Bank South Dakota, Yankton, South Dakota, against S&S Communications/Alterna-Cell Regarding Loss of Long Distance Services.

Complainant's representative states that a three year pre-paid long distance service plan was purchased on November 29, 2003. Service was not fully established until April 19, 2003, and service was terminated without notice beginning on June 3, 2003. All service was terminated within a few days of June 3, 2003. Complainant seeks to be reimbursed for the pre-paid service not provided, plus the costs of re-establishing service with another provider and the difference in costs between the Respondent's contractual service versus what the Complainant will pay for replacement service.

Staff Analyst: Jim Mehlhaff  
Staff Attorney: Kelly Frazier  
Date Docketed: 07/03/03  
Intervention deadline: N/A

**CT03-104** In the Matter of the Complaint filed by Brian Brockel, Selby, South Dakota, against S&S Communications/Alterna-Cell Regarding Loss of Long Distance Services.

Complainant states that he purchased a ten year pre-paid long distance service plan. Service was terminated without notice in June of 2003, after approximately four years of service. Complainant seeks to be reimbursed for the pre-paid service not provided or to have service restored for the balance of the contract.

Staff Analyst: Jim Mehlhaff  
Staff Attorney: Kelly Frazier  
Date Docketed: 07/03/03  
Intervention deadline: N/A

**CT03-105 In the Matter of the Complaint filed by Sherry Badger, Pierre, South Dakota, against S&S Communications/Alterna-Cell Regarding Loss of Long Distance Services.**

Complainant states that she purchased a ten year pre-paid long distance service plan on March 3, 1999. The contract was financed for 36 months. Service was terminated without notice in June of 2003, with six years of service remaining on the contract. Complainant seeks to have her money refunded or to have her phone bill paid by the Respondent for the next six years.

Staff Analyst: Jim Mehlhaff  
Staff Attorney: Kelly Frazier  
Date Docketed: 07/03/03  
Intervention deadline: N/A

**CT03-106 In the Matter of the Complaint filed by Todd and Bill Wagner, St. Lawrence, South Dakota, against S&S Communications/Alterna-Cell Regarding Loss of Long Distance Services.**

Complainants represent that they purchased two six year pre-paid long distance service plans. The contracts are financed for 48 months with payments starting on September 24, 2001. On June 4, 2003, service was terminated without notice. Complainants seek to be reimbursed for the pre-paid service not provided.

Staff Analyst: Jim Mehlhaff  
Staff Attorney: Kelly Frazier  
Date Docketed: 07/03/03  
Intervention deadline: N/A

## TELECOMMUNICATIONS

**TC03-109 In the Matter of the Application of Motion Telecom, Inc. for a Certificate of Authority to Provide Interexchange Telecommunications Services in South Dakota.**

Motion Telecom, Inc. has filed an application for a Certificate of Authority to provide interexchange telecommunications services in South Dakota. The applicant intends to provide resold interexchange services, including prepaid calling card services to residential and commercial customers in South Dakota for their direct transmissions and reception of voice, data and other types of telecommunications.

Staff Analyst: Bonnie Bjork  
Staff Attorney: Karen Cremer  
Date Docketed: 07/07/03  
Intervention Deadline: 07/25/03

**TC03-110 In the Matter of the Filing by Blackstone Communications Company for Approval of Relief of Certification Requirement to Post Surety Bond.**

In an Order dated June 22, 1999, the Commission granted Blackstone Communications Company authority to provide interexchange telecommunications services in South Dakota, subject to a continuous \$25,000 surety bond. On July 8, 2003, the Commission received a filing from Blackstone requesting relief from the Commission's bond requirement.

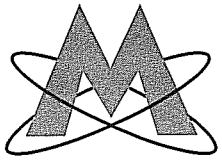
Staff Analyst: Keith Senger

Staff Attorney: Karen Cremer

Date Docketed: 07/08/03

Intervention Deadline: 07/25/03

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You may subscribe or unsubscribe to the PUC mailing lists at <http://www.state.sd.us/puc>**



**MOTION  
TELECOM**

TC03-109

RECEIVED

JUL 23 2003

July 21, 2003

**SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION**

South Dakota Public Utilities Commission  
Attention: Bonnie Bjork  
500 East Capitol Avenue  
Pierre, SD 57501-5070

Re: Resold Interexchange Telecommunications and Prepaid Calling Card Services  
Motion Telecom, Inc.

