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SAGE TELECOM, INC. AND SUBSIDIARIES
Consolidated Income Statements

Twelve Months Ending December 31,
2007 2006

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Revenue:
Local Exchange Services
Optional Services
Network Access Services
Reciprocal Compensation
Long Distance Services
Miscellaneous
Total Revenue

Allowances & Discounts:
Sales Allowances & Discounts-Long Distance
Sales Allowances & Discounts-Other
Total Sales Allowances & Discounts

NET REVENUE

Cost of Sales:
Local Exchange Services
Optional Services
Long Distance Service
Miscellaneous
TOTAL COST OF SALES

GROSS MARGIN

Selling, General & Administrative Expenses:
Employee Costs-Administration
Employee Costs- Sales
Employee Costs-Customer Service
Advertising & Marketing
Billing
Professional Services
Legal Fees
Collections & Other
Rent & Utilities
Other Office Expenses
Bank & Payment Processing Fees
Travel
Bad Debt Expense
Regulatory & Other Taxes
TOTAL SELLING, GENERAL & ADMINISTRATIVE EXPENSES

Other Income/(Expense):
Other (Income)/Expense
(Gain)/Loss on Sale of Assets
Interest (Income)/Expense
Depreciation/Amortization
TOTAL OTHER (INCOME)/EXPENSE

EBITDA
INCOME BEFORE INCOME TAXES
INCOME TAX
NET INCOME

COM ___
ECR ___
GCL ___
OPC ___
RCP 1
SSC ___
SGA ___
ADM ___
CLK ___

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SAGE TELECOM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
REVENUE, net		
COST OF SERVICES		
GROSS MARGIN		
OPERATING EXPENSES:		
Salaries and benefits		
General and administrative		
Depreciation and amortization		
Total operating expenses		
OPERATING INCOME		
INTEREST AND OTHER INCOME:		
Interest income		
Other		
Recovery of misappropriated assets		
Total interest and other income		
NET INCOME BEFORE INCOME TAX EXPENSE		
INCOME TAX EXPENSE		
NET INCOME		

See notes to consolidated financial statements.

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SAGE TELECOM, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

December 31,
2007

December 31,
2006

ASSETS

Current Assets:

Cash and cash equivalents
Accounts Receivable
Prepaid Expenses
Deferred Tax Asset
Total Current Assets

Fixed Assets:

Office Equipment
Computer Equipment & Software
Office Furniture
Leasehold Improvements
Purchase Price Adjustments
Total Fixed Assets
Less: Accumulated Depreciation
Total Fixed Assets, Net

Other Assets:

Deposits
Assets Held for Sale
Trademark
Database
Technology
Customer Relationship
Debt Issue Costs
Total Other Assets

TOTAL ASSETS

LIABILITIES

Current Liabilities:

Current Portion of Capital Lease Obligation
Accounts Payable
Taxes and Fees Payable
Accrued Liabilities
Shares subject to redemption
Share Based Compensation Expense
Accrued Income Taxes
Dividends Payable
Deferred Revenue
Total Current Liabilities

Other Liabilities:

Deferred Rent Liability
Capital Lease Obligation
Term Loan - Silverpoint Finance LLC
Deferred Tax Liability
Total Other Liabilities

TOTAL LIABILITIES

SHAREHOLDERS' EQUITY

Shareholders' Equity:

Common Stock
Common Stock Warrants
Additional Paid-in-Capital
Notes and Interest Receivable from Shareholders
Total Common Stock and Paid in Capital
Retained Earnings-Prior Periods
Dividends & Distributions
Year to Date - Net Income
TOTAL SHAREHOLDERS' EQUITY

TOTAL LIABILITIES AND EQUITY

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SAGE TELECOM, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2006 and 2005

	2006	2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents		
Accounts receivable, net		
Prepaid expenses and other current assets		
Income tax deposit		
Deferred tax asset		
Total current assets		
PROPERTY and EQUIPMENT, net		
ASSETS HELD FOR SALE		
OTHER ASSETS		
TOTAL		
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities		
Carrier services payable		
Taxes and regulatory fees payable		
Income taxes payable		
Deferred revenue		
Shares subject to redemption		
Share based compensation liability		
Capital lease obligations, current portion		
Total current liabilities		
CAPITAL LEASE OBLIGATIONS, less current portion		
DEFERRED TAX LIABILITY		
DEFERRED RENT LIABILITY		
Total liabilities		
COMMITMENTS AND CONTINGENCIES:		
SHAREHOLDERS' EQUITY:		
Common stock, \$0.01 par value; 198,000,000 shares authorized; 3,553,124 and 3,534,893 shares issued and outstanding as of December 31, 2006 and 2005, respectively		
Common stock warrants		
Additional paid-in capital		
Notes and interest receivable from shareholders		
Retained earnings		
Total shareholders' equity		
TOTAL		

See notes to consolidated financial statements.

SAGE TELECOM, INC. AND SUBSIDIARIES
Statement of Shareholders' Equity
For the Twelve Months Ending December 31, 2007

	Common Stock		Common Stock Warrants	Additional Paid-in Capital	Notes and Interest Receivable From Shareholders	Retained Earnings	Total
	Shares	Amount					
BALANCE, DECEMBER 31, 2006							
Accrued interest on shareholder notes							
Payoff of shareholder notes							
Warrants Redeemed							
Net income							
Merger and Cancellation of Equity							
Shares repurchased							
Cash dividends declared on common stock							
BALANCE, DECEMBER 31, 2007							

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SAGE TELECOM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
 Years Ended December 31, 2006 and 2005

	Convertible Redeemable Preferred Stock Series B		Common Stock		Common Stock Warrants	Notes and	Interest Receivable From Shareholders	Retained Earnings	Total
	Shares	Amount	Shares	Amount		Additional Paid-in Capital			
BALANCES - January 1, 2005									
Amortization of beneficial conversion discount									
Shares subject to redemption									
Exercise of common stock options									
Accrued interest on shareholder notes									
Repayment of shareholder notes									
Cash dividends declared and paid									
Net income									
BALANCES December 31, 2005									
Accrued interest on shareholder notes									
Repayment of shareholder notes and interest									
Cancellation of warrants									
Shares repurchased and reclaimed									
Cash dividends declared and paid									
Net income									
BALANCES December 31, 2006									

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