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Catherine Wang Brett P. Ferenchak Jasbir K. Bawa catherine.wang@bingham.com brett.ferenchak@bingham.com jasbir.bawa@bingham.com Our file no.: 0000325790

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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

October 18, 2007

#### Via FedEx and Electronic Filing

Patricia Van Gerpen, Executive Director South Dakota Public Utilities Commission 500 E. Capitol Avenue State Capitol Building, 1st Floor Pierre, SD 57501

Re:

<u>Docket No. TC07-101</u> - Amended Application of Sage Telecom, Inc. for a Certificate of Public Convenience and Necessity to Provide Local Exchange and Interexchange Telecommunications Services

Dear Ms. Van Gerpen:

Enclosed for filing with the Commission are an original and ten (10) copies of the above referenced Amended Application.

Please date-stamp the enclosed extra copy of this filing and return it in the attached self-addressed, postage prepaid envelope provided. Should you have any questions concerning this filing, please do not hesitate to contact us.

Respectfully submitted,

Catherine Wang Brett P. Ferenchak

Jasbir K. Bawa

Counsel for Sage Telecom, Inc.

Boston
Hartford
Hong Kong
London
Los Angeles
New York
Orange County
San Francisco
Santa Monica
Silicon Valley
Tokyo
Walnut Creek

Bingham McCutchen LLP 2020 K Street NW Washington, DC 20006-1806

> T 202.373.6000 F 202.373.6001 bingham.com

# BEFORE THE SOUTH DAKOTA PUBLIC UTILITES COMMISSION

Application of	)	
Sage Telecom, Inc.	)	Docket No. TC07-101
bage Telecom, Inc.	)	Docker 140. 1 Co 1 101
for a Certificates of Public Convenience and	)	
Necessity to Provide Resold and Facilities-Based	)	
Local Exchange and Interexchange	)	
Telecommunications Services in the	)	
State of South Dakota	)	
	)	

#### AMENDED APPLICATION OF SAGE TELECOM, INC.

#### I. INTRODUCTION

Sage Telecom, Inc. ("Sage" or "Applicant"), by its undersigned counsel and pursuant to the request of Commission staff, hereby provides and amended application for a Certificate of Public Convenience and Necessity to authorize it to provide facilities-based and resold local exchange and interexchange telecommunications service throughout the State of South Dakota.

The State of South Dakota has adopted a policy of allowing competition in the local and long distance telecommunications markets, recognizing that it is in the public interest to develop effective competition to ensure that all consumers will have access to high quality, low cost, and innovative telecommunications services. The Federal Telecommunications Act of 1996 also seeks to promote competition and reduce regulation in order to secure lower prices and higher quality telecommunications services for consumers. Both goals will be promoted by granting this Application.

In support of this Application, and pursuant to Section 20:10:24:02 (Interexchange) and 20:10:32:03 (Local Exchange) of the Administrative Rules of South Dakota, Sage provides the following information:

1. 20:10:32:03(1) & 20:10:24:02(1). Name, Address, and Telephone Number of Applicant.

Sage may be reached at its principal place of business:

Sage Telecom, Inc. 805 Central Expressway South, Suite 100 Allen, Texas 75013-2789 (214) 495-4700 (Tel) (214) 495-4790 (Fax) www.sagetelecom.net

Correspondence or communications pertaining to this Application should be directed to:

Catherine Wang
Brett Ferenchak
Jasbir K. Bawa
Bingham McCutchen LLP
2020 K Street, NW
Washington, DC 20006
(202) 373-6000 (Tel)
(202) 373-6001 (Fax)
catherine.wang@bingham.com
brett.ferenchak@bingham.com
jasbir,bawa@bingham.com

#### 2. 20:10:32:03(2) & 20:10:24:02(2).Legal Structure

Sage Telecom, Inc. is a corporation organized under the laws of the State of Texas formed on July 18, 1996. A copy of its Amended and Restated Articles of Incorporation was attached to the Application as Exhibit A and is incorporated by reference herein.

3. 20:10:32:03(3) & 20:10:24:02(3). Name Under Which Applicant will provide Services.

Applicant will operate in South Dakota under its legal name, Sage Telecom, Inc. Sage will not use an assumed or fictitious name in South Dakota.

4. 20:10:32:03(4) & 20:10:24:02(5). Location of Principal Office in South Dakota and Registered Agent.