In response to the letter of requests dated July 14, 2003, enclosed are the additional requests for completion of our certificate.

1. Current Income statement and Balance Sheet
2. There has been 50% of stock in Motion Telecom issued. Advantage Advisory Service, Inc. owns all of the issued stock.
3. Motion Telecom, Inc. is in good standing with all states that it is registered or certified. In no case has the company been rejected.
4. Motion Telecom, Inc. will market its services through third party referrals and dealer agreements. No multi-level marketing is involved.
5. There are no complaints filed against Motion Telecom, Inc. either by a state or federal regulatory agency.
6. A \$25,000 bond
7. Revisions to the tariff

Again, we request that this application be expedited that on April 4, 2003, Motion Telecom, Inc. (Motion) acquired substantially of the assets of Univance Telecommunications, Inc. (Univance) in a Section 363(b) Bankruptcy sale. Motion Telecom, Inc. entered into a Management Agreement with Univance, which provides that Motion is the manager of Univance's business until receiving the necessary regulatory approvals. This Management Agreement expires on September 1, 2003.

The attached enclosures contain an original plus 10copies of the revisions and tariff as required by the Commission. Also enclosed are an additional copy and a self-addressed stamped envelope for the return of a stamped copy to our office.

If you need additional information, or have any questions, please contact me at (303) 784-5329. Thank you for your assistance in this matter.

Sincerely,

Barbara H. Vonderheid  
Chief Legal Officer /General Counsel  
Motion Telecom, Inc.

Enclosures

BHV/dlc

7101 South Fulton Street, Suite 200  
Englewood, CO 80112  
303-784-5300  
www.motiontelecom.com

INDEMNITY BOND  
To the  
PEOPLE OF THE STATE OF SOUTH DAKOTA

Bond No. 104128959

We, Motion Telecom, Inc., the principal and applicant for a CERTIFICATE OF AUTHORITY, for telecommunications services within the State of South Dakota, and Travelers Casualty and Surety Company of America, as an admitted surety insurer, bind ourselves unto the Public Utilities Commission of the State of South Dakota and the consumers of South Dakota as Obligee, in the sum of \$25,000.00.

The conditions of the obligation are such that the principal, having been granted such CERTIFICATE OF AUTHORITY subject to the provision that said principal purchase this Indemnity Bond, and if said principal shall in all respects fully and faithfully comply with all applicable provisions of South Dakota State Law, and reimburse customers of Motion Telecom, Inc. for any prepayment or deposits they have made which may be unable or unwilling to return to said customers as a result of insolvency or other business failure, then this obligation shall be void, discharges and forever exonerated, otherwise to remain in full force and effect.

This bond shall take effect as of the date hereon and shall remain in full force and effect until the surety is released from liability by the written order of the Public Utilities Commission, provided that the surety may cancel this Bond and be relieved of further liability hereunder by delivering thirty (30) days written notice to the Public Utilities Commission. Such cancellation shall not affect any liability incurred or accrued hereunder prior to the termination of said thirty (30) day period.

Dated this 16<sup>th</sup> day of July, 2003.  
To be effective this 16<sup>th</sup> day of July, 2003.

*Original bond is  
in Deldine's bottom  
desk drawer.*

MOTION TELECOM, INC.

Address: 7101 S. Fulton St #200  
Englewood CO 80112

By: *Mark King* Pres/CEO  
(name and title)

TRAVELERS CASUALTY AND SURETY  
COMPANY OF AMERICA

P.O. Box 2151, Spokane, WA 99210

By: *Chris Larson*  
Chris Larson, Attorney-in-Fact

**TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA  
TRAVELERS CASUALTY AND SURETY COMPANY  
FARMINGTON CASUALTY COMPANY  
Hartford, Connecticut 06183-9062**

