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July 22, 2011

Hon. Jaclyn A. Brilling
Secretary to the Commission
New York State Public Service Commission
Empire State Plaza
Agency Building 3
Albany, New York 12223-1350

via electronic filing

Re: Petition of Warwick Valley Telephone Company for Authority to Issue Stock
Case No._____

Dear Ms. Brilling:

Warwick Valley Telephone Company, by its counsel, respectfully submits the above-referenced petition for approval to issue stock for the purpose and in the manner described within the filing. Pursuant to Commission guidelines, this petition is being filed electronically. Thank you in advance for your assistance with this matter.

Sincerely,

John J. Heitmann
(NY Bar Reg. No. 2684348)
Counsel for Warwick Valley Telephone Company

Attachment

Before the
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Petition of	)	
	)	Case _____
Warwick Valley Telephone Company	)	
	)	
for Authority to Issue Stock	)	

Petition

Warwick Valley Telephone Company ("Warwick" or "Petitioner") submits this Petition and application to the New York Public Service Commission ("Commission") for authority and approval to issue stock pursuant to Article 5, Section 101 of the New York Public Service Law ("PSL"). The stock will be used as partial consideration for the purchase of the assets and business of Alteva, LLC ("Alteva"). In support of this application, Petitioner respectfully submits the following:

The Petitioner

1. The Petitioner is a New York corporation with an office and principal place of business at 47 Main Street, Warwick, New York 10990. Petitioner is a publicly traded company under ticker symbol WWVY and is registered on the NASDAQ Global Market exchange. As of March 15, 2011, there were 5,471,829 outstanding shares of Warwick common stock.

2. The Petitioner is a telephone corporation, as that term is defined in Article 1, Section 2(17) of the PSL. The Petitioner furnishes local, network, network access, long distance and directory services and products through its telephone company operations and provides other non-utility services and products through itself or its affiliates in parts of Upstate New York and New Jersey. A certified copy of the Certificate of Incorporation of the Petitioner, with amendments to date, is attached and made part of this Petition as Exhibit A.

Designated Contacts

3. Inquiries or copies of any correspondence, orders, or other materials pertaining to this application should be directed to:

J. Scott Sommerer, Director of Regulatory, Compliance and Strategy
Warwick Valley Telephone Company
47 Main Street
Warwick, New York 10990
Telephone: (845) 986-2250
Facsimile: (845) 987-1381
s.sommerer@wvtc.com

Copies of any correspondence should also be sent to the following counsel for the Petitioner:

Brad Mutschelknaus
Steve Augustino
John Heitmann (NY Bar Reg. No. 2684348)
Kelley Drye & Warren LLP
3050 K Street, N.W., Suite 400
Washington, D.C. 20007
Telephone: (202) 342- 8400
Facsimile: (202) 342-8451
JHeitmann@KelleyDrye.com

Description of Stock Issuance

4. As partial consideration for the purchase of the assets and business of Alteva, the Petitioner proposes to issue to Alteva shares of Warwick common stock equaling $4,000,000 in value (approximately 270,000 shares). Specifically, by Asset Purchase Agreement dated July 14, 2011,[1] Warwick Valley Networks, Inc.,[2] a wholly-owned subsidiary of the Petitioner, has agreed to acquire substantially all of the assets and business of Alteva. Alteva is a cloud based Unified Communications ("UC") solutions provider and North America's largest enterprise hosted Voice over Internet Protocol ("VoIP") provider.

5. The purchase price for the Alteva assets and business is $17,000,000 (the "Purchase Price"). The Purchase Price is to be paid as follows:

(i) $10,250,000 in cash at the initial closing;

[1] A copy of the Asset Purchase Agreement is attached and made part of this application as Exhibit B.

[2] A certified copy of the Certificate of Incorporation of Warwick Valley Networks, Inc., with amendments to date, is attached and made part of this Petition as Exhibit C.

(ii) $4,000,000 in the issuance of Warwick common stock;[3]

(iii) up to a total of $2,000,000 in cash payable to Alteva on the first and second anniversary of the closing (or prior January, 1, 2013 depending on certain tax changes), if certain performance-based conditions are satisfied; and

(iv) $750,000 to be paid at the conclusion of the hold back period.

6. It is this proposed issuance of Warwick common stock for which Petitioner seeks approval and authority from the Commission under Article 5, Section 101 of the PSL. Petitioner wishes to emphasize that it does not propose to sell the stock and pay over the proceeds to Alteva. Rather, the Petitioner proposes to issue common stock directly to Alteva for the assets as part of the Purchase Price.

7. The issuance of stock will not result in a change of the Petitioner's management and will not have a negative impact on the Petitioner's day-to-day operations. In addition, the issuance of stock sought by this Petition will constitute less than 10% of the Petitioner's issued and outstanding stock. Accordingly, the issuance of stock proposed by this Petition will not result in a transfer of control of the Petitioner. [4]

8. Pursuant to Article 5, Section 101 of the PSL, the Petitioner certifies that the acquisition of the assets of Alteva using Warwick common stock is reasonably required for such purpose, and that acquisition of the assets of Alteva is in no part reasonably chargeable to operating expenses or to income of the telephone operations of Warwick.[5] The cash portion of the Purchase Price is to be funded from income derived by the Petitioner from its interest in the Orange County-Poughkeepsie Limited Partnership ("OP") and a short term credit facility.[6] In the past three years, Petitioner's

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3 The parties to the Asset Purchase Agreement have 120 days from the initial closing to obtain Commission authorization for the proposed stock issuance.

4 With these facts, Petitioner does not believe it is required to seek authorization for the transaction under Article 5, Section 100 of the PSL.

5 *See also* the Verification of Duane W. Albro attached hereto and made part of this application.

6 OP is a mobile wireless provider subject to exclusive federal authority regarding rates and entry under 47 U.S.C. § 332(c)(3)(A). OP provides wholesale cellular service throughout the Orange County-Poughkeepsie Metropolitan Service Area. Petitioner currently owns an 8.108% interest in OP.

interest in OP has generated $36,000,000 in non-telephone business (*i.e.*, non-utility) investment income, almost three times the cash portion of the Purchase Price. Moreover, the Petitioner will continue to receive substantial income from OP, including $39,600,000 in guaranteed income in the next three years.[7]

9. The Petitioner is aware that Article 6, Section 107 of the PSL requires prior Commission authorization for the use of "revenues received from the rendition of public service" for any purpose other than "its operating, maintenance and depreciation expenses, the construction, extension, improvement or maintenance of its facilities and service, the payment of its indebtedness and interest thereon, and the payment of dividends to its stockholders." In the context of the acquisition of Alteva, the funds for the Purchase Price have not been collected from utility customers for utility service, are not income earned on such funds, and are not integrally related to the provision of utility service. Moreover, the use of the OP income for the Purchase Price will not negatively impact the Petitioner's ability to pay it operating, maintenance and depreciation expenses and, as it has in the past, Petitioner will continue to make adequate provisions as necessary or desirable for construction, extension, improvement or maintenance of its utility facilities and service, the payment of its indebtedness and interest thereon, and the payment of dividends [where proper] to its stockholders.

10. The issuance of Warwick stock directly to Alteva as part of the Purchase Price does not trigger Section 107 review because the stock issuance is not the use of "revenues received from the rendition of public service" and is otherwise not a revenue impacting event for the Petitioner. The issuance of stock directly to Alteva will not draw upon any revenues of the Petitioner.[8] Since the threshold inquiry for the application of Section 107 is whether revenues from public service will be used, by its plain language, Section 107 is inapplicable to the transaction and the proposed issuance of stock.

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[7] Since the Commission approved of the Petitioner's investment in OP, the Petitioner has received nearly $100 million in income from OP. In the next three years, the guaranteed income from OP will be $13.6 million in 2011, $13 million in 2012, and $13 million in 2013. In 2014, Warwick has an option to "put" its OP interest to Verizon for $50 million.

[8] Any impact on Warwick regarding the proposed issuance of stock would only be a small diminution of the Warwick stock price, but only if the market discounts the Alteva assets, which again is not a revenue impacting event.

Therefore, and in light of the fact the Article 5, Section 101 is specifically drafted to permit the Commission to fully review the proposed stock issuance, Petitioner does not believe that the proposed issuance of stock is additionally subject to Article 6, Section 107 of the PSL. However, if the Commission disagrees with Petitioner's analysis regarding the applicability of Section 107, in addition to Section 101, Petitioner respectfully requests that the Commission evaluate this application under Section 107.

Investment Standard

11. In the past, the Commission has approved of investments that were outside of the Petitioner's core utility business, including the aforementioned investment in OP and, more recently in 2009, the approval of the transfer of assets from USD CLEC, Inc. ("USA Datanet") to Petitioner's wholly-owned subsidiary Warwick Valley Mobile Telephone Company, Inc.[9] Petitioner submits that the business and investment rationale that supported the Commission's approval of the USA Datanet investment also support approval of this application.

12. Initially, the purchase of the Alteva's assets is in furtherance of Petitioner's business strategy to expand the scope of its service offerings. Petitioner will combine the Alteva business with its existing USA Datanet business. The combination will enable Petitioner to better capitalize on the growth of both of these businesses and in the fast growing market for UC and hosted applications for business and enterprise customers. Petitioner anticipates that the acquisition of the Alteva assets will increase its consolidated revenues by approximately 30% on an annual basis, with even a greater percentage improvement in operating cash flow growth, before consideration of cost savings associated with expected integration synergies and expected increase in business volume. As part of the acquisition, the Alteva technical help desk functions will be moved to New York, thereby saving or creating jobs with the Petitioner and/or its subsidiaries in New York.

13. The Commission has generally approved of investments outside of the utility's core business when: (i) the venture is related to the core business; (ii) the utility can afford to lose the investment without affecting utility rates and services; and (iii)

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9 *See* Order Approving Transfer of Assets, March 31, 2009, Case 09-C-0255.

there are adequate accounting safeguards to assure proper cost allocations, including full access to the books and records of the subsidiaries.

14. As a UC solutions provider and a VoIP provider, as with USA Datanet, there is no question that the Alteva business is related to and complements the Petitioner's core business.

15. The Petitioner can afford to lose the investment contemplated by the Alteva transaction without affecting utility rates or service. The issuance of stock pursuant to the authority sought in this application will have no material revenue or expense impact on the Petitioner or its businesses, including its utility rates and services. Finally, as noted in paragraph 8 above, the Petitioner will receive $39.6 million in guaranteed income from OP over the next three years.

16. Petitioner has (and will implement as necessary) adequate accounting safeguards to assure proper cost allocations, including any appropriate modification to the cost allocation manual. As a telephone corporation and a publicly traded company, financial information regarding the Petitioner and its subsidiaries is readily available and, as appropriate, Petitioner will provide the Commission with full access to its books and records, including those of its subsidiaries.

17. Finally, prior to the execution of the Asset Purchase Agreement, the Petitioner commissioned a fairness opinion from Q Advisors, well known investment bankers, regarding the Alteva transaction. It was Q Advisors' opinion that the consideration to be paid for the Alteva assets was fair from a financial point of view.

Other Required Information

18. Pursuant to 16 NYCRR Part 37, Section 37.1(a), attached hereto as Exhibit D and made a part hereof is the Statement of Financial Condition of the Petitioner.

19. Pursuant to 16 NYCRR Part 37, Section 37.1(b), the basis of the book cost of Petitioner's property is the actual dollar cost of property purchased or constructed chargeable to telephone plant accounts without deduction of related reserves and represents original cost as defined in the Rules of Procedure of the Commission. Pursuant to 16 NYCRR Part 37, Section 37.1(c) such book cost does not include any amount for franchise, consent or right to operate as a telephone public utility.

20. No statement is made herein pursuant to 16 NYCRR Part 37, Section 37.1(e), (j), or (n) because Petitioner is not proposing to issue bonds, notes and other evidences of long term indebtedness or to capitalize a franchise in this proceeding. No statement is made herein pursuant to 16 NYCRR Part 37, Section 37.1(k) and (l) because this Petition does not involve a merger or mortgage.

21. Pursuant to 16 NYCRR Part 37, Section 37.1(d) Petitioner plans to issue $4,000,000 (approximately 270,000 shares) of common stock. Pursuant to 16 NYCRR Part 37, Section 37.1(h), a copy of the Asset Purchase Agreement is attached hereto as Exhibit B and made a part hereof.

22. Pursuant to 16 NYCRR Part 37, Section 37.1(f), the issuance of the stock will be used as partial consideration for the purchase of the Alteva assets.

23. Pursuant to 16 NYCRR Part 37, Section 37.1(g), other sources of available funds for the acquisition of the Alteva assets are cash on hand and funds available from short term credit facilities.

24. Pursuant to 16 NYCRR Part 37, Section 37.1(i), the estimated costs or expenses of issuing the shares is nominal.

25. Pursuant to 16 NYCRR Part 37, Section 37.1(m), the approval of the New Jersey Board of Public Utilities is concurrently being sought. No other approvals of other public authorities are required for the Petitioner to issue the Petitioner's common stock.

26. Pursuant to 16 NYCRR Part 37, Section 37.1(o), an affidavit of the Petitioner's principal accounting office is attached to this Petition as Exhibit E and made a part hereof.

27. Pursuant to 16 NYCRR Part 37, Section 37.2(a), the Petitioner will acquire a majority of the assets and business of Alteva.

28. Pursuant to 16 NYCRR Part 37, Section 37.2(b), the purchase price for the Alteva assets and business is $17,000,000 (already defined as the “Purchase Price”). The Purchase Price is to be paid as follows:

(i) $10,250,000 in cash at the initial closing;

(ii) $4,000,000 in the issuance of Warwick common stock;

(iii) up to a total of $2,000,000 in cash payable to Alteva on the first and second anniversary of the closing (or prior January, 1, 2013 depending on certain tax changes) if certain performance-based conditions are satisfied and;

(iv) $750,000 to be paid at the conclusion of the hold back period.

The Asset Purchase Agreement is attached at Exhibit B.

29. Pursuant to 16 NYCRR Part 37, Section 37.2(c), Alteva is not a facilities based provider nor do its operations require a certificate of public convenience and necessity. Therefore, it does not have franchises, consents or rights to be acquired.

30. Pursuant to 16 NYCRR Part 37, Section 37.2(d) and (e), please see Exhibits F-1 through F-7.

31. Pursuant to 16 NYCRR Part 37, Section 37.2(f), please see Exhibit G.

32. Pursuant to 16 NYCRR Part 37, Section 37.2(g), the book cost of the property is identical to the original cost of the property as detailed in Exhibit F.

33. Pursuant to 16 NYCRR Part 37, Section 37.2(h), please see Exhibit H hereto.

34. Pursuant to 16 NYCRR Part 37, Section 37.2(i), Alteva currently has no construction in process and there are no contributions subject to refund.

35. Pursuant to 16 NYCRR Part 37, Section 37.2(j), please see Exhibit I-1 and Exhibit I-2.

Public Interest Statement

36. Grant of this application authorizing the Petitioner to issue stock as part of the Purchase Price for the Alteva assets and business is in the public interest. The Petitioner's purchase of Alteva will strengthen Warwick and enable it to concentrate its resources and expertise on providing innovative and diversified service offerings. In addition, it will both preserve jobs and create new jobs in the state of New York. With its strong management team, the enhancements brought by the purchase of the Alteva assets will inure directly to the benefit of customers and, indirectly, to consumers generally in the telecommunications marketplace.

Conclusion

37. The Petitioner requests that the Commission, on an expedited basis, approve of this application to permit the issuance of stock as part of the Purchase Price for the Alteva assets and for any other such authority as may be deemed necessary by the Commission for the proposed stock issuance or the purchase of the Alteva assets.

Respectfully submitted,

WARWICK VALLEY TELEPHONE COMPANY

By: _____
Duane W. Albro, President and CEO

Dated: July 22, 2011

STATE OF NEW YORK)
) SS:
COUNTY OF ORANGE)

Verification

Duane W. Albro, deposes and says that:

i. he is the President and CEO of Warwick Valley Telephone Company, the Petitioner herein;

ii. pursuant Article 5, Section 101 of the New York Public Service Law that the acquisition of the assets of Alteva, LLC using Warwick Valley Telephone Company common stock as part of the consideration for such acquisition is reasonably required for such purpose, and that acquisition of the assets of Alteva, LLC is in no part reasonably chargeable to operating expenses or to income of the telephone operations of the Warwick Valley Telephone Company;

iii. he has read the foregoing Petition and knows the contents thereof ; and

iv. the same is true to his own knowledge except as the matters herein stated to be alleged upon information and belief, and as to those matters he believes it to be true.

Duane W. Albro
President and CEO

Sworn to before me this 22nd day of July, 2011.

Amelia F. Lawlor
Notary Public
My commission expires 12-20-2014

AMELIA F LAWLOR
Notary Public - State of New York
NO. 01LA6232958
Qualified in Orange County
My Commission Expires 12-20-14

List of Exhibits

Exhibit A --	Certificate of Incorporation of Warwick Valley Telephone Company
Exhibit B --	Asset Purchase Agreement
Exhibit C --	Certificate of Incorporation of Warwick Valley Networks, Inc.
Exhibit D --	Statement of Financial Condition
Exhibit E --	Accounting Office Affidavit
Exhibit F --	Alteva Inventory
F-1 -	Accounts Receivable
F-2 -	Inventory – Equipment
F-3 -	Inventory Software Licenses
F-4 -	Prepaid Software Maintenance
F-5 -	Prepaid Interest
F-6 -	Property Plant and Equipment
F-7 -	Security Deposits
Exhibit G --	Accrued Depreciation
Exhibit H --	Deprecation and Amortization Reserves
Exhibit I-1 --	Statement Regarding Alteva Revenues, Expenses and Taxes
Exhibit I-2	Alteva Balance Sheet

Exhibit A

Certificate of Incorporation of Warwick Valley Telephone Company

N. Y. S. DEPARTMENT OF STATE
DIVISION OF CORPORATIONS AND STATE RECORDS ALBANY, NY 12231-0001

FILING RECEIPT

ENTITY NAME: WARWICK VALLEY TELEPHONE COMPANY

DOCUMENT TYPE: CORRECTION (DOM. BUSINESS) PROVISIONS

COUNTY: ORAN

SERVICE COMPANY: CT CORPORATION SYSTEM

SERVICE CODE: 07

FILED:01/02/2004 DURATION:********* CASH#:040102001084 FILM #:040102001040

ADDRESS FOR PROCESS

REGISTERED AGENT

FILER	FEES	125.00	PAYMENTS	125.00
	FILING	60.00	CASH	0.00
HARTER SECREST & EMERY LLP	TAX	0.00	CHECK	0.00
1600 BAUSCH & LOMB PLACE	CERT	0.00	CHARGE	0.00
	COPIES	40.00	DRAWDOWN	125.00
ROCHESTER, NY 14604	HANDLING	25.00	BILLED	0.00
			REFUND	0.00

DOS-1025 (11/89)

State of New York }
Department of State } *ss:*

I hereby certify that the annexed copy has been compared with the original document filed by the Department of State and that the same is a true copy of said original.

Witness my hand and seal of the Department of State on **JANUARY 08, 2004**

Secretary of State

DOS-200 (Rev. 03/02)

F040102001040

CT-07

CERTIFICATE OF CORRECTION
OF
RESTATED CERTIFICATE OF INCORPORATION
OF
WARWICK VALLEY TELEPHONE COMPANY

Under Section 105 of the Business Corporation Law

The undersigned, being the Secretary of Warwick Valley Telephone Company, hereby certifies as follows:

1. The name of the Corporation is Warwick Valley Telephone Company.

2. A Restated Certificate of Incorporation of the Corporation was filed by the Department of State of New York on September 17, 2003 (the "Restated Certificate of Incorporation"), and the Restated Certificate of Incorporation requires correction as permitted by Section 105 of the Business Corporation Law.

3. The inaccuracy or defect of the Restated Certificate of Incorporation to be corrected is as follows:

a. Pages 4 and 5 (as typed on the bottom of such pages) of the Restated Certificate of Amendment were omitted from the Restated Certificate of Amendment that was filed with the Department of State.

b. The Restated Certificate of Amendment is hereby corrected to clarify the entire content of paragraphs Third and Fourth, in the form as follows:

THIRD: The total number of shares that the Corporation shall have the authority to issue is Twenty Million Five Thousand (20,005,000) shares. Of these Twenty Million Five Thousand (20,005,000) authorized shares:

1. Ten Million (10,000,000) shares shall be Common Shares, and such Common Shares shall have a par value of $0.01 per share; and

2. Ten Million Five Thousand (10,005,000) shares shall be Preferred Shares, and of such Preferred Shares;

(a) Ten Million (10,000,000) shares shall have a par value of $0.01 per share; and

(b) Five Thousand (5,000) shares shall have a par value of $100 per share, which shares shall be designated as 5% Series Preferred Shares and shall have the rights, preferences and limitations set forth in Article FOURTH below.

Subject to any exclusive voting rights which may vest in holders of Preferred Shares under the provision of any series of Preferred Shares established by the Board of Directors pursuant to authority therein provided, and except as otherwise provided by law, the shares of Common Shares shall entitle the holders thereof to one vote for each share upon all matters upon which the shareholders have the right to vote.

Subject to the limitations and in the manner provided by law, shares of Preferred Shares may be issued from time to time in series and, subject to the provisions of Article FOURTH with respect to Preferred Shares, the Board of Directors is hereby authorized to establish and designate one or more series of Preferred Shares, to fix the number of shares constituting each such shares, and to fix the designations and relative rights, preferences and limitations of the shares of each such series and the variations in the relative rights, preferences and limitations as between series, and to increase and to decrease the number of shares constituting each such series.

