

Exhibit C

**EXHIBIT C**

**QAI Contract with Petitioner**

## INDEPENDENT MARKETING AGREEMENT

This Independent Marketing Agreement (this "Agreement") is made as of 12/4, 1997 (the "Effective Date"), by and between QAI, Inc., a Minnesota corporation ("QAI") and Columbus Enterprises, Inc. ("Marketer").

- A. QAI markets, designs and implements long distance network programs.
- B. QAI desires to engage Marketer on the terms detailed in this Agreement to assist QAI in marketing its programs and Marketer desires to accept such engagement and to provide services to QAI as detailed in this Agreement.

Therefore, in consideration of the foregoing premises and the covenants contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are acknowledged by the parties to this Agreement, QAI and Marketer agree as follows:

### 1. MARKETING AND SALE

(a) Marketing. QAI grants to Marketer and Marketer accepts the non-transferable, non-exclusive right to market the products and services of QAI described on Schedule 1 (the "Products") to appropriate persons and entities throughout the United States. QAI may change the Products from time to time in its discretion. Marketer shall have no exclusive or protected territories, customers, or products hereunder.

(b) Customers and Account Ownership. Each party solicited by Marketer to purchase the Products will be deemed a "Customer" of Marketer when the Customer has elected to purchase the Products. A Customer's service order is "Provisioned" when accepted by QAI, and the applicable long distance carrier (the "Carrier"), if any. Customers and customers of QAI or other marketing agents of QAI that have been Provisioned by QAI are referred to herein collectively as "Clients." Marketer shall not at any time during or after the term of this Agreement (i) transfer or convert or attempt to transfer or convert any Client from use of the Products, (ii) utilize any Client list or any information relating to Clients for any reason other than performance hereunder or (iii) market or sell to Clients any services or products of any party other than QAI at any time that such Clients are doing any business with QAI.

### 2. COMPENSATION AND ADVANCES

(a) Commissions. In full consideration of Marketer's services hereunder, QAI will pay Marketer the "Commissions" as detailed in Schedule 2 to this Agreement, provided that QAI makes no guarantees or assurances to Marketer of Marketer's earnings hereunder, and provided further that QAI's obligation to pay Commissions will cease as provided in Section 2(e).

(b) Advances. QAI may, in its sole discretion, make advances to Marketer which shall bear interest at a rate not to exceed QAI's borrowing rate or, if lower, the maximum interest rate permitted by law. Advances shall be payable by Marketer to QAI on demand, and QAI may in its discretion withhold and offset any Commissions or payments under Section 2(e) due to Marketer

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against amounts owing by Marketer to QAI in respect of advances. If QAI purchases from Marketer the commission rights for all Customers pursuant to Section 2(e) and the outstanding advances exceed the price payable by QAI under Section 2(e), such excess shall be forgiven and QAI will not make any claim against Marketer for any deficiency in respect thereof.

(c) Note and Security Agreement. As a condition to advances, QAI may in its discretion require Marketer to execute and deliver to QAI a promissory note and security agreement in form satisfactory to QAI.

(d) Other Consideration. QAI may, in its discretion, make available an agent bonus and equity participation plan to provide incentives to and reward selected marketing agents for their contribution to QAI's growth.

(e) Commission Buyout. QAI may at any time and from time to time during the term of this Agreement and thereafter in its discretion, upon notice to Marketer, purchase from Marketer rights of Marketer to receive Commissions hereunder. Such right may be exercised on a Customer-by-Customer basis, or for all Customers of Marketer at the time of such exercise. If QAI exercises the right on a Customer-by-Customer basis, the purchase price payable by QAI for Commission rights in respect of a Customer will be six times the average monthly Commissions attributable to that Customer for the most recent three complete calendar months preceding exercise (or such fewer number of complete months for which Commissions have been payable). If QAI exercises the right for all Customers, the purchase price payable by QAI will be six times an amount equal to the quotient obtained by dividing all Commissions payable to Marketer for the most recent three complete calendar months preceding exercise by 3. Such purchase price will be paid, in three equal monthly installments, with the first installment payable on the date of exercise and the next two installments payable one per month for two months thereafter, and the payments shall be discounted to present value at a discount rate of ten percent (10%). Following exercise by QAI of its rights under this Section 2(e), Marketer will have no further rights in respect of the Customers for which QAI has acquired Commission rights, other than the right to receive the payment specified in this Section 2(e).

### 3. PROCEDURES

#### (a) Responsibilities of Marketer.

- (i) Right of First Refusal. If Marketer solicits or plans to solicit any potential customers on behalf of any party other than QAI, Marketer shall inform QAI of the potential customers and the compensation (including advances and commissions) payable by such other party to Marketer, and if QAI offers to substantially match the overall compensation offered by such third party, then Marketer shall solicit such potential customers on behalf of QAI and offer their accounts for Provisioning to QAI.
- (ii) Best Efforts Marketing. Marketer will represent the Products in a manner consistent with information received from QAI, and will use its best efforts.

to market, promote and sell the Products in accordance with normal business procedures and practices in the industry.

