

Sage Telecom, Inc.

Arkansas Terms and Conditions of Service

Use of Service

The following information is provided as required by the Arkansas Public Service Commission ("APSC") and is consistent with the Sage Local Exchange Telecommunications Services tariff on file with the APSC. These Terms and Conditions may also be referenced via the Sage website at www.sagetelecom.net, or you may request a copy by calling your Sage representative at 1-888-449-4940.

Credit Information

Sage may require an applicant for service to satisfactorily establish credit, but such establishment of credit shall not relieve the end-user from complying with Sage's policy regarding the prompt payment of bills. Any applicant who previously has been an end-user of Sage and whose service has been discontinued for nonpayment of bills shall be required, before service is rendered, to pay all amounts due Sage for local exchange service or execute a deferred payment agreement.

Deposits and Interests

Sage may require a new deposit or an increase in the amount of deposit from a customer for service when, 1) the customer failed to pay a bill before the close of business on the shut-off date within the last 12 months; 2) the customer gave the company 2 or more checks which were returned unpaid for reasons other than bank error in the last 12 months; 3) the customer did not pay bills by the close of business on the due date 2 times in a row or any 3 times in the last 12 months; 4) during the last 24 months, the customer misrepresented his identity or other facts relevant to the conditions under which the customer obtained or continued service; 5) the customer used service without authorization, tampered with the company's equipment, or inflicted damage to the company's equipment during the last 2 years; 6) the customer used more service than the estimate on which the company based the deposit. Under this rule, the company may not charge any additional deposit after the first 12 months of service unless the customer moves the service to a new location or expands the business or scope of operation at the original location.

When the company charges a new or additional deposit, the total amount on the deposit shall not be more than the total of the customer's 2 highest bills during the last 12 months. If the reason for requiring a deposit is unauthorized use of service or tampering with the company's equipment, the total amount on deposit shall not be more than the estimated bill for 6 average billing periods plus the cost of potential damage to the company's equipment.

In accordance with United States Bankruptcy Code, U.S.C.A. Title 11 Section 366, the company may require an applicant to furnish adequate assurance of payment in the form of a deposit or other security. This deposit may be in addition to all other deposits posted with the LEC before the bankruptcy filing.

Sage shall provide payment of accrued interest for all end-users annually by negotiable instrument or by credit against current billing. The deposit shall cease to draw interest on the date it is returned or credited to the end-user's account. The amount of the deposit, with accrued interest, shall be applied to any unpaid charges at the time of a discontinuance of services. The balance, if any, shall be returned to the end-user within thirty (30) days after settlement of the consumer's account, either in person or by mailing it to the end-user's last known address. The deposit made by the end-user with Sage at the time of application for telephone service shall not constitute an advance payment to cover service bills, but for all purposes it is to be considered as security for payment of monthly bills or other proper charges.

Advance Payment

At the time an application for service is made, an applicant may be required to pay an estimated advance payment amount for the first month's service charges and/or the service connection and/or equipment charges plus applicable taxes, fees, and surcharges as well as nonrecurring charges for any required special construction. The advance payment will be applied to the customer's first invoice. Any resulting credit balance or remaining balance owed will be reflected on the customer's first invoice.

Advance payments received by Sage in funds other than Credit Card, MoneyGram, Western Union Quick Collect, or Ace Cash Express may delay service implementation for up to 5 business days after payment is honored. The amount of the advance payment is credited to the Customer's account on the first invoice rendered. An advance payment may be required in addition to a deposit.

Payment of Charges

The customer is responsible for the payment of all charges for facilities and services furnished by Sage to the customer and to all users authorized by the customer, regardless of whether those services are used by the customer itself or are

resold to or shared with other persons. For billing of monthly charges, service is considered to be established upon the day in which Sage notifies the customer of installation and testing of the customer's services. Except where otherwise specified, usage charges will be billed monthly in arrears. Customer will be billed for all usage accrued beginning immediately upon access to the service. Customers will be billed for usage occurring during their specific 30-day billing cycle, which for purposes of computing charges shall be considered a month. The rates charged to a customer will be the rates in effect on the first day of the customer's billing cycle. Monthly charges for all access service components, provided hereunder, are billed in advance of service and reflect the rates in effect as of the date of the invoice. A customer's first invoice may contain charges from previous periods for service provided from the date of installation through the current invoice period.

