NTS TELEPHONE COMPANY, LLC

Rural Broadband Access Loan and Loan Guarantee Application RUS Form 532 & Schedules

Prepared By

(b) (4)(b) (4)

January 12, 2006

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United States Department of Agriculture
Rural Utilities Service

APPLICATION FOR BROADBAND LOAN OR LOAN GUARANTEE

RUS USE ONLY

Borrower and Loan Designation:

APC Date:

1. NAME & ADDRESS OF APPLICANT:

NTS Telephone Company, LLC
5307 West Loop 289
Lubbock, Texas 79414-1610

2. REGISTERED AGENT (Address, Telephone and Fax):

Barbara Andrews
5307 West Loop 289
Lubbock, Texas 79414-1610
Ph. # 806-797-0687
Fax # 806-788-3398

3. PHONE NUMBER: **806-797-0687**

4. Fax Number: **806-788-3398**

5. E-MAIL ADDRESS: **jerryh@ntscom.com**

6. CONTACT PERSON: **Jerry E. Hoover**

7. TYPE OF ORGANIZATION (Check one):

☐ Corporation ☒ LLC
☐ Cooperative or Mutual ☐ Indian Tribe
☐ Public Body ☐ Other _____

8. TYPE of LOAN (Check one):

☒ Four Percent
☒ Cost-of-Money
☐ Guarantee

9. REFINANCE/ACQ.:

☐ Refinancing
☐ Acquisition
☒ Not Applicable

10. PURPOSE OF LOAN (Briefly explain the purposes for which loan funds are intended and the amount required for each purpose):

- Construction of fiber optic feeder cable from Lubbock, Texas to Levelland, Texas.
- Construction of fiber optic terminal building in Levelland, Texas including land purchase.
- Construction of distribution network throughout the city of Levelland and Smyer, Texas including customer premises equipment.
- Purchase and Installation of all equipment necessary to provide Broadband Data, Voice, & Video service via the above described network.

11. LOAN MATURITY REQUESTED (Check one):

☒ Composite Economic Life of Facilities Financed
☐ _____ years (if less than composite economic life)

12. AMOUNT OF LOAN APPLIED FOR:

$11,892,101

13. EMPLOYER TAX IDENTIFICATION NO. (TIN):

75-2803780

14. ORGANIZATIONAL NUMBER:

Filing Number: **07046757**

15. CONGRESSIONAL DISTRICTS (Attach as Schedule A):
☒

16. LEGAL OPINION & PROPERTY SCHEDULE:

A. LEGAL OPINION (Attach as Schedule B-1): ☒

B. REAL PROPERTY SCHEDULE (separated into real property, leased-property, easements, and rights-of-way) (Attach as Schedule B-2): ☒

17. COMPLIANCE CERTIFICATES (Print and sign the samples provided):
   A. EQUAL OPPORTUNITY AND NONDISCRIMINATION CERTIFICATION (Attach as Schedule C-1): ☒
   B. CERTIFICATION REGARDING ARCHITECTURAL BARRIERS (Attach as Schedule C-2): ☒
   C. CERTIFICATION REGARDING FLOOD HAZARD AREA PRECAUTIONS (Attach as Schedule C-3): ☒
   D. UNIFORM RELOCATION ASSISTANCE & REAL PROPERTY ACQUISITION POLICIES (Attach as Schedule C-4): ☒
   E. CERTIFICATION REGARDING DEBARMENT, SUSPENSION, AND OTHER RESPONSIBILITY MATTERS PRIMARY COVERED TRANSACTIONS (Attach as Schedule C-5): ☒
   F. CERTIFICATION REGARDING LOBBYING FOR CONTRACTS, GRANTS, LOANS, AND COOPERATIVE AGREEMENTS (Attach as Schedule C-6): ☒
   G. ENVIRONMENTAL IMPACT CERTIFICATION (Attach as Schedule C-7): ☒
   H. SYSTEM DESIGN CERTIFICATION (Attach as Schedule C-8): ☒

18. COMMUNITIES:
   A. EXISTING AND PROPOSED COMMUNITIES (Attach as Schedule D-1 following the sample provided): ☒
   B. EXISTING SERVICE PROVIDERS (Attach as Schedule D-2 following the sample provided): ☒
   C. SERVICE AREA MAPS (Attach as Schedule D-3): ☒

19. CERTIFICATION OF BROADBAND AVAILABILITY (Attach as Schedule E following the sample provided): ☒

20. NOTICE OF PROPOSED SERVICE:
   A. PROOF OF LEGAL NOTICE (Attach as Schedule F-1 following the sample provided): ☒
   B. SUFFICIENCY OF LEGAL NOTICE (Attach as Schedule F-2): ☒

21. CORPORATE STRUCTURE:
   A. ARTICLES OF INCORPORATION or ORGANIZATION (Attach as Schedule G-1): ☒
   B. STATE LLC STATUTE (if Applicant is LLC) (Attach as Schedule G-2): ☒
   C. BOARD OF DIRECTORS OR MANAGING MEMBERS (Attach as Schedule G-3): ☒
   D. ORGANIZATIONAL CHART & STATEMENT OF EXPERIENCE, if any (Attach as Schedule G-4): ☒
   E. PARENT AND SUBSIDIARIES, if any (Attach as Schedule G-5): ☒

22. EXECUTIVE SUMMARY (Attach as Schedule H): ☒

23. CREDIT SUPPORT (Attach as Schedule I): ☒

24. BOARD RESOLUTION (Attach as Schedule J): ☒

IMPORTANT: If you believe the following information contained in Schedules K through U-2 is Business Proprietary Information, pursuant to Executive Order 12600, please indicate so at the top of each page.

25. RESEARCH DATA & MARKET ANALYSIS
   A. RESEARCH DATA (Attach as Schedule K-1): ☒
   B. MARKET ANALYSIS (Attach as Schedule K-2): ☒

26. BUSINESS PLAN (Attach as Schedule L): ☒

27. MANAGEMENT AND COMPENSATION (Attach as Schedule M): ☒

28. FINANCIAL POSITION:
   A. HISTORICAL FINANCIAL STATEMENTS for last three years with full footnotes & disclosures (Attach as Schedules N-1)
   (Certified financial statements are required if available): ☒
   B. SUBSCRIBER PROJECTION TABLES (Attach as Schedule N-2): ☒
   C. PRO-FORMA 5 YR. FINANCIAL FORECAST (Attach as Schedule N-3): ☒
   D. DEPRECIATION SCHEDULE (Attach as Schedule N-4): ☒
   E. TOTAL OUTSTANDING INDEBTEDNESS (Attach breakdown as Schedule N-5): ☐

29. SYSTEM DESIGN (Attach as Schedule O): ☒

30. NETWORK DIAGRAMS (Attach as Schedule P): ☒

31. PROJECT COSTS:

SUMMARY OF PROJECT COSTS = Total from Details (Attach as Schedule Q-1) $ 11,892,101 ☒
SUMMARY OF PROJECT COSTS BY YEAR (Attach as Schedule Q-1a) ☒

DETAILS:

NETWORK & ACCESS EQUIPMENT - (Attach as Schedule Q-2)	$ (b) (4) ☒
OUTSIDE PLANT - (Attach as Schedule Q-3)	$ (b) (4) ☒
BUILDINGS - (Attach as Schedule Q-4)	$ (b) (4) ☒
LAND - (Attach as Schedule Q-5)	$ (b) (4) ☒
TOWERS - (Attach as Schedule Q-6)	$ (b) (4) ☒
CUSTOMER PREMISE EQUIPMENT - (Attach as Schedule Q-7)	$ (b) (4) ☒
OPERATING EQUIPMENT - (Attach as Schedule Q-8)	$ (b) (4) ☒
ENGINEERING - (Attach as Schedule Q-9)	$ (b) (4) ☒
REFINANCING (If Applicable) - (Attach as Schedule Q-10)	$ (b) (4) ☒
ACQUISITION (If Applicable) - (Attach as Schedule Q-11)	$ (b) (4) ☒

32. ENVIRONMENTAL REPORT (Attach as Schedule R): ☒

33. TOWER, EQUIPMENT, AND BUILDING LEASES (Attach as Schedule S): ☒

34. LICENSES AND AGREEMENTS:

A. FCC LICENSES (Attach as Schedule T-1): ☒
B. CLEC LICENSES (Attach as Schedule T-2): ☒
C. FRANCHISE AGREEMENTS (Attach as Schedule T-3): ☒
D. INTERCONNECTION AGREEMENTS (Attach as Schedule T-4): ☒
E. MANAGEMENT / SERVICE AGREEMENTS (Attach as Schedule T-5): ☒
F. BYLAWS or OPERATING AGREEMENT (Attach as Schedule T-6): ☒
G. OTHER MAJOR AGREEMENTS (Attach as Schedule T-7): ☒

35. GUARANTEED LOANS (Loan Guarantee Applicants only):

A. LENDER INFORMATION (Attach as Schedule U-1): ☒
B. LOAN CONTRACT (Attach as Schedule U-2): ☒

36. IS THE BORROWER DELINQUENT ON ANY FEDERAL DEBT Examples of debts include, but are not limited to, delinquent taxes, guaranteed or direct government loans (more than 31 days past due) and other administrative debts.

☒ No
☐ Yes (If yes attach explanation)

The Federal Government is authorized by law to take any or all of the following actions in the event that a borrower's loan payments become delinquent or the borrower defaults on its loan: (1) Report the borrower's delinquent account to a credit bureau; (2) Assess additional interest and penalty charges for the period of time that payment is not made; (3) Assess charges to cover additional administrative costs incurred by the Government to service the borrower's account; (4) Offset amounts owed to the borrower under other Federal programs; (5) Refer the borrower's debt to the Internal Revenue Service for offset against any amount owed to the borrower as an income tax refund; (6) Refer the borrower's account to a private collection agency to collect the amount due; and (7) Refer the borrower's account to the Department of Justice for litigation in the courts. All of these actions can and will be used to recover any debts owed when it is determined to be in the interest of the Government to do so.

CERTIFICATION

The undersigned certifies that the information contained herein is accurate and complete to the best of his knowledge and belief.

SIGNATURE OF AUTHORIZED OFFICIAL	TITLE:	DATE:
Jerry E. Hoover	Manager	01/12/2006

SCHEDULE A
CONGRESSIONAL DISTRICTS

APPLICANT'S CONGRESSIONAL DISTRICT
AND
CONGRESSIONAL DISTRICT COVERED BY THE PROJECT

19TH CONGRESSIONAL DISTRICT OF TEXAS

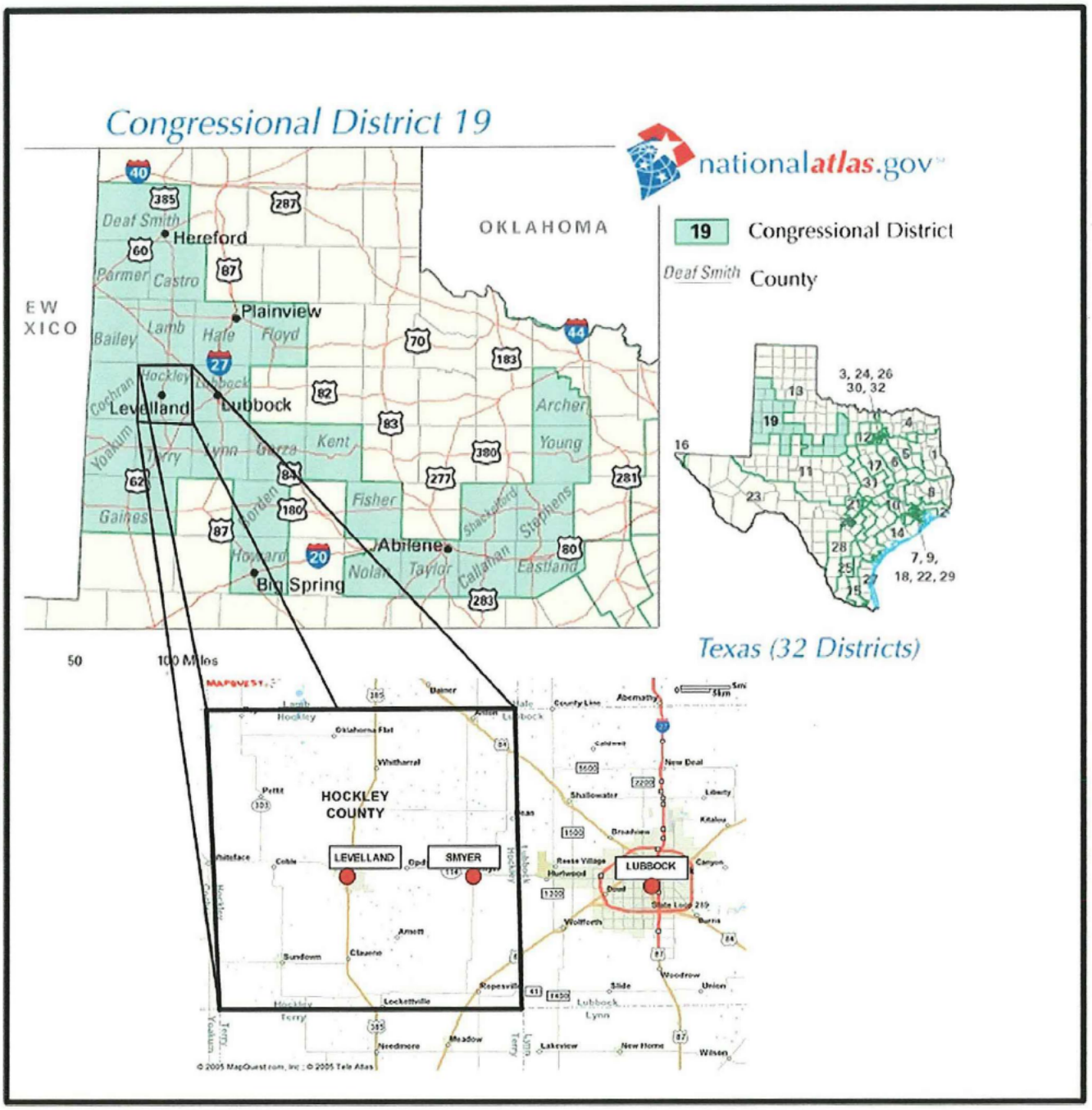
U.S. REPRESENTATIVE RANDY NEUGEBAUER
19TH CONGRESSIONAL DISTRICT OF TEXAS

Randy Neugebauer

(b) (4)(b) (4)(b) (4)

SCHEDULE A
CONGRESSIONAL DISTRICTS (CONT.)

19TH CONGRESSIONAL DISTRICT OF TEXAS



(b) (4)(b) (4)(b) (4)

Schedule B-1
Legal Opinion

CRENSHAW, DUPREE & MILAM, L.L.P.

CHAS. C CRENSHAW, SR. (1886-1964)
GEO. W. DUPREE (1890-1973)
JAS H MILAM (1911-1994)

CECIL C. KUHNE
JOHN CREWS, P.C ** ++
WILLIAM J. WADE
JACK McCUTCHIN, JR., P C **
W C BRATCHER, P C.
LAYTON Z WOODUL, SR
ROBERT L. DUNCAN, P C.
W. CHRIS BOYER, P C. ***
MARK W HARMON
MARK O BLANKENSHIP+
CHARLOTTE BINGHAM *+
SHEILA KIDWELL ** ++
MATT D MATZNER

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ARLENE C. MATTHEWS*
CHRISTOPHER C. RITTER
JOHN MARK STEPHENS
STACEY S BARBER
MARK W McBRAYER

* Also Licensed in New Mexico
Texas Board of Legal Specialization
Certifications:
**Estate Planning & Probate Law
***Oil, Gas & Mineral Law
+Personal Injury Trial Law
++Taxation
*+Labor & Employment Law

JANUARY 12, 2006

Administrator
Rural Development, Utilities Programs
United States Department of Agriculture
Stop 1500
Washington, D.C. 20250-1500

Subject: NTS Telephone Company, LLC

Ladies and Gentlemen:

We are counsel to NTS Telephone Company, LLC (the "Company") in connection with the Company's application (Application) for a loan from the Rural Development Utilities Programs (RDUP), to provide broadband service (the "Proposed Loan"). We have examined or caused to be examined by competent and trustworthy persons such corporate records and files and such other records, indexes, and files as we have deemed necessary to permit us to render the opinions expressed herein. The numbered items below correspond to the numbered items found in the form legal opinion promulgated by RDUP. We are of the opinion that:

1. The Company is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Texas.

2. The Company operates only in the State of Texas.

3. The Company has full legal right, power and authority to own its property and carry on its business as now conducted.

4. The execution, delivery and performance by the Company of the Application and the consummation of the transactions contemplated thereby are within the powers of the Company.

5. The Application has been duly executed by the Company.

6. The Company owns no real property.

7. The Company is not obligated under any real property leases, tower leases or equipment leases.

Schedule B-1 (Cont.)
Legal Opinion

8. The Company is not obligated under any real property leases, tower leases or equipment leases.

9. The Company owns no real property. The Company is not obligated under any real property leases, tower leases or equipment leases.

10. The Company owns no real property. The Company is not obligated under any real property leases, tower leases or equipment leases.

11. The Company is not obligated under any real property leases, tower leases or equipment leases.

12. For purposes of Article 9 of the Uniform Commercial Code in the State of Texas, the Company is a "transmitting utility."

13. The Company's organizational number is 07046757.

14. The exact true and correct legal name of the Company, as stated in its organization documents, is NTS Telephone Company, LLC. The Company has properly filed assumed name certificates with the Texas Secretary of State's office, the Hockley County Clerk's office and the Lubbock County Clerk's office authorizing the Company to do business under the assumed name 'NTS of Levelland.'

15. The Company has no debt limit.

16. The Company has no estimated tax liability for filing a mortgage in the appropriate counties for the Proposed Loan.

17. The execution, delivery and performance by the Company of the loan documents related to the Proposed Loan would not require the consent, permission or authorization of any governmental authority.

18. The Company's taxpayer identification number is 75-2803780.

19. There are no pending claims or litigation against the Company.

20. The Company has the following subsidiaries or parent:

Subsidiaries: none

Parent: NTS Communications, Inc., a Texas corporation.

21. The title of the Company official with the proper authority to execute all loan documents related to the Proposed Loan on behalf of the Company, and attest to the execution where required, is sole Manager.

(b) (4)(b) (4)(b) (4)

Schedule B-1 (Cont.)
Legal Opinion

Very Truly Yours,

CRENSHAW, DUPREE & MILAM, L.L.P.

By: _____
John Mark Stephens

cc: NTS Telephone Company, LLC

JMS/srw

(b) (4)(b) (4)(b) (4)

SCHEDULE B-2
REAL PROPERTY OWNED

NTS Telephone Company, LLC

- Has no Real Property
- Has no Leased Property
- Has no Easements
- Has no Rights-of-Way

(b) (4)(b) (4)(b) (4)

SCHEDULE C-1
EQUAL OPPORTUNITY AND NONDISCRIMINATION CERTIFICATION

U.S. Department of Agriculture
Rural Utilities Service

All loans made under the Rural Broadband Access Loan and Loan Guarantee Program are subject to the nondiscrimination provisions of Title VI of the Civil Rights Act of 1964, as amended, (7 C.F.R. Part 15); Section 504 of the Rehabilitation Act of 1973, as amended, (29 U.S.C. 901 *et seq*; 7 C.F.R. Part 15b); and the Age Discrimination Act of 1975, as amended (42 U.S.C. 6101 *et seq.*; 45 C.F.R. Part 90), and Executive Order 11375, Amending Executive Order 11246, Relating to Equal Employment Opportunity (3 C.F.R. 1966, 1970).

All recipients of financial assistance from RUS, the prospective primary participant commits to carry out RUS' established policy to comply with the requirements of the above laws and executive orders to the effect that no person in the United States shall, "on the basis of race, color, national origin, handicap, or age, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under the Rural Broadband Access Loan and Loan Guarantee Program.

We **NTS Telephone Company, LLC** (the Applicant) hereby certify that, as a prospective recipient under the said Rural Broadband Access Loan and Loan Guarantee Program, we will comply with the above referenced laws and executive orders.

January 12, 2006
(Date)

Jerry E. Hoover
(Authorized Representative's Signature)

Jerry E. Hoover
Name:

Manager
Title:

(b) (4)(b) (4)(b) (4)

SCHEDULE C-2
CERTIFICATION REGARDING ARCHITECTURAL BARRIERS

U.S. Department of Agriculture
Rural Utilities Service

All facilities financed with RUS loans that are open to the public, or in which physically handicapped persons may be employed or reside, must be designed, constructed, and/or altered to be readily accessible to, and usable by, handicapped persons. Standards for these facilities must comply with the Architectural Barriers Act of 1968, as amended, 42 U.S.C. 4151 *et seq.*) and with the Uniform Federal Accessibility Standards (UFAS), (Appendix A to 41 C.F.R. subpart 101-19.6).

As a prospective primary participant recipient of financial assistance from RUS, this organization commits to carry out RUS' established policy to comply with the requirements of the above referenced law to the effect that all facilities must be readily accessible to and usable by handicapped persons.

We, **NTS Telephone Company, LLC** (the Applicant) hereby certify that, as a prospective recipient under the Rural Broadband Access Loan and Loan Guarantee Program, we are in compliance, or will be in compliance upon completion of the project, with the above referenced law.

January 12, 2006
(Date)

Jerry E. Hoover
(Authorized Representative's Signature)

Jerry E. Hoover
Name:

Manager
Title:

(b) (4)(b) (4)

SCHEDULE C-3
CERTIFICATE REGARDING FLOOD HAZARD AREA PRECAUTIONS

U.S. Department of Agriculture
Rural Utilities Service

Please check the appropriate line below:

(a) ☒ The project is not located in a 100 year flood plain; therefore, no Flood Insurance is required.

(b) ☐ The project is located in a 100 year flood plain and the required insurance is or will be provided by:

_____

_____

_____

We, **NTS Telephone Company, LLC** (the Applicant) hereby certify that, as a prospective recipient under the Rural Broadband Access Loan and Loan Guarantee Program, we are in compliance, or will be in compliance during construction and/or installation of equipment and upon completion of the project, with the above referenced law.

January 12, 2006
(Date)

Jerry E. Hoover
(Authorized Representative's Signature)

Jerry E. Hoover
Name:

Manager
Title:

(b) (4)(b) (4)(b) (4)

SCHEDULE C-4
UNIFORM RELOCATION ASSISTANCE AND REAL PROPERTY ACQUISITION POLICIES ACT OF 1970 CERTIFICATION

U.S. Department of Agriculture
Rural Utilities Service

We, **NTS Telephone Company, LLC** (the Applicant) assure the U.S. government that we will comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, 42 U.S.C. 4601 *et seq*., and with implementing federal regulations in 49 C.F.R. Part 24 and 7 C.F.R. Part 21.

Specifically, we assures that whenever Federal financial assistance is used to pay for any part of the cost of a program or project which will result in the displacement of any person:

(a) Fair and reasonable relocation payments and assistance shall be provided to or for displaced persons in accordance with sections 202, 203, and 204 of the Uniform Act;

(b) Relocation assistance programs offering the services described in section 205 of the Uniform Act shall be provided to displaced persons; and

(c) Within a reasonable period of time prior to displacement, comparable replacement dwellings will be available to displaced persons in accordance with section 205(c) (3) of the Uniform Act.

January 12, 2006
(Date)

(Authorized Representative's Signature)

Jerry E. Hoover
Name:

Manager
Title:

(b) (4)(b) (4)(b) (4)

SCHEDULE C-5
CERTIFICATION REGARDING DEBARMENT, SUSPENSION, AND OTHER RESPONSIBILITY MATTERS – PRIMARY COVERED TRANSACTIONS

U.S. Department of Agriculture
Rural Utilities Service

This certification is required by the regulations implementing Executive Order 12549, *Debarment and Suspension*, 7 C.F.R. § 3017.510, *Participants' Responsibilities*.

(1) We, **NTS Telephone Company, LLC** (the Applicant) (hereinafter the "Company") hereby certify to the best of our knowledge and belief that neither the Company, nor any of its principals:

(a) are presently debarred, suspended, proposed for Debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency;

(b) have within a 3-year period preceding this proposal been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;

(c) are presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State, or local) with commission of any of the offenses enumerated in paragraph (1)(b) of this certification; and

(d) have within a 3-year period preceding this Application had one or more public transactions (Federal, State, or local) terminated for cause or default.

(2) If we are unable to certify to any of the statements in this certification, we shall attach an explanation hereto.

January 12, 2006
(Date)

Jerry E. Hoover
(Authorized Representative's Signature)

Jerry E. Hoover
Name:

Manager
Title:

(b) (4)(b) (4)(b) (4)

SCHEDULE C-6
CERTIFICATION REGARDING LOBBYING FOR CONTRACTS, GRANTS, LOANS, AND COOPERATIVE AGREEMENTS

U.S. Department of Agriculture
Rural Utilities Service

We, **NTS Telephone Company, LLC** (the Applicant) the undersigned certify, to the best of our knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on our behalf, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant or loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, we shall complete and submit Standard Form-LLL, Disclosure Form to Report Lobbying, in accordance with its instructions.
See http://www.whitehouse.gov/omb/grants/sfllin.pdf for Disclosure Instructions.

(3) We shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by 31 U.S.C. § 1352. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

January 12, 2006
(Date)

Jerry E. Hoover
(Authorized Representative's Signature)

Jerry E. Hoover
Name:

Manager
Title:

(b) (4)(b) (4)(b) (4)

SCHEDULE C-7

ENVIRONMENTAL IMPACT CERTIFICATION

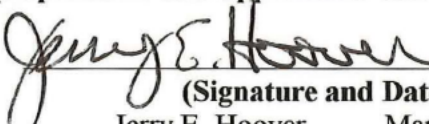
Environmental Project Summary:

Working in compliance with CFR 7 Part 1794a-600 the following statements about this project can be made:

1. The scope of the included project includes no construction in new undeveloped areas.
2. Where construction is to take place, it will be in previously constructed areas such as Federal, State, Municipal and Owner rights-of-way. All of the construction areas will consist of no more than buried conduit, buried fiber, overhead fiber attached to pre-existing poles or buildings, handholds, and pedestals that are/will be in complete compliance with any Local, State or Federal codes or regulations.
3. No environmentally sensitive areas are to be included in any proposed construction.
4. No wetlands will be disturbed.
5. Any disturbed areas will be recreated to its previously undisturbed state.
6. Prior to construction of any proposed facilities, any further required studies from any Local, State or Federal jurisdictional unit will be completed prior to the beginning of construction with any and all findings presented to such jurisdictional bodies as per those requirements.

CERTIFICATION

I hereby certify that the construction proposed in this application will not adversely impact the environment or historic preservation.



January 12, 2006

(Signature and Date)

Jerry E. Hoover Manager

(Print or Type Title)

(b) (4)(b) (4)(b) (4)

SCHEDULE C-8
SYSTEM DESIGN CERTIFICATION

We the undersigned, certify that the data in Schedules O, P and Q in this application that describe the Systems Design, is correct to the best of our knowledge, and believe it reasonably reflects the cost to serve the proposed subscribers with broadband service.

January 12, 2006
(Date)

(Authorized Representative's Signature)

Jerry E. Hoover
Name:

Manager
Title:

January 12, 2006
(Date)

(Signature of System Design Firm's Principal)

Rob Sandhaus
Name:

President
Title:

January 12, 2006
(Date)

(Certifying Engineer's Signature)

Marion R. Bowman
Name:

P. E. TX #55582
Title:

(b) (4)(b) (4)(b) (4)

Schedule D-1
EXISTING AND PROPOSED COMMUNITIES

	Community (E) or (P)	County	State	Community Population	HH Town Area	HH Rural Area	Bus
1	Levelland (E)	Hockley	TX	12,866	5,186	0	518*
2	Smyer (E)	Hockley	TX	480	215	0	0
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
	TOTALS			13,346	5,401	0	518*

(E) = Existing **(P) = Proposed** **HH = Households**

NOTE: * Information obtained from: Admarc Southwest, Commercial and Political Advertising Agency with offices in Lubbock and Midland, Texas. Admarc supplied 618 address and 100 were returned by the Post Office as "Undeliverable/Bad Address".

(b) (4)(b) (4)(b) (4)

SCHEDULE D-2
EXISTING DATA SERVICE PROVIDERS

	Community	Name Of Service Provider	Services Provided	Rates
1	Levelland (E)	DTN Speednet (wireless)	1.0 Mbps/256 Kbps	$49.95/month
2				
3	Levelland (E)	* The Door (ADSL)	1.5 Mbps/512 Kbps	$69.95/month
4			1.0 Mbps/384 Kbps	$59.95/month
5			1.0 Mbps/250 Kbps	$49.95/month
6			384 Kbps/384 Kbps	$39.95/month
7			768 Kbps/128 Kbps	$24.95/month
8			384 Kbps/128 Kbps	$19.95/month
9				
10	Levelland (E)	AOL	Dial Up	$23.90/month
11				
12	Levelland (E)	Blue Moon (wireless)	1 Mbps burst	$49.95/month
13			2 Mbps burst	$69.95/month
14			Installation	$349.00
15				
16	Levelland (E)	* Valor (ADSL)	384 Kbps/128 Kbps	$24.95/month
17			768 Kbps/256 Kbps	$29.95/month
18			1.5 Mbps/512 Kbps	$34.95/month
19				
20	Levelland (E)	MSN	Dial Up	$21.95/month
21				
22	Levelland (E)	Juno	Dial Up	$6.95/month
23				
24	Levelland (E)	Net Zero	Dial Up	$9.95/month
25				
26	Levelland (E)	AT & T	Dial Up	$16.95/month
27				
28	Levelland (E)	Earthlink	Dial Up	$21.95/month
29				
30	Levelland (E)	NTS Communications, Inc	Dial Up	$9.99/month

NOTE: * VALOR AND THE DOOR ARE CURRENTLY CONDUCTING BUSINESS UNDER BOTH NAMES, BUT THEY ARE EFFECTIVELY THE SAME COMPANY.

SCHEDULE D-2 (CONT.)
EXISTING DATA SERVICE PROVIDERS

	Community	Name Of Service Provider	Services Provided	Rates
1	Smyer (E)	* Valor (ADSL)	384 Kbps/128 Kbps	$24.95/month
2			768 Kbps/256 Kbps	$29.95/month
3			1.5 Mbps/512 Kbps	$34.95/month
4				
5	Smyer (E)	* The Door (ADSL)	1.5 Mbps/512 Kbps	$69.95/month
6			1.0 Mbps/384 Kbps	$59.95/month
7			1.0 Mbps/250 Kbps	$49.95/month
8			384 Kbps/384 Kbps	$39.95/month
9			768 Kbps/128 Kbps	$24.95/month
10			384 Kbps/128 Kbps	$19.95/month
11				
12	Smyer (E)	AOL	Dial Up	$23.90/month
13				
14	Smyer (E)	MSN	Dial Up	$21.95/month
15				
16	Smyer (E)	Juno	Dial Up	$6.95/month
17				
18	Smyer (E)	Net Zero	Dial Up	$9.95/month
19				
20	Smyer (E)	AT & T	Dial Up	$16.95/month
21				
22	Smyer (E)	Earthlink	Dial Up	$21.95/month
23				
24	Smyer (E)	Blue Moon (wireless)	1 Mbps burst	$49.95/month
25			2 Mbps burst	$69.95/month
26			Installation	$349.00
27				
28	Levelland (E)	NTS Communications, Inc	Dial Up	$9.99/month

NOTE: * VALOR AND THE DOOR ARE CURRENTLY CONDUCTING BUSINESS UNDER BOTH NAMES, BUT THEY ARE EFFECTIVELY THE SAME COMPANY.

SCHEDULE D-2 (CONT.)
EXISTING VIDEO SERVICE PROVIDERS

	Community	Name Of Service Provider	Services Provided	Rates
1	Levelland (E)	Dish Network	Video Top 60	$31.99/month
2			Video Top 120	$42.99/month
3			Video Top 180	$52.99/month
4			Premium Channels	$11.99/month
5			Installation	Free
6			Hardware	Free
7				
8	Levelland (E)	DirecTV	Total Choice 155	$41.99/month
9			Total premium 250 Includes all premium	$93.99/month
10			Premium Channels	$12.00/month
11			Installation	Free
12			Hardware	Free
13				
14	Levelland (E)	Charter Cable	Basic Service 2-55	$43.90/month
15			Digital Tier + Basic	$54.99/month
16			Digital Tier + Basic + 1 Premium	$67.99/month
17			Digital Tier + Basic + both Premium	$70.99/month
18			Additional Box	$8.95/month
19			Installation	$32.92/1 outlet
20				

(b) (4)(b) (4)(b) (4)

SCHEDULE D-2 (CONT.)
EXISTING VIDEO SERVICE PROVIDERS

	Community	Name Of Service Provider	Services Provided	Rates
1	Smyer (E)	Dish Network	Video Top 60	$31.99/month
2			Video Top 120	$42.99/month
3			Video Top 180	$52.99/month
4			Premium Channels	$11.99/month
5			Installation	Free
6			Hardware	Free
7				
8	Smyer (E)	DirecTV	Total Choice 155	$41.99/month
9			Total premium 250 Includes all premium	$93.99/month
10			Premium Channels	$12.00/month
11			Installation	Free
12			Hardware	Free
13				
14	Smyer (E)	Cebridge	Basic 14 channels	$17.95/month
15			Expanded Basic 43 channels	$39.03/month
16			Premium Channels	$12.95/month
17			Installation	$49.95
18				

(b) (4)(b) (4)(b) (4)

SCHEDULE D-2 (CONT.)
EXISTING VOICE SERVICE PROVIDERS

	Community	Name Of Service Provider	Services Provided	Rates
1	Levelland (E)	Valor	Local Voice	$18.90/month
2			Local Voice + Unlimited LD	$49.95/month
3			Voice Mail	$6.95/month
4			Caller ID	$9.95/month
5			Call Waiting	$4.50/month
6			Connection Charge	$43.70
7				
8	Levelland (E)	NTS Communications	Unlimited Long Distance	0.0794/minute
9				
10		UTEL	Prepaid Local Voice	$49.99/month
11				
12	Smyer (E)	Valor	Local Voice	$18.90/month
13			Local Voice + Unlimited LD	$49.95/month
14			Voice Mail	$6.95/month
15			Caller ID	$9.95/month
16			Call Waiting	$4.50/month
17			Connection Charge	$43.70
18				
19	Smyer (E)	NTS Communications	Unlimited Long Distance	0.0794/minute
20				
21		UTEL	Prepaid Local Voice	$49.99/month

(b) (4)(b) (4)(b) (4)

SCHEDULE E
CERTIFICATION REGARDING THE AVAILABILITY OF BROADBAND SERVICE IN ELIGIBLE RURAL COMMUNITIES

Please check the appropriate line below:

(a) ☐ Broadband service IS NOT available to residential customers within our proposed service area.

(b) ☒ Broadband service IS available to residential customers within our proposed service area.

We, NTS TELEPHONE COMPANY, LLC (Applicant) hereby certify that the information above is correct, to the best of our knowledge and belief, and reasonably reflects the extent to which broadband service is available within our proposed service area.

January 12, 2006
Date

Jerry E. Hoover
(Authorized Representative's Signature)

Jerry E. Hoover
Name:

Manager
Title:

(b) (4)(b) (4)(b) (4)

SCHEDULE E (CONT.)
CERTIFICATION REGARDING THE AVAILABILITY OF BROADBAND SERVICE IN ELIGIBLE RURAL COMMUNITIES

Broadband service is available to residential customers within the project's proposed service area within the following towns/cities.

	Community	Name Of Service Provider	Services Provided	Rates
1	Levelland (E)	DTN Speednet (wireless)	1.0 Mbps/256 Kbps	$49.95/month
2				
3	Levelland (E)	* The Door (ADSL)	1.5 Mbps/512 Kbps	$69.95/month
4			1.0 Mbps/384 Kbps	$59.95/month
5			1.0 Mbps/250 Kbps	$49.95/month
6			384 Kbps/384 Kbps	$39.95/month
7			768 Kbps/128 Kbps	$24.95/month
8			384 Kbps/128 Kbps	$19.95/month
9				
10	Levelland (E)	AOL	Dial Up	$23.90/month
11				
12	Levelland (E)	Blue Moon (wireless)	1 Mbps burst	$49.95/month
13			2 Mbps burst	$69.95/month
14			Installation	$349.00
15				
16	Levelland (E)	* Valor (ADSL)	384 Kbps/128 Kbps	$24.95/month
17			768 Kbps/256 Kbps	$29.95/month
18			1.5 Mbps/512 Kbps	$34.95/month
19				
20	Levelland (E)	MSN	Dial Up	$21.95/month
21				
22	Levelland (E)	Juno	Dial Up	$6.95/month
23				
24	Levelland (E)	Net Zero	Dial Up	$9.95/month
25				
26	Levelland (E)	AT & T	Dial Up	$16.95/month
27				
28	Levelland (E)	Earthlink	Dial Up	$21.95/month
29				
30	Levelland (E)	NTS Communications, Inc	Dial Up	$9.99/month

NOTE: * VALOR AND THE DOOR ARE CURRENTLY CONDUCTING BUSINESS UNDER BOTH NAMES, BUT THEY ARE EFFECTIVELY THE SAME COMPANY.

(b) (4)(b) (4)(b) (4)

SCHEDULE E (CONT.)
CERTIFICATION REGARDING THE AVAILABILITY OF BROADBAND SERVICE IN ELIGIBLE RURAL COMMUNITIES

Broadband service is available to residential customers within the project's proposed service area within the following towns/cities.

	Community	Name Of Service Provider	Services Provided	Rates
1	Smyer (E)	* Valor (ADSL)	384 Kbps/128 Kbps	$24.95/month
2			768 Kbps/256 Kbps	$29.95/month
3			1.5 Mbps/512 Kbps	$34.95/month
4				
5	Smyer (E)	* The Door (ADSL)	1.5 Mbps/512 Kbps	$69.95/month
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8			384 Kbps/384 Kbps	$39.95/month
9			768 Kbps/128 Kbps	$24.95/month
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12	Smyer (E)	AOL	Dial Up	$23.90/month
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16	Smyer (E)	Juno	Dial Up	$6.95/month
17				
18	Smyer (E)	Net Zero	Dial Up	$9.95/month
19				
20	Smyer (E)	AT & T	Dial Up	$16.95/month
21				
22	Smyer (E)	Earthlink	Dial Up	$21.95/month
23				
24	Smyer (E)	Blue Moon (wireless)	1 Mbps burst	$49.95/month
25			2 Mbps burst	$69.95/month
26			Installation	$349.00
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28	Levelland (E)	NTS Communications, Inc	Dial Up	$9.99/month

NOTE: * VALOR AND THE DOOR ARE CURRENTLY CONDUCTING BUSINESS UNDER BOTH NAMES, BUT THEY ARE EFFECTIVELY THE SAME COMPANY.

(b) (4)(b) (4)

SCHEDULE F-1
PROOF OF LEGAL NOTICE

THE STATE OF TEXAS
COUNTY OF LUBBOCK

Before me Donna M. Bates a Notary Public in and for Lubbock County, Texas on this day personally appeared Tameisha Powell of the Southwestern Newspapers Corporation, publishers of the Lubbock Avalanche-Journal - Morning, and Sunday, who being by me duly sworn did depose and say that said newspaper has been published continuously for more than fifty-two weeks prior to the first insertion of this Legal Notice No. at Lubbock County, Texas and the attached printed copy of the Legal Notice is a true copy of the original and was printed in the Lubbock Avalanche-Journal on the following dates: December 14, 2005

Tameisha Powell
Inside Classified Sales Manager

Donna M. Bates
NOTARY PUBLIC in and for the State of Texas
My Commission Expires 05/19/2009

LUBBOCK AVALANCHE-JOURNAL
Morris Communication Corporation

Subscribed and sworn to before me this 14th day of December 20 05

FORM 58-10

DONNA M BATES
Notary Public, State of Texas
My Commission Expires
May 19, 2009

LEGAL NOTICE
NTS Telephone Company, L.L.C.
d/b/a NTS of Levelland

We are a prospective applicant under the Rural Broadband Access Loan and Loan Guarantee Program being administered by the Rural Utilities Service (RUS), United States Department of Agriculture. We are required, as a prospective applicant, to announce our intent to provide broadband services (500 kilobits upstream and downstream) in the State of Texas in the following communities/counties: Levelland and Smyer, Hockley County.

Incumbent broadband service providers have 30 days from the date of this Legal Notice to inform RUS if they are currently providing broadband service in these areas or if they have a commitment to provide service in these areas. Incumbent broadband service providers should submit to RUS, on a form prescribed by RUS, the number of residential customers receiving broadband service in the proposed service areas, the rates of data transmission, and the cost of each level of service as protected by a commitment to provide service in the proposed service areas. Applicants should also provide showing the boundaries of your service area in relation to the communities above.

A Legal Notice Response Form can be obtained from RUS' website at http://www.usda.gov/rus/telecom.

SCHEDULE F-1 (CONT.)
PROOF OF LEGAL NOTICE

PROOF OF PUBLICATION

STATE OF TEXAS

COUNTY OF HOCKLEY

Before me, the undersigned authority in and for Hockley County, State of Texas, on this day personally appeared Stephen A. Henry, known to me to be the person whose name is affixed hereto, and on being duly sworn, deposes and says: That he is the Publisher of the LEVELLAND & HOCKLEY COUNTY NEWS-PRESS, a semi-weekly newspaper of general circulation in Hockley County, published at Levelland, Hockley County, Texas, for a period of fifty-two consecutive weeks prior to the first publication date given herein; and that the "NTS Telephone Co. Legal Notice"

a copy of which is hereto attached, was published in said newspaper for 1 consecutive weeks, the dates of such publication being December 14. 2005

That the number of words in this publication is 220 and the charge for such advertising is $ 100.00.

Stephen A. Henry, Publisher

Subscribed and sworn to before me this the 19th day of December, 20 05.

Notary Public

PAUL PINKERT
NOTARY PUBLIC
STATE OF TEXAS
My Commission Expires 2-16-2007

(My Commission expires 2-16 20 07)

SCHEDULE F-1 (CONT.)
PROOF OF LEGAL NOTICE

News-Press

Call 894-3121 Fax: 894-7957 Email: levclassified@valornet.com

LEGAL NOTICES

LEGAL NOTICE
NTS Telephone Company, L.L.C.
d/b/a NTS of Levelland

We are a prospective applicant under the Rural Broadband Access Loan and Loan Guarantee Program being administered by the Rural Utilities Services (RUS), United States Department of Agriculture. We are required, as a prospective applicant, to announce our intent to provide broadband services (500 kilobits upstream and downstream) in the State of Texas in the following communities/counties: Levelland and Smyer, Hockley County. Incumbent broadband service providers have 30 days from the date of this Legal Notice to inform RUS if they are currently providing broadband service in these areas or if they have a commitment to provide service in these areas. Incumbent broadband service providers should submit to RUS, on a form prescribed by RUS, the number of residential customers receiving broadband service in the proposed service area, the rates of data transmission, and the cost of each level of service or proof of commitment to provide service in the proposed service area, the rates of data transmission, and the cost of each level of service or proof of commitment to provide service in the proposed service area. A map should also be provided showing the boundaries of your service area in relation to the communities above. A Legal Notice Response Form can be obtained from RUS' website at www.usda.gov/rus/telecom.

PETS FOR SALE

FOR SALE: Cute, unique puppies just in time for Christmas. Red Heeler/Border Collie mix. $25. 894-5319 after 5 p.m.

FOR SALE: Red nose Pit Bull puppies. Taking deposits. 894-2195.

NOTICES

receive comments on the Housing Authority's Five-Year Plan and Annual Plan. The meeting will take place in the Board Room at the office located at 1837 Ave. I.

The draft Plans and all supporting documentation are available to the public for viewing at the administration office of the Housing Authority located at 1837 Ave. I on weekdays during the hours of 9:00 - 12:00 and 1:00 - 4:00, Monday through Friday.

R SALE

HOUSE FOR SALE
3 bedroom, 2 bath, 2 story, 1104 Ave. I. No owner financing. 806-778-5108 Monday-Friday, $45,000.

EMPLOYMENT OPPORTUNITIES

PAUL MUSSLEWHITE TRUCKING COMPANY is taking applications for: **Hot Oil Drivers & vacuum truck drivers.**
Benefits include:
- Competitive Wages
- Plenty of 1 1/2 Overtime
- Health & Dental Insurance
- Optical Plan
- Retirement Plan
- Uniforms
- Vacation Pay

Drivers must be 23 years of age with a clean driving record and Class A CDL. Must be able to pass DOT physical and drug screen. Please apply in person at 1700 10th Street in Levelland.

TRANSIT MIX CONCRETE has an opening for a **Mixer Driver** at our Levelland location. Must have Class A or B CDL license, good driving record and verifiable work history. Full benefit package and 35 hour guarantee offered with wages starting at $9.75 or $10.25 with 6 months mixer driving experience. Apply at Transit Mix Concrete: 2000 West Avenue S, Levelland, TX. 806-897-3100. Transit Mix Concrete is an EOE/AA employer.

LOOKING FOR full-time **Sandblasting Helper**, preferably with experience to start immediately. Must be dependable. Apply in person at 1307 Ave. S.

WANTED: Qualified Electrician for trouble shooting individual controls and light project construction. Insurance and benefits. Apply at American Cotton Growers Denim Mill. 806-385-6401.

T&B SERVICES, INC. has immediate openings for **Vacuum Truck Operators and a Hot Oil Operator.** We offer competitive pay, 401K plan and paid vacation. Please apply in person at 3101 W. Hwy. 114, Levelland, TX.

NEED MAINTAINER OPERATOR. Experience

SUBMERSIBLE PUMP specialists is accepting applications for pump truck helpers for work in the Levelland area. 40-50 hour work week, uniforms, insurance & paid vacation. Call 799-4428 for application.

New Position: Case Manager-OB in a busy community health center in Levelland and Lamesa. Must be a Licensed Bachelor Social Worker or a licensed RN. This full-time position offers a competitive salary and benefits. Please mail resume/applications to Cynthia O'Canas, South Plains Rural Health Services, Inc. 1000 FM RD. 300, Levelland TX 79336, or fax to (806) 894-3378. EOE. No phone calls please.

AVON
Not just make-up!
Unlimited earnings potential
806-698-8942
(Lubbock)

Looking for a job with flexible hours? We deliver that. NOW HIRING Delivery Drivers Full & Part-time shifts. Come by 409 E Hwy 114.

GARAGE SALES

CHRISTMAS decorations & toys, some jewelry. 2nd building off Rt. 84 on 597 towards Anton (the old Crowder's Antique Building). Fri. & Sat. 10-5.

GARAGE SALE: 1505 Ave. E, Saturday, 8am. Baby items, junior clothes, knick knacks, and too much to mention.

GARAGE SALE: 2122 Te ch, Saturday, December 17, 8am-noon. Furniture, clothes, shoes, etc.

GARAGE SALE: Thursday, 304 Cherry, 8am. Deep freezer, dryer, tables & chairs, and much

SCHEDULE F-1 (CONT.)
PROOF OF LEGAL NOTICE

Austin American-Statesman

PO#:
Ad ID#: **1153696**
Acct#: **8067418423**
Account Name: **CRENSHAW, DUPREE & MILAM**

CRENSHAW, DUPREE & MILAM
P.O. BOX 1499
LUBBOCK, TX 79408

LEGAL NOTICE
NTS Telephone Company, LLC, d/b/a NTS of Levelland
We are a prospective applicant under the Rural Broadband Access Loan and Loan Guarantee Program being administered by the Rural Utilities Service (RUS), United States Department of Agriculture. We are required, as a prospective applicant, to announce our intent to provide broadband services (500 kilobits upstream and downstream) in the State of Texas in the following communities/counties: Levelland and Smyer, Hockley County. Incumbent broadband service providers have 30 days from the date of this Legal Notice to inform RUS if they are currently providing broadband service in these areas or if they have a commitment to provide service in these areas. Incumbent broadband service providers should submit to RUS, on a form prescribed by RUS, the number of residential customers receiving broadband service in the proposed service area, the rates of data transmission, and the cost of each level of service or proof of commitment to provide service in the proposed service area. A map should also be provided showing the boundaries of your service area in relation to the communities above. A Legal Notice Response Form can be obtained from RUS' website at www.usda.gov/rus/telecom.

AFFIDAVIT OF PUBLICATION

THE STATE OF TEXAS
COUNTY OF TRAVIS

Before me, the undersigned authority, a Notary Public in and for the County of Travis, State of Texas, on this day personally appeared:

CARLY ANN CHAPKO

Classified Advertising Agent of the Austin American-Statesman, a daily newspaper published in said County and State that is generally circulated in Bastrop, Bell, Blanco, Brazos, Burleson, Burnet, Caldwell, Colorado, Comal, Coryell, Fayette, Gillespie, Gonzales, Guadalupe, Hays, Kerr, Lampasas, Lee, Llano, Milam, Nueces, San Saba, Travis, Washington, and Williamson Counties, who being duly sworn by me, states that the attached advertisement was published in said newspaper on the following date(s), to wit:

First Published:	**12/14/2005**	Last Published:	**12/14/2005**
Times Published:	**1**	Classification:	**Legal Notices (9980)**
Lines:	**42**	Cost:	**$183.96**

and that the attached is a true copy of said advertisement.

Carly Ann Chapko

SWORN AND SUBSCRIBED TO BEFORE ME, this the 14 day of Dec, 2005.

Debi J Delk

DEBI J DELK
NOTARY PUBLIC
State of Texas
Comm. Exp.02-16-2008

Notary Public in and for
TRAVIS COUNTY, TEXAS

Austin American-Statesman
305 South Congress Ave., P.O. Box 670, Austin, Texas 78767-0670 512-445-3832

Wednesday, December 14, 2005 5:12 PM

SCHEDULE F-2
SUFFICIENCY OF LEGAL NOTICE

CRENSHAW, DUPREE & MILAM, L.L.P.

ATTORNEYS AT LAW
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS
WELLS FARGO CENTER
1500 BROADWAY, 8TH FLOOR
LUBBOCK, TEXAS 79401

(806) 762-5281
P. O. BOX 1499
79408-1499
Telecopier (806) 762-3510
ATTORNEY@CDMLAW.COM

CHAS. C. CRENSHAW, SR. (1886-1964)
GEO. W. DUPREE (1890-1973)
JAS. H. MILAM (1911-1994)

CECIL C. KUHNE
JOHN CREWS, P.C.** ++
WILLIAM J. WADE
JACK McCUTCHIN, JR., P.C. **
W C BRATCHER, P.C.
LAYTON Z. WOODUL, SR.
ROBERT L. DUNCAN, P.C.
W. CHRIS BOYER, P.C. ***
MARK W. HARMON
MARK O. BLANKENSHIP+
CHARLOTTE BINGHAM *+
SHEILA KIDWELL ** ++
MATT D. MATZNER

WILLIAM R. EICHMAN II
JEFF R. LASHAWAY
ARLENE C. MATTHEWS*
CHRISTOPHER C. RITTER
JOHN MARK STEPHENS
STACEY S. BARBER
MARK W. McBRAYER

* Also Licensed in New Mexico
Texas Board of Legal Specialization
Certifications:
**Estate Planning & Probate Law
***Oil, Gas & Mineral Law
+Personal Injury Trial Law
++Taxation
*+Labor & Employment Law

January 6, 2006

Administrator
Rural Development, Utilities Programs
United States Department of Agriculture
Stop 1500
Washington, D.C. 20250-1500

Subject: Legal opinion regarding notification requirements; NTS Telephone Company, L.L.C. d/b/a NTS of Levelland

Ladies and Gentlemen:

We are counsel to NTS Telephone Company, L.L.C. d/b/a NTS of Levelland (the "Company") in connection with the Company's application (Application) for a loan from the Rural Development, Utilities Programs (RDUP), to provide broadband service. In response to the Company's request, we have caused to be published the legal notifications by the entities listed below. We are of the opinion that:

1- the legal notification published in the Lubbock Avalanche Journal on December 14, 2005;

2- the legal notification published in the Levelland & Hockley Co. News Press on December 14, 2005; and

3- the legal notification published in the Austin American-Statesman on December 14, 2005

are all in compliance with 7 CFR sec. 1738.11 and any applicable local statutes.

Yours very truly,

CRENSHAW, DUPREE & MILAM, L.L.P.

By: John Mark Stephens

enclosures:

SCHEDULE G-1
ARTICLES OF INCORPORATION OR ORGANIZATION

Nov-03-2005 12:45pm From-NTS Communications 8067979807 T-084 P.005/006 F-411

FILED
In the Office of the
Secretary of State of Texas
FEB 4 1999
Corporations Section

ARTICLES OF ORGANIZATION
OF
NTS TELEPHONE COMPANY, LLC

Jack McCutchin, Jr. adopts the following Articles of Organization for a limited liability company under the *Texas Limited Liability Company Act*.

1. **NAME**

The name of the limited liability company, referred to in these Articles as the "Company," is NTS TELEPHONE COMPANY, LLC.

2. **PERIOD OF EXISTENCE**

The period of duration of the Company is perpetual.

3. **PURPOSE**

The purposes for which the Company is formed are to: (a) construct, manage and operate communication systems; (b) provide communication related services and equipment, and services related or incidental to the provision of communication services; (c) invest in entities which provide such services and equipment; (d) negotiate on behalf of the Company with communication licensees, equipment vendors, and others in an effort to produce favorable pricing on such services and equipment; and (e) conduct business in the State of Texas or any other state for any lawful purpose for which a limited liability company may be organized under the *Texas Limited Liability Company Act*, as it may be amended from time to time.

4. **REGISTERED OFFICE/AGENT**

The address of the Company's initial registered office is 5307 West Loop 289, Lubbock, Lubbock County, Texas 79414. The Company's initial registered agent at that address is BARBARA ANDREWS.

5. **MANAGERS**

The Company will have Managers. The names and addresses of the initial Managers are:

Barbara Andrews
5307 West Loop 289
Lubbock, Texas 79414

Brad D. Worthington
5307 West Loop 289
Lubbock, Texas 79414

SCHEDULE G-1 (CONT.)
ARTICLES OF INCORPORATION OR ORGANIZATION

Jerry E. Hoover
5307 West Loop 289
Lubbock, Texas 79414

6. **ORGANIZER**

JACK McCUTCHIN, JR.
CRENSHAW, DUPREE & MILAM, L.L.P.
P. O. Box 1499
Lubbock, Texas 79408-1499

DATED February 2, 1999.

JACK McCUTCHIN, JR., Organizer

JM&J.Art/U:NTS-LLC.ART/February 2, 1999

SCHEDULE G-1 (CONT.)
ARTICLES OF INCORPORATION OR ORGANIZATION

The State of Texas
Secretary of State

CERTIFICATE OF ORGANIZATION

OF

NTS TELEPHONE COMPANY, LLC

FILING NUMBER 07046757

THE UNDERSIGNED, AS SECRETARY OF STATE OF THE STATE OF TEXAS, HEREBY CERTIFIES THAT THE ATTACHED ARTICLES OF ORGANIZATION FOR THE ABOVE NAMED COMPANY HAVE BEEN RECEIVED IN THIS OFFICE AND HAVE BEEN FOUND TO CONFORM TO LAW.

ACCORDINGLY, THE UNDERSIGNED, AS SECRETARY OF STATE, AND BY VIRTUE OF THE AUTHORITY VESTED IN THE SECRETARY BY LAW, HEREBY ISSUES THIS CERTIFICATE OF ORGANIZATION.

ISSUANCE OF THIS CERTIFICATE OF ORGANIZATION DOES NOT AUTHORIZE THE USE OF A COMPANY NAME IN THIS STATE IN VIOLATION OF THE RIGHTS OF ANOTHER ENTITY UNDER THE FEDERAL TRADEMARK ACT OF 1946, THE TEXAS TRADEMARK LAW, THE ASSUMED BUSINESS OR PROFESSIONAL NAME ACT OR THE COMMON LAW.

DATED FEB. 4, 1999

EFFECTIVE FEB. 4, 1999

Elton Bomer, Secretary of State

SCHEDULE G-1 (CONT.)
ARTICLES OF INCORPORATION OR ORGANIZATION

CRENSHAW, DUPREE & MILAM, L.L.P.

CHAS. C. CRENSHAW, SR. (1886-1964)
GEO. W. DUPREE (1890-1973)
JAS. H. MILAM (1911-1984)

CECIL C. KUHNE
JOHN CREWS, P.C.
WILLIAM J. WADE
JACK McCUTCHIN, JR., P.C.
W. C. BRATCHER, P.C.
LAYTON Z. WOODUL, SR.
DAVID R. COBB
ROBERT L. DUNCAN, P.C.

Sender's Direct Line
(806) 741-8436

ATTORNEYS AT LAW
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS
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LUBBOCK, TEXAS 79401

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ATTORNEY@CDMLAW.COM

W. CHRIS BOYER, P.C.
ROBERT L. JONES, P.C.
MARK W. HARMON
MARK O. BLANKENSHIP
CHARLOTTE BINGHAM
SHEILA KIDWELL
PAUL J. STANCIL
SHANNON BRADY GRIHSLER

OF COUNSEL:
TOM S. MILAM
WILLIAM R. MOSS
JOE H. NAGY

Sender's Internet Email
JMCCUTCHIN@CDMLAW.COM

February 10, 1999

Brad D. Worthington
NTS Communications, Inc.
5307 West Loop 289
Lubbock, TX 79414-1610

RE: Certificate of Organization and Articles of Organization for NTS Telephone Company, LLC

Dear Brad:

We enclose herewith the original Certificate of Organization and filed Articles of Organization for NTS Telephone Company, LLC. As you can see, they were filed and issued on February 4, 1999. We have not discussed what else you may need. We will be glad to assist with whatever may be necessary to complete the LLC. We will need appropriate information in order to do so.

Thank you for your consideration.

Yours truly,

CRENSHAW, DUPREE & MILAM, L.L.P.

By: Jack McCutchin, Jr., P.C.

JMc,J./vr

Enclosures: Certificate of Organization and filed Articles

SCHEDULE G-1 (CONT.)
Articles of Incorporation or Organization

Minutes of the Organizational Meeting
of NTS Telephone Company, LLC.

The Organizational Meeting of NTS Telephone Company, LLC. ("Company") was held at 5307 W. Loop 289, Lubbock, Texas 79414, and with all of the managers named in the Articles of Organization, as well as the sole member of the Company, being present, the following business was conducted by unanimous vote:

The managers adopted the Regulations of NTS Telephone Company, LLC. to govern the operations of the Company. A copy of these Regulations is attached hereto and shall be filed in the record book of the Company.

The member elected Jerry E. Hoover as the sole manager of the Company, to serve until such time as he is replaced pursuant to the Regulations. Mr. Hoover shall fulfill his duties of office as specified in the Regulations.

Made effective as of the 3rd day of February, 2000.

Managers:

Barbara Andrews

Jerry Hoover

Brad Worthington

Member:

NTS Communications, Inc.
By: Barbara Andrews
Its: President

(b) (4)

(b) (4)

(b) (4)

(b) (4)

(b) (4)

(b) (4)

(b) (4)

(b) (4)

SCHEDULE G-2
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

Art. 1528n. Texas Limited Liability Company Act

Text of article effective until January 1, 2010

PART ONE

Short Title, Captions, Parts, Articles, Sections, Subsections, and Paragraphs

Art. 1.01. A. This act shall be known and may be cited as the "Texas Limited Liability Company Act."

B. The divisions of this act into Parts, Articles, Sections, Subsections, and Paragraphs and the use of captions in connection therewith are solely for the convenience and shall have no legal effect in construing the provisions of this Act.

C. This act has been organized and subdivided in the following manner:

(1) The act is divided into Parts, containing groups of related Articles. Parts are numbered consecutively with cardinal numbers.

(2) The act is also divided into Articles, numbered consecutively with Arabic numerals.

(3) Articles are divided into Sections. The Sections within each Article are numbered consecutively with capital letters.

(4) Sections are divided into subsections. The subsections within each Section are numbered consecutively with Arabic numerals enclosed in parentheses.

(5) Subsections are divided into paragraphs. The paragraphs within each subsection are numbered consecutively with lower case letters enclosed in parentheses.

Definitions

Art. 1.02. A. As used in this Act, unless the context otherwise requires, the term:

(1) "Bankrupt" means bankrupt under the federal Bankruptcy Act or insolvent under any state insolvency act.

(2) "Court" includes every court and judge having jurisdiction in the action.

(3) "Limited Liability Company" or "Company" means a limited liability company organized and existing under this chapter.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

(4) "Person" includes an individual, corporation, business trust, estate, trust, custodian, trustee, executor, administrator, nominee, partnership, registered limited liability partnership, limited partnership, association, limited liability company, government, governmental subdivision, governmental agency, governmental instrumentality, and any other legal or commercial entity, in its own or representative capacity. Any of the foregoing entities may be formed under the laws of this state or any other jurisdiction.

(5) "Real Property" means land and any interest or estate in land.

(6) "Business" means every trade and occupation or profession.

(7) "Conveyance" means every assignment, lease, mortgage, or encumbrance.

(8) "TBCA" means the Texas Business Corporation Act as amended and as it may hereafter be amended.

(9) "Foreign Limited Liability Company" means an entity formed under the laws of a jurisdiction other than this state (a) that is characterized as a limited liability company by such laws or (b) although not so characterized by such laws, that elects to procure a certificate of authority pursuant to Article 7.01 of this act, that is formed under laws which provide that some or all of the persons entitled to receive a distribution of the assets thereof upon the entity's dissolution or otherwise or to exercise voting rights with respect to an interest in the entity shall not be liable for the debts, obligations or liabilities of the entity and which is not eligible to become authorized to do business in this state under any other statute.

(10) "Merger" means (a) the division of a domestic limited liability company into two or more new domestic limited liability companies or into a surviving limited liability company and one or more new domestic or foreign limited liability companies or other entities, or (b) the combination of one or more domestic limited liability companies with one or more domestic or foreign limited liability companies or other entities resulting in (i) one or more surviving domestic or foreign limited liability companies or other entities, (ii) the creation of one or more new domestic or foreign limited liability companies or other entities, or (iii) one or more surviving domestic or foreign limited liability companies or other entities and the creation of one or more new domestic or foreign limited liability companies or other entities.

(11) "Conversion" means:

(a) The continuance of a domestic limited liability company as, and in the organizational form of, a foreign limited liability company or other entity; or

(b) The continuance of a foreign limited liability company or other entity as, and in the organizational form of, a domestic limited liability company.

(12) "Converted entity" means any domestic or foreign limited liability company or other entity to which a converting entity has converted or intends to convert as permitted by Article 10.08 of this Act.

(13) "Converting entity" means any domestic or foreign limited liability company or other entity that has converted or intends to convert as permitted by Article 10.08 of this Act.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

(14) "Other entity" means any entity, whether organized for profit or not, that is a corporation, limited or general partnership, limited liability company (other than a domestic or foreign limited liability company), real estate investment trust, joint venture, joint stock company, cooperative, association, bank, trust, insurance company, or other legal entity organized pursuant to the laws of this state or any other state or country.

PART TWO

Purposes

Art. 2.01. A. A limited liability company formed under this Act may engage in any lawful business unless a more limited purpose is stated in its articles of organization or regulations.

B. A limited liability company engaging in a business that is subject to regulation by another Texas statute may be formed under this Act only if it is not prohibited by the other statute. The limited liability company is subject to all limitations of the other statute.

Powers

Art. 2.02. A. Each limited liability company shall have the power provided for a corporation under the TBCA and a limited partnership under the Texas Revised Limited Partnership Act.

B. Nothing in this Article grants any authority to managers or members of a limited liability company for the exercise of the powers of a limited liability company, inconsistent with limitations on any of the same which may be expressly set forth in this Act or any articles of organization or regulations or in any laws of this State. Authority of managers and members to act beyond the scope of the purpose or purposes of a limited liability company is not granted by any provision of this Act.

C. Nothing contained in this Act shall be deemed to authorize any action in violation of the Anti-Trust laws of this State, as now existing or hereafter amended.

D. A limited liability company engaged as a common carrier in the pipeline business for transporting oil, oil products, gas, carbon dioxide, salt brine, fuller's earth, sand, clay, liquefied minerals, or other mineral solutions has all of the rights and
powers conferred by Sections 111.019-111.022, Natural Resources Code.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

Limited liability company names; use of assumed names

Art. 2.03. A. The limited liability company name shall conform to the following requirements:

(1) It shall either contain the words "Limited Liability Company" or "Limited Company" or the abbreviations "L.L.C.," "LLC," "LC," or "L.C." and shall contain such additional words as may be required by law. The word "Limited" may be abbreviated as "Ltd." or "LTD" and the word "Company" may be abbreviated as "Co." However, a limited liability company formed before September 1, 1993, that complied with this Section on the date of formation, but does not comply with this Section as revised, is not required to change its name.

(2) It shall not contain any word or phrase, which indicates or implies that it is organized for any purpose other than one or more of the purposes contained in its articles of organization.

(3) It shall not be the same as, or deceptively similar to, the name of any domestic limited liability company, corporation or limited partnership existing under the laws of this state, or the name of any foreign limited liability company, corporation or limited partnership authorized to transact business in this state, or a name the exclusive right to which is, at the time, reserved in the manner provided in this Act or any other statute providing for reservation of names by a corporation or limited partnership, or the name of a limited liability company, corporation or limited partnership which has in effect a registration of its company name as provided in this act or any other applicable law provided that a name may be similar if written consent is obtained from the existing limited liability company, corporation or limited partnership having the name deemed to be similar or the person for whom the name deemed to be similar is reserved in the office of the Secretary of State.

B. Any domestic or foreign limited liability company having authority to transact business in this State, may do so under an assumed name, by filing an assumed name certificate in the manner prescribed by law.

C. The filing of articles of organization under Part Three of this Act or an application to reserve a specified company name under Article 2.04 of this Act, does not authorize the use of limited liability company name in this State in violation of the rights of another under the Federal Trademark Act of 1946 (15 U.S.C., Section 1051 et seq.), the Texas trademark law (Chapter 16, Business &Commerce Code), the Assumed Business or Professional Name Act (Chapter 36, Business & Commerce Code), or the common law.

Reserved Name

Art. 2.04. A. The exclusive right to the use of a limited liability company name may be reserved by any person.

B. The reservation shall be made by filing with the Secretary of State an application to reserve a specified company name, executed by the applicant or the attorney or agent thereof. If the Secretary of State finds that the name is available for limited liability company use, the Secretary of State shall reserve the same for the exclusive use of the applicant for a period of one hundred and twenty (120) days.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

C. The right to the exclusive use of a specified company name so reserved may be transferred to any other person or limited liability company by filing in the office of the Secretary of State a notice of such transfer, executed by the applicant for whom the name was reserved, and specifying the name and address of the transferee.

D. Any person for whom a specified company name has been reserved pursuant to Section B of this article may, during the period for which such name is reserved, terminate such reservation by filing with the Secretary of State an application for cancellation of reservation of company name, together with the applicable fee.

Registered Office and Registered Agent

Art. 2.05. A. Each limited liability company or foreign limited liability company subject to this Act shall have and continuously
maintain in this State:
(1) A registered office, which may be, but need not be, the same as its place of business.

(2) A registered agent, which agent may be either an individual resident in this State whose business office is identical with such registered office, or a person organized under or authorized to transact business in this State which has a business office identical with such registered office.

Change of Registered Office or Registered Agent

Art. 2.06. A. A limited liability company or foreign limited liability company subject to this Act may change its registered office or change its registered agent, or both, upon filing in the office of the Secretary of State a statement setting forth:

(1) The name of the limited liability company.

(2) The post office address of its then registered office.

(3) If the post office address of its registered office is to be changed, the post office address to which the registered office is to be changed.

(4) The name of its then registered agent.

(5) If its registered agent is to be changed, the name of its successor registered agent.

(6) That the post office address of its registered office and the post office address of the business office of its registered agent, as changed, will be identical.

(7) That such change was authorized by its members or managers.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

B. The statement required by this article shall be executed on behalf of the limited liability company or foreign limited liability company by an authorized member or manager. The original and a copy of the statement shall be delivered to the Secretary of State. If the Secretary of State finds that such statement conforms to the provisions of this Act, the Secretary of State shall, when the appropriate filing fee is paid as prescribed by law:

(1) Endorse on the original and the copy the word "filed," and the month, day, and year of the filing thereof.

(2) File the original in the office of the Secretary of State.

(3) Return the copy to the limited liability company or its representative.

C. Upon such filing, the change of address of the registered office, or the appointment of a new registered agent, or both, as the case may be, shall become effective.

D. Any registered agent of a limited liability company or foreign limited liability company may resign:

(1) by giving written notice to the limited liability company at its last known address; and

(2) by giving written notice, in duplicate (the original and one copy of the notice), to the Secretary of State within ten days after mailing or delivery of said notice to the limited liability company. Such notice shall include the last known address of the limited liability company and shall include the statement that written notice of resignation has been given to the limited
liability company and the date thereof. Upon compliance with the requirements as to written notice, the appointment of such agent shall terminate upon the expiration of thirty (30) days after receipt of such notice by the Secretary of State.

If the Secretary of State finds that such written notice conforms to the provisions of this Act, the Secretary of State shall:

(1) Endorse on the original and the copy of the word "filed" and the month, day, and year of the filing thereof.

(2) File the original in the office of the Secretary of State.

(3) Return the copy to such resigning registered agent.

(4) Notify the limited liability company of the resignation of the registered agent.

No fee shall be required to be paid for the filing of a resignation under this section.

Change of Address of Registered Agent

Art. 2.07. A. The location of the registered office in Texas for a limited liability company or foreign limited liability company subject to this Act may be changed from one address to another upon filing in the office of the Secretary of State a tatement setting forth:

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

(1) The name of the limited liability company or foreign limited liability company represented by such registered agent.

(2) The address at which such registered agent has maintained the registered office for the limited liability company or foreign limited liability company.

(3) The new address at which such registered agent will thereafter maintain the registered office for the limited liability company or foreign limited liability company.

(4) A statement that notice of the change has been given to said limited liability company or foreign limited liability company in writing at least ten (10) days prior to such filing.

B. The statement required by this article shall be signed by the registered agent, or, an authorized officer, manager or member on its behalf. If the registered agent is simultaneously filing statements as to more than one limited liability company, each such statement may contain facsimile signatures in the execution. The original and one copy of the statement shall be delivered to the Secretary of State. If the Secretary of State finds that such statement conforms to the provisions of this Act, the Secretary of State shall:

(1) Endorse on the original and the copy the word "filed," and the month, day, and year of the filing thereof.

(2) File the original in the office of the Secretary of State.

(3) Return the copy to such registered agent.

C. The registered office of the limited liability company or foreign limited liability company named in such statement shall be
changed to the new address of the registered agent upon the filing of such statement by the Secretary of State.

Service of Process on a Limited Liability Company

Art. 2.08. A. The managers, if any, and the registered agent shall be agents of a limited liability company or foreign limited liability company upon whom any process, notice, or demand required or permitted by law to be served upon the limited liability company or foreign limited liability company may be served.

B. Whenever a limited liability company or foreign limited liability company shall fail to appoint or maintain a registered
agent in this State, or whenever its registered agent cannot with reasonable diligence be found at the registered office, then the Secretary of State shall be an agent of such limited liability company or foreign limited liability company upon whom any such process, notice, or demand may be served. Service on the Secretary of State of any process, notice, or demand shall be made by delivering to and leaving with the Secretary of State, or with the Assistant Secretary of State, or with any clerk having charge of the limited liability company department of the Secretary of State's office, duplicate copies of such process, notice, or demand. In the event any such process,

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

notice, or demand is served on the Secretary of State, the Secretary of State shall immediately cause one of the copies thereof to be forwarded by registered mail, addressed to the limited liability company or foreign limited liability company at its registered office. Any service so had on the Secretary of State shall be returnable in not less than thirty (30) days.

C. The Secretary of State shall keep a record of all processes, notices and demands served under this Article, and shall record therein the time of such service and the action with reference thereto.

D. Nothing herein contained shall limit or affect the right to serve any process, notice, or demand required or permitted by law to be served upon a limited liability company or foreign limited liability company in any manner now or hereafter permitted by law.

Regulations of Limited Liability Company

Art. 2.09. A. The members of a limited liability company have the power to adopt, alter, amend, or repeal the regulations of a limited liability company. The articles of organization or regulations may provide that the manager or managers also have the power to adopt, alter, amend, or repeal the regulations, in whole or in part. Regulations may provide that they may not, in whole or specified part, be altered, amended, or repealed by the managers. The regulations may contain any provisions for the regulation and management of the affairs of the limited liability company not inconsistent with law or the articles of organization. Any provision of this Act subject to variation or modification by the regulations of a limited liability company is also subject to variation or modification by the articles of organization of the limited liability company.

B. Unless otherwise provided in the articles of organization or regulations, adoption, alteration, amendment, or repeal of the regulations of a limited liability company requires the affirmative vote, approval, or consent of all the members or, if the manager or managers have the power to adopt, alter, amend, or repeal the regulations of a limited liability company, the affirmative vote, approval, or consent of all the managers.

C. Unless otherwise provided in the articles of organization or regulations adopted with the affirmative vote, approval, or consent needed to approve an action listed in Section D, G, or H, Article 2.23, of this Act, no regulation that effects an action listed in Section D, G, or H, Article 2.23, of this Act may be indirectly effected through the adoption, alteration, amendment, or repeal of regulations of a limited liability company without the affirmative vote, approval, or consent required by Section D, G, or H, Article 2.23, of this Act.

Art. 2.10. Repealed by Acts 1993, 73rd Leg., ch. 215, Sec. 1.32(1), eff. Sept. 1, 1993.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

Limited Liability Company Property

Art. 2.11. A. Real or personal property owned or purchased by a limited liability company may be held and owned, and conveyance may be made, in the name of the limited liability company. Instruments and documents providing for the acquisition, mortgage, or disposition of the property of the limited liability company shall be valid and binding upon the company, if they are executed by one or more persons as provided in Article 2.21 of this Act.

Managers

Art. 2.12. A. Except and to the extent the articles of organization or the regulations shall reserve management of the limited liability company to the members in whole or in part, and subject to provisions in the articles of organization, the regulations, or this Act restricting or enlarging the powers, rights, and duties of any manager or group or class of managers, the powers of a limited liability company shall be exercised by or under the authority of, and the business and affairs of a limited liability company shall be managed under the direction of, the manager or managers of the limited liability company. If management of the limited liability company is fully reserved to the members, the limited liability company need not have managers. Managers need not be residents of this State or members of the limited liability company unless the regulations so require. The regulations may prescribe other qualifications for managers. If the management of the limited liability company is reserved in whole or in part to the members, Articles 2.17, 2.18, 2.19, and 2.20 of this Act apply to the members who manage the limited liability company to the same extent as those articles would otherwise apply to managers of a limited liability company.

Number and Election of Managers

Art. 2.13. A. The managers of a limited liability company, if any, shall consist of one or more persons. The number of managers shall be fixed by, or in the manner provided in, the regulations, except as to the number constituting the initial managers, which number shall be fixed by the articles of organization. The number of managers may be increased or decreased from time to time by amendment to, or in the manner provided in, the regulations, but, unless provided otherwise in the articles of organization or the regulations, no decrease shall have the effect of shortening the term of any incumbent manager. In the absence of a regulation fixing the number of managers or providing for the manner in which the number of managers shall be fixed, the number of managers shall be the same as the number constituting the initial managers. The names and addresses of the initial managers, if any, shall be stated in the articles of organization. Unless otherwise provided in the regulations or in any resolution of the managers or members appointing that manager in accordance with the regulations or articles of organization, each manager shall hold office for the term for which elected, if any term is specified, and until that manager's successor has been elected, or until that manager's earlier death, resignation, or removal. The regulations may provide for the time or times at which the members entitled to vote in the election of managers shall elect managers and the term for which the managers shall hold office. The regulations may provide that any class or group of members shall be entitled to elect one or more managers, who shall hold office for such terms as shall be stated in the regulations. The regulations may provide that at any meeting of

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

members called expressly for that purpose any managers may be removed, with or without cause, as provided therein; however, if any class or group of members is entitled to elect one or more managers by the provisions of the regulations, only the members of that class or group shall be entitled to vote for or against the removal of any managers elected by the members of that class or group.

Classification of Managers

Art. 2.14. A. The regulations may provide that the managers shall be divided into more than one class, each class to be the number specified in the regulations, the terms of managers of each class to expire in the order provided in the regulations and at the meetings of the members at which the regulations provide that managers are to be elected. If the regulations provide for the classification of managers, (1) the whole number of managers of the limited liability company need not be elected annually or at any regularly scheduled meeting of the members, and (2) after such classification, at each meeting at which the regulations provide that managers are to be elected, the number of managers equal to the number of the class whose term expires at the time of such meeting shall be elected to hold office until the next succeeding meeting at which the regulations provide that the successors to the managers are to be elected. A classification of managers adopted after the last meeting of members at which managers were elected may not be effective before the next meeting of members at which managers are elected unless the classification is effected by an amendment to the regulations adopted by the members.

Vacancies

Art. 2.15. A. Unless otherwise provided in the articles of organization or the regulations, any vacancy occurring in the managers may be filled in accordance with Section B of this Article or may be filled by the affirmative vote of a majority of the remaining managers though less than a quorum of the managers. Unless otherwise provided in the articles of organization or the regulations, a manager elected to fill a vacancy shall be elected for the unexpired term of the predecessor in office.

B. Unless otherwise provided in the articles of organization or the regulations, any vacancy occurring in the managers to be filled by reason of an increase in the number of managers may be filled by election at an annual or special meeting of members called for that purpose.

C. Notwithstanding Sections A and B of this Article, whenever the holders of any class or series of membership interests are entitled to elect one or more managers by the provisions of the regulations, any vacancies, and any newly created managers of such class or series to be filled by reason of an increase in the number of such managers may be filled by the affirmative vote of a majority of the managers, elected by such class or series then in office or by a sole remaining manager so elected, or by the vote of the holders of the outstanding membership interests of such class or series, and such vacancy shall not in any case be filled by the vote of the remaining managers or the holders of the outstanding membership interests as a whole unless otherwise provided in the regulations.

Art. 2.16. Repealed by Acts 1993, 73rd Leg., ch. 215, Sec. 1.32(2), eff. Sept. 1, 1993.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

Interested Managers

Art. 2.17. A. Unless otherwise provided in the articles of organization or the regulations, an otherwise valid contract or transaction between a limited liability company and one or more of its managers or officers, or between a limited liability company and any other domestic or foreign limited liability company or other entity in which one or more of its managers or officers are managers, directors or officers or have a financial interest, shall be valid notwithstanding the manager or officer is present at or participates in the meeting of managers or of a committee of managers which authorizes the contract or transaction, or solely because such manager's or managers' votes are counted for such purpose, if any of the following is satisfied:

(1) The material facts as to the relationship or interest and as to the contract or transaction are disclosed or are known to the managers or the committee, and the managers or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested managers, even though the disinterested managers be less than a quorum; or

(2) The material facts as to the relationship or interest and as to the contract or transaction are disclosed or are known to the members entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the members; or

(3) The contract or transaction is fair as to the limited liability company as of the time it is authorized, approved, or ratified by the managers, a committee thereof, or the members.

B. Unless otherwise provided in the articles of organization or the regulations, common or interested managers may be counted in determining the presence of a quorum at a meeting of the managers or of a committee which authorizes the contract or transaction.

Committees of the Managers

Art. 2.18. A. If the regulations so provide, the managers, by resolution, may designate from among the managers one or more committees, each of which shall be comprised of one or more of the managers, and may designate one or more of the managers as alternate members of any committee, who may, subject to any limitations imposed by the managers, replace absent or disqualified managers at any meeting of that committee. Any such committee, to the extent provided in such resolution or in the regulations, shall have and may exercise all of the authority of the managers, subject to the limitations set forth in Sections B and C of this Article. Unless the resolution designating a particular committee, the articles of organization, or the regulations expressly so provides, a committee of the managers does not have the authority to authorize or make a distribution of limited liability company cash or property to the members or to authorize the issuance of interests in the limited liability company.

B. No committee of the managers shall have the authority of the managers in reference to:

(1) amending the regulations, except that a committee may, to the extent provided in the resolution designating that committee or in the articles of organization or the regulations, exercise the authority of the managers

provided in the regulations to establish the relative rights and preferences of the membership interests of any class or series;

(2) approving a plan of merger or share exchange of the limited liability company;

(3) recommending to the members a voluntary dissolution of the limited liability company or a revocation thereof;
(4) filling vacancies in the managers;

(5) fixing the compensation of any member or alternate members of such committee; or

(6) altering or repealing any resolution of the managers that by its terms provides that it shall not be so amendable or repealable.

C. The designation of a committee of the managers and the delegation thereto of authority shall not operate to relieve the managers of any responsibility imposed by law.

Place and Notice of Managers' Meetings

Art. 2.19. A. Except as otherwise provided in the articles of organization or the regulations, regular or special meetings of the members, managers, or any committee may be held either within or without this State.

B. Regular meetings of the managers or committees may be held with or without notice as prescribed in the regulations. Special meetings of the managers or committees shall be held upon such notice as is prescribed in the regulations.

C. Except as otherwise provided in the articles of organization or the regulations, if the limited liability company is without managers, regular meetings of members may be held with or without notice as prescribed in the regulations and special meetings of members may be held with or without notice as prescribed in the regulations, unless any such meeting is to consider any of those matters set forth in Section D, Article 2.23, of this Act. Except as otherwise provided in the articles of organization or the regulations, for any meeting of the members at which any of the matters set forth in Section D, Article 2.23, of this Act are to be considered, written or printed notice stating the place, day, and hour of the meeting and describing the purpose or purposes of such meeting shall be delivered to the members not less than 10 or more than 60 days before the meeting, either personally or by mail.

D. Except as otherwise provided in the articles of organization or the regulations, if the limited liability company has managers, meetings of members shall be held on written or printed notice, stating the place, day, and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, which notice shall be delivered to the members not less than 10 or more than 60 days before the meeting, either personally or by mail.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

E. If mailed, such notice to a member shall be deemed to be delivered when deposited in the United States mail addressed to the member at the member's address that appears on the records of the limited liability company, with postage prepaid.

F. Attendance of a member, manager, or committee member at a meeting shall constitute a waiver of notice of such meeting, except where that member, manager, or committee member attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

G. The articles of organization and regulations may contain provisions relating to giving notice of the time, place, or purpose of a meeting at which a matter is to be voted on by any members or managers, waiver of notice, action by consent without a meeting, the establishment of a record date, quorum requirements, voting in person or by proxy, or any other matter relating to the exercise of the right to vote.

Indemnification

Art. 2.20. A. Subject to such standards and restrictions, if any, as are set forth in its articles of organization or in its regulations, a limited liability company shall have power to indemnify members and managers, officers, and other persons and purchase and maintain liability insurance for such persons.

B. To the extent that at law or in equity, a member, manager, officer, or other person has duties (including fiduciary duties) and liabilities relating thereto to a limited liability company or to another member or manager, such duties and liabilities may be expanded or restricted by provisions in the regulations.

Designation of Officers; Authority and Apparent Authority of Officers, Agents, Managers, and Members

Art. 2.21. A. One or more persons, who may or may not be managers or members, may be designated as officers of the limited liability company by the manager or managers, if management is vested in one or more managers, or by the member or members, if management of the limited liability company is reserved to the members.

B. All officers, agents, managers, and members of the limited liability company, as among themselves and the limited liability company, have authority and perform duties in the management of the limited liability company as may be provided in the regulations or as may be determined by resolution of the manager or managers, if management is vested in one or more managers, or of the member or members, if management is reserved to the members, in each case not inconsistent with the regulations or the articles of organization.

C. Except as otherwise provided in this Article, the following are agents of a limited liability company for the purpose of its
business:

(1) any one or more officers or other agents of a limited liability company who are vested with actual or apparent authority;

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

(2) each manager, to the extent that management of the limited liability company is vested in that manager; and

(3) each member, to the extent that management of the limited liability company has been reserved to that member.

D. An act, including the execution in the name of the limited liability company of any instrument, for the purpose of apparently carrying on in the usual way the business of the limited liability company by any of the persons described in Section C of this Article binds the limited liability company unless:

(1) the officer, agent, manager, or member so acting otherwise lacks the authority to act for the limited liability company; and

(2) the person with whom the officer, agent, manager, or member is dealing has knowledge of the fact that the officer, agent, manager, or member does not have that authority.

Records to be Kept; Access to Information

Art. 2.22. A. A domestic limited liability company shall keep and maintain the following records in its principal office in the
United States or make them available in that office within five days after the date of receipt of a written request under Section E of this Article:

(1) a current list that states:

(a) the name and mailing address of each member;

(b) the percentage or other interest in the limited liability company owned by each member; and

(c) if one or more classes or groups are established in or under the articles of organization or regulations, the names of the members who are members of each specified class or group;

(2) copies of the federal, state, and local information or income tax returns for each of the limited liability company's six most recent tax years;

(3) a copy of the articles of organization and, if the regulations of the limited liability company are in writing, a copy of the regulations, copies of all amendments or restatements of the articles of organization or regulations, executed copies of any powers of attorney, and copies of any document that creates, in the manner provided by the articles of organization or regulations, classes or groups of members;

(4) unless contained in the articles of organization or regulations, a written statement of:

(a) the amount of the cash contribution and a description and statement of the agreed value of any other contribution made by each member, and the amount of the cash contribution and a description and statement of

the agreed value of any other contribution that the member has agreed to make in the future as an additional contribution;

(b) the times at which additional contributions are to be made or events requiring additional contributions to be made;

(c) events requiring the limited liability company to be dissolved and its affairs wound up; and

(d) the date on which each member in the limited liability company became a member; and

(5) correct and complete books and records of account of the limited liability company.

B. A limited liability company shall maintain such records in written form or in another form capable of conversion into written form within a reasonable time.

C. A limited liability company shall keep in its registered office in Texas and make available to members on reasonable request the street address of its principal United States office in which the records required by this section are maintained or will be available.

D. A member or an assignee of a membership interest, on written request stating the purpose, may examine and copy, in person or by the member's or assignee's representative, at any reasonable time, for any proper purpose, and at the member's expense, records required to be kept under this section and other information regarding the business, affairs, and financial condition of the limited liability company as is just and reasonable for the person to examine and copy.

E. On the written request by any member or an assignee of a membership interest made to the person and address designated in the regulations, the limited liability company shall provide to the requesting member or assignee without charge true copies of:

(1) the articles of organization and regulations and all amendments or restatements; and

(2) any of the tax returns described in Subdivision (2) of Section A of this Article.

Voting, Quorum, and Action

Art. 2.23. A. Except as otherwise provided in this Act, in the articles of organization, or in the regulations, a majority of the members, managers, or members of any committee constitutes a quorum for the transaction of business at any meeting of the members, the managers, or the committee. Except as otherwise provided in the articles of organization or the regulations, an act of a majority of the members entitled to vote, the managers, or the members of a committee, who are present at a meeting of the members, the managers, or the committee at which a quorum is present is the act of the members, the managers, or the committee. Except as otherwise provided in the articles of organization or the regulations, any member may vote either in person or by proxy executed in writing by the member.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

B. (1) Unless otherwise provided by the articles of organization or the regulations, any act required or permitted to be taken at any meeting of the members, the managers, or any committee may be taken without a meeting, without prior notice, and without a vote if a consent or consents in writing, setting forth the action so taken, is signed by the members, managers, or committee members, as the case may be, having not fewer than the minimum number of votes that would be necessary to take the action at a meeting at which all members, managers, or committee members, as the case may be, entitled to vote on the action were present and voted.

(2) Unless otherwise provided in the regulations, a telegram, telex, cablegram, or similar transmission by a person, or a photographic, photo static, facsimile, or similar reproduction of a writing signed by a person, shall be regarded as signed by that person for the purposes of this Article.

C. Subject to the provisions required or permitted by this Act, unless otherwise provided in the articles of organization or the regulations, members, managers, or members of any committee may participate in and hold a meeting of the members, managers, or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting may hear each other. Participation in a meeting pursuant to this Section constitutes presence in person at the meeting except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

C-1. Members or managers may take action at a meeting of the members or managers or without a meeting in any manner permitted by the articles of organization, regulations, or this Act. Unless otherwise provided by the articles of organization or the regulations, an action is effective if it is taken by:

(1) an affirmative vote of those persons having not fewer than the minimum number of votes that would be necessary to take the action at a meeting at which all members or managers, as the case may be, entitled to vote on the action were present and voted; or

(2) consent of each member of the limited liability company, which may be established by:

(a) the member's failure to object to the action in a timely manner, if the member has full knowledge of the action;

(b) consent to the action in writing signed by the member; or

(c) any other means reasonably evidencing consent.

D. Except as provided in the articles of organization or the regulations, the affirmative vote, approval, or consent of a
majority of all the members is required to:

(1) approve any merger, consolidation, share or interest exchange, or other transaction authorized by or subject to the provisions of Part Ten of this Act;

(2) voluntarily cause the dissolution of the limited liability company; or

(3) authorize any act that would make it impossible to carry on the ordinary business of the limited liability company.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

E. Except as provided in the regulations, the affirmative vote, approval, or consent of a majority of all of the managers, if management of the limited liability company is vested in one or more managers, or of the members, if management of the limited liability company is reserved to the members, is required to take any action, other than an action listed in Section D of this Article, that is not apparently for the carrying on of the business of the limited liability company in the usual way.

F. Except as otherwise provided in the articles of organization or the regulations, for purposes of this Act, a "majority" of the
members, managers, or any committee of the managers means more than one-half, by number, of all the members, managers, or members of the committee, as the case may be.

G. Except as provided in the articles of organization or the regulations, if the limited liability company has no members, has
not received any capital, and has not otherwise commenced business, a majority of the managers named in the articles of organization may amend the articles of organization or dissolve the limited liability company. Except as provided by the articles of organization or the regulations, if the limited liability company has not received any capital, the limited liability company has not otherwise commenced business, and the management has been reserved to the members, a majority of the members named in the articles of organization may amend the articles of organization or dissolve the limited liability company. In such event, the persons adopting such amendments to the articles of organization or authorizing such
dissolution shall sign and file with the Secretary of State the articles of amendment provided for in Articles 3.06 and 3.07 of this Act and the articles of dissolution provided for in Articles 6.05, 6.07, and 6.08 of this Act, as appropriate.

H. Except as provided in the articles of organization or the regulations, if any capital has been paid into the limited liability company or the limited liability company has otherwise commenced business, the affirmative vote, approval, or consent of
all members is required to amend the articles of organization.

PART THREE

Formation

Art. 3.01. A. Any natural person of the age of eighteen years or more, or any other person (without regard to place of residence, domicile, or organization) may act as an organizer of a limited liability company by signing the articles of organization for such limited liability company and by delivering the original and a copy of the articles of organization to the Secretary of State.

Articles of Organization

Art. 3.02. A. The initial Articles of Organization shall set forth:

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

(1) The name of the limited liability company;

(2) The period of duration, which may be perpetual;

(3) The purpose for which the limited liability company is organized which may be stated to be, or to include, the transaction
of any or all lawful business for which limited liability companies may be organized under this Act;

(4) The address of its initial registered office and the name of its initial registered agent at that address;

(5) If the limited liability company is to have a manager or managers, a statement to that effect and the names and the addresses of the initial manager or managers, or if the limited liability company will not have managers, a statement to that effect and the names and the addresses of the initial members;

(6) The name and the address of each organizer, unless the limited liability company is being organized pursuant to a plan of conversion or a plan of merger, in which case the articles need not include such information;

(7) Any provision required by Part Eleven of this Act, if the limited liability company is a professional limited liability
company;

(8) If the limited liability company is being organized pursuant to a plan of conversion or a plan of merger, a statement to that effect, and in the case of a plan of conversion, the name, address, prior form of organization, date of incorporation, formation, or organization, and jurisdiction of incorporation, formation, or organization of the converting entity; and

(9) Any other provisions, not inconsistent with law, that the members elect to set out in the articles of organization for the
regulation of the internal affairs of the limited liability company, including any provisions that under this Act are permitted
to be set out in the regulations of the limited liability company.

B. It shall not be necessary to set forth in the articles of organization any of the company powers enumerated in this Act.

Filing of Articles of Organization

Art. 3.03. A. Except as provided by Section C of this Article, the original and a copy of the articles of organization shall be delivered to the Secretary of State. If the Secretary of State finds that the articles of organization conform to law, the
Secretary of State shall, when all fees have been paid as required by law:

(1) Endorse on the original and the copy the word "filed," and the month, day, and year of the filing thereof.

(2) File the original in the office of the Secretary of State.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

(3) Issue a certificate of organization to which shall be affixed the copy.

B. The certificate of organization, together with the copy of the articles of organization affixed thereto by the Secretary of State, shall be delivered to the organizers or their representatives.

C. In the case of a new domestic limited liability company being organized pursuant to a plan of conversion or a plan of merger pursuant to Part Ten of this Act, the articles of organization of the limited liability company shall be filed with the Secretary of State with the articles of conversion or merger and need not be filed separately pursuant to Section A of this Article. If the Secretary of State finds that the articles of organization conform to the law, the Secretary of State shall file the articles of organization in the office of the Secretary of State and issue a certificate of organization, to which the Secretary of State shall affix a copy of the articles of organization, and deliver the same to the party or parties filing the articles of conversion or merger or their representatives with the certificate of conversion or merger that is issued in connection with the conversion or merger. In the case of a conversion or a merger, the certificate of organization of a domestic limited liability company that is a converted entity or that is to be created pursuant to the plan of merger shall become effective on the effectiveness of the conversion or the merger, as the case may be.

Effect of the Issuance of Certificate of Organization

Art. 3.04. A. Except as provided by Section B of this Article, on the issuance of the certificate of organization, the limited
liability company's existence shall begin.

B. In the case of a new domestic limited liability company being organized pursuant to a plan of conversion or a plan of merger pursuant to Part Ten of this Act, the existence of the limited liability company as such shall begin on the effectiveness of the conversion or the merger, as the case may be.

C. On the issuance of the certificate of organization or the effectiveness of the merger or conversion, the certificate of
organization shall be conclusive evidence that all conditions precedent required to be performed for the valid organization of
the limited liability company have been complied with and that the limited liability company has been duly organized under this Act, except as against the state in a proceeding for involuntary dissolution.

Right to Amend Articles of Organization

Art. 3.05. A. A limited liability company may amend its articles of organization from time to time, in any and as many respects as may be desired, so long as its articles of organization as amended contain only such provisions as might be lawfully contained in original articles of organization at the time of making such amendment.

B. In particular, and without limitation upon such general power of amendment, a limited liability company may amend its articles of organization from time to time so as:

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

(1) To change its limited liability company name.

(2) To change the time stated in the articles of organization for the dissolution of the limited liability company.

(3) To change, enlarge, or diminish its limited liability company purposes.

(4) To include or modify any provision which could be included in the original articles of organization.

Articles of Amendment

Art. 3.06. A. The articles of amendment shall be executed on behalf of the limited liability company by an authorized manager or member, or in the case of an amendment of the articles of organization by action of a majority of the initial managers or of a majority of the initial members as provided in Section 2.23 of this Act, by a majority of the initial managers or a majority of the initial members as provided in Section 2.23 of this Act.

B. The articles of amendment shall set forth:

(1) The name of the limited liability company.

(2) If the amendment alters any provision of the original or amended articles of organization an identification by reference or
description of the altered provision and a statement of its text as it is amended to read. If the amendment is an addition to the original or amended articles of organization a statement of that fact and the text of each provision added.

(3) A statement that the amendment was approved in accordance with Section G or H of Article 2.23 of this Act or as otherwise provided in the articles of organization or regulations and the date of the approval.

Filing of Articles of Amendment

Art. 3.07. A. The original and a copy of the articles of amendment shall be delivered to the Secretary of State. If the Secretary of State finds that the articles of amendment conform to law, the Secretary of State shall, when the appropriate filing fee is paid as required by law:

(1) Endorse on the original and the copy the word "filed," and the month, day, and year of the filing thereof.

(2) File the original in the office of the Secretary of State.

(3) Issue a certificate of amendment to which shall be affixed the copy.

B. The certificate of amendment, together with the copy of the articles of amendment affixed thereto by the Secretary of State shall be delivered to the limited liability company or its representative.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

Effect of Certificate of Amendment

Art. 3.08. A. Upon the issuance of the certificate of amendment by the Secretary of State, the amendment shall become effective and the articles of organization shall be amended accordingly.

B. No amendment shall affect any existing cause of action in favor of or against such limited liability company or any pending suit to which such limited liability company shall be a party, or the existing rights of persons other than members, and, in the event the limited liability company name shall be changed by amendment, no suit brought by or against such limited liability company under its former name shall abate for that reason.

Restated Articles of Organization

Art. 3.09. A. By following the procedure to amend the articles of organization provided by this Act, a limited liability company may authorize, execute, and file restated articles of organization that restate the entire text of the articles of organization, as amended or supplemented by:

(1) all certificates of amendment previously issued by the Secretary of State; or

(2) all certificates of amendment previously issued by the Secretary of State and by further amendments included in the
restated articles of organization.

Unless otherwise provided by the articles of organization or the regulations, member approval is not required if further amendment is not made by the restated articles of organization.

B. Restated articles of organization that restate the entire articles of organization as amended and supplemented by all certificates of amendment previously issued by the Secretary of State, without making a further amendment, must contain an introductory paragraph stating that the instrument accurately copies the articles of organization and all amendments to the articles of organization that are in effect to date and that the instrument does not contain any other change in a provision of the articles of organization or a previous amendment, other than:

(1) the insertion of the current number of managers, if any, and the names and addresses of the persons then serving as managers, if any, in lieu of similar information concerning the initial managers; and

(2) the omission of the name and address of each organizer.

C. An instrument containing restated articles of organization that restate the entire articles of organization as amended and
supplemented by all certificates of amendment previously issued by the Secretary of State and as further amended by the restated articles of organization must:

(1) state that each amendment made by the restated articles of organization has been effected in conformity with this Act;

SCHEDULE G-2 (CONT.)
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(2) include the statements required by this Act to be contained in articles of amendment; and

(3) state that the instrument accurately copies the articles of organization and all amendments that are in effect to date and as further amended by the restated articles of organization and that the instrument does not contain any other change in a provision of the articles of organization or the previous amendments, other than:

(a) the insertion of the current number of managers, if any, and the names and addresses of the persons then serving as managers, if any, in lieu of similar information concerning the initial managers; and

(b) the omission of the name and address of each organizer.

D. Restated articles of organization must be executed on behalf of the limited liability company by an authorized manager or member unless capital has not been paid into the limited liability company and the restated articles of organization have been adopted by action of a majority of the initial managers or a majority of the initial members named in the articles of organization as provided by Article 2.23 of this Act, in which case the restated articles of organization may be executed on behalf of the limited liability company by a majority of the persons adopting such restated articles. The original and a copy of the restated articles of organization shall be delivered to the Secretary of State. If the Secretary of State finds that the restated articles of organization conform to law, and the appropriate filing fee is paid as required by law, the Secretary of State shall:

(1) endorse on the original and the copy the word "Filed" and the month, day, and year of filing;

(2) file the original in the Secretary of State's office; and

(3) issue a restated certificate of organization and affix the copy to the restated certificate of organization.

E. The restated certificate of organization, together with the copy of the restated articles of organization affixed to the restated certificate of organization by the Secretary of State, shall be delivered to the limited liability company or its representative.

F. On issuance of a restated certificate of organization by the Secretary of State, the original articles of organization and all
amendments to the original articles are superseded, and the restated articles of organization are the articles of organization
of the limited liability company.

PART FOUR

Admission of Members and Issuance of Membership Interests

Art. 4.01. A. A limited liability company may have one or more members. In connection with the formation of a limited liability company, a person becomes a member on the latter of:

(1) the date of formation of the limited liability company; or

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

(2) the date stated in the records of the limited liability company as the date that the person becomes a member or, if no date is stated in those records, on the date that the person's admission is first reflected in the records of the limited liability company.

B. After the formation of a limited liability company, a person becomes a new member:

(1) in the case of a person who is not an assignee of a membership interest, including a person acquiring a membership interest directly from the limited liability company and a person to be admitted as a member of the limited liability company without acquiring a membership interest, on compliance with the provisions of the regulations governing admission of new members or, if the regulations contain no relevant admission provisions, on the written consent of all members; and

(2) in the case of an assignee of a membership interest, as provided by Section A of Article 4.07 of this Act.

B-1. After the formation of a limited liability company, the limited liability company may issue a membership interest in the
limited liability company to a person on compliance with the provisions of the regulations governing issuance of embership
interests or, if the regulations contain no relevant issuance provisions, upon the consent of all members.

B-2. (1) The regulations may provide that a person may be admitted as a member of a limited liability company and acquire a membership interest in the limited liability company, including a person who will be the sole member, without:

(a) making a contribution to the limited liability company; or

(b) assuming an obligation to make a contribution to the limited liability company.

(2) If one or more persons own a membership interest in a limited liability company, the regulations may provide that a person may be admitted to the limited liability company as a member without acquiring a membership interest in the limited liability company.

C. Any person may be a member unless the person lacks capacity apart from this Act.

Classes and Voting

Art. 4.02. A. The regulations may establish classes or groups of one or more members having certain expressed relative rights, powers, and duties, including voting rights, and may provide for the future creation, in the manner provided in the regulations, of additional classes or groups of members having certain relative rights, powers, or duties, including voting rights, expressed either in the regulations or at the time of creation. The rights, powers, or duties of a class or group may be senior to those of one or more existing classes or groups of members.

B to D. Repealed by Acts 1993, 73rd Leg., ch. 215, Sec. 1.32(3), eff. Sept. 1, 1993.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

Liability to Third Parties

Art. 4.03. A. Except as and to the extent the regulations specifically provide otherwise, a member or manager is not liable for the debts, obligations or liabilities of a limited liability company including under a judgment decree, or order of a court.

B. Transaction of business outside state. It is the intention of the legislature by the enactment of this Act that the legal
existence of limited liability companies formed under this Act be recognized beyond the limits of this state and that, subject to any reasonable registration requirements, any such limited liability company transacting business outside this state be granted the protection of full faith and credit under Section 1 of Article IV of the Constitution of the United States.

C. Parties to actions. A member of a limited liability company is not a proper party to proceedings by or against a limited liability company, except where the object is to enforce a member's right against or liability to the limited liability company.

Nature of Membership Interest

Art. 4.04. A. A membership interest is personal property. A member has no interest in specific limited liability company property.

Assignment of Membership Interest

Art. 4.05. A. Unless otherwise provided by the regulations:

(1) a membership interest is assignable in whole or in part;

(2) an assignment of a membership interest does not of itself dissolve the limited liability company or entitle the assignee to
participate in the management and affairs of the limited liability company or to become or exercise any rights of a member;

(3) an assignment entitles the assignee to be allocated income, gain, loss, deduction, credit, or similar items, and to receive
distributions, to which the assignor was entitled, to the extent those items are assigned, and, for any proper purpose, to require reasonable information or account of transactions of the limited liability company and to make reasonable inspection of the books and records of the limited liability company; and

(4) until the assignee becomes a member, the assignor member continues to be a member and to have the power to exercise any rights or powers of a member, except to the extent those rights or powers are assigned.

SCHEDULE G-2 (CONT.)
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B. The regulations may provide that a member's membership interest may be evidenced by a certificate of membership interest issued by the limited liability company, may provide for the assignment or transfer of membership interests represented by a certificate, and may make other provisions with respect to the certificate.

C. Until an assignee of the interest of a member in a limited liability company is admitted as a member, the assignee does not have liability as a member solely as a result of the assignment.

Rights of Judgment Creditor

Art. 4.06. A. On application to a court of competent jurisdiction by a judgment creditor of a member or any other owner of a membership interest, the court may charge the membership interest of the member or other owner with payment of the unsatisfied amount of the judgment. Except as otherwise provided in the regulations to the extent that the membership interest is charged in this manner, the judgment creditor has only the rights of an assignee of the interest. This Section does not deprive any member of the benefit of any exemption laws applicable to that member's membership interest.

Right of Assignee to Become Member

Art. 4.07. A. An assignee of a membership interest may become a member if and to the extent that:

(1) the regulations provide; or

(2) all members consent.

B. An assignee who becomes a member has, to the extent assigned, the rights and powers and is subject to the restrictions and liabilities of a member under the regulations and this Act. Unless otherwise provided by regulations, an assignee who becomes a member also is liable for the obligations of the assignor to make contributions but is not obligated for liabilities unknown to the assignee at the time the assignee became a member and which could not be ascertained from the regulations.

C. Whether or not an assignee of a membership interest becomes a member, the assignor is not released from the assignor's liability to the limited liability company.

PART FIVE

Form of Contribution

Art. 5.01. A. The contribution of a member may consist of any tangible or intangible benefit to the limited liability company or other property of any kind or nature, including cash, a promissory note, services performed, a contract for services to be performed, or other interests in or securities or other obligations of any other limited liability company, domestic or foreign, or other entity.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

Liability for Contribution Obligations

Art. 5.02. A. A promise by a member to make a contribution to, or otherwise pay cash or transfer property to, a limited liability company is not enforceable unless set out in writing and signed by the member.

B. Except as otherwise provided by the articles of organization or regulations, a member or the member's legal representative or successor is obligated to the limited liability company to perform an enforceable promise to make a contribution to or otherwise pay cash or transfer property to a limited liability company, notwithstanding the member's death, disability, or other change in circumstances. If a member or a member's legal representative or successor does not make a contribution or other payment of cash or transfer of property required by the enforceable promise, whether as a contribution or with respect to a contribution previously made, that member or the member's legal representative or successor is obligated, at the option of the limited liability company, to pay to the limited liability company an amount of cash equal to that portion of the agreed value, as stated in the regulations or in the limited liability company records required to be kept under Article 2.22 of this Act, of the contribution represented by the amount of cash that has not been paid or the value of the property that has not been transferred.

C. The regulations may provide that the interest of a member who fails to make a payment of cash or transfer of property to the limited liability company, whether as a contribution or with respect to a contribution previously made, required by an
enforceable promise is subject to specified consequences. A consequence may take the form of a reduction of the defaulting member's percentage or other interest in the limited liability company, subordination of the member's interest to that of nondefaulting members, a forced sale of the member's interest, forfeiture of the member's interest, the lending of money to the defaulting member by other members of the amount necessary to meet the defaulting member's commitment, a determination of the value of the defaulting member's interest by appraisal or by formula and redemption or sale of the interest at that value, or other penalty or consequence.

D. Unless otherwise provided by the regulations, the obligation of a member or a member's legal representative or successor to make a contribution or otherwise pay cash or transfer property or to return cash or property paid or distributed to the member in violation of this Act or the regulations may be compromised or released only by consent of all of the members. Notwithstanding the compromise or release, a creditor of a limited liability company who extends credit or otherwise acts in reasonable reliance on that obligation, after the member signs a writing that reflects the obligation and before the writing is amended or canceled to reflect the compromise or release, may enforce the original obligation. A
conditional obligation may not be enforced unless the conditions of the obligation have been satisfied or waived as to or by the applicable member. Conditional obligations include contributions payable on a discretionary call of a limited liability company, prior to the time the call occurs.

Allocation of Profits and Losses

Art. 5.02-1. A. The profits and losses of a limited liability company shall be allocated among the members and among classes of members in the manner provided in the regulations. If the regulations do not otherwise provide, the profits and losses shall be allocated on the basis of the agreed value of the contributions made by each

member, as stated in limited liability company records of the kind described in Section A of Article 2.22 of this Act.

Sharing of Distributions

Art. 5.03. A. Distributions of cash or other assets of a limited liability company shall be made to the members in the manner provided by the regulations. If the regulations do not otherwise provide, distributions shall be made on the basis of the agreed value, as stated in the records required to be kept under Article 2.22 of this Act, of the contributions made by each member.

Interim Distributions

Art. 5.04. A. Except as otherwise provided by this Article, a member is entitled to receive distributions from a limited liability company before the member's withdrawal from the limited liability company and before the winding up of the limited liability company to the extent and at the times or on the occurrence of the events specified in the regulations.

Withdrawal or Expulsion of Member

Art. 5.05. A. A member may withdraw or be expelled from a limited liability company only at the time or on the occurrence of events specified in the regulations.

Distribution on Withdrawal

Art. 5.06. A. Except as otherwise provided by this Act, the articles of organization or the regulations, on withdrawal, any withdrawing member is entitled to receive, within a reasonable time after withdrawal, the fair value of that member's interest in the limited liability company as of the date of withdrawal.

Distribution in Kind

Art. 5.07. A. Except as provided by the articles of organization or regulations, a member, regardless of the nature of the member's contribution, may not demand or receive a distribution from a limited liability company in any form other than cash.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

Right to Distribution

Art. 5.08. A. Subject to Articles 5.09 and 6.04 of this act, at the time that a member becomes entitled to receive a istribution, with respect to the distribution, that member has the status of and is entitled to all remedies available to a creditor of the limited liability company.

Limitation on Distribution

Art. 5.09. A. A limited liability company may not make a distribution to its members to the extent that, immediately after
giving effect to the distribution, all liabilities of the limited liability company, other than liabilities to members with respect
to their interests and liabilities for which the recourse of creditors is limited to specified property of the limited liability
company, exceed the fair value of the limited liability company assets, except that the fair value of property that is subject to a liability for which recourse of creditors is limited shall be included in the limited liability company assets only to the extent
that the fair value of that property exceeds that liability.

B. A member who receives a distribution that is not permitted under Section A of this Article has no liability under this Act to return the distribution unless the member knew that the distribution violated the prohibition of Section A. This Section does not affect any obligation of the members under the regulations or other applicable law to return the distribution.

PART SIX

Dissolution

Art. 6.01. A. Except as provided by Section B or C of this Article, a limited liability company shall be dissolved on the first of the following to occur:

(1) the period, if any, fixed for the duration of the limited liability company expires;

(2) the occurrence of events specified in the articles of organization or regulations to cause dissolution;

(3) the action of the members to dissolve the limited liability company;

(4) if no capital has been paid into the limited liability company and the limited liability company has not otherwise commenced business, the act of a majority of the managers or members named in the articles of organization to dissolve the limited liability company as provided by Section G of Article 2.23 of this Act;

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

(5) except as otherwise provided in the regulations, the occurrence of any event that terminates the continued membership of the last remaining member of the limited liability company; or

(6) entry of a decree of judicial dissolution under Section 6.02 of this Act.

B. A limited liability company is not dissolved if an event of dissolution described by Subsection (1) or (2) of Section A of this Article occurs, there is at least one remaining member, and the business of the limited liability company is continued by the vote of the members or class as stated in the articles of organization or regulations of the limited liability company, or if not so stated, by all remaining members. Unless otherwise provided in the articles of organization or in the regulations, an election to continue the business of the limited liability company must be made within 90 days after the date of the occurrence of the event of dissolution. If an election to continue the business of the limited liability company is made following the termination of the period fixed for the duration of the limited liability company or the occurrence of events specified in the articles of organization to cause dissolution, the election is not effective unless an appropriate amendment is made by the limited liability company to its articles of organization during the three-year period following the date of the event of dissolution, extending the period fixed for the duration of the limited liability company or deleting the event specified in the articles of organization that caused the dissolution, as applicable.

C. A limited liability company is not dissolved on the occurrence of an event of dissolution described by Subsection (5) of Section A of this Article if the legal representative or successor of the last remaining member agrees to continue the limited liability company and to become a member as of the date of the termination of the last remaining member's membership in the limited liability company or designates another person who agrees to become a member of the limited liability company as of the date of the termination. Unless otherwise provided in the articles of organization or in the regulations, the agreement of the legal representative or successor to continue the limited liability company and to become a member or
the designation of another person who agrees to become a member must be made not later than 90 days after the date of termination of the last remaining member's membership in the limited liability company.

Judicial Dissolution

Art. 6.02. A. On application by or for a member, a court of competent jurisdiction may decree dissolution of a limited liability company if it is not reasonably practicable to carry on the business of the limited liability company in conformity with
its articles of organization and regulations.

Winding up

Art. 6.03. A. On the dissolution of a limited liability company, the limited liability company's affairs shall be wound up as soon as reasonably practicable. The winding up shall be accomplished by the managers or members or by any other person or persons designated by the articles of organization, by the regulations, or by resolution of the managers or members. In addition, a court of competent jurisdiction, on cause shown, may wind up the limited liability company's affairs on application of any member or the member's legal representative or assignee and, in connection with the winding up, may appoint a person to carry out the liquidation and may make all other orders, directions, and inquiries that the circumstances require.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

Transfer of Assets

Art. 6.04. A. On the winding up of a limited liability company, its assets shall be paid or transferred as follows:

(1) To the extent otherwise permitted by law, to creditors, including members who are creditors in satisfaction of liabilities
(other than for distributions) of the limited liability company, whether by payment or by establishment of reserves;

(2) Unless otherwise provided by the articles of organization or regulations, to members and former members in satisfaction of the company's liability for distributions; and

(3) Unless otherwise provided by the articles of organization or regulations, to members in the manner provided in Article 6.05.

Procedure Before Filing Articles of Dissolution

Art. 6.05. A. Before filing articles of dissolution:

(1) The limited liability company shall cease to carry on its business, except insofar as may be necessary for the winding up
thereof.

(2) The limited liability company shall cause written notice by registered or certified mail of its intention to dissolve to be
mailed to each known creditor of and claimant against the limited liability company.

(3) The limited liability company shall proceed to collect its assets, convey and dispose of such of its properties as are not to be distributed in kind to its members, pay, satisfy or discharge its liabilities and obligations, or make adequate provisions for payment and discharge thereof, and do all other acts required to liquidate its business and affairs; in case its property and assets are not sufficient to satisfy or discharge all the limited liability company's liabilities and obligations, the limited
liability company shall apply them so far as they will go to the just and equitable payment of the liabilities and obligations.
After paying or discharging all of its obligations, or making adequate provisions for payment and discharge thereof, the limited liability company shall then distribute the remainder of its assets, either in cash or in kind, among its members according to their respective rights and interest.

(4) The limited liability company, at any time during the liquidation of its business and affairs, may make application to
any district court of this state in the county in which the registered office of the limited liability company is situated to
have the liquidation continued under the supervision of such court as provided in this Act.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

Revocation of Voluntary Dissolution Proceedings

Art. 6.06. A. At any time before the issuance of a certificate of dissolution by the Secretary of State, or not later than 120 days after the date of the issuance of the certificate of dissolution, a limited liability company may revoke voluntary dissolution proceedings by the written consent of all its members.

A-1. After revocation of voluntary dissolution is authorized as provided in Section A of this Article, the limited liability
company shall, if a certificate of dissolution of the limited liability company has been issued by the Secretary of State,
deliver to the Secretary of State for filing not later than 120 days after the date the certificate was issued, the original and a copy of the articles of revocation of dissolution executed on behalf of the limited liability company by a manager or authorized member, that set forth:

(1) the name of the limited liability company;

(2) the date that the revocation of dissolution was authorized and, if the dissolution has become effective, the effective date of the dissolution that was revoked; and

(3) a statement that the limited liability company elected to revoke voluntary dissolution proceedings by written consent of all of its members.

A-2. Except as provided by Section A-3 of this Article, if the Secretary of State finds that the articles of revocation of dissolution conform to law, the Secretary of State shall, when the appropriate filing fee is paid as required by law:

(1) endorse the original and the copy with the word "Filed" and the month, day, and year of the filing;

(2) file the original in the Secretary of State's office;

(3) issue a certificate of revocation of dissolution to which the Secretary of State shall affix the copy; and

(4) deliver to the limited liability company or its representative the certificate of revocation of dissolution, together with the
affixed copy.

A-3. If the limited liability company's name is the same as or deceptively similar to a name already on file or reserved or
registered as specified in Article 2.03 of this Act, the Secretary of State shall issue to the limited liability company a certificate of revocation of dissolution as provided by Section A-2 of this Article only if the limited liability company contemporaneously amends its articles of organization to change its name.

B. Upon the revocation of voluntary dissolution proceedings the limited liability company may again carry on its business. If a limited liability company revokes voluntary dissolution proceedings prior to the issuance by the Secretary of State of a certificate of dissolution of the limited liability company, the limited liability company

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

may again carry on its business as though voluntary dissolution proceedings had not occurred. If a limited the issuance by the Secretary of State of a certificate of dissolution of the limited liability company, then on the issuance by the Secretary of State of a certificate of revocation of dissolution:

(1) the revocation shall be effective;

(2) the existence of the limited liability company shall be deemed to have continued without interruption after the issuance by the Secretary of State of the certificate of dissolution;

(3) the limited liability company may carry on its business as though voluntary dissolution proceedings had not occurred; and

(4) the existence of the limited liability company shall continue until the limited liability company is subsequently dissolved or
otherwise ceases to exist under the provisions of this Act.

Articles of Dissolution

Art. 6.07. A. If voluntary dissolution proceedings have not been revoked, then, when all liabilities and obligations of the limited liability company have been paid or discharged, or adequate provision has been made therefor, or in case its property and assets are not sufficient to satisfy and discharge all the limited liability company's liabilities and obligations, then when all the property and assets have been applied so far as they will go to the just and equitable payment of the limited liability company's liabilities and obligations, and all of the remaining property and assets of the limited liability have been distributed to its members according to their respective rights and interest, articles of dissolution shall be executed on behalf of the limited liability company by a manager or authorized member, or in accordance with Section G, Article 2.23, of this Act, which shall set forth:

(1) The name of the limited liability company.

(2) The names and respective addresses of its managers, if any.

(3) That all debts, obligations, and liabilities of the limited liability company have been paid or discharged or that adequate
provision has been made therefor, or, in case the limited liability company's property and assets were not sufficient to satisfy and discharge all its debts, liabilities, and obligations, that all property and assets have been applied so far as they will go to the payment thereof in a just and equitable manner and that no property or assets remain available for distribution among its members, or, that the limited liability company has not acquired any debts, obligations, or liabilities.

(4) That all remaining property and assets of the limited liability company have been distributed among its members in accordance with their respective rights and interest or that no property remained for distribution to members after applying it as far as it would go to the just and equitable payment of the debts, liabilities, and obligations of the limited liability company, or that the limited liability company has not acquired any property or assets and therefore distributions to members were not required.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

(5) If capital has not been paid into the limited liability company, a statement that the resolution was adopted by the act of a majority of the initial managers or a majority of the initial members named in the articles of organization in accordance with Section G, Article 2.23, of this Act and of the date of adoption.

(6) If the limited liability company elected to dissolve by action of its members, a statement that the resolution was adopted in accordance with Section D, Article 2.23, of this Act or as otherwise provided in the articles of incorporation or the regulations and the date of adoption.

Filing Articles of Dissolution

Art. 6.08. A. The original and a copy of such articles of dissolution, along with a certificate from the comptroller that all
taxes, including all applicable penalties and interest, administered by the comptroller under Title 2, Tax Code, have been
paid, shall be delivered to the secretary of state. If the secretary of state finds that such articles of dissolution conform to law, the secretary of state shall, when the appropriate filing fee is paid as required by law:

(1) Endorse on the original and copy the word "Filed," and the month, day, and year of the filing thereof.

(2) File the original in the secretary of state's office.

(3) Issue a certificate of dissolution to which there shall be affixed the copy.

B. The certificate of dissolution, together with the copy of the articles of dissolution affixed thereto by the Secretary of State,
shall be delivered to the representative of the dissolved limited liability company. Upon the issuance of such certificate of
dissolution the existence of the limited liability company shall cease, except for the purpose of suits, other proceedings in
appropriate limited liability company action by members, managers and representatives as provided by the laws of this state.

PART SEVEN

Admission of Foreign Limited Liability Company

Art. 7.01. A. No foreign limited liability company shall have the right to transact business in this State until it shall have
procured a certificate of authority so to do from the Secretary of State. No foreign limited liability company shall be entitled to procure a certificate of authority under this Act to transact in this State any business which a limited liability company organized under this Act is not permitted to transact. A foreign limited liability company shall

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

not be denied a certificate of authority by reason of the fact that the laws of the State or country under which such limited liability company is organized governing its organization and internal affairs differ from the laws of this State, and nothing in this Act contained shall be construed to authorize this State to regulate the organization of such limited liability company or its internal affairs.

B. Without excluding other activities which may not constitute transaction of business in this state, a foreign limited liability company shall not be considered to be transacting business in this state, for the purposes of this Act, by reason of carrying on in this state any one (1) or more of the following activities:

(1) Maintaining or defending any action or suit or any administrative or arbitration proceedings, or effecting the settlement thereof or the settlement of claims or disputes to which it is a party;

(2) Holding meetings of its members or managers or carrying on other activities concerning its internal affairs;

(3) Maintaining bank accounts;

(4) Maintaining offices or agencies for the transfer, exchange, and registration of securities issued by it, or appointing and
maintaining trustees or depositaries with relation to its securities;

(5) Voting the stock or other equity interest of any person;

(6) Effecting sales through independent contractors;

(7) Creating as borrower or lender, or acquiring, indebtedness or mortgages or other security interests in real or personal property;

(8) Securing or collecting debts due to it or enforcing any rights in property securing the same;

(9) Transacting any business in interstate commerce;

(10) Conducting an isolated transaction completed within a period of thirty (30) days and not in the course of a number of repeated transactions of like nature;

(11) Exercising the powers of executor or administrator of the estate of a non-resident decedent under ancillary letters issued by a court of this state, or exercising the powers of a trustee under the will of a non-resident decedent, or under a trust created by one or more non-residents of this state, or by one or more foreign limited liability companies if the exercise of such powers, in any such case, will not involve activities which would be deemed to constitute the transacting of business in this state in the case of a foreign limited liability company acting in its own right;

(12) Acquiring, in transactions outside Texas, or in interstate commerce, of debts secured by mortgages or liens on real or personal property in Texas, collecting or adjusting of principal and interest payments thereon, enforcing or adjusting any rights and property securing said debts, taking any actions necessary to preserve and protect the interest of the mortgagee in said security, or any combination of such transactions;

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

(13) Investing in or acquiring, in transactions outside of Texas, royalties and other non-operating mineral interests, and the
execution of division orders, contracts of sale and other instruments incidental to the ownership of such non-operating
mineral interests.

Powers of Foreign Limited Liability Company

Art. 7.02. A. A foreign limited liability company which shall have received a certificate of authority under this Act shall, until its certificate of authority shall have been revoked in accordance with the provisions of this Act or until a certificate of withdrawal shall have been issued by the Secretary of State as provided in this Act, enjoy the same, but no greater, rights and privileges as a domestic limited liability company organized for the purposes set forth in the application pursuant to which such certificate of authority is issued; and, as to all matters affecting the transaction of intrastate business in this State, it and its managers and members shall be subject to the same duties, restrictions, penalties, and liabilities now or hereafter imposed upon a domestic limited liability company of like character and its managers and members; provided, however, that only the laws of the jurisdiction of organization of a foreign limited liability company shall govern (1) the internal affairs of the foreign limited liability company, including but not limited to the rights, powers, and duties of its manager and members and matters relating to its ownership, and (2) the liability, if any, of members of the foreign limited liability company for the debts, liabilities and obligations of the foreign limited liability company for which they are not otherwise liable by statute or agreement.

Limited Liability Company Name of Foreign Limited Liability Company

Art. 7.03. A. No certificate of authority shall be issued to a foreign limited liability company unless the limited liability
company name of the limited liability company:

(1) Shall contain the word "Limited Liability Company" or "Limited Company" or the abbreviations "L.L.C.," "LLC," "LC," or "L.C." and shall contain any additional words required by law. The word "Limited" may be abbreviated as "Ltd." or "LTD" and the word "Company" may be abbreviated as "Co." However, a foreign limited liability company that procured a certificate of authority to transact business in this state before September 1, 1993, and that complied with this Section on the date of procuring the certificate, but does not comply with this Section as revised, is not required to change its name.

This subsection does not apply to a foreign limited liability company that is not characterized as a limited liability company under the laws of the jurisdiction of its formation but elects to procure a certificate of authority pursuant to Article 7.01 of this Act as described by Subsection (9) of Section A of Article 1.02 of this Act.

(2) Shall not contain any word or phrase, which indicates or implies that it is organized for any purpose other than one or more of the purposes contained in its articles of organization.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

(3) Shall not be the same as, or deceptively similar to, the name of any domestic limited liability company, corporation or limited partnership existing under the laws of this state or of any foreign limited liability company, corporation or limited partnership authorized to transact business in this state, or a name the exclusive right to which is, at the time, reserved or registered in the manner provided in this Act or any other statute relating to corporations, partnerships, or other business entities; provided that a name may be similar if written consent is obtained from the existing limited liability company, corporation or limited partnership having the name deemed to be similar or the person, or limited liability company, for whom the name deemed to be similar is reserved or registered in the office of the Secretary of State. A certificate of authority shall be issued as provided in this Act to any foreign limited liability company having a name the same as, deceptively similar to, or, if no consent is given, similar to the name of any limited liability company existing under the laws of this state or of any foreign limited liability company authorized to transact business in this state, or a name the exclusive right to which is, at the time, reserved or registered, provided such foreign limited liability company qualifies and does business under a name that meets the requirements of this article. The foreign limited liability company shall set forth in the application for a certificate of authority the name under which it is qualifying and shall file an assumed name certificate as required by law.

Change of Name by Foreign Limited Liability Company

Art. 7.04. A. Whenever a foreign limited liability company which is authorized to transact business in this state shall change its name to one under which a Certificate of Authority would not be granted to it on application therefor, the Certificate of Authority of such foreign limited liability company shall be suspended and it shall not thereafter transact any business in this state until it has changed its name to a name which is available to it under the laws of this State or has otherwise complied with the provisions of this act.

Application for Certificate of Authority

Art. 7.05. A. To procure a Certificate of Authority to transact business in this State, a foreign limited liability company shall
make application therefor to the Secretary of State, which application shall set forth:

(1) The name of the foreign limited liability company as stated in the company's formation documents or in any amendments to the company's formation documents in the state or country under the laws of which it is organized.

(2) If the name of the limited liability company does not contain the word "Limited," "Ltd.," or "L.C." or other word or abbreviation the company is required to include in its name under Article 7.03 of this Act, then the name of the foreign limited liability company with the word or abbreviation which it elects to add thereto for use in this state; if the foreign limited liability company is required to qualify under a name other than its foreign limited liability company name, then the name under which the foreign limited liability company is to be qualified.

(3) The date of organization and the period of duration of the foreign limited liability company.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

(4) The address of the principal office of the foreign limited liability company in the state or country under the laws of which it is organized.

(5) The address of the registered office of the foreign limited liability company in this state, and the name of its registered
agent in this state at such address.

(6) The purpose or purposes of the foreign limited liability company which it proposes to pursue in the transaction of business in this state and a statement that it is authorized to pursue such purpose or purposes in the state or country under the laws of which it is organized.

(7) The names and respective addresses of the managers of the foreign limited liability company.

(8) A statement that the limited liability company exists as a valid entity under the laws of its jurisdiction of formation.

B. Such application shall be made on forms promulgated by the Secretary of State and shall be executed on behalf of the foreign limited liability company by an authorized manager or member.

Filing of Application for Certificate of Authority

Art. 7.06. A. The original and a copy of the application of the foreign limited liability company for a Certificate of Authority
shall be delivered to the Secretary of State. If the Secretary of State finds that the application conforms to law, the Secretary of State shall, when the appropriate filing fee is paid as required by law:

(1) Endorse on the original and a copy the word "filed," and the month, day, and year of filing thereof.

(2) File in the office of the Secretary of State the original.

(3) Issue a Certificate of Authority to transact business in this state to which there shall be affixed the copy.

B. The Certificate of Authority, together with a copy of the application affixed thereto by the Secretary of State, shall be
delivered to the foreign limited liability company or its representative.

Effect of Certificate of Authority

Art. 7.07. A. Upon the issuance of a Certificate of Authority by the Secretary of State, the foreign limited liability company shall be authorized to transact business in this State for those purposes set forth in its application, and such certificate shall be conclusive evidence of such right of the foreign limited liability company to transact business in the State for such purposes, except as against this State, in preceding to revoke such certificate.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

Amended Certificate of Authority

Art. 7.08. A. If a foreign limited liability company authorized to transact business in this State shall change its foreign limited liability company name, or if such foreign limited liability company desires to pursue in this State purposes other than, or in addition to, those authorized by its existing certificate of authority, it shall procure an amended certificate of authority by making application therefor to the Secretary of State.

B. To change any statement on an original application for a certificate of authority a foreign limited liability company shall file with the Secretary of State an application for an amended certificate of authority setting forth the change.

C. An application for an amended certificate of authority submitted because of a name change must be accompanied by a certificate from the proper filing officer in the jurisdiction of organization evidencing the name change.

D. The requirements in respect to the form and contents of such application, the manner of its execution, the filing of the application and a copy of it with the Secretary of State, the issuance of an amended certificate of authority and the effect thereof, shall be the same as in the case of an original application for a certificate of authority.

Withdrawal or Termination of Foreign Limited Liability Company

Art. 7.09. A. A foreign limited liability company authorized to transact business in this state may withdraw from this state upon procuring from the Secretary of State a certificate of withdrawal. In order to procure such certificate of withdrawal, such foreign limited liability company shall deliver to the Secretary of State an application for withdrawal, which shall set forth:

(1) The name of the foreign limited liability company and the state or country under the laws of which it is organized;

(2) That the foreign limited liability company is not transacting business in this state;

(3) That the foreign limited liability company surrenders its authority to transact business in this state;

(4) That the foreign limited liability company revokes the authority of its registered agent in this state to accept service of process and consents that service of process in any action, suit, or proceeding based upon any cause of action arising in this state during the time the foreign limited liability company was authorized to transact business in this state may thereafter be made on such foreign limited liability company by service thereof on the Secretary of State;

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

(5) A post office address to which the Secretary of State may mail a copy of any process against the foreign limited liability company that may be served on him;

(6) A statement that all sums due, or accrued, to this state have been paid, or that adequate provision has been made for the payment thereof;

(7) A statement that all known creditors or claimants have been paid or provided for and that the foreign limited liability company is not involved in or threatened with litigation in any court in this state.

B. The application for withdrawal may be made on forms promulgated by the Secretary of State and shall be executed on behalf of the foreign limited liability company by an authorized manager or member.

C. When the existence of a foreign limited liability company terminates because of dissolution, merger, or otherwise, a
certificate from the proper officer in the jurisdiction of the foreign limited liability company's organization evidencing the
termination shall be filed with the Secretary of State.

Filing of Application for Withdrawal

Art. 7.10. A. The original and a copy of such application for withdrawal, along with a certificate from the comptroller that all
taxes, including penalties and interest, administered by the comptroller under Title 2, Tax Code, have been paid, shall be
delivered to the secretary of state. If the secretary of state finds that such application conforms to the provisions of this Act, the secretary of state shall, when the appropriate filing fee is paid as required by law:

(1) Endorse on the original and the copy the word "Filed," and the month, day, and year of the filing thereof.

(2) File the original in the secretary of state's office.

(3) Issue a certificate of withdrawal to which there shall be affixed the copy.

B. The certificate of withdrawal, together with the copy of the application for withdrawal affixed thereto by the Secretary of
State, shall be delivered to the foreign limited liability company or its representative. Upon the issuance of such certificate of withdrawal, the authority of the foreign limited liability company to transact business in this State shall cease.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

Revocation of Certificate of Authority

Art. 7.11. A. The certificate of authority of a foreign limited liability company to transact business in this state may be revoked by a decree of the district court for the county in which the registered office of the foreign limited liability company in this state is situated or of any district court in Travis County in an action filed by the Attorney General when it is established that:

(1) The foreign limited liability company has failed to comply with a condition precedent to the issuance of its certificate of authority or a renewal or amendment thereof; or

(2) The certificate of authority to transact business in this state or any amendment thereof was procured through fraud; or

(3) The foreign limited liability company has continued to transact business beyond the scope of the purpose or purposes expressed in its certificate of authority to transact business in this state; or

(4) A misrepresentation has been made of any material matter in any application, report, affidavit, or other document submitted by such foreign limited liability company as required by law.

B. The certificate of authority of a foreign limited liability company to transact business in this state may be revoked by order
of the Secretary of State when it is established that it is in default in any of the following particulars:

(1) The foreign limited liability company has failed to file any report within the time required by law, or has failed to pay any
fees, taxes, or penalties prescribed by law when the same have become due and payable; or

(2) The foreign limited liability company has failed to maintain a registered agent in this state as required by law; or

(3) The foreign limited liability company has changed its name and has failed to file with the Secretary of State within thirty days after such change of name became effective, an application for an amended certificate of authority, or that the foreign limited liability company has changed its foreign limited liability company name and that the newly adopted name is not available for use in this state; or

(4) The foreign limited liability company has failed to pay the filing fee for the foreign limited liability company certificate of
authority or any required tax deposit, or the fee or any tax was paid by an instrument that was dishonored when presented by the state for payment.

C. (1) No foreign limited liability company shall have its certificate of authority to transact business in this state revoked
under Subsection (1), (2), or (3) of Section B hereof unless the Secretary of State, or other state agency to which such report, taxes, fees, penalties is required to be made, gives the foreign limited liability company not less than 90 days notice of its neglect, delinquency, or omission by certified mail addressed to its registered office or to its

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

principal place of business, or to the last known address of one of its managers, or to any other known place of business of said foreign limited liability company, and the foreign limited liability company has failed prior to such revocation to correct the neglect, omission or delinquency.

(2) When the certificate of authority of a foreign limited liability company to transact business in this state is revoked under Subsection (4) of Section B of this article, the Secretary of State shall give the foreign limited liability company notice of the revocation by regular mail addressed to its registered office, its principal place of business, the last known address of one of its managers or members or any other known place of business of the foreign limited liability company.

D. Whenever a foreign limited liability company has given cause for revocation of its certificate of authority and has failed to
correct the neglect, omission or delinquency as provided in Sections B and C, the Secretary of State shall thereupon revoke the certificate of authority of the foreign limited liability company by issuing a certificate of revocation which shall include the fact of such revocation and the date and cause thereof. The original of such certificate shall be placed in the Secretary of State's office and a copy thereof mailed to the foreign limited liability company at its registered office or to its principal place of business, or to the last known address of one of its managers, or to any other known place of business of said foreign limited liability company. Upon the issuance of such certificate of revocation, the authority to transact business in this state shall cease.

E. Any foreign limited liability company whose certificate of authority has been revoked by the Secretary of State under the
provisions of Section B of this article may be reinstated by the Secretary of State at any time within a period of 36 months from the date of revocation, upon approval of an application for reinstatement signed by a manager or member of the foreign limited liability company. Such application shall be filed by the Secretary of State whenever it is established to the Secretary of State's satisfaction that in fact there was no cause for the revocation, or whenever the neglect, omission or delinquency resulting in revocation has been corrected and payment made of all fees, taxes, penalties and interest due thereon which accrued before the revocation plus an amount equal to the total taxes from the date of revocation to the date of reinstatement which would have been payable had the foreign limited liability company certificate not been revoked. A reinstatement filing fee of $50 shall accompany the application for reinstatement.

Reinstatement shall not be authorized if the foreign limited liability company name is the same as or deceptively similar to a
foreign limited liability company, corporation or limited partnership name already on file or reserved or registered, unless
the foreign limited liability company being reinstated contemporaneously amends its certificate of authority to change its
name.

When the application for reinstatement is approved and filed by the Secretary of State, the foreign limited liability company's
authority to do business in Texas shall be deemed to have continued without interruption from the date of revocation, except that reinstatement shall have no effect upon any issue of personal liability of the manager or member, or agents of the foreign limited liability company during the period between revocation and reinstatement.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

F. When a foreign limited liability company is convicted of a felony, or when a high managerial agent is convicted of a felony committed in the conduct of the affairs of the foreign limited liability company, the Attorney General may file an action to revoke the certificate of authority of the foreign limited liability company to transact business in this State in a district court of the county in which the registered office of the foreign limited liability company in this State is situated or in a district court of Travis County. The court may revoke the foreign limited liability company's certificate of authority if it is established that:

(1) The foreign limited liability company, or a high managerial agent acting in behalf of the foreign limited liability company has engaged in a persistent course of felonious conduct; and

(2) To prevent future felonious conduct of the same character, the public interest requires such revocation.

Filing of Decree of Revocation

Art. 7.12. A. In case a court shall enter a decree revoking the certificate of authority of a foreign limited liability company to
transact business in this State, it shall be the duty of the clerk of such court to cause a certified copy of the decree to be filed with the Secretary of State. No fee shall be charged by the Secretary of State for the filing thereof.

Transacting Business Without Certificate of Authority

Art. 7.13. A. No foreign limited liability company which is transacting, or has transacted, business in this State without a
certificate of authority shall be permitted to maintain any action, suit, or proceeding in any court of this State (whether brought directly by the foreign limited liability company or in the form of a derivative action by a member) on any cause of action arising out of the transaction of business in this State, until such foreign limited liability company shall have obtained a certificate of authority. Nor shall any action, suit, or proceeding on any such cause of action be maintained in any court of this State by a successor, assignee, or legal representative of such foreign limited liability company until a certificate of authority shall have been obtained by such foreign limited liability company or by a foreign limited liability company on which has acquired all or substantially all of its assets. It is expressly provided, however, that the provisions of this article shall not affect the rights of any assignee of the foreign limited liability company as the holder in due course of a negotiable promissory note, check or bill of exchange, or as the bona fide purchaser for value of a warehouse receipt, stock certificate, or other instrument made negotiable by law.

B. The failure of a foreign limited liability company to obtain a certificate of authority to transact business in this State shall
not impair the validity of any contract or act of such foreign limited liability company, shall not cause any member or manager of such foreign limited liability company to become liable for the debts, obligations, or liabilities of such foreign limited liability company, and shall not prevent such foreign limited liability company from defending any action, suit or proceeding in any court of this State.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

C. A foreign limited liability company which transacts business in this State without a certificate of authority shall be liable to
this State, for the years or parts thereof during which it transacted business in this State without a certificate of authority, in an amount equal to all fees any taxes which would have been imposed by law upon such foreign limited liability company had it duly applied for and received a certificate of authority to transact business in this State as required by law and thereafter filed all reports required by law, plus all penalties imposed by law for failure to pay such fees and taxes. In addition to the penalties and payments thus prescribed, such foreign limited liability company shall forfeit to this State an amount not less than One Hundred Dollars ($100) nor more than Five Thousand Dollars ($5,000) for each month or fraction thereof it shall have transacted business in this State without a certificate. The Attorney General shall bring suit to recover all amounts due this State under the provisions of this section.

PART EIGHT

Interrogatories by Secretary of State

Art. 8.01. A. The Secretary of State may propound to any limited liability company, domestic or foreign, subject to the provisions of this Act, and to any manager thereof, such interrogatories as may be reasonably necessary and proper to enable the Secretary of State to ascertain whether such limited liability company has complied with all the provisions of this Act. Such interrogatories shall be answered within thirty days after the mailing thereof, or within such additional time as shall be fixed by the Secretary of State, and the answers thereto shall be full and complete and shall be made in writing and under oath. If such interrogatories be directed to an individual, they shall be answered by such individual, and if directed to a limited liability company, they shall be answered by an authorized manager or member of the limited liability company.
The Secretary of State need not file any document to which such interrogatories relate until such interrogatories be answered as herein provided, and not then if the answers thereto disclose that such document is not in conformity with the provisions of this Act. The Secretary of State shall certify to the Attorney General, for such action as the Attorney General may deem appropriate, all interrogatories and answers thereto which disclose a violation of the provisions of this Act.

Information Disclosed by Interrogatories

Art. 8.02. A. Interrogatories propounded by the Secretary of State and the answers thereto shall not be open to public inspection nor shall the Secretary of State disclose any facts or information obtained there from except insofar as official duty may require the same to be made public or in the event such interrogatories or the answers thereto are required for evidence in any criminal proceedings or in any other action by this State.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

Powers of Secretary of State

Art. 8.03. A. The Secretary of State shall have the power and authority reasonably necessary to enable the Secretary of State to administer this Act efficiently and to perform the duties therein imposed upon the Secretary of State.

Appeals from Secretary of State

Art. 8.04. A. If the Secretary of State shall fail to approve any articles of organization, application for certificate of authority to transact business in this State, amendment, merger, consolidation, or dissolution, or any other document required by this Act to be approved by the Secretary of State before the same shall be filed in the office of the Secretary of State, the
Secretary of State shall, within ten days after the delivery thereof to the Secretary of State, give written notice of disapproval to the person or limited liability company, domestic or foreign, delivering the same, specifying in such notice the reasons therefore. From such disapproval, such person or limited liability company may appeal to any district court of Travis County by filing with the clerk of such court a petition setting forth a copy of the articles or other document sought to be filed and a copy of the written disapproval thereof by the Secretary of State; whereupon the matter shall be tried de novo by the court, and the court shall either sustain the action of the Secretary of State or direct the Secretary of State to take such action as the court may deem proper.

B. Appeals from all final orders and judgments entered by the district court under this Article in review of any ruling or decision of the Secretary of State may be taken as in other civil actions.

Certificates and Certified Copies to be Received in Evidence

Art. 8.05. A. All certificates issued by the Secretary of State in accordance with the provisions of this Act, and all copies of documents filed in the office of the Secretary of State in accordance with the provisions of this Act, when certified by the
Secretary of State, shall be taken and received in all courts, public offices, and official bodies as prima facie evidence of the facts therein stated, and shall be subject to recordation. A certificate by the Secretary of State, under the great seal of this
State, as to the existence or non-existence of the facts relating to limited liability companies which would not appear from a certified copy of any of the foregoing documents or certificates shall be taken and received in all courts, public offices, and official bodies as prima facie evidence of the existence or non-existence of the facts therein stated.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

Forms Promulgated by Secretary of State

Art. 8.06. A. Forms may be promulgated by the Secretary of State for all reports and all other documents required to be filed in the office of the Secretary of State. The use of such forms, however, shall not be mandatory, except in instances in which the law may specifically so provide.

Time for Filing Documents in the Office of the Secretary of State

Art. 8.07. A. Whenever any document is required to be filed in the office of the Secretary of State by any provision of this Act, the requirement of the statute shall be construed to involve the requirement that same be so filed with reasonable promptness.

Waiver of Notice

Art. 8.08. A. Whenever any notice is required to be given to any managers or members of a limited liability company under the provisions of this Act or under the provisions of the articles of organization or regulations of the limited liability company, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.

Application to Foreign and Interstate Commerce

Art. 8.09. A. The provisions of this Act shall apply to commerce with foreign nations and among the several states only insofar as the same may be permitted under the provisions of the Constitution of the United States.

Reservation of Power

Art. 8.10. A. The Legislature shall at all times have power to prescribe such regulations, provisions, and limitations as it may
deem advisable, which regulations, provisions, and limitations shall be binding upon any and all limited liability companies
subject to the provisions of this Act, and the Legislature shall have power to amend, repeal, or modify this Act.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

Effect of Invalidity of Part of This Act

Art. 8.11. A. If a court of competent jurisdiction shall adjudge to be invalid or unconstitutional any clause, sentence, subsection, section, or Article of this Act, such judgment or decree shall not affect, impair, invalidate, or nullify the remainder of this Act, but the effect thereof shall be confined to the clause, sentence, subsection, section, or Article of this Act so adjudged to be invalid or unconstitutional.

Applicability of Other Statutes

Art. 8.12. A. Subject to Section C of this Article, Articles 2.07, 2.08, 4.14, and 5.14 and Part Seven of the TBCA apply to a limited liability company and its members, managers, and officers.

B. Subject to Section C of this Article, Articles 2.03 through 2.06, 2.09, 2.09A, 3.01, 7.01 through 7.05, and 7.07, Texas Miscellaneous Corporation Laws Act (Article 1302-1.01 et seq., Vernon's Texas Civil Statutes), as amended, apply to a limited liability company and its members, managers, and officers.

C. For purposes of the application of the articles of the TBCA and the Texas Miscellaneous Corporation Laws Act as provided by Sections A and B of this Article, as context requires:

(1) a reference to a corporation includes a limited liability company;

(2) a reference to a share includes a membership interest;

(3) a reference to a shareholder includes a member;

(4) a reference to a director includes a manager or, to the extent that the management of the limited liability company is reserved in whole or in part to the members, a member who manages the limited liability company;

(5) a reference to articles of incorporation includes articles of organization; and

(6) a reference to bylaws includes regulations.

Applicability; Expiration

Art. 8.13. A. Except as provided by Title 8, Business Organizations Code, this Act does not apply to a limited liability company to which the Business Organizations Code applies.

B. This Act expires January 1, 2010.

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

PART NINE

Filing and Filing Fees

Art. 9.01. A. The Secretary of State is authorized and required to collect for the use of the State the following fees:

(1) Filing articles of organization of a domestic limited liability company and issuing the certificate of organization, Two Hundred Dollars ($200.00).

(2) Filing articles of amendment of a domestic limited liability company and issuing the certificate of amendment, One Hundred Dollars ($100.00).

(3) Filing articles of merger or articles of conversion involving one or more domestic or foreign limited liability companies, Two Hundred Dollars ($200.00), provided that any other filing fee paid under the corporation, partnership, or other entity statutes of this State for the filing of articles of merger or articles of conversion with respect to entities organized under those statutes shall be credited against the filing fee provided by this subsection.

(4) Filing an application of a foreign limited liability company for certificate of authority to transact business in this state and
issuing such a certificate of authority, Five Hundred Dollars ($500.00).

(5) Filing an application of a foreign limited liability company for an amended certificate of authority to transact business in
this state and issuing such an amended certificate of authority, One Hundred Dollars ($100.00).

(6) Filing restated articles of organization of a domestic limited liability company, Two Hundred Dollars ($200.00).

(7) Filing application for reservations of a limited liability company name and issuing certificate thereof, Twenty-Five Dollars
($25.00).

(8) Filing notice of transfer of reserved limited liability company name and issuing a certificate therefor, Ten Dollars ($10.00).

(9) Filing statement of change of registered office or registered agent, or both, Ten Dollars ($10.00).

(10) Filing statement of change of address of registered agent, Ten Dollars ($10.00); provided, however, that the maximum fee for simultaneous filings by a registered agent for more than one limited liability company shall not exceed Five Hundred Dollars ($500.00).

(11) Filing articles of dissolution and issuing certificate therefore, Twenty-Five Dollars ($25.00).

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

(12) Filing application for withdrawal and issuing certificate therefore, Ten Dollars ($10.00).

(13) Filing certificate from home state that foreign limited liability company is no longer existent in said state, Ten Dollars
($10.00).

(14) Filing any instrument pursuant to this act not expressly provided for above, Ten Dollars ($10.00).

(15) [Blank].

(16) Filing an application for reinstatement of the limited liability company charter or certificate of authority following forfeiture under the Tax Code, Seventy-Five Dollars ($75.00).

B. Except as otherwise expressly provided in this act, any instrument to be filed pursuant to this act shall be signed on behalf of the limited liability company by an authorized manager or member, and the original and a copy of the instrument shall be delivered to the Secretary of State with copies attached thereto of any document incorporated by reference in or otherwise made a part of such instrument, or to be filed by means of such instrument. If the Secretary of State finds that such instrument conforms to law, the Secretary of State shall, when all taxes and fees, if any, have been paid as prescribed by law:

(1) endorse on the original and the copy of the word "filed", and the month, day, and year of the filing thereof;

(2) file the original in his office;

(3) issue any certificate required by this act relating to the subject matter of the filed instrument;

(4) return the copy, affixed to any certificate required to be issued by the Secretary of State, to the limited liability company or its representatives.

Penalty for Signing False Documents

Art. 9.02. A. A person commits an offense if such person signs a document such person knows to be false in any material respect with intent that the document be delivered on behalf of a limited liability company to the Secretary of State for filing.

B. An offense under this article is a Class A misdemeanor.

Delayed Effectiveness of Certain Filings

Art. 9.03. A. (1) For purposes of this Article, "permitted act" means a filing with the Secretary of State under this Act for:

(a) the articles of organization of a limited liability company under this Act;

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

(b) an amendment to or restatement of the articles of organization;

(c) a merger or conversion;

(d) the application of a foreign limited liability company to procure a certificate of authority to transact business in this state or to withdraw from doing business in this state;

(e) an amendment to the certificate of authority of a foreign limited liability company to transact business in this state;

(f) a change in registered office or registered agent;

(g) a change of address of a registered agent; or

(h) a voluntary dissolution.

(2) A permitted act may be made effective as of a time and date after the time and date otherwise provided in this Act or may be made effective on the occurrence of events or facts that may occur in the future. Those events or facts may include future acts of any person if the articles of organization, articles of amendment or restatement, articles of merger, application, or other document required by this Act to be filed with the Secretary of State to make the permitted act effective clearly and expressly states, in addition to any other statement or information required:

(a) a time and date certain on which the permitted act is to become effective; or

(b) if the permitted act is to become effective on the occurrence of events or facts that may occur in the future:

(i) the manner in which the events or facts cause the permitted act to become effective; and

(ii) the date of the 90th day after the date of the filing of the articles of organization, articles of amendment or restatement, articles of merger, application, or other document.

(3) A permitted act becoming effective as of a time or date certain that is after the time and date otherwise provided in this Act must specify a subsequent effective time and date that is not more than 90 days after the date of the filing of the articles of organization, articles of amendment or restatement, articles of merger, application, or other document required by this Act. The time certain on which the permitted act is to become effective may not be midnight or 12 p.m.

(4) Within 90 days after the date of filing of the articles of organization, articles of amendment or restatement, articles of merger, application, or other document for a permitted act becoming effective on the occurrence of events or facts that may occur in the future, other than the mere passage of time, a statement must be filed with the Secretary of State confirming that all the events or facts on which the effectiveness of the permitted act is conditioned have been satisfied or waived and the date on which the condition was satisfied or waived.