- (iii) Cooperation. Marketer will cooperate fully with QAI in its efforts to Provision Customers' service orders, collect Customer debt and provide customer service to Customers.
- (iv) Transmittal. Marketer will promptly transmit to QAI all Customers in a manner and form required by QAI for QAI's approval and acceptance along with any other documentation required by QAI. Marketer is responsible for the accuracy and completeness of all information provided on all QAI forms and documents.
- (v) Tariff Compliance. Marketer is solely responsible for obtaining and maintaining compliance with all statutes, rules, regulations, orders and other directives issued by any applicable state, federal or other regulatory body applicable to Marketer or the Services or Marketer's provision thereof (any such body, a "PUC"), including the establishment of Marketer's rates and fees ("Tariffs") as the long distance provider to Customers. Marketer is solely responsible for compliance of its Tariffs with applicable PUC requirements. For purposes of any PUC, including the Federal Communications Commission, Marketer is the long distance provider to Customer.

(b) Responsibilities of QAI. QAI will use its best efforts to ensure the timely Provisioning of Customers' service orders. However, QAI may accept or reject any Customer or potential Customer in its discretion. QAI will supply Marketer on a timely basis with standard QAI reports to track Customers placed with QAI by Marketer noting which Customer's service orders have been Provisioned and are being billed by QAI.

(c) Services Provided by Marketer. Marketer will perform the services described in Schedule 3 (the "Services") to the best of its abilities and will not violate any laws or regulations during its performance of the Services. Marketer will be solely responsible for ensuring that its operations comply with all legal and regulatory requirements.

#### 4. CONFIDENTIALITY

Marketer acknowledges that, during the course of its relationship with QAI under the terms of this Agreement, Marketer will obtain information regarding QAI's business and will have personal contact with QAI's current and prospective clients, customers, vendors, marketing agents, and other business related contacts (the "QAI Affiliates"). In addition to the restrictions set forth in Section 1(b), Marketer will not:

- (i) During the term of this Agreement and for a period of one year thereafter, directly or indirectly induce or attempt to influence any QAI Affiliate to terminate its relationship with QAI;

- (ii) During the term of this Agreement and for a period of one year thereafter, establish any business relationship with any QAI Affiliate, concerning the operation, provision or implementation of any long distance telecommunications product or service; or
- (iii) During the term of this Agreement and indefinitely thereafter, disclose to any third party or use for any purpose other than performance hereunder any Proprietary Information. For purposes of this Section, "Proprietary Information" will be defined as any information about the business or operations of QAI including, but not limited to, QAI Affiliates, QAI's client lists, prospect lists, pricing schedules, discount policies, market and sales strategies, any information or compilation of information possessed by QAI which derives independent economic value, whether actual or potential, from not being generally known or readily ascertainable by proper means to other persons, including computer programs, operating instructions, source documents and data, mailing lists, the nature of the Services, and any other know-how or thing, either tangible or intangible, that is not information generally available to the public.

## 5. TERM

This Agreement will terminate:

- (i) If either party commits a material breach of this Agreement, the material breach is not cured within thirty (30) days of the date the breaching party is given notice of its material breach and the non-breaching party elects to terminate this Agreement.
- (ii) If either party shall cease to do business; provided, however, that the obligations of both parties to perform according to the terms and conditions of this Agreement, including QAI's obligation to pay Advances and/or Residual Commissions to Marketer for Accounts Provisioned prior to the cessation of business, shall continue until any such obligations have been fully performed;
- (iii) Upon the dissolution, liquidation, bankruptcy, or insolvency of either QAI or Marketer; or
- (iv) On the date five (5) years from the Effective Date (the "Termination Date").

Upon termination of this Agreement for any reason, Marketer agrees to return all Proprietary Information, including documents, encoded media or other tangible items provided to Marketer by QAI in the course of providing the Services, including all complete and partial copies, recordings, abstracts, notes or reproductions of any kind made from or about such

information, which will be exclusively the property of QAI. The provisions of Section 5 will survive the termination of this Agreement.

## 6. MISCELLANEOUS

(a) Relationship of Parties. In rendering services pursuant to this Agreement, Marketer is acting as an independent contractor and not as an employee or agent of QAI. As an independent contractor, Marketer shall have no authority, express or implied, to commit or obligate QAI in any manner whatsoever, except as specifically authorized from time to time in writing by an authorized representative of QAI, which authorization may be general or specific. Nothing contained in this Agreement shall be construed or applied to create a partnership or joint venture, or an employer/employee or master/servant relationship. Marketer will be responsible for the payment of all federal, state or local taxes payable with respect to all amounts paid to Marketer under this Agreement; provided that, if QAI is determined to be liable for collection or remittance of any such taxes, Marketer will immediately reimburse QAI for all such payments made by QAI. Marketer will be compensated solely by commission and is not entitled to any employment rights or benefits from QAI.

(b) No Conflict or Violation. The execution, delivery and performance by Marketer of this Agreement does not and will not: (i) violate or conflict with any provision of the charter documents of Marketer; (ii) violate any provision of law, statute, judgment, order, writ, injunction, decree, award, rule, or regulation of any court, arbitrator, or other governmental or regulatory authority applicable to Marketer; or (iii) violate, result in a breach of or constitute (with due notice or lapse of time or both) a default under any contract, service or other customer agreement or other agreement to which Marketer is a party.

