

Lance J.M. Steinhart  
Attorney At Law  
6455 East Johns Crossing  
Suite 285  
Duluth, Georgia 30097

Also Admitted in New York  
and Maryland

Telephone: (770) 232-9200  
Facsimile: (770) 232-9208

March 27, 2000 March 27, 2000

**FILED**

MAR 28 2000

**VIA FEDERAL EXPRESS**

Mr. Cecil Wright  
Executive Secretary  
Missouri Public Service Commission  
PO Box 360  
Jefferson City, Missouri 65102

Missouri Public  
Service Commission

Re: Advanced TelCom Group, Inc. - LOCAL EXCHANGE TA-2000-607

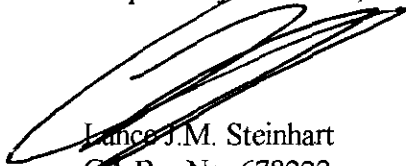
Dear Mr. Wright:

Enclosed please find one original and fourteen (14) copies of Advanced TelCom Group, Inc.'s Application for Certificate of Service Authority to Provide Local Exchange Telecommunications Services Within the State of Missouri, along with a Motion for Protective Order for information that is "highly confidential".

I have also enclosed an extra copy of this letter to be date stamped and returned to me in the enclosed, self addressed, postage prepaid envelope. If you have any questions or if I may provide you with any additional information, please do not hesitate to contact me.

Please note that this Application is being submitted by myself and Judith A. Rau, Esq., Missouri Counsel, Bar # 24856.

Respectfully submitted,



Lance J.M. Steinhart  
GA Bar No. 678222

Attorney for Advanced TelCom Group, Inc.

Enclosures

cc: Richard Levin, Esq.  
Office of Public Counsel

FILED

MAR 28 2000

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

Missouri Public  
Service Commission

In the matter of the application )  
of Advanced TelCom Group, Inc. )  
for a certificate of service authority to ) Case No. TA-2000-607  
provide resold and facilities-based )  
Basic Local Telecommunications Services )  
in Portions of the State of Missouri and )  
to Classify Such Services and the Company )  
as Competitive )

APPLICATION

Advanced TelCom Group, Inc. ("Applicant" or "ATGI"), a Delaware corporation, files this verified application respectfully requesting that the Missouri Public Service Commission ("Commission") issue an order that:

- (a) grants Applicant a Certificate of Service Authority to provide resold and facilities-based Basic Local Telecommunications Services in Portions of the State of Missouri pursuant to Sections 392.455 and 392.420 - .44055 of the Revised Statutes of Missouri (RSMo) 1994 and Sections 392.410 and .450, RSMo Supp. 1996.
- (b) grants competitive status to Applicant pursuant to Section 392.361 RSMo Supp 1996., and classifies the Applicant's services as competitive.
- (c) waives certain Commission rules and statutory provisions pursuant to Section 392.420, RSMo Cum. Supp. 1996.

In support of its request, Applicant states:

1. The legal name and principal office or place of business of the Applicant are:

Advanced TelCom Group, Inc.  
110 Stony Point Road, Second Floor  
Santa Rosa, California 95401  
707-284-5000  
707-284-5001

A copy of Applicant's Articles of Incorporation, and certificate of authority from the Missouri Secretary of State to transact business in Missouri are attached hereto as Exhibit I.

2. The name and address of Applicant's in-state attorney is:

Judith A. Rau, Esq.  
Rau & Rau  
119 E. Mill Street  
Waterloo, Illinois 62298

3. Applicant proposes to provide resold and facilities-based basic local telecommunications service as a separate and distinct service within portions of the State of Missouri. Applicant will comply with billing, quality of service and tariff requirements of the Commission. Applicant proposes to provide services to prospective customers in exchanges currently served by Southwestern Bell Telephone Company, GTE Midwest Inc., and United Telephone Company of Missouri d/b/a Sprint.

When it initiates service in Missouri, Advanced TelCom Group, Inc., (ATGI) proposes initially to provide resold local exchange telecommunications services, and thereafter to provide facilities-based local exchange services through the use of its own facilities and unbundled network elements. Initially, the services ATGI intends to offer are likely to be those local exchange telecommunications services offered by incumbent local exchange carriers in the proposed service area. ATGI intends to provide local exchange services that may include but are not limited to the following:

- \* Basic Residential Exchange Services for Telecommuters
- \* Residential Custom and Class Features (call waiting, caller ID, call forwarding, call blocking, speed calling, etc.)
- \* Basic Business Exchange Services
- \* Business Customer Calling and Class Features
- \* Adjunct Provided Features (voice messaging, etc.)
- \* Business and Residential Ancillary Services (911, E911, 411, Relay Service, directory listing, directory assistance, etc.)
- \* Centrex
- \* DSL and ISDN
- \* DID Trunks and Lines
- \* Private Lines

ATGI does not initially intend to install any switching equipment for the provision of local exchange service in the State of Missouri, but will install such equipment in the future.

When ATGI installs facilities in Missouri, it will probably use the following configuration of equipment: ATGI will provide voice and high speed data services through a combination of the latest technology switching and transport media comprised of the Lucent Technology 5 ESS Generic 13 switch module, ADSL/SDSL transport and Internet service equipment and the latest Optical multiplexer DAC's configurations. The switching system consists of a central processing and control complex capable of interconnection as a peer to the incumbent as well as competitive local exchange companies. The hub portion of the switch will interconnect with the public switched network on Signaling System 7 ("SS7") or Feature Group D ("FGD") facilities. The system's remote module capability will allow properties to be served in a manner that provides the exchange of appropriate signaling, control and calling/caller information to the network in accordance with network standards and specifications. Additionally, these services will be delivered over a combination of delivery mechanisms through incumbent local carriers' unbundled loop network, both copper and fiber and transport networks, as well as via ATGI constructed facilities.

4. Applicant has the experience in the telecommunications industry and the technical and financial resources to provide telecommunications services within Missouri. A brief description of the qualifications and experience of the key management employees is attached hereto as Exhibit II, along with a description of the Applicant's telecommunications background. A copy of the financial information to demonstrate Applicant's financial ability to provide service, Exhibit III, contains confidential and proprietary information, and is being submitted under separate cover with a Motion for Protective Order.

Applicant is currently authorized in California, Colorado, Connecticut, Idaho, Illinois, Maryland, Michigan, Montana, Nevada, New York, New Jersey, Oregon, Texas, Virginia, and Washington to provide local exchange and long distance services. Applicant is in the process of applying for authorization to provide competitive local exchange and interexchange services in the 48 contiguous states, Alaska and Hawaii. Applicant has not been denied authority for any of the services for which it seeks authority in this Application. Applicant is currently providing service in California, Maryland, Nevada, Oregon and Washington, and is planning and developing facilities in other states.

5. Applicant hereby respectfully requests a temporary waiver of 4 CSR 240-2.060 (4) (H) that requires Applicant to file a draft tariff simultaneously with this application until Applicant has executed interconnection agreements with the incumbent LECs and those agreements have been approved by the Commission.

6. Applicant hereby respectfully requests classification as a competitive telecommunications company within the State of Missouri and receive a lesser degree of regulation as permitted by Sections 392.361 and 392.420 RSMo. Applicant also requests that its services be classified as competitive. Applicant believes that its proposed services will be subject to sufficient competition to justify a lesser degree of regulation. Granting of this application will allow greater price and service options for telephone users.

7. Applicant also respectfully requests, pursuant to Section 392.420 RSMo (Cum. Supp. 1992), that the Commission waive the application of the following rules and statutory provisions as it relates to the regulation of Applicant:

Statutes

392.210.2 Establish Uniform System of Accounts for Annual reports  
392.240(1) Setting just and reasonable rates  
392.270 Ascertain Property values  
392.280 Establish Depreciation accounts  
392.290 Issuance of securities  
392.300.2 Acquisition of stock  
392.310 Issuance of stock and debt  
392.320 Stock Dividend Payment  
392.330 Issuance of securities, debts and notes  
392.340 Reorganization(s)

Commission Rules

4 CSR 240-10.020	Depreciation fund income
4 CSR 240-30.010(2)C)	Posting exchange rates at central offices.
4 CSR 240-33.030	Inform customers of lowest price
4 CSR 240-32.030(4)C)	File Exchange boundary maps with Commission
4 CSR 240-35	Reporting of bypass
4 CSR 240-30.040	Uniform System of Accounts

The above-referenced rules and statutory provisions have been waived to other carriers in prior cases.

8. Applicant, pursuant to Section 386.570, Cum. Supp. 1992, will comply with all applicable Commission rules except those which are specifically waived by the Commission pursuant to a request filed by the Applicant.

9. Correspondence or communications pertaining to this Application should be addressed to:

Lance J.M. Steinhart  
6455 East Johns Crossing  
Suite 285  
Duluth, Georgia 30097  
(770) 232-9200  
(770) 232-9208 (Fax)



10. ATGI submits the following arguments to demonstrate that the public interest will be served by the approval of this Application:

The grant of a certificate to provide competitive basic local telecommunications services to the Applicant will serve the public interest. The Applicant's presence in the market will expand customer choice for telecommunications service. The increased competition brought by the Applicant to the market will have the effect of improving the quality of telecommunications services in Missouri and decreasing the cost of such services through increased innovation and efficiency. The result will be beneficial to economic development in Missouri. The granting of a certificate to the Applicant will contribute to the availability of reasonably affordable local exchange services in the State of Missouri.

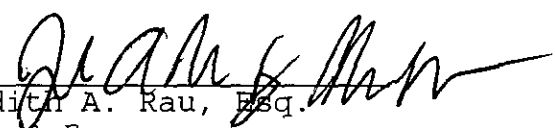
WHEREFORE, Applicant, Advanced TelCom Group, Inc., respectfully requests that the Missouri Public Service Commission grant it a certificate of service authority to provide resold and facilities-based Basic Local Telecommunications Services within portions of the State of Missouri. Applicant also respectfully requests classification as a competitive telecommunications company and requests that its services be classified as competitive. In addition, Applicant respectfully requests a waiver of the above-referenced rules and statutory provisions and a temporary waiver of the tariff filing requirement.