Subject to the limitations and in the manner provided by law, and subject to the provisions of Article FOURTH, the authority of the Board of Directors with respect to each such series shall include but shall not be limited to the authority to determine the following:

1. The designation of such series;

2. The number of shares initially constituting such series;

3. The increase, and the decrease to a number not less than the number of the outstanding shares of such series, of the number of shares constituting such series theretofore fixed;

4. Whether or not the shares of such series shall be redeemable and, if such shares shall be redeemable, the terms and conditions of such redemption, including but not limited to the date or dates upon or after which such shares shall be redeemable and the amount per share that shall be payable upon such redemption, which amount may vary under different conditions and at different redemption dates;

5. The amount payable on the shares of such series in the event of the voluntary or involuntary liquidation, dissolution or winding up of the Corporation; provided, however, that the holders of such shares shall be entitled to be paid, or to have set apart for payment, not less than the par value per share before the holders of shares of Common Shares or the holders of any other class of stock ranking junior to the Preferred Shares as to rights on liquidation shall be entitled to be paid any amount or to have any amount set apart for payment; provided, further, that if the amounts payable on liquidation are not paid in full, the shares of all series of the Preferred Shares (including the 5% Series Preferred Shares) shall share ratably in any distribution of assets other than by way of dividends in accordance with the sums which would be payable in such distribution if all sums payable wee discharged in full. A liquidation, dissolution or winding up of the Corporation, as such terms are used in this clause (5), shall not be deemed

to be occasioned by or to include any consolidation or merger of the Corporation with or into any other corporation or corporations or a sale, lease or conveyance of all or part of its assets;

6. Whether or not the shares of such series shall have voting rights, in addition to the voting rights provided by law and, if such shares shall have such voting rights, the terms and conditions thereof, including but not limited to the right of the holders of such shares to vote as a separate class either alone or with the holders of shares of one or more other series of Preferred Shares and the right to have more than one vote per share;

7. Whether or not a sinking fund shall be provided for the redemption of the shares of such series of Preferred Shares and, if such a sinking fund shall be provided, the terms and conditions thereof;

8. Whether or not the shares of such series of Preferred Shares shall have conversion privileges, and, if such shares shall have conversion privileges, the terms and conditions of conversion, including but not limited to any provision for the adjustment of the conversion rate or the conversion price; and

9. Any other relative rights, preferences and limitations which the Board of Directors, in its discretion, may determine.

FOURTH: The respective rights, preferences and limitations of the shares of 5% Series Preferred Shares are set forth in the following subdivisions designated (1) to (5) inclusive which are hereinafter referred to as subdivisions of this Article FOURTH.

The designations, preferences, privileges, voting powers, restrictions and qualifications of the 5% Series Preferred Shares are as follows:

1. The holders of the 5% Series Preferred Shares shall be entitled to cumulative dividends thereon at the rate of five percent (5%) per annum on the par value thereof, payable quarterly on March 31, June 30, September 30 and December 31 of each year, in priority to the payments of dividends on the Common Shares. Said dividends shall be cumulative so that if the Corporation shall fail in any fiscal year to pay such dividends upon all the issued and outstanding 5% Series Preferred Shares, the deficiency shall be fully paid without interest before any dividends shall be set apart or paid on the Common Shares. Subject to the foregoing provisions, the 5% Series Preferred Shares shall not be entitled to participate in any other or additional surplus or earnings of the Corporation. The Board of Directors, in its discretion, may declare and pay dividends on the Common Shares concurrently with dividends on the 5% Series Preferred Shares for any dividend period for any fiscal year when such dividends are applicable to the Common Shares, provided, however, that all accumulated dividends on the 5% Series Preferred Shares for all pervious fiscal years and all dividends for the previous dividend periods for the fiscal year shall have been paid in full.

2. In case of the liquidation or dissolution or distribution of the assets of the Corporation, the holders of 5% Series Preferred Shares shall be paid the par value thereof and the amount of all unpaid accrued dividends thereon before any amount shall be payable to the holders of the Common Shares.

3. The 5% Series Preferred Shares may be redeemed in whole or in part on any day on which a dividend shall be payable upon payment to the holders thereof the sum of One Hundred Dollars ($100.00) per share, and the amount of all unpaid accrued dividends thereon at the date of such redemption. The 5% Series Preferred Shares to be redeemed, if less than the whole thereof, shall be determined by lot in such manner as the Board of Directors shall determine. Thirty days' notice of such redemption shall be mailed to the holder of each such share to be redeemed at his last known post office address, as the same appears in the books of the Corporation, and upon the expiration of such thirty days all the rights and privileges of such redeemed shares and the holders thereof, except the right to receive the redemption price and accrued unpaid dividends, shall cease and terminate.

4. The 5% Series Preferred Shares shall have no voting power except as otherwise herein specifically provided, however, that upon default in the payment of six quarterly dividends upon the 5% Series Preferred Shares, the holders of the 5% Series Preferred Shares shall thereafter, and until such default shall have been cured, be entitled to cast one vote for each such share upon all questions upon which the holders of Common Shares shall have the authority to vote, and, voting separately as a class together with the holders of any other series of Preferred Shares to elect the majority of the Board of Directors, the remaining members of the Board of Directors to be elected by the holders of the Common Shares.

5. The entire voting power shall be vested in the Common Shares, except in the event of default in the payment of dividends upon the 5% Series Preferred Shares, in which event said series shall have voting power as herein provided, and, except as otherwise provided fort the Preferred Shares of another series which may be designated, the Common Shares shall be vested with the whole interest in the earnings and assets of the corporation.

IN WITNESS WHEREOF, I have signed this Certificate of Correction this 17th day of December, 2003 and hereby affirm the truth of the statements contained herein under penalty of perjury.

Herbert Gareiss, Jr., Secretary

F040102001040

CERTIFICATE OF CORRECTION
OF
RESTATED CERTIFICATE OF INCORPORATION
OF
WARWICK VALLEY TELEPHONE COMPANY

UNDER SECTION 105 OF THE BUSINESS CORPORATION LAW

FILED
2004 JAN -2 PM 4:59

DRAWDOWN

HARTER SECREST & EMERY LLP
1600 BAUSCH & LOMB PLACE
ROCHESTER, NY 14604

4 cc's

STATE OF NEW YORK
DEPARTMENT OF STATE
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BY: JAH
Orange

2004 JAN -2 PM 2:26
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2003 DEC 19 PM 2:19
RECEIVED

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040102001084

N. Y. S. DEPARTMENT OF STATE
DIVISION OF CORPORATIONS AND STATE RECORDS ALBANY, NY 12231-0001

FILING RECEIPT

ENTITY NAME: WARWICK VALLEY TELEPHONE COMPANY

DOCUMENT TYPE: AMENDMENT (DOMESTIC BUSINESS) COUNTY: ORAN
STOCK PURPOSES PROCESS PROVISIONS RESTATED

SERVICE COMPANY: CT CORPORATION SYSTEM SERVICE CODE: 07

FILED:09/17/2003 DURATION:********* CASH#:030917000307 FILM #:030917000290

ADDRESS FOR PROCESS

WARWICK VALLEY TELEPHONE COMPANY
ATTN: PRESIDENT 47 MAIN ST.
WARIWCK, NY 10990

REGISTERED AGENT

STOCK:	20000000	PV	.01	5000 PV	100.00

FILER

HARTER SECREST & EMERY LLP
1600 BAUSCH & LOMB PLACE

ROCHESTER, NY 14604

FEES	150.00	PAYMENTS	150.00
FILING	60.00	CASH	0.00
TAX	10.00	CHECK	0.00
CERT	0.00	CHARGE	0.00
COPIES	30.00	DRAWDOWN	150.00
HANDLING	50.00	BILLED	0.00
		REFUND	0.00

DOS-1025 (11/89)

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Albany, N.Y., September 15, 2003

CASE 03-C-0762 – Petition of Warwick Valley Telephone Corporation for the Approval of a Restated and Amended Certificate of Incorporation.

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The Public Service Commission hereby consents to and approves this RESTATED AND AMENDED CERTIFICATE OF INCORPORATION OF WARWICK VALLEY TELEPHONE COMPANY under Section 807 of the Business Corporation Law, executed September 10, 2003, in accordance with the order of the Public Service Commission issued and effective September 15, 2003.

By the Commission,

Acting Secretary

State of New York }
Department of State } *ss:*

I hereby certify that the annexed copy has been compared with the original document filed by the Department of State and that the same is a true copy of said original.

Witness my hand and seal of the Department of State on **September 17, 2003**

Secretary of State

DOS-200 (Rev. 03/02)

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CT-07

RESTATED CERTIFICATE OF INCORPORATION OF WARWICK VALLEY TELEPHONE COMPANY

Under Section 807 of the Business Corporation Law

We, the undersigned, M. Lynn Pike and Herbert Gareiss, Jr., being respectively the President and the Secretary of Warwick Valley Telephone Company (the "Corporation"), do hereby certify that:

I. The name of the Corporation is Warwick Valley Telephone Company.

II. The Certificate of Incorporation of the Corporation was filed by the Department of State of the State of New York on January 16, 1902.

III. The Certificate of Incorporation of the Corporation, as amended heretofore, is hereby further amended to effect the following amendments authorized by Section 801 of the Business Corporation Law:

A. To replace the purposes clause with a provision that provides as the Corporation's purposes those purposes permitted to any business corporation, and to delete the description of the territory in which the Corporation operated as a telephone corporation;

B. To delete the provisions setting forth the calculation of the Corporation's capital;

C. To change the authorized Common Shares from 2,160,000 shares, no par value, to 10,000,000 shares, par value $0.01 per share, as follows: change the 1,994,920 shares of Common Shares, no par value, currently issued, including those held in treasury, into 5,984,760 shares of Common Shares, par value $0.01 per share, at the rate of 3 shares of Common Shares for each share of Common Shares presently issued; and to change the authorized but unissued shares of Common Shares of the Corporation from 165,080 shares of Common Shares, no par value, to 4,015,240 shares, par value $0.01 per share, at the rate of approximately 24.323 shares to one.

D. To change the authorized but unissued Preferred Shares from 2,500, par value $100 per share, to 10,000,000 shares, par value $0.01 per share, that being a ratio of 4,000 Preferred Shares, par value $0.01 per share, for each authorized but unissued Preferred Share, par value $100 per share, and to leave unchanged the 5,000 presently issued and outstanding 5% Series Preferred Shares, as a consequence of which the Corporation shall have 10,005,000 authorized Preferred Shares, namely 10,000,000, par value $0.01 per share and 5,000, par value $100 per share (such 5,000 being the 5% Series Preferred Shares);

E. To eliminate certain provisions relating to the 5% Series Preferred Shares that are no longer legally relevant due to changes in the New York laws relating to business corporations;

F. To eliminate the apparent right of holders of 5% Series Preferred Shares to convert such shares at their discretion into shares of Common Shares, which apparent right was based on an inadvertent filing made without a required regulatory approval;

G. To permit the Board of Directors of the Corporation to establish a new series of Preferred Shares with such terms and provisions as the Board of Directors deems appropriate, subject to certain limitations;

H. To provide (i) for the fixing of the number of directors at no fewer than three (3) and no more than twelve (12), and (ii) for the removal of directors for cause by the shareholders or by the Board of Directors;

I. To delete certain information with respect to the Corporation's initial directors and shareholders;

J. To make conforming changes to Article, paragraph, section or clause numbers, capitalization and other stylistic changes (such as the consistent use of defined terms and referring to the "term of existence" rather than the "duration" of the Corporation);

K. To delete the word "The" which may or may not be at the beginning of the Corporation's name to conform to the Corporation's practice; and

L. To designate the Secretary of State of the State of New York as the Corporation's agent for service of process.

IV. This Restatement and Amendment of the Certificate of Incorporation of the Corporation was authorized by a resolution adopted by the Board of Directors at a meeting thereof duly called and held, followed by the affirmative votes of the holders of the requisite percentage of the outstanding shares of Common Shares, cast in person or by proxy, at the Annual Meeting of the holders of Common Shares held on April 25, 2003, and, in addition, with respect to the authorization of additional shares of Preferred Shares, the correction of the inadvertent filing referred to above and the other changes in the class of Preferred Shares referred to above, by the affirmative votes of the holders of the requisite percentage of the outstanding shares of the Preferred Shares, cast in person or by proxy, at the Annual Meeting of the holders of Preferred Shares held on April 25, 2003. The aforementioned Annual Meeting was held upon notice, pursuant to section 605 of the Business Corporation Law, to every shareholder of record entitled to vote thereon, and neither the Certificate of Incorporation, as previously amended, nor any other Certificate filed pursuant to law requires a larger proportion of votes.

V. The text of the Certificate of Incorporation is hereby in its entirety restated and amended to read as set forth in full below:

CERTIFICATE OF INCORPORATION
OF
WARWICK VALLEY TELEPHONE COMPANY

Under Section 402 of the Business Corporation Law

FIRST: The name of the Corporation is Warwick Valley Telephone Company.

SECOND: The purposes for which the Corporation is formed are: To engage in any lawful act or activity for which corporations may be organized under the Business Corporation Law of the State of New York, except that the Corporation is not organized to engage in any act or activity requiring the consent or approval of any official, department, board, agency or other body of the State of New York without first obtaining such consent or approval.

THIRD: The total number of shares that the Corporation shall have the authority to issue is Twenty Million Five Thousand (20,005,000) shares. Of these Twenty Million Five Thousand (20,005,000) authorized shares:

1. Ten Million (10,000,000) shares shall be Common Shares, and such Common Shares shall have a par value of $0.01 per share; and

2. Ten Million Five Thousand (10,005,000) shares shall be Preferred Shares, and of such Preferred Shares:

   (a) Ten Million (10,000,000) shares shall have a par value of $0.01 per share; and

   (b) Five Thousand (5,000) shares shall have a par value of $100 per share, which shares shall be designated as 5% Series Preferred Shares and shall have the rights, preferences and limitations set forth in Article FOURTH below.

Subject to any exclusive voting rights which may vest in holders of Preferred Shares under the provision of any series of Preferred Shares established by the Board of Directors pursuant to authority herein provided, and except as otherwise provided by law, the shares of Common Shares shall entitle the holders thereof to one vote for each share upon all matters upon which shareholders have the right to vote.

Subject to the limitations and in the manner provided by law, shares of Preferred Shares may be issued from time to time in series and, subject to the provisions of Article FOURTH with respect to Preferred Shares, the Board of Directors is hereby authorized to establish and designate one or more series of Preferred Shares, to fix the number of shares constituting each such series, and to fix the designations and the relative rights, preferences and limitations of the shares of each such series and the variations in the relative rights, preferences and limitations as between series, and to increase and to decrease the number of shares constituting each such series.

be mailed to the holder of each such share to be redeemed at his last known post office address, as the same appears in the books of the Corporation, and upon the expiration of such thirty days all the rights and privileges of such redeemed shares and the holders thereof, except the right to receive the redemption price and accrued unpaid dividends, shall cease and terminate.

4. The 5% Series Preferred Shares shall have no voting power except as otherwise herein specifically provided, however, that upon default in the payment of six quarterly dividends upon the 5% Series Preferred Shares, the holders of the 5% Series Preferred Shares shall thereafter, and until such default shall have been cured, be entitled to cast one vote for each such share upon all questions upon which the holders of Common Shares shall have the authority to vote, and, voting separately as a class together with the holders of any other series of Preferred Shares to elect the majority of the Board of Directors, the remaining members of the Board of Directors to be elected by the holders of the Common Shares.

5. The entire voting power shall be vested in the Common Shares, except in the event of default in the payment of dividends upon the 5% Series Preferred Shares, in which event said series shall have voting power as herein provided, and, except as otherwise provided for the Preferred Shares of another series which may be designated, the Common Shares shall be vested with the whole interest in the earnings and assets of the corporation.

FIFTH: The vote of the shareholders of the Corporation required to approve any Business Combination shall be as set forth in this Article FIFTH. The term "Business Combination" shall have the meaning ascribed to it in sub-paragraph 1(b) of this Article FIFTH. Each other capitalized term shall have the meaning ascribed to it in subparagraph 3 of this Article FIFTH.

1.

(a) In addition to any affirmative vote required by law or this Certificate of Incorporation and except as otherwise expressly provided in sub-paragraph 2 of this Article FIFTH:

(i) any merger or consolidation of the Corporation or any Subsidiary with (1) any Interested Shareholder or (2) any other person (whether or not itself an Interested Shareholder) which is, or after such merger or consolidation would be, an Affiliate of an Interested Shareholder; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Shareholder or any Affiliate of any Interested Shareholder

of assets of the Corporation or any Subsidiary having an aggregate Fair Market Value of One Million Dollars ($1,000,000) or more; or

(iii) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to any Interested Shareholder or any Affiliate of any Interested Shareholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of One Million Dollars ($1,000,000) or more, other than the issuance of securities upon the conversion of convertible securities of the Corporation or any Subsidiary which were not acquired by such Interested Shareholder (or such Affiliate) from the Corporation or a Subsidiary; or

(iv) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of an Interested Shareholder or any Affiliate of any Interested Shareholder; or

(v) any transaction involving the Corporation or any Subsidiary (whether or not with or into or otherwise involving an Interested Shareholder), and including without limitation, any reclassification of securities (including any reverse stock split), or recapitalization or reorganization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any self-tender offer for or repurchase of securities of the Corporation by the Corporation or any Subsidiary or any other transaction (whether or not with or into or otherwise involving an Interested Shareholder), which in any such case has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity securities or securities convertible into equity securities of the Corporation or any Subsidiary which is directly or indirectly beneficially owned by any Interested Shareholder or any Affiliate of any Interested Shareholder;

shall require the affirmative vote of the holders of at least 70 percent of the combined voting power of the then outstanding shares of the Voting Stock, in each case voting together as a single class (it being understood that for purposes of this Article FIFTH each share of the Voting Stock shall have the number of votes granted to it pursuant to this Certificate of Incorporation or the terms of any series of the Corporation's Preferred Shares), which vote shall include the affirmative vote of at least two-thirds (2/3) of the combined voting power of the outstanding shares of Voting Stock held by shareholders other than the Interested Shareholder. Such affirmative vote shall be required notwithstanding any provision of law or any other provision of this Certificate of Incorporation or any agreement which might permit a lesser vote or no vote and in addition to any affirmative vote required of the holders of any class or series of Voting Stock pursuant to law, this Certificate of Incorporation or the terms of any series of the Corporation's Preferred Shares.

(b) The term "Business Combination" as used in this Article FIFTH shall mean any transaction that is referred to in any one or more clauses (i) through (v) of sub-paragraph 1(a) of this Article FIFTH.

2. The provisions of sub-paragraph 1 (a) of this Article FIFTH shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as may be required by law, any other provision of this Certificate of Incorporation, or the terms of any series of the Corporation's Preferred Shares, if, in the case of a Business Combination that does not involve any cash or other consideration being received by the shareholders of the Corporation, solely in their respective capacities as shareholders of the Corporation, the condition specified in the following sub-paragraph (a) is met, or, in the case of any other Business Combination, the conditions specified in the following sub-paragraph (a) or the conditions specified in the following sub-paragraph (b) are met:

(a) such Business Combination shall have been approved by a majority of the Disinterested Directors; or

(b) each of the conditions specified in the following clauses (i) through (v) shall have been met:

(i) the aggregate amount of the cash and Fair Market Value as of the Consummation Date of any consideration other than cash to be received per share by the holders of Common Shares in such Business Combination shall be at least equal to the highest of the following (it being intended that the requirements of this clause (b)(i) shall be met with respect to all Common Shares outstanding whether or not the Interested Shareholder has acquired any Common Shares):

(1) if applicable, the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealer's fees) paid in order to acquire any common shares beneficially owned by the Interested Shareholder which were acquired beneficially by such Interested Shareholder (x) within the two-year period immediately prior to the Announcement Date or (y) in the transaction in which it became an Interested Shareholder, whichever is higher; or

(2) the Fair Market Value per Common Share on the Announcement Date or on the Determination Date, whichever is higher; or

(3) the amount which bears the same percentage relationship to the Fair Market Value of the Common Shares on the Announcement Date as the highest per share price determined

in (b)(i)(1) above bears to the Fair Market Value of the common shares on the date of the commencement of the acquisition of Common Shares by such Interested Shareholder; and

(ii) the aggregate amount of the cash and the Fair Market Value as of the Consummation Date of any consideration other than cash to be received per share by holders of the shares of any class or series of outstanding Voting Stock other than Common Shares shall be at least equal to the highest of the following (it being intended that the requirements of this clause (b)(ii) shall be met with respect to every class and series of such Voting Stock, whether or not the Interested Shareholder has previously acquired any shares of a particular class or series of such Voting Stock):

(1) if applicable, the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealer's fees) paid in order to acquire any shares of such class or series Voting Stock beneficially owned by the Interested Shareholder that were acquired beneficially by such Interested Shareholder (x) within the two-year period immediately prior to the Announcement Date or (y) in the transaction in which it became the Interested Shareholder, whichever is higher; or

(2) if applicable, the highest preferential amount per share to which the holders of shares of such class or series of Voting Stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company; or

(3) the Fair Market Value per share of such class or series of Voting Stock on the Announcement Date or on the Determination Date, whichever is higher; or

(4) the amount which bears the same percentage to the Fair Market Value of such class or series of Voting Stock on the Announcement Date as the highest per share price in clause (b)(ii)(1) above bears to the Fair Market Value of such Voting Stock on the date of the commencement of the acquisition of such Voting Stock by such Interested Shareholder; and

(iii) the consideration to be received by holders of a particular class or series of outstanding Voting Stock (including Common Shares) shall be in cash or in the same form as was previously paid in order to acquire beneficially shares of such class or series of Voting Stock that are beneficially owned by the Interested Shareholder and, if the Interested Shareholder beneficially owns shares of any class or series of Voting Stock that were acquired with varying forms of consideration, the form of

consideration to be received by each holder of shares of such class or series of Voting Stock shall be, at the option of such holder, either cash or the form used by the Interested Shareholder to acquire beneficially the largest number of shares of such class or series of Voting Stock beneficially acquired by it prior to the Announcement Date; and

(iv) after such Interested Shareholder has become an Interested Shareholder and prior to the consummation of such Business Combination:

(1) such Interested Shareholder shall not have become the beneficial owner of any additional shares of Voting Stock of the Corporation, except as part of the transaction in which it became an Interested Shareholder or upon conversion of convertible securities acquired by it prior to becoming an Interested Shareholder or as a result of a pro rata stock dividend or stock split; and

(2) such Interested Shareholder shall not have received the benefit, directly or indirectly (except proportionately as a shareholder), of any loans, advances, guarantees, pledges or other financial assistance or tax credits or other tax advantages provided by the Corporation or any Subsidiary, whether in anticipation of or in connection with such Business Combination or otherwise; and

(3) such Interested Shareholder shall not have caused any material change in the Corporation's business or capital structure including, without limitation, the issuance of shares of capital stock of the Corporation to any third party; and

(4) there shall have been (x) no failure to declare and pay at the regular date therefore the full amount of dividends (whether or not cumulative) on any outstanding preferred shares of the Corporation except as approved by a majority of the Disinterested Directors, (y) no reduction in the annual rate of dividends paid on Common Shares (except as necessary to reflect any subdivision of the Common Shares), except as approved by a majority of the Disinterested Directors, and (z) an increase in such annual rate of dividends (as necessary to prevent any such reduction) in the event of any reclassification (including any reverse stock split), recapitalization, reorganization, self tender offer or any similar transaction which has the effect of reducing the number of outstanding Shares of Common Shares, unless the failure so to increase such annual rate was approved by a majority of the Disinterested Directors; and

(v) a proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules and regulations), whether or not the Corporation is then subject to such requirements, shall be mailed by and at the expense of the Interested Shareholder at least thirty (30) days prior to the Consummation Date of such Business Combination to the public shareholders of the Corporation (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions), and may contain at the front thereof in a prominent place (i) any recommendations as to the advisability (or inadvisability) of the Business Combination which the Disinterested Directors, if any, may choose to state, and (ii) the opinion of a reputable national or regional investment banking firm with expertise in telecommunications as to the fairness (or not) of such Business Combination from the point of view of the remaining public shareholders of the Corporation (such investment banking firm to be engaged solely on behalf of the remaining public shareholders, to be paid a reasonable fee for its services by the Corporation upon receipt of such opinion, to be unaffiliated with such Interested Shareholder, and, if there are at the time any Disinterested Directors, to be selected by a majority of the Disinterested Directors).