(c) Entire Agreement. This Agreement, together with any schedules and the exhibits hereto, represent the entire agreement and understanding of the parties with respect to the subject matter hereof and no representations or warranties or promises have been made in connection with this Agreement other than those expressly set forth herein.

(d) Successors and Assigns; No Third Party Beneficiaries. This Agreement will inure to the benefit of, and be binding upon, the parties hereto and their respective successors and assigns; provided, that neither party may assign or delegate any of the obligations created under this Agreement without the prior written consent of the other parties. Notwithstanding the foregoing, QAI will have the unrestricted right to assign this Agreement and/or to delegate all or any part of its obligations hereunder to any affiliate of QAI or to any lender in connection with any financing. Nothing in this Agreement will confer upon any person or entity not a party to this Agreement, or the legal representatives of such person or entity, any rights or remedies of any nature or kind whatsoever under or by reason of this Agreement.

(e) Attorney's Fees. If either party to this Agreement brings an action, suit, counterclaim, appeal, arbitration, mediation or other proceeding (an "Action") for any relief against the other party to this Agreement or any of its affiliates, declaratory or otherwise, to enforce the terms hereof or to declare the rights hereunder, in addition to any damages and costs which the prevailing party otherwise would be entitled, the losing party in any Action shall pay the

prevailing party a reasonable sum for ordinary and necessary attorneys' fees and costs incurred in connection with such Action and/or enforcing any judgment, order, ruling or award (collectively, a "Decision") granted therein, all of which shall be paid as incurred whether or not such action is prosecuted to a Decision.

(f) Severability. This Agreement will be deemed severable, and the invalidity or unenforceability of any term or provision hereof will not affect the validity or enforceability of this Agreement or of any other term or provision hereof. Furthermore, in lieu of any such invalid or unenforceable term or provision, the parties to this Agreement intend that there will be added as a part of this Agreement a provision as similar in terms to such invalid or unenforceable provision as may be possible and be valid and enforceable.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the Effective Date.

"QAI"

QAI, Inc., a Minnesota corporation

Dave Wiegand  
By: [Signature]  
Its: CEO

"MARKETER"

Coleman Enterprises, Inc.

[Signature]  
By: Daniel G. Coleman  
Its: President

QA972600.187/13

Schedule I to  
Independent Marketing Agreement:  
PRODUCTS

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Schedule 2 to  
Independent Marketing Agreement:  
**COMMISSIONS**

Commissions and advances shall be paid in the following manner:

1. Calculation of Commissions

a) "Commission" as used herein means the difference between "Retail Billings" of a Customer and the "Allocable Charges" for said Customer for the same period.

b) "Retail Billings" means the Long Distance usage charges paid by each Customer to QAI, not including any utility taxes, monthly recurring charges, directory assistance, and/or other non usage based charges.

c) "Allocable Charges" means all amounts attributable and directly traceable to Customer including wholesale long distance usage, bad debt, customer service, billing costs, customer credits, PIC dispute charges, NECA charges and any other costs and charges allocable to such Customer, plus fourteen percent (14%) of Retail Billings for such Customer.

2. Payment of Commissions. QAI will pay Marketer the Commissions monthly within thirty (30) days of the conclusion of a billing cycle.

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**INDEPENDENT MARKETING AGREEMENT AMENDMENT NO. 1  
(Coleman Enterprises, Inc.)**

This Independent Marketing Agreement Amendment No. 1 ("Amendment") is made as of Feb. 8, 1999 by and between QAI, Inc., a Minnesota corporation ("QAI") and Coleman Enterprises, Inc., a Minnesota corporation ("Marketer").

A. QAI and Marketer entered into that certain Independent Marketing Agreement dated as of November 4, 1997 ("IMA") pursuant to which Marketer markets QAI Products in accordance with Marketer's certifications with applicable PUC's under Marketer's brand name "Local Long Distance."

B. QAI and Marketer desire to amend the relationship described in the IMA to provide Marketer the ability to market QAI Products in accordance with QAI's certifications with applicable PUC's under QAI's brand name "Long Distance Billing" as more particularly described herein.

Therefore, in consideration of the foregoing premises and the covenants contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, QAI and Marketer agree as follows:

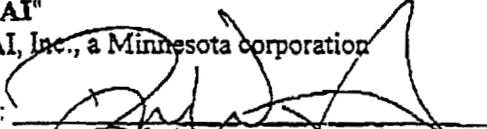
1. **Definitions.** All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the IMA.

2. **Use of QAI Brand.** Notwithstanding any provision of the IMA to the contrary, QAI grants to Marketer and Marketer accepts the non-transferable, non-exclusive right to market Products pursuant to the IMA in accordance with QAI's certifications with applicable PUC's under the brand name "Long Distance Billing".

3. **Consideration.** In consideration of the grant of right to market Products as described in Section 2 Marketer agrees to pay to QAI a regulatory compliance fee of 1.5% of Retail Billings in addition to any other fees payable to QAI by Marketer under the terms of the IMA.

4. **Effect.** Other than as specifically modified by Sections 1 and 2 the IMA shall remain in effect as written.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date hereof.