**POWER OF ATTORNEY AND CERTIFICATE OF AUTHORITY OF ATTORNEY(S)-IN-FACT**

KNOW ALL PERSONS BY THESE PRESENTS, THAT TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, corporations duly organized under the laws of the State of Connecticut, and having their principal offices in the City of Hartford, County of Hartford, State of Connecticut, (hereinafter the "Companies") hath made, constituted and appointed, and do by these presents make, constitute and appoint: **Chris Larson, George C. Schroeder, Joanne Tonani, Lois Stewart, W.W. Weller, Wm. Dinneen, of Spokane, Washington**, their true and lawful Attorney(s)-in-Fact, with full power and authority hereby conferred to sign, execute and acknowledge, at any place within the United States, the following instrument(s): by his/her sole signature and act, any and all bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking and any and all consents incident thereto and to bind the Companies, thereby as fully and to the same extent as if the same were signed by the duly authorized officers of the Companies, and all the acts of said Attorney(s)-in-Fact, pursuant to the authority herein given, are hereby ratified and confirmed.

This appointment is made under and by authority of the following Standing Resolutions of said Companies, which Resolutions are now in full force and effect:

VOTED: That the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President, any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary may appoint Attorneys-in-Fact and Agents to act for and on behalf of the company and may give such appointee such authority as his or her certificate of authority may prescribe to sign with the Company's name and seal with the Company's seal bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking, and any of said officers or the Board of Directors at any time may remove any such appointee and revoke the power given him or her.

VOTED: That the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President may delegate all or any part of the foregoing authority to one or more officers or employees of this Company, provided that each such delegation is in writing and a copy thereof is filed in the office of the Secretary.

VOTED: That any bond, recognizance, contract of indemnity, or writing obligatory in the nature of a bond, recognizance, or conditional undertaking shall be valid and binding upon the Company when (a) signed by the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary and duly attested and sealed with the Company's seal by a Secretary or Assistant Secretary, or (b) duly executed (under seal, if required) by one or more Attorneys-in-Fact and Agents pursuant to the power prescribed in his or her certificate or their certificates of authority or by one or more Company officers pursuant to a written delegation of authority.

**This Power of Attorney and Certificate of Authority is signed and sealed by facsimile (mechanical or printed) under and by authority of the following Standing Resolution voted by the Boards of Directors of TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, which Resolution is now in full force and effect:**

VOTED: That the signature of each of the following officers: President, any Executive Vice President, any Senior Vice President, any Vice President, any Assistant Vice President, any Secretary, any Assistant Secretary, and the seal of the Company may be affixed by facsimile to any power of attorney or to any certificate relating thereto appointing Resident Vice Presidents, Resident Assistant Secretaries or Attorneys-in-Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and any such power of attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached.





## IMPORTANT DISCLOSURE NOTICE OF TERRORISM INSURANCE COVERAGE

On November 26, 2002, President Bush signed into law the Terrorism Risk Insurance Act of 2002 (the "Act"). The Act establishes a short-term program under which the Federal Government will share in the payment of covered losses caused by certain acts of international terrorism. We are providing you with this notice to inform you of the key features of the Act, and to let you know what effect, if any, the Act will have on your premium.

Under the Act, insurers are required to provide coverage for certain losses caused by international acts of terrorism as defined in the Act. The Act further provides that the Federal Government will pay a share of such losses. Specifically, the Federal Government will pay 90% of the amount of covered losses caused by certain acts of terrorism which is in excess of Travelers' statutorily established deductible for that year. The Act also caps the amount of terrorism-related losses for which the Federal Government or an insurer can be responsible at \$100,000,000.00, provided that the insurer has met its deductible.

Please note that passage of the Act does not result in any change in coverage under the attached policy or bond (or the policy or bond being quoted). Please also note that no separate additional premium charge has been made for the terrorism coverage required by the Act. The premium charge that is allocable to such coverage is inseparable from and imbedded in your overall premium, and is no more than one percent of your premium.

**MOTION TELECOM, INC.**

1. APPLICATION OF TARIFF

This tariff contains the regulations and rates applicable to the provision of Long Distance Telecommunications service and Prepaid Calling Card service (the "Services") by Motion Telecom, Inc. (hereinafter referred to as the Company), in the State of SOUTH DAKOTA. Services are furnished subject to transmission, atmospheric and like conditions.

2. REGULATIONS

2.1 Undertaking of the Company

2.1.1 Scope

The Company undertakes to provide the Services in accordance with the terms and conditions set forth in this tariff.