3. For purposes of this Article FIFTH:

(a) A "person" shall include, without limitation, any individual, firm, corporation, group (as such term is used in Regulation 13D-G of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on January 1, 1987) or other entity.

(b) "Interested Shareholder" shall mean any person (other than the Corporation or any Subsidiary or any employee benefit plan of the Corporation or any Subsidiary) who or which:

(i) is the beneficial owner, directly or indirectly, of more than 10 percent of the combined voting power of the then outstanding shares of Voting Stock; or

(ii) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10 percent or more of the combined voting power of the then outstanding shares of Voting Stock; or

(iii) is an assignee of or has otherwise succeeded to the beneficial ownership of any shares of Voting Stock that were at any time within the two-year period immediately prior to the date in question beneficially owned by an Interested Shareholder, if such assignment or

succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

(c) A person shall be a "beneficial owner" of any Voting Stock:

(i) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly; or

(ii) which such person or any of its Affiliates or Associates has (1) the right to acquire (whether or not such right is exercisable immediately) pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (2) the right to vote or direct the vote pursuant to any agreement, arrangement or understanding; or

(iii) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

(d) For the purposes of determining whether a person is an Interested Shareholder pursuant to sub-paragraph 3 (b) of this Article FIFTH, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned by such Interested Shareholder through application of sub-paragraph 3 (c) of this Article FIFTH but shall not include any other shares of Voting Stock that may be issuable pursuant to any agreement, arrangements or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(e) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on January 1, 1987.

(f) "Subsidiary" shall mean any person more than 50 percent of whose outstanding equity securities having ordinary voting power in the election of directors is owned, directly or indirectly, by the Corporation or by a Subsidiary or by the Corporation and one or more Subsidiaries; provided, however, that for the purposes of the definition of Interested Shareholder set forth in sub-paragraph 3(b) of this Article FIFTH, the term "Subsidiary" shall mean only a person of which a majority of each class of stock ordinarily entitled to vote for the election of directors is owned, directly or indirectly, by the Corporation.

(g) "Disinterested Director" shall mean any member of the Board of Directors of the Corporation who is unaffiliated with, and not a nominee of, the Interested Shareholder and was a member of the Board prior to the time that the Interested Shareholder became an Interested Shareholder, and any successor of a Disinterested Director who is unaffiliated with, and not a nominee of, the

Interested Shareholder and who is recommended to succeed a Disinterested Director by a majority of Disinterested Directors then on the Board of Directors.

(h) "Fair Market Value" shall mean: (1) in the case of stock, the highest closing sale price during the 30-day period commencing on the 40th day preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks; or, if such stock is not quoted on the New York Stock Exchange Composite Tape, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed; or if such stock is not listed on any such exchange, the highest closing sale price or bid quotation with respect to a share of such stock during the 30-day period commencing on the 40th day preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use; or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Disinterested Directors in good faith; and (2) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Disinterested Directors in good faith.

(i) In the event of any Business Combination in which the Corporation survives, the phrase "any consideration other than cash to be received" as used in sub-paragraphs 2(b)(i) and 2(b)(ii) of this Article FIFTH shall include Common Shares and/or the shares of any other class or series of outstanding Voting Stock retained by the holders of such shares.

(j) "Announcement Date" shall mean the date of first public announcement of the proposed Business Combination.

(k) "Determination Date" shall mean the date on which the Interested Shareholder became an Interested Shareholder.

(l) "Consummation Date" shall mean the date of the consummation of the Business Combination.

(m) The term "Voting Stock" shall mean, in any given time, all outstanding shares of Common Shares of the Corporation and all outstanding shares of any other classes or series of the corporation's capital stock, the holders of which are entitled at such time to vote upon all questions upon which the holders of shares of Common Shares shall have the authority to vote, in each case voting together as a single class.

4. A majority of the Disinterested Directors shall have the power and duty to determine, on the basis of information known to them after reasonable inquiry, all facts necessary to determine compliance with this Article FIFTH including, without limitation:

(a) whether a person is an Interested Shareholder;

(b) the number of shares of Voting Stock or any other stock beneficially owned by any person;

(c) whether a person is an Affiliate or Associate of another person;

(d) whether the requirements of sub-paragraph 2(b) of this Article FIFTH have been met with respect to any Business Combination;

(e) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of One Million Dollars ($1,000,000) or more; and

(f) all other matters with respect to which a determination is required under this Article FIFTH.

5. Nothing contained in this Article FIFTH shall be construed to relieve any Interested Shareholder from any fiduciary obligation imposed by law.

6. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 70 percent of the combined voting power of the Voting Stock shall be required to alter, amend or repeal this Article FIFTH or to adopt any provision inconsistent therewith; provided, however, that if there is an Interested Shareholder on the record date for the meeting at which such action is submitted to the shareholders for their consideration, such 70 percent vote must include the affirmative vote of at least two-thirds (2/3) of the combined voting power of the outstanding shares of Voting Stock held by shareholders other than the Interested Shareholder.

7. Nothing contained in this Article FIFTH is intended, or shall be construed, to affect any of the relative rights, preferences or limitations, within the meaning of such terms under Section 801(b)(12) of the New York Business Corporation Law or any successor statute, of any shares of any authorized class or series of the corporation's stock, whether issued or unissued.

SIXTH: The Board of Directors of the Corporation, when evaluating any offer of another party to (1) purchase, or exchange any securities or property for, any outstanding equity securities of the Corporation or any subsidiary; (2) merge or consolidate the Corporation or any subsidiary with another company; or (3) purchase or otherwise acquire all or substantially all of the properties and assets of the Corporation or any subsidiary, shall, in connection with the exercise of its judgment in determining what is in the best interest of the Corporation and its shareholders, give due consideration not only to the price or other consideration being offered but also to all other relevant factors, including, without limitation, (i) the financial and managerial resources and future prospects of the offeror; (ii) the possible effects on the business of the Corporation and its subsidiaries and on the ratepayers, and other customers, employees,

suppliers and creditors of the Corporation and its subsidiaries; and (iii) the possible effects on the communities in which the facilities of the Corporation and its subsidiaries are located. In so evaluating any such offer, the Board of Directors shall be deemed to be acting in accordance with its duly authorized duties and in good faith, in the best interests of the Corporation.

SEVENTH: Except as otherwise specifically provided by law or in this Certificate of Incorporation, the affirmative vote in person or by proxy of the holders of seventy percent (70%) of the combined voting power of the issued and outstanding common shares of the Corporation and the issued and outstanding shares of any other classes or series of the Corporation's capital stock, the holders of which are entitled at the time to vote upon all questions upon which the holders of Common Shares shall have the authority to vote, shall be required to adopt any plan of merger or consolidation (other than any plan of merger involving the merger into the Corporation of one or more subsidiaries of the Corporation, provided the Corporation owns 90% or more of each class of stock of such subsidiary or subsidiaries) or to approve the sale of all or substantially all of the Corporation's assets. Any amendment to the Certificate of Incorporation which amends, deletes or otherwise modifies or changes this section of the Certificate of Incorporation or any part thereof, shall be authorized by a like vote of the shareholders. Nothing contained in this Article SEVENTH is intended, or shall be construed, to affect any of the relative rights, preferences or limitations, within the meaning of such terms under Section 801(b)(12) of the New York Business Corporation Law or any successor statute, of any shares of any authorized class or series of the Corporation's stock, whether issued or unissued.

EIGHTH: The term of existence of the Corporation shall be perpetual.

NINTH: To the fullest extent now or hereafter provided for or permitted by law, no director of the Corporation shall be personally liable to the Corporation or its shareholders for damages for any breach of duty in such capacity. Neither the amendment or repeal of this Article nor the adoption of any provision of this Certificate of Incorporation inconsistent with this Article shall eliminate or reduce the protection afforded by this Article to a director of the Corporation in respect to any matter which occurred, or any cause of action, suit or claim which but for this Article would have accrued or arisen, prior to such amendment, repeal or adoption.

TENTH: 1. Subject to the rights of holders of Preferred Shares to elect directors under specified circumstances, the number of directors of the Corporation shall be not less than three (3) nor more than twelve (12).

2. Subject to the rights of holders of Preferred Shares, any director may be removed from office only for cause and (i) by the affirmative vote of the holders of not less than a majority of the voting power of all of the outstanding shares of capital stock entitled to vote generally in the election of such directors or (ii) by the majority vote of the members of the Board of Directors then in office. For purposes of this Paragraph, "cause" shall mean the willful and continuous failure of a director to substantially perform such director's duties to the Corporation (other than any such failure resulting from incapacity due to physical or mental illness) or the willful engaging by a director in gross misconduct materially and demonstrably injurious to the Corporation.

ELEVENTH: No holder of any share of stock of this Corporation shall be entitled as a matter of right to subscribe for, purchase or receive any part of the unissued stock of the Corporation or any stock of the Corporation to be issued by reason of any increase of the authorized capital stock of the Corporation or any stock of the Corporation purchased by the Corporation or by its nominees, or to subscribe for, purchase or receive any rights to or option to purchase any such stock or any bonds, certificates of indebtedness, debentures or other securities convertible into or carrying options or warrants to purchase stock or other securities of the Corporation, or have any other pre-emptive rights as now or hereafter defined by the laws of the State of New York.

TWELFTH: The office of the Corporation in the State of New York is located in the County of Orange. The Secretary of State of the State of New York is hereby designated as an agent of the Corporation on whom all process in any action or proceeding against the Corporation may be served within the State of New York. The address to which the Secretary of State shall mail a copy of any process that may be served upon him is Warwick Valley Telephone Company, Attention: President, 47 Main Street, Warwick, New York 10990.

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IN WITNESS WHEREOF, the undersigned have executed and subscribed this Restated Certificate of Incorporation this 10th day of September, 2003.

M. Lynn Pike
President and Chief Executive Officer

Herbert Gareiss, Jr.
Secretary

STATE OF NEW YORK)
) SS:
COUNTY OF ORANGE)

On Sept. 10, 2003, M. Lynn Pike, being duly sworn, deposes and says that he is the President and Chief Executive Officer of Warwick Valley Telephone Company, the corporation named in the foregoing Restated and Amended Certificate of Incorporation, that he has read and signed the foregoing Restated Certificate of Incorporation, and that the statements contained therein are true.

Cynthia S. O'Neill
Notary Public

CYNTHIA S. O'NEILL
Notary Public, State of New York
No. 5032425
Qualified in Orange County
Commission Expires August 29, 2006

STATE OF NEW YORK)
) SS:
COUNTY OF ORANGE)

On Sept. 10, 2003, Herbert Gareiss, Jr., being duly sworn, deposes and says that he is the Secretary of Warwick Valley Telephone Company, the corporation named in the foregoing Restated and Amended Certificate of Incorporation, that he has read and signed the foregoing Restated Certificate of Incorporation, and that the statements contained therein are true.

Cynthia S. O'Neill
Notary Public

CYNTHIA S. O'NEILL
Notary Public, State of New York
No. 5032425
Qualified in Orange County
Commission Expires August 29, 2006

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Albany, N.Y., September 15, 2003

CASE 03-C-0762 – Petition of Warwick Valley Telephone Corporation for the Approval of a Restated and Amended Certificate of Incorporation.

* * *

The Public Service Commission hereby consents to and approves this RESTATED AND AMENDED CERTIFICATE OF INCORPORATION OF WARWICK VALLEY TELEPHONE COMPANY under Section 807 of the Business Corporation Law, executed September 10, 2003, in accordance with the order of the Public Service Commission issued and effective September 15, 2003.

By the Commission,

Acting Secretary

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CT-07

RESTATED CERTIFICATE OF INCORPORATION
OF
WARWICK VALLEY TELEPHONE COMPANY

UNDER SECTION 807 OF THE BUSINESS CORPORATION LAW

DRAWDOWN

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SAC 10

STATE OF NEW YORK
DEPARTMENT OF STATE
FILED SEP 17 2003
TAX $
BY: SAC

Orange

HARTER SECREST & EMERY LLP
1600 BAUSCH & LOMB PLACE
ROCHESTER, NY 14604

FILED
2003 SEP 17 AM 10:44

17

RECEIVED
2003 SEP 16 PM 2:05

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2003 SEP 17 AM 10:09

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AMS Copy

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

CASE 03-C-0762 – Petition of **Warwick Valley Telephone Company** for the Approval of a Restated And Amended Certificate of Incorporation.

SAPA NO. 03-C-0762SA1
Effective date of rule:
[X] Date of Filing with State Dept.
[ ] Other - Date Published in the State Register

I, JACLYN A. BRILLING, Acting Secretary of the New York State Public Service Commission, hereby certify that:

1. The attached Commission action was duly adopted by a unanimous vote of the Commissioners at a session held in the City of **Albany** on **August 20, 2003** pursuant to authority vested in the Commission by Public Service Law, **Section 108.**

2. Prior notice of the proposed Commission action was published in the State Register on **July 2, 2003**.

3. Additional prior notice is not required by the Public Service Law or other statutes.

DATE: August 21, 2003

s/Jaclyn A. Brilling
ACTING SECRETARY

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held in the City of Albany on August 20, 2003

COMMISSIONERS PRESENT:

William M. Flynn, Chairman
Thomas J. Dunleavy
James D. Bennett
Leonard A. Weiss
Neal N. Galvin

CASE 03-C-0762 - Petition of Warwick Valley Telephone Company for the Approval of a Restated and Amended Certificate of Incorporation.

ORDER APPROVING PETITION

(Issued and Effective August 21, 2003)

BY THE COMMISSION:

SUMMARY

By petition filed May 19, 2003, Warwick Valley Telephone Company ("Warwick" or "the Company") petitioned the Commission to approve its Restated and Amended Certificate of Incorporation, pursuant to Article 5, Section 101; Article 6, Section 108 of the Public Service Law ("PSL"); and Section 805 of the N.Y. Business Corporation Law for purposes of filing the Certificate of Incorporation with the New York State Department of Secretary of State. The proposed amendment of Warwick's Certificate of Incorporation provides for a three-for-one common stock split, an increase in the total number of authorized common stock shares and a change in the par value of the common stock. In addition, the proposed amendment provides for an increase in the total number of authorized preferred stock shares, as well as a change in its par value. Warwick's proposal is in the public interest; therefore we approve Warwick's restated and amended Certificate of Incorporation to be filed with the New York State Department of Secretary of State.

being held in treasury will result in a total of 583,683 shares with a par value of $0.01, rather than no par value common stock being held in treasury. In addition, the three-for-one split of each authorized share of common stock will increase the 165,577 shares of no par value common stock, that are authorized but unissued, to 4,016,731 shares of common stock with a par value of $0.01. The stated capital with respect to these authorized but unissued shares will be determined upon their issuance. No funds will be received by the Company, and the stated capital of the Company, will neither be reduced nor increased, in connection with the issuance of shares in the stock split.

Estimated costs and expenses of the common stock split and the changes for the preferred stock are not expected to exceed $10,000. As is normal with stock splits, none of the costs of the split will be borne by ratepayers, and the company did not request a change in that policy. Warwick believes a three-for-one stock split would place the market price of the common stock shares in a more attractive range for investors, particularly individual investors, and may result in a broader market for the shares. Warwick's stock is currently trading at $87.50 and the three-for-one stock split will reduce it to about $29.00 per share. In addition, the Company believes the change from no par value to a par value of $0.01 would make it easier to track the Company's "stated capital" under New York Business Law.

Preferred Stock Shares

With respect to the preferred shares, the Company is seeking to increase the number of preferred shares which the Company is authorized to issue from 7,500 shares with a par value of $100 per share to 10,000,000 shares with a par value of $0.01 per share and 5,000 with a par value of $100 per share. The 5,000 shares with a par value of $100 per share are the 5% preferred shares that are currently issued and outstanding. According to the Company, the substantive terms of the 5% preferred shares would remain unchanged and it is not presently contemplated that new certificates would be issued. The 10,000,000 proposed authorized and unissued shares, if and when issued, would have the rights and privileges established at the time of their issuance by the Board of Directors.

this consent and approval upon the certificate described above when executed or to attach such consent and approval thereto.

3. Within ten days after the filing with the Secretary of State of the certificate approved by this Order, the petitioner shall submit to this Commission verified proof of such filing.

4. If the approved Certificate is not filed with the New York State Department of Secretary of State on or before August 31, 2004, this order may be revoked without further notice.

5. Upon notification that the transaction is completed, the proceeding will be closed.

By the Commission,

(SIGNED) JACLYN A. BRILLING
Acting Secretary

Agenda Date: 9/10/03
Agenda Item: 4A

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

PETITION OF WARWICK VALLEY TELEPHONE COMPANY d/b/a WVT COMMUNICATIONS FOR APPROVAL OF A COMMON STOCK SPLIT PURSUANT TO N.J.S.A 48:3-9	TELECOMMUNICATIONS ORDER OF APPROVAL DOCKET NO. TF03050398

(See Attached Service List)

BY THE BOARD:

On May 14, 2003, Warwick Valley Telephone Company d/b/a WVT Communications ("WVT") filed a Petition with the Board requesting approval pursuant to N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9 to authorize the issuance of 3,988,846 shares of common stock to accomplish a 3:1 stock split. WVT is a New York corporation with principal offices located at 47 Main Street, Warwick, New York. WVT maintains a business office in New Jersey located at 529 Route 515, Vernon, New Jersey. WVT provides incumbent local exchange carrier services in portions of the Township of Vernon, Sussex County, and the Township of West Milford, Passaic County. WVT is also authorized by the Board to provide competitive local exchange carrier and inter-exchange carrier services in New Jersey pursuant to the Board's Order issued in Docket No. TE98080885 dated March 3, 1999.[1]

WVT's Common Stock is publicly traded on the Nasdaq, under the symbol "WWVY." WVT's currently authorized shares of Common Stock number 2,160,000, of which 1,994,423 are issued and outstanding as of April 25, 2003. The Board has previously approved WVT's issuance of Common Stock in Docket Nos. TF97050368, Order of Approval dated July 30, 1997 (also a 3:1 Common Stock split) and TF891008601, Order of Approval dated May 8, 1990.

By resolutions made on February 19, 2003, WVT's Board of Directors resolved to increase the total number of shares of its Common Stock issued and outstanding to 5,983,269, in order to issue to each shareholder of record three (3) shares of Common Stock in return for each share of Common Stock held, and to change the par value from no par value to $0.01 per share. WVT filed a Proxy Statement for this transaction with the United States Securities and Exchange Commission on March 25, 2003. WVT's shareholders approved the stock split transaction at the Annual Meeting of WVT's shareholders held on April 25, 2003.

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1 Hometown Online, Inc., a wholly-owned subsidiary of WVT, provides cable television services in the Township of Vernon and in the Township of West Milford pursuant to Certificates of Approval issued by the Board in Docket Nos. CE01110787 and CE02030211, respectively.

The stock split transaction described above is subject to prior approval by the New York Public Service Commission (the "Commission"). That Commission's approval of a change to WVT's New York Certificate of Incorporation increasing the number of authorized shares of the Common Stock is also required in order for WVT to consummate the stock split transaction. The Commission's approvals are pending pursuant to a petition filed by WVT with the Commission on May 19, 2003 in Commission Case 03-C-0782 to amend and restate WVT's Certificate of Incorporation. WVT has furnished copy of that petition to Board Staff.[2]

WVT states that the purpose of its proposed stock split is to improve the marketability of WVT's Common Stock through broadening of WVT's potential base of investors. WVT's Board of Directors anticipates that the increase in the number of issued and outstanding shares of the Common Stock would place its market price in a range more attractive to investors, particularly individuals, and may result in a broader market for shares. WVT anticipates that the increased attractiveness of WVT to investors will serve to enhance sources of capital for WVT for investment in plant and equipment in order to continue to provide safe, adequate and reliable service.

WVT states that the change in par value from no par value to $0.01 per share will have the effect of changing WVT's capital account balance to be $59,832.69 after consummation of the 3:1 Common Stock split. WVT expects that the transaction costs to complete the stock split will not exceed $10,000. The company will record these transactions in accordance with the Uniform System of Accounts.