"QAI"  
QAI, Inc., a Minnesota corporation  
By:   
Name: DAVE W. EGAND  
Title: CEO

"Marketer"  
Coleman Enterprises, Inc., a Minnesota corporation  
By:   
Name: Daniel G. Coleman  
Title: President

QA990130.201/1+

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Exhibit D

**EXHIBIT D**

**Page 15 of 2001 499-A Instructions**

C. Block 3 and Block 4: Contributor Revenue Information

Lines (301-302; 401-402) -- copy the Filer 499 ID from Line (101) into Lines (301) and (401). Copy the legal name of the reporting entity from Line (102) into Lines (302) and (402).

Lines (303-314; 403-420) contain detailed revenue data.

1. Separating revenue from other contributors to the federal universal service support mechanisms (block 3) from end-user and non-telecommunications revenue (block 4) information (carrier's carrier vs end-user)

In the Telecommunications Reporting Worksheet, filers must report revenues using two broad categories: (1) Revenues from other contributors to the federal universal service support mechanisms; and, (2) Revenues from all other sources. Taken together, these revenues should include all revenues billed to customers and should include all revenues on the reporting entities' books of account.

For the purposes of this worksheet, revenues from other contributors to the federal universal service support mechanisms are revenues from services provided by underlying carriers to other carriers for resale and are referred to herein as "carrier's carrier revenues" or "revenues from resellers." Revenues from all other sources consist primarily of revenues from services provided to end users, referred to here as "end-user revenues." This category includes non-telecommunications revenues.

For the purpose of completing Block 3, a "reseller" is a telecommunications carrier or telecommunications provider that: 1) incorporates purchased telecommunications services into its own offerings; and 2) can reasonably be expected to contribute to federal universal service support mechanisms based on revenues from those offerings.

Each contributor should have documented procedures to ensure that it reports as "revenues from resellers" only revenues from entities that reasonably would be expected to contribute to support universal service. The procedures should include but not be limited to maintaining the following information on resellers: legal name; address; name of a contact person; and phone number of the contact person. If the underlying contributor does not have independent reason to know that the entity will, in fact, resell service and contribute to the federal universal service support mechanisms, then the underlying carrier should either obtain a signed statement to that effect or report those revenues as end user revenues.

Note: For the purposes of filling out this worksheet -- and for calculating contributions to the universal service support mechanisms -- certain telecommunications carriers and service providers may be exempt from contribution to the universal service support mechanisms. These exempt entities, including "international only" and "intrastate only" carriers and carriers that meet the *de minimis* universal service threshold, should not be treated as resellers for the purpose of reporting revenues in Block 3. That is, filers that are underlying carriers should report revenues derived from the provision of telecommunications to exempt carriers and providers (including services provided to entities that are *de minimis* for universal service purposes) in Lines (403-417) of Block 4 of the Telecommunications Reporting Worksheet, as appropriate. Underlying carriers must contribute to the universal service support mechanisms on the basis of such revenues. In Block 5, Line 511, however, filers may elect to report the amounts of such revenues (*i.e.*, those revenues from exempt entities that are reported as end-user revenues) so that these revenues may be excluded for purposes of calculating contributions to TRS, LNPA, and NANPA.

FCC Form 499-S, July 2000

Approved by OMB 3060-0855

Estimated Average Burden Hours Per Response: 5.5 Hours

## Telecommunications Reporting Worksheet, FCC Form 499-S

### Instructions for Completing the September Worksheet for Filing Contributions to the Universal Service Support Mechanisms

\* \* \* \* \*

NOTICE TO INDIVIDUALS: Sections 54.703, 54.711, and 54.713 of the Federal Communications Commission's rules require all telecommunications carriers providing interstate telecommunications services, providers of interstate telecommunications that offer interstate telecommunications for a fee on a non-common carrier basis, and payphone providers that are aggregators to contribute to universal service and file this Telecommunications Reporting Worksheet (FCC Form 499-S) on September 1, each year. 47 C.F.R. §§ 54.703, 54.711, 54.713. This collection of information stems from the Commission's authority under Section 254 of the Communications Act of 1934, as amended, 47 U.S.C. § 254. The data in the Worksheet will be used to calculate contributions to the universal service support mechanisms. Selected information provided in the Worksheet will be made available to the public in a manner consistent with the Commission's rules.

We have estimated that each response to this collection of information will take, on average, 6 hours. Our estimate includes the time to read the instructions, look through existing records, gather and maintain the required data, and actually complete and review the form or response. If you have any comments on this estimate, or how we can improve the collection and reduce the burden it causes you, please write the Federal Communications Commission, AMD-PERMS, Washington, D.C. 20554, Paperwork Reduction Project (3060-0855). We also will accept your comments via the Internet if you send them to [jboley@fcc.gov](mailto:jboley@fcc.gov). Please DO NOT SEND COMPLETED WORKSHEETS TO THIS ADDRESS.

Remember -- You are not required to respond to a collection of information sponsored by the Federal government, and the government may not conduct or sponsor this collection, unless it displays a currently valid Office of Management and Budget (OMB) control number. This collection has been assigned an OMB control number of 3060-0855.