Bills are due and payable as specified on the bill. Bills may be paid by mail to: Sage Telecom, P.O. Box 79051, Phoenix, AZ 85062-9051, on line at www.sagetelecom.net/account.html, or by calling the Sage Interactive Voice Response Payment Number at 1-866-729-7243, or by phone at 1-888-449-4940, or at a MoneyGram or Western Union Quick Collect agency authorized to receive such payment. You may contact Sage Telecom at 1-888-449-4940 for a list of authorized payment agents in your area. All charges for service are payable only in United States currency. Payment may be made by cash, check, money order, cashier's check, or certain major credit cards, Discover, VISA, and MasterCard. Customer may also establish a recurring credit card or electronic payment which will automatically apply the total monthly bill amount to their account 3-4 days prior to the due date. Customer payments are considered prompt when received by Sage or its agent by the due date on the bill. Amounts not paid within ten (10) days after the mail date of invoice will be considered past due. In the event that a postmark on a customer's payment received after the due date is not discernible, a three day mailing period will be presumed. If Sage becomes concerned at any time about the ability of a customer to pay its bills, Sage may require that the customer pay its bills and make such payments in cash or the equivalent of cash.

The customer is responsible to pay Sage for all toll calls or other third-party charges resulting from the origination of calls to points outside the local exchange and for charges or calls billed to the customer's number.

When circumstances prevent customers from paying their invoices in full, Sage may make special accommodations to assist qualifying customers by setting up a regular payment plan. Payment plans are only set up at the request of the customer. Payment plans are intended to function as a short-term solution and will be reviewed and approved on an individual case basis. Residential customers who have a serious medical condition, or are 65 or older, or handicapped may contact the Company about qualifying for options that may be available.

If any portion of the payment is not received by Sage by the due date, or if any portion of the payment is received by Sage in funds that are not immediately available, then a late payment penalty may be assessed. Charges greater than \$50.00 left unpaid after the due date are subject to a late payment charge of \$5.00. If the payment due date falls on a Saturday, Sunday, legal holiday or other day when the offices of the company are closed, the date for acceptance of payments prior to assessment of any late payment fees shall be extended through to the next business day. The late payment penalty shall apply to all customers.

Sage may assess a twenty five dollar (\$25) charge for each returned check or credit card chargeback. The company may refuse to honor any customer's personal check, draft, or other instrument if, in the preceding twelve (12) months the customer had twice submitted payments through the use of personal checks, drafts, or other instruments that were subsequently dishonored. Exceptions shall be made when the payment(s) had been dishonored due to bank error.

If service is suspended/disconnected by Sage in accordance with the provisions of Sage's Tariff on file with the APSC, and the Company's Terms and Conditions of Service and later restored, restoration of service will be subject to a Restoration Fee of forty-six dollars (\$46.00) for a residential account and ninety-one dollars (\$91.00) for a business account. In addition to the restoration fee, the customer will be required to pay all charges due, including the charges for the period of denial.

Cancellation, Suspension, and Termination of Service

Where the customer or applicant cancels an Application for Service prior to the start of installation of service, lease of network elements, or prior to the start of special construction, no charge applies. Where installation of service has been started prior to the cancellation, a cancellation charge equal to the costs incurred by Sage shall apply, but in no case shall such charge exceed the charge for the minimum period of the service ordered, including applicable installation charges, if any. The costs incurred by Sage will include the direct and indirect costs of facilities specifically leased, provided or used; the cost of installation, including design preparation, engineering, supply expense, labor and supervision, general and administrative, and any other costs resulting from the preparation, installation and removal effort.