The Division of the Ratepayer Advocate recommends that the Board approve WVT's petition for a 3:1 stock split subject to verification of approval by the New York Public Service Commission.

Based upon the Petition and supplemental information furnished by WVT in this matter, and upon review of the record herein, the Board FINDS that WVT's proposed 3:1 split of its issued and outstanding shares of its Common Stock is in the public interest, and will enhance WVT's ability to continue to provide safe, adequate and reliable service, and is in accordance with law. The Board therefore APPROVES, pursuant to N.J.S.A. 48:3-9, the increase in WVT's issued and outstanding shares of Common Stock, to 5,983,269, and the change in par value of such shares from no par to $0.01 per share.

The Board's approvals granted herein are subject to the following conditions:

1. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of tangible or intangible assets now owned or hereafter to be owned by the WVT or any subsidiaries thereof.

2. This Order shall not affect, or in any way limit the exercise of the authority of this Board, or the State, in any future petitions or proceeding with respect to rates, franchises, services, financing, accounting, capitalization,

[2] WVT is also requesting the Commission's approval to increase the total number of authorized shares of WVT's Preferred Stock. WVT states that it will petition the Board pursuant to N.J.S.A. 48:3-9 for approval of any future issuance of then authorized but unissued shares of the Preferred Stock.

depreciation, or any other matters affecting WVT or any subsidiaries thereof.

3. WVT shall provide the Board with a copy of the written order of the New York Public Service Commission authorizing WVT to amend and restate its Certificate of Incorporation, within five (5) business days of WVT's receipt of said order.

4. The authority granted in this Order shall become null and void and of no effect with respect to any portion thereof which is not exercised by December 31, 2003.

DATED: 9/11/03

BOARD OF PUBLIC UTILITIES
BY:

Jeanne M. Fox
JEANNE M. FOX
PRESIDENT

Frederick F. Butler
FREDERICK F. BUTLER
COMMISSIONER

Carol J. Murphy
CAROL J. MURPHY
COMMISSIONER

Connie O. Hughes
CONNIE O. HUGHES
COMMISSIONER

JACK ALTER
COMMISSIONER

ATTEST:

Kristi Izzo
KRISTI IZZO
SECRETARY

**I/M/O Petition of Warwick Valley Telephone Company
For Authority to effect a 3 for 1 Stock Split and change of
Par Value of Common Stock to $.01 per share**

Service List

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Seema M. Singh, Esq.
Acting Director
Division of Ratepayer Advocate
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Newark, New Jersey 0102
PHONE: (973) 648-2690

Petitioner

Bradford M. Stern, Esq.
Rothfelder Stern, L.L.C
626 Central Avenue
Westfield, New Jersey 07090
PHONE: (908) 301-1211
FAX: (908) 301-1212

Exhibit B

Asset Purchase Agreement

EXECUTION VERSION

ASSET PURCHASE AGREEMENT

BY AND AMONG

WARWICK VALLEY NETWORKS, INC.,

WARWICK VALLEY TELEPHONE COMPANY,

AND ALTEVA, LLC,

DATED JULY 14, 2011

TABLE OF CONTENTS

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement") is made and entered into this 14th day of July, 2011, by and among (i) **WARWICK VALLEY NETWORKS, INC.,** a New York corporation ("Buyer"); (ii) **WARWICK VALLEY TELEPHONE COMPANY**, a New York corporation and the sole shareholder of Buyer ("Buyer Parent"); and (iii) **ALTEVA, LLC**, a New Jersey limited liability company ("Seller"). Buyer and Buyer Parent are sometimes referred to herein individually as a "Buyer Party" and collectively as the "Buyer Parties." Buyer, Buyer Parent, and Seller are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

WHEREAS, Seller desires to sell, and Buyer desires to purchase, substantially all of the assets of Seller that are used or held for use in connection with Seller's business of providing communications products and services (the "Business"), upon the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants hereinafter set forth, the Parties hereby agree as follows:

ARTICLE I

Definitions.

1.1 Definitions. The following terms shall have the meanings ascribed to such terms in this Section 1.1.

"Affiliate" means, with respect to a specified Person, a Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the specified Person. For purposes of this definition, the term "control" (including the terms "controlling," "controlled by" and "under common control with") means (a) the possession, directly or indirectly, of the power to vote more that 50% of the securities or other equity interests of a Person having ordinary voting power, or (b) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a Person, by contract or otherwise. In addition to the foregoing, if the specified Person is an individual, the term "Affiliate" also includes (a) the individual's spouse and (b) the members of the immediate family (including parents, and minor children) of the individual or of the individual's spouse (intentionally excluding siblings and adult children).

"Business Day" means a day other than a Saturday, a Sunday or a day on which commercial banks are authorized or required to be closed in the State of New York.

"Closing" means the consummation of the transactions contemplated herein in accordance with Article IV.

"Closing Date" means the date on which the Closing occurs.

"Closing Date Working Capital" means the value, as of the Closing, of the portion of the Purchased Assets which would be identified current assets (including, without limitation, all

unbilled amounts due from customers as of the Closing and all transferable prepaid assets and Customer Deposits properly identified as current assets), less the aggregate amount of current liabilities (including, without limitation, the Assumed Payables and Customer Deposits) included in the Assumed Liabilities, all as determined in accordance with GAAP and in accordance with the terms and conditions of, and subject to the adjustments described in, Section 3.4.

"COBRA" means health care continuation coverage required to be provided under Section 4980B of the Code and Sections 601-608 of ERISA or similar state laws.

"Code" means the Internal Revenue Code of 1986, as amended.

"Confidentiality Agreement" means that certain Mutual Non-Disclosure Agreement between Buyer Parent and Seller dated November 3, 2010, as amended.

"Contractual Obligation" means, with respect to any Person, any contract, agreement, deed, mortgage, lease or license, whether written or oral, which pertains to such Person or any material assets of such Person.

"Customer Deposits" means all customer deposits and prepayments received by Seller prior to the Closing for (i) license or maintenance fees for periods after the Closing Date, or (ii) services that will be performed or products that will be provided by Buyer after the Closing as part of the Assumed Liabilities.

"Debt" means, with respect to any Person at any date, all indebtedness of such Person and its Subsidiaries (whether secured or unsecured), including without limitation: (a) all obligations for borrowed money (whether current or non-current, short-term or long-term), including, without limitation, notes, loans, lines of credit, bonds, debentures, obligations in respect of letters of credit and bankers' acceptances issued for the account of such Person and its Subsidiaries, and all associated Liabilities, (b) the outstanding indebtedness with respect to all equipment lease Contractual Obligations (capitalized or otherwise); (c) any payment obligations (whether or not contingent) with respect to acquisitions of assets or businesses in whatever form (including obligations with respect to non-compete, consulting or other arrangements), (d) all obligations with respect to the factoring and discounting of accounts receivable, (e) all obligations arising from cash/book overdrafts or negative cash balances, (f) all accrued but unpaid franchise, income, sales and excise Tax Liabilities, (g) all Liabilities secured by an Encumbrance on any property or asset owned by such Person or its Subsidiary, (h) all guarantees, including, without limitation, guaranties of payment, collection and performance, (i) all Liabilities for the deferred purchase price of property or services (including accounts payable and liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property), (j) all Liabilities relating to unfunded, vested benefits under any Employee Plan; and (k) all accrued interest, prepayment premiums and penalties related to any of the foregoing; provided that the amount of any of the foregoing obligations at any date shall be the outstanding balance or accrued value at such date, assuming the maximum Liability of any contingent obligations at such date.

"Earn-Out Calculation Date" means each of (i) the first anniversary of the Closing Date and (ii) the second anniversary of the Closing Date; provided, however, that if legislation has not been enacted, on or before December 31, 2012, that would result in the United States tax rate on

long term capital gains remaining at 15% (or lower) for 2013, the second Earn-Out Calculation Date shall be November 30, 2012, and not the second anniversary of the Closing Date.

"Earn-Out EBITDA" means, as of an Earn-Out Calculation Date, the cumulative aggregate earnings deriving from Buyer's conduct of the Business during the Earn-Out Period through such Earn-Out Calculation Date, before interest, taxes, depreciation and amortization, non-recurring or extraordinary gains or charges (including any gain or loss from the sale or disposition of assets outside the ordinary course of business), as all such items are determined in accordance with GAAP, if applicable, and as determined in accordance with the provisions of Section 3.5.

"Earn-Out Period" means the two year (or shorter) period beginning on the Closing Date and ending on the second Earn-Out Calculation Date.

"Earn-Out Revenue" means, as of an Earn-Out Calculation Date, the cumulative aggregate gross revenues deriving from Buyer's conduct of the Business during the Earn-Out Period through such Earn-Out Calculation Date, as determined in accordance with GAAP and the provisions of Section 3.5.

"Employee Plan" means any plan, program, agreement, policy or arrangement, whether or not reduced to writing, and whether covering a single individual or a group of individuals, that is (a) an employee welfare benefit plan within the meaning of Section 3(1) of ERISA, (b) an employee pension benefit plan within the meaning of Section 3(2) of ERISA, (c) a stock bonus, stock purchase, stock option, restricted stock, stock appreciation right, profit sharing or similar equity-based plan or agreement, or (d) any other deferred-compensation, retirement, severance, retention, employee benefit, change-in-control, leave, vacation, welfare-benefit, bonus, incentive, fringe-benefit or employment plan, program, agreement or arrangement.

"Encumbrance" means any lien, license to a third party, option, warrant, pledge, security interest, mortgage, right of way, easement, encroachment, community property interest, right of first offer or first refusal, buy/sell agreement or any other material restriction or covenant with respect to, or material condition governing the use, voting (in the case of any security or equity interest), transfer, receipt of income or exercise of any other material attribute of ownership.

"Environmental Law" means all Laws relating to the environment, natural resources, pollutants, contaminants, wastes, chemicals or public health and safety, including any Law pertaining to (a) treatment, storage, disposal, generation and transportation of toxic or hazardous substances or solid or hazardous waste, (b) air and water pollution, (c) groundwater and soil contamination, (d) the release or threatened release into the environment of toxic or hazardous substances or solid or hazardous waste, including emissions, discharges, injections, spills, escapes or dumping of pollutants, contaminants or chemicals, (e) manufacture, processing, use, distribution, treatment, storage, disposal, transportation or handling of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or oil or petroleum products or solid or hazardous waste, (f) underground and other storage tanks or vessels, abandoned, disposed or discarded barrels, containers and other closed receptacles, (g) public health and safety and (h) the protection of wild life, marine sanctuaries and wetlands, including all endangered and threatened species, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq., the Hazardous Substances Transportation Act, 49

U.S.C. § 5101 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq., the Clean Water Act, 33 U.S.C. § 1251 et seq., the Clean Air Act, 42 U.S.C. § 7401 et seq., the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq., and the Oil Pollution Act of 1990, 33 U.S.C. § 2701 et seq., and the regulations promulgated pursuant thereto, and all analogous state and local statutes and laws.

"ERISA" means the federal Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means any Person that is a member of a "controlled group of corporations" with, or is under "common control" with, or is a member of the same "affiliated service group" with Seller, as defined in Section 414 of the Code.

"Escrow Agent" means Sherman Silverstein, or any successor escrow agent appointed pursuant to the terms of the Escrow Agreement.

"Escrow Amount" means $4,000,000 less the Closing Date Lease Payment Amount.

"Escrow Release Date" means the date that is 120 days after the Closing Date.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"FCC" means the United States Federal Communications Commission.

"GAAP" means generally accepted accounting principles in the United States as set forth in pronouncements of the Financial Accounting Standards Board (and its predecessors) and the American Institute of Certified Public Accountants in effect on the date or period at issue, consistently maintained and applied throughout the periods referenced.

"Governmental Authority" means any domestic or foreign federal, state or local government, or political subdivision thereof, or any authority, agency or commission entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power, any court or tribunal (or any department, bureau or division thereof), or any arbitrator or arbitral body.

"Governmental Authorization" means any approval, consent, ratification, waiver, license, permit, registration or other authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Authority or pursuant to any Law, including without limitation, any bond, certificate of authority, accreditation, qualification, license, franchise, permit, order, registration, variance or privilege.

"Governmental Order" means any order, writ, judgment, injunction, decree, stipulation, ruling, determination or award entered by or with any Governmental Authority.

"Hazardous Substance" means (a) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, polychlorinated biphenyls, and (b) any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous waste," "hazardous materials," "extremely hazardous substances," "restricted hazardous waste," "toxic substances,"

"toxic pollutants," "contaminants" or "pollutants," or words of similar import, under any applicable Environmental Law.

"Independent Accountant" means EisnerAmper LLP, independent certified public accountants.

"Key Employee(s)" means each of David Cuthbert, Louis Hayner and Mardoqueo Marquez.

"Key Principal(s)" means and refers to the Key Employees and William Bumbernick.

"Knowledge" means, with respect to a Person, (i) the actual knowledge of such Person, and (ii) any information which the Person would be reasonably expected to obtain after conducting a reasonable investigation of the employees directly reporting to such Person concerning the matter at issue. When used with respect to Seller, Knowledge means the Knowledge of each of the Key Principals. When used with respect to any Buyer Party, Knowledge means the Knowledge of each of the executive officers of such Buyer Party.

"Law" means any foreign, federal, state or local law, statute, or dinance, common law ruling or regulation, or any Governmental Order, or any license, franchise, permit or similar right granted under any of the foregoing, or any similar provision having the force or effect of law, including, without limitation, any Telecomm Laws.

"Liability" means, with respect to any Person, any liability or obligation of such Person whether known or unknown, whether asserted or unasserted, whether determined, determinable or otherwise, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated and whether due or to become due.

"Material Adverse Effect" means any event, circumstance, change, occurrence or development, that (a) is materially adverse to, or could reasonably be expected to result in a material adverse effect on or a material adverse change in, the Business, Purchased Assets, properties, Liabilities, condition (financial or otherwise) or results of operations of Seller, or (b) prevents or materially delays or impairs the ability of Seller to perform any of its obligations under this Agreement or any other Transaction Document in a timely manner or to consummate the transactions contemplated by this Agreement or any other Transaction Document; provided, however, that no change or effect will be deemed to constitute, nor will be taken into account in determining whether there has been or may be, a Material Adverse Effect to the extent that it arises out of or relates to: (a) a general deterioration in the United States economy or in the industries in which the Business operates, (b) the outbreak or escalation of hostilities involving the United States, the declaration by the United States of a national emergency or war or the occurrence of any other calamity or crisis, including an act of terrorism, (c) the disclosure of the fact that Buyer is the prospective acquirer of the Business, (d) the announcement or pendency of the transactions contemplated hereby, (e) any change in accounting requirements or principles imposed upon the Business or any change in applicable laws, rules or regulations or the interpretation thereof, or (f) compliance with the terms of, or the taking of any action required by or permitted by, this Agreement. References in this Agreement to dollar amount thresholds shall not be deemed to be evidence of materiality or of a Material Adverse Effect.

"Ordinary Course of Business" means an action taken by any Person in the ordinary course of such Person's business which is consistent with the past customs and practices in frequency and amount of such Person.

"Organizational Documents" means, with respect to any Person (other than an individual), the certificate or articles of incorporation or organization, certificate of limited partnership and any joint venture, limited liability company, operating, voting or partnership agreement, by-laws, or similar documents, instruments or agreements relating to the organization or governance of such Person, in each case, as amended or supplemented.

"Parent Common Stock" means the common stock, par value $0.01 per share, of Buyer Parent.

"Permitted Liens" means (i) Encumbrances for Taxes not yet due and payable; (ii) Encumbrances that secure only Assumed Liabilities or that constitute Assumed Liabilities; and (iii) any recorded easement, covenant, zoning or other restriction on the Leased Premises that, together with all other Permitted Encumbrances, does not prohibit or impair the current use, occupancy, value or marketability of title of the property subject thereto; (iv) statutory or common law liens to secure landlords, lessors or renters under leases or rental agreements confined to the premises rented to the extent that no payment or performance under any such lease or rental agreement is in arrears or is otherwise due, (v) deposits or pledges made in connection with, or to secure payment of, worker's compensation, unemployment insurance, old age pension programs mandated under applicable Law, and (vi) statutory or common law liens in favor of carriers, warehousemen, mechanics and materialmen, statutory or common law liens to secure claims for labor, materials or supplies and other like liens, which secure obligations to the extent that payment thereof is not in arrears or otherwise due.

"Person" means any individual or corporation, association, partnership, limited liability company, joint venture, joint stock or other company, business trust, trust, organization, Governmental Authority or other entity of any kind.

"Proceeding" means any litigation, action, suit, mediation, arbitration, assessment, investigation, hearing, grievance or similar proceeding (in each case, whether civil, criminal, administrative or investigative) initiated, commenced, conducted, heard, or pending by or before any Governmental Authority, arbitrator or mediator.

"PSC Approval" means, collectively, any approval, consent, ratification, waiver, license, permit, registration or other authorization issued, granted, given or otherwise made available by or under the authority of the New York Public Service Commission and the New Jersey Board of Public Utilities for the issuance and use of Parent Common Stock as contemplated in Section 3.2(c).

"Securities Act" means the Securities Act of 1933, as amended.

"State PUC" means any state or local public service commission or similar state or local Governmental Authority that has authority over Seller.

"Subsidiary" means, with respect to any Person, any corporation, partnership, joint

venture, limited liability company, trust or other legal entity of which such Person (either alone or through or together with any other Subsidiary) owns, directly or indirectly, more than fifty percent (50%) of the stock or other equity interests in such entity, or of which such Person is a general partner, manager or managing member.

"Tax" or "Taxes" means any federal, state, local or foreign net or gross income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Section 59A of the Code), customs duties, capital stock, franchise, profits, withholding, social security, unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, service, recording, import, export, estimated or other tax, fee or assessment of any kind whatsoever, including the Federal Universal Service Fund and other charges levied by the FCC, any State PUC or any public or private entity performing similar functions, whether computed on a separate, consolidated, unitary, combined or any other basis, including any interest, penalty or addition thereto, whether disputed or not and including any obligation to indemnify or otherwise assume or succeed to the tax Liability of any Person.

"Tax Return" means any return, declaration, report, claim for refund or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment or supplement thereof.

"Telecom Laws" means: (a) the Communications Act of 1934, as amended (including by the Telecommunications Act of 1996, as amended); (b) any state or local laws that govern the provision of telecommunications services; and (c) any applicable rules, regulations or policies administered or promulgated by the FCC or any State PUC with respect to the provision of telecommunications services.

"Transaction Documents" means this Agreement, the Lock-Up Agreement, the Employment Agreements, the Consulting Agreement, the Assumption Agreement, the Closing Statement, the Escrow Agreement, the General Assignment and Bill of Sale and all other written agreements, documents and certificates listed as closing deliveries in Article VIII or Article IX, that are executed and delivered at Closing.

"Treasury Regulations" means the final and temporary regulations of the U.S. Department of the Treasury promulgated under the Code.

1.2 Other Defined Terms. The following terms have the meanings defined for such terms in the Sections set forth below:

Accrued Vacation Credit	Section 7.7(b)
Acquisition Proposal	Section 7.5
Additional Consideration Section	3.5
Agreement Preamble	
Allocation Schedule	Section 3.3
Alternate Cash Payment	Section 3.2(d)

Assigned Contracts	Section 2.3(a)(i)
Assumed Capital Lease Obligations	Section 2.3(a)(ii)
Assumed Liabilities	Section 2.3(a)
Assumed Payables	Section 2.3(a)(iii)
Assumption Agreement	Section 2.3(a)
Business Recitals	
Business Employees	Section 7.7(b)
Buyer Pream	ble
Buyer Indemnitee	Section 11.2
Buyer Party	Preamble
Buyer Parent	Preamble
Buyer Required Consents and Authorizations	Section 6.2(b)
Charges Section	7.12
Claim Section	11.4(a)
Closing Date Deadline	Section 10.1(e)
Closing Date Lease Payment Amount	Section 2.3(c)
Closing Date Working Capital Statement	Section 3.4(a)
Closing Statement	Section 3.2(a)
Collection Period	Section 7.15
Company Benefit Plan	Section 5.14(a)
Company Data	Section 5.24(a)
Company Telecom Permits	Section 5.22(b)
Consulting Agreement	Section 7.7(a)
Customer Data	Section 5.24(a)
Customer List	Section 5.18
Deemed Acceptance	Section 11.4(a)
Designated Expenses	Section 3.5(c)
Disclosure Schedule	Article V
Dispute Notice	Section 11.4(a)
Employment Agreements	Section 7.7(a)
Employment Termination Date	Section 3.5(g)
Escrow Agreement	Section 3.2(d)
Exchange Act	Section 3.5(h)

Excluded Assets	Section 2.2
Excluded Liabilities	Section 2.3(b)
Existing Lease Assignments	Section 8.8(b)
Existing Leases	Section 5.6(b)
Final Resolution	Section 11.6
Financial Statements	Section 5.3(a)
Guaranteed Capital Leases	Section 2.3(c)
Holdback Amount	Section 3.2(b)
Holdback Period	Section 3.6
Indemnified Party	Section 11.4(a)
Indemnifying Party	Section 11.4(a)
Insurance Policy	Section 5.8
Interim Balance Sheet	Section 5.3(a)
Issue Date Price Per Share	Section 3.2(c)
Large Customer	Section 5.18
Leased Premises	Section 5.6(b)
Lock-Up Agreement	Section 3.2(c)
Losses Section	11.2
Material Consents and Authorizations	Section 8.6
Minimum Claim Threshold	Section 11.5(a)
Minimum Cumulative EBITDA Amount	Section 3.5(b)
Minimum Cumulative Revenue Amount	Section 3.5(a)
Parent SEC Documents	Section 6.6
Parent Shares	Section 3.2(c)
Party Pream	ble
Pre-Closing Activities	Section 7.1(b)
Pre-Sale Month End Date	Section 3.5(h)
Projections Section	3.5(c)
Purchase Price	Section 3.1
Purchase Price Reduction Amount	Section 3.4(c)
Purchased Assets	Section 2.1
Representation and Warranty Insurance	Section 7.13
Representation Claim	Section 11.5(a)

Restricted Period	Section 7.14(b)
Restricted Persons	Section 7.14
Rule Section	5.25
Sale Event	Section 3.5(h)
SEC Section	6.6
Seller Pream	ble
Seller Governmental Authorizations Section	5.9(a)
Seller Indemnitee	Section 11.3
Seller Required Consents and Authorizations Section	5.2(c)
Special Representations	Section 11.1
Target Working Capital	Section 3.4(c)
Tax Benefit	Section 11.5(d)
Territory Section	7.14
Third Party Claim	Section 11.4(b)
Threshold Section	11.5(a)
True-Up Credit	Section 7.16
Uncollected Receivables	Section 7.15
USAC Section	2.2
WARN Act	Section 2.3(b)(ix)

ARTICLE II

Sale and Transfer of Assets.