B. A statement required by Section A of this Article must be executed on behalf of each domestic or foreign limited liability company or other person required to execute the articles of organization, articles of amendment

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

or restatement, articles of merger, application, or other document required by this Act to be filed with the Secretary of State to make the permitted act effective by a member, manager, officer, or other duly authorized representative, including a member, manager, officer, or duly authorized representative of any successor domestic or foreign limited liability company or other entity. An original and a copy of the statement must be filed with the Secretary of State.

C. Notwithstanding any other provision of this Act to the contrary, a permitted act that is to become effective as of a time or date after the time and date otherwise provided in this Act, to the extent permitted by this Article, shall become effective as of the subsequent time and date. Any certificate issued by the Secretary of State on the filing of the articles of organization, articles of amendment or restatement, articles of merger, application, or other document otherwise required by this Act for the permitted act to become effective shall expressly set forth the time and date on which the permitted act is to become effective.

D. (1) A permitted act to be made effective on the occurrence of events or facts that may occur in the future, other than the mere passage of time, and for which the statement required by Subsection (4) of Section A of this Article is filed with the Secretary of State within the prescribed time becomes effective as of the time and date on which the latest specified event or fact occurred or the time and date on which the condition is otherwise satisfied or waived. Any certificate issued or notation, acknowledgment, or other statement made by the Secretary of State on the filing of the articles of organization, articles of amendment or restatement, articles of merger, application, or other document otherwise required by this Act for the permitted act to become effective must:

(a) state that "The effectiveness of the action to which this instrument relates is conditioned on the occurrence of certain facts or events described in the filing to which this instrument relates"; or

(b) make reference in any manner approved by the Secretary of State to the fact that the effectiveness of the action is so conditioned.

(2) The time and date on which a condition to the effectiveness of a permitted act is satisfied or waived as set forth in a statement filed with the Secretary of State pursuant to Subsection (4) of Section A of this Article shall be conclusively regarded as the time and date on which the condition was satisfied or waived for purposes of this section.

E. If the effectiveness of any permitted act is conditioned on the occurrence of events or facts that may occur in the future, other than the mere passage of time, and the statement required by Subsection (4) of Section A of this Article is not filed with the Secretary of State within the prescribed time, the permitted act does not become effective unless there is subsequently filed with the Secretary of State the articles of organization, articles of amendment or restatement, articles of merger, application, or other document required by this Act to be filed with the Secretary of State to make the permitted act effective.

F. If articles of organization, articles of amendment or restatement, articles of merger, articles of conversion, an application, or any other document permitted to be filed pursuant to this Act with the Secretary of State have been filed but the event or transaction evidenced by the filing has not become effective, the filing may be abandoned in accordance with the agreement of the parties to the filing by filing a certificate of abandonment with the Secretary of State before the effectiveness of the event or transaction in accordance with the terms of the document so filed. The certificate of abandonment must be signed on behalf of each domestic or foreign limited

SCHEDULE G-2 (CONT.)
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liability company or other entity that is a party to the event or transaction by a member, manager, officer, or other authorized representative and must state the nature of the filing to be abandoned, the date of the filing to be abandoned, the parties to the filing to be abandoned, and that the event or transaction has been abandoned in accordance with the agreement of the parties. On the filing of the certificate of abandonment with the Secretary of State, the event or transaction evidenced by the original filing shall be considered abandoned and may not become effective.

PART TEN

Merger

Art. 10.01. A. A domestic limited liability company may adopt a plan of merger and one or more domestic limited liability companies may merge with one or more domestic or foreign limited liability companies or other entities if:

(1) each constituent entity enters into a written plan of merger containing the provisions set forth in Article 10.02 of this Act for which:

(a) approval exists by all domestic limited liability companies by the vote of a majority of their respective members, unless the respective regulations or articles of organization of each limited liability company provide otherwise; and

(b) if one or more foreign limited liability companies or other entities is a party to the merger or is to be created by the terms of the plan of merger:

(i) the merger is permitted by the laws under which each foreign limited liability company and each other entity that is a party to the merger is formed or organized or by the organizational documents or other constituent documents of the foreign limited liability company or other entity that are not inconsistent with those laws; and

(ii) each foreign limited liability company or other entity that is a party to the merger complies with those laws or documents in effecting the merger; and

(2) a member of a domestic limited liability company that is a party to the merger, as a result of the merger, will not become personally liable for the liabilities or obligations of any other person unless the member consents to becoming personally liable by action taken in connection with the specific plan of merger approved by the domestic limited liability company.

Plan of Merger

Art. 10.02. A. A plan of merger must include:

SCHEDULE G-2 (CONT.)
COPY OF THE STATE LLC STATUTE (IF APPLICABLE)

(1) the name and state of domicile of each domestic or foreign limited liability company or other entity that is a party to the
merger;

(2) the name of each domestic or foreign limited liability company or other entity, if any, that will survive the merger, which may be one or more of the domestic or foreign limited companies or other entities party to the merger;

(3) the name and state of domicile of each new domestic or foreign limited liability company or other entity, if any, that may be created by the terms of the plan of merger;

(4) the terms and conditions of the merger, including, if more than one domestic or foreign limited liability company or other entity is to survive or to be created by the terms of the plan of merger, the manner and basis of allocating and vesting:

(a) real estate and other property of each domestic or foreign limited liability company and of each other entity that is a party to the merger among one or more of the surviving or new domestic or foreign limited liability companies and other entities; and

(b) all liabilities and obligations of each domestic or foreign limited liability company and other entity that is a party to the
merger among one or more of the surviving or new domestic or foreign limited liability companies and other entities or making adequate provision for the payment and discharge of the liabilities and obligations;

(5) the manner and basis of converting any of the limited liability company interests or other evidences of ownership of each domestic or foreign limited liability company or other entity that is a party to the merger into:

(a) limited liability company interests, shares, obligations, evidences of ownership, rights to purchase securities, or other
securities of one or more of the surviving or new domestic or foreign limited liability company or other entities;

(b) cash or other property, including shares, obligations, evidences of ownership, rights to purchase securities, or other
securities of any other person or entity; or

(c) any combination of the items described in Subdivisions (a) and (b) of this Subsection;

(6) the articles of organization of any new domestic limited liability company to be created by the terms of the plan of merger; and

(7) the articles of organization or other organizational documents of each other entity that is a party to the merger and that is to be created by the terms of the plan of merger.

B. The plan of merger may include:

(1) any amendments to the articles of organization or regulations of any surviving domestic limited liability company or to the organizational documents or other constituent documents of any other surviving entity; and

SCHEDULE G-2 (CONT.)
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(2) any other provision relating to the merger.

Articles of Merger

Art. 10.03. A. After a plan of merger has been approved by each of the limited liability companies or other entities that is a party to the plan of merger, articles of merger shall be executed on behalf of each domestic limited liability company that is a party to the plan of merger by at least one member, manager, officer, or other agent or representative of the limited liability company who is authorized to execute articles of merger by the articles of organization or regulations or shall be approved by authorizing resolutions adopted by the act of the members. At least one authorized representative of each other foreign limited liability company or other entity that is a party to the plan of merger shall also execute the articles of merger. The articles of merger must include:

(1) the plan of merger or statement certifying the following:

(a) the name and state of incorporation or organization of each domestic or foreign limited liability company or other entity that is a party to the plan of merger or that is to be created thereby;

(b) that a plan of merger has been approved;

(c) such amendments or changes in the articles of organization of each domestic surviving limited liability company, or if no such amendments are desired to be effected by the merger, a statement to that effect;

(d) that the articles of organization of each new domestic limited liability company to be created pursuant to the terms of the plan of merger are being filed with the Secretary of State with the articles of merger;

(e) that an executed plan of merger is on file at the principal place of business of each surviving or new domestic or foreign
limited liability company or other entity, stating the address thereof; and
(f) that a copy of the plan of merger will be furnished by each surviving or new domestic or foreign limited liability company or other entity, on written request and without cost, to any member of each domestic limited liability company that is a party to or created by the plan of merger and, in the case of a merger with multiple surviving domestic or foreign limited liability companies or other entities, to any creditor or obligee of the parties to the merger at the time of the merger if such obligation is then outstanding; and

(2) as to each domestic or foreign limited liability company or other entity that is a party to the plan of merger, a statement that the plan of merger was authorized by all action required by the laws under which it was formed or organized or by its constituent documents.

B. The original of the articles of merger and a number of copies equal to the number of surviving and new domestic or foreign limited liability companies and other entities that are a party to the plan of merger or that will be created by its terms shall be delivered to the Secretary of State. Unless the Secretary of State finds that the articles of merger do not conform to law, on receipt of all applicable filing fees and franchise taxes, if any, required by law or if the plan of merger provides that one or more of the surviving, new, or acquiring domestic or foreign limited liability companies or other entities will be responsible for the payment of all of such fees and

franchise taxes and that all of such surviving, new, or acquiring domestic or foreign limited liability companies and other entities will be obligated to pay such fees and franchise taxes if the same are not timely paid, the Secretary of State shall:

(1) certify that the articles of merger have been filed in the Secretary of State's office by endorsing on the original the word
"Filed" and the date of the filing;

(2) file and index the endorsed articles of merger; and

(3) issue a certificate of merger, together with a copy of the articles affixed to the certificate, to each surviving or new domestic or foreign limited liability company or other entity that is a party to the plan of merger or that is created by the merger, or to its respective representatives.

C. Except as provided by Article 9.03 of this Act, the merger is effective on the issuance of the certificate of merger by the Secretary of State.

Effect of Merger

Art. 10.04. A. When a merger takes effect:

(1) the separate existence of every domestic or foreign limited liability company or other entity that is a party to the merger, except any surviving or new domestic or foreign limited liability company or other entity, ceases;

(2) all rights, title, and interests to all real estate and other property owned by each domestic or foreign limited liability company and by each other entity that is a party to the merger shall be allocated to and vested in one or more of the surviving or resulting entities as provided in the plan of merger without reversion or impairment, without further act or deed, and without any transfer or assignment having occurred, but subject to any existing liens or other encumbrances on the property;

(3) all liabilities and obligations of each domestic or foreign limited liability company and each other entity that is a party to
the merger shall be allocated to one or more of the surviving or new domestic or foreign limited liability companies and other entities in the manner provided by the plan of merger, and each surviving or new domestic or foreign limited liability company or other entity to which a liability or obligation has been allocated under the plan of merger becomes the primary obligor for the liability or obligation, and, except as otherwise provided by the plan of merger, law, or contract, a party to the merger other than a surviving domestic or foreign limited liability company or other entity liable at the time of the merger or another new domestic or foreign limited liability company or other entity created is not liable for the liability or obligation;

(4) a proceeding pending by or against a domestic or foreign limited liability company or another entity that is a party to the merger may be continued as if the merger did not occur, or the surviving or new domestic or foreign limited liability company or limited liability companies or the surviving or new other entity or other entities the liability, obligation, asset, or right associated with the proceeding is allocated to and vested in under the plan of merger may be substituted in the proceeding;

(5) the articles of organization and regulations of each surviving domestic limited liability company and the organizational documents and other constituent documents of each surviving foreign limited liability company and other entity shall be amended to the extent provided in the plan of merger;

SCHEDULE G-2 (CONT.)
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(6) each new domestic limited liability company, the articles of organization of which are included in the plan of merger under Article 10.02 of this Act, shall be formed as a limited liability company under this Act, and each other entity to be formed or organized under the laws of this state, the organizational documents of which are included in the plan of merger, on an executed copy of the certificate of merger being delivered to or filed with any required governmental entity with which organizational documents of the other entity are required to be delivered or filed and on meeting additional requirements, if any, of law for its formation or organization, shall be formed or organized as provided in the plan of merger;

(7) the limited liability company interests of each domestic or foreign limited liability company and the interests, shares, or evidences of ownership in each other entity that is a party to the merger that are to be converted or exchanged, in whole or in part, into limited liability company interests, shares, obligations, evidences of ownership, rights to purchase securities, or other securities of one or more of the surviving or new domestic or foreign limited liability companies or other entities, into cash or other property, including shares, obligations, evidences of ownership, rights to purchase securities, or other securities of any other person or entity, or into a combination of those items, shall be so converted and exchanged, and the former members of each domestic limited liability company that is a party to the merger shall be entitled only to the rights provided in the plan of merger; and

(8) if the plan of merger does not provide for the allocation and vesting of the right, title, and interest in a particular item of real estate or other property or for the allocation of a liability or obligation of a party to the merger, the item of real estate or other property shall be owned in undivided interests by, or the liability or obligation shall be a joint and several liability and obligation of, each of the surviving and new domestic and foreign limited liability companies and other entities, pro rata to the total number of surviving and new domestic and foreign limited liability companies and other entities resulting from the merger.

Merger Involving Subsidiary Entities

Art. 10.05. A. (1) This article applies to a merger if:

(a) at least 90 per cent of the outstanding membership interests, shares of stock, or other ownership interests of one or more domestic or foreign limited liability companies or other entities is owned by another domestic or foreign limited liability company or other entity;

(b) at least one of the parent or subsidiary entities is a domestic limited liability company; and

(c) for each parent or subsidiary entity that is not a domestic limited liability company:

(i) the merger of the entity with or into a domestic limited liability company is permitted by the laws under which that entity
is formed or organized or by the organizational documents or other constituent documents of the entity that are not inconsistent with those laws; and

(ii) the entity complies with those laws or documents in effectuating the merger.

SCHEDULE G-2 (CONT.)
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(2) A parent entity described in Subsection (1) of this Section having at least 90 percent ownership may:

(a) merge the other entity or entities into itself;

(b) merge itself into the other entity or entities; or

(c) merge any one or more of the entities, including itself, into one or more of the other entities.

(3) If the parent entity having at least 90 percent ownership is a surviving entity in the merger, the parent entity must execute and file articles of merger as provided by Section B of this Article. If the parent entity having at least 90 percent ownership is not a surviving entity in the merger, the parent entity must:

(a) adopt a plan of merger in the manner required by Article 10.01 of this Act, except that an action under Article 10.01 is not required by the entity or entities whose membership interests, shares of stock, or other ownership interests are so owned; and

(b) execute and file articles of merger as provided by Section B of this Article.

B. The articles of merger must be signed on behalf of the parent entity by a member, manager, officer, or other agent or representative authorized by (i) the organizational or other constituent documents of the parent entity, or (ii) resolutions adopted by the parent entity in accordance with the laws of its jurisdiction of organization or formation and the documents. The articles of merger must include:

(1) the name of the parent entity and the name of each respective subsidiary entity;

(2) for each entity listed in Subsection (1) of this Section, the type of entity and the respective jurisdiction under which the entity is formed or organized;

(3) the total number or percentage of membership interests, shares, or other ownership interests in each subsidiary entity, identified by class, series, or group, and the number or percentage of membership interests, shares, or other ownership interests in each class, series, or group owned by the parent entity;

(4) a copy of the resolution of merger adopted by the parent entity in accordance with the laws of its jurisdiction of organization or formation and its organizational or other constituent documents, together with a statement that the resolution was so adopted and the date of adoption;

(5) if the parent entity does not own all of the outstanding membership interest, shares, or other ownership interests of each subsidiary entity party to the merger, the resolution described in Subsection (4) of this Section must state the terms and conditions of the merger, including the securities, cash, or other property to be used, paid, or delivered by the surviving corporation on surrender of each membership interest, share, or other ownership interest of the subsidiary entity or entities not owned by the parent entity;

(6) if the surviving entity is a foreign limited liability company or other entity, the address, including street number, if any, of its registered or principal office in the jurisdiction under whose laws it is governed; and

SCHEDULE G-2 (CONT.)
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(7) if a plan of merger is required by Section A of this Article to be adopted in the manner required by Article 10.01 of this Act, the information required by Section A of Article 10.03 of this Act.

C. The articles of merger shall be filed as provided by Section B of Article 10.03 of this Act, become effective as provided by Section C of Article 10.03 of this Act, and have the effect stated in Article 10.04 of this Act.

Interest Exchange

Art. 10.06. A. One or more domestic or foreign limited liability companies or other entities may adopt a plan of exchange by which an entity acquires all of the outstanding limited liability company interests of one or more domestic limited liability companies or all of the outstanding interests, stock, partnership interests, or other ownership interests in one or more other entities in exchange for cash or securities of the acquiring entity if:

(1) each domestic limited liability company, the interests of which are to be acquired under the plan of exchange, approves the plan of exchange by majority vote or consent of its members or in a manner prescribed in its regulations; and

(2) each acquiring domestic or foreign limited liability company or other entity takes all action that may be required by the laws of the state or country under which it was formed and as required by its constituent documents to effect the exchange.

B. A filing with the Secretary of State is not necessary to evidence or effect the interest exchange with respect to a domestic limited liability company that is a party to the interest exchange. When an interest exchange takes effect as provided in the plan of exchange:

(1) the limited liability company interests of each domestic limited liability company that are to be acquired under the plan of exchange are considered exchanged as provided in the plan of exchange;

(2) the former holders of the limited liability company interests exchanged under the plan of exchange are entitled only to the exchange rights provided in the plan of exchange; and

(3) the acquiring domestic or foreign limited liability company or other entity or entities are entitled to all rights, title, and
interests with respect to the interests so acquired and exchanged, subject to the provisions in the plan of exchange.

Definition of "Other Entity"

Art. 10.07. A. For purposes of this Part, "other entity" means any entity, whether organized for profit or not, that is a corporation, limited partnership, general partnership, joint venture, joint stock company, cooperative, association, bank, insurance company, or other legal entity organized under the laws of this state or any other

SCHEDULE G-2 (CONT.)
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state or country to the extent the laws or the constituent documents of that entity, not inconsistent with law, permit that entity to enter into a merger or interest exchange as permitted by this Part.

Conversion

Art. 10.08. A. A domestic limited liability company may adopt a plan of conversion and convert to a foreign limited liability company or any other entity if:

(1) the converting entity acts on and its members approve a plan of conversion in the manner prescribed by Article 10.01 of this Act as if the conversion were a merger to which the converting entity were a party and not the survivor;

(2) the conversion is permitted by, or not inconsistent with, the laws of the state or country in which the converted entity is to be incorporated, formed, or organized, and the incorporation, formation, or organization of the converted entity is effected in compliance with such laws;

(3) at the time the conversion becomes effective, each member of the converting entity will, unless otherwise agreed to by that member, own an equity interest or other ownership or security interest in, and be a shareholder, partner, member, owner, or other security holder of, the converted entity;

(4) no member of the domestic limited liability company will, as a result of the conversion, become personally liable, without the member's consent, for the liabilities or obligations of the converted entity; and

(5) the converted entity shall be incorporated, formed, or organized as part of or pursuant to the plan of conversion.

B. Any foreign limited liability company or other entity may adopt a plan of conversion and convert to a domestic limited liability company if:

(1) the conversion is permitted by the laws of the state or country in which the foreign limited liability company is incorporated, formed, or organized, if a foreign limited liability company is converting;

(2) the conversion is either permitted by the laws under which the other entity is incorporated, formed, or organized or by the constituent documents of the other entity that are not inconsistent with the laws of the state or country in which the other entity is incorporated, formed, or organized, if another entity is converting; and

(3) the converting entity takes all action that may be required by the laws of the state or country under which it is incorporated, formed, or organized and by its constituent documents to effect the conversion.

C. A plan of conversion shall set forth:

(1) the name of the converting entity and the converted entity;

SCHEDULE G-2 (CONT.)
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(2) a statement that the converting entity is continuing its existence in the organizational form of the converted entity;

(3) a statement as to the type of entity that the converted entity is to be and the state or country under the laws of which the converted entity is to be incorporated, formed, or organized;

(4) the manner and basis of converting the membership interests or other evidences of ownership of the converting entity into membership interests or other evidences of ownership or securities of the converted entity, or any combination thereof;

(5) in an attachment or exhibit, the articles of organization of the domestic limited liability company, if the converted entity is a domestic limited liability company; and

(6) in an attachment or exhibit, the articles of organization or other organizational documents of the converted entity, if the converted entity is not a domestic limited liability company.

D. A plan of conversion may set forth such other provisions relating to the conversion not inconsistent with law, including the initial regulations of the converted entity.

Articles of Conversion

Art. 10.09. A. If a plan of conversion has been approved in accordance with Article 10.08 of this Act and has not been abandoned, articles of conversion shall be executed by the converting entity by a manager (or, if none, by a member) or other duly authorized representative thereof and shall set forth:

(1) the plan of conversion or a statement certifying the following:

(a) the name, the state of incorporation, formation, or organization of the converting entity, and the organizational form of the converting entity;

(b) that a plan of conversion has been approved;

(c) that an executed plan of conversion is on file at the principal place of business of the converting entity, stating the address thereof, and that an executed plan of conversion will be on file, from and after the conversion, at the principal place of business of the converted entity, stating the address thereof; and

(d) that a copy of the plan of conversion will be furnished by the converting entity (prior to the conversion) or the converted entity (after the conversion), on written request and without cost, to any shareholder, partner, or member of the converting entity or the converted entity;

(2) a statement that the approval of the plan of conversion was duly authorized by all action required by the laws under which the converting entity was incorporated, formed, or organized and by its constituent documents; and

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(3) any other statements or information that may be required by any law or rule to which the converting entity or converted entity is subject or that the converting entity or the converted entity chooses to include in the articles.

B. The original and one copy of the articles of conversion shall be delivered to the Secretary of State. Two copies of the articles of organization of the domestic limited liability company, if the converted entity is a domestic limited liability company, shall also be delivered to the Secretary of State with the articles of conversion.

C. If the Secretary of State finds that the articles of conversion conform to law, has received all filings required to be received, and has issued all certificates required to be issued in connection with the incorporation, formation, or organization of the converted entity, if any, the Secretary of State shall, when all fees and franchise taxes have been paid as required by law or if the articles of conversion provide that the converted entity will be liable for the payment of all such fees and franchise taxes:

(1) Endorse on the original and each copy the word "Filed" and the month, day, and year of the filing.

(2) File the original in the office of the Secretary of State.

(3) Issue a certificate of conversion, together with a copy of the articles affixed thereto, to the converted entity or its
representatives.

Effective Date of Conversion

Art. 10.10. A. Except as otherwise provided by Article 9.03 of this Act, on the issuance of the certificate of conversion by the
Secretary of State, the conversion of a converting entity shall be effective.

Effect of Conversion

Art. 10.11. A. When a conversion of a converting entity takes effect:

(1) the converting entity shall continue to exist, without interruption, but in the organizational form of the converted entity rather than in its prior organizational form;

(2) all rights, title, and interests to all real estate and other property owned by the converting entity shall continue to be owned by the converted entity in its new organizational form without reversion or impairment, without further act or deed, and without any transfer or assignment having occurred, but subject to any existing liens or other encumbrances thereon;

(3) all liabilities and obligations of the converting entity shall continue to be liabilities and obligations of the converted entity in its new organizational form without impairment or diminution by reason of the conversion;

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(4) all rights of creditors or other parties with respect to or against the prior interest holders or other owners of the converting entity in their capacities as such in existence as of the effective time of the conversion will continue in existence as to those liabilities and obligations and may be pursued by such creditors and obligees as if such conversion shall not have occurred;

(5) a proceeding pending by or against the converting entity or by or against any of the converting entity's interest holders or owners in their capacities as such may be continued by or against the converted entity in its new organizational form and by or against the prior interest holders or owners, as the case may be, without any need for substitution of parties;

(6) the membership interests and other evidences of ownership in the converting entity that are to be converted into membership interests, evidences of ownership, or other securities in the converted entity as provided in the plan of conversion shall be so converted, and if the converting entity is a domestic limited liability company, the former holders of membership interests in the domestic limited liability company shall be entitled only to the rights provided in the plan of conversion;

(7) if, after the effectiveness of the conversion, a shareholder, partner, member, or other owner of the converted entity would be liable under applicable law, in such capacity, for the debts or obligations of the converted entity, such shareholder, partner, member, or other owner of the converted entity shall be liable for the debts and obligations of the converting entity that existed before the conversion takes effect only to the extent that such shareholder, partner, member, or other owner:

(a) agreed in writing to be liable for such debts or obligations;

(b) was liable under applicable law, prior to the effectiveness of the conversion, for such debts or obligations; or

(c) by becoming a shareholder, partner, member, or other owner of the converted entity, becomes liable under applicable law for existing debts and obligations of the converted entity; and

(8) if the converted entity is a foreign limited liability company or other entity, such converted entity shall be deemed to appoint the Secretary of State in this state as its agent for service of process in a proceeding to enforce any obligation or the rights of dissenting members of the converting domestic limited liability company.

PART ELEVEN

Professional Limited Liability Companies Authorized; Definitions

Art. 11.01. A. (1) One or more persons may organize a professional limited liability company by filing articles of organization with the Secretary of State in accordance with Part Three of this Act. In addition to other provisions required or permitted by law, the articles of organization of a professional limited liability company must include a statement:

(a) that the limited liability company is a professional limited liability company; and

SCHEDULE G-2 (CONT.)
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(b) describing the specific kind of professional service to be rendered by the limited liability company.

(2) Except as provided by Subdivisions (3) and (4) of this subsection, a professional limited liability company:

(a) may be organized under this Act only for the purpose of rendering one specific type of professional service and ancillary
services; and
(b) may not render more than one kind of professional service.

(3) Doctors of medicine and osteopathy licensed by the Texas State Board of Medical Examiners and podiatrists licensed by the Texas State Board of Podiatric Medical Examiners may organize a professional limited liability company that is jointly owned by those practitioners to perform a professional service that falls within the scope of practice of those practitioners. When doctors of medicine, osteopathy, and podiatry organize a professional limited liability company that is jointly owned by those practitioners, the authority of each of the practitioners is limited by the scope of practice of the respective practitioners and none can exercise control over the other's clinical authority granted by their respective licenses, either through agreements, bylaws, directives, financial incentives, or other arrangements that would assert control over treatment decisions made by the practitioner. The Texas State Board of Medical Examiners and the Texas State Board of Podiatric Medical Examiners continue to exercise regulatory authority over their respective licenses.

(4) Professionals, other than physicians, engaged in related mental health fields such as psychology, clinical social work, licensed professional counseling, and licensed marriage and family therapy may organize a professional limited liability company that is jointly owned by those practitioners to perform a professional service that falls within the scope of practice of those practitioners. When mental health professionals organize a professional limited liability company that is jointly owned by those practitioners, the authority of each of the practitioners is limited by the scope of practice of the respective practitioner, and none can exercise control over the others' clinical authority granted by their respective licenses, whether through agreements, bylaws, directives, financial incentives, or other arrangements that would assert control over treatment decisions made by a practitioner. The state agencies exercising regulatory control over professions to which this subdivision applies continue to exercise regulatory authority over their respective licenses.

B. In this Act:

(1) "Professional service" means any type of personal service that requires as a condition precedent to the rendering of the service the obtaining of a license, permit, certificate of registration, or other legal authorization, including the personal service rendered by an architect, attorney-at-law, certified public accountant, dentist, doctor, physician, public accountant, surgeon, or veterinarian.

(2) "Professional limited liability company" means a limited liability company that is organized under this Act for the sole and specific purpose of rendering professional service and that has as its members only professional individuals or professional entities.

(3) "Professional individual," with respect to any professional limited liability company, means an individual who is licensed or otherwise authorized to render the same professional service as such professional limited liability company, either within this state or in any other jurisdiction.

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(4) "Professional entity," with respect to any professional limited liability company, means a person (other than an individual), whether organized for profit or not, including corporations organized under the Texas Non-Profit Corporation Act (Article 1396-1.01, Vernon's Texas Civil Statutes), and unincorporated associations governed by the Texas Uniform Unincorporated Nonprofit Association Act (Article 1396-70.01, Vernon's Texas Civil Statutes), that renders the same professional service as such professional limited liability company only through partners, members, shareholders, managers, directors, associates, officers, employees, or agents who are professional individuals or professional entities.

Name

Art. 11.02. A. A professional limited liability company may adopt a name not contrary to the law or ethics regulating the practice of the professional service rendered through the professional limited liability company. The name of the limited liability company must contain the words "Professional Limited Liability Company" or the abbreviations "P.L.L.C." or "PLLC" and must contain other words as may be required by law. A limited liability company formed before September 1, 1993, that complied with Section A of Article 2.03 of this Act or with Section A of Article 7.03 of this Act on the date of formation, but does not comply with this Article, is not required to change its name.

Restrictions on Members, Managers, and Officers

Art. 11.03. A. A person who is not a professional individual or professional entity may not be a member, manager, or officer of the professional limited liability company. A membership interest in the professional limited liability company may not be transferred to a person who is not a professional individual or professional entity.

B. If a member, manager, or officer of a professional limited liability company ceases to be a professional individual or professional entity, the person shall sever all employment with the professional limited liability company and immediately terminate all financial interest in the company. The professional limited liability company shall purchase or cause to be purchased from the person all membership interests owned by the person in the professional limited liability company, at a price and on terms as may be provided in the articles of organization, the regulations, or any applicable agreement among the members and the professional limited liability company. If the person is the sole member of the professional limited liability company, the person may continue to act as member, manager, or officer only for the purposes of winding up the affairs of the professional limited liability company and effecting its dissolution, including selling the assets of or outstanding membership interests in the professional limited liability company, but not including rendering professional service.

C. If a person who is not a professional individual or a professional entity succeeds to the interest of a member of the professional limited liability company, the person holding the interest shall immediately terminate all financial interest in the professional limited liability company, and the professional limited liability company shall purchase or cause to be purchased from the person all membership interests owned by the person in the professional limited liability company, at a price and on terms as may be provided in the articles of organization,

the regulations, or any applicable agreement among the members and the professional limited liability company. If the person succeeded to all of the membership interests in the professional limited liability company, the person may continue to act as member, manager, or officer only for the purposes of winding up the affairs of the professional limited liability company and effecting its dissolution, including selling the assets of or the outstanding membership interests in the professional limited liability company, but not including rendering professional service.

Rendering of Professional Services

Art. 11.04. A. A professional limited liability company may render professional service in this state only through a member, manager, officer, employee, or agent who is:

(1) a professional individual licensed or otherwise authorized to render the professional service in this state; or

(2) a professional entity that renders the professional service in this state only through partners, members, shareholders, managers, directors, associates, officers, employees, or agents who are professional individuals or professional entities licensed or otherwise authorized to render the professional service in this state.

B. This Article does not prohibit employment by a professional limited liability company of nurses or of clerks, secretaries,
bookkeepers, technicians, assistants, and other individuals who are not usually and ordinarily considered by custom and practice to be rendering professional service for which a license or other legal authorization is required. A person may not, under the guise of employment, practice a profession in this state unless licensed or otherwise legally authorized to practice that profession under the laws of this state. To the extent of a conflict between this section and any other law, this section controls.

Professional Relationships Not Affected

Art. 11.05. A. Notwithstanding anything contained in Article 4.03 of this Act to the contrary, this Act does not alter or affect the professional relationship between a person rendering professional service and a person receiving the service, and a confidential relationship enjoyed in this state between those persons remains unchanged. This Act does not remove or diminish any rights at law that a person receiving professional service has against a person rendering the service for an error, an omission, negligence, incompetence, or malfeasance. A professional limited liability company, but not the other members, managers, officers, employees, or agents of such professional limited liability company (or their respective members, managers, officers, employees, or agents), is jointly and severally liable with a member, manager, officer, employee, or agent rendering professional service for an error, omission, negligence, incompetence, or malfeasance on the part of the member, manager, officer, employee, or agent when the member, manager, officer, employee, or agent is rendering professional service in the course of employment for the professional limited liability company. If the member, manager, officer, employee, or agent rendering such professional service in such circumstances is itself a professional entity, then the professional limited liability company and such professional entity are jointly and severally liable with the partner, member, shareholder, manager, director, associate, officer, employee, or agent

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of such professional entity through which such professional entity renders such professional service for an error, omission, negligence, incompetence, or malfeasance on the part of such partner, member, shareholder, manager, director, associate, officer, employee, or agent of such professional entity.

Exemption From Securities Laws

Art. 11.06. A. The sale, issuance, or offering of membership interests of a professional limited liability company to persons permitted by this Part to own the membership interests is exempt from all laws of this state, other than this Act, that provide for supervision, registration, or regulation in connection with the sale, issuance, or offering of securities. The sale, issuance, or offering of membership interests to those persons is legal without any action or approval on the part of any official or state regulatory agency authorized to license, regulate, or supervise the sale, issuance, or offering of securities.

Foreign Professional Limited Liability Companies

Art. 11.07. A. A foreign professional limited liability company may apply for a certificate of authority to perform professional service in this state by filing an application in accordance with Part Seven of this Act. The Secretary of State may not issue the certificate unless the name of the foreign professional limited liability company or the name it elects in this state meets the requirements of Article 11.02 of this Act. A foreign professional limited liability company may render professional service in this state only through a member, manager, officer, employee, or agent described in Section A of Article 11.04 of this Act.

B. A certificate may not be issued to a limited liability company under this Article unless the application for the certificate includes a statement that the jurisdiction in which the limited liability company is organized would permit reciprocal admission of the limited liability company if it were organized in this state.

Added by Acts 1991, 72nd Leg., ch. 901, Sec. 46, eff. Aug. 26, 1991.
Amended by Acts 1993, 73rd Leg., ch. 215, Sec. 1.01 to 1.28, 1.32, eff. Sept. 1, 1993; Acts 1997, 75th Leg., ch. 375, Sec. 52 to 84, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 948, Sec. 3, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 224, Sec. 1, eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 813, Sec. 1, eff. Aug. 30, 1999; Acts 1999, 76th Leg., ch. 1245, Sec. 3, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 442, Sec. 26, 27, eff. Sept. 1, 2001; Acts 2001, 77th Leg., ch. 757, Sec. 1 to 7, eff. Sept. 1, 2001.

Art. 2.23 amended by Acts 2003, 78th Leg., ch. 572, Sec. 1, eff. Sept. 1, 2003;

Art. 4.01 amended by Acts 2003, 78th Leg., ch. 572, Sec. 2, eff. Sept. 1, 2003;

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Art. 5.02-1 amended by Acts 2003, 78th Leg., ch. 572, Sec. 3, eff. Sept. 1, 2003;

Art. 5.05 amended by Acts 2003, 78th Leg., ch. 572, Sec. 4, eff. Sept. 1, 2003;

Art. 6.01 amended by Acts 2003, 78th Leg., ch. 572, Sec. 5, eff. Sept. 1, 2003;

Art. 6.06 amended by Acts 2003, 78th Leg., ch. 572, Sec. 6, eff. Sept. 1, 2003;

Art. 7.03 amended by Acts 2003, 78th Leg., ch. 572, Sec. 7, eff. Sept. 1, 2003;

Art. 7.05 amended by Acts 2003, 78th Leg., ch. 572, Sec. 8, eff. Sept. 1, 2003;

Art. 7.06 amended by Acts 2003, 78th Leg., ch. 572, Sec. 9, eff. Sept. 1, 2003;

Art. 8.12 amended by Acts 2003, 78th Leg., ch. 572, Sec. 10, eff. Sept. 1, 2003;

Art. 11.04 amended by Acts 2003, 78th Leg., ch. 572, Sec. 11, eff. Sept. 1, 2003.

Schedule G-3 (Cont.)
Board of Directors

Barbara Andrews holds an MBA in Business Administration from Texas Tech University, Lubbock, Texas. Mrs. Andrews has been an employee of NTS Communications, Inc., Lubbock Texas since its inception, a span of nearly 25 years. Prior to her appointment as President and Chief Executive Officer in 1994, she was responsible for sales and marketing, management information systems, and account administration. As she worked her way up through the ranks, Mrs. Andrews acquired an intimate and detailed familiarity with the operations and management of the company. Her talents and experience have been acquired at an unusually early age, and her youthfulness gives NTS and its affiliates a stable base of leadership for many years to come. In addition to her graduate degree and her hands-on experience, Mrs. Andrews has gained industry expertise and crucial industry connections through frequent attendance at key industry conventions and conferences.

Brad Worthington is Executive Vice President and Chief Operating Officer of NTS Communications, Inc. He has served NTS in a senior management capacity since joining the company in 1990. Mr. Worthington is an attorney, and formerly served as General Counsel for the Company. Mr. Worthington received his B.S. Ed. from Southwest Texas State University in 1987 and his J.D. from the Texas Tech University School of Law in 1990. He is licensed to practice law in the states of Texas and Colorado, and is admitted to practice in the Federal District Courts, Northern District of Texas. He is a member of the American Bar Association, the Lubbock County Bar Association, and the Corporate Counsel Section of the State Bar of Texas. In addition to his law degree and continuing legal education, Mr. Worthington has gained invaluable telecommunications industry contacts and valuable exposure to industry developments through frequent attendance at telecommunications conventions, conferences and trade shows.

Jerry Hoover received his Bachelor of Business Administration in Accounting in 1971. He began his tenure with NTS Communications, Inc. in 1994 in senior management. He now serves as Executive Vice President & Chief Financial Officer. His top-level responsibilities for company wide functions include: financial management and reporting, controller functions; treasurer functions; human resource functions, and strategy formulation and execution. He has furthered his expertise by continuing educational classes in accounting, finance, taxation, corporate management and law. He has extensive experience and background in corporate level accounting and management. In addition to his qualifications, he participates in several Certified Public Accountant organizations. With his broad range of accounting expertise, Mr. Hoover instructed accounting, auditing, income tax and business law on the University level for several years. Mr. Hoover is Chairman of his church governing board and is involved with various community organizations. Mr. Hoover will serve as sole Manager of NTS Telephone Company, LLC while continuing his responsibilities (mentioned above) with NTS Communications, Inc.

(b) (4)(b) (4)(b) (4)

Schedule G-3 (Cont.)

Board of Directors

Minutes of the Organizational Meeting
of NTS Telephone Company, LLC.

The Organizational Meeting of NTS Telephone Company, LLC. ("Company") was held at 5307 W. Loop 289, Lubbock, Texas 79414, and with all of the managers named in the Articles of Organization, as well as the sole member of the Company, being present, the following business was conducted by unanimous vote:

The managers adopted the Regulations of NTS Telephone Company, LLC. to govern the operations of the Company. A copy of these Regulations is attached hereto and shall be filed in the record book of the Company.

The member elected Jerry E. Hoover as the sole manager of the Company, to serve until such time as he is replaced pursuant to the Regulations. Mr. Hoover shall fulfill his duties of office as specified in the Regulations.

Made effective as of the 3rd day of February, 2000.

Managers:

Barbara Andrews

Jerry Hoover

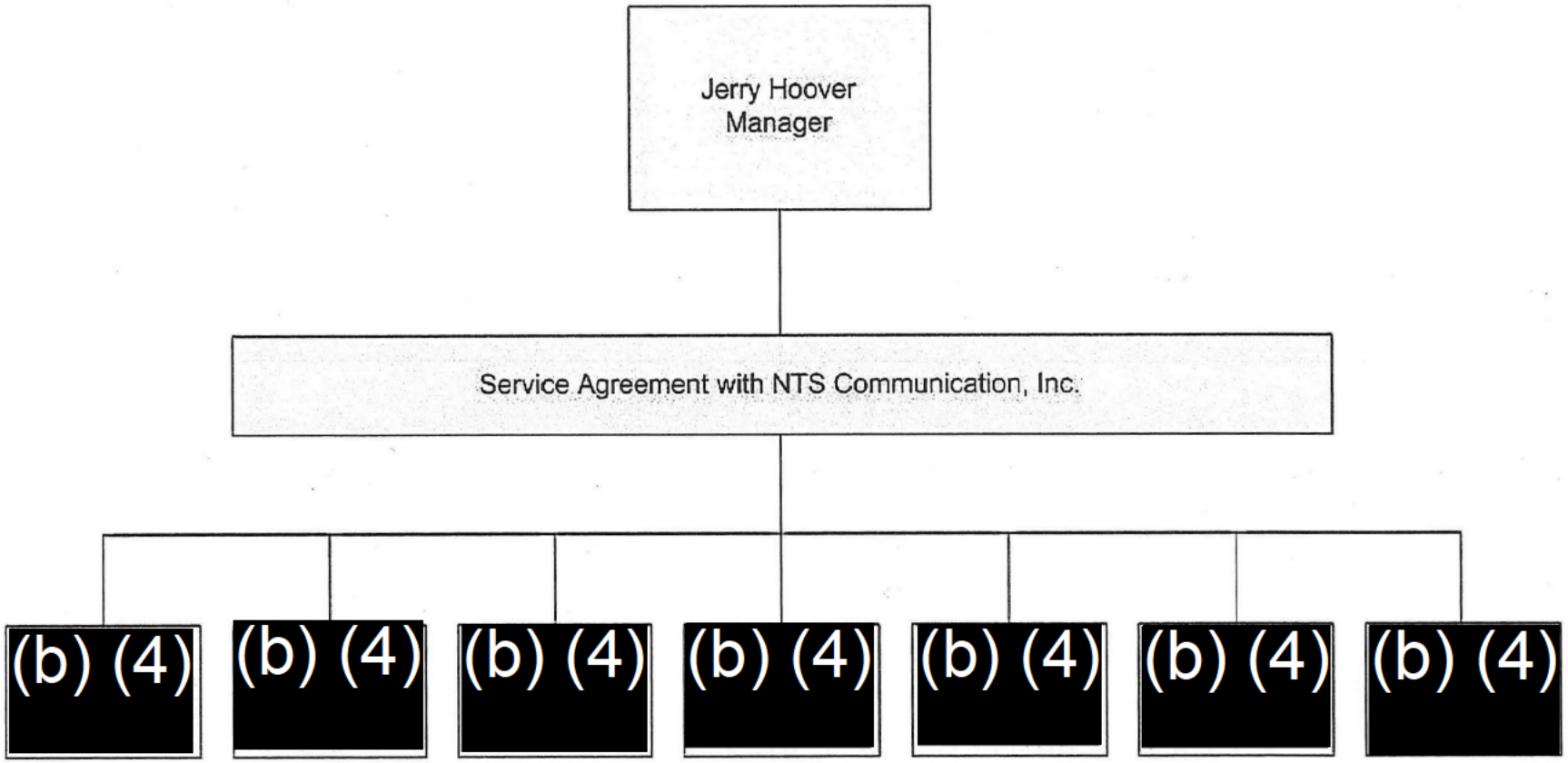
Brad Worthington

Member:

NTS Communications, Inc.
By: Barbara Andrews
Its: President

(b) (4)(b) (4)(b) (4)

Schedule G-4
Organizational Chart and Statement of Experience



Schedule G-4 (Cont.)

Organizational Chart and Statement of Experience

SUMMARY OF CAREER PREPARATION AND EXPERIENCE

I. EDUCATION

A. Texas Tech University, Lubbock, Texas
Bachelor of Business Administration in Accounting, December, 1971
B. Ohio University Financial Management Course, 1978
C. Alexander Grant Advanced Course in Corporate Taxation, 1983
D. Forty hours per year of Continuing Education in Accounting, Finance, Taxation, Corporate Management and Law since 1976

II. PROFESSIONAL CERTIFICATION AND LICENSE

A. Texas State Board of Public Accountancy Certificate Number 15533, February 3, 1976
B. State of Texas Permit to Practice Public Accountancy, February 20, 1976

III. PROFESSIONAL EXPERIENCE

A. April 1994 to Present – Executive Vice President & Chief Financial Officer – NTS Communications, Inc

1. Joined NTS Communications management team as Executive Vice President in 1994. Recruited as senior management, reporting directly to the President and CEO, due to long prior experience as a business management consultant. Twelve years experience as senior management member of a facilities based competitive local exchange carrier with operations in a broad geographic region covering four southwestern states.
2. Top-level responsibility for company-wide functions as follows:
   i. Financial Management and Financial Reporting
   ii. Controller Functions
   iii. Treasurer Functions
   iv. Human Resource Functions
   v. Strategy Formulation and Execution

B. January 1993 to March 1994 – President and Managing Officer of Phillips Hoover Claus & Associates CPAs, LLP

C. January 1991 to January 1993 – President and Managing Officer of Phillips Hoover & Associates PC
D. July 1988 to March 1994 – Managing partner of Phillips Hoover & Associates CPAs

Schedule G-4 (Cont.)

Organizational Chart and Statement of Experience

E. January 1983 to June 1988 – Audit and Tax Manager for Saffle Phillips & Sawall CPAs, Lubbock, Texas
F. June 1977 to December 1982 – Vice President and Chief Financial Officer of West Texas Savings Association
G. November 1975 to May 1977 – Senior Accountant for Mason Nickels and Warner CPAs, Lubbock, Texas
H. September 1973 to November 1975 – Staff Accountant for Pratas Smith & Moore CPAs, Lubbock, Texas
I. May 1972 to September 1973 – Staff Accountant for Elms Faris & Co CPAs, Odessa, Texas

IV. 1979 to 1982 – University Instructor of Accounting, Auditing, Income Tax and Business Law

V. 1979 to 1982 – Three years of tax, accounting and auditing consultation on a per diem basis

VI. **OTHER EXPERIENCES**

A. August 1971 to May 1972 T.I.M.E. – Internal auditor for DC, Inc. (National Motor Freight Carrier)

VII. **PROFESSIONAL ORGANIZATIONS**

A. American Institute of Certified Public Accountant
B. Texas Society of Certified Public Accountants
C. Lubbock Chapter of TSCPA

VIII. **COMMUNITY INVOLVEMENT**

A. Chairman of church governing board
B. Chairman of Board of Trustees – Childrens' Home of Lubbock
C. Chairman of Board of Trustees – Texas Boys Ranch of Lubbock

IX. **PERSONAL DETAILS**

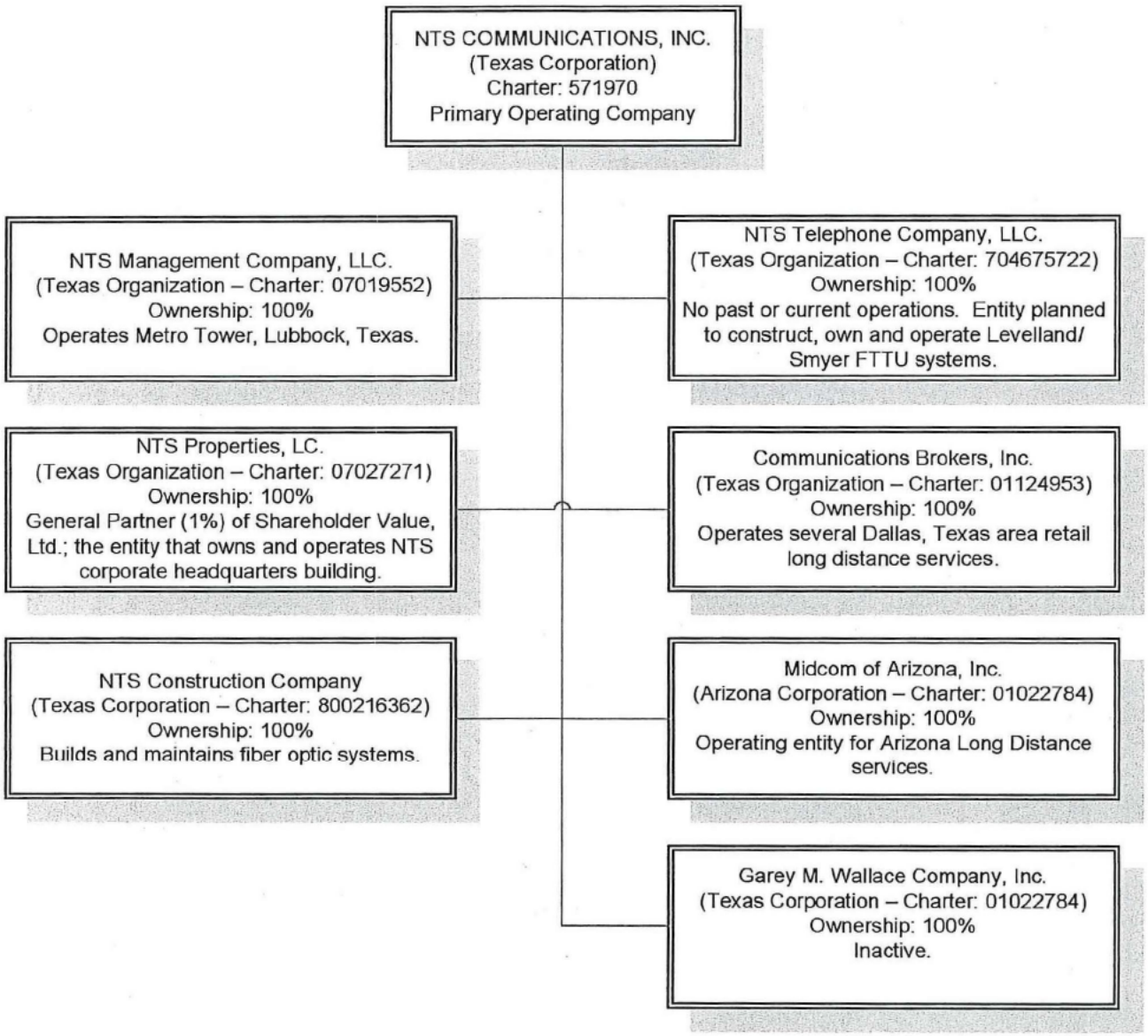
A. (b) (4) [redacted]

(b) (4)(b) (4)(b) (4)

Schedule G-5

Parent and Subsidiaries

NTS & Subsidiaries



(b) (4)(b) (4)(b) (4)

Schedule H
Executive Summary

NTS Telephone Company, LLC is a start-up company being formed as a subsidiary of NTS Communications, Inc. headquartered in Lubbock, Texas. The parent company, NTS Communications, Inc. was formed in 1981 and currently provides a variety of telecommunications services to its customers in Arizona, Colorado, Kansas, New Mexico, Oklahoma, and Texas. NTS Telephone Company, LLC will be a full service provider of voice, data and video services to its target markets. NTS Telephone Company, LLC is seeking Rural Utilities Service (RUS) Broadband loan funding for the purchase and installation of all network, central office and customer premises equipment to provide a variety of broadband data and video services as well as voice via "fiber to the premises" distribution to businesses and residents in Levelland and Smyer, Texas (these communities are physically very close to Lubbock, Texas where NTS Communications, Inc. has its headquarters).

Upon approval of the $11, 892,101 RUS loan, NTS Communications, Inc. has agreed to make an investment of (b) (4) [redacted]

NTS Telephone Company, LLC will be headed by Mr. Jerry E. Hoover as General Manager. Mr. Hoover has been an executive vice president and chief financial office of NTS Communications, Inc. since 1994. He is an experienced leader in the telecommunications field and is also certified by the Texas State Board of Public Accountancy (Certificate Number 15533) and the State of Texas Permit to Practice Public Accountancy. NTS Communications, Inc. has signed an agreement with NTS Telephone Company, LLC to provide a host of sales, support, and management services at a very competitive rate to the new subsidiary.

NTS Telephone Company, LLC was created to offer single play (voice or data), double play (voice and data) and triple play (voice, video and data) options to its prospective customers in Levelland and Smyer, Texas. The delivery of this variety of services to these markets is dependent upon the construction of the broadband network detailed in this loan application. (b) (4) [redacted]

(b) (4)(b) (4)(b) (4)

Schedule H (Cont.)

Executive Summary

The RUS loan will fund an aggressive network build out which is planned to begin in the later half of 2006 with the first customers to be added in first quarter, 2007. The customer base is projected to grow by approximately

(b) (4) [redacted]

This level of market penetration is readily attainable with the fiber to the premises based products combined with aggressive product pricing.

As a subsidiary of NTS Communications, Inc., NTS Telephone Company, LLC will enjoy the added benefit of deploying new services and technology with the help of an experienced parent company. NTS Communications currently uses the same fiber based equipment and markets the same services to many of its customers. This expertise and experience will provide a solid foundation for success as NTS Telephone Co, LLC deploys its new services to the customers in Levelland and Smyer, Texas.

Schedule I
Credit Support Requirement

1. Credit Support will be met by the following: (check the applicable box and insert the value for each)

   a. ☒ Cash (b) (4)

   b. ☐ Net Tangible Assets _____

   c. ☐ Licenses _____

   d. ☐ Letter of Credit _____

2. Has the applicant had a positive Cash Flow as an operating telecommunication company for the previous two calendar years preceding the submission date of this application? (Cash Flow is defined as Cash Provided (Used) By Operating Activities shown in the "Statement of Cash Flows" as required under Generally Accepted Accounting Principles. Cash Flow should be calculated using the "Statement of Cash Flows" included in the Schedule N-3c described as line item "Net Cash Provided (Used) By Operating Activities.")

   ☐ Yes

   ☒ No (New Company)

   Provide Cash Flow for the past calendar year $ N/A .

   Provide Cash Flow for the second previous calendar year $ N/A .

(b) (4)(b) (4)(b) (4)

Schedule I (Cont.)
Credit Support Requirement

NOTICE OF INTENT TO FUND MEMBERSHIP INTEREST

NTS Communications, Inc., (NTS Communications) is the sole member of NTS Telephone Company, LLC (NTS Telephone Company).

NTS Telephone Company is a duly organized Texas limited liability company.

NTS Telephone Company is contemplating securing a Broadband Development Loan from the US Department of Agriculture Rural Utilities Service.

By this Notice, NTS Communications. expresses its intent to fund its membership interest in NTS Telephone Company in an amount equal to (b) (4)(b) (4)(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4)(b) (4)(b) (4)(b) (4)(b) (4)(b) (4)(b) (4)(b) (4)(b) (4)

This original capital investment shall be tendered in cash within 3 business days of notification by the RUS of approval of the Broadband Development Loan. Upon and after its tender of the funding of its membership interest, NTS Communications shall remain the sole member and equity interest holder of NTS Telephone Company.

NTS Communications, Inc.

Barbara Andrews, President

1-18-2006
Date

Schedule I (Cont.)
Credit Support Requirement

NOTICE OF INTENT TO SECURE FINANCING TO FUND MEMBERSHIP INTEREST

NTS Communications, Inc. (NTS Communications) is the sole member of NTS Telephone Company, LLC. (NTS Telephone Company)

NTS Telephone Company is a duly organized Texas limited liability company.

NTS Telephone Company is contemplating securing a Broadband Development Loan from the US Department of Agriculture Rural Utilities Service.

NTS Communications has expressed its intent to fund its membership interest in NTS Telephone Company in an amount equal to (b) (4)(b) (4)(b) (4)(b) (4)(b) (4)(b) (4) (b) (4)(b) (4)(b) (4) notification by the RUS of approval of the Broadband Development Loan.

By this notice, NTS Communications affirms that it has secured approval of a loan in an amount equal to the contemplated equity investment in NTS Telephone Company. Further, NTS Communications expresses its intent to borrow the funds required to fund its equity Interest in NTS Telephone Company.

Contact information for the lending bank is as follows:

(b) (4), (b) (6)
(b) (4), (b) (6)
(b) (4), (b) (6)
(b) (4), (b) (6)

All inquiries with respect to the contemplated loan may be directed to (b) (6).

NTS Communications, Inc.

Barbara Andrews, President

1-18-2006
Date

SCHEDULE J
BOARD RESOLUTION

MINUTES OF A MEETING OF THE
MANAGER AND MEMBER
OF
NTS TELEPHONE COMPANY, LLC

HELD ON November 30, 2005

A special meeting of the Member and Manager of NTS Telephone Company, LLC. was held on the date set forth above. Jerry E. Hoover, sole Manager of the Company was present along with Barbara Andrews, President of NTS Communications, Inc., representing the sole member of the Company.

(b) (4)

Upon motion duly made, seconded and carried unanimously, the meeting was adjourned.

Jerry E. Hoover, Manager of
NTS Telephone Company, LLC.

Barbara Andrews, President of NTS
Communications, Inc., the sole
Member of NTS Telephone
Company, LLC

Schedule K-1
Market Data

Introduction

Market surveys were conducted in the communities of Levelland Texas and Smyer Texas for the purpose of determining existing service offerings and interest in broadband services. The resulting data was used to project potential subscribers for broadband voice, Internet and video services proposed by NTS Telephone Company, LLC (NTS Tel).

Market Survey Methodology

(b) (4)

Levelland Residential Market Data

For the community of Levelland, in Hockley County Texas, the 2000 U.S. Census reported that the population was 12,866. There were 5,186 households with a median home value of $50,600. The average household size was 2.68 people and the median annual household income was $28,820. Of the population over the age of sixteen, 59.5% of them were in the labor force.

Gender	
Male	48.2%
Female	51.8%

Education	
High School graduate or higher	67.2%
Bachelor's degree or higher	14.1%

(b) (4)(b) (4)(b) (4)

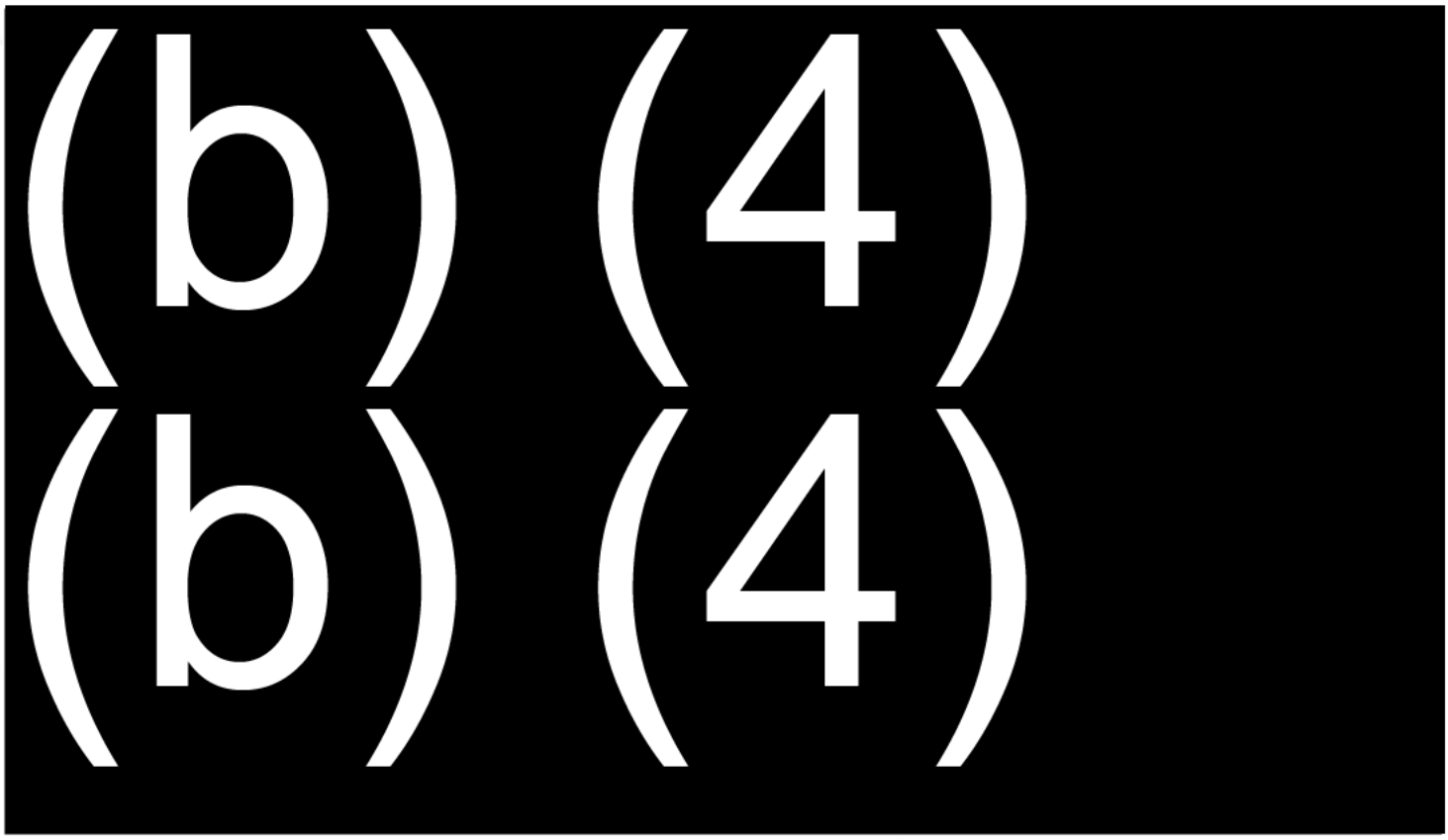
Schedule K-1 (Cont)
Market Data

Age	
Under 5 yrs old	7.1%
18 yrs and older	72.4%
65 yrs and older	13.9%
** *Note:* *Median Age is 32.7 yrs old*	

Race	
White	70.3%
Black/African American	5.4%
American Indian/Alaskan Native	0.9%
Asian	0.2%
Other	20.9%
Two or more races	2.2%
** *Note:* *Hispanic or Latino population elements are often classified within a variety of race categories; however, Hispanic or Latino of any race is reported as 39.2% by the 2000 U.S. Census.*	

(b) (4)(b) (4)(b) (4)

Schedule K-1 (Cont)
Market Data



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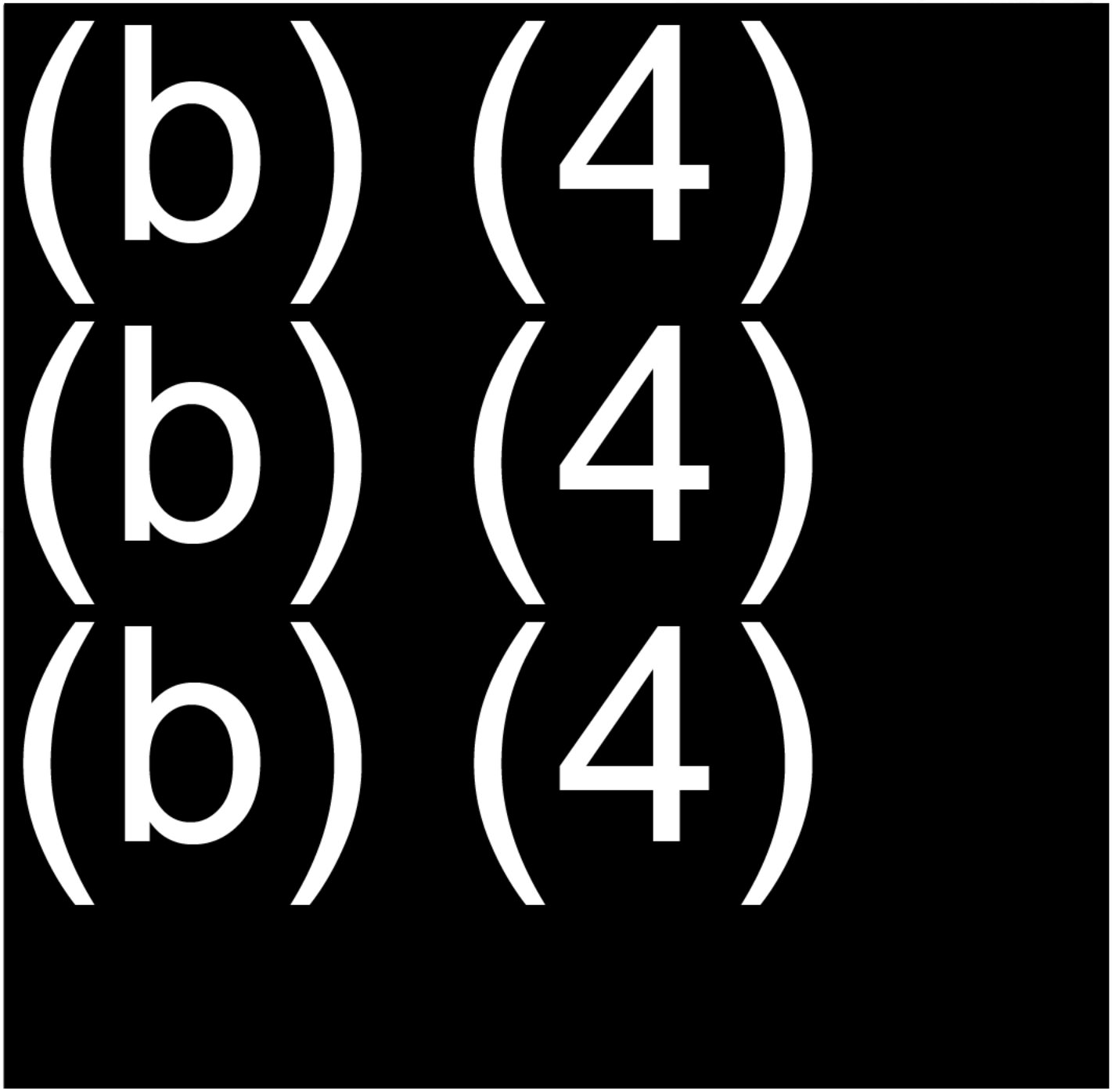
Schedule K-1 (Cont)
Market Data
Levelland Residential Tabulated Survey Results



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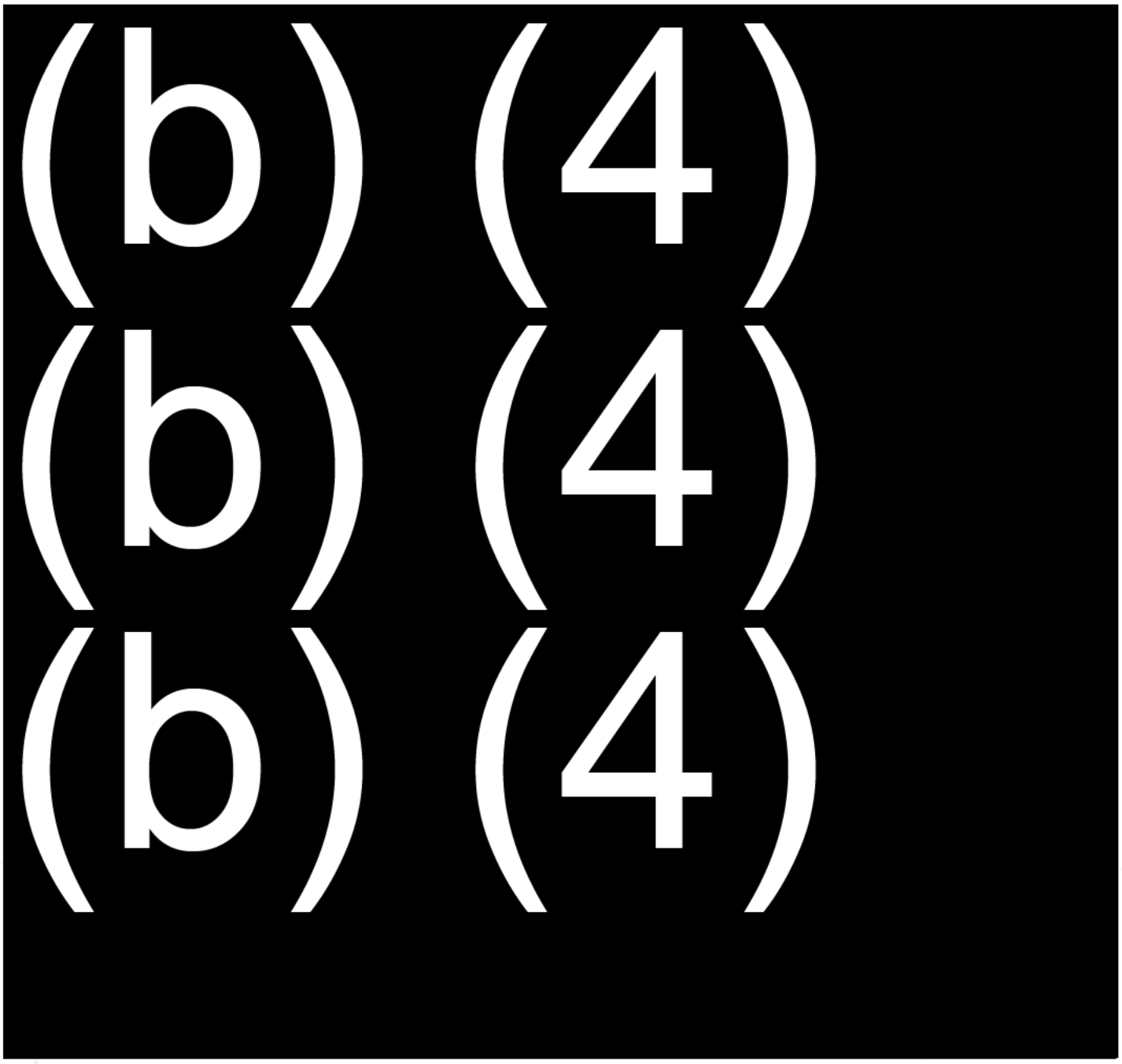
Schedule K-1 (Cont)
Market Data
Levelland Residential Tabulated Survey Results



FOIL ENGINEERING
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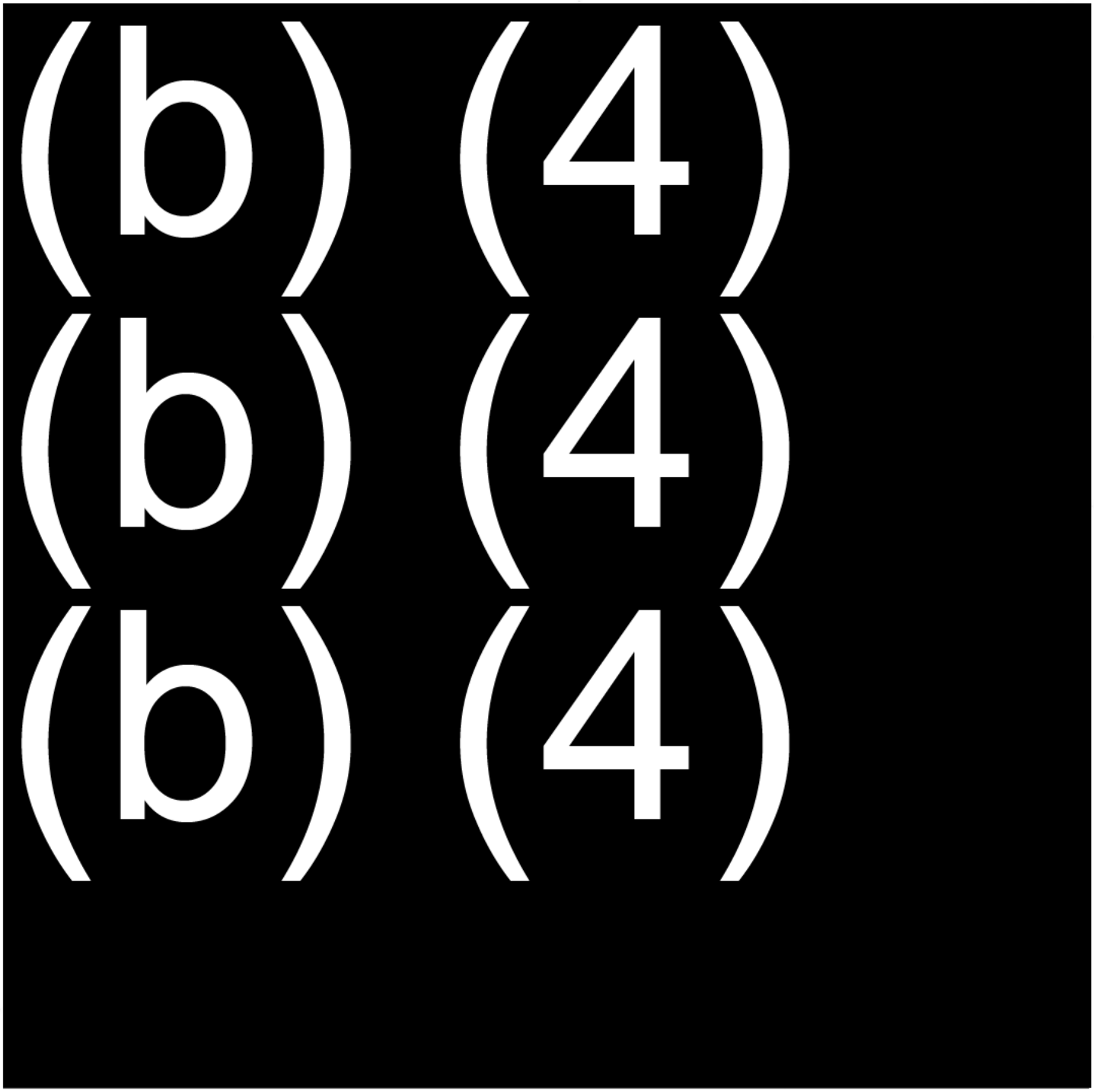
Schedule K-1 (Cont)
Market Data
Levelland Residential Tabulated Survey Results



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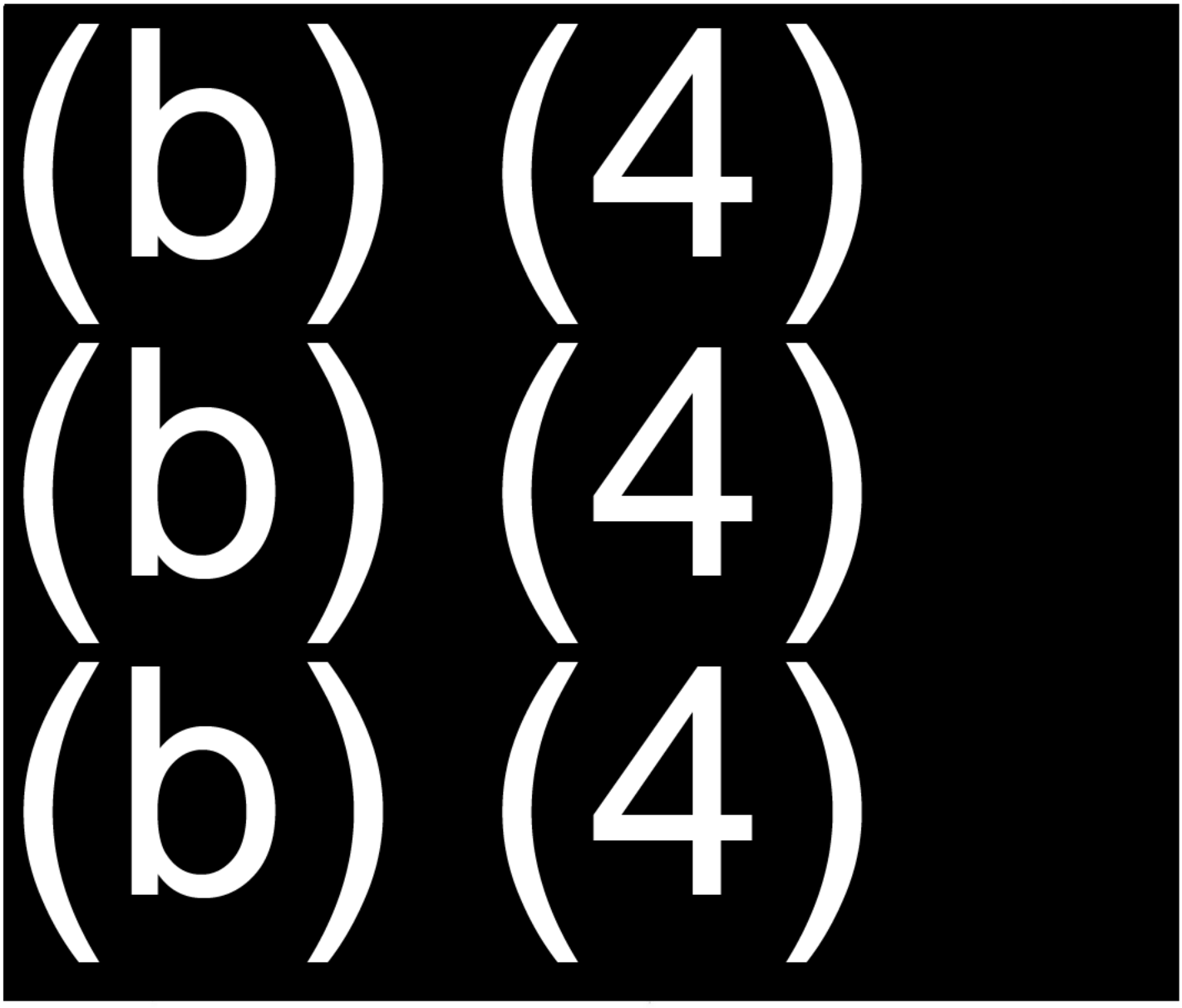
Schedule K-1 (Cont)
Market Data
Levelland Residential Tabulated Survey Results



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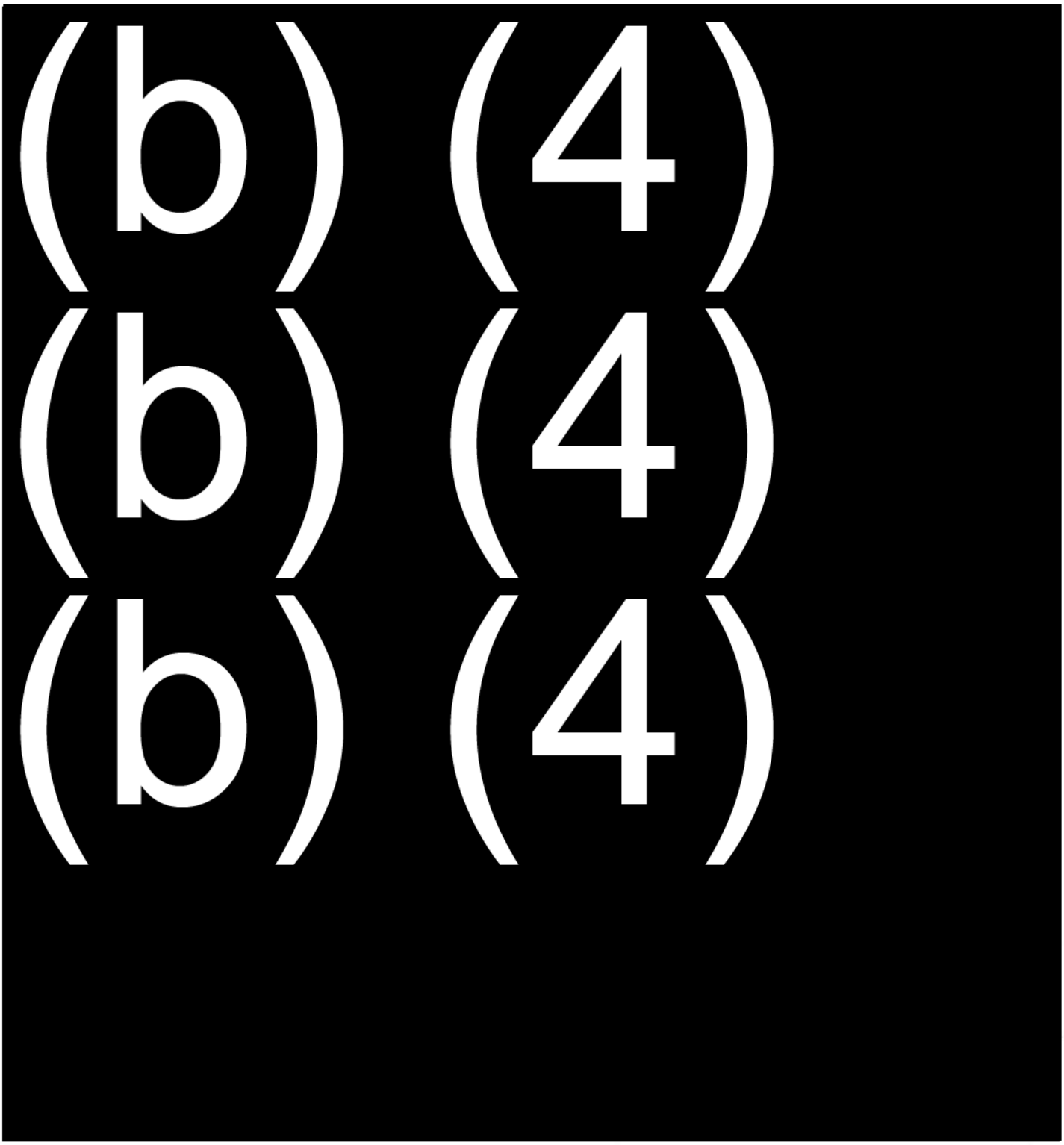
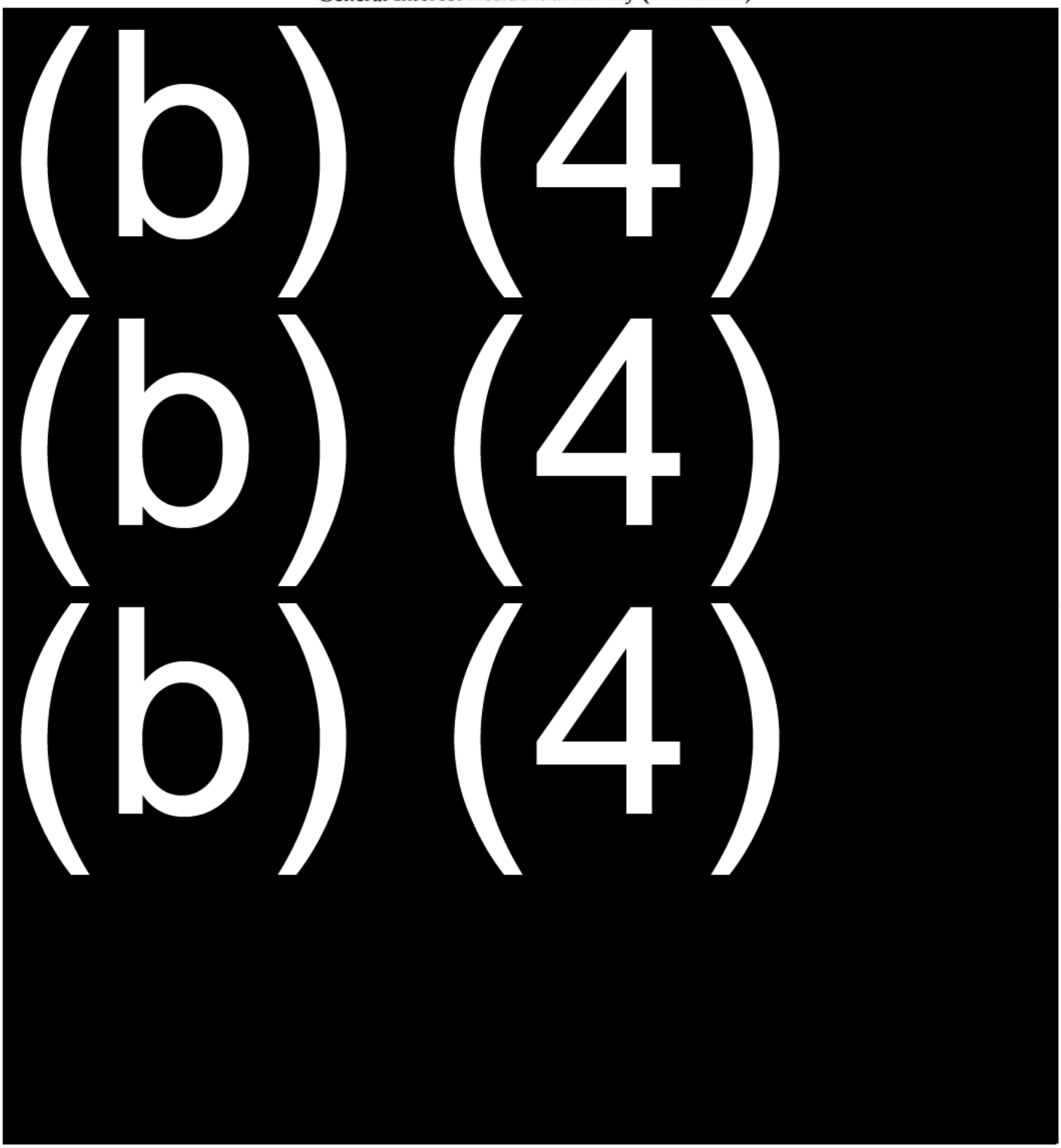
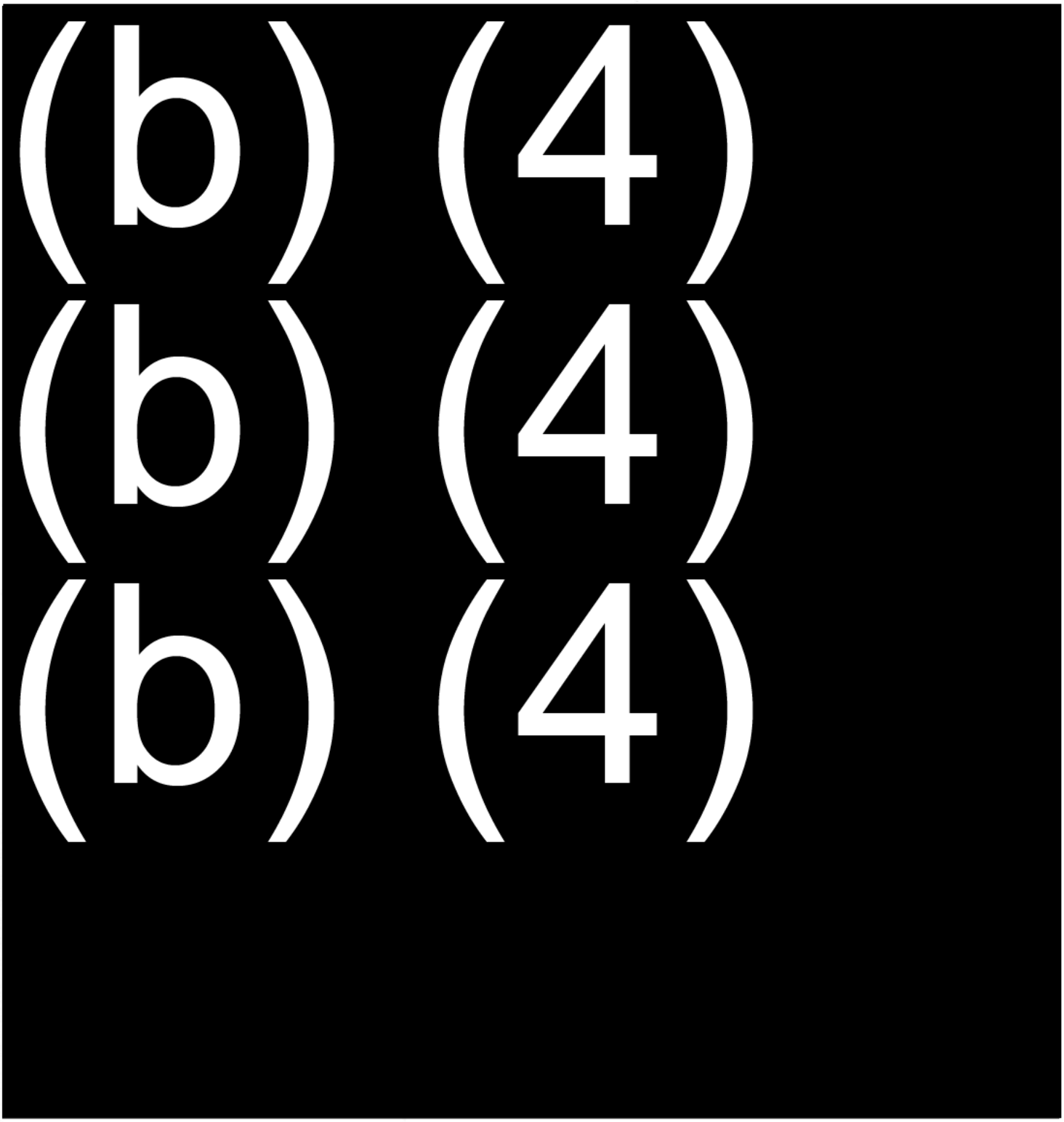
Schedule K-1 (Cont)
Market Data
Levelland Residential Tabulated Survey Results



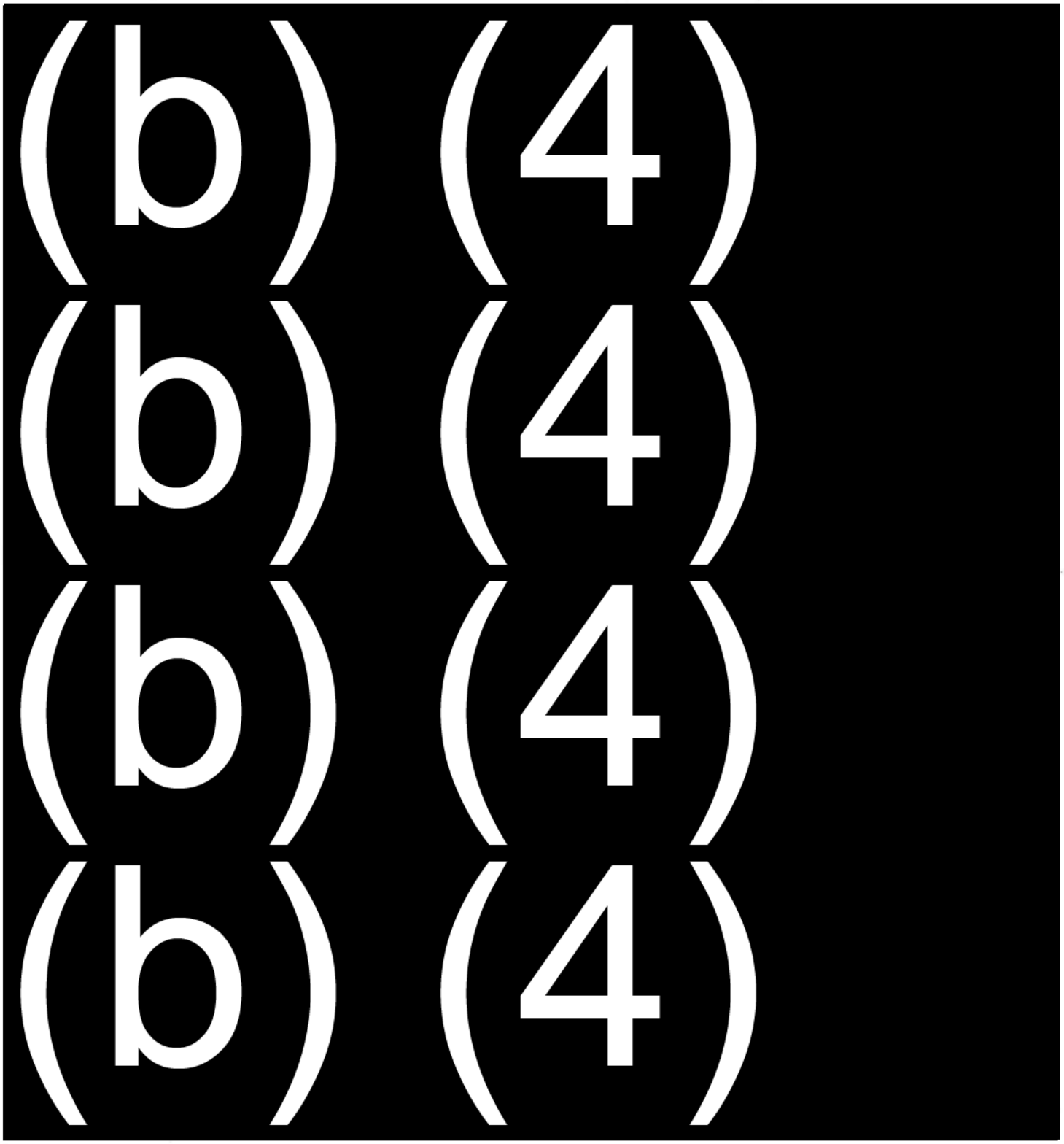
Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Levelland)**



Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Levelland)**



Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Levelland)**



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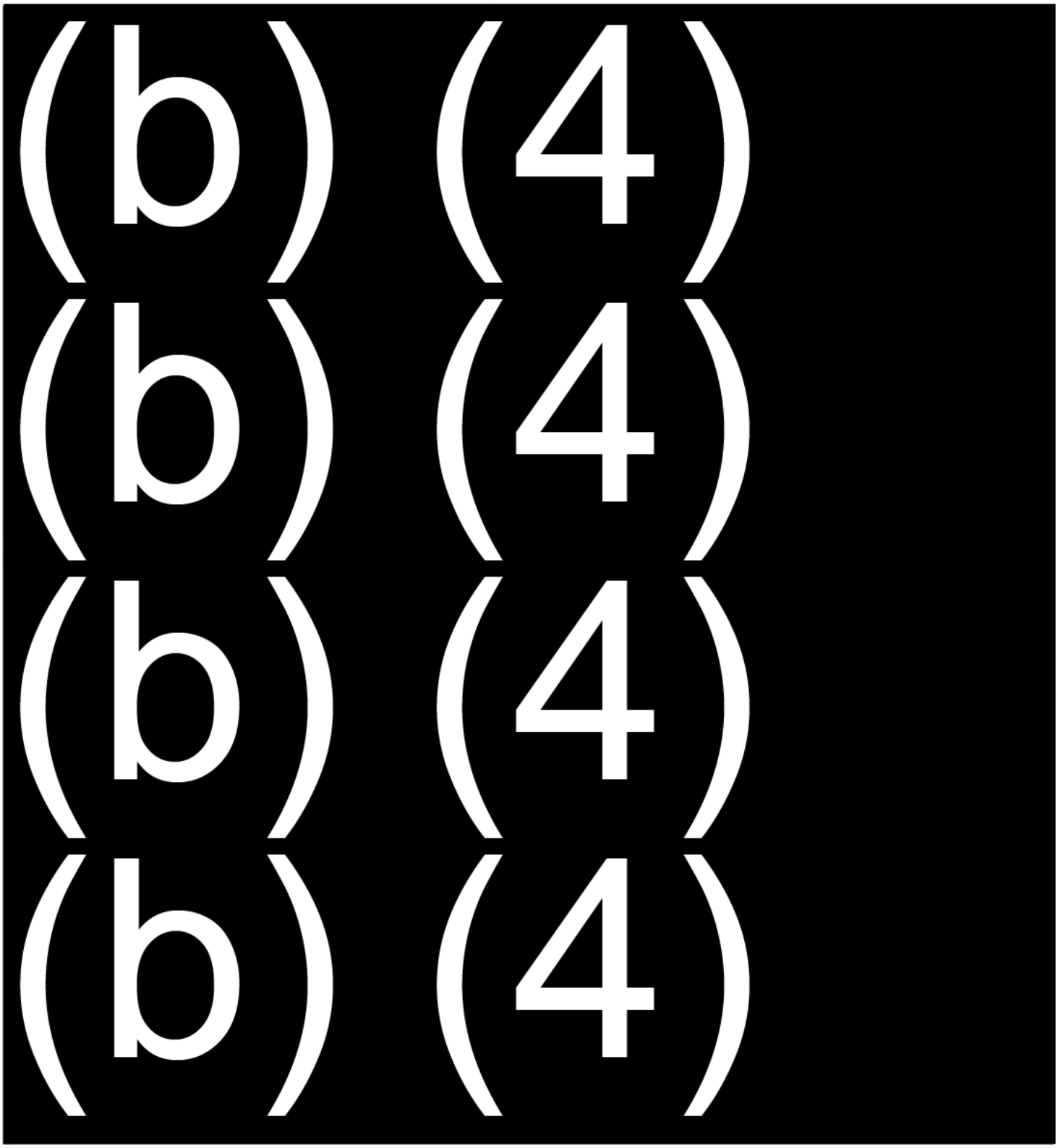
Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Levelland)**



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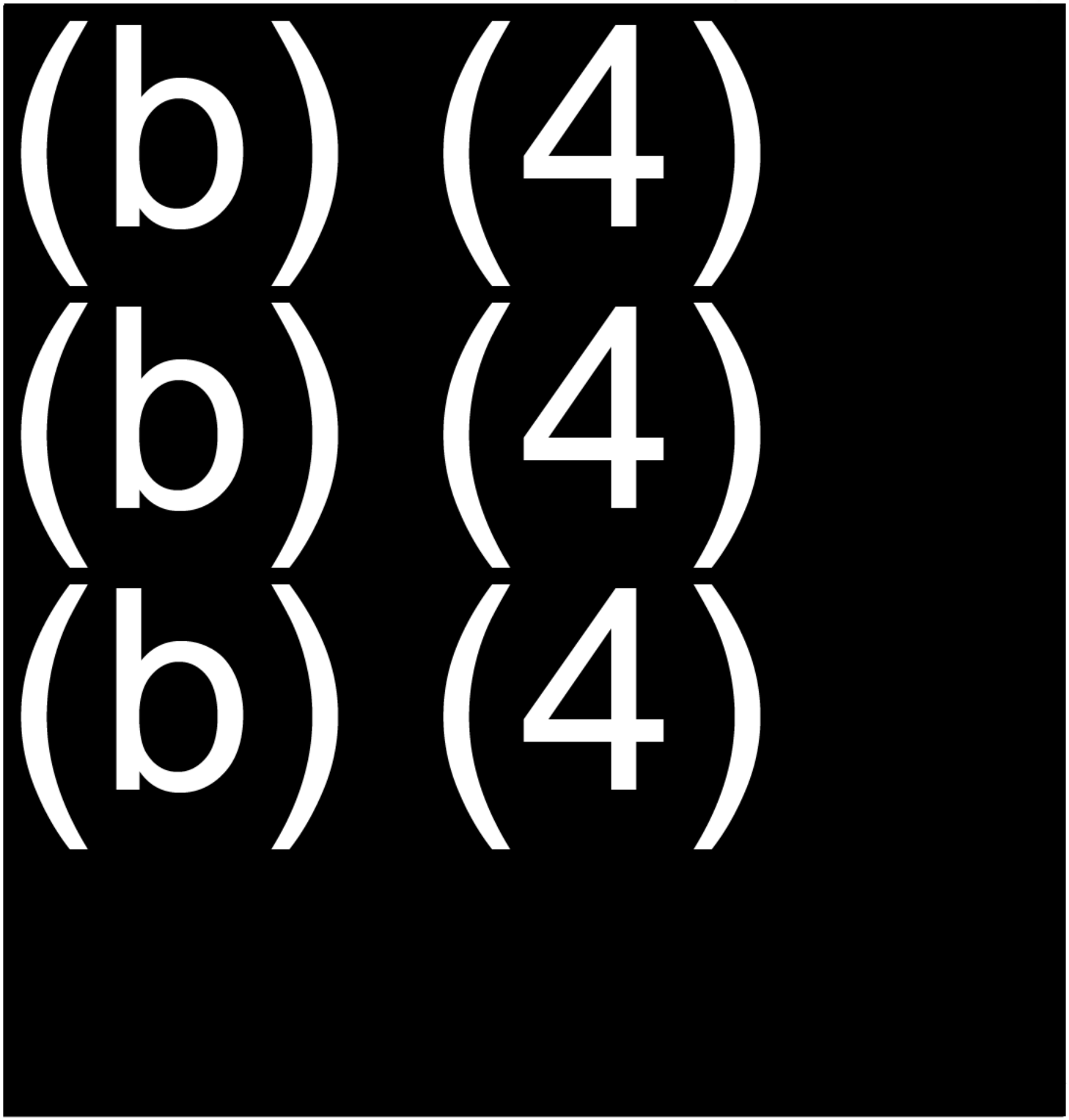
Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Levelland)**



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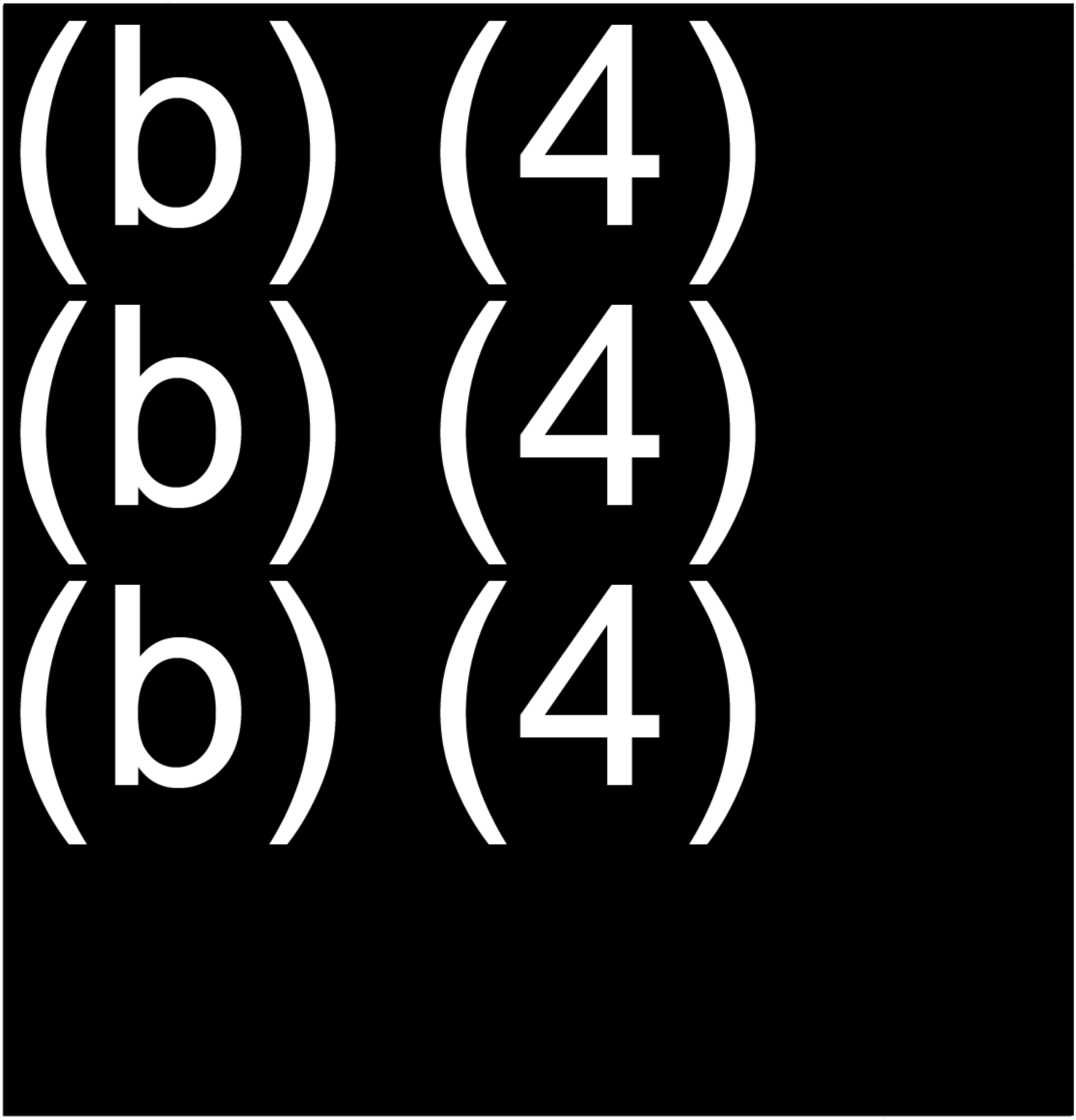
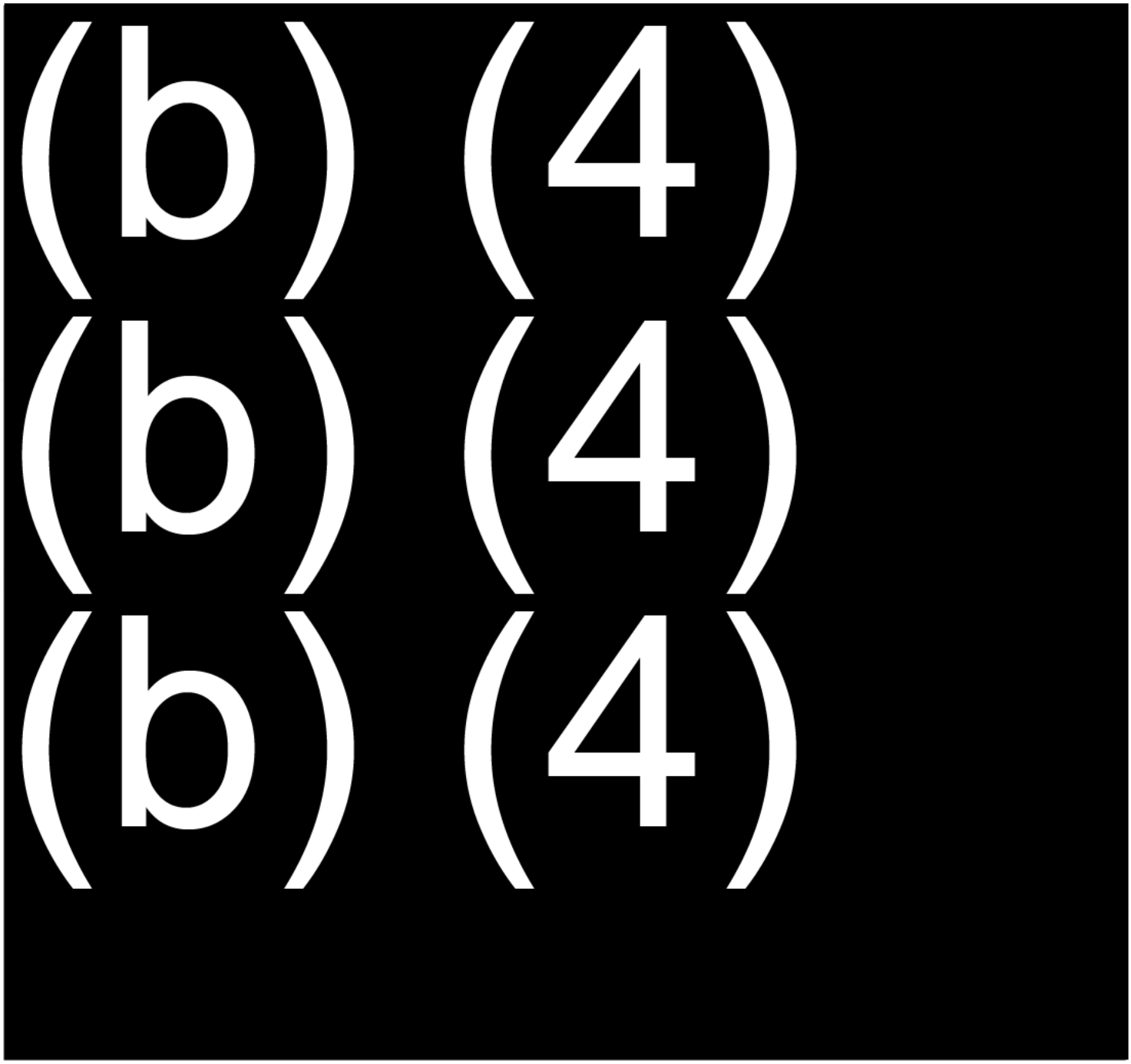
Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Levelland)**



Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Levelland)**



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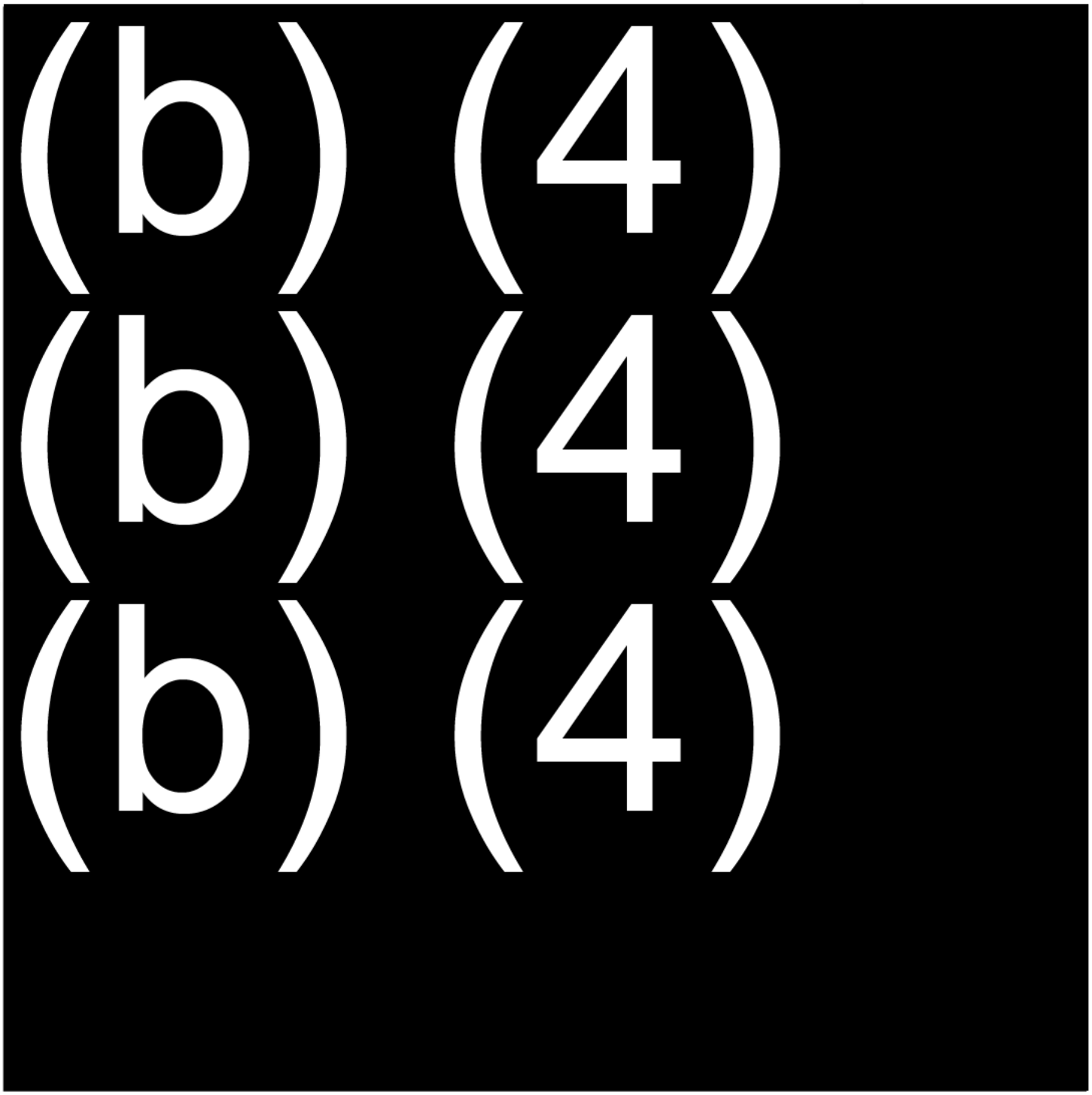
Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Levelland)**



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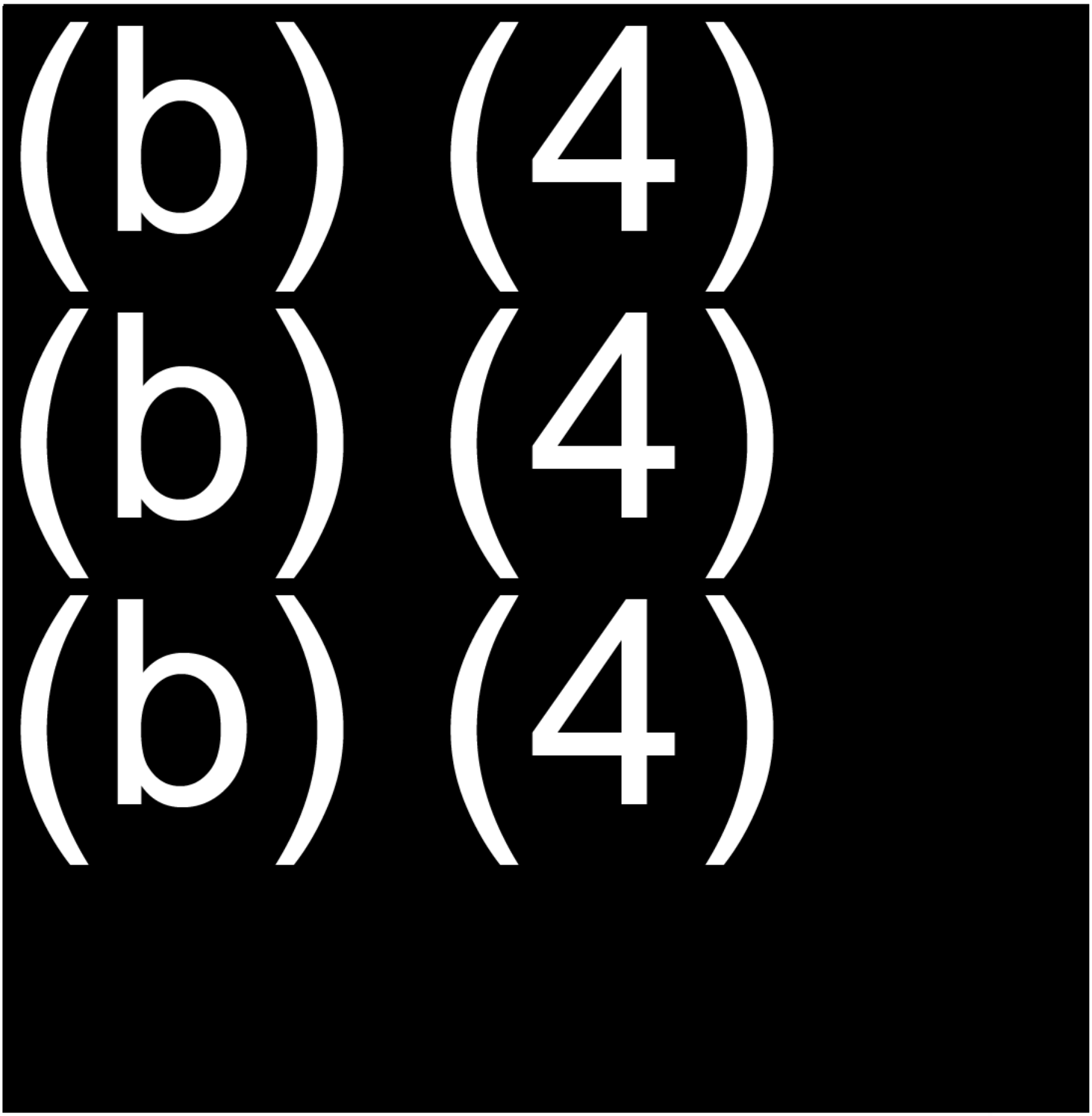
Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Levelland)**



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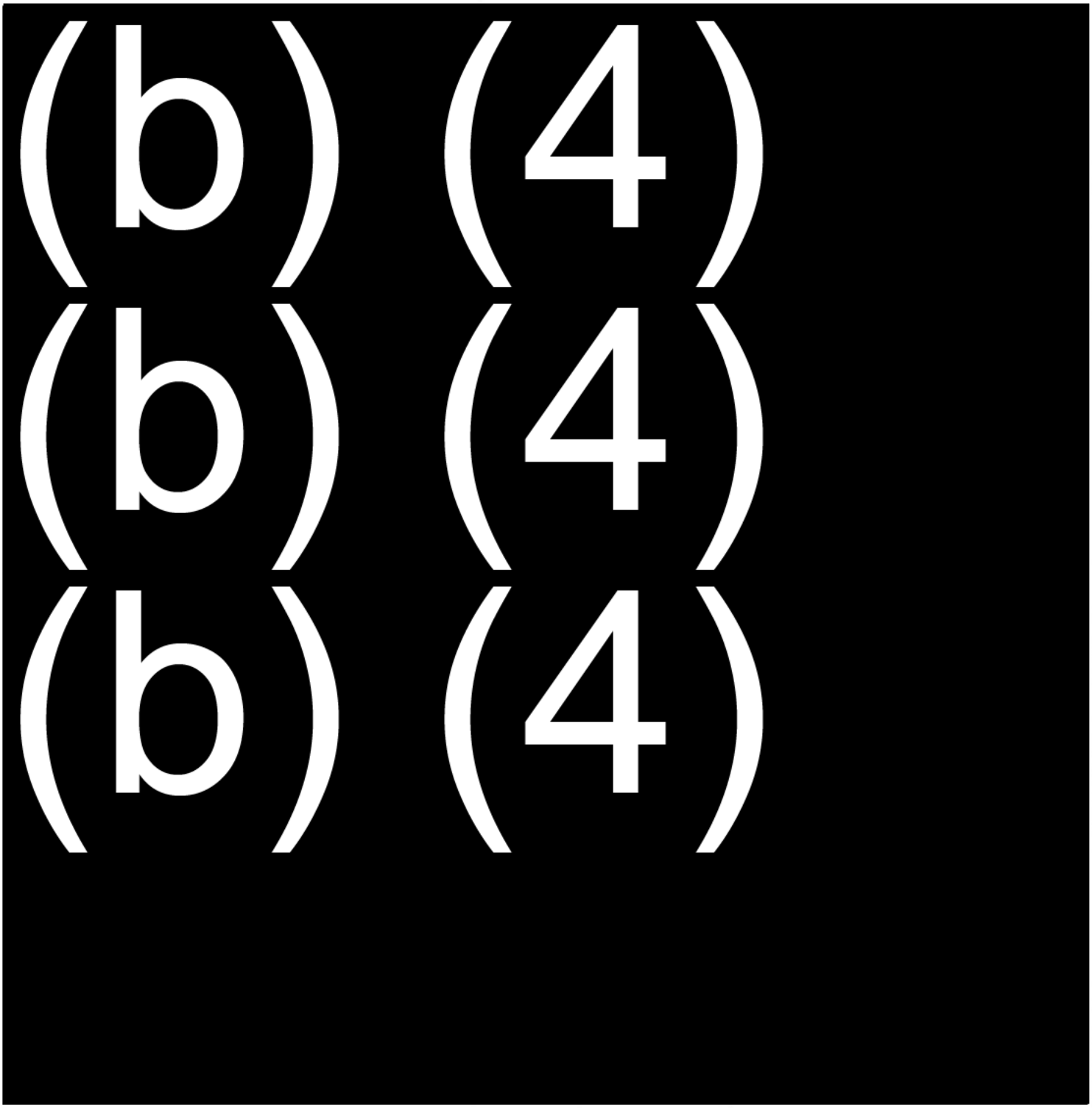
Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Levelland)**



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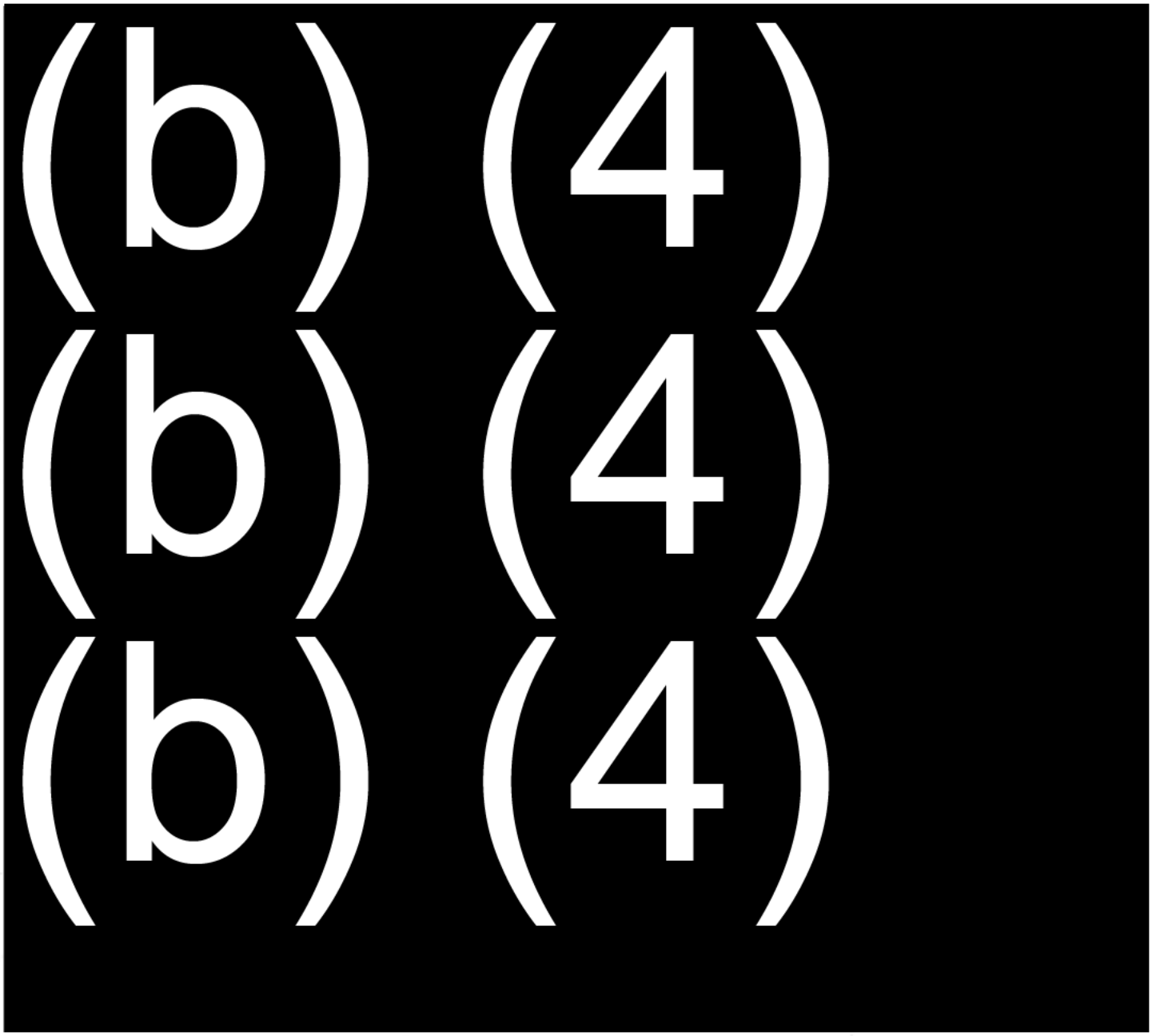
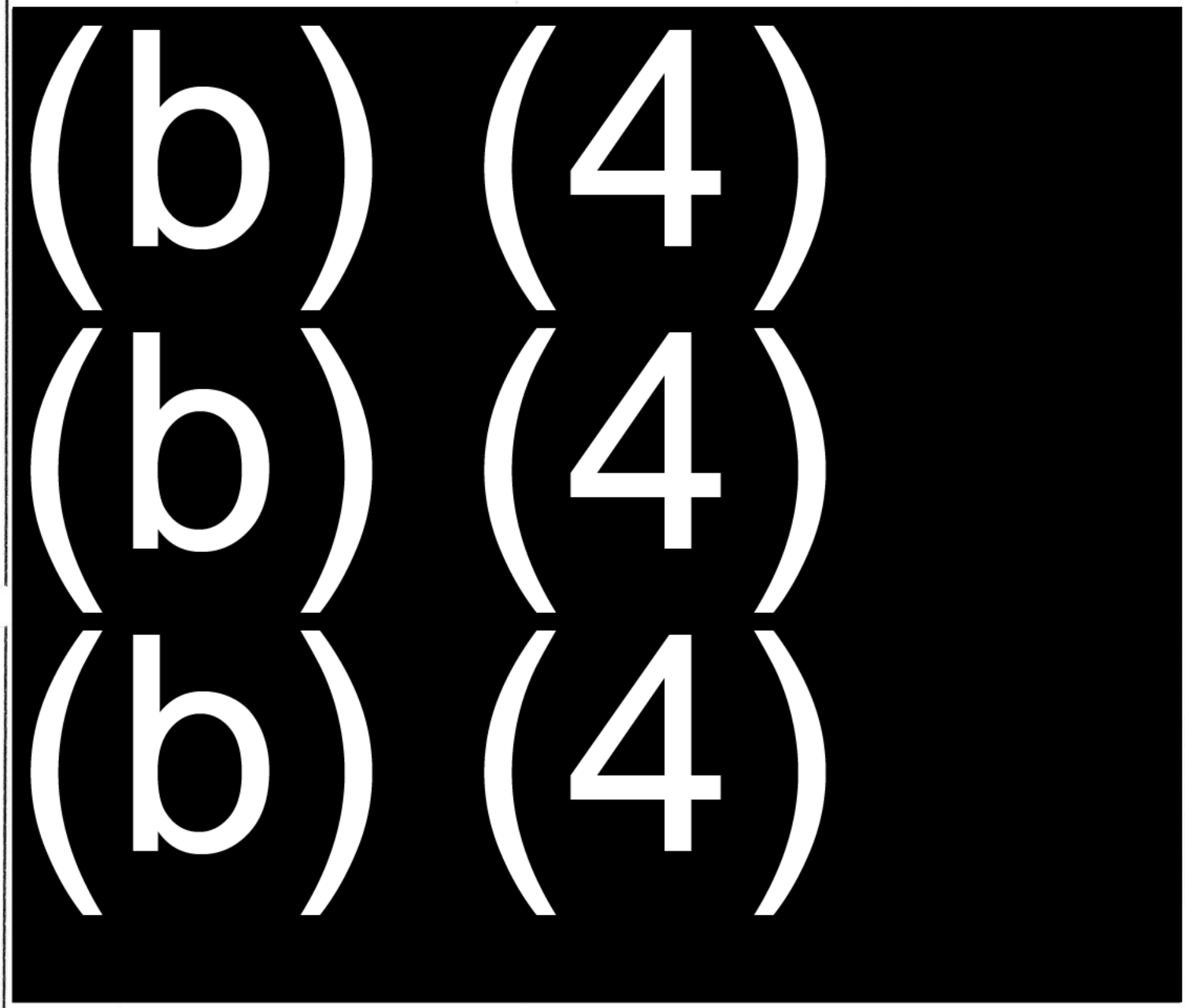
Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Levelland)**



Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Levelland)**



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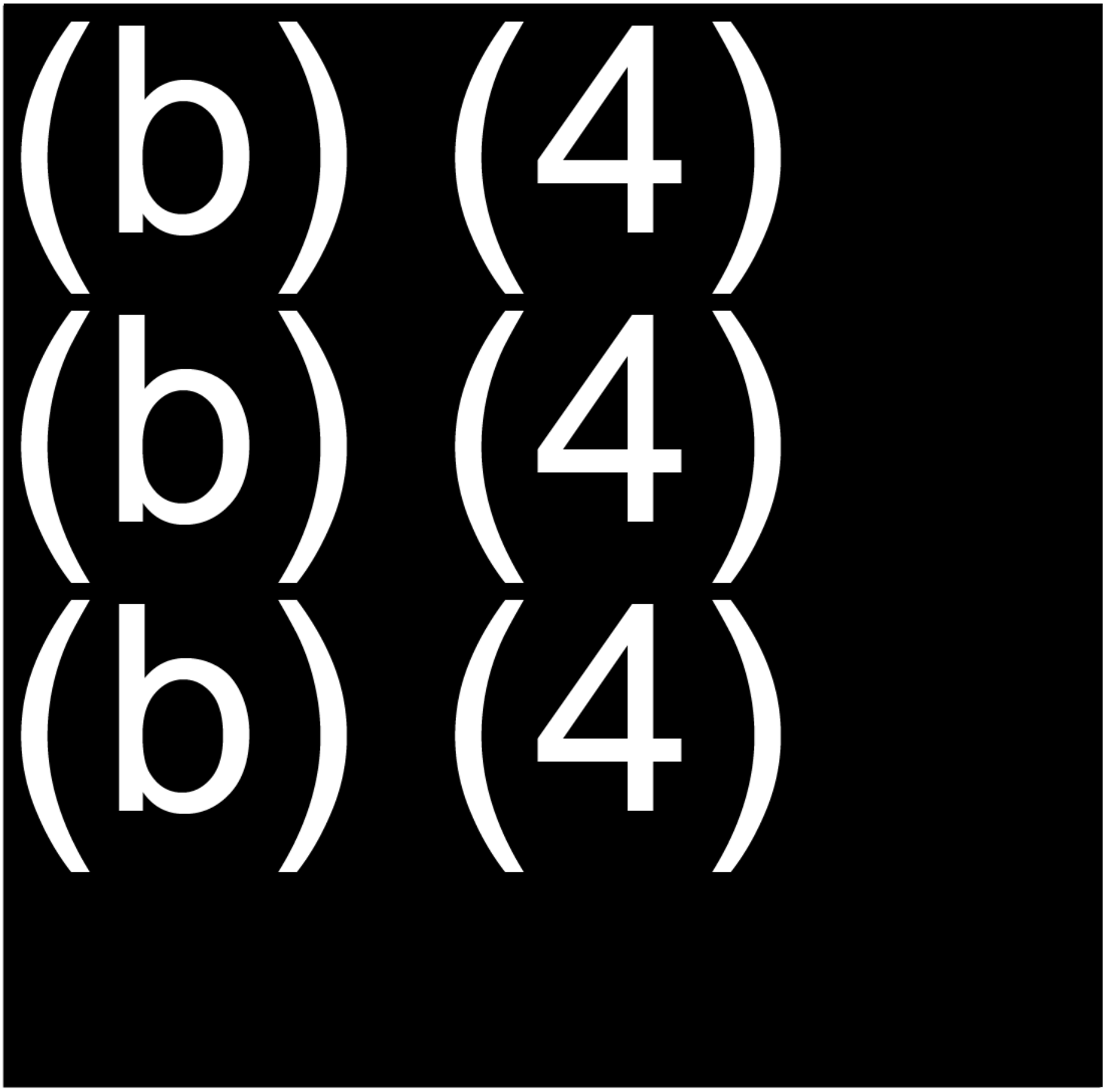
Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Levelland)**



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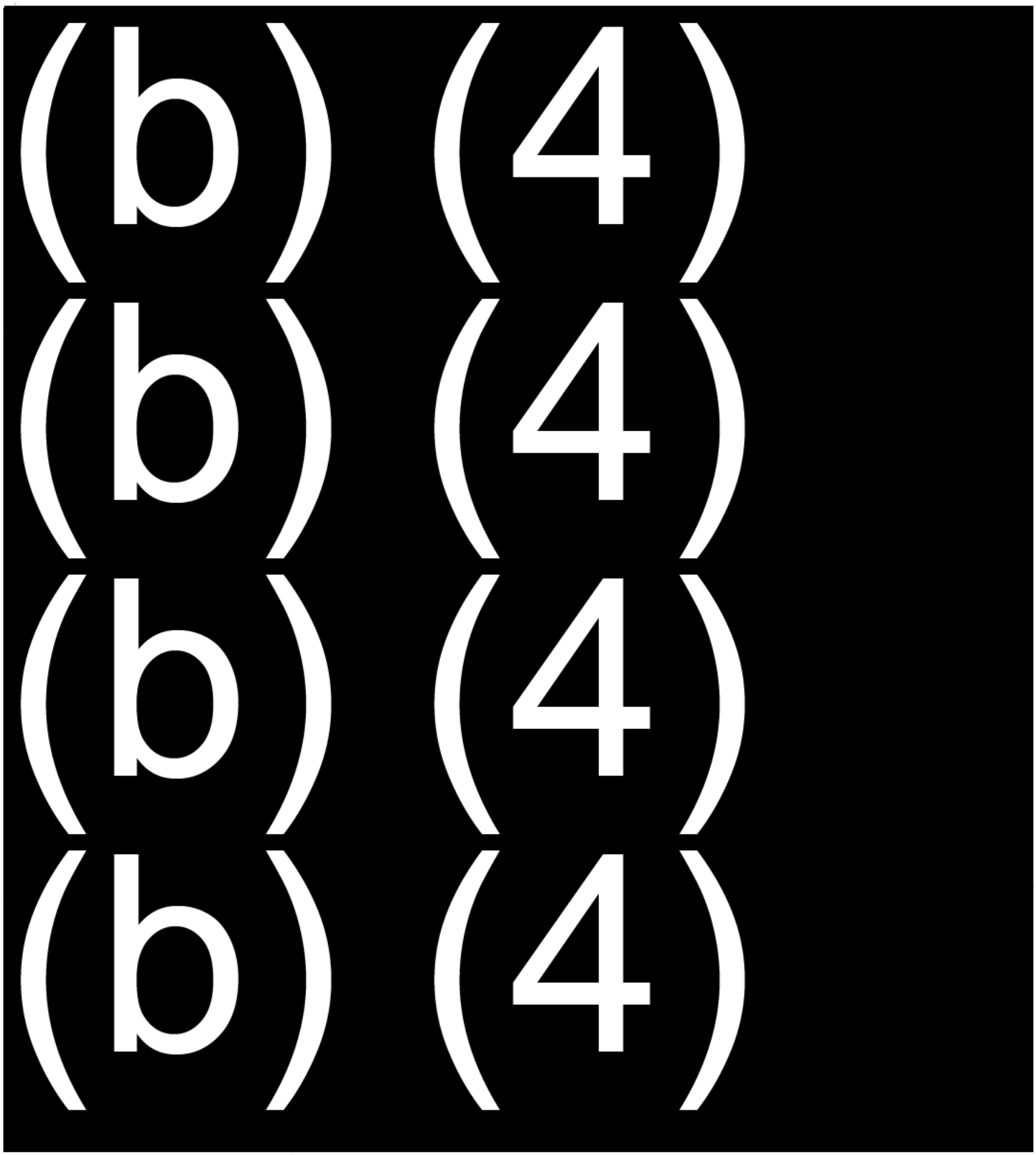
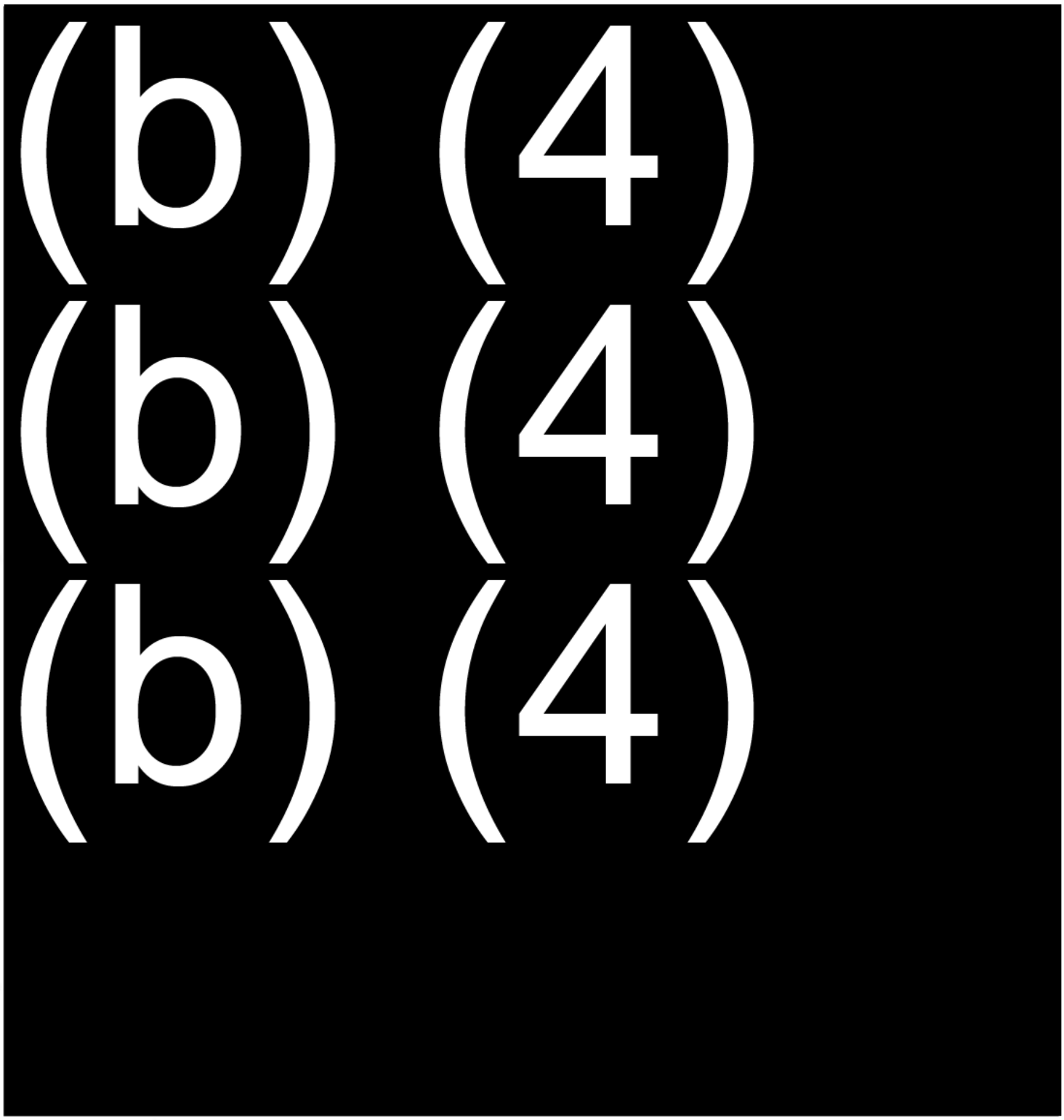
Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Levelland)**

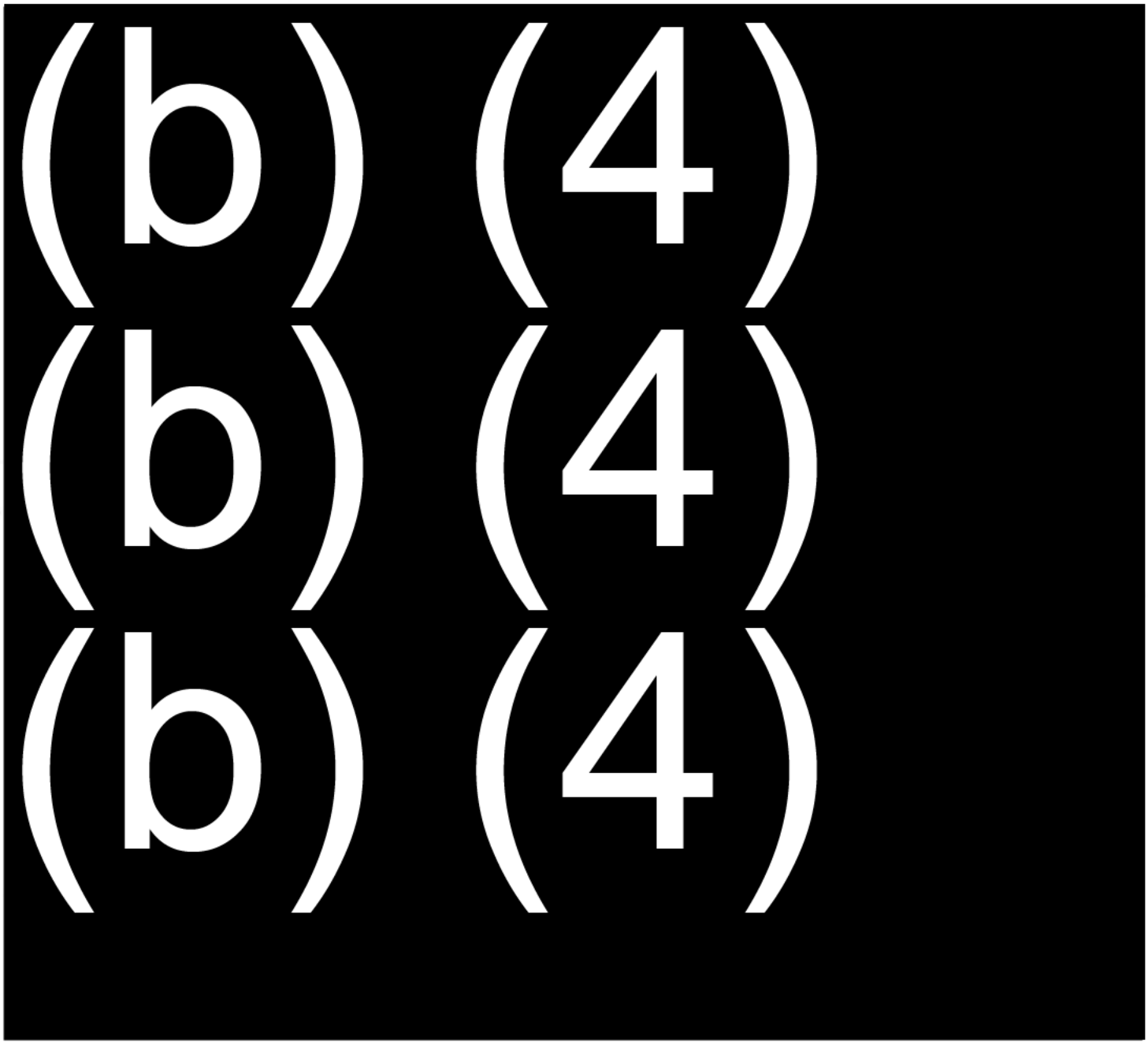


Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Levelland)**



Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Levelland)**

Current Telephone/Voice Service Information (cont.)