Sage, by giving prior written notice to the customer or applicant, may cancel the application for or discontinue service without incurring any liability for any of the following; 1) Nonpayment of a bill for regulated telecommunications services within the billing period; 2) Failure to make a security deposit; 3) Violation of or noncompliance with any provision of law, or of the Tariff or Terms & Conditions of the company filed with and approved by the Commission; 4) Refusal to permit the company reasonable access to its telecommunications facilities for recovery, maintenance, and inspection thereof; 5) Interconnection of a device, line, or channel to company facilities or equipment contrary to Sage's Tariff on file with the APSC, and the Company's Terms and Conditions of Service approved by the APSC; of 6) Use of telephone service in such manner as to interfere with reasonable service to other end-users.

Service may be discontinued during normal business hours on or after the date specified in the notice of discontinuance. Service shall not be discontinued on a day when the offices of the company are not available to facilitate reconnection of service or on a day immediately preceding such a day. Unless prevented by circumstances beyond Sage's control or unless a subscriber requests otherwise, previously disconnected service will be reconnected by 5:00 p.m. on the next business day following either; Receipt by Sage or its authorized agent of the full amount in arrears for which service was disconnected, or upon verification by Sage that conditions which warranted disconnection of service have been eliminated.

Local service may be refused or disconnected to any applicant or subscriber for any of the following reasons; 1) Failure to pay for service furnished to a former subscriber when the former subscriber and the new applicant for service continue to be members of the same household; 2) Failure to pay any amount which is not in bona fide dispute; 3) Failure to pay any regulated service charges.

Sage, without giving prior written notice, may discontinue service without incurring any liability when; 1) A subscriber tampers with facilities or equipment owned by the telecommunications provider; 2) Evidence of theft of Sage service; or 3) Other acts to defraud Sage; 4) An emergency may threaten the health or safety of a person, or the local service provider's distribution system; 5) A subscriber's use of telecommunications equipment adversely affects the local service provider's equipment, its service to others, or the safety of the company's employees or subscribers.

If service is terminated by Sage for any cause set forth above and the Customer has subscribed to service under a term plan, the customer will be charged the termination liability associated with the term plan.

Service may also be discontinued if the customer fails to post the deposit required by the Sage's Tariff on file with the APSC, and the Company's Terms and Conditions of Service.

A residential customer may name a consenting person or agency to receive a copy of all shut-off notices. The company will mail one copy of all shut-off notices to the customer and one copy to the other person or agency.

Restoration of Service

If service is disconnected for nonpayment call your Sage representative at the number below. You may restore service with full payment by credit card, MoneyGram, or Western Union Quick Collect. There is a charge for restoration of service after disconnection; if, however, the equipment necessary for service has been removed, an installation fee will apply. For Residential service, please call 1-888-449-4940. For Business service, please call 1-877-619-3969.

Payments made to an unauthorized payment agent may result in the untimely or improper crediting of the subscriber's account.

Your Repair Representatives

For Residential service, please call 1-888-449-4940. For Business service, please call 1-877-619-3969

Customer Billing Inquiries

Any customer who has a question regarding his/her telephone bill may contact Sage in writing at: 3300 E. Renner Road, Suite 350, Richardson, Texas 75082-2800, or toll free at 1-888 449-4940.

Disputed Bills and Steps for Filing a Complaint

A customer's service shall not be subject to suspension or disconnection for nonpayment of the portion of a bill under dispute pending a determination of accuracy of the charges by Sage and completion of any informal complaint process. The customer is obligated to pay any billed charges not in dispute. Any disputed charge may be brought to Sage's attention by written notification to Sage Telecom, ATTN: Customer Relations, 3300 E. Renner Road, Suite 350, Richardson, Texas 75082-2800 or by verbal notification to 1-888-449-4940. Your service representative is available to answer your questions and resolve your problems. If you are still not satisfied, ask to speak to a supervisor.