The Commission is authorized under the Communications Act of 1934, as amended, to collect the personal information we request in this form. We will use the information that you provide to determine contribution amounts. If we believe there may be a violation or potential violation of a statute or a Commission regulation, rule, or order, your Worksheet may be referred to the Federal, state, or local agency responsible for investigating, prosecuting, enforcing, or implementing the statute, rule, regulation, or order. In certain cases, the information in your Worksheet may be disclosed to the Department of Justice, court, or other adjudicative body when (a) the Commission; or (b) any employee of the Commission; or (c) the United States government, is a party to a proceeding before the body or has an interest in the proceeding.

If you owe a past due debt to the federal government, the taxpayer identification number (such as your

## Instructions to the Telecommunications Reporting Worksheet, Form 499-S

For the purpose of completing Block 3, a reseller is a telecommunications carrier or telecommunications service provider that: 1) incorporates purchased telecommunications services into its own offerings; and, 2) can reasonably be expected to contribute to federal universal service support mechanisms based on revenues from those offerings.

Note: For the purposes of filling out this worksheet -- and for calculating contributions to the universal service support mechanisms -- certain telecommunications carriers and service providers may be exempt from contribution to the universal service support mechanisms. These exempt entities, including "international only" and "intrastate only" carriers and carriers that fall below the *de minimis* universal service threshold, should be treated as end users for the purpose of reporting revenues in Block 3. That is, filers that are underlying carriers should report revenues derived from the provision of telecommunications to exempt carriers and providers (including services provided to entities that are *de minimis* for universal service purposes) on Line (116). Underlying carriers must contribute to the universal service support mechanisms on the basis of this revenue.

Each contributor should have documented procedures to ensure that it reports as revenues from resellers only revenues from entities that reasonably would be expected to contribute to support universal service. The procedures should include but not be limited to maintaining the following information on resellers: legal name; address; name of a contact person; and phone number of the contact person. If the underlying contributor does not have independent reason to know that the entity will, in fact, resell service and contribute to the federal universal service support mechanisms, then the underlying carrier should either obtain a signed statement to that effect or report those revenues as end user revenues.

### 2. Column (a) - total revenue

The reporting entity must report gross revenues from all sources, including nonregulated and non-telecommunications services on Lines (115) through (117) and these must add to total gross revenue as reported on Line (118). Gross revenues should include revenues derived from the provision of interstate, international, and intrastate telecommunications and non-telecommunications services. Gross revenues consist of total revenues billed to customers during the filing period with no allowances for uncollectibles, settlements, or out-of-period adjustments. Gross billed revenues may be distinct from booked revenues. NECA pool companies should report the actual gross billed revenues (CABS Revenues) reported to the NECA pool and not settlement revenues received from the pool.

Where two contributors have merged prior to filing, the successor company should report total revenues for the reporting period for all predecessor operations. The two contributors, however, should continue to report separately if each maintains separate corporate identities and continues to operate.

Gross revenues also should include any surcharges on communications services that are billed to the customer and either retained by the contributor or remitted to a non-government third party under contract.

Gross revenues should exclude taxes and any surcharges that are not recorded on the company books as revenues but which instead are remitted to government bodies. Note that any charge included on an end user bill and represented to recover or collect contributions to federal or state universal service support mechanisms must be reported as end user revenue.

FCC Form 499, February 2000

Approved by OMB 3060-0855

Estimated Average Burden Hours Per Response: 8 Hours

## Telecommunications Reporting Worksheet, FCC Form 499-A

### Instructions for Completing the Worksheet for Filing Contributions to Telecommunications Relay Service, Universal Service, Number Administration, and Local Number Portability Support Mechanisms

\* \* \* \* \*

NOTICE TO INDIVIDUALS: Sections 54.703, 54.711, and 54.713 of the Federal Communications Commission's rules require all telecommunications carriers providing interstate telecommunications services, providers of interstate telecommunications that offer interstate telecommunications for a fee on a non-common carrier basis, and payphone providers that are aggregators to contribute to universal service and file this Telecommunications Reporting Worksheet (FCC Form 499) twice a year. 47 C.F.R. §§ 54.703, 54.711, 54.713. Section 52.17 provides that all telecommunications carriers in the United States shall contribute on a competitively neutral basis to meet the costs of establishing numbering administration, and directs that contributions shall be calculated and filed in accordance with this worksheet. 47 C.F.R. § 52.17.

Section 52.32 provides that the local number portability administrators shall recover the shared costs of long-term number portability from all telecommunications carriers. 47 C.F.R. § 52.32. Section 64.604 requires that every carrier providing interstate telecommunications services shall contribute to the Telecommunications Relay Services (TRS) Fund on the basis of its relative share of interstate end-user telecommunications revenues, with the calculation based on information provided in this worksheet. 47 C.F.R. § 64.604(c)(iii)(4).

This collection of information stems from the Commission's authority under Sections 225, 251, and 254 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 225, 251, and 254. The data in the Worksheet will be used to calculate contributions to the universal service support mechanisms, the telecommunications relay services support mechanism, the cost recovery mechanism for numbering administration, and the cost recovery mechanism for shared costs of long-term number portability. Selected information provided in the Worksheet will be made available to the public in a manner consistent with the Commission's rules.