Applicant does not currently have an office within South Dakota. Sage's registered agent in the State of South Dakota is:

National Registered Agents, Inc. 300 South Phillips Avenue, Suite 300 Sioux Falls, SD 57104-6322

5. 20:10:32:03(5) & 20:10:24:02(4). Authority to Transact Business in South Dakota.

Sage's authority to transact business as a foreign corporation in South Dakota was attached to the Application as Exhibit B and is incorporated by reference herein.

6. <u>20:10:32:03(6) Provision of Service.</u>

Applicant has not previously provided service in South Dakota but provides service in numerous states. Sage has 10 years of experience in voice telephony. Currently, Sage and its subsidiary, Sage Telecom of Texas, LP ("Sage-TX") (which only provides service in Texas) provide approximately 400,000 local telephone service lines in Arkansas (September 6, 2001), California (October 10, 2001), Connecticut (September 16, 2005), Illinois (October 24, 2001), Indiana (March 13, 2003), Kansas (July 5, 2001), Michigan (June 6, 2002), Missouri (September 23, 2001), Ohio (January 30, 2003), Oklahoma (May 9, 2001), Texas (Sage TX-March 13, 1998) and Wisconsin (February 22, 2002). Sage and Sage-TX are authorized to provide interstate service by virtue of blanket domestic Section 214 authority. Sage is authorized to provide global

resold and facilities-based services pursuant to international Section 214 authorization granted in IB File No. ITC-214-19980415-00257 (old File No. ITC-98-304) (May 29, 1998).

Sage is also authorized to provide telecommunications services in a number of other states. See Paragraph 16 below for more detail on certifications held in other states.

7. 20:10:32:03 (7) & 20:10:24:02(4). Names and addresses of applicant's affiliates, subsidiaries, and parent organizations, if any.

Sage and its subsidiary, Sage Telecom of Texas, LP ("Sage-TX"), are located at 805 Central Expressway South, Suite 100, Allen, Texas 75013-2789. Sage-TX is currently owned by Sage Telecom of Nevada LLC ("Sage-NV"), which is owned 100% by Sage, and Sage. Sage-NV holds a 99% limited partnership interest in Sage-TX and has a principal business address of Wilmington Trust SP Services (Nevada, Inc.), 3993 Howard Hughes Pkwy, Suite 250, Las Vegas, NV 89169. Sage is wholly owned by SP Sage LLC. SP Sage LLC is part of a family of entities that engage in credit-related investment activity and that have a principal address at Two Greenwich Plaza, Greenwich, Connecticut 06830.

#### 8. <u>20:10:32:03(8) & 20:10:24:02(6) & (7)</u>. Proposed services.

Sage seeks authority to provide facilities-based and resold local exchange and interexchange telecommunications services. Sage will offer basic local exchange services, custom calling features, and interexchange toll services, including toll free services, to business and residential customers. Facilities-based local exchange service will be provided via (1) commercial wholesale agreements with incumbents, (2) Sage's own facilities, or (3) a combination thereof. Sage, however, seeks the full range of resold and facilities-based local exchange authority so that it can have flexibility in provisioning its services in the future. Sage will continuously monitor and maintain a high level of control over its network on a 24-hours-aday, 7-days-a-week basis.

#### 9. 20:10:32:03(9) & 20:10:24:02(8). Geographic Area to be Served.

Sage seeks authority to provide facilities-based and resold local exchange and interexchange telecommunications services to both business and residential customers. Initially, Sage intends to provide local exchange service in the areas served by Qwest and does not plan to provide service in areas of any small or rural local exchange carriers. However, Sage seeks statewide authority so that it may expand into other service areas as market conditions warrant and as additional service areas become open to competition. Sage's exchanges will mirror those of the incumbent local exchange carrier (initially, only Qwest) in whose service territories Sage will provide service, therefore, Applicant has not included a map showing proposed service areas. Sage intends to offer interexchange services on a statewide basis.

#### 10. 20:10:32:03(10) Technical Competence

#### a. 20:10:32:03(10)(a) Management Personnel

A description of the background of Applicant's key personnel, which demonstrates the extensive telecommunications experience of Sage's management team, was attached to the Application as Exhibit D and is incorporated by reference herein.