Any disputed charge may be brought to Sage's attention by verbal or written notification. In the case of a billing dispute between the Customer and Sage that cannot be settled to their mutual satisfaction, the undisputed portion and subsequent bills must be paid on a timely basis, or the service may be subject to disconnection. The customer may request an in-depth investigation into the disputed amount and a review by a Sage manager. The customer shall be required to pay the undisputed part of the bill, and if not paid, Sage may discontinue service. If your complaint is not resolved after you have called Sage, residential and business customers may contact the Arkansas Public Service Commission, Consumer Services Division, 1000 Center Street, P.O. Box 400, Little Rock, AR 72203-0400, or by phone at (501) 682-1718 or toll free at 1-800-482-1164. The Telecommunication Device for the Deaf (TDD) number is (800) 682-2698.

Services Available when there is a Serious Medical Condition, Elderly, or Handicapped Customer

Residential customers who are elderly or have a serious medical condition or are handicapped, and those who care for such customers, are encouraged to identify themselves so that Sage may inform these customers of their rights, and offer assistance where appropriate. Sage will comply with mandates pertaining to the provision of services to such customers, including but not limited to, telephone relay service for handicapped or hearing impaired Customers.

At least 72 hours before suspending service to an identified elderly or handicapped customer, Sage will make two (2) attempts at different times of day to contact the customer, an adult at the premises, or someone previously designated by the customer, either in person or by telephone. When an identified elderly or handicapped customer tells the company they cannot pay a bill on time, the company will, on an individual case basis, arrange a delayed payment agreement, and explain the right to a third party notice before suspension of service

Your Sage Service

Residential Services

Residential Services cannot be used to originate calls to other telephone companies' caller-paid information services (e.g., N.A. 900, NXX 976, etc.). Calls to those numbers and other numbers used for caller-paid information services will be blocked by Sage, unless otherwise requested by the customer to be unblocked. Residential Service offerings that include unlimited usage are limited to use for residential voice applications. This includes service offerings providing for unlimited local usage, unlimited intraLATA usage and/or unlimited interLATA usage. No commercial use of any form is permitted for such unlimited service offerings. Incidental calling for dial-up Internet access, for data and fax type applications and for other restricted uses reflected in the Terms and Conditions is permitted up to a maximum of 1200 minutes within any consecutive thirty-day period; any such usage beyond this threshold shall be presumed to be non-residential in nature. If at any time, the company determines that the customer's usage is non-residential or is not consistent with use for residential voice applications, the company may immediately take actions to enforce adherence to the company's statement of Terms and Conditions that are applicable to interLATA and international long distance. Such actions may include the transition to a higher tier within the customer's existing service plan and the application of the High Usage Charge as specified below. The High Usage Charge is applicable to all Residential service plans whenever usage thresholds established below are exceeded, including plans that offer unlimited usage and plans that do not offer unlimited usage. The existence of the High Usage Charge shall be communicated to the customer in advance of its initial application, and shall thereafter apply automatically whenever the threshold is exceeded.

For residential service offerings that include unlimited usage, the company will notify the customer in writing when the previous month's usage exceeds that normally associated with residential voice applications. Such written notice will inform the customer that a higher tier rate will apply if, after two additional months, the usage remains above usage thresholds established in the existing service plan. Customers whose excessive usage levels resulted in a higher rate will, upon request, qualify for the lower-tier rate(s) after three consecutive months of usage below usage thresholds established in the existing service plan. The High Usage Charge is a separate element and applies independently of any unlimited plan rate tier. High Usage Charge is applicable to all Residential service rate plans; per minute of use (MOU) in excess of 6,000 MOUs during any consecutive 30-day period and charged at a rate of \$0.0025 per MOU.

Sage may refuse, suspend, limit, or cancel the customer's ability to receive inbound collect calls immediately and without prior notice in the event that usage of collect calling and/or third party number calls is suspected to be fraudulent or beyond the customer's ability to pay. The customer's ability to receive or complete such calls shall be reinstated upon receipt of payment for all current charges.