2.1 Purchased Assets. Upon the terms and subject to the conditions of this Agreement, at the Closing, Seller shall sell, transfer, assign, convey and deliver to Buyer, and Buyer shall purchase, free and clear of all Encumbrances other than Permitted Liens, all of Seller's right, title and interest in and to all of the assets and properties of Seller used or held for use in connection with the Business, real, personal and mixed, tangible and intangible, of every kid and description, wherever located, other than the Excluded Assets (collectively referred to herein as the "Purchased Assets"), including without limitation, all right, title and interest of Seller in, to and under:

(a) all of Seller's tangible personal property, including computer hardware, office and other equipment, accessories, machinery, furniture, fixtures, and vehicles, including without limitation those described in Schedule 2.1(a);

(b) all inventory and supplies maintained by Seller in connection with the Business, including such inventory and supplies listed on Schedule 2.1(b) attached hereto (as updated in a schedule provided with the final Closing Date Working Capital Statement);

(c) all Governmental Authorizations necessary for or incident to the operation of the Business, to the extent assignable;

(d) all of Seller's rights under the Assigned Contracts;

(e) all cash, bank deposits and cash equivalents of Seller, and all Customer Deposits, accounts receivable and notes receivable of Seller arising prior to the Closing Date;

(f) all of Seller's interest in and to (i) all patents, applications for patents, copyrights, license agreements, assumed names, trade names, trademark and/or service mark registrations, applications for trademark and/or service mark registrations, trademarks and service marks of Seller, as more particularly described in Schedule 2.1(f), and all variants thereof, including all of Seller's rights to use the name "Alteva" to the exclusion of Seller; (ii) all of Seller's interest in and to all of Seller's customer base, and the right to do business with such customers, including and all of Seller's rights in and to customer information, customer records, customer lists (including the Customer List), and candidate/prospect lists; (iii) all telephone numbers, fax numbers, telephone directory advertising, web sites, domain names, domain leases, and e-mail addresses used or held for use in the Business, all as identified on Schedule 2.1(f); (iv) all of Seller's other proprietary information, including trade secrets, know-how, product designs and specifications, operating data and other information pertaining to the Business; and (v) the goodwill associated with the foregoing and the Business;

(g) all of Seller's business and operational records relating to the Business, including employee and personnel records (to the extent permitted under applicable Law), office and sales records, books of account, information relating to Seller's intellectual property rights and the use thereof, blueprints, marketing strategies, business plans, studies, inventory lists and records, machinery and equipment records, mailing lists, sales and purchasing materials, quality control records and procedures, quotations, purchase orders, correspondence, sales brochures, advertising materials, samples and display materials (but expressly excluding Seller's membership interest records, company minute books, bank account records and tax returns);

(h) all claims of Seller against third parties relating exclusively to the Purchased Assets, whether choate or inchoate, known or unknown, contingent or non-contingent;

(i) all rights of Seller relating to deposits and prepaid expenses relating to the Business, to the extent reflected in the Closing Date Working Capital Statement;

(j) the leases and subleases of real property (together with any options to purchase the underlying property and leasehold improvements thereon, and in each case all other leasehold interests, rights, subleases, licenses, permits, deposits and profits appurtenant to or related to such leases and subleases) listed on Schedule 2.1(j) (each of which shall constitute an Assigned Contract); and

(k) all warranties (express and implied) that continue in effect with respect to any Purchased Asset, to the extent assignable; and

(l) all other assets of Seller, not described above, which are either (1) reflected on the Financial Statements and not disposed of by Seller in the Ordinary Course of

Business between the date of the most recent Financial Statement and the Closing Date, or (2) acquired by Seller in the Ordinary Course of Business between the date of the most recent Financial Statement and the Closing Date.

2.2 Excluded Assets. Notwithstanding the provisions of Section 2.1, the Purchased Assets shall not include any of the right, title or interest of Seller in, to and under the following (herein referred to as the "Excluded Assets"): (a) Seller's minute books, membership interest books and other limited liability company records having to do with the organization and capitalization of Seller; (b) the Employee Plans; (c) the consideration delivered to Seller by Buyer pursuant to this Agreement; (d) all claims, deposits, prepayments, refunds, causes of action, choses in action, rights of recovery, rights of set off and rights of recoupment which do not relate specifically to the Purchased Assets; (e) all rights in and with respect to insurance policies of Seller, except for any proceeds of such insurance and claims therefor relating to the Purchased Assets; (f) all tax refunds attributable to the operations of Seller, including refunds on account of reports filed with, and payments made to, the Universal Service Administrative Company ("USAC"); and (g) the assets listed on Schedule 2.2 attached hereto.

2.3 Liabilities.

(a) Subject to the terms and conditions of this Agreement, at the Closing, Buyer shall assume and agree to perform, pursuant to an assignment and assumption agreement in a form mutually acceptable to Buyer and Seller (the "Assumption Agreement"), only the following (collectively, the "Assumed Liabilities"):

(i) the Liabilities of Seller under the Contractual Obligations identified on Schedule 2.3(a) (collectively, the "Assigned Contracts") arising in the Ordinary Course of Business after the Closing Date (including, without limitation, any Liabilities relating to the Customer Deposits identified on Schedule 2.3(a) (as updated in a schedule provided with the final Closing Date Working Capital Statement) and relating to the Assigned Contracts), but excluding any Liability to the extent arising out of or relating to a breach, violation, default or failure to perform by Seller that occurred prior to the Closing Date;

(ii) the Debt of Seller under the capital leases agreements included in the Assigned Contracts, as specifically identified as such on Schedule 2.3(a), as updated at Closing, if necessary, to add any capital lease agreements entered into, with Buyer's written approval in accordance with Section 7.3, after the date of this Agreement but prior to the Closing Date (the "Assumed Capital Lease Obligations"), but excluding any Liability to the extent arising out of or relating to a breach, violation, default or failure to perform by Seller that occurred prior to the Closing Date; and

(iii) any trade account payable (other than a trade account payable to any member or any Affiliate of Seller or any member of Seller) incurred by Seller in the Ordinary Course of Business and (A) reflected on the Interim Balance Sheet or (B) incurred after the date of the Interim Balance Sheet and prior to the Closing Date, that remains unpaid at and is not delinquent as of the Closing Date, as set forth in a schedule provided with the final Closing Date Working Capital Statement, as adjusted pursuant to Section 3.4 (collectively, the "Assumed Payables").

(b) Except as contemplated by Section 2.3(a) and as expressly set forth in the Assumption Agreement, Buyer shall not assume, nor shall it agree to pay, perform or discharge, any Liability of Seller or any Affiliate of Seller, whether or not arising from or relating to the conduct of the Business and whether absolute, contingent, accrued, known or unknown (the "Excluded Liabilities"). Without limiting the generality of the prior sentence, Excluded Liabilities shall include, without limitation:

(i) except as set forth in Section 12.1 hereof, any Liability to pay any Taxes of Seller or any of its Affiliates, regardless of whether arising in connection with the consummation of the transactions contemplated hereby or otherwise;

(ii) any Liability of Seller or its Affiliates for performance under the Transaction Documents;

(iii) any Liability under any Assigned Contract to the extent arising and relating to a period prior to the Closing Date or to the extent relating to any breach, violation, default or failure to perform by Seller that occurred prior to the Closing Date;

(iv) any Liability (other than the Assumed Liabilities) otherwise relating to the Purchased Assets to the extent arising and related to a period prior to the Closing Date;

(v) any Liability relating to any Debt of Seller or its Affiliates (except for Debt of Seller under any Assumed Capital Lease Obligation specifically assumed under Section 2.3(a));

(vi) any Liability of Seller with respect to any Proceeding;

(vii) any Liability relating to the Excluded Assets;

(viii) any Liability of Seller, any Affiliate or any ERISA Affiliate of either of them under any Employee Plan, provided, however, that Buyer acknowledges that Buyer will be responsible for offering COBRA continuation coverage to any "M&A qualified beneficiaries" who become entitled to COBRA continuation coverage as a result of the transactions contemplated by this Agreement, in accordance with Section 54.4980B-9 of the Treasury Regulations;

(ix) any Liability arising out of or relating to Seller's termination of Seller's employees, either prior to or following the Closing Date, including but not limited to any Liability or obligation under the Worker Adjustment and Retraining Notification Act of 1988, as amended (the "WARN Act") or any similar Law, and including any contractual claims for severance or similar obligations;

(x) any Liability for any failure to comply with any Telecom Law;

(xi) any Liability for any Federal Universal Service Fund contribution obligations for any period prior to the Closing Date; and

(xii) any other Liability of Seller or its Affiliates that is not an Assumed

Liability.

(c) Subject to the terms and conditions of this Agreement, at the Closing, Buyer shall (i) pay in full or (ii) otherwise arrange for the release of all personal guaranties of Seller's Key Principals' (and their respective spouses) with respect to, all Assumed Capital Lease Obligations guaranteed by any of the Key Principals or their respective spouses (the "Guaranteed Capital Leases"), which Guaranteed Capital Leases are identified as such on Schedule 2.3(a). As used in this Agreement, "Closing Date Lease Payment Amount" means the aggregate amount that Buyer pays at Closing for purposes of paying in full, or obtaining any such release of guaranty under, the Guaranteed Capital Leases pursuant to this Section 2.3(c).

ARTICLE III

Purchase Price.

3.1 The Purchase Price. The aggregate purchase price to be paid by Buyer for the Purchased Assets (the "Purchase Price") shall be an amount equal to the sum of (a) $15,000,000, plus (b) the assumption of the Assumed Liabilities, plus (c) the Additional Consideration, if any, to be paid pursuant to Section 3.5. Buyer Parent hereby guarantees, as surety, the full and timely payment, when due, of the Purchase Price, to the fullest and same extent as if Buyer Parent was a primary co-obligor with respect to such obligations.

3.2 Payment of the Purchase Price. The Purchase Price shall be paid as follows:

(a) At the Closing, Buyer shall pay to Seller by wire transfer of immediately available funds to an account designated in writing by Seller prior to the Closing Date an amount equal to (i) 11,000,000, less (ii) the Holdback Amount, less (iii) the amount that Seller is required to pay to Buyer, pursuant to Section 7.13, with respect to the Representation and Warranty Insurance, less (iv) the outstanding balance of any Debt of Seller as of the Closing Date that is secured by any Encumbrances on the Purchased Assets (other than the Assumed Capital Leases), which amount shall be paid off at Closing by Buyer on behalf of Seller. All closing payments shall be reflected on a closing statement to be executed by the Parties at Closing (the "Closing Statement").

(b) As security against any claims by Buyer for the working capital adjustments set forth in Section 3.4, at the Closing, Buyer shall withhold from the Purchase Price and hold, pursuant to Section 3.6, the sum of $750,000 (the "Holdback Amount").

(c) Subject to the receipt of the Lock-Up Agreement duly executed by Seller (and subject to the provisions of Section 3.2(d)), within five business days after receipt of the PSC Approval (or, if PSC Approval is received prior to Closing, at the Closing), Buyer shall deliver to Seller, in the form of stock certificates representing Parent Common Stock issued in the name of Seller, the number of shares of Parent Common Stock (the "Parent Shares") equal to the greater of (i) the quotient obtained by dividing (A) $4,000,000 by (B) $14.68, and (ii) the quotient obtained by dividing (A) $3,200,000 by (B) the Issue Date Price Per Share. As used in this Agreement, the "Issue Date Price Per Share" shall mean the per share price equal to the average of the closing prices of Parent Common Stock reported on the Nasdaq Stock Market for the 30 trading days immediately prior to the date the Parent Shares are issued and delivered to

Seller pursuant to this Section 3.2(c) but excluding the three trading days prior to and after the record date, and the record date, for any cash dividend declared by Buyer Parent on the Parent Common Stock. As a condition to, and prior to, the issuance of Parent Shares to Seller, Seller and Buyer Parent shall execute and deliver a Lock-Up and Put Agreement, in substantially the form attached hereto as Exhibit 3.2(c) (the "Lock-Up Agreement"). Seller shall hold the Parent Shares subject to, and in accordance with the terms and conditions of, the Lock-Up Agreement.

(d) Notwithstanding the provisions of Section 3.2(c), if Buyer has not received the PSC Approval on or before the Escrow Release Date, then Buyer shall pay to Seller, in lieu of the Parent Shares, cash or immediately available funds in the amount of $4,000,000 (the "Alternate Cash Payment"), which Alternate Cash Payment shall be paid by (i) the Escrow Agent delivering to Seller the Escrow Amount, plus any interest earned thereon, pursuant to the terms and conditions of an Escrow Agreement in substantially the form attached hereto as Exhibit 3.2(d), that Seller, Buyer and Escrow Agent shall enter into at the Closing (the "Escrow Agreement"); and (ii) Buyer delivering to Seller, in immediately available funds, the balance of the Alternate Cash Payment. Upon delivery of the Alternate Cash Payment to Seller pursuant to this Section 3.2(d) and the Escrow Agreement, Buyer and Buyer Parent shall have no further obligation to deliver the Parent Shares to Seller. At the Closing, as security for the potential payment of the Alternate Cash Payment, Buyer shall deliver to the Escrow Agent, in cash or immediately available funds, the Escrow Amount, which Escrow Agent shall hold and distribute in accordance with the terms of the Escrow Agreement.

3.3 Allocation of Purchase Price. The Parties agree to the allocation of the Purchase Price among the Purchased Assets as indicated on Schedule 3.3 attached hereto for tax reporting purposes (the "Allocation Schedule"). If the Purchase Price is adjusted or increased pursuant to Section 3.4 or Section 3.5 of if an indemnification payment is made pursuant to the provisions of this Agreement, then Buyer shall adjust the Allocation Schedule to reflect such adjustment or payment in accordance with the nature of each such adjustment or payment and in a manner consistent with Code Section 1060 and the Treasury Regulations thereunder and shall deliver the Allocation Schedule as so revised to Seller. Any adjustment(s) to the Allocation Schedule shall be final unless Seller objects in writing within 30 days of the delivery of the notification of any adjustment(s) to the Allocation Schedule. In the event of an objection, Buyer and Seller shall work cooperatively to reach mutual agreement on any adjustment(s) to the Allocation Schedule. Seller and Buyer and their respective Affiliates shall report, act and file all Tax Returns (including, but not limited to, IRS Form 8594) in all respects and for all purposes consistent with the Allocation Schedule (as such Allocation Schedule may be adjusted pursuant to this Section 3.3). No Party shall take any position in any Tax matter (whether in audit, Tax Returns, or otherwise with any Governmental Authority) that is inconsistent with such allocation unless required to do so by applicable Law.

3.4 Working Capital Adjustment. The Purchase Price shall be adjusted in accordance with the following procedures:

(a) Buyer shall cause WithumSmith+Brown, PC to prepare, after completion of the Collection Period but within 145 days following the Closing Date, a statement of Closing Date Working Capital as at the Closing Date, together with a written report setting forth its determination of the adjustment, if any, to the Purchase Price in accordance with this Section 3.4 (collectively, the "Closing Date Working Capital Statement"). The Closing Date Working

Capital Statement shall be prepared in accordance with GAAP and in a manner consistent with Seller's preparation of the Financial Statements and Seller's application of GAAP in connection with such preparation. Buyer shall pay the fees and expenses of WithumSmith+Brown, PC in preparing the Closing Date Working Capital Statement. The Parties agree that, for purposes of calculating the Closing Date Working Capital, (i) the value of Seller's inventory, if any, shall be determined based on a physical inventory conducted by Buyer and Seller as of a date reasonably proximate to the Closing Date, as determined by Buyer and Seller; (ii) in lieu of any other reserve for doubtful accounts that would otherwise be set forth in the Closing Date Working Capital Statement, all Uncollected Receivables shall be excluded from the Closing Date Working Capital (unless any such Uncollected Receivables are collected by Buyer prior to the final determination of the Closing Date Working Capital Statement, in which case the amount so collected shall be included in Closing Date Working Capital); (iii) the amount of the Assumed Payables shall include accounts payable or other Liabilities of Seller accrued prior to and properly payable as of Closing that Buyer pays or otherwise satisfies, whether or not such accounts payable or Liabilities are identified on Schedule 2.3(a); and (iv) no portion of the Assumed Capital Lease Obligations shall be included as a current Liability on the Closing Date Working Capital Statement.

(b) Within 30 days after receipt of the Closing Date Working Capital Statement, provided that Seller shall received from Buyer and its accountants all information, books and records reasonably requested Seller in order to review and assess the Closing Date Working Capital Statement, Seller shall submit to Buyer, Seller's written exceptions thereto. If no such written exceptions are so delivered to Buyer within such 30 day period, then the determination by WithumSmith+Brown, PC of the Closing Date Working Capital and the adjustment, if any, to the Purchase Price set forth in the Closing Date Working Capital Statement shall be final and binding upon the Parties for all purposes. However, if written exceptions to the Closing Date Working Capital Statement are so delivered to Buyer, and such exceptions are not resolved by mutual agreement between Buyer and Seller within 30 days after receipt thereof by Buyer, then the differences between them shall be arbitrated by the Independent Accountant, whose decision shall be final and binding on the Parties for all purposes. The expenses of the Independent Accountant in connection with such arbitration shall be borne by Buyer and Seller in proportion to the manner by which the amount that is subject to such arbitration is determined in favor of, or adversely to, each Party. Buyer and Seller shall each bear all expenses of their respective certified public accountants.

(c) If, on the basis of the Closing Date Working Capital Statement (as adjusted and as finally determined in accordance with the above-described procedures), the Closing Date Working Capital is less than $55,000 (the "Target Working Capital"), the Purchase Price (and the Holdback Amount) shall be reduced on a dollar-for-dollar basis by an amount equal to the difference between the Target Working Capital and the Closing Date Working Capital (the "Purchase Price Reduction Amount"). Buyer shall have the right to retain (and shall have no obligation to pay to Seller), the portion of the Holdback Amount equal to the Purchase Price Reduction Amount and, if the Purchase Price Reduction Amount exceeds the Holdback Amount, Seller shall pay the amount of such excess to Buyer within five days after the final determination of the Closing Date Working Capital Statement. If, on the basis of the Closing Date Working Capital Statement (as adjusted and as finally determined in accordance with the above-described procedures), the Closing Date Working Capital is greater than the Target Working Capital, the Purchase Price shall be increased on a dollar-for-dollar basis by an amount

equal to the difference between the Closing Date Working Capital and the Target Working Capital, and Buyer shall pay such amount to Seller within five days after the final determination of the Closing Date Working Capital Statement. Any adjustment pursuant to this Section 3.4 shall be paid in immediately available funds, and shall result in a corresponding adjustment to the allocation of the Purchase Price set forth on the Allocation Schedule, in accordance with Section 3.3.

3.5 Calculation of Additional Consideration. Buyer shall pay to Seller additional consideration for the Purchased Assets ("Additional Consideration") in the aggregate amount of up to $2,000,000, subject to, and in accordance with the terms and conditions of, this Section 3.5 and Schedule 3.5:

(a) If the Earn-Out Revenue as of an Earn-Out Calculation Date equals or exceeds an amount equal 10% of the applicable "Cumulative Revenue Target", as determined pursuant to Schedule 3.5, as of such Earn-Out Calculation Date (in each case, the "Minimum Cumulative Revenue Amount"), then Seller shall be entitled to Additional Consideration as of such Earn-Out Calculation Date, in the amount determined in accordance with Schedule 3.5; provided, however, that the maximum amount of Additional Consideration payable as of the first Earn-Out Calculation Date and based on the Earn-Out Revenue shall be $1,000,000, and the maximum amount of Additional Consideration payable as of the second Earn-Out Calculation Date and based on the Earn-Out Revenue shall be $500,000. Notwithstanding anything in this Agreement to the contrary, if, as of either Earn-Out Calculation Date, the Earn-Out Revenue is less than the applicable Minimum Cumulative Revenue Amount, then Seller shall not be entitled to, and Buyer shall have no obligation to pay, any Additional Consideration with respect to the Earn-Out Revenue as of such Earn-Out Calculation Date.

(b) If the Earn-Out EBITDA as of an Earn-Out Calculation Date equals or exceeds an amount equal to 10% of the applicable "Cumulative EBITDA Target", as determined pursuant to Schedule 3.5, as of such Earn-Out Calculation Date (in each case, the "Minimum Cumulative EBITDA Amount"), then Seller shall be entitled to Additional Consideration as of such Earn-Out Calculation Date, in the amount determined in accordance with Schedule 3.5; provided, however, that the maximum amount of Additional Consideration payable as of the first Earn-Out Calculation Date and based on the Earn-Out EBITDA shall be $333,000, and the maximum amount of Additional Consideration payable as of the second Earn-Out Calculation Date and based on the Earn-Out EBITDA shall be $167,000. Notwithstanding anything in this Agreement to the contrary, if, as of either Earn-Out Calculation Date, the Earn-Out EBITDA is less than the applicable Minimum Cumulative EBITDA Amount, then Seller shall not be entitled to, and Buyer shall have no obligation to pay, any Additional Consideration with respect to the Earn-Out EBITDA as of such Earn-Out Calculation Date.