Respectfully submitted,



Lance J.M. Steinhart, Esq.  
Attorney at Law  
6455 East Johns Crossing, Suite 285  
Duluth, Georgia 30097  
(770) 232-9200  
GA Bar No. 678222

and



Judith A. Rau, Esq.  
Rau & Rau  
119 E. Mill Street  
Waterloo, Illinois 62298  
(618) 939-7186  
MO Bar No. 24856

Attorneys for Applicant

ATTACHED EXHIBITS

- Exhibit I      Missouri Secretary of State Authorization  
Articles of Incorporation
- Exhibit II     Executive Officers' Qualifications and Experience  
Company's Telecommunications Background
- Exhibit III    Financial Information

Exhibit I  
Missouri Secretary of State Authorization  
&  
Articles of Incorporation

See Attached

No. F00479560

# STATE OF MISSOURI



**Rebecca McDowell Cook**  
**Secretary of State**

## CORPORATION DIVISION - CERTIFICATE OF AUTHORITY

WHEREAS,  
ADVANCED TELECOM GROUP, INC.

using in Missouri the name  
ADVANCED TELECOM GROUP, INC.

has complied with the General and Business Corporation Law which governs Foreign Corporations; by filing in the office of the Secretary of State of Missouri authenticated evidence of its incorporation and good standing under the Laws of the State of DELAWARE.

NOW, THEREFORE, I, REBECCA McDOWELL COOK, Secretary of State of the State of Missouri, do hereby certify that said corporation is from this date duly authorized to transact business in this State, and is entitled to all rights and privileges granted to Foreign Corporations under the General and Business Corporation Law of Missouri.

IN TESTIMONY WHEREOF, I have set my hand and imprinted the GREAT SEAL of the State of Missouri, on this, the 2nd day of FEBRUARY, 2000.



*Rebecca McDowell Cook*  
Secretary of State

\$155.00

STATE OF DELAWARE  
SECRETARY OF STATE  
DIVISION OF CORPORATIONS  
FILED 04:30 PM 01/01/1998  
081258123 - 2916207

## CERTIFICATE OF INCORPORATION

OF

### ADVANCED TELECOM GROUP, INC.

**FIRST.** The name of the corporation is Advanced Telecom Group, Inc.

**SECOND.** The address of the corporation's registered office in the State of Delaware is 1209 Orange Street, City of Wilmington, County of New Castle, Delaware 19081. The name of its registered agent at such address is The Corporation Trust Company.

**THIRD.** The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

**FOURTH.** The aggregate number of shares which the corporation shall have authority to issue is 200,000 shares, 100,000 shares of Common Stock with the par value of \$1.001 per share, and 100,000 shares of Preferred Stock with the par value of \$1.001 per share.

**FIFTH.** The name and mailing address of the incorporator are:

Greg Brogger  
c/o Wilson Sonsini Goodrich & Rosati, Professional Corporation  
650 Page Mill Road  
Palo Alto, CA 94304-1050

**SIXTH.** The Corporation is to have perpetual existence.

**SEVENTH.** In furtherance and not in limitation of the powers conferred by statute, the Board of Directors of the corporation is expressly authorized to adopt, amend or repeal the Bylaws of the corporation, but the stockholders may make additional Bylaws and may alter or repeal any Bylaw whether adopted by them or otherwise.

**EIGHTH.** Elections of directors need not be by written ballot except and to the extent provided in the Bylaws of the corporation.

**NINTH.** The number of directors which constitute the whole Board of Directors of the Corporation shall be designated in the Bylaws of the Corporation.

**TENTH.** Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision

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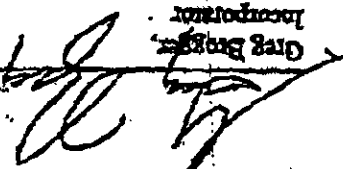
contained in applicable statutes) outside the State of Delaware at such place or places as may be designated from time to time by the board of directors or by the bylaws of the Corporation.

**ELEVENTH.** A director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (a) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under Section 174 of the Delaware General Corporation Law, or (d) for any transaction from which the director derived any improper personal benefit, and to the extent such exemption from liability or limitation thereof is not permitted under the Delaware General Corporation Law as the same exists or may hereafter be amended. If the Delaware General Corporation Law is amended after the filing of this Certificate of Incorporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

Any repeal or modification of this Article ELEVENTH shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

**TWELFTH.** The Corporation reserves the right to amend, alter, change or repeal any provision contained herein, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

The undersigned incorporator hereby acknowledges that the foregoing Certificate of Incorporation is the act and deed of such incorporator and that the facts stated therein are true.

  
Greg Briggs  
Incorporator

Date: June 29, 1998

**EXHIBIT A**  
**AMENDED AND RESTATED**  
**CERTIFICATE OF INCORPORATION**  
**OF**  
**ADVANCED TELCOM GROUP, INC.**

**FIRST.** The name of the corporation is Advanced TelCom Group, Inc.

**SECOND.** The address of the corporation's registered office in the State of Delaware is 1013 Centre Road, Wilmington, County of New Castle, Delaware 19805. The name of its registered agent at such address is Corporation Service Company.

**THIRD.** The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

**FOURTH.** The total number of shares which the corporation shall have authority to issue is 100 shares of capital stock, all of which shall be designated "Common Stock" and the par value of each such share is \$0.0001 per share.

**FIFTH.** The Board of Directors of the corporation is expressly authorized to adopt, amend or repeal the by-laws of the corporation, but the stockholders may make additional by-laws and may alter or repeal any by-law whether adopted by them or otherwise.

**SIXTH.** Elections of directors need not be by written ballot except and to the extent provided in the by-laws of the corporation.

**SEVENTH.** The Corporation is to have perpetual existence.

**EIGHTH.** The number of directors which constitute the whole Board of Directors of the Corporation shall be designated in the Bylaws of the Corporation.

**NINTH.** Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in applicable statutes) outside the State of Delaware at such place or places as may be designated from time to time by the board of directors or in the bylaws of the Corporation.



**TENTH.** A director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (a) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under Section 174 of the Delaware General Corporation Law, or (d) for any transaction from which the director derived any improper personal benefit, and to the extent such exemption from liability or limitation thereof is not permitted under the Delaware General Corporation Law as the same exists or may hereafter be amended. If the Delaware General Corporation Law is amended after the filing of this Certificate of Incorporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

Any repeal or modification of this TENTH Article shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

**ELEVENTH.** The Corporation reserves the right to amend, alter, change or repeal any provision contained herein, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

I, THE UNDERSIGNED, being the President of the Corporation, hereby declare and certify that this is my act and deed and the facts herein stated are true and, accordingly, I have executed this Amended and Restated Certificate of Incorporation on the 21st day of April, 1999.

  
Clifford B. Rudolph, President

*State of Delaware*  
*Office of the Secretary of State*

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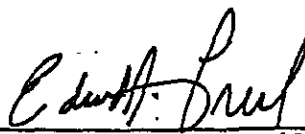
PAGE 1

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE RESTATED CERTIFICATE OF "ADVANCED TELCOM GROUP, INC.", FILED IN THIS OFFICE ON THE TWENTY-SECOND DAY OF JULY, A.D. 1998, AT 4:30 O'CLOCK P.M.



2916207 8100

981359092

  
Edward J. Freel, Secretary of State  
9304637

AUTHENTICATION: 09-16-98

DATE:

**AMENDED AND RESTATED CERTIFICATE OF INCORPORATION  
OF  
ADVANCED TELCOM GROUP, INC.**

Pursuant to the provisions of Sections 242 and 228 of the General Corporation Law of the State of Delaware, the undersigned corporation adopts the following Amended and Restated Certificate of Incorporation and hereby certifies as follows:

1. The name of the corporation is Advanced TelCom Group, Inc. (the "Corporation").

2. The following Amended and Restated Certificate of Incorporation was adopted by the stockholders of the Corporation by unanimous written consent in accordance with Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware.

The Certificate of Incorporation of the Corporation, filed with the Delaware Secretary of State on July 1, 1998, is hereby amended and restated to read in its entirety as follows:

**ARTICLE I**

**NAME**

The name of the corporation is Advanced TelCom Group, Inc. (the "Corporation").

**ARTICLE II**

**REGISTERED OFFICE**

The address, including street, number, city and county, of the registered office of the Corporation in the State of Delaware, is 1013 Centre Road, City of Wilmington, County of New Castle, State of Delaware 19805; and the name of the registered agent of the Corporation in the State of Delaware at such address is Corporation Service Company.

**ARTICLE III**

**PURPOSES**

The nature of the business or purposes to be conducted or promoted by the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "DGCL").

**ARTICLE IV**

**CAPITAL SECURITIES**

The total number of shares of capital stock that the Corporation shall have authority to issue is 1,854,000 shares, each of which shall have a par value of \$.0001 per share and of which

(i) 27,000 shares are hereby designated as Series A Preferred Stock, (ii) 800,000 shares are hereby designated as Series B Preferred Stock, (iii) 27,000 shares are hereby designated as Redeemable Preferred Stock, and (iv) 1,000,000 shares are hereby designated as Common Stock.

The Corporation is authorized to issue, from time to time, all or any portion of the capital stock of the Corporation that is authorized but not issued, to such person or persons and for such lawful consideration as it may deem appropriate, and generally in its absolute discretion to determine the terms and manner of any disposition of such authorized but unissued capital stock.

Any and all such shares issued for which the full consideration has been paid or delivered shall be deemed fully paid shares of capital stock, and the holder of such shares shall not be liable for any further call or assessment or any other payment thereon.

The voting powers, designations, preferences, privileges and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions of each class of capital stock of the Corporation shall be as hereafter provided in this Article IV.