2.1.2 Shortage of Facilities

All Services are subject to availability of suitable facilities. The Company reserves the right to limit the length of communications or to discontinue Services when necessary because of the lack of local facilities or other transmission medium capacity or because of any causes beyond its control.

2.1.3 Limitations of Liability of the Company

Except as stated in Section 2.1.3, the Company shall have no liability for damages of any kind arising out of or related to events, acts, rights or privileges contemplated in this tariff unless otherwise determined pursuant to SDCL 49-13-1 and 49-13-1.1 by the Commission or a court of competent jurisdiction.

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Issued: July 3, 2003

Effective:

Issued by:  
Victor Mitchell, CEO  
Motion Telecom, Inc.  
7101 South Fulton Street #200  
Englewood, CO 80112  
(303) 784-5300

**MOTION TELECOM, INC.**

2. REGULATIONS (Cont'd)

2.1 Undertaking the Company (Cont'd)

2.1.3 Limitations of Liability of the Company (Cont'd)

(F) THE WARRANTY AND REMEDIES SET FORTH IN THIS TARIFF ARE EXCLUSIVE AND IN LIEU OF ALL OTHER WARRANTIES OR REMEDIES, WHETHER EXPRESS, IMPLIED OR STATUTORY, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANT ABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

(G) Prepaid Calling Card Services

The Company makes no express or implied representations or warranties about its services and disclaims any implied warranties. The liability of the Company is limited to the face value of each card and will not include any indirect, special, incidental, consequential, exemplary, or punitive losses or damages. The Company nor any of its authorized agents or contractors shall be liable or responsible for theft, loss or unauthorized use of any prepaid cards or card numbers. The Company will not refund or issue credit for unused units (minutes) on any prepaid card.

---

Issued: July 3, 2003

Effective:

Issued by:  
Victor Mitchell, CEO  
Motion Telecom, Inc.  
7101 South Fulton Street #200  
Englewood, CO 80112  
(303) 784-5300

**MOTION TELECOM, INC.**

2. REGULATIONS (Cont'd)

2.3.2 Liability of the Customer(Cont'd)

All other claims (including, without limitations, claims for damage to any business or property, or injury to, or death of, any person) arising out of any act or omission of the Customer, or the Customer's agents, Customers, in connection with any service or facilities or equipment provided by the Company.

The Customer will be liable for damages to the facilities of the Company and for all incidental and consequential damages caused by the negligent or intentional acts or omissions of the Customer, its officers, employees, agents, invitees, or contractors where such acts or omissions are not the direct result of the Company's negligence or intentional misconduct.

2.3.2 Credit Requirements and Deposit Information for Long Distance Services

Any Customer determined to be "high risk" for poor credit history requires a minimum deposit, which varies.

If the Company has disconnected a Customer's Services, the Company may request that Customer to pay in advance for any of the Services based on a good faith estimate of traffic volumes. At the Company's discretion, a deposit of three (3) month's average estimated call volume may be required and may be reimbursed upon establishing prompt payment history.

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Issued: July 3, 2003

Effective:

Issued by:  
Victor Mitchell, CEO  
Motion Telecom, Inc.  
7101 South Fulton Street #200  
Englewood, CO 80112  
(303) 784-5300

Assets

Current Assets

First Natl - Operations Acct	\$66,171.47	
First National - Dreyfus	571,719.41	
Cash - Wells Fargo	36,765.46	
Cash - 1st of Arvada	94,856.89	
A/R - Billing System	1,361,161.40	
A/R Unbilled	534,075.27	
Allow for Doubtful Accounts	(100,000.00)	
	<hr/>	
TOTAL Current Assets		2,564,749.90

Fixed Assets

Furniture and Equipment	240,571.51	
Computers	40,453.91	
Leasehold Improvements	60,088.66	
Goodwill	2,649,949.35	
	<hr/>	
TOTAL Fixed Assets		2,991,063.43

TOTAL Assets

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\$5,555,813.33

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Liabilities AND Equity

Current Liabilities

Accounts Payable-Vendors	\$516,566.49	
Accounts Payable-Agents	(57.75)	
Accrued Commissions Payable	50,906.10	
Accrued Payroll	49,154.40	
Tax Payable - USAC	114,069.18	
Sales Tax Payable - State	50,011.56	
Sales Tax Payable - County	2,579.56	
Sales Tax Payable - City	17,651.67	
Sales Tax Payable - Other	(487.31)	
	<hr/>	
TOTAL Current Liabilities		800,393.90