Business Services

Business Services cannot be used to originate calls to other telephone companies' caller-paid information services (e.g., N.A. 900, NXX 976, etc.). Calls to those numbers and other numbers used for caller-paid information services will be

blocked by Sage, unless otherwise requested by customer to be unblocked. Service is furnished only for use by the business customer, guests, employees and business associates.

Service is available whenever the use of the service is primarily or substantially of a business, professional institution or otherwise occupation nature, or where the listing required is such as to indicate business use. Business rates are applicable to 1) offices, stores, factories, boarding houses, offices of hotels and apartment houses, colleges, public, private or parochial schools, hospitals, nursing homes, libraries, institutions, churches and all other establishments of a strictly business nature; 2) any location where a business designation is provided or when a title indicating a trade, occupation or profession is listed; 3) service terminating solely on the answering service facilities of a telephone answering firm will carry business rates; and 4) residential locations where the business customer has no regular business telephone service and the use of the service by the business customer, members of the household, or guests is of a business nature as may be indicated by advertising through newspapers, handbills, billboards, circulars, business cards, or otherwise.

Business service offerings that include unlimited usage are available to business customers with ten or fewer business lines. Unlimited long distance offers apply only to domestic direct-dialed live voice calls. Inbound calls using Sage Toll Free Service (8xx), operator-assisted calls, calling card calls, information service calls and other similar calls are not included and incur additional charges. Certain applications, e.g., auto-dialing, broadcast FAX, modem to modem, long distance Internet or Intranet access, call center and certain switching applications are not permitted above incidental levels under unlimited service plans. Customers not complying with the terms of the plan will be transitioned to a per-minute rated plan. Pursuant to a wholesale supplier's contractual provision, Sage will not provide more than ten lines per service location to new customers. Existing customers with more than ten lines that are disconnected will be restricted to a ten-line maximum account upon retrieval.

Sage Telecom's current marketed residential and business plans are outlined below. You may request a complete copy of all Sage service plans or a complete list of calling features and how they operate, by writing to: Sage Telecom, Inc., Attn: Customer Relations, 3300 E. Renner Road, Suite 350, Richardson, Texas 75082-2800, or by calling 1-888-449-4940, or by going online at www.sagetelecom.net. Grandfathered services and plans are no longer available to new customers.

Customer calls made with free minutes will be marked as FREE in the long distance portion of your Sage bill. Calls where free minutes are used for some portion of the call will be marked with a symbol based on the type of free minutes used. Unused free minutes during a billing period are lost. The free minutes do not apply to calling cards, operator assisted calls, and calls made to Directory Assistance.

PremierCall Plan * – Monthly Rate: \$39.99. The PremierCall Plan includes the following bundle of services: Basic Local Exchange Service, including unlimited local voice calling, Caller ID Service, Sage Home Wire Maintenance, a choice of up to nine additional custom calling features, and Twelve hundred (1200) Sage 1+ long distance minutes each month. Additional service are available at discounted rates as follows: Sage Voice Mail - \$1.99, eSageLink Dial Up - \$9.95. 2-Way Metropolitan calling where available at an additional charge.

ValuePlus Plan * – Monthly Rate: \$29.99. The ValuePlus Plan includes the following bundle of services: Basic Local Exchange Service, including unlimited local voice calling, Caller ID Service, Sage Home Wire Maintenance, a choice of up to nine additional custom calling features, and Two hundred (200) Sage 1+ long distance minutes each month. Additional services are available at discounted rates as follows: Sage Voice Mail - \$1.99, eSageLink Dial Up - \$9.95. Metropolitan calling where available at an additional charge.

EasyCall Plan * – Monthly Rate: \$21.99. The EasyCall Plan includes the following bundle of services: Basic Local Exchange Service, including unlimited local voice calling, Caller ID Service, and Call Waiting Service. Metropolitan or Regional calling where available at an additional charge.