#### A. SERIES A PREFERRED STOCK

##### 1. Election of Directors: Voting.

(a) Election of Directors. For so long as a majority of the shares of Series A Preferred Stock are held by the original purchasers thereof or their respective Affiliates, or until such earlier date as of which a B Round Financing shall have been consummated, unless otherwise agreed by the holders of a majority of the Series A Preferred Stock, (i) the Corporation's Board of Directors shall consist of seven (7) members and (ii) the holders of outstanding shares of Series A Preferred Stock shall, voting together as a separate class, be entitled to elect four (4) Directors of the Corporation (such four Directors being referred to as the "Series A Director Designees"). The election of the Series A Director Designees by the holders of the Series A Preferred Stock may occur (i) at the annual meeting of holders of capital stock, (ii) at any special meeting of holders of capital stock, (iii) at any special meeting of holders of Series A Preferred Stock called by holders of a majority of the issued and outstanding shares of Series A Preferred Stock or (iv) by the written consent of holders of a majority of the issued and outstanding shares of Series A Preferred Stock. So long as the holders of Series A Preferred Stock shall be entitled to elect Series A Director Designees under this Section A.1(a), if any Series A Director Designee should cease to be a Director for any reason, the vacancy shall only be filled by the vote or written consent of the holders of the outstanding shares of Series A Preferred Stock, voting together as a single class in the manner and on the basis specified above. The holders of outstanding shares of Common Stock shall be entitled to vote in the election for all Directors of the Corporation other than the Series A Director Designees, voting together as a single class. The holders of outstanding shares of Series A Preferred Stock may, in their sole discretion, determine to elect less than four (4) Series A Director Designees from time to time, and during any such period the Board of Directors nonetheless shall be deemed duly constituted. From and after such time as the holders of Series A Preferred Stock are no longer entitled to elect Series A Director Designees as set forth above in this Section, all Directors shall be elected by the holders of Common Stock and Series A Preferred Stock, voting together as a single class.

with each outstanding share of Series A Preferred Stock entitled to the number of votes equal to the number of shares of Common Stock into which each share of Series A Preferred Stock may be converted pursuant to Section A.5 on the record date for the vote or written consent of stockholders, as applicable, therefor.

(b) Voting Generally. The holder of each share of Series A Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which each share of Series A Preferred Stock may be converted pursuant to Section A.5 on the record date for the vote or for written consent of stockholders, as applicable. The holder of each share of Series A Preferred Stock shall be entitled to notice of any stockholders' meeting in accordance with the by-laws of the Corporation and, except as otherwise provided in Section A.1(a), shall vote together with holders of the Common Stock, voting together as single class, upon all matters submitted to a vote of stockholders. Fractional votes shall not, however, be permitted and any fractional voting rights resulting from the above formula (after aggregating all shares of Common Stock into which shares of Series A Preferred Stock held by each holder may be converted) shall be rounded to the nearest whole number (with one-half rounded upward to one).

2. Dividends. (a) The holders of Series A Preferred Stock shall be entitled, in preference to the holders of any and all other classes of capital stock of the Corporation ranking junior in right to the Series A Preferred Stock, to receive on each share of Series A Preferred Stock, out of funds legally available therefor, cumulative cash dividends payable at the rate of 15% per annum on the sum of \$74.0741 (such amount, as adjusted from time to time in accordance with Section A.2(b) is referred to as the "Series A Purchase Price"). Such dividends will be calculated and compounded annually in arrears on December 31 of each year (commencing on December 31, 1998) in respect of the prior twelve month period, or portion thereof, (prorated on a daily basis for partial periods). Such dividends shall commence to accrue on each share of Series A Preferred Stock from the date of issuance thereof, whether or not declared by the Board of Directors and whether or not there are profits, surplus or other funds of the Corporation legally available for the payment of dividends, and shall continue to accrue until the Series A Liquidation Preference is paid in full in cash or until the conversion of the Series A Preferred Stock in accordance with Section A.5 (such dividends being referred to as the "Series A Dividends"). Series A Dividends shall be due and payable with respect to each share of Series A Preferred Stock as provided in Sections A.3 and A.4. Series A Dividends paid in cash in an amount less than the total amount of such dividends at the time accumulated and payable on all outstanding shares of Series A Preferred Stock shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. At any time when shares of Series A Preferred Stock are outstanding and the Series A Dividends have not been paid in full in cash, (a) no dividend whatsoever shall be paid or declared, and no distribution shall be made, on any share of the Corporation's Capital Securities ranking junior in right to the Series A Preferred Stock, and (b) the Corporation shall not, and shall not permit any Subsidiary to, purchase, redeem or acquire any Capital Securities of the Corporation ranking junior in right to the Series A Preferred Stock, any Convertible Securities or any Capital Securities of any Subsidiary, and no monies shall be paid into or set aside or made available for a sinking or other analogous fund for the purchase, redemption or acquisition thereof; provided, however, that the Corporation and its

Subsidiaries may, without regard to this Section A.2, (i) effect transactions of the type described in Article IV, Sections A.6(a), (b) and (c) for which adjustments are made pursuant thereto and (ii) purchase, redeem or acquire shares of Common Stock and Convertible Securities issued to employees, officers or directors of, or consultants or other service providers to, the Corporation or its Subsidiaries pursuant to equity incentive plans or other arrangements approved by the Board of Directors.

(b) All numbers relating to the calculation of dividends pursuant to this Section A.2 shall be equitably adjusted to reflect any stock split, stock dividend, combination, reorganization, recapitalization, reclassification or other similar event involving the Series A Preferred Stock.

### 3. Liquidation.

(a) Liquidation Preference. Upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary (as further defined in Section A.3(b), a "Liquidation Event"), each holder of outstanding shares of Series A Preferred Stock shall be entitled to be paid with respect to each share of Series A Preferred Stock out of the assets of the Corporation available for distribution to stockholders, whether such assets are capital, surplus or earnings, and before any amount shall be paid or distributed to the holders of Common Stock or of any other stock ranking junior in right to the Series A Preferred Stock, an amount in cash equal to the sum of (i) the Series A Purchase Price plus (ii) any accumulated but unpaid dividends to which such holder of outstanding shares of Series A Preferred Stock is then entitled pursuant to Sections A.2 and A.4(d) hereof, plus (iii) any interest accrued pursuant to Section A.4(c) (such sum being referred to as the "Series A Liquidation Preference"); provided, however, that if upon any Liquidation Event, the amounts payable with respect to the issued and outstanding Series A Preferred Stock are not paid in full, the amounts available for distribution shall be distributed ratably among the holders of Series A Preferred Stock in accordance with their relative holdings thereof.

(b) Consolidation, Merger, etc. A Sale of the Corporation shall be deemed to constitute a "Liquidation Event" for all purposes hereof. Notwithstanding the foregoing, a Sale of the Corporation shall not be deemed to be a Liquidation Event for the purposes of this Section A.3 if the holders of not less than a majority of the issued and outstanding Series A Preferred Stock waive in writing the provisions of this Section A.3 with respect to such transaction. Any reorganization of the Corporation required by any court or administrative body in order to comply with any provision of law shall be deemed to be a Liquidation Event unless the preferences, qualifications, limitations, restrictions and special or relative rights granted to or imposed upon the holders of Series A Preferred Stock are not adversely affected by such reorganization.

(c) The provisions of this Section A.3 shall not in any way limit the right of the holders of Series A Preferred Stock to elect to convert their shares of Series A Preferred Stock into shares of Redeemable Preferred Stock and Common Stock pursuant to Section A.5 below prior to or in connection with any Liquidation Event.

(d) Holders of Series A Preferred Stock shall not be entitled to any additional distribution on account of their Series A Preferred Stock upon the occurrence of any Liquidation Event in excess of the Series A Liquidation Preference.

4. Redemption.

(a) Redemption Events.

Upon the election of the holder or holders of more than fifty percent (50%) of the issued and outstanding Series A Preferred Stock made at any time on or after June 30, 1999, if the Corporation shall not have theretofore consummated a B Round Financing, or at any time after the fifth anniversary of the consummation of such B Round Financing, the Corporation shall redeem all (and not less than all, other than pursuant to Section A.4(c) below) of the outstanding shares of Series A Preferred Stock on or before the date set for redemption thereof as provided below at the redemption price specified in Section A.4(b). The foregoing election shall be made by such holders delivering to the Corporation and each of the other holders of Series A Preferred Stock not less than thirty (30) days' prior written notice, which notice shall set forth the date for such redemption that will not be less than thirty (30) days nor more than sixty (60) days from the date of such written notice.

(b) Redemption Date; Redemption Price. Upon the election of the holders of a majority of the issued and outstanding Series A Preferred Stock to cause the Corporation to redeem the Series A Preferred Stock pursuant to Section A.4(a), all holders of Series A Preferred Stock shall be deemed to have elected to cause the Series A Preferred Stock to be so redeemed. Any date upon which a redemption is to occur as specified in a notice thereof in accordance with Section A.4(a) is referred to as a "Series A Redemption Date." The redemption price for each share of Series A Preferred Stock redeemed pursuant to Section A.4 shall be the Series A Liquidation Preference as of the date such share of Series A Preferred Stock is redeemed in full in cash. Such redemption price shall be payable in cash in immediately available funds on the Series A Redemption Date. Until the full redemption price has been paid in cash for all shares of Series A Preferred Stock being redeemed, (A) no dividend whatsoever shall be paid or declared, and no distribution shall be made, on any share of the Corporation's Capital Securities ranking junior to the Series A Preferred Stock and (B) the Corporation shall, not and shall not permit any Subsidiary to, purchase, redeem or acquire any Capital Securities of the Corporation (other than the Series A Preferred Stock in accordance with this Section A.4), any Convertible Securities or any Capital Securities of any Subsidiary, and no monies shall be paid into or set aside or made available for a sinking or other analogous fund for the purchase, redemption or acquisition thereof; provided, however, that the Corporation and its Subsidiaries may, without regard to this Section A.4(b), (i) effect transactions of the type described in Article IV, Sections A.6(a), (b) and (c) for which adjustments are made pursuant thereto and (ii) purchase, redeem or acquire shares of Common Stock and Convertible Securities issued to employees, officers or directors of, or consultants or other service providers to, the Corporation or its Subsidiaries pursuant to equity incentive plans or other arrangements approved by the Board of Directors.