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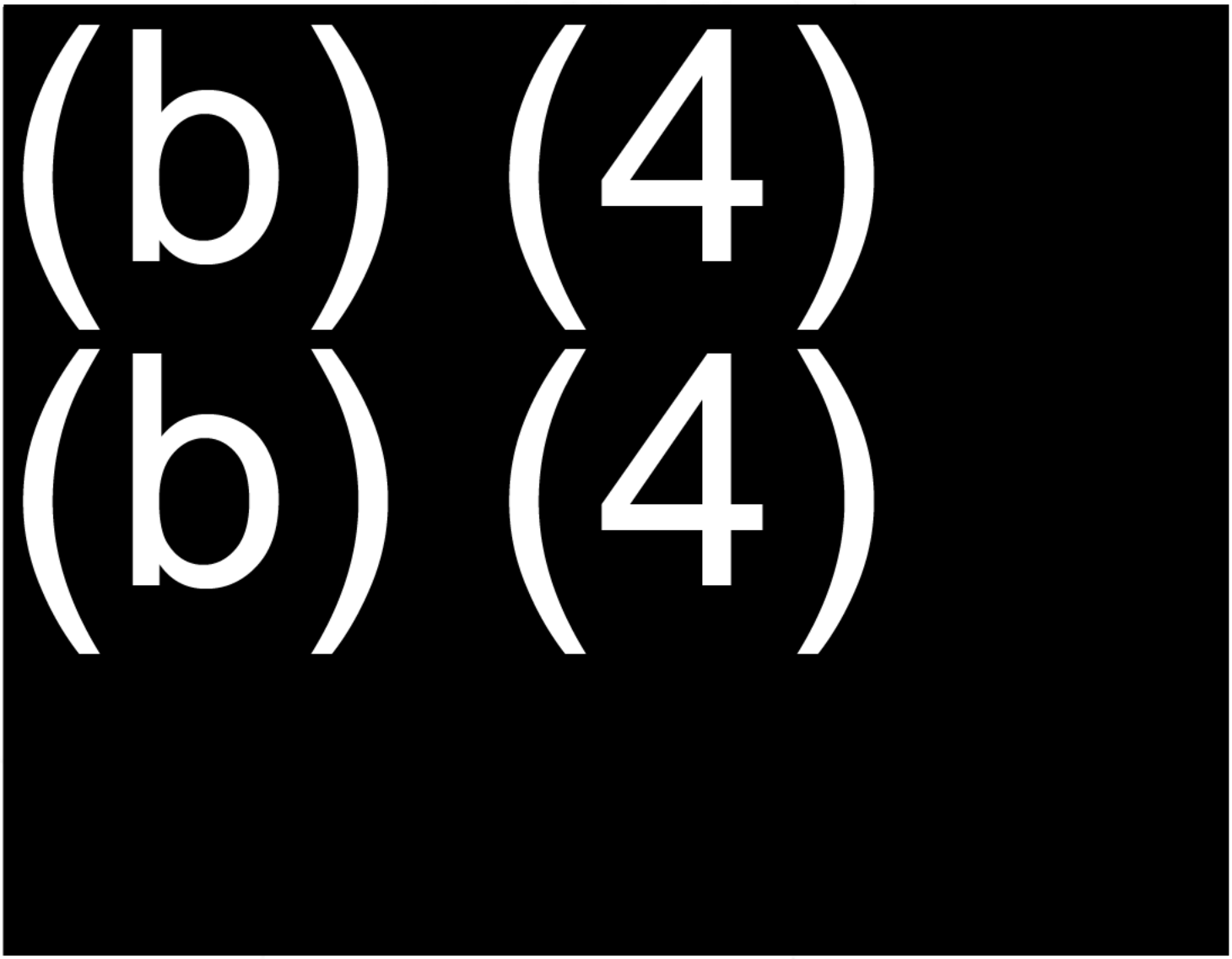
Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Levelland)**



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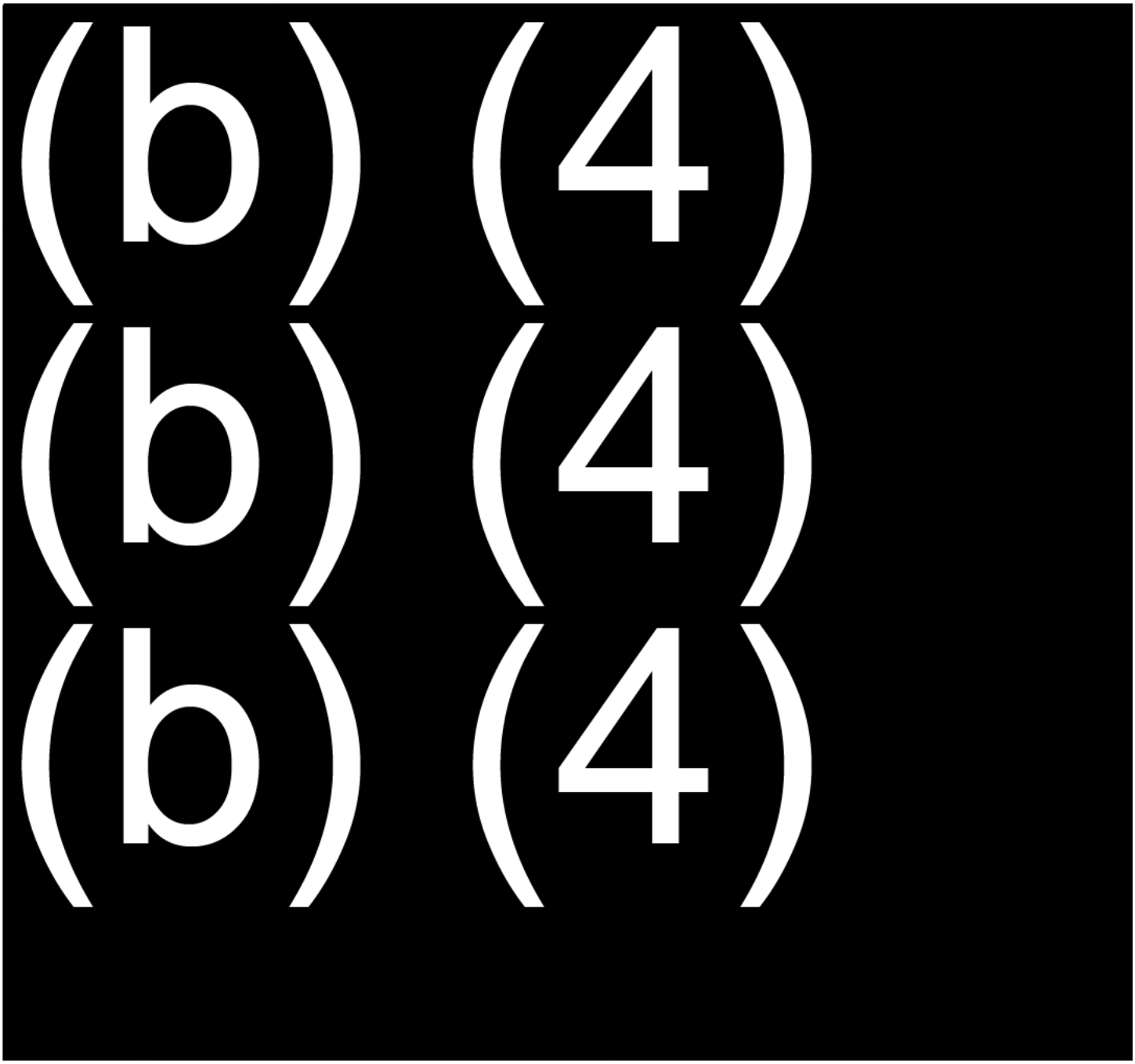
Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Levelland)**



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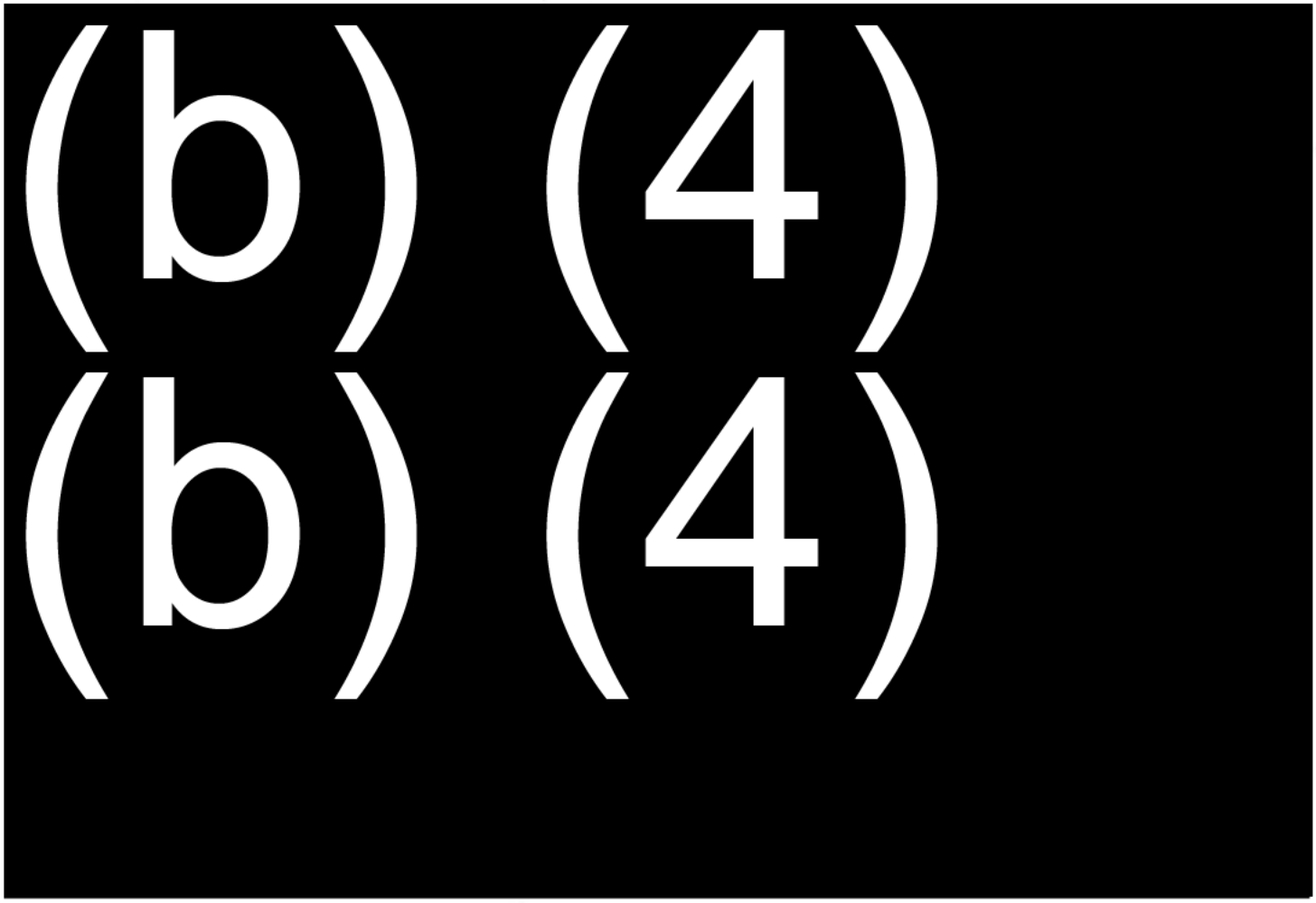
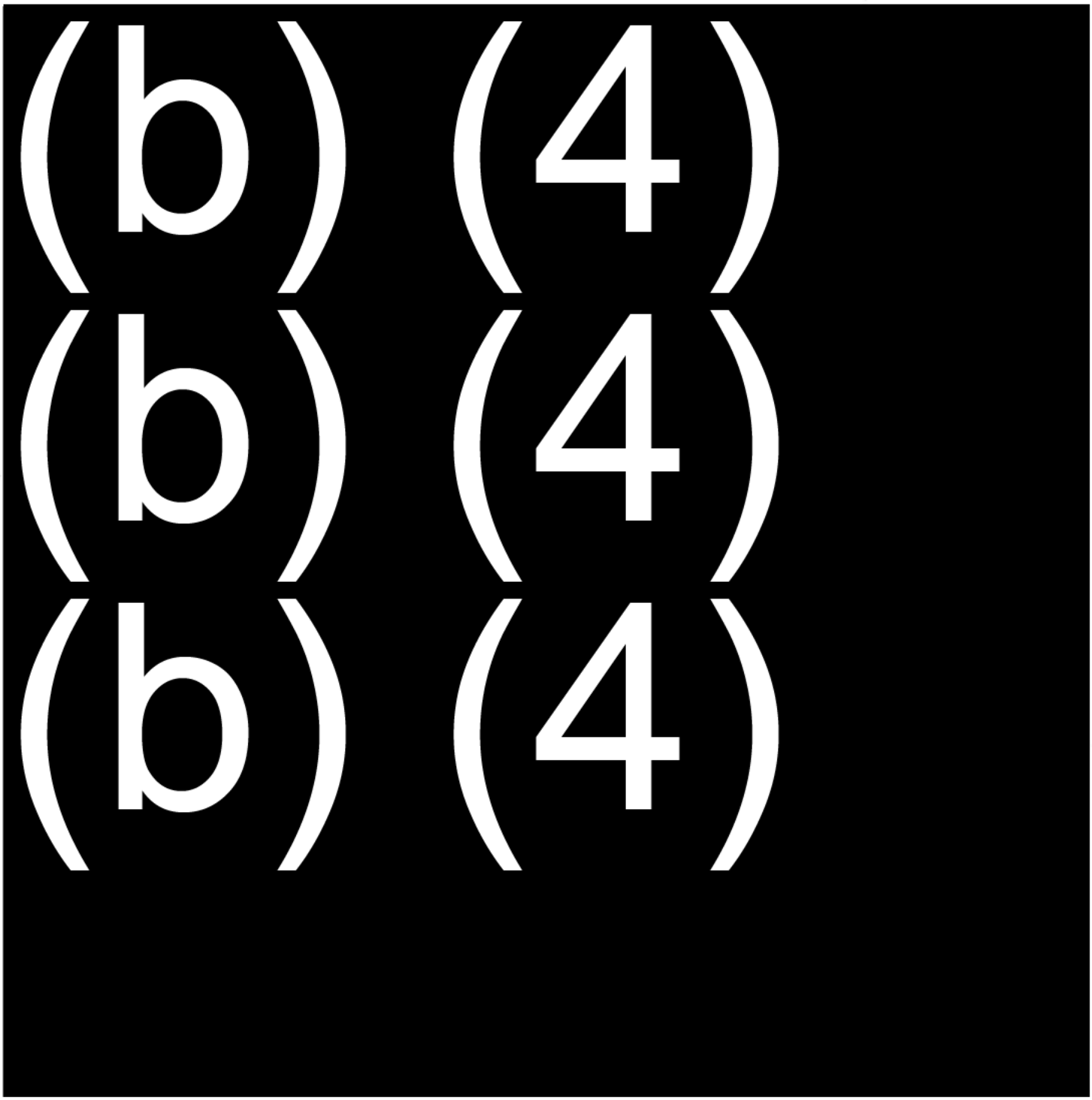
Schedule K-1 (Cont)
Market Data



Schedule K-1 (Cont)
Market Data
Levelland Business Tabulated Survey Results



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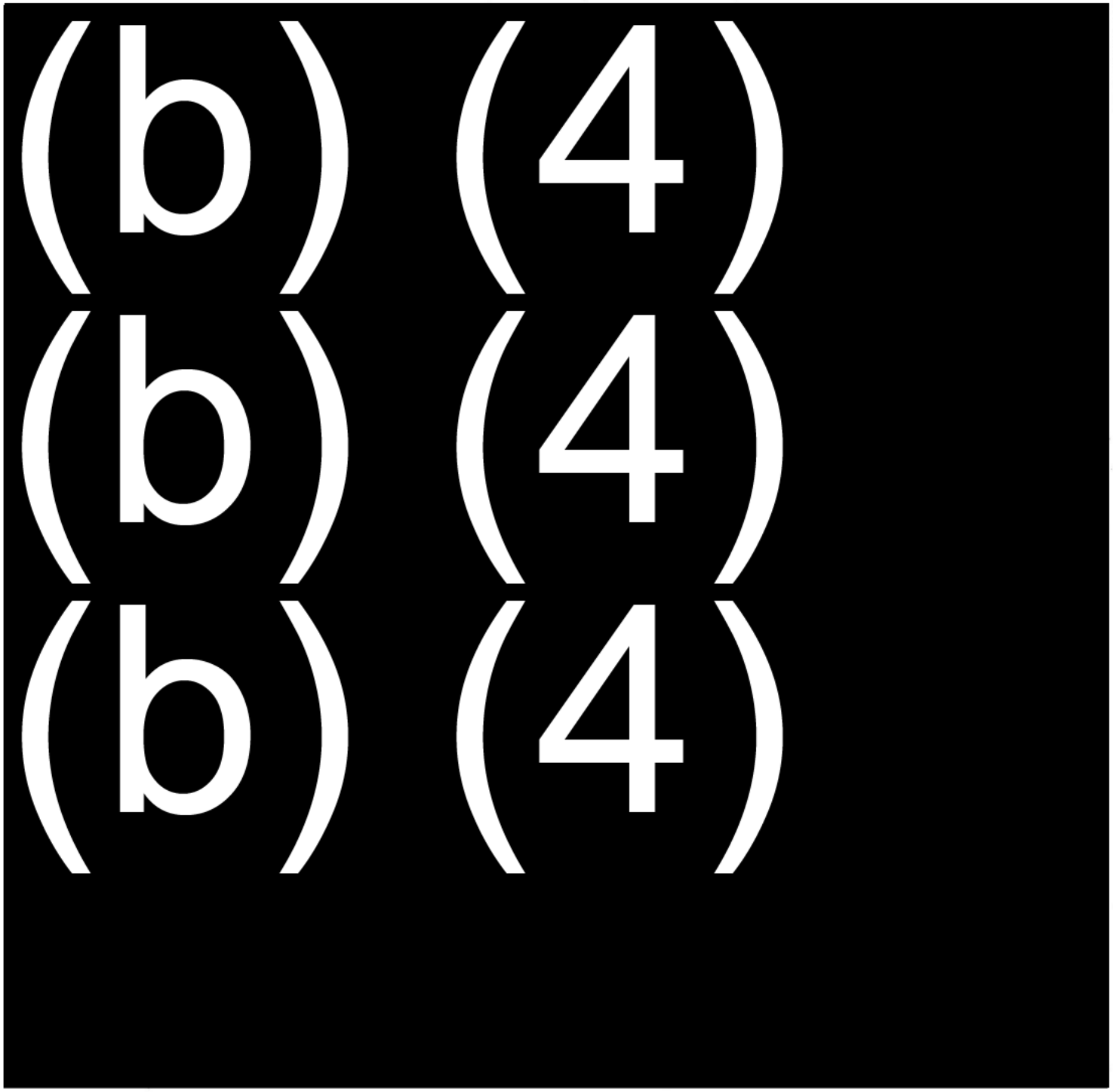
Market Data
Levelland Business Tabulated Survey Results



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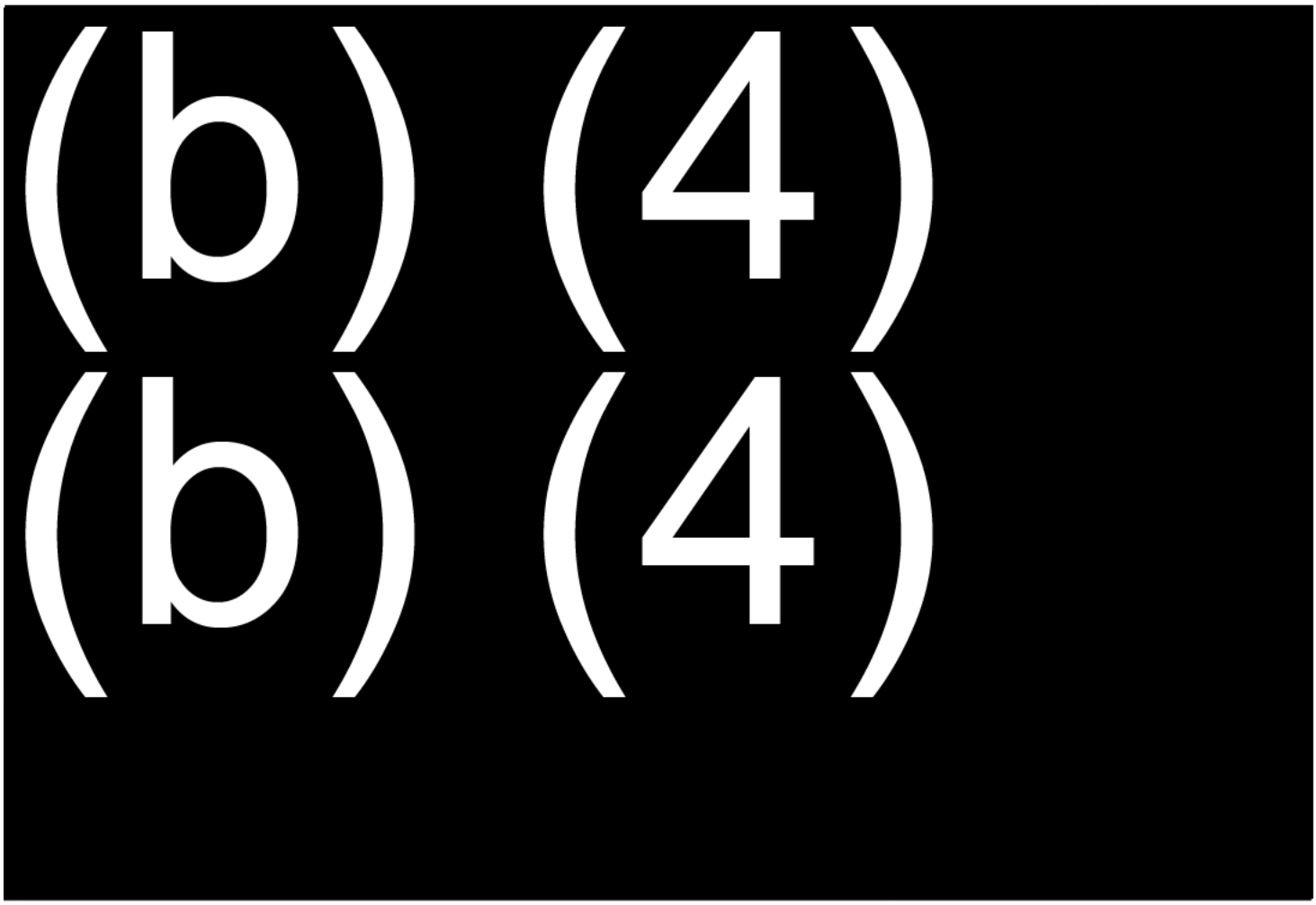
Schedule K-1 (Cont)
Market Data
Levelland Business Tabulated Survey Results



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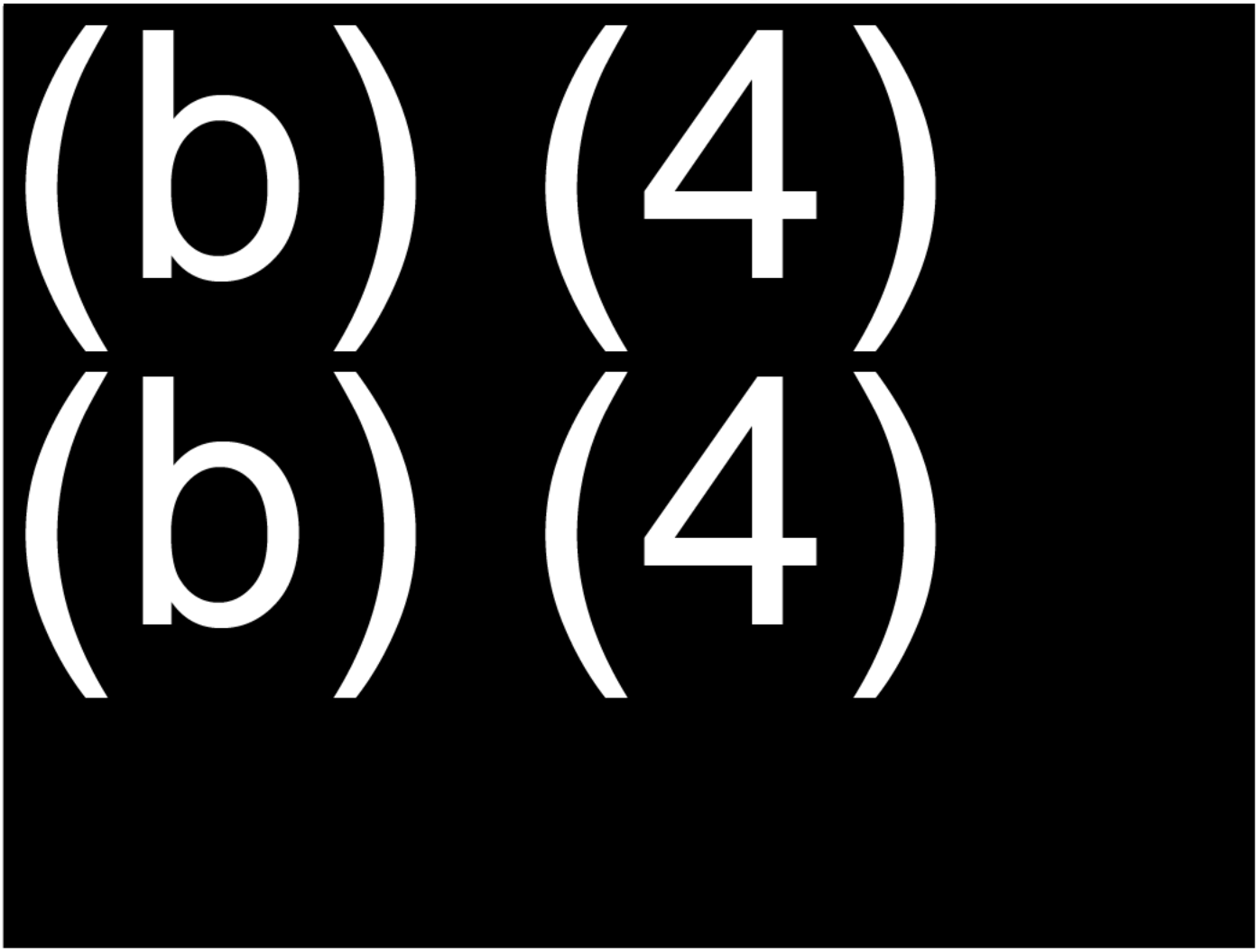
Market Data
Levelland Business Tabulated Survey Results



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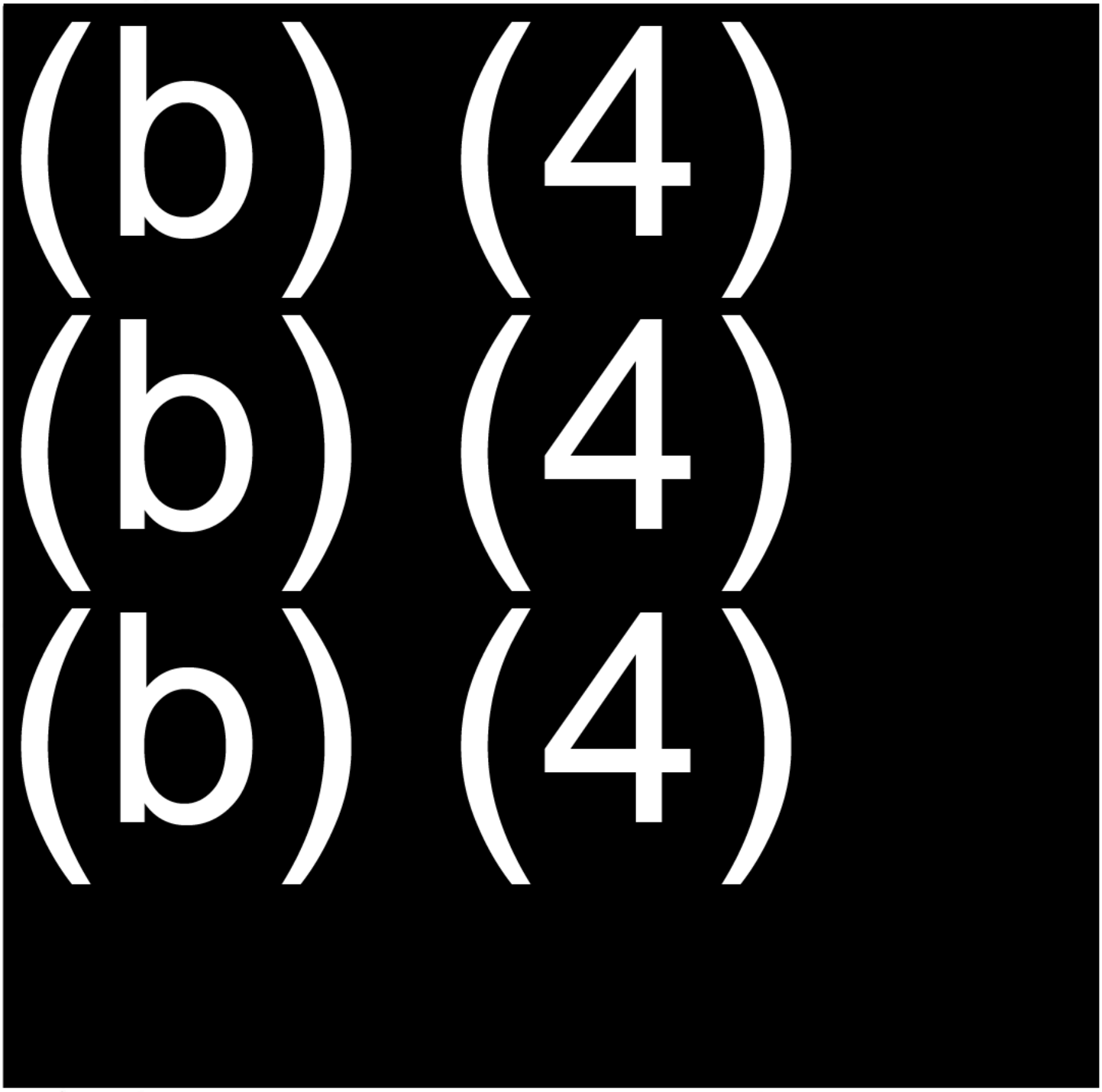
Schedule K-1 (Cont)
Market Data
General Interest Business Survey **(Levelland)**



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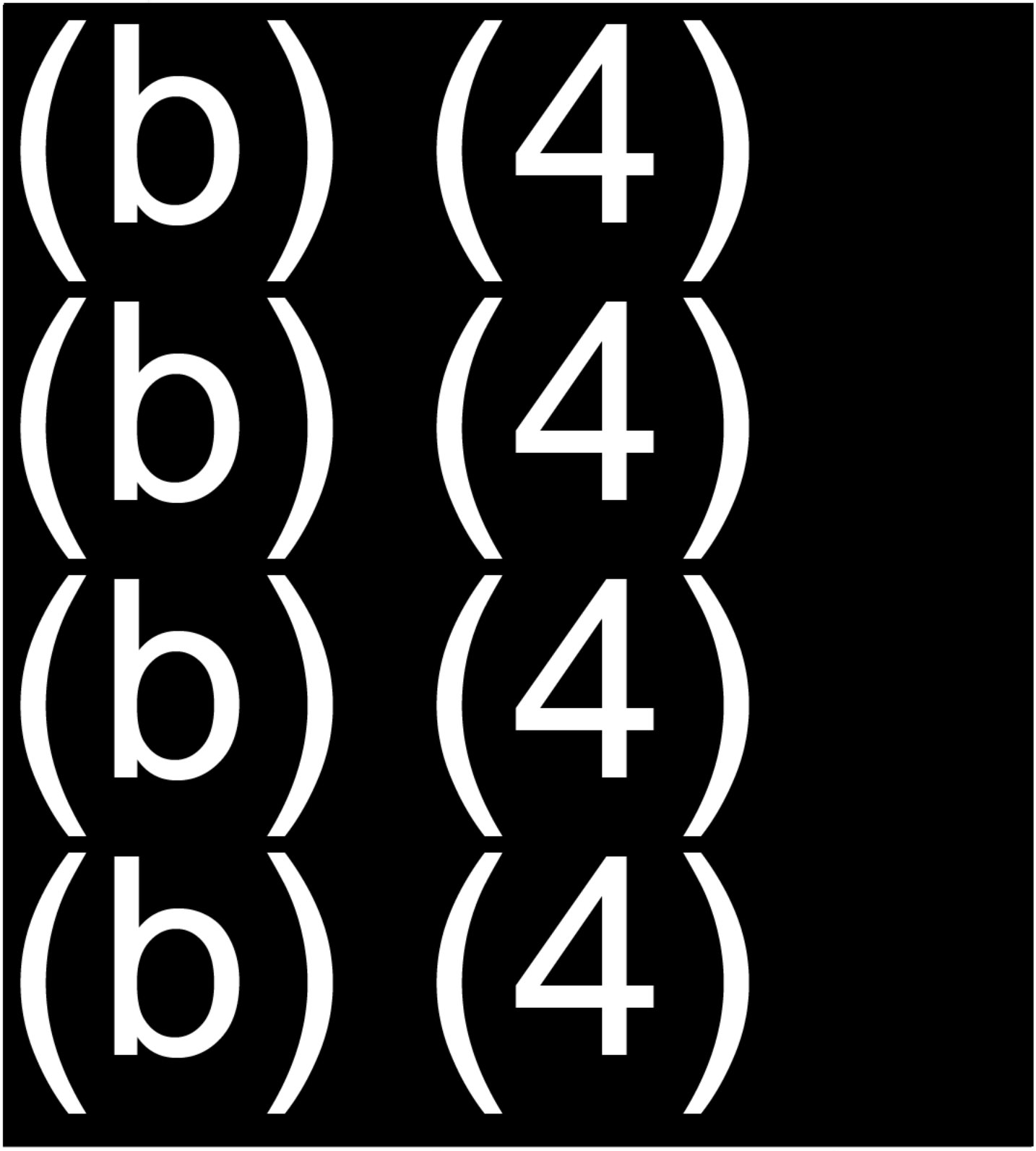
Market Data
General Interest Business Survey **(Levelland)**



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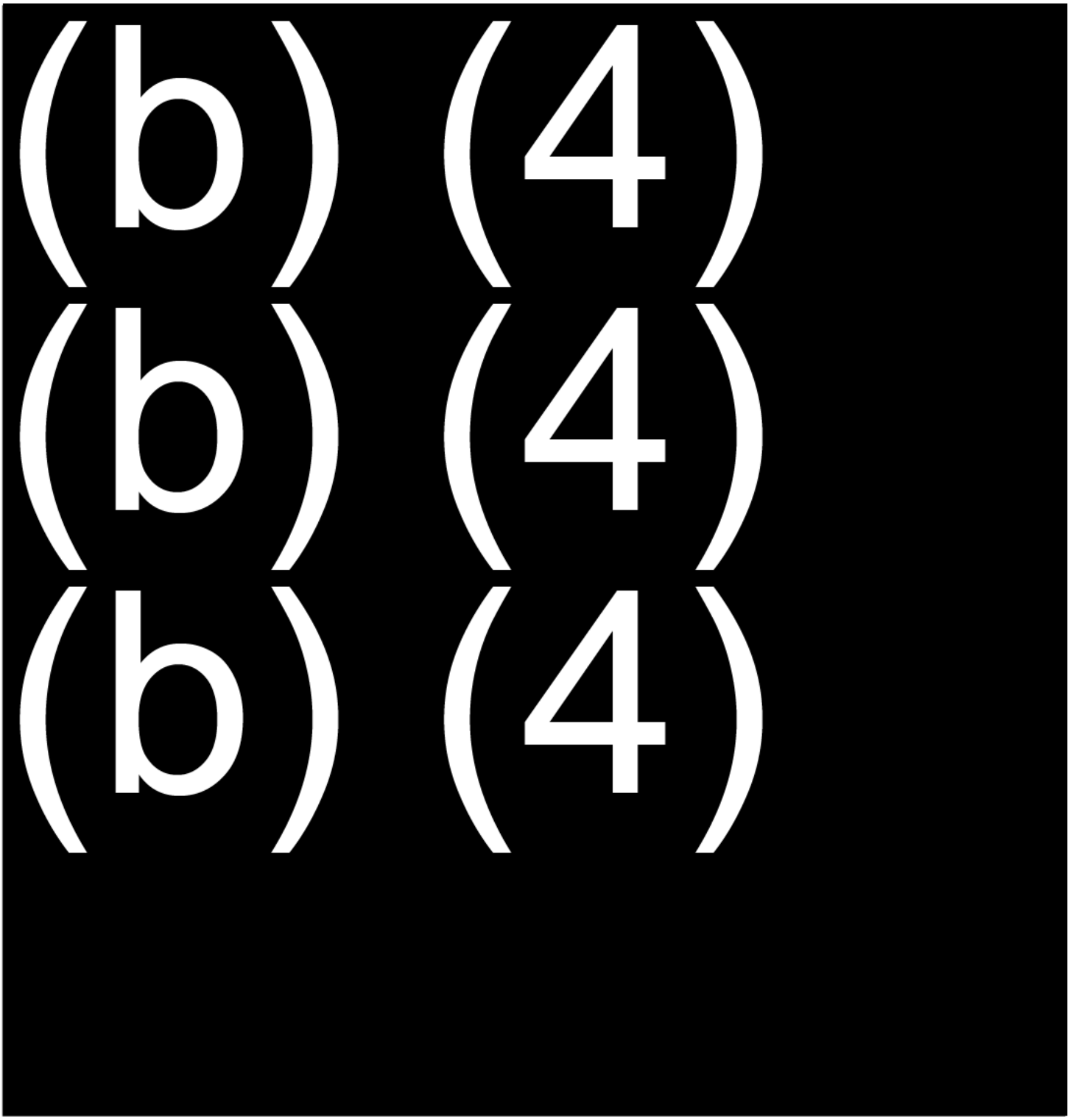
Market Data
General Interest Business Survey **(Levelland)**



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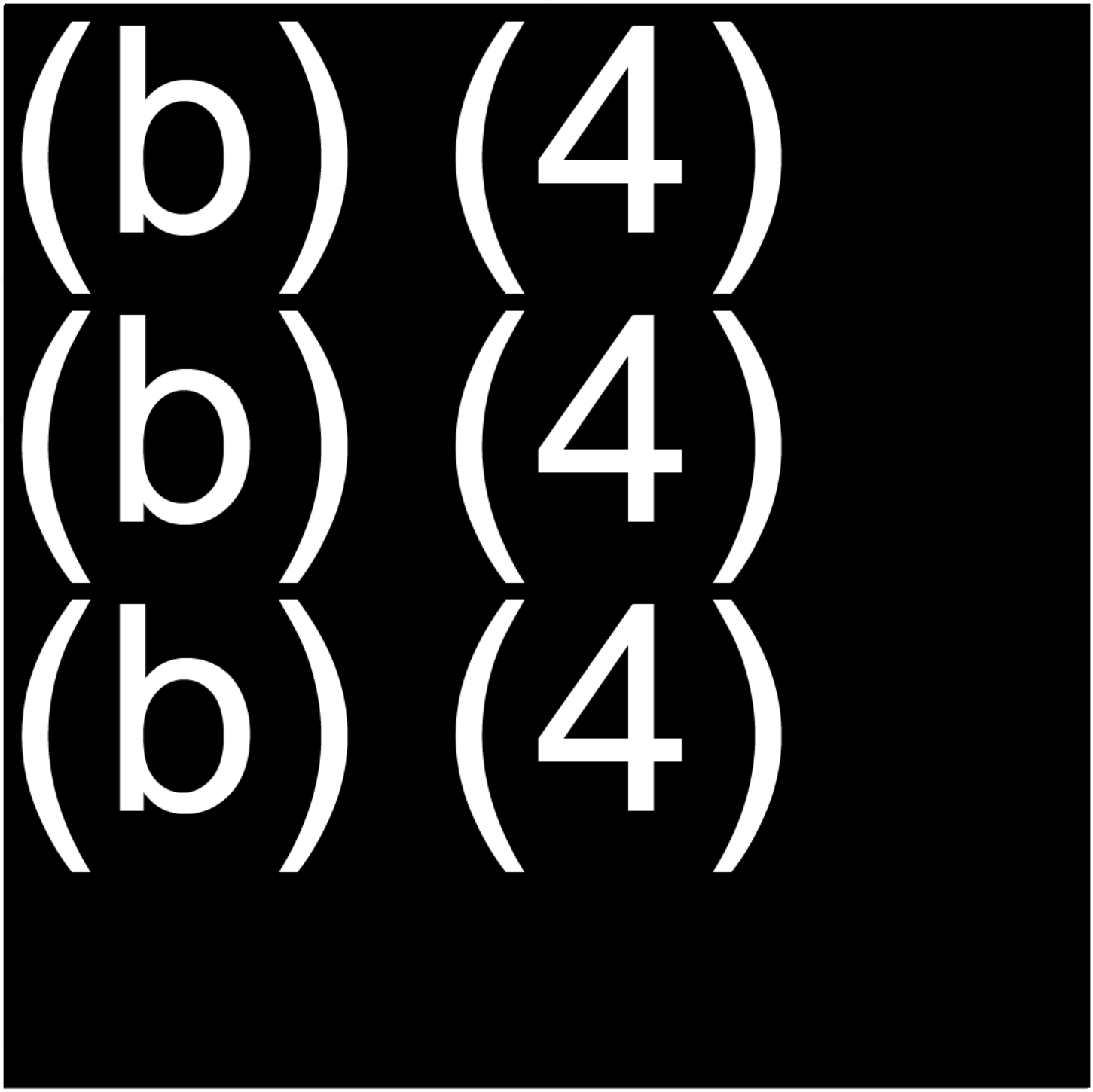
Market Data
General Interest Business Survey **(Levelland)**



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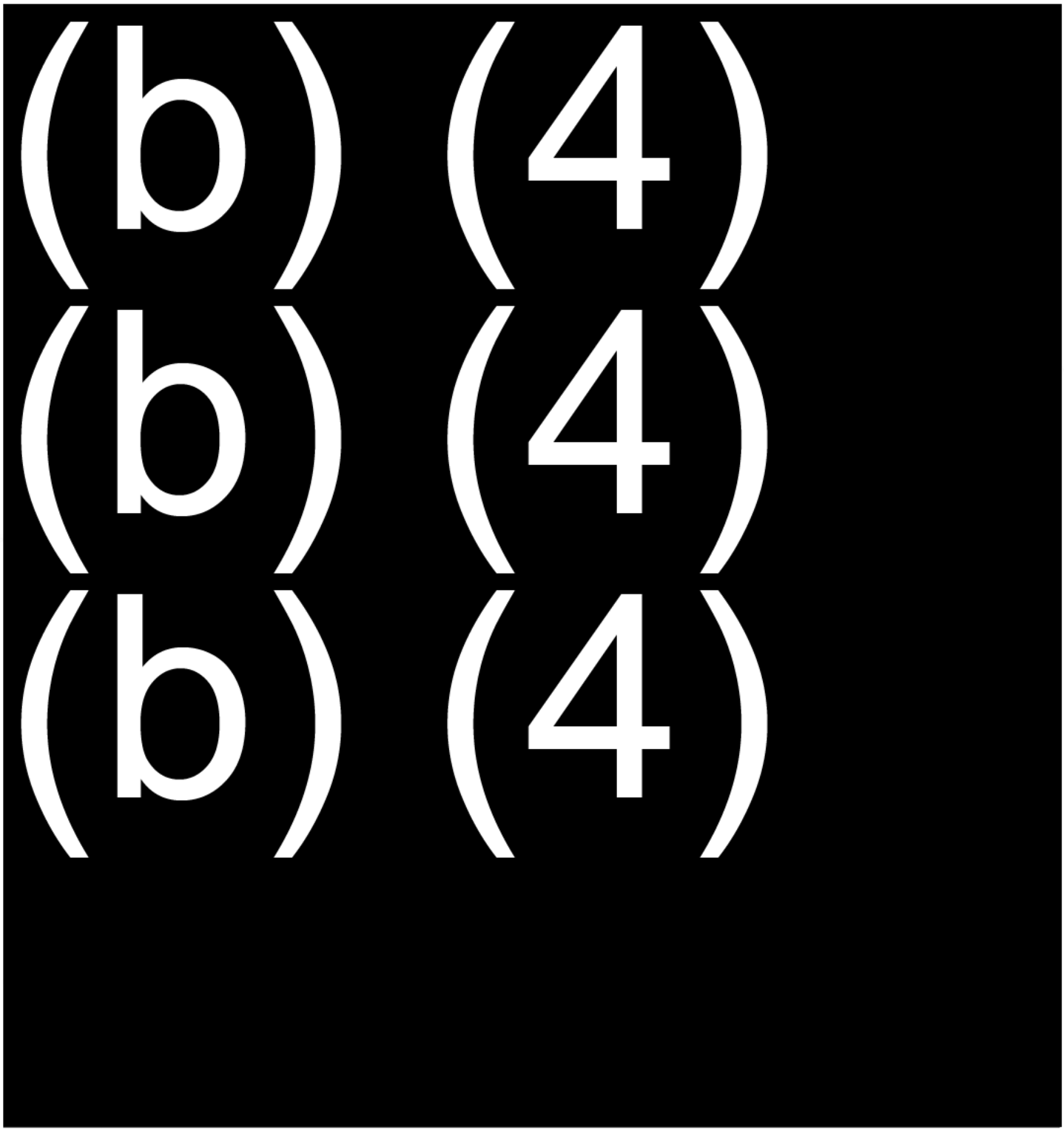
General Interest Business Survey **(Levelland)**



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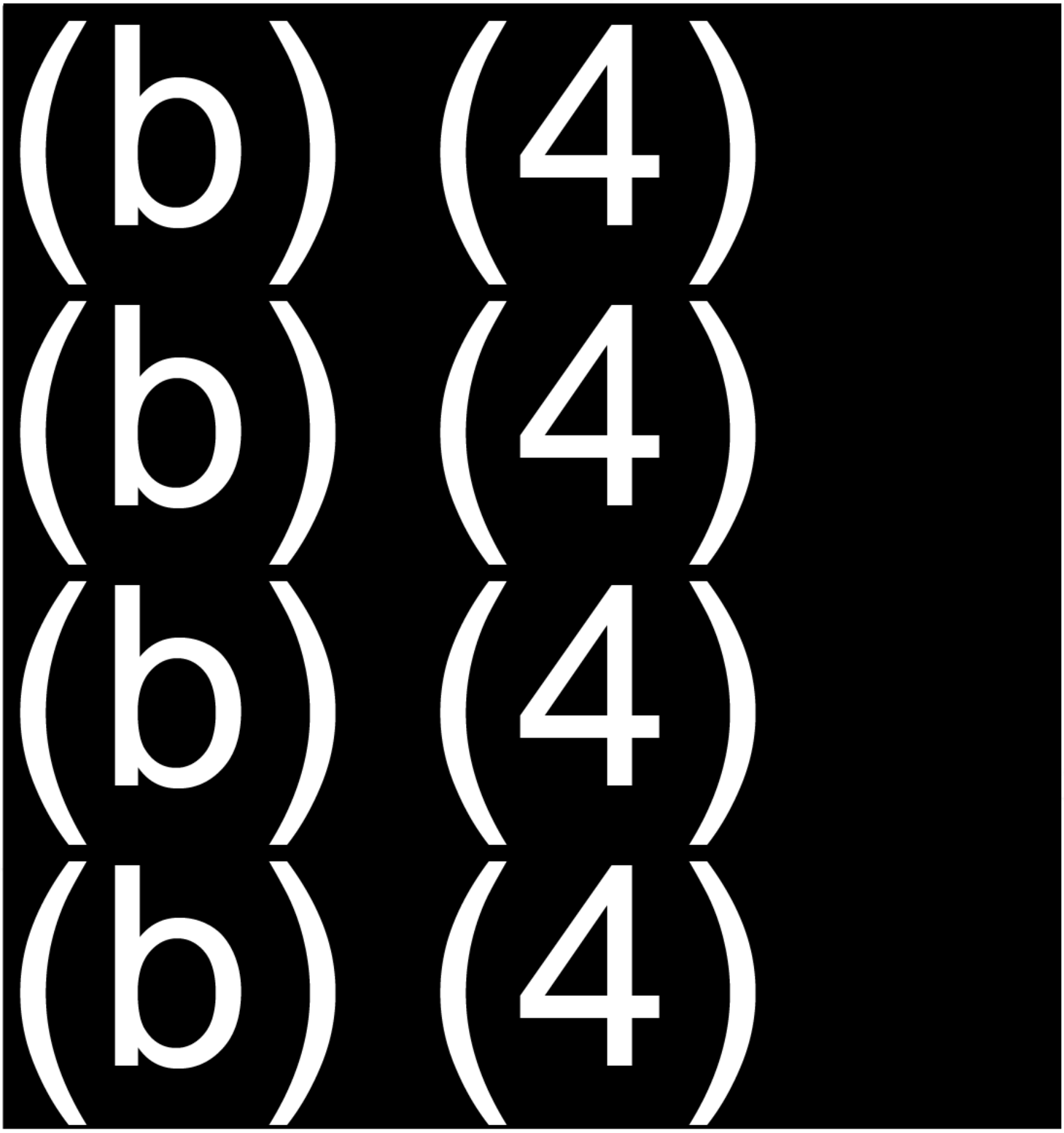
Market Data
General Interest Business Survey **(Levelland)**



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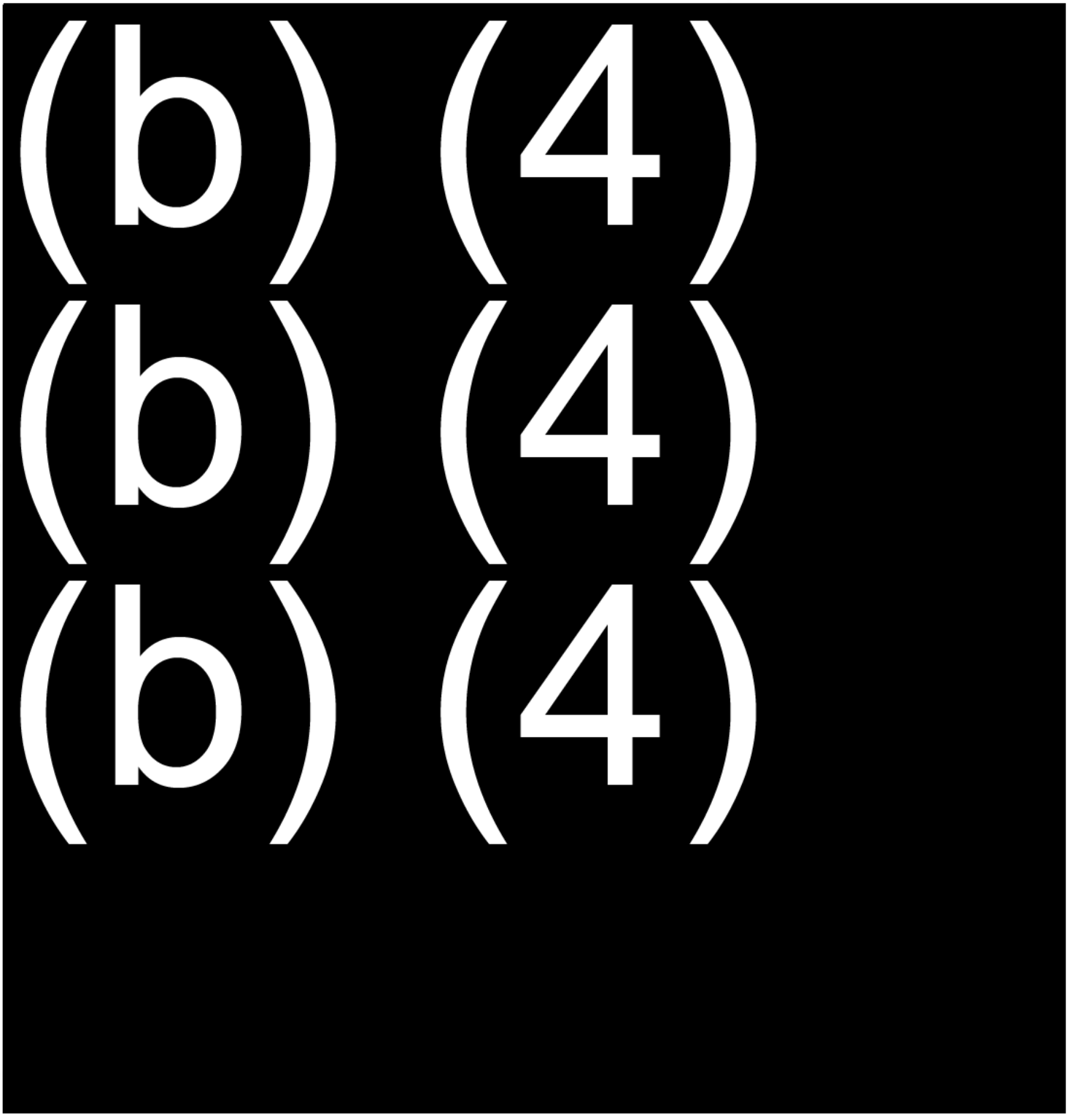
Market Data
General Interest Business Survey **(Levelland)**



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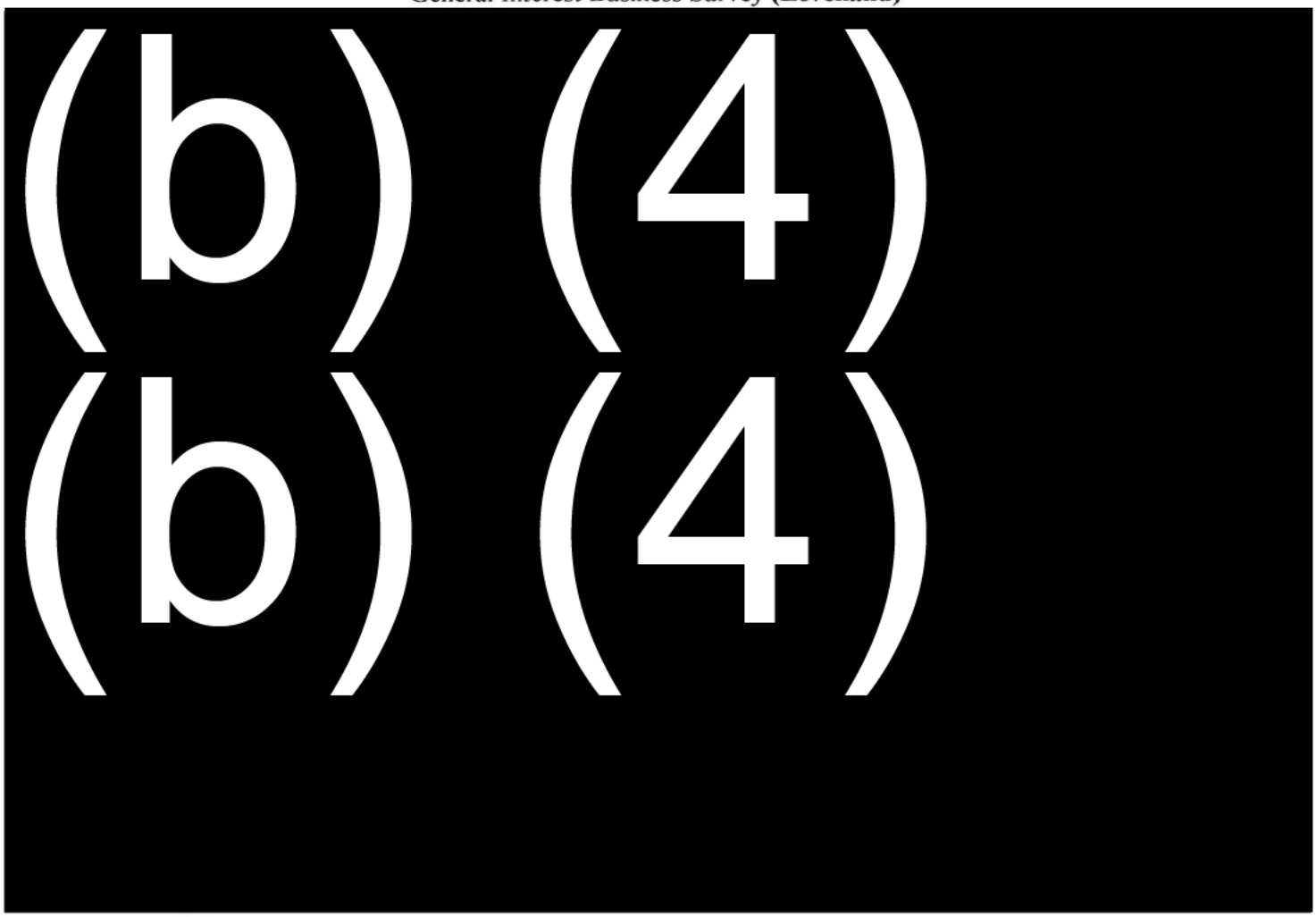
Schedule K-1 (Cont)
Market Data
General Interest Business Survey **(Levelland)**



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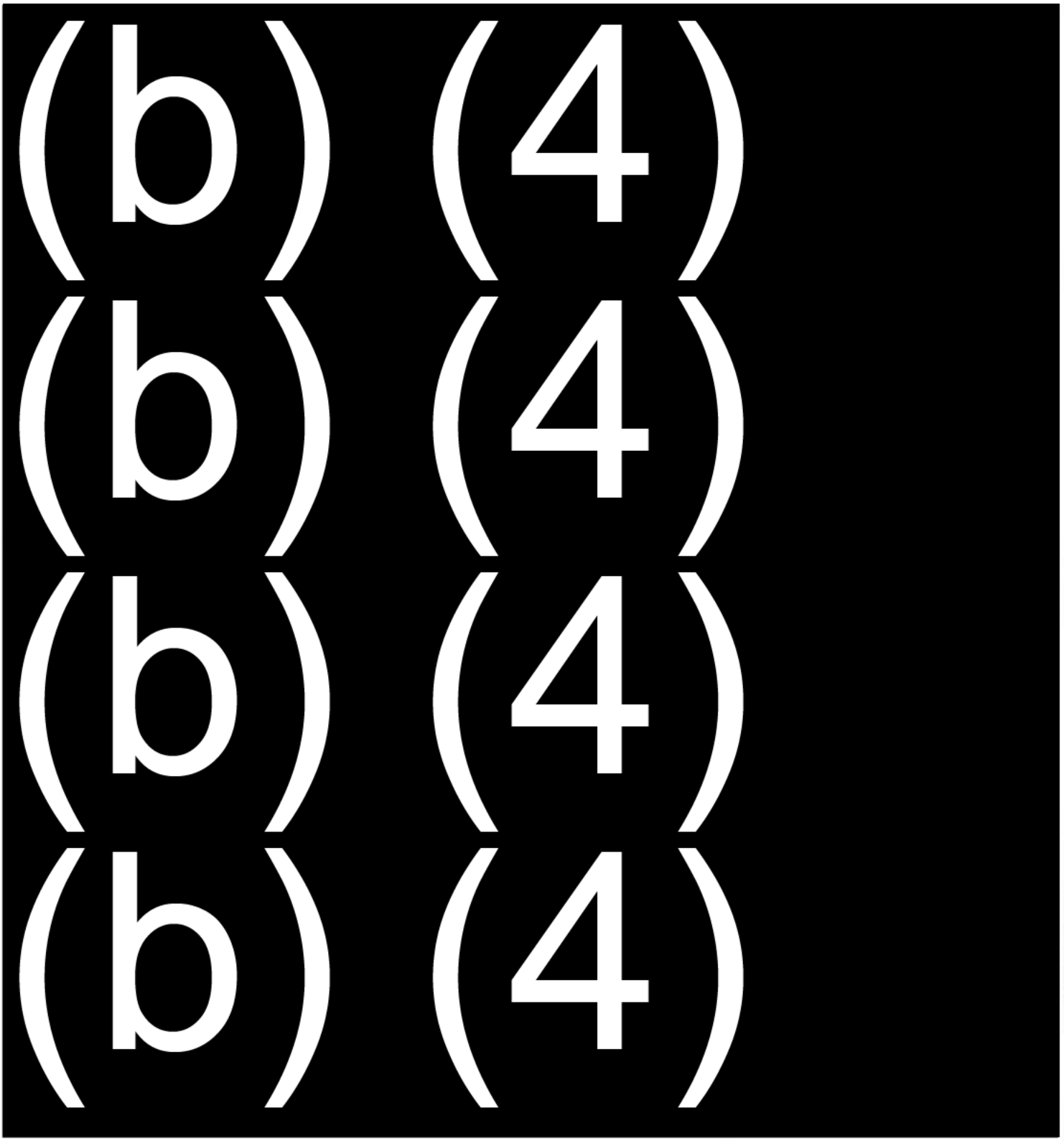
Schedule K-1 (Cont)
Market Data
General Interest Business Survey **(Levelland)**



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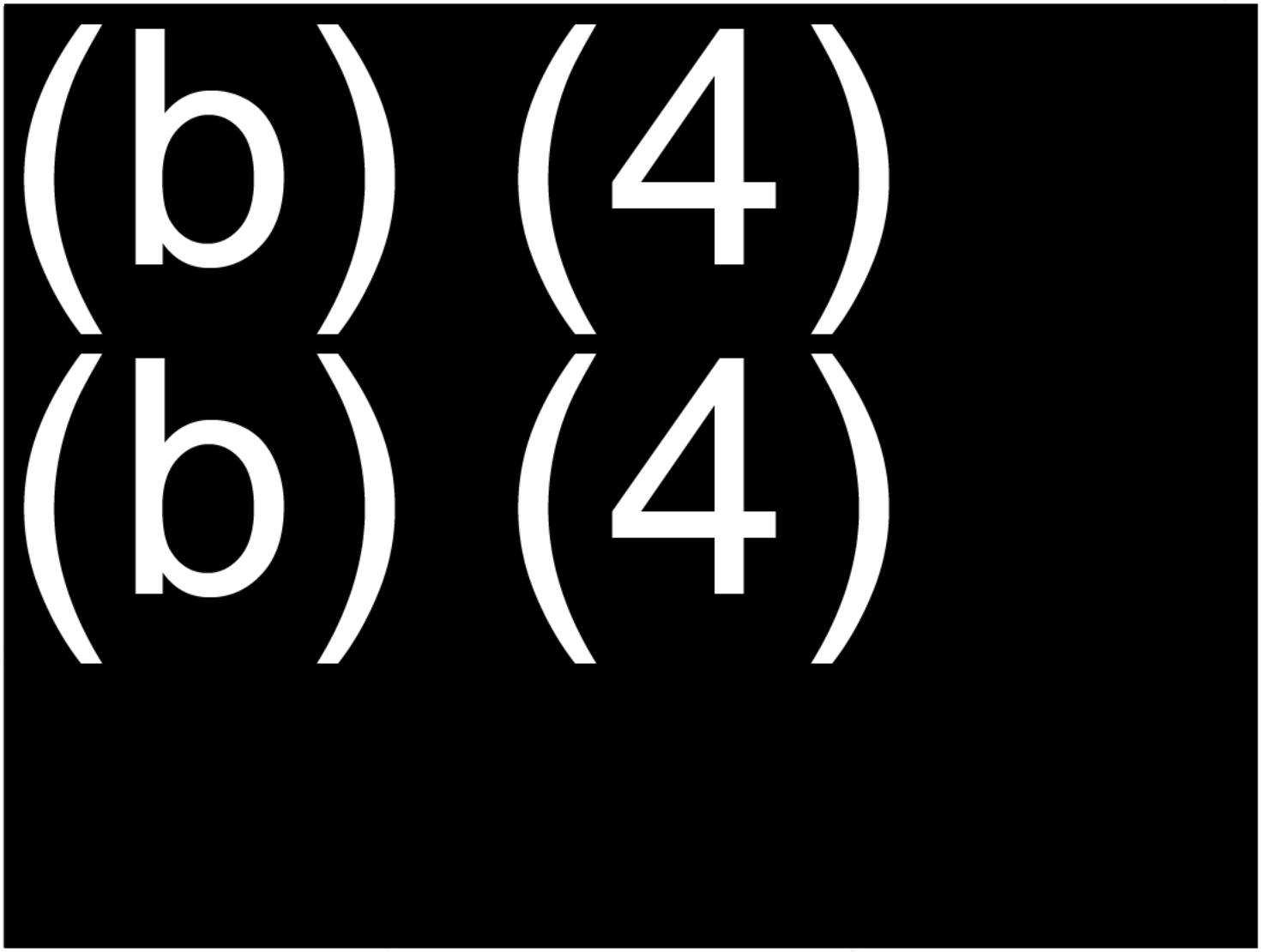
Schedule K-1 (Cont)
Market Data
General Interest Business Survey **(Levelland)**



Schedule K-1 (Cont)
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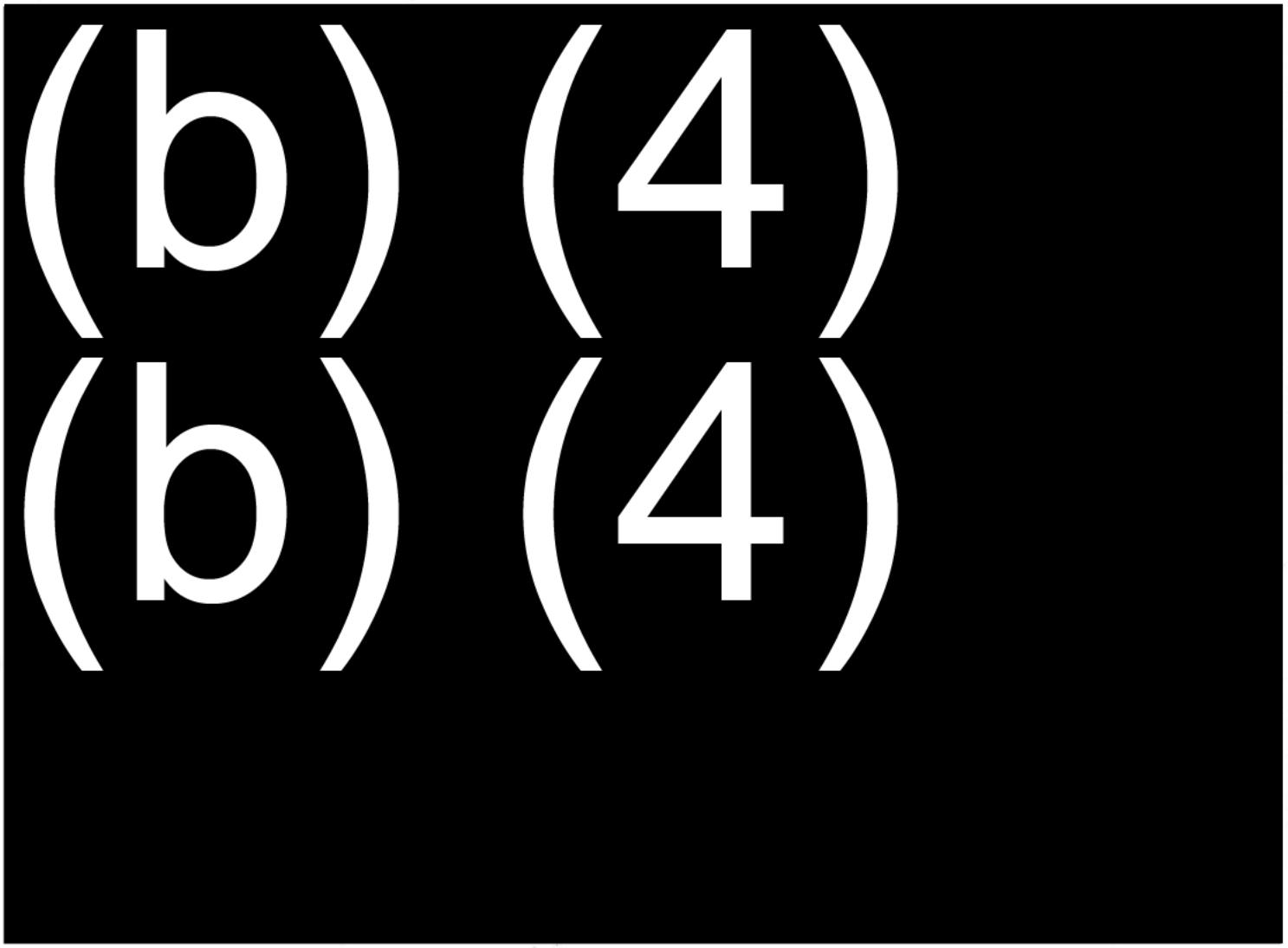
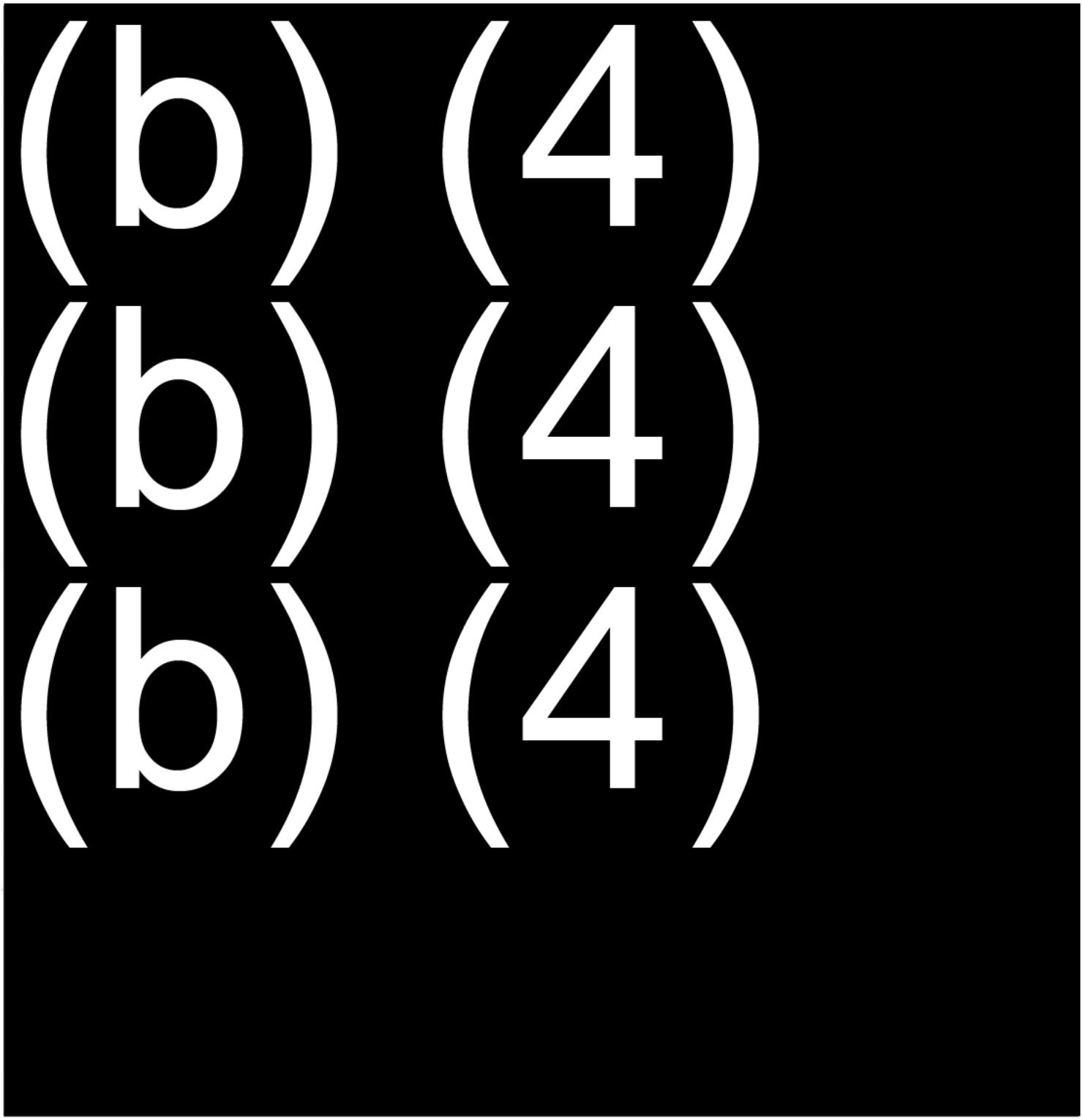
General Interest Business Survey **(Levelland)**



Schedule K-1 (Cont)
Market Data
General Interest Business Survey **(Levelland)**



(b) (4)(b) (4)(b) (4)

Smyer Market Data

For the community of Smyer, in Hockley County Texas, the 2000 U.S. Census reported that the population was 480. There were 215 households with a median home value of $46,700. The average household size was 2.68 people and the median household income was $30,677. Of the population over the age of sixteen, 67.2% of them were in the labor force.

Gender

Male	48.5%
Female	51.5%

Education

High School graduate or higher	72.0%
Bachelor's degree or higher	11.3%

Age

Under 5yrs old	6.7%
18yrs and older	67.9%
65yrs and older	12.7%

** *Note:* *Median Age is 36.7 yrs old*

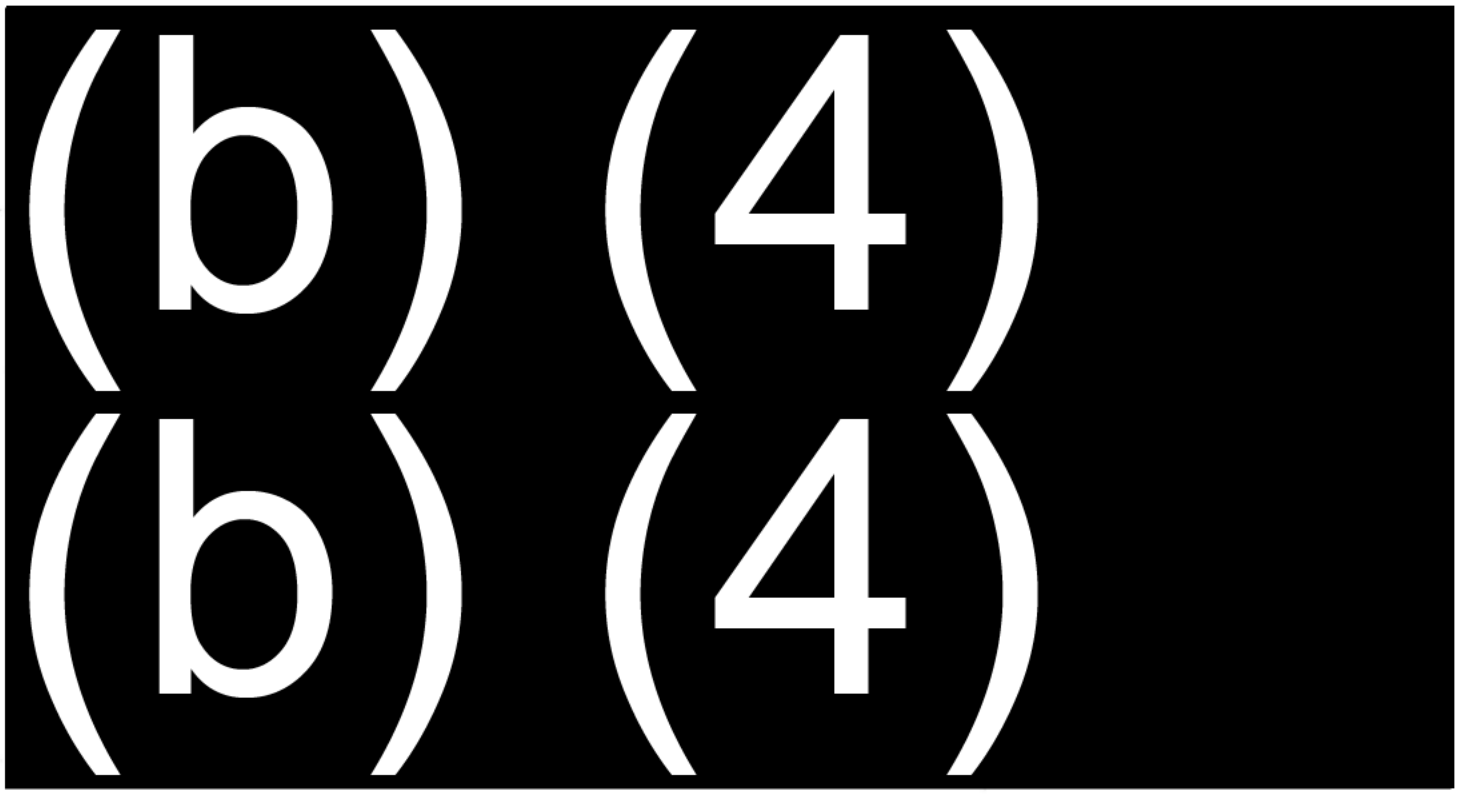
Race

White	81.9%
Black/African American	2.1%
American Indian/Alaskan Native	1.3%
Other	13.1%
Two or more races	1.7%

** *Note:* *Hispanic or Latino population elements are often classified within a variety of race categories; however, the 2000 U.S. Census reports Hispanic or Latino of any race as 29.2%.*

(b) (4)(b) (4)(b) (4)

Smyer Residential Marketing Survey



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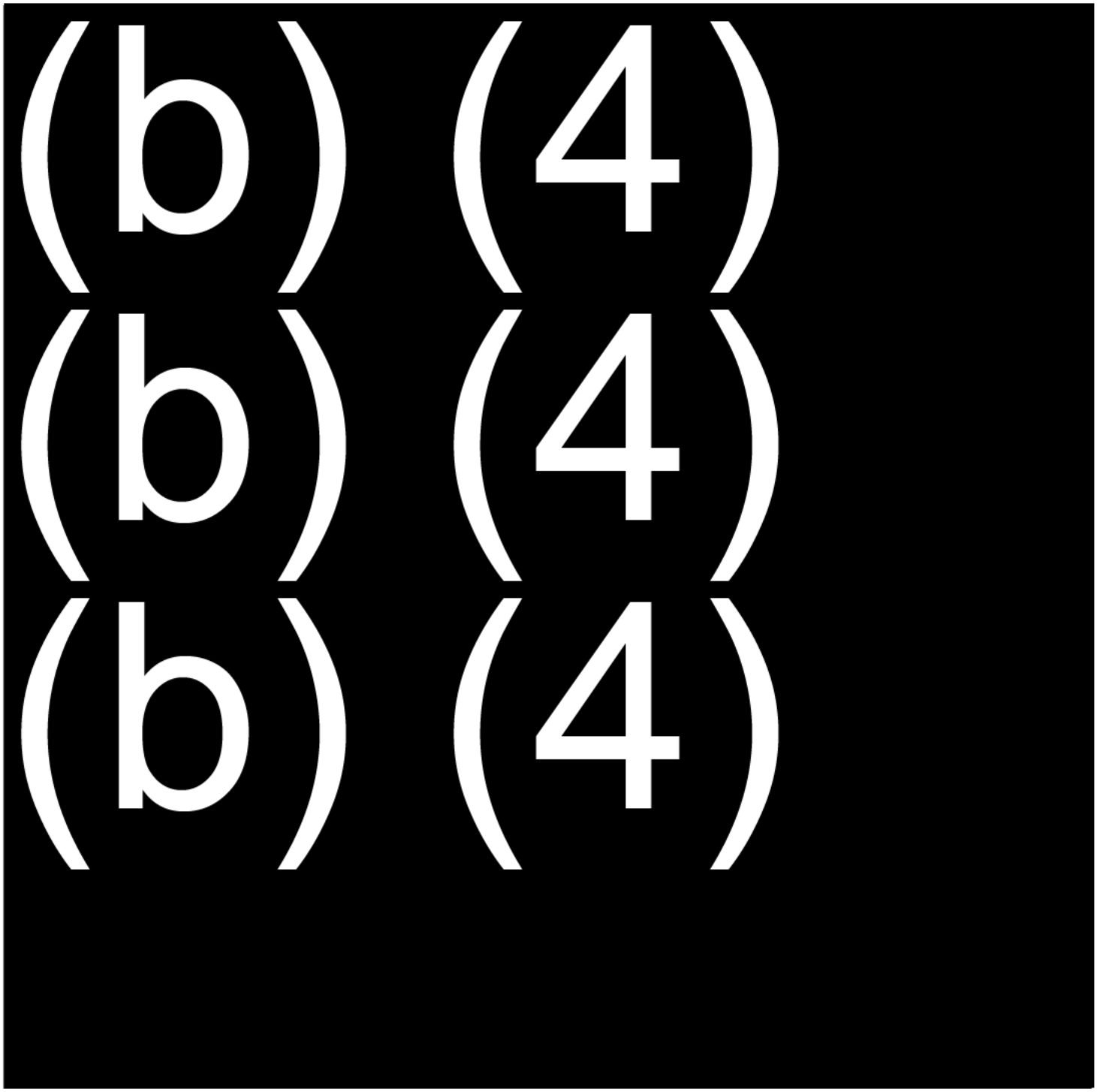
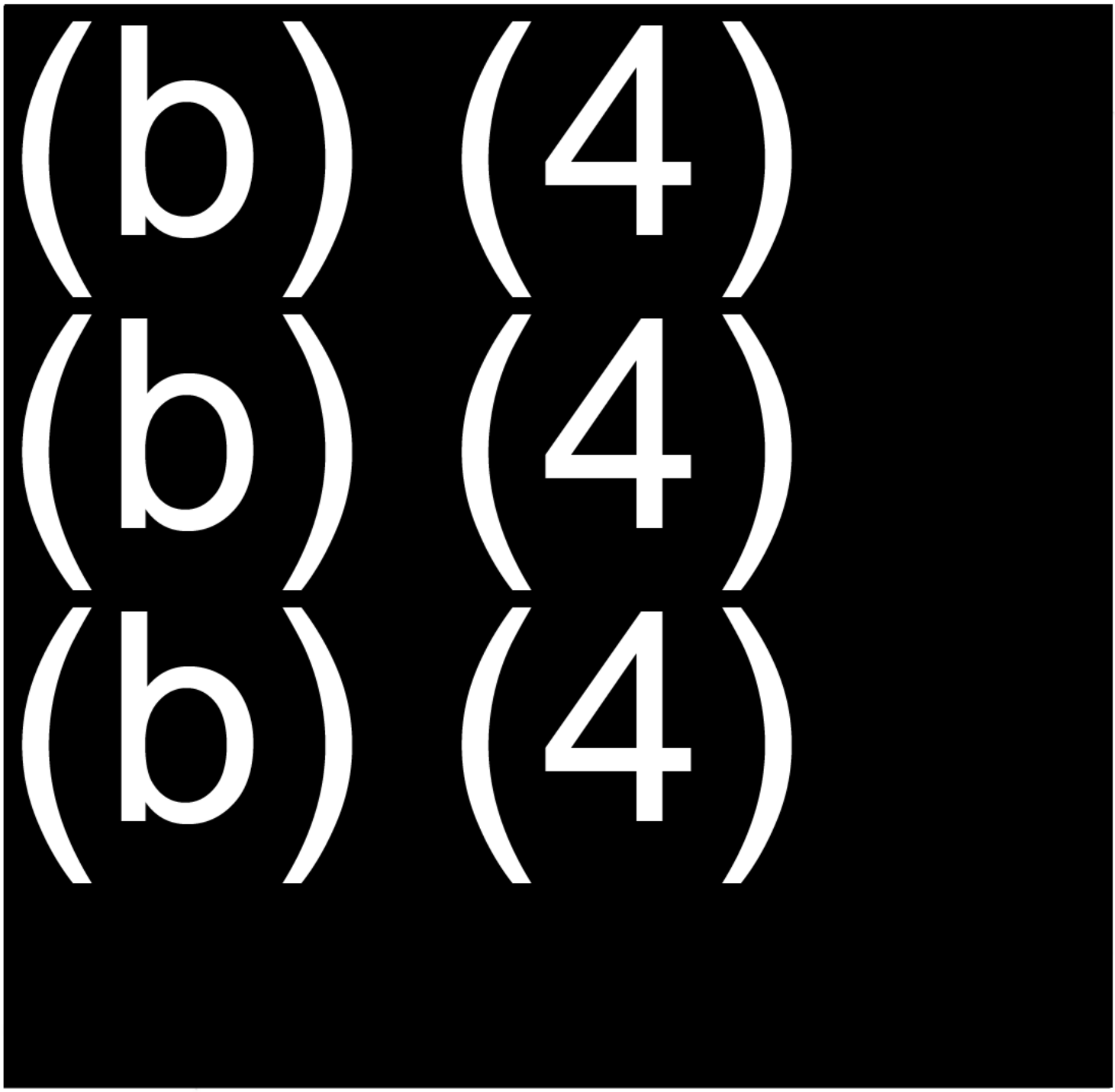
Schedule K-1 (Cont)
Market Data
Smyer Residential Tabulated Survey Results



Schedule K-1 (Cont)

Market Data
Smyer Residential Tabulated Survey Results



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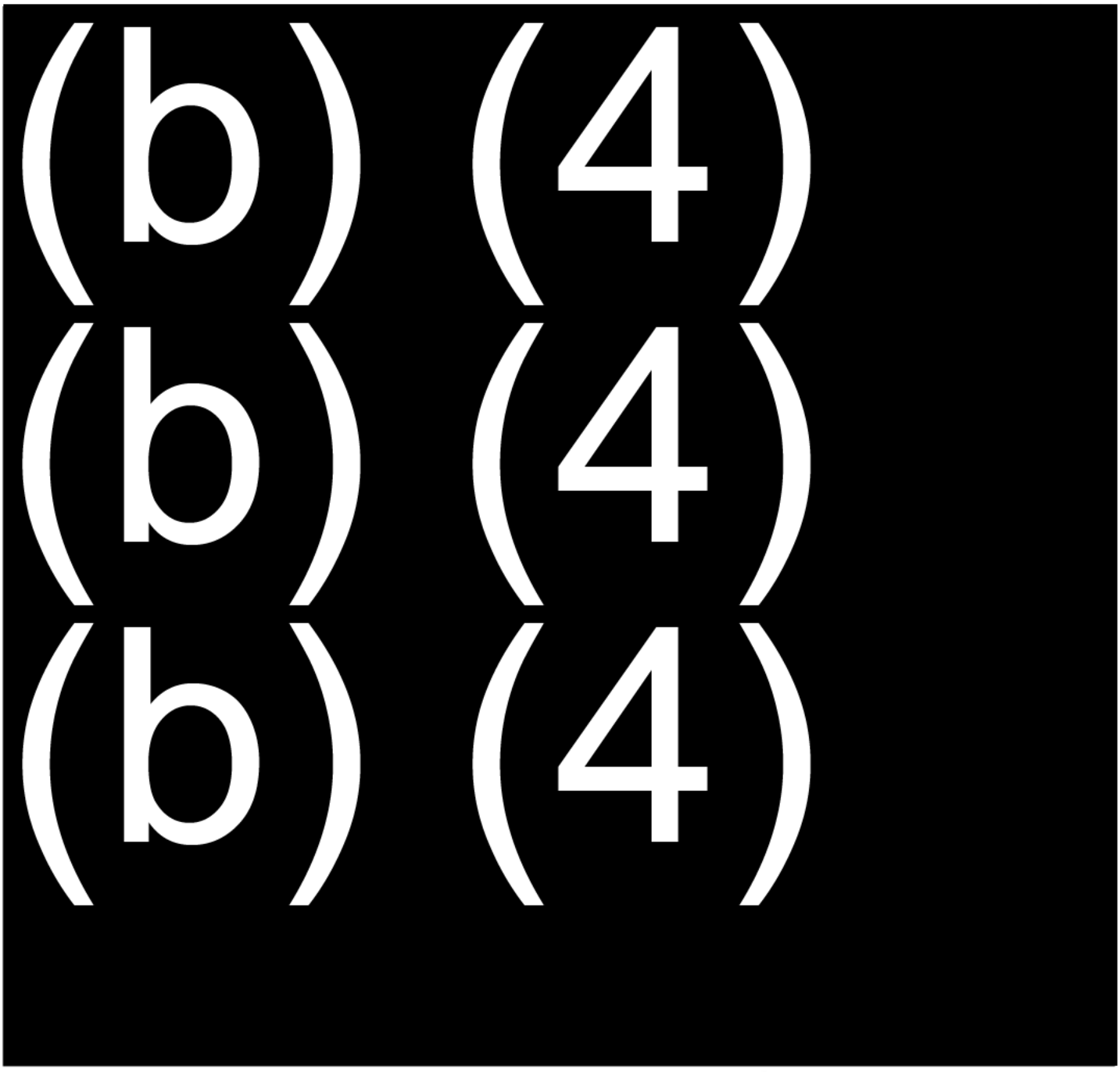
Schedule K-1 (Cont)
Market Data
Smyer Residential Tabulated Survey Results



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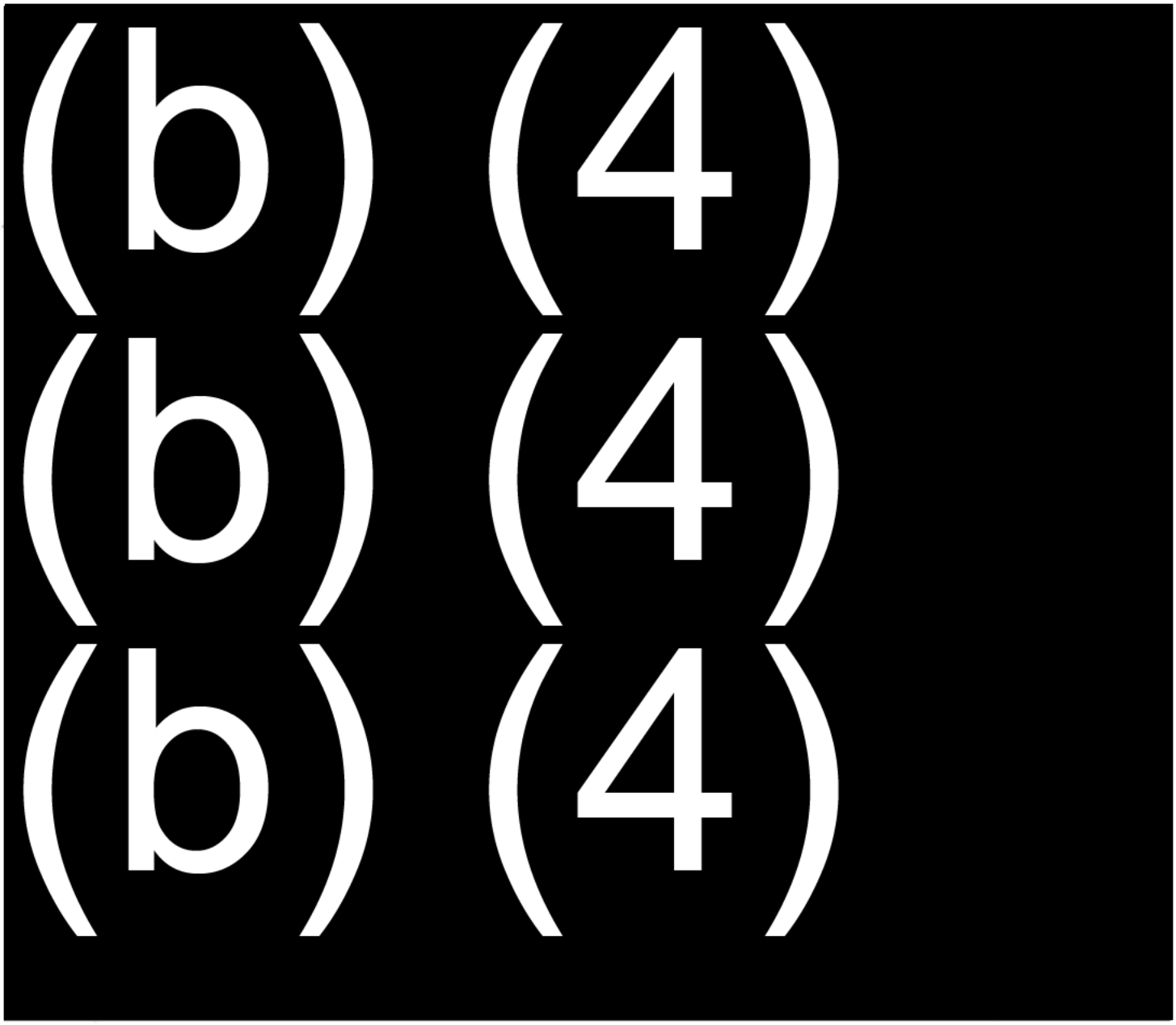
Schedule K-1 (Cont)
Market Data
Smyer Residential Tabulated Survey Results



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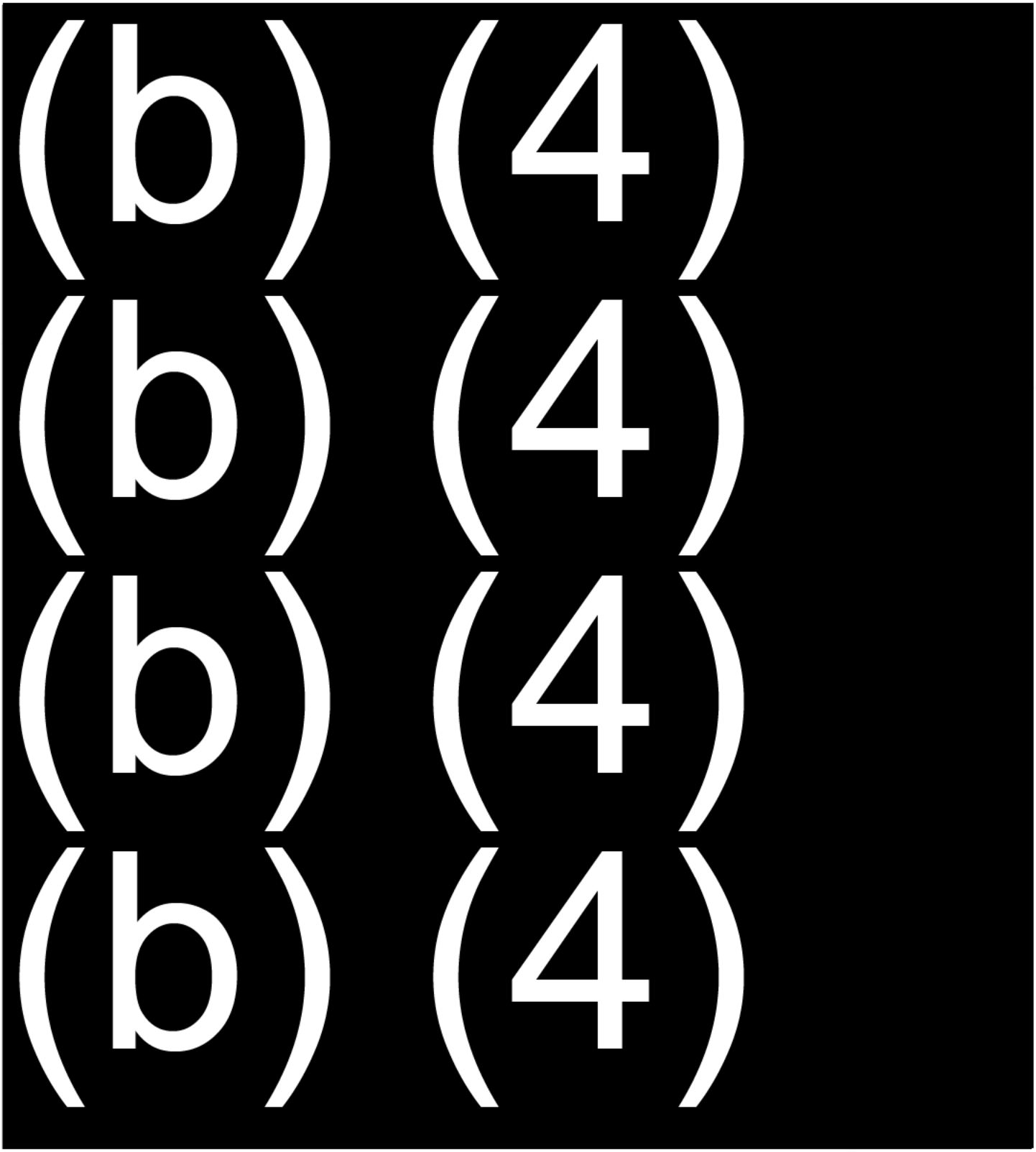
Schedule K-1 (Cont)
Market Data
Smyer Residential Tabulated Survey Results



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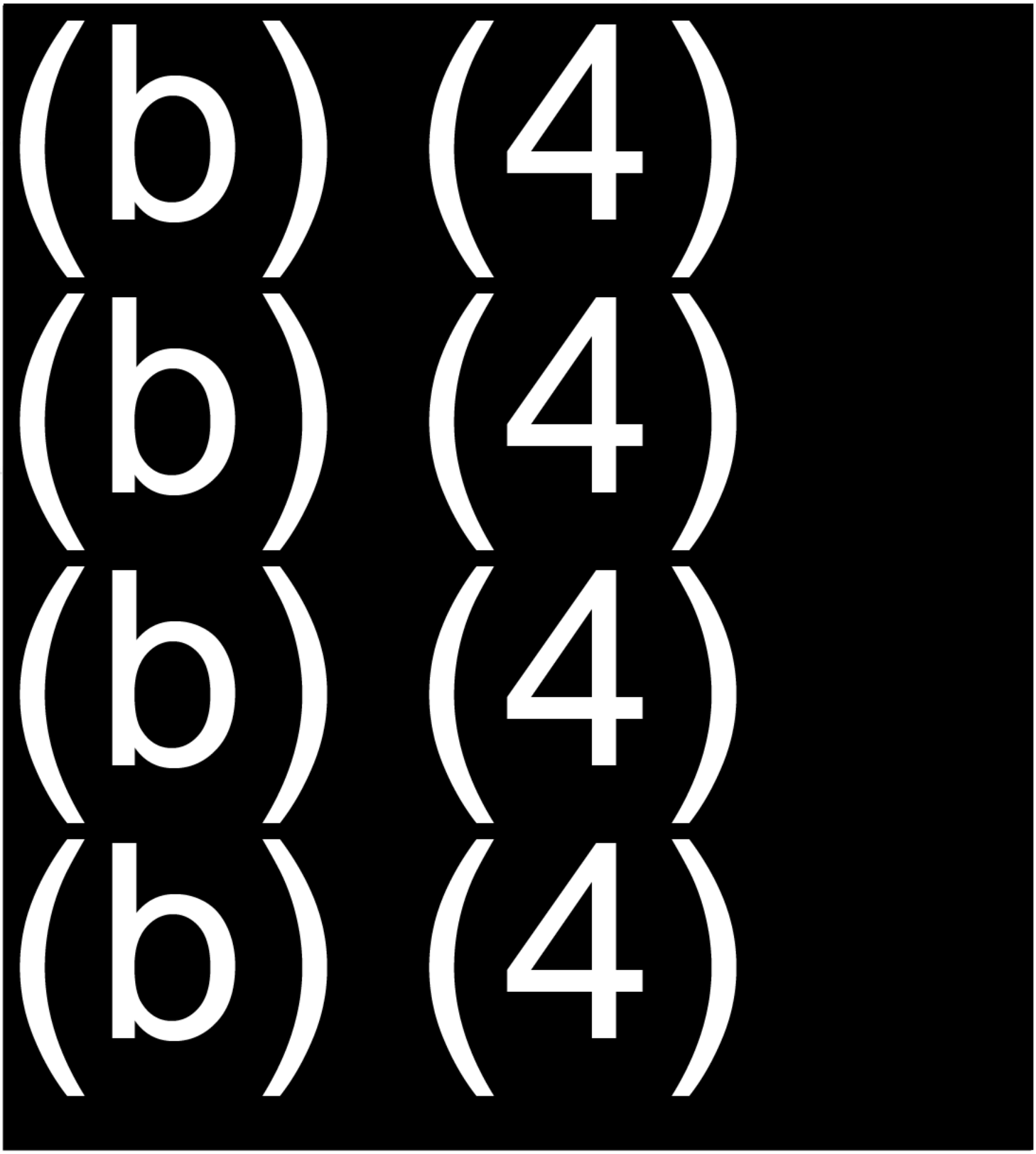
Schedule K-1 (Cont)

Market Data

General Interest Residential Survey **(Smyer)**



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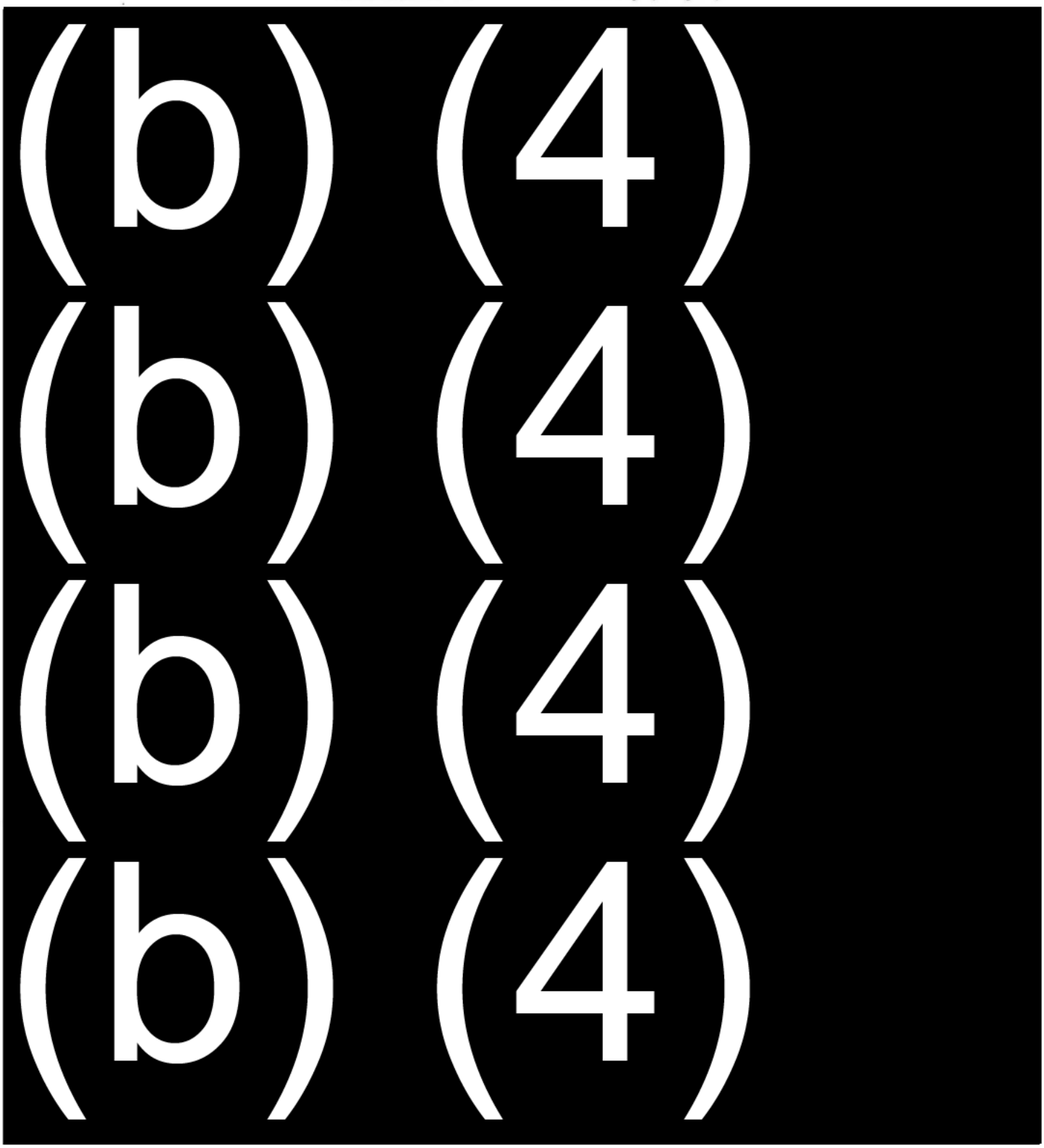
Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Smyer)**



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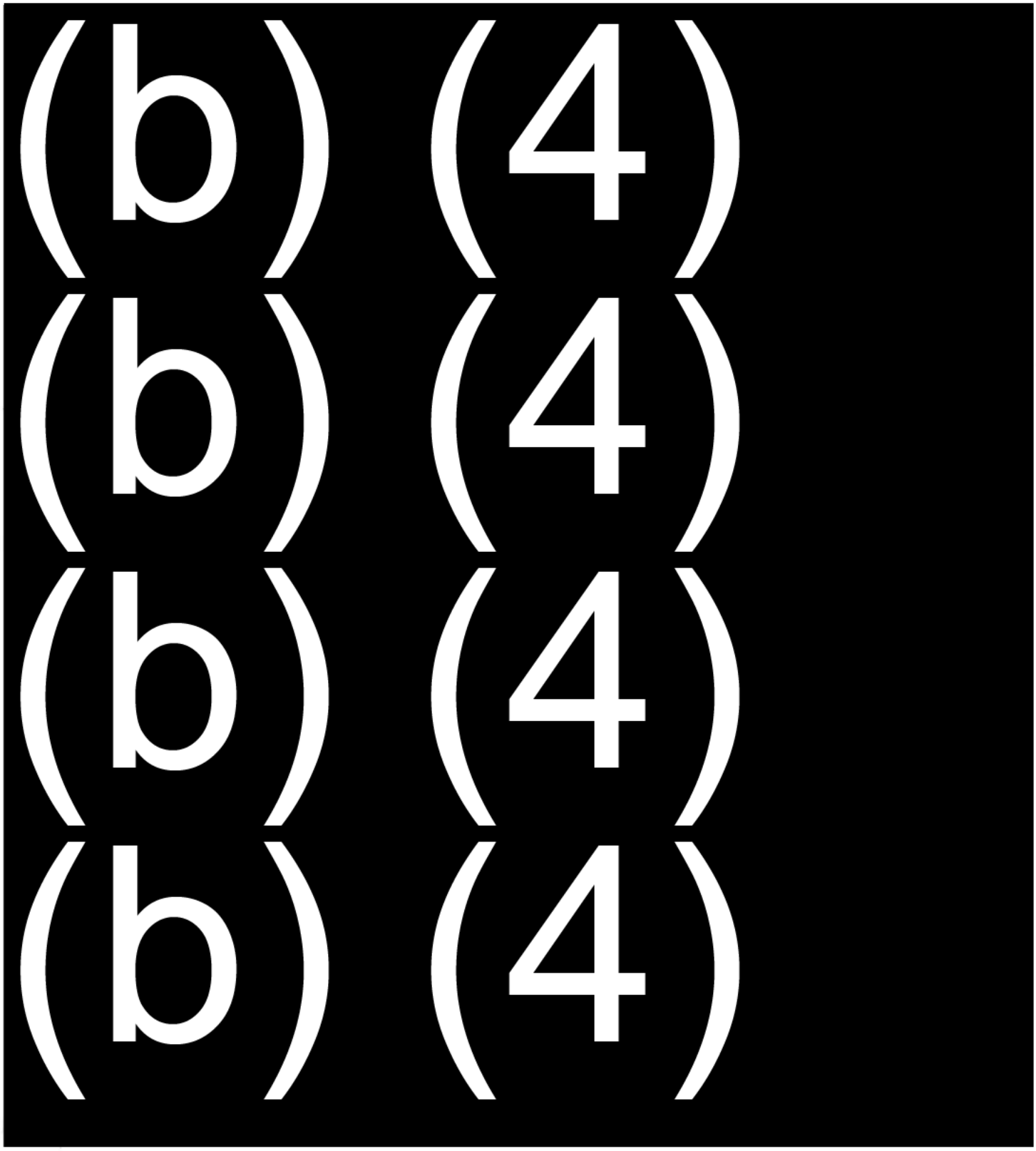
Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Smyer)**



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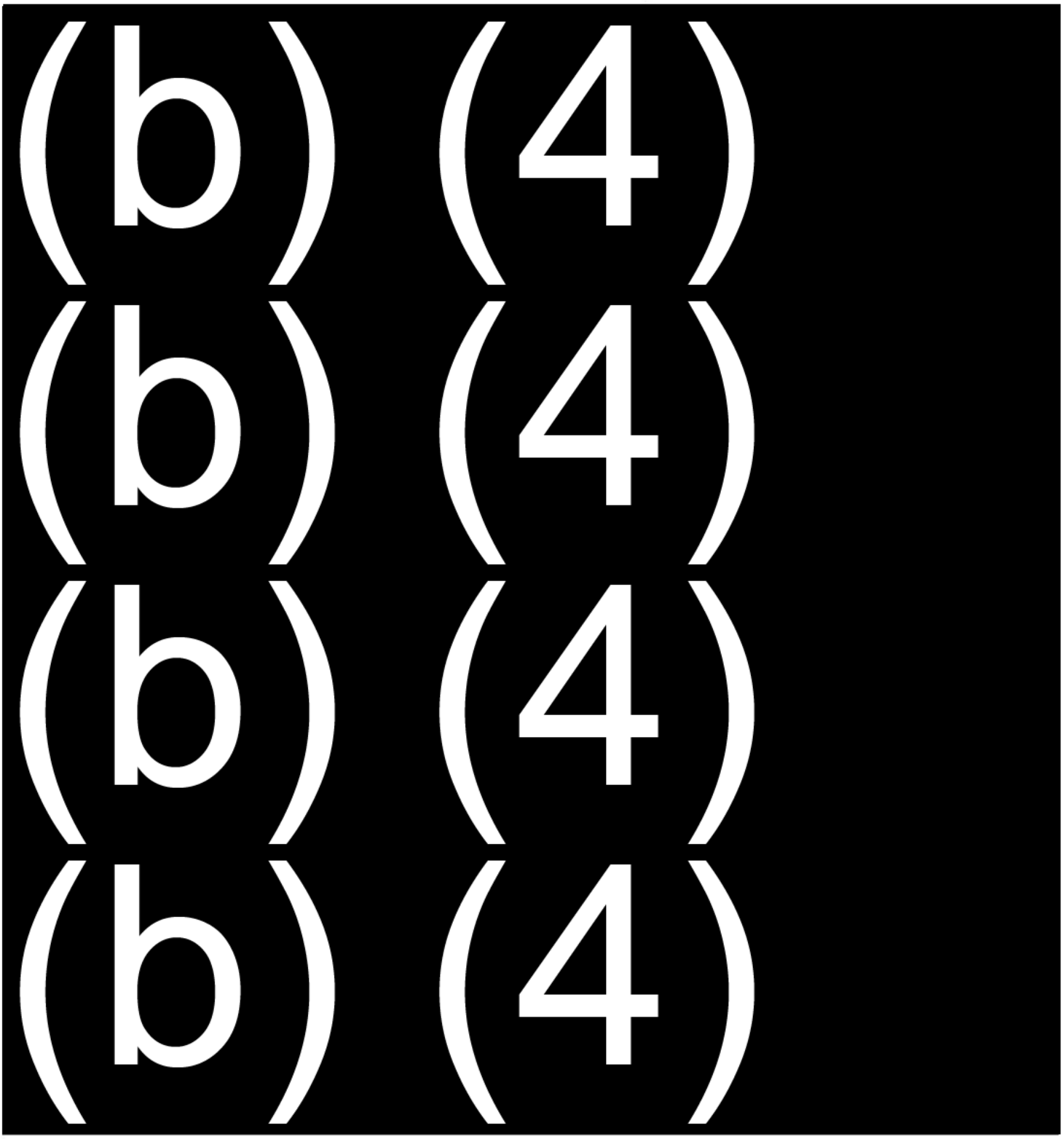
Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Smyer)**



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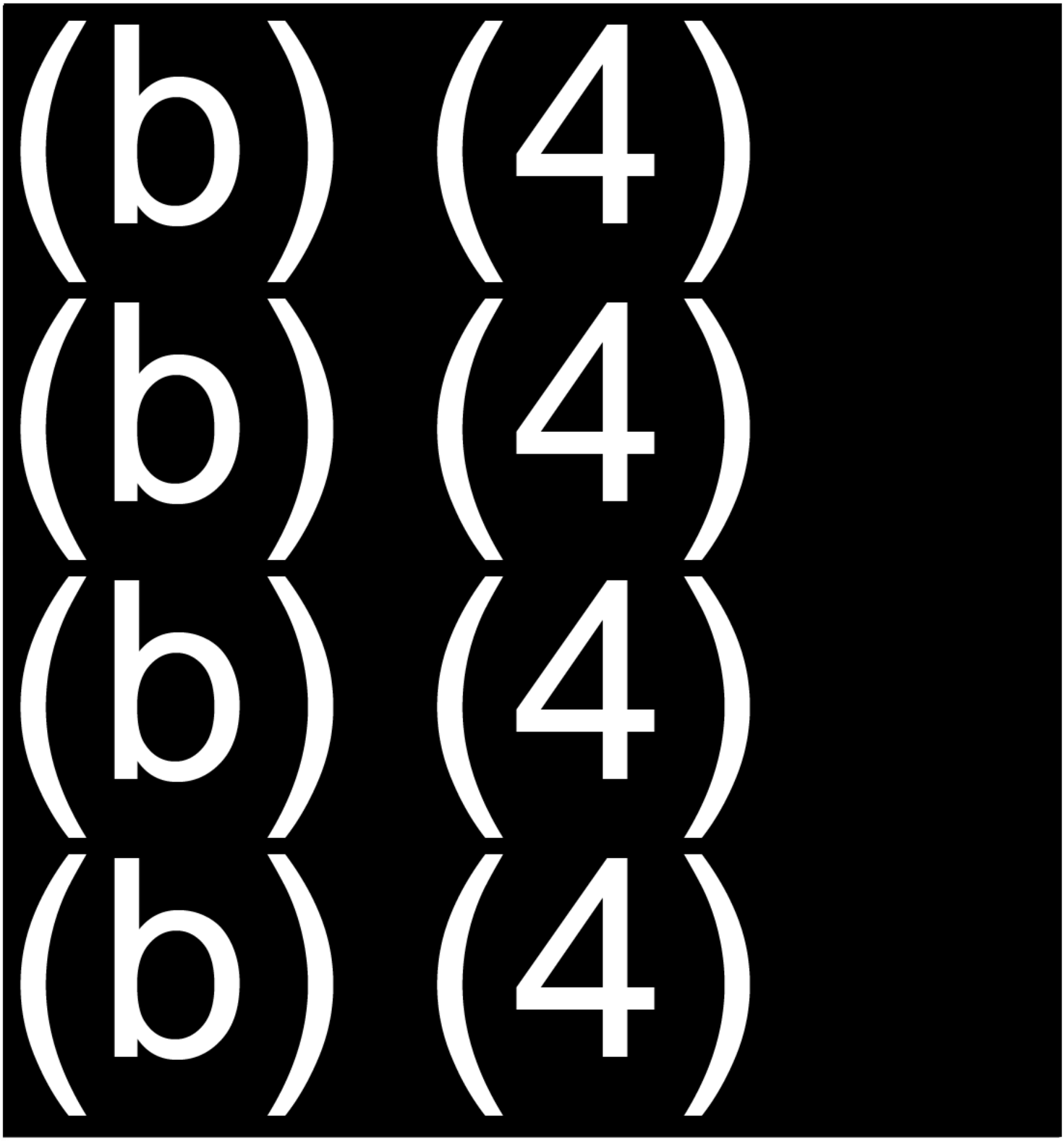
Market Data
General Interest Residential Survey **(Smyer)**



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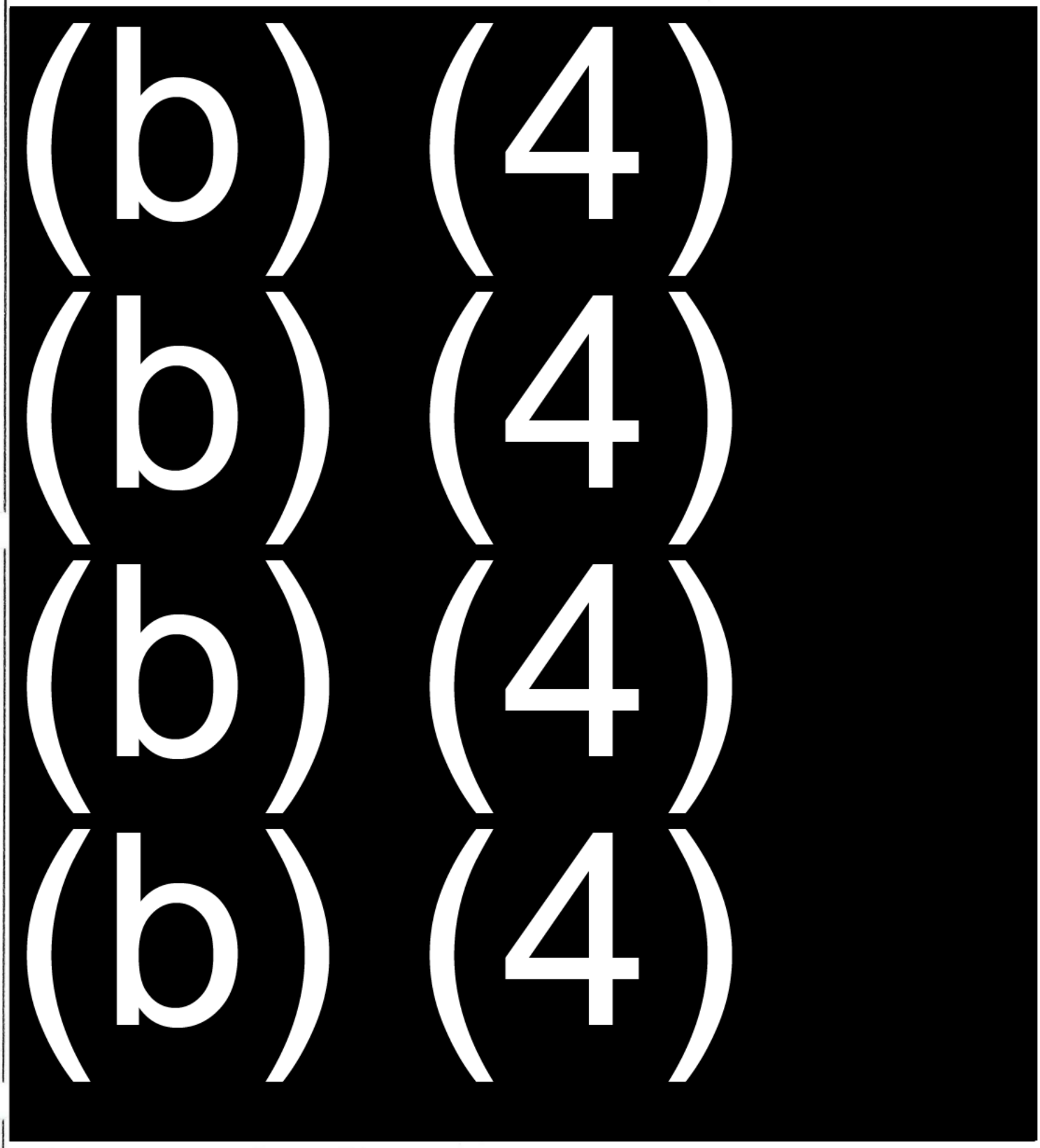
General Interest Residential Survey **(Smyer)**



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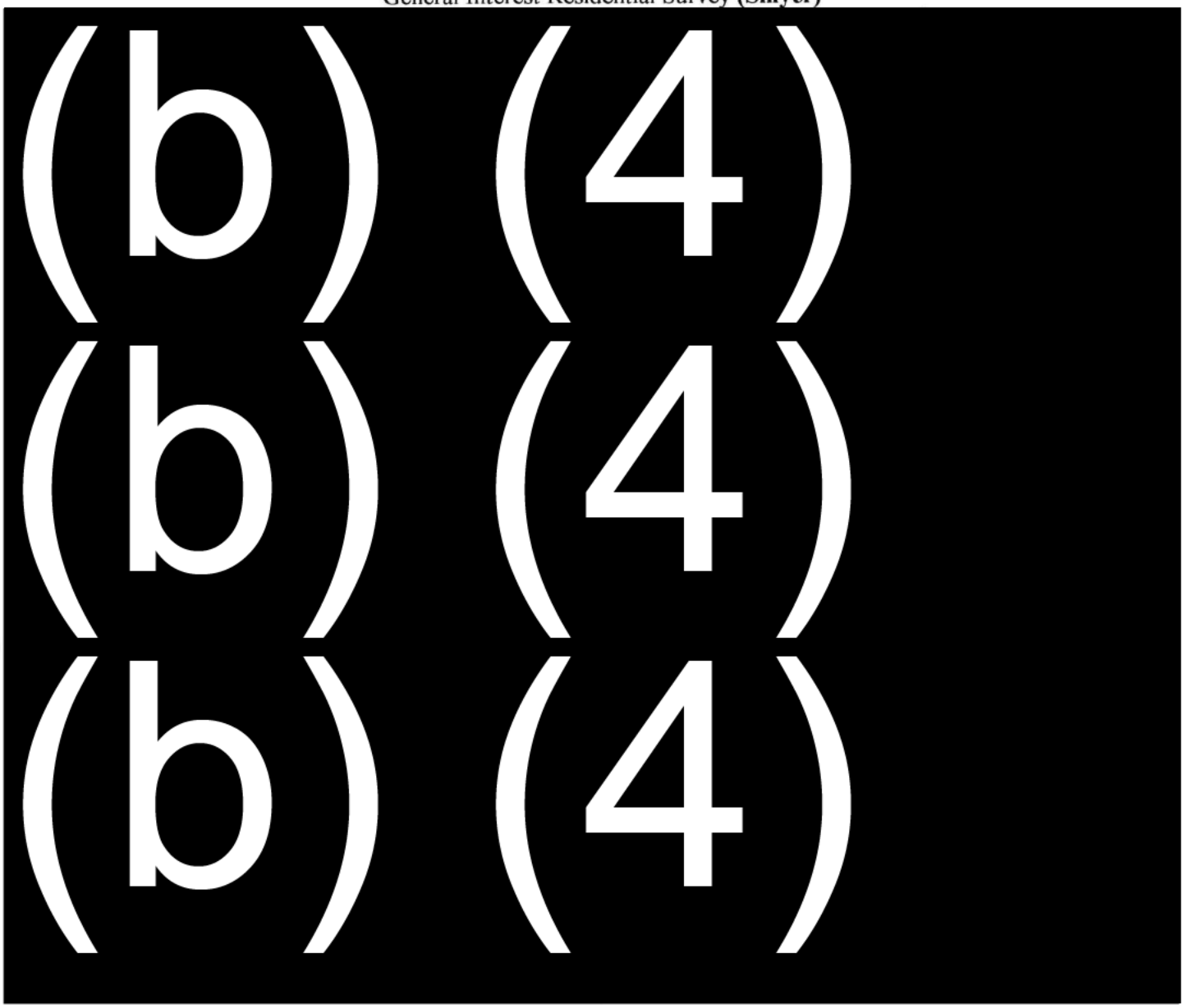
Market Data
General Interest Residential Survey **(Smyer)**



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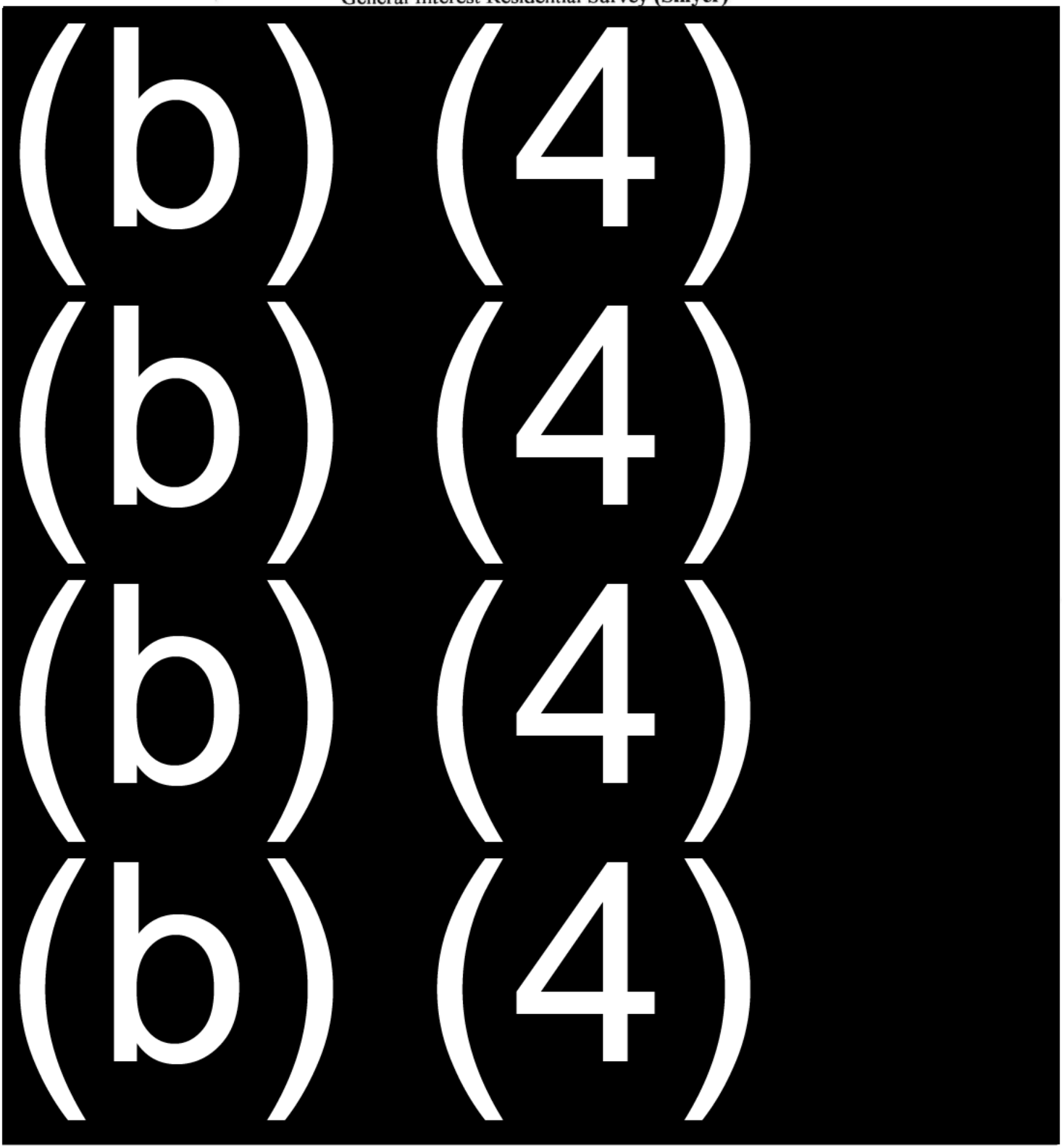
Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Smyer)**



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Schedule K-1 (Cont)
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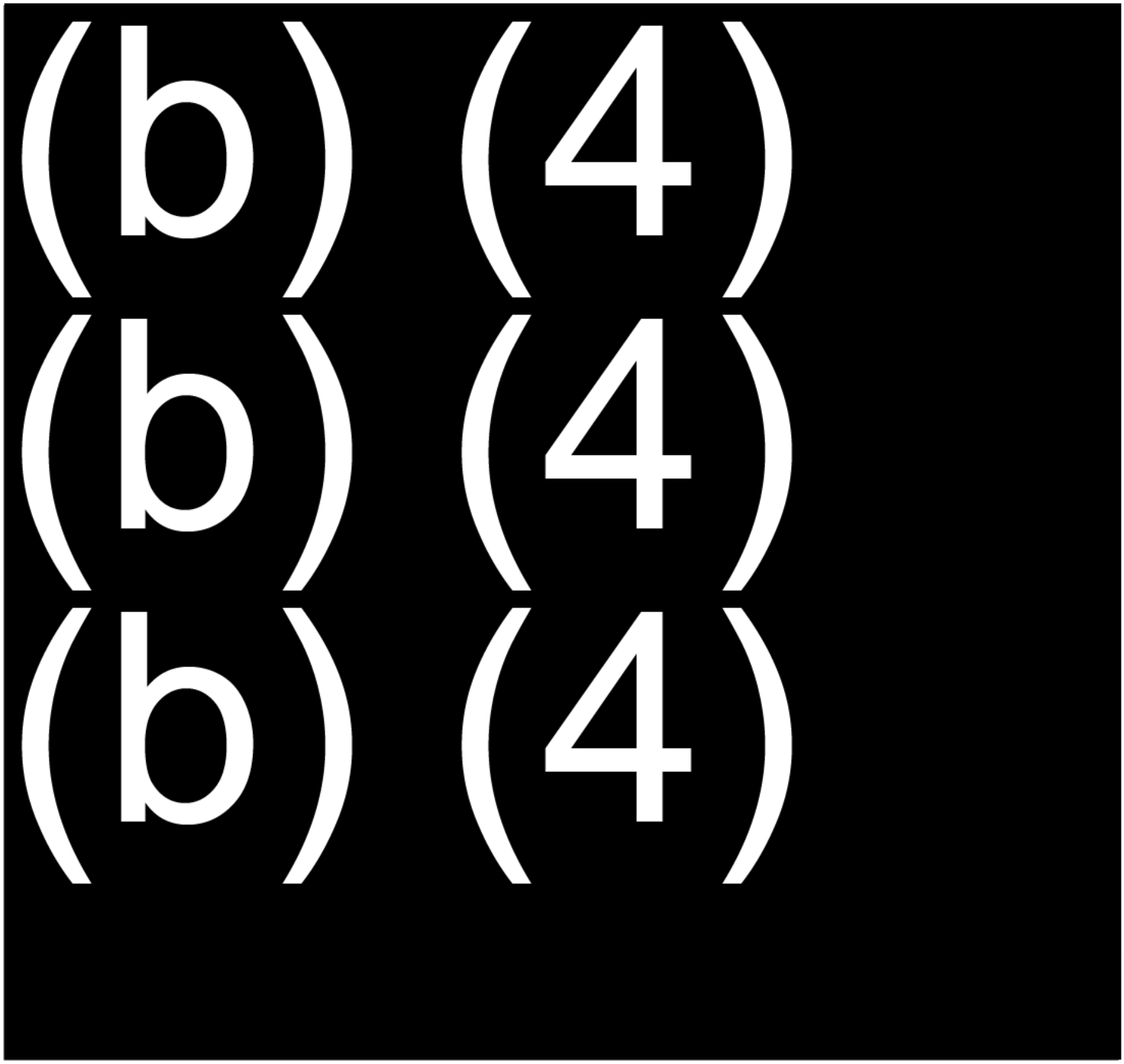
General Interest Residential Survey **(Smyer)**



Schedule K-1 (Cont)
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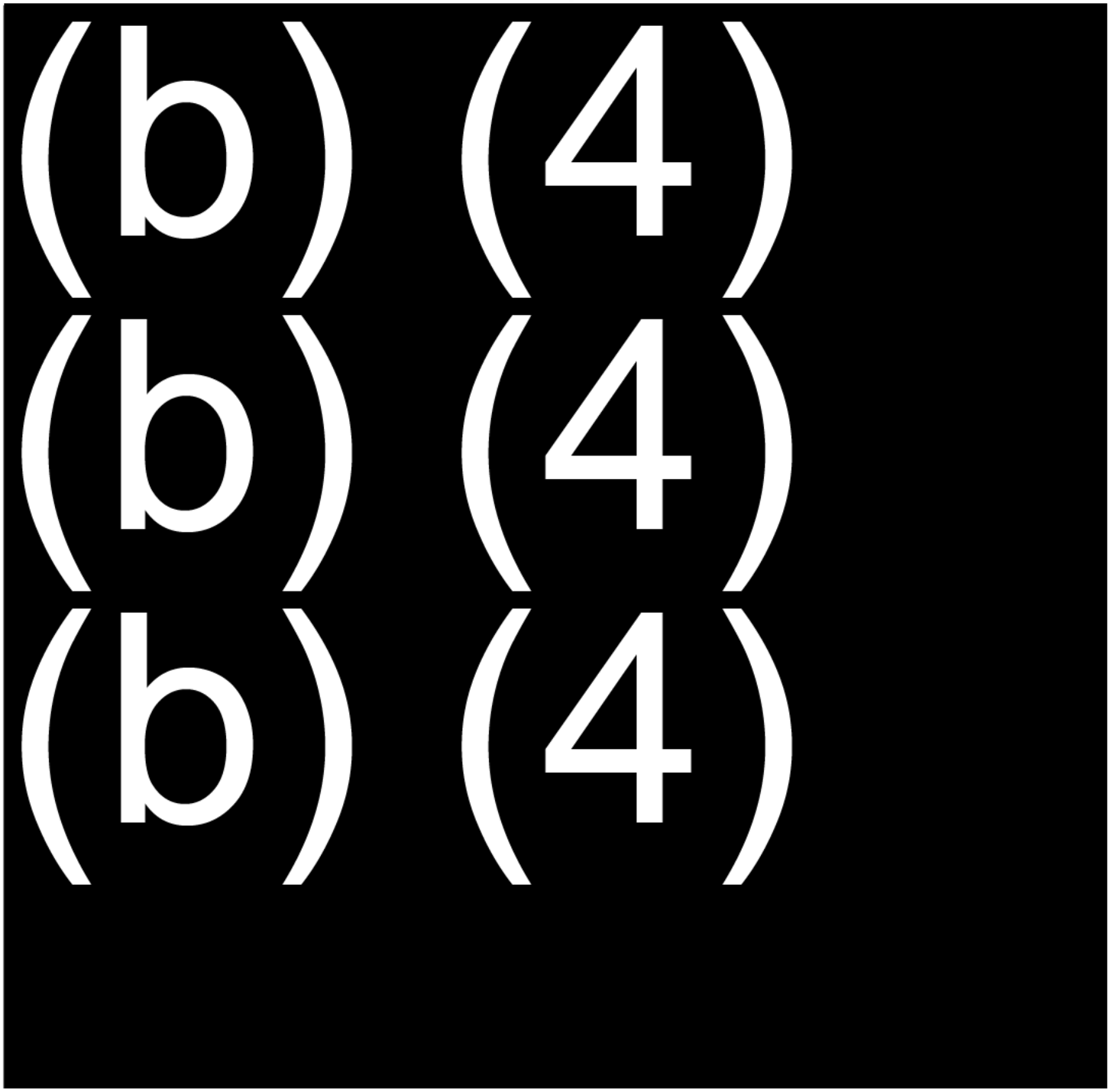
General Interest Residential Survey **(Smyer)**



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Schedule K-1 (Cont)
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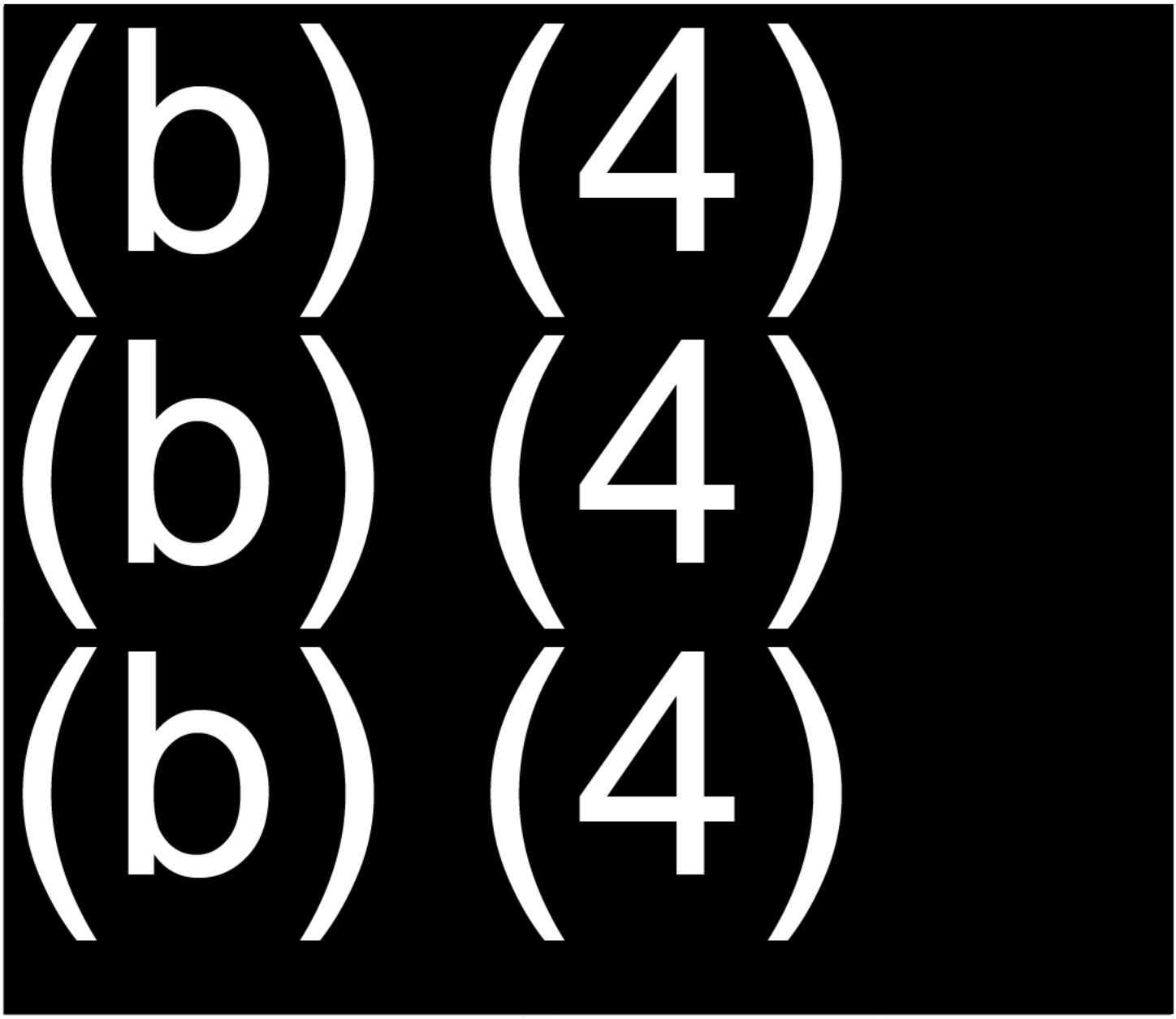
General Interest Residential Survey **(Smyer)**



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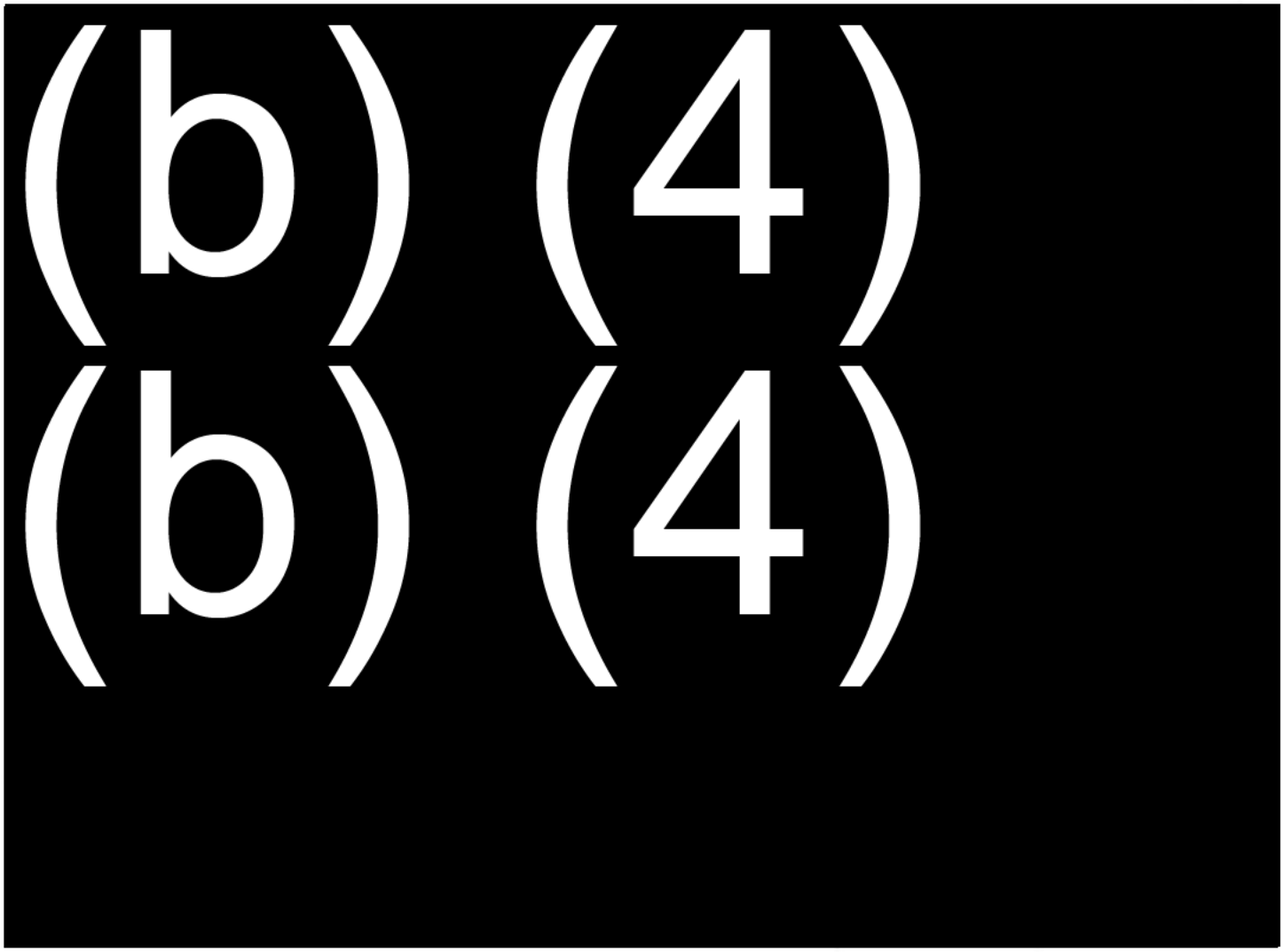
Market Data
General Interest Residential Survey **(Smyer)**



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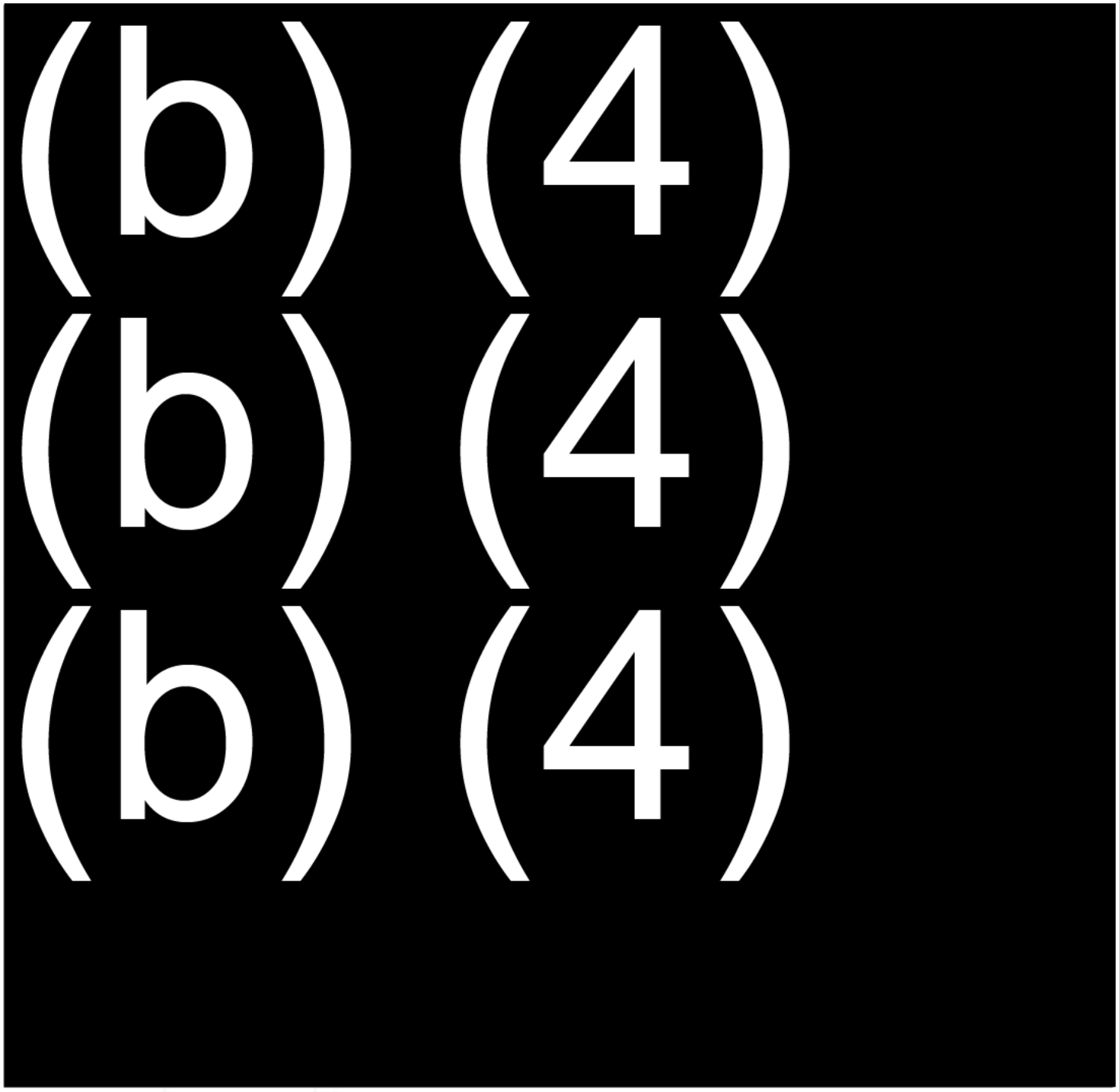
Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Smyer)**



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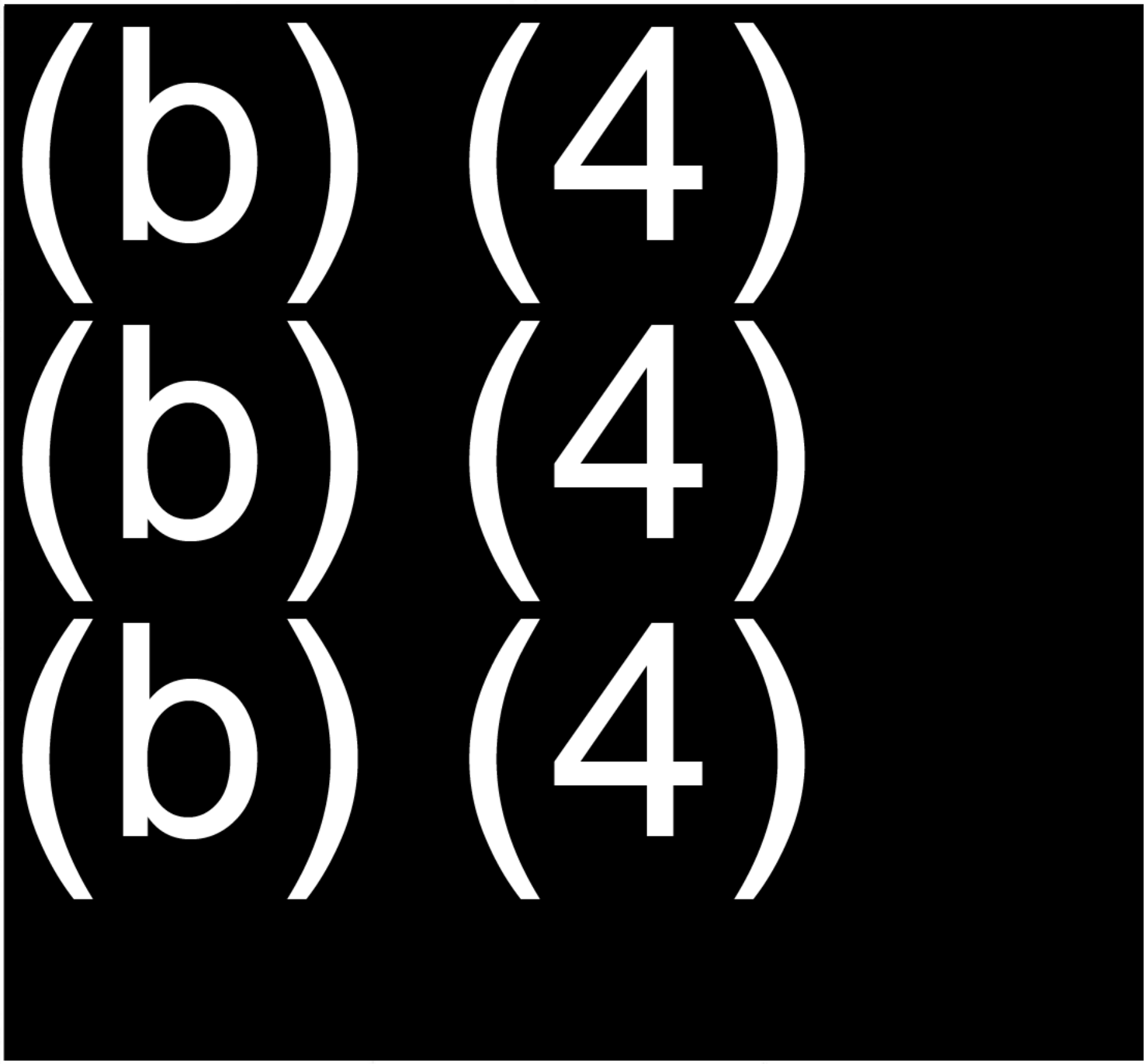
Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Smyer)**



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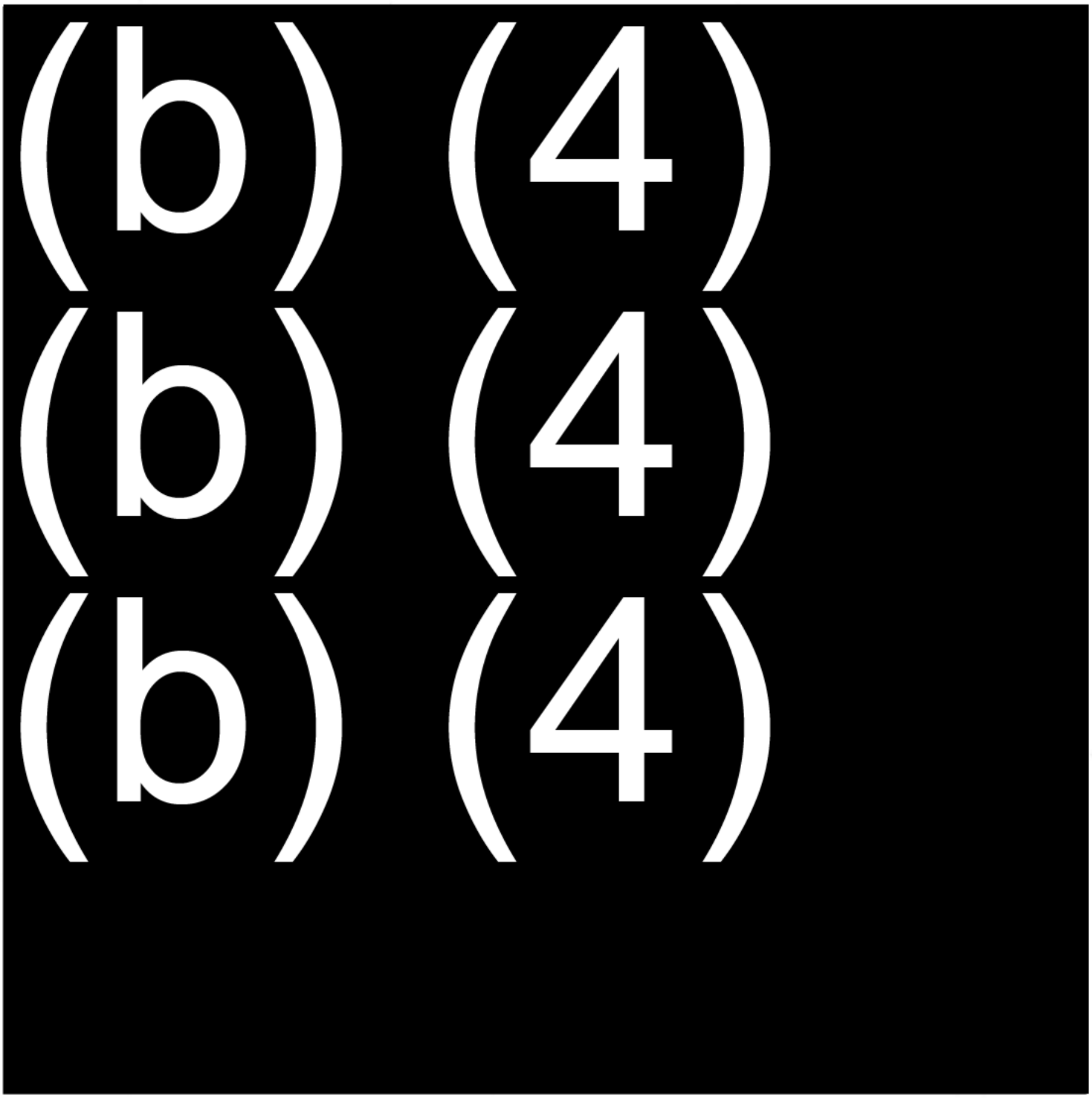
Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Smyer)**



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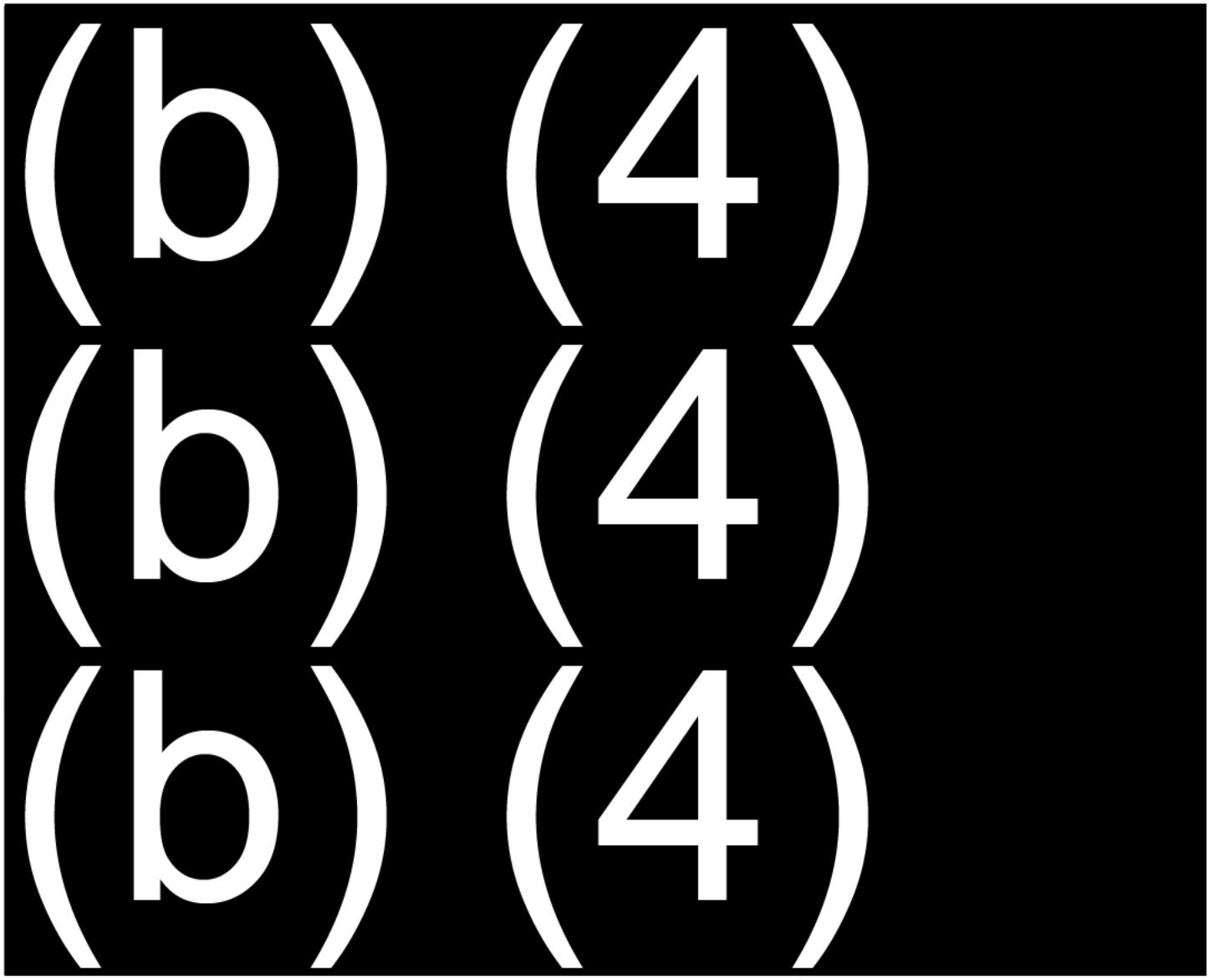
Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Smyer)**



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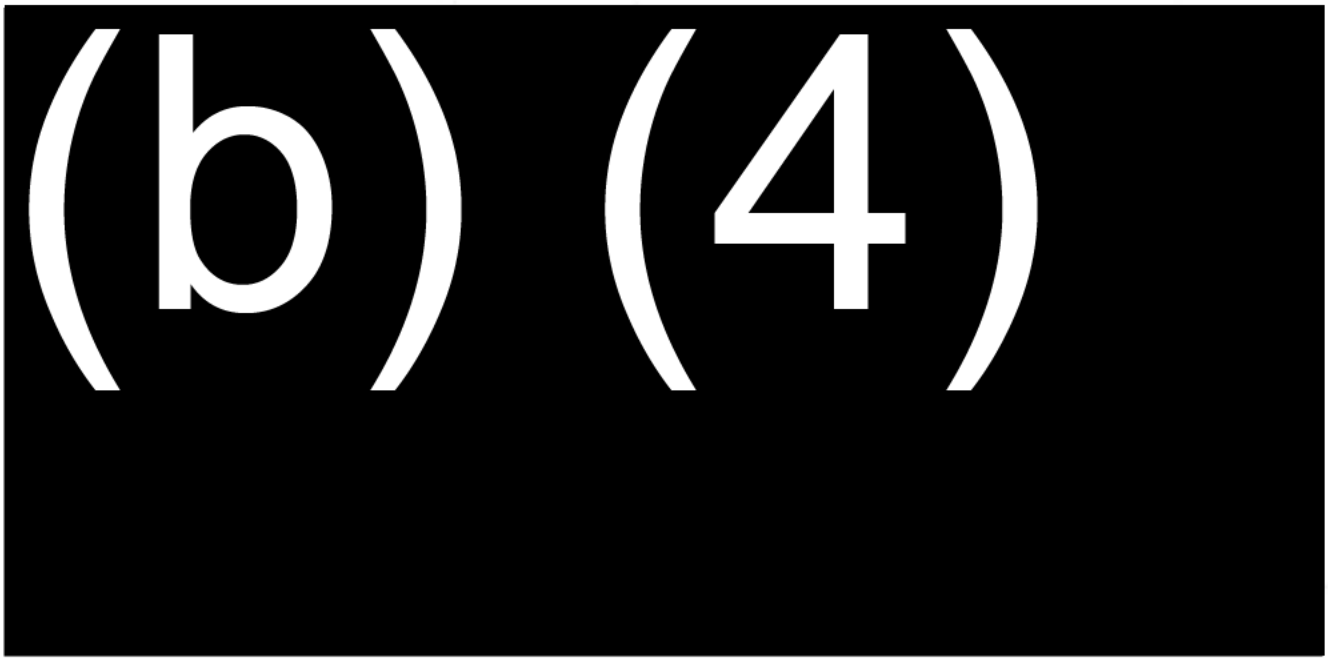
Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Smyer)**