#### b. 20:10:32:03(10)(b) Customer Complaint and Maintenance.

Sage is technically and managerially qualified to provide competitive local exchange and interexchange services in South Dakota. Sage's South Dakota operations will be directed by its existing corporate management, technical and operations staffs who are responsible for the interexchange and local exchange operations in other states. Sage will respond to customer complaints promptly using the personnel listed in Paragraph 17 below. Sage will perform facility and equipment maintenance necessary to ensure compliance with any commission quality of service requirements. Since Sage will initially be providing service via resale, Sage

will initially rely on its underlying carriers to perform necessary facility and equipment maintenance.

# 11. 20:10:32:03(11). Customer Access to 911, Operator Service, Interexchange Services Directory Assistance and Telecommunications Relay Service.

Sage will comply with all applicable laws and regulations relevant to the provision of these services.

#### 12. 20:10:32:03(12) & 20:10:24:02(9). Financial Qualifications.

Sage's success in developing innovative products and services and in expanding its geographic reach has translated into impressive growth in recent years, and as such Sage is extremely well-qualified financially to operate and expand its business. Financial information demonstrating Sage's financial qualifications was provided *under seal* as <u>Exhibit C</u> to the Application and is incorporated by reference herein. As shown in Exhibit C, Sage is financially qualified to operate within the State of South Dakota.

#### 13. <u>20:10:32:03(13)</u>. Interconnection.

Sage has contacted Qwest to begin interconnection negotiations for South Dakota and a number of other states. In fact, representative from Sage and Qwest met in May, 2007 to discuss interconnection in multiple states including South Dakota.

## 14. <u>20:10:32:03(14) & 20:10:24:02(16)</u>. Marketing.

Sage intends to market its services to business and residential customers in the State of South Dakota. Sage plans to market its services directly through direct mail. In addition, Sage may also utilize sales agents to solicit customers by telephone or in person. Sage, however, has not yet developed brochures or other materials to be used in marketing its services in South Dakota. Sage does not plan to engage in multi-level marketing in South Dakota. Sage will

comply with South Dakota law and the Federal Communications Commission's ("FCC") regulations governing changing a customer's primary carrier(s).

#### 15. 20:10:32:03(15). Rural Carrier Interconnection.

Sage does not currently seek to offer service in the area of a rural telephone company.

16. <u>20:10:32:03(16) & 20:10:24:02(13)</u>. Current Authority to Provide Service.

Sage and Sage-TX (which only provides service in Texas) are authorized to provide local exchange and interexchange service in Arkansas (September 6, 2001), California (October 10, 2001), Connecticut (September 16, 2005), Illinois (October 24, 2001), Indiana (March 13, 2003), Kansas (July 5, 2001), Michigan (June 6, 2002), Missouri (September 23, 2001), Ohio (January 30, 2003), Oklahoma (May 9, 2001), Texas (Sage TX-March 13, 1998) and Wisconsin (February 22, 2002). In addition, Sage was recently authorized to provide local exchange and/or interexchange telecommunications services in Colorado (resold toll August 3, 2007; local exchange and emerging competitive services, September 13, 2007), Florida (interexchange only, July 26, 2007), Idaho (interexchange only, August 25, 2007), Iowa (interexchange - August 13, 2007; local exchange - October 9, 2007), Montana (June 18, 2007), North Carolina (interexchange only, October 15, 2007), North Dakota (July 26, 2007), Utah (interexchange only - September 6, 2007), Oregon (August 2, 2007), and Wyoming (interexchange - September 13, 2007; local exchange - effective October 30, 2007). In addition to this application, Sage has pending requests to provide such services in Florida, Idaho, Kentucky, Nebraska, New Mexico, North Carolina, South Carolina and Utah.

Sage has 10 years of experience in voice telephony. Sage has not been denied requested certification in any jurisdiction, nor has any permit, license, or certificate been revoked by any authority. Sage and Sage-TX are currently in good standing with all the afore mentioned states.

Sage has not been denied requested certification in any jurisdiction, nor has it had a permit, license, or certificate revoked by any authority.

# 17. 20:10:32:03(17) & 20:10:24:02(10). Complaint Contact, Regulatory Contact, and Handling of Customer Service Matters.