(c) Redemption Prohibited. If, at a Series A Preferred Redemption Date, the Corporation is prohibited under the DGCL or other applicable law from redeeming all shares of Series A Preferred Stock for which redemption is required hereunder, then it shall redeem such shares on a pro rata basis among the holders of Series A Preferred Stock in proportion to the full respective redemption amounts to which they are entitled hereunder to the extent the Corporation is not so legally prohibited from doing so and shall redeem the remaining shares to be redeemed as soon as the Corporation is not legally prohibited from redeeming some or all of such shares. Any shares of Series A Preferred Stock not redeemed shall remain outstanding and entitled to all of the rights and preferences provided in this Article IV. In the event that the Corporation fails to redeem shares for which redemption is required pursuant to Section A.4(a)(i), then during the period from the applicable Series A Redemption Date through the date on which such shares are redeemed, the applicable redemption price of such shares plus additional dividends that accumulate in respect of such shares under Section A.4(d) shall bear interest at the rate of 15% per annum, which interest rate shall increase by an additional .5% per annum at the end of each six (6) month period thereafter until the Series A Preferred Redemption Price (as so increased) is paid in full, subject to a maximum rate of 20% per annum and with such interest to be compounded annually. Without limitation of the foregoing, the Corporation shall take such action as shall be necessary or appropriate to remove promptly any impediments to its ability to redeem Series A Preferred Stock under the circumstances contemplated by this Section A.4. Any successor to the Corporation shall agree, as a condition to such succession, to carry out and observe the obligations of the Corporation hereunder with respect to the Series A Preferred Stock.

(d) Dividend After Series A Redemption Date. From and after a Series A Redemption Date, no shares of Series A Preferred Stock subject to redemption shall be entitled to dividends as provided in Section A.2; provided, however, that in the event that shares of Series A Preferred Stock are not for any reason redeemed and continue to be outstanding after the Series A Redemption Date, such shares shall continue to be entitled to dividends as provided in Section A.2 and interest as provided in Section A.4(c) until the date on which such shares are actually redeemed by the Corporation in full in cash.

(e) Surrender of Certificates. Upon receipt of the applicable redemption price therefor, each holder of shares of Series A Preferred Stock so redeemed shall surrender the certificate or certificates representing such shares so redeemed to the Corporation, duly assigned or endorsed for transfer (or accompanied by duly executed stock powers relating thereto), or shall deliver an affidavit or agreement satisfactory to the Corporation to indemnify the Corporation (without the need to post any bond or other security for such obligation) from any loss incurred by it in connection therewith (such an affidavit or agreement with respect to any share certificate issued by the Corporation is referred to as an "Affidavit of Loss") with respect to such certificates at the principal executive office of the Corporation or the office of the transfer agent for the Series A Preferred Stock or such office or offices in the continental United States of an agent for redemption as may from time to time be designated by notice to the holders of Series A Preferred Stock, and each surrendered certificate shall be canceled and retired.

5. Conversion Into Redeemable Preferred Stock and Common Stock. The holders of

(a) Voluntary Conversion. The holders of shares of Series A Preferred Stock

(b) Automatic Conversion Upon Qualified Public Offering. Each share of

(c) Procedure for Voluntary Conversion: Effective Date. Upon the election to convert the Series A Preferred Stock made in accordance with Section A.5(a), the holders of the Series A Preferred Stock making such election shall provide written notice of such conversion (the "Series A Voluntary Conversion Notice") to the Corporation and each other holder of Series A Preferred Stock that does not sign such notice. On the date the Series A Voluntary Conversion Notice is delivered to the Corporation, all outstanding shares of Series A Preferred Stock shall thereupon be converted, without further action, into the number of shares of Common Stock and Redeemable Preferred Stock provided for in Section A.5(a), and such number of shares of Common Stock and Redeemable Preferred Stock into which the Series A Preferred Stock is converted shall thereupon be deemed to have been issued to the holders of the Series A Preferred Stock. Such holders shall as soon as practicable thereafter surrender to the Corporation at the Corporation's principal executive office the certificate or certificates evidencing Series A Preferred Stock, duly assigned or endorsed for transfer to the Corporation (or accompanied by duly executed stock powers relating thereto), or an Affidavit of Loss with respect thereto. Upon surrender of such certificates or delivery of an Affidavit of Loss with respect thereto, the Corporation shall issue and deliver to the holder so surrendering such certificates or to such holder's designee, at an address designated by such holder, certificates for the number of shares of Common Stock and number of shares of Redeemable Preferred Stock into which such holder's Series A Preferred Stock shall have been converted. The issuance of certificates for shares of Common Stock and Redeemable Preferred Stock upon conversion of Series A Preferred Stock will be made without charge to the holders of such shares for any issuance tax in respect thereof or other costs incurred by the Corporation in connection with such conversion and the related issuance of such stock. Notwithstanding anything to the contrary set forth in this Section A.5(c), in the event that the holders of shares of Series A Preferred Stock elect to convert such shares pursuant to Section A.5(a) in connection with any Liquidation Event or Public Offering (not including the Qualified Public Offering), (i) such conversion may at the election of such holders be conditioned upon the consummation of such Liquidation Event or Public Offering, in which case, such conversion shall not be deemed to be effective until the consummation of such Liquidation Event or Public Offering and (ii) if such Liquidation Event or Public Offering occurs, all outstanding shares of Series A Preferred Stock shall be deemed to have been converted into shares of Common Stock and Redeemable Preferred Stock immediately prior thereto, provided that the Corporation shall make appropriate provisions for the Common Stock issued upon such conversion to be treated on the same basis as all other Common Stock in such Liquidation Event or Public Offering.

(d) Procedure for Automatic Conversion. As of the date of, and in all cases subject to, the consummation of the Qualified Public Offering, all outstanding shares of Series A Preferred Stock shall be converted automatically, without further action, into the number of shares of Common Stock and Redeemable Preferred Stock provided for in Section A.5(a), and such number of shares of Common Stock and Redeemable Preferred Stock into which the Series A Preferred Stock is converted shall be deemed to have been issued to the holders of Series A Preferred Stock. Such holders shall as soon as practicable thereafter surrender the certificate or certificates evidencing the Series A Preferred Stock, duly assigned or endorsed for transfer to the Corporation (or accompanied by duly executed stock powers relating thereto) or an Affidavit of Loss with respect thereto. Upon surrender of such certificates or delivery of an Affidavit of Loss

with respect thereto, the Corporation shall issue and deliver to such holder so surrendering such certificates or to such holder's designee, promptly (and in any event in such time as is sufficient to enable such holder to participate in such Qualified Public Offering) at an address designated by such holder, certificates for the number of shares of Common Stock and number of shares of Redeemable Preferred Stock into which such holder's Series A Preferred Stock shall have been converted.

6. Adjustments.

(a) Adjustments for Subdivisions, Combinations or Consolidation of Common Stock. In the event the outstanding shares of Common Stock shall be subdivided by stock split, stock dividends or otherwise, into a greater number of shares of Common Stock, the Conversion Price then in effect shall, concurrently with the effectiveness of such subdivision, be proportionately decreased. In the event the outstanding shares of Common Stock shall be combined or consolidated, by reclassification or otherwise, into a lesser number of shares of Common Stock, the Conversion Price then in effect shall, concurrently with the effectiveness of such combination or consolidation, be proportionately increased.

(b) Adjustments for Stock Dividends and Other Distributions. In the event the Corporation at any time or from time to time makes, or fixes a record date for the determination of holders of Common Stock entitled to receive any distribution (excluding any repurchases of securities by the Corporation not made on a pro rata basis from all holders of any class of the Corporation's securities) payable in property or in securities of the Corporation other than shares of Common Stock, and other than as otherwise adjusted in accordance herewith, then and in each such event the holders of Series A Preferred Stock shall receive at the time of such distribution, the amount of property or the number of securities of the Corporation that they would have received had their Series A Preferred Stock been converted into Common Stock on the date of such event.

(c) Adjustments for Reclassification, Exchange and Substitution. If the Common Stock issuable upon conversion of the Series A Preferred Stock shall be changed into the same or a different number of shares of any other class or classes of stock, whether by capital reorganization, reclassification or other transaction (other than a subdivision or combination of shares provided for above), each share of Series A Preferred Stock shall thereafter be convertible into the number of shares of stock or other securities or property to which a holder of the number of shares of Common Stock of the Corporation deliverable upon conversion of such share of Series A Preferred Stock shall have been entitled upon such reorganization, reclassification or other transaction.

(d) Adjustments of the Conversion Price. If and whenever on or after the date the first share of Series A Preferred Stock is issued the Corporation issues or sells (including, without limitation, in connection with a B Round Financing), or in accordance with Section A.6(e) is deemed to have issued or sold, any shares of its Common Stock or Convertible Securities for a consideration per share less than the Conversion Price in effect immediately prior to the time of such issue or sale, then upon such issue or sale, the Conversion Price shall be

reduced to an amount determined by dividing (a) the sum of (1) the product derived by multiplying (i) the Conversion Price in effect immediately prior to such issue or sale times (ii) the number of shares of Common Stock Deemed Outstanding immediately prior to such issue or sale, plus (2) the consideration, if any, received (or deemed received) by the Corporation upon such issue or sale, by (b) the number of shares of Common Stock Deemed Outstanding immediately after such issue or sale.

(c) Effect of Certain Events on Conversion Prices. For purposes of determining the adjusted Conversion Price under Section A.6(d), the following shall be applicable:

(i) Issuance of Convertible Securities. If the Corporation in any manner issues or sells any Convertible Securities, whether or not the rights exercise, convert or exchange any such Convertible Securities are immediately exercisable, and the price per share for which Common Stock is issuable upon such conversion or exchange is less than the Conversion Price in effect immediately prior to the time of such issue or sale, then the maximum number of shares of Common Stock issuable upon the exercise, conversion or exchange of such Convertible Securities shall be deemed to be outstanding and to have been issued and sold by the Corporation at the time of the issuance or sale of such Convertible Securities for such price per share. For the purposes of this paragraph, the "price per share for which Common Stock is issuable" shall be determined by dividing (a) the total amount received or receivable by the Corporation as consideration for the issue or sale of such Convertible Securities, plus the cumulative minimum aggregate amount of additional consideration, if any, payable to the Corporation upon the exercise, conversion or exchange thereof and, if applicable, the exercise, conversion and exchange of any other Convertible Securities that such Convertible Securities may be converted into or exercised or exchanged for (in each case, as set forth in the instruments and agreements relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration), by (b) the total maximum number of shares of Common Stock issuable upon the exercise, conversion or exchange of all such Convertible Securities (as set forth in the instruments and agreements relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number). No further adjustment of the Conversion Price shall be made when Common Stock and, if applicable, any other Convertible Securities, are actually issued upon the exercise, conversion or exchange of such Convertible Securities.