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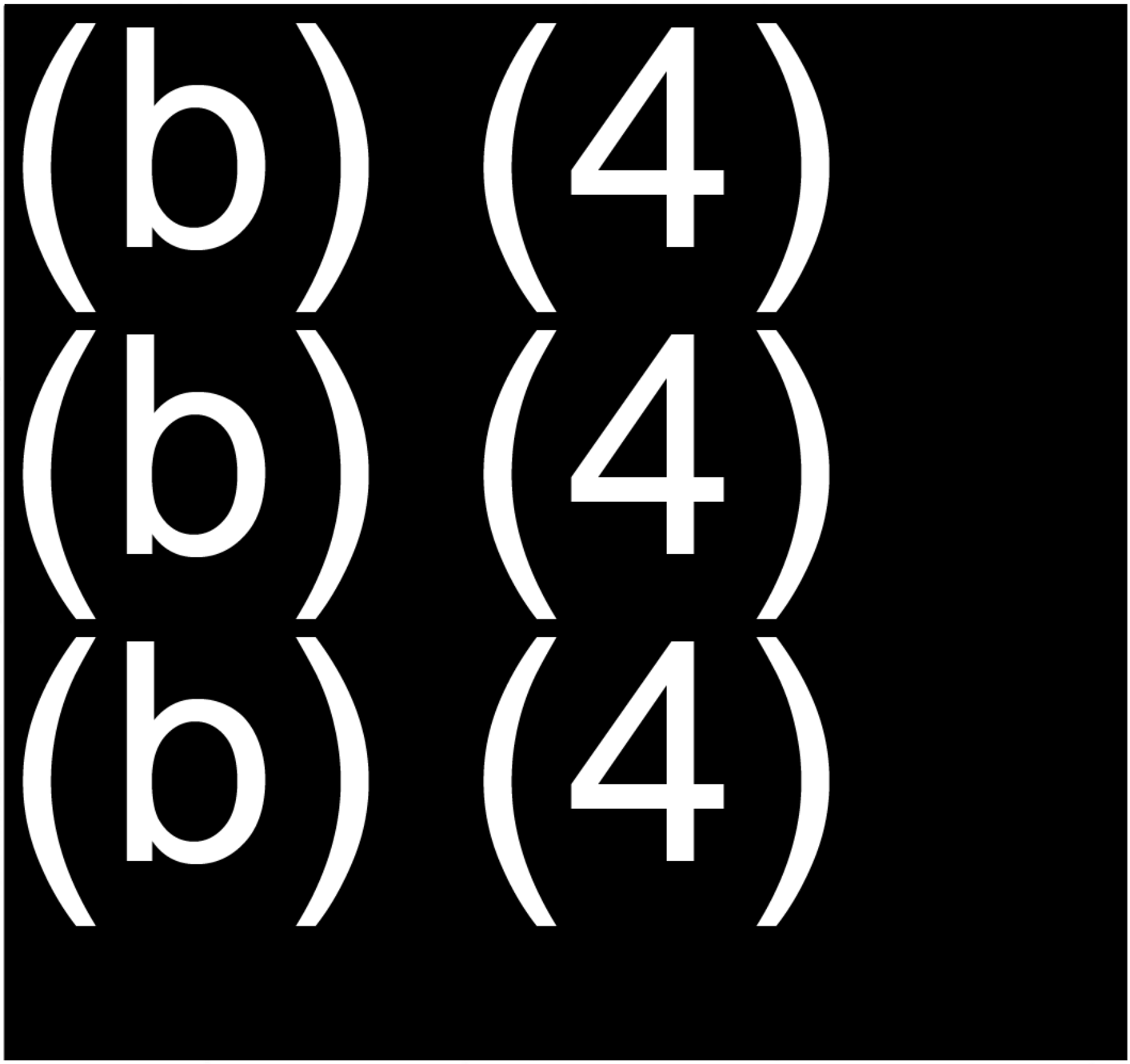
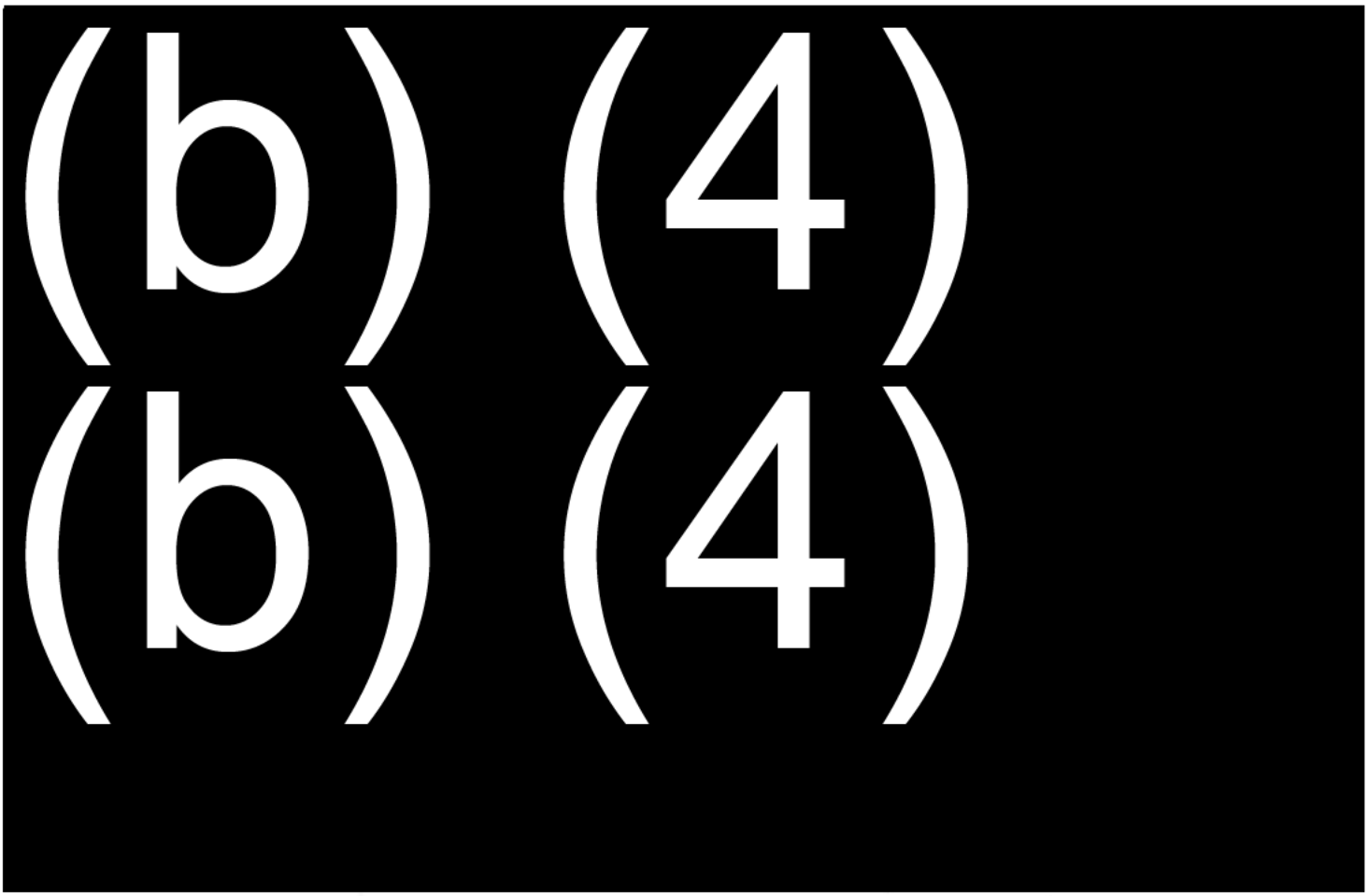
Schedule K-1 (Cont)
Market Data
General Interest Residential Survey **(Smyer)**



Schedule K-1 (Cont)
Market Data



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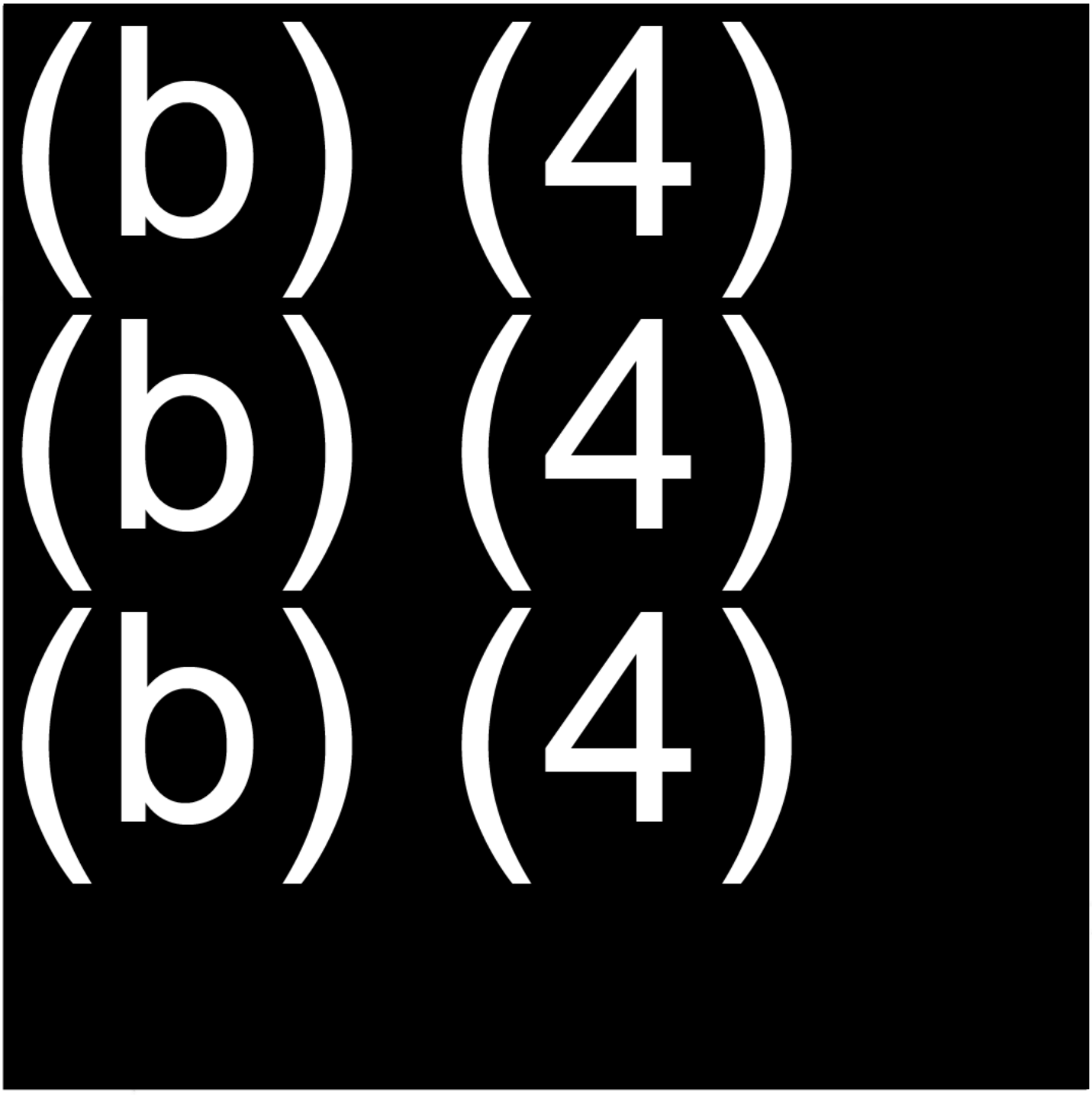
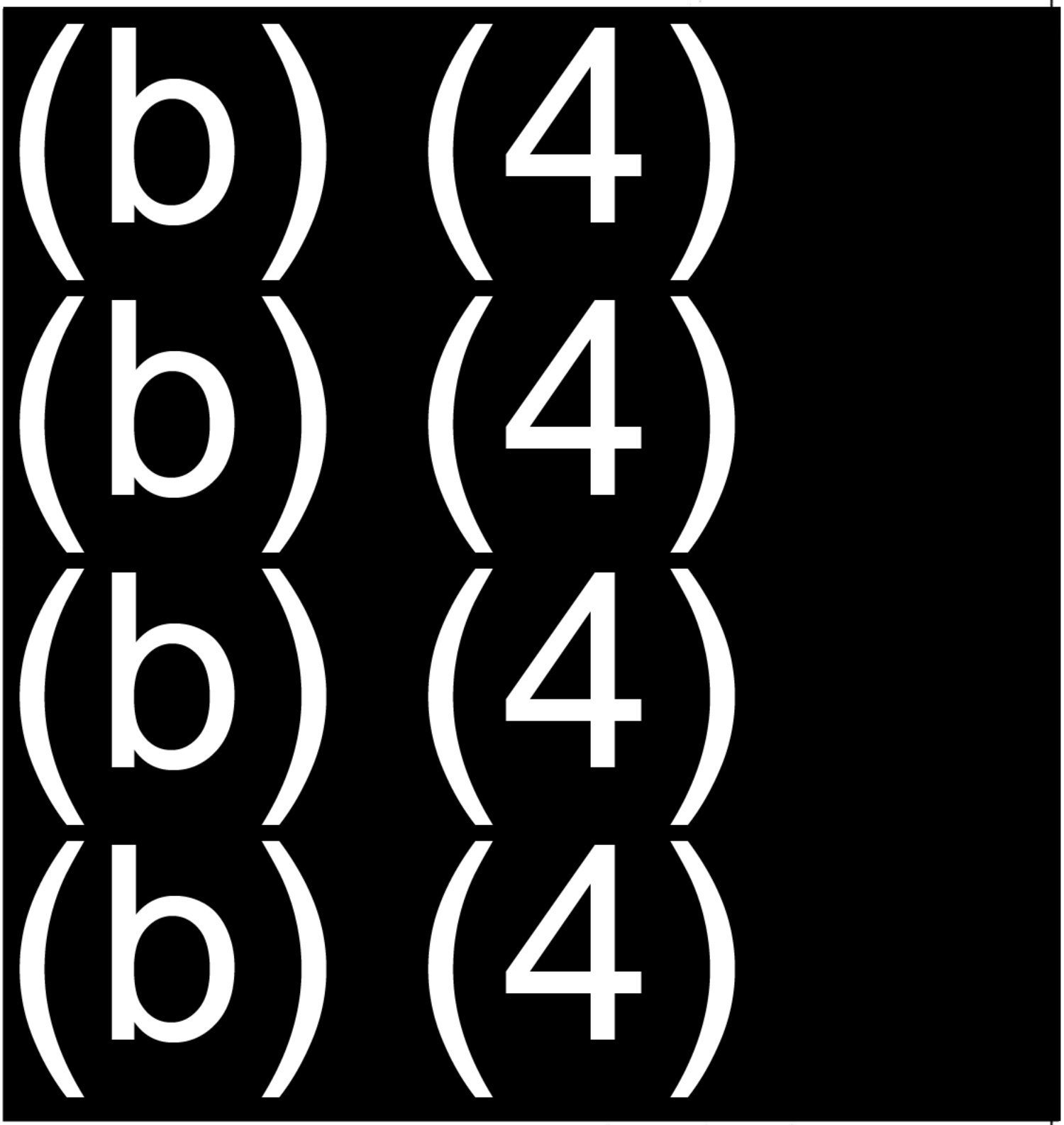
Schedule K-1 (Cont)
Market Data



(b) (4)(b) (4)(b) (4)

Schedule K-1 (Cont)
Market Data
RESIDENTIAL MARKETING SURVEY 1



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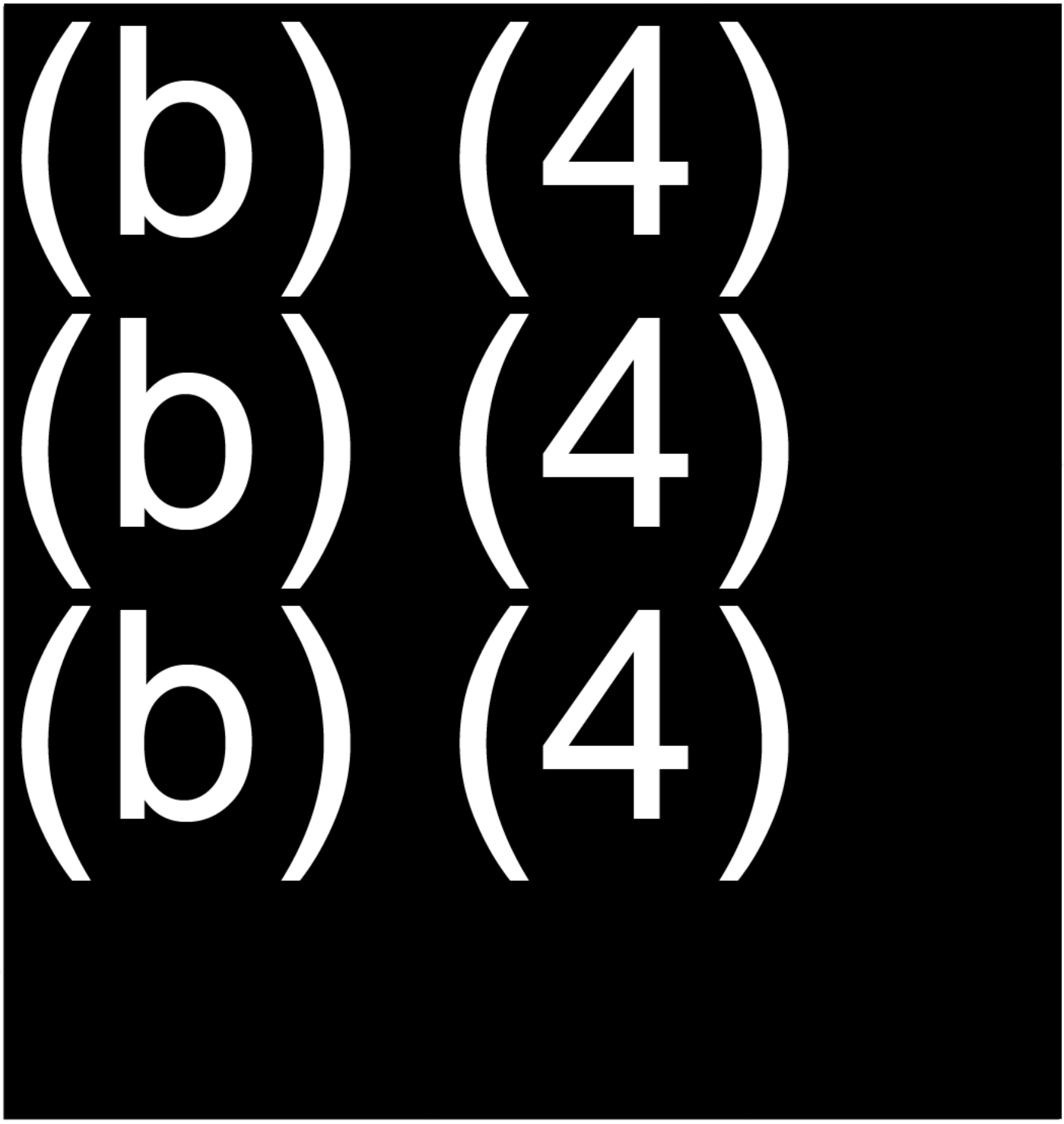
RESIDENTIAL MARKETING SURVEY 1



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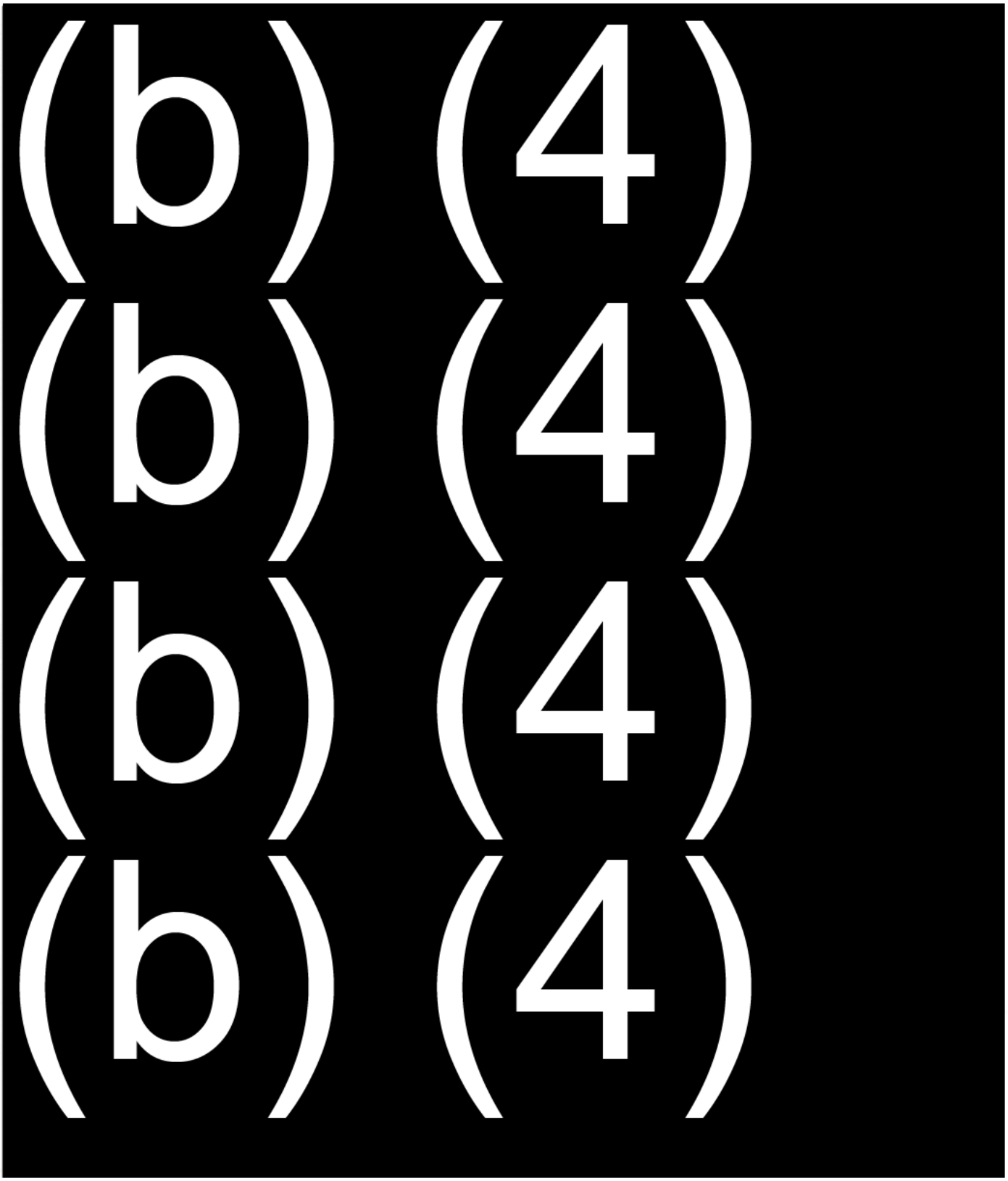
RESIDENTIAL MARKETING SURVEY 1



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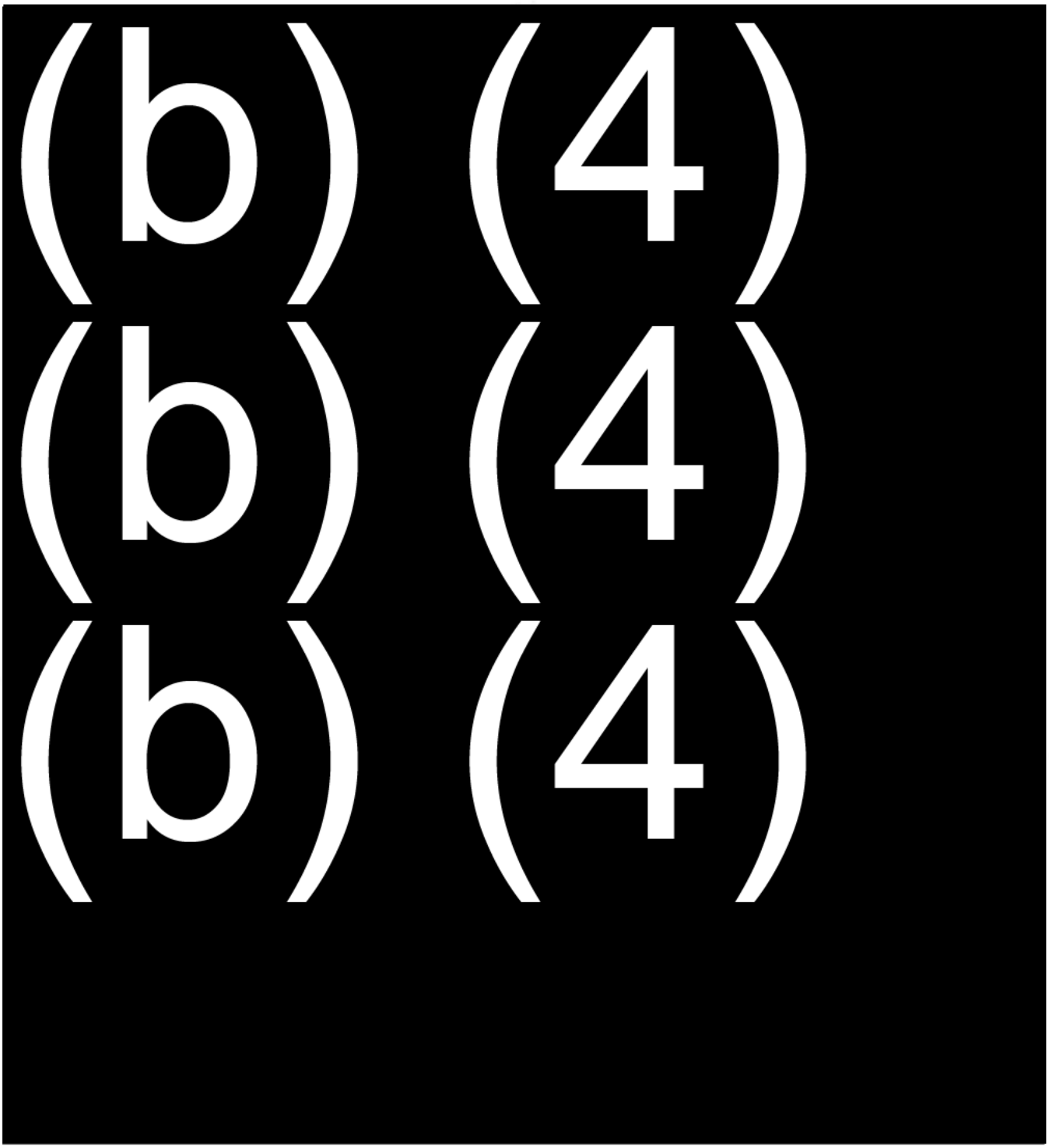

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Schedule K-1 (Cont)
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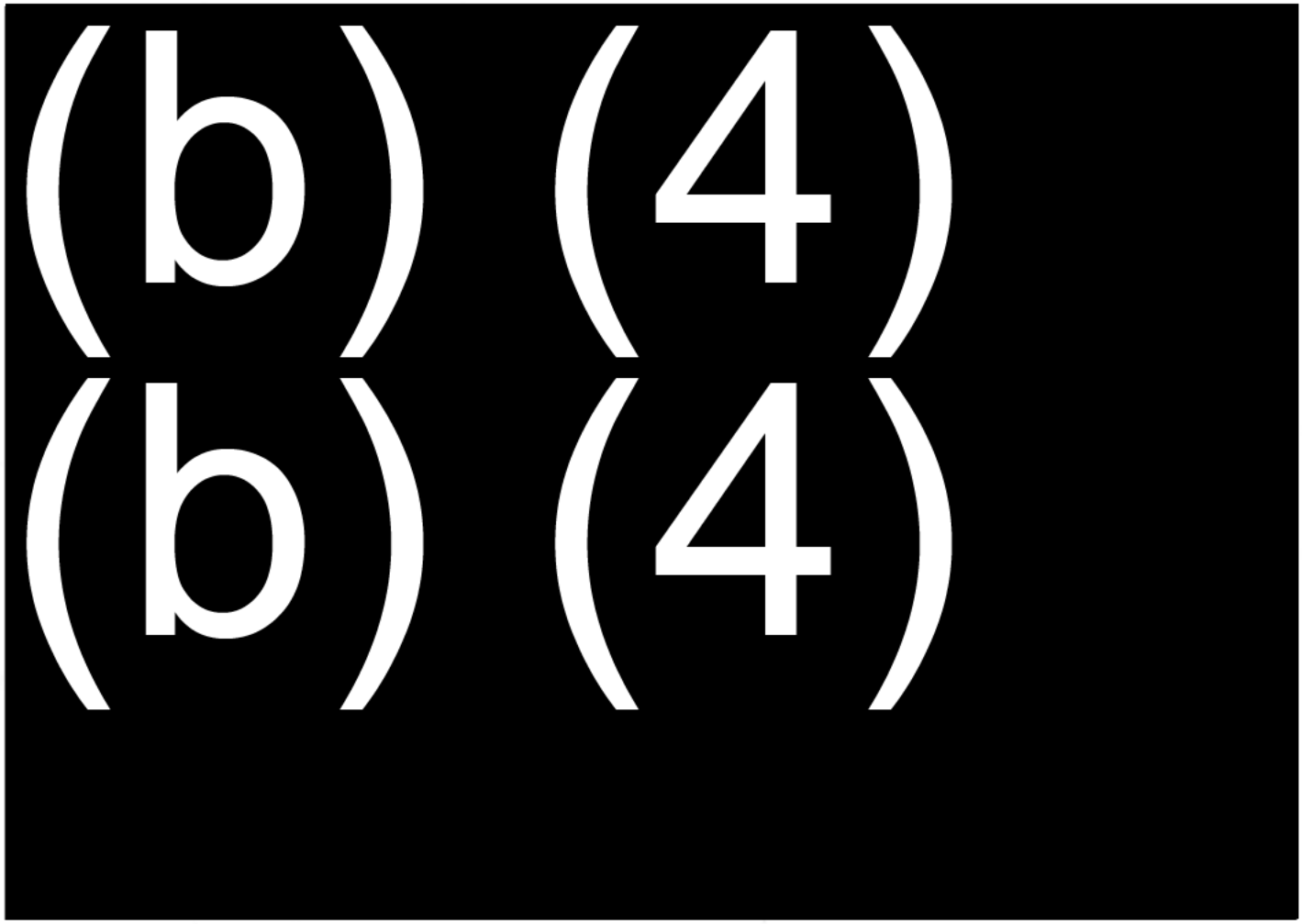

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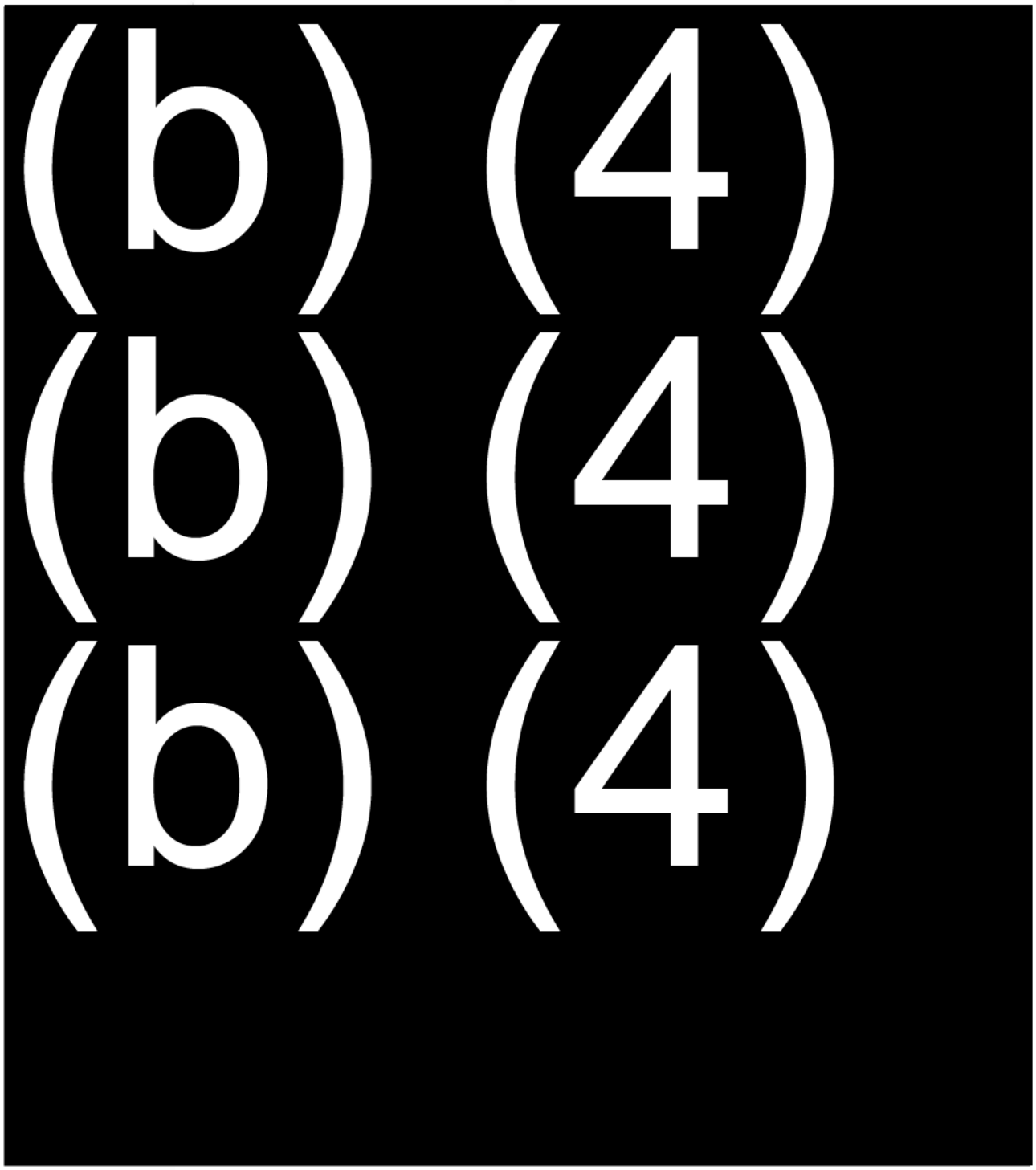

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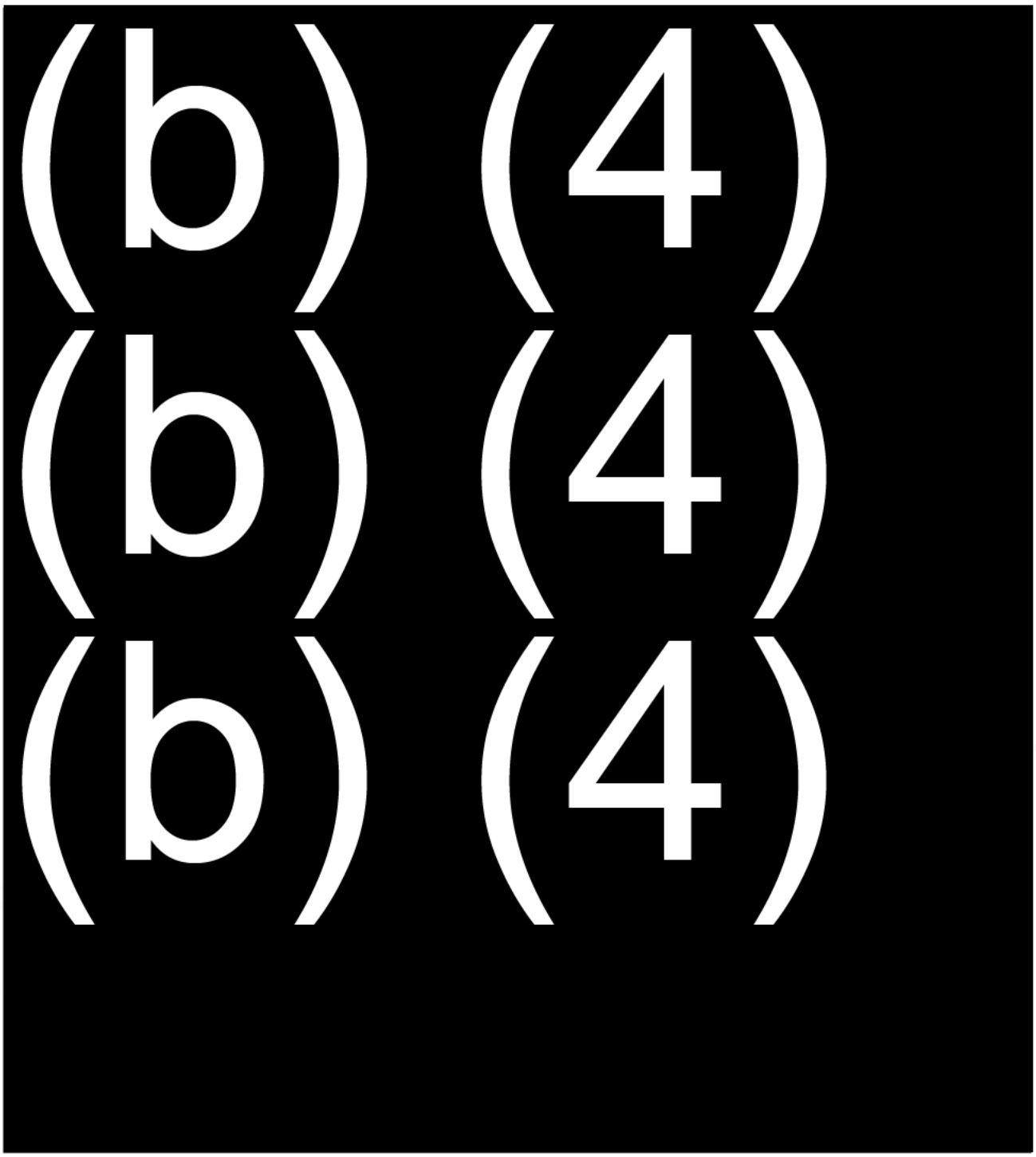

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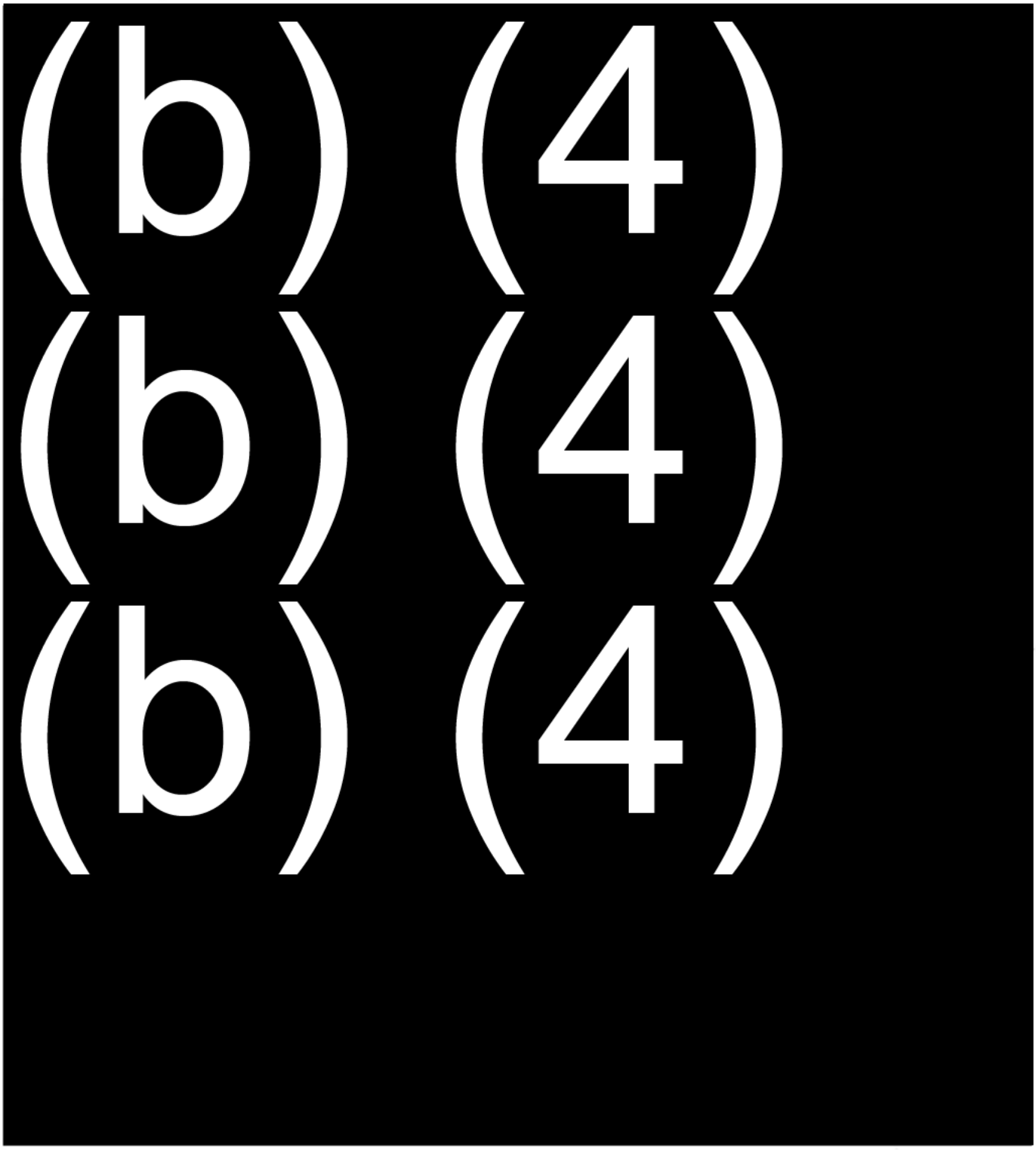
BUSINESS SURVEY 1



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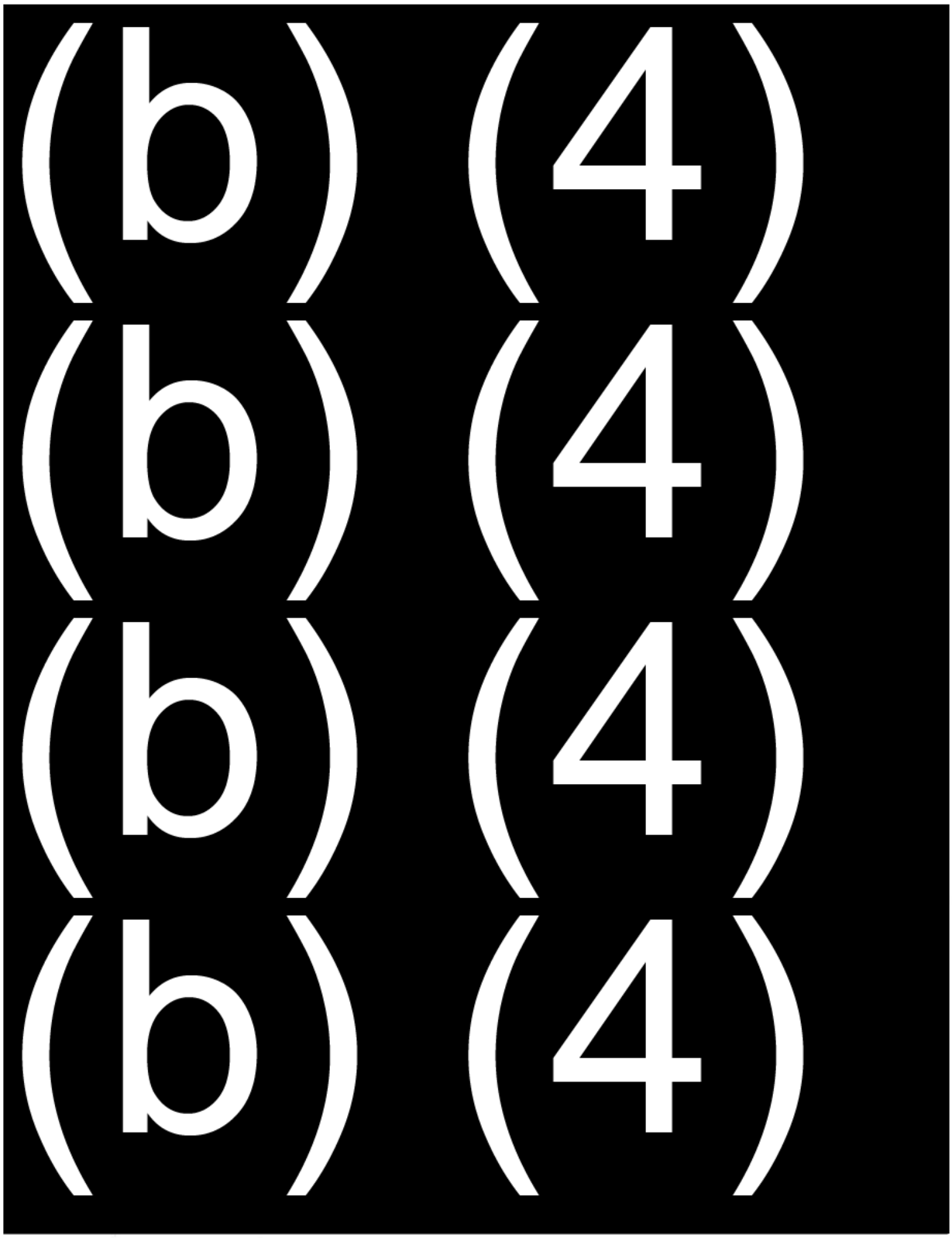

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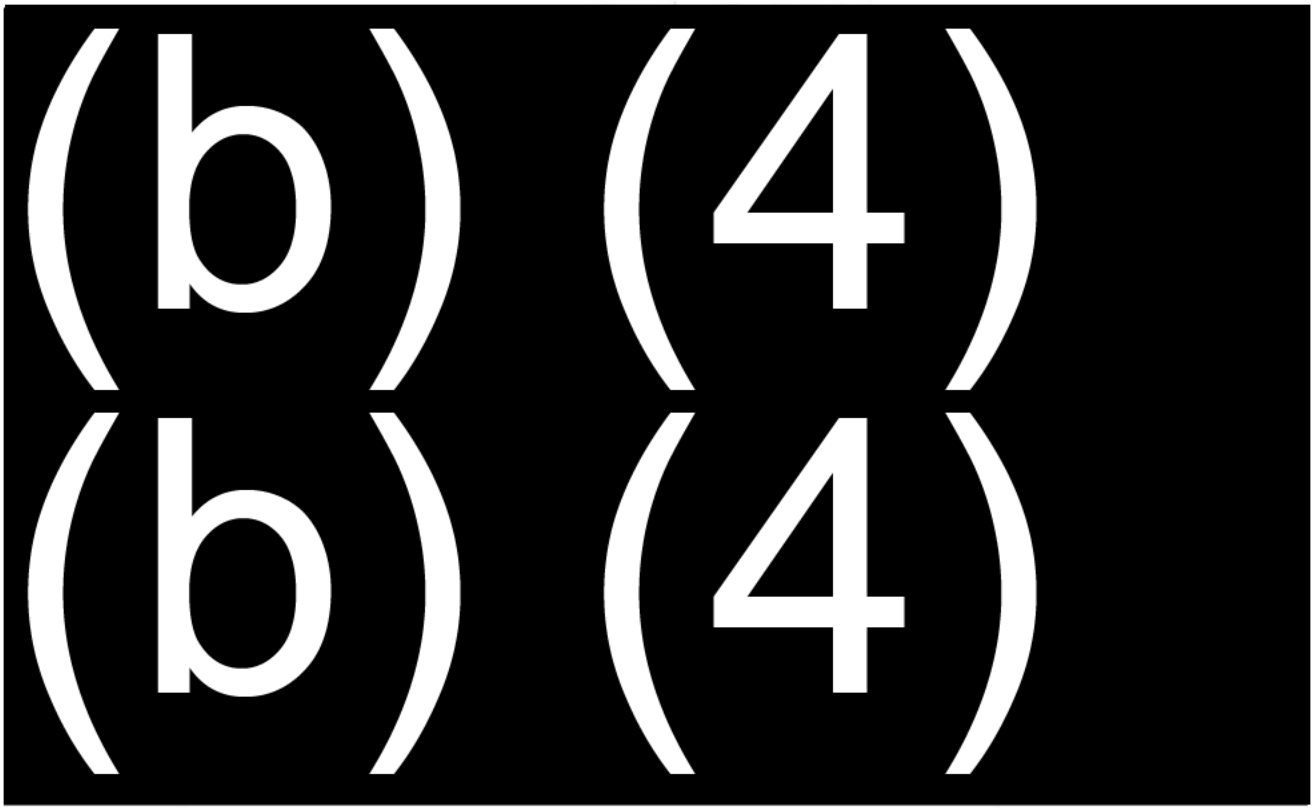

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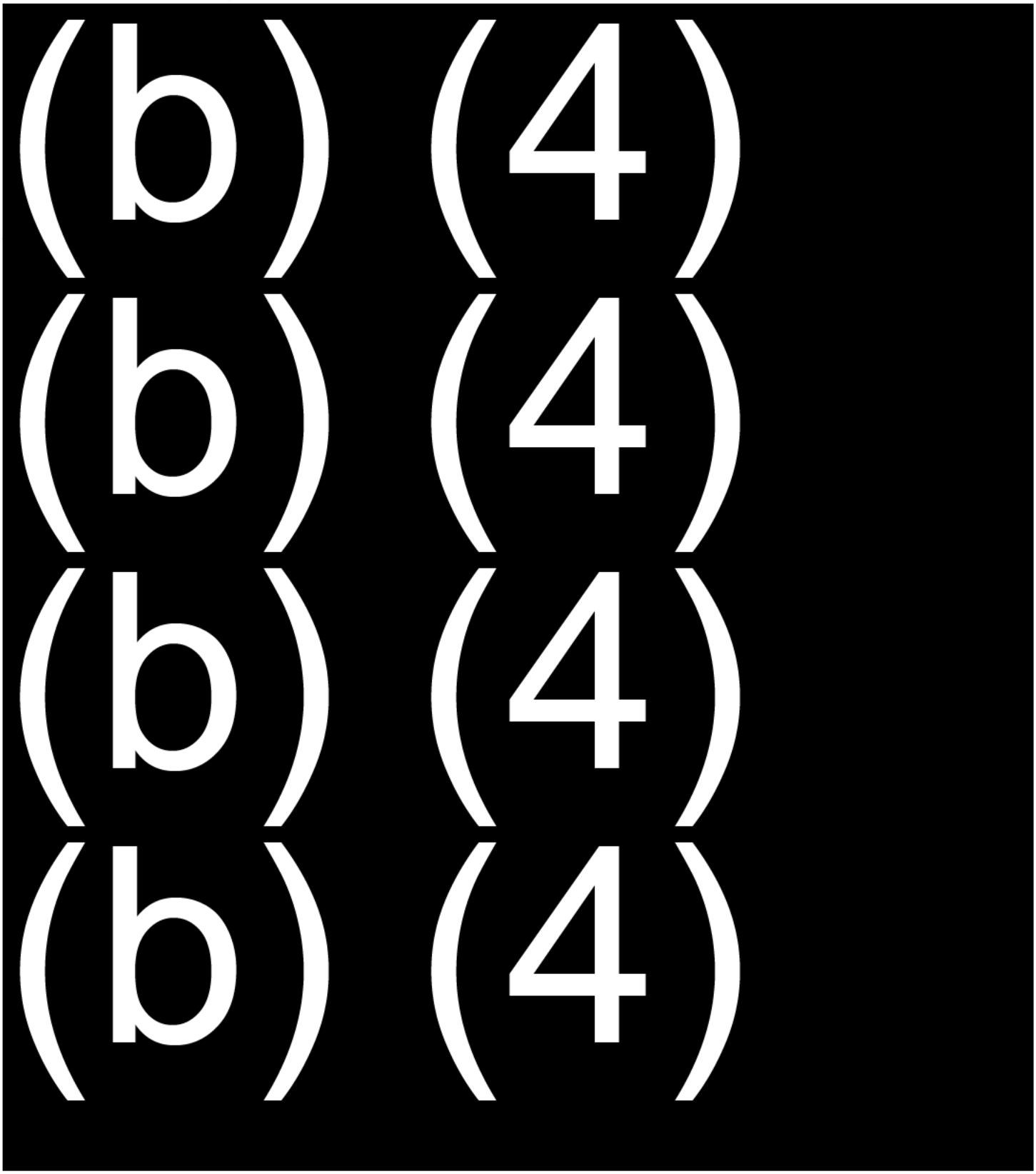

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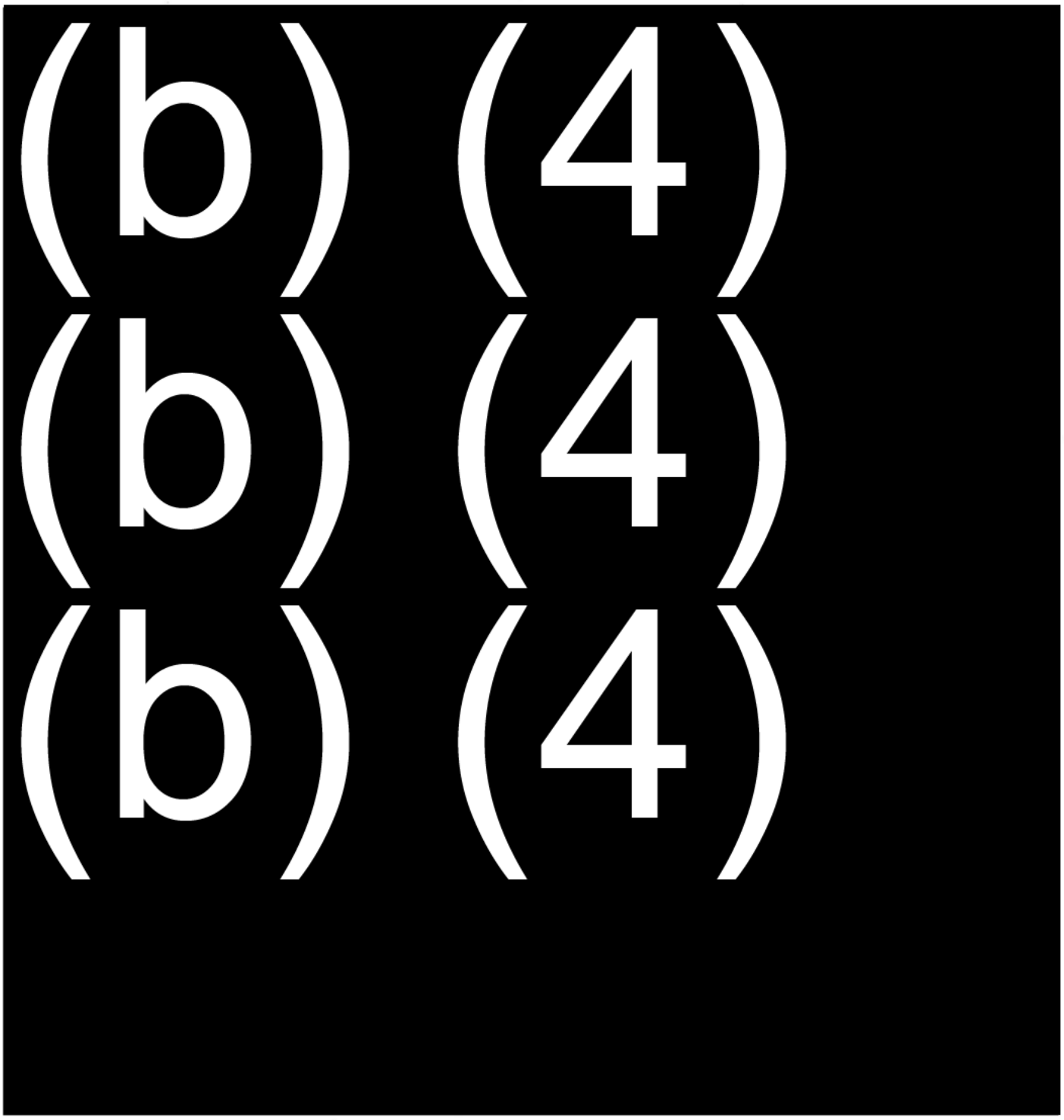

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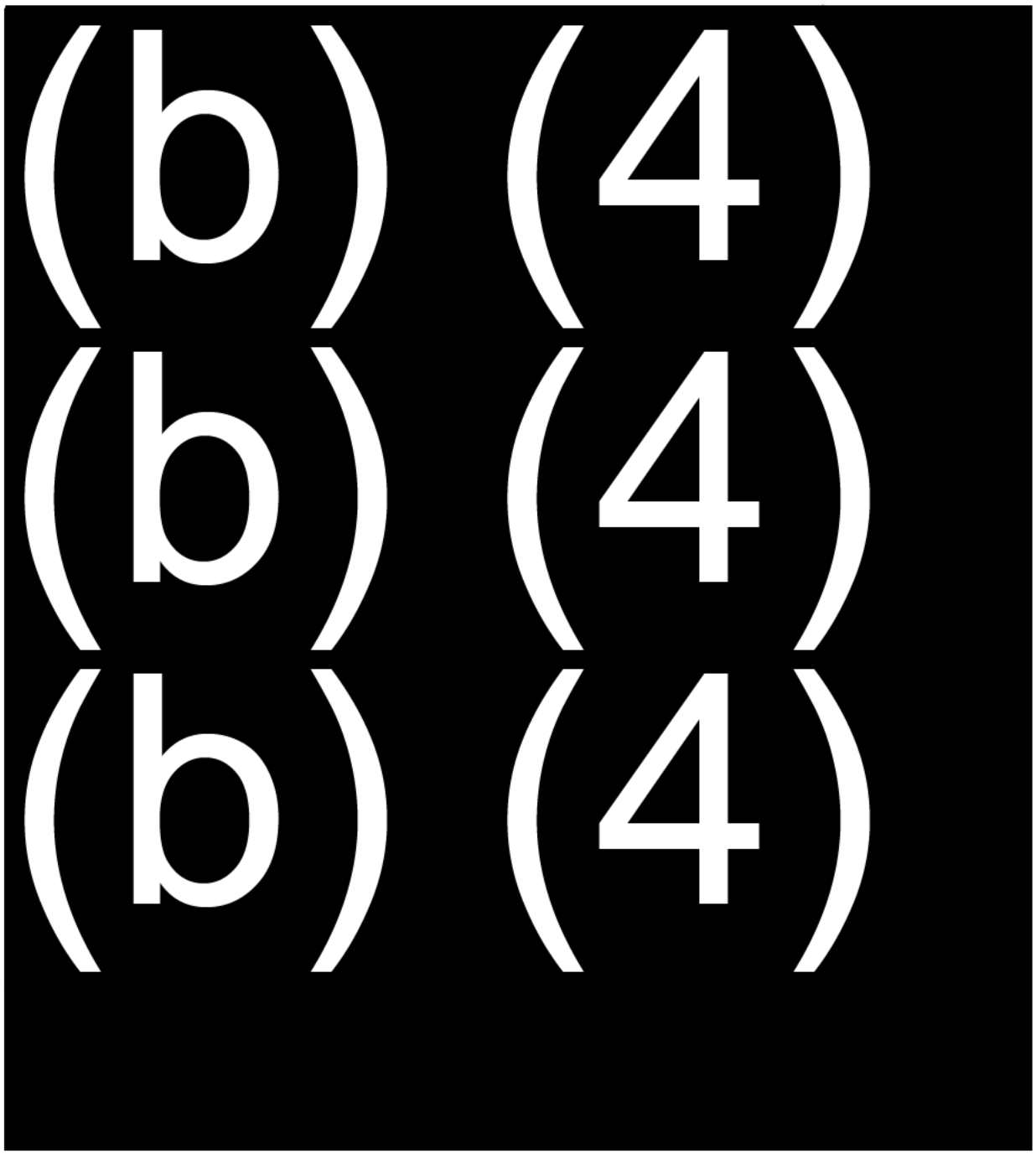

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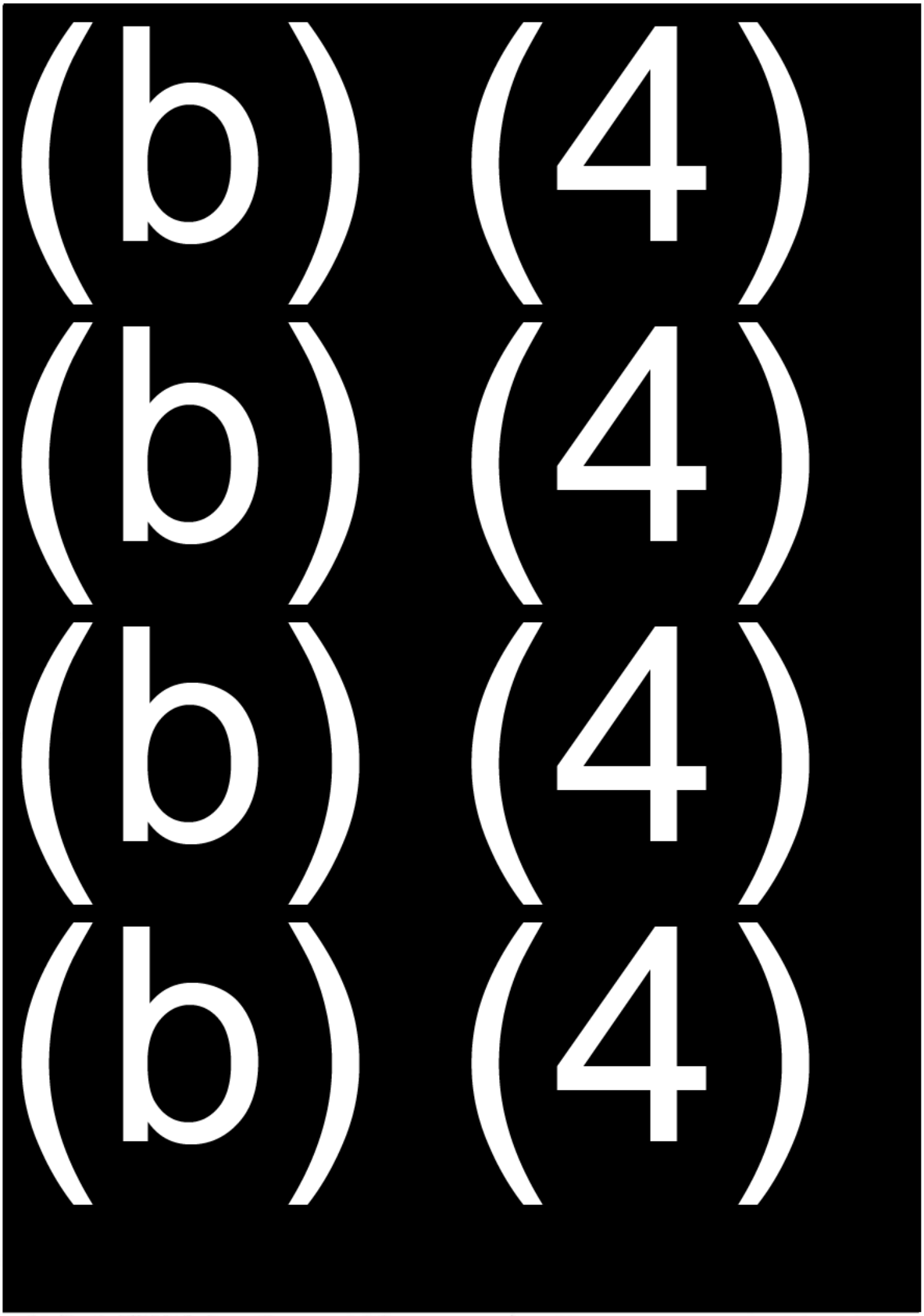

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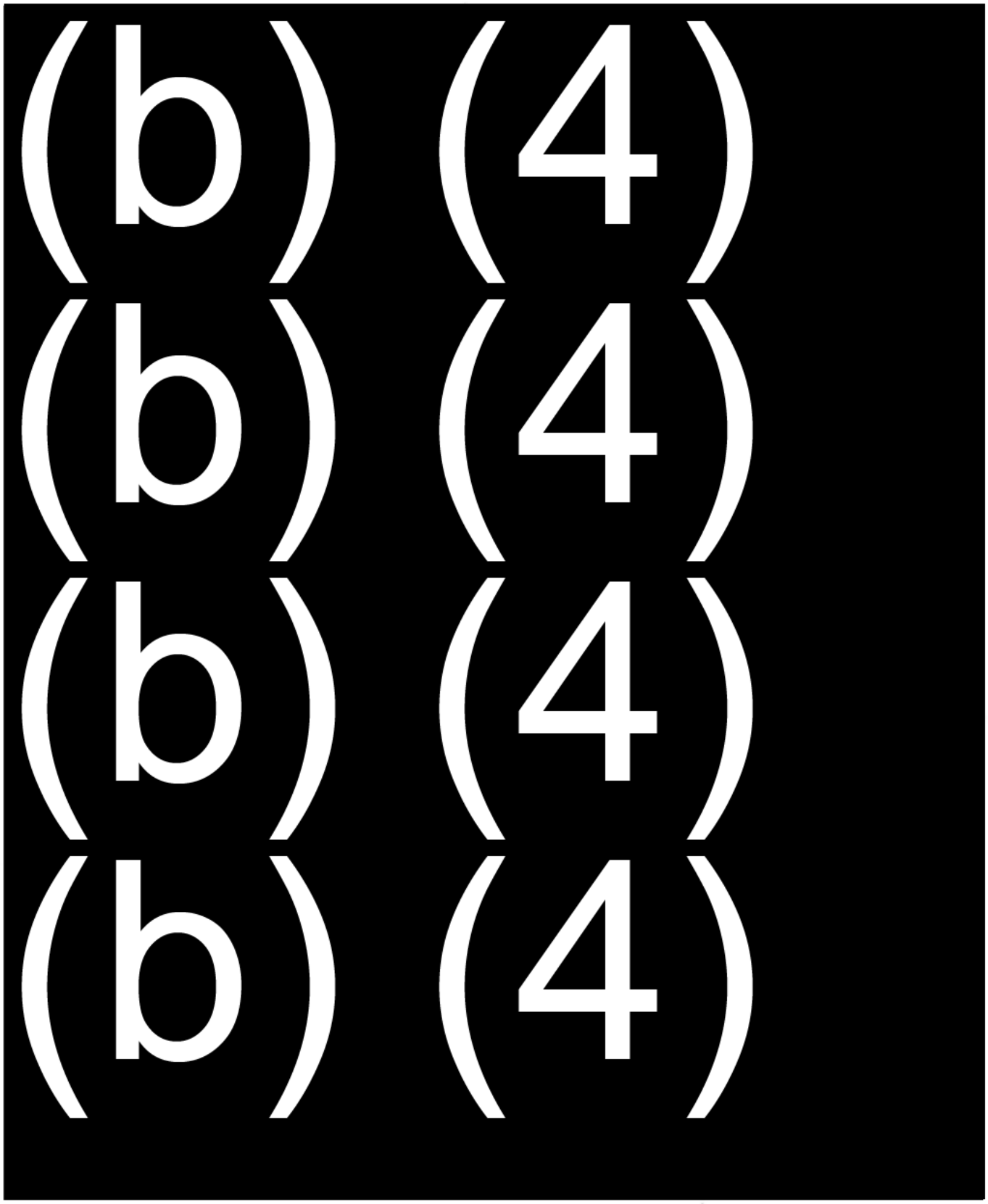

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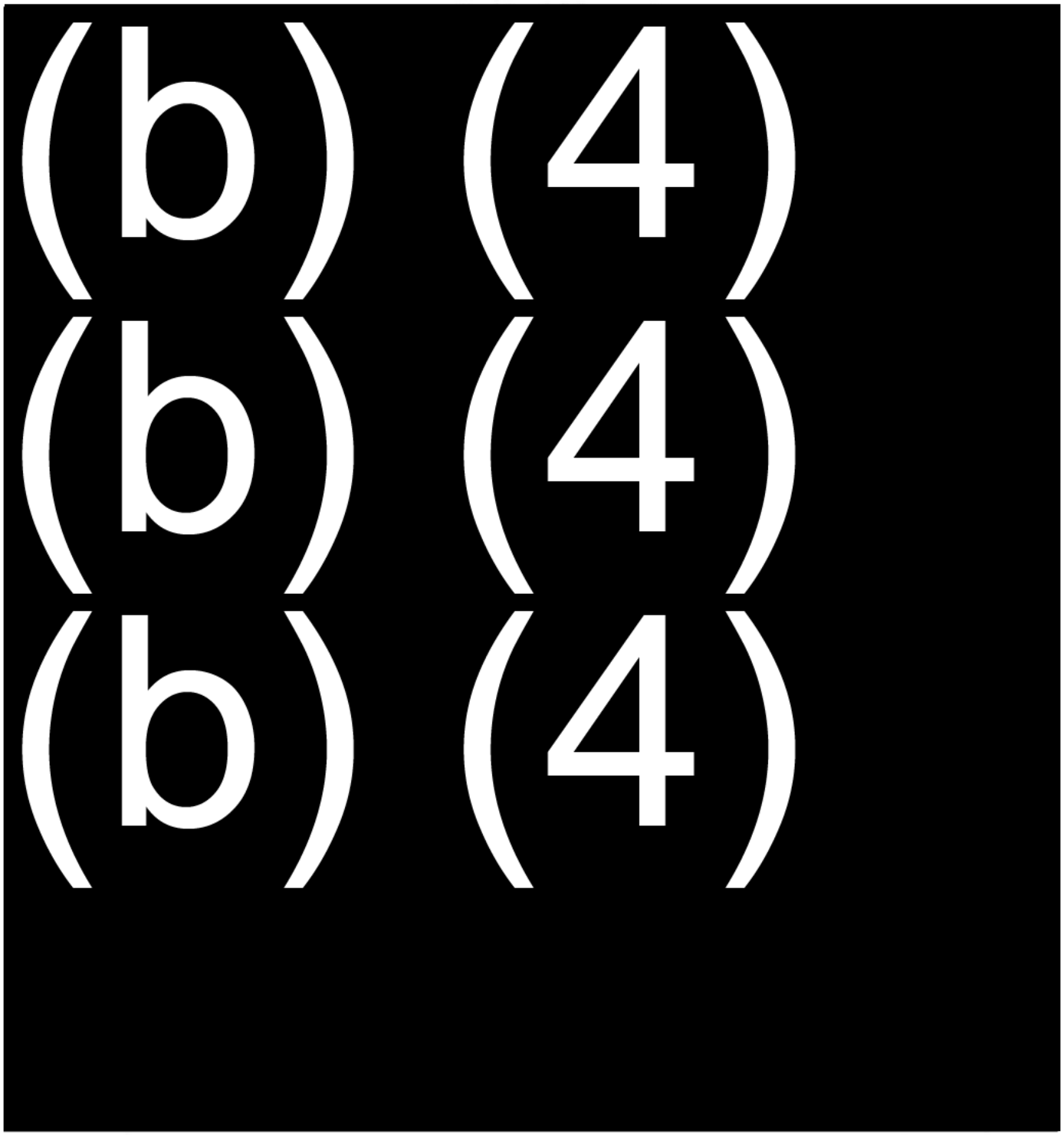

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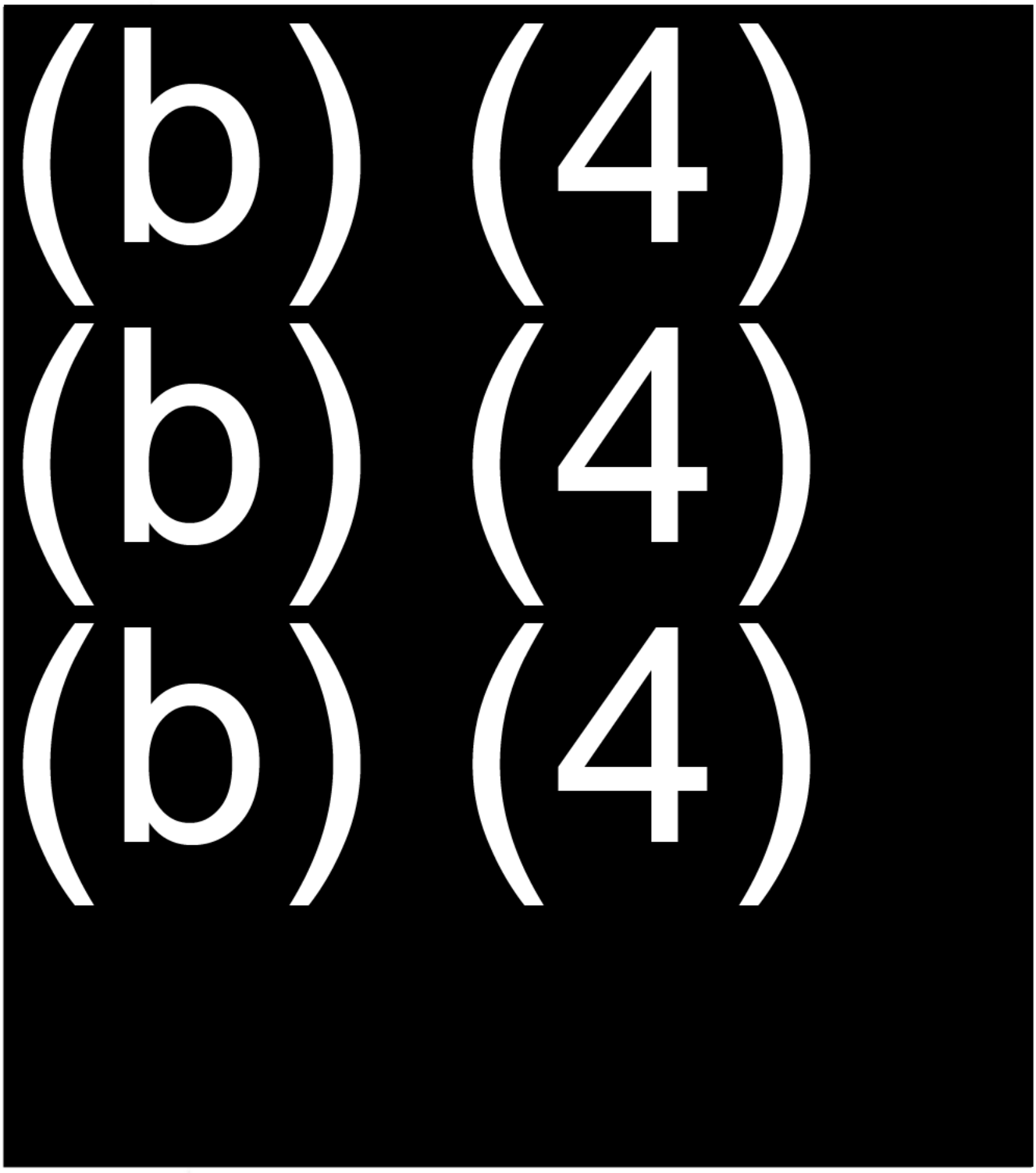

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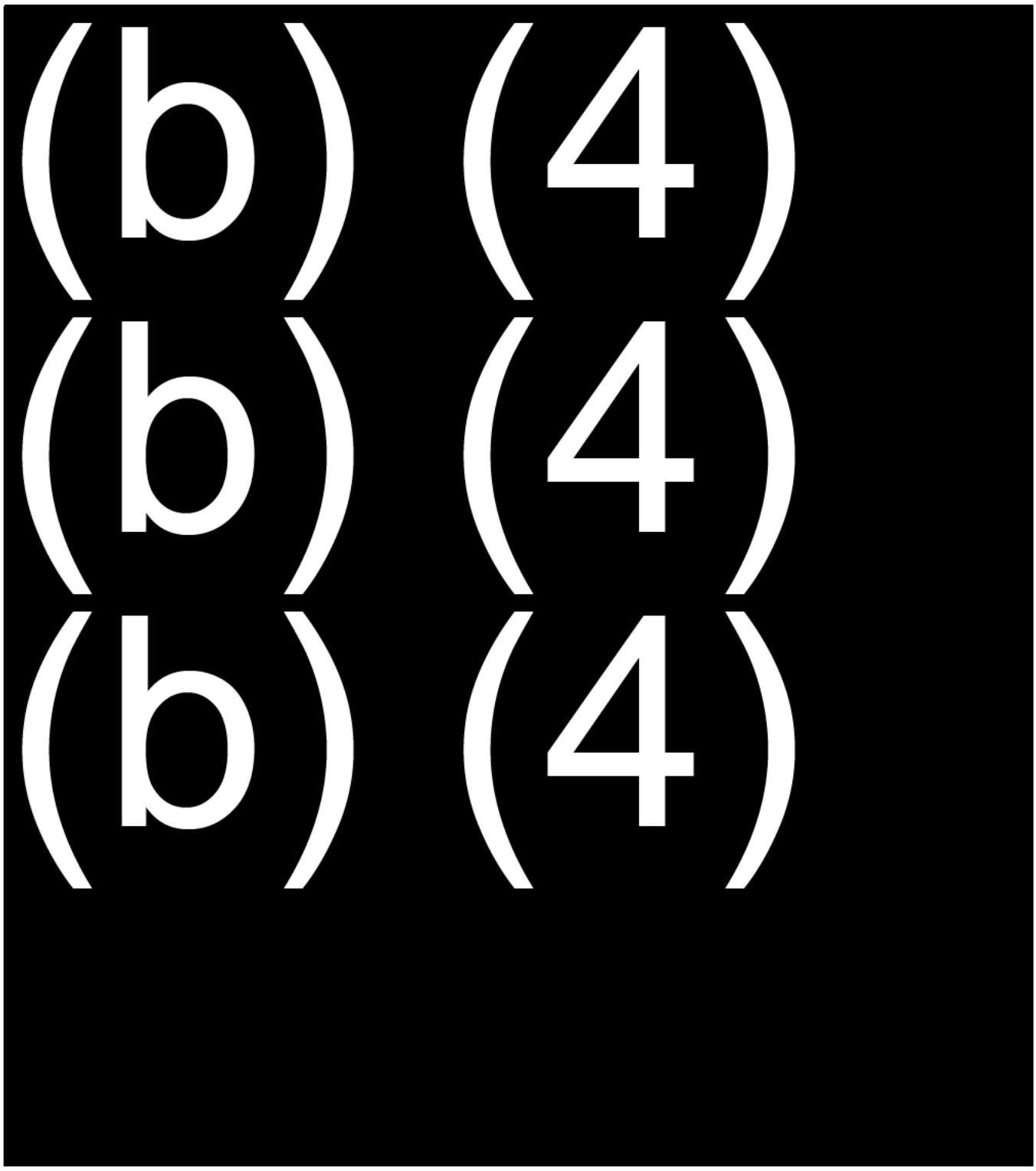

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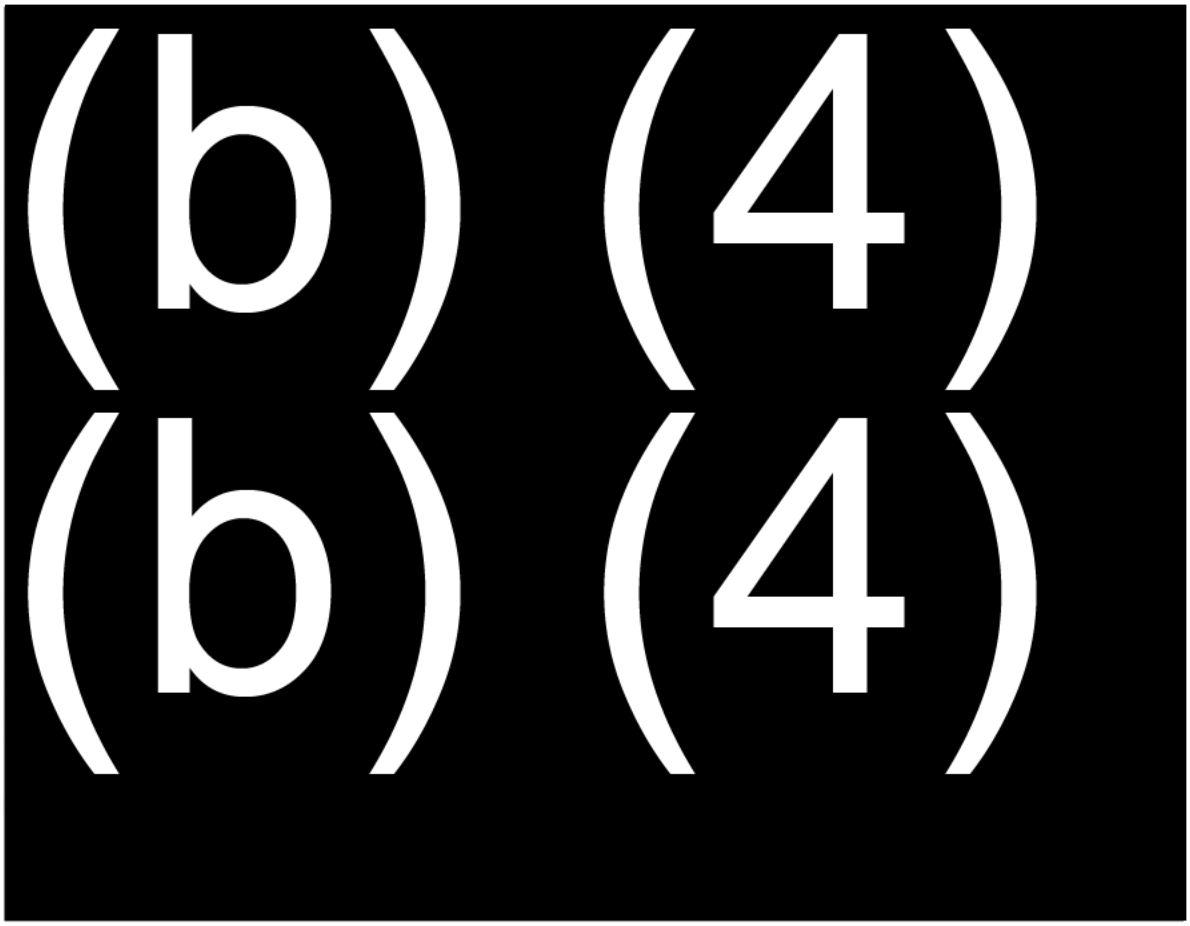

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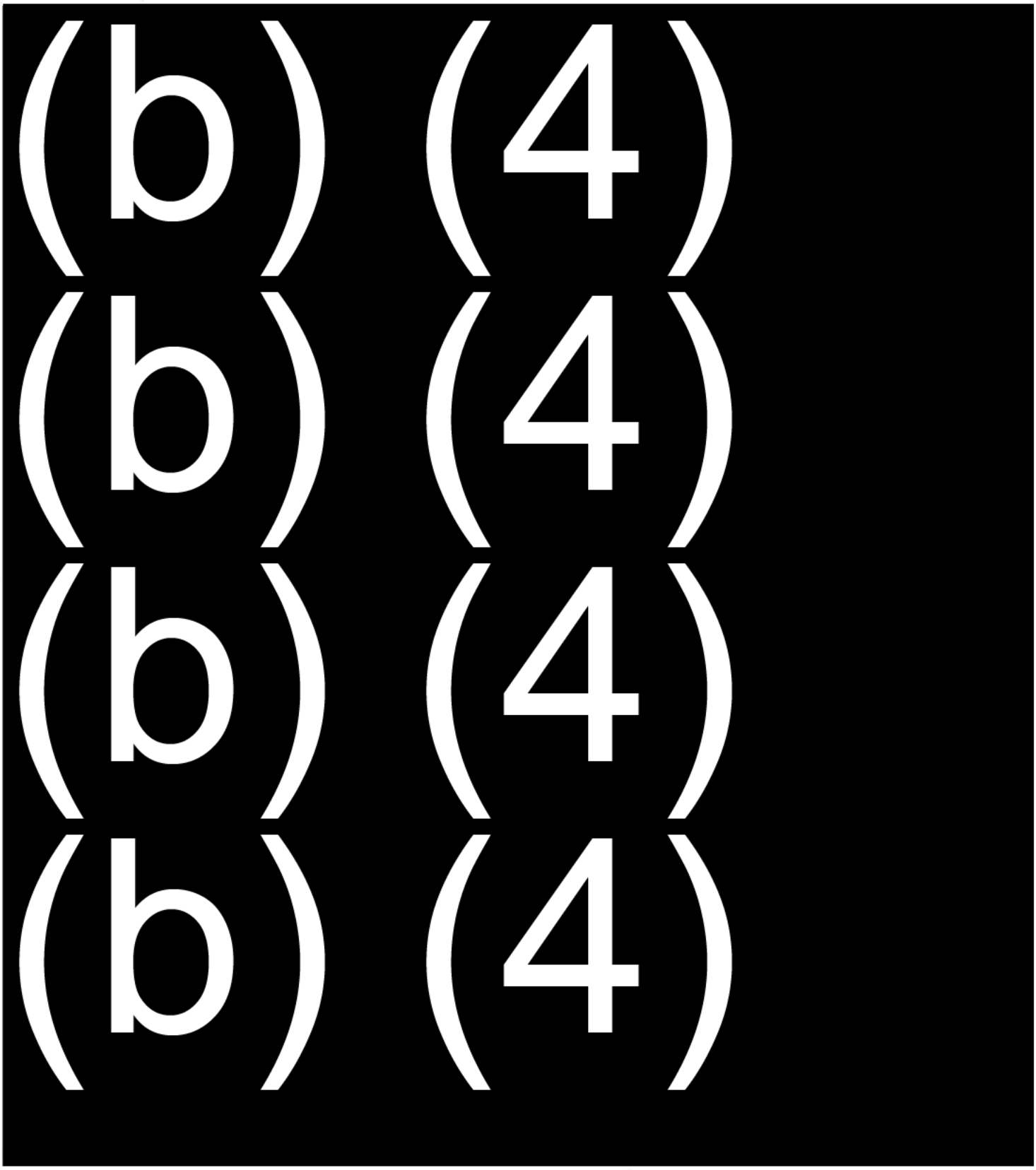

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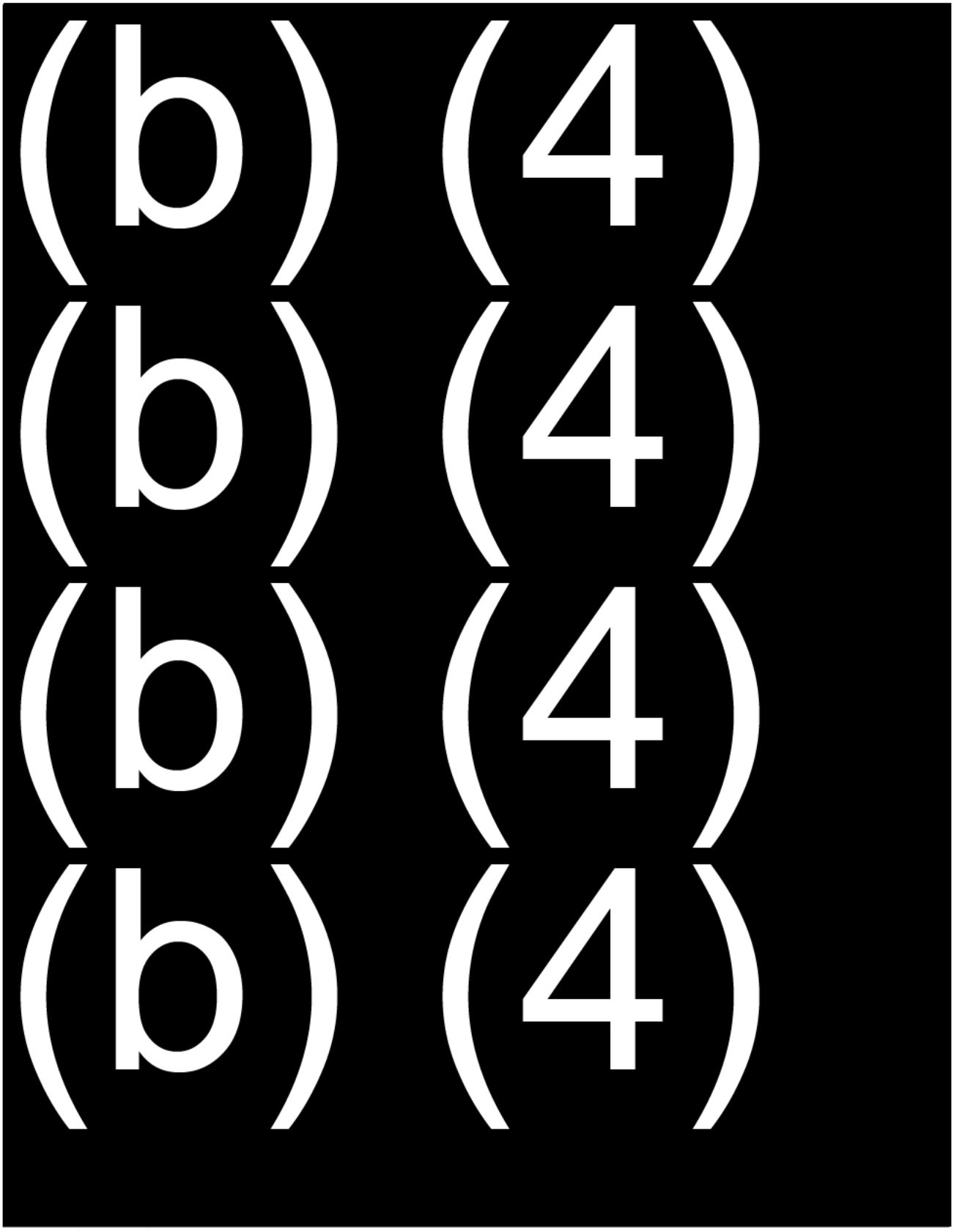

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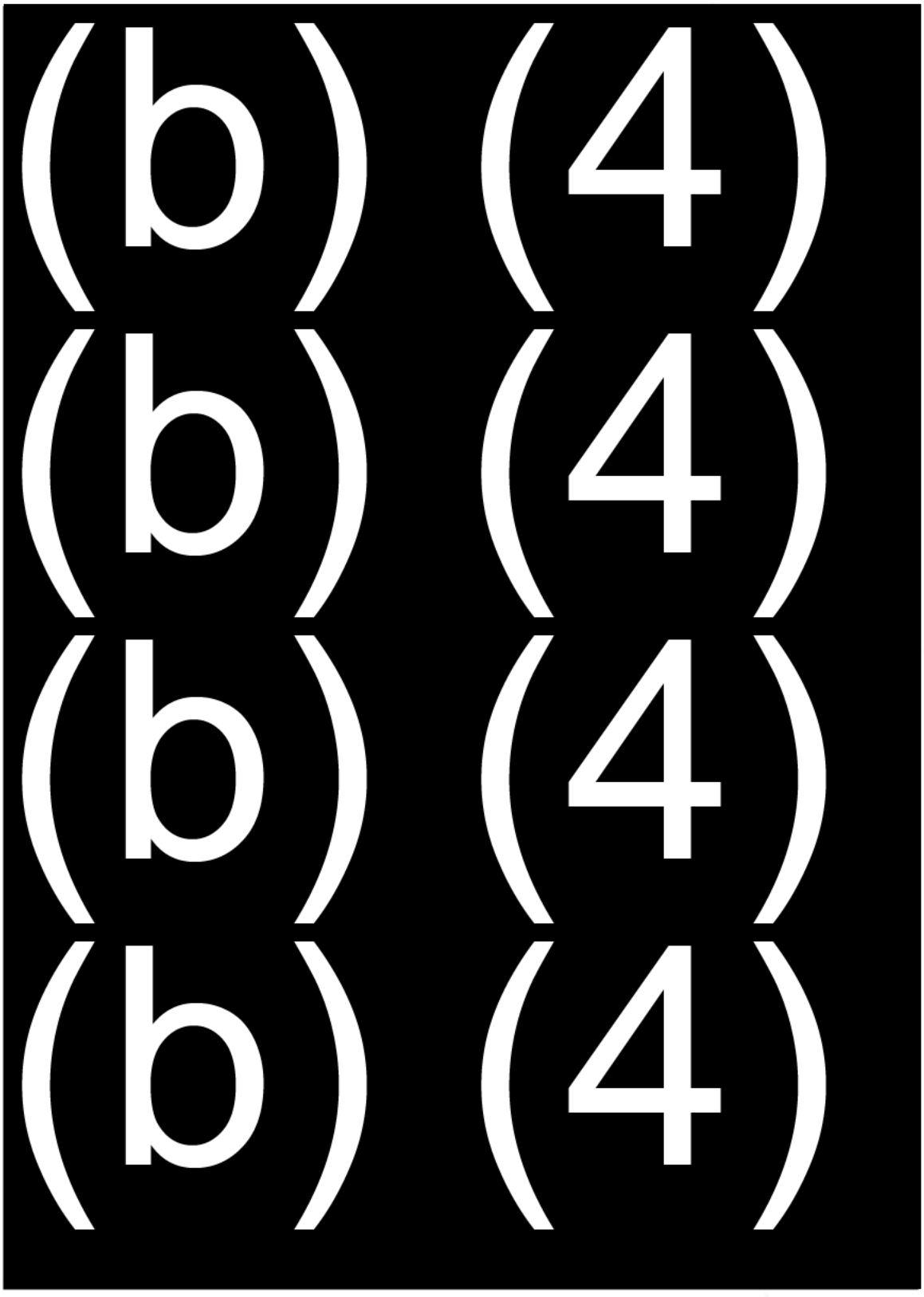

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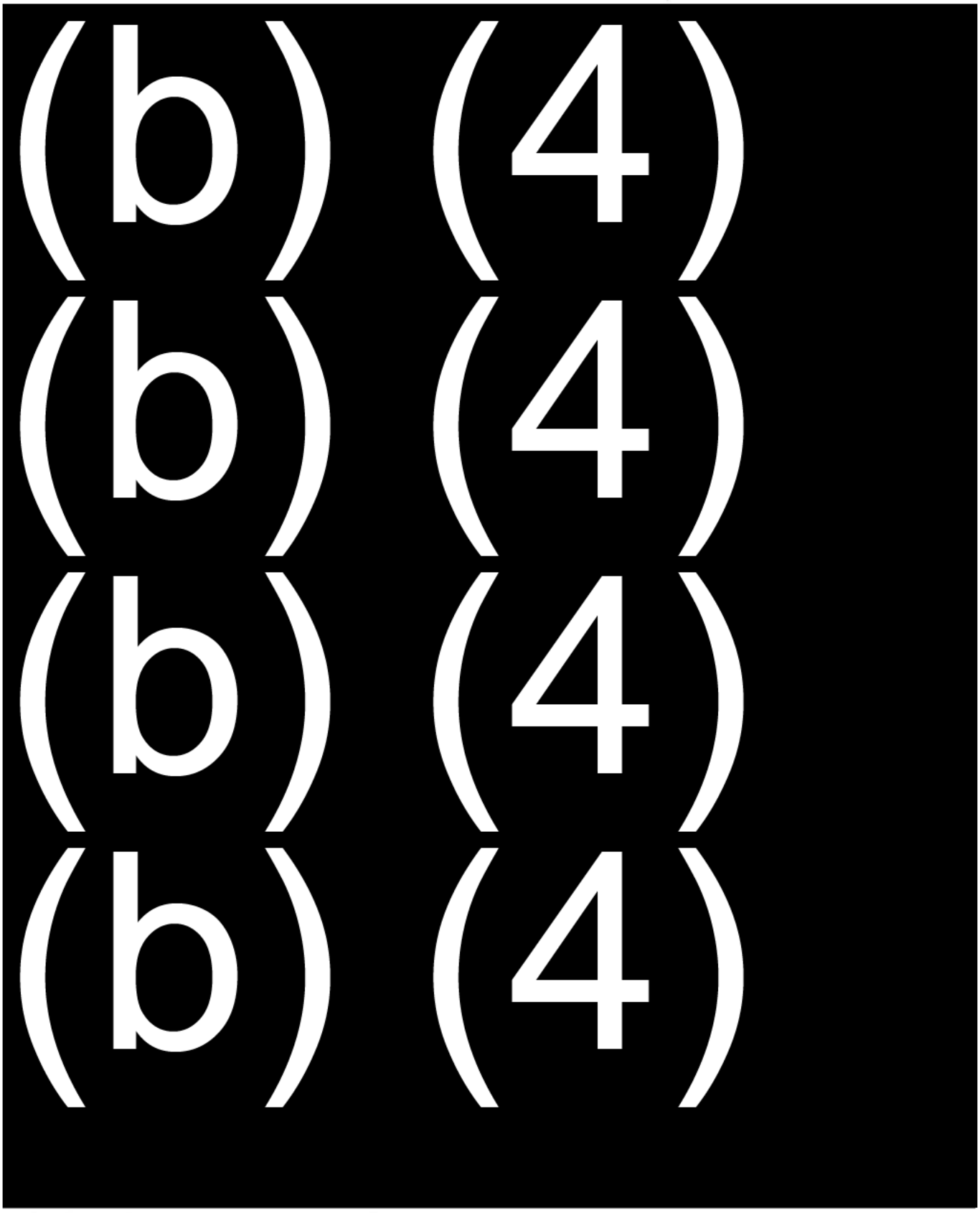

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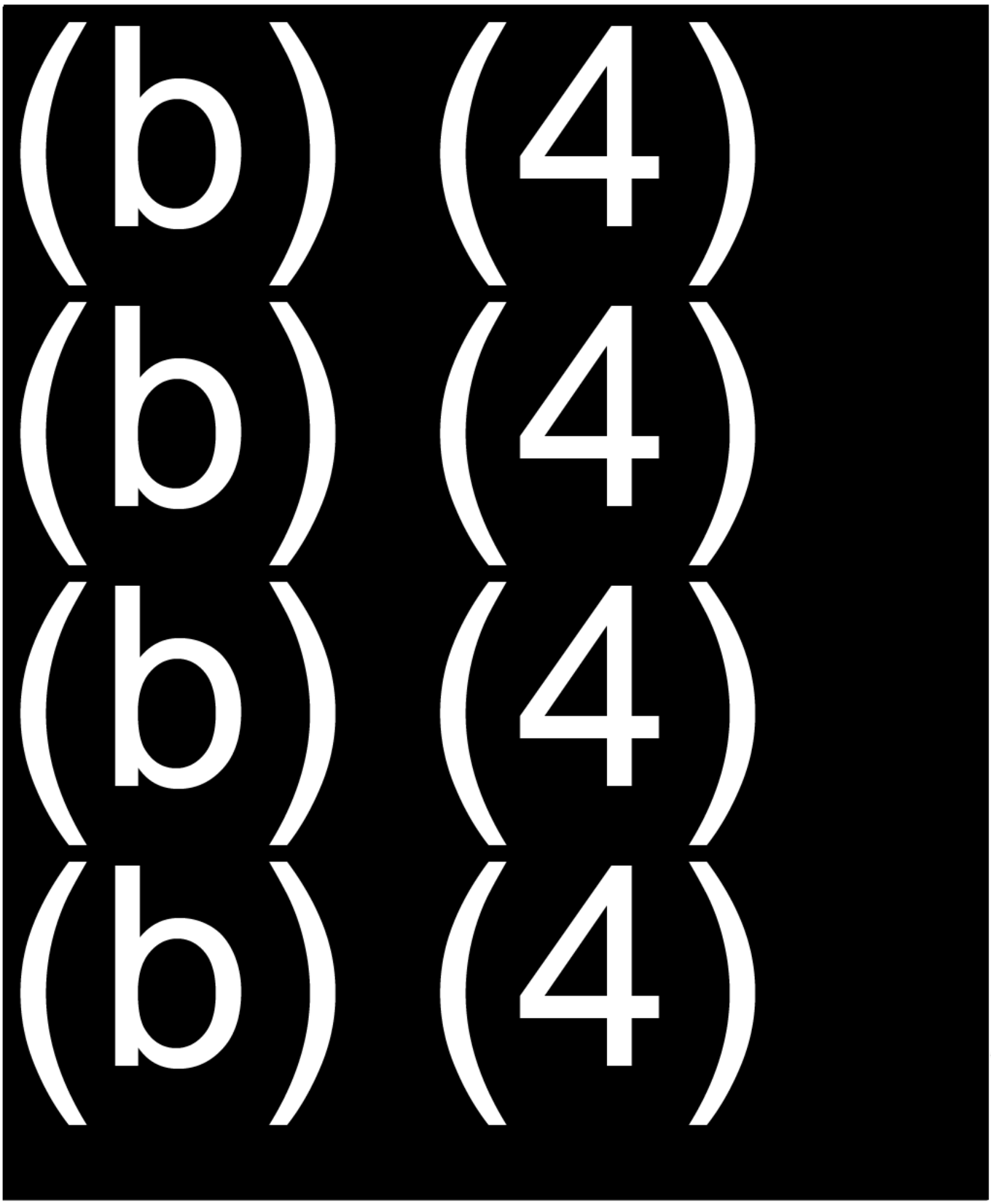

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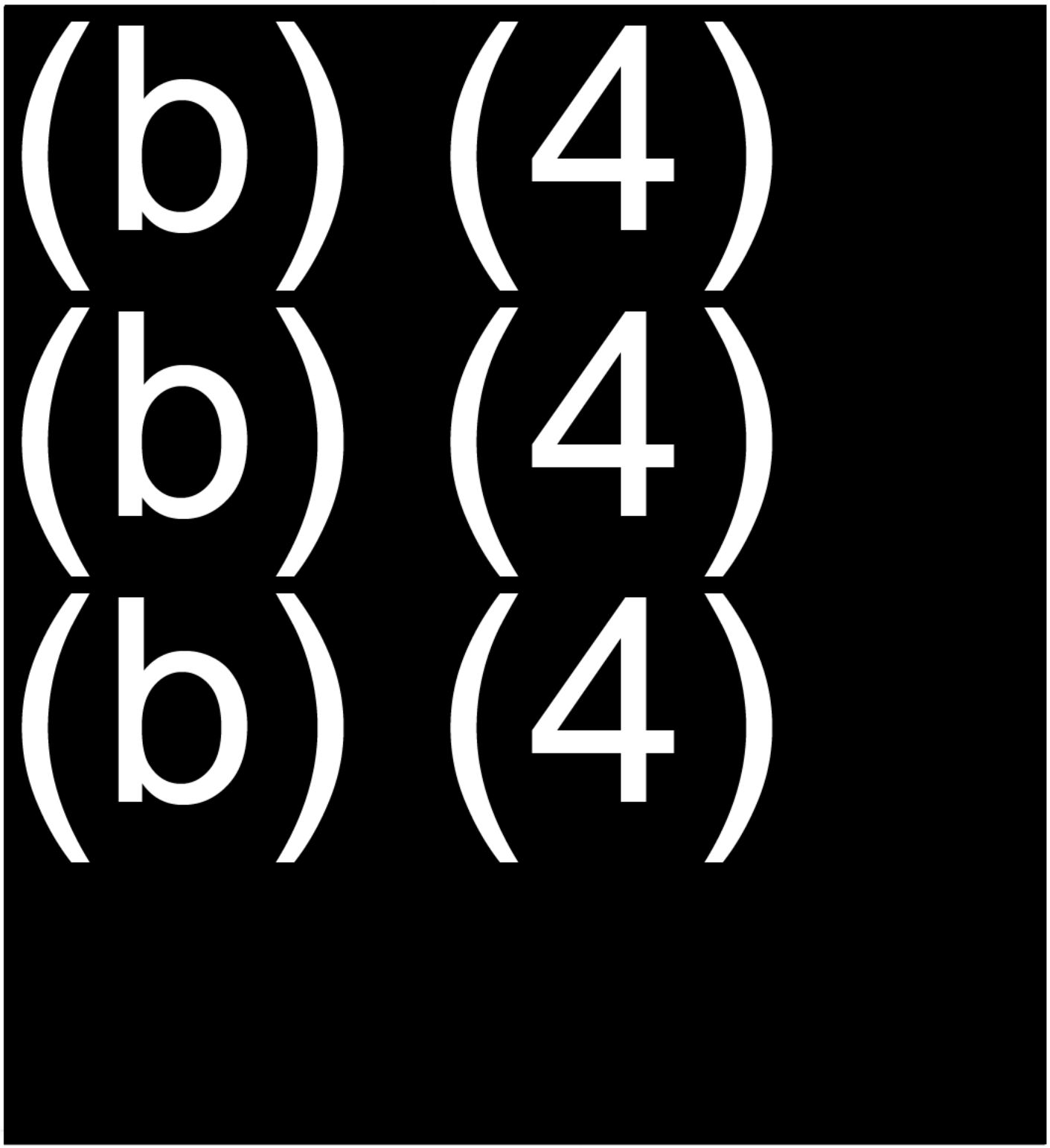

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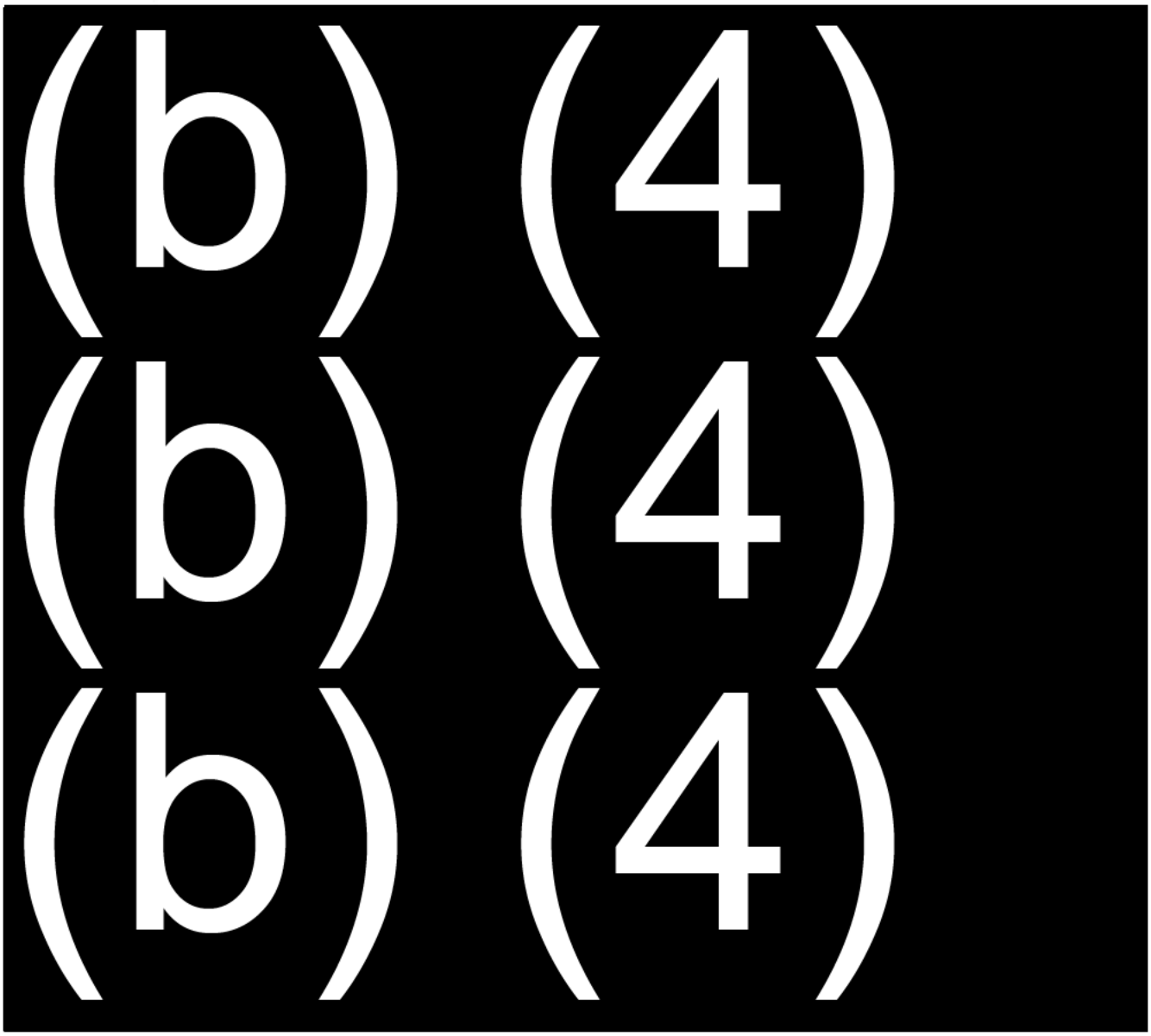
Market Data



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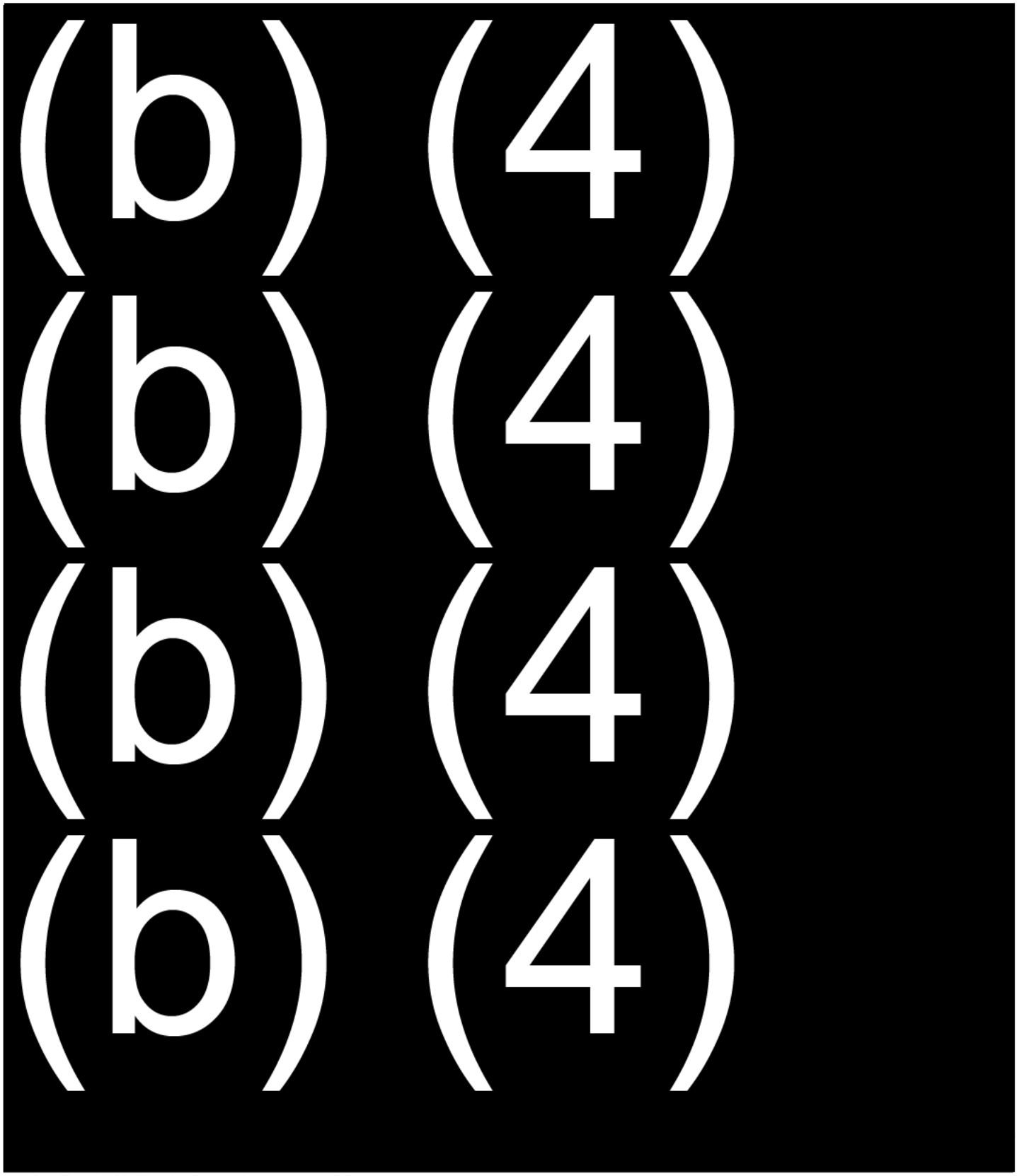
Schedule K-2
Market Analysis



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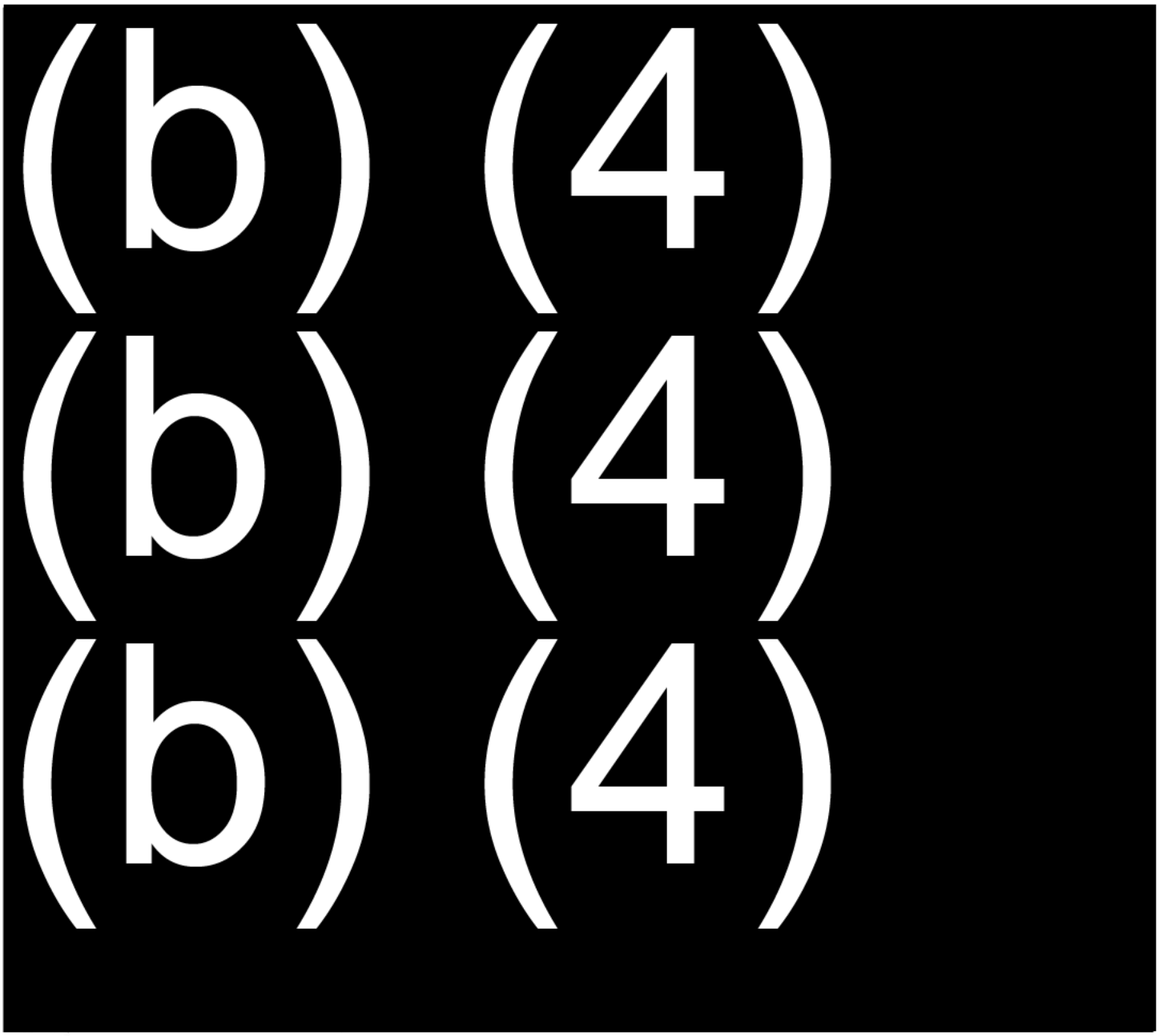
Schedule K-2 (Cont.)
Market Analysis

Market Analysis Methodology

In order to determine the potential market penetration for the proposed service offerings, the following market analysis methodology has been utilized. The formula used to calculate the required sample size is described in the following paragraph. This formula depends upon the confidence levels that need to be satisfied given the populations of the communities included in the surveys.



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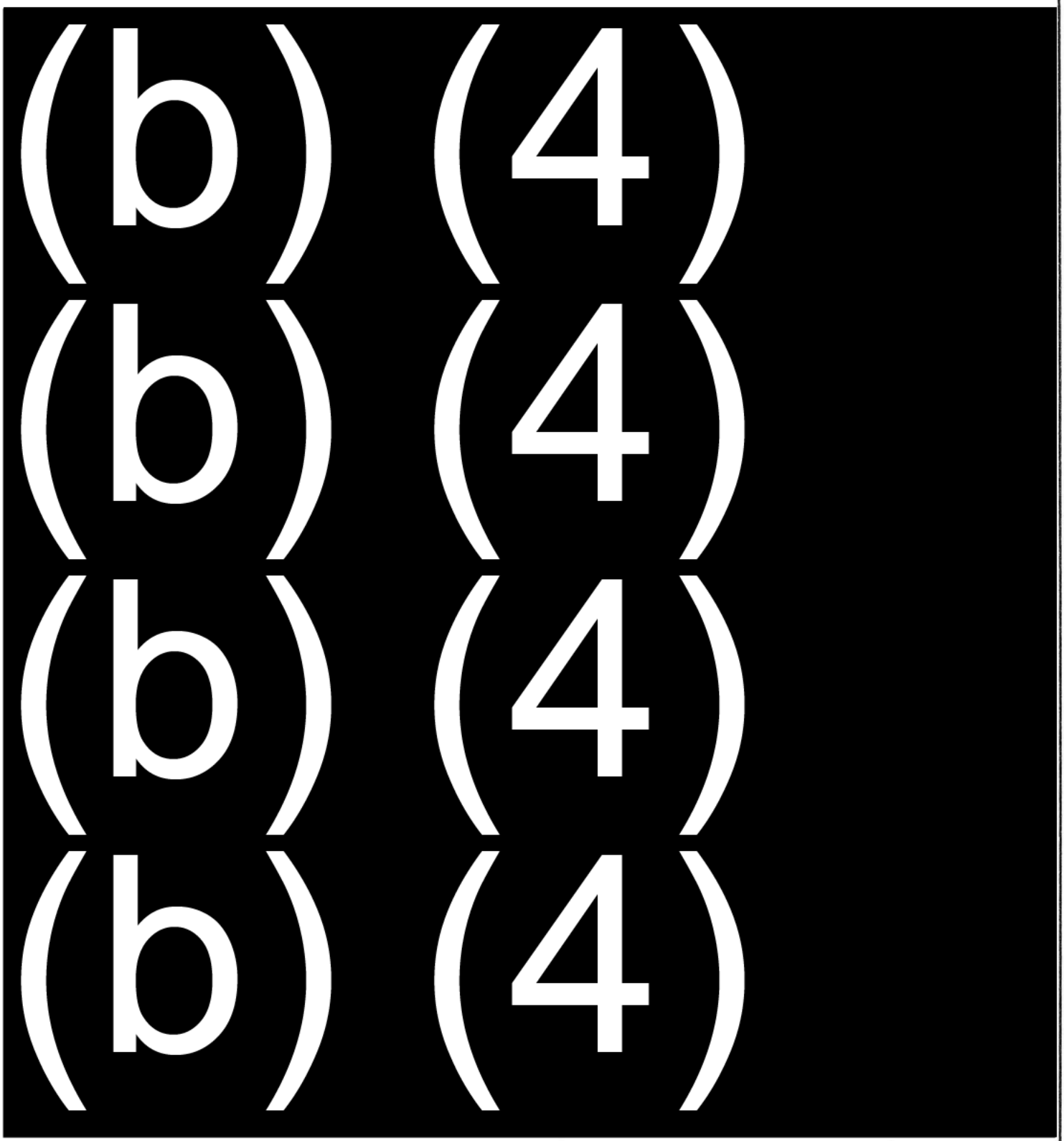
Schedule K-2 (Cont.)
Market Analysis



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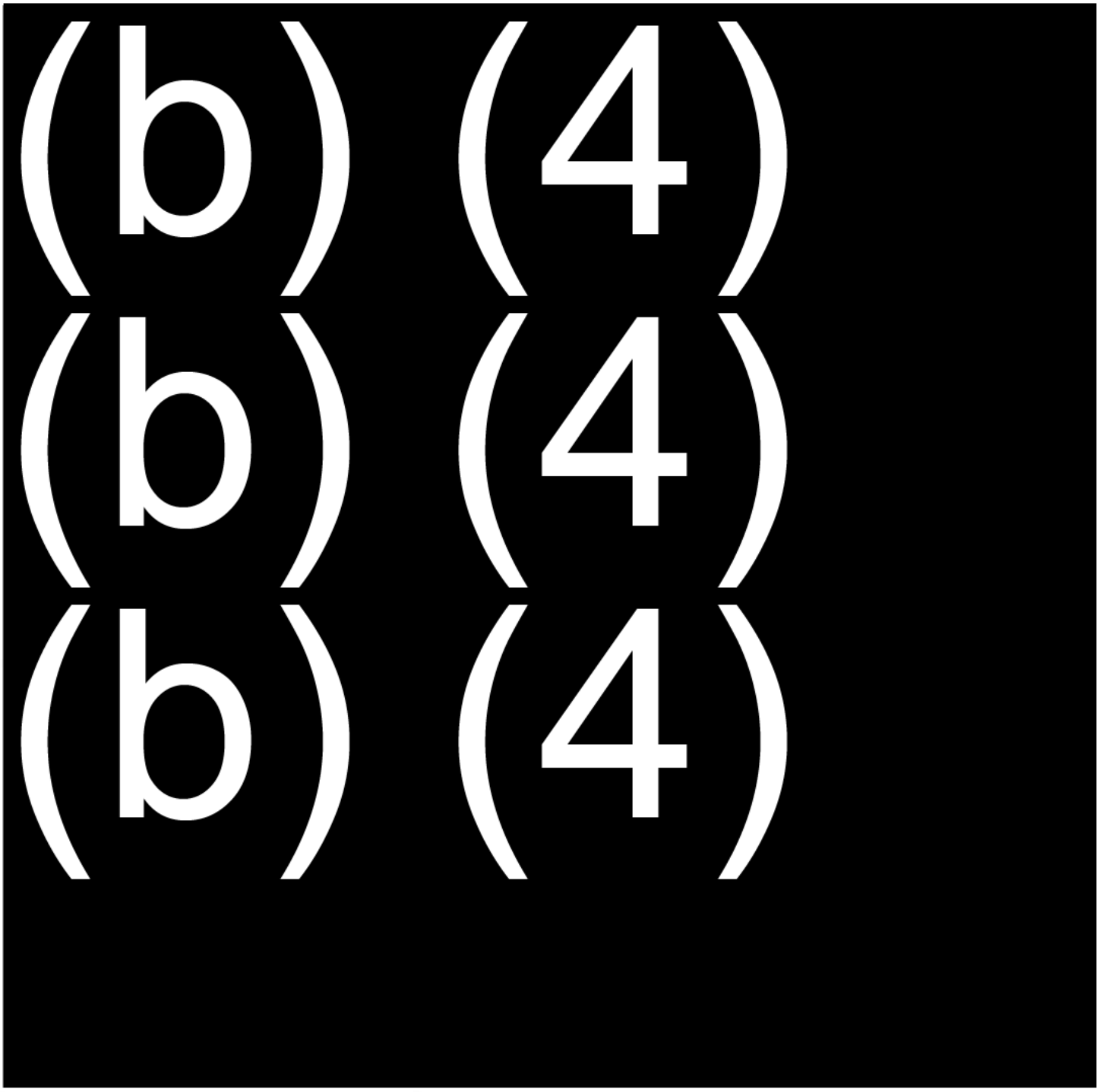
Schedule K-2 (Cont.)
Market Analysis



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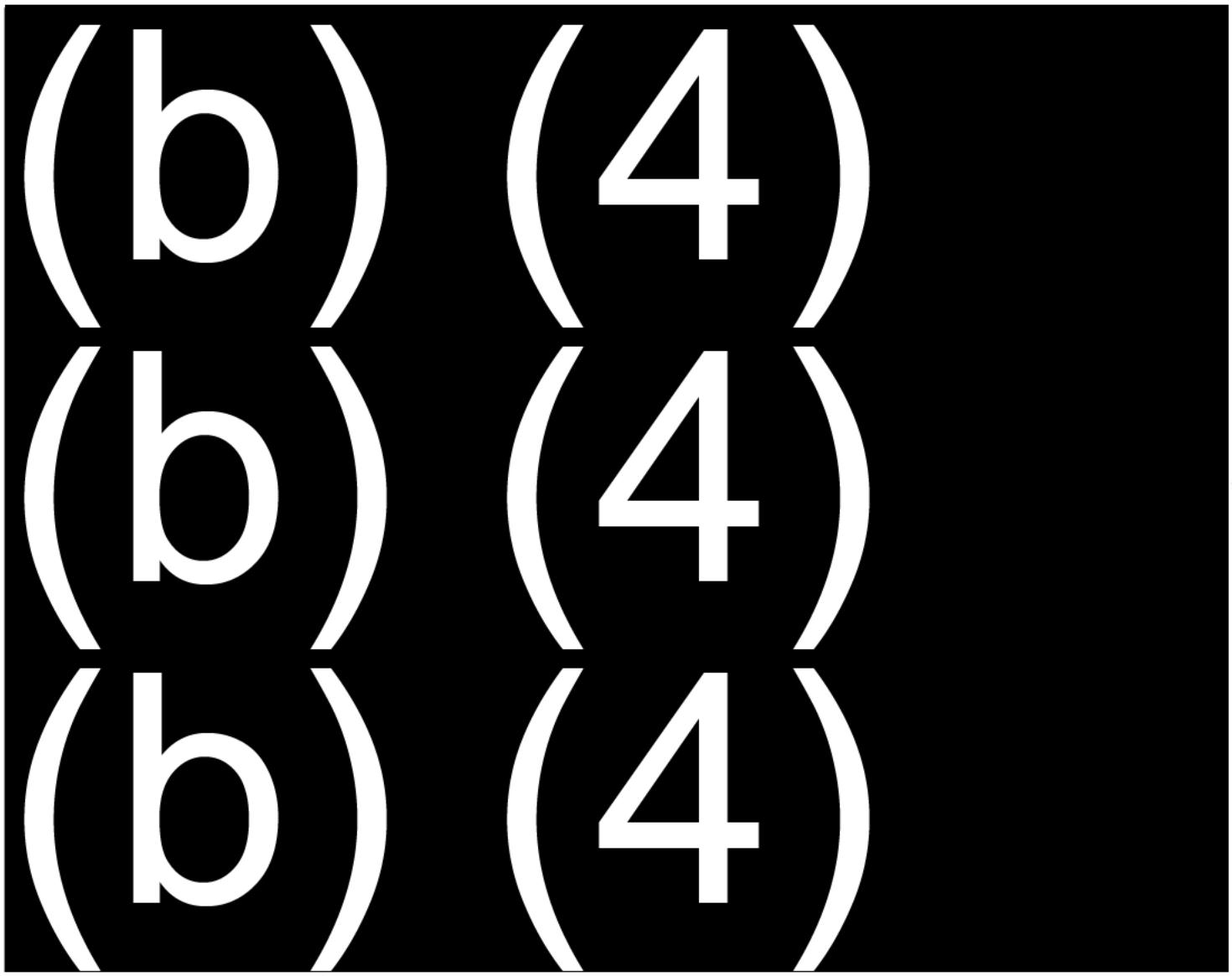
Schedule K-2 (Cont.)
Market Analysis



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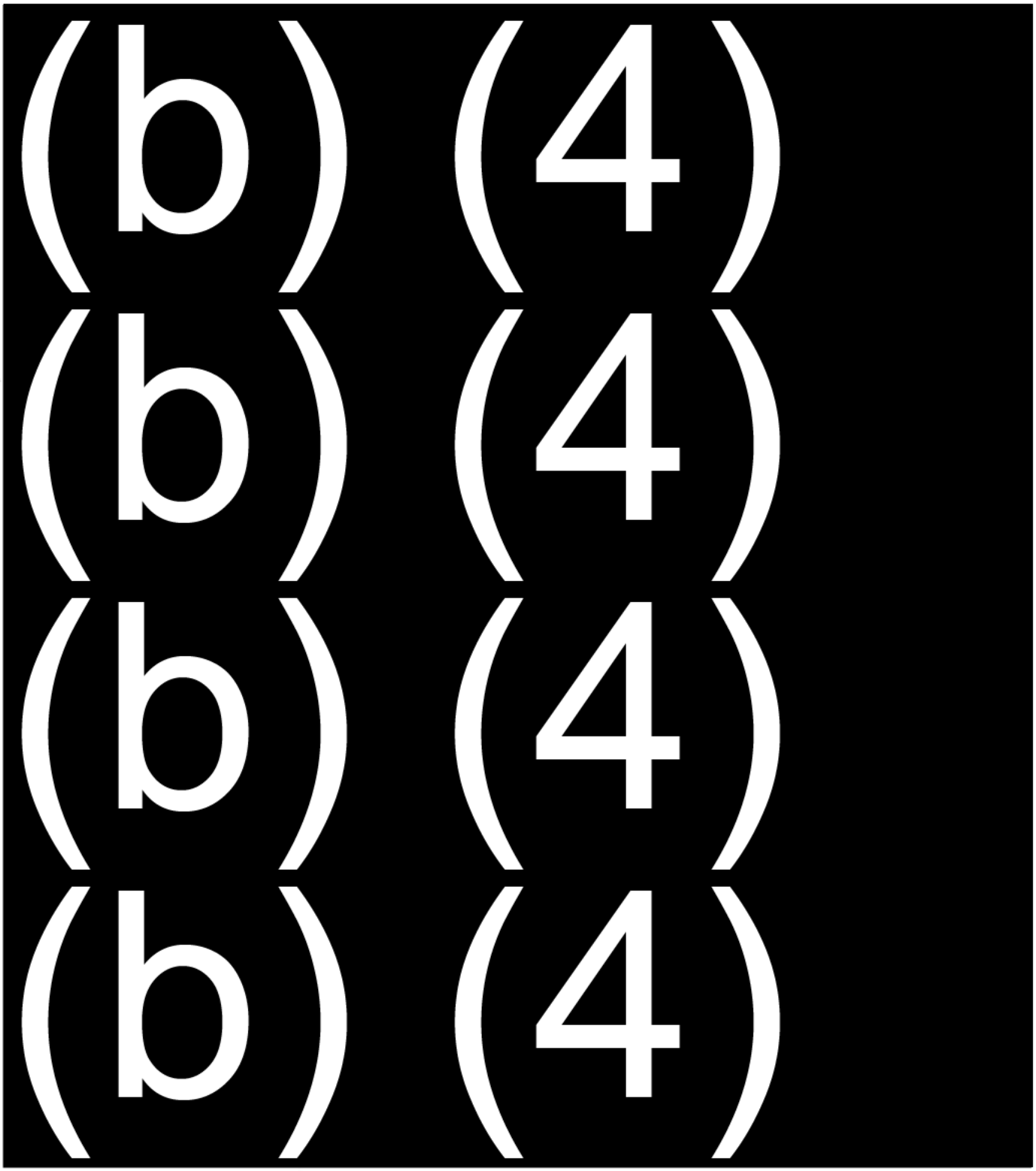
Schedule K-2 (Cont.)
Market Analysis



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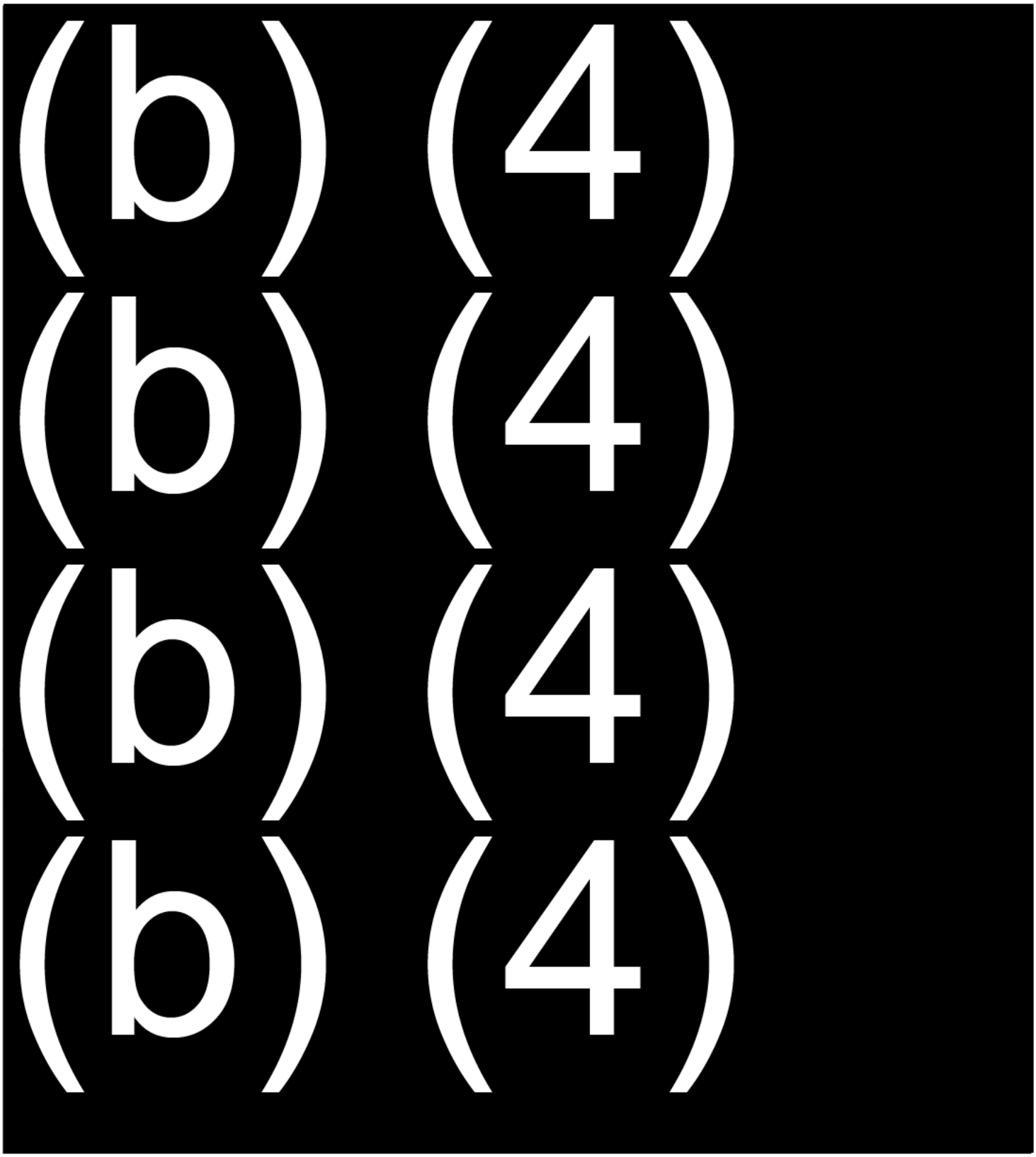
Schedule K-2 (Cont.)
Market Analysis



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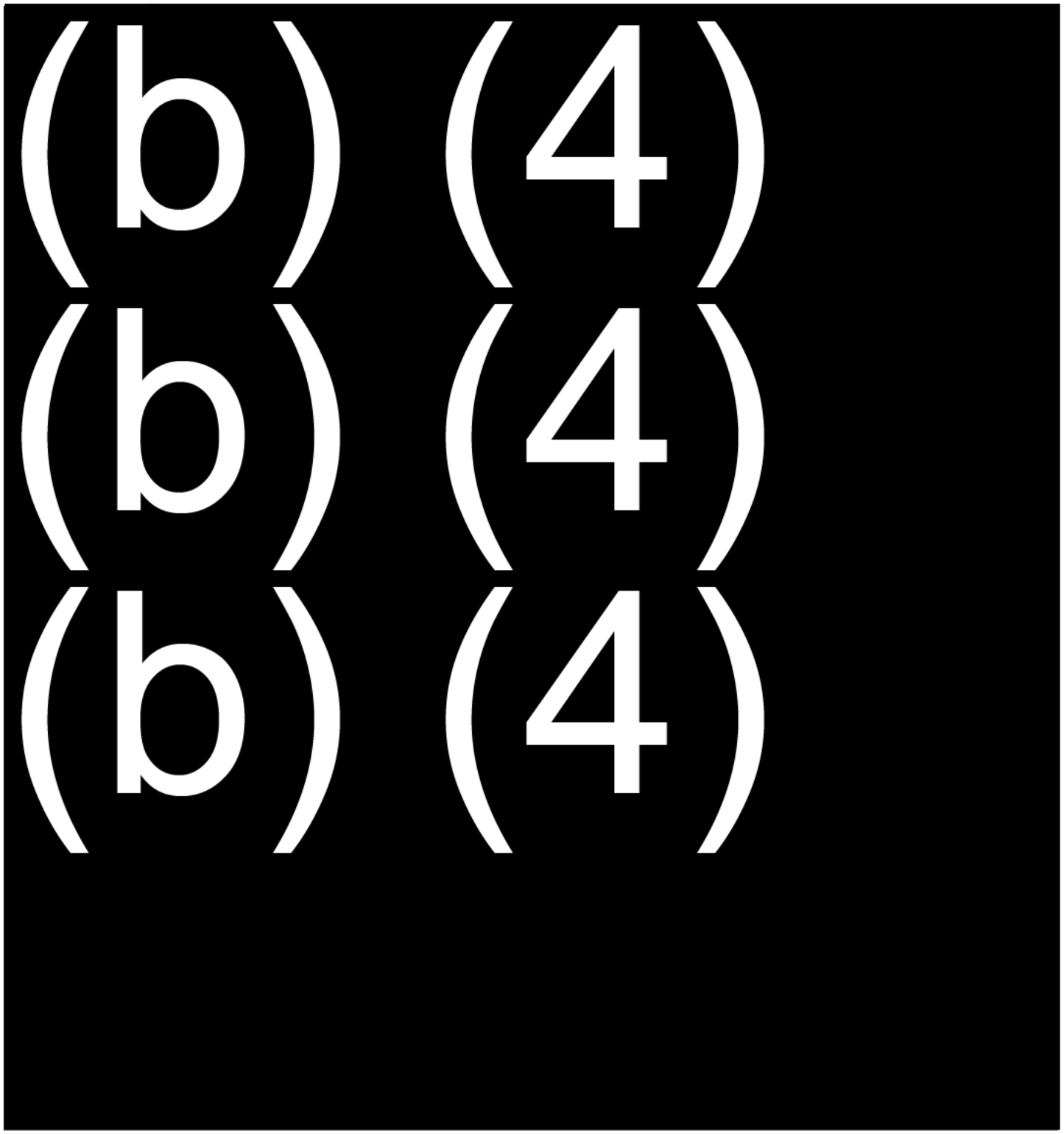
Market Analysis



(b) (4)(b) (4)(b) (4)

Conclusion

(b) (4)(b) (4)(b) (4)

Service Offerings:
(b) (4) (b) (4) (b) (4)

(b) (4)(b) (4)(b) (4)

Schedule L
Business Plan

General Overview

NTS Communications, Inc. was formed in 1981 and achieved CLEC status in 1999. NTS Communications, Inc. is headquartered in Lubbock, Texas and currently provides a variety of telecommunications services to customers in Arizona, Colorado, Kansas, New Mexico, Oklahoma and Texas. NTS Telephone Company, LLC (NTS Tel), was formed as a subsidiary of NTS Communications, Inc. to be a full service provider of voice, data and video services. NTS Tel is seeking funding from the Rural Utilities Service (RUS) Broadband loan program to be used for the purchase and installation of all equipment, infrastructure and any miscellaneous hardware and software required to create a network capable of providing a variety of broadband data and video services as well as voice via "fiber to the premise" distribution to the residents and businesses in the communities of Levelland and Smyer in the state of Texas. Included in the construction is a fiber optic feeder cable from Lubbock Texas to Levelland Texas and Smyer Texas. Also included will be the construction of a fiber optic terminal building in Levelland Texas, inclusive of the purchase of property and equipment, as well as construction of a fiber distribution network throughout the communities of Levelland and Smyer, Texas. The details of the hardware and software specifications are listed in **Schedule O – System Design**.

Detail of Sufficient Working Capital and Investments in the Company

Upon RUS approval of the $11,892,101 loan request, NTS Communications, Inc., has committed to make an investment of (b) (4) working capital in the newly formed NTS Tel. This amount of investment exceeds the RUS requirement of providing an amount of working capital that is equal to the greater of either the first year of operating expenses, or (b) (4) of the loan amount. Operating expense for the first year after construction is projected to be $1,076,326. Credit support of (b) (4)(b) (4)(b) (4)(b) (4) NTS Communications will retain 100% ownership over NTS Tel

The customer and market survey information gathered in preparation for this application clearly points to a strong customer demand for the types of services that will be offered by NTS Tel. The network construction plan calls for construction in phases; this will allow the first customers to be added in February 2007. The last phase of network construction is planned for completion by September 2007. Based on the customer survey responses, there is a very significant demand in the Levelland and Smyer communities for the high bandwidth services that will be made available through this construction project. The 1.25 TIER calculation in the RUS guidelines is projected to be achieved during 2008.

Schedule L (Cont.)
Business Plan

Management

The technical, business, personnel and project management skills of NTS Communications, Inc. will directly impact the success of NTS Telephone, LLC. The single management member of NTS Telephone, LLC will be General Manager Mr. Jerry Hoover. NTS Telephone, LLC will also rely on the experience and counsel of Mrs. Barbara Andrews and Mr. Brad Worthington of NTS Communications, Inc. Mr. Hoover has been Executive Vice President and Chief Financial Officer of NTS Communications, Inc. since 1994. Mr. Hoover was recruited as senior management, reporting directly to the President and CEO, due to his extensive experience as a certified public accountant and business management consultant. His experience with operations at NTS Communications, Inc. included serving as a senior management member of a facilities-based CLEC. Mr. Hoover's current responsibilities for NTS Communications, Inc. include financial management and financial reporting along with human resource, treasurer and controller functions. Mr. Hoover is also involved in strategy formulation and execution for NTS Communication, Inc. Mr. Hoover holds current professional certification and licenses with the Texas State Board of Public Accountancy (Certificate Number 15533) and The State of Texas Permit to Practice Public Accountancy. Mr. Hoover is a noted member of the American Institute of Certified Public Accountants.

Barbara Andrews holds an MBA in Business Administration from Texas Tech University, in Lubbock, Texas. Mrs. Andrews has been an employee of NTS Communications, Inc., since its inception, nearly 25 years. Prior to her appointment as President and Chief Executive Officer in 1994, she was responsible for sales and marketing, management information systems and account administration. Through Mrs. Andrews experience with NTS Communications, Inc., she has acquired an intimate and detailed familiarity with the operations and management requirements of the industry. (b) (6)(b) (6)(b) (6)(b) (6)(b) (6)(b) (6)(b) (6)(b) (6)(b) (6)(b) (6)(b) (6)(b) (6) (b) (6)(b) (6)(b) (6)(b) (6)(b) (6)(b) (6)(b) (6)(b) (6)(b) (6)(b) (6)(b) (6)(b) (6)(b) (6)(b) (6)(b) (6)(b) (6)(b) (6) In addition to her graduate degree and work experience, Mrs. Andrews has gained industry expertise and crucial industry connections through frequent attendance at key industry conventions and conferences.

Brad Worthington is Executive Vice President and Chief Operating Officer of NTS Communications, Inc. He has served NTS in a senior management capacity since joining the company in 1990. Mr. Worthington is an Attorney, and formerly served as General Counsel for the company. Mr. Worthington received his B.S. Ed. from Southwest

Schedule L (Cont.)
Business Plan

Texas State University in 1987 and his J.D. from the Texas Tech University School of Law in 1990. He is licensed to practice law in the state of Texas, and is admitted to practice in the Federal District Courts, Northern District of Texas. He is a member of the Lubbock County Bar Association, and the Corporate Counsel Section of the State Bar of Texas. In addition to his law degree and continuing legal education, Mr. Worthington has gained invaluable telecommunications industry contacts and valuable exposure to industry developments through frequent attendance at telecommunications conventions, conferences and trade shows.

Services and Product Pricing

NTS Tel was created to offer single play (voice or data), double play (voice and data) and triple play (voice, video and data) options to residential customers in the service areas of Levelland and Smyer Texas. These same services will be offered on an ala Carte basis to business customers in Levelland Texas. The delivery of these services to the proposed market is dependant on the construction of the broadband network proposed in this loan application. Application for CLEC status will be filed when this loan package is approved by RUS. [redacted]

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Schedule L (Cont.)
Business Plan

SERVICE PRICING
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Schedule L (Cont.)
Business Plan

Competitive Analysis

A competitive analysis was conducted in the communities of Levelland and Smyer, Texas. This analysis was conducted by researching competitors' advertised offerings on the Internet, reviewing local and state newspapers and other types of printed advertisements as well as placing phone calls to providers. The results of this analysis are detailed in Schedule D-2. These results combined with the results from the marketing survey detailed in Schedule K-1 produced the following information.

The main video competitors are Dish Network, DirecTV, Charter Cable and Cebridge. Dish Network has services available at $42.99/month for 120 channels while DirecTV has services available at $41.99/month for 155 channels. Charter Cable, in the community of Levelland only, offers 53 channels as their Basic Service for $43.90/month with a digital package available at $54.99/month. Cebridge, in the community of Smyer only, extends their services of 43 channels at $39.03/month. NTS Tel plans to offer Basic Video at $39.95/month with 105 digital video channels available. The proposed $39.95 price point is in line with expectations according to the market survey results in Levelland where 93% of the population pays more than $39.99 a month. To further support the subscriber penetration rates calculated regarding the entire service area, 81% are willing, somewhat willing or very willing to switch satellite video or cable service providers (77% in Levelland, 85% in Smyer). Price and product selection were chosen as two of the most important reasons to switch satellite video or cable service providers with a total of 91% of the respondents selecting these as their number one reason to switch (82% in Levelland, 100% in Smyer). This adds strong market support to NTS Tel's offering of $39.95 a month and 105 digital channels.

When reviewing the data service competitors for Levelland and Smyer, the dial up options include AOL, MSN, Juno, Net Zero, AT & T and EarthLink. The prices for these dialup services range from a low of $6.95/month (Juno) to a high of $23.90/month (AOL). There are several wireless providers in the proposed markets. Blue Moon Wireless offers services of 1 Mbps burst at $49.95/month and 2 Mbps burst at $69.95/month. DTN Speednet has 1.0 Mbps/256 Kbps service available of 1.0 Mbps/256 Kbps at $49.95/month. The Door (ADSL) has high-speed services available ranging from 384Kbps/128Kbps at $19.95/month to 1.5Mbps/512Kbps at $69.95/month with 4 options available between these services offered. Valor is also a competitor for data services in Levelland and Smyer. Valor offers several tiers of service with the highest bandwidth available at 1.5Mbps/512Kbps for $34.95/month and the lowest bandwidth at 384Kbps/128Kbps and a price of

Schedule L (Cont.)
Business Plan

$24.95/month. NTS Tel will offer high-speed Internet service at 8Mbps down/1Mbps up for $39.95/month with free installation and equipment. NTS Tel's package of 8Mbps down/1Mbps up is over 5 times faster than Valor's package of 1.5Mbps/512Kbps and very competitive at the additional $5/month. According to the market survey results, 82% of the service area populations who have Internet service are at or below 1Mbps of transmission speed (80% in Levelland, 84% in Smyer). To further support the subscriber penetration rates, 80% of respondents in the entire service area were willing, somewhat willing or very willing to switch internet providers (83% in Levelland, 76% in Smyer) and 82% of the service area population owns at least one computer (82% in Levelland, 77% in Smyer). When considering reasons to switch Internet service providers, 82% of Levelland's household population of 5,186 selected price or technology as their number one consideration for a switch. These market survey results support NTS Tel's offering of 8Mbps down/1Mbps up at the competitive price of $39.95 and the market penetration rates projected.

The only true voice competitor in Levelland and Smyer is Valor. Valor offers local voice at $18.90/month and a package of local voice plus unlimited long distance for $49.95/month. The only other identified wire line voice provider is UTEL who offers prepaid basic local dial tone with no features for $49.99 per month. NTS Tel will offer a competitive package of bundled voice and data to include basic phone service, 8 calling features, 200 long distance minutes and 8Mbps down/1Mbps up high-speed internet service at only $10/month more than Valor's package. NTS Tel will also offer basic phone service including the subscriber line charge at $14.29/month. The market survey results support the proposed basic voice offering of $14.29/month as it is in line with customer expectations. According to the market survey results, 71% of the respondents in Levelland pay $40 or more a month for their total average monthly telephone/voice bill. To further support the subscriber penetration rates, 82.5% of the service area were willing, somewhat willing or very willing to switch telephone/voice providers (82% in Levelland, 83% in Smyer). When considering a reason to switch telephone/voice providers, 80% of Levelland's household population selected price as the number one reason to switch. This provides additional support for the subscriber penetration rates calculated in Schedule K-2.

Schedule L (Cont.)
Business Plan

Primary Market

The primary market to be included in the projected service area, are the communities of Levelland and Smyer, both are in Hockley County, Texas. The proposed service area has an overall community population, according to the 2000 U.S. Census, of 13,346. Levelland has a community population of 12,866 and Smyer has a community population of 480. Levelland has 5,186 households and 518 businesses, while Smyer has 215 households and no businesses.