Questions concerning regulatory issues and the ongoing operations of Sage should be directed to:

Robert W. McCausland Vice President and Secretary Sage Telecom, Inc. 805 Central Expressway South, Suite 100 Allen, Texas 75013-2789 (214) 495-4704 (Tel) (214) 495-4790 (Fax) RMcCausland@sagetelecom.net

For purposes of consumer inquiries, the customer contact information will be:

Sage Telecom, Inc. 805 Central Expressway South, Suite 100 Allen, Texas 75013-2789 1-888-449-4940 (residential customers) 1-877-619-3969 (business customers)

The Commission contact for customer dispute resolution is:

Jim Warren
Manager, Customer Service Operations
Sage Telecom, Inc.
805 Central Expressway South, Suite 100
Allen, Texas 75013-2789
(214) 495-4524 (Tel)
(214) 495-4788 (Fax)
jwarren@sagetelecom.net

All Commission complaints should be directed to <u>complaint@sagetelecom.net</u>. In addition, all customer complaints may be directed to the following staff for resolution:

Sommer Mapp (Supervisor) (972) 747-4458

Email: smapp@sagetelecom.net

Pam Stroud (972) 747-4534

Email: pstroud@sagetelecom.net

Crystal Ridgely (972) 747-4485

Email: cridgely@sagetelecom.net

Cassandra Milligan

(214) 495-3045

Email: cmilligan@sagetelecom.net

In the event of a billing dispute, Sage will perform a review of the disputed billing amount and attempt to reach a settlement to the mutual satisfaction of both parties. Following a full investigation to determine whether or not the charges are improper, Sage may adjust the disputed bill. Because customer satisfaction is extremely important to Sage and to its success in the competitive marketplace, all commercially reasonable efforts will be made to address and resolve customer concerns as quickly as possible.

18. 20:10:32:03(18) & 20:10:24:02(11). Policies Regarding Customer Billing and Collection.

Sage's customers will be billed directly by Sage. Sage's customer service numbers, 888-449-4940 (residential customers) and 877-619-3969 (business customers), will be provided on each customer's monthly bill.

19. 20:10:32:03(19) & 20:10:24:02(12). Policies Regarding Solicitation of New Customers

Applicant will comply with all applicable laws and regulations to prevent the unauthorized switching of local service customers by the Applicant, its employees or agents. See Paragraph 20 for more information.

20:10:32:03(20) & 20:10:24:02(18). Slamming and Cramming Complaints. 20.

Sage was found by the FCC to have slammed eleven (11) customers between June 20, 2003 and March 29, 2005. While the FCC did not fine or impose a penalty on Sage, Sage was required to absolve the slammed customers of charges for the first 30 days after the unauthorized

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change occurred. As a result of increased training and policies for Sage's telemarketers, there have not been any findings by the FCC that Sage has slammed any customers since March 29, 2005.

#### 21. 20:10:32:03(21) & 20:10:24:02(13). Availability of information.

Applicant will make its telecommunication rates, terms and conditions available to any person by making Sage's tariffs available upon request at its office and by posting them online.

## 22.. 20:10:32:03(22) & 20:10:24:02(14). Notification of materially adverse changes.

Sage will notify customers via mail 30 days in advance of materially adverse changes to any rate, term, or condition of any telecommunications service being provided to customer.

## 23. 20:10:32:03(23) & 20:10:24:02(19). Written Request For Waiver.

Sage requests a waiver of the local exchange map requirement. Sage seeks authority to provide service statewide, and its local calling areas will mirror those of the incumbent carriers. Sage is separately filing a Petition for Exemption of Cost Support Requirements with regard to the switched access services it will offer.

# 24. <u>20:10:32:03(24) & 20:10:24:02(17)</u>. Federal Tax Identification Number and South Dakota Sales Tax Number.

Applicant's federal tax identification number is 75-2663894. Applicant will obtain a South Dakota sales tax number and provide it to the Commission prior to providing service.

## 25. <u>20:10:32:03(25) & 20:10:24:02(20)</u>. Other information.

Sage is technically and managerially qualified to provide competitive local exchange and interexchange services in South Dakota. Sage's South Dakota operations will be directed by its existing corporate management, technical and operations staffs who are responsible for the interexchange and local exchange operations in other states.