(ii) Change in Exercise Price or Conversion Rate. If the additional consideration payable to the Corporation upon the exercise, conversion or exchange of any Convertible Securities, or the rate at which any Convertible Securities are convertible into or exchangeable for Common Stock should change at any time, the Conversion Price in effect at the time of such change shall be readjusted to the Conversion Price that would have been in effect at such time had such Convertible Securities that are still outstanding provided for such changed additional consideration or changed conversion rate, as the case may be, at the time such Convertible Securities were initially granted, issued or sold; and on the termination date of any right to exercise, convert or exchange such Convertible Securities without such right having been duly exercised, the Conversion Price then in effect hereunder shall be increased to the Conversion Price that would have been in effect at the time of such termination had such

Convertible Securities, to the extent outstanding immediately prior to such termination, never been issued.

(iii) Exceptions for Excluded Securities. Notwithstanding the foregoing, no adjustments shall be made under this Section A.6(e) with respect to the issuance of any Excluded Securities.

(iv) Valuation of Non-Cash Consideration. The consideration received by the Corporation for the issue of any shares of Common Stock, Convertible Securities or any other Convertible Securities that such Convertible Securities may be converted into or exercised or exchanged for shall be computed as follows:

(A) insofar as such consideration consists of cash, such consideration shall equal the aggregate amount of cash received by the Corporation prior to amounts paid or payable for accrued interest or accrued dividends and prior to any commissions or expenses paid by the Corporation;

(B) insofar as such consideration consists of property other than cash, such consideration shall be calculated at the fair value thereof at the time of such issue, as determined in good faith by the Board of Directors; and

(C) in the event shares of Common Stock, Convertible Securities or any other Convertible Securities that such Convertible Securities may be converted into or exercised or exchanged for are issued together with other securities or other assets of the Corporation for consideration that is allocable to both such Common Stock and Convertible Securities, and to such other securities and assets, the portion of such consideration allocable to such Common Stock or Convertible Securities shall be that set forth in the instruments and agreements issued or entered into in connection with such transaction, and if no such allocation is so set forth, then the portion of such consideration allocable to such Common Stock or Convertible Securities, calculated as provided in clauses (A) and (B) above, as determined in good faith by the Board of Directors.

(f) No Impairment. The Corporation will not, by amendment of its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, and will at all times in good faith assist in the carrying out of all the provisions of this Section A.6 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of Series A Preferred Stock against impairment.

(g) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price pursuant to this Section A.6, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of the Series A Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is

based. The Corporation shall, upon the written request at any time of any holder of Series A Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Conversion Price at the time in effect, and (iii) the number of shares of Common Stock and the amount, if any, of other property that at the time would be received upon the conversion of such holder's Series A Preferred Stock.

7. Reservation of Stock Issuable Upon Conversion. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock and Redeemable Preferred Stock, solely for the purpose of effecting the conversion of the shares of Series A Preferred Stock, such number of its shares of Common Stock and Redeemable Preferred Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Series A Preferred Stock, and if at any time the number of authorized but unissued shares of Common Stock and Redeemable Preferred Stock shall not be sufficient to effect the conversion of all then outstanding shares of Series A Preferred Stock, the Corporation shall take all such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock and Redeemable Preferred Stock to such number of shares as shall be sufficient for such purpose.

8. Valuation of Distribution Securities. Any securities or other consideration to be delivered to the holders of the Series A Preferred Stock or Redeemable Preferred Stock, as the case may be, upon any Liquidation Event in accordance with the terms hereof shall be valued as follows:

(i) If traded on a nationally recognized securities exchange or interdealer quotation system, the value shall be deemed to be the average of the closing prices of the securities on such exchange or system over the 30-day period ending three (3) business days prior to the closing;

(ii) If traded over-the-counter, the value shall be deemed to be the average of the closing bid prices over the 30-day period ending three (3) business days prior to the closing; and

(iii) If there is no active public market, the value shall be the fair market value thereof, as mutually determined by the Corporation and the holders of more than fifty percent (50%) of the combined voting power of the issued and outstanding shares of Series A Preferred Stock, or, in the case where Redeemable Preferred Stock is outstanding, the holders of more than fifty percent (50%) of the issued and outstanding shares of Redeemable Preferred Stock; provided that if the Corporation and the holders of such percentage of the combined voting power of the issued and outstanding shares of Series A Preferred Stock or of such percentage of the issued and outstanding Redeemable Preferred Stock, as the case may be, are unable to reach agreement, then by independent appraisal by an investment banker hired and paid by the Corporation, but reasonably acceptable to the holders of such percentage of the combined voting power of the issued and outstanding shares of Series A Preferred Stock or of such percentage of the issued and outstanding Redeemable Preferred Stock, as the case may be.

9. No Closing of Transfer Books. The Corporation shall not close its books against the transfer of shares of Series A Preferred Stock in any manner that would interfere with the timely conversion of any shares of Series A Preferred Stock.

10. No Reissuance of Series A Preferred Stock. No share or shares of Series A Preferred Stock acquired by the Corporation by reason of redemption, purchase, conversion or otherwise shall be reissued, and all such shares shall be canceled, retired and eliminated from the shares that the Corporation shall be authorized to issue.

## B. REDEEMABLE PREFERRED STOCK

### 1. Voting.

Except as otherwise provided below and as required by law, the holders of Redeemable Preferred Stock shall have no voting rights with respect to shares of Redeemable Preferred Stock.

2. Dividends. (a) The holders of Redeemable Preferred Stock shall be entitled, in preference to the holders of any and all other classes of capital stock of the Corporation ranking junior in right to the Redeemable Preferred Stock, to receive on each share of Redeemable Preferred Stock, out of funds legally available therefor, cumulative cash dividends at the rate of 15% per annum on the sum of (i) the initial Series A Purchase Price, plus (ii) all of the unpaid Series A Dividends accrued on each share of Series A Preferred Stock as of the date such Redeemable Preferred Stock is issued (the per share sum of such amount and the amount set forth in clause (i) above, as such sum is adjusted from time to time to reflect stock splits, combinations, reorganizations, recapitalizations, reclassifications and other similar events involving the Redeemable Preferred Stock, is referred to as the "Redeemable Purchase Price"). Such dividends will be calculated and compounded annually in arrears on December 31 of each year in respect of the prior twelve month period, or portion thereof, (prorated on a daily basis for partial periods). Such dividends shall commence to accrue on each share of Redeemable Preferred Stock from the date of issuance thereof, whether or not declared by the Board of Directors and whether or not there are profits, surplus or other funds of the Corporation legally available for the payment of dividends, and shall continue to accrue thereof until the Redeemable Liquidation Preference is paid in full in cash (such dividends being referred to as the "Redeemable Dividends"). Redeemable Dividends shall be due and payable with respect to any share of Redeemable Preferred Stock as provided in Sections B.3 and B.4. Redeemable Dividends paid in cash in an amount less than the total amount of such dividends at the time accumulated and payable on all outstanding shares of Redeemable Preferred Stock, shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. At any time when shares of Redeemable Preferred Stock are outstanding and the Redeemable Dividends have not been paid in full in cash, (a) no dividend whatsoever shall be paid or declared, and no distribution shall be made, on any share of the Corporation's Capital Securities ranking junior in right to the Redeemable Preferred Stock, and (b) the Corporation shall not, and shall not permit any Subsidiary to, purchase, redeem or acquire any Capital Securities of the Corporation ranking junior in right to the Redeemable Preferred Stock, any Convertible



Securities or any Capital Securities of any Subsidiary, and no monies shall be paid into or set aside or made available for a sinking or other analogous fund for the purchase, redemption or acquisition thereof; provided, however, that the Corporation and its Subsidiaries may, without regard to this Section B.2(a), (i) effect transactions of the type described in Article IV, Sections A.6(a), (b) and (c) for which adjustments are made pursuant thereto and (ii) purchase, redeem or acquire shares of Common Stock and Convertible Securities issued to employees, officers or directors of, or consultants or other service providers to, the Corporation or its Subsidiaries pursuant to equity incentive plans or other arrangements approved by the Board of Directors.

(b) All numbers relating to the calculation of dividends pursuant to this Section B.2 shall be equitably adjusted to reflect any stock split, stock dividend, combination, reorganization, recapitalization, reclassification or other similar event involving a change in the Redeemable Preferred Stock.

### 3. Liquidation.

(a) Liquidation Preference. Upon any Liquidation Event, each holder of outstanding shares of Redeemable Preferred Stock shall be entitled to be paid with respect to each share of Redeemable Preferred Stock out of the assets of the Corporation available for distribution to stockholders, whether such assets are capital, surplus or earnings, and before any amount shall be paid or distributed to the holders of Common Stock or of any other stock ranking on liquidation junior to the Redeemable Preferred Stock, an amount in cash equal to the sum of (i) the Redeemable Purchase Price plus (ii) any accumulated but unpaid dividends to which such holder of outstanding shares of Redeemable Preferred Stock is then entitled pursuant to Sections B.2 and B.4(d), plus (iii) any interest accrued pursuant to Section B.4(c) (such sum being referred to as the "Redeemable Liquidation Preference"); provided, however, that if upon any Liquidation Event, the amounts payable with respect to the issued and outstanding Redeemable Preferred Stock are not paid in full, the amounts available for distribution shall be distributed ratably among the holders of Redeemable Preferred Stock in accordance with their relative holdings thereof.

(b) Consolidation, Merger, etc. Any reorganization of the Corporation required by any court or administrative body in order to comply with any provision of law shall be deemed to be a Liquidation Event unless the preferences, qualifications, limitations, restrictions and special or relative rights granted to or imposed upon the holders of Redeemable Preferred Stock are not adversely affected by such reorganization. A consolidation, merger, Sale of the Corporation or reorganization shall not be deemed to be a Liquidation Event for the purposes of this Section B.3 if the holders of not less than a majority of the issued and outstanding Redeemable Preferred Stock waive in writing the provisions of this Section B.3.

(c) Holders of Redeemable Preferred Stock shall not be entitled to any additional distribution on account of their Redeemable Preferred Stock upon the occurrence of any Liquidation Event in excess of the Redeemable Preferred Liquidation Preference.