Current Status, Prospects and Trends Influencing the Industry:

Broadband is one of the fastest growing services in history. Broadband in the home and the office has transformed consumer expectations for data services and stimulated growth. Services such as peer-to-peer communications, video on demand, home-to-office networking, online research for business and educational purposes, online gaming, online banking, Tele-medicine, Tele-commuting, distance learning and many others are driving demand for more and more bandwidth each year. This is especially true in rural markets, such as the communities in the proposed service area of this project, due to the lack of available community resources. Major metropolitan areas have extensive public library systems, colleges and medical facilities that are easily accessed by metro residents. Rural areas often are lacking in even the basics of these valuable services; therefore, a large amount of time and expense is necessary for them to gain the same access and benefits. This is compounded by the fact that rural markets often do not have dense enough populations to encourage incumbent or competitive providers to extend broadband services to each rural resident. This is certainly the case with the proposed service areas and is substantiated by the high demand reported in the market survey. According to the surveys completed in Levelland and Smyer, 80% of the service area owns at least one computer and 82% of the respondents with Internet service utilize transmission speeds at 1Mbps or lower.

A significant industry trend emerging is the practice of bundling or packaging of different telecommunications services. This trend is based on extensive market and customer research. "In a J.D. Power and Associates survey of more than 6,100 households, about two-thirds of respondents indicated that they would likely switch all of their services to one company," (Strouse, pp204). Receiving one bill was an important reason identified to bundle with one company. An additional bundling study done by the Strategis Group in 1998 found that nearly 85% of mid-sized businesses are interested in buying bundled telecommunications services from one provider. A similar study to the Strategis Group project in 1998 concluded that nearly 80% of U.S. households would like

some combination of local, long distance, cable television, cellular, paging and Internet access from a single provider. NTS Tel will be the only company in the proposed communities capable of offering triple play (voice, video and data services) services to its customers therefore establishing a competitive advantage.

Customers targeted

The targeted customers include rural residential and business consumers in the proposed service area detailed on previous pages. The market survey described in **Schedule K** provides valuable insight into the needs and desired services of these communities. According to those who responded to the survey, the following relevant data was provided.

- 80% own at least one computer
- 57% average 5+ hours a week online
- 54% have average household incomes between $30,000-$70,000
- 80% are willing, somewhat willing or very willing to switch internet providers
- 81% are willing, somewhat willing or very willing to switch satellite video or cable service providers
- 93% of the household population in Levelland pays more than $39.99 a month for satellite/cable services
- 70% of the service area pays $40 or more a month for their total average monthly telephone/voice bill

According to the surveys completed in Levelland and Smyer, 82% of the respondents are currently utilizing Internet services with transmission speeds at or below 1Mbps. Of these, 76% are dial-up customers. NTS Tel will have the capability to offer 8Mbps down/1Mbps up at $39.95. The business plan is further supported by the fact that 80% of the respondents are willing, somewhat willing or very willing to switch Internet providers.

One significant trend to note involves the Hispanic population. In the United States, the Hispanic population has increased by more than 50% between 1990 and 2000. Over half of all Hispanics live in California and Texas. This evidence supports future growth in the proposed areas of Levelland and Smyer. The Hispanic population is growing at an abnormal rate and over half of this population is locating in either California or Texas. The communities of Levelland and Smyer will continue to grow as this ethnic group continues to expand.

Schedule L (Cont.)
Business Plan

Advertisement and Promotion

NTS Tel's advertisement and promotion strategy will focus on the delivery of the following messages:

I. **Multiple Services/One Provider**

NTS Tel's Fiber-to-the-Premises allows consumers to have one connection, one provider, one bill and one call for all their communication needs. This message coincides with the quantitative data presented in the section of current trends affecting the industry regarding bundling processes. "According to the J.D. Power and Associates survey of more than 6,100 U.S. households, about two-thirds of respondents indicated they would likely switch all of their services to one company," (Strouse, pp204). Receiving one bill was an important reason identified to bundle with one company. A similar study to the Strategis Group project in 1998 concluded that nearly 80% of U.S. households would like some combination of local, long distance, cable television, cellular, paging and internet access from a single provider. NTS Tel will have the capabilities to provide the local, long distance, cable television and Internet access as a single provider.

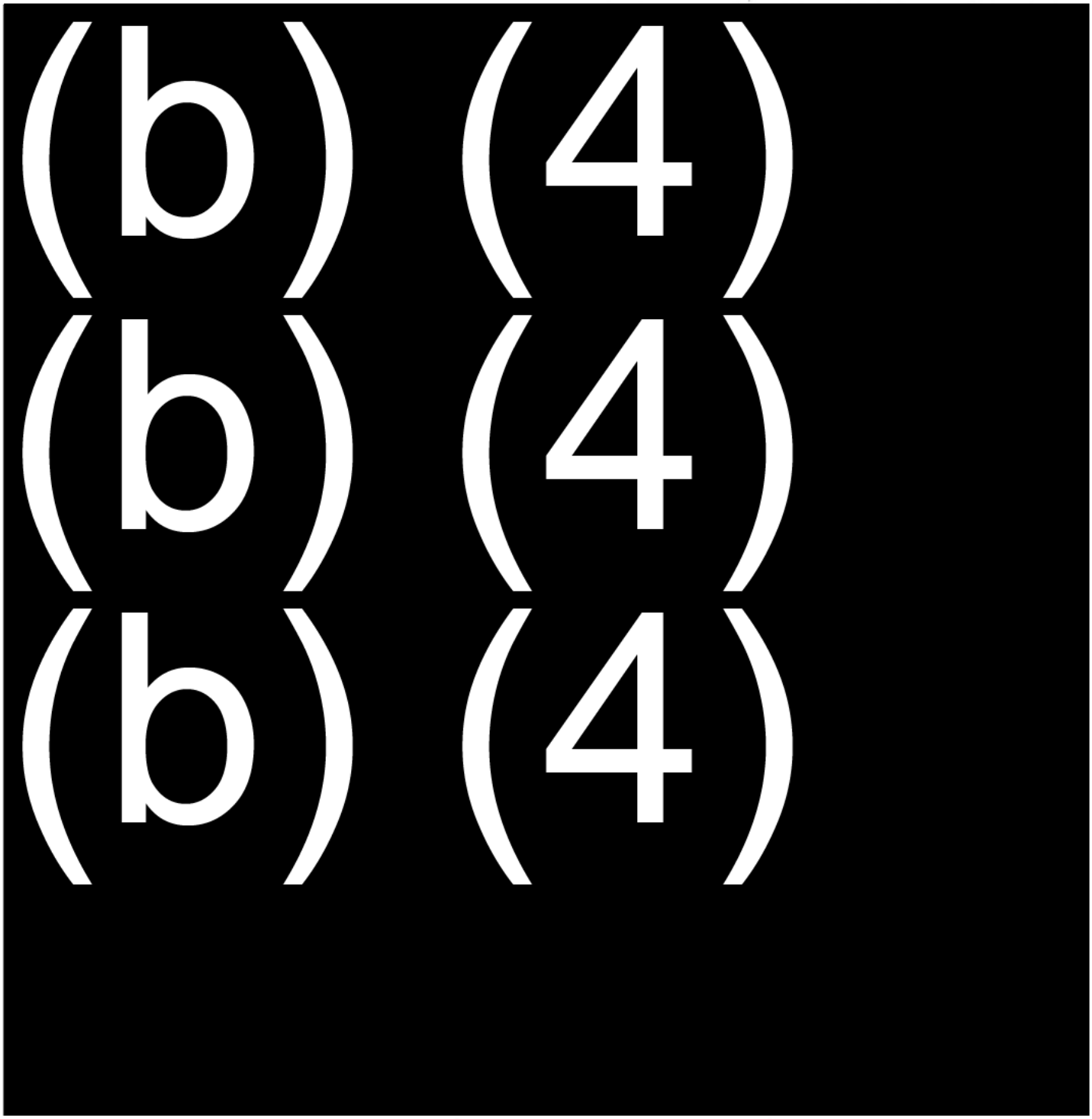
II. **Choice and Innovation**

NTS Tel is bringing state-of-the-art technology to the communities of Smyer and Levelland and with that comes choice and innovation. The residents and businesses of Smyer and Levelland will have faster connections and enhanced services like Video-on-Demand and Caller ID on TV.

III. **Local West Texas Provider**

NTS Tel is a West Texas Company that is investing in the infrastructure and future of West Texas and West Texans. By bringing fiber to communities of West Texas, NTS Tel is ensuring that West Texas is prepared for the technological advancements and applications of tomorrow such as telemedicine, videoconferencing, video lectures and interactive television. In addition, NTS Tel is a local company with local people and excellent customer service. NTS Tel has live attendants, so customers will get a voice not voicemail whenever they call.

Schedule L (Cont.)
Business Plan



Schedule L (Cont.)
Business Plan

NTS Tel's message of a local company bringing choice, excellence in customer service, and the latest in technology will be well received by a community that has indicated a tremendous appetite for the products offered. West Texans bringing the latest in communications technology to West Texans is the most powerful message that can be delivered. NTS Tel intends to take full advantage of this approach.

Financials

As previously indicated in this Business Plan, NTS Tel will be a subsidiary of NTS Communications, Inc., serving the communities of Levelland and Smyer Texas. The RUS loan of $11,892,101 will provide the investment to fund the fiber network and customer premises equipment necessary to deliver broadband services to the customer base. NTS Communications, Inc. will invest (b) (4)(b) (4) NTS Tel upon RUS approval of the loan request. The summary of the projected income for the first five years of operations is included in the following table:

Projected Income Summary

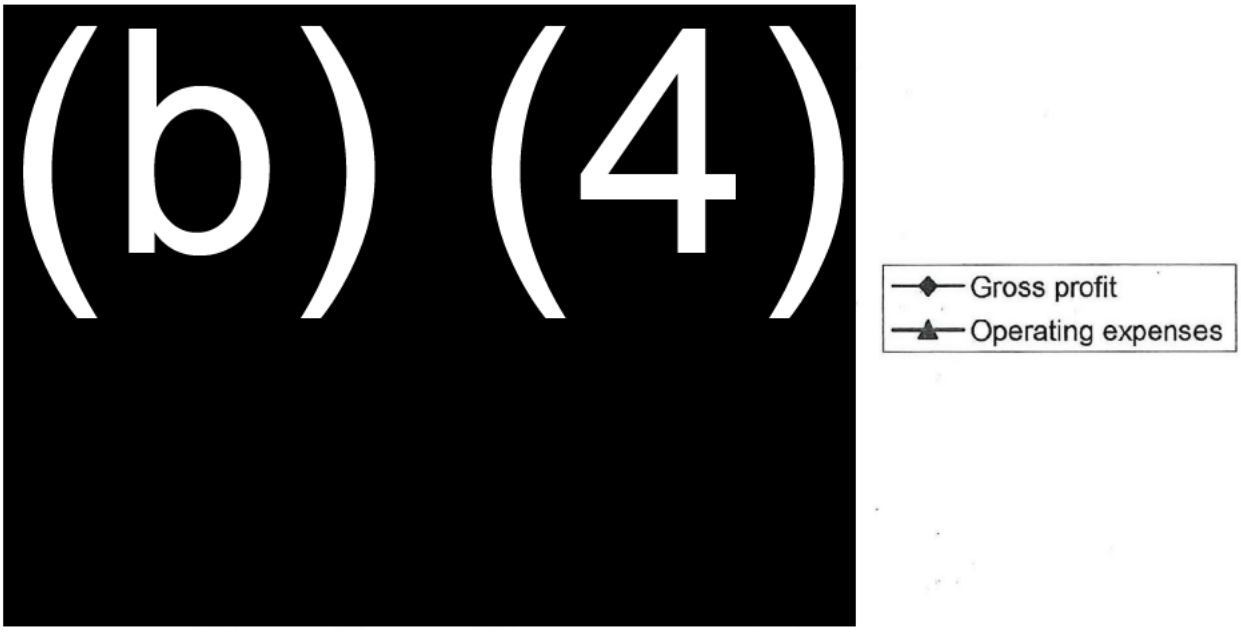
	2006	2007	2008	2009	2010
	Year 1	Year 2	Year 3	Year 4	Year 5
Gross Profit	(b) (4)				
Operating Expense					
Depreciation					
Interest on RUS loan					
Net Profit/Loss					
Projected Corp. Tax					
Net Income					

It should be noted that the Pro Forma for this document anticipates network construction beginning in July 2006 with the first customers being added in February 2007. The financials above reflect activity from July of one year to June of the following year so the year 2006 reflects financial activity from July 2006 through June 2007.

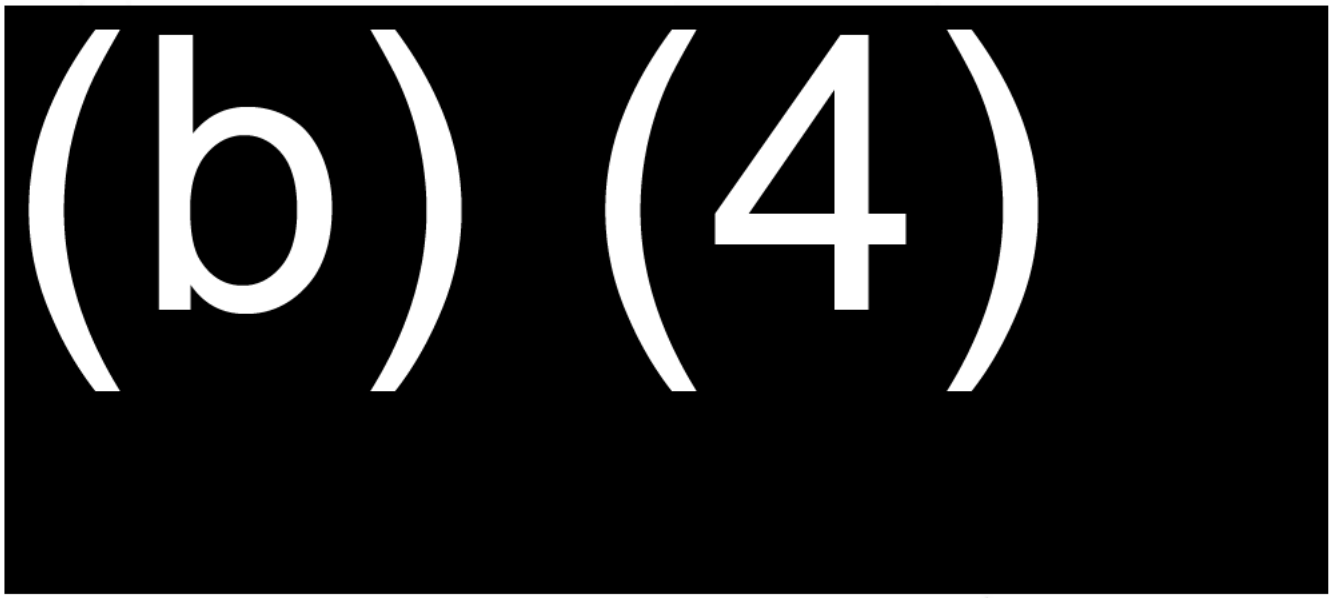
In addition to the financials provided above, the next page contains graphs that depict the gross profit versus operating expenses as well as a cash flow projection for the first five years of operation:

Schedule L (Cont.)
Business Plan

Gross profit vs. Operating expenses



Cash flow 5 years



SCHEDULE M
MANAGEMENT AND COMPENSATION

Jerry E. Hoover – Manager

- Responsibilities:

  Mr. Hoover will serve as sole Manager of NTS Telephone Company, LLC while continuing his responsibilities with NTS Communications, Inc.

- Experience:

  Jerry Hoover received his Bachelor of Business Administration in Accounting in 1971. He began his tenure with NTS Communications, Inc. in 1994 in senior management. He now serves as Executive Vice President & Chief Financial Officer. His top-level responsibilities for company wide functions include: financial management and reporting, controller functions; treasurer functions; human resource functions, and strategy formulation and execution. He has furthered his expertise by continuing educational classes in accounting, finance, taxation, corporate management and law. He has extensive experience and background in corporate level accounting and management. In addition to his qualifications, he participates in several Certified Public Accountant organizations. With his broad range of accounting expertise, Mr. Hoover instructed accounting, auditing, income tax and business law on the University level for several years. (b) (6)

- Annual salary is $(b) (6)

- Owns N/A shares of stock in NTS Telephone Company, LLC

- Current Bonus Plan includes N/A

- Invested $ N/A in NTS Telephone Company, LLC

SCHEDULE N-1A
HISTORICAL FINANCIAL STATEMENTS
OF THE PARENT ORGANIZATION
(NTS COMMUNICATIONS, INC.)
WITH FULL FOOTNOTES & DISCLOSURES
FOUR PRECEDING YEARS

Fiscal Year 2002

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2002 AND 2001

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
NTS Communications, Inc. and Subsidiaries
Lubbock, Texas

We have audited the accompanying consolidated balance sheets of NTS Communications, Inc. and subsidiaries as of July 31, 2002 and 2001 and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information presented in the accompanying schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Phillips & Associates, CPA's

CERTIFIED PUBLIC ACCOUNTANTS
NOVEMBER 7, 2002

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email: pacpas@aol.com

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JULY 31, 2002 AND 2001

ASSETS

	2002	2001
	(b) (4)	
	(b) (4)	
	(b) (4)	

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The accompanying notes are an integral part of these statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

	2002	2001
	(b) (4)	
	(b) (4)	
	(b) (4)	

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED JULY 31, 2002 AND 2001

	2002	2001
Revenues earned	$ 130,943,847	$ 131,742,873
(b) (4)		
(b) (4)		
(b) (4)		

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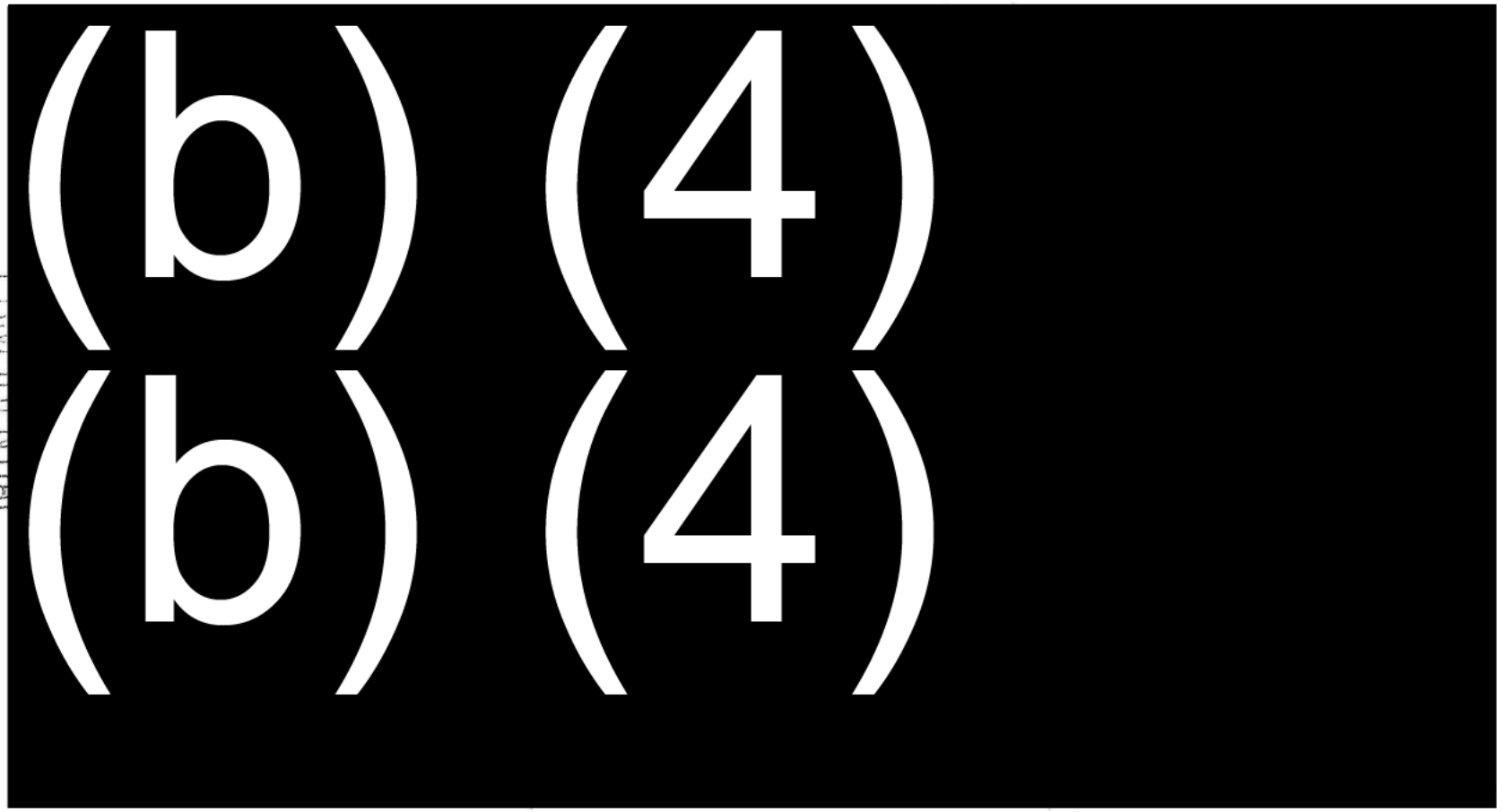
The accompanying notes are an integral part of these statements.

NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED JULY 31, 2002 AND 2001



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The accompanying notes are an integral part of these statements.

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JULY 31, 2002 AND 2001

	2002	2001
(b) (4)		
(b) (4)		
(b) (4)		

The accompanying notes are an integral part of these statements.

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JULY 31, 2002 AND 2001
(Continued)

	2002	2001
(b) (4)		
(b) (4)		

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The accompanying notes are an integral part of these statements.

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

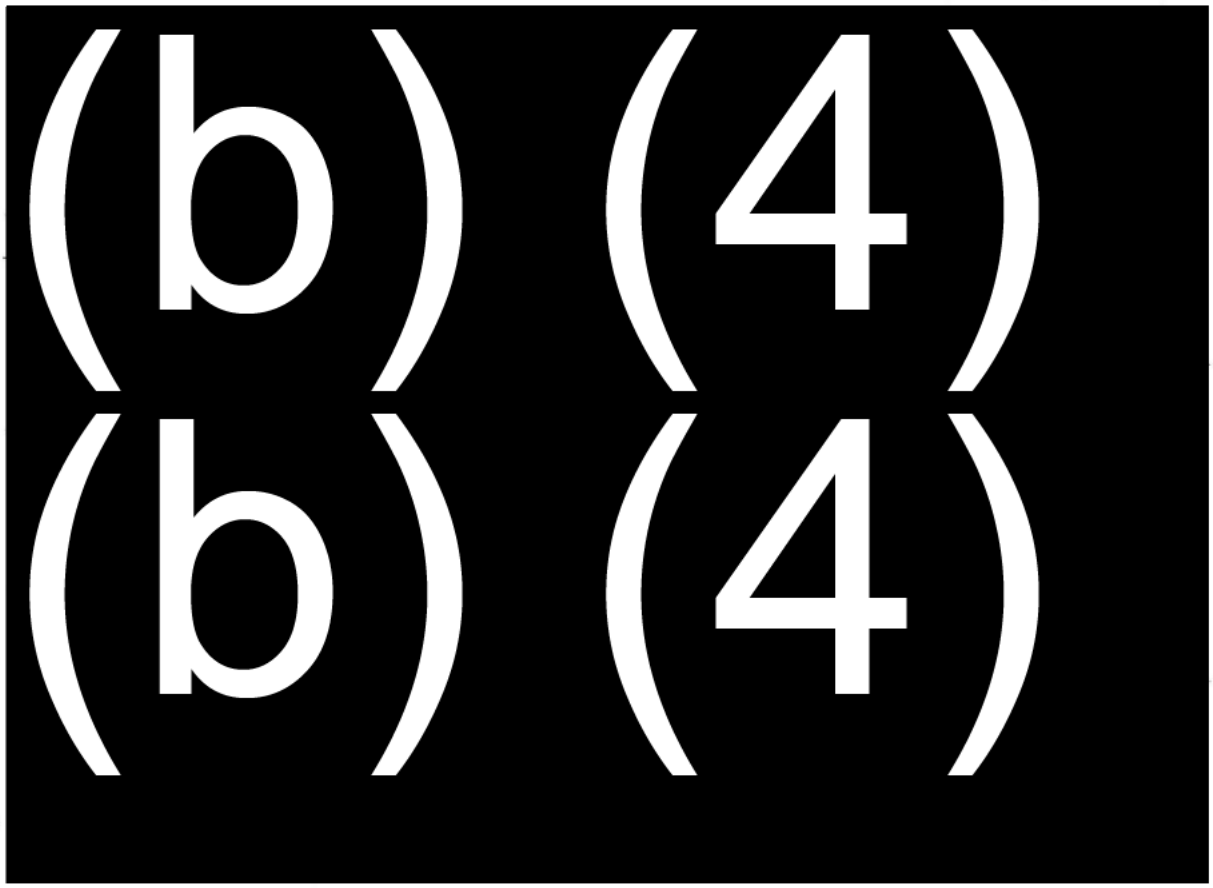
YEARS ENDED JULY 31, 2002 AND 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Company

NTS Communications, Inc. (NTS) and its wholly owned subsidiaries provide telecommunication services which are primarily engaged in selling or reselling long distance telephone service and providing local telephone service to the general public, both commercial and residential. These services are mainly provided within the continental United States with a concentration in the Southwestern United States.

NTS Communications, Inc. is a consolidated subsidiary of its majority-owned stockholder Telephone Electronics Corporation.

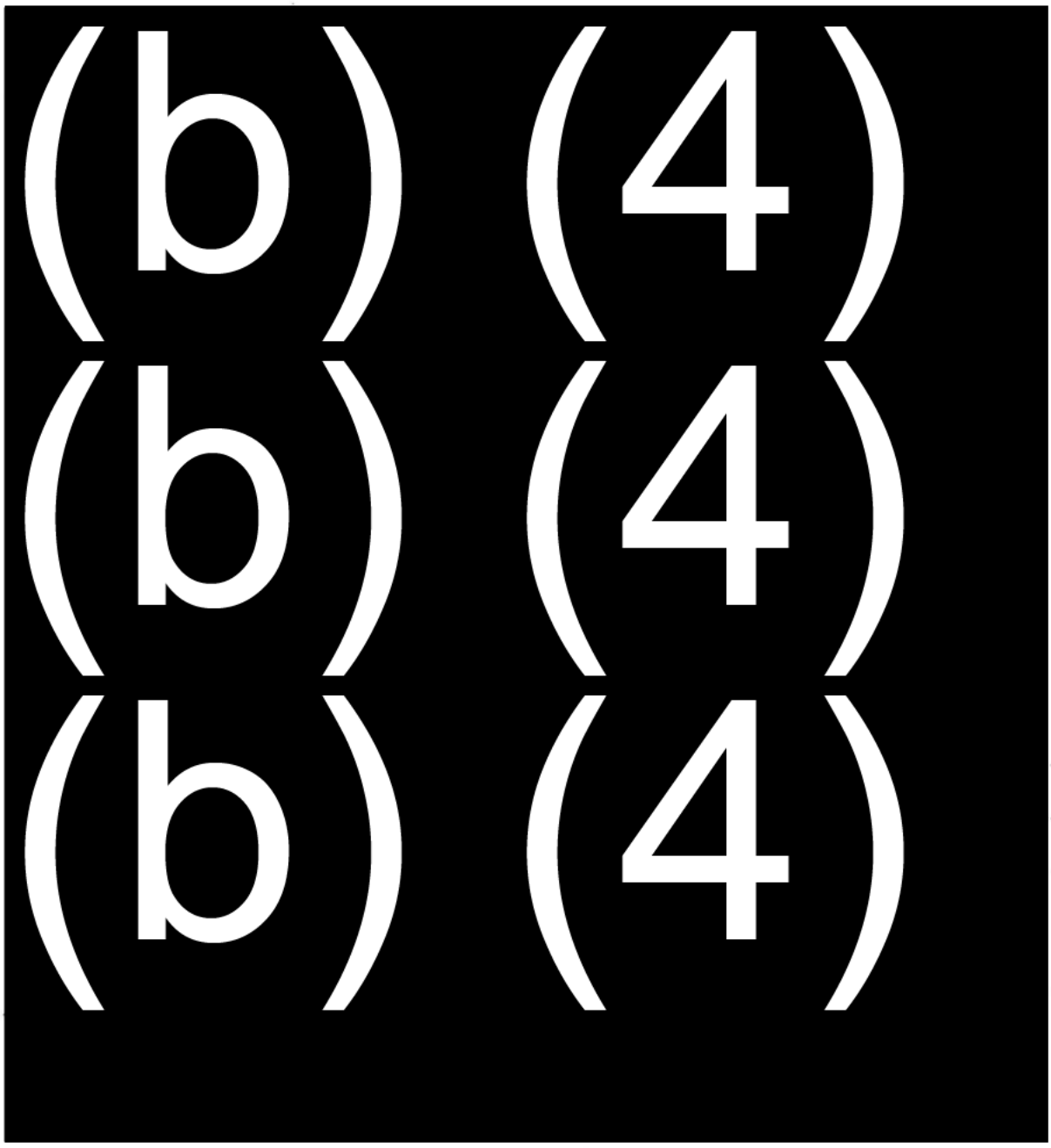


NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2002 AND 2001
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued



NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

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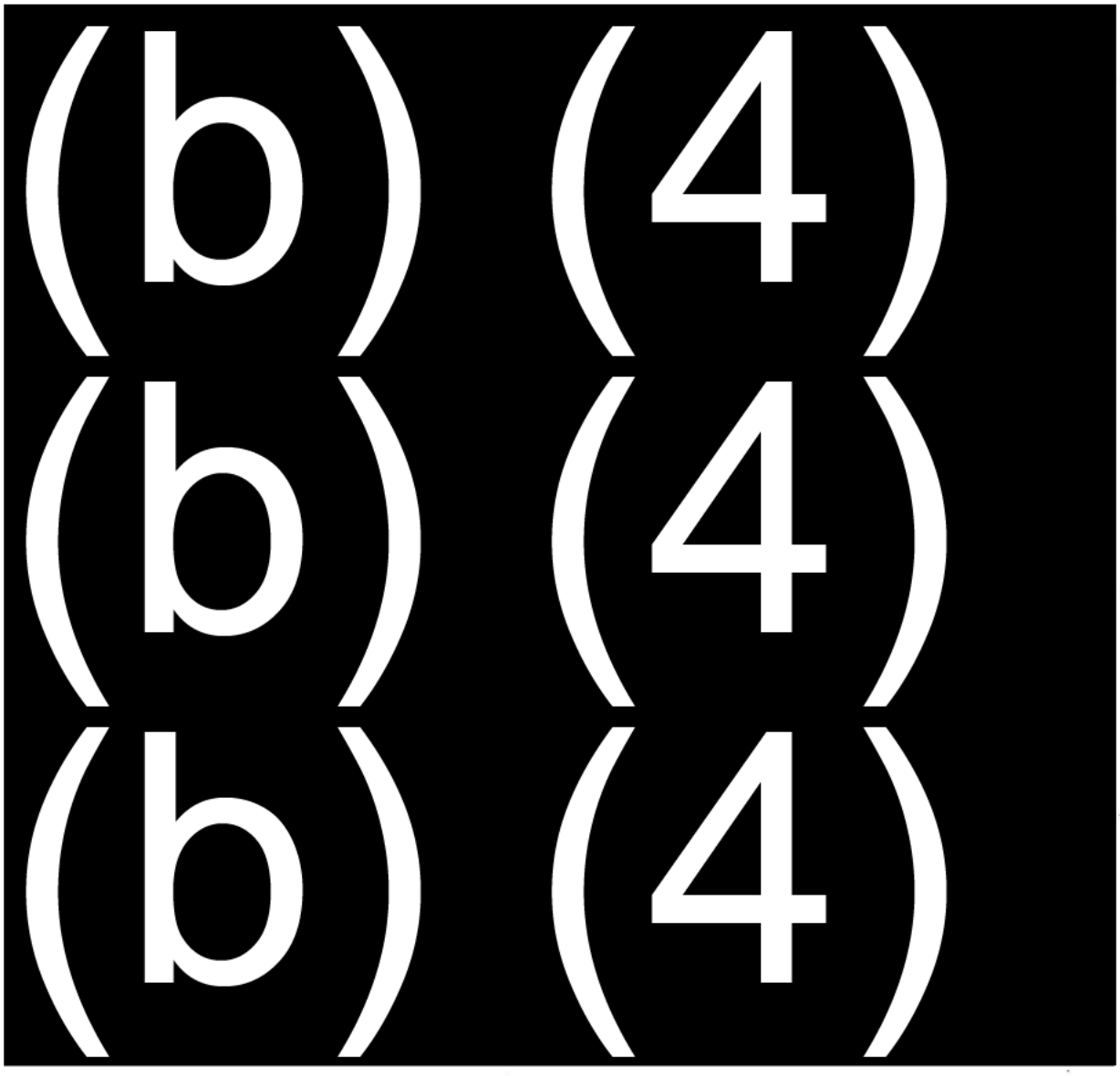
YEARS ENDED JULY 31, 2002 AND 2001
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, Continued

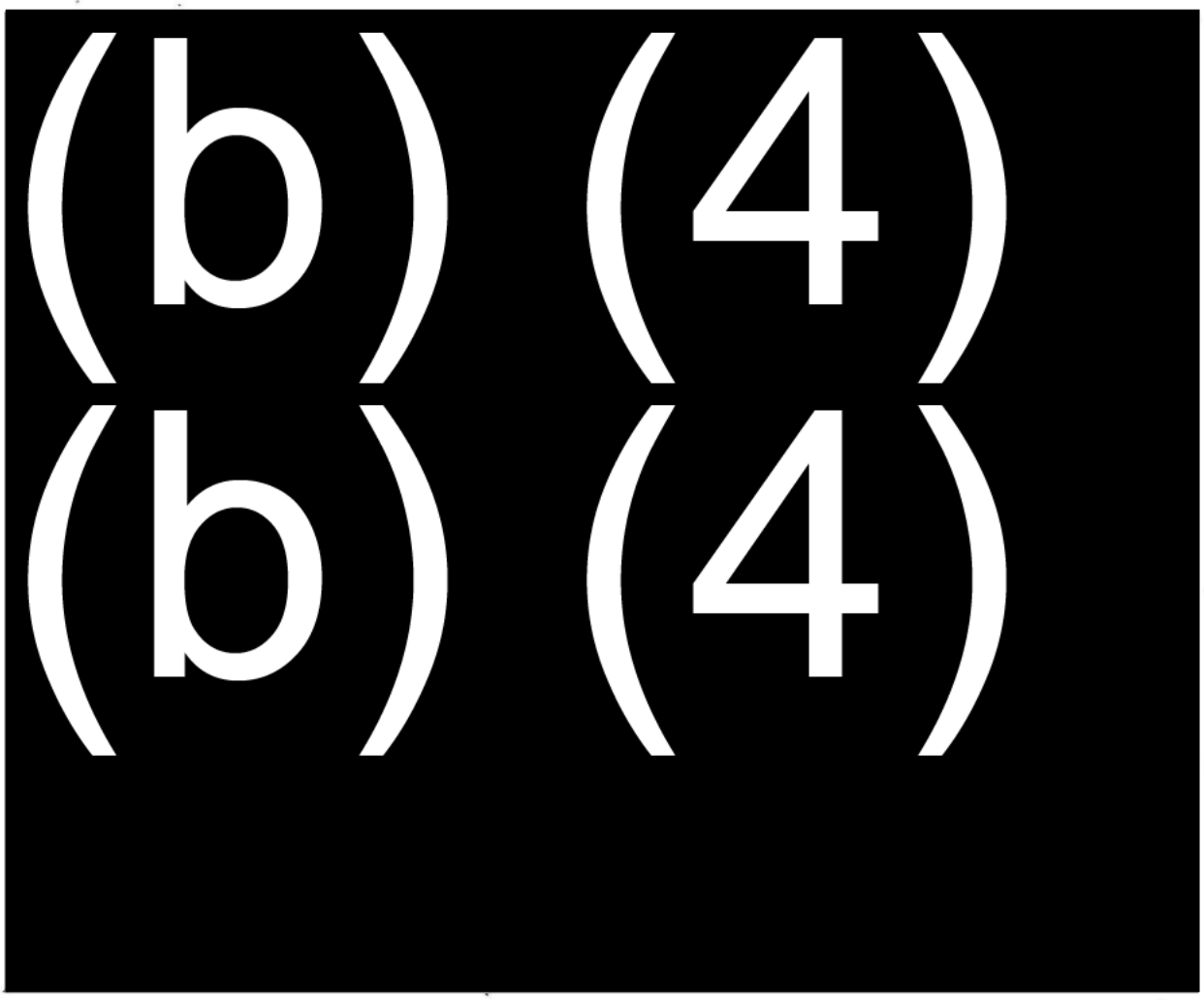


NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2002 AND 2001
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, Continued



2. OTHER RECEIVABLES

(b) (4)

	2002	2001
$	(b) (4)	
$	(b) (4)	

3. INVESTMENTS

(b) (4)

	(b) (4)	
	(b) (4)	
	(b) (4)	

NTS Properties, L.C., a wholly owned subsidiary, is the managing partner with a 1% interest in Shareholder Value, Ltd., a Texas partnership formed to manage nonresidential real estate.

(b) (4)

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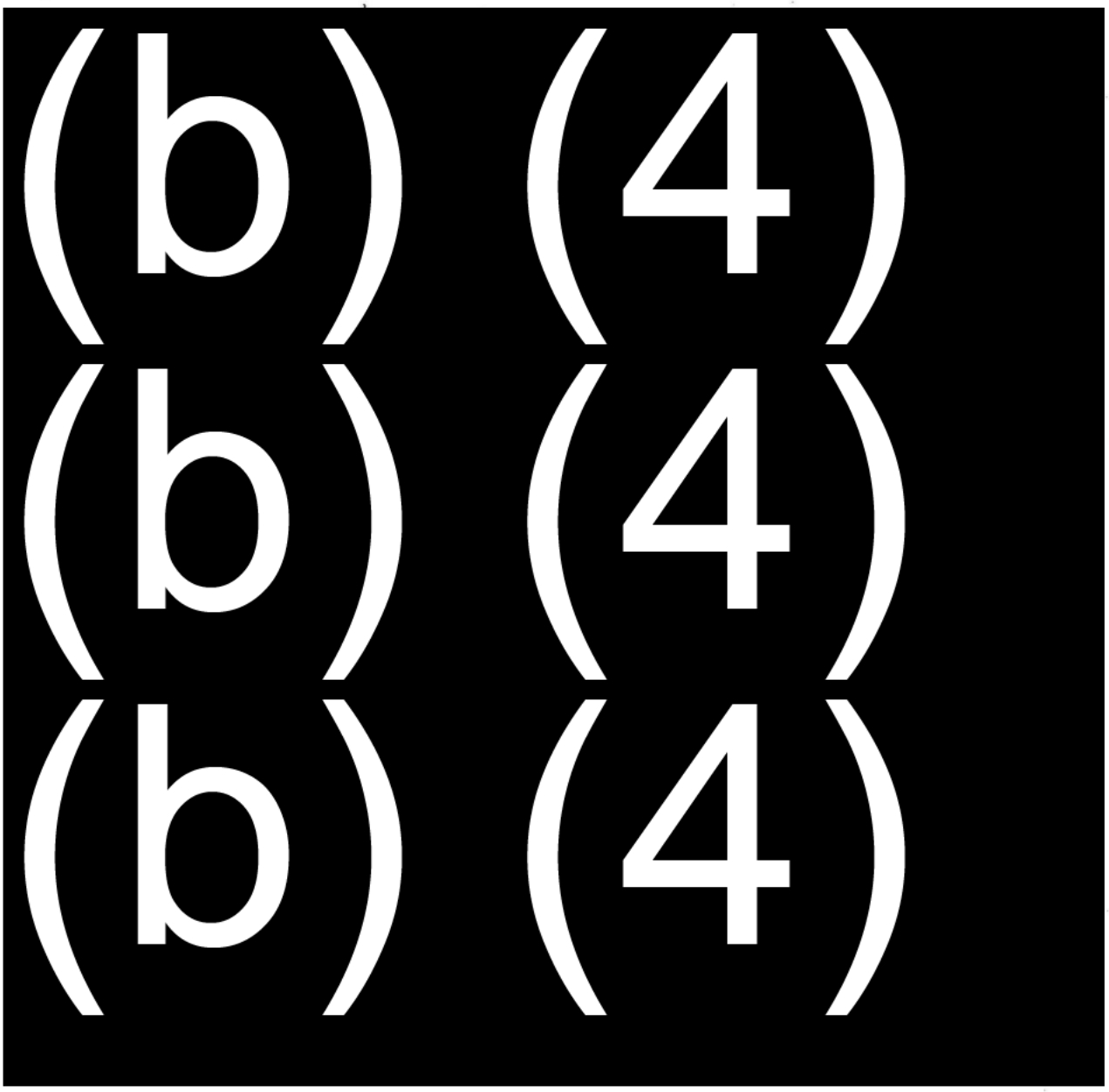
3. INVESTMENTS, Continued



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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2002 AND 2001
(Continued)

4. PROPERTY, EQUIPMENT AND IMPROVEMENTS

	2002	2001	Estimated Useful Lives
Land	$	(b) (4)	
Communications system in service			
Building			
Leasehold improvements			
Office equipment			
Computer hardware/software			
Vehicles			
Capitalized installation charges			
Fiber optic system			
Total property, equipment and improvements	$		

Total depreciation and amortization expense for the years ended July 31, 2002 and 2001 was (b) (4)(b) (4)(b) (4)(b) (4), respectively.

NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2002 AND 2001
(Continued)

5. LONG-TERM DEBT

	2002	2001
	(b) (4)	
	(b) (4)	

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2002 AND 2001
(Continued)

5. LONG-TERM DEBT, Continued

	2002	2001
(b) (4)		
(b) (4)		
(b) (4)		

NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

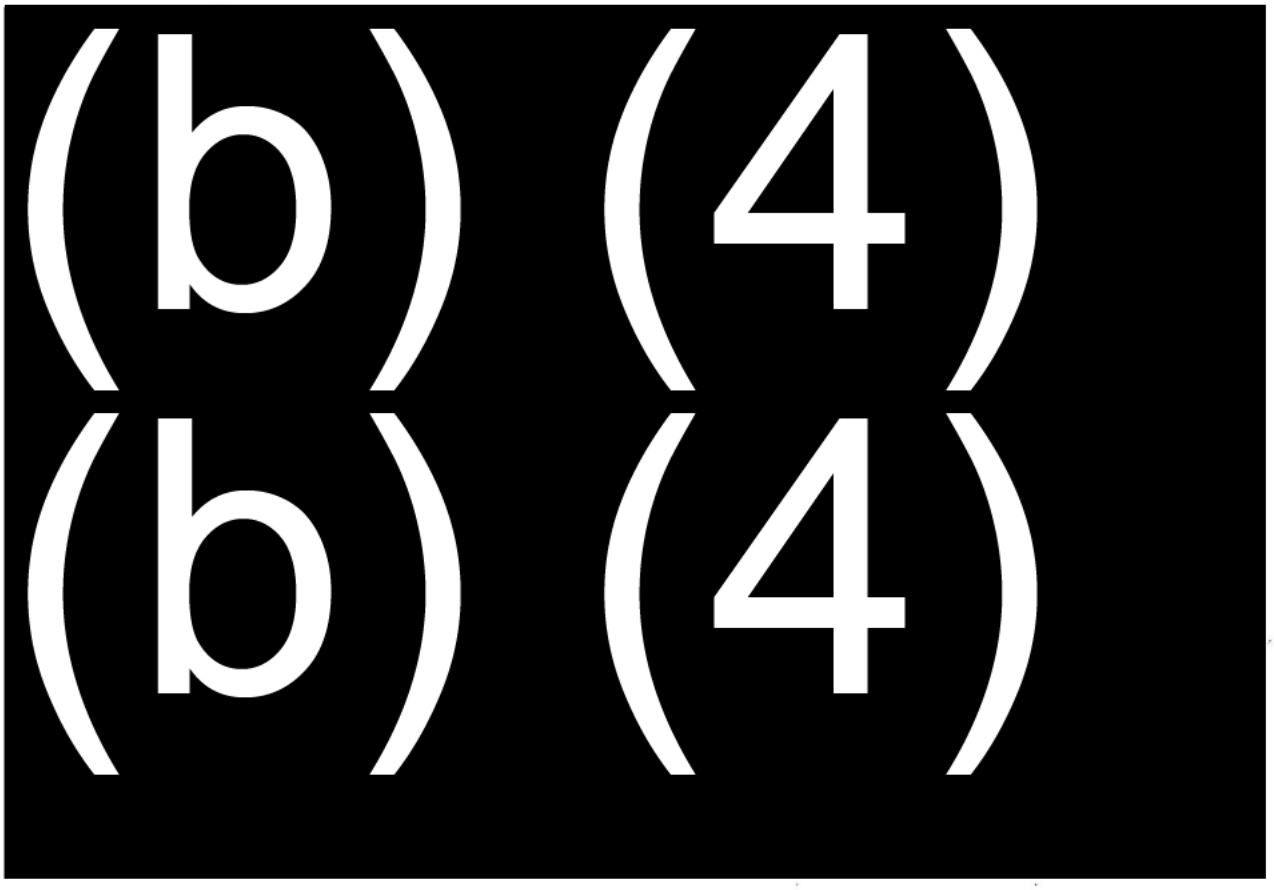
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2002 AND 2001
(Continued)

5. LONG-TERM DEBT, Continued

	2002	2001
(b) (4)		
(b) (4)		

6. LEASES



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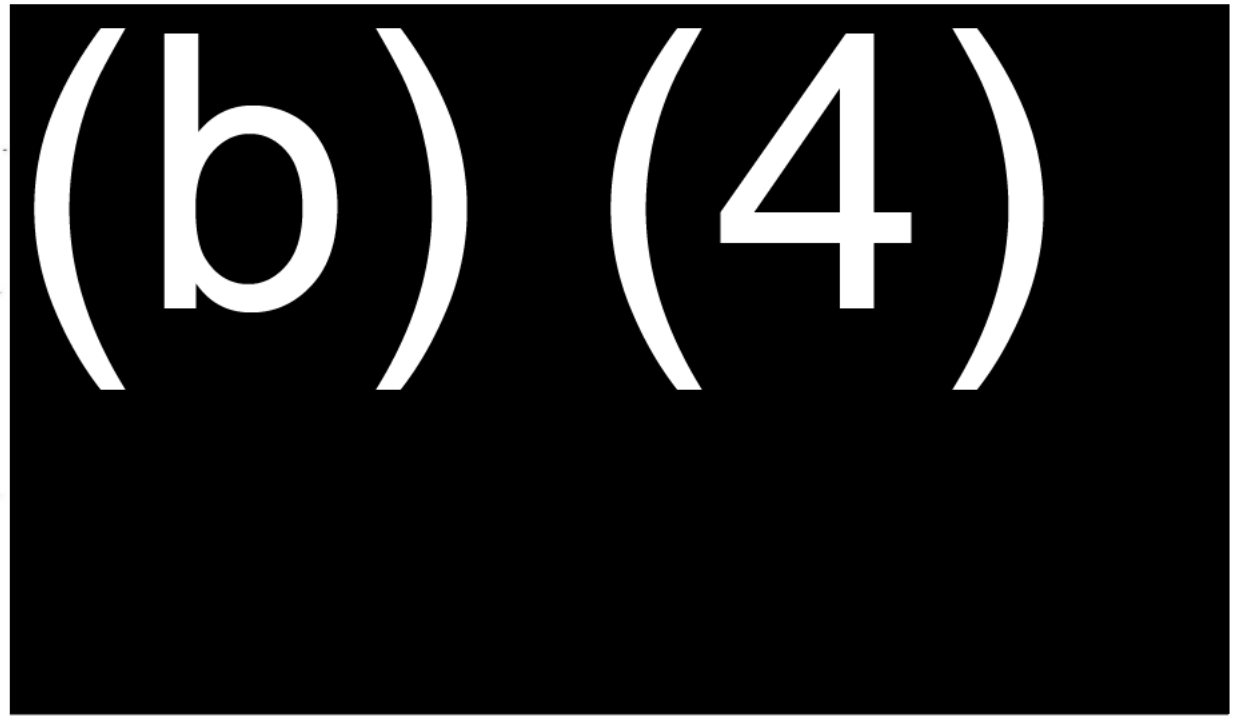
6. LEASES, Continued



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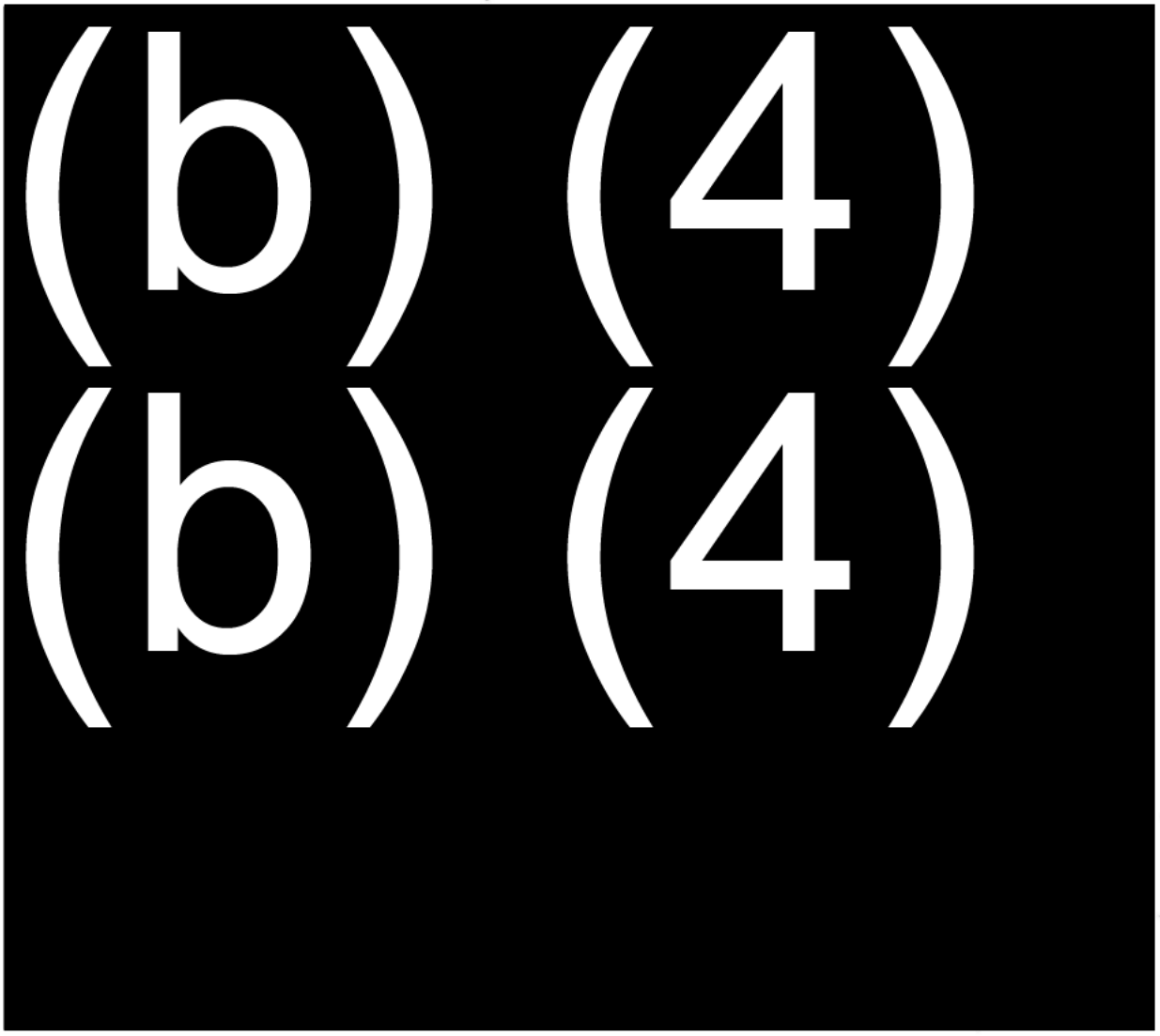
NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2002 AND 2001
(Continued)

7. INCOME TAXES



NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2002 AND 2001
(Continued)

7. INCOME TAXES, Continued

	2002	2001
	(b)(4)	
	(b)(4)	
	(b)(4)	

8. EMPLOYEE BENEFIT PLAN

(b) (4)

9. RELATED PARTY TRANSACTIONS

(b) (4)

NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2002 AND 2001
(Continued)

10. LINE OF CREDIT

(b) (4)(b) (4)

11. CONCENTRATION OF RISK

(b) (4)

12. CONTINGENCIES

(b) (4)

13. SETTLEMENT OF RATE DISPUTE

(b) (4)(b) (4)

14. SUBSEQUENT EVENTS

(b) (4)

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SUPPLEMENTARY INFORMATION

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NTS COMMUNICATIONS, INC. AND SUBSIDIARY

CONSOLIDATED SCHEDULES OF REVENUES EARNED

YEARS ENDED JULY 31, 2002 AND 2001

	2002	2001
	[redacted]	

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The accompanying notes are an integral part of these supplementary schedules.

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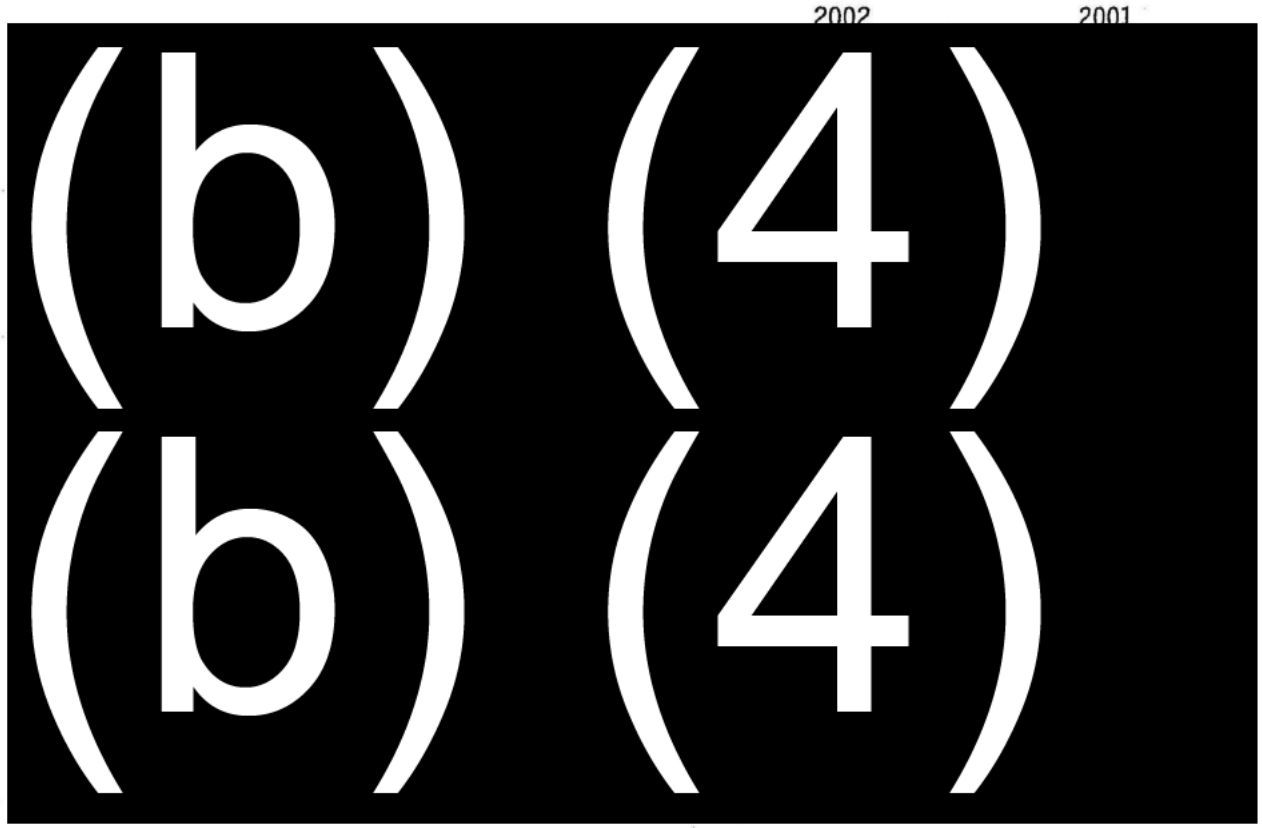
NTS COMMUNICATIONS, INC. AND SUBSIDIARY

CONSOLIDATED SCHEDULES OF COST OF COMMUNICATION SERVICES

YEARS ENDED JULY 31, 2002 AND 2001



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The accompanying notes are an integral part of these supplementary schedules.

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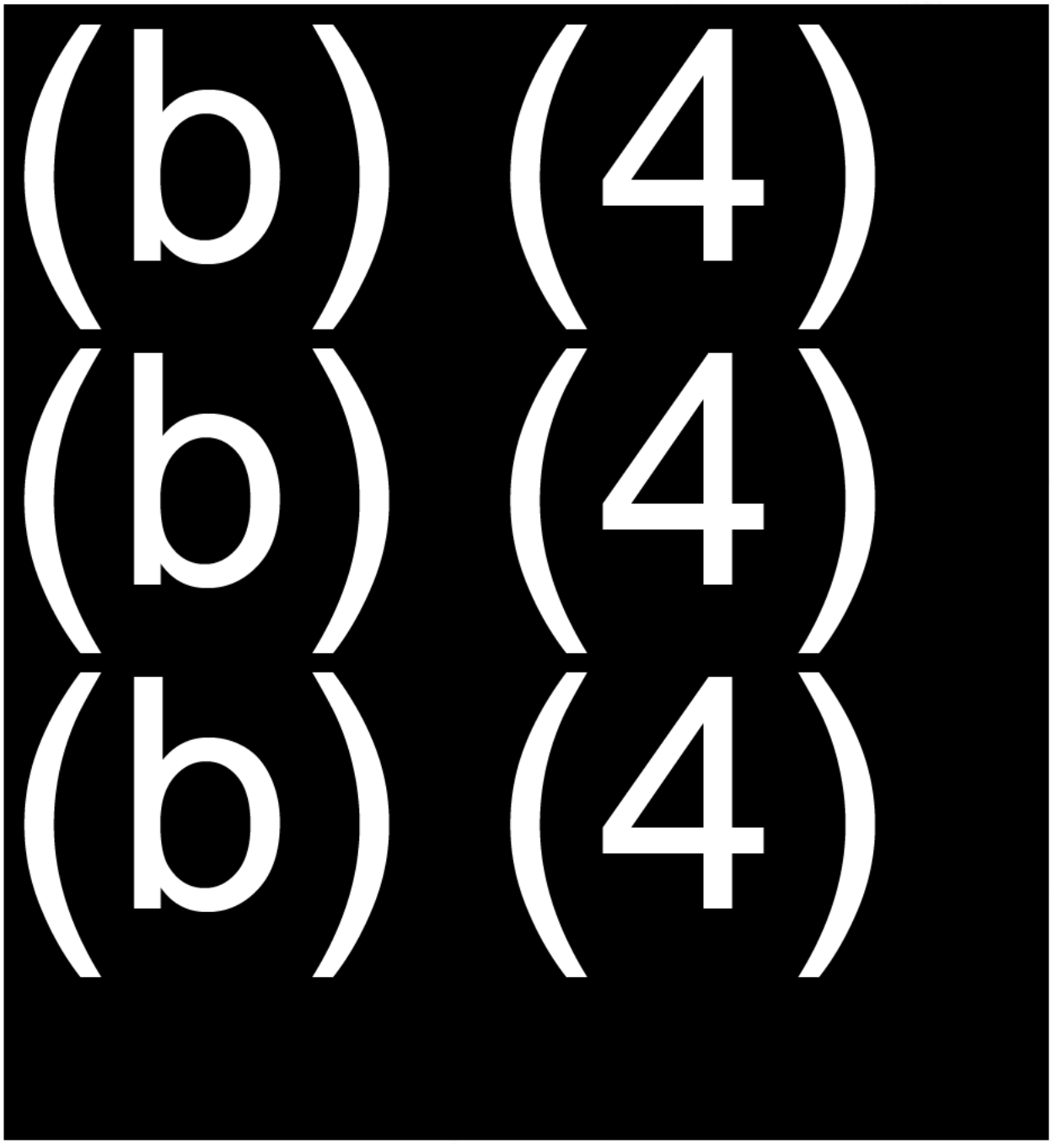
NTS COMMUNICATIONS, INC. AND SUBSIDIARY

CONSOLIDATED SCHEDULES OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

YEARS ENDED JULY 31, 2002 AND 2001



The accompanying notes are an integral part of these supplementary schedules.

SCHEDULE N-1B
HISTORICAL FINANCIAL STATEMENTS
OF THE PARENT ORGANIZATION
(NTS COMMUNICATIONS, INC.)
WITH FULL FOOTNOTES & DISCLOSURES
FOUR PRECEDING YEARS

Fiscal Year 2003

CONFIDENTIAL

NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2003 AND 2002

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

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building better businesses

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
NTS Communications, Inc. and Subsidiaries
Lubbock, Texas

We have audited the accompanying consolidated balance sheets of NTS Communications, Inc. and subsidiaries as of July 31, 2003 and 2002 and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NTS Communications, Inc., and subsidiaries as of July 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information presented in the accompanying schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Phillips & Associates, CPA's
CERTIFIED PUBLIC ACCOUNTANTS
OCTOBER 30, 2003

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P.O. Box 64273 • Lubbock, TX 79464-4273 • (800) 657-8868 • (806) 791-3904 • FAX (806) 791-5636
email: paepas@aol.com

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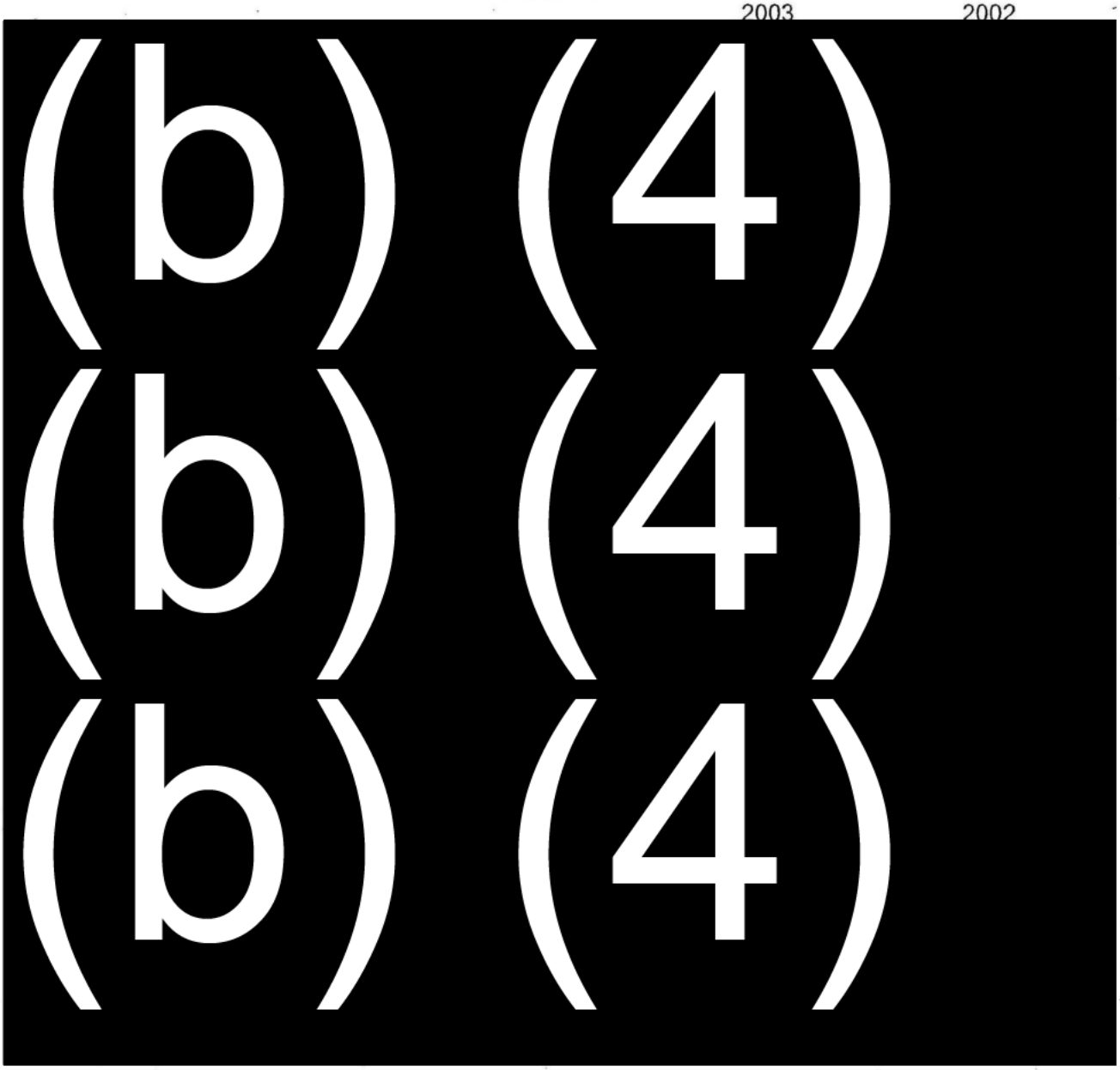
NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JULY 31, 2003 AND 2002

ASSETS



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The accompanying notes are an integral part of these statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

	2003	2002
	(b) (4)	
	(b) (4)	
	(b) (4)	

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED JULY 31, 2003 AND 2002

	2003	2002
(b) (4)		
(b) (4)		

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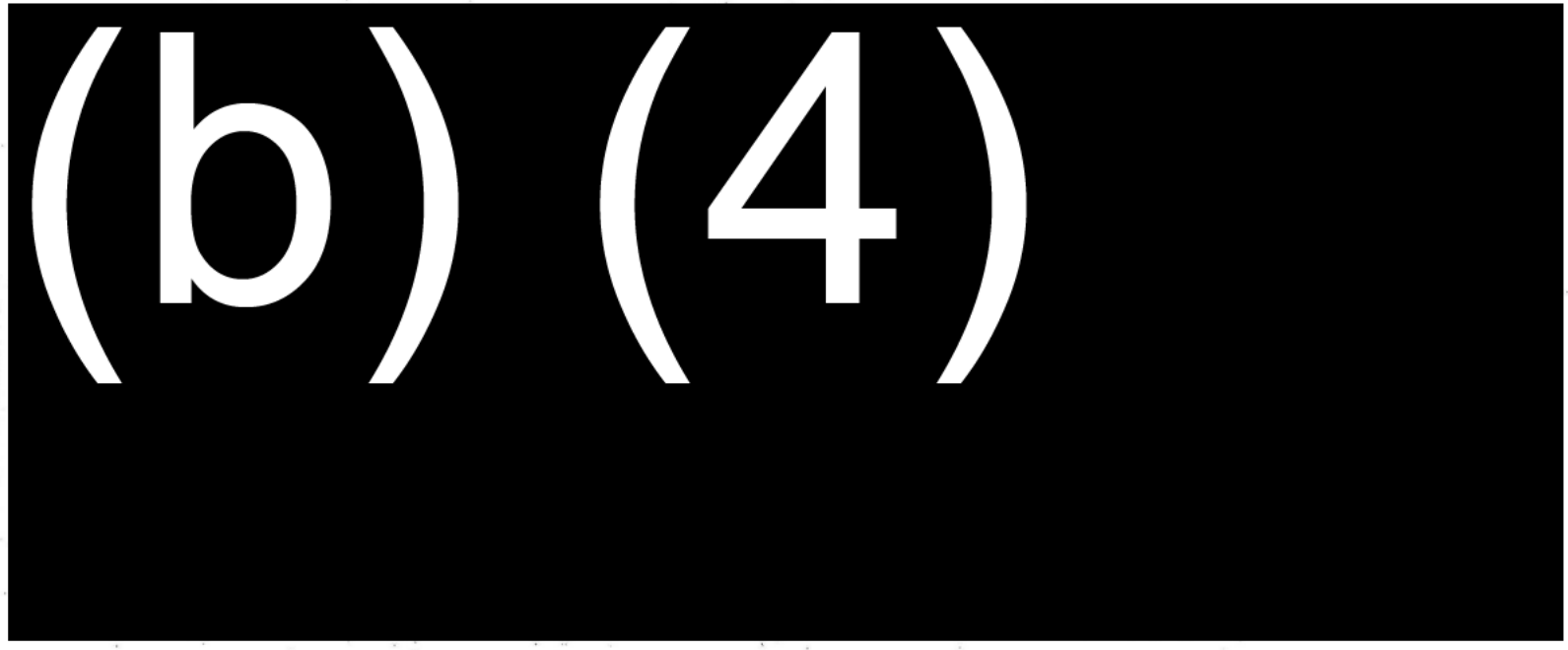
The accompanying notes are an integral part of these statements.

NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED JULY 31, 2003 AND 2002



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The accompanying notes are an integral part of these statements.

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JULY 31, 2003 AND 2002

	2003	2002
	(b) (4)	
	(b) (4)	
	(b) (4)	

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The accompanying notes are an integral part of these statements.

CONFIDENTIAL

NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JULY 31, 2003 AND 2002
(Continued)

	2003	2002
(b) (4)		
(b) (4)		
(b) (4)		

CONFIDENTIAL

The accompanying notes are an integral part of these statements.

NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Company

NTS Communications, Inc. (NTS) and its wholly owned subsidiaries provide telecommunication services which are primarily engaged in selling or reselling long distance telephone service and providing local telephone and internet service to the general public, both commercial and residential. These services are mainly provided within the continental United States with a concentration in the Southwestern United States.

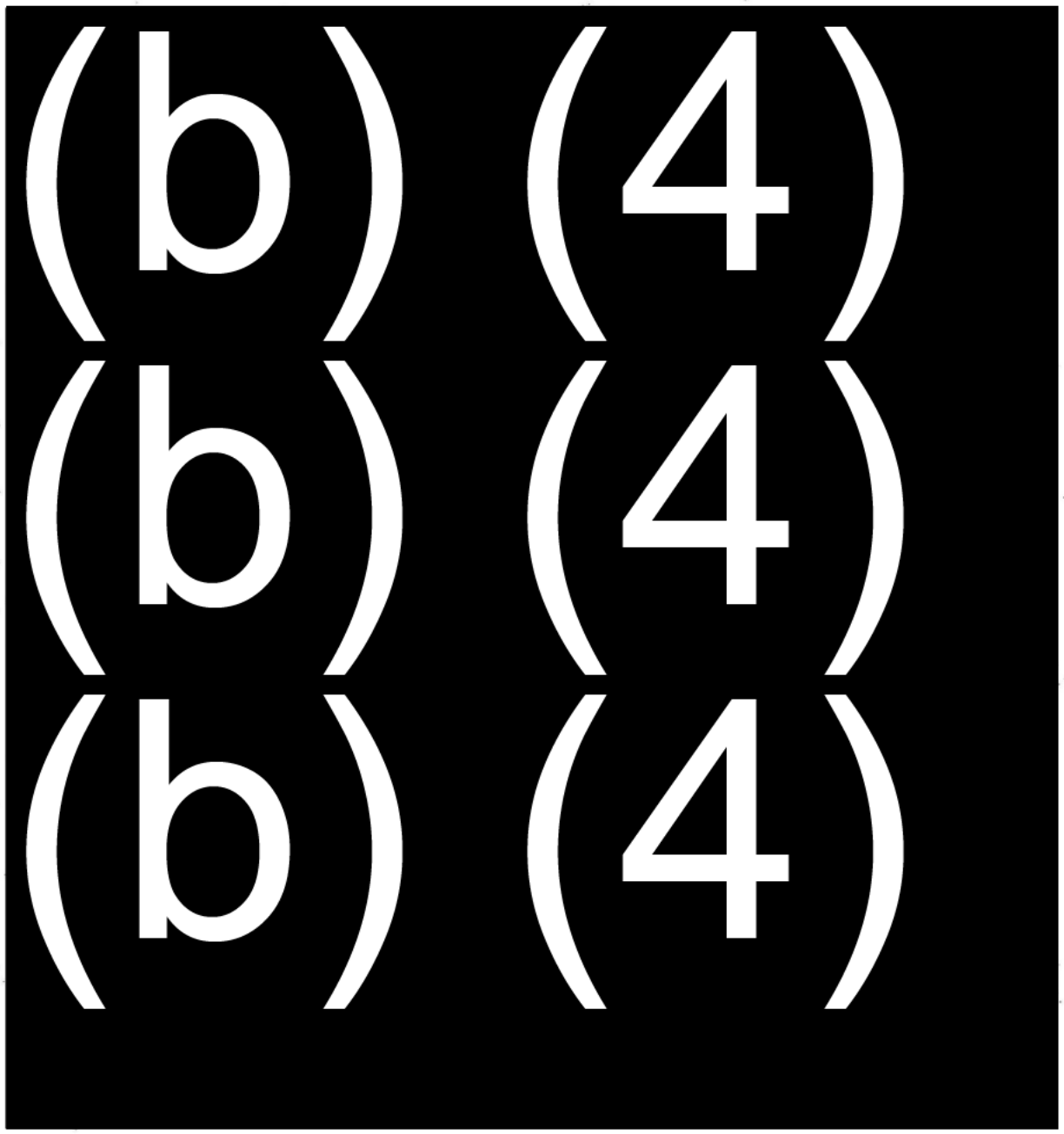
NTS Communications, Inc. is a consolidated subsidiary of its majority-owned stockholder Telephone Electronics Corporation.

NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2003 AND 2002
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued



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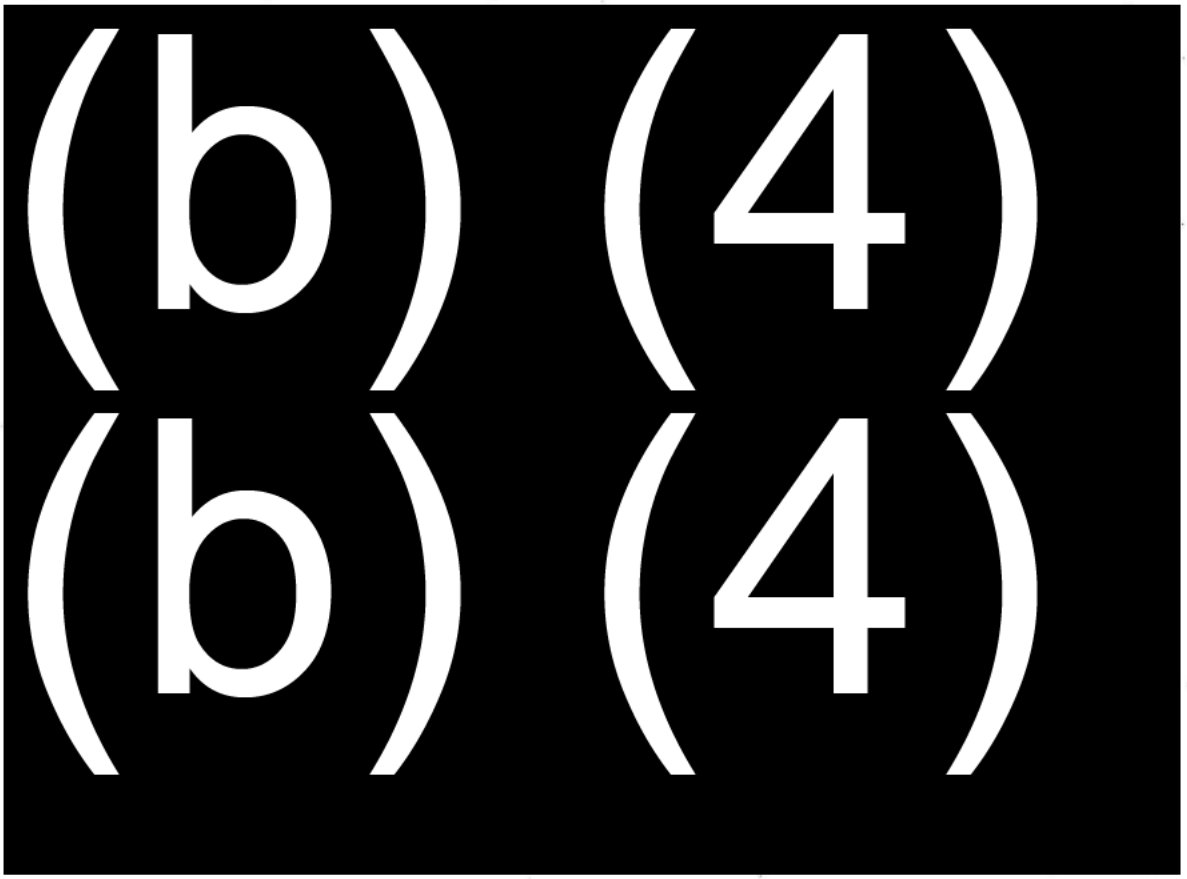
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, Continued



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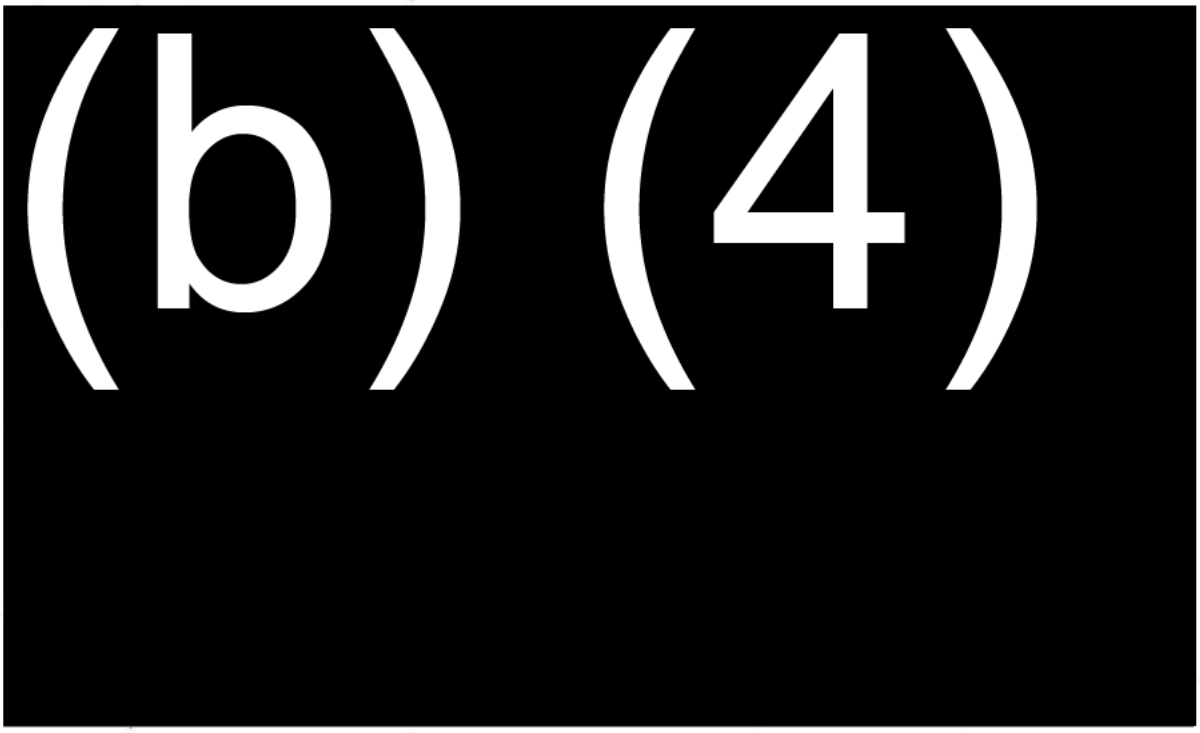
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, Continued



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2. OTHER RECEIVABLES

(b) (4)

	2003	2002
$	(b) (4)	
$	(b) (4)	
	(b) (4)	
$		
$		

3. INVESTMENTS

(b) (4)

NTS Properties, L.C., a wholly owned subsidiary, is the managing partner with a 1% interest in Shareholder Value, Ltd., a Texas partnership formed to manage nonresidential real estate.

3. INVESTMENTS, Continued

NTS is a 35% partner in Forte of Colorado, a partnership formed to develop a fiber optic telecommunications network linking Springfield and Colorado Springs, Colorado. This investment is recorded on the equity method because NTS is the largest interest holder, and is believed to have significant influence over the operations of the partnership. This investment is equivalent to the underlying value of the partnership's net assets. Summarized financial information for Forte of Colorado is as follows for the calendar years 2002 and 2001:

	2002	2001
Current assets	$	(b) (4)
Total assets	$	(b) (4)
Current liabilities	$	(b) (4)
Total liabilities	$	(b) (4)
Total partner's capital		
Total liabilities and partner's capital	$	(b) (4)
Revenues earned	$	(b) (4)
Operating expenses		
Income (loss) from operations		(b) (4)
Nonoperating income (expense)		
Net income (loss)	$	

No provision for federal income taxes is required since the partnership passes income and loss through to its owners.

NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2003 AND 2002
(Continued)

4. PROPERTY, EQUIPMENT AND IMPROVEMENTS

	2003	2002	Estimated Useful Lives
[redacted]			

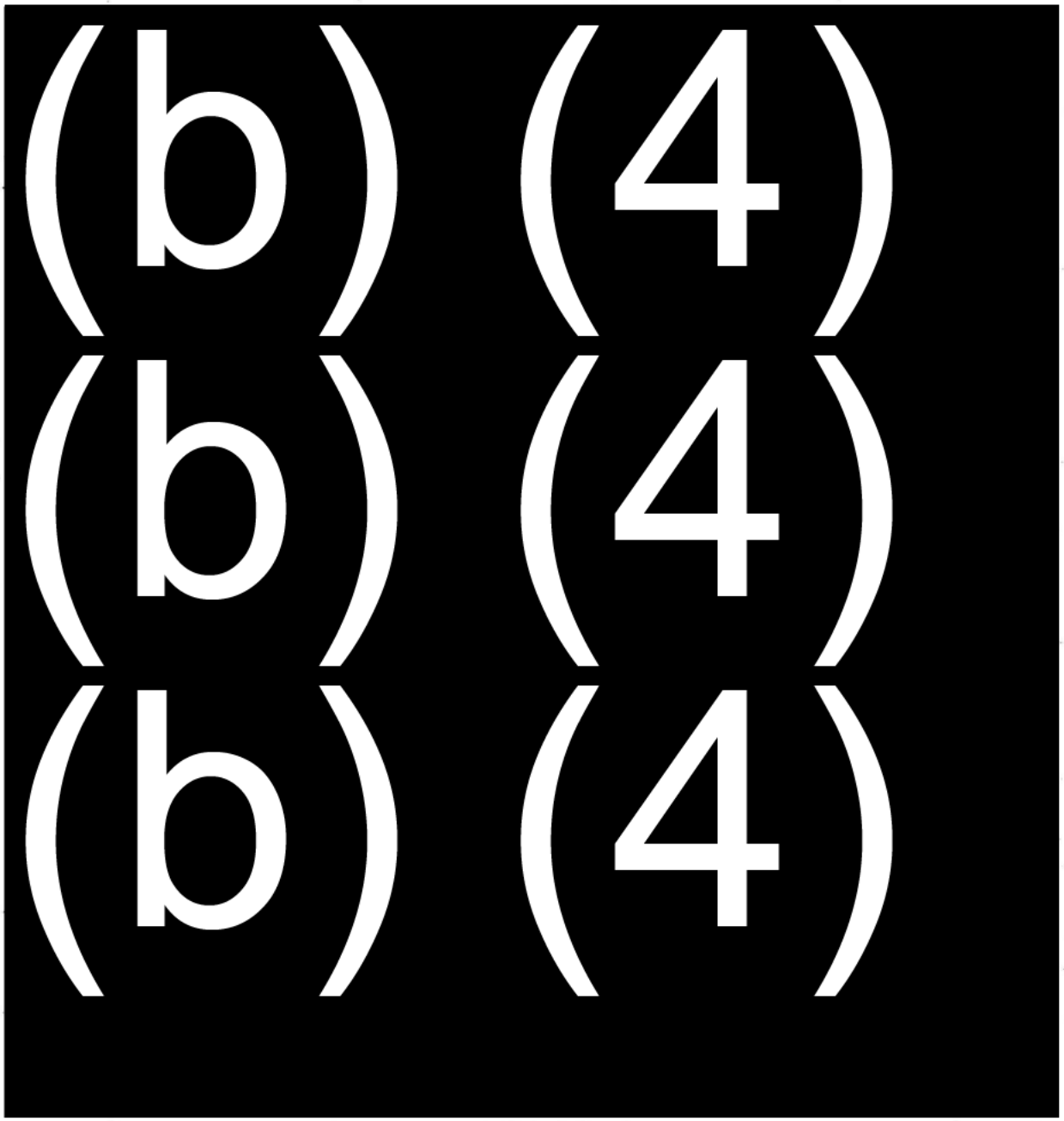
CONFIDENTIAL

NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2003 AND 2002
(Continued)

5. LONG-TERM DEBT



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CONFIDENTIAL

5. LONG-TERM DEBT, Continued

	2003	2002
(b) (4)		
(b) (4)		
(b) (4)		

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CONFIDENTIAL

5. LONG-TERM DEBT, Continued

	2003	2002
[redacted]		

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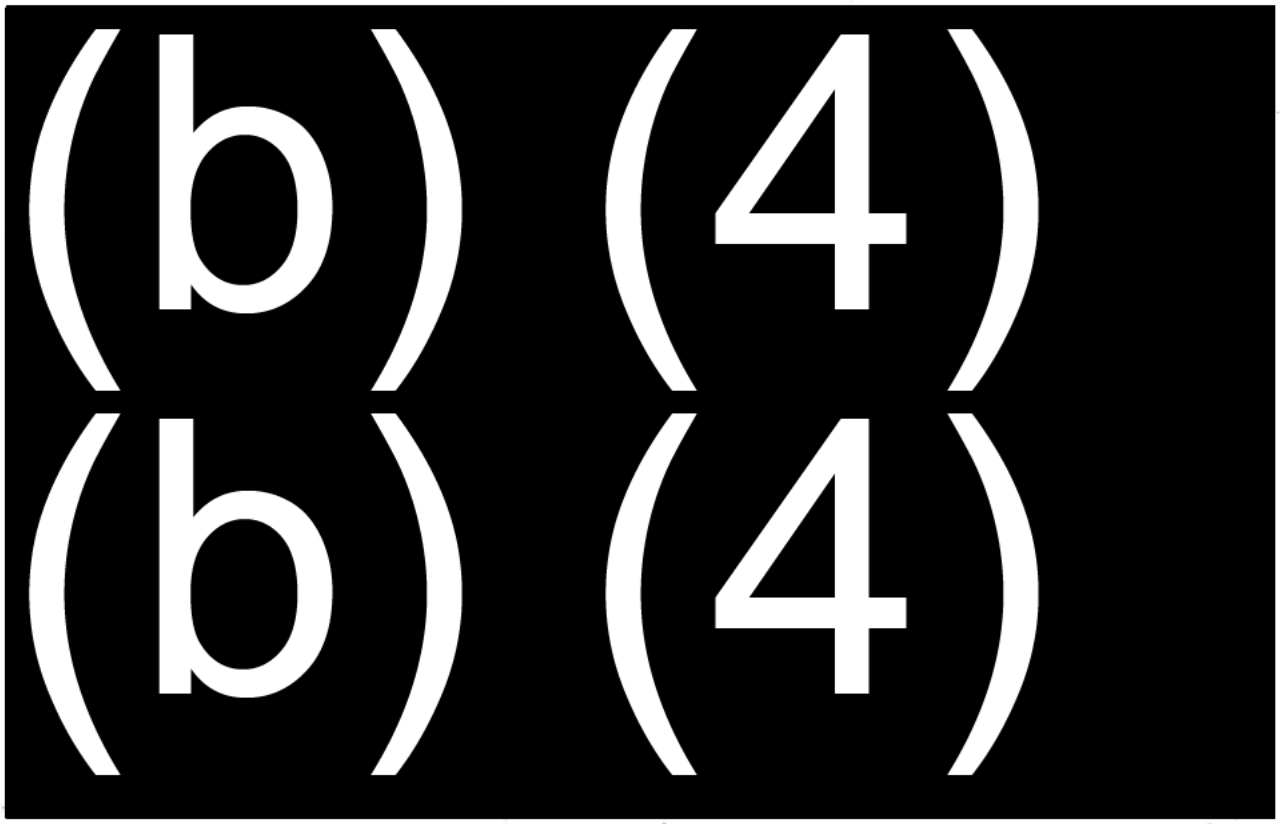
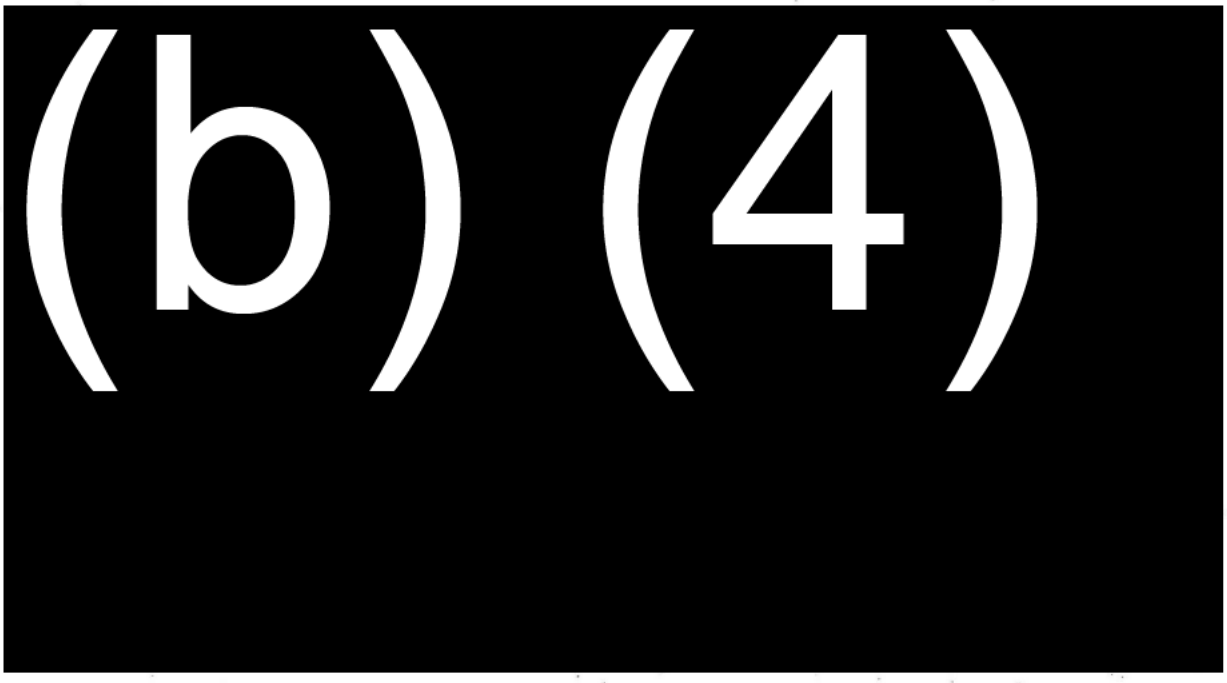
6. LEASES

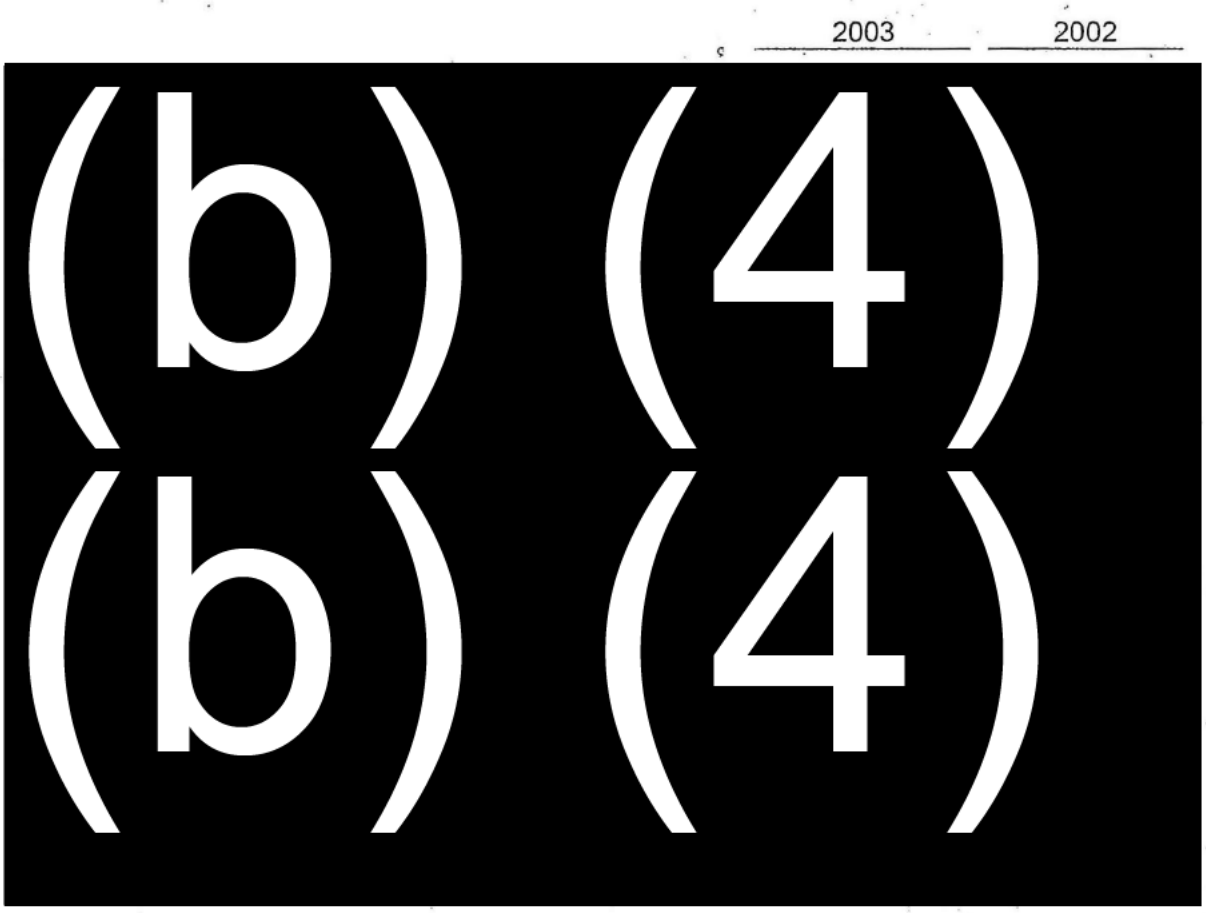


6. LEASES, Continued



7. INCOME TAXES

The following is an analysis reconciling taxable income per books with taxable income per the corporate return.



NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2003 AND 2002
(Continued)

7. INCOME TAXES, Continued

	2003	2002
	(b) (4)	
	(b) (4)	
	(b) (4)	

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8. EMPLOYEE BENEFIT PLAN

(b) (4)(b) (4)

9. RELATED PARTY TRANSACTIONS

(b) (4)

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10. LINE OF CREDIT

(b) (4)(b) (4)

11. CONCENTRATION OF RISK

(b) (4)

12. CONTINGENCIES

(b) (4)(b) (4)

13. SETTLEMENT OF RATE DISPUTE

(b) (4)(b) (4)(b) (4)

14. SUBSEQUENT EVENTS

(b) (4)

On August 1, 2003, NTS Construction Company, a new wholly owned subsidiary of NTS Communications, Inc. began operations. The new subsidiary was formed to build fiber optic connectivity to end users in new subdivisions in and around Lubbock, Texas. (b) (4)

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SUPPLEMENTARY INFORMATION

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NTS COMMUNICATIONS, INC. AND SUBSIDIARY

CONSOLIDATED SCHEDULES OF REVENUES EARNED

YEARS ENDED JULY 31, 2003 AND 2002

	2003	2002
[redacted]		

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The accompanying notes are an integral part of these supplementary schedules.

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NTS COMMUNICATIONS, INC. AND SUBSIDIARY

CONSOLIDATED SCHEDULES OF COST OF COMMUNICATION SERVICES

YEARS ENDED JULY 31, 2003 AND 2002

	2003	2002
(b) (4)		

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The accompanying notes are an integral part of these supplementary schedules.

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NTS COMMUNICATIONS, INC. AND SUBSIDIARY

CONSOLIDATED SCHEDULES OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

YEARS ENDED JULY 31, 2003 AND 2002

	2003	2002
	(b) (4)	
	(b) (4)	
	(b) (4)	

The accompanying notes are an integral part of these supplementary schedules.

SCHEDULE N-1C
HISTORICAL FINANCIAL STATEMENTS
OF THE PARENT ORGANIZATION
(NTS COMMUNICATIONS, INC.)
WITH FULL FOOTNOTES & DISCLOSURES
FOUR PRECEDING YEARS

FISCAL YEAR 2004

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2004 AND 2003

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
NTS Communications, Inc. and Subsidiaries
Lubbock, Texas

We have audited the accompanying consolidated balance sheets of NTS Communications, Inc. and subsidiaries as of July 31, 2004 and 2003 and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NTS Communications, Inc., and subsidiaries as of July 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information presented in the accompanying schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Phillips & Associates, CPA's
CERTIFIED PUBLIC ACCOUNTANTS
NOVEMBER 15, 2004

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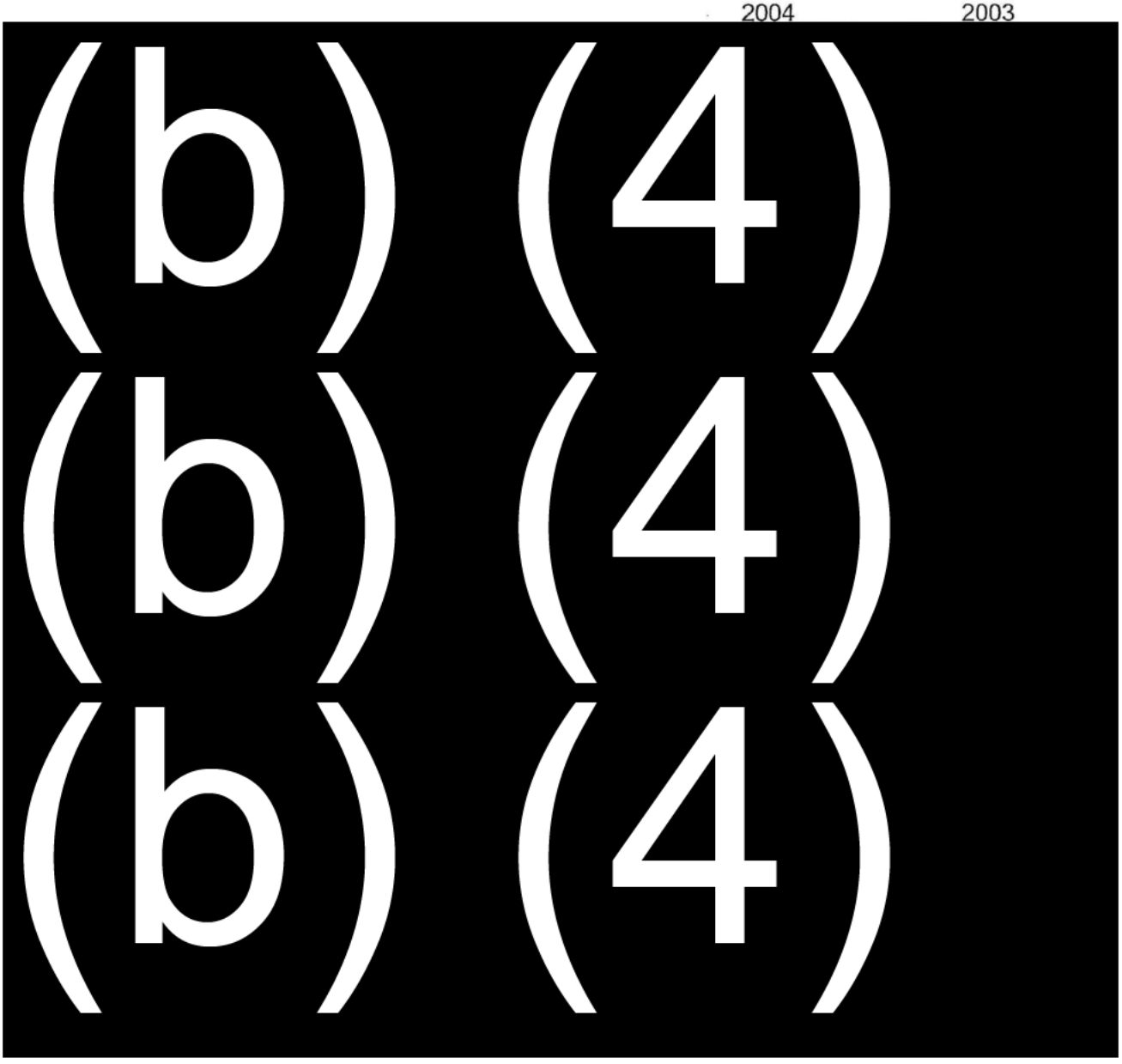
NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JULY 31, 2004 AND 2003

ASSETS



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The accompanying notes are an integral part of these statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

	2004	2003
	(b) (4)	
	(b) (4)	
	(b) (4)	

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED JULY 31, 2004 AND 2003

	2004	2003
(b) (4)		
(b) (4)		

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The accompanying notes are an integral part of these statements.

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED JULY 31, 2004 AND 2003

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The accompanying notes are an integral part of these statements.

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JULY 31, 2004 AND 2003

	2004	2003
	(b) (4)	
	(b) (4)	
	(b) (4)	

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The accompanying notes are an integral part of these statements.

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JULY 31, 2004 AND 2003
(Continued)

	2004	2003
(b) (4)		
(b) (4)		

CONFIDENTIAL

The accompanying notes are an integral part of these statements.

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Company

NTS Communications, Inc. (NTS) and its wholly owned subsidiaries provide telecommunication services which are primarily engaged in selling or reselling long distance telephone service and providing local telephone and internet service to the general public, both commercial and residential. These services are mainly provided within the continental United States with a concentration in the Southwestern United States.

NTS Communications, Inc. is a consolidated subsidiary of its majority-owned stockholder Telephone Electronics Corporation.

Principles of consolidation

The financial statements include the consolidated accounts of NTS Communications, Inc. and its four wholly-owned subsidiaries, Garey M. Wallace Company, Inc. dba GMW Company (inactive), NTS Properties, L.C., NTS Management Company, L.L.C., and NTS Construction Company. All significant intercompany transactions have been eliminated in the consolidated financial statements.

Revenue recognition

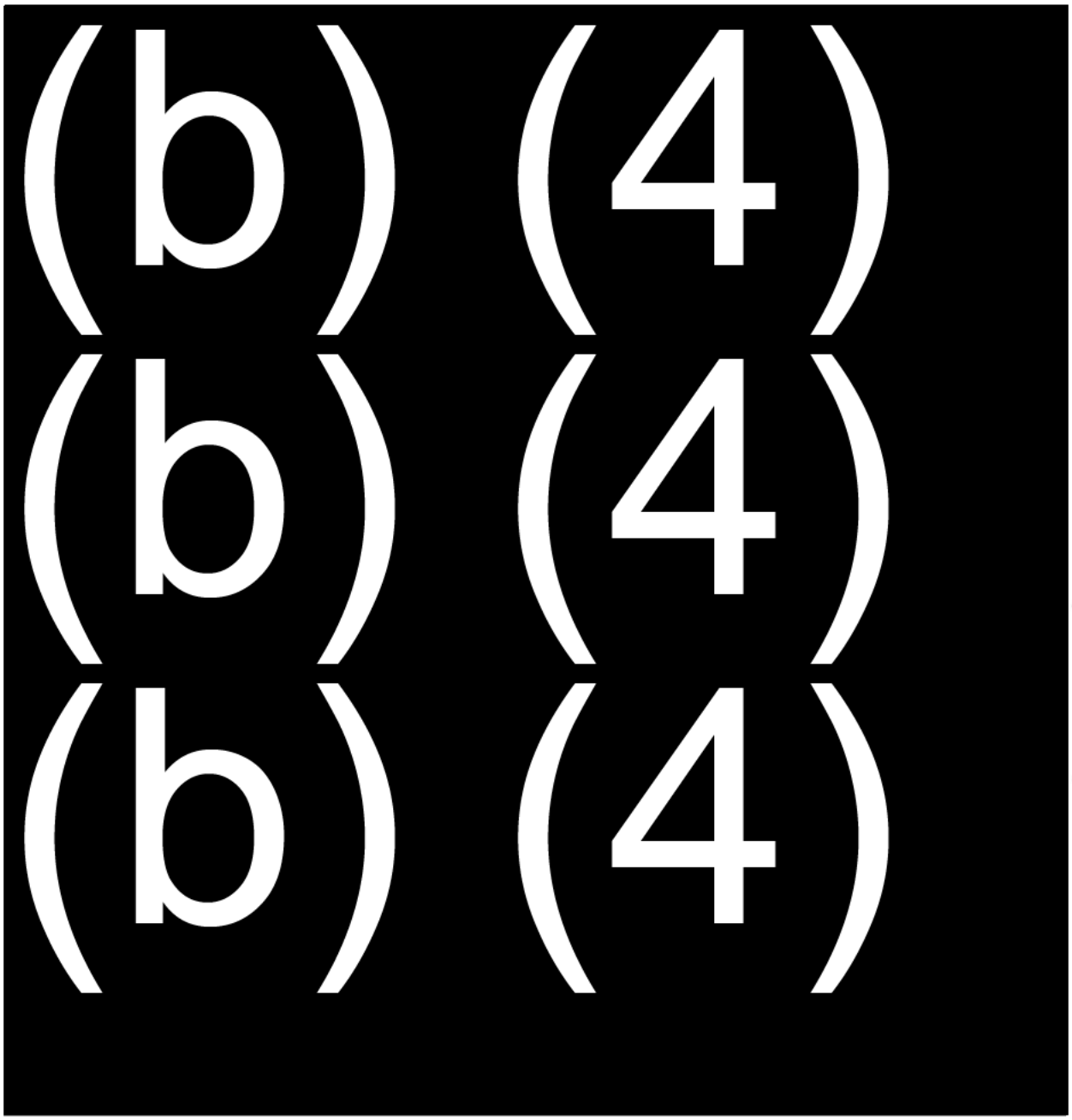
(b) (4)(b) (4)(b) (4)(b) (4)

NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2004 AND 2003
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

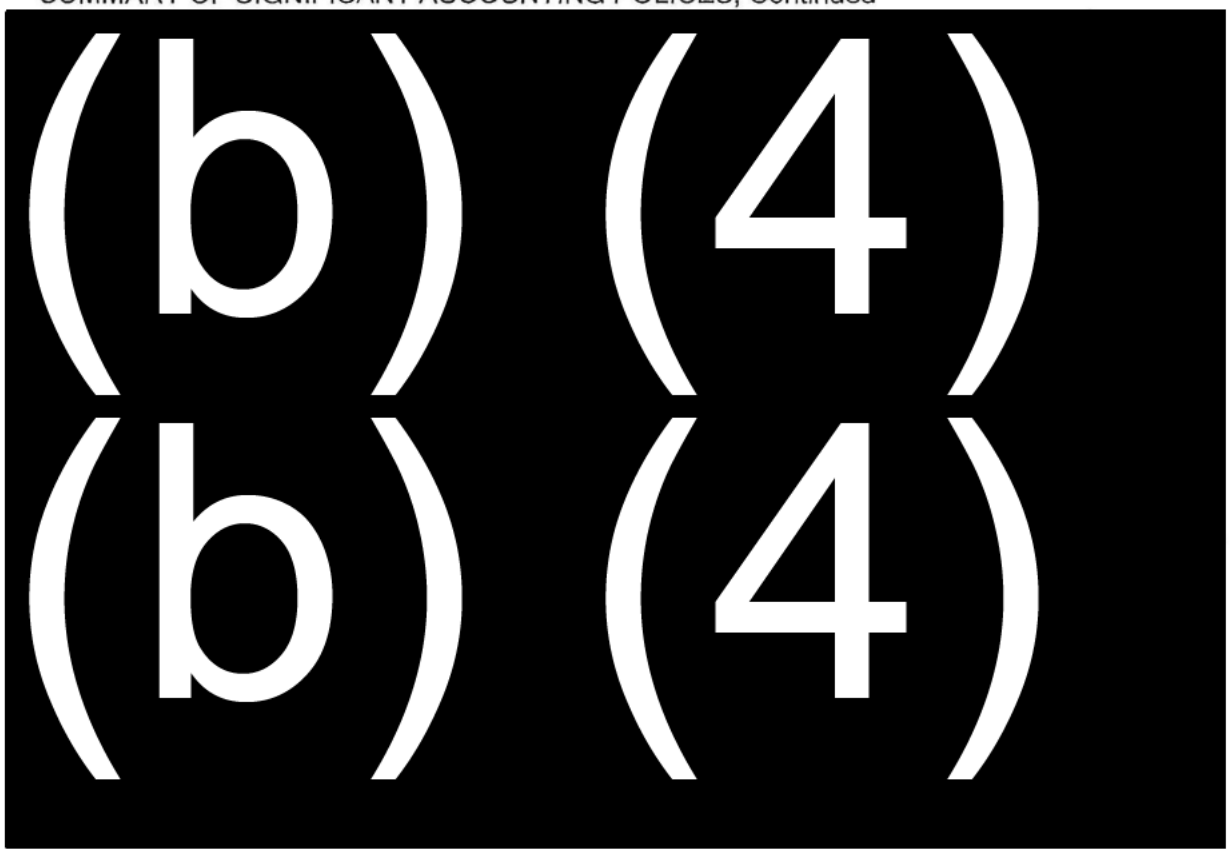


NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2004 AND 2003
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, Continued

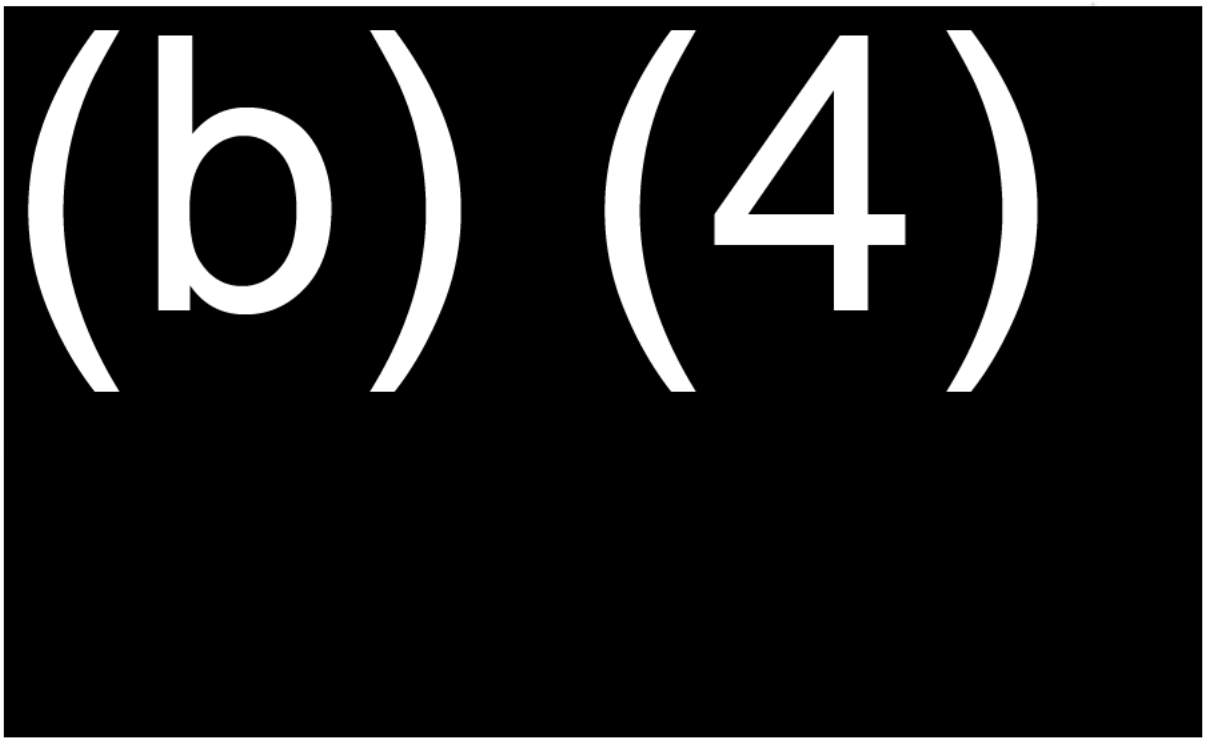


NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2004 AND 2003
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, Continued



NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2004 AND 2003
(Continued)

2. OTHER RECEIVABLES

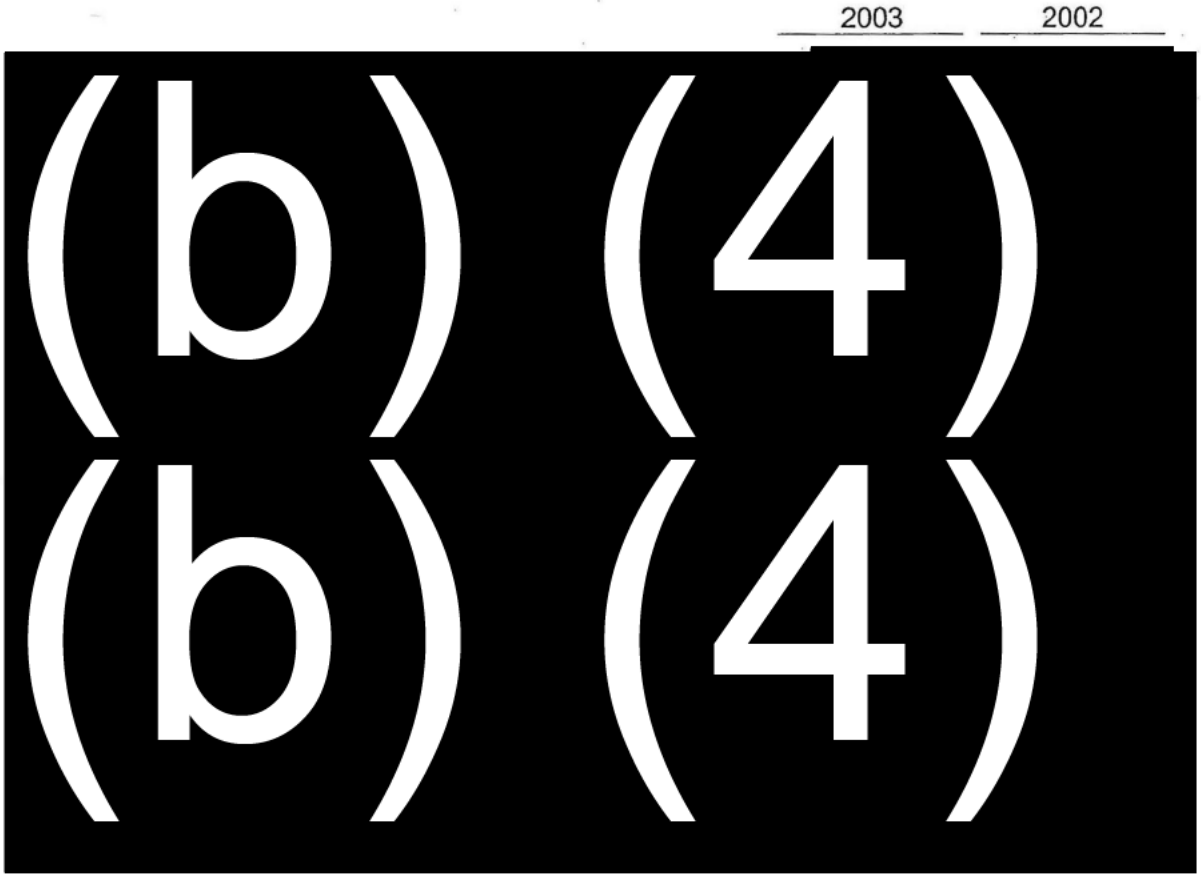
3. (b) (4)

NTS Properties, L.C., a wholly owned subsidiary, is the managing partner with a 1% interest in Shareholder Value, Ltd., a Texas partnership formed to manage nonresidential real estate.

(b) (4)(b) (4)(b) (4)(b) (4)(b) (4)

3. INVESTMENTS, Continued

In 2003, NTS was a 35% partner in Forte of Colorado, a partnership formed to develop a fiber optic telecommunications network linking Springfield and Colorado Springs, Colorado. This investment was recorded on the equity method because NTS was the largest interest holder, and was believed to have significant influence over the operations of the partnership. This investment was equivalent to the underlying value of the partnership's net assets. Summarized financial information for Forte of Colorado is as follows for the calendar years 2003 and 2002:



NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

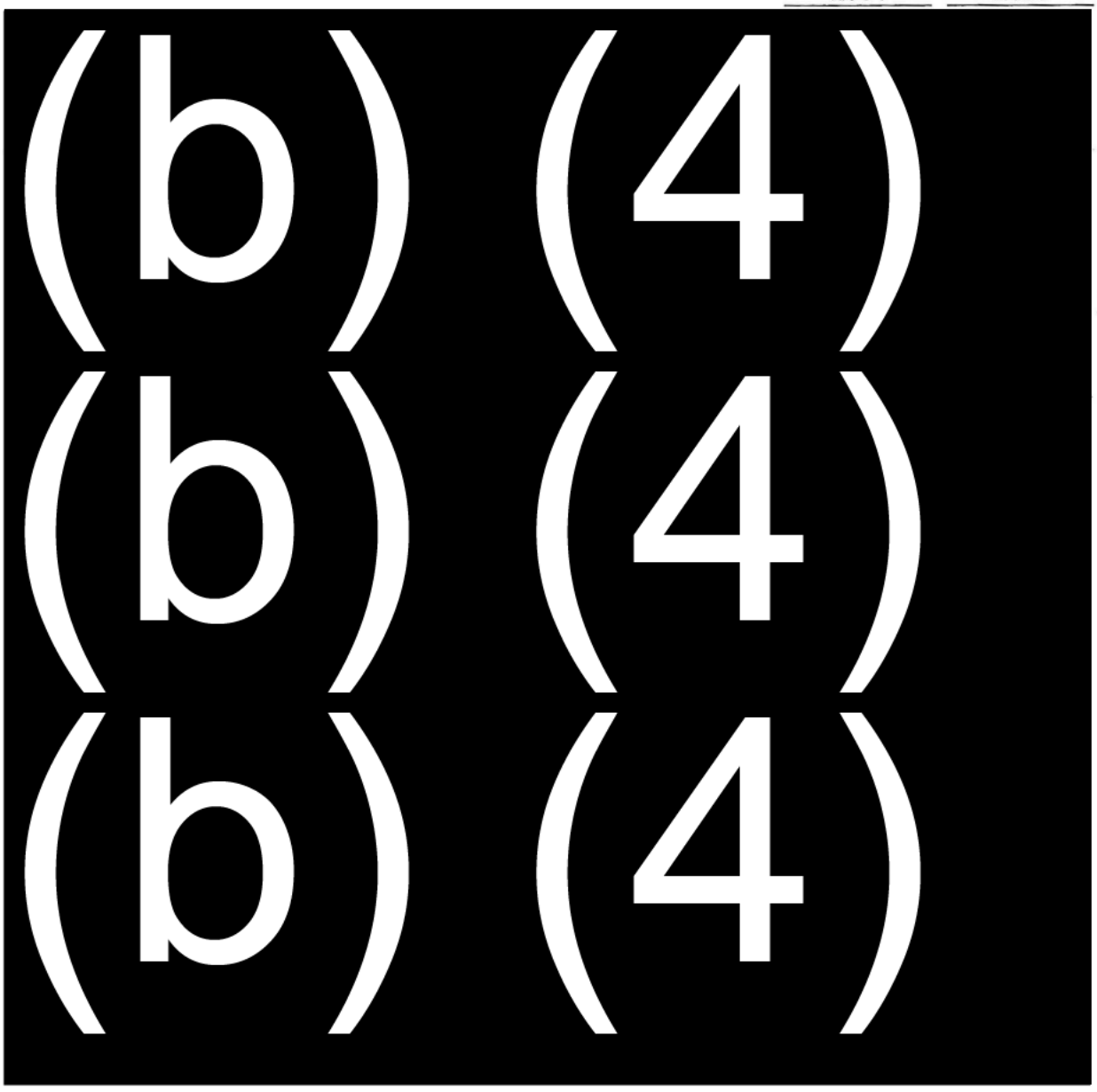
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2004 AND 2003
(Continued)

4. PROPERTY, EQUIPMENT AND IMPROVEMENTS

	2004	2003	Estimated Useful Lives
(b) (4)			

5. LONG-TERM DEBT



5. LONG-TERM DEBT, Continued

	2004	2003
(b) (4)		
(b) (4)		

NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

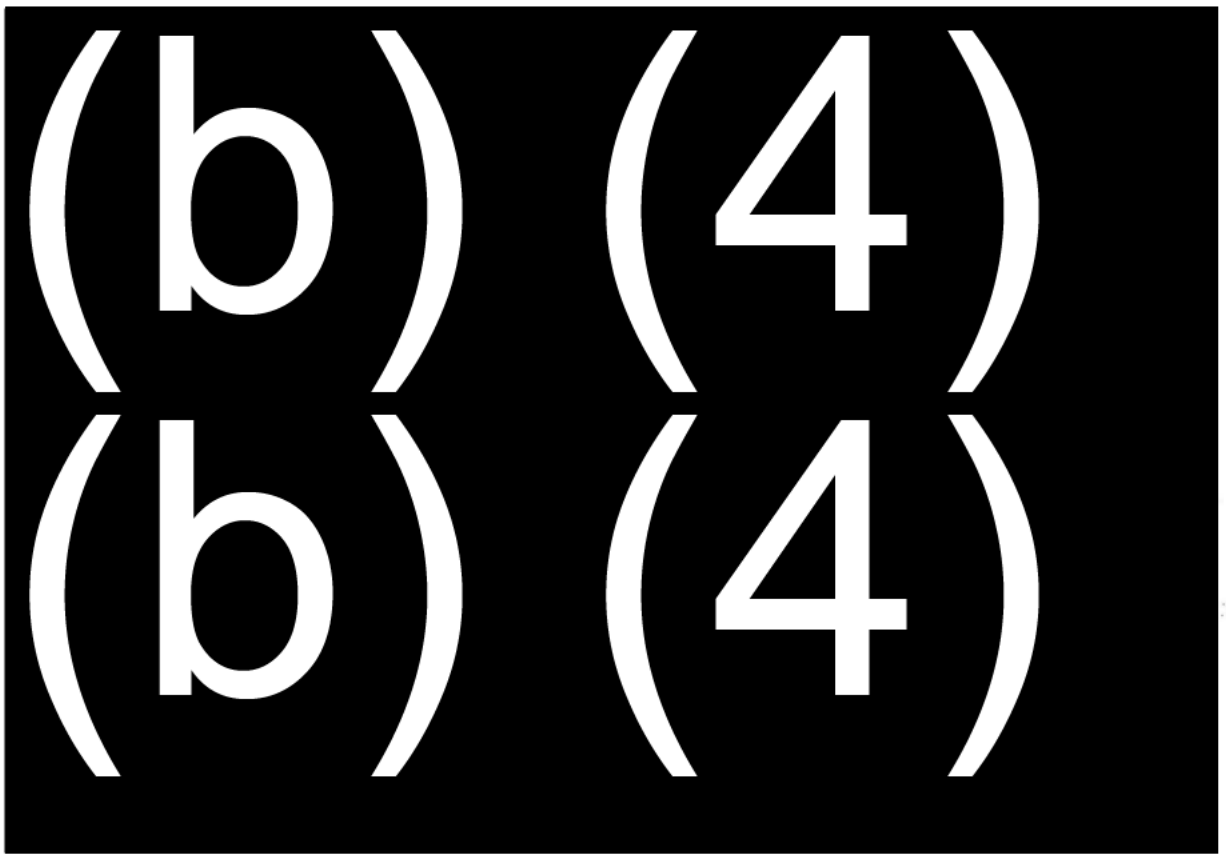
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2004 AND 2003
(Continued)

5. LONG-TERM DEBT, Continued

	2004	2003
(b) (4)		
(b) (4)		

6. LEASES

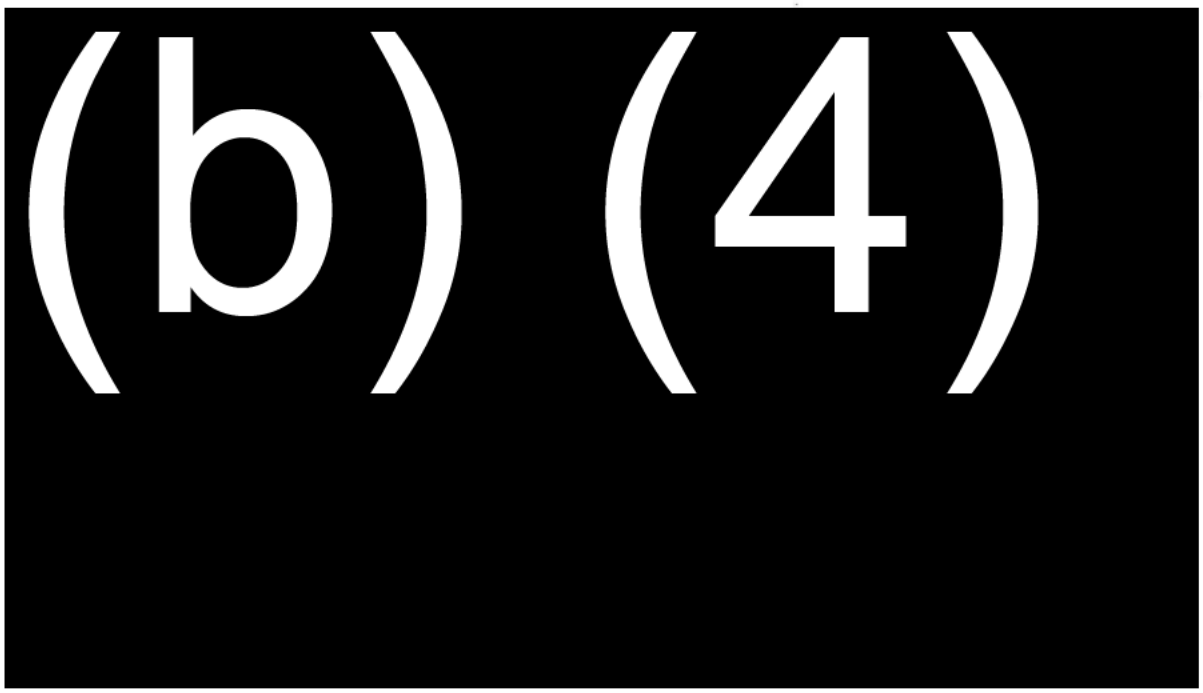


NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2004 AND 2003
(Continued)

6. LEASES, Continued

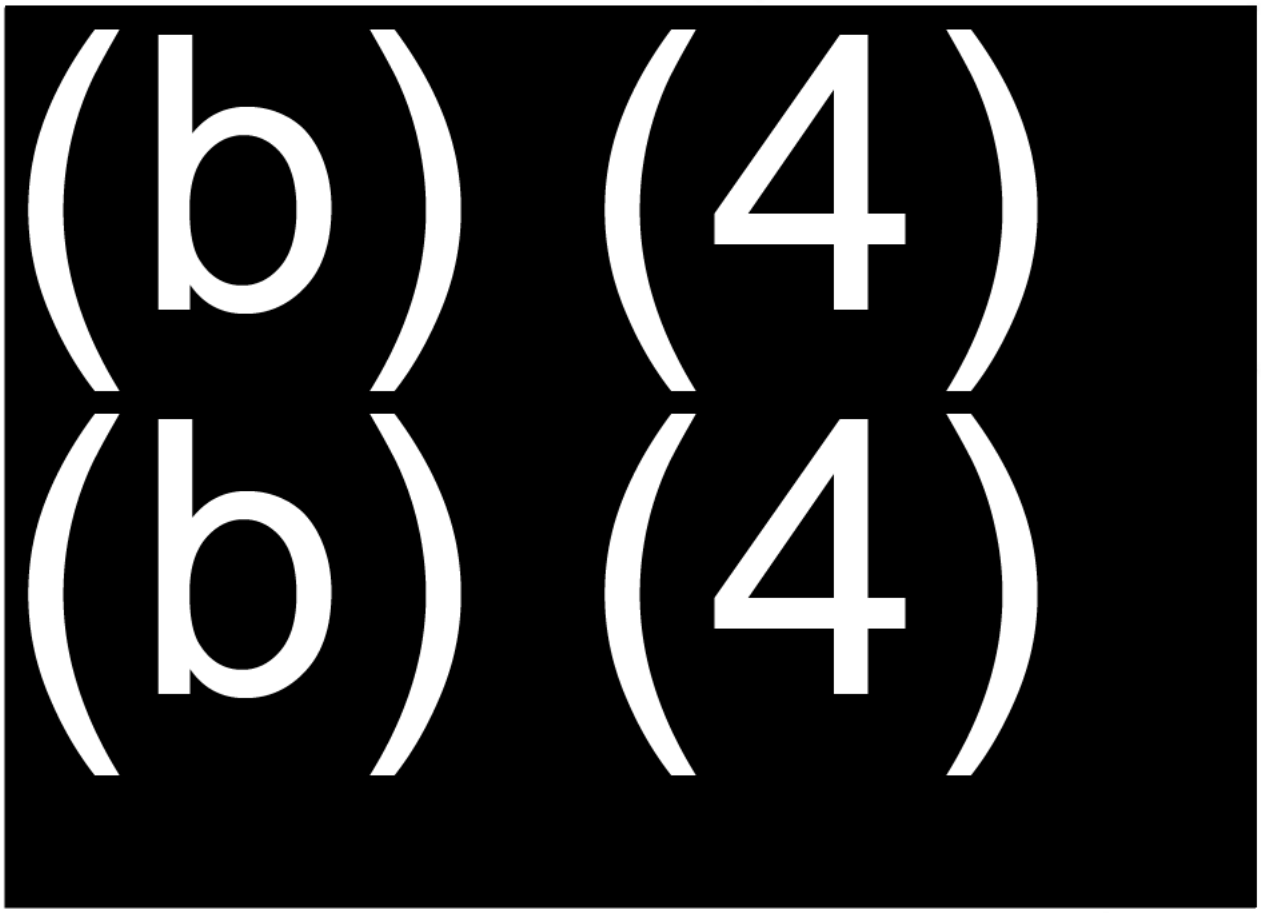


NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2004 AND 2003
(Continued)

7. INCOME TAXES



NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2004 AND 2003
(Continued)

7. INCOME TAXES, Continued

	2004	2003
(b) (4)		
(b) (4)		

8. EMPLOYEE BENEFIT PLAN

(b) (4)

9. RELATED PARTY TRANSACTIONS

(b) (4)

NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2004 AND 2003
(Continued)

10. CONCENTRATION OF RISK

(b) (4)

11. CONTINGENCIES

(b) (4)(b) (4)

12. SETTLEMENT OF DISPUTES

(b) (4)

NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2004 AND 2003
(Continued)

13. SUBSEQUENT EVENTS

(b) (4)

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SUPPLEMENTARY INFORMATION

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NTS COMMUNICATIONS, INC. AND SUBSIDIARY

CONSOLIDATED SCHEDULES OF REVENUES EARNED

YEARS ENDED JULY 31, 2004 AND 2003

	2004	2003
	[redacted]	

CONFIDENTIAL

The accompanying notes are an integral part of these supplementary schedules.

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NTS COMMUNICATIONS, INC. AND SUBSIDIARY

CONSOLIDATED SCHEDULES OF COST OF COMMUNICATION SERVICES

YEARS ENDED JULY 31, 2004 AND 2003

	2004	2003
[redacted]		

CONFIDENTIAL

The accompanying notes are an integral part of these supplementary schedules.

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NTS COMMUNICATIONS, INC. AND SUBSIDIARY

CONSOLIDATED SCHEDULES OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

YEARS ENDED JULY 31, 2004 AND 2003

	2004	2003
(b) (4)		
(b) (4)		
(b) (4)		

The accompanying notes are an integral part of these supplementary schedules.

p&a

SCHEDULE N-1D
HISTORICAL FINANCIAL STATEMENTS
OF THE PARENT ORGANIZATION
(NTS COMMUNICATIONS, INC.)
WITH FULL FOOTNOTES & DISCLOSURES
FOUR PRECEDING YEARS

FISCAL YEAR 2005

(b) (4)(b) (4)(b) (4)

CONFIDENTIAL

NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2005 AND 2004

CONFIDENTIAL

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
NTS Communications, Inc. and Subsidiaries
Lubbock, Texas

We have audited the accompanying consolidated balance sheets of NTS Communications, Inc. and subsidiaries as of July 31, 2005 and 2004 and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NTS Communications, Inc., and subsidiaries as of July 31, 2005 and 2004, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information presented in the accompanying schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Phillips & Associates, CPA's
CERTIFIED PUBLIC ACCOUNTANTS
OCTOBER 25, 2005

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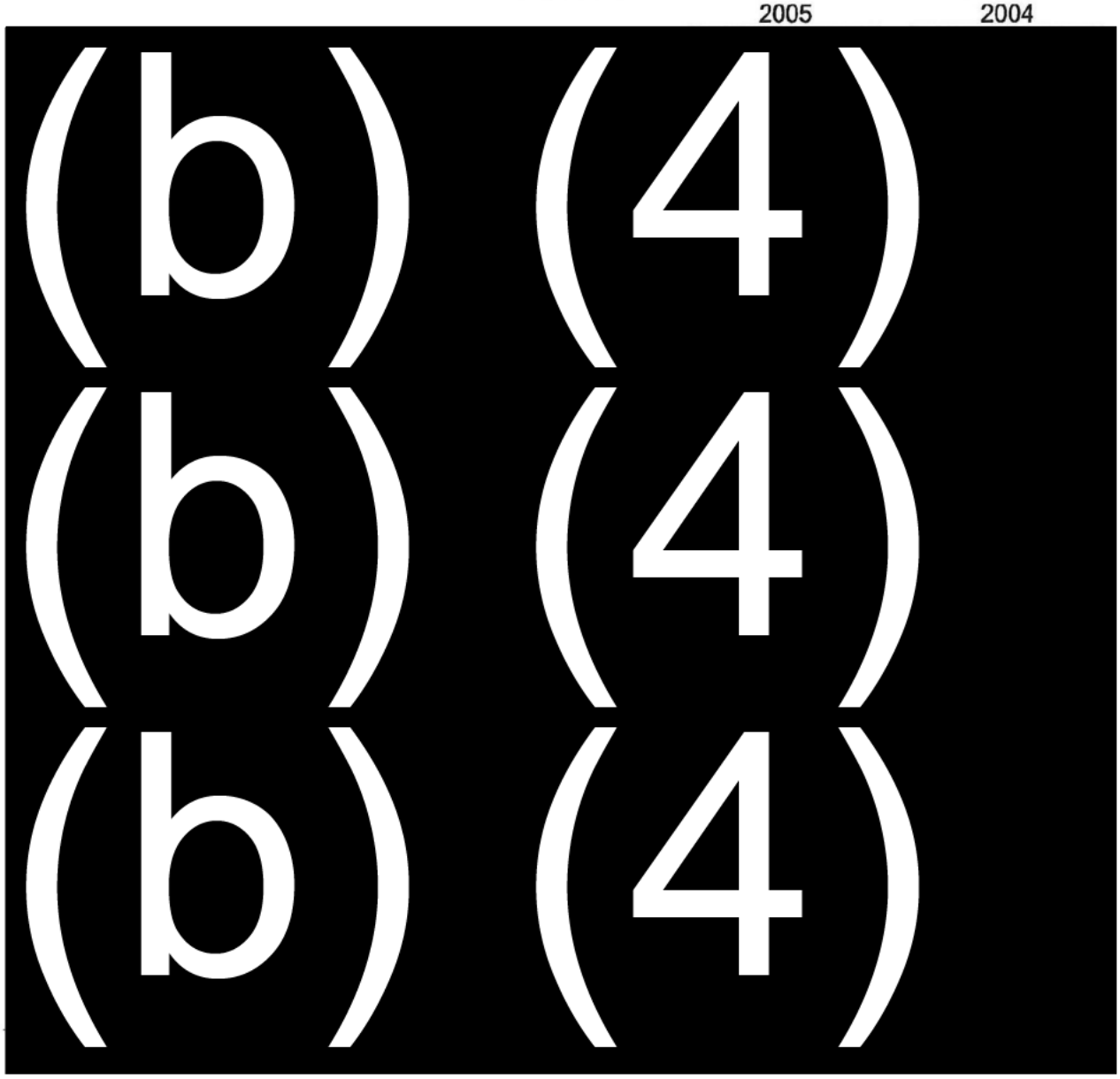
NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JULY 31, 2005 AND 2004

ASSETS



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The accompanying notes are an integral part of these statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

	2005	2004
	(b) (4)	
	(b) (4)	
	(b) (4)	

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED JULY 31, 2005 AND 2004

	2005	2004
(b) (4)		
(b) (4)		

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The accompanying notes are an integral part of these statements.

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED JULY 31, 2005 AND 2004

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JULY 31, 2005 AND 2004

	2005	2004
(b) (4)		
(b) (4)		
(b) (4)		

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The accompanying notes are an integral part of these statements.

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JULY 31, 2005 AND 2004
(Continued)

	2005	2004
[redacted]		

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The accompanying notes are an integral part of these statements.

NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

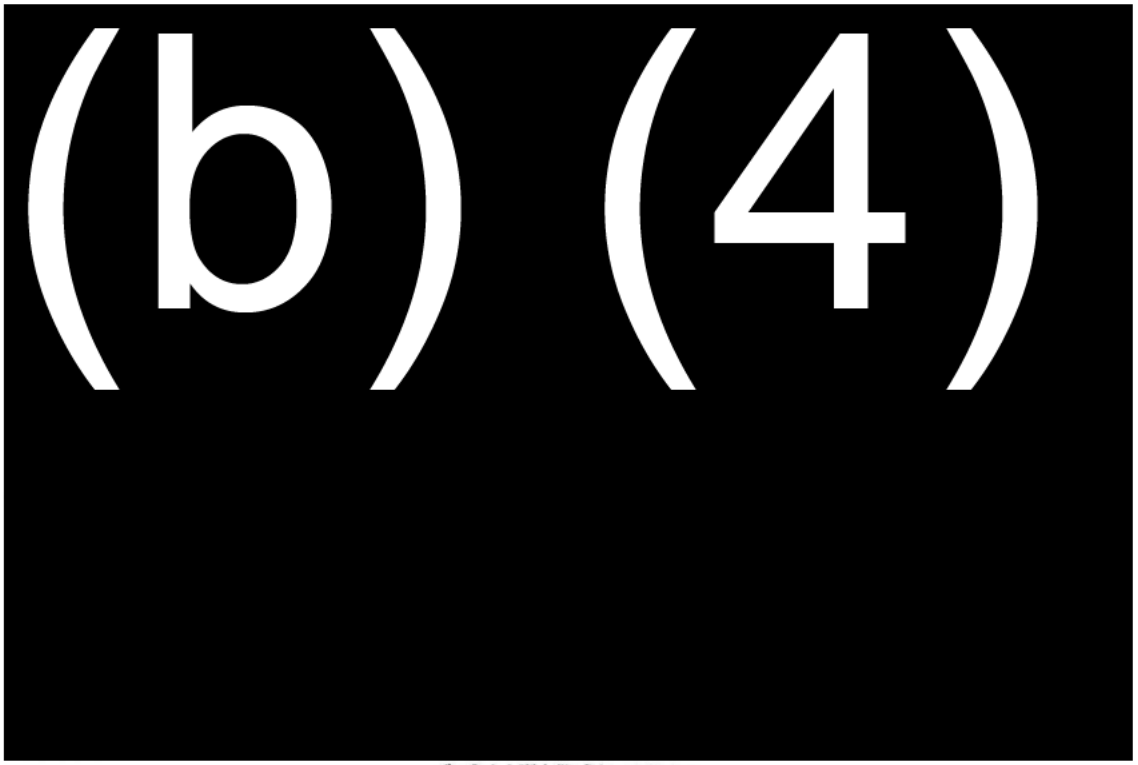
Nature of Company

NTS Communications, Inc. (NTS) and its wholly owned subsidiaries provide telecommunication services which are primarily engaged in selling or reselling long distance telephone service and providing local telephone, internet and video services to the general public, both commercial and residential. These services are mainly provided within the continental United States with a concentration in the Southwestern United States.

NTS Communications, Inc. is a consolidated subsidiary of its majority-owned stockholder Telephone Electronics Corporation.

Principles of consolidation

The financial statements include the consolidated accounts of NTS Communications, Inc. and its four wholly-owned subsidiaries, Garey M. Wallace Company, Inc. dba GMW Company (inactive), NTS Properties, L.C., NTS Management Company, L.L.C., and NTS Construction Company. All significant intercompany transactions have been eliminated in the consolidated financial statements.



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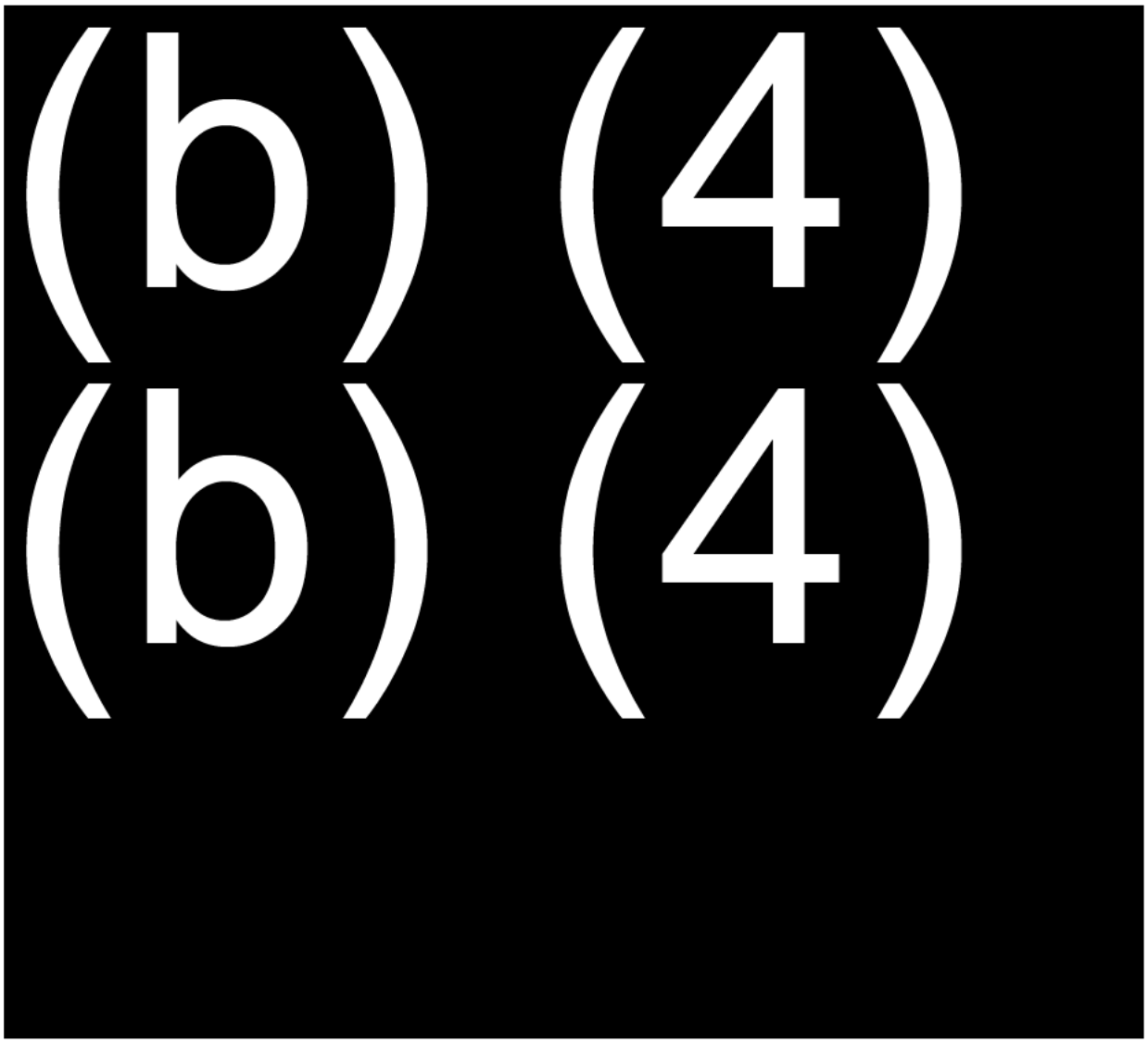
NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2005 AND 2004
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

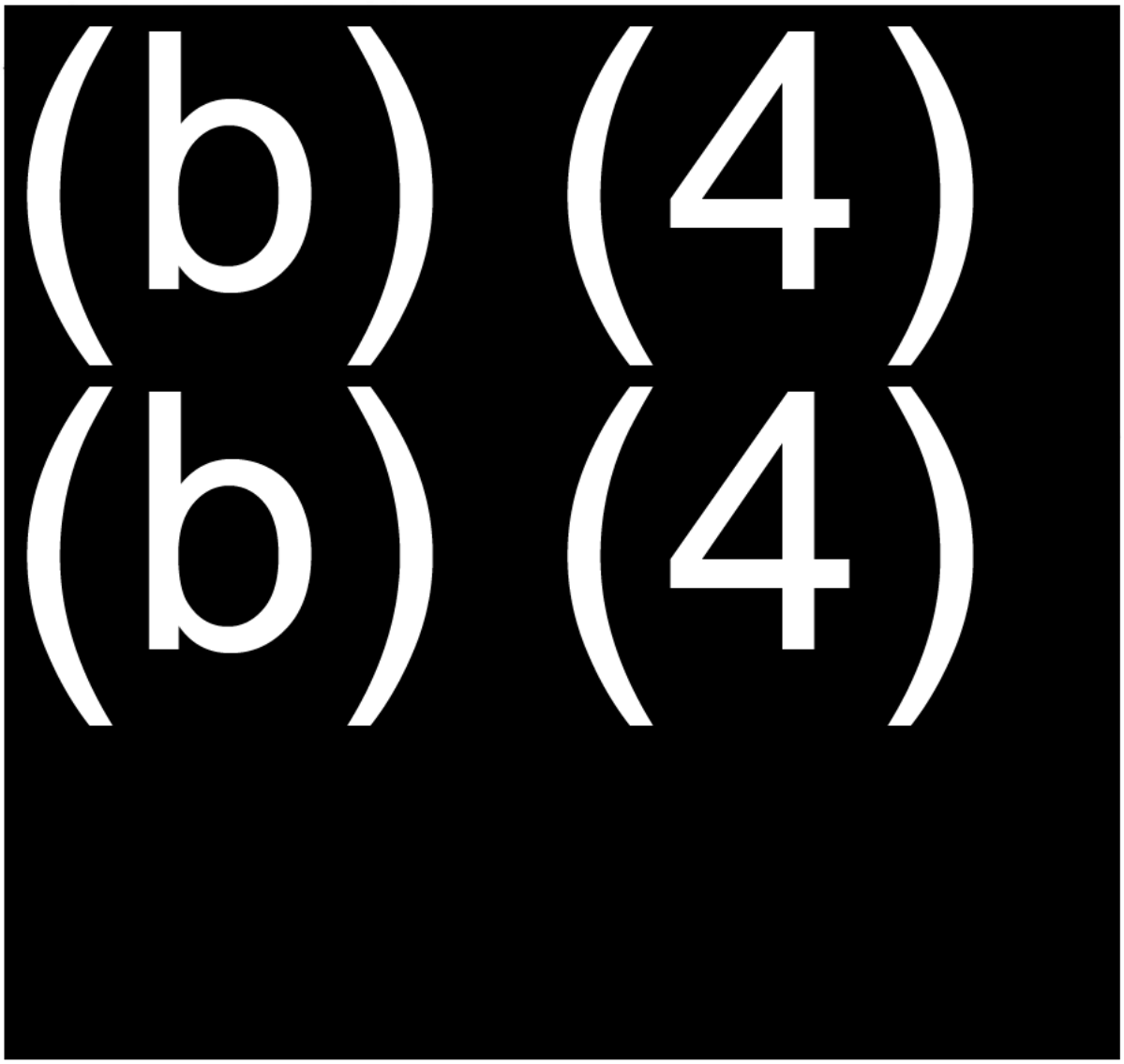


NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2005 AND 2004
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, Continued



NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2005 AND 2004
(Continued)

2. OTHER RECEIVABLES

	2005	2004
(b) (4)		

3. INVESTMENTS

	2005	2004
(b) (4)(b) (4)		

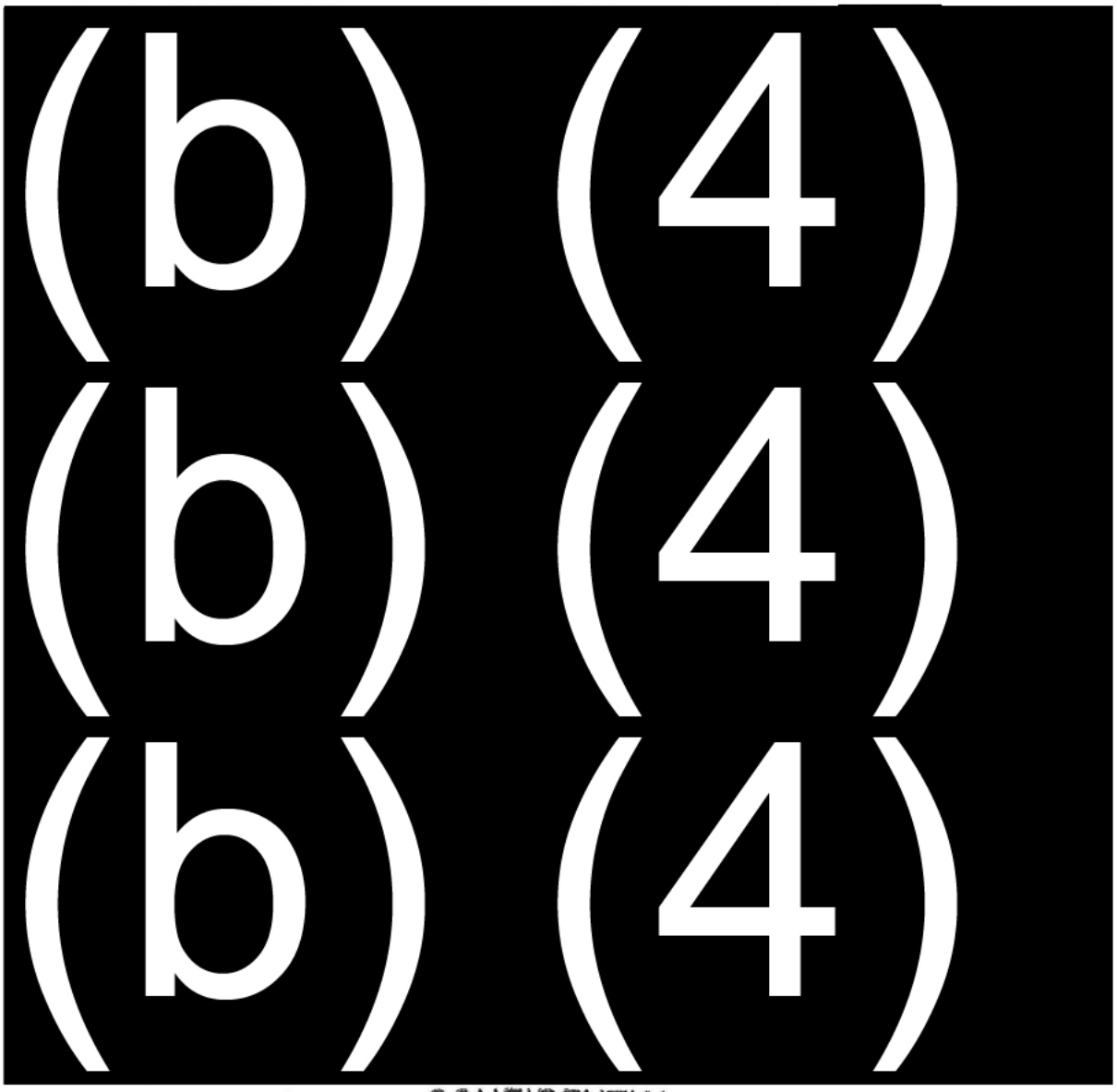
NTS Properties, L.C., a wholly owned subsidiary, is the managing partner with a 1% interest in Shareholder Value, Ltd., a Texas partnership formed to manage nonresidential real estate.

NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2005 AND 2004
(Continued)

3. INVESTMENTS, Continued



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4. PROPERTY, EQUIPMENT AND IMPROVEMENTS

	2005	2004	Estimated Useful Lives
(b) (4)			

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2005 AND 2004
(Continued)

5. LONG-TERM DEBT

	2005	2004
(b) (4)		
(b) (4)		
(b) (4)		

NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2005 AND 2004
(Continued)

5. LONG-TERM DEBT, Continued

	2005	2004
(b) (4)		
(b) (4)		

NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2005 AND 2004
(Continued)

5. LONG-TERM DEBT, Continued

(b) (4)

6. LEASES

(b) (4)

(b) (4)

6. LEASES, Continued

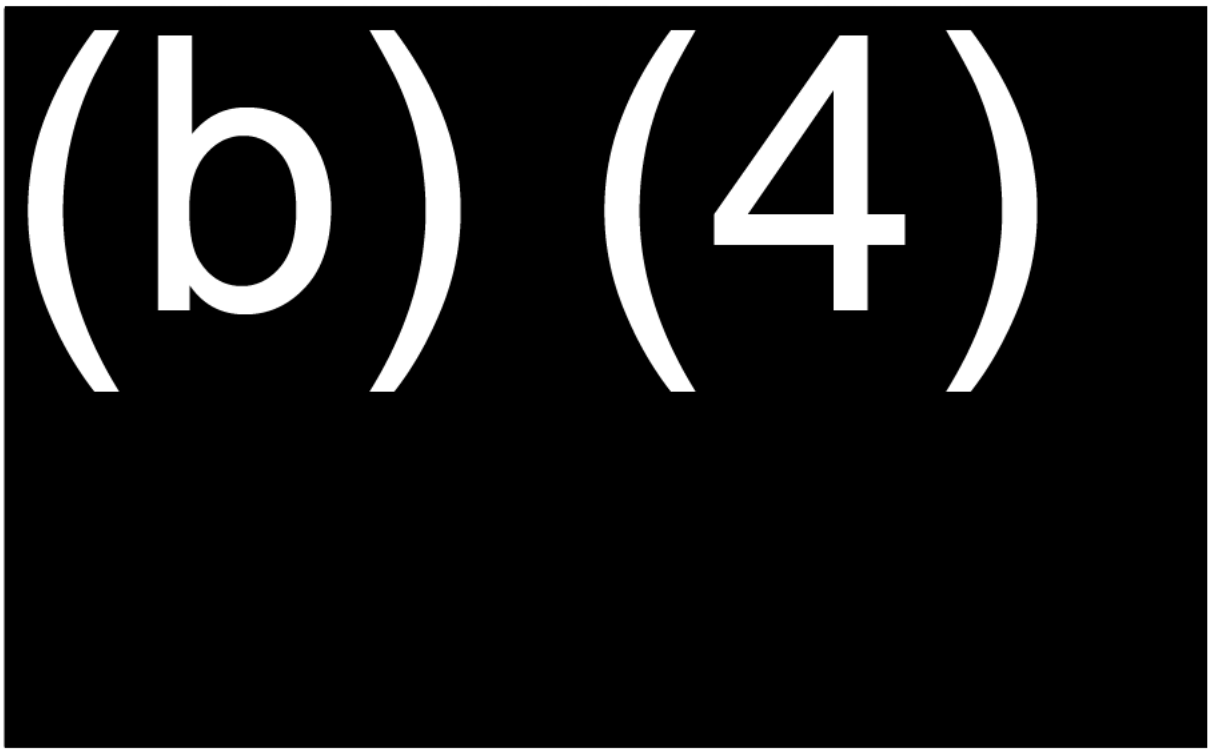
Lessor

NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2005 AND 2004
(Continued)

7. INCOME TAXES



NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2005 AND 2004
(Continued)

7. INCOME TAXES, Continued

	2005	2004
(b) (4)		
(b) (4)		

NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2005 AND 2004
(Continued)

8. EMPLOYEE BENEFIT PLAN

(b) (4)

9. RELATED PARTY TRANSACTIONS

(b) (4)

NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2005 AND 2004
(Continued)

10. CONCENTRATION OF RISK

(b) (4)

11. CONTINGENCIES

(b) (4)

12. SETTLEMENT OF DISPUTES

(b) (4)

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SUPPLEMENTARY INFORMATION

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED SCHEDULES OF REVENUES EARNED

YEARS ENDED JULY 31, 2005 AND 2004

	2005	2004
[redacted]		

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The accompanying notes are an integral part of these supplementary schedules.

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED SCHEDULES OF COST OF COMMUNICATION SERVICES

YEARS ENDED JULY 31, 2005 AND 2004

	2005	2004
(b) (4)		

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NTS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED SCHEDULES OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

YEARS ENDED JULY 31, 2005 AND 2004

	2005	2004
(b) (4)		
(b) (4)		
(b) (4)		

The accompanying notes are an integral part of these supplementary schedules.

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Schedule N-2A
Subscriber Projection Table
Data Services

Community	Plan	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010
Leveland						
	(b) (4)					
Smyer						

Bandwidth Levels & Rates

(b) (4)

(b)(4)(b)(4)(b)(4)

Schedule N-2B
Subscriber Projection Table
Voice Services

Community	Plan	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010
Levelland						
	[redacted]					
Smyer						

[redacted]

Schedule N-2C
Subscriber Projection Table
Video Services

Community	Plan	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010
Levelland						
	(b) (4)					
Smyer						

Type Services & Rates

(b) (4)(b) (4)

Schedule N-2D
Subscriber Projection Table
Data & Voice Services (Double Play)

Community	Plan	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010
Levelland						
Smyer						

(b) (4)

Type Services & Rates

(b) (4)

Schedule N-2E
Subscriber Projection Table
Data, Voice & Video Services (Triple Play)

Community	Package	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010
Levelland						
	(b) (4)					
Smyer						

Type Services & Rates

(b) (4)

(b) (4)(b) (4)(b) (4)(b) (4)(b) (4)(b) (4)

Schedule N-2F (Cont.)
Subscriber Projection Table
Cumulative Composite

Description	Service	Rates	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010
(b) (4)							

Schedule N-3A
Pro Forma Five-Year Financial Forecast
Balance Sheet

ASSETS	2007	2008	2009	2010	2011
Current assets					
Cash/Bank					
Debtors/Accounts receivable					
Sub-total					
Long term assets					
Network & Access Equipment					
Outside Plant					
Customer Premises Equipment					
Non-depreciable assets					
Less: Accumulated depreciation					
Sub-total					
TOTAL ASSETS					
CAPITAL AND LIABILITIES					
Current liabilities					
Creditors/Accounts payable					
Income tax					
Sub-total					
Long term liabilities					
Proposed long term RUS loan					
Sub-total					
Owners' equity					
Proprietary capital					
Profit / Loss					
Retained earnings					
Sub-total					
TOTAL CAPITAL & LIABILITIES					

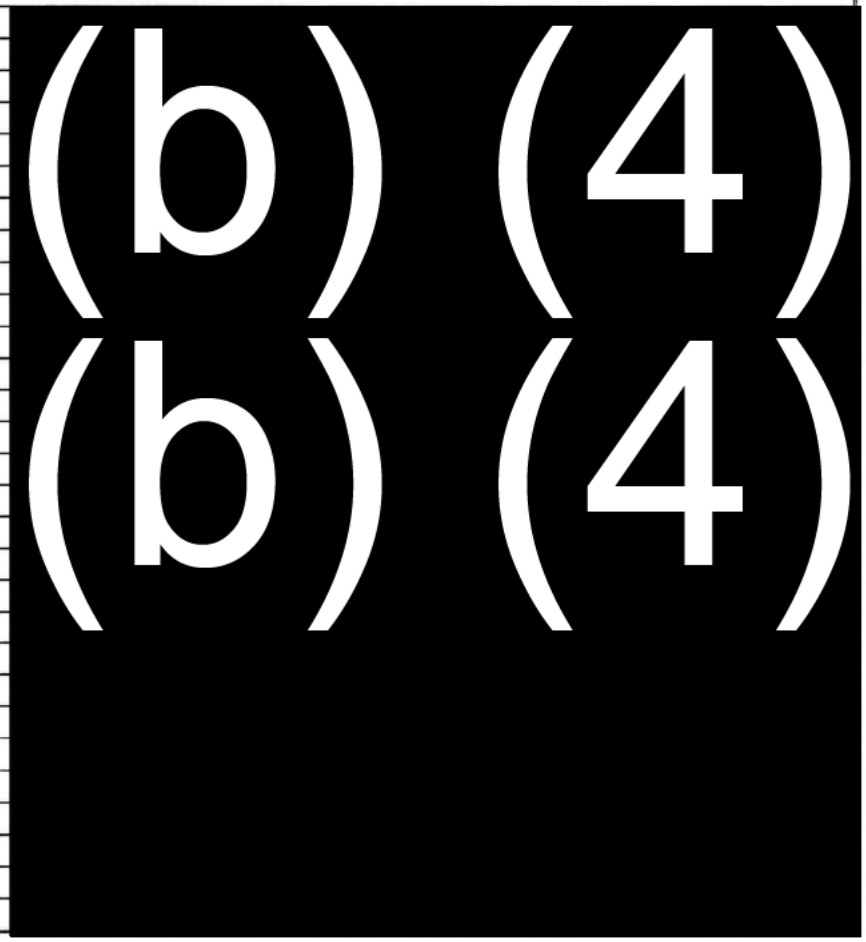
(b) (4)
(b) (4)

Note: The above chart reflects financial projections beginning in July of each year and runs through June of the next year.
(The heading of 2006 reflects activity beginning in July 2006 through June 2007)

(b) (4)(b) (4)(b) (4)

Schedule N-3B
Pro Forma Five-Year Financial Forecast
Income Statement

	2006	2007	2008	2009	2010
Revenue					
Total sales					
Cost of goods sold					
Gross profit					
Operating expenses					
General & Administrative					
Bad debts					
Bank interests/charges					
Dues and licenses					
Light/heat					
Property taxes					
Maintenance/repairs					
Customer Survey					
Engineering and legal services					
Billing, Service, Management					
Equipment Service Contracts					
Legal notice					
Personnel					
Salaries and benefits					
Payroll burden					
Sales promotion					
Advertising/promotion					
Insurance					
Liability insurance					
Total operating expenses					
Depreciation					
Interest on RUS long term loan					
Net profit / loss					
Company tax					
Net business result					



Note: "Total Sales" above are broken down by offerings in schedule N-3E

Note: The above chart reflects financial projections beginning in July of each year and runs through June of the next year. (The heading of 2006 reflects activity beginning in July 2006 through June 2007)

Schedule N-3C
Pro Forma Five-Year Financial Forecast
Statement of Cash Flows

Year	2006	2007	2008	2009	2010	Total
Begin balance						
Credit/Debit	(b) (4)					
Income (Cash in)						
Net results						
Plus:						
Depreciation & amortization						
Adjustment accounts payable						
Long term loans						
Subtotal						
Less:						
Network & Access Equipment						
Outside Plant						
Customer Premises Equipment						
Non-depreciable assets						
Adjustment accounts receivable						
Long term loans repayment						
Subtotal						
End balance						
Credit/Debit						
Change in cash						

Note: The above chart reflects financial projections beginning in July of each year and runs through June of the next year.
(The heading of 2006 reflects activity beginning in July 2006 through June 2007)

Schedule N-3D
Balance Sheet Assumptions

Assets:

Current Assets

- Cash/Bank - For current and future years, this entry is projected to be equal to the "Credit/Debit" line under "Begin Balance" on the Cash Flows summary, Schedule N-3C, for each year.
- *Debtors/Accounts Receivables – Average amount owed by customers based on a 30 day billing cycle.
- Stock/Inventory – This entry includes items purchased but not installed in the physical plant infrastructure.

Fixed Assets

- *Network & Access Equipment – Projected for current and future years as the previous year's total plus the projected purchase of equipment for each year as listed in the Statement of Cash Flows in Schedule N-3C.
- *Outside Plant – Projected for current and future years as the previous year's total plus the projected purchase of plant for each year as listed in the Statement of Cash Flows in Schedule N-3C.
- Customer Premises Equipment - Projected for current and future years as the previous year's total plus the projected purchase of equipment for each year as listed in the Statement of Cash Flows in Schedule N-3C.
- Non-depreciable assets – This entry reflects the payment of $20,000 for land to provide a location for the fiber remote to be constructed in Levelland.
- Accumulated Depreciation - Projected for current and future years as the previous year's total depreciation plus the projected depreciation for each year as listed in the Income Statement in Schedule N-3B.

*** No new customer subscribers are projected for 2010. The majority of customer changes in 2010 and beyond are projected to be associated with normal customer attrition plus add-on services such as video-on-demand, pay-per-view and other services which provide additional revenue from the existing infrastructure.**

Schedule N-3D (Cont.)
Balance Sheet Assumptions

Capital and Liabilities

Current Liabilities

- Creditors/Accounts Payable – The average amount owed by NTS to its suppliers based on payment within 30 days of billing.
- Income Tax – A corporate tax rate of 34% is applicable.

Long Term Liabilities

- Proposed long term RUS loan – This entry is related to RUS Loan Fund drawdown requests against the total loan request amount of $11,892,101. The interest rate is assumed to be 5%. The loan period is projected to be 13 years based on the composite economic life of the equipment purchased with loan funds. The first drawdown is projected for August 2006. All drawdowns will be completed by March 2008. This entry is calculated by taking the previous year's net outstanding Long Term Debt (loan proceeds – loan principal payment) and adding it to the new net outstanding RUS Long Term Debt at the end of each project year. The only long-term debt will be the RUS loan.

Owners' Equity

- Proprietary Capital – This entry reflects the $2,500,000 investment made by NTS Communications, Inc in NTS Telephone Company, LLC.
- Profit/Loss - Equal to the net increase after taxes from the previous year as listed in Schedule N-3B Income Statement
- Retained earnings – No retained earnings are projected for 2007. Going forward, retained earnings are projected for future years as the previous year's Net Income plus the projected Net Income for each year as listed in the Income Statement in Schedule N-3B.

Schedule N-3D (Cont.)
Income Statement Assumptions

Revenues

- Total Sales – Total sales forecast for all products being offered. The Pro Forma is created with a projected start date of July 2006 so the calendar years referenced in the Pro Forma run from July of one year to June of the following year. The 2006 reference in the first column of the income statement represents all projected sales to occur between July 2006 and June 2007.
- Cost of goods sold – This entry reflects the underlying costs of the products being sold.
- Gross Profit – This entry is a result of subtracting the cost of goods sold entry from the total sales entry.

Operating Expenses

General & Administrative

- Bad Debts - For current and future years this expense is projected to be (b) (4)(b) (4) .
- Bank interests/charges – Bank charges are estimated to be (b) (4) per month.
- Dues and licenses – For current year a one time fee of (b) (4) s projected to obtain ETC status. No further expense is anticipated in this category.
- Light/heat – The remote to be constructed in Levelland is projected to use an average of (b) (4) of electricity per month.
- Property Taxes – The property taxes for the remote in Levelland are projected to be $305 per year.
- Maintenance/repairs – The management agreement between NTS Communications, Inc. and NTS Telephone Co, LLC provides for all maintenance during the first two years of operation. Following the first two years of operation, service calls will be provided at a rate of $75 per service call and it is estimated that the total number of service visits a year will be equal to 25% of the total number of customers receiving service from NTS Telephone Co., LLC.
- Customer Survey – Surveys were conducted twice to gather information in preparation for submission of this Pro Forma. The total cost for these surveys was (b) (4)

Schedule N-3D (Cont.)
Income Statement Assumptions

- Engineering and Legal fees – The entries in this line reflect the charges for engineering work related to the preparation of the Pro Forma as well as the ongoing engineering support as the network is deployed. Also included are legal fees for a legal opinion.

- Billing, Service, Management – This expense relates to the management agreement established between NTS Communications, Inc and NTS Telephone Co., LLC. NTS Communications will provide services including billing, sales, service and management to NTS Telephone Co, LLC for a charge of 15% of gross sales received by NTS Telephone Co, LLC. As previously noted, the field service portion of this agreement will change following two years of operation by NTS Telephone Co, LLC. After two years of operation, NTS Communications will charge NTS Telephone Co., LLC $75 for each service call. The annual projection for these service calls is equal to 25% of the total number of NTS Telephone Co., LLC customers.

- Equipment Service Contracts – This entry reflects the charge for maintenance agreements to maintain the fiber terminal equipment in the field as well as the central office. The maintenance charge will apply following the manufacturer's warranty period (I estimated one year of warranty)

- Legal notice – Legal notice required for compliance with RUS loan application.

Personnel

- Salaries and benefits – The salary is for the single employee of NTS Telephone Co, LLC who will serve as General Manager.

- Payroll burden – This entry is projected to be 35% of the salary for the General Manager.

Sales Promotion

- Advertising/promotion – No entry. The advertising and promotion costs are included in the 15% management agreement between NTS Communications, Inc. and NTS Telephone Co., LLC.

Insurance

- Liability insurance – The liability insurance for NTS Telephone Co, LLC is projected to be $1500 per month.

Schedule N-3D (Cont.)
Income Statement Assumptions

Total Operating Expenses – This entry reflects the total of the general & administrative, personnel, sales promotion, and insurance costs.

- Depreciation –The weighted depreciated rate for the assets associated with this project is 13.15 years.

- Interest on RUS long term loans – This entry reflects the interest associated with the RUS loan (assumed to be 5% loan rate)

- Company Tax – The corporate tax rate for NTS Telephone Co, LLC is projected to be 34%.

NOTE: The 1.25 TIER requirement is projected to be met during the 2008 business year with a TIER calculation of 1.50. The business years in this Pro Forma run from July to June so the 2008 business year runs from July, 2008 through June, 2009.

Schedule N-3D (Cont.)
Statement of Cash Flows Assumptions

Begin Balance

- Credit/debit - This entry is equal to the cash on hand at the beginning of the year. In 2006, it is equal to the $2.5 million investment of NTS Communications, Inc. in NTS Telephone Company, LLC.

Income (Cash in)

- Net Results – Equals the net profit/loss as listed in schedule N-3B

Plus:

- Depreciation & amortization - Equals the total of annual depreciation on the capital investment.
- Adjustment accounts payable - Equals change in projected accounts payable from one year to the next on the line labeled "Creditors/Accounts payable" on the Balance Sheet N-3A.
- Long term loans – The entries reflect draw-downs from the RUS loan.

Less:

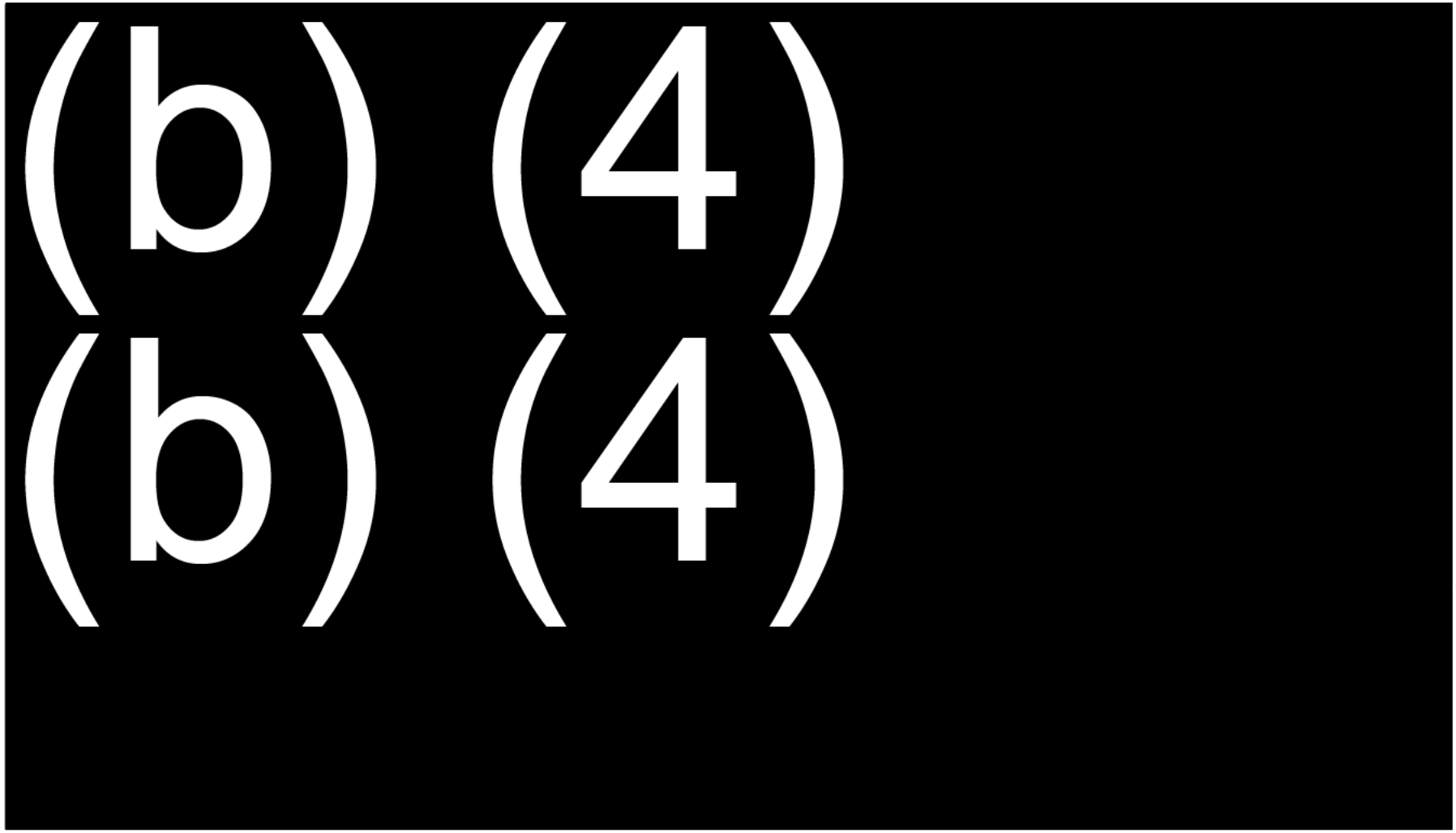
- Network & Access Equipment – These entries identify investment in network and access equipment.
- Outside Plant – These entries identify investment in outside plant equipment.
- Customer Premises Equipment – These entries identify investment in customer premise equipment associated with the new services being marketed.
- Non-depreciable assets – This entry refers to the land upon which the Levelland remote will be constructed.
- Adjustment accounts receivable - Equals change in projected accounts receivable from one year to the next on the line labeled "Debtors/Accounts receivable" on the Balance Sheet N-3A.
- Long term loans repayment – Repayment of RUS loan at assumed rate of 5%.

Schedule N-3E
Sales Projection (Annual) 5 years

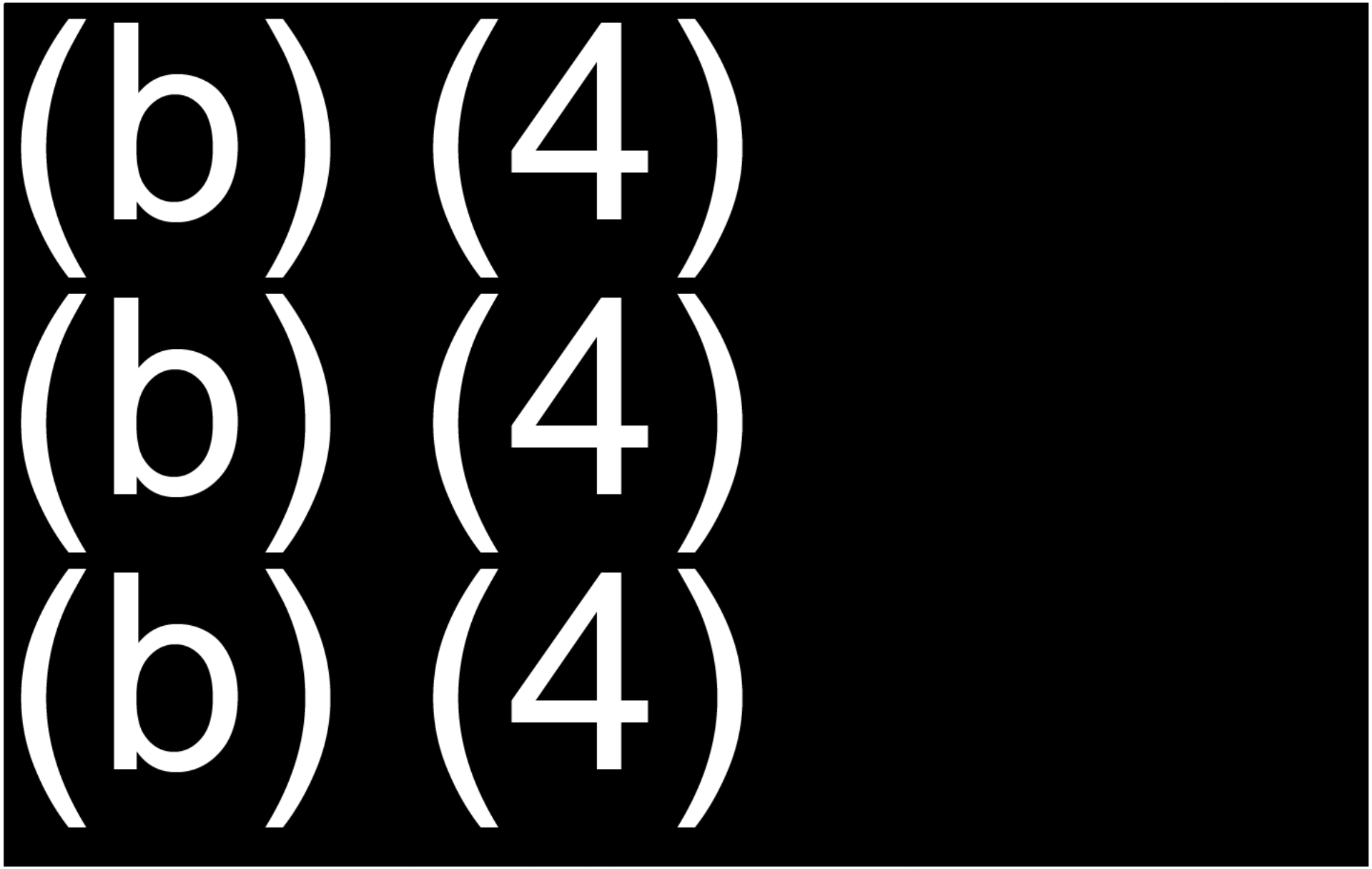
Year	2006	2007	2008	2009	2010	Total
Communication Services						
Res. Basic Phone Svc	(b)(4)					
Res. Subscriber Line Fee						
Res. IIigh Spd Internet						
Res. Bundled voice, data, features						
Res. Unlimited voice, data, features						
Res. Bundled voice, data, video						
Res. Unlimited voice, data, video						
Access Charges						
Bus. Basic Phone Svc						
Bus. Subscriber line fee						
Bus. Bundled voice, 200 min LD, features						
Bus. Voice and Unlimited LD						
Bus. Async (256K up/1Mb down)						
Bus. Async (512k up/2MB down)						
Bus. Sync (1 Mb up/1 Mb down)						
Bus. Sync (2 Mb up/2 Mb down)						
Bus. Sync (3 Mb up/3 Mb down)						
Bus. Sync (5 Mb up/5 Mb down)						
Bus. Sync (8 Mb up/8 Mb down)						
Bus. Sync (10 Mb up/10 Mb down)						
Basic video						
Extended video						
Premium channels						
Pay Per View						
Video on demand						
Add'l 1.6 Set Top Boxes						
USF - Smyer						
Res. LD for basic subscriber						
Bus. LD for basic subscriber						
Misc. Revenue						
Subtotal						
Cost of goods %						
Cost of goods						
Net sales						
Overall total sales						
Total gross sales						
Total cost of goods						
Total net sales						
Total sales tax						
Total sales incl. tax						

Schedule N-3E (Cont.)
Description of Sales Projection Assumptions

Communication Products



Schedule N-3E (Cont.)
Description of Sales Projection Assumptions



Schedule N-3E (Cont.)
Description of Sales Projection Assumptions

Communication Products (Cont.)

(b) (4)(b) (4)

Schedule N-4
Depreciation Schedule

Budget Category	RUS Loan Funds	Average Depreciation Rates	Non-loan Funds	Weighted Depreciated Rates
NETWORK & ACCESS EQUIPMENT	(b) (4)			
OUTSIDE PLANT				
BUILDINGS				
TOWERS				
CUSTOMER PREMISE EQUIPMENT				
OPERATING EQUIPMENT				
TOTAL	**$10,664,939**		**0**	
Composite Average Depreciation Rate				
Composite Economic Life of Facilities Financed				**13 Years**

NOTES:

1. AVERAGE DEPRECIATION RATES ARE INDUSTRY STANDARDS.
2. NON-LOAN FUNDS HAVE NOT BEEN USED IN THE CALCULATION OF THE WEIGHTED DEPRECIATED RATES.
3. WEIGHTED DEPRECIATED RATES HAVE BEEN CALCULATED BY MULTIPLYING THE RUS LOAN FUNDS BY THE USEFUL YEARS (EXAMPLE: $910,900 X 12 YEARS = 10,930,800)
4. COMPOSITE AVERAGE DEPRECIATION RATE (WEIGHTED) WAS CALCULATED BY DIVIDING THE SUM OF THE WEIGHTED DEPRECIATED RATES BY RUS LOAN FUNDS TOTAL. (140,052,299/10,664,939=13.15669625 YEARS (7.60%)

Schedule N-5
Total Outstanding Indebtedness
Including Interest Expense, Key Terms and Conditions

RUS Liabilities

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Schedule N-5 (Cont.)
Total Outstanding Indebtedness
Including Interest Expense, Key Terms and Conditions

Non-RUS Long Term Liabilities

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Schedule O
System Design

NTS Telephone Company, LLC, headquartered in Lubbock, Texas, with its commercial offices at 5307 West Loop 289 in Lubbock, will provide total telecommunication services, as a CLEC, in two (2) Census communities/towns: Levelland and Smyer, Texas. CLEC status will be applied for when this loan package is approved by RUS.

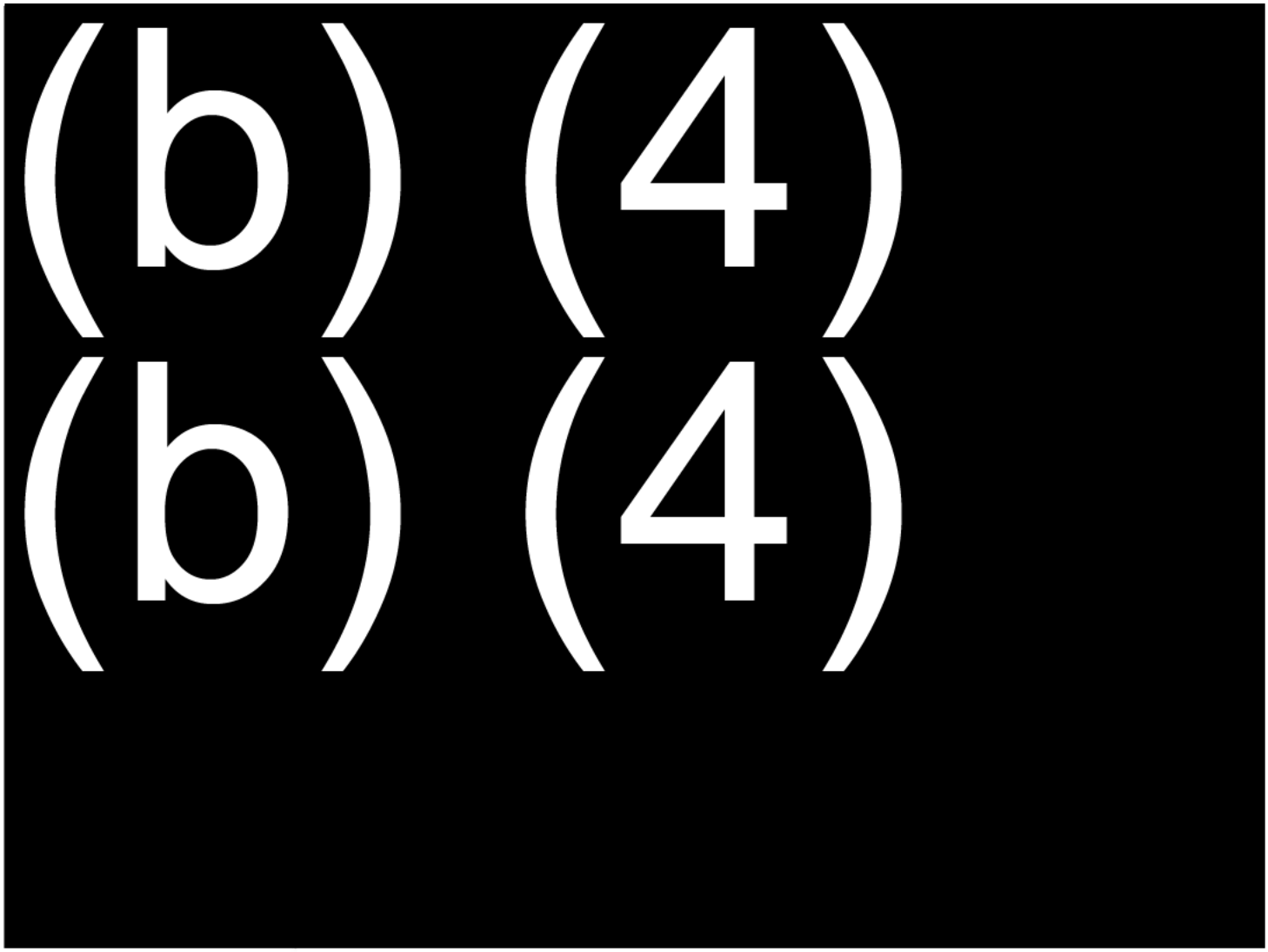
NTS Telephone Company is a newly formed LLC that currently has no customers at the present time. Its parent organization (NTS Communications, Inc.) has been in existence for almost 25-years and presently serves approximately (b) (4) subscribers in the Lubbock, Texas area as well as approximately (b) (4) customers in 5 other areas of Texas. NTS Communications, Inc. also serves portions of the following states: Arizona, Colorado, Kansas, New Mexico, and Oklahoma. All of the proposed "Back Office" services of NTS Telephone Company, LLC will be furnished trough a 'Service Agreement' with NTC Communications, Inc. (see Schedule T-4)

The principal objective of this Loan Design is to deliver broadband services to residents that live in two (2) U.S. Census communities (Levelland and Smyer); both communities/towns are located in Hockley County Texas. The types of service offered, via fiber, to a projected (b) (4) Residential subscribers and (b) Business subscribers over the five-year forecast period, will include:

Type of Service Offered	5-Year Forecast	
	Residential	Business
Data Only Services	(b) (4)	
Voice Only Services		
Video Only Services		
Data and Voice Services (double play)	(b) (4)	
Data, Voice, and Video Services (triple play)		
TOTAL		

Note: Of the projected Data and Voice business subscribers in the above chart, (b) subscribers will be taking both services. In addition, (b) (4) subscribers are being projected.

Schedule O (Cont.)
System Design



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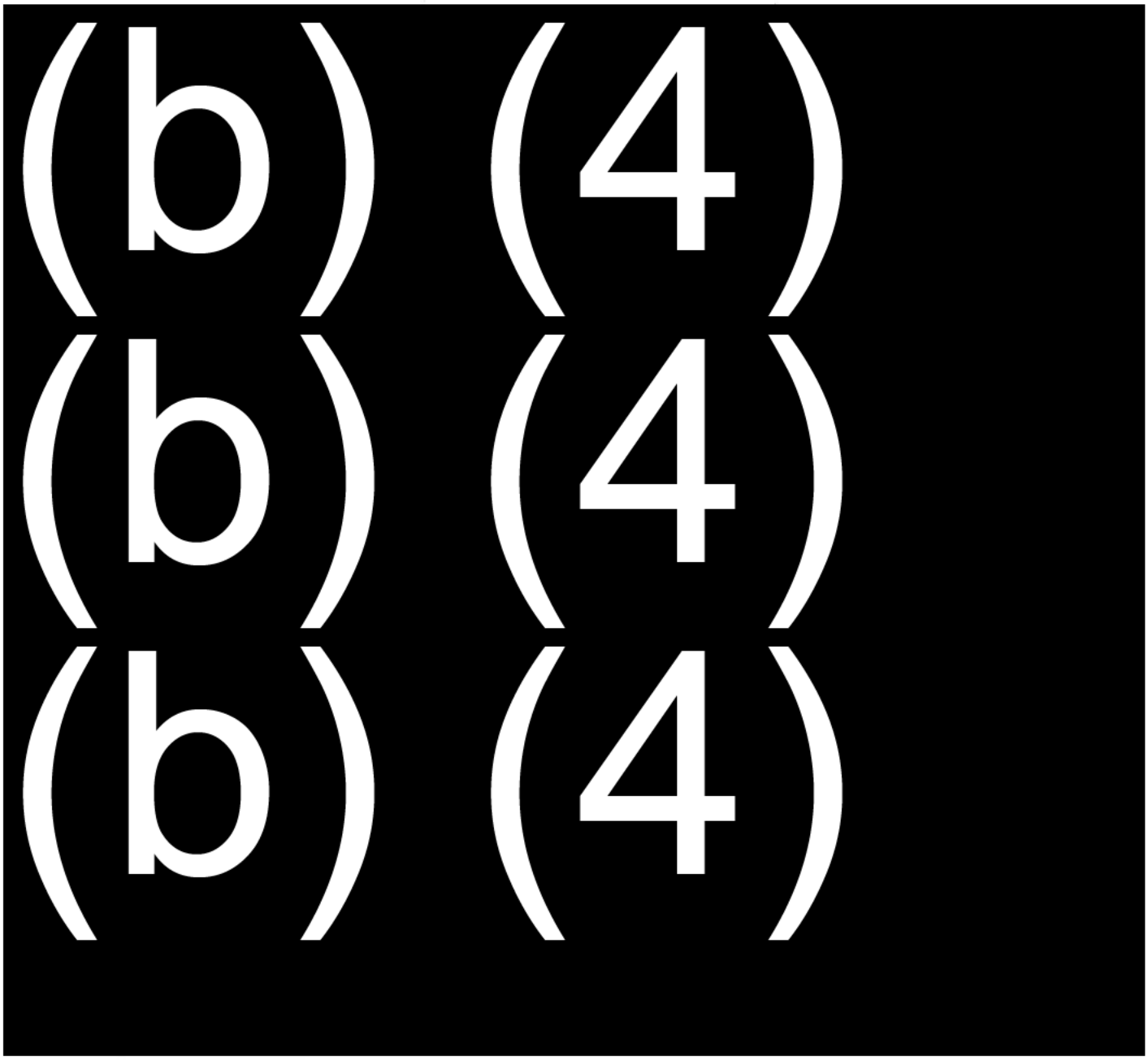
System Design



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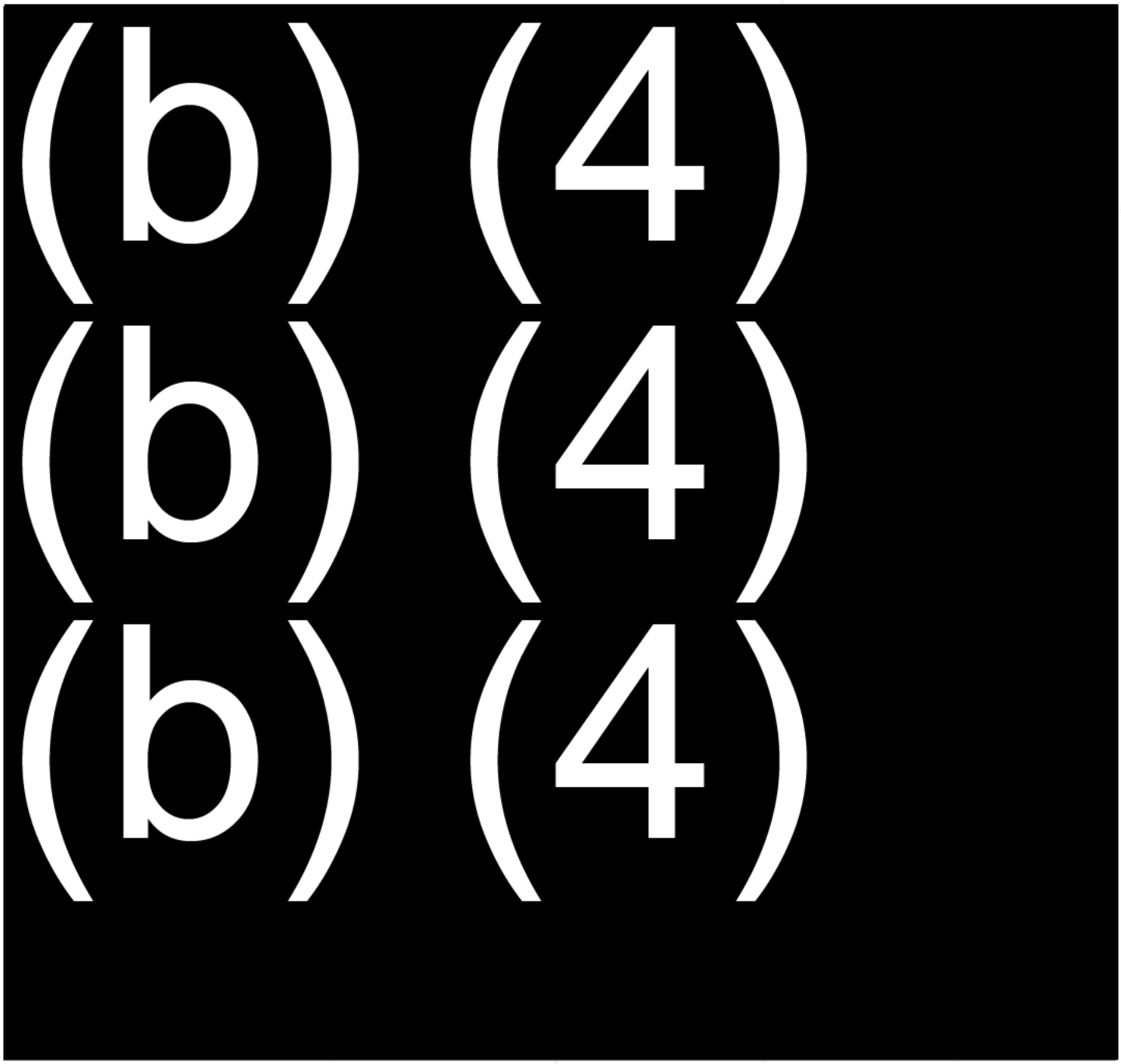

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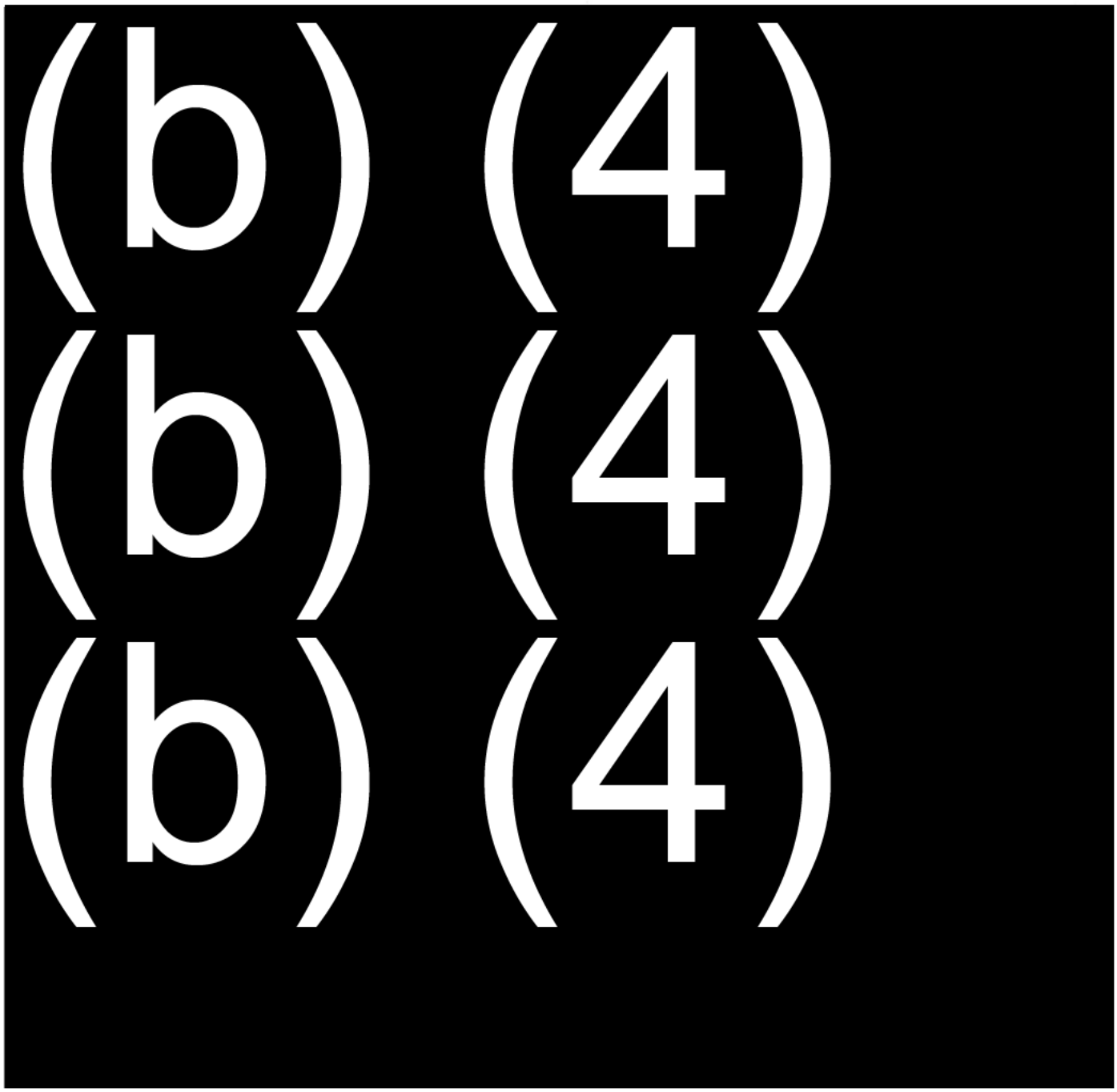
System Design



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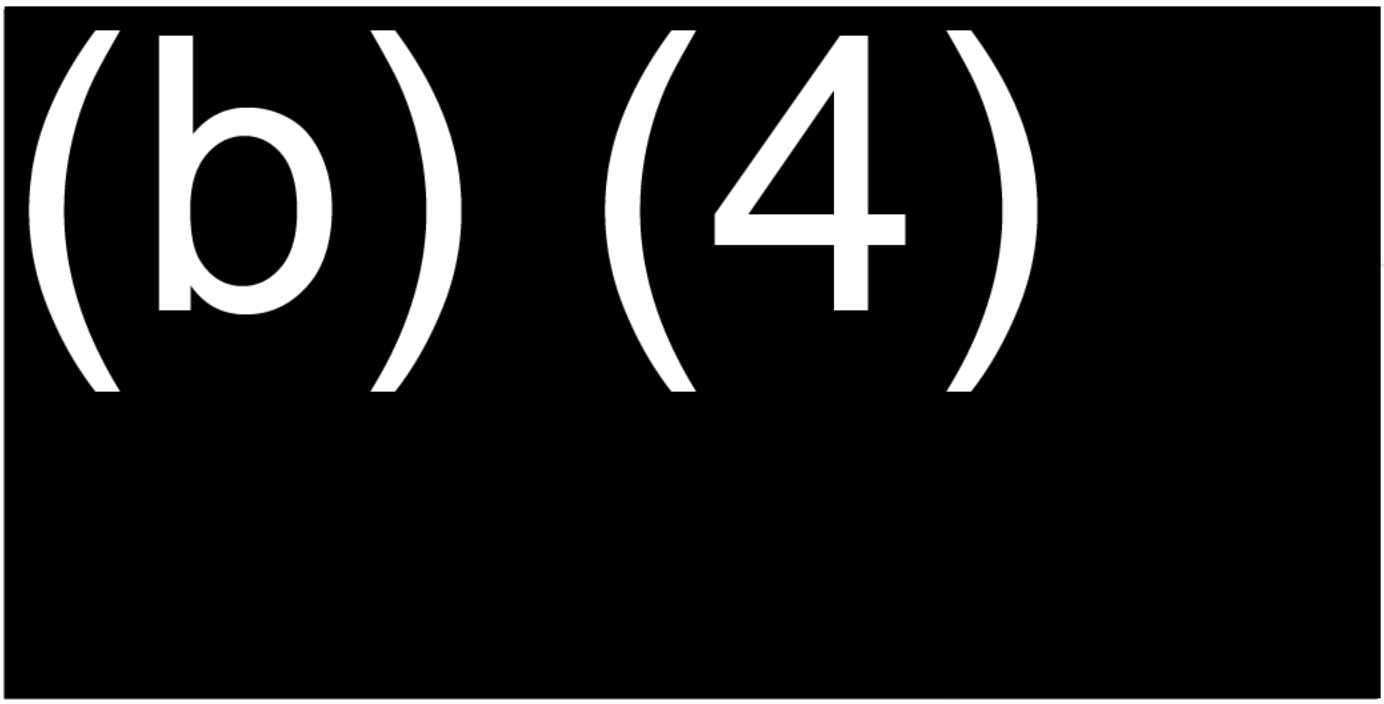
System Design



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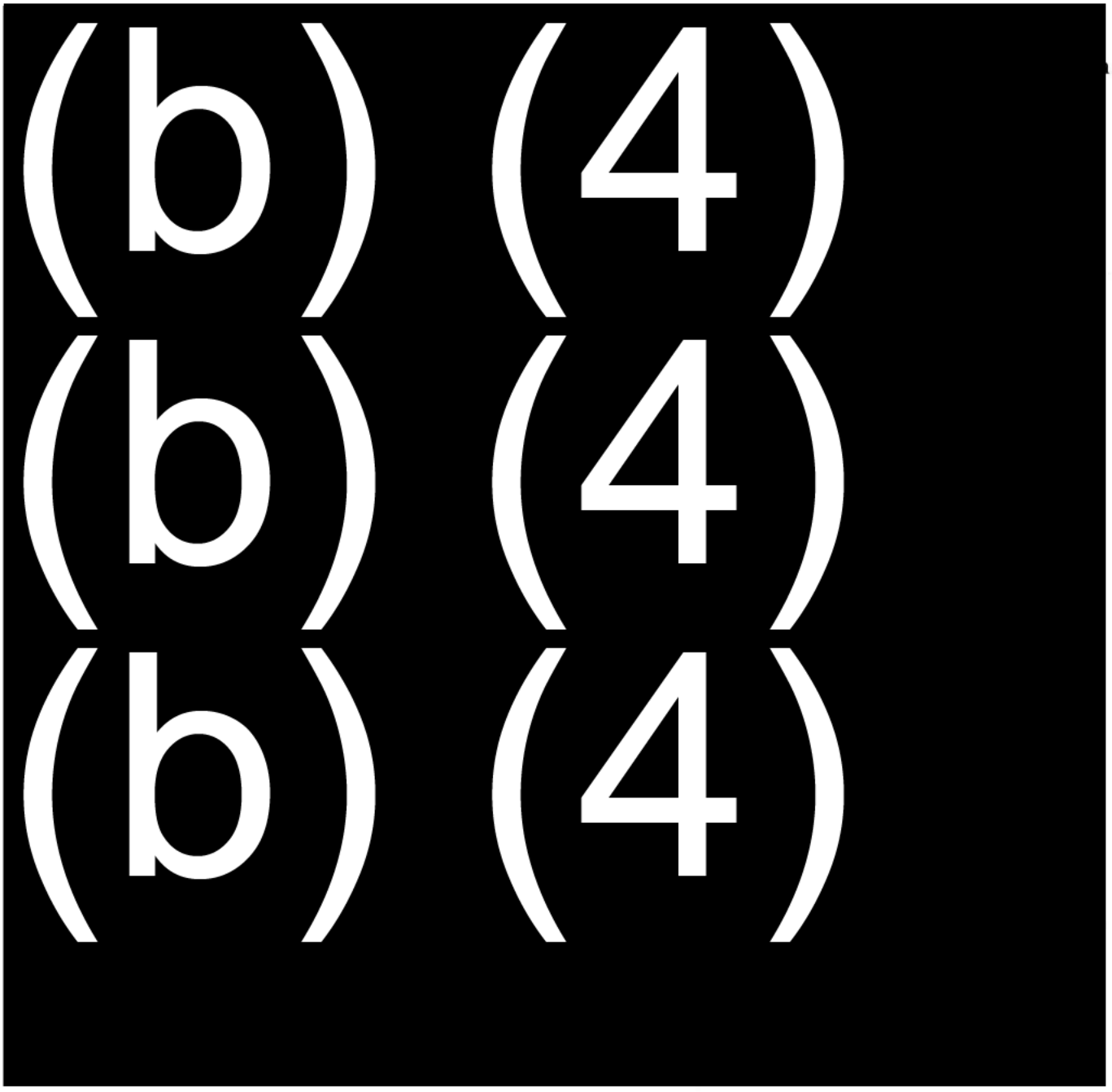
Schedule O (Cont.)
System Design



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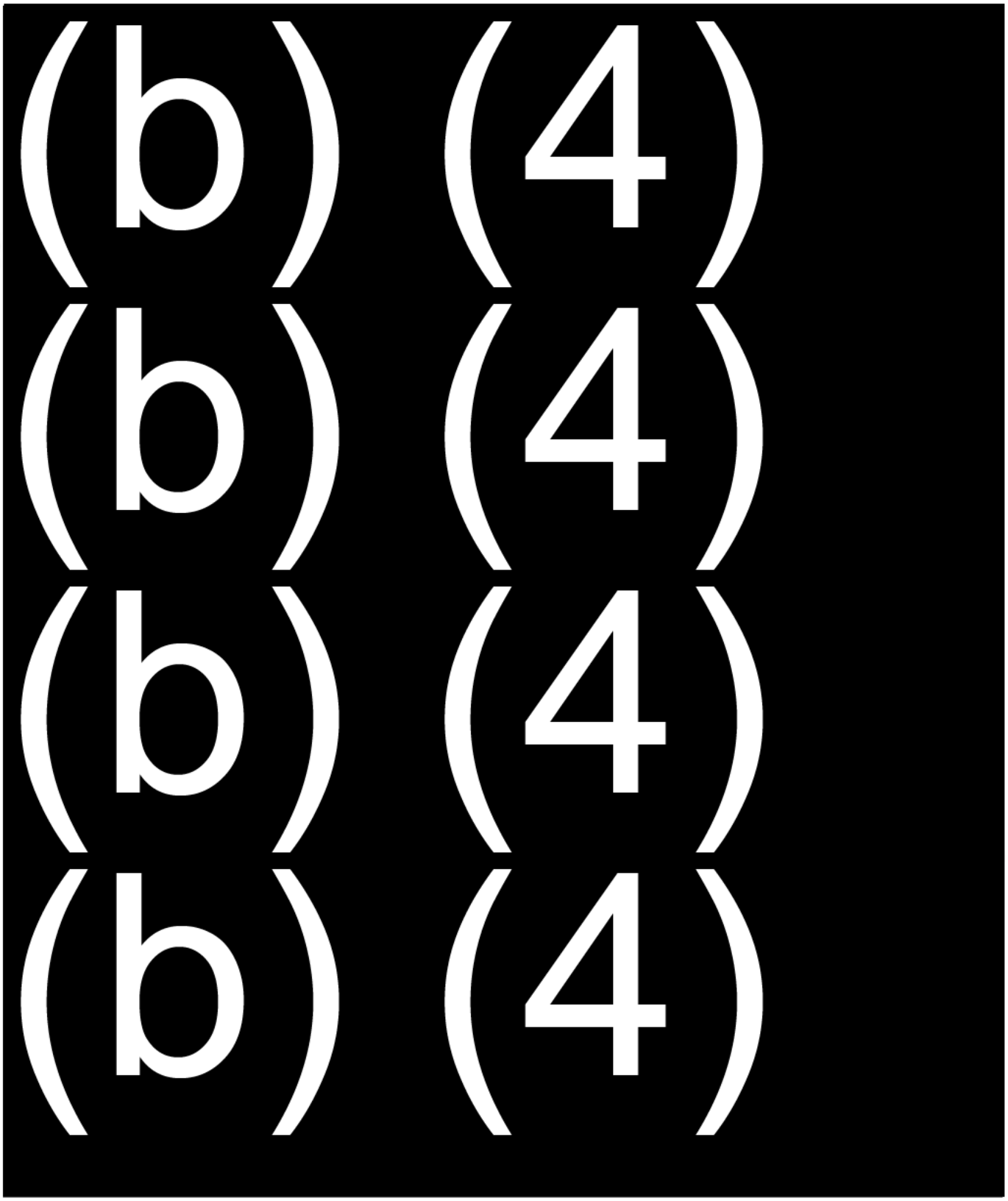
System Design



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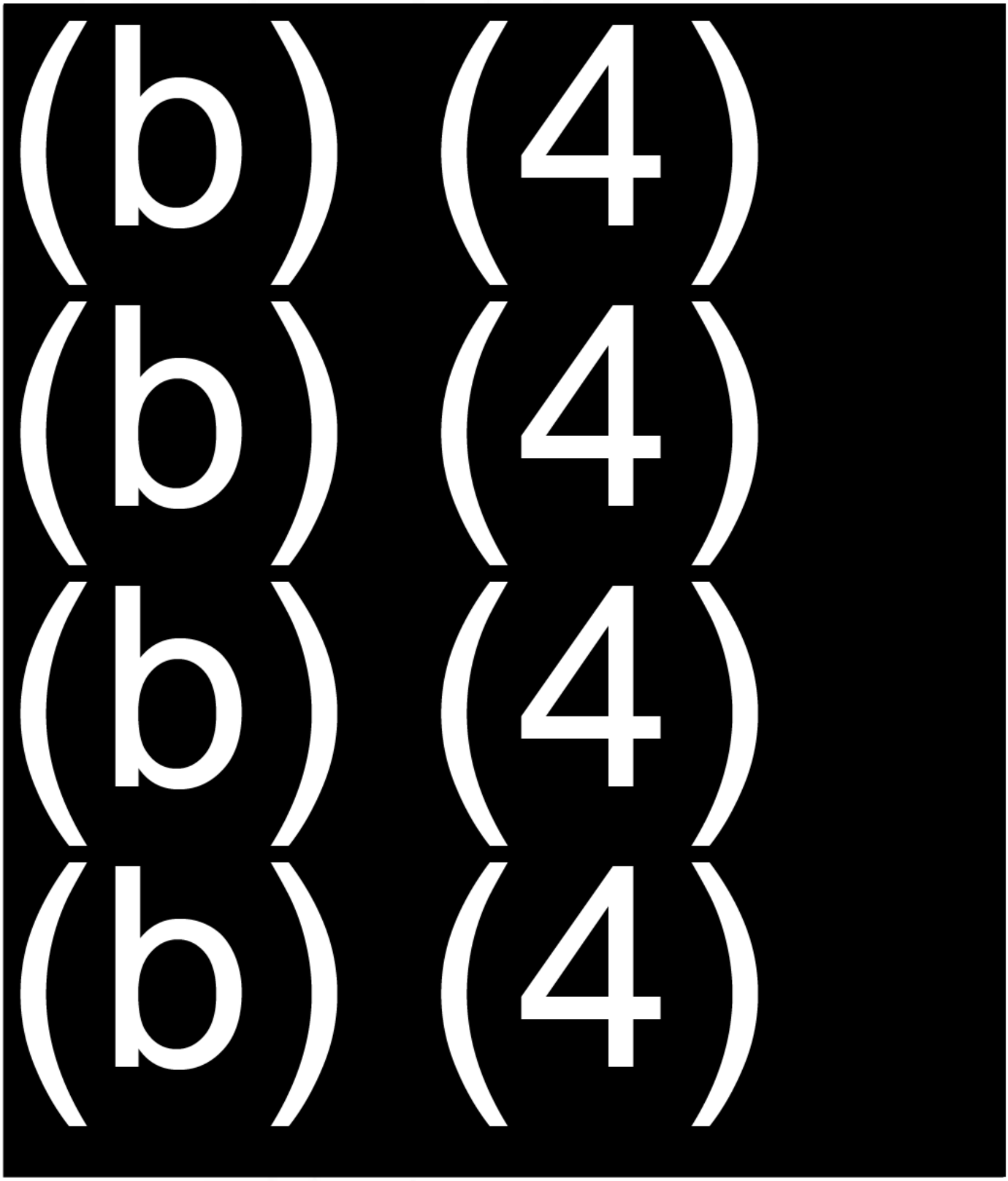
System Design



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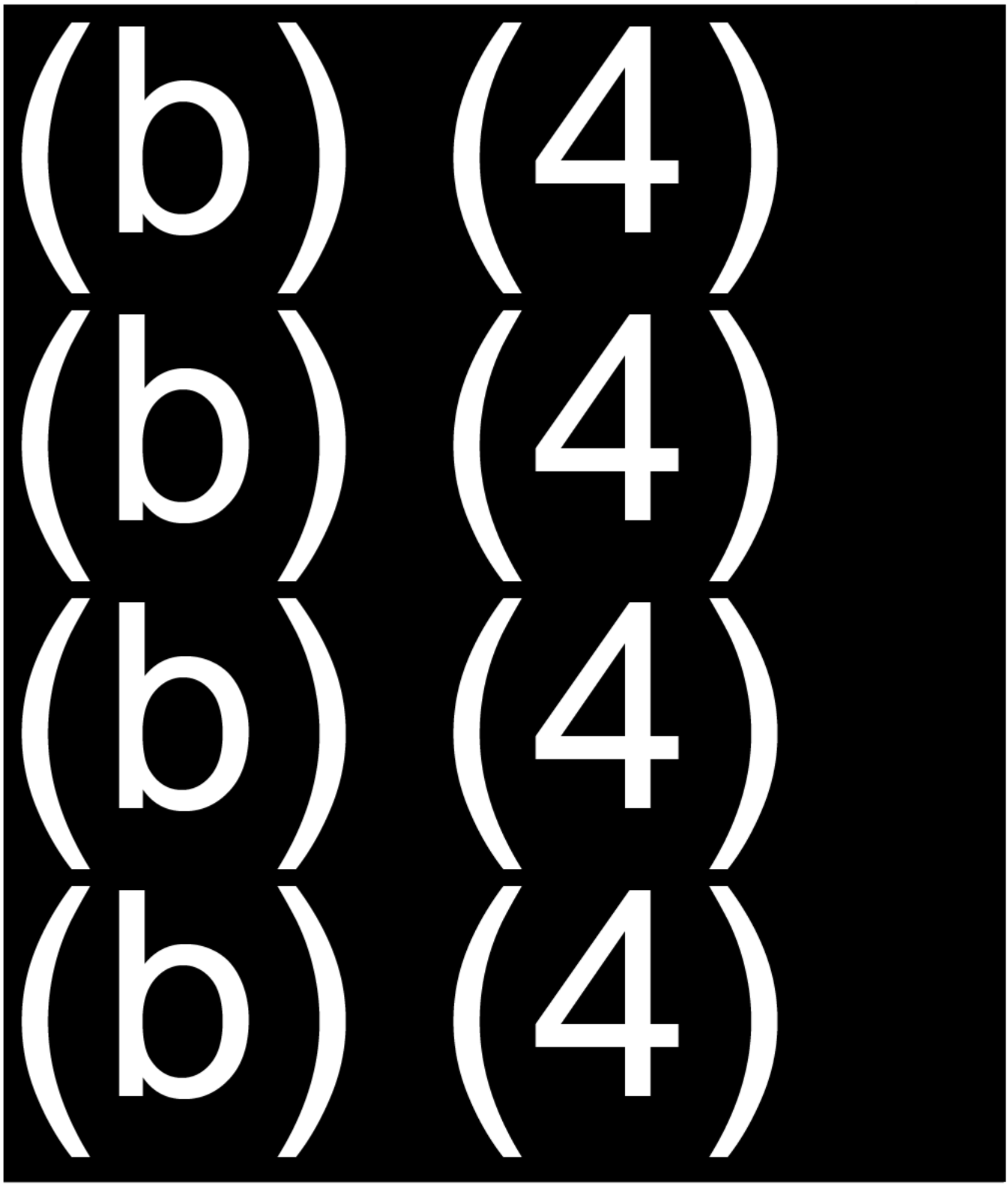

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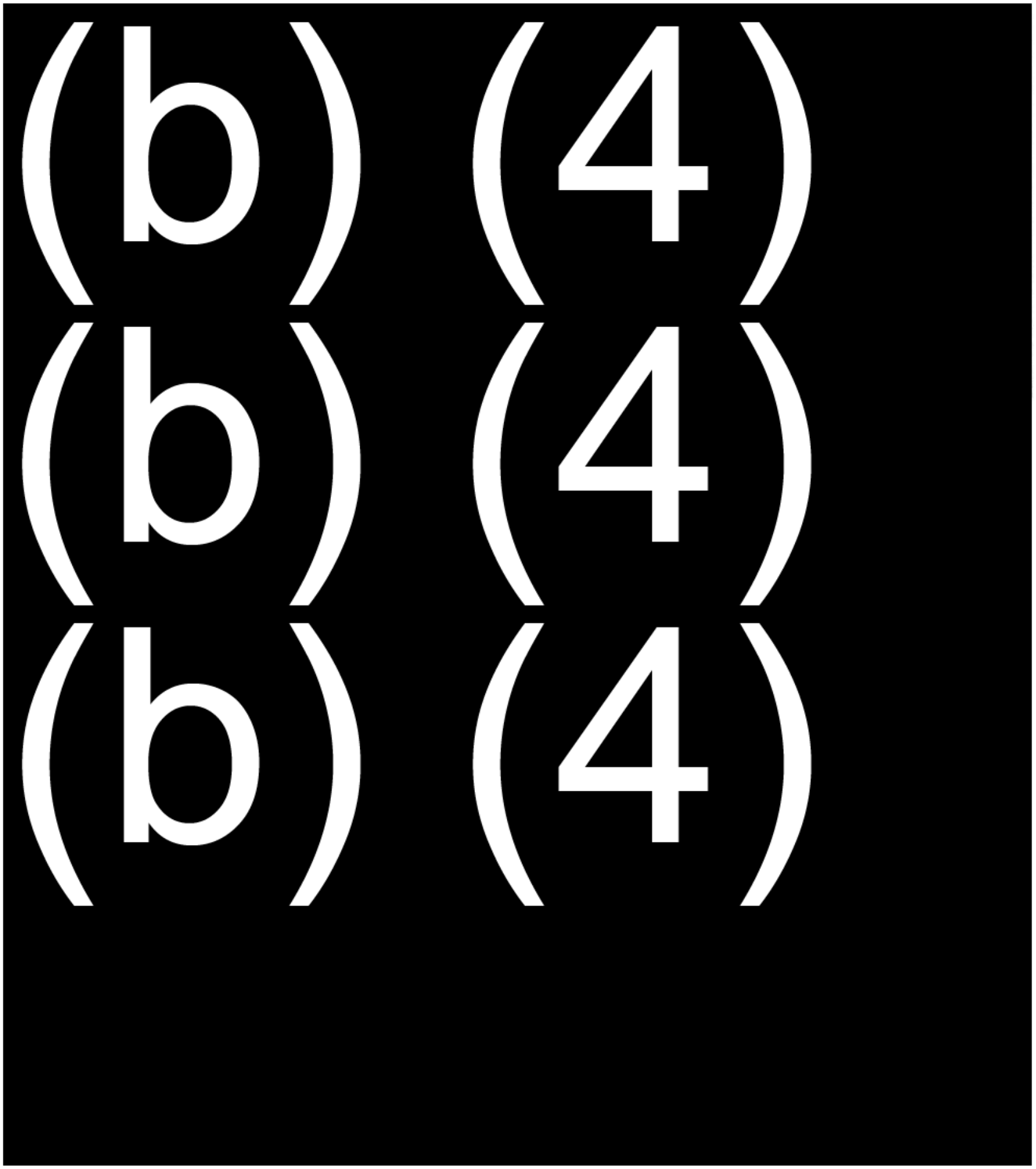

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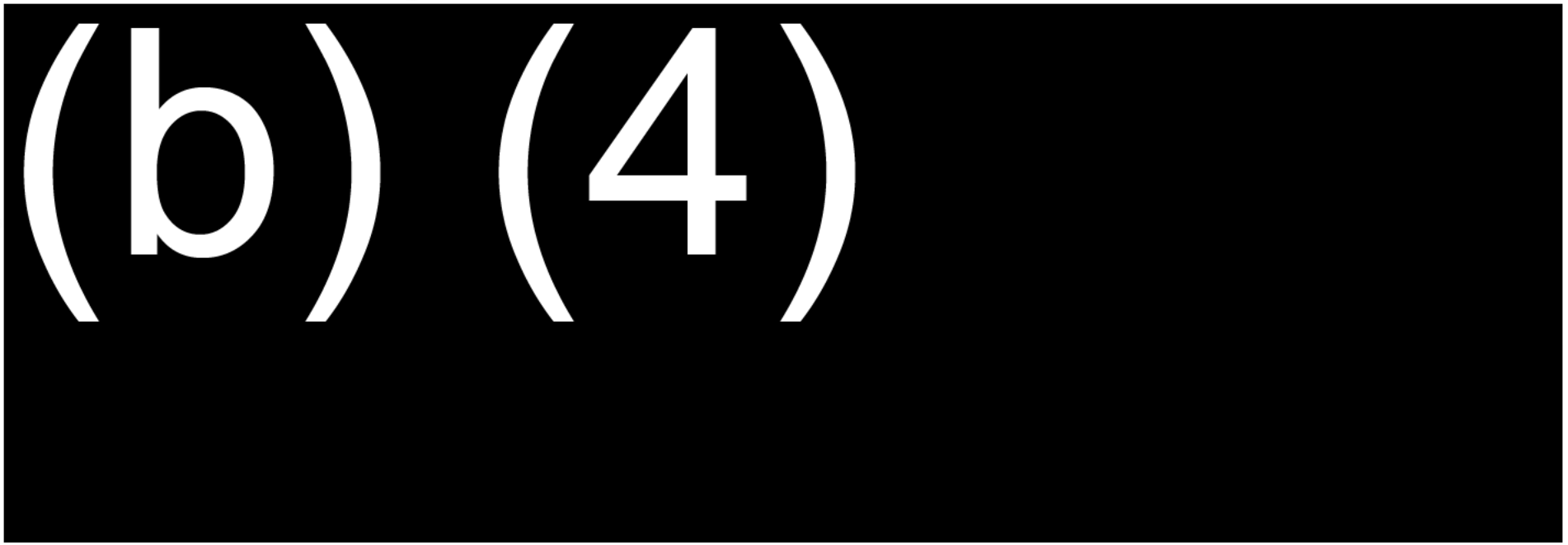
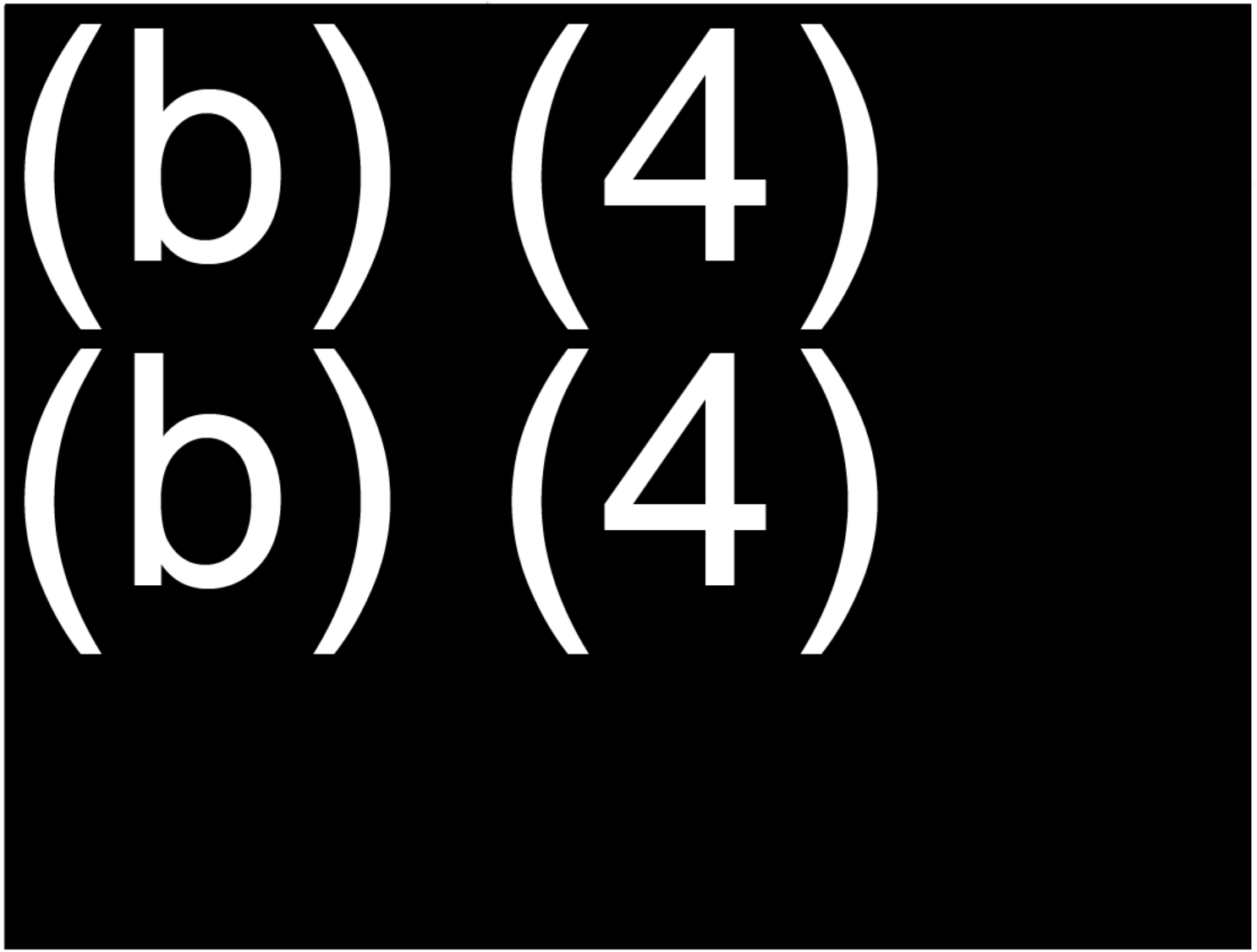
SYSTEM DESIGN



SCHEDULE O (CONT.)
SYSTEM DESIGN



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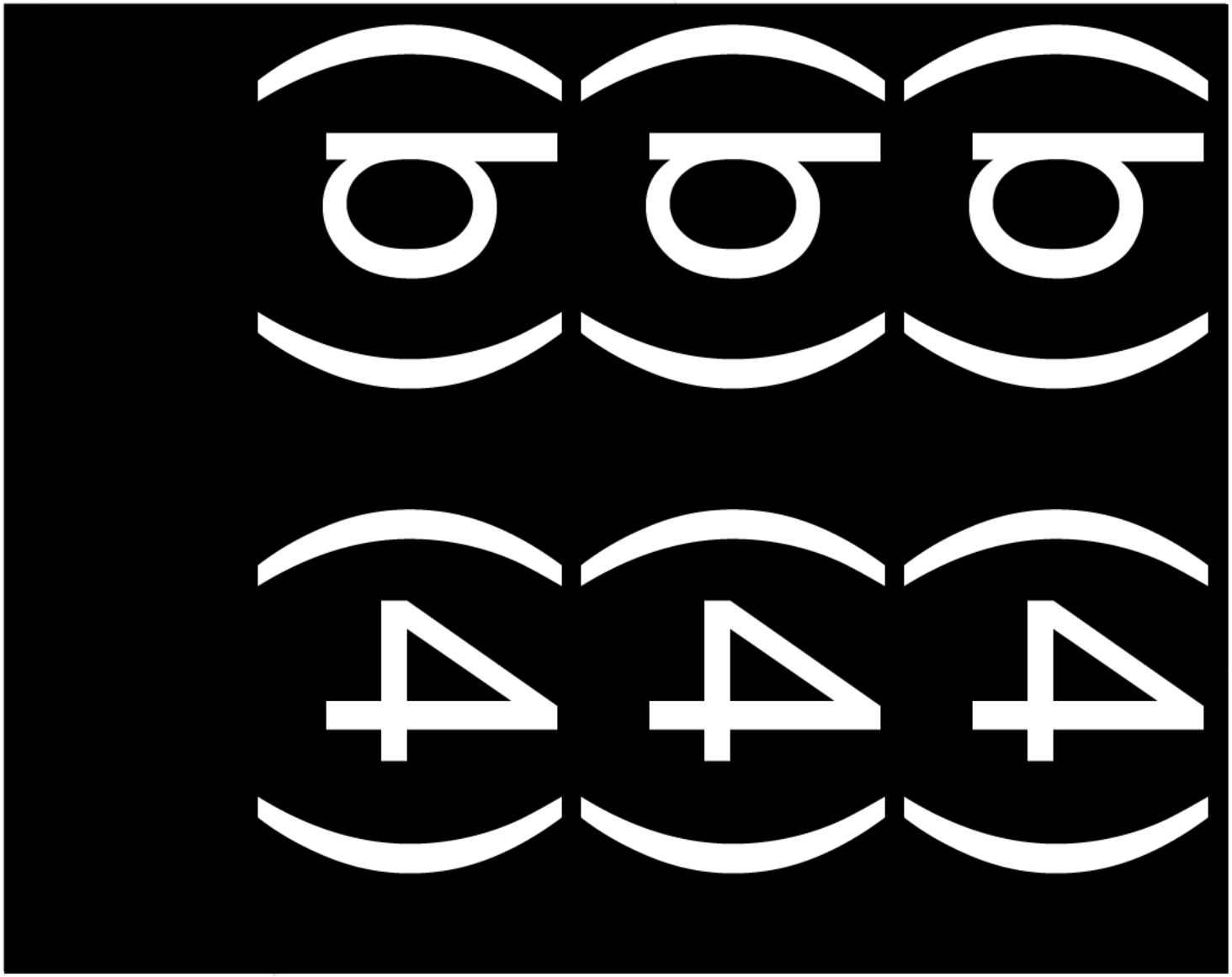
SYSTEM DESIGN



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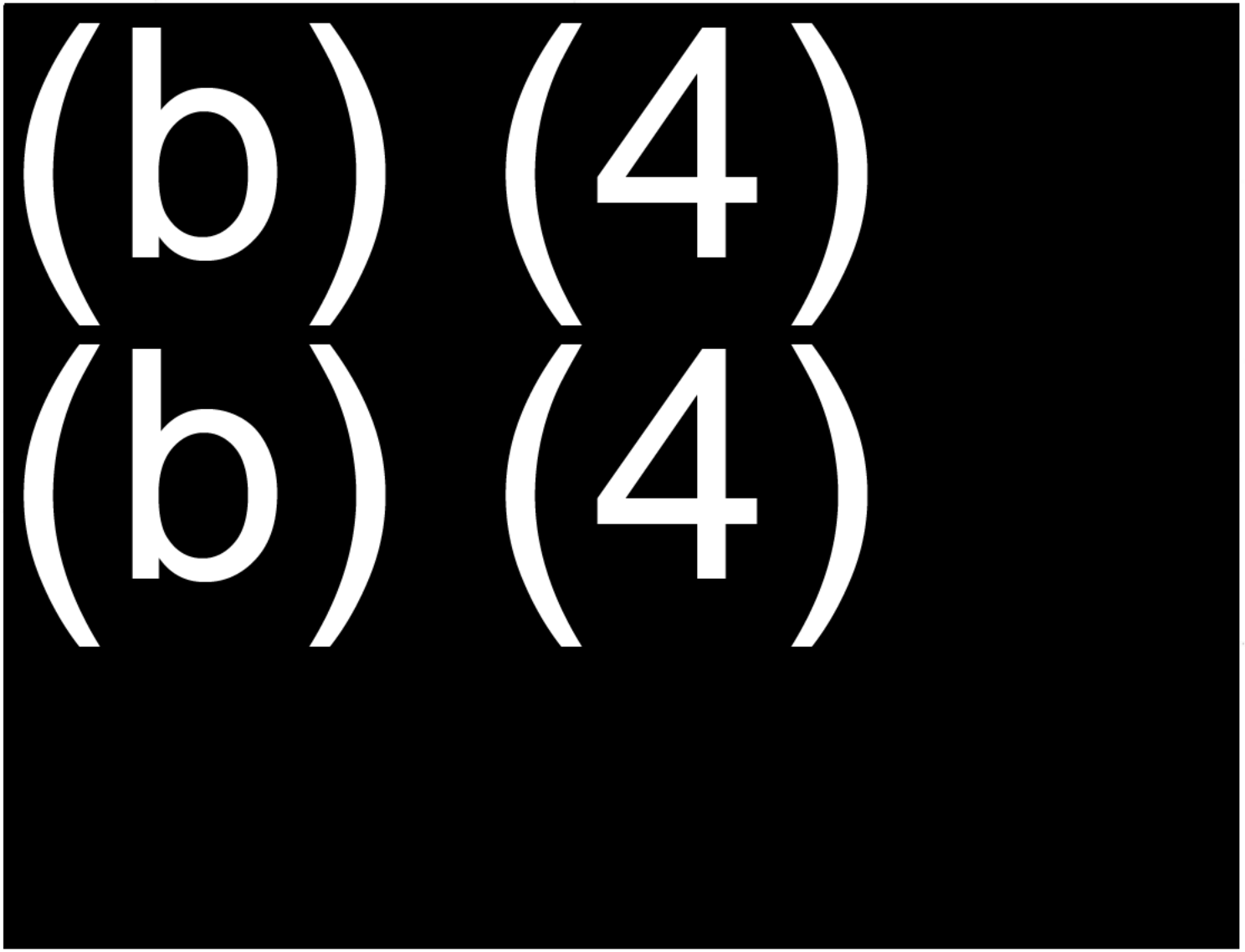
SYSTEM DESIGN



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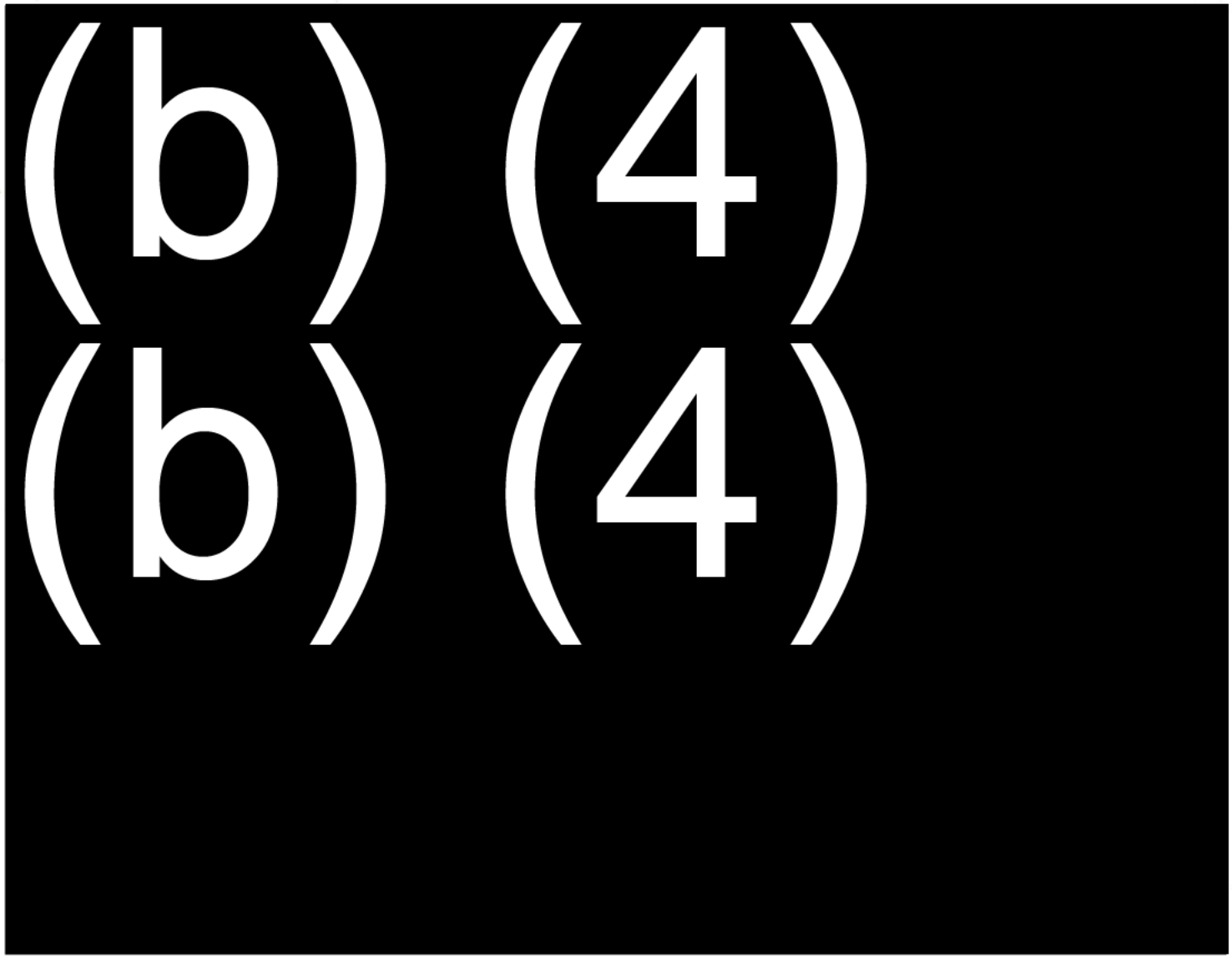
SYSTEM DESIGN



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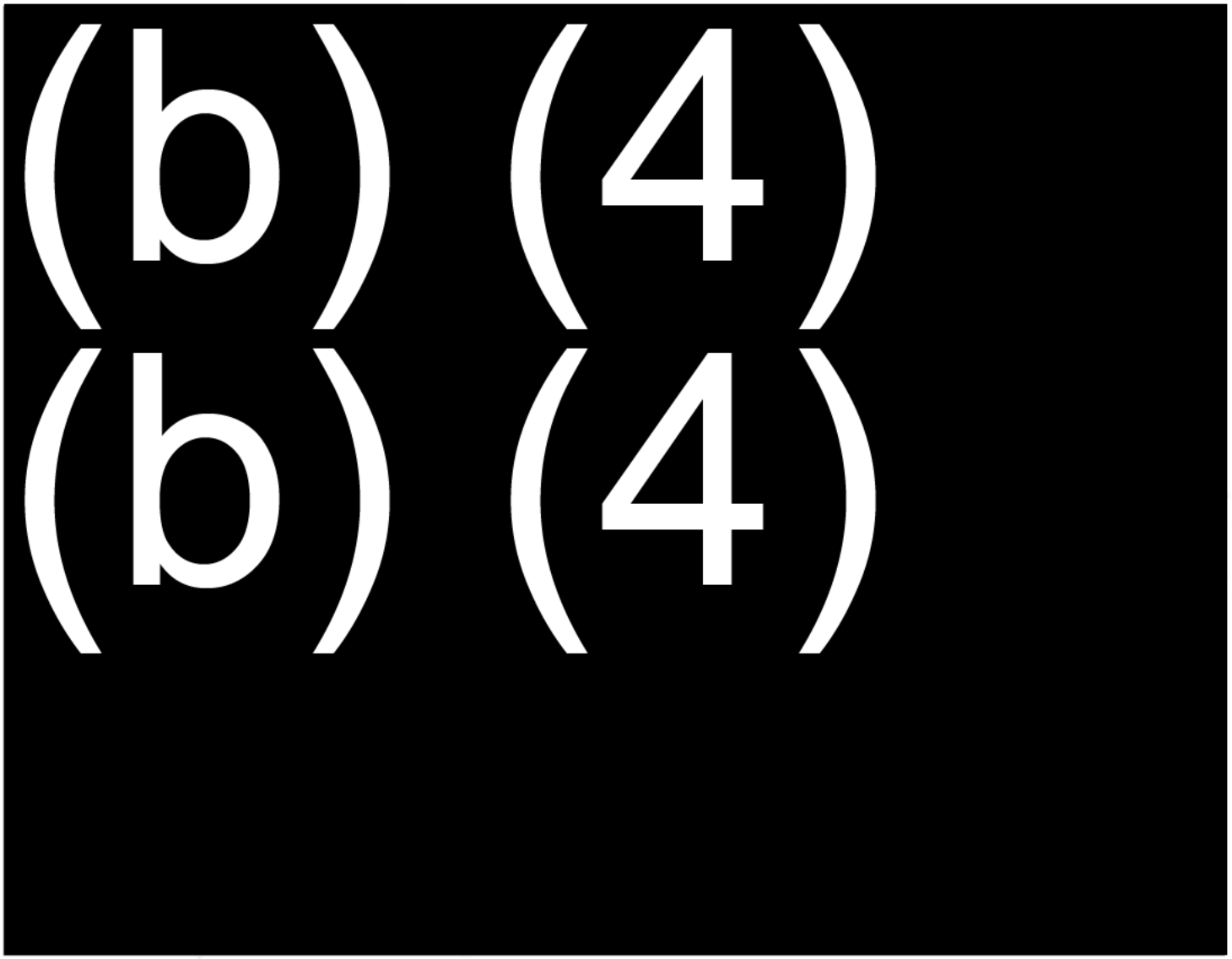
SYSTEM DESIGN



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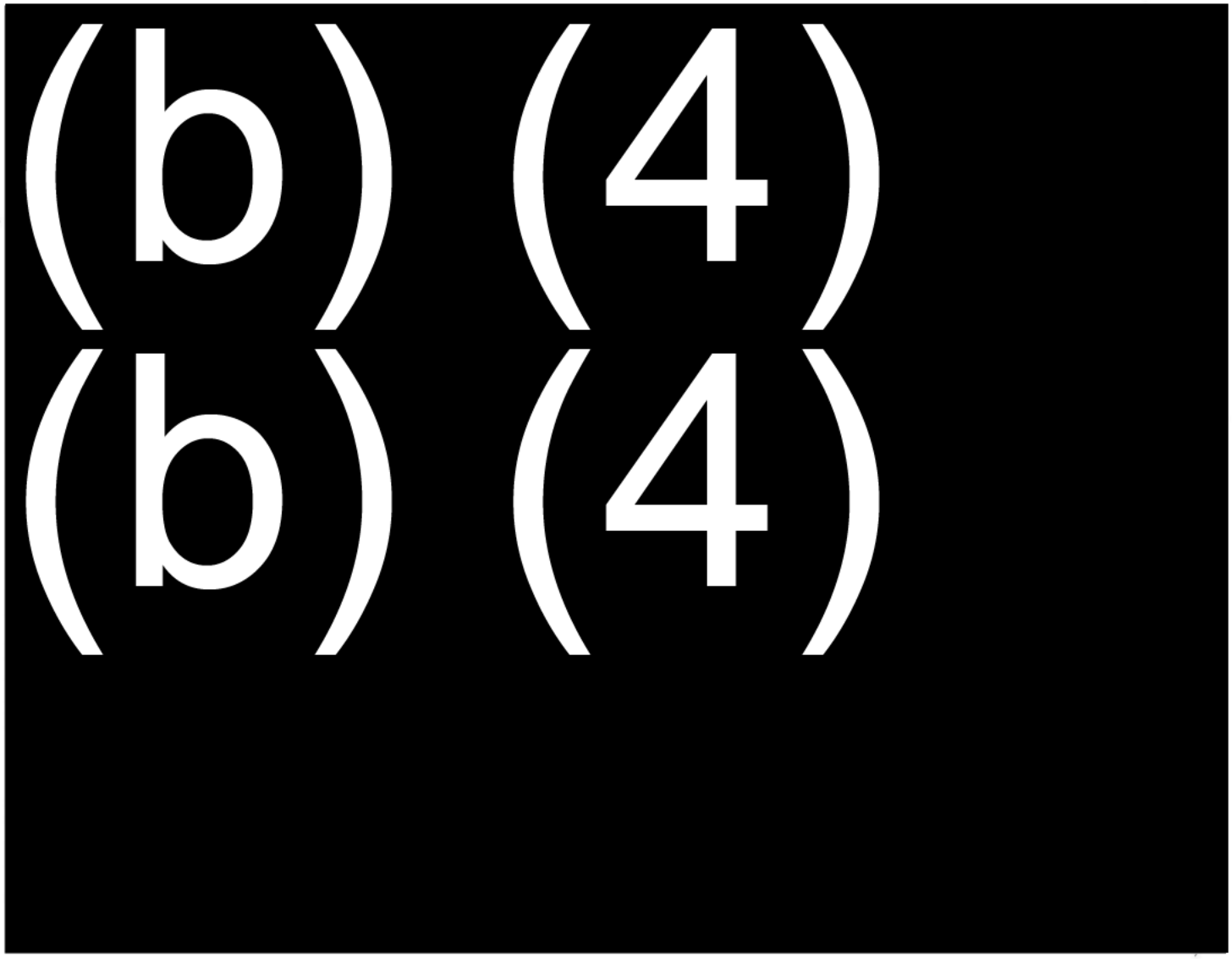
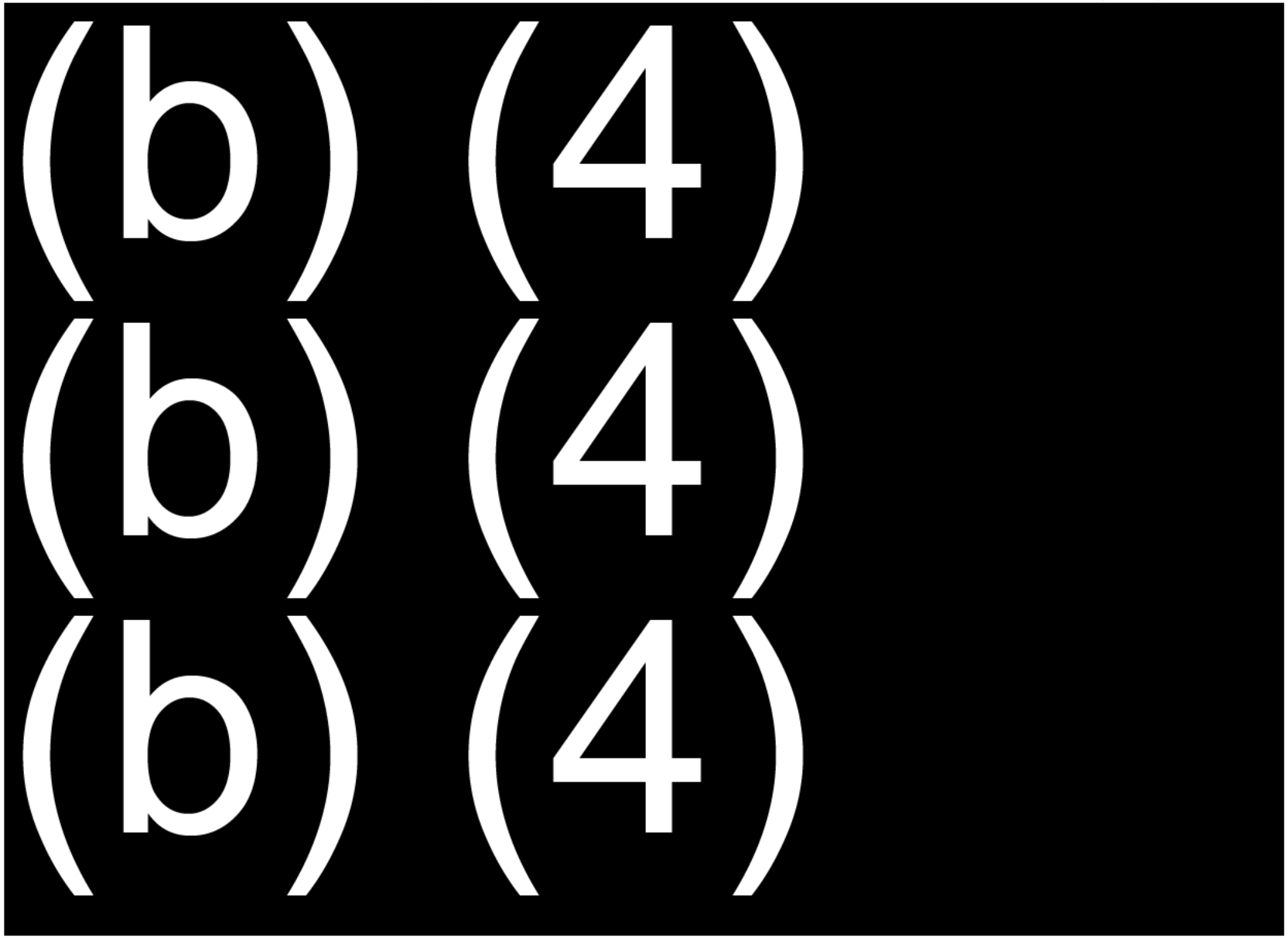
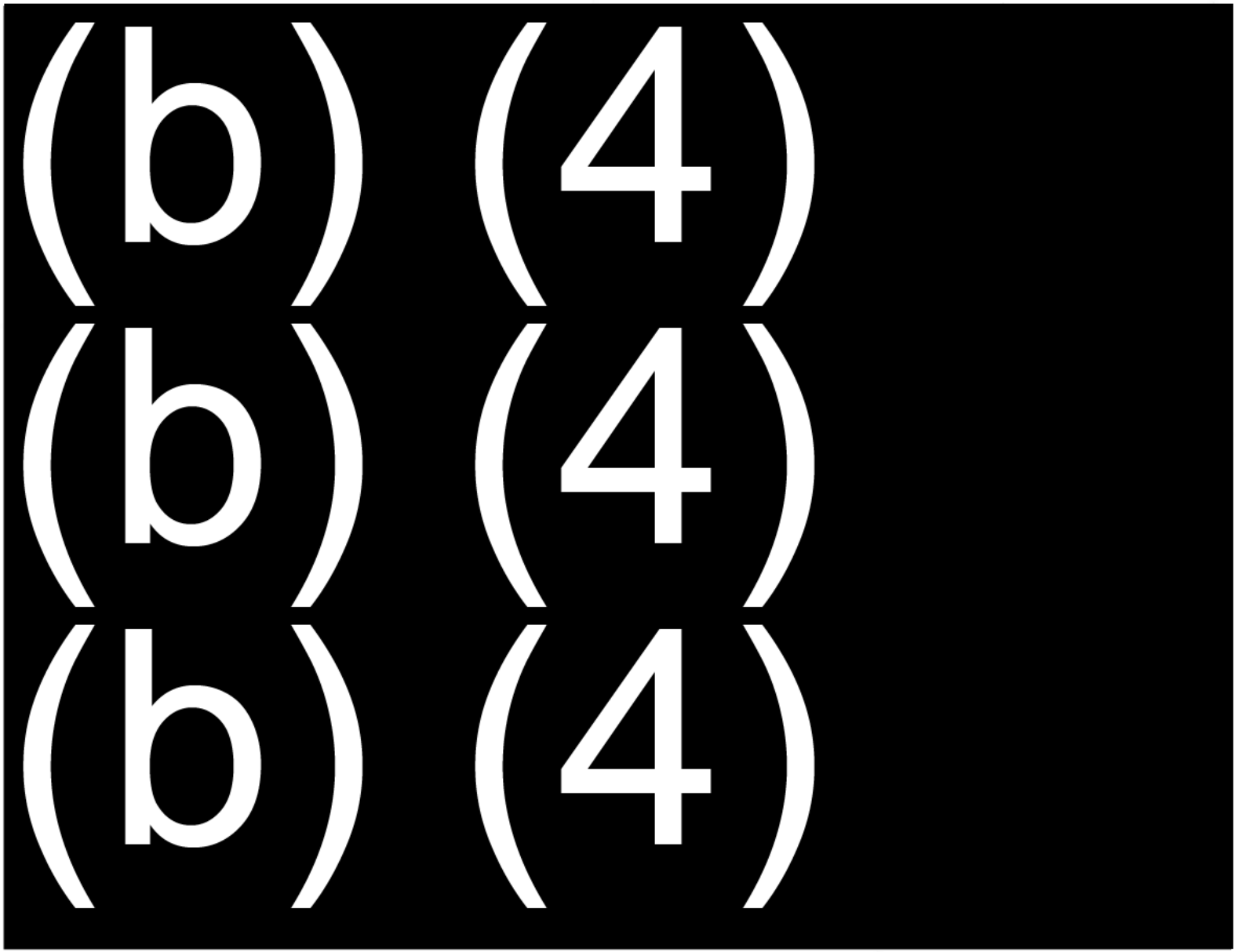
SYSTEM DESIGN



SCHEDULE P (CONT.)
NETWORK DIAGRAMS



SCHEDULE P (CONT.)
NETWORK DIAGRAMS



SCHEDULE Q-1
SUMMARY OF PROJECT COSTS

Budget Category	Total Project Costs	
	RUS Loan Funds	Non-loan Funds
NETWORK & ACCESS EQUIPMENT	(b) (4)	0
OUTSIDE PLANT		0
BUILDINGS		0
LAND		0
TOWERS		0
CUSTOMER PREMISE EQUIPMENT		0
OPERATING EQUIPMENT		0
ENGINEERING		0
REFINANCING		0
ACQUISITION		0
TOTAL	**11,892,101**	**0**

(b) (4)(b) (4)(b) (4)

SCHEDULE Q-1A
SUMMARY OF PROJECT COSTS BY YEAR

Budget Category	Year 1	Year 2	Year 3	Year 4	Year 5	Total Project Cost
NETWORK & ACCESS EQUIPMENT	(b) (4)					
OUTSIDE PLANT						
BUILDINGS						
LAND						
TOWERS						
CUSTOMER PREMISE EQUIPMENT						
OPERATING EQUIPMENT						
ENGINEERING						
TOTAL	(b) (4)	(b) (4)	(b) (4)	(b) (4)	(b) (4)	**11,892,101**

(b) (4)(b) (4)(b) (4)

SCHEDULE Q-2
BREAKDOWN OF NETWORK & ACCESS EQUIPMENT COSTS

Community/Site	Description	Quantity	Unit Cost	Extended Cost	
				RUS Loan Funds	Non-loan Funds
Lubbock	(b) (4)	(b) (4)			0
Levelland					0
TOTAL				(b) (4)	0

(b) (4)(b) (4)(b) (4)

SCHEDULE Q-2A
BREAKDOWN OF NETWORK & ACCESS EQUIPMENT KITS

LUBBOCK NETWORK INTERFACE KIT

DESCRIPTION	QUANTITY	COST	EXTENDED COST
(b) (4)			
TOTAL COST			(b) (4)

SCHEDULE Q-2A (CONT.)
BREAKDOWN OF NETWORK & ACCESS EQUIPMENT KITS

LEVELLAND C.O. KIT

DESCRIPTION	QUANTITY	COST	EXTENDED COST
(b) (4)			
(b) (4)			
TOTAL COST			(b) (4)(b) (4)

Schedule Q-3
BREAKDOWN OF OUTSIDE PLANT COSTS

Community/Site	Description	Quantity In Miles	Unit Cost Per Mile	Extended Cost	
				RUS Loan Funds	Non-loan Funds
(b) (4)					0
					0
					0
					0
TOTAL				(b) (4)	0

(b) (4)(b) (4)(b) (4)

SCHEDULE Q-3A
BREAKDOWN OF OUTSIDE PLANT KITS

OSP Kit #1 (**Metro Tower in Lubbock, TX to Levelland, TX**)

ASSEMBLY UNIT	NO. OF UNITS	UNIT PRICE			EXTENDED PRICE
		LABOR	MATERIAL	LABOR & MATERIAL	LABOR & MATERIALS
(b) (4)					
TOTAL					(b) (4)

OSP Kit #2 (Levelland Feeder)

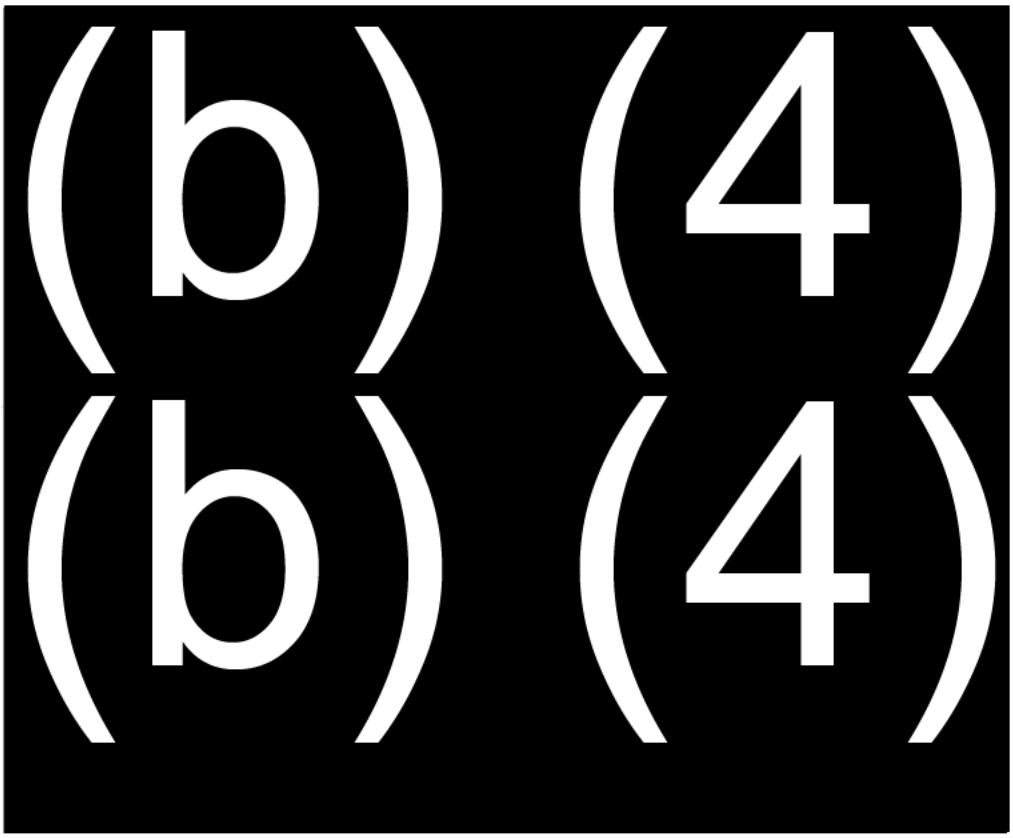
ASSEMBLY UNIT	NO. OF UNITS	UNIT PRICE			EXTENDED PRICE
		LABOR	MATERIAL	LABOR & MATERIAL	LABOR & MATERIALS
(b) (4)					
TOTAL					(b) (4)(b) (4)

SCHEDULE Q-3A (CONT.)
BREAKDOWN OF OUTSIDE PLANT KITS

OSP Kit #3 (Distribution)

ASSEMBLY UNIT	NO. OF UNITS	UNIT PRICE			EXTENDED PRICE LABOR & MATERIALS
		LABOR	MATERIAL	LABOR & MATERIAL	
(b) (4)					
(b) (4)					
TOTAL					(b) (4)

SCHEDULE Q-3A (CONT.)
BREAKDOWN OF OUTSIDE PLANT KITS



SCHEDULE Q-4
BREAKDOWN OF BUILDINGS COSTS

Community/Site	Description	Quantity	Unit Cost	Extended Cost	
				RUS Loan Funds	Non-loan Funds
Levelland	(b) (4)				0
					0
					0
					0
TOTAL				(b) (4)	0

(b) (4)(b) (4)(b) (4)

SCHEDULE Q-4A
BREAKDOWN OF BUILDINGS COSTS

Power Kit

DESCRIPTION	QUANTITY	COST	EXTENDED COST
(b) (4)			
TOTAL COST			(b) (4)

ENVIRONMENTAL KIT

DESCRIPTION	QUANTITY	COST	EXTENDED COST
(b) (4)(b) (4)(b) (4)(b) (4)			
TOTAL COST			(b) (4)

SCHEDULE Q-5
BREAKDOWN OF LAND COSTS

Community/Site	Description	Quantity (Acre)	Unit Cost	Extended Cost	
				RUS Loan Funds	Non-loan Funds
Levelland	(b) (4)(b) (4)(b) (4)(b) (4)(b) (4)(b) (4)				0
TOTAL				(b) (4)	0

SCHEDULE Q-6
BREAKDOWN OF TOWERS COSTS

Community/Site	Description	Quantity	Unit Cost	Extended Cost	
				RUS Loan Funds	Non-loan Funds
TOTAL					

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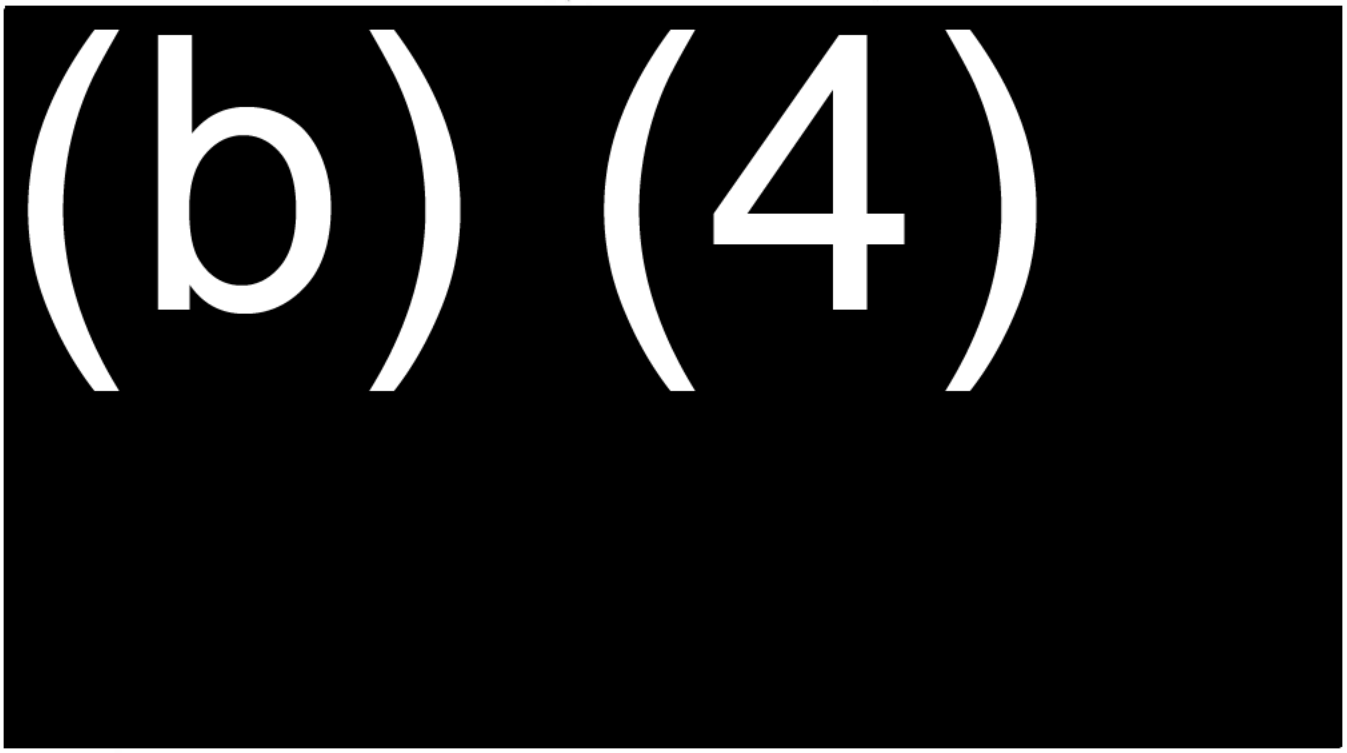
Schedule Q-7

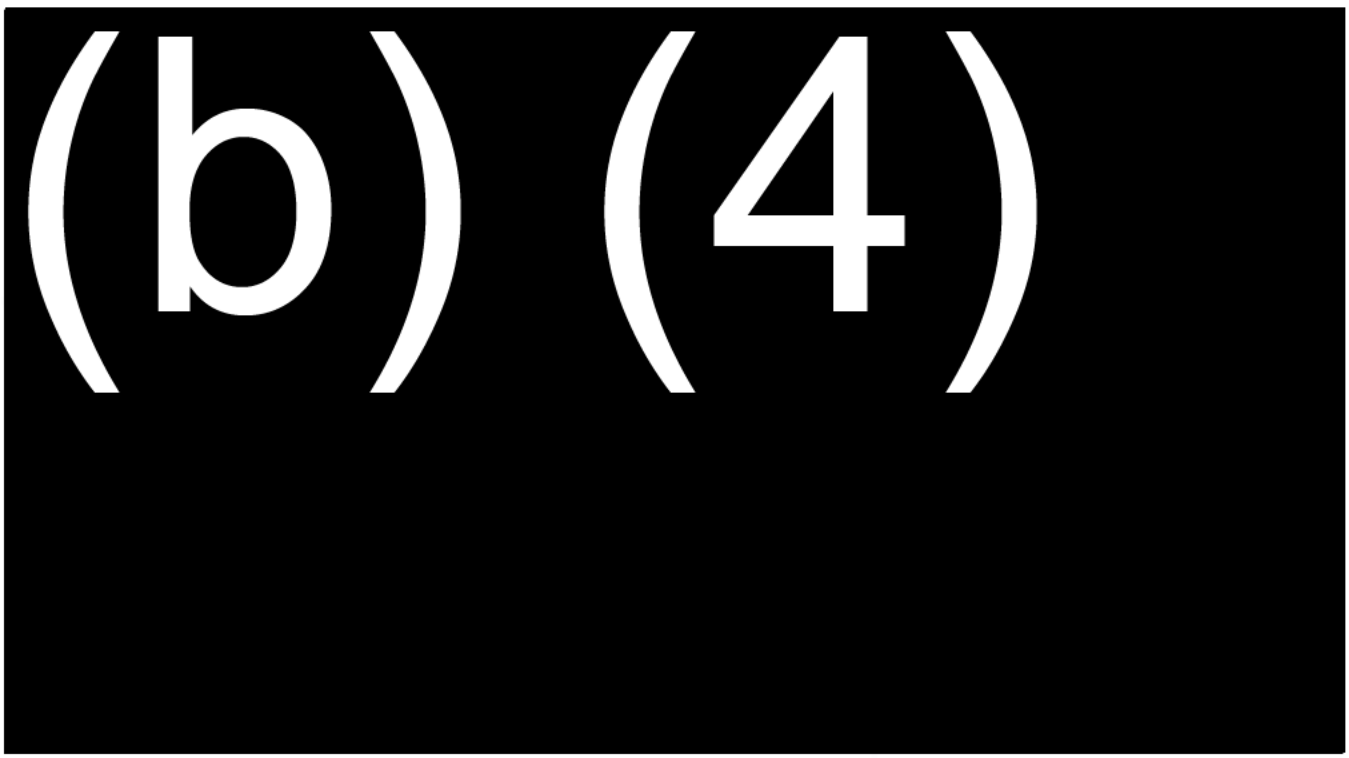
BREAKDOWN OF CUSTOMER PREMISE EQUIPMENT COSTS

Community/Site	Description	Quantity	Unit Cost	Extended Cost	
				RUS Loan Funds	Non-loan Funds
Levelland					
	(b) (4)				$0
					$0
					$0
					$0
Smyer					
					$0
					$0
TOTAL				(b) (4)	$0

(b) (4)(b) (4)(b) (4)

SCHEDULE Q-7A
BREAKDOWN OF CUSTOMER PREMISE EQUIPMENT KITS





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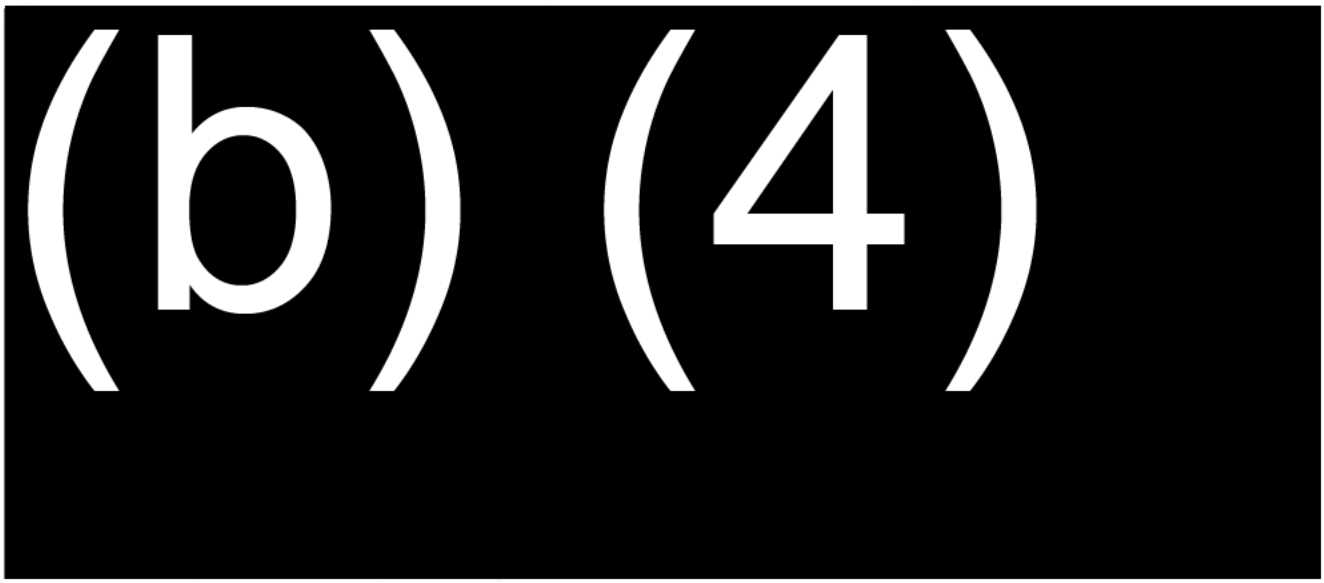
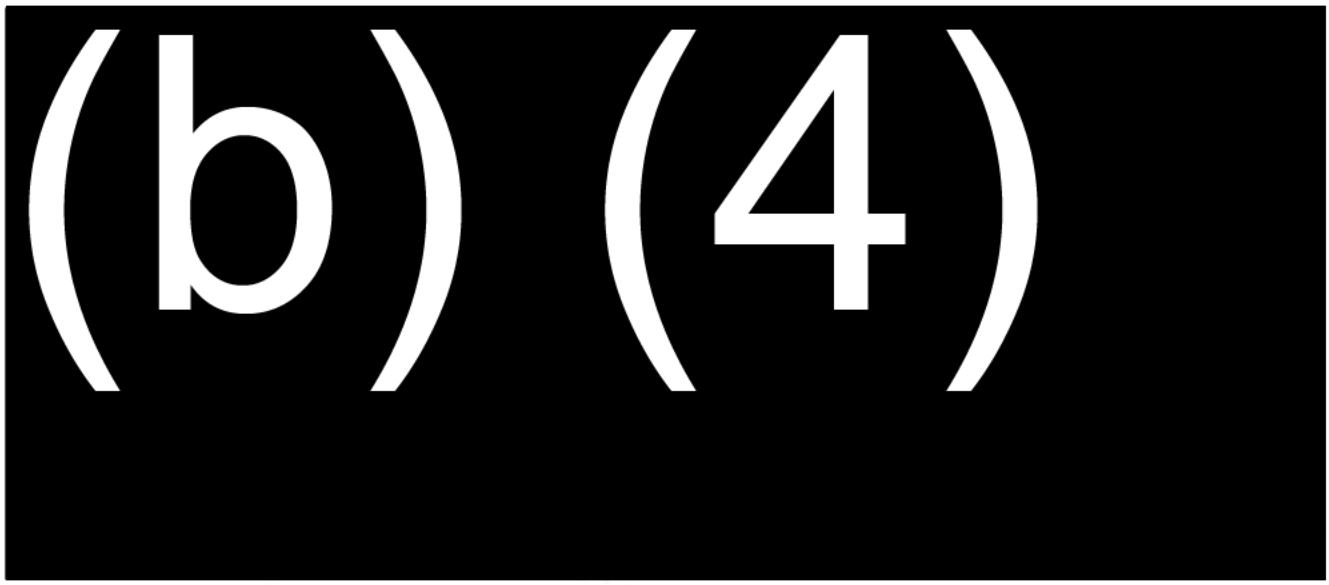
BREAKDOWN OF CUSTOMER PREMISE EQUIPMENT KITS





SCHEDULE Q-8
BREAKDOWN OF OPERATING EQUIPMENT COSTS

Community/Site	Description	Quantity	Unit Cost	Extended Cost	
				RUS Loan Funds	Non-loan Funds
Office Equipment					
Sub-Total					
Office Furniture					
Sub-Total					
Work Equipment					
Sub-Total					
Vehicles					
Sub-Total					
TOTAL					

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NOTES:

* Or equivalent

(b) (4)(b) (4)

SCHEDULE Q-9
BREAKDOWN OF ENGINEERING COSTS

Description	Total Engineering Costs	
	RUS Loan Funds	Non-loan Funds
Pre-Loan		
Engineering	(b) (4)	0
Marketing Survey	(b) (4)	0
Newspaper Article	(b) (4)	0
Lawyer	(b) (4)	0
	(b) (4)	
Post-Loan		
Network & Access Equipment	(b) (4)	0
Outside Plant	(b) (4)	0
Buildings	(b) (4)	0
Land	(b) (4)	0
Towers	(b) (4)	0
Customer Premise Equipment	(b) (4)	0
Operating Equipment	(b) (4)	0
	(b) (4)	
TOTAL	(b) (4)	0

(b) (4)(b) (4)(b) (4)

SCHEDULE Q-10
BREAKDOWN OF NOTES TO BE REFINANCED

Note	Outstanding Principal Amount	Maturity
TOTAL		

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(b) (4)(b) (4)(b) (4)

SCHEDULE Q-11

BREAKDOWN OF ACQUISITION COSTS

Description	Total Acquisition Cost	
	RUS Loan Funds	Non-loan Funds
TOTAL		

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SCHEDULE R
ENVIRONMENTAL REPORT

NTS Telephone Company, LLC of Lubbock, Texas proposes to utilize Rural Utilities Service Broadband Access Loan funds to construct and operate a "Fiber-to-the-House" network, within the US Census communities of:

- Levelland, Hockley County, Texas
- Smyer, Hockley County, Texas

Construction will consist of installing aerial and buried fiber optic trunk, feeder, and distribution cable to be placed within existing highway, road, and street rights-of-way where electric, telephone, water and sewer facilities already exist. Interconnections between the communities, their surrounding areas, and back-haul to the Internet Service Providers (ISPs), video providers or telephone switching interconnection points will be accomplished through the aerial and buried fiber. Power services will be derived from existing (on-site) electrical facilities. No hazardous materials, air emissions, wastewater discharge, or solid waste will result from the installation of this fiber or equipment.

A search of the "National Historic Register" website turned up the following historic places in the proposed coverage area of Hockley county:

- Courthouse Square, Levelland, Hockley County
- Primrose School, Ropesville, Hockley County
- Ropesville Resettlement Project, Ropesville, Hockley County
- The Spade Ranch, Smyer, Hockley County
- First Oil Well in Hockley County, Sundown, Hockley County

The following table shows items that are on the State of Texas "THREATENED OR ENDANGERED SPECIES" list with those listed which MAY BE found within the proposed service areas:

Texas' Federally Listed Threatened and Endangered Species

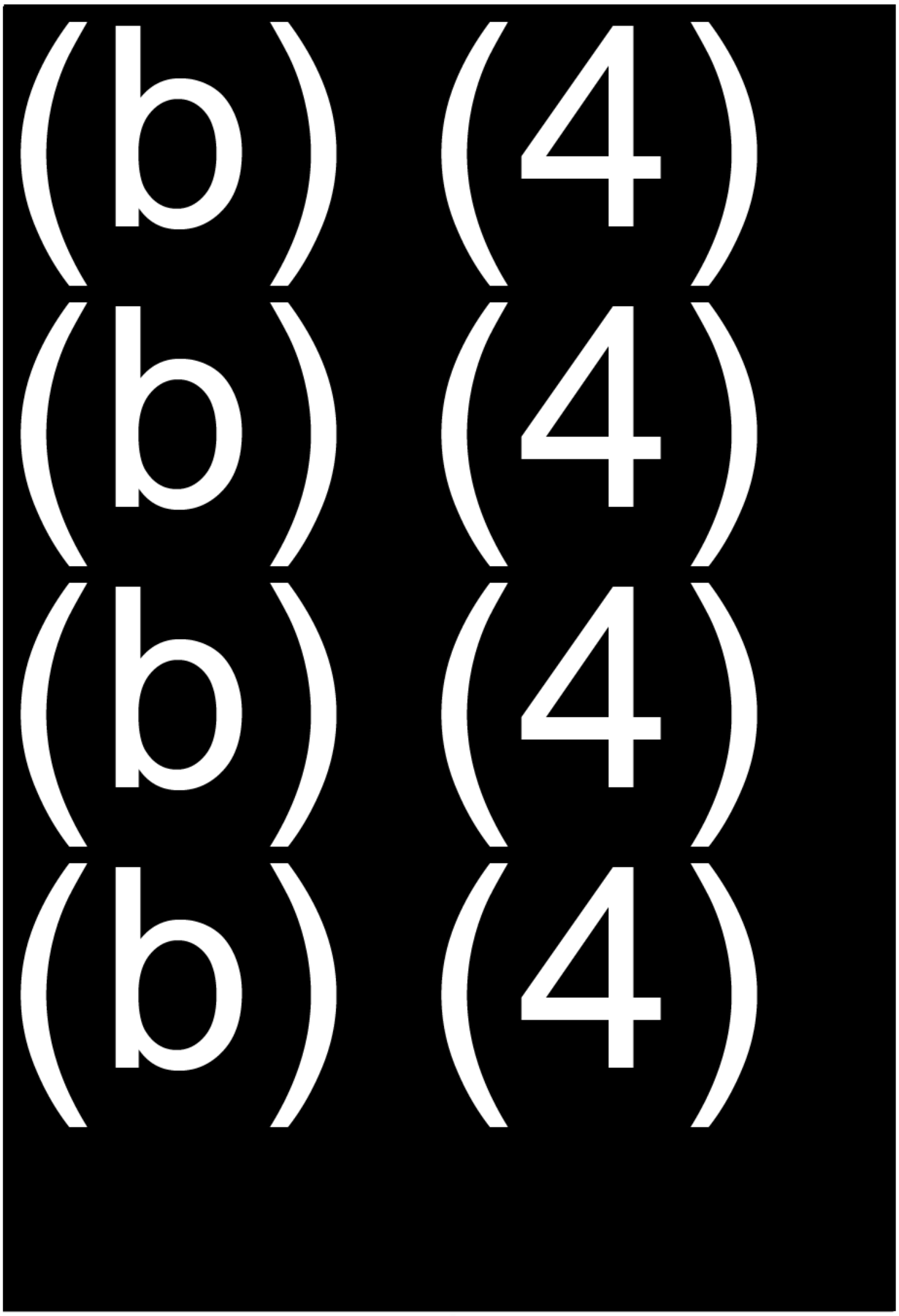
Species	Status	County	Habitat
Lesser Prairie Chicken	Endangered	Hockley	

The Proposed Levelland "Pre-fabricated Fiber Optic Terminal Building" will NOT be located within the 100-Year Flood Plain.

(b) (4)(b) (4)(b) (4)

SCHEDULE S
TOWER, EQUIPMENT, AND BUILDING LEASES

Co-Location Agreement (TO BE COMPLETED UPON LOAN APPROVAL)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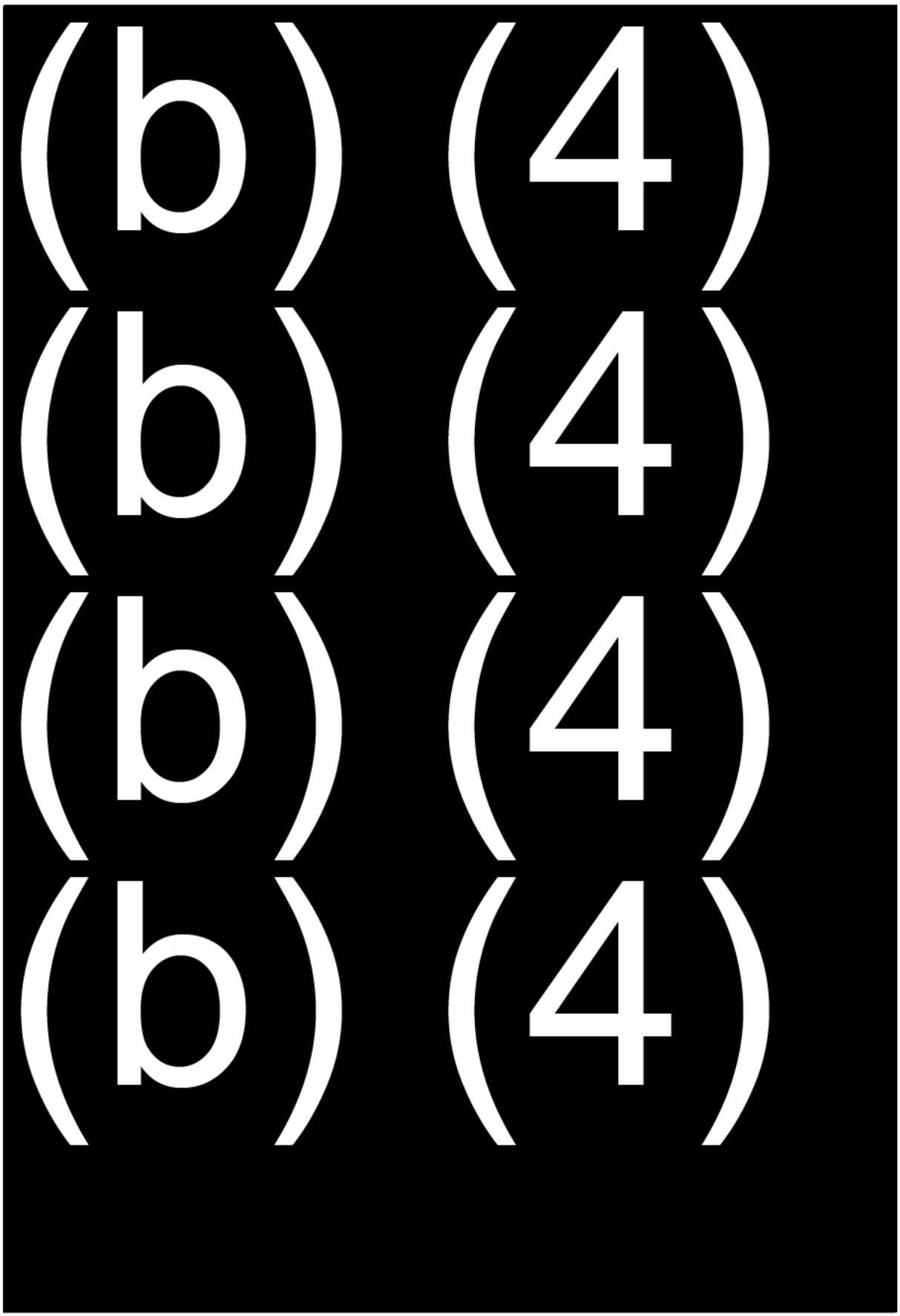
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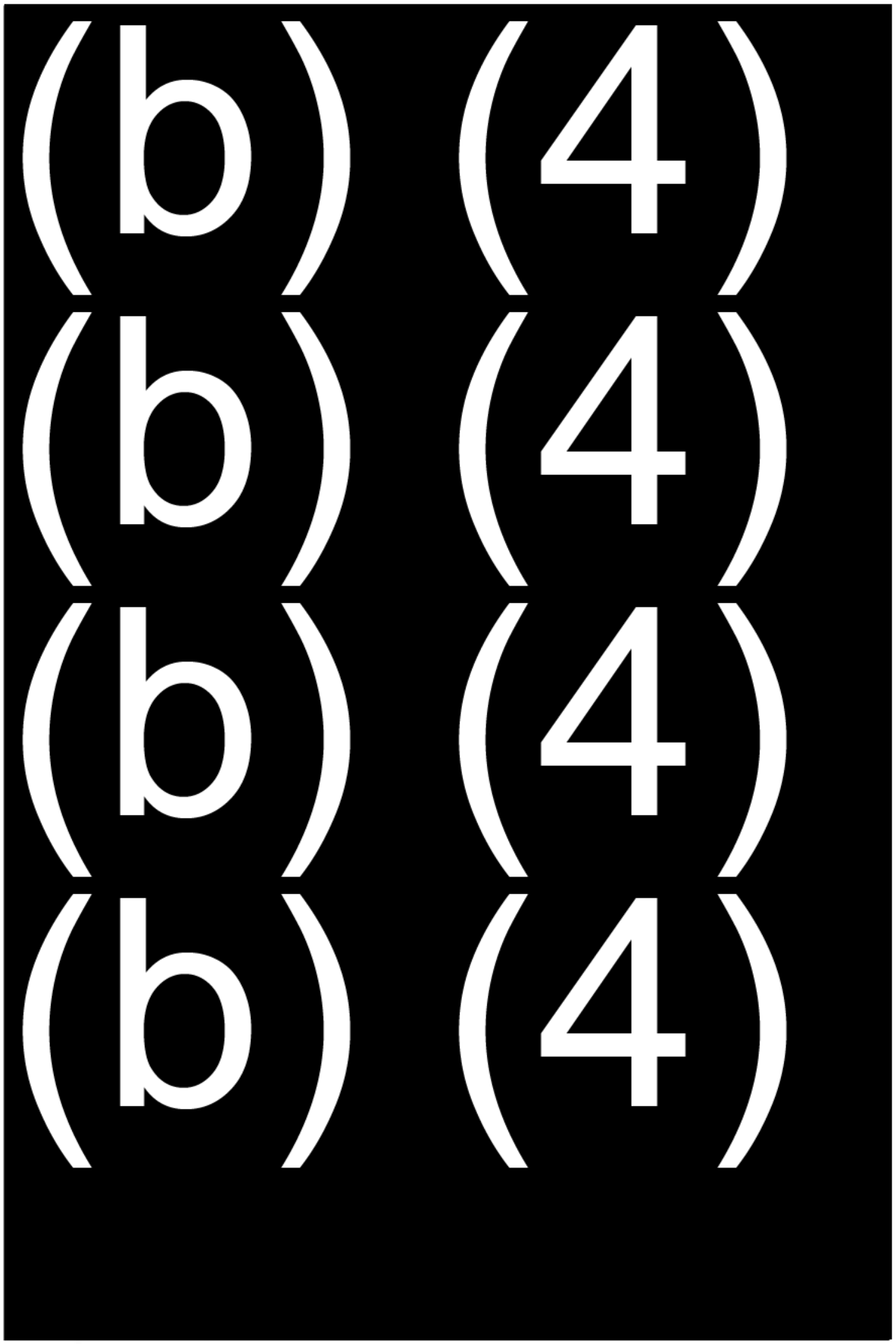
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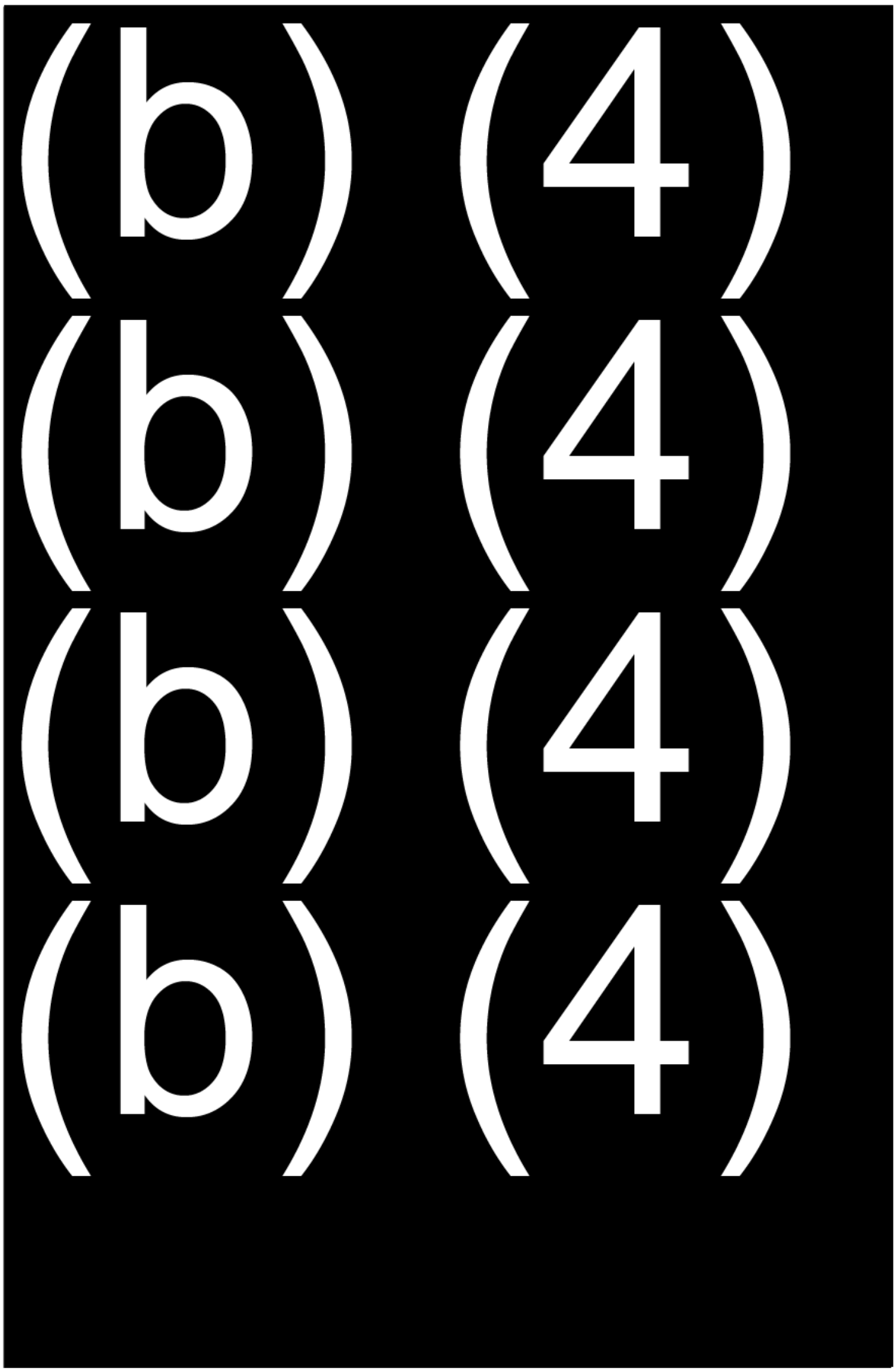
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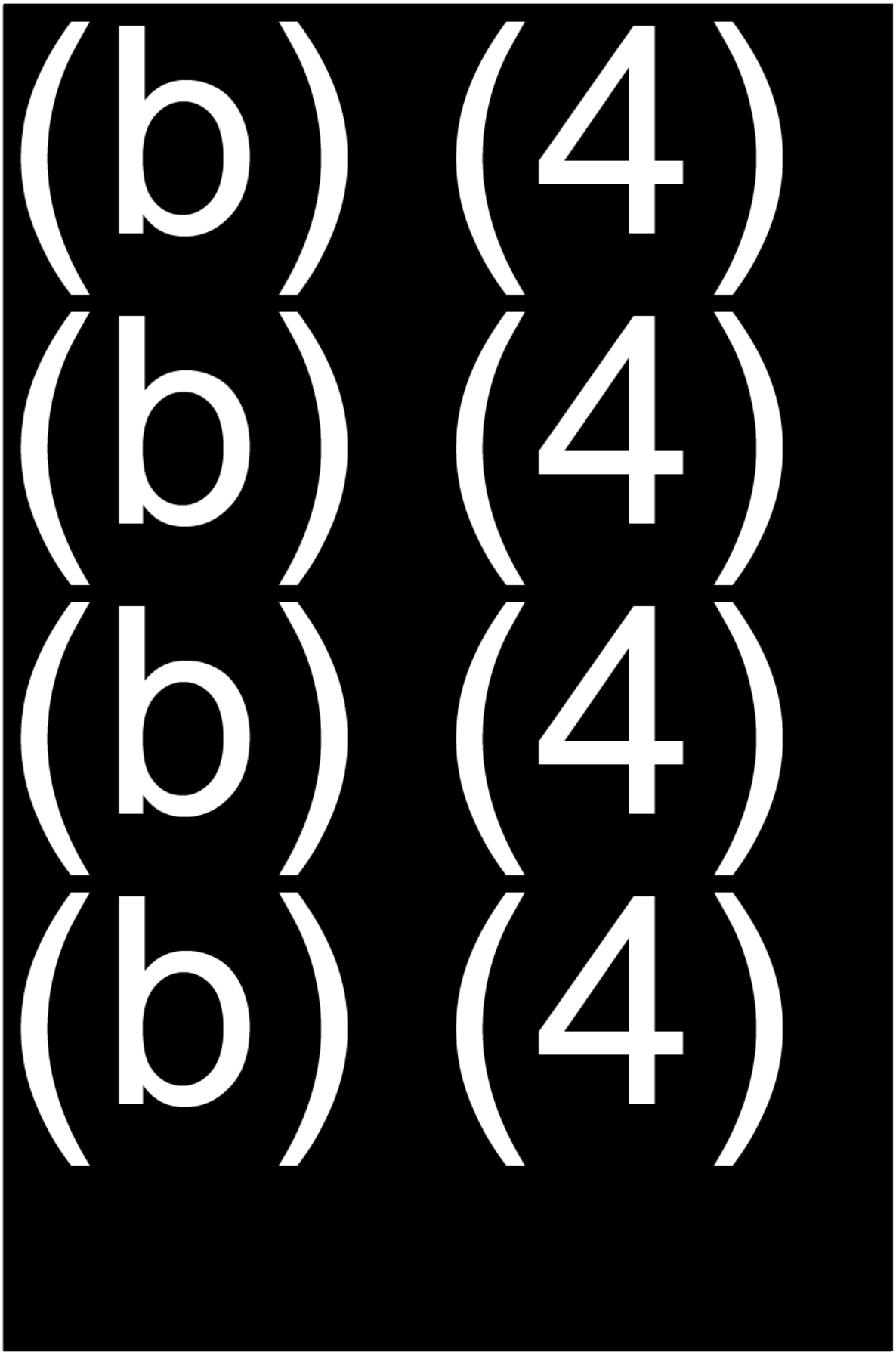
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SCHEDULE T-1
FCC LICENSES

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SCHEDULE T-2
CLEC LICENSES

CLEC LICENSE APPLICATION (TO BE COMPLETED UPON LOAN APPROVAL)

TEXAS UNIVERSAL SERVICES FUND (TUSF) GUIDELINES (TO BE COMPLETED UPON LOAN APPROVAL)

Paul Hudson
Chairman

Julie Parsley
Commissioner

Commissioner

W. Lane Lanford
Executive Director

Public Utility Commission of Texas

INSTRUCTIONS FOR THE APPLICATION OR AMENDMENT OF AN SERVICE PROVIDER CERTIFICATE OF OPERATING AUTHORITY OR A CERTIFICATE OF OPERATING AUTHORITY

A **sworn** application should be submitted to:

Central Records Filing Clerk
Public Utility Commission of Texas
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7180

An Application consists of a title page, an affidavit, and the required, properly completed questions. The Applicant shall also file the Application electronically as directed by the Commission's Procedural Rules, which can be found on the Commission's web site. **Seven copies (six copies and one original) of the Application** should be submitted and should meet the following requirements:

- Copies should be three-hole punched and bound in a loose-leaf binder with a tab before each question/response.
- The docket number (if known) and the Applicant's name should appear on the spine of the notebook and on each page of the Application.

NOTE: The Applicant has the burden of establishing that it is qualified to be granted a certificate to provide local exchange service by the Public Utility Commission of Texas (Commission). The Public Utility Regulatory Act (PURA), V.T.C.A., UTILITIES CODE.§§ 54.101-54.159(Vernon 1998 and Supp. 2000) (PURA) and Substantive Rules §§26.109 and 26.111 require the Applicant:

- to prove that it is **financially and technically qualified** to provide the service requested,
- to prove that it is able to meet the Commission's **quality of service requirements**, and
- to prove that an award of an SPCOA or COA to the Applicant is **in the public interest.**

All responses to questions shall be in a truthful manner and must be promptly amended when substantive changes occur by filing **Seven copies (six copies and one original) of the amendment** with Central Records in the established docket.

If the Applicant believes that specific information in its Application is not subject to disclosure under the Texas Open Records Act, V.T.C.A., Government Code §552.001 *et seq.* (Vernon

Supp. 2000), the Applicant may label that information confidential, citing the applicable provisions of the Open Records Act. Information labeled confidential will be treated as set forth in the generic SPCOA and COA protective order issued by the Commission on August 30, 1995, a copy of which may be obtained from Central Records at the address set forth above. The title page, affidavit, and responses to questions 1-15(a), 16, and 26-31 should not be labeled confidential. Confidential information shall be filed in accordance with Procedural Rule §22.71(d). If you have any questions concerning the filing of confidential information, contact the Confidential Documents Manager, Ms. Carol Milner (carol.milner@puc.state.tx.us).