We have estimated that each response to this collection of information will take, on average, 8 hours. Our estimate includes the time to read the instructions, look through existing records, gather and maintain the required data, and actually complete and review the form or response. If you have any comments on this estimate, or how we can improve the collection and reduce the burden it causes you, please write the Federal Communications Commission, AMD-PERM, Washington, D.C. 20554, Paperwork Reduction Project (3060-0855). We also will accept your comments via the Internet if you send them to [jboley@fcc.gov](mailto:jboley@fcc.gov). Please DO NOT SEND COMPLETED WORKSHEETS TO THIS ADDRESS.

Remember -- You are not required to respond to a collection of information sponsored by the Federal government, and the government may not conduct or sponsor this collection, unless it displays a currently valid Office of Management and Budget (OMB) control number. This collection has been assigned an OMB control number of 3060-0855.

Chief, Market Disputes Resolution Division  
Enforcement Bureau  
Rm 5-A865  
445 12th Street, S.W.  
Washington, D.C. 20554

C. Block 3 and Block 4: Contributor Revenue Information

Lines (301 – 302; 401–402) – Copy the Filer 499 ID from Line (101) into Lines (301) and (401). Copy the legal name of the reporting entity from Line (102) into Lines (302) and 402).

Lines (303 –314; 403 – 420) contain detailed revenue data.

1. Separating Revenue from Other Contributors to the Federal Universal Service Support Mechanisms (Block 3) from End-User and Non-Telecommunications Revenue (Block 4) Information. (carrier's carrier vs end-user)

In the Telecommunications Reporting Worksheet, filers must report revenue from two broad types of categories: (1) Revenue from other contributors to the federal universal service support mechanisms; and, (2) Revenue from all other sources. For the purposes of this worksheet revenue from other contributors to the federal universal service support mechanisms is primarily revenue from services provided by underlying carriers to other carriers for resale, referred to here as "carrier's carrier revenue" or "revenue from resellers." Revenue from all other sources consists primarily of revenue provided to end users, referred to here as "end user revenue."

For the purpose of completing Block 3, a reseller is a telecommunications carrier or telecommunications service provider that: 1) incorporates purchased telecommunications services into its own offerings; and, 2) can reasonably be expected to contribute to federal universal service support mechanisms based on revenues from those offerings.

Note: For the purposes of filling out this worksheet – and for calculating contributions to the universal service support mechanisms – certain telecommunications carriers and service providers may be exempt from contribution to the universal service support mechanisms. These exempt entities, including "international only" and "intrastate only" carriers and carriers that meet the *de minimis* universal service threshold, should not be treated as resellers for the purpose of reporting revenues in Block 3. That is, filers that are underlying carriers should report revenues derived from the provision of telecommunications to exempt carriers and providers (including services provided to entities that are *de minimis* for universal service purposes) in Lines (403–417) in Block 4 of the Telecommunications Reporting Worksheet, as appropriate. Underlying carriers must contribute to the universal service support mechanisms on the basis of this revenue. In Block 5, Line 511, however, filers may elect to report the amount of revenue from these exempt entities, including *de minimis* carriers, that was reported as end-user revenue, so that these revenues may be excluded for purposes of TRS, LNPA, and NANPA.

Each contributor should have documented procedures to ensure that it reports as revenues from resellers only revenues from entities that reasonably would be expected to contribute to support universal service. The procedures should include but not be limited to maintaining the following information on resellers: legal name; address; name of a contact person; and phone number of the contact person. If the underlying contributor does not have independent reason to know that the entity will, in fact, resell service and contribute to the federal universal service support mechanisms, then the underlying carrier should either obtain a signed statement to that effect or report those revenues as end user revenues.

Exhibit E

**EXHIBIT E**

**QAI Correspondence of August, 2000**



*Man on 9/8/00*

7700 Irvine Center Drive  
Suite 605  
Irvine, California 92618  
949.453.3313 • Fax.949.453.3321

August 21, 2000

Coleman Enterprises, Inc.  
6053 Hudson Road  
Woodbury, MN 55125  
Attn: Dennis Coleman

Re: Universal Service Worksheets due September 1, 2000

Dear Mr. Coleman:

Enclosed are three copies of the Universal Service Worksheets. These worksheets will be used by the Universal Service Administration to calculate the Universal Service assessments for the period of January through June 2000. The forms are due on September 1. Please sign all three of the worksheets in block 120 on the form and mail one copy to the following address:

Form 499 Data Collection Agent  
Attn: Lori Terraciano  
80 South Jefferson Road  
Whippany, NJ 07981

Return one copy to me at our Irvine address:

QAI, Inc.  
7700 Irvine Center Drive  
Suite 605  
Irvine, CA 92618  
Attn: Gloria Hansen

The third copy is for your records.

Since we are collecting the USF revenue, we will continue to pay the USF bills. If you have any questions, please call me at (949) 453-3313, extension 408, or fax me at (949) 453-3321. Thank you.