#### 4. Redemption.

**(a) Redemption Events.**

(i) Holders' Election. Upon the earlier to occur of (i) consummation of a Qualified Public Offering or (ii) the election of the holder or holders of a majority of the issued and outstanding Redeemable Preferred Stock made at any time on or after (aa) June 30, 1999, if the Corporation shall not have theretofore consummated a B Round Financing, or (bb) if the Company shall have so consummated a B Round Financing, the fifth anniversary of the consummation of the B Round Financing, the Corporation shall redeem all (and not less than all, other than pursuant to Section B.4(c) below) of the outstanding shares of Redeemable Preferred Stock at the redemption price specified in Section B.4(b). The foregoing election shall be made by such holders delivering to the Corporation and each of the other holders of Redeemable Preferred Stock not less than thirty (30) days' prior written notice, which notice thereof shall set forth the date for such redemption that will not less than thirty (30) days nor more than sixty (60) days from the date of such written notice.

(ii) Corporation's Election. The Corporation shall have the right at any time to redeem all (and not less than all) of the shares of Redeemable Preferred Stock outstanding at the redemption price specified in Section B.4(b) below. The Corporation shall exercise such right by delivering to each holder of Redeemable Preferred Stock not less than thirty (30) days prior to written notice thereof, which notice shall set forth the date for such redemption that will not be less than thirty (30) nor more than sixty (60) days from the date of such written notice.

(b) Redemption Date: Redemption Price. Upon the election of the holders of Redeemable Preferred Stock made in accordance with Section B.4(a)(i) to cause the Corporation to redeem the Redeemable Preferred Stock, all holders of Redeemable Preferred Stock shall be deemed to have elected to cause the Redeemable Preferred Stock to be so redeemed. Any date upon which a redemption is to occur as specified in a notice thereof in accordance with Section B.4(a)(i) or (ii) is referred to as a "Redeemable Redemption Date." The redemption price for each share of Redeemable Preferred Stock redeemed pursuant to Section B.4 shall be the Redeemable Liquidation Preference as of the date such share of Redeemable Preferred Stock is redeemed in full in cash. Such redemption price shall be payable in cash in immediately available funds on the Redeemable Redemption Date. Until the full redemption price has been paid in cash for all shares of Redeemable Preferred Stock being redeemed, (A) no dividend whatsoever shall be paid or declared, and no distribution shall be made, on any share of the Corporation's Capital Securities ranking junior in right to the Redeemable Preferred Stock, and (B) the Corporation shall not, and shall not permit any Subsidiary to, purchase, redeem or acquire any Capital Securities of the Corporation (other than the Redeemable Preferred Stock in accordance with this Section B.4), any Convertible Securities or any Capital Securities of any Subsidiary, and no monies shall be paid into or set aside or made available for a sinking or other analogous fund for the purchase, redemption or acquisition thereof; provided, however, that the Corporation and its Subsidiaries may, without regard to this Section B.4(b), (i) effect transactions of the type described in Article IV, Sections A.6(a), (b) and (c) for which adjustments are made

pursuant thereto and (ii) purchase, redeem or acquire shares of Common Stock and Convertible Securities issued to employees, officers or directors of, or consultants or other service providers to, the Corporation or its Subsidiaries pursuant to equity incentive plans or other arrangements approved by the Board of Directors.

(c) Redemption Prohibited. If, at a Redeemable Preferred Redemption Date, the Corporation is prohibited under the DGCL or other applicable law from redeeming all shares of Redeemable Preferred Stock for which redemption is required hereunder, then it shall redeem such shares on a pro rata basis among the holders of Redeemable Preferred Stock in proportion to the full respective redemption amounts to which they are entitled hereunder to the extent the Corporation is not so legally prohibited from doing so and shall redeem the remaining shares to be redeemed as soon as the Corporation is not legally prohibited from redeeming some or all of such shares. Any shares of Redeemable Preferred Stock not redeemed shall remain outstanding and entitled to all of the rights and preferences provided in this Article IV. In the event that the Corporation fails to redeem shares for which redemption is required pursuant to this Section B.4(2)(i), then during the period from the applicable Redeemable Redemption Date through the date on which such shares are redeemed, the applicable redemption price of such shares plus additional dividends that accumulate in respect of such shares under Section B.4(d) shall bear interest at the rate of 15% per annum, which interest rate shall increase by an additional .5% per annum at the end of each six (6) month period thereafter until the Redeemable Preferred Redemption Price (as so increased) is paid in full, subject to a maximum rate of 20% per annum and with such interest to be compounded annually. Without limitation of the foregoing, the Corporation shall take such action as shall be necessary or appropriate to remove promptly any impediments to its ability to redeem Redeemable Preferred Stock under the circumstances contemplated by this Section B.4. Any successor to the Corporation shall agree, as a condition to such succession, to carry out and observe the obligations of the Corporation hereunder with respect to the Redeemable Preferred Stock.

(d) Dividend After Convertible Preferred Redemption Date. From and after a Redeemable Redemption Date, no shares of Redeemable Preferred Stock subject to redemption shall be entitled to dividends as provided in Section B.2; provided, however, that in the event that shares of Redeemable Preferred Stock are not for any reason redeemed and continue to be outstanding after the Redeemable Redemption Date, such shares shall continue to be entitled to dividends as provided in Section B.2 and interest as provided in Section B.4(c) until the date on which such shares are actually redeemed by the Corporation in full cash.

(e) Surrender of Certificates. Upon receipt of the applicable redemption price therefor, each holder of shares of Redeemable Preferred Stock so redeemed shall surrender the certificate or certificates representing such shares so redeemed to the Corporation, duly assigned or endorsed for transfer (or accompanied by duly executed stock powers relating thereto), or shall deliver an Affidavit of Loss with respect to such certificates at the principal executive office of the Corporation or the office of the transfer agent for the Redeemable Preferred Stock or such office or offices in the continental United States of an agent for redemption as may from time to time be designated by notice to the holders of Redeemable Preferred Stock, and each surrendered certificate shall be canceled and retired.

5. Prohibition of Issuance. The Corporation shall not issue any shares of Redeemable Preferred Stock except upon the conversion of shares of Series A Preferred Stock in accordance with Section A.5.

#### C. SERIES B PREFERRED STOCK

Shares of Series B Preferred Stock may be issued from time to time as determined by the Board of Directors. The Board of Directors is hereby authorized to designate each series, to establish the number of shares to be included in each series and to determine or alter the rights, preferences, privileges, and restrictions granted to or imposed upon any wholly unissued series of Series B Preferred Stock and, within the limits and restrictions stated in any resolution or resolutions of the Board of Directors originally fixing the number of shares constituting any such additional series, to increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any such additional series subsequent to the issue of shares of that series. Authorized and unissued shares of Series B Preferred Stock may be issued with such designations, voting powers, preferences, and relative, participating, conversion, option or other special rights, and qualifications, limitations and restrictions on such rights, as the Board of Directors may authorize by resolutions duly adopted prior to the issuance of any shares of series of Series B Preferred Stock, including, but not limited to: (i) the distinctive designation of each series and the number of shares that will constitute such series; (ii) the voting rights, if any, of shares of such series and whether the shares of any such series having voting rights shall have multiple or fractional votes per share; (iii) the dividend rate on the shares of such series, any restriction, limitation, or condition upon the payment of such dividends, whether dividends shall be cumulative, and the dates on which dividends are payable; (iv) the prices at which, and the terms and conditions on which, the shares of such series may be redeemed, if such shares are redeemable; (v) the purchase or sinking fund provisions, if any, for the purchase or redemption of shares of such series; (vi) any preferential amount payable upon shares of such series in the event of the liquidation, dissolution, or winding-up of the Corporation, or the distribution of its assets; and (vii) the prices or rates of conversion at which, the terms and conditions on which, the shares are convertible. Any and all shares of Series B Preferred Stock issued and for which full consideration has been paid or delivered shall be deemed fully paid stock, and the holder thereof shall not be liable for any further payment thereon.

#### D. COMMON STOCK

1. General. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights of the holders of Convertible Preferred Stock and Redeemable Preferred Stock as specified herein.

2. Voting. Each holder of the Common Stock is entitled to one vote for each share thereof held by such holder at all meetings of stockholders (and written actions in lieu of meetings). There shall be no cumulative voting.

3. Dividends. Dividends may be declared and paid on the Common Stock from funds lawfully available therefor as and when determined by the Board of Directors and subject to any preferential dividend rights of any then outstanding shares of Series A Preferred Stock,

Redeemable Preferred Stock, Series B Preferred Stock and any other class of the Company's capital stock that may hereafter be authorized and issued having preferred dividend rights senior to the rights of holders of Common Stock.

4. Liquidation. Upon the occurrence of a Liquidation Event, holders of Common Stock will be entitled to receive all assets of the Corporation available for distribution to its stockholders, subject to the rights and preferences of any then outstanding shares of Series A Preferred Stock, Redeemable Preferred Stock, Series B Preferred Stock and any other class of the Company's capital stock that may hereafter be authorized and issued having preferred rights upon the occurrence of a Liquidation Event senior to the rights of holders of Common Stock.

#### E. PROVISIONS OF GENERAL APPLICABILITY

1. Rank. The Series A Preferred Stock or Redeemable Preferred Stock, whichever may be outstanding at the time of measurement, ranks senior in right as to dividends, upon the occurrence of a Liquidation Event and in all other respects to all Common Stock. Shares of Series B Preferred Stock, of any series, shall rank with respect to Series A Preferred Stock, Redeemable Preferred Stock and Common Stock as set forth in the certificate of designation filed with the Secretary of State of Delaware establishing such series of Series B Preferred Stock.

2. Notice.

(a) Liquidation Events, Extraordinary Transactions, Etc. In the event the Corporation establishes a record date to determine the holders of any class of securities who are entitled to receive any dividend or other distribution or who are entitled to vote at a meeting (or by written consent) in connection with a Liquidation Event, Sale of the Corporation or Public Offering, or if the Corporation enters into any agreement with respect to a Liquidation Event, Sale of the Corporation or Public Offering, the Corporation shall mail or cause to be mailed by first class mail (postage prepaid) to each holder of Convertible Preferred Stock (or each holder of Redeemable Preferred Stock, as applicable) at least thirty (30) days prior to such record date specified therein or the expected effective date of any such transaction, a notice specifying (A) the date of such record date for the purpose of such dividend or distribution or meeting or consent and a description of such dividend or distribution or the action to be taken at such meeting or by such consent, (B) the date on which any such Liquidation Event, Sale of the Corporation or Public Offering is expected to become effective, if known, and, in the case of a Sale of the Corporation, the identity of the parties thereto, and (C) the date on which the books of the Corporation shall close or a record shall be taken with respect to any such event.