Granting this Application will promote the public interest by increasing competition in the provision of telecommunications services in South Dakota. Sage will provide customers high quality, cost effective telecommunications services, with an emphasis on customer service. In addition to driving prices closer to costs, thereby ensuring just and reasonable rates, competition also promotes efficiency in the delivery of services and in the development of new services. These benefits work to maximize the public interest by providing continuing incentives for carriers to reduce costs while, simultaneously, promoting the availability of potentially desirable services.

Sage withdraws its proposed local exchange and interexchange tariffs, filed as Exhibits E and G to the Application, respectively. In addition, Sage withdraws its proposed access tariff filed as Exhibit F to the Application. As stated above, Sage is filing a Petition for Waiver of the Cost Support Requirements for its access tariff. As part of that petition, Sage will request approval of its proposed access tariff, which has proposed rates that are capped at Qwest's rates.

### IV. CONCLUSION

For the reasons stated above, Applicant respectfully submits that the public interest, convenience, and necessity would be furthered by a grant of this Application for the authority to provide all types of facilities-based and resold local exchange and interexchange telecommunications services.

Respectfully submitted,

By:

Catherine Wang
Brett P. Ferenchak
Jasbir K. Bawa

BINGHAM MCCUTCHEN LLP

2020 K Street, NW

Washington, DC 20006

Tel: (202) 373-6000 Fax: (202) 373-6001

COUNSEL FOR APPLICANT

Dated: October 18, 2007

# BEFORE THE SOUTH DAKOTA PUBLIC UTILITES COMMISSION

Petition of	)
Sage Telecom, Inc.	) Docket No
for Exemption from the Cost Support Requirements for Switched Access Services and Approval of	ts)
its Proposed Access Services Tariff	)
	)

Sage Telecom, Inc. ("Sage" or "Petitioner"), pursuant to ARSD 20:10:27:11 and ARSD 20:10:27:02, hereby petitions the South Dakota Public Utilities Commission ("Commission") for exemptions or waivers from (1) developing company-specific cost-based switched access rates; (2) use of the formula in ARSD 20:10:27:12, so that Sage may mirror ,or cap its tariffed access rates at, the Qwest Corporation ("Qwest") tariffed access rates for as long Sage is subject to ARSD 20:10:27; (3) calculation of billing and collection costs as set forth in ARSD 20:10:27:13; and (4) the requirement, set forth in ARSD 20:10:27:07, that Sage file cost data in support of its switched access service tariff no less than once every three years. In addition, Sage requests that the Commission approve Sage's access services tariff attached as Exhibit A.

In addition to this Petition, Sage has separately filed an amended application for a certificate of public convenience and necessity to provide local exchange and interexchange telecommunications services assigned to Docket No. TC07-101. Sage respectfully requests that the Commission refer to the amended application in that docket for further details about the Petitioner and hereby incorporates the amended application by reference.

#### I. REQUESTS FOR EXEMPTION

# A. Request for Exemption from the Requirements of Developing Intrastate Switched Access Rates Based on Company-Specific Costs

Pursuant to ARSD 20:10:27:11, a company seeking an exemption from the requirements of developing intrastate switched access rates based on company-specific costs must show that it lacks the necessary financial, technical, or managerial resources needed to determine company-specific cost-based intrastate switched access rates or that the additional costs associated with developing company-specific cost-based intrastate switched access rates outweigh any benefit to the consumer or customer. As described below, Sage is able to meet its burden for both.

#### 1. Cost Studies are Applicable to Rate of Return Regulated Companies

Pursuant to ARSD 20:10:27:06, each carrier's carrier or association shall file a tariff that is designed to recover no more than its intrastate switched access costs as determined by the Commission and developed pursuant to chapters 20:10:28 and 20:10:29, including a commission-approved return on investment. The evaluation of costs described in the Commission's Administrative Rules involves a cumbersome and complicated process of cost separations and allocation ("fully allocated" cost studies), which historically has been relevant only to rate of return companies which use the Uniform System of Accounts ("USOA"). An integral part of the ratemaking process for these companies also has included a determination of a company-specific rate of return. Sage does not utilize USOA but instead keeps its books according to Generally Accepted Accounting Principles ("GAAP").

Furthermore, an integral part of the ratemaking process for rate of return companies also has included a determination of a company-specific rate of return. As a competitive carrier, Sage is not subject to a rate of return regulatory scheme. The development of cost studies consistent with Commission formulae would be complex and challenging to apply with accuracy.