(c) The Earn-Out Revenue and Earn-Out EBITDA as of each Earn-Out Calculation Date, and the corresponding amount, if any, of Additional Consideration shall be determined based on Buyer's internally-prepared financial statements as of each Earn-Out Calculation Date, prepared in accordance with GAAP applied consistently with Seller's past practices and with Schedule 3.5 and this Section 3.5(c). Buyer and Seller agree that, in calculating Earn-Out EBITDA as of any Earn-Out Calculation Date, such calculation shall include only the expense categories of the type (the "Designated Expenses") included in the projections used in calculating the "Cumulative EBITDA Targets", as set forth in Schedule 3.5

(the "Projections"), and that the amount of each such Designated Expense used in calculating the Earn-Out EBITDA as of either Earn-Out Calculation Date shall be equal to the lesser of (i) the cumulative maximum amount forecasted for such Designated Expense through such Earn-Out Calculation Date, as set forth in the Projections, provided, however, that with respect to Designated Expenses included within "Costs of Goods Sold" in the Projections, the maximum amounts forecasted for such Designated Expenses in the Projections shall be increased pro rata to reflect revenues in excess of those forecasted in the Projections for the corresponding period, and (ii) the actual amount of such Designated Expense incurred through the Earn-Out Calculation Date.

(d) Except as otherwise provided in Section 3.5(f), within 30 days after each Earn-Out Calculation Date, Buyer shall deliver to Seller a written calculation of the Earn-Out Revenue and Earn-Out EBITDA through and as of such Earn-Out Calculation Date, together with payment of the Additional Consideration, if any, due based on such Earn-Out Revenue and Earn-Out EBITDA. Except as otherwise provided in Section 3.5(f), within 30 days after receipt of Buyer's calculation of the Earn-Out Revenue, Earn-Out EBITDA and Additional Consideration, provided that Seller shall have received from Buyer all information, books and records reasonably requested by Seller in order to review and assess such calculations, Seller shall submit to Buyer, Seller's written exceptions thereto. Except as otherwise provided in Section 3.5(f), if no such written exceptions are so delivered to Buyer within such 30-day period, then the determination by Buyer of the Earn-Out Revenue, Earn-Out EBITDA and Additional Consideration, if any, shall be final and binding upon the Parties for all purposes. However, if written exceptions to Buyer's calculations are so delivered to Buyer, and such exceptions are not resolved by mutual agreement between Buyer and Seller within 30 days after receipt thereof by Buyer, then the differences between them shall be arbitrated by the Independent Accountant, whose decision shall be final and binding on the Parties for all purposes. The expenses of the Independent Accountant in connection with such arbitration shall be borne by Buyer and Seller in proportion to the manner by which the amount that is subject to such arbitration is determined in favor of, or adversely to, each party. Buyer and Seller shall each bear all expenses of their respective certified public accountants

(e) Within 15 days after the final determination of the Earn-Out Revenue and Earn-Out EBITDA pursuant to Section 3.5(d), Buyer shall pay to Seller the amount, if any, by which the Additional Consideration due based on such the Earn-Out Revenue and Earn-Out EBITDA exceeds the amount, if any, paid by Buyer pursuant to Section 3.5(d) at the time it delivered its initial calculations.

(f) Notwithstanding anything in this Agreement to the contrary, Buyer and Seller agree that if legislation has not been enacted, on or before December 31, 2012, that would result in the United States tax rate on long term capital gains remaining at 15% (or lower) for 2013 and, as a result, the second Earn-Out Calculation Date is November 30, 2012, then (i) Buyer shall deliver its initial calculation of the Earn-Out Revenue, Earn-Out EBITDA and Additional Consideration, if any, as of such Earn-Out Calculation Date to Seller, in accordance with Section 3.5(d), on or before December 15, 2012 (rather than during the 30-day period provided for in Section 3.5(d)), (ii) Seller shall deliver any written exceptions to such calculations, pursuant to Section 3.5(d), on or before December 30, 2012 (rather than during the 30-day period provided for in Section 3.5(d)); (iii) Buyer shall pay to Seller the undisputed amount, if any, of such Additional Consideration on or before December 31, 2012; and (iv) if

any portion of the Additional Consideration as of such Earn-Out Date remains subject to dispute after such payment, any remaining Additional Consideration shall be paid, pursuant to Section 3.5(e), following the final determination of Earn-Out Revenue and Earn-Out EBITDA pursuant to Section 3.5(d). Notwithstanding anything in this Section 3.5(f) to the contrary, if legislation is enacted after November 30, 2012 but on or before December 31, 2012, that would result in the United States tax rate on long term capital gains remaining at 15% (or lower) for 2012, then the second Earn-Out Calculation Date shall remain the second anniversary of the Closing Date, notwithstanding any prior calculations of the Earn-Out Revenue and Earn-Out EBITDA as of November 30, 2012, and any such calculations as of November 30, 2012 shall be disregarded and of no force and effect.

(g) Notwithstanding anything in this Section 3.5 to the contrary, if, during the Earn-Out Period, Buyer terminates the employment of either David Cuthbert or Louis Hayner without Cause (as defined in the applicable Employment Agreement) and not in connection with a Sale Event, then the maximum full amount of Additional Consideration that could be payable as of any Earn-Out Calculation Date that is after the effective date of such termination without Cause (the "Employment Termination Date") shall become immediately due pursuant to this Section 3.5(g), without regard to the Earn-Out Revenue or Earn-Out EBITDA as of the Employment Termination Date or such Earn-Out Calculation Date. Buyer shall pay such amount to Seller within 30 days after the Employment Termination Date. For purposes of clarification, (i) if the Employee Termination Date occurs before the first Earn-Out Calculation Date, the total maximum amount of Additional Consideration payable with respect to both the first Earn-Out Calculation Date ($1,500,000) and the second Earn-Out Calculation Date ($500,000) shall become due and payable pursuant to this Section 3.5(g); and (ii) if the Employee Termination Date occurs after the first Earn-Out Calculation Date but before the second Earn-Out Calculation Date (as may be adjusted pursuant to Section 3.5(f)), the total maximum amount of Additional Consideration payable with respect to only the second Earn-Out Date ($500,000) shall become due and payable pursuant to this Section 3.5(g) (and the Additional Consideration, if any, as of the first Earn-Out Calculation Date shall be calculated as otherwise provided in this Section 3.5, with no adjustment or acceleration pursuant to this Section 3.5(g).

(h) Notwithstanding anything in this Section 3.5 to the contrary, if, during the Earn-Out Period, there is a Sale Event, then the last day of the calendar month immediately preceding the month in which the closing of such Sale Event occurs (the "Pre-Sale Month End Date") shall be treated as an Earn-Out Calculation Date, as provided in this Section 3.5(h). The Earn-Out Revenue and Earn-Out EBITDA (and corresponding Additional Consideration, if any) shall be calculated as of the Pre-Sale Month End Date in accordance with the provisions of this Section 3.5, and the "Cumulative Revenue Targets" and "Cumulative EBITDA Targets" shall be determined as of the Pre-Sale Month End Date based on the Projections, as provided in Schedule 3.5; provided, however, that if the Pre-Sale Month End Date occurs before the first Earn Out Calculation Date, then the Pre-Sale Month End Date shall be treated as both the first Earn-Out Calculation Date and the second Earn-Out Calculation Date, and the amount of Additional Consideration to be paid based on such Earn-Out Revenue and Earn-Out EBITDA as of the Pre-Sale Month End Date shall be calculated by applying the applicable percentages set forth on Schedule 3.5 to the Additional Consideration that would otherwise have been payable on both the first Earn-Out Calculation Date and the second Earn-Out Calculation Date. Except as otherwise provided in this Section 3.5(h), the provisions of this Section 3.5 shall apply to the calculation and payment of Additional Consideration with respect to a Pre-Sale Month End Date.

As used in this Agreement, "Sale Event" means: (a) the closing of any transaction where any "person," as such term is used in sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of Buyer representing more than 50% of the voting power of the then outstanding securities of Buyer; provided that a Sale Event shall not be deemed to occur as a result of a transaction in which Buyer becomes a subsidiary of another corporation and in which Buyer Parent, or the stockholders of Buyer Parent, immediately prior to the transaction, will beneficially own, immediately after the transaction, shares entitling Buyer Parent or such stockholders to more than 50% of all votes to which all stockholders of the Buyer would be entitled in the election of directors; (b) the consummation of (i) a merger or consolidation of Buyer with another corporation where Buyer or the stockholders of Buyer Parent, immediately prior to the merger or consolidation, will not beneficially own, immediately after the merger or consolidation, shares entitling such stockholders to more than 50% of all votes to which all stockholders of the surviving corporation would be entitled in the election of directors, (ii) a sale or other disposition of all or substantially all of the assets of Buyer; or (c) the liquidation or dissolution of Buyer.

(i) Buyer acknowledges and agrees that, following the Closing and during the Earn-Out Period, Buyer shall conduct all activities relating to the Business through Buyer, and not any Affiliate of Buyer or Buyer Parent.

3.6 Holdback Amount. Buyer shall hold the Holdback Amount for a period of one year from the Closing Date (the "Holdback Period"), pursuant to the terms of this Agreement. Buyer shall have the right to set off against the Holdback Amount (a) any Purchase Price Reduction Amount, in accordance with Section 3.4(c), (b) any Liabilities of Seller that Buyer pays or otherwise satisfies during the Holdback Period (i) that are not Assumed Liabilities or (ii) that are Assumed Payables but were not included in the Closing Date Working Capital or the adjustments provided for in Section 3.4, provided that Buyer has provided Seller with a written demand for payment of such Liabilities and Seller has failed to pay such Liabilities within 30 days after receipt of such Demand; and (c) any Losses for which any Buyer Indemnitee is entitled to indemnification from Seller pursuant to Section 11.2 (other than Representation Claims pursuant to Section 11.2(a)), subject to and in accordance with the provisions of Section 11.6. On the first anniversary of the Closing Date, Buyer shall pay to Seller (without interest), in immediately available funds, the Holdback Amount less any amounts set off against the Holdback Amount pursuant to this Section 3.6 or Section 11.6 or paid to the Escrow Agent pursuant to Section 11.6.

3.7 No Restrictions on Buyer's Operation of the Business. Except as provided in Section 3.5 (and Schedule 3.5 thereto) and except as otherwise provided in this Agreement, after the Closing, Buyer shall have no obligation to operate its business or the Business in any manner other than as it determines to be appropriate in its sole and absolute discretion.

ARTICLE IV

Closing.

4.1 Closing. The Closing shall be consummated at 10:00 a.m., local time, at the offices of Seller, on a date designated by Buyer not later than five Business Days after the date

that the conditions set forth in Article VIII and Article IX have been satisfied or waived (other than conditions that by their terms are to be satisfied at Closing, but subject to the satisfaction or waiver of such conditions), or on such other date or at such other place or time as is mutually agreed upon by the Parties. The Closing shall be effective for economic and accounting purposes as of 12:01 a.m. on the Closing Date.

4.2 Closing Actions and Deliveries. All actions to be taken and all documents to be executed and delivered in connection with the consummation of the transactions provided for herein shall be reasonably satisfactory in form and substance to the Parties and their respective counsel. All actions to be taken and all documents to be executed and delivered by the Parties at the Closing shall be deemed to have been taken and executed simultaneously, and no action shall be deemed taken nor any document executed and delivered until all have been taken, executed and delivered.

ARTICLE V

Representations and Warranties of Seller.

In order to induce the Buyer Parties to enter into and perform this Agreement and to consummate the transactions contemplated hereunder, Seller makes the following representations and warranties to the Buyer Parties as of the date hereof and as of the Closing Date, which representations and warranties are supplemented and qualified by the disclosures contained in the disclosure schedule attached hereto as Schedule A that contains references to the representations and warranties to which the disclosures contained therein relate (the "Disclosure Schedule").

5.1 Organization; Subsidiaries; Ownership; Predecessors.

(a) Seller is a limited liability company duly organized, validly existing and in good standing under the laws of the State of New Jersey and has the full right, power and authority to own, lease and operate all of its properties and assets and carry out the Business as it is presently conducted. Section 5.1(a) of the Disclosure Schedule sets forth each jurisdiction in which Seller is qualified or licensed to do business as a foreign Person and there are no other jurisdictions in which the character of Seller's properties or the nature of Seller's activities require it to be qualified in order to conduct the Business.

(b) The limited liability company members of Seller identified on Schedule 5.1 (b) of the Disclosure Schedule are the owners of record and beneficially of all of the outstanding membership units of Seller, as set forth in Section 5.1(b) of the Disclosure Schedule. All of the outstanding membership units of Seller have been duly authorized and are validly issued, fully paid and nonassessable. Except as set forth in Section 5.1 (b) of the Disclosure Schedule, there are no outstanding securities convertible or exchangeable into membership units or other equity interests of Seller. Seller has no Subsidiaries.

(c) Section 5.1(c) of the Disclosure Schedule lists (i) each of Seller's prior legal names and any other trade name, fictitious name or other name under which Seller currently conducts business, or has ever conducted any business or activity, and (ii) each legal name, trade name, fictitious name or other name under which any predecessor to any part of the Business acquired by Seller conducted any business related to such acquired part of the Business.

5.2 Due Authorization; No Conflict.

(a) Seller has the full limited liability company power and authority to execute and deliver this Agreement and all other Transaction Document to which it is a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by Seller of this Agreement and all other Transaction Documents to which it is a party have been duly authorized by all necessary limited liability company action. Each Key Principal has the full capacity, power, and authority to execute and deliver this Agreement and all other Transaction Documents to which he is a party, to perform the obligations applicable to him hereunder and thereunder and to consummate the transactions contemplated hereby and thereby.

(b) This Agreement has been duly executed and delivered by Seller. This Agreement, and all other Transaction Documents executed or to be executed by Seller or a Key Principal in connection herewith, constitute or, when executed and delivered, shall constitute a legal, valid and binding contract of Seller and each such Key Principal, enforceable against such Seller and each such Key Principal in accordance with its terms.

(c) Except for the consents, approvals and authorizations set forth in Section 5.2(c) of the Disclosure Schedule (collectively, the "Seller Required Consents and Authorizations"), the execution and delivery by Seller of this Agreement and the Transaction Documents to which it is a party, the performance by Seller of its obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby, shall not (with or without notice or lapse of time): (i) violate, conflict with, result in a breach of the terms or conditions of, or constitute a default, an event of default or an event creating rights of acceleration, termination or cancellation or a loss of rights under, (A) any Assigned Contract, (B) any other Contractual Obligation to which Seller is a party or any of the Purchased Assets is subject or by which Seller is bound, or (C) any Law, Governmental Authorization or Governmental Order applicable to Seller, the Purchased Assets, the Business or the Assumed Liabilities; (ii) contravene the Organizational Documents of Seller; (iii) require Seller to make any declaration, filing or registration with, or provide any notice to, any Governmental Authority or obtain any Governmental Authorization, (iv) require any consent, approval or authorization of, declaration, filing or registration with, or notice to, any other Person; (v) result in the creation or imposition of any Encumbrance upon any of the Purchased Assets; or (vi) cause Buyer to have any Liability for any Tax properly due from Seller.

5.3 Financial Statements.

(a) Set forth in Section 5.3(a) of the Disclosure Schedule are the following financial statements of Seller (collectively, the "Financial Statements"): (i) the audited balance sheet of Seller as of December 31, 2010 and the related audited statements of income, cash flow and changes in members' equity for the fiscal year then ended; (ii) the internally-prepared, unaudited balance sheets of Seller as of December 31, 2009, and the related internally-prepared unaudited statements of income for the fiscal years then ended; and (iii) the internally-prepared unaudited balance sheet of Seller as of May 31, 2011 (the "Interim Balance Sheet") and the related internally-prepared unaudited statements of income, cash flow and changes in stockholder's equity for the five month period then ended.

(b) Except as disclosed in Section 5.3(b) of the Disclosure Schedule, the Financial Statements (i) were prepared in accordance with the books and records of Seller, which books and records are correct and complete in all material respects, (ii) have been prepared in accordance with GAAP, and (iii) fairly present, in all material respects, the financial condition of Seller as at the respective dates thereof and the results of operations of Seller and changes in financial condition for the respective periods covered thereby, except that the Financial Statements for the period ending December 31, 2009 and for the period ending on the date of the Interim Balance Sheet do not contain notes and may be subject to normal audit adjustments, none of which adjustments are expected to be material.

(c) Except as reflected on, reserved against or otherwise disclosed in the Financial Statements or as specifically set forth in Section 5.3(c) of the Disclosure Schedule, Seller is not subject to any Liability required under GAAP to be disclosed on the Financial Statements or the notes thereto, whether absolute, contingent, accrued or otherwise other than Liabilities that have arisen in the Ordinary Course of Business since the date of the Interim Balance Sheet and that individually, or in the aggregate, are not material.

5.4 Absence of Changes. Since December 31, 2010, except as set forth Section 5.4 of the Disclosure Schedule, Seller has conducted the Business only in the Ordinary Course of Business, and there has not been:

(a) any event, development or circumstance that has had or would be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect;

(b) any material damage, destruction or other casualty loss (whether or not covered by insurance) affecting the Business or the Purchased Assets;

(c) any amendment or modification of the Organizational Documents of Seller;

(d) any incurrence of any Debt by Seller affecting the Business or the Purchased Assets;

(e) any creation or other incurrence of any Encumbrance upon any Purchased Asset of Seller, other than Permitted Liens;

(f) any failure to pay or satisfy when due any Liability of Seller which materially affects the Business or the Purchased Assets;

(g) any sale, transfer, lease or other disposition of any asset of Seller related to the Business, except for inventory sold in the Ordinary Course of Business;

(h) any capital expenditure, or commitments for capital expenditures, by Seller with respect to the Business in an amount in excess of $50,000 in the aggregate;

(i) any cancellation, compromise, waiver or release of any right or claim (or series of related rights or claims) or any Debt owed to Seller with respect to the Business, in any case involving more than $20,000;

(j) any declaration, setting aside or payment of any dividend or other distribution with respect to, or any repurchase, redemption or other acquisition of, any equity interests of Seller, other than distributions made by Seller to its members for purposes of paying Taxes attributable to the income of the Company, made in the Ordinary Course of Business and in accordance with the terms of the Organization Documents of Seller;

(k) any increase in the compensation payable or paid, whether conditionally or otherwise, to (i) any employee, consultant or agent of Seller for the Business whose annual base compensation exceeds $50,000 (or would exceed such amount after such increase), (ii) any director or officer of Seller, or (iii) any Affiliate of Seller;

(l) any Tax election of Seller made, changed or revoked, any settlement of any Proceeding with respect to Taxes of Seller, or amendment of any Tax Return of Seller that would result in any material increase in the Liability for Taxes of Seller with respect to the Business;

(m) any loss, that is material to the Business, of any customer, sales agent or representative, sales location or source of supply of inventory, utilities or contract services or the receipt of any notice that such a loss may be pending;

(n) any change in the accounting principles and practices of Seller from those applied in the preparation of the Financial Statements; or

(o) any Contractual Obligation to do any of the foregoing, or any action or omission that would result in any of the foregoing.

5.5 Title to Assets; Condition.

(a) Except as set forth in Section 5.5(a) of the Disclosure Schedule, Seller has (and shall transfer to Buyer at the Closing) good title to all of the Purchased Assets, free and clear of all Encumbrances, except Permitted Liens. All Encumbrances (except for any Encumbrances securing only Assumed Liabilities) set forth or required to be set forth in Section 5.5(a) of the Disclosure Schedule shall be terminated or released at or prior to Closing at the expense of Seller.

(b) The tangible assets included in the Purchased Assets are in good working order, condition and repair, reasonable wear and tear excepted, and to the Knowledge of Seller, are not in need of maintenance or repairs except for maintenance or repairs which are routine, ordinary and are not material in costs or nature. Except as set forth in Section 5.5(b) of the Disclosure Schedule, all of the Purchased Assets are located at the Leased Premises.

5.6 Real Property.

(a) Except for its interest in the Leased Premises, Seller does not own any right, title or interest in any real property nor has Seller ever owned any property.

(b) Section 5.6(b) of the Disclosure Schedule contains a list of all of the real property leased by Seller in connection with the Business (collectively, the "Leased Premises"), and identifies each Contractual Obligation under which such property is leased (the "Existing

Leases"). There are no subleases, licenses, concessions, occupancy agreements or other Contractual Obligations granting to any other Person the right of use or occupancy of the Leased Premises and there is no Person (other than Seller) in possession of the Leased Premises. To the Knowledge of Seller, there is no pending or threatened eminent domain taking affecting any portion of the Leased Premises which shall interfere with Seller's conduct of the Business. Seller has delivered to Buyer true, correct and complete copies of the Existing Leases, including all amendments, modifications, notices or memoranda of lease thereto and all estoppel certificates or subordinations, non-disturbance and attornment agreements, if any, related thereto. To the Knowledge of Seller, no event or condition currently exists which would create a legal or other impediment to the use of the Leased Premises as currently used, or would increase the additional charges or other sums payable by the tenant under any Existing Lease (including, without limitation, any pending tax reassessment or other special assessment affecting the Leased Premises). To the Knowledge of Seller, the Leased Premises (including, without limitation, the roof, the walls and all plumbing, wiring, electrical, heating, air conditioning, fire protection and other systems, as well as all paved areas, included therein or located thereat) are in good working order, condition and repair, reasonable wear and tear excepted, and are not in need of maintenance or repairs except for maintenance or repairs which are routine, ordinary and are not material in costs or nature. Seller's operation and use of the Leased Premises fully comply with (i) all applicable Laws. (ii) the terms and conditions of the applicable Existing Leases, and (iii) to the Knowledge of Seller, any restrictive covenants applicable to the Leased Premises. To the Knowledge of Seller, each of the Leased Premises fully complies with all applicable Laws. Seller has not received written notice from any Governmental Authority of any violations of any Law affecting any portion of the Leased Premises.