The CLEC Application is a multipurpose application. The Applicant may file for multiple amendments within the same application. **All Questions listed in the "Update Information as Required" column must be responded to with either updated detailed information or a response of "NO CHANGE". If the Application Question is not listed in one of the two columns below, DO NOT submit it. This Application is a FORMAT, not a form, so add or drop spaces and lines as required. Attachments must be labeled/identified. Please keep attachments to a minimum, providing the responses directly below question as much as possible. Failure to provide complete, truthful, or responsive answers to all requested questions may result in denial or delay in the processing of the certificate requested. An answer of "Not Applicable" or "N/A" is considered non-responsive and is unacceptable. <u>The instructions are not to be filed with this Application.</u>**

Application Type	Required Responses To Questions	Update Information as Required, but all Questions listed Require a Response.
New SPCOA Application	**Title Page (TP), 1–26**	
New COA Application	**TP, 1–11, & 13–26**	
Re-Qualification SPCOA Application	**TP, 1–26**	
Re-Qualification COA Application	**TP, 1–11, & 13–26**	
Name Change Amendment	**TP, 1, 2(a, b, c, e, h, i), 3, & 14**	**2(d, f, g)**
Certification Relinquishment	**TP, 1, 2(a, b, c, e, h, i), 3, 14, & 27-31**	
Change in Ownership / Control	**TP, 1, 2(a, b, c, e, f, g, h, i), 14, 15, & 17–26**	**2(d) & 3–13, & 16**
Change in Service Area	**TP, 1, 2(a, b, c, e, h, i), 7, 14, 15, & 17–26**	**2(d, f, g), 3–6, & 8–13, & 16**
Service Discontinuation	**TP, 1, 2(a, b, c, e, h, i), 3, 14, & 27–31**	
Change in Type of Provider	**TP, 1, 2(a, b, c, e, f, g, h, i), 4-6, 14, 15, & 17–26**	**3 & 7–13, & 16**
Corporate Restructuring	**TP, 1, 2(a, b, c, e, f, g, h, i), 14, 15, & 17–26**	**2(d), & 3–13, & 16**

W. Lane Lanford
Executive Director

Public Utility Commission of Texas
1701 N. Congress Avenue
P. O. Box 13326
Austin, Texas 78711-3326
512 / 936-7000 • (Fax) 936-7003
Web Site: www.puc.state.tx.us

Brett A. Perlman
Commissioner

Rebecca Klein
Commissioner

(*TITLE PAGE*)

APPLICATION FOR CERTIFICATION, RE-QUALIFICATION, OR AMENDMENT TO A SERVICE PROVIDER CERTIFICATE OF OPERATING AUTHORITY AND A CERTIFICATE OF OPERATING AUTHORITY

DOCKET NO. _____

APPLICANT:- **NTS Telephone Company, LLC**

Authorized Representative or Attorney to contact about this Application:

NAME: **Jerry E. Hoover** TITLE: **Manager**

ADDRESS: **5307 West Loop 289, Lubbock, Texas**

TELEPHONE: **806-797-0687** FAX: **806-788-3393**

EMAIL ADDRESS: **jerryh@ntscom.com**

Agent for Service of Process:

NAME: **Barbara Andrews** TITLE: **Registered Agent**

ADDRESS: **5307 West Loop 289, Lubbock, Texas**

TELEPHONE: **806-797-0687** FAX: **806-788-3393**

EMAIL ADDRESS: **barbaraa@ntscom.com**

AFFIDAVIT

STATE OF TEXAS §
§
COUNTY OF LUBBOCK §

1. My name is Jerry E. Hoover. I am Manager of the Applicant NTS Telephone Company, L.L.C.

2. I swear or affirm that I have personal knowledge of the facts stated in this Application for a Service Provider Certificate of Operating Authority, that I am competent to testify to them, and that I have the authority to make this Application on behalf of the Applicant. I further swear or affirm that all of the statements and representations made in this Application for a Service Provider Certificate of Operating Authority are true and correct. I swear or affirm that the Applicant understands and will comply with all requirements of law applicable to a Service Provider Certificate of Operating Authority.

_____
Jerry E. Hoover

SWORN TO AND SUBSCRIBED before me on the _____ day of _____, 2005.

_____
Notary Public In and For the
State of Texas

My commission expires: _____

SECTION ONE – BASIC INFORMATION

1. Check one or more of the following Requests:

(a) Check only one.

__X___ New SPCOA Application

_____ Amended SPCOA Application Amending SPCOA No. _____

_____ New COA Application

_____ Amended COA Application Amending COA No. _____

(b) If you are filing an amendment, check one or more of the following as requests made in this amendment filing:

_____ Name Change Amendment
_____ Change in Ownership/Control
_____ Change in Service Area
_____ Corporate Restructuring
_____ Certification Relinquishment
_____ Service Discontinuation
_____ Change in Type of Provider
_____ Other

(c) Provide a summary explanation of all items checked in "b" above.

2. Provide a description of the Applicant, which shall include the following:

(a) Legal name and all assumed names under which the Applicant conducts business, if any;

NTS Telephone Company, LLC, d/b/a NTS of Levelland

(b) Address of principal office and business office;

5307 West Loop 289, Lubbock, Texas 79414

(c) Principal office/business office telephone number: **806-797-0687**
Fax number: **806-788-3393**
Website address: **none**
E-mail address: **none**
Toll-free customer service telephone number. **Applicant does not have a toll-free number at this time but will obtain one before beginning business.**

(d) FCC Carrier Identification Code (CIC) or National Exchange Carriers Association (NECA) Operating Carrier Numbers (OCNs), if available;

These are not available at this time. NTS Telephone Company will apply for an OCN once it obtains SPCOA.

(e) Form of business in Texas (*e.g.*, corporation, partnership, sole proprietorship), Charter/Authorization number, date business was formed and date change was

made (if applicable). Provide the State and date in which parent company is registered. (*The Commission requires registration with the Secretary of State for all forms of business, except sole proprietorships.*)

NTS Telephone Company is a Texas Limited Liability Company, Certificate Number 07046757, formed on February 2, 1999. NTS Telephone Company is wholly owned by NTS Communications, Inc., a Texas Corporation registered with the Secretary of State on July 29, 1981.

(f) Name, address, and office address of each director, officer, or partner;

Jerry E. Hoover is the sole Manager of the Company. His address is 5307 West Loop 289, Lubbock, Texas, 79414.

(g) Name, address, and office address of each of the five largest shareholders, if not publicly traded;

NTS Telephone Company is wholly owned by NTS Communications, Inc., 5307 West Loop 289, Lubbock, Texas.

(h) Legal name of parent company, if any, and a description of its primary business interests; and,

NTS Communications, Inc., is a provider of diverse telecommunications services in the States of Texas, Arizona, Colorado, Kansas, New Mexico, and Oklahoma. NTS provides facilities-based local, long distance and data services in the State of Texas. It provides long distance service in Arizona, Colorado, Kansas, New Mexico and Oklahoma.

(i) Legal name of all affiliated companies that are public utilities or that are providing telecommunications services and the states in which they are providing service. Give a description of all affiliates and explain in detail the relationship between the Applicant and its affiliates. An organizational chart should be provided.

NTS Communications, Inc., provides telecommunications services in the Texas, Arizona, New Mexico and Oklahoma.

3. State the name **and only one name**, in which the Applicant wants the Commission to issue its certificate. (*NOTE: If the Applicant is a corporation, the Commission will issue the certificate in either the Applicant's corporate or assumed name, not both. The certificate holder must use only the name approved by the Commission on all bills and advertisements sent to or viewed by the public. Name Changes require Commission Approval as well as Secretary of State Approval.*)

NTS Telephone Company, LLC

SECTION TWO – TECHNICAL INFORMATION

4. (a) Provide a detailed description of the telecommunications services to be provided.

(b) Indicate with a yes or no response, whether the Applicant will be providing the following telecommunications services:

	Business	Residential
_____POTS (Plain Old Telephone Service)	____x__	__x____
_____ADSL	_____	_____
_____ISDN	_____	_____
_____HDSL	_____	_____
_____SDSL	_____	_____
_____RADSL	_____	_____
_____VDSL	_____	_____
_____Optical Services	___x___	__x____
_____T1-Private Line	_____	_____
_____Switch 56 KBPS (KiloBits Per Second)	_____	_____
_____Frame Relay	_____	_____
_____Fractional T1	_____	_____
_____Long Distance	____x__	___x___
_____Wireless	_____	_____
_____Other (Please Describe): _____		

5. (a) Is the Applicant providing prepaid calling services?

No.

(b) If yes to (a), provide a yes or no response to the list of telecommunications services below:

_____Residential Prepaid Local Calling Services
_____Business Prepaid Local Calling Services
_____Residential Prepaid Domestic Long Distance Calling Services
_____Business Prepaid Domestic Long Distance Calling Services
_____Residential Prepaid International Long Distance Calling Services

_____Business Prepaid International Long Distance Calling Services

6. (a) Indicate below the type of local exchange provider being requested: (*Facilities-based, Resale Only, Data Only, or a combination these types of providers*).

Facilities-based.

(b) If the answer involves facilities-based or data, please provide a detailed description of the telecommunication facilities, platforms, or systems that will be used to provide these services. Telecommunication facilities include: conduits, ducts, poles, wires, cables, end-office switches, telecommunications circuit equipment, telecommunications signaling systems, and telecommunications transmission facilities used to provide basic local exchange telephone service, basic local telecommunications service, and switched access service.

NTS Telephone will be deploying a Fiber-to-the-Premise (FTTP) platform utilizing PON technology. NTS will use the following facilities when building this FTTP network: conduit, duct, poles, pedestals, hand holes, fiber, CAT5 and CAT3 wiring, 5E switches, Optical Line Terminals, Optical Network Terminals, Routers, and Fiber Optic Terminals.

7. Provide a written description of the exchanges, local access and transportation areas (LATAs), or incumbent local exchange company (ILEC) service areas or attach a scaled map of the geographic area for which the certificate is requested within the State of Texas that the Applicant proposes to serve.

NTS Telephone will serve the SBC and Valor exchanges within LATA 544.

8. Does the Applicant, owner, or any affiliate currently hold a service provider certificate of operating authority (SPCOA), certificate of operating authority (COA), or certificate of convenience and necessity (CCN) for any part of the area covered by this Application?

NTS Communications, Inc., holds a SPCOA to provide service throughout the State of Texas.

9. (a) Does the Applicant expect to provide service to customers other than itself and its affiliates?

Applicant will provide customer service through its Member, NTS Communications, Inc.

(b) Has the Applicant provided one copy of this Application to the Commission on State Emergency Communications (a.k.a. 911 Commission)?
(*Send copy to Commission on State Emergency Communications, Accounts Payable Section at 333 Guadalupe Street, Suite 2-212, Austin, Texas 78701-*

3942, with phone number 512-305-6911, fax number 512-305-6937, and website address www.911.state.tx.us).

Yes, Applicant has provided a copy of this Application to the 911 Commission.

(c) As part of the Application provided to the 911 Commission, the applicant shall provide the name, title, address, and telephone number of the applicant's 911 contact person as required in Substantive Rule No. 26.433(e)(2)(a). Any change in the information about the applicant's designated 911 contact person shall be filed with the 911Commission with five days of the change.

NTS Telephone Company will provide information to the 911 Commission in accordance with TPUC rules.

10. (a) Is the Applicant a municipality?

No, Applicant is not a municipality.

(b) Will the Applicant enable a municipality or municipal electric system to offer for sale to the public, directly or indirectly, local exchange telephone service, basic local telecommunications service, switched access service, or any non-switched telecommunications service used to provide connections between customers' premises within an exchange or between a customer's premises and a long distance provider serving the exchange?

No.

11. (a) State whether the Applicant has applied for any necessary municipal consent, franchise, or permit required for the types of services and facilities for which it is applying.

Applicant has not filed for municipal consent or franchise pursuant to Chapter 283 of the Texas Local Government Code. Applicant will, consistent with Chapter 283, obtain permits required by the municipality to operate within the public rights-of-way.

(b) Identify the municipalities from which such consent, franchise, or permit has been requested.

NA

12. (a) **APPLICABLE TO SPCOA APPLICANTS ONLY.** Report total intrastate switched access minutes of use for the Applicant, together with its affiliates, for the twelve-month period beginning sixteen months before the first day of the

month in which this Application is filed. (*In calculating minutes of use for this question, include minutes of all entities affiliated with the Applicant.*)

.NTS is in the process of compiling this information.

(b) **APPLICABLE TO SPCOA APPLICANTS ONLY.** Identify all affiliates whose minutes of use are included in the calculation required in 12(a).

NTS Communications, Inc.

SECTION THREE – TECHNICAL QUALIFICATIONS

13. (a) Has the Applicant, its owners, or any affiliate applied for a permit, license, or certificate to provide telecommunications services in any state other than Texas? If yes, identify the state(s) and fully explain.

No.

(b) Has the Applicant, its owners, or any affiliate ever had a permit, license, or certificate to provide telecommunications services granted by any state? If yes, identify the state(s) and fully explain.

Applicant's owner, NTS Communications, Inc., has been granted an SPCOA for the State of Texas on February 8, 1999 certificate number 60044

(c) Has the Applicant, its owners, or any affiliate ever had any permit, license, or certificate denied or revoked by any state? If yes, identify the state(s) and fully explain.

No.

(d) Has the Applicant, its owners, or any affiliate ever provided telecommunications services in Texas or any other state? If yes, identify the state(s) and fully explain.

Yes, Applicant's owner NTS Communications, Inc. has provided local service via resale and facilities to residential and business customers in the State of Texas.

(e) List any telecommunications certifications/authorizations or registrations granted to the Applicant, its parent company, its owners, or any of its affiliates within the State of Texas.

See Applicant's answer to 13(d), above.

14. (a) Provide the complaint history and history of regulatory actions taken against the Applicant, its parent company, any affiliated companies, and/or any companies of the owners that are public utilities or that have provided telecommunications services for the past 24 months in other states. The information should include, but not be limited to, the type of complaint, status of the complaint, and the resolution of the complaint.

See Attachment.

(b) Has the Applicant, its parent company, any affiliated companies, and/or any companies of the owner been notified that it is currently under investigation in

Texas or another state or jurisdiction for violation of any deceptive trade or consumer protection law or regulation? If yes, please explain.

No.

(c) Provide the number of customers per state (including Texas) for the past 24 months, for the Applicant, its parent company, and/or any affiliates that are providing telecommunications services.

NTS is in the process of compiling this information.

15. (a) Provide a detailed description of the Applicant's technical qualifications to provide the local exchange service, basic local telecommunications service, and/or switched access service proposed in this Application.

NTS Telephone Company, LLC, intends to rely on the expertise of its owner, NTS Communications, Inc., to meet the technical qualifications requirements.

(b) If the Applicant plans to rely upon a consultant to meet the technical qualifications requirements, provide the following information: (1) name, address, and phone number of consultant, (2) a copy of the contract between the principals and the consultant, (3) consultant's resume or description of experience, (4) information regarding any professional registrations or certifications, (5) percentage of the consultant's time being contracted, and (6) a list of other telecommunications companies served by the consultant and the percentage of time allotted to each company.

NTS Telephone Company, LLC, intends to rely on the expertise of its owner, NTS Communications, Inc., to meet the technical qualifications requirements.

(c) Provide a detailed description or individual resumes setting forth the qualifications of the Applicant's key personnel. Descriptions or resumes shall include (1) **Key Personnel Names**, (2) **Applicant Company Titles**, (3) **Detailed Telecommunications Experience**, and (4) **Years of Experience**.

NTS Communications, Inc., key personnel on which it will rely to meet the Commission's technical qualifications:

Barbara Andrews, President and Chief Executive Officer

Barbara Andrews holds a B.B.A. and an M.B.A. from Texas Tech University in Lubbock, Texas (date). She has been employed by NTS Communications, Inc., since (date). Ms. Andrews has held a veriety of positions with NTS. She has been directly responsible for sales and marketing, management information

systems, customer service and account administration. She has intimate familiarity with the operations of NTS Communications, Inc., Ms. Andrews has served as President since 1994 and as President and CEO since 2000.

Brad D. Worthington, Esq., Executive Vice President and Chief Operating Officer

Brad Worthington received his B.S. Ed. From Southwest Texas State University in 1987 and his J.D. from Texas Tech University School of Law in 1990. Brad is licensed to practice law in the State of Texas. Mr. Worthington is a member of the State Bar of Texas, and the Lubbock County Bar Association and is admitted to practice in the Federal District Court for the Northern District of Texas. Mr. Worthington served as General Counsel for NTS until (date). As General Counsel Mr. Worthington was responsible for advising senior staff on various legal and regulatory issues, preparation and review of contracts, contract and business negotiations. In 1994, Mr. Worthington was named (vice president). In 2000 Mr. Worthington was named Chief Operating Officer. As COO he is responsible for overseeing the day to ay operations of NTS including retail sales, strategic planning, new business development and product development. Mr. Worthington's experience has given him extensive knowledge of the telecommunications industry.

Jerry E. Hoover, Executive Vice President and Chief Financial Officer

Jerry E. Hoover graduated from Texas Tech University in 1971 and shortly afterward began a career in public accounting. is a Certified Public Accountant. Mr. Hoover was a principal in a major Lubbock accounting firm where he began doing work for NTS in 1984. Mr. Hoover joined NTS on an in-house basis in 1994 as Executive Vice President and Treasurer. He was named Chief Financial Officer in 2000. Mr. Hoover has worked as an accountant for over 30 years and for the last 20 years has worked with accounting issues unique to the telecommunications industry.

Scott Cain, Vice President – Sales & Marketing

Mr. Cain joined NTS Communications after 11 years in the printing industry where he served in various capacities from production to management and finally sales. Mr. Cain began his career at NTS as a local sales executive in 1990. In 1994 he moved to the Carriers Sales team working with wholesale accounts later being named the Director of Carrier Sales. In 1999 Mr. Cain was promoted to Vice President of Sales & Marketing. His current responsibilities include the wholesale and retail sales groups as well as all community relations, marketing and advertising activities.

Cary Collins, Vice President – Network Operations

Cary L. Collins began his career in the Telecommunications field in 1979, when he started work as an Installer/Repairman for GTE in West Texas. In 1981, Mr. Collins started working for Communications Corp. of America installing and repairing customer premise phone systems in West Texas, working on the largest and most complex PBX systems in this area. In September of 1984, he began working for NTS Communications. Since then, Mr. Collins has held many positions, including Operations Manager, Special Projects Manager, Director of Operations, and accepted his current position of Vice President of Operations in 1999. His current responsibilities include overseeing Outside Plant I/R technicians, Switching, and Transport. Mr. Collins has played a major role in the engineering, installation, and implementation of NTS' voice and transport infrastructure, including NTS' CLEC and FTTU products. Mr. Collins also holds accreditation in many areas, including switching, transport, FTTU, and outside plant.

Mitch Elliott – Vice President – Network Finance

Mitch Elliott received a B.B.A with a major in Finance from Texas Tech University in 1992. A year later he also received an M.B.A from Texas Tech University. Mr. Elliott joined the NTS team in the fall of 1993 as a Management Trainee, and since that time Mr. Elliott has held a variety of positions and responsibilities that resulted in his being named a Vice President in 2000. During his career with NTS Mr. Elliott has been highly involved in business and product development, acquisitions, vendor relations, contract negotiations, dispute resolution, cost analysis, and strategic transitions. Along with others from the NTS Management Team, Mr. Elliott has played a vital role in transitioning NTS from a long distance provider to a fully integrated communications company. He has also taken a lead role in NTS' pursuit of its own distribution plant using a Fiber-to-the-Premise (FTTP) PON technology. Mr. Elliott's current role includes oversight of the engineering, construction and implementation of NTS' FTTP project, as well as vendor relations, bill verification, cost analysis, pricing, and private line provisioning. Mr Elliott is also very involved with his church, Lakeridge Baptist Church, where he serves both as a Deacon and a Sunday School Teacher.

Gary Sams – Vice President – Service Delivery

Gary Sams received an Electronics Engineering degree from DeVry University, Dallas campus, in 1977. Upon receiving his degree, Mr. Sams began his career by moving directly into the field of computing and data communications service and repair. He made the move to NTS Communications in mid-1982 as the forth employee of the young telecommunications company, taking care of the communications hardware and related voice facilities. After holding many areas

and levels of responsibilities, Mr. Sams was promoted to Vice President of Operations in 1989. His responsibilities expanded to include overseeing the NCC, Network Engineering and Inventory, transmission, maintenance and inventory of all switching centers, and the local and wide area data networks. In the spring of 1999, Mr. Sams left the operations division in order to concentrate on the data and billing services as the Vice President of Information Services. He had responsibility for the Internet data services, billing services, and the local and wide area data networks. After overseeing the successful completion of the long running project to convert the billing system to a new OSS billing platform, Mr. Sams agreed to take on a new responsibility and made the move to Vice President of Service Delivery in September 2005. He now has the responsibility to oversee the CLEC Network Administration, the Network Control Center, Network Design and Inventory, and the CLEC Provisioning and Coordination.

Brian Stewart – Vice President – Data Services

(unavailable at this time)

Daniel Wheeler – Vice President and General Counsel

Daniel Wheeler graduated from Lubbock Christian University in Lubbock, Texas, in 1990, with a B.A. in English. He received his law degree from Texas Tech University School of Law in Lubbock, Texas, in 1993. After passing the bar exam, Mr. Wheeler began a general law practice with a small law firm in Lubbock. In 1999, he became a named partner of the firm. In the fall of 2000, he joined NTS as its General Counsel and was named Vice President in 2005. He is a member of the State Bar of Texas and is licensed to practice before the United States District Court for the Northern District of Texas and the United States Court of Appeals for the Fifth Circuit. Since joining NTS, Mr. Wheeler has participated in a number of complex regulatory cases before the Texas Public Utilities Commission. He is responsible for negotiating and drafting contracts, monitoring NTS' regulatory compliance, negotiating disputes between NTS and other parties, conducting general legal research, monitoring outside counsel, managing litigation, and conducting necessary internal investigations. These wide ranging responsibilities coupled with the drastic changes which have occurred within the telecommunications industry, have permitted Mr. Wheeler to gain a unique and in-depth knowledge of the legal and regulatory aspects of the telecommunications industry.

16. Attach a completed Service Quality Questionnaire.

SECTION FOUR – FINANCIAL QUALIFICATIONS

NTS is in the process of compiling information for this Section.

17. If the Applicant is relying on a third party, including a parent, subsidiary, or affiliate company to support its financial ability to provide the services covered by this Application, provide the following information:

    (a) identify the third party;

    (b) state the third party's relationship to the Applicant; and

    (c) detail the nature and extent of the reliance.

18. Provide a projected monthly cash-flow forecast for the initial 24-month period following the provision of service by the Applicant. This cash-flow forecast should detail all anticipated revenues and expenses, including operating and marketing expenses. Itemize one-time costs such as the purchase of start-up equipment, and the costs of obtaining an operating certificate from the Commission. Explain any assumptions made in the forecast (revenue-per-customer, sales growth, expense growth) in footnotes.

19. Provide a monthly forecast of the accounts receivable balance anticipated to be carried by the Applicant during the initial 24-month period of service provision.

20. If the Applicant plans to be a facilities-based carrier, provide a 36 month estimate of capital expenditures, a description of the facilities to be installed, and a description of any anticipated financing. Indicate whether or not these capital expenditures are included in the cash-flow forecast provided above. If so, please explain in detail how they were included.

21. Provide evidence of the Applicant's financial qualifications, or the financial qualifications of the third party on which the Applicant is relying, to provide the proposed services. Such evidence should be sufficient to satisfy the financial requirements in PUC Substantive Rule §§26.109 and/or 26.111. Financial instruments that will meet the cash requirements are delineated in PUC Substantive Rule §§ 26.109 and/or 26.111. The Applicant must provide copies of documents from independent sources that demonstrate the Applicant's access to cash or other financial resources. Examples of documentation that may be provided include copies of:

    (a) three recent, consecutive bank statements;

    (b) an attestation letter of net financial strength from a certified public accountant or investment account manager;

    (c) audited financial statements;

(d) line-of-credit agreements or letters of credit;

(e) sworn letters of guaranty from third parties on which the Applicant is relying for financial support; and

(f) bank loan approval documents.

22. Applicants that are established business entities shall provide historical financial statements (audited, if available) for the last two years, including income statements, balance sheets, cash-flow statements, and any related footnotes or schedules.

23. If the Applicant is an established business entity, state whether the Applicant, or the third party on which the Applicant is relying for financial support, is currently under the protection of the federal bankruptcy laws or has been under the protection of the federal bankruptcy laws in the past two years. If so, please explain in detail the extent to which the bankruptcy affects the Applicant's financial qualifications.

24. Please provide a summary of any history of bankruptcy, dissolution, merger or acquisition of the applicant or any predecessors in interest for two calendar years immediately preceding this Application.

SECTION FIVE - MISCELLANEOUS

25. Are any owners, directors, officers, or partners in the organization convicted felons? If yes, please explain.

Yes, NTS Communications, Inc. was convicted of mail fraud and placed on 5 years probation on June 21, 2002, in case no. SA-02—CR-83 (01) in the United States District Court for the Western District of Texas, San Antonio Division NTS is in full compliance the terms of its probation.

26. OPTIONAL RESPONSE: Provide any additional information that the Applicant believes may be relevant to the Applicant's qualifications to provide the proposed service.

NTS has no additional information at this time.

SECTION SIX – RELINQUISHMENT & SERVICE DISCONTINUATION INFORMATION

This section is not applicable to NTS' Application.

27. Provide a copy of the customer notification (minimum of 61 days notice) sent to each customer indicating the intent of the Applicant to discontinue service. Notice shall, at a minimum, contain the following information:

(a) Approximate date the Applicant intends to discontinue service(s) or operations.

(b) Arrangements to transfer customers to carrier of their choice. If no choice is made, provide the carrier of last resort to which the customers' service(s) will be transferred.

(c) How and when deposits and credits will be returned to customers. Deposits and credits shall be returned to customers within 60 days of the notification to relinquish certification, or within 30 days of the notification of service(s) discontinuation.

(d) A statement that any switchover fees shall be paid by the Applicant for customers to be transferred to the carrier of their choice.

28. Provide a statement that the Applicant shall send a copy of the Application to the Advisory Commission on State Emergency Communications and all affected 9-1-1 entities within 5 days of filing the Application.

29. Provide a statement that the Applicant shall notify the Texas Comptroller's Office, Texas Secretary of State, and the administrator of the Texas Universal Service Fund of its Application within 5 days of filing the Application.

30. Provide a statement that the Applicant shall return deposits and credits to the customers.

31. Provide a statement that the Applicant shall void all interconnection agreements upon Commission approval of an Application to relinquish certification.

SERVICE QUALITY QUESTIONNAIRE for SPCOA and COA APPLICANTS

Will the Applicant meet each of the following benchmark service quality standards? For each "NO" response, please provide an explanation. If the Applicant is relying on an underlying carrier to meet any of the following standards, identify the standard and the carrier.

YES __X__ NO _____ Make one-party line service available upon request to all subscribers of local exchange service.

YES ___X__ NO _____ Install 95% of primary service orders and 90% of regular service orders within five working days of customer orders, excluding those orders where a later date is requested by the customer.

YES __X___ NO _____ Meet 90% of commitments to customers regarding the date of installation of service orders, excepting customer-caused delays.

YES ___X__ NO _____ Maintain the level of held regrade orders (as defined in Substantive Rule 26.54) at or below one percent of access lines served.

YES __X___ NO _____ Answer 85% of toll and assistance operator calls within ten seconds.

YES ___X__ NO _____ Answer 90% of repair service calls and calls to business offices within 20 seconds.

YES ___X__ NO _____ Provide dial tone within 3 seconds for 98% of calls.

YES ___X__ NO _____ Maintain an availability factor for stored program controlled digital and analog switching facilities (local intra-office) at 99.99%, or keep total unscheduled outages below 53 minutes per year.

YES ___X__ NO _____ Maintain an availability factor for stored program controlled digital and analog switching facilities (local inter-office) at 99.93%, or keep total unscheduled outages below 365 minutes per year.

YES ___X__ NO _____ Complete 97% of properly dialed tolled calls without encountering failure because of blockages or equipment irregularities.

YES ___X__ NO _____ Maintain an average monthly rate of customer trouble reports, excluding CPE reports, at or below 6%.

YES ___X__ NO _____ Clear 90% of out-of-service trouble reports within 8 working hours, except where access to the customer's premises is required and not available or where interruptions are caused by unavoidable casualties and acts of God affecting large groups of customers.

YES ___X__NO _____Maintain the number of repeated trouble reports on residence and single-line business lines at or below 22% of the total customer trouble reports on those lines.

YES ___X__NO _____Maintain transmission facilities meeting the requirements of Substantive Rule 26.54, Transmission Requirements.

YES __X___NO _____Meet the Commission's continuity-of-service requirements established in Substantive Rule 26.51.

YES __X__NO _____Provide 911 emergency telephone service in accordance with Chapters 771 and 772 of the Texas Health and Safety Code, as applicable.

YES ___X__NO _____Commit to providing equipment that will comply with 911 requirements.

YES ___X__NO _____Commit to providing at least 1 customer service representative per every 2,500 customers during normal business hours.

YES ___X__NO _____Commit to providing equipment that is local number portability (LNP) capable.

YES __X___NO _____Maintain an emergency operations plan that addresses disaster recovery procedures.

YES __X___NO _____Comply with PUC Substantive Rules §26.32 and §26.130 requiring notification of customers about slamming and cramming information on monthly bills.

YES ___X__NO _____Comply with PUC Substantive Rules §26.31 for customer disclosure.

YES ___X__NO _____Comply with PUC Substantive Rules §26.122 regarding customer proprietary network information.

YES ___X__NO _____Comply with applicable portions of Chapter 26, Subchapter B regarding customer service and protection.

YES __X___NO _____Comply with anti-discrimination laws on the basis of race, nationality, color, religion, sex, marital status, income level, source of income, or geographic location.

YES __X___NO _____Disclose to customer that they may contact the PUC and pursue complaints if the customer and certificate holder cannot resolve the complaint.

Attachment " "

History of Complaints and Regulatory Actions

State	Complaint	Type	Status	Resolution
Colorado				
	2005-77630	Rates/Charges	Pending	
Texas				
	CP2005121422	Service	Pending	
	CP2005121068	Slamming	Pending	
	CP2005070783	Customer Service	Closed	No violation
	2005070302	Quality of Service	Closed	No violation
	CP2005060208	Quality of Service	Closed	No violation
	CP2205060483	Quality of Service	Closed	No violation
	CP2005031337	Rates/Charges	Closed	No violation
	CP2005021732	Outages	Closed	No violation
	CP2004110338	Customer Service	Closed	No violation
	CP2004101679	Rates/Charges	Closed	No violation
	CP2004081039	Yellow Pages	Closed	No violation
	CP2004070539	Outages	Closed	No violation
	CP2004060712	Quality of Service	Closed	No violation
	CP2004031132	Rates/Charges	Closed	No violation
	CP2004031129	Discontinuance	Closed	No violation
	CP2004012617	Rates/Charges	Closed	No violation
	CP2004011984	Quality of Service	Closed	No violation
	CP2004011639	Quality of Service	Closed	No violation

CHAPTER 26. SUBSTANTIVE RULES APPLICABLE TO TELECOMMUNICATIONS SERVICE PROVIDERS.

Subchapter P. TEXAS UNIVERSAL SERVICE FUND.

§26.417. Designation as Eligible Telecommunications Providers to Receive Texas Universal Service Funds (TUSF).

(a) **Purpose.** This section provides the requirements for the commission to designate telecommunications providers as eligible telecommunications providers (ETPs) to receive funds from the Texas Universal Service Fund (TUSF) under §26.403 of this title (relating to the Texas High Cost Universal Service Plan (THCUSP)) and §26.404 of this title (relating to the Small and Rural Incumbent Local Exchange Company (ILEC) Universal Service Plan). Only telecommunications providers designated by the commission as ETPs shall qualify to receive universal service support under these programs.

(b) **Requirements for establishing ETP service areas.**

(1) THCUSP service area. THCUSP service area shall be based upon wire centers (WCs) or other geographic area as determined appropriate by the commission. A telecommunications provider may be designated an ETP for any or all WCs that are wholly or partially contained within its certificated service area. An ETP must serve an entire WC, or other geographic area as determined appropriate by the commission, unless its certificated service area does not encompass the entire WC, or other geographic area as determined appropriate by the commission.

(2) Small and Rural ILEC Universal Service Plan service area. A Small and Rural ILEC Universal Service Plan service area for an ETP serving in a small or rural ILEC's territory shall include the entire study area of such small or rural ILEC.

(c) **Criteria for designation of ETPs.**

(1) **Telecommunications providers.** A telecommunications provider, as defined in the Public Utility Regulatory Act (PURA) §51.002(10), shall be eligible to receive TUSF support pursuant to §26.403 or §26.404 of this title in each service area for which it seeks ETP designation if it meets the following requirements:

(A) the telecommunications provider has been designated an eligible telecommunications carrier, pursuant to §26.418 of this title (relating to the Designation of Common Carriers as Eligible Telecommunications Carriers to Receive Federal Universal Service Funds), and provides the federally designated services to customers in order to receive federal universal service support;

(B) the telecommunications provider defines its ETP service area pursuant to subsection (b) of this section and assumes the obligation to offer any customer in its ETP service area basic local telecommunications services, as defined in §26.403 of this title, at a rate not to exceed 150% of the ILEC's tariffed rate;

(C) the telecommunications provider offers basic local telecommunications services using either its own facilities, purchased unbundled network elements (UNEs), or a combination of its own facilities, purchased UNEs, and resale of another carrier's services;

(D) the telecommunications provider renders continuous and adequate service within the area or areas, for which the commission has designated it an ETP, in compliance with the quality of service standards defined in §26.52 of this title (relating to Emergency Operations), §26.53 of this title (relating to Inspections and Tests), and §26.54 of this title (relating to Service Objectives and Performance Benchmarks);

(E) the telecommunications provider offers services in compliance with §26.412 of this title (relating to Lifeline Service and Link Up Service Programs); and

(F) the telecommunications provider advertises the availability of, and charges for, supported services using media of general distribution.

§26.417(c) continued

(2) **ILECs.** If the telecommunications provider is an ILEC, as defined in PURA §51.002(10), it shall be eligible to receive TUSF support pursuant to §26.403 of this title in each service area for which it seeks ETP designation if it meets the requirements of paragraph (1) of this subsection and the following requirements:

(A) If the ILEC is regulated pursuant to the Public Utility Regulatory Act (PURA) Chapter 58 or 59 it shall either:

(i) reduce rates for services determined appropriate by the commission to an amount equal to its THCUSP support amount; or

(ii) provide a statement that it agrees to a reduction of its THCUSP support amount equal to its CCL, RIC and intraLATA toll revenues.

(B) If the ILEC is not regulated pursuant to PURA Chapter 58 or 59 it shall reduce its rates for services determined appropriate by the commission by an amount equal to its THCUSP support amount.

(C) Any reductions in switched access service rates for ILECs with more than 125,000 access lines in service in this state on December 31, 1998, that are made in accordance with this section shall be proportional, based on equivalent minutes of use, to reductions in intraLATA toll rates, and those reductions shall be offset by equal disbursements from the universal service fund under PURA §56.021(1).

(d) **Designation of more than one ETP.**

(1) In areas not served by small or rural ILECs, as defined in §26.404(b) of this title, the commission may designate, upon application, more than one ETP in an ETP service area so long as each additional provider meets the requirements of subsection (c) of this section.

(2) In areas served by small or rural ILECs as defined in §26.404(b) of this title, the commission may designate additional ETPs if the commission finds that the designation is in the public interest.

(e) **Proceedings to designate telecommunications providers as ETPs.**

(1) At any time, a telecommunications provider may seek commission approval to be designated an ETP for a requested service area.

(2) In order to receive support under §26.403 or §26.404 of this title for exchanges purchased from an unaffiliated provider, the acquiring ETP shall file an application, within 30 days after the date of the purchase, to amend its ETP service area to include those geographic areas in the purchased exchanges that are eligible for support.

(3) If an ETP receiving support under §26.403 or §26.404 of this title sells an exchange to an unaffiliated provider, it shall file an application, within 30 days after the date of the sale, to amend its ETP designation to exclude, from its designated service area, those exchanges for which it was receiving support.

(f) **Requirements for application for ETP designation and commission processing of application.**

(1) **Requirements for notice and contents of application for ETP designation.**

(A) Notice of application. Notice shall be published in the *Texas Register*. The presiding officer may require additional notice. Unless otherwise required by the presiding officer or by law, the notice shall include at a minimum a description of the service area for which the applicant seeks designation, the proposed effective date of the designation, and the following language: "Persons who wish to comment on this application should notify the Public Utility Commission by (specified date, ten days before the proposed effective date). Requests for further information should be mailed to the Public Utility Commission

§26.417(f)(1)(A) continued

of Texas, P.O. Box 13326, Austin, Texas 78711-3326, or you may call the Public Utility Commission's Customer Protection Division at (512) 936-7120 or (888) 782-8477. Hearing- and speech-impaired individuals with text telephones (TTY) may contact the commission at (512) 936-7136, or use Relay Texas (800) 735-2989 to reach the commission's toll free number (888) 782-8477."

(B) Contents of application. A telecommunications provider seeking to be designated as an ETP for a high cost service area in this state shall file with the commission an application complying with the requirements of this section. In addition to copies required by other commission rules, one copy of the application shall be delivered to the commission staff and one copy shall be delivered to the Office of Public Utility Counsel.

(i) Telecommunications providers. The application shall:

(I) show that the applicant is a telecommunications provider as defined in PURA §51.002(10);

(II) show that the applicant has been designated by the commission as a telecommunications provider eligible for federal universal service support and show that the applicant offers federally supported services to customers pursuant to the terms of 47 United States Code §214(e) (relating to Provision of Universal Service) in order to receive federal universal service support;

(III) specify the THCUSP or small and rural ILEC service area in which the applicant proposes to be an ETP, show that the applicant offers each of the designated services, as defined in §26.403 of this title, throughout the THCUSP or small and rural ILEC service area for which it seeks an ETP designation, and show that the applicant assumes the obligation to offer the services, as defined in §26.403 of this title, to any customer in the THCUSP or small and rural ILEC service area for which it seeks ETP designation;

(IV) show that the applicant does not offer the designated services, as defined in §26.403 of this title, solely through total service resale;

(V) show that the applicant renders continuous and adequate service within the area or areas, for which it seeks designation as an ETP, in compliance with the quality of service standards defined in §§26.52, 26.53, and 26.54 of this title;

(VI) show that the applicant offers Lifeline and Link Up services in compliance with §26.412 of this title;

(VII) show that the applicant advertises the availability of and charges for designated services, as defined in §26.403 of this title, using media of general distribution;

(VIII) a statement detailing the method and content of the notice the applicant has provided or intends to provide to the public regarding the application and a brief statement explaining why the notice proposal is reasonable and that the notice proposal complies with applicable law;

(IX) provide a copy of the text of the notice;

(X) state the proposed effective date of the designation; and

(XI) provide any other information which the applicant wants considered in connection with the commission's review of its application.

§26.417(f)(1)(B) continued

(ii) ILECs. If the applicant is an ILEC, in addition to the requirements of clause (i) of this subparagraph, the application shall show compliance with the requirements of subsection (c)(2) of this section.

(2) **Commission processing of application.**

(A) Administrative review. An application considered under this section may be reviewed administratively unless the telecommunications provider requests the application be docketed or the presiding officer, for good cause, determines at any point during the review that the application should be docketed.

(i) The effective date of the ETP designation shall be no earlier than 30 days after the filing date of the application or 30 days after notice is completed, whichever is later.

(ii) The application shall be examined for sufficiency. If the presiding officer concludes that material deficiencies exist in the application, the applicant shall be notified within ten working days of the filing date of the specific deficiency in its application. The earliest possible effective date of the application shall be no less than 30 days after the filing of a sufficient application with substantially complete information as required by the presiding officer. Thereafter, any deadlines shall be determined from the 30th day after the filing of the sufficient application and information or from the effective date if the presiding officer extends that date.

(iii) While the application is being administratively reviewed, the commission staff and the staff of the Office of Public Utility Counsel may submit requests for information to the applicant. Three copies of all answers to such requests for information shall be provided to the commission staff and the Office of Public Utility Counsel within ten days after receipt of the request by the applicant.

(iv) No later than 20 days after the filing date of the application or the completion of notice, whichever is later, interested persons may provide written comments or recommendations concerning the application to the commission staff. The commission staff shall and the Office of Public Utility Counsel may file with the presiding officer written comments or recommendations regarding the application.

(v) No later than 35 days after the proposed effective date of the application, the presiding officer shall issue an order approving, denying, or docketing the application.

(B) Approval or denial of application. The application shall be approved by the presiding officer if it meets the following requirements.

(i) The provision of service constitutes basic local telecommunications service as defined in §26.403 of this title.

(ii) Notice was provided as required by this section.

(iii) The applicant has met the requirements contained in subsection (c) of this section.

(iv) The ETP designation is consistent with the public interest in a technologically advanced telecommunications system and consistent with the preservation of universal service.

(C) Docketing. If, based on the administrative review, the presiding officer determines that one or more of the requirements have not been met, the presiding officer shall docket the application. The requirements of subsection (c) of this section may not be waived.

§26.417(f)(2) continued

(D) Review of the application after docketing. If the application is docketed, the effective date of the application shall be automatically suspended to a date 120 days after the applicant has filed all of its direct testimony and exhibits, or 155 days after the proposed effective date, whichever is later. Three copies of all answers to requests for information shall be filed with the commission within ten days after receipt of the request. Affected persons may move to intervene in the docket, and a hearing on the merits shall be scheduled. A hearing on the merits shall be limited to issues of eligibility. The application shall be processed in accordance with the commission's rules applicable to docketed cases.

(g) **Relinquishment of ETP designation.** A telecommunications provider may seek to relinquish its ETP designation.

(1) **Area served by more than one ETP.** The commission shall permit a telecommunications provider to relinquish its ETP designation in any area served by more than one ETP upon:

(A) written notification not less than 90 days prior to the proposed effective date of the relinquishment;

(B) determination by the commission that the remaining ETP or ETPs can provide basic local service to the relinquishing telecommunications provider's customers; and

(C) determination by the commission that sufficient notice of relinquishment has been provided to permit the purchase or construction of adequate facilities by any remaining ETP or ETPs.

(2) **Area where the relinquishing telecommunications provider is the sole ETP.** In areas where the relinquishing telecommunications provider is the only ETP, the commission may permit it to relinquish its ETP designation upon:

(A) written notification that the telecommunications provider seeks to relinquish its ETP designation; and

(B) commission designation of a new ETP for the service area or areas through the auction procedure provided in subsection (h) of this section.

(3) **Relinquishment for non-compliance.** The TUSF administrator shall notify the commission when the TUSF administrator is aware that an ETP is not in compliance with the requirements of subsection (c) of this section.

(A) The commission shall revoke the ETP designation of any telecommunications provider determined not to be in compliance with subsection (c) of this section.

(B) The commission may revoke a portion of the ETP designation of any telecommunications provider determined not to be in compliance with the quality of service standards defined in §§26.52, 26.53, and 26.54 of this title, in that portion of its ETP service area.

(h) **Auction procedure for replacing the sole ETP in an area.** In areas where a telecommunications provider is the sole ETP and seeks to relinquish its ETP designation, the commission shall initiate an auction procedure to designate another ETP. The auction procedure will use a competitive, sealed bid, single-round process to select a telecommunications provider meeting the requirements of subsection (f)(1) of this section that will provide basic local telecommunications service at the lowest cost.

§26.417(h) continued

(1) **Announcement of auction.** Within 30 days of receiving a request from the last ETP in a service area to relinquish its designation, the commission shall provide notice in the *Texas Register* of the auction. The announcement shall at minimum detail the geographic location of the service area, the total number of access lines served, the forward-looking economic cost computed pursuant to §26.403 of this title, of providing basic local telecommunications service and the other services included in the benchmark calculation, existing tariffed rates, bidding deadlines, and bidding procedure.

(2) **Bidding procedure.** Bids must be received by the TUSF administrator not later than 60 days from the date of publication in the *Texas Register*.

(A) Every bid must contain:

(i) the level of assistance per line that the bidder would need to provide all services supported by universal service mechanisms;

(ii) information to substantiate that the bidder meets the eligibility requirements in subsection (c)(1) of this section; and

(iii) information to substantiate that the bidder has the ability to serve the relinquishing ETP's customers.

(B) The TUSF administrator shall collect all bids and within 30 days of the close of the bidding period request that the commission approve the TUSF administrator's selection of the successful bidder.

(C) The commission may designate the lowest qualified bidder as the ETP for the affected service area or areas.

SCHEDULE T-3
FRANCHISE AGREEMENTS

FRANCHISE APPLICATION (TO BE COMPLETED UPON LOAN APPROVAL)

STATE OF TEXAS AUTHORIZATION TO PROVIDE SERVICE OR VIDEO SERVICE

(b) (4)(b) (4)(b) (4)

Public Utility Commission of Texas
1701 N. Congress Avenue
P. O. Box 13326
Austin, Texas 78711-3326
(512) 936-7000 • (Fax) 936-7003
Web Site: www.puc.state.tx.us

INSTRUCTIONS FOR THE INITIAL APPLICATION OR AMENDMENT OF A STATE-ISSUED CERTIFICATE OF FRANCHISE AUTHORITY

Pursuant to PURA Section 66.003, any entity or person seeking to provide cable or video service in this state after September 1, 2005, shall file an application for a State-Issued Certificate of Franchise Authority with the Public Utility Commission of Texas (Commission).

An Application (New or Amendment to an existing certificate) consists of a title page, a completed affidavit, and complete responses to the questions on the application. Applicant shall file an original and six copies of its notarized application. In addition, the Applicant shall file the application electronically as required by the P.U.C. PROC. R. 22.72 (h). The submitted copies shall meet the following requirements:

- The submitted copies must be three-hole punched and bound in a loose-leaf binder.
- The docket number (if known), Applicant's name, and certificate number (if applicable) should appear on the spine of the notebook. The Applicant's name and a page number shall appear on each page of the application.
- Responses to all questions must be provided and must be amended promptly when changes occur. The specific amendment (six copies and one original) shall be filed in Central Records with the established Docket Number prominently displayed.

The application should be submitted to:

Central Records Filing Clerk
Public Utility Commission of Texas
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7180

Public Utility Commission of Texas
1701 N. Congress Avenue
P. O. Box 13326
Austin, Texas 78711-3326
512 / 936-7000 • (Fax) 936-7003
Web Site: www.puc.state.tx.us

TITLE PAGE

APPLICATION FOR A STATE-ISSUED CERTIFICATE OF FRANCHISE AUTHORITY OR AMENDMENT TO A STATE-ISSUED CERTIFICATE OF FRANCHISE AUTHORITY

PROJECT NO. _____
CERTIFICATE NO. _____ (If applicable)

APPLICANT:-_____

Authorized Company Representative:

NAME: _____

TITLE: _____

ADDRESS: _____

TELEPHONE: _____ FAX: _____

EMAIL ADDRESS: _____

Regulatory Contact:

NAME: _____

TITLE: _____

ADDRESS: _____

TELEPHONE: _____ FAX: _____

EMAIL ADDRESS: _____

AFFIDAVIT

STATE OF _____ §
§
COUNTY OF _____ §

My name is _____. I am an Officer or a General Partner of _____ (Applicant). My personal knowledge of the facts stated herein has been derived from my employment with _____ (Applicant).

I swear or affirm that I have personal knowledge of the facts stated in this Application for a State-Issued Certificate of Franchise Authority, that I am competent to testify to them, and that I have the authority to make this Application on behalf of the Applicant. I further swear or affirm that _____ [Name of Applicant]:

a. has filed or will timely file with the Federal Communications Commission all forms required by that agency in advance of offering cable service or video service in Texas;

b. agrees to comply with all applicable federal and state statutes and regulations;

c. agrees to comply with all applicable municipal regulations regarding the use and occupation of public rights-of-way in the delivery of the cable service or video service, including the police powers of the municipalities in which the service is delivered;

d. has in its application provided its principal place of business and the names of its principal executive officers; and

e. has included in its application a true and accurate description of the service area footprint(s) it has requested to serve within any municipality(ies), as well as any unincorporated areas of Texas.

I swear or affirm that all of the statements and representations made in this Application for a State-Issued Certificate of Franchise Authority are true and correct. I also swear or affirm that the _____ [Name of Applicant] understands and will comply with all requirements of law applicable to a Cable and/or Video Service Provider's State-Issued Certificate of Franchise Authority.

_____
Signature and Title

_____
Typed or Printed Name and Title

SWORN TO AND SUBSCRIBED before me on the _____ day of _____, 20___.

_____
Notary Public In and For the
State of _____

My commission expires: _____

1. a. Check applicable category:

_____ Cable Service Provider
_____ Video Service Provider
_____ Cable and Video Service Provider

_____ Amendment to original application
_____ Certificate number issued by the Commission

b. If you are filing an amendment, please check one or more of the following categories requested in this filing:

_____ Name Change including DBA Addition or Change
_____ Certificate Termination
_____ Transfer in Ownership/Control
_____ Modification of Description of Service Area
_____ Other (Explain below)

c. Provide a description of the changes for each item checked in "b" above.

2. Provide the following information:

   a. Principal/business office address; *(street address, city, state and zip code)*:

   b. Main business telephone number:
   c. Toll-free customer service telephone number:
   d. Email address:
   e. Fax number:
   f. Mailing address, if different from principal/business address *(street address, city, state and zip code):*

   g. Name and title of Applicant's principal executive officers.

3. State one principal name and any DBAs in which the Applicant requests the Commission to issue its certificate or in which the Applicant currently holds a Cable and/or Video Service Provider certification.
(NOTE: The certificated name can be the Applicant's legal name, a DBA, or an assumed name as long as the requested name is registered with the Secretary of State of Texas. The certificate holder must use only the name and DBAs set forth in its certificate on all bills, advertisements or communications with the public and the Commission. Name changes require notification to the Commission.)

4. This question is applicable to any Applicant which chooses to terminate an existing franchise agreement with a municipality(ies).

   a. Does the Applicant or any affiliate of the Applicant currently provide cable or video service under a franchise agreement with a municipality? If the Applicant is terminating an existing agreement, has written notice been submitted to the municipality(ies)? Please attach a copy of the written notice that was submitted to the municipality(ies).

   b. Please be advised that under section 66.004 (f) of PURA, it is a condition to the issuance and continuance of a State-Issued Certificate of Franchise

Authority that the private contractual rights and obligations described in section 66.004 continue to be honored, paid, or performed to the same extent as though the cable service provider continued to operate under its prior franchise or permit, for the duration of such State-Issued Certificate of Franchise Authority and any renewals or extensions thereof, and that the Applicant must agree. Thus, **if this question is applicable**, Applicant must affirmatively state its agreement herein.

5. Provide a detailed description of the requested Service Area Footprint (SAF). The requested SAF must include a detailed description of any municipality(ies) and/or unincorporated area(s). (*SAF descriptions shall include one or more of the following: state line, county lines, municipalities/city limits, subdivisions, roadways, streets, blocks, street addresses, and metes and bounds.*) Expansions to existing SAFs must be made by filing an amended application with a detailed description of the expansion. *(For SAF amendments indicate the existing certificated SAF as well as any requested revisions to that existing SAF.)*

6. As applicable, the Applicant agrees to provide the Commission with a written notification of termination of its State-Issued Certificate of Franchise Authority. In addition, the Applicant agrees to provide the Commission a copy of any Court order in which the Applicant's State-Issued Certificate of Franchise Authority has been revoked or modified by any Court of competent jurisdiction. The Applicant must affirmatively state its agreement with these two provisions herein.

Sec. 66.003. STATE AUTHORIZATION TO PROVIDE CABLE SERVICE OR VIDEO SERVICE.

(a) An entity or person seeking to provide cable service or video service in this state after September 1, 2005, shall file an application for a state-issued certificate of franchise authority with the commission as required by this section. An entity providing cable service or video service under a franchise agreement with a municipality is not subject to this subsection with respect to such municipality until the franchise agreement expires, except as provided by Section 66.004.

(a-1) The commission shall notify an applicant for a state-issued certificate of franchise authority whether the applicant's affidavit described by Subsection (b) is complete before the 15th business day after the applicant submits the affidavit.

(b) The commission shall issue a certificate of franchise authority to offer cable service or video service before the 17th business day after receipt of a completed affidavit submitted by the applicant and signed by an officer or general partner of the applicant affirming:

(1) that the applicant has filed or will timely file with the Federal Communications Commission all forms required by that agency in advance of offering cable service or video service in this state;

(2) that the applicant agrees to comply with all applicable federal and state statutes and regulations;

(3) that the applicant agrees to comply with all applicable municipal regulations regarding the use and occupation of public rights-of-way in the delivery of the cable service or video service, including the police powers of the municipalities in which the service is delivered;

(4) a description of the service area footprint to be served within the municipality, if applicable, otherwise the municipality to be served by the applicant, which may include certain designations of unincorporated areas, which description shall be updated by the applicant prior to the expansion of cable

service or video service to a previously undesignated service area and, upon such expansion, notice to the commission of the service area to be served by the applicant; and

(5) the location of the applicant's principal place of business and the names of the applicant's principal executive officers.

(c) The certificate of franchise authority issued by the commission shall contain:

(1) a grant of authority to provide cable service or video service as requested in the application;

(2) a grant of authority to use and occupy the public rights-of-way in the delivery of that service, subject to the laws of this state, including the police powers of the municipalities in which the service is delivered; and

(3) a statement that the grant of authority is subject to lawful operation of the cable service or video service by the applicant or its successor in interest.

(d) The certificate of franchise authority issued by the commission is fully transferable to any

successor in interest to the applicant to which it is initially granted. A notice of transfer shall be filed with
the commission and the relevant municipality within 14 business days of the completion of such transfer.
(e) The certificate of franchise authority issued by the commission may be terminated by the cable
service provider or video service provider by submitting notice to the commission.
(Added by 2005 Amendments: SB 5.)

Sec. 66.004. ELIGIBILITY FOR COMMISSION-ISSUED FRANCHISE.

(a) A cable service provider or a video service provider that currently has or had previously received a
franchise to provide cable service or video service with respect to such municipalities is not eligible to
seek a state-issued certificate of franchise authority under this chapter as to those municipalities until the
expiration date of the existing franchise agreement, except as provided by Subsections (b) and (c).
(b) Beginning September 1, 2005, a cable service provider or video service provider that is not the
incumbent cable service provider and serves fewer than 40 percent of the total cable customers in a
particular municipal franchise area may elect to terminate that municipal franchise and seek a state-issued
certificate of franchise authority by providing written notice to the commission and the affected
municipality before January 1, 2006. The municipal franchise is terminated on the date the commission
issues the state-issued certificate of franchise authority.
(c) A cable service provider that serves fewer than 40 percent of the total cable customers in a
municipal franchise area and that elects under Subsection (b) to terminate an existing municipal franchise
is responsible for remitting to the affected municipality before the 91st day after the date the municipal
franchise is terminated any accrued but unpaid franchise fees due under the terminated franchise. If the
cable service provider has credit remaining from prepaid franchise fees, the provider may deduct the
amount of the remaining credit from any future fees or taxes it must pay to the municipality, either
directly or through the comptroller.
(d) For purposes of this section, a cable service provider or video service provider will be deemed to
have or have had a franchise to provide cable service or video service in a specific municipality if any
affiliates or successor entity of the cable or video provider has or had a franchise agreement granted by
that specific municipality.
(e) The terms "affiliates or successor entity" in this section shall include but not be limited to any
entity receiving, obtaining, or operating under a municipal cable or video franchise through merger, sale,
assignment, restructuring, or any other type of transaction.

(f) Except as provided in this chapter, nothing in this chapter is intended to abrogate, nullify, or

adversely affect in any way the contractual rights, duties, and obligations existing and incurred by a cable service provider or a video service provider before the enactment of this chapter, and owed or owing to any private person, firm, partnership, corporation, or other entity including without limitation those obligations measured by and related to the gross revenue hereafter received by the holder of a state-issued certificate of franchise authority for services provided in the geographic area to which such prior franchise or permit applies. All liens, security interests, royalties, and other contracts, rights, and interests in effect on September 1, 2005, shall continue in full force and effect, without the necessity for renewal, extension, or continuance, and shall be paid and performed by the holder of a state-issued certificate of franchise authority, and shall apply as though the revenue generated by the holder of a state-issued certificate of franchise authority continued to be generated pursuant to the permit or franchise issued by the prior local franchising authority or municipality within the geographic area to which the prior permit or franchise applies. It shall be a condition to the issuance and continuance of a state-issued certificate of franchise authority that the private contractual rights and obligations herein described continue to be honored, paid, or performed to the same extent as though the cable service provider continued to operate under its prior franchise or permit, for the duration of such state-issued certificate of franchise authority and any renewals or extensions thereof, and that the applicant so agrees. Any person, firm, partnership, corporation, or other entity holding or claiming rights herein reserved may enforce same by an action brought in a court of competent jurisdiction.

(Added by 2005 Amendments: SB 5.)

Sec. 66.005. FRANCHISE FEE.

(a) The holder of a state-issued certificate of franchise authority shall pay each municipality in which it provides cable service or video service a franchise fee of five percent based upon the definition of gross revenues as set forth in this chapter. That same franchise fee structure shall apply to any unincorporated areas that are annexed by a municipality after the effective date of the state-issued certificate of franchise authority.

(b) The franchise fee payable under this section is to be paid quarterly, within 45 days after the end of the quarter for the preceding calendar quarter. Each payment shall be accompanied by a summary explaining the basis for the calculation of the fee. A municipality may review the business records of the cable service provider or video service provider to the extent necessary to ensure compensation in

accordance with Subsection (a). Each party shall bear the party's own costs of the examination. A municipality may, in the event of a dispute concerning compensation under this section, bring an action in
a court of competent jurisdiction.
(c) The holder of a state-issued certificate of franchise authority may recover from the provider's customers any fee imposed by this chapter.
(Added by 2005 Amendments: SB 5.)

Sec. 66.006. IN-KIND CONTRIBUTIONS TO MUNICIPALITY.

(a) Until the expiration of the incumbent cable service provider's agreement, the holder of a stateissued
certificate of franchise authority shall pay a municipality in which it is offering cable service or video service the same cash payments on a per subscriber basis as required by the incumbent cable service
provider's franchise agreement. All cable service providers and all video service providers shall report
quarterly to the municipality the total number of subscribers served within the municipality. The amount
paid by the holder of a state-issued certificate of franchise authority shall be calculated quarterly by the
municipality by multiplying the amount of cash payment under the incumbent cable service provider's
franchise agreement by a number derived by dividing the number of subscribers served by a video service
provider or cable service provider by the total number of video or cable service subscribers in the 373
municipality. Such pro rata payments are to be paid quarterly to the municipality within 45 days after the
end of the quarter for the preceding calendar quarter.
(b) On the expiration of the incumbent cable service provider's agreement, the holder of a state-issued
certificate of franchise authority shall pay a municipality in which it is offering cable service or video
service one percent of the provider's gross revenues, as defined by this chapter, or at the municipality's
election, the per subscriber fee that was paid to the municipality under the expired incumbent cable
service provider's agreement, in lieu of in-kind compensation and grants. Payments under this subsection
shall be paid in the same manner as outlined in Section 66.005(b).
(c) All fees paid to municipalities under this section are paid in accordance with 47 U.S.C. Sections
531 and 541(a)(4)(B) and may be used by the municipality as allowed by federal law; further, these
payments are not chargeable as a credit against the franchise fee payments authorized under this chapter.
(d) The following services shall continue to be provided by the cable provider that was furnishing services pursuant to its municipal cable franchise until January 1, 2008, or until the term of the franchise
was to expire, whichever is later, and thereafter as provided in Subdivisions (1) and (2) below:
(1) institutional network capacity, however defined or referred to in the municipal cable franchise but

generally referring to a private line data network capacity for use by the municipality for noncommercial
purposes, shall continue to be provided at the same capacity as was provided to the municipality prior to
the date of the termination, provided that the municipality will compensate the provider for the actual
incremental cost of the capacity; and
(2) cable services to community public buildings, such as municipal buildings and public schools, shall continue to be provided to the same extent provided immediately prior to the date of the termination.
Beginning on January 1, 2008, or the expiration of the franchise agreement, whichever is later, a provider
that provides the services may deduct from the franchise fee to be paid to the municipality an amount
equal to the actual incremental cost of the services if the municipality requires the services after that date.
Such cable service generally refers to the existing cable drop connections to such facilities and the tier of
cable service provided pursuant to the franchise at the time of the termination.
(Added by 2005 Amendments: SB 5.)

Sec. 66.007. BUILD-OUT.

The holder of a state-issued certificate of franchise authority shall not be required to comply with mandatory build-out provisions.
(Added by 2005 Amendments: SB 5.)

Sec. 66.008. CUSTOMER SERVICE STANDARDS.

The holder of a state-issued certificate of franchise authority shall comply with customer service requirements consistent with 47 C.F.R. Section 76.309(c) until there are two or more providers offering
service, excluding direct-to-home satellite service, in the relevant municipality.
(Added by 2005 Amendments: SB 5.)

Sec. 66.009. PUBLIC, EDUCATIONAL, AND GOVERNMENTAL ACCESS CHANNELS.

(a) Not later than 120 days after a request by a municipality, the holder of a state-issued certificate of
franchise authority shall provide the municipality with capacity in its communications network to allow
public, educational, and governmental (PEG) access channels for noncommercial programming.
(b) The holder of a state-issued certificate of franchise authority shall provide no fewer than the number of PEG access channels a municipality has activated under the incumbent cable service provider's
franchise agreement as of September 1, 2005.

(c) If a municipality did not have PEG access channels as of September 1, 2005, the cable service provider or video service provider shall furnish:
(1) up to three PEG channels for a municipality with a population of at least 50,000; and
(2) up to two PEG channels for a municipality with a population of less than 50,000.
(d) Any PEG channel provided pursuant to this section that is not utilized by the municipality for at
least eight hours a day shall no longer be made available to the municipality, but may be programmed at
the cable service provider's or video service provider's discretion. At such time as the municipality can

certify to the cable service provider or video service provider a schedule for at least eight hours of daily
programming, the cable service provider or video service provider shall restore the previously lost channel but shall be under no obligation to carry that channel on a basic or analog tier.
(e) In the event a municipality has not utilized the minimum number of access channels as permitted
by Subsection (c), access to the additional channel capacity allowed in Subsection (c) shall be provided
upon 90 days' written notice if the municipality meets the following standard: if a municipality has one
active PEG channel and wishes to activate an additional PEG channel, the initial channel shall be considered to be substantially utilized when 12 hours are programmed on that channel each calendar day.
In addition, at least 40 percent of the 12 hours of programming for each business day on average over
each calendar quarter must be nonrepeat programming. Nonrepeat programming shall include the first
three video-castings of a program. If a municipality is entitled to three PEG channels under Subsection
(c) and has in service two active PEG channels, each of the two active channels shall be considered to be
substantially utilized when 12 hours are programmed on each channel each calendar day and at least 50
percent of the 12 hours of programming for each business day on average over each calendar quarter is
nonrepeat programming for three consecutive calendar quarters.
(f) The operation of any PEG access channel provided pursuant to this section shall be the responsibility of the municipality receiving the benefit of such channel, and the holder of a state-issued
certificate of franchise authority bears only the responsibility for the transmission of such channel. The
holder of a state-issued certificate of franchise authority shall be responsible for providing the connectivity to each PEG access channel distribution point up to the first 200 feet.
(g) The municipality must ensure that all transmissions, content, or programming to be transmitted
over a channel or facility by a holder of a state-issued certificate of franchise authority are provided or
submitted to the cable service provider or video service provider in a manner or form that is capable of
being accepted and transmitted by a provider, without requirement for additional alteration or change in
the content by the provider, over the particular network of the cable service provider or video service
provider, which is compatible with the technology or protocol utilized by the cable service provider or
video service provider to deliver services.
(h) Where technically feasible, the holder of a state-issued certificate of franchise authority and an
incumbent cable service provider shall use reasonable efforts to interconnect their cable or video systems

for the purpose of providing PEG programming. Interconnection may be accomplished by direct cable,
microwave link, satellite, or other reasonable method of connection. Holders of a state-issued certificate
of franchise authority and incumbent cable service providers shall negotiate in good faith and incumbent
cable service providers may not withhold interconnection of PEG channels.
(i) A court of competent jurisdiction shall have exclusive jurisdiction to enforce any requirement under this section.
(Added by 2005 Amendments: SB 5.)
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Sec. 66.010. NONDISCRIMINATION BY MUNICIPALITY.
(a) A municipality shall allow the holder of a state-issued certificate of franchise authority to install,
construct, and maintain a communications network within a public right-of-way and shall provide the
holder of a state-issued certificate of franchise authority with open, comparable, nondiscriminatory, and
competitively neutral access to the public right-of-way. All use of a public right-of-way by the holder of
a state-issued certificate of franchise authority is nonexclusive and subject to Section 66.011.
(b) A municipality may not discriminate against the holder of a state-issued certificate of franchise
authority regarding:
(1) the authorization or placement of a communications network in a public right-of-way;
(2) access to a building; or
(3) a municipal utility pole attachment term.
(Added by 2005 Amendments: SB 5.)
Sec. 66.011. MUNICIPAL POLICE POWER; OTHER AUTHORITY.
(a) A municipality may enforce police power-based regulations in the management of a public rightof-
way that apply to the holder of a state-issued certificate of franchise authority within the municipality.
A municipality may enforce police power-based regulations in the management of the activities of the
holder of a state-issued certificate of franchise authority to the extent that they are reasonably necessary to
protect the health, safety, and welfare of the public. Police power-based regulation of the holder of a
state-issued certificate of franchise authority's use of the public right-of-way must be competitively
neutral and may not be unreasonable or discriminatory. A municipality may not impose on activities of
the holder of a state-issued certificate of franchise authority a requirement:
(1) that particular business offices be located in the municipality;
(2) regarding the filing of reports and documents with the municipality that are not required by state
or federal law and that are not related to the use of the public right-of-way except that a municipality may
request maps and records maintained in the ordinary course of business for purposes of locating the

portions of a communications network that occupy public rights-of-way. Any maps or records of the
location of a communications network received by a municipality shall be confidential and exempt from
disclosure under Chapter 552, Government Code, and may be used by a municipality only for the purpose
of planning and managing construction activity in the public right-of-way. A municipality may not
request information concerning the capacity or technical configuration of the holder of a state-issued
certificate of franchise authority's facilities;
(3) for the inspection of the holder of a state-issued certificate of franchise authority's business records
except to extent permitted under Section 66.005(b);
(4) for the approval of transfers of ownership or control of the holder of a state-issued certificate of
franchise authority's business, except that a municipality may require that the holder of a state-issued
certificate of franchise authority maintain a current point of contact and provide notice of a transfer within
a reasonable time; or
(5) that the holder of a state-issued certificate of franchise authority that is self-insured under the
provisions of state law obtain insurance or bonding for any activities within the municipality, except that
a self-insured provider shall provide substantially the same defense and claims processing as an insured
provider. A bond may not be required from a provider for any work consisting of aerial construction
except that a reasonable bond may be required of a provider that cannot demonstrate a record of at least
four years' performance of work in any municipal public right-of-way free of currently unsatisfied claims
by a municipality for damage to the right-of-way.
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(b) Notwithstanding any other law, a municipality may require the issuance of a construction permit,
without cost, to the holder of a state-issued certificate of franchise authority that is locating facilities in or
on a public right-of-way in the municipality. The terms of the permit shall be consistent with
construction permits issued to other persons excavating in a public right-of-way.
(c) In the exercise of its lawful regulatory authority, a municipality shall promptly process all valid
and administratively complete applications of the holder of a state-issued certificate of franchise authority
for a permit, license, or consent to excavate, set poles, locate lines, construct facilities, make repairs,
affect traffic flow, or obtain zoning or subdivision regulation approvals or other similar approvals. A
municipality shall make every reasonable effort not to delay or unduly burden the provider in the timely
conduct of the provider's business.

(d) If there is an emergency necessitating response work or repair, the holder of a state-issued certificate of franchise authority may begin the repair or emergency response work or take any action
required under the circumstances without prior approval from the affected municipality, if the holder of a
state-issued certificate of franchise authority notifies the municipality as promptly as possible after
beginning the work and later obtains any approval required by a municipal ordinance applicable to
emergency response work.
(e) The commission shall have no jurisdiction to review such police power-based regulations and ordinances adopted by a municipality to manage the public rights-of-way.
(Added by 2005 Amendments: SB 5.)

Sec. 66.012. INDEMNITY IN CONNECTION WITH RIGHT-OF-WAY; NOTICE OF LIABILITY.

(a) The holder of a state-issued certificate of franchise authority shall indemnify and hold a municipality and its officers and employees harmless against any and all claims, lawsuits, judgments,
costs, liens, losses, expenses, fees (including reasonable attorney's fees and costs of defense), proceedings, actions, demands, causes of action, liability, and suits of any kind and nature, including
personal or bodily injury (including death), property damage, or other harm for which recovery of damages is sought, that is found by a court of competent jurisdiction to be caused solely by the negligent
act, error, or omission of the holder of a state-issued certificate of franchise authority or any agent,
officer, director, representative, employee, affiliate, or subcontractor of the holder of a state-issued
certificate of franchise authority or their respective officers, agents, employees, directors, or representatives, while installing, repairing, or maintaining facilities in a public right-of-way. The indemnity provided by this subsection does not apply to any liability resulting from the negligence of the
municipality or its officers, employees, contractors, or subcontractors. If the holder of a state-issued
certificate of franchise authority and the municipality are found jointly liable by a court of competent
jurisdiction, liability shall be apportioned comparatively in accordance with the laws of this state without,
however, waiving any governmental immunity available to the municipality under state law and without
waiving any defenses of the parties under state law. This subsection is solely for the benefit of the municipality and the holder of a state-issued certificate of franchise authority and does not create or grant
any rights, contractual or otherwise, for or to any other person or entity.
(b) The holder of a state-issued certificate of franchise authority and a municipality shall promptly
advise the other in writing of any known claim or demand against the holder of a state-issued certificate
of franchise authority or the municipality related to or arising out of the holder of a state-issued certificate
of franchise authority's activities in a public right-of-way.

(c) The commission shall have no jurisdiction to review such police power-based regulations and ordinances adopted by a municipality to manage the public rights-of-way.
(Added by 2005 Amendments: SB 5.)
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Sec. 66.013. MUNICIPAL AUTHORITY.
In addition to a municipality's authority to exercise its nondiscriminatory police power with respect to
public rights-of-way under current law, a municipality's authority to regulate the holder of state-issued
certificate of franchise authority is limited to:
(1) a requirement that the holder of a state-issued certificate of franchise authority who is providing
cable service or video service within the municipality register with the municipality and maintain a point
of contact;
(2) the establishment of reasonable guidelines regarding the use of public, educational, and governmental access channels; and
(3) submitting reports within 30 days on the customer service standards referenced in Section 66.008
if the provider is subject to those standards and has continued and unresolved customer service complaints indicating a clear failure on the part of the holder of a state-issued certificate of franchise
authority to comply with the standards.
(Added by 2005 Amendments: SB 5.)
Sec. 66.014. DISCRIMINATION PROHIBITED.
(a) The purpose of this section is to prevent discrimination among potential residential subscribers.
(b) A cable service provider or video service provider that has been granted a state-issued certificate
of franchise authority may not deny access to service to any group of potential residential subscribers
because of the income of the residents in the local area in which such group resides.
(c) An affected person may seek enforcement of the requirements described by Subsection (b) by initiating a proceeding with the commission. A municipality within which the potential residential cable
service or video service subscribers referenced in Subsection (b) may be considered an affected person for
purposes of this section.
(d) The holder of a state-issued certificate of franchise authority shall have a reasonable period of time
to become capable of providing cable service or video service to all households within the designated
franchise area as defined in Section 66.003(b)(4) and may satisfy the requirements of this section through
the use of an alternative technology that provides comparable content, service, and functionality.
(e) Notwithstanding any provision of this chapter, the commission has the authority to make the determination regarding the comparability of the technology and the service provided. Notwithstanding
any provision of this chapter, the commission has the authority to monitor the deployment of cable
services, video services, or alternate technology.

(Added by 2005 Amendments: SB 5.)

Sec. 66.015. COMPLIANCE.

(a) Should the holder of a state-issued certificate of franchise authority be found by a court of competent jurisdiction to be in noncompliance with the requirements of this chapter, the court shall order the holder a state-issued certificate of franchise authority, within a specified reasonable period of time, to cure such noncompliance. Failure to comply shall subject the holder of the state-issued franchise of franchise authority to penalties as the court shall reasonably impose, up to and including revocation of the state-issued certificate of franchise authority granted under this chapter.

(b) A municipality within which the provider offers cable service or video service shall be an appropriate party in any such litigation.

(Added by 2005 Amendments: SB 5.)

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Sec. 66.016. APPLICABILITY OF OTHER LAWS.

(a) Nothing in this chapter shall be interpreted to prevent a voice provider, cable service provider or video service provider, or municipality from seeking clarification of its rights and obligations under federal law or to exercise any right or authority under federal or state law.

(b) Nothing in this chapter shall limit the ability of a municipality under existing law to receive compensation for use of the public rights-of-way from entities determined not to be subject to all or part of this chapter, including but not limited to provider of Internet protocol cable or video services, unless such payments are expressly prohibited by federal law.

(Added by 2005 Amendments: SB 5.)

SCHEDULE T-4
INTERCONNECTION AGREEMENTS OR SERVICE PROVIDER AGREEMENTS

SERVICE AGREEMENT (TO BE COMPLETED UPON LOAN APPROVAL)

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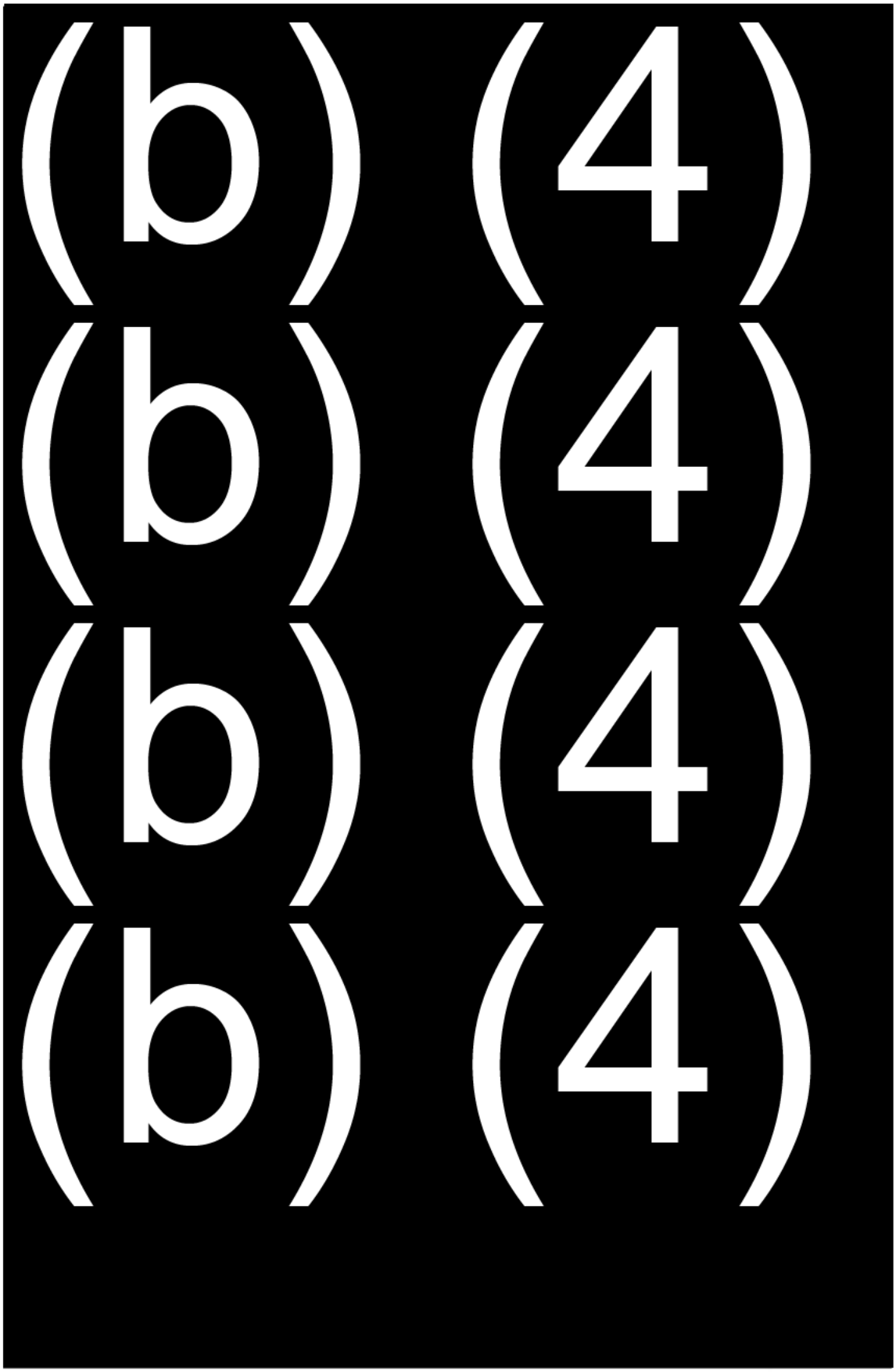
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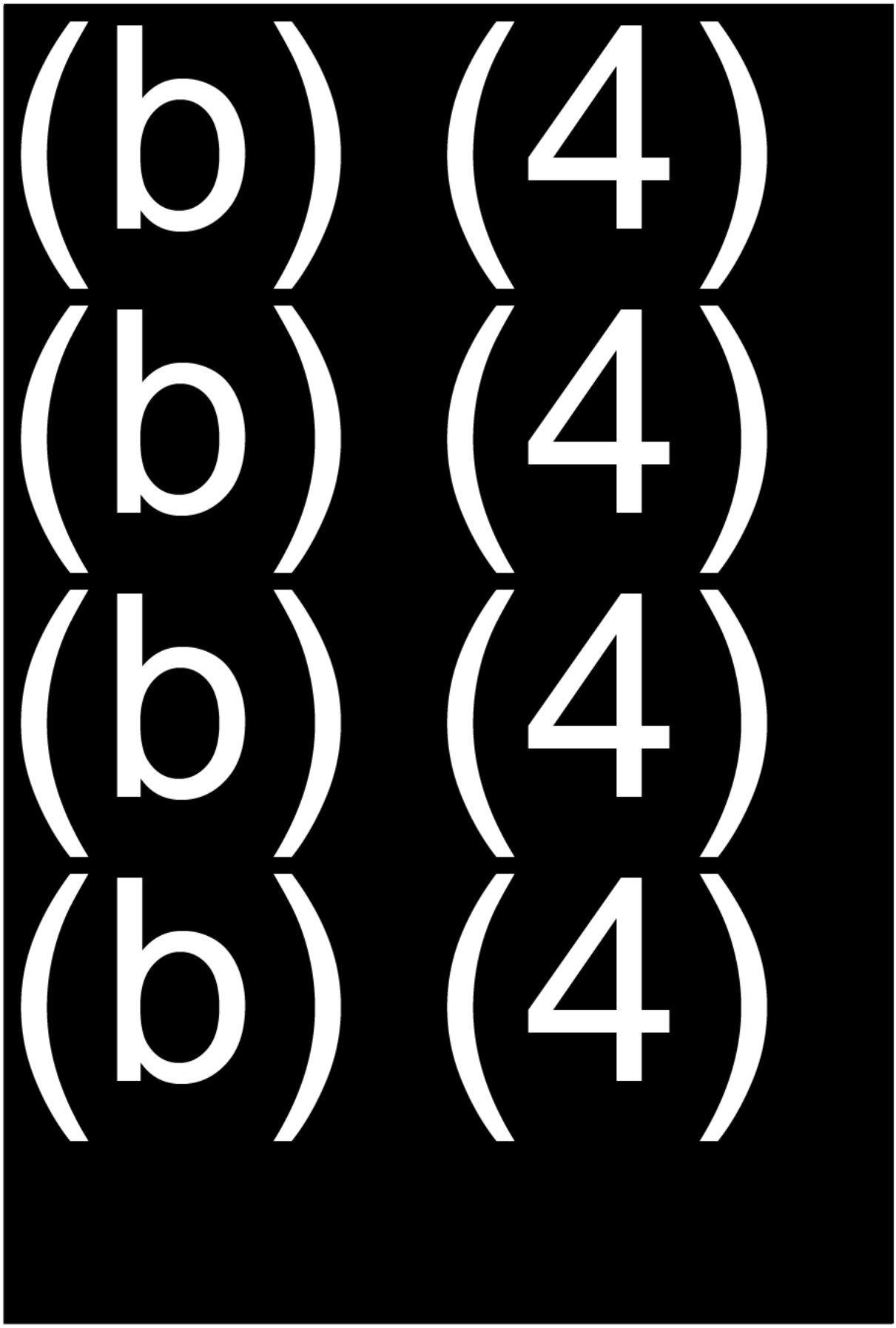
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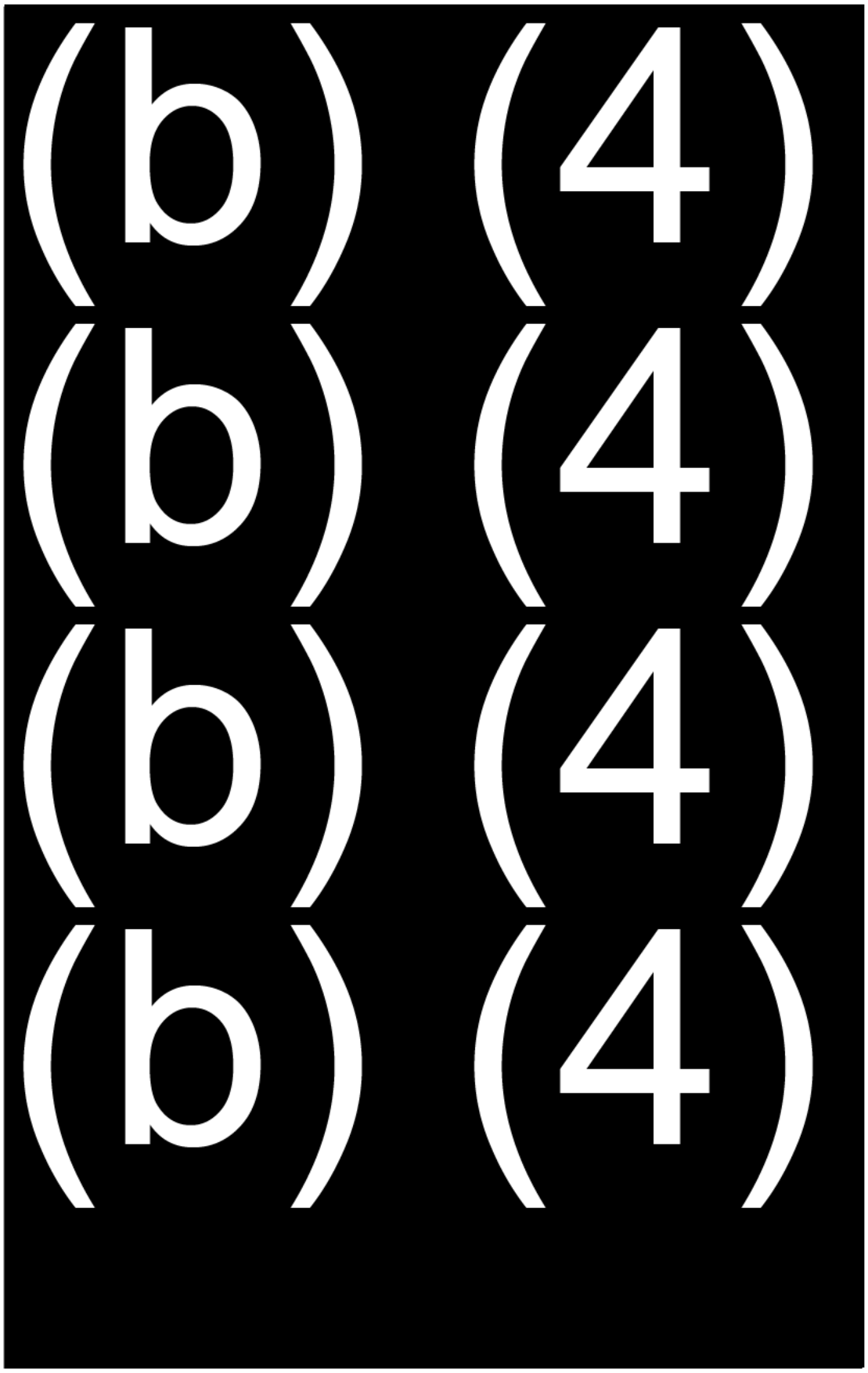
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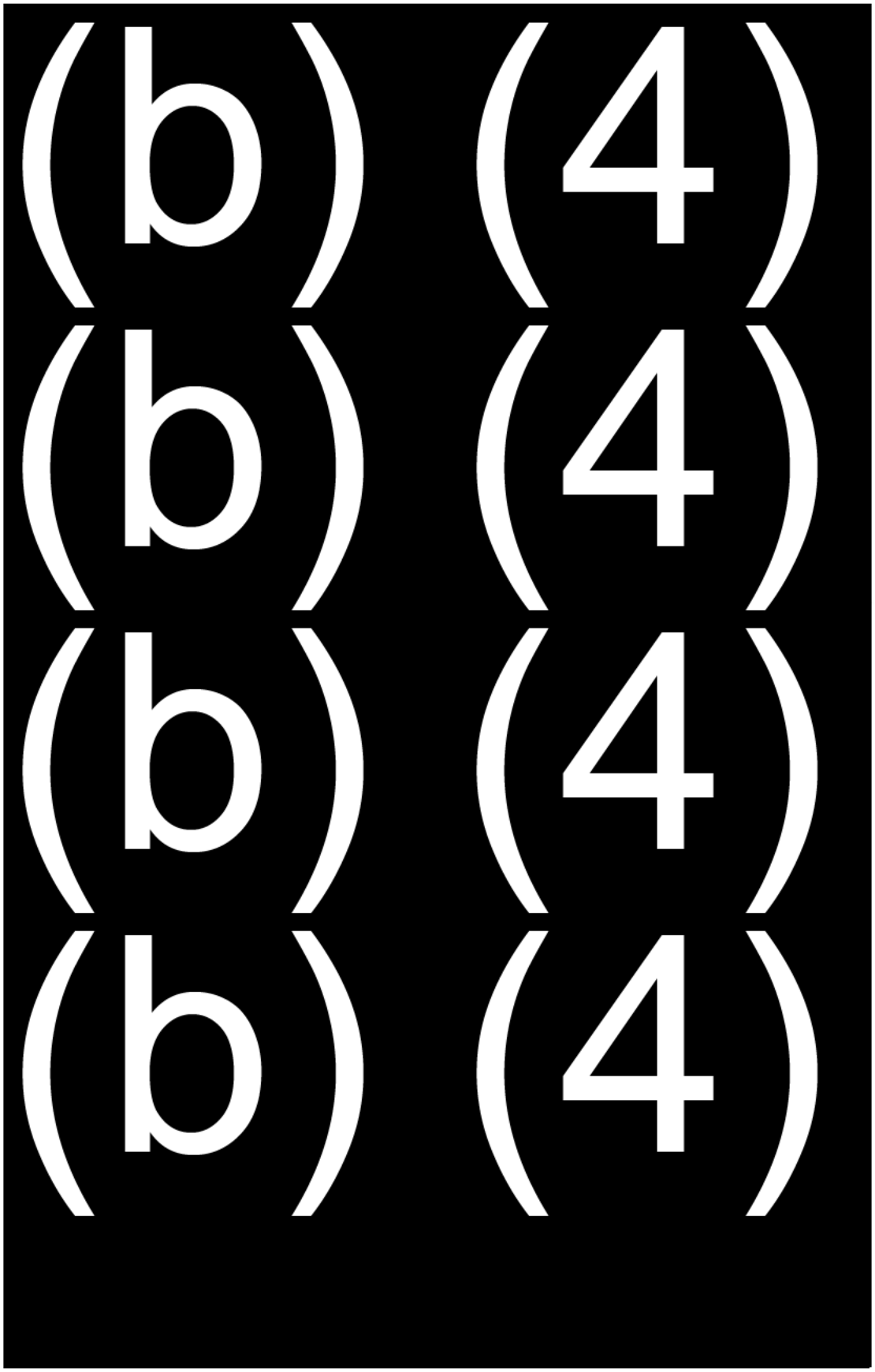
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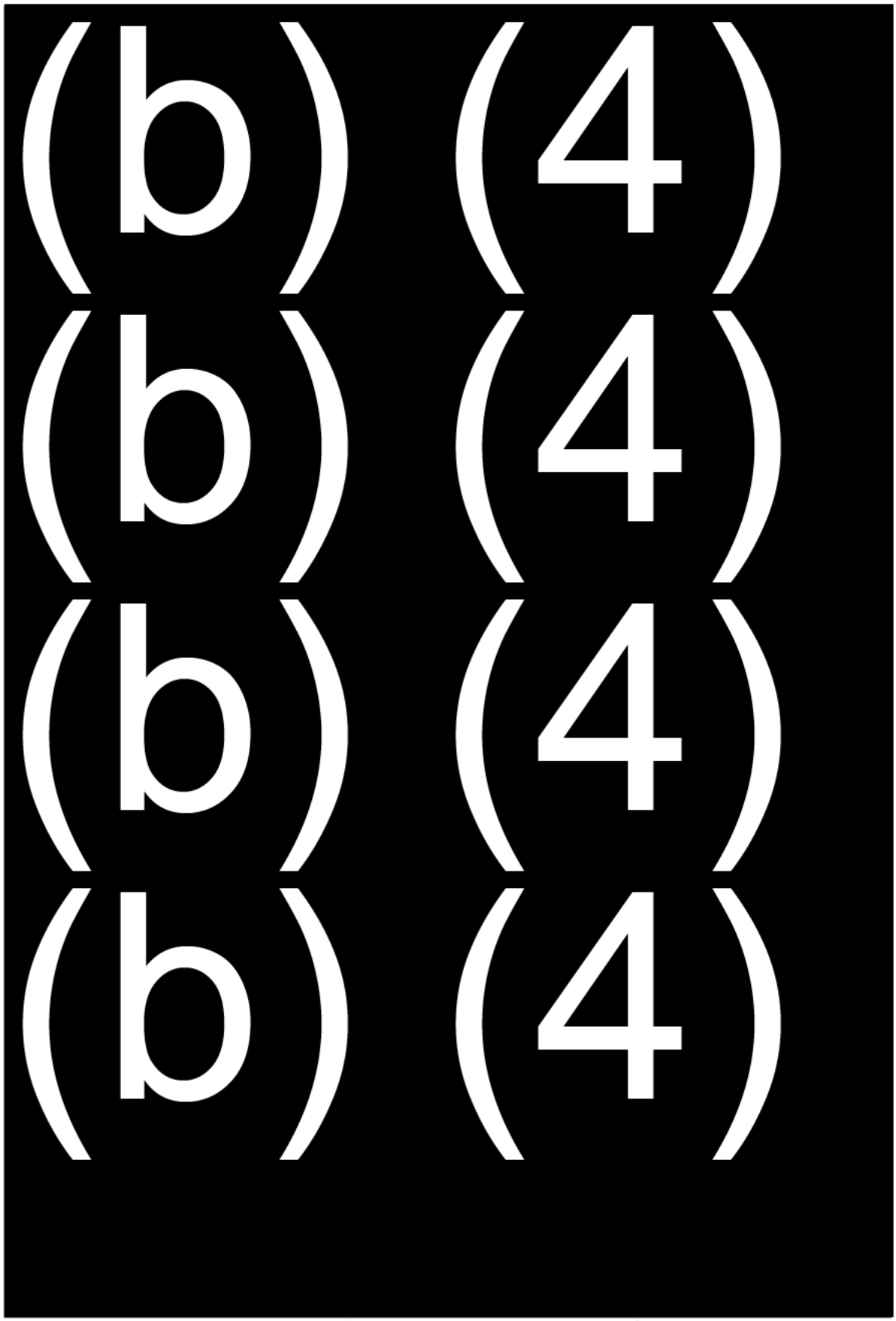
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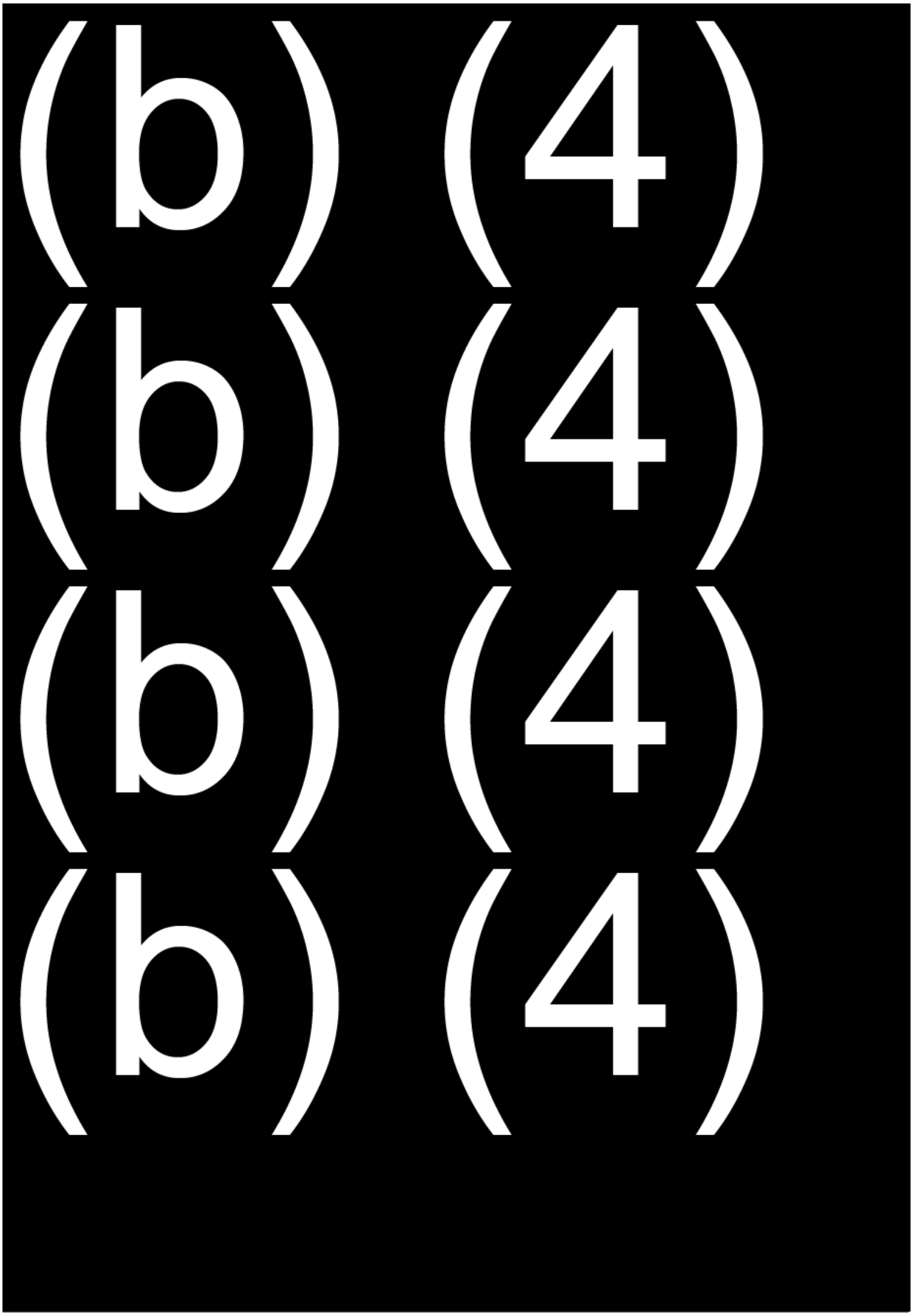
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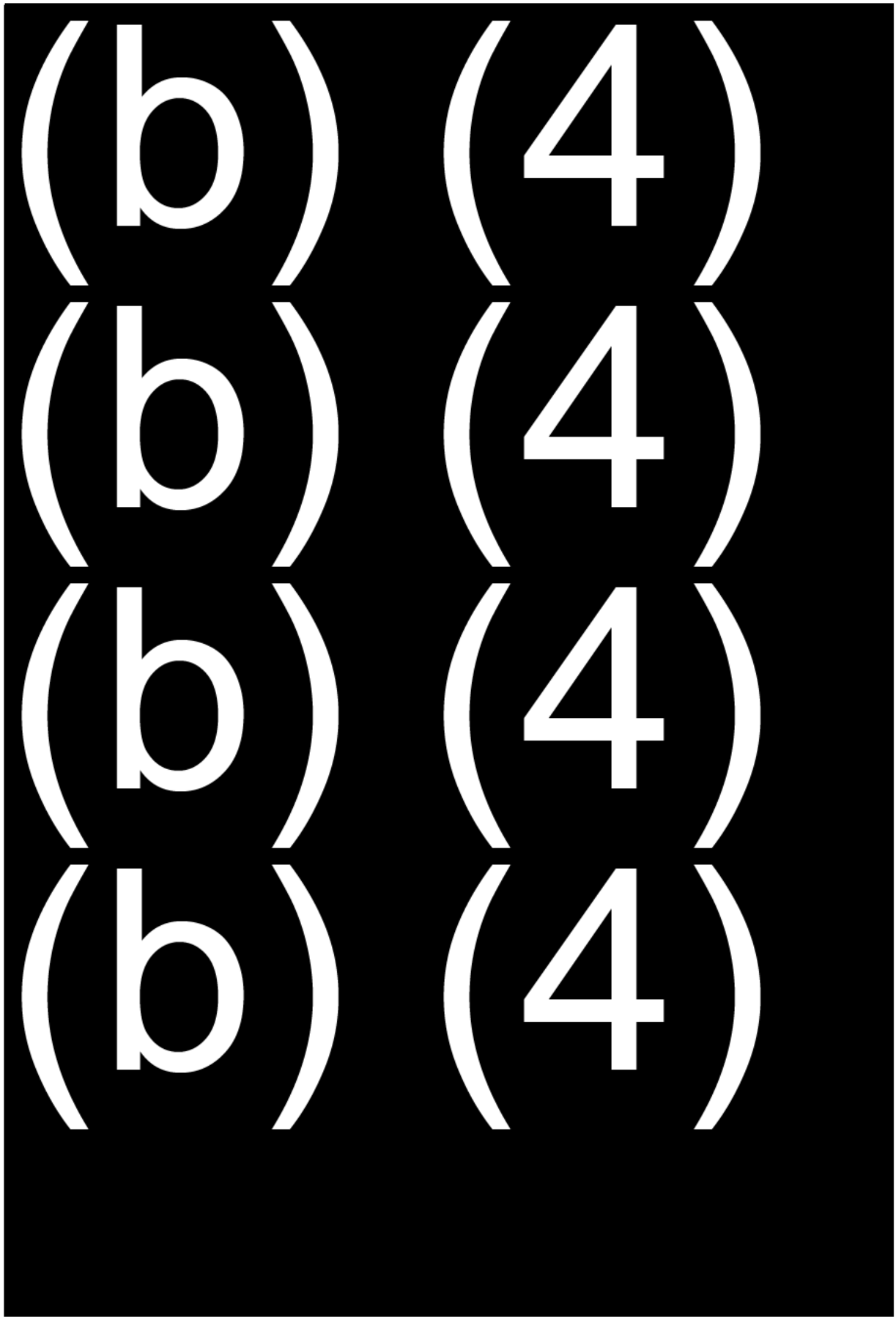
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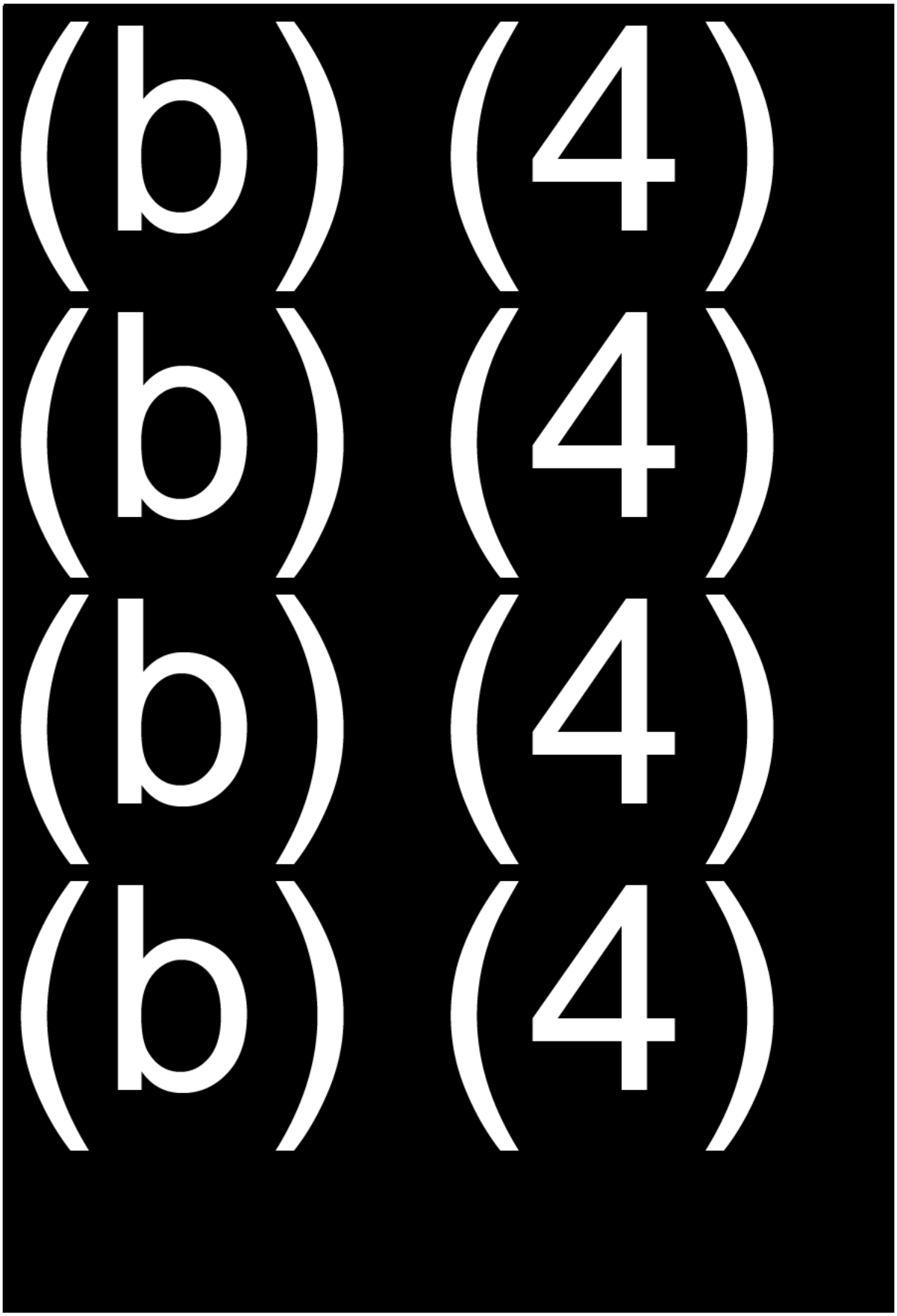
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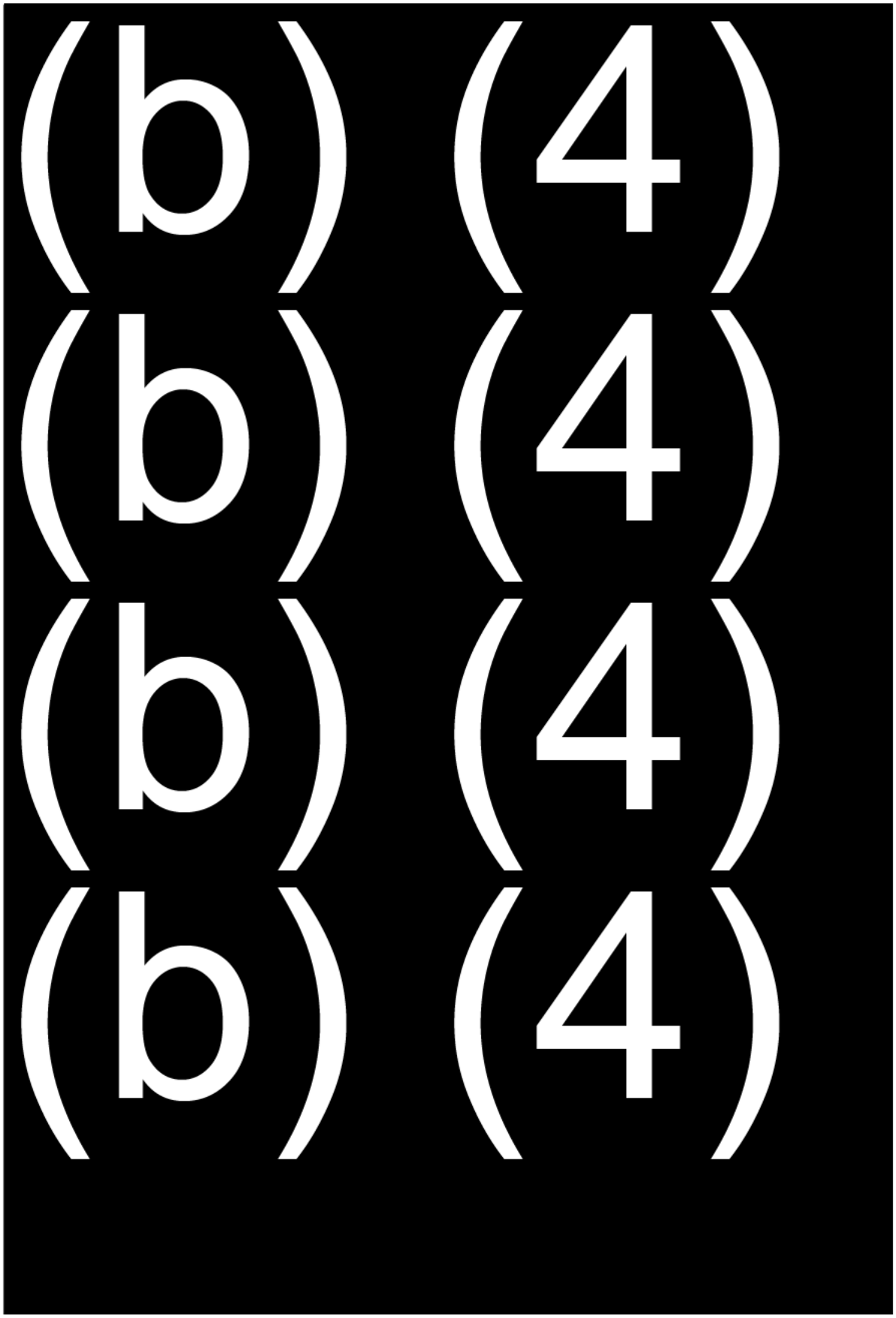
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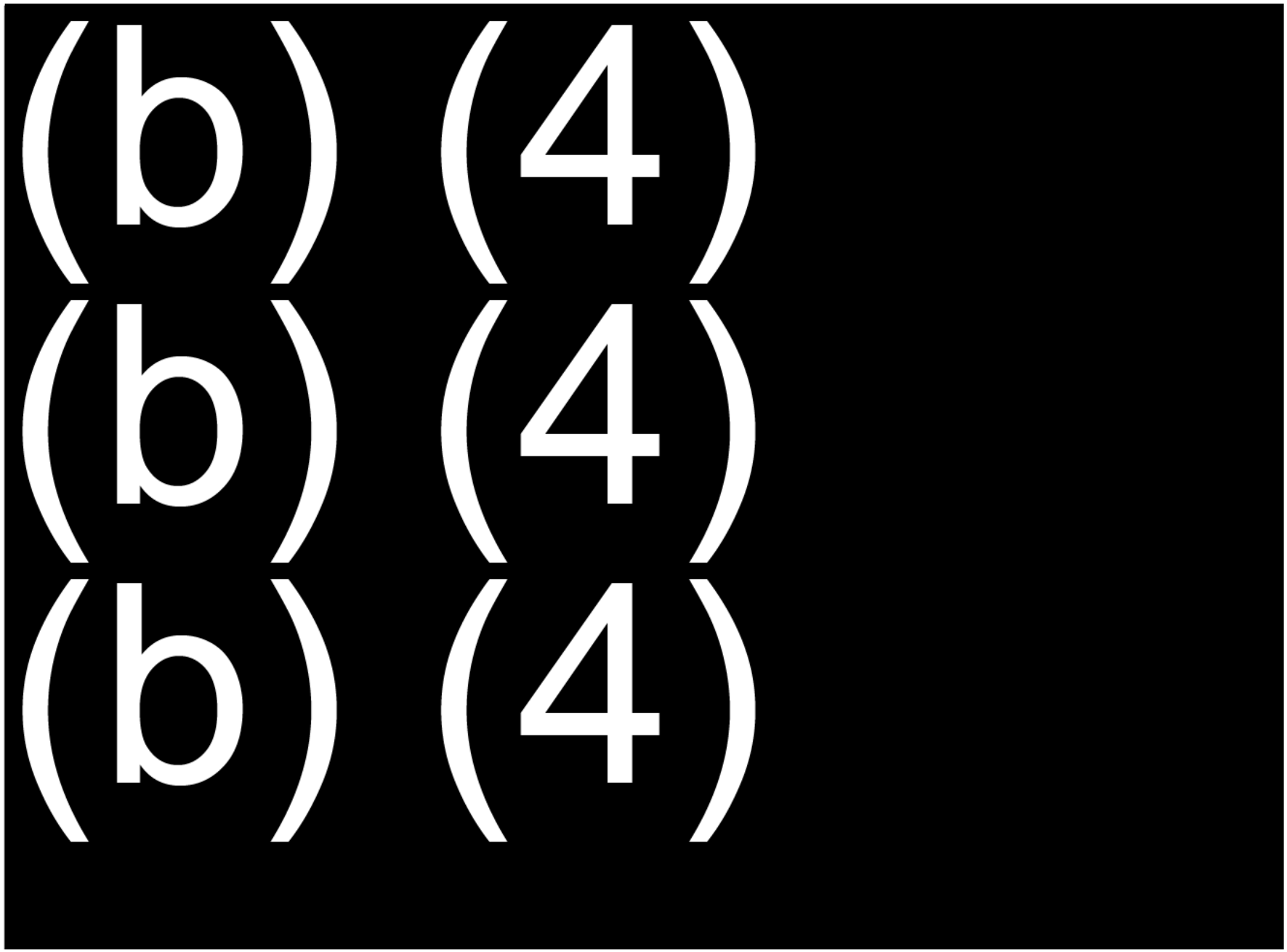
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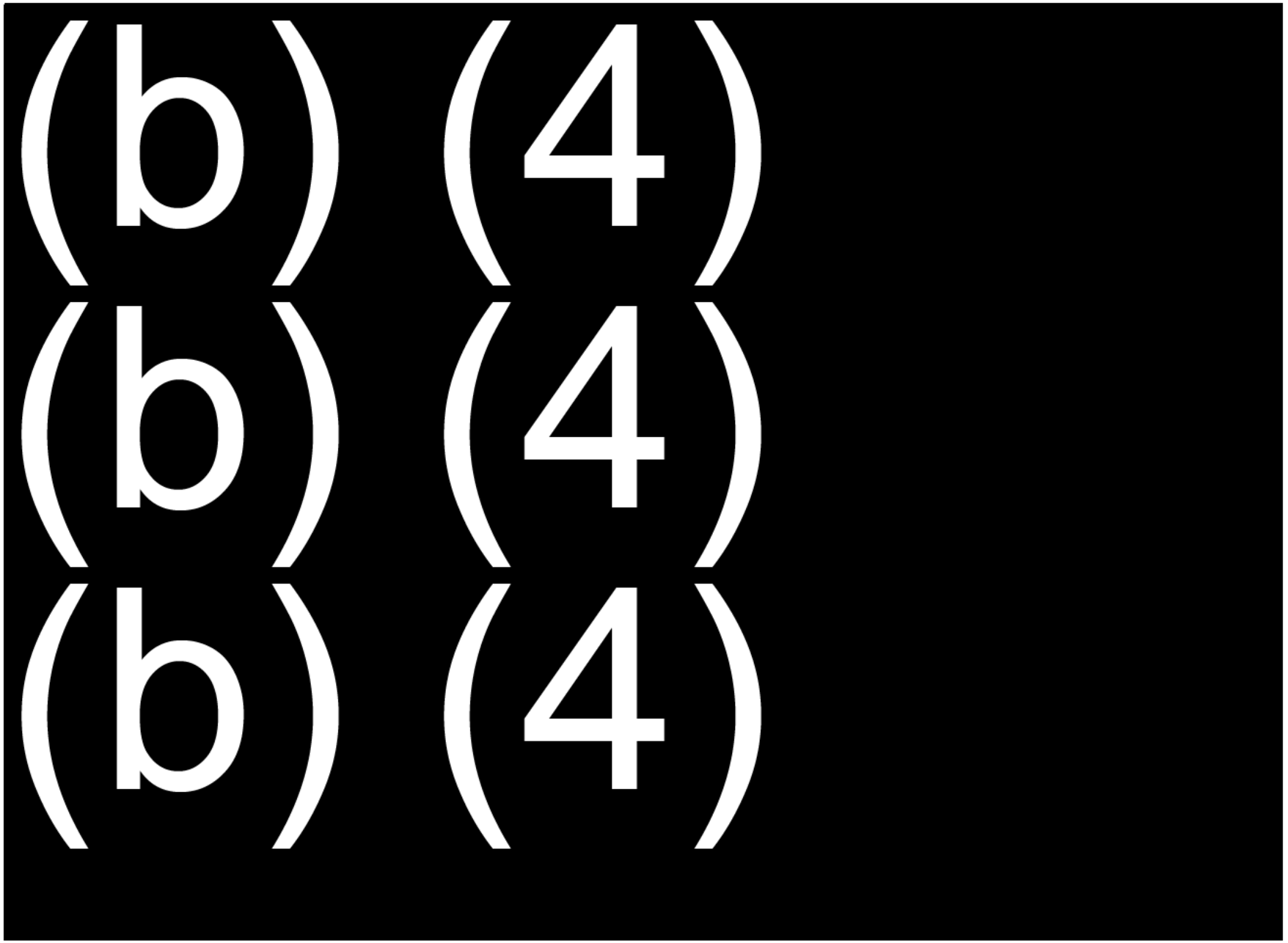
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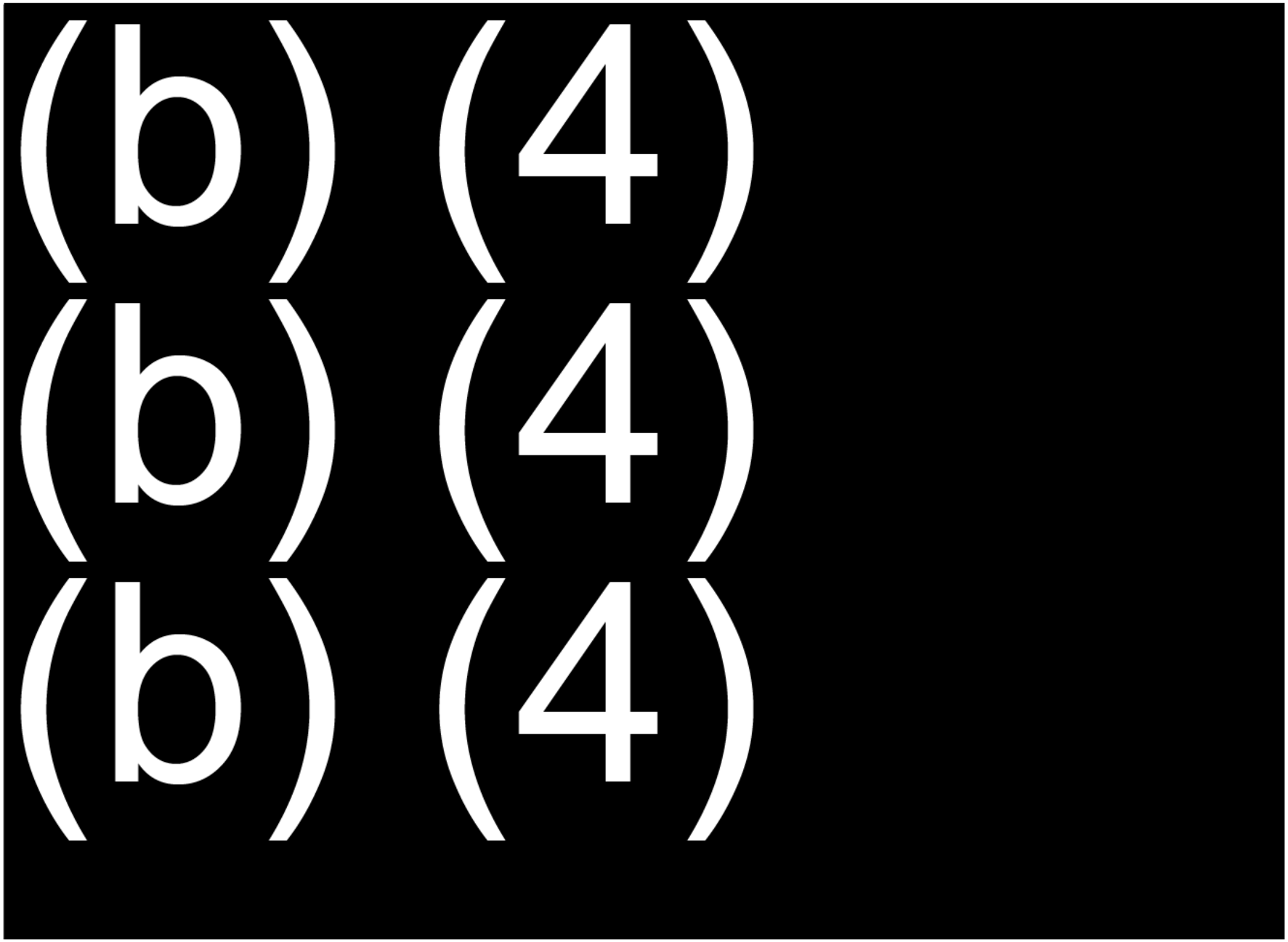
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SCHEDULE T-5
MANAGEMENT / SERVICE AGREEMENTS WITH AFFILIATED COMPANIES

SERVICE AGREEMENT (TO BE COMPLETED UPON LOAN APPROVAL)

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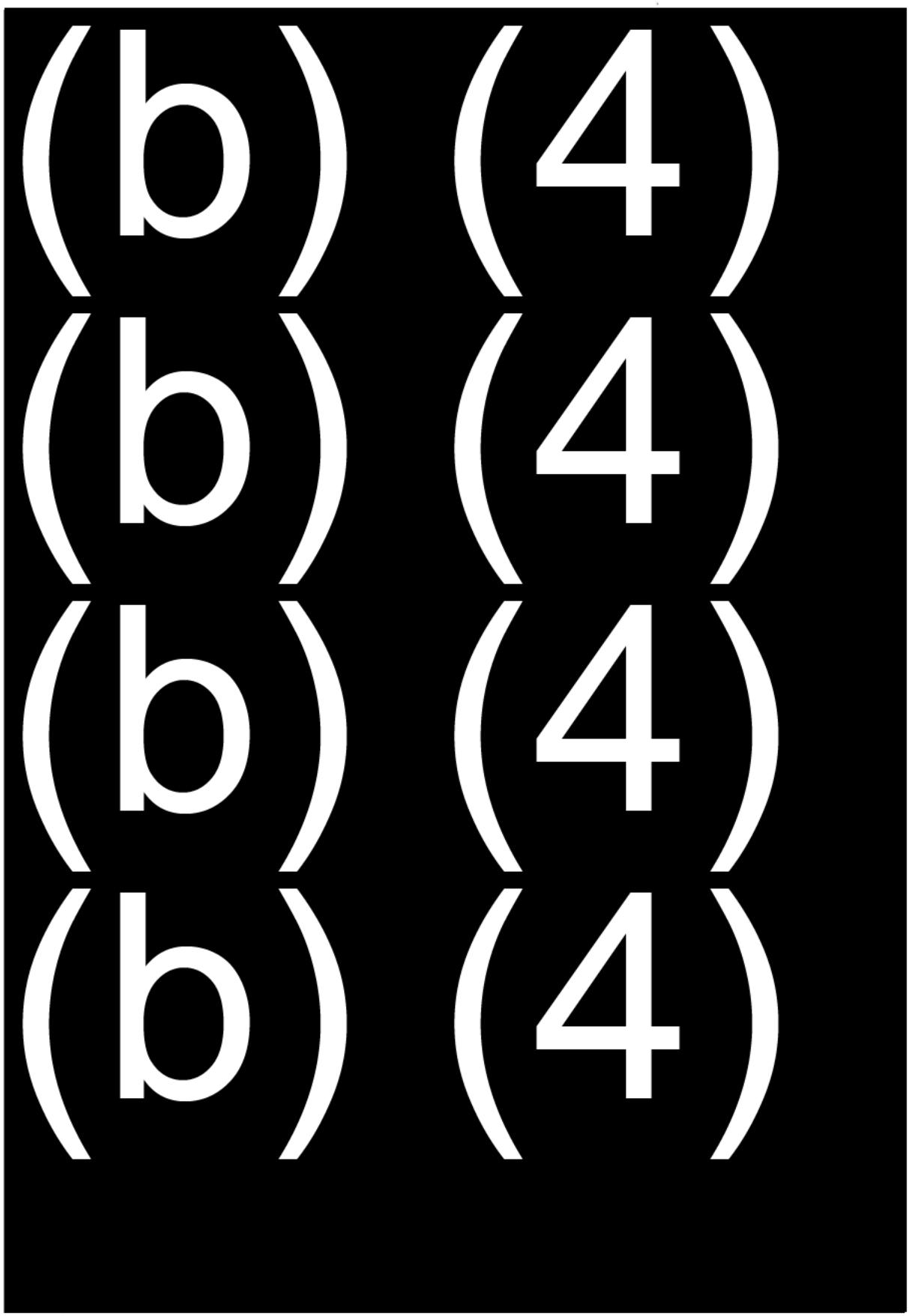
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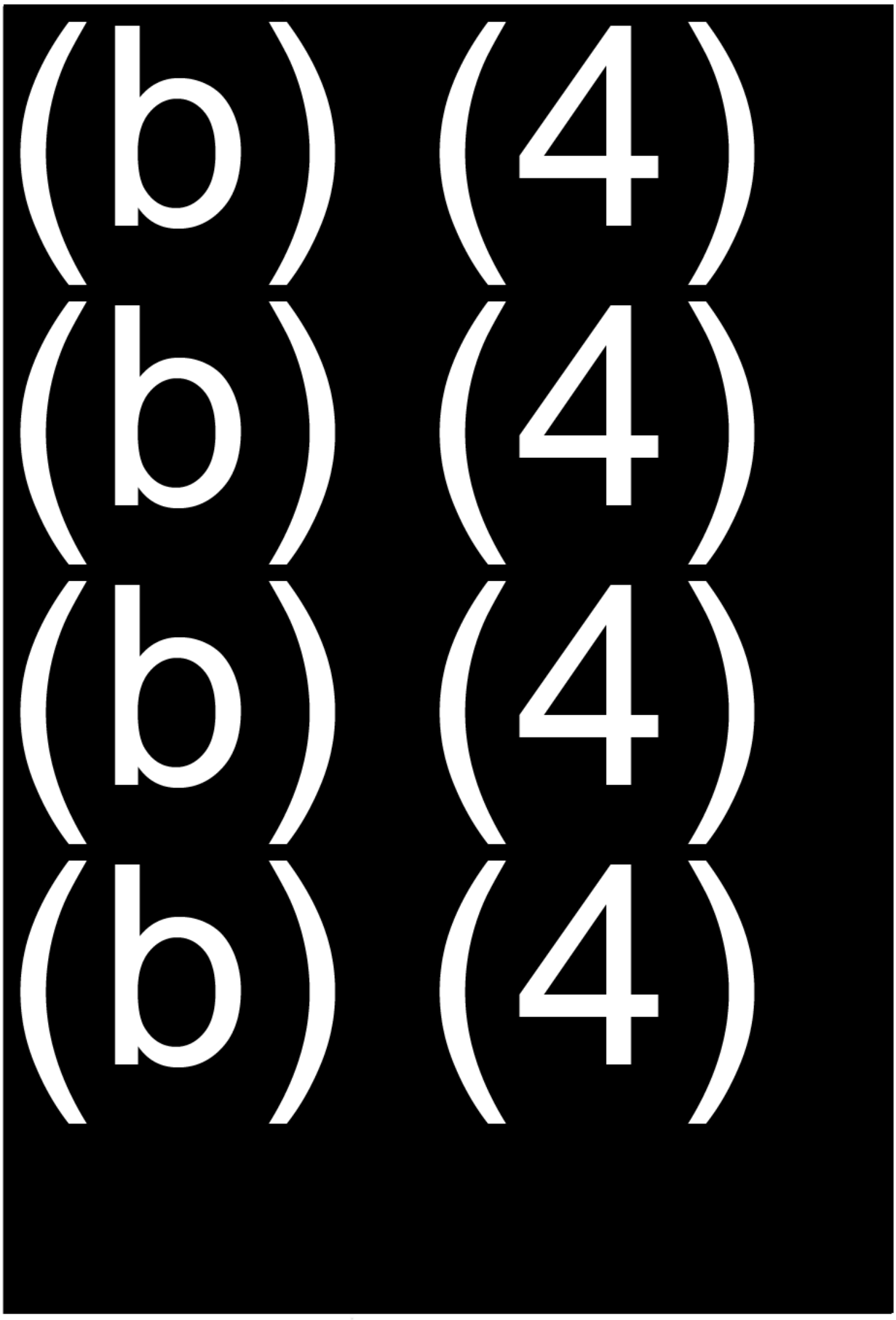
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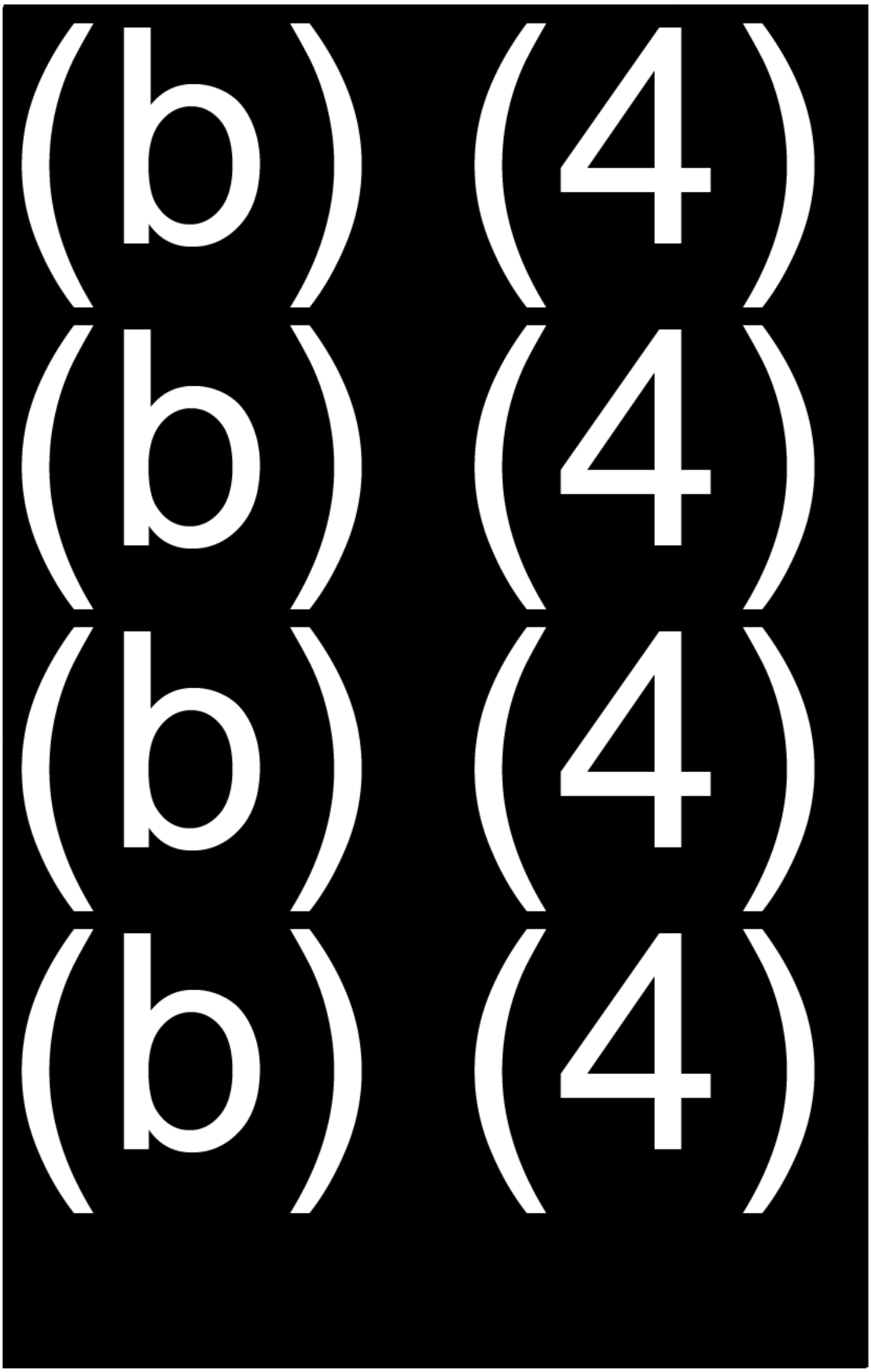
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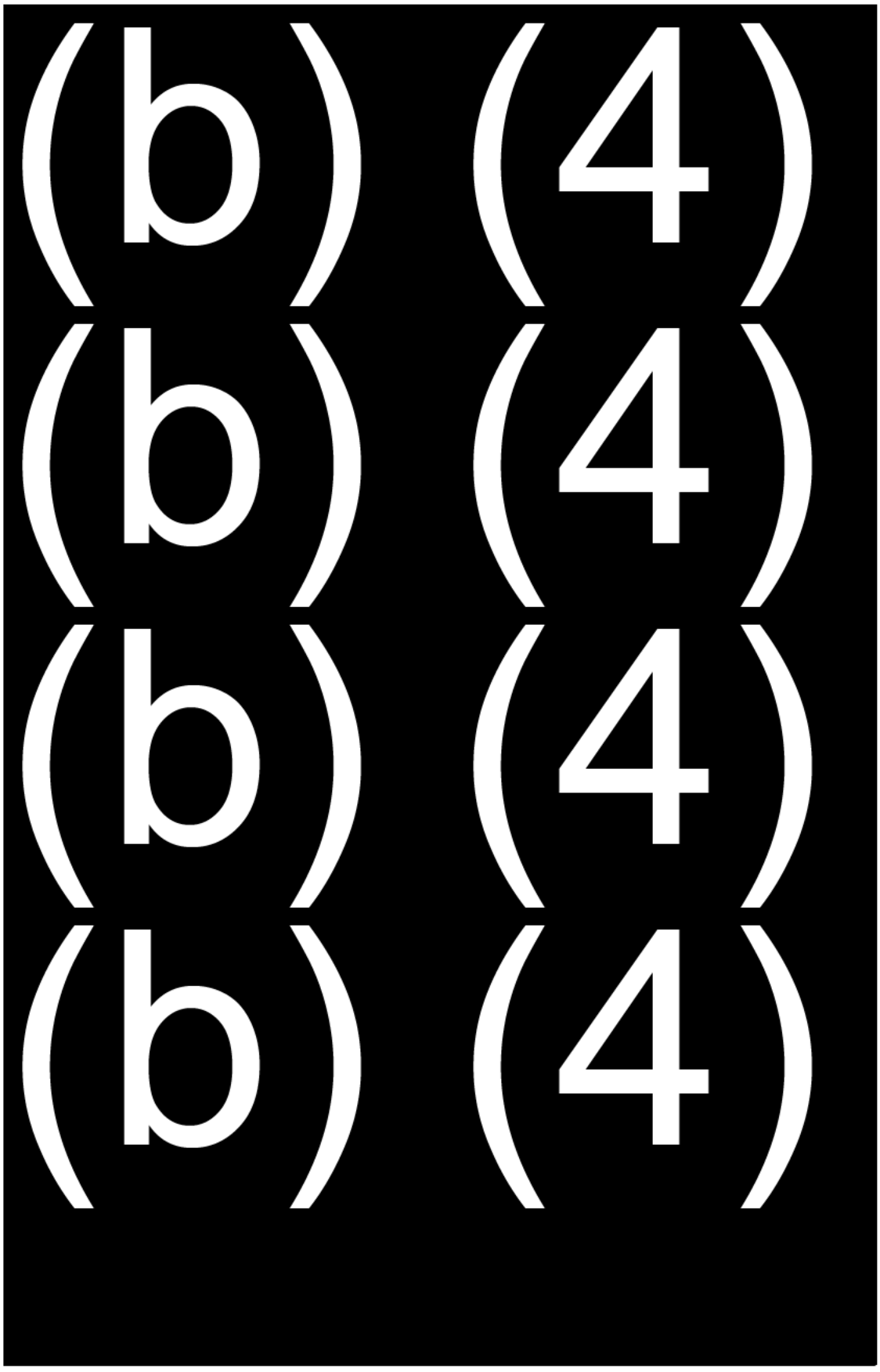
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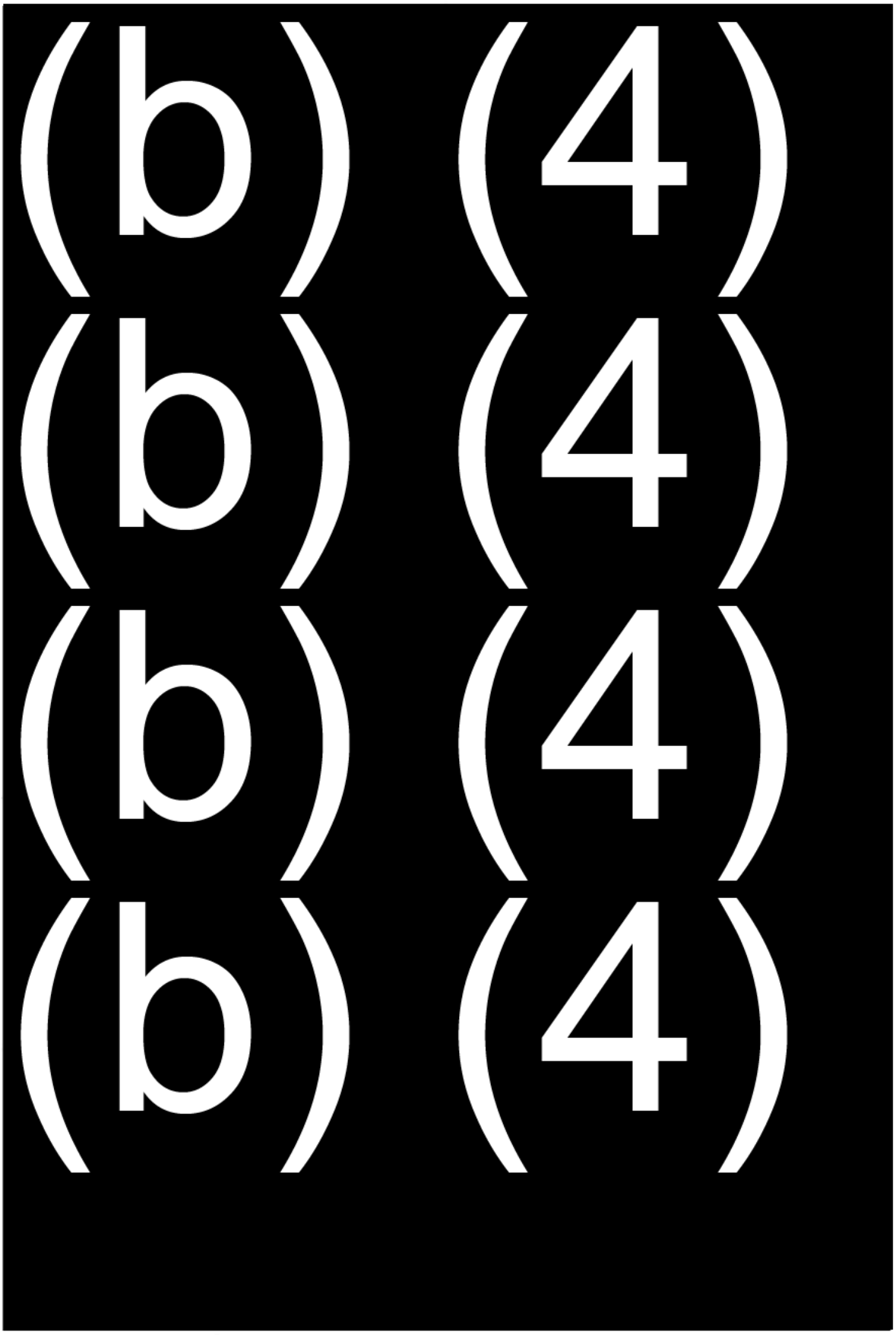
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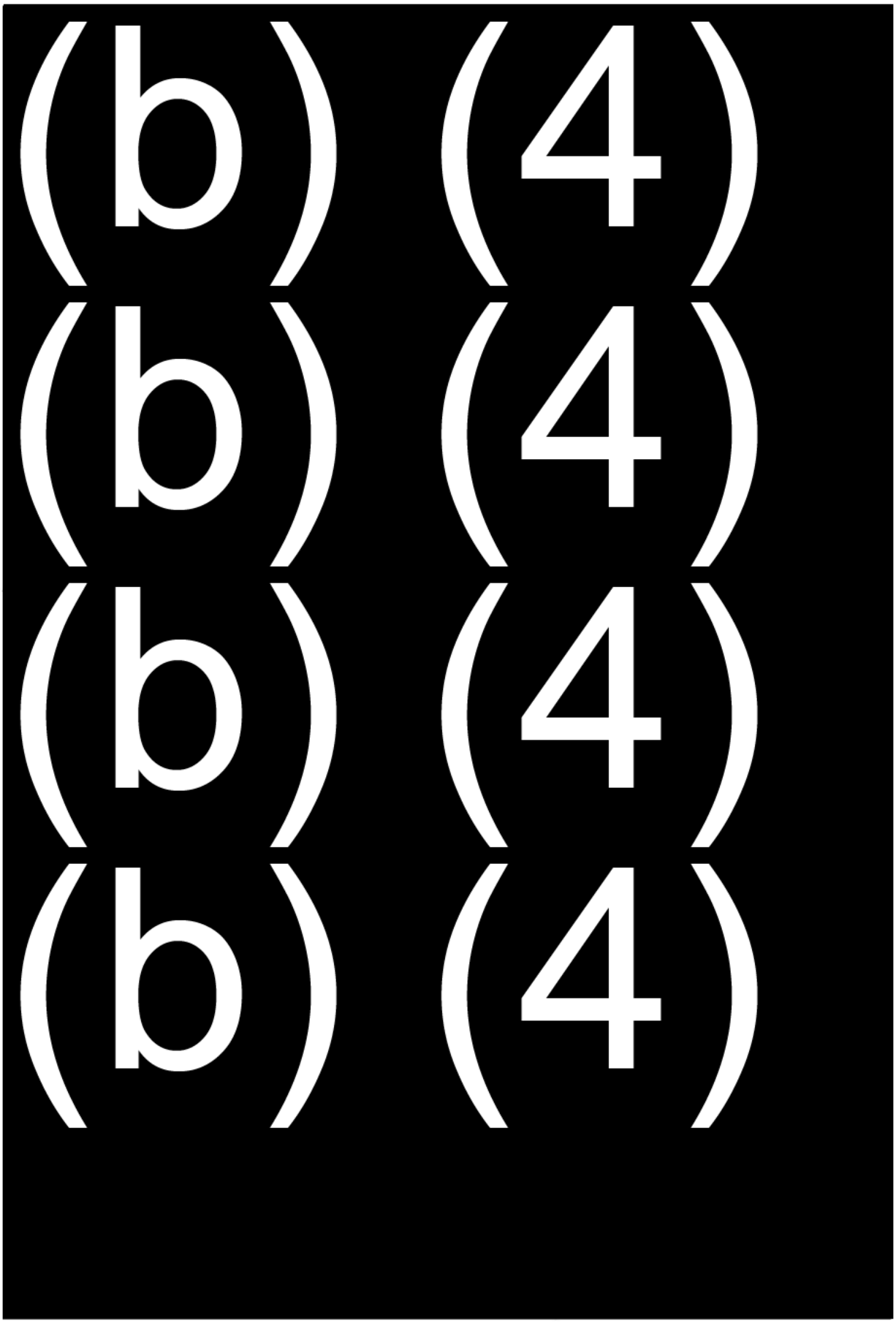
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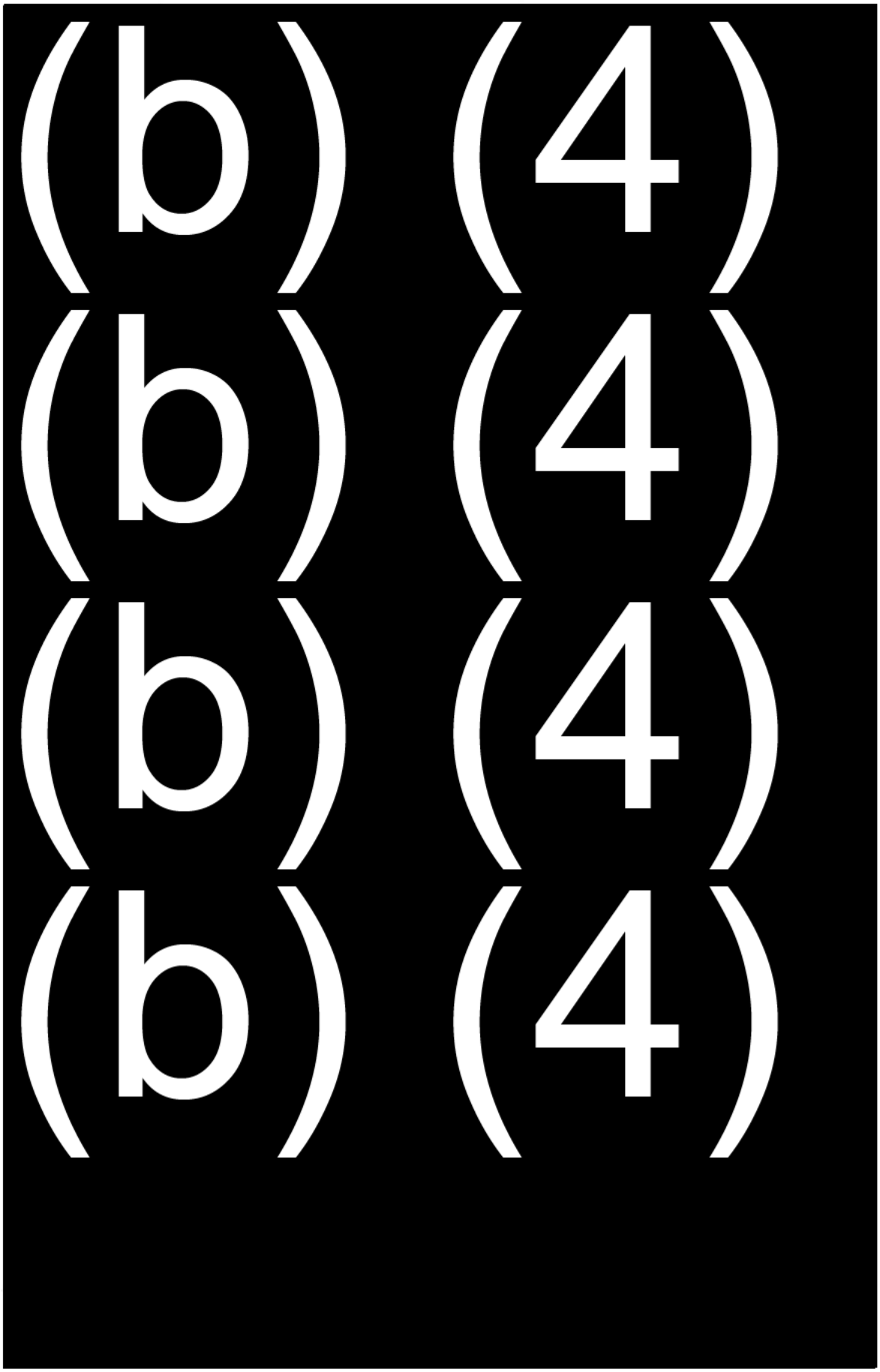
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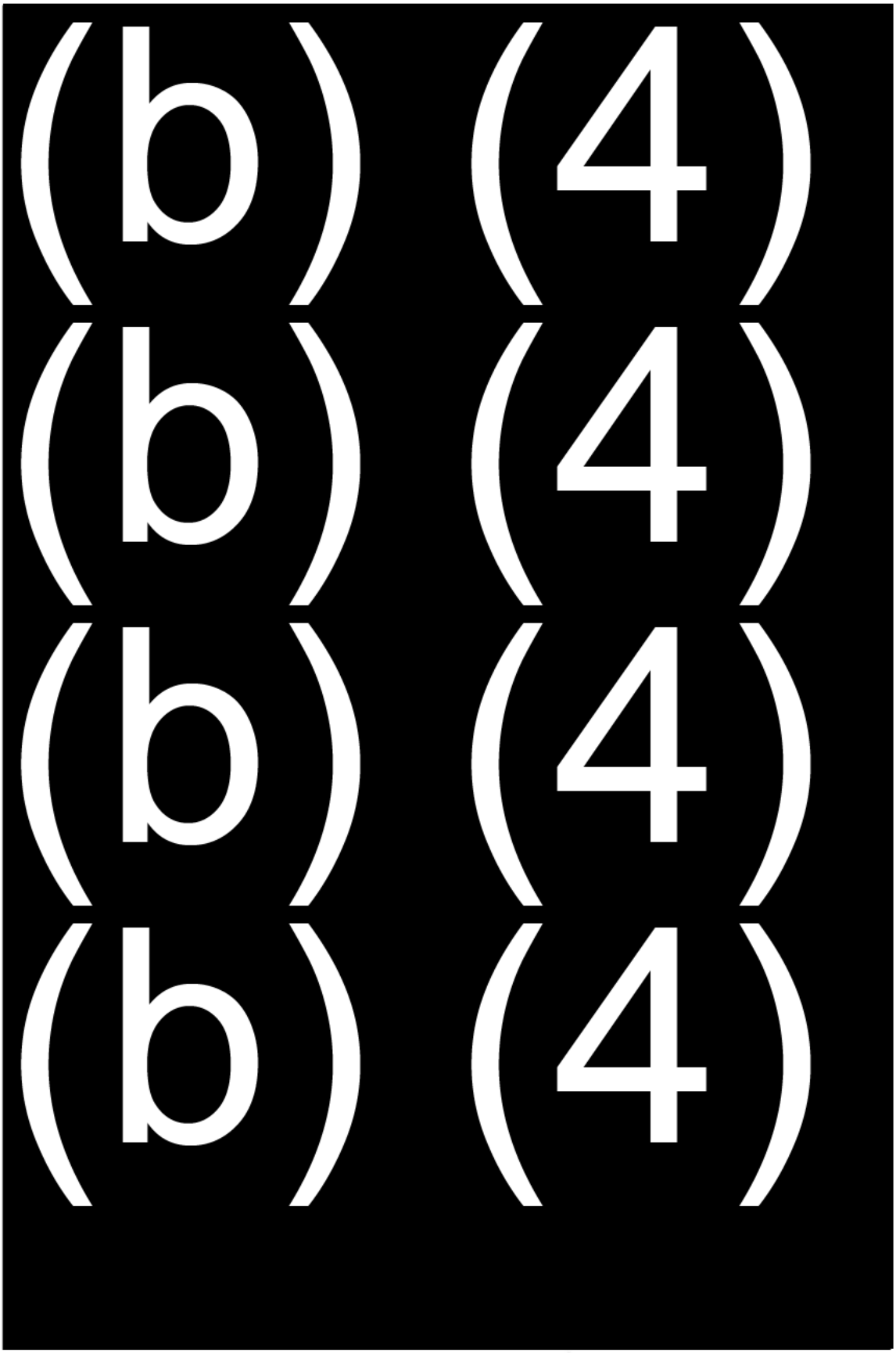
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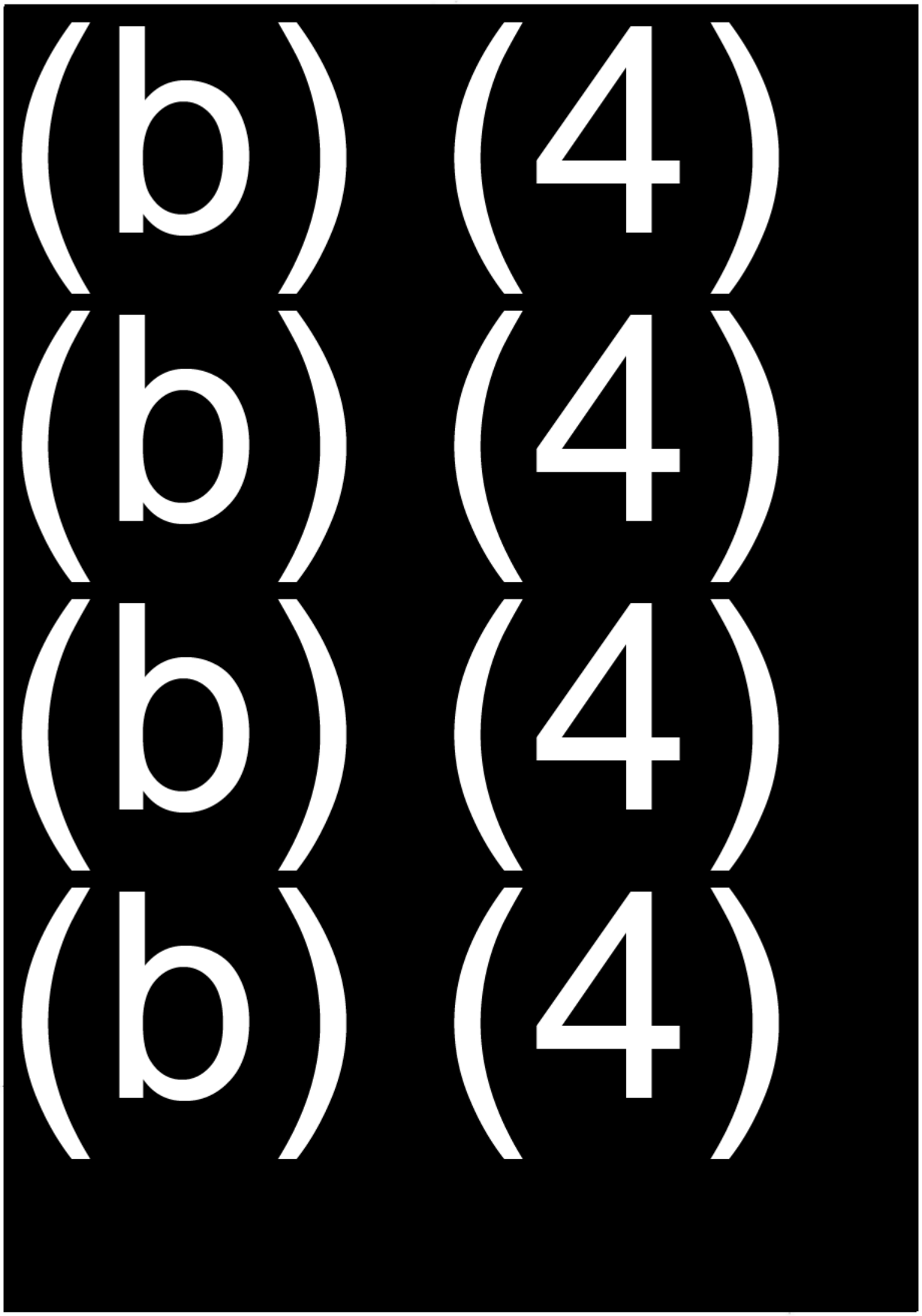
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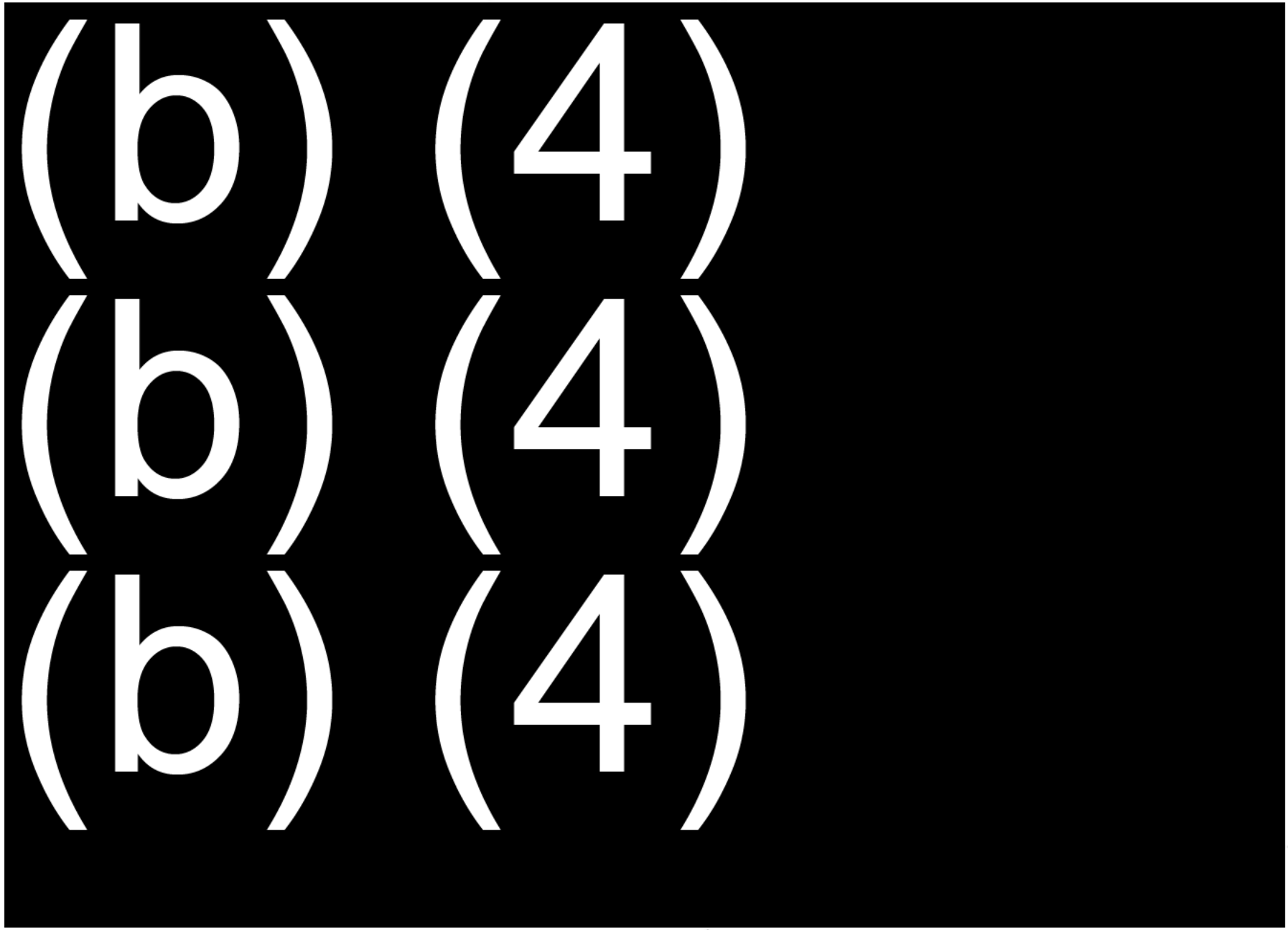
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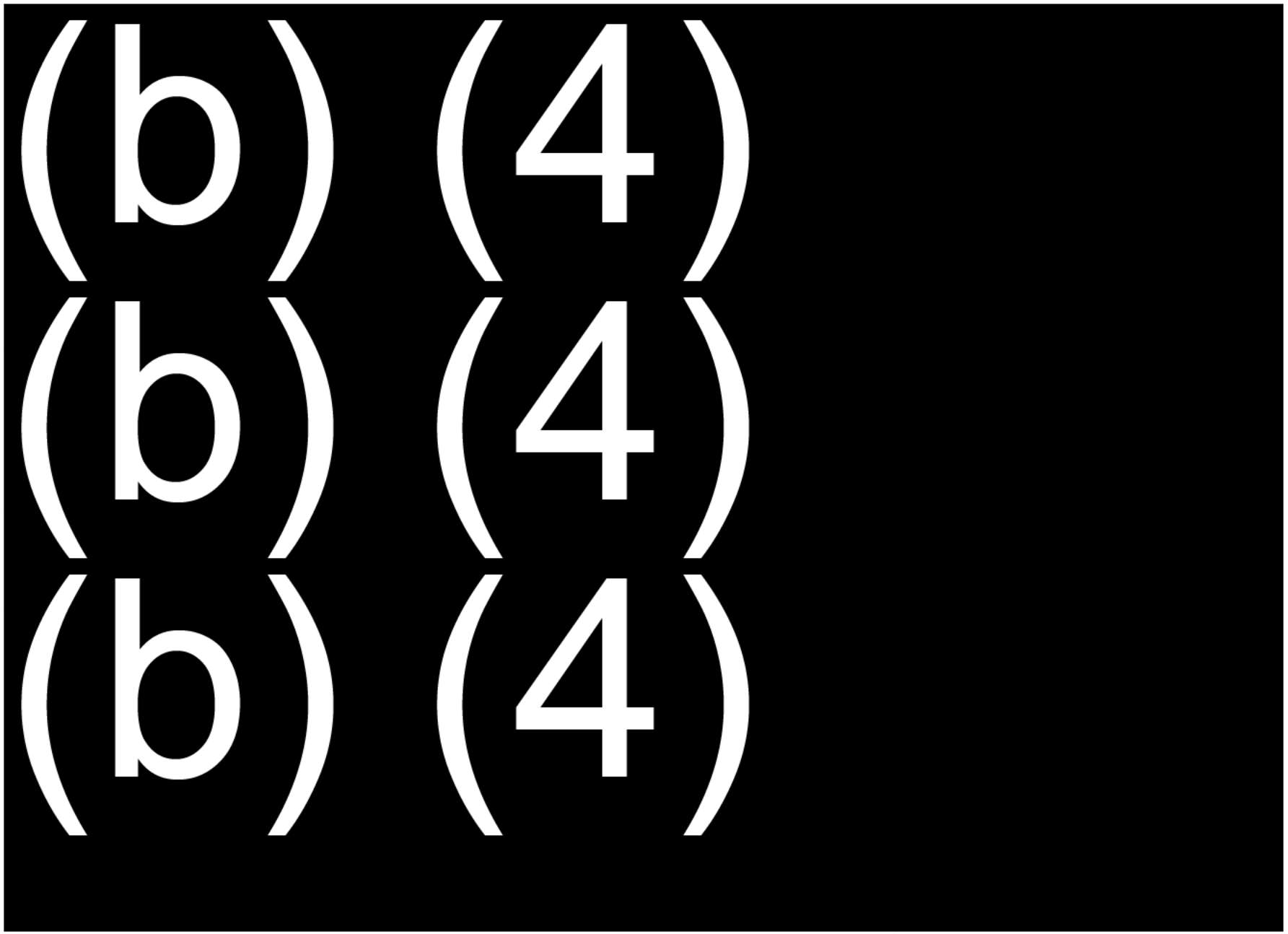
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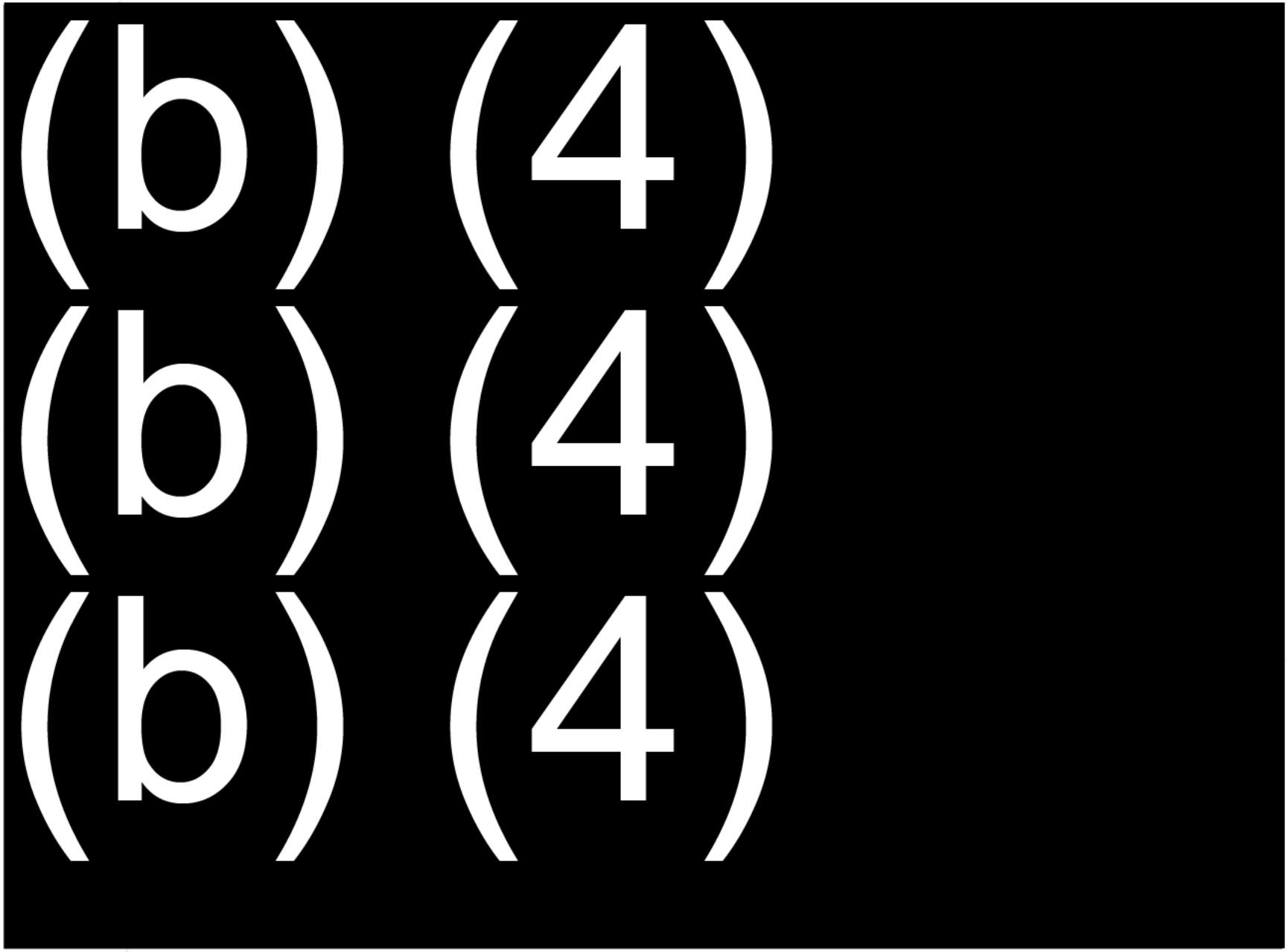
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SCHEDULE T-6
BYLAWS OR OPERATING AGREEMENTS

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SCHEDULE T-7
OTHER MAJOR AGREEMENTS

TEXAS HIGHWAY RIGHT-OF-WAY FORM (TO BE COMPLETED UPON LOAN APPROVAL)

PARENT ORGANIZATION (NTS TELECOMMUNICATIONS, INC.) AGREEMENTS BY STATE

Notice of Proposed Installation
Utility Line on Controlled Access Highway

Form 1082
(Rev. 8/2002)
(GSD-EPC Word 97)

To the Texas Transportation Commission
c/o District Engineer
Texas Department of Transportation
_____, Texas

Date _____

Formal notice is hereby given that _____
Company proposes to place a _____
line within the right of way of _____ in _____ County
Texas as follows: (give location, length, general design, etc.)