2. <u>Sage Does Not Have the Managerial or Technical Resources to Conduct</u> Cost Studies

Sage's underlying network costs are primarily based on the costs of network services provided by underlying carriers. As a result, Sage does not have entire departments dedicated to the task of preparing fully allocated cost studies on a year-round basis. Consequently, Sage does not have the personnel or expertise to prepare the cost studies that are contemplated under chapters 20:10:28 and 20:10:29. Furthermore, as Sage is not a rate of return regulated company, it has never had any reason to evaluate its costs in the same manner as a rate of return regulated company. The results of such a cost study would be practically meaningless for a new market entrant that is not regulated on a rate of return basis and would be of dubious accuracy for a competitive service provider that is not regulated on a rate of return basis.

3. The Costs Associated With Developing Company-Specific Cost-Based
Intrastate Switched Access Rates Outweigh Potential Benefits to the
Consumer or Customer

Requiring companies like Sage to prepare cost studies would diminish the potential benefits of competition in the telecommunications market by making entry into the access services market prohibitively expensive. And, added costs associated with building expertise inhouse to perform such costs studies or outsourcing the function could compel the company to increase its rates, thus undermining its attractiveness to prospective South Dakota subscribers.

# B. Request for Waiver or Suspension of ARSD 20:10:27:12 Cost Formulae.

ARSD 20:10:27:12 specifies that the intrastate switched access rates and the calculation thereof for a telecommunications company that is granted its petition for exemption pursuant to ARSD 20:10:27:11 are based on a formula utilizing the costs and number of access lines of the telecommunications companies with less than 100,000 access lines that determine switched access costs pursuant to chapters 20:10:28 and 20:10:29. Sage respectfully requests a waiver or

suspension of ARSD 20:10:27:12 so that it may mirror, or cap its rates at, the Qwest tariffed access rates. As Qwest's switched access rates are lower than those charged by the companies identified in ARSD 20: 10:27: 12, good cause is shown for the Commission's grant of a waiver of this rule.

## C. Request for Waiver or Suspension of the Billing and Collection Requirements of ARSD 20:10:27: 13

Should the Commission exempt Sage from ARSD 20:10:27:12 as requested, Sage requests a waiver from the requirement that it determine billing and collection costs based on the average of such costs for all telecommunications companies with less than 100,000 access lines. The Commission should grant this waiver for the same reasons that the Commission should grant the waivers requested above.

## D. Request for Waiver or Suspension of ARSD 20:10:27:07

Sage respectfully requests a waiver or suspension of the requirement that it file cost studies in support of its access tariff no less than once every three years. In support, Sage reiterates its commitment to mirror, or cap its rates at, Qwest's South Dakota switched access rates.

#### II. REQUEST FOR APPROVAL OF PROPOSED ACCESS TARIFF

Sage also requests approval of its proposed access tariff attached hereto as Exhibit A. As stated above, the rates in Sage's access tariff are capped at (i.e., they are equal to or less than)

Qwest's current switched access rates.

WHEREFORE, for the reasons state above, Sage petitions the Commission for an exemption from developing company-specific cost-based switched access rates, for exemption of the three year filing requirement in ARSD 20:10:27:07 and for such other relief as requested herein.

Respectfully Submitted this 18th day of October, 2007.

By:

Catherine Wang
Brett P. Ferenchak

Jasbir K. Bawa
BINGHAM MCCUTCHEN LLP
2020 K Street, NW
Washington, DC 20006
(202) 373-6000 (Tel)
(202) 373-6001 (Fax)
catherine.wang@bingham.com
brett.ferenchak@bingham.com
jasbir.bawa@bingham.com

COUNSEL FOR SAGE TELECOM, INC.

STATE OF TEXAS	§	
	§	ss:
COUNTY OF COLLIN	§	

#### VERIFICATION

I, Robert W. McCausland, state that I am Vice President and Secretary of Sage Telecom, Inc.; that I am authorized to make this Verification on behalf of Sage Telecom, Inc.; that the foregoing filing was prepared under my direction and supervision; and that the contents are true and correct to the best of my knowledge, information, and belief.

Robert W. McCausland

Vice President and Secretary

Sage Telecom, Inc.

Sworn and subscribed before me this \( \int \) day of October, 2007.

Notary Public

My commission expires

ANDREW M Notary Public, S My Commiss July 20