Sage Simply Savings Unlimited * - Monthly Rate: \$39.99. Additional services are available at discounted rates as follows: Basic Voice Mail - \$4.95, Enhanced Voice Mail - \$5.95, eSageLink Dial Up - \$9.95. Expanded area service where available, at additional cost. **

Sage Simply Savings Preferred * - Monthly Rate: \$29.99. Additional services are available at discounted rates as follows: Basic Voice Mail - \$4.95, Enhanced Voice Mail - \$5.95, eSageLink Dial Up - \$12.95. Expanded area service where available, at additional cost. **

Sage Simply Savings Essentials * - Monthly Rate: \$24.99.

Expanded area service where available, at additional cost. **

Sage Simply Savings Essentials - Features * - Monthly Rate: \$24.99. Customer may choose from one of the following additional services, offered at discounted rates: Basic Voice Mail - \$4.95, Enhanced Voice Mail - \$5.95, eSageLink Dial Up - \$12.95, or customers may choose the Sage Security Package at no cost.
Expanded area service where available at additional cost. **

Uniendo Familias Plan * - Monthly Rate - All Zones- \$27.99.
Expanded area service where available, at additional cost. **

Vacation Service

Vacation Service allows customers a discount when they are not using their local residential bundled service. Customers will be eligible for Vacation Service after two months of service and if their account is in good standing. The minimum period for Vacation Service is one month and the maximum length of time the discount can be applied is six consecutive months per year. Customers can only receive the discount one time per year based on the customer's anniversary date. A one time fee applies to initiate the Vacation Service. The Vacation Service may be disconnected upon notification by the customer or at the end of six months, whichever occurs first. Lines on the Vacation Service will be blocked from making long distance calls during the period of the discount.

Business Choice 60 Plan – Monthly Rate: \$37.99

The Business Choice 60 Plan is provisioned through the use of local access lines, and includes the following: Local Exchange Service, Multi-Line Hunting, and One Hundred and Twenty (120) minutes of Sage 1+ long distance minutes each month. Customers must choose Sage as their intraLATA and interLATA long distance carrier to receive the one hundred and twenty (120) Sage 1+ long distance minutes each month.

Business Choice 60 Plan-Regional – Monthly Rate: \$53.99

The Business Choice 60 Plan is provisioned through the use of local access lines, and includes the following: Local Exchange Service, Multi-Line Hunting, and One Hundred and Twenty (120) minutes of Sage 1 + long distance minutes each month. Customers must choose Sage as their intraLATA toll and interLATA long distance carrier to receive the one hundred and twenty (120) Sage 1+ long distance minutes each month.

Business Choice 180 Plan – Monthly Rate: \$37.99

The Business Choice 180 Plan is provisioned through the use of local access lines, and includes the following: Local Exchange Service, and One Hundred and Eighty (180) minutes of Sage 1+ long distance minutes each month. Customers must choose Sage as their intraLATA and interLATA long distance carrier to receive the one hundred eighty (180) minutes of Sage 1+ long distance minutes each month.

Business Choice 180 Plan-Regional – Monthly Rate: \$53.99

The Business Choice 180 Plan is provisioned through the use of local access lines, and includes the following: Local Exchange Service, and One Hundred and Eighty (180) minutes of Sage 1+ long distance minutes each month. Customers must choose Sage as their intraLATA and interLATA long distance carrier to receive the one hundred eighty (180) minutes of Sage 1+ long distance minutes each month.

* Where available, a wider Regional local calling area will be applied at no additional charge. This provision is subject to areas where AT&T Local PLUS EAS is available.

** Additional Charges for expanded calling with PremierCall Plan, ValuePlus Plan, Easy Call Plan, Sage Simply Savings Unlimited, Sage Simply Savings Preferred, Sage Simply Savings Essentials, Sage Simply Savings Essentials - Features, and Uniendo Familias are as follows: Metropolitan Calling Plan - \$7.00; Regional Calling Plan - \$7.00.