5.7 Taxes. Seller has filed all federal, state, county and local Tax Returns which are required to be filed prior to the date of this Agreement and has paid or has reserved for the payment of all Taxes which have become due and payable. No event has occurred which could impose on Buyer any successor or transferee liability for any Taxes in respect of Seller. All such Tax Returns are complete and accurate and disclose all Taxes required to be paid. Seller has not waived or been requested to waive any statute of limitations in respect of Taxes. All monies required to be withheld by Seller (including from employees for income Taxes and social security and other payroll Taxes) have been collected or withheld, and either paid to the respective taxing authorities, set aside in accounts for such purpose, or accrued, reserved against and entered upon the books of Seller. Except as set forth on Section 5.7 of the Disclosure Schedules, no examination or audit of any Tax Return is currently in progress and no Governmental Authority is asserting, or has threatened in writing to assert, against Seller any deficiency, proposed deficiency or claim for additional Taxes or any adjustment thereof with respect to any period for which a Tax Return has been filed, for which Tax Returns have not yet been filed or for which Taxes are not yet due and payable. No claim has ever been made by an authority in a jurisdiction where Seller does not file Tax Returns that Seller is or may be subject to taxation by that jurisdiction.

5.8 Insurance. Section 5.8 of the Disclosure Schedule sets forth a description of the current insurance policies pertaining to the Business maintained by Seller (each, an "Insurance Policy"), including policies by which Seller, or any of the Purchased Assets, or Seller's employees, officers or directors or the Business are insured. The description includes for each Insurance Policy the type of policy, policy number, name of insurer and expiration date. Seller has made available to Buyer true, accurate and complete copies of all such Liability

Policies, in each case, as amended or otherwise modified and in effect with respect to Seller. All Liability Policies provide occurrence-based coverage unless noted otherwise in Section 5.8 of the Disclosure Schedule. Seller is not in default with respect to its obligations under any Insurance Policy and has not failed to give any notice or present any claim thereunder in a due and timely manner. Seller has not been denied insurance coverage or been subject to any gaps in insurance coverage in the two (2) year period immediately preceding the date of this Agreement. Except as disclosed in Section 5.8 of the Disclosure Schedule, since January 1, 2005, no insurer (a) has denied or disputed (or otherwise reserved its rights with respect to) the coverage of any claim pending under any Insurance Policy or (b) has threatened to cancel any Insurance Policy. Seller does not have any self-insurance or co-insurance programs.

5.9 Governmental Authorizations.

(a) Seller owns, holds or possesses all Governmental Authorizations (including, without limitation, the Company Telecom Permits) which are necessary to entitle Seller to own or lease, operate and use the Purchased Assets and to carry on and conduct the Business as currently conducted, all of which are set forth on Section 5.9(a) of the Disclosure Schedule (the "Seller Governmental Authorizations"). None of Seller or any of its officers, managers, members or employees has been a party to or subject to any Proceeding seeking to revoke, suspend or otherwise limit any Seller Governmental Authorization. Section 5.9(a) of the Disclosure Schedule indicates which of the Seller Governmental Authorizations shall be assigned to Buyer at the Closing. Except as disclosed in Section 5.9(a) of the Disclosure Schedule, (i) the Seller Governmental Authorizations are valid and in full force and effect, and (ii) Seller is not in breach or violation of, or default under, any Seller Governmental Authorization.

(b) Seller has not received any written or, to the Knowledge of Seller, oral notice from any Governmental Authority that any of its properties, facilities, equipment, operations or business procedures or practices fails to comply with any applicable Law or Governmental Authorization. Seller is not in breach or violation of, and there is no pending, or to the Knowledge of Seller, threatened, Proceeding or Governmental Order with respect to, any of the Seller Governmental Authorizations. Seller has not received any written notice of any Proceeding, including, but not limited to, any Proceeding initiated, pending or recommended by any Governmental Authority having jurisdiction over the Seller Governmental Authorizations to revoke, withdraw or suspend any such Seller Governmental Authorization. No event has occurred that, with or without notice or the passage of time, would constitute a breach or violation of, or would constitute grounds for a Proceeding or Governmental Order with respect to any of the Seller Governmental Authorizations.

5.10 Compliance with Laws.

(a) Except as set forth in Section 5.10(a) of the Disclosure Schedule, Seller is in compliance with all applicable Laws and, to the Knowledge of Seller, there is no basis for any Proceeding arising out of or in connection therewith. Seller has not received any written or, to the Knowledge of Seller, oral notice of any violation of any Law, and Seller is not party to any settlement agreement or consent decree with continuing obligations or restrictions on Seller. Each item comprising the Purchased Assets and the current uses thereof conform, in all material respects to all Laws.

(b) Neither Seller nor any managers, officers, employees, or agents of Seller have directly or indirectly, overtly or covertly, in violation of any Law in connection with the Business (i) made, or agreed to make, any contribution, gift, bribe, rebate, payoff, influence payment, kickback or other payment to any Person (including, in the case of an individual, any family members of such Person and in the case of an entity, any Affiliates of such entity), regardless of form, whether in money, property or services, including (A) to obtain favorable treatment in securing business, (B) to pay for favorable treatment for business secured, or (C) to obtain special concessions or pay for special concessions already obtained for or in respect of Seller, or (ii) established or maintained any fund or asset that has not been recorded in the books and records of Seller.

5.11 Environmental Matters. Except as set forth in Section 5.11 of the Disclosure Schedule, (a) Seller has not at any time generated, used, treated or stored Hazardous Substances on, or transported Hazardous Substances to or from, the Leased Premises or any property adjoining or adjacent to the Leased Premises other than in compliance with all Environmental Laws and, to the Knowledge of Seller, no Person has taken such actions on or with respect to the Leased Premises, (b) Seller has not at any time released or disposed of Hazardous Substances on the Leased Premises or any property adjoining or adjacent to the Leased Premises, and, to the Knowledge of Seller, no Person has taken any such actions on the Leased Premises, (c) Seller has at all times been in compliance with all Environmental Laws and all Governmental Authorizations issued under such Environmental Laws with respect to the Leased Premises, the Purchased Assets and the operation of the Business, (d) there are no past, pending or, to the Knowledge of Seller, threatened environmental claims against Seller, any of the Purchased Assets, the Business or, to the Knowledge of Seller, the Leased Premises, (e) to the Knowledge of Seller, there are no facts or circumstances, conditions or occurrences regarding Seller, the Leased Premises, any of the Purchased Assets or the Business that could reasonably be anticipated to form the basis of an environmental claim against Seller, any of the Purchased Assets or the Business or to cause the Leased Premises, the Purchased Assets or the Business to be subject to any restrictions on its ownership, occupancy, use or transferability under any Environmental Law, (f) to the Knowledge of Seller, there are not now and there never have been, any underground storage tanks located on the Leased Premises, (g) other than in compliance with Environmental Laws, Seller has not ever transported or arranged for the transportation of any Hazardous Substances to any site from the Leased Premises, and (h) Seller has not operated the Business at any location other than the Leased Premises, other than Seller's previous office location of 600 Delran Parkway, Suite B, Delran, NJ 08075.

5.12 Litigation. Except as set forth in Section 5.12 of the Disclosure Schedule: (a) there is no Proceeding pending or, to the Knowledge of Seller, threatened (i) against Seller or affecting the Purchased Assets or the Business or (ii) which seeks to prohibit, restrict or delay consummation of the transactions contemplated by this Agreement or any of the conditions to consummation of such transactions and, (b) there is no Governmental Order outstanding or, to the Knowledge of Seller, threatened (i) against Seller or affecting the Purchased Assets or the Business, or (ii) which seeks to prohibit, restrict or delay consummation of the transactions contemplated by this Agreement or any of the conditions to consummation of such transactions.

5.13 Adequacy of Assets. Except for the Excluded Assets, the Purchased Assets comprise all of the assets, properties, Contractual Obligations and rights, tangible and intangible, of any nature whatsoever, which are necessary to operate the Business in the manner presently

operated by Seller, and (ii) include all of the operating assets of Seller.

5.14 Employee Benefit Plans.

(a) Section 5.14(a) of the Disclosure Schedule lists all Employee Plans as to which Seller or any ERISA Affiliate sponsors, maintains, contributes or is obligated to contribute, or under which Seller or any ERISA Affiliate has or may have any Liability related to the Business (each, a "Company Benefit Plan").

(b) None of the Company Benefit Plans is, and neither Seller nor any ERISA Affiliate has ever contributed to, or had an obligation to contribute to, (i) a plan subject to Title IV of ERISA or Section 412 of the Code, (ii) a "multiemployer plan" (within the meaning of Section 3(37) of ERISA), (iii) a "multiple employer plan" (within the meaning of Section 3(40) of ERISA or Section 413(c) of the Code), (iv) a "voluntary employees' beneficiary association" (within the meaning of Section 501(c)(9) of the Code), or (v) a "multiple employer welfare arrangement" (within the meaning of Section 3(40)(A) of ERISA).

(c) Each Company Benefit Plan (and any related trust agreement) has been administered in accordance with its terms, and each Company Benefit Plan is in compliance with the applicable provisions of ERISA, the Code and all Laws applicable thereto.

(d) All contributions (including all employer contributions and employee salary reduction contributions) that are due as of the Closing have been paid to each Company Benefit Plan.

(e) All reports, returns and similar documents with respect to each Company Benefit Plan required to be filed with any Governmental Authority or distributed to any participant of each Company Benefit Plan have been duly and timely filed or distributed.

(f) Neither Seller, any ERISA Affiliate, nor to the Knowledge of Seller, any Company Benefit Plan fiduciary has, with respect to the Company Benefit Plans, engaged in a non-exempt "prohibited transaction," as such term is defined in Section 4975 of the Code or Section 406 of ERISA and no event or condition exists with respect to any Company Benefit Plan which constitutes a reportable event within the meaning of Section 4043 of ERISA, as to which a waiver is not applicable.

(g) No Company Benefit Plan provides for or continues welfare benefits, such as medical or health benefits, or life insurance or other death benefits (through insurance or otherwise, but disregarding death benefits payable solely under the terms and from the assets of a qualified retirement plan) for any employee or any dependent or beneficiary of any employee after such employee's retirement or other termination of employment except as may be required by COBRA, and there has been no communication to any Person by the Company or any ERISA Affiliate that could reasonably be expected to promise or guarantee any such benefits with respect to any Employee Plan or otherwise.

(h) The consummation of the transactions contemplated by this Agreement will not entitle any individual to severance pay, and will not accelerate the time of payment or vesting, or increase the amount of compensation due to any individual. None of the Company

Benefit Plans obligates the Company or any ERISA Affiliate to pay separation, severance, termination or similar benefits solely as a result of any transaction contemplated by this Agreement or solely as a result of a "change in the ownership or effective control of the corporation, or in the ownership of a substantial portion of the assets of the corporation" (as defined in Section 280G of the Code).

(i) With respect to the Company Benefit Plans, there is no Liability whatsoever which any Buyer Party shall assume, or could reasonably be expected to assume, as part of the transactions contemplated by this Agreement or otherwise.

5.15 Employee Relations.

(a) Section 5.15(a) of the Disclosure Schedule sets forth the names, date of hire, the rate of compensation (and the portions thereof attributable to salary and bonuses, respectively), the amount of accrued but unused vacation time as of the date of this Agreement, and work location of all current employees of Seller. Section 5.15(a) of the Disclosure Schedule also includes the names of all employees of Seller currently on short-term or long-term disability leave, workers' compensation leave, leave under the Family Medical Leave Act, and any other leave. To the Knowledge of Seller, no key employee or group of employees has any plans to terminate employment with Seller.

(b) Except as set forth in Section 5.15(b) of the Disclosure Schedule, (i) Seller has not entered into any collective bargaining agreement or other Contractual Obligation with any employee, union, labor organization or other employee representative or group of employees and, to the Knowledge of Seller, no such organization or Person has made or is making any attempt to organize or represent employees of Seller; (ii) there is no pending grievance or arbitration and no unsatisfied or unremedied grievance or arbitration award against Seller or any agent, representative or employee of Seller and, to the Knowledge of Seller, there is no basis for any such grievance or arbitration; (iii) there is no unfair labor practice charge, pending trial of unfair labor practice charges, unremedied unfair labor practice finding or adverse decision of the National Labor Relations Board or administrative law judge thereof, against Seller or any agent, representative or employee of Seller and, to the Knowledge of Seller, there is no basis for any such unfair labor practice charge; and (iv) there is not pending or, to the Knowledge of Seller, threatened with respect to Seller or its employees any labor dispute, strike or work stoppage.

(c) Without limiting the generality of Section 5.10, Seller is in compliance with all applicable Laws and Contractual Obligations relating to employment, and the payment and withholding of Taxes and other similar obligations. Seller has not received any written or, to the Knowledge of Seller, oral notice of any violation of any such Law or Contractual Obligation.

(d) Except as set forth in Section 5.15(d) of the Disclosure Schedules, no current or former employee of Seller is owed by Seller overtime pay, wages or salary for any period other than the current payroll period, vacation, holiday or other time off or pay in lieu thereof (other than time off or pay in lieu thereof earned in respect of the current year), or any amount arising from any violation of any Law or Contractual Obligation relating to the payment of wages, fringe benefits, wage supplements or hours of work.

(e) Seller is not, nor immediately after the Closing will be, liable for or

severance pay or any other payment of monies to any employee of Seller as a result of the execution of this Agreement or Seller's performance of its terms, or for any other reason in any way related to the consummation of the transactions contemplated hereby.

5.16 Contractual Obligations.

(a) Each of the Assigned Contracts is valid and binding, in full force and effect in accordance with its terms and, except for obtaining (or giving any notice required under) any applicable Seller Required Consent and Authorization, is fully assignable to and assumable by Buyer, so that immediately after the Closing Buyer will be entitled to the full benefits thereof, in each case without breaching the terms thereof or resulting in the forfeiture or impairment of any rights thereunder. There has not been under any such Assigned Contract any default by Seller or, to the Knowledge of Seller, by any other party thereto, nor any event which, after notice or lapse of time, or both, would constitute any such default or result in a right to accelerate against or a loss of rights by Seller.

(b) Except for Assigned Contracts, Seller is not a party to, or otherwise bound by, any Contractual Obligation or other instrument which is material or necessary to the ownership of the Purchased Assets or the operation of the Business or which is adverse, or otherwise harmful, to any of the Purchased Assets or the Business.

5.17 No Broker. Neither Seller, any Key Principal nor any Person acting on behalf of Seller or any Key Principal has paid or become obligated to pay any fee or commission to any broker, finder or intermediary for or on account of the transactions contemplated by this Agreement.

5.18 Customer List. Section 5.18 of the Disclosure Schedule (a) sets forth an accurate and complete list of the customers of Seller who have received services in excess of $25,000 provided by Seller pertaining to the Business during the 2008, 2009 and 2010 calendar years (the "Customer List") and (b) designates each customer on the Customer List which represents more than two percent (2%) of the aggregate annual revenue of Seller, as the case may be, pertaining to the Business during the 2008, 2009 and 2010 calendar years (each a "Large Customer"). Seller has not received written or, to the Knowledge of Seller, oral notice from any Large Customer that any such Large Customer has any intent to cease doing business with Buyer, or intent to decrease the volume or value of its business with Buyer after, or as a result of, the consummation of the transactions contemplated hereby, or is threatened with bankruptcy or insolvency.

5.19 Intellectual Property.

(a) Except as set forth on Schedule 2.1(f), Seller has no patents, applications for patents, copyrights or license agreements relating to the Business used, owned by or granted to Seller, and no assumed names, trade names, trademark or service mark registrations, applications for trademark or service mark registrations, trademarks or service marks relating to the Business. None of the past or present employees, officers, managers or members of Seller has any rights in any of the inventions, whether or not patented, which have been or are used by Seller in the Business or which pertain to the Business. Seller has not granted any outstanding licenses or other rights to know-how or other intellectual property owned by or licensed to Seller

and used in the Business. Seller is not liabl e, nor has it m ade any Contractual Obligation whereby it may become liable, to any Person for any royalty or other compensation for the use of any invention, whether or not patented, trademark, trade name or copyright used in the Business. Seller has not been named in any Proceeding, or received written or, to the Knowledge of Seller, oral notice of any threatened Proceeding, which involves a claim of infringement of any patents, trademarks, trade names, service marks or copyrights of any Person. To the Knowledge of Seller, Seller's conduct of the Business as currently conducted does not infringe any valid patents, trademarks, trade names, service marks or copyrights of any Person.

(b) All employees, agents, consultants or contractors who have contributed to or participated in the creation or development of any patentable or trade secret material, or copyrightable material, in each case relating to the Business on behalf of Seller or any predecessor in interest thereto either: (i) is a party to a "work-for-hire" agreement under which Seller is deemed to be the original owner/author of all property rights therein; or (ii) has executed an assignment or an agreement to assign in favor of Seller all right, title and interest in such material.

5.20 Accounts Receivable; Inventory.

(a) All accounts receivable reflected on the Interim Balance Sheet and all accounts receivable arising subsequent to the date of the Interim Balance Sheet and on or prior to the Closing Date, have arisen or shall arise in the Ordinary Course of Business out of bona fide sales and deliveries of goods, performance of services or other business transactions, represent or shall represent legal, valid, binding and enforceable obligations to Seller, and are owned by Seller free of all claims and Encumbrances other than an Permitted Liens. Except for Customer Deposits identified on Schedule 2.3(a), Seller has not received Customer Deposits or any other prepayments or deposits of any kind whatsoever from any customer included on the Customer List. All of the accounts receivable shown on the Closing Date Balance Sheet are good and collectible in accordance with the terms thereof at their respective full amounts.

(b) All of the inventory of Seller described in Schedule 2.1(b) (a) is properly valued on a cost (first-in, first- out) basis in accordance with GAAP, (b) except to the extent of reserves shown in the Financial Statements, consists of inventories of the kind, quality and quantity regularly and currently used in the Business, and (c) except to the extent of reserves shown in the Financial Statements, is in good and saleable condition and fit for the purposes intended. None of such inventory has been consigned to others.

5.21 No Creation of Liens. Neither the execution of this Agreement nor the consummation of the transactions contemplated herein will result in the creation of any Encumbrance on any Purchased Assets other than a Permitted Lien.

5.22 Telecom Law.

(a) Without limiting the generality of Section 5.10, Seller is currently in compliance in all respects with applicable Telecom Laws and has in the past complied in all respects with applicable Telecom Laws. Without limiting the generality of the foregoing, Seller has filed all reports, and paid all contributions and fees, required by the Telecom Laws applicable to Seller, including with respect to FCC regulatory fees, contributions to state or

federal universal service support mechanisms, contributions to intrastate or interstate telecommunications relay services, contributions to administration of the North American Numbering Plan, contributions to the shared costs of local number portability administration, FCC and state regulatory fees, franchise fees, and state E911 fees. No investigation, review or Proceeding by the FCC or any State PUC with respect to any actual or alleged material violation of Telecom Law by Seller is pending or, to the Knowledge of Seller, threatened, nor has Seller received any written or, to the Knowledge of Seller, oral notice from the FCC or any State PUC indicating an intention to conduct the same.

(b) Seller has obtained all Governmental Authorizations necessary for it to conduct its Business in compliance, in all material respects, with applicable Telecom Laws (the "Company Telecom Permits"), each of which is listed in Section 5.9(a) of the Disclosure Schedule. Each of the Company Telecom Permits is in full force and effect and Seller is not in violation of any of the terms, conditions and requirements of any of the Company Telecom Permits. Seller has provided to Buyer correct and complete copies of all Company Telecom Permits.

(c) There is no Proceeding pending or, to the Knowledge of Seller, threatened, that: (i) questions or contests the validity of, or seeks the revocation, non-renewal or suspension of, any Company Telecom Permit; or (ii) seeks the imposition of any material condition, administrative sanction, modification or amendment with respect to any Company Telecom Permit. No consent under any of Company Telecom Permit is required to be obtained under applicable Telecom Law in connection with consummation of the transactions contemplated by this Agreement and the Transaction Documents.

(d) Except for the Seller Required Consents and Authorizations, no consent, approval, waiver, order, permit or authorization of, or application, registration, qualification, designation, declaration, notification or filing with or to, the FCC or any State PUC is required in connection with the execution and delivery by Seller (as applicable) of this Agreement and the Transaction Documents and the consummation of the transactions contemplated hereby and thereby. To the Knowledge of Seller, there are no facts or circumstances relating to Seller that would be reasonably likely to prevent, materially delay, or otherwise materially interfere with, the issuance of any approval by the FCC or any State PUC included in the Seller Required Consents and Authorizations.

5.23 Transactions with Related Parties. Except (a) for standard confidentiality, assignment of invention and non-competition agreements, employment agreements and the Organizational Documents of Seller, and (b) as set forth in Section 5.23 of the Disclosure Schedule, neither any present officer, manager or member of Seller, or any other Person that, to the Knowledge of Seller, is an Affiliate of any of the foregoing, is currently a party to any transaction or Contractual Obligation with Seller, including without limitation, any loan, extension of credit or arrangement for the extension of credit, any Contractual Obligation providing for the employment of, furnishing of services by, rental or sale of assets from or to, or otherwise requiring payments to or from, any such officer, director, shareholder or Affiliate. No officer, manager or Key Principal of Seller, nor, to the Knowledge of Seller, any of their respective Affiliates, has any interest in any competitor, supplier or customer of Seller, except for immaterial interests in publicly held companies.

5.24 Privacy and Data Protection.

(a) With respect to the Business, Seller has established, implemented, updated, maintained and diligently enforced such policies, programs, procedures, contracts and systems with respect to the collection, use, storage, transfer, retention, deletion, destruction, disclosure and other forms of processing of any and all data and information ("Company Data") including, without limitation, any and all data or information collected, used, stored, transferred, retained, deleted, destroyed, disclosed or processed with respect to any of its customers or prospective customers ("Customer Data") as consistent and compliant with accepted industry practice and standards as are known in the information security industry to protect, physically and electronically, information and assets from unauthorized disclosure, access, use, dissemination or modification, including but not limited to the current publication of the National Institute of Standards and Technology data security guidelines; and

(b) With respect to the Business, Seller is not a party to or the subject of any pending or, to the Knowledge of Seller, threatened Proceeding, which involves or relates to a claim against Seller of any breach, misappropriation, unauthorized disclosure, access, use, dissemination, modification or any similar violation or infringement of any Company Data including, without limitation, any Customer Data.