(b) Waiver of Notice. The holder or holders of a majority of the combined voting power of the outstanding shares of any class of the Corporation's Capital Securities may, at any time upon written notice to the Corporation, waive, either prospectively or retrospectively, any notice provisions specified herein for the benefit of all of the holders of such class.

(c) General. In the event that the Corporation provides any notice, report or statement to any holder of Common Stock, the Corporation shall at the same time provide a copy

3. Interpretation. All references to "Sections" contained herein, unless otherwise specified, are references to Sections of this Article IV. The words "herein", "hereof" and the like refer to the entirety of this Certificate of Incorporation and not to any specific section.

PERPETUAL EXISTENCE

## ARTICLE VI

Any repeal or modification of this Article VI by either of (i) the stockholders of the Corporation or (ii) an amendment to the DGCL, shall not adversely affect any right or protection existing at the time of such repeal or modification with respect to any acts or omissions occurring before such repeal or modification of a person serving as a Director at the time of such repeal or modification.

## AMENDMENT OF BY-LAWS

## ARTICLE VIII

**The following terms are used herein with the meanings indicated:**

**"Affidavit of Loss"** has the meaning specified in Article IV, Section A.4(e).

**"Affiliate or affiliate"** means with respect to any Person, any other Person that would be considered to be an affiliate of such Person under Rule 144(a) of the rules of regulations of the Securities and Exchange Commission, as in effect on the date hereof.

**"B Round Financing"** means an equity financing of the Corporation on terms and conditions approved by the holders of a majority of the issued and outstanding Series A Preferred Stock, the occurrence of which shall be specified either in an amendment to this certificate of incorporation or in any certificate of designation filed with the Delaware Secretary of State establishing the series of the Corporation's Capital Securities to be issued in connection with such transaction.

**"Capital Securities"** means, as to any Person that is a corporation, the authorized shares of such Person's capital stock, including all classes of common, preferred, voting and non voting capital stock, and, as to any Person that is not a corporation or an individual, the ownership interests in such Person, including, without limitation, the right to share in profits and losses, the right to receive distributions of cash and property, and the right to receive allocations of items of income, gain, loss, deduction and credit and similar items from such Person, whether or not such interests include voting or similar rights entitling the holder thereof to exercise control over such Person.

**"Common Stock Deemed Outstanding"** means, at any given time, the number of shares of Common Stock actually outstanding at such time, plus the number of shares of Common Stock issuable upon conversion of the Series A Preferred Stock, plus the number of shares of Common Stock issuable upon the exercise in full of all Convertible Securities whether or not such Convertible Securities are convertible into Common Stock at such time.

**"Conversion Price"** has the meaning set forth in Article IV, Section A.5(a).

**"Convertible Securities"** means securities or obligations that are exercisable for, convertible into or exchangeable for shares of Common Stock. The term includes options, warrants or other rights to subscribe for or purchase Common Stock or to subscribe for or purchase other securities or obligations that are convertible into or exchangeable for Common Stock.

**"DGCL"** means the General Corporation Law of the State of Delaware.

**"Excluded Securities"** means (i) Capital Securities sold by the Corporation in a Qualified Public Offering, (ii) Convertible Securities issued to employees or Directors of, or consultants or other service providers to, the Corporation that are options to purchase shares of Common Stock pursuant to any incentive stock plan or other form of incentive compensation plan approved by the Corporation's Board of Directors, and the issuance of Common Stock upon the exercise of any such options, (iii) shares of Common Stock issuable upon the conversion of Series A Preferred Stock and the conversion, if any, of any Capital Securities of the Corporation issued in a B Round Financing (although any Capital Securities of the Corporation issued in a B

Round Financing shall not be Excluded Securities), (iv) shares of the Corporation's Capital Securities issued in connection with a stock split, stock dividend, combination, reorganization, recapitalization or other similar event for which adjustment is made in accordance with Article IV, Section E.6(a) through (c), (v) Capital Securities issued to Persons who are not Affiliates of the Company in consideration of the acquisition of one or more business enterprises by the Company and (vi) Capital Securities issued to banks, equipment lessors or vendors which are not Affiliates of the Company as partial consideration for long term debt or lease financing to the Company.

"Fully Diluted Basis" means at any time the sum of (x) the number of issued and outstanding shares of Common Stock, whether or not vested, plus (y) the total number of shares of Common Stock issuable upon the exercise or conversion of all Convertible Securities issued and outstanding at such time.

"Liquidation Event" has the meaning specified in Article IV, Section A.3(a) and (b).

"Person" or "person" means an individual, partnership, corporation, limited liability company, association, trust, joint venture, unincorporated organization and any government, governmental department or agency or political subdivision thereof.

"Public Offering" means any offering by the Corporation of its equity securities to the public pursuant to an effective registration statement under the Securities Act of 1933 or any comparable statement under any similar federal statute then in force, other than an offering of shares being issued as consideration in a business acquisition or combination or an offering in connection with an employee benefit plan.

"Qualified Public Offering" has the meaning specified in Article IV, Section A.5(b).

"Redeemable Dividends" has the meaning specified in Article IV, Section B.2(a).

"Redeemable Purchase Price" has the meaning specified in Article IV, Section B.2(a).

"Redeemable Redemption Date" has the meaning specified in Article IV, Section B.4(b).

"Sale of the Corporation" means (a) a merger or consolidation of the Corporation into or with any other Person or Persons who are not affiliates of the Corporation or (b) a single transaction or a series of transactions pursuant to which a Person or Persons who are not affiliates of the Corporation acquire either of the following: (i) capital stock of the Corporation possessing the voting power to elect a majority of the Corporation's board of directors (whether by merger, consolidation or sale or transfer of the Corporation's capital stock; provided, however, that a Qualified Public Offering that results in an acquisition of such voting power shall not be a "Sale of the Corporation"); or (ii) all or substantially all of the Corporation's assets determined on a consolidated basis.

"Series A Director Designee" has the meaning specified in Article IV, Section A.1(a).



**"Series A Dividends"** has the meaning specified in Article IV, Section A.2(a).

**"Series A Liquidation Preference"** has the meaning specified in Article IV, Section A.3(a).

**"Series A Preferred Stock"** has the meaning specified in Article IV (introductory paragraph).

**"Series A Preferred Stock Purchase Price"** shall have the meaning specified in Article IV, Section A.5(a).

**"Series A Purchase Price"** has the meaning specified in Article IV, Section A.2(a).

**"Series A Redemption Date"** shall have the meaning specified in Article IV, Section A.4(b).

**"Series A Voluntary Conversion Notice"** has the meaning specified in Article IV, Section A.5(c).

**"Subsidiary"/"Subsidiaries"** means any corporation, partnership, limited liability company, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by the Corporation or one or more of the other Subsidiaries of the Corporation or a combination thereof, or (ii) if a partnership, limited liability company, association or other business entity, a majority of the ownership interests therein is at the time owned or controlled, directly or indirectly, by the Corporation or one or more Subsidiaries of that person or a combination thereof. For purposes hereof, the Corporation shall be deemed to have a majority ownership interest in a partnership, limited liability company, association or other business entity if the Corporation shall be allocated a majority of partnership, association or other business entity gains or losses or shall be or control the managing general partner of such partnership, association or other business entity or a manager of such limited liability company.

**"Voting Stock"** has the meaning specified in Article IV, Section A.6(a).

I, THE UNDERSIGNED, being the President of the Corporation, hereby declare and certify that this is my act and deed and the facts herein stated are true and, accordingly, I have executed this Amended and Restated Certificate of Incorporation on the 22<sup>nd</sup> day of July, 1998.

  
Clifford G. Rudolph, President

Exhibit II  
Executive Officers' Qualifications and Experience

Company's Telecommunications Background

See Attached

## KEY PERSONNEL

**Advanced TelCom Group, Inc. (ATG)**

**PRINCIPALS**

**CLIFFORD G. RUDOLPH, CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Twenty-five years experience as an entrepreneur and senior executive in both the telecommunications and computer industry. Operating experience includes both regulated and unregulated products and services; corporate and line functions including: marketing, business development, acquisitions/mergers, sales, customer service, field engineering/operations and financial management. Most recently served as President for Brooks Fiber Properties Eastern and Western Divisions. Other executive level positions held at USWest Communications, David Systems, Inc. and the Amdahl Corporation. Masters in Business Administration, Pepperdine University.

**ROBERT T. WARSTLER, PRESIDENT AND CHIEF OPERATING OFFICER**

Twenty-five plus years experience in the telecommunications and computer industries. Operating experience includes both regulated and unregulated products and services; corporate and line functions including marketing, sales, strategic planning, customer service, business development, field engineering/operations and financial management. Most recently served as Senior Vice President for Network Equipment Technologies. Other executive level positions held at Hitachi Data Systems, U.S. West, Northern Telecom, AT&T and IBM. Bachelor of Arts, Valparaiso University.

**MICHAEL R. BLACK, SR. VICE PRESIDENT SALES & FIELD OPERATIONS**

Twenty-five plus years experience in the telecommunications industry. Operating experience includes both regulated and unregulated products and services; major and strategic accounts marketing/sales, customer service and field operations. Most recently served as Regional Vice President, Brooks Fiber Properties. Other executive level positions held at Ameritech and USWEST. Masters in Business Administration, Colorado State University.

**CURTIS E. WHEELING, SR. VICE PRESIDENT MARKETING**

Twenty-five plus years experience in the telecommunications and computer industry. Operating experience includes both regulated and unregulated products and services; corporate and line functions including: marketing, business development, acquisitions/mergers, sales and customer support. Most recently served as Regional Vice President and Vice President Business and Market Development, Brooks Fiber Properties. Other executive level positions held at Hitachi Data Systems and David Systems. Bachelor of Science Electrical Engineering, Montana State University.

### **THOMAS A. GRINA, SR. VICE PRESIDENT & CHIEF FINANCIAL OFFICER**

Fourteen years of experience in a variety of telecommunications companies. Experienced in areas of operations, finance and mergers/acquisitions for companies in the wireless and fixed telephony industries. Most recently was Executive Vice President and Chief Financial Officer for Advanced Radio Telecom. Prior positions include Executive Vice President and Chief Financial Officer at Dial Page, Inc. and Vice President of Finance at an affiliate of Daniels & Associates.