Sincerely,

Gloria Hansen  
Staff Accountant

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Exhibit F

**EXHIBIT F**

**QAI Correspondence of March 26, 2001**



7700 Irvine Center Drive  
Suite 605  
Irvine, California 92618  
949.453.3313 • Fax.949.453.3321

March 26, 2001

**BY OVERNIGHT DELIVERY**

Leon Oistad  
Lotel, Inc.  
4946 Devonshire Circle  
Excelsior, MN 55331

Re: Universal Service Fund: Exemption Certificate

Dear Mr. Oistad:

As you know, telecommunications carriers providing domestic interstate interexchange services such as Lotel, Inc. ("Lotel") are required to contribute, pursuant to Section 254 of the Communications Act (47 U.S.C. § 254) and implementing regulations, rules and orders adopted by the Federal Communications Commission ("FCC"), to the Universal Service Fund ("USF") support mechanisms. Such carriers are obligated to report both end-user derived revenue and revenue earned from sales to other carriers ("carrier's carrier revenue").

Like Lotel, QAI, Inc. ("QAI") is under an obligation to provide break-out revenue data for end-user revenue and carrier's carrier revenue. In order to properly categorize revenue derived from Lotel as carrier's carrier revenue, QAI requires that an officer of Lotel properly execute the enclosed Universal Connectivity Charge Exemption Certification ("Certification") and return it to QAI's agent listed at the bottom of the form as soon as possible.

It is important that Lotel promptly execute and return the Certification for several reasons. First, without the Certification, QAI will be forced to include revenue derived from Lotel as *end-user* revenue. What this means for Lotel is that QAI will be obligated to bill Lotel for USF surcharges on all of Lotel's domestic interstate and international usage. Second, the Telecommunications Reporting Worksheets (FCC Forms 499-A and 499-Q) require that Lotel execute such a document (*see* Page 15 of the Instructions to FCC Form 499-A). Thus, if Lotel does not provide this form to QAI it will be in violation of its FCC filing obligations.

Please execute and return the enclosed Certification to QAI's agent by April 9, 2001. If QAI does not receive the Certification by that date, it will have no choice but to list revenue derived from Lotel as end-user revenue on its FCC Form 499-A (due April 1, 2001) and begin assessing USF surcharges upon Lotel's domestic interstate and international telecommunications usage. As a further reminder, please note that Lotel must independently file its own upcoming FCC Form 499-A and all subsequent Telecommunications Reporting Worksheets thereafter.

If you have any questions, please direct them in writing to CEO, QAI, Inc., 7700 Irvine Center Drive, Suite 605, Irvine, CA 92618 (Facsimile (949) 453-3321) with a copy to C. Jeffrey Tibbels, Esq., Law Offices of Thomas K. Crowe, P.C., 2300 M Street, N.W., Suite 800, Washington, DC 20037 (Facsimile: (202) 973-2891).

Sincerely,

Christine Cotton  
Chief Financial Officer

Enclosure



7700 Irvine Center Drive  
Suite 605  
Irvine, California 92618  
949.453.3313 • Fax.949.453.3321

March 26, 2001

**BY OVERNIGHT DELIVERY**

James Holmquist  
Inmark, Inc.  
2690 Snelling Avenue, Suite 280  
Roseville, MN 55113

Re: Universal Service Fund; Exemption Certificate

Dear Mr. Holmquist:

As you know, telecommunications carriers providing domestic interstate interexchange services such as Inmark, Inc. ("Inmark") are required to contribute, pursuant to Section 254 of the Communications Act (47 U.S.C. § 254) and implementing regulations, rules and orders adopted by the Federal Communications Commission ("FCC"), to the Universal Service Fund ("USF") support mechanisms. Such carriers are obligated to report both end-user derived revenue and revenue earned from sales to other carriers ("carrier's carrier revenue").

Like Inmark, QAI, Inc. ("QAI") is under an obligation to provide break-out revenue data for end-user revenue and carrier's carrier revenue. In order to properly categorize revenue derived from Inmark as carrier's carrier revenue, QAI requires that an officer of Inmark properly execute the enclosed Universal Connectivity Charge Exemption Certification ("Certification") and return it to QAI's agent listed at the bottom of the form as soon as possible.

It is important that Inmark promptly execute and return the Certification for several reasons. First, without the Certification, QAI will be forced to include revenue derived from Inmark as *end-user* revenue. What this means for Inmark is that QAI will be obligated to bill Inmark for USF surcharges on all of Inmark's domestic interstate and international usage. Second, the Telecommunications Reporting Worksheets (FCC Forms 499-A and 499-Q) require that Inmark execute such a document (*see* Page 15 of the Instructions to FCC Form 499-A). Thus, if Inmark does not provide this form to QAI it will be in violation of its FCC filing obligations.

Please execute and return the enclosed Certification to QAI's agent by **April 9, 2001**. If QAI does not receive the Certification by that date, it will have no choice but to list revenue derived from Inmark as end-user revenue on its FCC Form 499-A (due April 1, 2001) and begin assessing USF surcharges upon Inmark's domestic interstate and international telecommunications usage. As a further reminder, please note that Inmark must independently file its own upcoming FCC Form 499-A and all subsequent Telecommunications Reporting Worksheets thereafter.

If you have any questions, please direct them in writing to CEO, QAI, Inc., 7700 Irvine Center Drive, Suite 605, Irvine, CA 92618 (Facsimile (949) 453-3321) with a copy to C. Jeffrey Tibbels, Esq., Law Offices of Thomas K. Crowe, P.C., 2300 M Street, N.W., Suite 800, Washington, DC 20037 (Facsimile: (202) 973-2891).