Long-Term Liabilities

Due to AAS	3,471,939.58	
Due to AWI	85,075.47	
Customer Deposits	35,640.00	
Deferred Revenue	425,936.99	
	<hr/>	
TOTAL Long-Term Liabilities		4,018,592.04

TOTAL Liabilities		<hr/> 4,818,985.94
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Equity

RETAINED EARNINGS - PRIOR	.00	
Retained Earnings-Current Year	736,827.39	
	<hr/>	
TOTAL Equity		736,827.39
		<hr/>
TOTAL Liabilities AND Equity		<hr/> <hr/> \$5,555,813.33

	PERIOD TO DATE		YEAR TO DATE	
	ACTUAL	PERCENT	ACTUAL	PERCENT
<b>Revenue</b>				
Switched Voice Revenue	\$521,854.91	51.8 %	1,537,133.38	48.5
Switched Dedicated Revenue	248,039.81	24.6	472,481.90	14.9
Private Line Revenue	229,483.28	22.8	1,140,831.98	36.0
Finance Charges	8,664.51	.9	17,001.12	.5
<b>TOTAL Revenue</b>	<b>1,008,042.51</b>	<b>100.0</b>	<b>3,167,448.38</b>	<b>100.0</b>
<b>Cost of Sales</b>				
Cost of Goods - Switched	313,008.53	31.1	1,384,810.11	43.7
Cost of Goods - Dedicated	367,736.38	36.5	369,070.38	11.7
Cost of Goods - Private Line	9,255.37	.9	252,888.94	8.0
Customer Refunds	7.64	.0	7.64	.0
Discounts Taken	(90,791.47)	(9.0)	(152,222.77)	(4.8)
<b>TOTAL Cost of Sales</b>	<b>599,216.45</b>	<b>59.4</b>	<b>1,854,554.30</b>	<b>58.6</b>
<b>Gross Profit</b>	<b>408,826.06</b>	<b>40.6</b>	<b>1,312,894.08</b>	<b>41.4</b>
<b>Expenses:</b>				
<b>Operating Expense</b>				
Commission Expense - Agents	47,363.93	4.7	136,917.72	4.3
Billing Service	22,284.87	2.2	39,237.43	1.2
Lockbox Expense	5,694.86	.6	5,694.86	.2
Universal Service Fund	.00	.0	33,956.87	1.1
<b>TOTAL Operating Expense</b>	<b>75,343.66</b>	<b>7.5</b>	<b>215,806.88</b>	<b>6.8</b>
<b>General &amp; Administrative Expen</b>				
Managers Salary	8,750.00	.9	8,750.00	.3
Accounting Salaries	28,654.87	2.8	52,439.75	1.7
Administrative Salaries	2,952.00	.3	5,780.32	.2
IT Salaries	30,814.34	3.1	62,802.70	2.0
Customer Support Salaries	14,088.50	1.4	26,047.26	.8
Overtime	2,018.22	.2	5,417.79	.2
Temporary Services	742.50	.1	8,461.72	.3
Advertising Expense	25,000.00	2.5	25,000.00	.8
Bank Charges	1,516.88	.2	1,536.88	.0
Credit Card Fees	282.08	.0	282.08	.0
Computer/Software Maintenance	4,854.64	.5	8,962.64	.3
Internet Charges	35.00	.0	35.00	.0
Legal Fees	.00	.0	37,148.31	1.2
Professional Fees	950.00	.1	29,860.30	.9
Office Supplies	.00	.0	2,097.12	.1
Payroll Service Fees	12,463.29	1.2	22,817.67	.7
Rent Expense	2,179.85	.2	21,618.48	.7
Regulatory Expense	4,851.00	.5	5,664.49	.2
Tax and License Fees	28,472.06	2.8	34,985.78	1.1