_____
_____
_____
_____
_____

The line will be constructed and maintained on the highway right of way as shown on the attached drawing and in accordance with the rules, regulations and policies of the Texas Department of Transportation (TxDOT), and all governing laws, including but not limited to the "Federal Clean Water Act," the "National Endangered Species Act," and the "Federal Historic Preservation Act." Upon request by TxDOT, proof of compliance with all governing laws, rules and regulations will be submitted to TxDOT before commencement of construction.

Our firm will use Best Management Practices to minimize erosion and sedimentation resulting from the proposed installation, and we will revegetate the project area as indicated under "Revegetation Special Provisions."

Our firm will ensure that traffic control measures complying with applicable portions of the *Texas Manual of Uniform Traffic Control Devices* will be installed and maintained for the duration of this installation.

The location and description of the proposed line and appurtenances is more fully shown by _____ complete sets of drawings attached to this notice.

Construction of this line will begin on or after the _____.
Month/Day/Year

By signing below, I certify that I am authorized to represent the Firm listed below, and that the Firm agrees to the conditions/provisions included in this permit.

_____
Firm Name

_____
By

_____
Signature

_____
Title

_____
Address

_____
City, State Zip

( ) -
Area Code Telephone Number

SCHEDULE T-7 CONT.)
OTHER MAJOR AGREEMENTS

PARENT ORGANIZATION (NTS TELECOMMUNICATIONS, INC.) AGREEMENTS BY STATE

ARIZONA

- CERTIFICATE OF CONVENIENCE & NECESSITY TO PROVIDE INTERLATA / INTRALATA RESOLD TELECOMMUNICATIONS SERVICES

COLORADO

- TOLL RESELLER REGISTRATION FORM
- APPLICATION FOR "CERTIFICATE OF PUBLIC CONVENIENCE & NECESSITY"

KANSAS

- APPLICATION FOR "CERTIFICATE OF PUBLIC CONVENIENCE & AUTHORITY TO TRANSACT BUSINESS"
- ARTICLES OF MERGER
- RESOLUTION OF MERGER

NEW MEXICO

- APPLICATION FOR "CERTIFICATE TO PROVIDE COMPETITIVE LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES"
- MASTER SERVICES AGREEMENT WITH (b) (4)(b) (4)(b) (4)(b) (4)
- APPLICATION FOR "CERTIFICATE OF PUBLIC CONVENIENCE & NECESSITY"
- APPLICATION FOR "INTERIM AUTHORITY TO OPERATE AS A RESELLER OF LONG DISTANCE SERVICES"

OKLAHOMA

FINAL ORDER APPROVING TARIFFS
"CERTIFICATE OF AUTHORITY" AUTHORIZING NTS COMM., INC. TO TRANSACT BUSINESS

TEXAS

- NOTICE OF PROPOSED INSTALLATION (RIGHT-OF-WAY AGREEMENT)
- APPLICATION FOR A "CERTIFICATE OF OPERATING AUTHORITY"
- AMENDMENT TO "CERTIFICATE OF OPERATING AUTHORITY"
- INTERCONNECTION AGREEMENT APPROVAL ORDER #1
- INTERCONNECTION AGREEMENT APPROVAL ORDER #2

Arizona Corporation Commission
DOCKETED
SEP 16 1998
DOCKETED BY

BEFORE THE ARIZONA CORPORATION COMMISSION

JIM IRVIN
CHAIRMAN - COMMISSIONER
RENZ D. JENNINGS
COMMISSIONER
CARL J. KUNASEK
COMMISSIONER

IN THE MATTER OF THE APPLICATION OF NTS COMMUNICATIONS, INC. FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE COMPETITIVE INTERLATA/INTRALATA RESOLD TELECOMMUNICATIONS SERVICES EXCEPT LOCAL EXCHANGE SERVICES.	DOCKET NO. T-03541A-98-0166 DECISION NO. 61127 **ORDER**

Open Meeting
September 15 and 16, 1998
Phoenix, Arizona

BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

1. On April 1, 1998, NTS Communications, Inc. ("Applicant") filed with the Commission an application for a Certificate of Convenience and Necessity ("Certificate") to provide resold telecommunications service in the State of Arizona.

2. In Decision No. 58926 (December 22, 1994), the Commission found that resold telecommunication providers ("resellers") were public service corporations subject to the jurisdiction of the Commission.

3. In Decision No. 59124 (June 23, 1995), the Commission adopted A.A.C. R14-2-1101 through R14-2-1115 to regulate resellers.

4. Applicant is a Texas corporation, qualified to conduct business in Arizona since 1998.

5. Applicant is a switchless reseller which purchases telecommunication services.

6. On May 15, 1998, Staff filed a Staff Report, recommending approval of the application without a hearing.

7. The Staff Report indicated that Applicant provided audited financial statements for the

years ended July 31, 1996 and July 31, 1997. The financial statements indicate Applicant had net income of $5,034,609 in 1996 and $9,938,581 in 1997. Applicant reported retained earnings of $8,286,932 as of July 31, 1996 and $18,225,513 as of July 31, 1997. Staff believed that Applicant has sufficient financial resources to provide its proposed resold telecommunications services.

8. The Staff Report stated that Applicant has no market power and the reasonableness of its rates would be evaluated in a market with numerous competitors.

9. Staff recommended that:

(a) Applicant's application for a Certificate should be approved subject to A.A.C. R14-2-1106.B;

(b) Applicant's intrastate toll service offerings should be classified as competitive pursuant to A.A.C. R14-2-1108;

(c) Applicant's competitive services should be priced at the effective rates set forth in Applicant's tariffs and the maximum rates for these services should be the maximum rates proposed by Applicant in its tariffs. The minimum rates for Applicant's competitive services should be Applicant's long run incremental costs of providing those services as set forth in A.A.C. R14-2-1109; and

(d) Applicant should be required to comply with the Commission's rules and modify its tariffs to conform with these rules, if it is determined that there is a conflict between Applicant's tariffs and the Commission's rules.

10. By Procedural Order dated June 26, 1998, the Commission set a deadline of August 7, 1998, for filing exceptions to the Staff Report; requesting that a hearing be set; or requesting intervention as interested parties.

11. No exceptions were filed to the Staff Report, nor did any party request that a hearing be set, nor were any requests for intervention filed with Docket Control.

CONCLUSIONS OF LAW

1. Applicant is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

2. The Commission has jurisdiction over Applicant and the subject matter of the application.

3. Notice of the application was given in accordance with the law.

4. The provision of competitive interLATA/intraLATA reseller services in Arizona by Applicant is in the public interest.

5. Applicant is a fit and proper entity to receive a Certificate for providing competitive

interLATA/intraLATA reseller services in Arizona.

6. Staff's recommendations in Findings of Fact No. 9 are reasonable and should be adopted.

ORDER

IT IS THEREFORE ORDERED that the application of NTS Communications, Inc. for a Certificate of Convenience and Necessity for authority to provide competitive interLATA/intraLATA resold telecommunications services except local exchange services shall be, and the same is, hereby granted.

IT IS FURTHER ORDERED that NTS Communications, Inc. shall comply with the Staff recommendations set forth in Findings of Fact No. 9.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

COMMISSIONER - CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, JACK ROSE, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 16 day of Sept, 1998.

for JACK ROSE
EXECUTIVE SECRETARY

DISSENT _____
JR:dap

SERVICE LIST FOR: NTS COMMUNICATIONS, INC.

DOCKET NO.: T-03541A-98-0166

Brad D. Worthington
NTS Communications, Inc.
1220 Broadway, Suite 600
Lubbock, Texas 79401

Paul Bullis, Chief Counsel
Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Director, Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, Arizona 85007

Colorado PUC

Colorado Toll Reseller Registration Form

Please read the attached instructions before completing this form. A change in the status of the Registrant must be filed with the Commission within 15 days of occurrence. Attach additional sheets as necessary.

Block 1: Registrant Identification (Include all names under which resold toll services are provided.

1 Legal name or each name under which registrant is doing business in Colorado, including all d/b/a. Attach certificate of registration from Secretary of State and/or Department of Revenue for each name and d/b/a. Include IRS employer identification number or numbers identified with all names and d/b/a. Attach additional sheets as necessary.

NAME OR D/B/A	SECRETARY OF STATE REG #	DEPARTMENT OF REVENUE REG #	IRS #	TRS COMPANY CODE
NTS Communications, Inc.	931110852	09-63058	75-1791082	80192

2 Holding Company Name: None.

3 Management company (if registrant is managed by another entity): None

4 Principal Carrier Identification Code used for interexchange service: 0687, 0722

5 Complete mailing address of registrant's headquarters:
5307 W. Loop 289
Lubbock, Texas 79414

6a Registrant's Toll Free Telephone number for customer inquiries
( )
800-658-2150

6b Name and title of person in charge of customer inquiries.
Tom Walker, Manager, Customer Care Dept.

7a Registrant's Toll Free number for customer complaints
( )
800-658-2150

7b Name and title of person in charge of customer complaints. (Person the PUC can contact regarding customer complaints).
Brad Worthington, Exec. VP & General Counsel

Block 2: Regulatory Contact Information

8a Name and title of regulatory contact person, (i.e., person to interact with the Colorado Public Utilities Commission "PUC")
Brad Worthington
Exec. VP & General Counsel

8b Telephone number of regulatory contact person
( )
800-658-2150

8c Fax number of regulatory contact person
( )
806-788-3393

9a E-mail address of regulatory contact person
bradw@ntscom.com

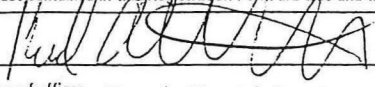
9b Web site address of Registrant
www.ntscom.com

10 Complete mailing address of regulatory contact person:
[Filing information and future PUC correspondence will be sent to this address.]
5307 W. Loop 289, Lubbock, Texas 79414

11 Billing address:
[Bills for Colorado Fixed Utilities Fund contributions will be sent to this address.]
5307 W. Loop 289, Lubbock, Texas 79414 - Attn: Jerry Hoover, CFO

Block 3: Certification: (To be signed by an officer of the registrant.)

I certify that I am authorized to sign this form on behalf of the above-named registrant, that I have examined this report and to the best of my knowledge, information and belief, all statements of fact contained in this Registration Form are true and that said Registration Form is an accurate statement of the affairs of the above-named registrant.

12 Signature 

13 Printed name of officer: Brad Worthington

14	Title	Exec. VP & General Counsel
15	Date	February 1, 1999

There is no application fee for submission of this form. Mail this Registration Form to Director, Colorado Public Utilities Commission, Logan Tower OL2, 1580 Logan St., Denver, CO 80203. Questions on this form may be directed to 303.894.2000 or 1.800.888.0170 (in Colorado only).

STATE OF COLORADO

DEPARTMENT OF
STATE

CERTIFICATE

I, NATALIE MEYER, Secretary of State of the State of Colorado hereby certify that the prerequisites for the issuance of this certificate have been fulfilled in compliance with law and are found to conform to law.

Accordingly, the undersigned, by virtue of the authority vested in me by law, hereby issues A CERTIFICATE OF AUTHORITY TO

NTS COMMUNICATIONS, INC.
A TEXAS CORPORATION

NAME USED IN COLORADO IS ROCKY MOUNTAIN NTS COMMUNICATIONS, INC.

Dated: OCTOBER 4, 1993

Natalie Meyer

SECRETARY OF STATE

(Decision No. C94-51)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * *

THE APPLICATION OF NTS COMMUNICATIONS, INC., d/b/a ROCKY MOUNTAIN NTS COMMUNICATIONS, INC., FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AS A PART 3 SERVICE PROVIDER IN ACCORDANCE WITH § 40-15-301, C.R.S.	)	**DOCKET NO. 93A-697T** **COMMISSION ORDER GRANTING CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY**

- -

Mailed Date: January 21, 1994
Adopted Date: January 19, 1994

- -

STATEMENT, FINDINGS, AND CONCLUSIONS

BY THE COMMISSION:

1. This application was filed by NTS Communications, Inc., d/b/a Rocky Mountain NTS Communications, Inc. ("Applicant"), in accordance with § 40-15-301(2), C.R.S. (1993), and Rule 3 of the Commission's Rules Regulating Emerging Competitive Telecommunications Service Providers ("Part Three Rules") found at 4 CCR 723-24.

2. Applicant applied for a Certificate of Public Convenience and Necessity ("CPCN") in order to provide services subject to the jurisdiction of this Commission. Specifically, Applicant seeks authority to provide intrastate private line services, throughout the State of Colorado under § 40-15-301 and § 40-15-102(20), C.R.S. (1993). Applicant has not applied for authority to provide any other telecommunications services subject to the jurisdiction of this Commission. Applicant is not, as part of this application, seeking relaxed regulation.

3. Applicant states it will offer intrastate private line services. These services will be provided throughout the State of Colorado on an intraLATA and interLATA basis.

THEREFORE THE COMMISSION ORDERS THAT:

1. The application filed by NTS Communications, Inc., d/b/a Rocky Mountain NTS Communications, Inc., is approved under the condition specified herein. NTS Communications, Inc., d/b/a Rocky Mountain NTS Communications, Inc., is granted a Certificate of Public Convenience and Necessity to provide private line services in accordance with Rule 3 of the Part Three Rules. NTS Communications, Inc., d/b/a Rocky Mountain NTS Communications, Inc., does not receive any form of relaxed regulation as a result of this Order. This Order shall serve as the Certificate of Public Convenience and Necessity for statewide authority to provide private line services only, as described herein.

2. NTS Communications, Inc., d/b/a Rocky Mountain NTS Communications, Inc., must file a tariff within 30 days of the mailed date of this Order. The tariff shall include, at a minimum, appropriate tariff sheets stating rates, and other regulations as required by the rules of this Commission, citation of this Decision as its authority, and, the name of a customer-complaint contact person. In support of this tariff, appropriate cost support must be included in that filing.

3. This grant of authority is subject to compliance by NTS Communications, Inc., d/b/a Rocky Mountain NTS Communications, Inc. with all present and future rules, regulations, and other procedures of the Commission except as outlined above.

4. The Applicant is required to comply with all other Commission required reporting requirements, including but not limited to an acceptable annual report as required under Rule 25 of the Rules of Practice and Procedure, 4 CCR 723-1.

5. The waiver of the requirement to maintain books and records in Colorado is granted subject to the provision that the Applicant will produce its books and records to the Commission upon request as required by § 40-6-107, C.R.S. (1993). Applicant is authorized to maintain its books and records in Lubbock, Texas, and immediately will inform the Commission of any change in the location at which these documents are maintained. Any expenses associated with such production will be borne by the Applicant. Should Applicant be unable to do so, this waiver will be rescinded.

6. No specific form of relaxed regulation is granted by this Order.

7. The 20-day time period provided in § 40-6-114(1), C.R.S. (1993), to file an application to the Commission for rehearing, reargument, or reconsideration, begins on the day after the mailed date of this Decision.

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Susan M. Seltsam, Chair
F.S. Jack Alexander
Timothy E. McKee

In the Matter of the Application of Hi-Plains NTS Communications for a Certificate of Convenience and Authority to Transact the Business of an Interexchange Services Provider Within the State of Kansas.	)))))	Docket No. 192,883-U 95-HPNC-608-COC

ORDER AND CERTIFICATE

NOW, the above captioned matter comes for consideration and determination before the State Corporation Commission of the State of Kansas (Commission). Having reviewed its files and being fully advised of all matters of record, the Commission finds and concludes as follows:

1. In its Order of April 30, 1984, in Docket No. 127,140-U, the Commission found that resellers were public utilities and subject to Commission regulation. As part of that regulation, the Commission directed resellers of telecommunications services to file applications for Certificates of Convenience and Authority and accompanying tariffs for approval.

2. In its Order of March 21, 1994, in Docket No. 187,168-U, the Commission adopted revised streamlined rules and regulations governing resellers and interexchange carriers, hereinafter referred to as interexchange carriers or IXCs, designed to reflect changes occurring in the marketplace.

3. On June 14, 1995, Hi-Plains NTS Communications (Hi-Plains) filed an application for authority to transact the business of an interexchange carrier within the state. The application included rate tariff pages and rules and regulations tariff pages.

4. On November 14, 1995, the Commission received a memorandum from Commission staff (Staff) recommending that the Commission grant Hi-Plains' application for a Certificate of Convenience and Authority to operate as an IXC and accept its tariff sheets as revised. Staff determined that Hi-Plains' application complies with the criteria set forth in the Commission's Orders in Docket No. 187,168–U. Hi-Plains is registered with the Secretary of State's office to do business in Kansas. Hi-Plains' filed tariffs are in compliance with Commission requirements and meet all current telephone billing standards as set forth in the Commission's Order in Docket No. 120,408-U, as well as current standards for interexchange carriers.

5. Hi-Plains has requested authority to charge a 1.5 percent late payment charge on overdue accounts. The charge will be assessed only on amounts billed in arrears and shall not be applied to any arrearage to which the charge has previously been applied. Additionally, Hi-Plains intends to offer a debit card service, which requires a waiver from the Commission's Billing Practices Standards in Docket No. 120,408-U.

6. The Commission finds and concludes that the public convenience will be promoted by increased options for interexchange long distance services by

granting Hi-Plains' application. The Commission therefore grants the authority requested by Hi-Plains in this docket, including the authority to levy a late payment charge, without a public hearing, subject to all other rules, regulations, or statutes of, by, or governing the Commission, in particular those set out in Docket Nos. 187,168-U and 120,408-U.

7. The authority to provide interexchange services within the areas known as LATAs is subject to this Commission's Orders dated June 11, 1985, and January 29, 1986, in Docket No. 127,140-U (Phase IV), and the Commission's orders issued April 30, 1993, and June 4, 1993, in Docket No. 181,097-U. Further, Hi-Plains is required to file an annual report with the Commission and to notify the Commission of any changes in its structure or operation.

8. The Commission also finds and concludes that Hi-Plains' tariffs, as revised, are reasonable and should be accepted. Nothing in this certificate authorizes Hi-Plains to offer services differing from those listed in its accepted tariffs.

9. The Commission further finds and concludes that Hi-Plains shall be granted a waiver from Docket No. 120,408-U only to the extent that waiver is necessary to provide debit card services.

IT IS, THEREFORE, BY THE COMMISSION ORDERED AND CERTIFIED:

The application of Hi-Plains for a Certificate of Convenience and Authority to operate as an IXC is hereby granted pursuant to K.S.A. 66-131, as set out above. Hi-Plains' tariffs are accepted as revised. Billing Standards Docket No. 120,408-U is

waived and Debit Card service is granted. Hi-Plains must provide service under the terms and conditions set forth in this order and under Kansas law. Further, Hi-Plains is granted a waiver from Docket No. 120,408-U only to the extent necessary to provide debit card services.

Any party may file a petition for reconsideration of this order within fifteen days of the date this order is served. If service is by mail, service is complete upon mailing and three days may be added to the above time frame.

The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further order or orders as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED AND CERTIFIED.

Seltsam, Chr.; Alexander, Com.; McKee, Com.

Dated: DEC 13 1995

ORDER MAILED
DEC 15 1995
Executive Director

Judith McConnell
EXECUTIVE DIRECTOR

MLC:clh

STATE OF KANSAS

OFFICE OF
SECRETARY OF STATE
RON THORNBURGH

To all to whom these presents shall come, Greetings:

I, RON THORNBURGH, Secretary of State of the State of Kansas, do hereby certify

NTS COMMUNICATIONS, INC.

a foreign corporation, organized under the laws of Texas, has complied with the laws of the State of Kansas relating to such corporations, and is authorized to engage in business in this state as a foreign corporation.

In Testimony whereof:
I hereto set my hand and cause to be affixed my official seal.
Done at the City of Topeka, this 23rd day of July, A.D. 1998

RON THORNBURGH
SECRETARY OF STATE

1 0 2 4 3 2 0 1 1 1

FILED
In the Office of the
Secretary of State of Texas
AUG 07 1997
Corporations Section

ARTICLES OF MERGER

Pursuant to the provisions of Article 5.16 of the Texas Business Corporation Act, NTS Communications, Inc , ("Parent Corporation") has adopted the following Articles of Merger for the purpose of merging Hi-Plains NTS Communications, Inc., ("Subsidiary Corporation") into the Parent Corporation.

1. Both corporations are organized under the laws of the State of Texas.

2. The number of outstanding shares of each class of the Subsidiary Corporation and the number of such shares of each class owned by the Parent Corporation are as follows:

Number of Shares Outstanding	Designation of Class	Number of Shares Owned by Parent
54,000	Common, No Par Value	54,000

3. A copy of the merger resolution adopted by the Board of Directors of the Parent Corporation approving the merger of the Subsidiary Corporation into the Parent Corporation is attached to and incorporated by reference into these Articles as Exhibit A. The resolution was approved on July 12, 1997

Dated: July 12, 1997.

NTS COMMUNICATIONS, INC.

By: Barbara Andrews
Barbara Andrews, President

RESOLUTION OF MERGER

IT IS RESOLVED by the duly elected and incumbent directors of NTS Communications, Inc that.

1 Hi-Plains NTS Communications, Inc., a corporation duly organized under the Texas Business Corporation Act, be merged into NTS Communications, Inc pursuant to Article 5.16 of the Texas Business Corporation Act

2. The officers of NTS Communications, Inc are authorized and directed to perform all acts and to execute and file all documents necessary to effectuate the merger pursuant to Article 5.16 of the Texas Business Corporation Act.

ADOPTED by the board of directors this 12th day of July, 1997.

Barbara Andrews

Barbara Andrews, President

(SEAL)

Sue Wallace

Sue Wallace, Secretary

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF NTS COMMUNICATIONS, INC. FOR A CERTIFICATE OF REGISTRATION TO PROVIDE COMPETITIVE LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES WITHIN THE STATE OF NEW MEXICO	)	CASE NO. 3528

FINAL ORDER

THIS MATTER comes before the New Mexico Public Regulation Commission ("Commission") upon the *Application for a Certificate of Registration* ("*Application*") submitted by NTS Communications, Inc. ("NTS"). NTS seeks to provide local exchange telecommunications services within the State of New Mexico. The Commission having reviewed the record pursuant to NMSA 1978, §63-7-1.1, §63-9A-1 *et seq.* and NMAC 17.11.19 *et seq.* and being otherwise fully advised in the premises, **FINDS AND CONCLUDES:**

1. On November 7, 2000, NTS filed its *Application* to provide competitive local exchange telecommunications services within the State of New Mexico.

2. Effective January 1, 2001, the Commission, pursuant to NMSA 1978 Sections 8-8-4, 8-8-15 and 63-9A-8.2, promulgated its new rule expediting procedures for competitive local exchange carriers to obtain authority to provide local exchange telecommunications services in New Mexico. Pursuant to this rule, the Commission, upon receipt of a completed Application approved by Staff, "shall issue a certificate of registration if it finds that the applicant possesses adequate financial resources and technical competency to provide competitive local exchange service and that issuance of the certificate of registration is in the public interest." NMAC 17.11.19.11.

FEB 2 2 2001

3. On January 30, 2001, Staff filed the *Affidavit of Alicia E. Bernal* who found that NTS had completed its *Application* in compliance with NMAC 17.11.19 and recommended the approval of a *Certificate of Registration* to NTS.

4. Based on the information contained in the *Application*, as well as the *Affidavit* filed by Staff, the Commission concludes that it is in the public interest to grant a *Certificate of Registration* to NTS to provide competitive local exchange telecommunications services in New Mexico.

5. The Commission has jurisdiction over the subject matter of this docket.

IT IS THEREFORE ORDERED THAT:

A. The *Application* of NTS to provide competitive local exchange telecommunications services within the State of New Mexico (as described in its *Application*) is in the public interest and is granted as provided by this *Final Order*.

B. A *Certificate of Registration* shall issue to NTS pursuant to NMAC 17.11.19 *et seq.* authorizing NTS to provide local exchange telecommunications services within the State of New Mexico as provided by this *Final Order*, and this *Final Order* shall constitute said *Certificate of Registration.*

C. The Commission furthermore approves NTS's proposed tariff, with the exception of NTS proposed tariff Section 2.1.4. "Liability of the Company." The Commission expressly reserves judgment on the propriety of this tariff provision pending a Commission rulemaking on what, if any, liability-limiting language is appropriate. Prior to supplying service to the public as a competitive telecommunications provider, NTS shall file an initial tariff with the Commission consistent with the approvals granted by this *Final Order.* The tariff shall bear an effective date of not less than ten (10) days subsequent to receipt by the Commission.

D. NTS shall otherwise comply with all other provisions of NMAC 17.11.19 *et. seq.*, all rules and orders of this Commission, and all universal service requirements as determined by the Commission.

E. This *Final Order* is effective immediately.

F. A copy of this *Final Order* shall be served on the attached *Certificate of Service.*

G. This Docket is closed.

ISSUED under the Seal of the Commission at Santa Fe, New Mexico, this 20th day of February, 2001.

NEW MEXICO PUBLIC REGULATION COMMISSION

BILL POPE, CHAIRMAN

HERB H. HUGHES, VICE CHAIRMAN

JEROME D. BLOCK, COMMISSIONER

LYNDA M. LOVEJOY, COMMISSIONER

TONY SCHAEFER, COMMISSIONER

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF NTS COMMUNICATIONS, INC. FOR A CERTIFICATE OF REGISTRATION TO PROVIDE COMPETITIVE LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES WITHIN THE STATE OF NEW MEXICO	)	CASE NO. 3528

CERTIFICATE OF SERVICE

THIS IS TO CERTIFY that a copy of the foregoing **FINAL ORDER,** issued on February 20, 2001 was mailed, first class mail, postage prepaid, to the following on February 21, 2001:

C. Gene Samberson
Heidel, Samberson, Newell & Cox
311 North First Street
Post Office Drawer 1599
Lovington, New Mexico 88260

Brad D. Worthington, Esq.
5307 W. Loop 289
Lubbock, Texas 79414

DATED this 21st day of February 2001

NEW MEXICO PUBLIC REGULATION COMMISSION

AGNES A. RIVERA, Administrator II

Control Number: 32016

Item Number: 3

Addendum StartPage: 0

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE FILING OF QPP™ - MASTER SERVICES AGREEMENT BETWEEN QWEST CORPORATION AND NTS COMMUNICATIONS, INC. AKA NTS	)))))	Case No. 05-00124-UT

FINAL ORDER

THIS MATTER comes before the New Mexico Public Regulation Commission ("Commission" or "NMPRC") upon the filing with the Commission of a Qwest Master Services Agreement ("MSA" or "Agreement") between Qwest Corporation ("Qwest") and NTS Communications, Inc., d/b/a NTS ("NTS"). The Commission should approve the Agreement pursuant to Section 252(e) of the Communications Act of 1934, as amended by the Telecommunications Act of 1996.[1] Being duly apprised of the premises,

THE COMMISSION FINDS AND CONCLUDES:

1. On March 21, 2005, Qwest filed, under protest, the Agreement with the Commission. The Agreement recites that its purpose is to address the regulatory uncertainty created by the decision in *U.S. Telecom Ass'n v. FCC*, 359 F.3d 554 (DC Cir. 2004), with respect to the future existence, scope and nature of Qwest's obligation to provide UNE-P arrangements, and to create a stable arrangement for the continued availability to NTS from Qwest of services technically and functionally equivalent to previous UNE-P arrangements.

2. On April 4, 2005, the Commission issued an Order designating and appointing William J. Herrmann as Hearing Examiner in this case.

---

[1] The Communications Act of 1934, as amended by the Telecommunications Act of 1996—Pub. L. No. 104-104, 110 Stat. 56, codified at 47 U.S.C. § 151 *et seq.*—is referred to hereafter as the "Act."

3. The Hearing Examiner issued a Procedural Order and Notice on April 7, 2005 that, among other things: (a) found that Qwest is a Colorado corporation that provides telecommunications services within the State of New Mexico, and as such, is regulated by the Commission; (b) found that, consistent with the 90-day period provided under section 252(e) of the Act, the Agreement should be approved or rejected by the Commission on or before June 19, 2005; (c) found that the Commission has jurisdiction over the parties and the subject matter of this case; (d) required Qwest to provide a copy of the Agreement to any requestor within 24 hours, publish the Procedural Order and Notice by April 18, 2005, and immediately send copies thereof to all persons on the NMPRC's Telecommunications Service List; (e) authorized the filing of any Request for Rejection of the Agreement by May 9, 2005, and the filing of any Reply to any Request for Rejection by May 23, 2005; (f) required the Commission's Utility Division Staff ("Staff"), if it did not file a Request for Rejection, to file an Affidavit on or before May 27, 2005, attesting that Staff has reviewed the Agreement and believes it does not violate the standards set out in section 252(e)(2)(A) of the Act; and (g) specified that the Commission would consider adoption of a Final Order disposing of this case at an Open Meeting to be held beginning at 9:30 a.m. on June 7, 2005, at the Commission's offices at the P.E.R.A. Building, unless the Commission determined that an evidentiary hearing should be held to consider any requests for rejection of the Agreement.

4. The Certificate of Mailing filed by Qwest on April 13, 2005, reflects that Qwest mailed the Procedural Order and Notice to the Telecommunications Service List on that date.

5. The Affidavit of Publication filed by Qwest on May 23, 2005 reflects that the Procedural Order and Notice was published in the *Albuquerque Journal* on April 15, 2005.

6. Proper notice of this case has been provided.

7. Section 252(e)(2)(A) of the Act provides that a State commission may only reject an agreement (or any portion thereof) adopted by negotiation under section 252(a) of the Act if the commission finds that: (a) the agreement (or portion thereof) discriminates against a telecommunications carrier not a party to the agreement; or (b) the implementation of the agreement or portion is not consistent with the public interest, convenience and necessity.

8. No requests for rejection of the Agreement by the Commission have been filed.

9. Staff filed the Affidavit of Mark A. Cessarich on May 23, 2005, which provided Staff's conclusions and recommendations, including the following: (a) it is Staff's position that there are no grounds for rejection of the Agreement under section 252(e)(2)(A)(i) or (ii) of the Act; (b) the Agreement does not appear to contain any language, provisions or terms that limit Commission authority or that would discriminate against another telecommunications carrier; (c) Staff notes that the Agreement, which encompasses Qwest's MSA between the parties for Qwest Platform Plus, is virtually identical to the Qwest/MCI master services agreement that the Commission approved in Case No. 04-00245-UT and that the Commission concluded is required to be filed pursuant to Section 252(e) of the Act; and (d) the Agreement does not violate the

standards set out in section 252(e)(2)(A) of the Act or applicable state law and should be approved by the Commission.

10. The Agreement should be approved pursuant to and in conformity with the Commission's Follow-Up to Final Order in Case No. 04-00245-UT wherein the Commission found and concluded that master services agreements such as the Agreement at issue must be filed for state commission review under section 252(e) of the Act.

11. On October 8, 2002, the Commission issued its Final Order Regarding Compliance With Outstanding Section 271 Requirements: SGAT Compliance, Track A, and Public Interest in Utility Case Nos. 3269, 3537, 3495 and 3750 ("Section 271 Final Order"). In Utility Case No. 3537, the Commission expressly reserved the authority conferred on it by 47 U.S.C. § 252(f)(4) to continue its review of Qwest's Statement of Generally Available Terms and Conditions ("SGAT") and to decide all SGAT issues not expressly resolved by the Commission in Utility Case No. 3537 or Utility Case No. 3269 or that have not been resolved otherwise.

12. The Commission's approval of the Agreement should not be deemed, construed or otherwise considered as an endorsement or approval with respect to any particular application, interpretation or effect of the Federal Communications Commission's decision and rules adopted in *In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, and Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket Nos. 01-338, 96-98 and 98-147, Report and Order and Order on Remand and Further

Notice of Proposed Rulemaking, FCC 03-36, 18 FCC Rcd 16978 (rel. Aug. 21, 2003) ("Triennial Review Order"). The foregoing also applies to any further proceedings on, or reconsideration of, the Triennial Review Order by the FCC in view of the decision in *U.S. Telecom Ass'n v. F.C.C.*, 359 F.3d 554 (DC Cir. 2004) (Triennial Review Order vacated in part, review dismissed in part), *cert. denied sub nom. National Ass'n of Regulatory Utility Com'rs v. U.S. Telecom Ass'n*, ___ U.S. ___, 125 S.Ct. 313 (October 12, 2004), and *In the Matter of Unbundled Access to Network Elements and Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers*, WC Docket No. 04-313 and 01-338, Order on Remand (rel. Feb. 4, 2005) ("Order on Remand").

13. There has been no showing that the Agreement discriminates against a telecommunications carrier not a party to the Agreement or that the implementation of the Agreement is inconsistent with the public interest, convenience and necessity.

14. The Agreement should be approved pursuant to section 252(e)(2)(A) of the Act, and as provided by this Order.

IT IS THEREFORE ORDERED:

A. Pursuant to section 252(e)(2)(A) of the Act, the Agreement is approved as provided by this Order.

B. Copies of this Final Order shall be served on all persons listed on the attached Certificate of Service.

C. This Final Order shall not constitute approval of any version of Qwest's New Mexico SGAT that is not in compliance with the terms and conditions of the Section 271 Final Order. Any and all SGAT language incorporated in the

Interconnection Agreement between Qwest and NTS, including but not limited to the instant Agreement, is governed by and is subject to the Commission's *Section* 271 Final Order and any subsequent orders of the Commission.

D. This Final Order shall not constitute an endorsement or approval with respect to any particular application, interpretation or effect of the FCC's decision and rules adopted in its Triennial Review Order or Order on Remand.

E. This Final Order shall have no precedential effect or value.

F. Any provision in the Agreement that is contrary to any Commission Order, or any provision in the Agreement that purports to decide an issue that is, or may be, pending before the Commission, is specifically rejected.

G. This Agreement is approved pursuant to and in conformity with the Commission's Follow-Up to Final Order in Case No. 04-00245-UT.

H. This Final Order is effective immediately.

I. Copies of this Final Order shall be served on all persons listed on the attached Certificate of Service.

J. This docket is closed.

ISSUED under the seal of the Commission at Santa Fe, New Mexico, this 7th day of June, 2005.

NEW MEXICO PUBLIC REGULATION COMMISSION

BEN R. LUJAN, CHAIRMAN

JASON MARKS, VICE CHAIRMAN

DAVID W. KING, COMMISSIONER

LYNDA M. LOVEJOY, COMMISSIONER

E. SHIRLEY BACA, COMMISSIONER

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE FILING OF QPP™ - MASTER SERVICES AGREEMENT BETWEEN QWEST CORPORATION AND NTS COMMUNICATIONS, INC. AKA NTS	)))))	Case No. 05-00124-UT

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing **Final Order,** issued June 7, 2005, was mailed first-class, postage pre-paid, to each of the following:

Thomas W. Olson, Esq.
Montgomery & Andrews, P.A.
P.O. Box 2307
Santa Fe, NM 87504-2307

Qwest Corporation
Attn: Counsel, Interconnection
1801 California Street, Ste. 3800
Denver, CO 80202

Qwest New Mexico Public Policy
400 Tijeras, NW, Suite 510
Albuquerque, NM 87103

NTS Communications, Inc.
Barbara Andrews, President & CEO
5307 W. Loop 289
Lubbock, TX 79414-1610

and hand-delivered to:

Cydney Beadles, Esq.
Staff Counsel - NMPRC
224 E. Palace Ave, Marian Hall
Santa Fe, NM 87501

DATED this 7th day of June, 2005.

NEW MEXICO PUBLIC REGULATION COMMISSION

_____

Alice Lucero, Paralegal

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE FILING OF AN ADOPTION LETTER BETWEEN QWEST CORPORATION AND NTS AND THE FOLLOWING AMENDMENTS: (1) ELIMINATION OF UNE-P AND IMPLEMENTATION OF BATCH HOT CUT PROCESS AND DISCOUNTS VERSION 2-1; AND (2) TRIENNIAL REVIEW ORDER AND USTA II DECISION	Case No. 05-00130-UT

FINAL ORDER

THIS MATTER comes before the New Mexico Public Regulation Commission ("Commission" or "NMPRC") at its Open Meeting of June 7, 2005, pursuant to the filing of an Adoption Letter between Qwest Corporation ("Qwest") and NTS Communications, Inc. ("NTS") and the following Amendments: 1) Elimination of UNE-P and Implementation of Batch Hot Cut Process and Discounts Version 2-1; and 2) Triennial Review Order and USTA II Decision ("Adoption Agreement and Amendments") and request for approval pursuant to Section 252(e) of the Communications Act of 1934, as amended by the Telecommunications Act of 1996 (the "Act"). Being duly advised in the premises,

THE COMMISSION FINDS AND CONCLUDES:

1. On March 21, 2005, Qwest filed the Adoption Agreement and Amendments that, according to Qwest, would adopt the Interconnection Agreement between Qwest and Sprint Communications Company, LP that was approved by the Commission in Case No. 04-00024-UT on April 6, 2004. The parties have also requested approval of two amendments to the Adoption Agreement which were identified as 1) Elimination of UNE-P and Implementation of Batch Hot Cut Process and

Discounts Version 2-1; and 2) Triennial Review Order and USTA II Decision. Qwest requested approval of the Adoption Agreement and Amendments from the Commission.

2. On April 4, 2005, the Commission issued an order that designated and appointed Elizabeth C. Hurst as Hearing Examiner in this case.

3. The Hearing Examiner issued a Notice and Procedural Order on April 6, 2005, which, among other things: (a) found that Qwest is a Colorado Corporation that provides telecommunications services within the State of New Mexico and is regulated by the Commission; (b) found that consistent with the 90-day period provided under section 252(e) of the Act, the Adoption Agreement and Amendments should be approved or rejected by the Commission on or before June 19, 2005; (c) found that the Commission has jurisdiction over the parties and the subject matter of this case; (d) required Qwest to provide a copy of the Adoption Agreement and Amendments to any requestor within 24 hours, publish the Notice and Procedural Order by April 15, 2005, and immediately send copies thereof to all persons on the NMPRC's Telecommunications Service List; (e) authorized the filing of any Request for Rejection of the Adoption Agreement and Amendments by May 16, 2005, and the filing of any Reply to any Request for Rejection by May 20, 2005; (f) required the Commission's Utility Division Staff ("Staff"), if it did not file a Request for Rejection, to file an Affidavit on or before May 24, 2005, attesting that Staff has reviewed the Adoption Agreement and Amendments and believes they do not violate the standards set out in section 252(e)(2)(A) of the Act; and (g) specified that the Commission would consider adoption of a Final Order disposing of this case at an Open Meeting to be held beginning at 9:30 a.m. on June 7, 2005, at the Commission's offices at the P.E.R.A. Building, unless the

Commission determined that an evidentiary hearing should be held to consider any requests for rejection of the Adoption Agreement and Amendments.

4. Qwest filed a Certificate of Service on April 7, 2005, attesting that the Notice and Procedural Order was sent to the Telecommunications Service List on April 7, 2005.

5. On April 21, 2005, an Affidavit of Publication was filed reflecting that the Notice and Procedural Order was duly published in the Albuquerque Journal on April 14, 2005.

6. Proper notice of this case has been provided.

7. Section 252(e)(2)(A) of the Act provides that a State commission may only reject an agreement, or any portion thereof, adopted by negotiation under Section 252(a) of the Act if the Commission finds that: (a) the agreement, or portion thereof, discriminates against a telecommunications carrier not a party to the agreement; or (b) the implementation of the agreement or portion is not consistent with the public interest, convenience and necessity.

8. On May 16, 2005, Staff filed the Affidavit of Mark A. Cessarich which stated, among other things, Staff's recommendations that the Adoption Agreement and Amendments comply with the standards in Section 252(e)(2)(A) of the Act and the Adoption Agreement and Amendments should be approved by the Commission.

9. No Request for Rejection has been filed in this matter.

10. The Commission has jurisdiction over the parties and subject matter of this proceeding.

11. On October 8, 2002, the Commission issued its *Final Order Regarding Compliance With Outstanding Section 271 Requirement: SGAT Compliance, Track A, and Public Interest* in Utility Case No. 3269 and Utility Case Nos. 3537, 3495 and 3750 ("271 Final Order). In Utility Case No. 3537, the Commission expressly reserved the authority granted to it by 47 U.S.C. § 252(f)(4) to continue its review of Qwest's Statement of Generally Available Terms and Conditions ("SGAT") and to decide all SGAT issues that have not been resolved in Utility Case No. 3537 or Utility Case No. 3269 or that have not been resolved otherwise.

12. There has been no showing that the Adoption Agreement and Amendments discriminate against a telecommunications carrier not a party to the Adoption Agreement and Amendments or that the implementation of the Adoption Agreement and Amendments is inconsistent with the public interest, convenience and necessity.

13. The Commission's approval of the Adoption Agreement and Amendments should not be deemed, construed or otherwise considered as an endorsement or approval with respect to any particular application, interpretation or effect of the Federal Communications Commission's decision and rules adopted *In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, and Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket Nos. 01-338, 96-98 and 98-147, Report and Order and Order on Remand and Further Notice of Proposed Rulemaking, FCC 03-36, 18 FCC Rcd 16978 (rel. Aug. 21, 2003) (*Triennial Review Order*), *judgment vacated in part, review*

dismissed in part, *U.S. Telecom Ass'n v. F.C.C.*, 359 F.3d 554 (D.C. Cir. Mar. 2, 2004), *cert. denied*, *Nat'l Ass'n of Regulatory Util. Comm'rs v. U.S. Telecom Ass'n*, 125 S.Ct. 313 (Oct. 12, 2004), and *In the Matter of Unbundled Access to Network Elements and Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers*, WC Docket No. 04-313 and 01-338, Order on Remand (rel. Feb. 4, 2005) ("Order on Remand").

14. Further, any provision in the Adoption Agreement and Amendments that is contrary to any Commission Order, or any provision in the Adoption Agreement and Amendments that purports to decide an issue that is, or may be, pending before the Commission, should be rejected.

15. Subject to all of the foregoing, the Adoption Agreement and Amendments should be approved pursuant to Section 252(e)(2)(A) of the Act.

IT IS THEREFORE ORDERED:

A. Pursuant to Section 252(e) of the Act, the Adoption Agreement and Amendments are approved as provided by this Order.

B. This Final Order shall not constitute approval of any version of Qwest's New Mexico SGAT that is not in compliance with the terms and conditions of the Commission's 271 Final Order. Any SGAT language incorporated in the Adoption Agreement and Amendments is governed by and is subject to the Commission's 271 Final Order and any subsequent orders of the Commission.

C. This Final Order shall not constitute an endorsement or approval with respect to any particular application, interpretation or effect of the FCC's decision and rules adopted in its Triennial Review Order or Order on Remand.

D. This Final Order shall have no precedential value.

E. Any provision in the Adoption Agreement and Amendments that is contrary to any Commission Order, or any provision in the Adoption Agreement and Amendments that purports to decide an issue that is, or may be, pending before the Commission, is specifically rejected.

F. This Final Order is effective immediately.

G. Copies of this Final Order shall be served on all persons listed on the attached Certificate of Service.

H. This docket is closed.

Issued under the seal of the Commission at Santa Fe, New Mexico, this 7th day of June, 2005.

NEW MEXICO PUBLIC REGULATION COMMISSION

BEN R. LUJAN, CHAIRMAN

JASON MARKS, VICE CHAIRMAN

DAVID W. KING, COMMISSIONER

LYNDA M. LOVEJOY, COMMISSIONER

E. SHIRLEY BACA, COMMISSIONER

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE FILING OF AN ADOPTION LETTER BETWEEN QWEST CORPORATION AND NTS AND THE FOLLOWING AMENDMENTS: (1) ELIMINATION OF UNE-P AND IMPLEMENTATION OF BATCH HOT CUT PROCESS AND DISCOUNTS VERSION 2-1; AND (2) TRIENNIAL REVIEW ORDER AND USTA II DECISION	)	Case No. 05-00130-UT

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing **Final Order,** issued June 7, 2005, was mailed first-class, postage pre-paid, to each of the following:

Thomas W. Olson, Esq.
Montgomery & Andrews, P.A.
P.O. Box 2307
Santa Fe, NM 87504-2307

Qwest Corporation
Attn: Counsel, Interconnection
1801 California Street, Ste. 3800
Denver, CO 80202

Qwest New Mexico Public Policy
400 Tijeras, NW, Suite 510
Albuquerque, NM 87103

NTS Communications, Inc.
Barbara Andrews, President & CEO
5307 W. Loop 289
Lubbock, TX 79414-1601

and hand-delivered to:

Cydney Beadles, Esq.
Staff Counsel - NMPRC
224 E. Palace Ave, Marian Hall
Santa Fe, NM 87501

DATED this 7th day of June, 2005.

NEW MEXICO PUBLIC REGULATION COMMISSION

Alice Lucero

Alice Lucero, Paralegal

ENDORSED

JUL 12 1989

CHIEF CLERK
S.C.C.

BEFORE THE NEW MEXICO STATE CORPORATION COMMISSION
TELECOMMUNICATIONS DIVISION
SANTA FE, NEW MEXICO

IN THE MATTER OF THE APPLICATION OF NTS COMMUNICATIONS, INC., FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE AS A LONG DISTANCE RESELLER OF TELECOMMUNICATIONS SERVICES WITHIN THE STATE OF NEW MEXICO.

DOCKET NO. 88-37-TC

APPLICATION

Pursuant to the "New Mexico Telecommunications Act," N.M. Stat. Ann. Sect. 63-9A-1 through 63-9A-20 (1985), NTS Communications, Inc., a Texas corporation, hereby applies for a Certificate of Public Convenience and Necessity to operate as a reseller of long distance telecommunications services on a public basis within the State of New Mexico.

For its Application, NTS would show as follows:

1. The name of the Applicant herein is NTS Communications, Inc., a Texas corporation. Its principal place of business and its mailing address is 1220 Broadway, Suite 400, Lubbock, Texas, 79401. Applicant has filed its application for authority to do business in New Mexico and authority was granted on September 8, 1987, with Applicant given Certificate No. 1364934. The Applicant is represented herein by Donald W. Miller, Attorney at Law, 908 Old Santa Fe Trail, Santa Fe, New Mexico 87501.

2. NTS proposes to operate as a reseller of long distance telecommunications services within the State of New Mexico, providing said services to the general public within the State of

New Mexico. Currently, NTS offers such service within the State of Texas, primarily within West Texas and Panhandle-South Plains areas of the State of Texas. NTS would provide customers with ability to call from any point within the State of New Mexico to any other point within the State of New Mexico and the United States. NTS has currently filed with the Federal Communications Commission for authority to offer international calling. NTS will offer only long distance services.

3. By the attached Exhibit "A", NTS offers its rate-making methodology to be used in providing the proposed services within the State of New Mexico. This petition incorporates as if set forth verbatim all items on Exhibit "A".

4. NTS is a Texas corporation and commenced services within the State of New Mexico upon being granted interim authority by the New Mexico State Corporation Commission on the 15th day of October, 1988, and has provided such services to date. NTS has sufficient capital and financial resources to operate and offer its services within the State of New Mexico.

5. The public need and convenience require high quality telecommunication services to the general public. NTS will be able to provide the long distance service to the general public through its existing network at prices which are competitive with companies serving the existing network.

6. That, on information and belief, certain entities have previously been granted authority to provide interstate communications, transmission services over part or all of the area to which the applicant herein seeks certification as follows:

See Exhibit "B" attached hereto which is incorporated by reference as if fully set forth.

7. NTS is technically and financially able to offer the service proposed by this application on a reliable, continuous and competitive basis. NTS was founded in 1981 to provide long distance services to the general public within the State of Texas. NTS's home office is located in Lubbock, Texas, and its area of marketing is in West Texas and the Panhandle-South Plains of Texas. NTS currently has approximately 25,000 customers with switching sites located both in Lubbock, Texas, and Amarillo, Texas. Not only is NTS able to offer this service to the general public on a retail basis, but in Texas, NTS already serves other inter-exchange carriers as a provider of long distance transmission services.

8. Service of the public convenience and necessity will not require the attachment of any conditions by the Commission to the issuance of the certificate applied for herein or the exercise of any rights under said certificate.

9. NTS will present evidence should this application be set for a hearing to establish that the public convenience and necessity require the services NTS proposes in this application, that the public convenience and necessity is not being adequately met at the present time, and that NTS is qualified to provide the services and make a competitive offer of the services as contained in this application.

WHEREFORE, NTS respectfully requests that the Commission enter its Order granting to NTS a Certificate of Public

Convenience and Necessity to provide the proposed service within the territory applied for.

DONALD W. MILLER
P.O. Box 2448
Santa Fe, New Mexico 87504
PH: (505) 982-4464

Attorney for Applicant.

NTS COMMUNICATIONS, INC.,
a Texas Corporation

By _____
President

ACKNOWLEDGMENT

STATE OF TEXAS)
) ss.
COUNTY OF LUBBOCK)

The foregoing instrument was acknowledged before me this 19th day of June, 1989, by Garey Wallace, President of NTS Communications, Inc., a Texas corporation, on behalf of the corporation.

_____
NOTARY PUBLIC

My commission expires:
7-17-92

BEFORE THE NEW MEXICO STATE CORPORATION COMMISSION

IN THE MATTER OF THE
MONTHLY TELECOMMUNICATIONS
MEETING FOR THE MONTH OF
JUNE, 1988

ORDER

THIS MATTER came on to be heard this day before the New Mexico State Corporation Commission upon its regular monthly meeting for the month of June, 1988, and the commission after having reviewed the record herein and considered the statements of counsel finds:

1. The matters on the monthly meeting agenda are well taken and should be granted.

IT IS THEREFORE ORDERED:

1. The rural rate reduction plan submitted by Mountain States Telephone and Telegraph Company as to recurring and non recurring charges, and the revised tariff filed to implement the rate reductions hereby approved.

2. The application of NTS Communications, Inc. for an interim authority to operate as a reseller of long distance telecommunications in the state of New Mexico is approved.

3. The application of Mobile Telecommunications Corporation (MTC) and Mobile Comm. of New Mexico to transfer the certificate of public convenience and necessity from MTC to Mobile Comm. of New Mexico is approved.

RECEIVED
JUL 11 1988
CHIEF CLERK
S.C.C.

4. The revised tariff application of Mid American Long Distance Company to introduce its new services City Link, City Link 800 and Net Link is hereby approved.

DONE AND ENTERED THIS 11TH day of July, 1988.

JEROME D. BLOCK, Chairman

ERIC P. SERNA, Commissioner

JOHN A. ELLIOTT, Commissioner

ATTEST:

Richard I. Harris, Chief Clerk

229 Rec'd 2/27/98 @ 4:00

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

FILING OF NTS COMMUNICATIONS, INC. OKLAHOMA TARIFF NO. 1 TO PROVIDE INTRASTATE TOLL SERVICES WITHIN THE STATE OF OKLAHOMA	))))	**CAUSE NO. PUD 970000583**
		ORDER NO. 420887

HEARING: February 19, 1998
Before Robert E. Goldfield, Administrative Law Judge

APPEARANCES: Nelson Fox, Pro Se
NTS Communications, Inc.
Lenora F. Burdine, Assistant General Counsel
Public Utility Division, Oklahoma Corporation Commission

FINAL ORDER APPROVING TARIFFS

BY THE COMMISSION:

The Corporation Commission of the State of Oklahoma (the Commission) being regularly in session and the undersigned Commissioners being present and participating, there comes on for consideration and action the application of NTS Communications, Inc. (NTS) seeking approval of revisions to its intrastate tariffs.

NTS filed its Notice of Filing of Intrastate Tariff Revisions on December 10, 1997. On December 31, 1997, upon the recommendation of Ernest G. Johnson, Director of the Public Utility Division (PUD), the Commission issued Order No. 419320 suspending the effective date of the tariffs and setting the date for the Hearing on the Merits of the application.

Upon the recommendation of the PUD and NTS, presented to the Commission at the Hearing on the Merits, the Commission finds that NTS' application and the amendments and revisions to its intrastate tariffs contained therein are beneficial to NTS customers, are in the public interest, and should therefore be approved.

The Commission finds it has jurisdiction of the subject matter herein pursuant to Art. 9, Section 18 of the Oklahoma Constitution, 17 O.S. Section 131 et seq. and OAC 165:56. The Commission further finds that all notice requirements have been met in this cause.

ORDER

IT IS THEREFORE THE ORDER OF THE CORPORATION COMMISSION of the State of Oklahoma that the tariff revisions requested by NTS, previously suspended by Order No. 419320, be and the same are hereby approved as amended in accordance with the findings herein.

OKLAHOMA CORPORATION COMMISSION

Ed Apple
Chairman

Bob Anthony
Vice Chairman

Denise A. Bode
Commissioner

DONE AND PERFORMED THIS 24 DAY OF Feb., 1998
BY ORDER OF THE COMMISSION:

Charlotte W. Flanagan
CHARLOTTE W. FLANAGAN, Secretary

REPORT OF THE ADMINISTRATIVE LAW JUDGE

The foregoing findings and order are the report and recommendations of the Administrative Law Judge.

Robert E. Goldfield
ROBERT E. GOLDFIELD
Administrative Law Judge

February 20, 1998
Date

:ph

OFFICE OF THE SECRETARY OF STATE

STATE OF OKLAHOMA

CERTIFICATE OF AUTHORITY

WHEREAS, **NTS COMMUNICATIONS, INC.**

incorporated under the laws of the state of **TEXAS** *has filed in the office of the Secretary of State duly authenticated evidence of its incorporation and an application for Certificate of Authority to transact business in this State, as provided by the Laws of the State of Oklahoma.*

NOW, THEREFORE, *I, the undersigned, Secretary of State of the State of Oklahoma by virtue of the powers and duties vested in me by law, do hereby issue this Certificate of Authority authorizing said Corporation to transact business in this state.*

IN TESTIMONY WHEREOF, *I hereunto set my hand and cause to be affixed the Great Seal of the State of Oklahoma.*

Filed in the City of Oklahoma City this **9TH** *day of* **MAY**, *1996*.

Sam Cole

Secretary of State

By: Betty Gaines

Notice of Proposed Installation
Utility Line on Controlled Access Highway

Texas Department of Transportation

Form 1082
(Rev. 8/2002)
(GSD-EPC Word 97)

To the Texas Transportation Commission
c/o District Engineer
Texas Department of Transportation
LUBBOCK, Texas

Date 01-07-05

Formal notice is hereby given that NTS COMMUNICATIONS INC
Company proposes to place a FIBER OPTICS
line within the right of way of FM 1730 (SLIDE RD) in LUBBOCK CO County
Texas as follows: (give location, length, general design, etc.)

NTS PLANS TO BORE ACROSS FM1730 APROX 854FT FROM THE CORNER OF WOODROW ROAD AND SLIDE. THEN PROCEDE TO THE NORTH APROX 730FT

The line will be constructed and maintained on the highway right of way as shown on the attached drawing and in accordance with the rules, regulations and policies of the Texas Department of Transportation (TxDOT), and all governing laws, including but not limited to the "Federal Clean Water Act," the "National Endangered Species Act," and the "Federal Historic Preservation Act." Upon request by TxDOT, proof of compliance with all governing laws, rules and regulations will be submitted to TxDOT before commencement of construction.

Our firm will use Best Management Practices to minimize erosion and sedimentation resulting from the proposed installation, and we will revegetate the project area as indicated under "Revegetation Special Provisions."

Our firm will ensure that traffic control measures complying with applicable portions of the *Texas Manual of Uniform Traffic Control Devices* will be installed and maintained for the duration of this installation.

The location and description of the proposed line and appurtenances is more fully shown by 1 complete sets of drawings attached to this notice.

Construction of this line will begin on or after the 1-12-05.
Month/Day/Year

By signing below, I certify that I am authorized to represent the Firm listed below, and that the Firm agrees to the conditions/provisions included in this permit.

NTS COMMUNICATIONS INC
Firm Name

VINCE SMITH
By

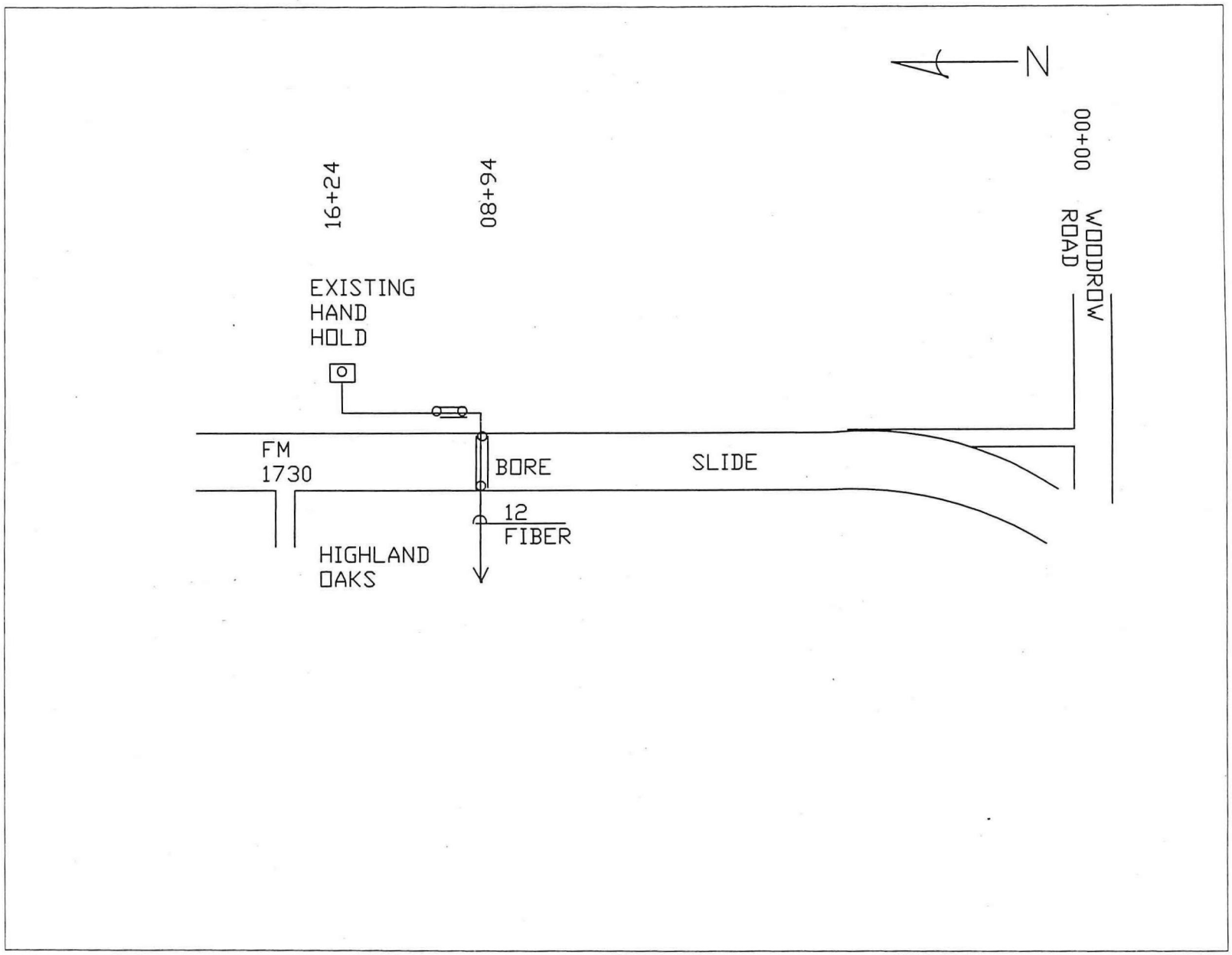
Signature

ENGINEER
Title

5307 W LOOP 289
Address

LUBBOCK TX 79414
City, State Zip

(806) 797-0687 - EXT 4179
Area Code Telephone Number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CONSOLIDATED ORDER

§
§ PUBLIC UTILITY COMMISSION
§
§ OF TEXAS
§

DOCKET NO. 14844	*Application of Gulf States Utilities Company for a Certificate of Convenience and Necessity to Construct a Transmission Line in Montgomery County*
DOCKET NO. 15691	*Joint Application of City of Luling, Central Power and Light Company, and Bluebonnet Electric Cooperative, Inc. to Amend Certificated Service Area Boundaries within Caldwell County*
DOCKET NO. 15736	*Application of Guadalupe-Blanco River Authority for Reconciliation of Costs of the Canyon Hydro-Electric Division for Fiscal Years 1994 and 1995*
DOCKET NO. 15738	*Application of Texas Utilities Electric Company to Amend Certificated Service Area Boundaries within Collin County*
DOCKET NO. 15832	*Application of United Telephone Company of Texas, Inc. to Amend Certificate of Convenience and Necessity within Wise County*
DOCKET NO. 15837	*Application of Lower Colorado River Authority to Amend Certificated Service Area Boundaries within Fayette County*
DOCKET NO. 16105	*Application of World Access Communications Corporation for a Service Provider Certificate of Operating Authority within Texas*
DOCKET NO. 16121	*Application of ICG Telecom Group, Inc. for a Service Provider Certificate of Operating Authority within the San Antonio Metropolitan Exchange Area*
DOCKET NO. 16122	*Application of ICG Telecom Group, Inc. for a Service Provider Certificate of Operating Authority within Texas*
DOCKET NO. 16135	*Application of NTS Communications, Inc. for a Service Provider Certificate of Operating Authority within Texas*
DOCKET NO. 16140	*Application of Fast Connections, Inc. for a Service Provider Certificate of Operating Authority within Texas*

DOCKET NO. 16188 *Application of Optel (Texas) Telecom, Inc for a Service Provider Certificate of Operating Authority within Texas*

DOCKET NO. 16205 *Application of LCI Long Distance, Inc. for a Service Provider Certificate of Operating Authority within Texas*

CONSOLIDATED ORDER

The Commission adopts the attached findings of fact and conclusions of law and issues the orders set out therein.

SIGNED AT AUSTIN, TEXAS on the 23RD day of September 1996.

PUBLIC UTILITY COMMISSION OF TEXAS

PAT WOOD, III, CHAIRMAN

ROBERT W. GEE, COMMISSIONER

JUDY WALSH, COMMISSIONER

ATTEST:

PAULA MUELLER
SECRETARY OF THE COMMISSION

DOCKET NO. 16135

APPLICATION OF NTS COMMUNICATIONS, INC. FOR A SERVICE PROVIDER CERTIFICATE OF OPERATING AUTHORITY	§ § § §	PUBLIC UTILITY COMMISSION OF TEXAS

ORDER

The Public Utility Commission of Texas (Commission) finds that this docket was processed in accordance with applicable statutes and Commission rules. The Applicant provided notice to all interested parties. The parties entered into a stipulation in this proceeding, and no hearing on the merits was necessary. The Service Provider Certificate of Operating Authority (SPCOA) is restricted to resale service only. The application is hereby approved as modified.

The Commission adopts the following findings of fact and conclusions of law:

Findings of Fact

Procedural History

1. On July 1, 1996, NTS Communications, Inc. (the Applicant) filed an application with the Commission seeking to obtain a Service Provider Certificate of Operating Authority (SPCOA) within Texas.

2. On July 3, 1996, the Commission issued a preliminary order referring the docket to the State Office of Administrative Hearings (SOAH). On July 9, 1996 the SOAH Administrative Law Judge (ALJ) issued an order in the docket adopting the Commission's preliminary order and the procedural schedule set forth in the preliminary order.

current Texas statute and the franchises are not necessary for the purchase and resale of services contemplated in its application. Lastly, the affidavit states that the Applicant does not intend to utilize any of its own local telecommunications facilities in connection with the purchase and resale of the local services to which its application relates.

10. The Applicant does not currently hold a Certificate of Operating Authority (COA) or Certificate of Convenience and Necessity (CCN) within the territories affected by the application.

11. The Applicant does not propose to be a facilities-based provider of local exchange service, basic local telecommunications service, or switched access service.

12. The Applicant will resell all flat rate telecommunications services that are and/or will be made available by the incumbent local exchange carrier for purchase and resale.

13. The Applicant has the requisite financial qualifications to provide services under an SPCOA within the State.

14. The Applicant has the requisite technical qualifications to provide services under an SPCOA within the State.

Stipulated Issues

15. On July 16, 1996, SWB and the Applicant filed a stipulation that addressed several issues. The Applicant will not become a facilities-based provider of local exchange service, basic telecommunications service, or switched access service.

16. SWB and the Applicant also addressed the issue that the quality of service standards contained in P.U.C. SUBST. R. 23.61 are applicable to ILECs as dominant carriers, but are not directly applicable to SPCOAs. ILECs are required to meet the quality of service standards of P.U.C. SUBST. R. 23.61 as to any services provided to their customers, including the Applicant. Approval of the SPCOA

4. The Applicant is eligible to obtain an SPCOA under the criterion specified in PURA § 3.2532(b).

5. The Applicant is not precluded from providing service under an SPCOA under PURA §§ 3.251(d) or 3.2532(e).

6. The Applicant is entitled to approval of its application for an SPCOA, which is restricted to the provision of resold local exchange telephone service within Texas, having demonstrated the financial and technical qualifications to provide the proposed services and the ability to provide the necessary quality of service to its customers, as required under PURA § 3.2532(a) and (b).

7. The Commission does not, as a result of the entry of an order granting the application, impose any additional or different service quality obligations on the ILECs that provide service to resellers.

8. The SPCOA application complies with PURA § 3.2555(a).

9. The Commission lacks the jurisdiction or authority to determine the necessity of a franchise between a municipality and the holder of an SPCOA.

10. This application does not constitute a major rate proceeding as defined by P.U.C. PROC. R. 22.2.

11. The requirements for informal disposition under P.U.C. PROC. R. 22.35 have been met in this proceeding.

In accordance with these findings of fact and conclusions of law, the Commission issues the following Order:

1. NTS Communications, Inc.'s application for a Service Provider Certificate of Operating Authority (SPCOA) is granted, consistent with the restrictions

technically reasonable, no degradation in services as a result of the certification granted herein and the involvement of the certificate holder in the provision of "9-1-1" emergency service.

4. The Applicant has committed to and is bound by the quality of service requirements set forth in the Quality of Service Questionnaire. The underlying ILECs continue to be bound by the quality of service requirements contained in P.U.C. SUBST. R. 23.61. Approval of the SPCOA application does not expand the scope of the underlying ILEC's obligations to its own customers.

5. All other motions, requests for entry of specific findings of fact and conclusions of law, and any other requests for general or specific relief, if not expressly granted herein, are hereby denied for want of merit.

3

CONSOLIDATED ORDER

§ PUBLIC UTILITY COMMISSION
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PUBLIC UTILITY COMMISSION
FILING CLERK

DOCKET NO. 19597	*Application of Excell Telecommunications, Inc. for a Service Provider Certificate of Operating Authority*
DOCKET NO. 19782	*Application of Southwestern Bell Telephone Company to Grandfather and Withdraw Caller IntelliData Service Pursuant to Subst. R. 23.25*
DOCKET NO. 19875	*Application of Tex-La Electric Cooperative of Texas, Inc. for Approval of Joint Stipulation and Agreement*
DOCKET NO. 20091	*Joint Application of Nextlink Texas, Inc. and GTE Southwest, Inc. for Approval of Interconnection Agreement Under PURA and the Telecommunications Act of 1996*
DOCKET NO. 20092	*Joint Application of Southwestern Bell Telephone Company and United States Telecommunications, Inc. for Approval of Interconnection Agreement Under PURA and the Telecommunications Act of 1996*
DOCKET NO. 20120	*Application of Transwire Operations, LLC for a Service Provider Certificate of Operating Authority*
DOCKET NO. 20121	*Application of Express Telecommunications for a Service Provider Certificate of Operating Authority*
DOCKET NO. 20212	*Application of NTS Communications, Inc. for an Amendment to its Service Provider Certificate of Operating Authority*

13

The Commission adopts the attached findings of fact and conclusions of law and issues the orders set out therein.

SIGNED AT AUSTIN, TEXAS on the 5th **day of** February **1999.**

PUBLIC UTILITY COMMISSION OF TEXAS

PAT WOOD, III, CHAIRMAN

JUDY WALSH, COMMISSIONER

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DOCKET NO. 20212

APPLICATION OF NTS COMMUNICATIONS, INC. FOR AN AMENDMENT TO ITS SERVICE PROVIDER CERTIFICATE OF OPERATING AUTHORITY	§ § § §	PUBLIC UTILITY COMMISSION OF TEXAS

ORDER

This Order grants NTS Communications, Inc. an amendment to its service provider certificate of operating authority (SPCOA) No. 60044, removing the resale-only restriction and expanding its service area to include the entire state of Texas. This docket was processed in accordance with applicable statutes and Commission rules. The Commission provided notice of the application to interested parties. No protests, motions to intervene, or requests for hearing were filed. The Applicant and the Commission's General Counsel are the only parties to this proceeding. General Counsel and Commission Staff recommend approval of the application, as amended. The application, as amended, is hereby approved.

I. Findings of Fact

Procedural History

1. On December 10, 1998, NTS Communications, Inc. (the Applicant) filed with the Public Utility Commission of Texas (Commission) an application to amend its SPCOA No. 60044[1], which authorizes the Applicant to resell local telecommunications services in the geographic area of Texas served by Southwestern Bell Telephone Company and GTE Southwest, Inc., excluding the certificated areas of companies serving less than 31,000 access lines. Amendments to the application were filed on December 30, 1998, January 12, 1999, and January 14, 1999.

2. On December 14, 1998, the Commission issued an Order establishing a procedural schedule, entering a protective order, and determining filing and service procedures.

3. On December 25, 1998, the Commission provided adequate notice of this proceeding in the *Texas Register* and through a posting on the Internet.

4. On January 8, 1999, General Counsel filed a recommendation stating that the Applicant is financially and technically qualified to receive the requested amendment to its SPCOA, and recommending that the application be approved, as amended.

Applicant's Request

5. The Applicant is a Texas corporation formed on July 29, 1981, with authority to transact business in the state of Texas.

6 The Applicant has no parent company.

7. The Applicant's affiliates are GMW Company, Inc., N.T.S. Management Company, L.L.C., and NTS Properties, L.L.C. All three affiliates are wholly-owned subsidiaries of the Applicant, are not public utilities and do not provide telecommunications services.

8. The Applicant requests to amend its SPCOA to remove the resale-only restriction and to expand its service area to include the entire state of Texas (proposed service area).

9. The Applicant will continue to provide telecommunications services as authorized by its original certificate (authorized services).

10. The Applicant proposes to provide service to customers other than itself.

11. The Applicant filed a sworn statement that it has applied for all immediately necessary municipal consents, franchises and/or permits required to provide the proposed services. The Applicant presently possesses franchises from the cities of Lubbock and Amarillo to construct, operate and maintain telecommunications systems within their respective municipal boundaries.

12. The Applicant is not a municipality, nor will the Applicant enable a municipality or municipal electric system to offer for sale to the public, directly or indirectly, local exchange telephone service, basic local telecommunications service, switched access service, or any non-switched telecommunications service used to provide connections between customers' premises within an exchange or between a customer's premises and a long-distance provider serving the exchange.

13. The Applicant does not hold a certificate of operating authority or certificate of convenience and necessity for any part of the proposed service area.

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[1] Granted in *Application of NTS Communications, Inc. for a Service Provider Certificate of Operating Authority,* Docket No. 16135 (Sept. 24, 1996).

14. The Applicant is authorized to provide intrastate private line and interexchange services as a utility operating in Colorado. The Applicant is also authorized as a provider of interexchange long distance services in Arizona, Kansas, New Mexico and Oklahoma.

15. The Applicant has never had a permit, license, or certificate to provide telecommunications services denied or revoked by any state.

16. The Applicant does not currently provide local exchange services in any other state, although it has provided interexchange services in Texas for the past 17 years. It also provides interexchange services throughout Arizona, Colorado, Kansas, New Mexico and Oklahoma.

17. The Office of the Texas Attorney General reported no complaints registered against the Applicant.

18. The Commission's Office of Customer Protection (OCP) reported seven complaints against the Applicant since 1994. No complaints have been filed in fiscal year 1999. There were three written complaints in fiscal year 1998, and two phone-in complaints. One of the phone-in complaints concerned slamming, but was found not to be justified and the file was closed. OCP is not planning any action against or further investigation of the Applicant.

19. The Texas Comptroller's Office reported that the Applicant is in compliance with its statutes and rules.

20. The Applicant has the requisite technical qualifications to provide the authorized services within the proposed service area.

21. The Applicant has the financial qualifications to provide the authorized services within the proposed service area.

Informal Disposition

22. More than 30 days have passed since completion of the notice provided in this docket.

23. No protests, motions to intervene, or requests for hearing have been filed. No issues of fact or law are disputed by any party. No hearing is necessary.

II. Conclusions of Law

1. The Applicant is a telecommunications provider as defined in § 51.002(10) of the Public Utility Regulatory Act, TEX. UTIL. CODE ANN. (Vernon 1998) (PURA).

2. The Commission has jurisdiction and authority over the application pursuant to §§ 54.154(a) and 54.155 of PURA.

3. The application complies with § 54.154(b) of PURA.

4. The Commission provided notice of the application in compliance with § 54.005(a) of PURA.

5. The Applicant is eligible to obtain the requested amendment to its SPCOA under the criterion established by PURA § 54.155(b).

6. The Applicant is not precluded from providing service under an SPCOA by §§ 54.201 or 54.152 of PURA.

7. The Applicant is entitled to approval of this application having demonstrated the financial and technical qualifications to provide the authorized services in the proposed service area, and the ability to provide the necessary quality of service to its customers, as required by §§ 54.154(b) and 54.155(b) of PURA.

8. The Commission does not, as a result of the entry of an order granting the application, impose any additional or different service quality obligations on the ILECs that provide service to resellers.

9. The Commission lacks the jurisdiction or authority to determine the necessity of a franchise between a municipality and the holder of an SPCOA.

10. This application does not constitute a major rate proceeding as defined by P.U.C. PROC. R. 22.2.

III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following Order:

1. The application of NTS Communications, Inc. to amend its service provider certificate of operating authority (SPCOA) No. 60044 is approved. NTS Communications, Inc.'s SPCOA No. 60044 is amended to remove the resale-only restriction and to expand its service area to include the entire state of Texas.

2. The Applicant shall comply with pertinent provisions of the federal Telecommunications Act of 1996[2], including the procedural requirements of § 251(f)(1)(B), when seeking interconnection, services, or network elements from a rural telephone company.

3. The Applicant shall file any future changes in address, contact representative and telephone numbers in Project 19421, *Notification of Changes in Address, Contact Representative, and/or Telephone Numbers, Pursuant to P.U.C. SUBST. R. 23.61.*

4. The Applicant's provision of local telephone service to end-users, whether by its own facilities, flat-rate resale, or usage sensitive loop, must also include "9-1-1" emergency telephone service at a level required by the applicable regional plan followed by local telephone service providers under Chapters 771 and 772 of the Texas Health and Safety Code, TEX. HEALTH & SAFETY CODE ANN. § 771.001 *et seq.* (Vernon 1998) (the Code) or other applicable law, and any applicable rules and regulations implementing those chapters. The Applicant shall diligently work with the Advisory Commission on State Emergency Communications, local "9-1-1" entities, and any other agencies or entities authorized by Chapters 771 and 772 of the Code to ensure that all "9-1-1" emergency services, whether provided through the certificate holder's own facilities, flat-rate resale, or usage sensitive loop, are provided in a manner consistent with the applicable regional plan followed by local telephone service providers under Chapters 771 or 772 of the Code or other applicable law and any applicable rules and regulations implementing those chapters. The Applicant shall diligently work with the "9-1-1" entities to pursue, in good faith, the mutually agreed goal that the local "9-1-1" entities and emergency service providers experience no increase in their current level of rates and, to the extent technically feasible, no degradation in services as a result of the certification granted herein and the involvement of the certificate holder in the provision of "9-1-1" emergency service.

5. The Applicant has committed to and is bound by the quality of service requirements set forth in the Quality of Service Questionnaire. The ILECs continue to be bound by the quality of service requirements contained in P.U.C. SUBST. R. 23.61. Approval of the SPCOA application does not expand the scope of the underlying ILEC's obligation to its own customers.

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[2] Telecommunications Act of 1996, 47 U.S. C. §§ 151 *et seq.*

6. All other motions, requests for entry of specific findings of fact and conclusions of law, and any other requests for general or specific relief, if not expressly granted herein, are hereby denied for want of merit.

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PUC DOCKET NO. 28821

ARBITRATION OF NON-COSTING ISSUES FOR SUCCESSOR INTERCONNECTION AGREEMENTS TO THE TEXAS 271 AGREEMENT	§ § § §	**PUBLIC UTILITY COMMISSION OF TEXAS**

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ORDER APPROVING INTERCONNECTION AGREEMENTS

This Order approves the interconnection agreements filed by the parties pursuant to the Track II Arbitration Award and the Order on Clarification and Reconsideration issued by the Public Utility Commission (Commission).[1] The Commission finds that the interconnection agreements incorporating the Commission's approved implementing language comply with the requirements of § 252 of the Federal Telecommunications Act of 1996 (FTA).[2]

I. Background

This docket was created at the October 23, 2003 Open Meeting when the Commission granted requests to sever the non-costing issues from Docket No. 28600[3] into another proceeding. Further, the Commission granted the request of certain competitive local exchange carriers (CLECs)[4] to retain issues regarding charges for suspend/restore orders on the same procedural schedule as the costing issues in Docket No. 28600.[5]

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[1] Arbitration Award (June 20, 2005); Order on Clarification and Reconsideration (July 25, 2005).

[2] Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (codified as amended in scattered sections of 15 and 47 U.S.C.) (FTA).

[3] *Arbitration of Phase I Costing Issues for Successor Interconnection Agreements to the Texas 271 Agreement*, Docket No. 28600.

[4] Competitive Communications Group (CCG) consists of AccuTel of Texas, LP; BasicPhone, Inc.; BroadLink Telecom, LLC; Capital 4 Outsourcing, Inc.; Cutter Communications, Inc. d/b/a GCEC Technologies; Cypress Telecommunications, Inc.; Express Telephone Services, Inc.; Extel Enterprises, Inc. d/b/a Extel; Connect Paging, Inc. d/b/a Get A Phone; Habla Communicaciones, Inc.; IQC, LLC; National Discount Telecom, LLC; Quick-Tel Communications, Inc.; Rosebud Telephone, LLC; PhoneCo, LP; Smartcom Telephone, LLC; and WesTex Communications, LLC d/b/a WTX Communications. With the addition of DPI Teleconnect, LLC and Tex-Link Communications, Inc., CCG is the same as CLEC Joint Petitioners (CJP).

[5] Open Meeting Tr. at 128-40, 193-95 (Oct. 23, 2003).

On January 23, 2004, pursuant to Order No. 1 in this proceeding, the following parties individually filed petitions for arbitration to actively participate in the non-costing phase: Denton Telecom Partners, I, L.P. d/b/a Advantex Communications (Advantex); Navigator Telecommunications, LLC (Navigator);[6] Birch Telecom of Texas, Ltd., LLP and ionex Communications South, Inc. (Birch-ionex); CLEC Joint Petitioners;[7] MCImetro Access Transmission Services, LLC; MCI WorldCom Communications, Inc.; Intermedia Communications, Inc., and Brooks Fiber Telecommunications of Texas, Inc. (collectively MCI); AT&T Communications of Texas, LP; TCG Dallas; and Teleport Communications Houston, Inc. (collectively AT&T); CLEC Coalition;[8] Sage Telecom of Texas, LP (Sage);[9] and Southwestern Bell Telephone, L.P. d/b/a SBC Texas (SBC Texas).[10]

On February 23, 2005, the Commission issued the Arbitration Award for Track I issues in this docket.[11] In the Track I Award, the Commissioners, acting as Arbitrators, addressed a number of issues including interconnection, reciprocal compensation, general terms and conditions, and performance measures. On February 25, 2005, the Commission issued Order No. 38, establishing a procedural schedule and scope of proceedings.

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[6] Navigator Telecommunications, LLC consists of Stratos Telecom, Inc., Comcast Phone of Texas, LLC, Heritage Technologies, Ltd. and FamilyTel of Texas, LLC.

[7] CLEC Joint Petitioners consists of AccuTel of Texas, LP, BasicPhone, Inc., BroadLink Telecom, LLC, Capital 4 Outsourcing, Inc., Cutter Communications, Inc. d/b/a GCEC Technologies, Cypress Telecommunications, Inc., DPI Teleconnect, LLC, Express Telephone Services Inc., Extel Enterprises, Inc. d/b/a Extel, Connect Paging, Inc., d/b/a Get A Phone, Habla Comunicaciones, Inc., IQC, LLC, National Discount Telecom, LLC, Quick-Tel Communications, Inc., Rosebud Telephone, LLC, PhoneCo, LP, Smartcom Telephone, LLC, Tex-Link Communications, Inc., and WesTex Communications, LLC d/b/a WTX Communications.

[8] CLEC Coalition consists of AMA Communications, LLC d/b/a AMA*TechTel Communications, Cbeyond Communications of Texas, LP, ICG Telecom Group, Inc., KMC Telecom Holdings, Inc. on behalf of its certificated entities, KMC Telecom III, LLC, KMC Data, LLC and KMC Telcom V, Inc., d/b/a KMC Network Services, Inc., McLeodUSA Telecommunications Services, Inc., nii Communications Ltd., NTS Communications, Inc., Time Warner Telecom of Texas, LP, XO Texas, Inc., Xspedius Communications, Inc., Z-Tel Communications, Inc., Carrera Communications, LP, Westel, Inc., OnFiber Communications, Inc., Yipes Enterprise Services, Inc., and WebFire Communications, Inc.

[9] On April 26, 2004, Sage filed a request to withdraw its petition. Order No. 14 granted Sage's petition to withdraw on May 18, 2004.

[10] SBC Texas filed an Omnibus Petition for Arbitration with all CLECs whose interconnection agreements expired on October 13, 2003 or would soon expire. SBC listed the applicable CLECs in an appendix to the petition. *See* SBC Texas's Omnibus Petition for Arbitration, Appendix A at 15-20 (Jan. 23, 2004).

[11] *Arbitration of Non-Costing Issues for Successor Interconnection Agreements to the Texas 271 Agreement*, Arbitration Award—Track 1 Issues (Feb. 23, 2005).

On February 25, 2005, in Order No. 39, the Commission issued an interim agreement amendment to govern parties' contractual relationships. The Commission found the interim agreement amendment necessary to prevent a lapse in the parties' contracts that could affect telecommunications services to end-user customers pending the completion of this docket.

On March 7, 2005, CJP filed an emergency motion for resolution of disputes related to implementation of Order No. 39. AT&T and MCI filed companion requests that the Commission provide to them the same relief requested in CJP's emergency motion for resolution of disputes. SBC Texas responded on March 9, 2005, to CJP's emergency motion concerning Order No. 39.

On March 16, 2005, the Commission issued an Order on Clarification regarding the Interim Agreement Amendment applicable to the T2A and T2A-based interconnection agreements between SBC Texas and CLECs. The Commission clarified its intent that, as used in sections 1.3.1 and 1.3.2 of the Interim Agreement Amendment,[12] "embedded base" or "embedded customer base" refers to existing *customers*, rather than to existing *lines*. The Commission noted that Track II of this proceeding would address the conflicting interpretations of "embedded customer base." However, the Commission required SBC Texas to provision new lines to existing customers and to move lines of existing customers until final resolution of this issue. The Commission also determined that any price differences for which SBC Texas may seek true-up would be addressed in a subsequent proceeding.

Parties filed their direct testimony on March 28, 2005, and rebuttal testimony on April 11, 2005, according to the procedural schedule as amended by Order Nos. 40 and 41. On April 12-14, 2005, the parties filed their proposed Decision Point Lists (DPL). The Commissioners sat as Arbitrators for the hearing on the merits on April 21-22, 2005. Parties filed initial post-hearing briefs filed on May 9, 2005, and reply briefs on May 16, 2005. On May 10, 2005, in Order No. 40, the Commission required the parties to file their resolved contract language.

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[12] Order No. 39, Issuing Interim Agreement Amendment at 7 (Feb. 25, 2005).

On June 21, 2005 CJP filed a motion for clarification of the Track II Arbitration Award. On June 27, 2005 CJP, AT&T, Birch-ionex, CLEC Coalition, MCI,[13] and SBC Texas filed motions for reconsideration and/or clarification. On July 25, 2005, the Commission issued an Order partially granting and partially denying the motions for clarification and/or reconsideration filed by CJP, AT&T, Birch-ionex, CLEC Coalition, MCI, and SBC Texas. CJP was the only party to appeal the Commission's Order on Clarification, filing their motion for reconsideration of a single issue.[14]

On July 13, 2005, several parties filed a notice of remaining contract disputes. CJP indicated that they had disputes regarding: Attachment 11, Network Interconnection Architecture; Attachment 12, Compensation; Attachment 6, Unbundled Network Elements (UNE); Attachment 30, Pricing; the Embedded Base Temporary Rider; and the Alternate Billed Service (ABS) Appendix. CLEC Coalition (including Xspedius) listed disputes regarding Intercarrier Compensation, Interconnection, Resale and General Terms & Conditions (GT&C). In a separate filing, KMC, a member of the CLEC Coalition, mentioned outstanding disputes regarding Appendix ITR, Appendix NIM and Appendix NIA. MCI listed disputes over General Terms & Conditions, Line-Sharing, Line-Splitting, Resale, UNE Attachment, OSS, Reciprocal Compensation and the NIM ITR. Although the AT&T parties did not make a filing, during the prehearing conference on July 15th, AT&T represented that it had a single disputed item remaining. Birch-ionex made no filing, but an update filed July 20th indicated that Birch-ionex was near final resolution of its single dispute.

During the week of July 18th, parties made significant progress in negotiating and resolving their remaining contract disputes. On July 26, 2005, parties jointly filed updates, including a DPL with a detailed position statement, on the remaining disputes. At the August 2 hearing, updated reports were provided, indicating that KMC, AT&T and Birch-ionex had resolved all issues. Therefore, the hearing, held on August 2, 2005, only addressed the DPLs

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[13] As part of its Motion for Reconsideration of Issue No. 10, filed June 27, 2005, MCI requested leave for Alpheus Communications, L.P. (Alpheus) to file its *Amicus* Brief in support of the motion filed by MCI and the CLEC Coalition.

[14] *See* CLEC Joint Petitioners' Motion for Reconsideration of One Track 2 Issue From the Commission's Order on Clarification and Reconsideration (July 26, 2005); *see also* SBC Texas' Response to CJP's Second Motion for Reconsideration (Aug. 2, 2005).

presented by the CLEC Coalition, CJP, Xspedius and MCI. Pursuant to delegated authority,[15] on August 5, 2005, the Staff Arbitrators issued Order No. 45, Resolving Remaining Contract Disputes.[16] CJP appealed certain decisions in Order No. 45, including staff's determinations regarding the application of DS1 transport caps, among other items.[17] Texaltel filed an *amicus* letter on this issue, as well.[18] After some discussion of this specific issue during its August 18, 2005 Open Meeting, the Commission agreed with the decisions made in Order No. 45 and took no action on the filed appeals.

II. Interconnection Agreement Processing

Pursuant to delegated authority,[19] Order No. 44 addressed the time frame for the filing and approval of interconnection agreements resulting from this proceeding. The parties to this proceeding filed their respective interconnection agreements with SBC Texas, as follows:

Party	Date Filed
MCI	August 11, 2005
KMC	August 25, 2005
CLEC Coalition	August 25, 2005
CJP	August 25, 2005
Birch/ionex	August 25, 2005
Xspedius	August 25, 2005

[15] *See* Open Meeting Tr. at 126 (July 15, 2005).

[16] Order No. 45, Resolving Remaining Contract Disputes (Aug. 5, 2005).

[17] *See* CLEC Joint Petitioners' Appeal From Staff's Order of August 5, 2005 (Aug. 9, 2005); *see also* Southwestern Bell Telephone, L.P. D/B/A SBC Texas's Response to CJP's Appeal of Order 45 (Aug. 10, 2005).

[18] *See* Texaltel Letter Regarding DS1 Transport Caps (Aug. 5, 2005).

[19] *See* Open Meeting Tr. at 126 (July 15, 2005).

Order 44 specified a filing date of August 11, 2005, to allow consideration of the six (MCI, CLEC Coalition, CJP, KMC, Xspedius and Birch/ionex)[20] different agreements at the August 18, 2005, Open Meeting.[21] Completed versions of the six agreements were timely filed on August 11, 2005. However, at the August 18, 2005 Open Meeting, parties noted that certain structural and formatting errors had been discovered, necessitating refiling corrected versions of four contracts—CLEC Coalition, KMC, Xspedius and Birch/ionex.[22] For the CLEC Coalition contract, parties filed copies of the replacement appendices on August 18, to ensure Commission review prior to approval; all other errors in the three remaining contracts simply required reformatting of existing materials. Accordingly, the Commission approved the six contracts, subject to the final refiling of completed contracts correcting the errors noted above.[23]

Previously, the Commission had delegated to staff the administrative processing of these interconnection agreements, consistent with the framework and goals of the Texas 271 Agreement (T2A) approval process.[24] In particular, in order to accommodate the processing of large numbers of interconnection agreements, the Commission noted that administrative rules addressing bilateral processing of interconnection agreements would be waived and that a forward-looking, Web-based approach would be utilized. The Commission supported an efficient approach with less paper that could accommodate the opting-in by significant numbers of CLECs more quickly.

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[20] Although AT&T had been party to this case throughout the proceeding, prior to filing their conforming 28821 interconnection agreement, the three AT&T parties reached a settlement with SBC Texas and filed three separate negotiated interconnection agreements. *See* Docket No. 31480, *Joint Application of TCG Dallas and Southwestern Bell Telephone, L.P., d/b/a SBC Texas for Approval of an Interconnection Agreement Under PURA and the Telecommunications Act of 1996* (Aug. 11, 2005); Docket No. 31481, *Joint Application of Teleport Communications Houston, Inc. and Southwestern Bell Telephone, L.P., d/b/a SBC Texas for Approval of an Interconnection Agreement Under PURA and the Telecommunications Act of 1996* (Aug. 11, 2005); and Docket No. 31482, *Joint Application of AT&T Communications of Texas, L.P. and Southwestern Bell Telephone, L.P., d/b/a SBC Texas for Approval of an Interconnection Agreement Under PURA and the Telecommunications Act of 1996* (Aug. 11 , 2005). All three applications were approved on August 19, 2005.

[21] Order No. 44 at 1 and 3 (June 18, 2005).

[22] Although the CJP contract was also refiled on August 25, 2005, the refiling of the CJP contract was solely for formatting purposes of changing references from "CJP" to "CLEC" to make the contracts bilateral.

[23] Open Meeting Tr. at 112-13 (Aug. 18, 2005).

[24] Open Meeting Tr. at 34-35 (June 16, 2005).

III. Commission Findings

1. The Commission's review and approval of the terms and conditions implementing the Track I Arbitration Award and the Track II Arbitration Award, as modified by the Order on Clarification and Reconsideration,[25] are consistent with FTA §§ 251 and 252. Section 252(b)(1) provides that if an incumbent local exchange carrier (ILEC) and CLEC cannot successfully negotiate rates, terms and conditions in an interconnection agreement, either of the negotiating parties "may petition a State commission to arbitrate any open issues." Section 252(e) requires that any interconnection agreement adopted by negotiation or arbitration "shall be submitted for approval to the State commission."

2. The Commission is the state regulatory body responsible for arbitrating interconnection agreements approved pursuant to the FTA.

3. The Commission finds that the filed interconnection agreements are consistent with the requirements of §§ 251 and 252 of the FTA.

4. The Commission finds that the filed interconnection agreements are consistent with the Commission's procedural rules, unless otherwise waived.

5. The Commission finds that the filed agreements do not discriminate against a telecommunications carrier not a party to the agreements and are consistent with the public interest, convenience and necessity.

IV. Ordering Paragraphs

1. All motions, appeals or other requests for general or specific relief not expressly granted are denied.

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[25] Order on Clarification and Reconsideration (July 25, 2005).

SIGNED AT AUSTIN, TEXAS the 29th day of August 2005.

PUBLIC UTILITY COMMISSION OF TEXAS

JULIE PARSLEY, COMMISSIONER

PAUL HUDSON, CHAIRMAN

BARRY T. SMITHERMAN, COMMISSIONER

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Control Number: 28821

Item Number: 794

Addendum StartPage: 0

DOCKET NO. 32016

JOINT APPLICATION OF VALOR TELECOMMUNICATIONS OF TEXAS, LP d/b/a VALOR TELECOM AND NTS COMMUNICATIONS, INC. FOR APPROVAL OF INTERCONNECTION AGREEMENT UNDER PURA AND THE TELECOMMUNICATIONS ACT OF 1996	§ § § § § § §	**PUBLIC UTILITY COMMISSION OF TEXAS**

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PUBLIC UTILITY COMMISSION
FILING CLERK

ORDER NO. 2
NOTICE OF APPROVAL OF INTERCONNECTION AGREEMENT

On November 8, 2005, Valor Telecommunications of Texas, LP d/b/a Valor Telecom (Valor) and NTS Communications, Inc. (NTS) (collectively, Applicants) filed a joint application for approval of an interconnection agreement (Agreement) under the Telecommunications Act of 1996 (FTA)[1] and the Public Utility Regulatory Act.[2] The joint application included a copy of the Agreement.

The Agreement meets the requirements of P.U.C. PROC. R. 21.97; therefore, this joint application is approved effective the date this Order is signed. NTS shall not provide service in any geographic areas or under any name not authorized by its Commission-granted SPCOA.

Applicants shall file two complete interconnection agreements, one unbound, within 15 working days of the date this Order is signed, if not previously filed. The copies shall be clearly marked with the control number assigned to the proceeding and the language "Complete interconnection agreement as approved [or modified and approved] on [insert date]." Also, within 15 working days of the approval of the agreement, the incumbent local exchange company (ILEC) shall post notice of the approved interconnection agreement on its website in a separate, easily identifiable area of the website. The ILEC website shall provide a complete list of approved interconnection agreements, listed alphabetically by carrier, including docket numbers and effective dates. In addition, the ILEC website shall provide a direct link to the Commission's website.

SIGNED AT AUSTIN, TEXAS the 22nd day of November 2005.

PUBLIC UTILITY COMMISSION OF TEXAS

Michael E. Field

MICHAEL E. FIELD
DIRECTOR, DOCKET MANAGEMENT

q:\cadm\docket management\telephone\interconnections\32xxx\32016-2.doc

[1] Pub. L. No. 104-104, 110 Stat. 56 (1996) (codified as amended in scattered sections of 15 and 47 U.S.C.) (FTA).

[2] TEX. UTIL. CODE ANN. Chapters 52 and 60 (Vernon 1998 & Supp. 2005) (PURA).

SCHEDULE U-1
GUARANTEED LOAN INFORMATION

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SCHEDULE U-2
GUARANTEED LOAN CONTRACT

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NTS Telephone Company
5307 West Loop 289
Lubbock, TX 79414
806-797-0687 ext. 4081
806-797-9807 FAX

January 9, 2008

Attention: Farwa Naqvi
USDA - RUS
Stop 2599
1400 Independence Ave., SW, Rm 2868
Washington, DC 20250-1599

Re: NTS Broadband Loan (TX 1112-A)

Dear Farwa:

In the original loan application for NTS Broadband Loan (TX 1112-A) NTS proposed a Central Office using a Pre-Fabricated Building to be placed on to be purchased land. As you know the loan was approved with this design.

NTS has since had many conversations with Levelland city leaders and through these conversations has determined that a storefront would be extremely beneficial to marketing NTS in the community. Therefore, NTS has been searching for property that fits the needs of a Central Office and at the same time serves as a storefront for sales and bill payment. We have found the "perfect" building. It is an 8,000 square foot building located at 601 College Avenue. The location could not be better. It is situated between United Supermarket and McDonalds on the main street of Levelland that leads to South Plains College. Hence, it is extremely visible. Furthermore, it is divided up perfectly between a storefront on College Avenue and the back 60% of the building for a Central Office.

NTS is under contract on this building for (b) (4) with a special provision that the sale is subject to RUS approval. NTS also believes that another $71,735 worth of renovations will be necessary for preparing it for our dual use.

This letter is to request approval of this purchase and to request a reallocation of funds within the approved budget to purchase and renovate the building out of loan proceeds.

NTS proposes the following reallocation of the approved budget:

(b) (4)(b) (4)

[redacted]

Here are the reasons the above reallocation is possible:

- The Pre-Fabricated Building, site preparation and land will no longer be necessary after this purchase
- Pricing of Fiber Terminals and OLT Chassis have reduced substantially in the last 18 months
- OLT equipment has evolved to a point where a router is no longer necessary in Levelland

We are also attaching a related FRS for you to review.

We await your response to this request and will be available should you or your team want to discuss this in more detail by phone, email, etc.

Thank you for your consideration of this request.

Yours very truly,

Jerry E. Hoover
Manager
NTS Telephone Company.

Cc: Mr. Jerry Hoover
Mr. Brad Worthington
Mr. Scott Steiner
Mr. Aaron Peters
Mr. Mike Becker
Mr. Scott Mackinaw

August 10, 2009

To: Mrs. Farwa Naqvi

Re: NTS Telephone Company, LLC
RDUP RUS Broadband Loan TX 1112-A – Budget

Dear Mrs. Naqvi,

NTS Telephone Company, LLC, would like to request reallocation of funds from the Network and Access Equipment budget to the Building budget.

Your approval was given for NTS Tel to purchase an existing building instead of constructing a hut, as proposed in the original approved budget. (b) (4) [redacted]

NTS Tel's parent company, NTS Communications, provided Com employee installation labor for the following N&AE approved budget materials. Com employees installed the following equipment at the building in Levelland, TX and the equipment room in Lubbock, TX:

- Fiber Patch Panels
- Cable Trays
- Relay Racks
- Fiber Management Trays
- Calix C7
- GPON Cards
- OLT Chasis

NTS Tel intended to make payment to NTS Com (at loaded labor rates*) for the labor to install N&AE listed above. NTS Com has agreed to wave the "Installation Labor" for the work performed. The budget amount for Installation Labor in N&AE is (b) (4) [redacted]. Installation labor for N&AE is 100% complete and NTS Com completed 100% of this work. This leaves a surplus in the N&AE budget for that amount.

NTS Tel would like to request the reallocation of (b) (4) [redacted] from the N&AE budget category to the Building budget category based on the information provided in this letter.

Sincerely,

Jerry E. Hoover
Manager
806-798-0687

February 18, 2010

To: Mrs. Farwa Naqvi

Re: NTS Telephone Company, LLC
RDUP RUS Broadband Loan TX 1112-A Budget

Mrs. Naqvi,

NTS Telephone Company, LLC, would like to request reallocation of funds from the Network and Access Equipment budget to the Engineering and Outside Plant budgets.

Based on our current spending and projections through the end of the project, N&AE will have a surplus of approximately (b) (4) remaining in budget at TX1112-A project's end. NTS Telephone is requesting to reallocate (b) (4) as follows:

- OSP Engineering A-5E (b) (4)
- OSP Engineering A-6E (b) (4)
- Outside Plant Construction (b) (4)
  - Construction of Alley Crossings (b) (4) (773 labor & materials)
  - 1x32 Splitters needed for remainder of project (b) (4) (773 materials only)
  - PPA (Xcel) for remainder of project (b) (4) (773 labor)

We are also attaching a related FRS for you to review.

We await your response to this request and will be available should you or your team want to discuss this in more detail by phone, email, etc.

Thank you for your consideration of this request.

Yours truly,

Jerry E. Hoover
Manager
NTS Telephone Company

Cc: Mr. Jerry Hoover, Mr. Brad Worthington, Mr. Scott Steiner, Mr. Aaron Peters, Mr. Mike Becker, Mr. Scott Mackinaw

February 21, 2006

Mr. Scott Steiner
Electronics Engineer
Broadband Division
Telecommunications Program
Rural Development, Utilities Programs

Mr. Steiner,

Blow are the responses to your questions concerning NTS Telephone Co., LLC's Loan Application dated January 12, 2006.

1. The (b) (4) 'Right-to-Use' charge associated with the CPE Kit #2 for Voice, Data & Video is a pass through from NTS Communications to NTS Telephone for payment of two (2) one-time fees, which NTS Communications incurs with each individual video customer. NTS must pay a one-time charge of (b) (4) per video customer for Minerva Middleware and (b) (4) per video customer for Latens Video Encryption Software.

2. The difference between the number of CPE units required (b) (4) and the total number of subscribers (b) (4) is due to the (b) subscribers projected to take 'Double Play' (voice and data). These (b) subscribers are shown both in the Data Table (Schedule N-2A) and the Voice Table (Schedule N-2B). These two tables make reference to this in the notes at the bottom of each schedule.

3. The two surveys were, in fact, sent to the same (b) (4) households. The second survey resulted in (b) "unique" (refer to page 3 of Schedule K-1) responses. The word "unique" was used to indicate that only households that did not respond to the first survey were actually counted in the second survey response tabulation.

4. The acceptance rates in the NTS loan application are substantiated by the market survey data results. Schedule K-1 and the tabulated results for each community are displayed. The projected acceptance rates are directly linked to the customer responses to specific questions regarding their interest in a given service at a given price. (b) (4)

Yours Truly,

William A. Johnson
Senior Consultant

NTS TELEPHONE COMPANY, LLC
5307 WEST LOOP 289
LUBBOCK TEXAS 79414-1610
806-797-0687 FAX: 806-797-9807

September 27, 2007

VIA OVERNIGHT MAIL

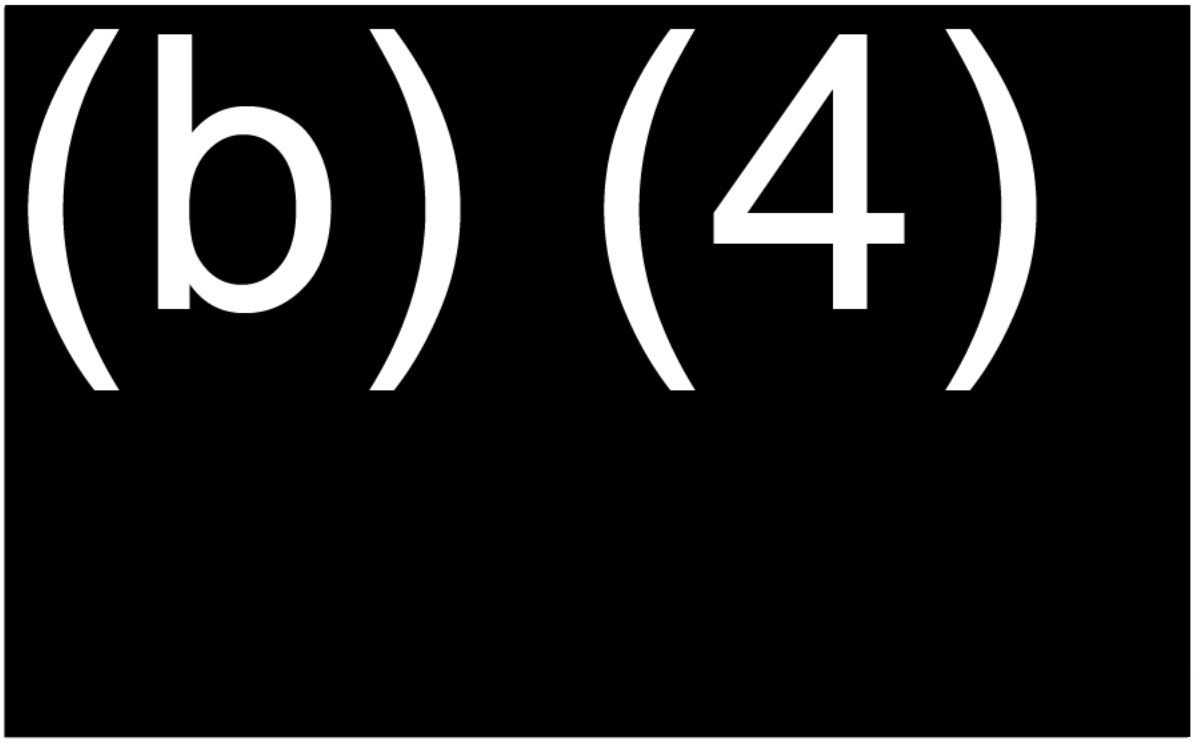
Mr. Kenneth Kuchno
Director
Rural Development Utilities Program
United States Department of Agriculture
1400 Independence Ave.
Room 2844 SAG Building Stop 1599
Washington DC 20250-1599

Dear Mr. Kuchno:

I am very pleased to inform you that (b) (4) in credit support funds have been deposited into NTS Telephone Company's operating account, and supporting documentation has been forwarded to Laurel Minich. In preparation for the final completion of the release conditions, I have been reviewing the loan and security agreement and the governing regulations. During this process I noted that Article VII Section 7.3 states that "The borrower shall not, without the prior written consent of RUS, take or suffer to be taken any steps to reorganize, consolidate with or merge into any other corporation.

In recognition of the fact that matters covered in Section 7.3 are apparently of considerable interest to RUS, I thought it would be adviseable to notify you that NTS Communications, Inc. (NTS), the parent company of NTS Telephone Company, LLC

(b) (4)



Mr. Kuchno, I hope you will agree that this proposed combination will leave NTS Telephone Company under the ownership of a much improved and enhanced parent company, but at the same time provide for continuity of entity, structure and management.

My goal was not just to inform you of the plan for NTS Communications to change its ownership structure early next year. I also wanted to explain how this is a positive development not only for the companies involved, but for the Rural Utilities Service and for the public we both strive to serve. I am excited to be part of this very positive transition. If you need further information with respect to anything I have discussed, I would be very pleased to provide further information.

Sincerely yours,

Jerry Hoover
NTS Telephone Company, LLC
Manager

(b) (4)(b) (4)

October 30, 2008

Ms. Farwa Naqvi
USDA - RUS
Stop 1599
1400 Independence Ave., SW, Rm 2868
Washington, DC 20250-1599

Re: NTS Broadband Loan (TX 1112-A)
Buy American Waiver Request for Set-Top Boxes

Dear Ms. Naqvi:

On behalf of our client, NTS Telephone Company, LLC (NTS Tel), we respectfully request a waiver of the Buy American requirement and approval from you to utilize funds from the NTS Tel RUS Broadband Loan (TX 1112-A) to purchase certain Set-Top boxes and associated equipment as described below.

Manufacturer	Model	Estimated Unit Cost
ADB	2500W	(b) (4)
ADB	3800 HD	(b) (4)
ADB	5810 HD PVR	

ADB is a Switzerland based company and the equipment is manufactured in Thailand. ADB is one of the few manufacturers of Set-Top boxes that has products that are compatible with NTS Tel's middleware vendor, Minerva, and is currently on their interoperability list.

NTS Tel has determined that among the compatible vendors, that the ADB equipment is the best for their network from an economical and technical perspective. These products are also utilized in other non-RUS portions of the NTS Tel network and NTS Tel wishes to standardize on this equipment to reduce costs associated with spares and to make it easier to train their staff and maintain the equipment.

We have consulted with the RUS Technical Support Branch on this matter and have been advised to request a waiver based on the following factors:

1. The Technical Support Branch (TSB) does not have a List for Set-Top boxes at this time because of its customized application per user network and the proprietary middleware features being used. Each deployment is a custom interoperability feature set tailored for the borrower. TSB considers the endorsement from the vendor for these set top boxes that go with their middle ware and their material supplier as validation that these set-top manufactures have already tweaked their boxes and they should work smoothly.

2. TSB has never run across any set-top made in America or any other qualified countries. Therefore, the purchase of domestic product is not practical because like or comparable product is not available domestically as per RUS Bulletin 344-3, Section IV. D, Availability of Domestic Materials.

Upon your review and approval of this request, we will proceed to prepare plans and specifications associated with a RUS Form 398 contract for the purchase of the specific quantity of this equipment that is reflected in the NTS Tel approved loan design and budget.

Thank you for your time and attention in this matter. Please let us know if you have any questions in regard to the attached document.

Sincerely,

Scott Mackinaw
Director, Inside Plant Engineering

CC: Mr. Jerry Hoover
Mr. Aaron Peters
Mr. Mike Becker
Mr. Scott Steiner
Mr. Marion R. Bowman, PE
Mr. Robert Sandhaus

FW
12/22/08

(b) (4)

December 17, 2008

Ms. Farwa Naqvi
USDA - RUS
Stop 1599
1400 Independence Ave., SW, Rm 2868
Washington, DC 20250-1599

Re: NTS Broadband Loan (TX 1112-A) – Design Change Request

Dear Ms. Naqvi:

On behalf of NTS Telephone Company, LLC (NTS Tel), I am requesting your approval of a System Design change for their TX 1112-A Broadband Loan.

The approved loan design called for buried fiber for construction of all of the distribution routes. However, there has been continued development of the residential areas covered by the loan design, during the time between the submission of the loan application and now, including the paving of alleyways, addition of paved driveways and installation of utility lines along the desired routes.

As a result, there are now areas where aerial construction would allow much less complicated, more timely and more cost effective implementation. This would prevent costly boring of fiber in many areas. It is not anticipated that new poles will have to be set as there are existing telephone and electric poles throughout the service area that NTS Tel already has agreements for attachments. Based on NTS Tel's experience with local contractors, they believe that in certain areas a savings of (b) (4) could be obtained by using aerial construction. Affectively this proposed change will have no negative affect on the number of forecasted subscribers. We appreciate your consideration of this request and let us know if you have any questions or if you would like to discuss this matter in more detail.

Thank you for your time and attention.

Sincerely,

Scott Mackinaw / TD

Scott Mackinaw
Director, Inside Plant Engineering

CC: Mr. Jerry Hoover
Mr. Scott Steiner
Mr. Aaron Peters
Mr. Marion R. Bowman, PE
Mr. Mike Becker
Mr. Robert Sandhaus

NTS Telephone Company, LLC
5307 West Loop 289
Lubbock TX 79414-1610

July 20, 2012

Mr. Kenneth Kuchno
Engineering Branch – Broadband Division
Telecommunications Program
Rural Development, Utilities Program
USDA – RDUP, Stop 1599
1400 Independence Ave., SW, Rm 2868-S
Washington, DC 20250-1599

Re: NTS Telephone Company, LLC; TX1112-A
TIER compliance 2011

Dear Mr. Kuchno:

NTS Telephone Company, LLC (NTS Tel) cordially requests a review by your office of the 2011 TIER. (b) (4) [redacted]

The following items, in connection with the TIER, will outline original projections, current status and future remedies being implemented to assure that NTS Tel meets the required TIER:

The original financial forecast for NTS Telephone Company LLC farm bill loan TX1112A was based upon:

NTS Tel projected to begin selling services on 02/2007 and the actual first sell happened on 08/2009. Financial projections will be compared with the projections 2.5 years from the beginning of service offerings.

A comparison of actual vs. projections 2.5 years from the beginning of our services:

1. (b) (4) [redacted]
2.
3.

We believe that we have not met [redacted] due to the following circumstances:

1. The reason for the overall project taking several years to begin versus the originally planned start date was [redacted] Once received, the construction process immediately began.
2. All construction was planned to be completed September 2007; however, construction was actually completed in April 2010. The total time to complete large scale construction was twenty-two months and exceeded the original projected time-line of fifteen months. Lack of adequate time to complete field engineering and central office engineering in the original project plan is the primary reason for lag in overall project completion. Due to this engineering delay, sales began six months later than the original timeline projection.
3. The economy for the application proposed service area was strongly growing and unemployment was generally low in the communities of Levelland & Smyer, TX. When project engineering began in December 2007, the U.S. economic decline also began and continued to slide into the worst economic recession since the 1930's. During the application preparation process unemployment in the state of Texas was 4.5%-4.7%. At the actual start of NTS Tel's construction in December 2007, the unemployment rate was at 4.4%. With the downturn of the economy, the unemployment rate in the state of Texas reached a high of 8.2% upon completion of construction in April of 2010.
4. [redacted] projected in the application. Several reasons for this deficit are properties being either destroyed, demolished, abandoned or non-habitable.
5. Due to the delay in the beginning of the project, depreciation expenses in our current income statements are higher than projected for the same revenues level.

We have discussed the necessary actions that need to be taken in order to bring NTS Telephone Company TIER into 1.25 compliance in 2012. Here are these actions:

1. Reduction of contractual management fees by parent company NTS Communications, Inc. even to the point of complete waiver of these fees. NTS Telephone Company Inc has an agreement with NTS Communications Inc (parent) for NTS Communications to provide General and Administrative services for customer care, sales, switching, operations, translations and maintenance to NTS Telephone for [redacted] of gross revenues which was approved with application by USDA RUS.
2. Credit for certain Video components related to cost of goods sold from parent company to NTS Telephone Company

We expect that the two actions above will increase our net profit by approximately (b) (4) in the first quarter of 2012. In addition, we will continue to review the effect of these actions on the profit of the remaining three quarters in 2012 and will take similar actions to meet the TIER ratio in 2012.

Please do not hesitate to call if you or your team has any questions or would like to discuss any of the items in this letter in more detail. NTS appreciates your time and consideration in this matter.

Sincerely,

Jerry Hoover
Manager
NTS Telephone Company, LLC

CC: Mr. Aaron Peters Mr. Brad Worthington Mr. Michael Becker

November 15, 2013

VIA FACSIMILE AND OVERNIGHT MAIL

Administrator
Rural Utilities Service
United States Department of Agriculture
1400 Independence Avenue
Washington, DC 20250

Re: TX 1112 A-34; NTS Telephone Company, LLC – Notice Pursuant to Section 7.2 of the Loan and Security Agreement

Dear Administrator:

Borrower, NTS Telephone Company, LLC, is providing the RUS with notice of a transaction that will result in (b) (4) [redacted]

Section 7.2 of the Loan and Security Agreement dated October 2, 2006, states as follows:

> The Borrower shall not, without prior written consent of RUS, take or suffer to be taken any steps to reorganize, consolidate with or merge into any other entity.

Specifically, on October 20, 2013, NTS, Inc., (the "Company") the parent company and sole owner of NTS Communications, Inc., entered into an Agreement and Plan of Merger (the "Merger Agreement") with T3 North Intermediate Holdings, LLC, a Nevada limited liability company ("Holdings") and North Merger Sub, Inc., a Nevada corporation and a wholly-owned subsidiary of Holdings ("Merger Sub"). Upon the terms and subject to the conditions set forth in the Merger Agreement, the Company will become a wholly-owned subsidiary of Holdings through a merger of Merger Sub with and into the Company, with the Company as the surviving corporation (the "Merger"). Holdings and Merger Sub are affiliates of Tower Three Partners LLC ("Tower Three").

We do not believe the above-described transaction affects any of the restricted changes to the Borrower. Nevertheless, we wish to advise the RUS of these events and wish to answer any questions that you might have.

Sincerely,

Guy Nissenson
Manager

Cc Ms. Laurel Leverrier
Rural Utilities Service
United State Department of Agriculture
1400 Independence Avenue, S.W., Stop 1599, Room 2868
Washington, DC 20250

Metro Tower
1220 Broadway
Lubbock, TX 79401
1.800.658.2150
Fax: 806.788.3386
www.ntscom.com

NTS COMMUNICATIONS

December 27, 2013

Confidential - Exempt from Disclosure
Under the Freedom of Information Act

BY ELECTRONIC AND OVERNIGHT MAIL

Dimitrios Kombolias
Chief, Southern Operations Branch
Broadband Division, Telecom Program
Rural Utilities Service, USDA
STOP 1599
1400 Independence Ave. SW, Room 2868-S
Washington, D.C. 20250-1599

Dear Mr. Kombolias:

Thank you again for taking the time to speak with us on December 18 about the pending merger between NTS, Inc. and Tower Three Partners ("Tower Three"), a private equity firm that invests in a concentrated portfolio of U.S.-based middle market companies. We understood from the conversation that RUS may have some follow-up questions concerning the proposed transaction. In the interim, we wanted to provide you with the following additional information.

We value the relationship that our company has with the Rural Utilities Service ("RUS") through its two wholly-owned subsidiaries NTS Telephone LLC ("NTS Telephone") and PRIDE Networks Inc. ("PRIDE"). We are proud of the role that NTS Telephone and PRIDE are playing in helping RUS realize its mission of bringing public utilities to rural areas. We look forward to continuing this partnership for many years to come, and we are eager to provide RUS with whatever information it desires concerning the pending transaction.

Under the terms of the merger agreement, Tower Three will acquire nearly all of the outstanding shares of NTS, Inc., which currently is traded on both the New York Stock Exchange and the Tel Aviv Stock Exchange. Upon completion of the transaction, which is subject to the approval of NTS, Inc.'s shareholders and certain regulatory approvals, NTS, Inc. will be a privately held company. There will not, however, be any change in the ownership of NTS Telephone or PRIDE, the two NTS companies with assistance agreements from RUS. Indeed, these two companies will remain wholly owned subsidiaries of NTS Communications, Inc. ("NTS Communications"), which is and will remain a wholly owned subsidiary of NTS, Inc. In other words, as depicted in the attached pre- and post-transaction organizational charts, the planned merger will occur two corporate entities above NTS Telephone and PRIDE. Nonetheless, we are committed to maintaining a strong relationship with RUS and making sure that the agency is as comfortable as possible with the merger. Accordingly, we are pleased to provide additional relevant information about the transaction.

As an initial matter, we wish to emphasize that the merger will have no impact on the existing operations of NTS Telephone and PRIDE, and will in no way jeopardize their commitment to the agency's broader mission of developing public utilities infrastructure in rural areas. To the contrary, Tower Three will bring greater financial resources to NTS and its wholly owned subsidiaries that we believe will allow us to further expand the broadband infrastructure development work of NTS Telephone and PRIDE. In addition, we believe that Tower Three's support will serve as a catalyst to accelerate customer adoption of the NTS network in regions developed with RUS assistance. As you may know, NTS Telephone Company is in the process of working with its RUS field representative, Mike Becker, to prepare an application for a new broadband Farm Bill loan from RUS to develop telecommunications infrastructure in other West Texas communities. Tower Three and NTS, Inc. are fully supportive of these rural development projects.

[redacted]

Finally, it goes without saying that NTS Telephone and PRIDE will continue to timely provide all financial reports, disclosures, and other filings required under the RUS program. Tower Three and NTS, Inc. are committed to ensuring that NTS Telephone and PRIDE comply with all applicable contractual and regulatory requirements, and they will continue to work closely with the agency to ensure efficient administration of, and appropriate transparency into, the RUS projects.

We anticipate that the transaction will close in the first quarter of 2014. In light of our desire to maintain -- and indeed, expand -- our partnership with RUS post-closing, we invite you to please let us know if we can provide any additional information concerning the pending transaction.

Thank you, and happy New Year.

Sincerely,

Guy Nissenson

cc: Aaron Peters, Vice President
NTS Communications

Michael Nold, Managing Director
Tower Three Partners

Enclosures

NTS COMMUNICATIONS

October 21, 2015

VIA ELECTRONIC AND OVERNIGHT MAIL

Mr. Peter Aimable
Deputy Assistant Administrator
RUS Telecom Program
1400 Independence Ave. SW
Room 2808 South Ag Bldg – STOP 1595
Washington, DC 20250-1595

Re: NTS Telephone Company, LLC
TX-1112 – Loan 481112
[redacted]

Dear Mr. Aimable:

Thank you for meeting with me and Don Pittman concerning the status of NTS Telephone Company, LLC's (NTS) loan with the RUS. I am writing to set out formally the requests which we presented in our meeting.

(b) (4) [redacted]

(b) (4) [redacted]

We greatly appreciate your understanding and cooperation.

Sincerely,

Cyrus Driver
Manager

December 23, 2015

Mr. Peter Aimable
Deputy Assistant Administrator
RUS Telecom Program
1400 Independence Ave. SW
Room 2808 South Ag Bldg – STOP 1595
Washington, DC 20250-1595

RE: NTS Communications Executive Summary for NTS Telephone Company, LLC and PRIDE Networks, Inc.

Dear Mr. Aimable,

The purpose of this letter is to provide you with some background with respect to the above-referenced matter and to request a meeting as soon as practicable to discuss the current circumstances and the optimum manner to move forward to preserve and enhance the enterprise value and maximize the ability of the Borrowers to satisfy their obligations to the USDA RUS.

NTS Telephone Company, LLC, (NTS Tel) and PRIDE Network, Inc. (PRIDE) are both wholly-owned subsidiaries of NTS Communications, Inc. (NTS). PRIDE and NTS Tel were formed for the sole purpose of managing USDA RUS funded construction projects capable of providing Fiber-to-the-Premise and wireless broadband services to 23 rural communities throughout West Texas, North Texas, and the North Shore Area in Louisiana. PRIDE is the recipient of loan and grant funding for three BIP projects named TX1114 A40, B40 and C40. As of September 30th, 2015, PRIDE had completed all projects and drawn $53.5 mil in loans and $45.5 mil in grants. NTS Tel has a Broadband Farm Bill Loan named TX1112-A for $11,626,000. Construction for that project was completed in Q1 2010.

PRIDE has two board members, Mr. Cyrus Driver and Mr. Don Pittman, as well as three officers: its President, Mr. Driver, its Treasurer, Mr. Pittman, and a Secretary. NTS Tel has two Managers they are also Mr. Driver and Mr. Pittman. The foregoing officers and managers have the same executive management responsibilities with respect to both PRIDE and NTS Tel. [redacted]

Below is a summary of USDA RUS Funded Projects:

RUS Project ID	Funding Type	Original Funding Amount Loan/Grant		Region/Area	Communities Served
TX 1112-A	Farm Bill BB	$ 11,626,000	$ 0.00	West Texas	Two
TX 1114-A40	ARRA BIP	$ 22,546,073	$ 21,661,913	West Texas	Eleven
TX 1114-B40	ARRA BIP	$ 12,538,955	$ 6,175,904	North Texas	Two
TX 1114-C40	ARRA BIP	$ 18,461,417	$ 17,737,440	Louisiana	Eight
		$ 65,172,775	$ 45,575,258		Twenty-three

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Current Status

As noted above, construction was completed for the NTS Tel project in accordance with RUS deadlines in 2010. Construction was also completed by the RUS mandated deadline for each of the three PRIDE Projects. However, revised timelines, changes in executive management and several modifications of the assumptions related to the number of passings projections have had a significantly unfavorable impact on the actual results, when compared to initial revenue projections.

(b) (4) [redacted]

(b) (4) [redacted] The RUS requested written assumptions supporting each line item in the projection along with subscriber forecasts and the companies' plan to address the challenges facing their business. The RUS advised in the letter that NTS Tel and PRIDE must remain current on their financial obligations to the government or appropriate collection actions would be taken.

The companies' current financial issues are a direct result of deviation from the original business plan as it relates to bringing new customers online in 2013 and 2014. (b) (4) [redacted] With fewer customers in place, the corresponding shortfall in revenue resulted in lower revenue, profit and cash flow than planned.

(b) (4) [redacted]

Mr. Driver joined the NTS senior leadership team in January 2015. Mr. Driver brings to NTS over 27 years of experience in the telecom and other high-tech industries with turn-around experience and P&L responsibility. He has overseen sales, marketing, systems engineering, R&D, care, operations, product management and launches. Mr. Driver has an MBA from West Texas A&M University and a BE from Bangalore University.

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Mr. Pittman, Executive Vice President and Chief Financial Officer for NTS, joined the NTS team in 2014. He has previous experience with RUS funded networks along with over 21 years of accounting and financial background working with ILECs, IXCs and CLECs to NTS and is diligently improving revenue vs. cost ratios throughout the organization. He is CPA and CGMA certified and holds a BBA in Accounting from the University of Texas at Tyler and a MA in Psychology from Louisiana Baptist University.

The NTS team believes that it can continue to improve its business and create a service valuable to both business and residential customers in the Southwest. Thousands of customers in rural West Texas and Louisiana now benefit from the services offered by NTS Tel and PRIDE through the broadband services funded by the RUS. NTS Tel and PRIDE (b) (4) and request a meeting as soon as possible with senior executives at the RUS to further develop a plan that addresses the company's unsustainable RUS entity debt structure and that will serve to maximize the value for both the RUS and other economic stakeholders.

We have attached additional detailed historical and projected financial information in the format that we believe the RUS team requested in October and November.

We look forward to your response.

Sincerely,

Cyrus Driver
President and Chief Executive Officer
NTS Communications, Inc.

Enc

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NTS COMMUNICATIONS

February 3, 2016

VIA ELECTRONIC AND OVERNIGHT MAIL

Mr. Peter Aimable
Deputy Assistant Administrator
RUS Telecom Program
1400 Independence Ave. SW
Room 2808 South Ag Bldg – STOP 1595
Washington, DC 20250-1595

Re: NTS Telephone Company, LLC; (Texas 1112-A34)
PRIDE Network, Inc.; (Texas 1114-A40, B40, and C40)

Dear Mr. Aimable:

Thank you for meeting with me and (b) (4) [redacted] r NTS Telephone Company, LLC (NTS) and PRIDE Network, Inc. (PRIDE). To that end, we provided you with a short presentation which proposed a solution and explained why our proposal is both necessary and in the best interest of all parties. A copy of the presentation is enclosed for your reference. This letter is a summary of our presentation and proposal.

As you will recall, in our meeting in your office on October 21, 2015, we explained the (b) (4) [redacted]

Over the past two months, under the direction of the Board of Directors of NTS, Inc., (the parent company of NTS and PRIDE), (b) (4) [redacted]

(b) (4)

Finally, it is urgent that the RUS address this proposal in order to preserve the value of the NTS and PRIDE assets.

We greatly appreciate your understanding and cooperation as we work toward a solution which makes sense for all parties concerned.

Sincerely,

Cyrus Driver
Manager – NTS Telephone Company, LLC
President – PRIDE Network, Inc.

Enc

AVERAGE SUBSCRIBER NUMBERS

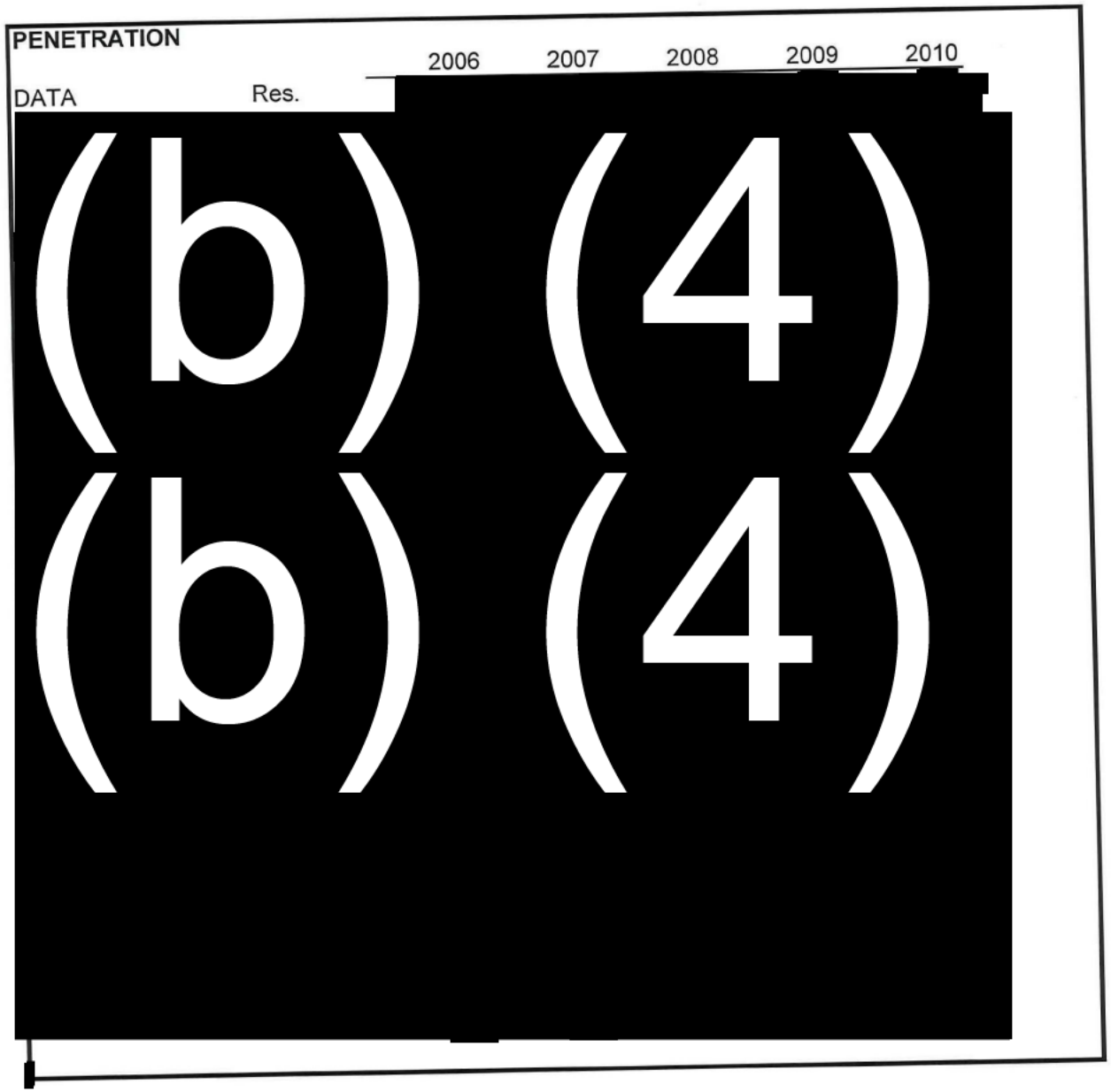
	2006	2007	2008	2009	2010
Data	(b) (4)				
Video	(b) (4)				

* Residential line charges and the access charge include subscribers from the bundled packages

** [redacted] of the total business customers will also be taking data

TOTAL SUBSCRIBERS

	2006	2007	2008	2009	2010
Data: Res.	[redacted]				


PENETRATION
2006
2007
2008
2009
2010
DATA
Res.
(b) (4)
(b) (4)

NTS Telephone Company
5307 West Loop 289
Lubbock, TX 79414
806-797-0687 ext. 4081
806-797-9807 FAX

January 10, 2008

Mr. Kenneth Kuchno
Director
Rural Development Utilities Program
United States Department of Agriculture
1400 Independence Ave.
Room 2844 SAG Building Stop 1599
Washington DC 20250

Re: NTS Broadband Loan (TX 1112-A)

Dear Mr. Kuchno,

I have prepared and enclosed Form FRS – 2 in connection with NTS Telephone Company's Levelland project. Please note that this form reflects re-allocated budget amounts in Column 2. The re-allocations reflect the requested changes in the approved budget that are the subject of my letter to Farwa Naqvi dated January 9, 2008. That original letter is enclosed with this mailing. I would appreciate it if you will see that she receives it.

My purpose in writing this letter is to be absolutely certain that you are aware in advance that I have submitted the FRS -2 with the re-allocations already entered, and that those changes agree to my formal request for the re-allocation. I have handled this submission in this manner in the interest of time, since we are hoping to close on this transaction on January 31st.

I am very hopeful that this submission is acceptable. Your time, attention and favorable consideration will be very deeply appreciated.

Sincerely Yours,

Jerry E. Hoover

C&C No. 80211

CRENSHAW, DUPREE & MILAM, L.L.P.

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Texas Board of Legal Specialization
Certifications:
**Estate Planning & Probate Law
***Oil, Gas & Mineral Law
+Personal Injury Trial Law
++Taxation
*+Labor & Employment Law

March 5, 2007

Administrator
Rural Utilities Service
U.S. Department of Agriculture
Washington, D.C. 20250-1500

Re: Opinion Letter – RDUP Loan Closing with NTS Telephone Company, LLC. Loan Amount: $11,828,000.00.

Dear Sir:

We are outside counsel for NTS Telephone Company, LLC (the "Borrower") for the purposes of the above-referenced loan closing. In such capacity, we have advised the Borrower in connection with:

(a) the borrowing by the Borrower from the United States of America (hereinafter the "Government") of an amount not to exceed $11,828,000.00, as provided for in the loan contract (hereinafter the "Loan and Security Agreement,") dated as of October 2, 2006, between the Borrower and the Government, acting through the Administrator of the Rural Utilities Service; and

(b) the authorization, execution, delivery, and performance by the Borrower of (1) the Loan and Security Agreement, dated as of October 2, 2006, made by and among the Borrower and the Government, (2) the note (hereinafter the "Note") dated October 2, 2006, in the principal amount of $11,828,000.00, payable to the order of the Government, (3) UCC-1 and UCC-1AD with attachments (hereinafter collectively the "financing Statement,") and (4) a Deposit Account Control Agreement, dated March 2, 2007, among the Borrower, the Government and City Bank, Lubbock, Texas, all such documents being hereinafter collectively the "Transaction Documents."

In that capacity, we have examined the Transaction Documents as executed and delivered; have supervised, examined, or caused to be examined by competent and trustworthy persons, the filing of the Financing Statement as a financing statement of a transmitting utility with the Office of the Texas Secretary of State in order to perfect a security interest in personal

property as well as fixtures; and we have examined such other records, instruments, certificates and other documents as deemed necessary or appropriate to render the opinions set forth below.

We are of the opinion that:

1. the Borrower is a duly organized and existing LLC under the laws of the State of Texas, and the Borrower has power: (1) to execute and deliver the Transaction Documents; (2) to perform all acts required to be done by it under the Transaction Documents; and (3) to own its property and carry out its business as now conducted;

2. all proceedings of the Borrower, its Member, and Manager, necessary to be taken in connection with the execution, delivery and performance of the Transaction Documents have been duly taken and all such authorizations are presently in effect; and

3. no authorizations from any regulatory bodies in connection with the execution, delivery and performance of the Transaction Documents are required; however, we do note that there are regulatory requirements that the Borrower must meet in order to receive funding under the Transaction Documents (please see the letter from Jerry Hoover, the Company's Manager, to Mr. Kenneth Kuchno, Director of the RDUP, dated March 2, 2007, which we have included for your reference, for the details of the status of these regulatory approvals);

4. the Transaction Documents have been duly executed and delivered by the borrower in accordance with the authorizations thereof mentioned above and are the valid and binding obligations of the Borrower in accordance with their terms (except as such enforcement may be limited by: (a) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws in effect at the time affecting creditors' rights generally and (b) applicable laws and equitable principles with respect to or affecting the availability of remedies provided for therein; however, in our opinion neither (a) nor (b) will limit the practical realization of the benefits or the security intended to be provided thereby);

5. no legal proceedings have been instituted or are pending to which the Borrower is a party or which affect the Borrower or any of its property and there are no judgments against the Borrower and no liens against any of the personal property of the Borrower, except Permitted Encumbrances, as such term is defined in the Loan and Security Agreement;

6. the Loan and Security Agreement validly secures the Note(s) and creates a valid and perfected first lien upon the personal property and fixtures of the Borrower therein described subject only to Permitted Encumbrances;

7. the Deposit Account Control Agreement perfects a first lien on the subject deposit account;

8. the Financing Statement has been duly filed as a financing statement of a Transmitting Utility in accordance with applicable law under the Uniform Commercial Code of all jurisdictions where such filing is necessary to obtain a lien on the Borrower's personal

property and fixtures and, to the extent that such lien can be perfected by so filing, perfects a first lien on the personal property and fixtures pledged in the Loan and Security Agreement, including personal property and fixtures acquired after the date hereof;

9. the several advances provided for in the Loan and Security Agreement, when made or caused to be made by the Government to the Borrower, will be duly secured by the Loan and Security Agreement, Deposit Account Control Agreement and Financing Statement as validly recorded and filed and indexed first liens without necessity for further act by or on behalf of the Government, subject only to Permitted Encumbrances.

We disclaim any to duty update this opinion letter, except as specifically requested by the Company and/or Lender.

Respectfully submitted

CRENSHAW/DUPREE & MILAM, LLP

Jeff R. Lashaway

JRL/cc

cc: Jerry Hoover, NTS Telephone Company, LLC

Enclosure