Sincerely,

Christine Cotton  
Chief Financial Officer

Enclosure

INC.

7700 Irvine Center Drive  
Suite 605  
Irvine, California 92618  
949.453.3313 • Fax.949.453.3321

March 26, 2001

**BY OVERNIGHT DELIVERY**

Scott D. Lec  
Protel Advantage, Inc.  
1144 Larpenteur Avenue  
St Paul, MN 55113

Re: Universal Service Fund; Exemption Certificate

Dear Mr. Lec:

As you know, telecommunications carriers providing domestic interstate interexchange services such as Protel Advantage, Inc. ("Protel") are required to contribute, pursuant to Section 254 of the Communications Act (47 U.S.C. § 254) and implementing regulations, rules and orders adopted by the Federal Communications Commission ("FCC"), to the Universal Service Fund ("USF") support mechanisms. Such carriers are obligated to report both *end-user* derived revenue and revenue earned from sales to other carriers ("carrier's carrier revenue").

Like Protel, QAI, Inc. ("QAI") is under an obligation to provide break-out revenue data for *end-user* revenue and carrier's carrier revenue. In order to properly categorize revenue derived from Protel as carrier's carrier revenue, QAI requires that an officer of Protel properly execute the enclosed Universal Connectivity Charge Exemption Certification ("Certification") and return it to QAI's agent listed at the bottom of the form as soon as possible.

It is important that Protel promptly execute and return the Certification for several reasons. First, without the Certification, QAI will be forced to include revenue derived from Protel as *end-user* revenue. What this means for Protel is that QAI will be obligated to bill Protel for USF surcharges on all of Protel's domestic interstate and international usage. Second, the Telecommunications Reporting Worksheets (FCC Forms 499-A and 499-Q) require that Protel execute such a document (*see* Page 15 of the Instructions to FCC Form 499-A). Thus, if Protel does not provide this form to QAI it will be in violation of its FCC filing obligations.

Please execute and return the enclosed Certification to QAI's agent by April 9, 2001. If QAI does not receive the Certification by that date, it will have no choice but to list revenue derived from Protel as *end-user* revenue on its FCC Form 499-A (due April 1, 2001) and begin assessing USF surcharges upon Protel's domestic interstate and international telecommunications usage. As a further reminder, please note that Protel must independently file its own upcoming FCC Form 499-A and all subsequent Telecommunications Reporting Worksheets thereafter.

If you have any questions, please direct them in writing to CEO, QAI, Inc., 7700 Irvine Center Drive, Suite 605, Irvine, CA 92618 (Facsimile (949) 453-3321) with a copy to C. Jeffrey Tibbels, Esq., Law Offices of Thomas K. Crowe, P.C., 2300 M Street, N.W., Suite 800, Washington, DC 20037 (Facsimile: (202) 973-2891).

Sincerely,



Christine Cotton  
Chief Financial Officer

Enclosure

Complete this form if you believe your company is exempt from being charged Universal Service Fund ("USF") payments by QAI, Inc. ("QAI").

**QAI, INC.**  
**UNIVERSAL CONNECTIVITY CHARGE EXEMPTION CERTIFICATION**

Customer Name: \_\_\_\_\_  
("Customer").

Customer Address: \_\_\_\_\_

Customer hereby requests an exemption from payment of any charges assessed by QAI due to contribution to the USF regime established by the *Universal Service Order* issued by the Federal Communications Commission ("FCC"). Customer is required to contribute, pursuant to Section 254 of the Communications Act (47 U.S.C. § 254) and implementing regulations, rules and orders, to the universal service support mechanisms. Customer represents and certifies as follows:

1. That Customer is either a telecommunications carrier that provides interstate telecommunications service to the public for a fee on a common carrier basis, or a private service provider that offers interstate telecommunications service to others for a fee on a non-common carrier basis.
2. That Customer is acquiring services from QAI for resale to end-user customers, *i.e.*, not for its own internal use.
3. That Customer has filed its Telecommunications Regulatory Worksheet (FCC Form 499-S) with the Universal Service Administrator for the period of January 2000 - June 2000 (a copy of which is attached to this Certification, with confidential information redacted), and will continue to file such Worksheets or other forms or documentation as required by the FCC from time to time. By virtue of such filing, Customer has qualified and will continue to qualify as an entity not subject to QAI's USF-related charges.
4. That Customer acknowledges that QAI's determination of exemption will be based upon the information provided by Customer in this Certification. In the event QAI exempts Customer from the payment of these QAI USF-related charges (in whole or in part) based upon the information, representations and certifications contained in this Certification, and QAI thereafter determines that the exemption was granted upon Customer's false, inaccurate or erroneous information, then QAI may bill Customer for the USF charges that were not billed as the result of the exemption. Accordingly, if Customer does not provide accurate or timely information to QAI, Customer may be responsible for payment to both QAI and to the Universal Service Administrator for its contribution to universal service support mechanisms.
5. That the individual named below is an officer of Customer and is duly authorized by Customer to make the representations and certifications contained herein on behalf of Customer.

CUSTOMER:

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

(Please return completed and executed Certification to QAI's agent: QAI, Inc., c/o Law Offices of Thomas K. Crowe, P.C., 2300 M Street, NW, Suite 800, Washington, DC 20037.)