### **KATHARINE S. KLEIN, SR. VICE PRESIDENT – MERGERS AND ACQUISITIONS**

Twenty plus years of experience in investment banking and principal investments. Extensive experience advising major corporations on a wide range of domestic and international financial transactions including mergers and acquisitions and public and private financings. In this capacity was Managing Director, Investment Banking at Lehman Brothers Inc. in New York and London. As Managing Director, Communications Finance at General Electric Capital Corporation served as a principal investor and lender to early-stage telecommunications companies. Bachelor of the Arts from Harvard University and Master of Business Administration from The University of Chicago

### **KATHRYN L. THOMAS, VICE PRESIDENT-REGULATORY & PUBLIC POLICY**

Nineteen plus years experience in the regulated utility industry. Operating experience includes utility companies, consulting and various senior staff positions at state regulatory commissions. Most recently served as Director of Government and Regulatory Affairs-Western Division, Brooks Fiber Properties. Other positions held at Washington State Utilities and Transportation Commission, Northeast Utilities, Potomac Electric Power Company, Exeter Associates and the Bendix Corporation. Bachelor of Business Administration, University of Washington.

### **CHARLES C. SEEFLOTH, VICE PRESIDENT-FIELD OPERATIONS**

Twenty-seven years plus experience in the telecommunications industry. Operating experience primarily regulated services; corporate and line functions, including construction and maintenance organizations, network engineering teams, field engineering/operations and various technical staff positions. Most recently served as Director of Operations, responsible for the implementation of new market transport and switched services networks for Brooks Fiber Properties Western Division. Other positions in staff and network engineering and planning held with Pacific Bell and MCI/WorldCom.

Exhibit III  
Financial Information

See Attached

# PROPRIETARY INFORMATION

## ATG GROUP, INC. AND SUBSIDIARY

### CONSOLIDATED BALANCE SHEET

November 30, 1999

(Unaudited and Confidential)

#### Quarterly Trended Balance Sheets

	November 30, 1999	September 30, 1999	June 30, 1999	March 31, 1999	December 31, 1998
	Assets				
Current assets:					
Cash and cash equivalents					
Accounts receivable					
Unbilled revenue					
Income taxes receivable					
Prepaid expenses and other					
Total current assets					
Property, plant and equipment, net					
Loan origination costs, net					
Intangible assets					
Other assets					
Total assets					
Current liabilities:					
Accounts payable					
Accrued liabilities and other					
Current portion of capital leases					
Total current liabilities					
Long term debt					
Capital leases					
Other long term liabilities					
Redeemable convertible preferred stock:					
Series A, \$0.0001 par value; 1,350,000 shares authorized, issued and outstanding; stated at liquidation preference					
Series B, \$0.0001 par value; 40,500,042 shares issued and outstanding; stated at liquidation preference					
Series C, \$0.0001 par value; 751,940 shares issued and outstanding; stated at liquidation preference					
Series B; 26,999,958 shares subscribed but unissued					
Series B; subscription receivable					
Redeemable preferred stock, \$0.0001 par value; 1,350,000 shares authorized and unissued					
Stockholders' deficit:					
Common stock, \$0.001 par value; 4,900,458 shares issued and outstanding					
Additional paid-in capital					
Deficit accumulated during the development stage					
Total stockholders' deficit					
Total liabilities and stockholders' deficit					



**ATG GROUP, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**For the Eleven Months Ended November 30, 1999**  
**(Unaudited and Confidential)**

	Year to Date Results			Month of November Results		
			Variance:	Actual Results		
			Favorable /	for Month	Budget for	Variance:
	YTD Actual	YTD Budget	(Unfavorable)	Ended	Month Ended	Favorable /
				November 30,	November 30,	(Unfavorable)
				1999	1999	
Revenue						
Cost of services						
Gross margin						
Costs and expenses						
Selling, general and administrative expenses						
Depreciation and amortization						
Total costs and expenses						
Loss from operations						
Interest expense						
Interest and other income						
Net loss						
Dividends on preferred stock						
Net loss attributable to common shareholders						
EBITDA						

**ATG GROUP, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**For the Eleven Months Ended November 30, 1999**  
**(Unaudited and Confidential)**

	<u>Common Stock</u>		<u>Additional</u>	<u>Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>paid-in capital</u>	<u>accumulated</u> <u>during the</u> <u>development</u> <u>stage</u>	<u>stockholders'</u> <u>deficit</u>
Balances at December 31, 1998					
Shares Issued for Acquisition of Newcomm Net, Inc.					
Dividends on preferred stock					
Net loss					
Balances as of October 31, 1999					

**ATG GROUP, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the Eleven Months Ended November 30, 1999**  
**(Unaudited and Confidential)**

	YTD	Nov	Oct	Quarterly Trended Results		
	Eleven Months Ended November 30, 1999	One Month Ended November 30, 1999	One Month Ended October 31, 1999	Three Month Ended September 30, 1999	Three Months Ended June 30, 1999	Three Months Ended March 31, 1999
Cash flows from operating activities:						
Net Loss						
Adjustments to reconcile net loss to net cash used in operating activities:						
Depreciation and amortization						
Changes in operating assets and liabilities:						
Accounts receivable						
Unbilled revenue						
Prepaid expenses and other assets						
Accounts payable and other current liabilities related to operating activities						
Net cash used for operating activities						
Cash flows used in investing activities						
Purchase of property, plant and equipment						
Change in accounts payable and other current liabilities related to purchases of property, plant and equipment						
Acquisition and related costs of Shared Communications Services, Inc.						
Acquisition and related costs of NewComm Net, Inc.						
Net cash used by investing activities						
Cash flows from financing activities:						
Proceeds from sale of preferred stock						
Increase in long term payable for non-compete contract						
Payments for loan origination costs						
Proceeds from long term debt						
Principal payments for Capital Leases						
Net cash provided by financing activities						
Net increase (decrease) in cash and cash equivalents						
Cash and cash equivalents, beginning of period						
Cash and cash equivalents, end of period						
Noncash investing activities						
Common Stock Issued for Purchase of NewComm Net, Inc.						
Noncash financing activities						
Preferred stock dividends accrued						

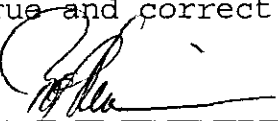
**ATG GROUP, INC. AND SUBSIDIARY**  
**CONSOLIDATED TRENDING STATEMENT OF OPERATIONS**  
**For the Eleven Months Ended November 30, 1999**  
**(Unaudited and Confidential)**

	Year to Date	November	October	Quarterly Trended Results		
	Eleven Months Ended November 30, 1999	One Month Ended November 30, 1999	One Month Ended October 31, 1999	Three Months Ended September 30, 1999	Three Months Ended June 30, 1999	Three Months Ended March 31, 1999
Revenue						
Cost of sales						
Gross margin						
Costs and expenses						
Selling, general and administrative expenses						
Depreciation and amortization						
Total costs and expenses						
Loss from operations						
Interest expense						
Interest and other income						
Net loss						
EBITDA						

STATE OF CALIFORNIA  
COUNTY OF SONOMA

VERIFICATION

I, Richard Levin, being duly sworn, declare that I am the Chief Regulatory Counsel of Advanced TelCom Group, Inc., the Applicant. I verify that, based upon information and belief, I have knowledge of the statements in the foregoing Application, and I declare that they are true and correct.

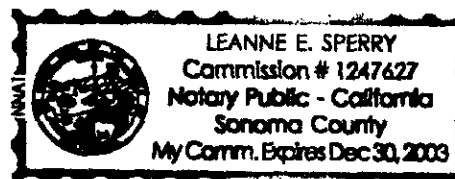
  
Richard Levin, Esq.

Sworn to before me, the undersigned Notary Public on this  
24<sup>th</sup> day of March, 2000.

  
Notary Public

Leanne E. Sperry  
Print or Type Name

My commission expires: 12-30-03



BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the matter of the application of )  
Advanced TelCom Group, Inc., for a )  
certificate of service authority to provide )  
resold and facilities-based Basic Local )  
telecommunications services )  
in Portions of the State of Missouri and to )  
Classify such services and the company )  
As Competitive )

Case No. \_\_\_\_\_

ENTRY OF APPEARANCE

COMES NOW Lance J. M. Steinhart, Attorney at Law and  
pursuant to rule 4 CSR 240-2.040 herewith files his Entry of  
Appearance on behalf of Applicant, Advanced TelCom Group, Inc.,  
in connection with the above-styled proceeding. With respect to  
his entry, Mr. Steinhart hereby advises the Commission that he is  
a member in good standing of the State Bar of Georgia and is  
admitted to practice before District Courts. He also is on  
inactive status with the State Bars of New York and Maryland.  
Neither the undersigned nor any member of his firm is  
disqualified to appear in any court. I also hereby designate  
Judith A. Rau, of the law firm of Rau & Rau, 119 E. Mill Street,  
Waterloo, Illinois 62298 to serve as our local Missouri counsel  
in this matter.



Lance J.M. Steinhart, Esq.  
Attorney at Law  
6455 East Johns Crossing, Suite 285  
Duluth, Georgia 30097  
(770) 232-9200  
(770) 232-9208 (Fax)  
Georgia Bar No. 678222

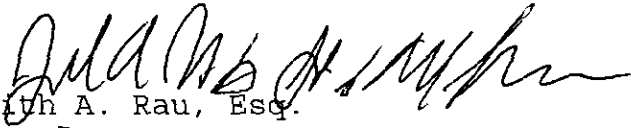
BEFORE THE PUBLIC SERVICE COMMISSION  
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In the matter of the application of )  
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telecommunications services )  
in Portions of the State of Missouri and to )  
Classify such services and the company )  
As Competitive )

Case No. \_\_\_\_\_

ENTRY OF APPEARANCE

COMES NOW Judith A. Rau of the law firm Rau & Rau, and  
pursuant to rule 4 CSR 240-2.040, herewith files her Entry of  
Appearance as local Missouri counsel on behalf of Applicant  
Advanced TelCom Group, Inc., in connection with the above-styled  
proceeding.

  
Judith A. Rau, Esq.  
Rau & Rau  
119 E. Mill Street  
Waterloo, IL 62298  
(618) 939-7186  
Missouri Bar No. 24856