	PERIOD TO DATE		YEAR TO DATE	
	ACTUAL	PERCENT	ACTUAL	PERCENT
General & Administrative Expen	(Continued)			
Telephone Expense-Fax	\$48.00	.0 %	292.73	.0
Telephone Expense-Regular	.00	.0	333.50	.0
Travel and Entertainment	.00	.0	112.37	.0
TOTAL General & Administrative	168,673.23	16.7	360,446.89	11.4
TOTAL Expenses	244,016.89	24.2	576,253.77	18.2
Net Income from Operations	164,809.17	16.3	736,640.31	23.3
Other Income & Expenses				
Interest Income	187.08	.0	187.08	.0
TOTAL Other Income & Expenses	187.08	.0	187.08	.0
Earnings before Income Tax	164,996.25	16.4	736,827.39	23.3
Net Income (Loss)	\$164,996.25	16.4 %	736,827.39	23.3



**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE APPLICATION OF )  
MOTION TELECOM, INC. FOR A )  
CERTIFICATE OF AUTHORITY TO PROVIDE )  
INTEREXCHANGE TELECOMMUNICATIONS )  
SERVICES IN SOUTH DAKOTA )

ORDER GRANTING  
CERTIFICATE OF  
AUTHORITY

TC03-109

On July 7, 2003, the Public Utilities Commission (Commission), in accordance with SDCL 49-31-3 and ARSD 20:10:24:02, received an application for a certificate of authority from Motion Telecom, Inc. (Motion Telecom).

Motion Telecom proposes to offer long distance services and prepaid calling card services to residential and commercial customers in South Dakota. A proposed tariff was filed by Motion Telecom. The Commission has classified long distance service as fully competitive.

On July 10, 2003, the Commission electronically transmitted notice of the filing and the intervention deadline of July 25, 2003, to interested individuals and entities. No petitions to intervene or comments were filed and at its August 4, 2003, meeting, the Commission considered Motion Telecom's request for a certificate of authority. Commission Staff recommended granting a certificate of authority, subject to a continuous \$25,000 surety bond.

The Commission finds that it has jurisdiction over this matter pursuant to SDCL Chapter 49-31, specifically 49-31-3 and ARSD 20:10:24:02 and 20:10:24:03. The Commission finds that Motion Telecom has met the legal requirements established for the granting of a certificate of authority. Motion Telecom has, in accordance with SDCL 49-31-3, demonstrated sufficient technical, financial and managerial capabilities to offer telecommunications services in South Dakota. The Commission approves Motion Telecom's application for a certificate of authority, subject to a continuous \$25,000 surety bond. As the Commission's final decision in this matter, it is therefore

ORDERED, that Motion Telecom's application for a certificate of authority to provide interexchange telecommunications services is hereby granted, effective September 5, 2003, subject to a continuous \$25,000 surety bond. It is

FURTHER ORDERED, that Motion Telecom shall file informational copies of tariff changes with the Commission as the changes occur.

Dated at Pierre, South Dakota, this 8<sup>th</sup> day of August, 2003.

<b>CERTIFICATE OF SERVICE</b>	
The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by first class mail, in properly addressed envelopes, with charges prepaid thereon.	
By:	<u>          Dolaine Halbo          </u>
Date:	<u>          8/8/03          </u>
(OFFICIAL SEAL)	

BY ORDER OF THE COMMISSION:

          Robert K. Sahr            
ROBERT K. SAHR, Chairman

          Gary Hanson            
GARY HANSON, Commissioner

# SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

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## *CERTIFICATE OF AUTHORITY*

To Conduct Business As A Telecommunications Company  
Within The State of South Dakota

Authority was Granted effective as of September 5, 2003  
Docket No. TC03-109

*This is to certify that*

**MOTION TELECOM, INC.**

is authorized to provide interexchange telecommunications services in  
South Dakota.

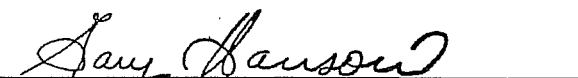
This certificate is issued in accordance with SDCL 49-31-3 and ARSD  
20:10:24:02, and is subject to all of the conditions and limitations contained in the  
rules and statutes governing its conduct of offering telecommunications services.

Dated at Pierre, South Dakota, this 8<sup>th</sup> day of August, 2003.

**SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION:**



  
ROBERT K. SAHR, Chairman

  
GARY HANSON, Commissioner