(c) Seller does not have any Knowledge of any actual, suspected or threatened (i) breach, misappropriation, or unauthorized disclosure, access, use, dissemination or modification of any Company Data including, without limitation any Customer Data; or (ii) breach or violation of any of the policies, programs, procedures, contracts and systems described in Section 5.24(a) above.

5.25 Acquisition of Parent Shares. Seller is an accredited investor within the meaning of Rule 501(a) of Regulation D promulgated under the Securities Act. Seller is acquiring the Parent Shares issued as partial payment of the Purchase Price hereunder, and any Additional Parent Shares (as defined in the Lock-Up Agreement), for investment purposes only and, except as contemplated by this Agreement or the Lock-Up Agreement, not with a view to, or for resale in connection with, any distribution of shares nor with any present intention of dividing its participation with others. Seller understands that the Parent Shares (and any Additional Parent Shares, if applicable) have not been registered under the Securities Act by reason of a specific exemption under the provisions of the Securities Act in reliance on Seller's representations contained herein and that, as such, the Parent Shares are "restricted securities." Seller acknowledges and understands that Buyer Parent is under no obligation to register the Parent Shares (or any Additional Parent Shares) for public sale in the future, that any sales made publicly under Rule 144 of the Securities Act (the "Rule") can only be made in accordance with the procedures of that Rule, and that any other resale of the Parent Shares or Additional Parent Shares may require compliance with some other exemption from registration under the Securities Act. Seller further acknowledges that if an exemption from registration under the Securities Act is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Parent Shares and Additional Parent Shares, and requirements relating to Buyer Parent which are outside of Seller's control, and which Buyer Parent is under no obligation and may not be able to satisfy. Seller has such knowledge and experience in financial and business matters that it is fully capable of evaluating the merits and risks of an investment in the Parent Shares and Additional Parent Shares. Seller also agrees that

all Parent Shares issued hereunder will be subject to the Lock-Up Agreement. Seller agrees that appropriate legends may be placed on and stop transfer orders may be placed against any certificate(s) representing the Parent Shares. Nothing in the preceding provisions shall in any way place any restrictions on the ability of Seller or any permitted transferees of Seller from transferring the Parent Shares or Additional Parent Shares to Buyer Parent pursuant to the terms of the Lock-Up Agreement.

5.26 DISCLAIMER OF OTHER REPRESENTATIONS AND WARRANTIES. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, SELLER MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AT LAW OR IN EQUITY, IN RESPECT OF ANY OF ITS ASSETS (INCLUDING, WITHOUT LIMITATION, THE PURCHASED ASSETS), LIABILITIES OR OPERATIONS (INCLUDING, WITHOUT LIMITATION, THE BUSINESS), INCLUDING, WITHOUT LIMITATION, WITH RESPECT TO MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, AND ANY SUCH OTHER REPRESENTATIONS OR WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED.

ARTICLE VI

Representations and Warranties of Buyer Parties.

In order to induce Seller to enter into and perform this Agreement and to consummate the transactions contemplated hereunder, the Buyer Parties, jointly and severally, hereby make the following representations and warranties to Seller as of the date hereof and as of the Closing Date.

6.1 Organization and Good Standing. Each of the Buyer Parties is a New York corporation duly organized, validly existing and in good standing under the laws of the State of New York, with full corporate power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted. Each Buyer Party is duly qualified or licensed to do business as a foreign Person in which the character of such Buyer Party's properties or the nature of such Buyer Party's activities require it to be qualified in order to conduct its respective business activities.

6.2 Due Authorization; No Conflict.

(a) Each of the Buyer Parties has full corporate power and authority to execute, deliver and perform this Agreement and all other Transaction Documents to which it is a party, to consummate the transactions contemplated hereby and thereby and to perform its obligations hereunder and thereunder. The execution, delivery and performance by each of the Buyer Parties of this Agreement and all other Transaction Documents to which it is a party have been duly authorized by all necessary corporate action. This Agreement, and all other Transaction Documents executed or to be executed by a Buyer Party, as applicable in connection herewith, constitute or, when executed and delivered, shall constitute, a legal, valid and binding Contractual Obligation of such Buyer Party, as applicable enforceable against such Buyer Party in accordance with its terms.

(b) Except for the PSC Approval (collectively, the "Buyer Required Consents

and Authorizations"), the execution and delivery by each of the Buyer Parties of this Agreement and the Transaction Documents to which it is a party, the performance by each of the Buyer Parties of its obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby, shall not (with or without notice or lapse of time): (i) violate, conflict with, result in a breach of the terms or conditions of, or constitute a default, an event of default or an event creating rights of acceleration, termination or cancellation or a loss of rights under, (A) any Contractual Obligation to which either Buyer Party is a party or by which either Buyer Party's respective assets is subject or by which either Buyer Party is bound, or (C) any Law, Governmental Authorization or Governmental Order applicable to either Buyer Party, a Buyer's Party's respective assets or business; (ii) contravene the Organizational Documents of either of the Buyer Parties; (iii) require either of the Buyer Parties to make any declaration, filing or registration with, or provide any notice to, any Governmental Authority or obtain any Governmental Authorization, (iv) require any consent, approval or authorization of, declaration, filing or registration with, or notice to, any other Person; or (v) cause Seller to have any Liability for any Tax properly due from either of the Buyer Parties.

6.3 No Brokers. Neither of the Buyer Parties, nor any Person acting on behalf of either of the Buyer Parties has paid or become obligated to pay any fee or commission to any broker, finder or intermediary for or on account of the transactions contemplated by this Agreement.

6.4 Litigation. There is no Proceeding pending or, to the Knowledge of the Buyer Parties, threatened (a) against either of the Buyer Parties which, if adversely determined, would have a material adverse effect on the assets, business or financial condition of either of the Buyer Parties or (b) which seeks to prohibit, restrict or delay consummation of the transactions contemplated by this Agreement or any of the conditions to consummation of such transactions. There is no Governmental Order outstanding or, to the Knowledge of either of the Buyer Parties, threatened (i) against either of the Buyer Parties or their respective assets or business, or (ii) which seeks to prohibit, restrict or delay consummation of the transactions contemplated by this Agreement or any of the conditions to consummation of such transactions.

6.5 Capitalization.

(a) The authorized capital stock of Buyer Parent consists of 10,000,000 shares of Parent Common Stock, of which 5,482,774 are issued and outstanding as of the date of this Agreement; and 10,000,000 shares of Preferred Stock, par value $100.00 per share, of which 5,000 shares are issued and outstanding as of the date of this Agreement. Except as disclosed in the Parent SEC Documents, there are no other outstanding (w) shares of capital stock or other voting securities of Buyer Parent, (x) securities convertible into or exchangeable for shares of capital stock or voting securities of Buyer Parent, (y) options, warrants, conversion privileges, rights of first refusal, contracts, understandings, agreements or other rights to purchase or acquire from Buyer Parent, and, no obligations of Buyer Parent to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of Buyer Parent, other than options and other securities issued or that may be issued under option plans and other benefit plans disclosed in the Parent SEC Documents and (z) equity equivalent interests in the ownership or earnings of Buyer Parent or other similar rights.

(b) The Parent Shares that may be issued pursuant to this Agreement and the

Additional Parent Shares that may be issued pursuant to the Lock-Up Agreement have been duly authorized and, upon issuance pursuant to this Agreement, will be validly issued, fully paid and non-assessable, will be issued in compliance with all applicable federal and state securities laws, and will be issued free of any preemptive rights, liens or restrictions other than those imposed pursuant to the Securities Act and the Lock-Up Agreement. Buyer Parent owns all of the issued and outstanding capital stock of Buyer.

6.6 SEC Filings. Buyer Parent has filed with the Securities and Exchange Commission (the "SEC"), at or prior to the time due, all forms, reports, schedules, registration statements and definitive proxy statements required to be filed by it with the SEC for the three (3) years preceding the date hereof (together with all information incorporated therein by reference, the "Parent SEC Documents"). As of their respective dates, the Parent SEC Documents complied in all material respects with the requirements of the Exchange Act or the Securities Act, as the case may be, and the rules and regulations of the SEC thereunder applicable to such Parent SEC Documents. As of their respective dates and as of the Closing Date, the Parent SEC Documents did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except to the extent that information in any Parent SEC Document has been revised or superseded by a subsequently filed document filed prior to the date hereof with the SEC. Since the last day of the quarter end reported upon by Buyer Parent by the filing with the SEC of Buyer Parent's most recent Quarterly Report on Form 10-Q, with respect to any Buyer Party, there has not been any change, effect, event, occurrence, state of facts or development that, individually or in the aggregate, has had or could reasonably be expected to have a material adverse effect on Buyer Parent or any other Buyer Party. As of the date hereof, there are no outstanding or unresolved comments in comment letters received from the SEC staff with respect to any of the Parent SEC Documents.

6.7 Compliance With Laws.

(a) Each of the Buyer Parties is in compliance with all applicable Laws and, to the Knowledge of each of the Buyer Parties, there is no basis for any Proceeding arising out of or in connection therewith. Neither Buyer Party has received any written or, to the Knowledge of the Buyer Parties, oral notice of any violation of any Law, and neither Buyer Party is a party to any settlement agreement or consent decree with continuing obligations or restrictions on either Buyer Party.

(b) Neither Buyer Party nor, to the Knowledge of the Buyer Parties, any managers, officers, employees, or agents of a Buyer Party, has directly or indirectly, overtly or covertly, in violation of any Law in connection with the business of either Buyer Party (i) made, or agreed to make, any contribution, gift, bribe, rebate, payoff, influence payment, kickback or other payment to any Person (including, in the case of an individual, any family members of such Person and in the case of an entity, any Affiliates of such entity), regardless of form, whether in money, property or services, including (A) to obtain favorable treatment in securing business, (B) to pay for favorable treatment for business secured, or (C) to obtain special concessions or pay for special concessions already obtained for or in respect of a Buyer Party, or (ii) established or maintained any fund or asset that has not been recorded in the books and records of such Buyer Party.

6.8 Financial Statements. Each of the financial statements of Buyer Parent (including the related notes) included or incorporated by reference in the Parent SEC Documents (including any similar documents filed after the date of this Agreement) comply as to form and content in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with GAAP (except, in the case of unaudited statements, as permitted in Form 10-Q under the rules and regulations of the SEC) applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto), were prepared in accordance with the books and records of Buyer Parties, which books and records are correct and complete in all material respects, and fairly and accurately present the consolidated financial position of Buyer Parent and its consolidated subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject to normal year-end adjustments in the case of any unaudited interim financial statements). Except as and to the extent reflected in, reserved against or otherwise disclosed in the financial statements of Buyer Parent included or incorporated by reference in the Buyer Parent's most recent Quarterly Report on Form 10-Q filed with the SEC, Buyer Parties are not subject to any Liability required under GAAP to be disclosed on such financial statements or the notes thereto, whether absolute, contingent, accrued or otherwise, other than Liabilities that have arisen in the Ordinary Course of Business since such date and that individually, or in the aggregate, are not material.

6.9 Governmental Authorizations.

(a) Each Buyer Party owns, holds or possesses all Governmental Authorizations which are necessary to entitle such Buyer Party to own or lease, operate and use its assets and to carry on and conduct its business as currently conducted. Neither of the Buyer Parties, nor any of their respective officers, managers, directors or employees has been a party to or subject to any Proceeding seeking to revoke, suspend or otherwise limit any of such Governmental Authorization.

(b) The Buyer Parties have not received any written or, to the Knowledge of the Buyer Parties, oral notice from any Governmental Authority that any of their respective properties, facilities, equipment, operations or business procedures or practices fails to comply with any applicable Law or Governmental Authorization. The Buyer Parties are is not in breach or violation of, and there is no pending, or to the Knowledge of either of the Buyer Parties, threatened, Proceeding or Governmental Order with respect to, any of the Buyer's Governmental Authorizations. Neither of the Buyer Parties has received any written notice of any Proceeding, including, but not limited to, any Proceeding initiated, pending or recommended by any Governmental Authority having jurisdiction over Buyer's Governmental Authorizations to revoke, withdraw or suspend any such Buyer's Governmental Authorization. No event has occurred that, with or without notice or the passage of time, would constitute a breach or violation of, or would constitute grounds for a Proceeding or Governmental Order with respect to any of Buyer's Governmental Authorizations.

6.10 Taxes. Subject to properly granted extensions, the Buyer Parties have filed all federal, state, county and local Tax Returns which are required to be filed prior to the date of this Agreement and have paid or have reserved for the payment of all Taxes which have become due and payable. All such Tax Returns are complete and accurate and disclose all Taxes required to be paid. The Buyer Parties have not waived or been requested to waive any statute of limitations

in respect of Taxes. All m onies required to be withheld by the Buyer Parties (including from employees for income Taxes and social security and other payroll Taxes) have been collected or withheld, and eith er p aid to th e respective taxing autho rities, set as ide in accou nts for su ch purpose, or accrued, reserved ag ainst and en tered upon the books of Buyer Parties. No examination or audit of any Tax Return is curr ently in progress and no Governm ental Authority is asserting, or has threatened in writing to assert, against Buyer Parties any deficiency, proposed deficiency or claim for additional Taxes or any adjustment thereof with respect to any period for which a Tax Return has been filed, for which Tax Returns have not yet been filed or for which Taxes are not yet due and payable.

6.11 DISCLAIMER OF OT HER R EPRESENTATIONS AND W ARRANTIES. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, THE BUYE R PARTIE S MAKE NO REPRESENTATION OR WARRANTY , E XPRESS OR IMPLIED, AT LAW OR IN EQUIT Y, IN RES PECT OF ANY OF IT S AS SETS, LIABILI TIES OR OPER ATIONS, INCLUDING, W ITHOUT LIMITATION, W ITH RESPE CT TO MERCHANT ABILITY OR FITNESS FOR ANY P ARTICULAR PUR POSE, AND ANY SUCH OTHER REPRESENTATIONS OR WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED.

ARTICLE VII

Covenants and Agreements.

7.1 Buyer's Investigation.

(a) Prior to th e Closing Date, the Buyer Parties shall be entitled, u pon reasonable request and at its own expense, throu gh its em ployees and representatives, including without limitation, its attorneys to perform a due diligence investigation of the assets, properties, Business a nd opera tions of Selle r. The Buyer Parties sh all be pe rmitted rea sonable acc ess to Seller's prem ises, the Leased Prem ises, books and records of Seller, including, without limitation, the opportunity to obser ve and verify the Purchased A ssets. Any such investigation and review shall be conducted at reasonable times and under reasonable circum stances. The Buyer Parties agree that any such investigation or review shall not unreasonably interfere wit h the ongoing operations of Seller. Seller shall cooperate with all reasonable requests and shall use reasonable efforts to cause its officers, em ployees, consultants, agents, accountants and attorneys to cooperate with such review and investigation.

(b) Prior to the Closing Date, the Buyer Par ties shall be entitled to m eet with Seller's em ployees (but, for avoidance of doubt, not Seller's custom ers) related to the Business in order to introduce such em ployees to Buyer, complete paperwork for background checks and provide em ployee benefits orientation (c ollectively, the "P re-Closing Activities"). The Buyer Parties shall coordinate the conduct of the Pre-Closing Activities with Seller and the Pre-Closing Activities s hall be cond ucted at m utually agree able tim es. Meetings with em ployees of Seller shall be conducted so as to m inimize interfer ence with the perform ance of such em ployee's duties to Seller. Seller shall use commercially reasonable effort s to cooperate with the Buyer Parties in completing the Pre-Closing Activities prior to the Closing Date.

(c) The Parties shall adhere to the term s and conditions of the C onfidentiality Agreement; provided, however, Buyer's ob ligations under the Confidentiality Agreem ent shall

terminate upon the Closing. In the event this Agreement is terminated for any reason, upon the written request of Seller, Buyer shall promptly return to Seller, or destroy, any such information in its possession and certify in writing to Seller that it has done so. The provisions of this Section 7.1(c) shall survive the termination of this Agreement.

7.2 Consents of Third Parties; Governmental Authorizations. The Parties shall use commercially reasonable efforts to seek and secure, before the Closing Date, all Governmental Authorizations, all other declarations, filings or registrations with, or notices to, any Governmental Authority and all consents, approvals or authorizations of, declarations, filings or registrations with, or notices to, any other Person, including, without limitation, all Seller Required Consents and Authorizations and all Buyer Required Consents and Authorizations, in each case in form and substance reasonably satisfactory to Buyer and Seller.

7.3 Operations of the Business Prior to the Closing. During the period prior to the Closing Date, except as contemplated by this Agreement, Seller shall operate and carry on the Business only in the Ordinary Course of Business. Consistent with the foregoing, Seller shall (a) keep and maintain the Purchased Assets in good operating condition and repair subject to normal wear and tear; (b) use its commercially reasonable efforts consistent with good business practice to maintain the Business intact and to preserve the goodwill of the suppliers, licensors, employees, customers, distributors and others having business relations with Seller; (c) maintain (except for expiration due to lapse of time) all Assigned Contracts in effect without change, except those Assigned Contracts which expire or terminate by their terms or as otherwise expressly provided herein; (d) comply in all material respects with the provisions of all Laws applicable to Seller, the Purchased Assets and the conduct of the Business; (e) not cancel, release, waive or compromise any Debt in its favor other than in connection with returns for credit or replacement in the Ordinary Course of Business; (f) not alter the rate or basis of compensation of any of its officers, directors or employees related to the Business other than in the Ordinary Course of Business or establish, alter or amend any Employee Plan other than as required by Law; (g) not enter into any new material Contractual Obligation, other than in the Ordinary Course of Business; (h) not enter into any Contractual Obligations with respect to capital leases, without Buyer's prior written approval, which approval shall not be unreasonably withheld; (i) not sell, lease or otherwise dispose of any properties or assets, except in the Ordinary Course of Business; (j) not enter into any Contractual Obligation with any member of Seller or any Affiliate of any such member; (k) not take any action to change accounting policies, estimates or procedures (including, without limitation, procedures with respect to revenue recognition, payments of accounts payable and collection of accounts receivable); and (l) not take or omit to take any action that would cause the representations and warranties in Section 5.4 to be untrue at, or as of any time prior to, the Closing Date.

7.4 Notification of Certain Matters. From the date of this Agreement until the Closing Date, Seller shall give Buyer prompt written notice upon becoming aware of any material development affecting the Purchased Assets, the Assumed Liabilities, the Business, financial condition, operations or prospects of Seller, or any event or circumstance that could reasonably be expected to result in a breach of, or inaccuracy in, any representation or warranty contained in Article V; provided, however, that no such disclosure shall be deemed to prevent or cure any such breach of, or inaccuracy in, amend or supplement any Schedule to, or otherwise disclose any exception to, any of the representations and warranties of Seller set forth in this Agreement. Seller shall prepare and furnish to Buyer, promptly after becoming available and in

any event within 30 days of the end of each calendar month, the unaudited balance sheet of Seller as of the end of such month and the related unaudited statement of income for the year-to-date period then ended, with respect to each month ending after the date of this Agreement through the Closing Date.

7.5 No Solicitation. From the date of this Agreement until the earlier of the Closing Date or the date of the termination of this Agreement pursuant to Article X, neither Seller nor any Key Principal shall, nor shall Seller or any Key Principal authorize or permit any officer, manager, employee, investment banker, attorney or other adviser or representative of Seller to: (a) solicit, initiate or encourage the submission of, any Acquisition Proposal (as hereinafter defined), (b) enter into any agreement with respect to any Acquisition Proposal or (c) participate in any discussions or negotiations regarding, or furnish to any Person any information for the purpose of facilitating the making of, or take any other action to facilitate any inquiries or the making of, any proposal that constitutes, or may reasonably be expected to lead to, any Acquisition Proposal. Seller shall promptly advise Buyer of any Acquisition Proposal and any inquiries with respect to any Acquisition Proposal. For purposes of this Section 7.5, "Acquisition Proposal" means any proposal for a merger or other business combination involving Seller or any proposal or offer to acquire in any manner, directly or indirectly, an equity interest in Seller, any voting securities of Seller or a substantial portion of the assets of Seller.

7.6 Satisfaction of Closing Conditions. Seller and the Buyer Parties shall, and shall cause their respective representatives to, use commercially reasonable efforts to take all of the actions necessary to consummate the transactions hereunder including delivering all the various certificates, documents and instruments described in Article VIII and Article IX hereto, as the case may be.

7.7 Employee Matters.

(a) At the Closing, Buyer Parent will enter into an Employment Agreement, in substantially the form attached hereto as Exhibit 7.7(a)(i), with each of the Key Employees (collectively, the "Employment Agreements"). In addition, at the Closing, Buyer will enter into a Consulting Agreement, in substantially the form attached hereto as Exhibit 7.7(a)(ii), with William Bumbernick (the "Consulting Agreement").

(b) Except for the Key Principals and after good faith consultation with Key Principals regarding the operation of the Business by Buyer following Closing, Buyer shall have the right, but not the obligation, to offer employment, on an at will basis, effective on the Closing Date, to any or all employees of Seller with respect to the Business. In no event shall Buyer be obligated to hire or retain any employee of Seller for any period following the Closing; provided that Buyer agrees that any employees so hired shall be hired at starting salaries or hourly wage amounts no less than their current salaries or hourly wage amounts, as set forth on Section 5.15(a) of the Disclosure Schedule. Prior to the Closing, Buyer shall provide Seller with notice of Seller's employees with respect to the Business that Buyer intends to offer employment (the "Business Employees"). With respect to any Business Employees hired by Buyer, Buyer shall recognize and honor, subject to and in accordance with Buyer's vacation policies, the unused and scheduled vacation schedule, as of the Closing Date, for all of such hired Business Employees, as set forth on a schedule delivered by Seller to Buyer on the Closing Date (the "Accrued Vacation

Credit"), the dollar value of which shall be included as a Liability in the Closing Date Working Capital Statement. Upon reasonable request by Buyer, Seller shall cooperate with and shall not impair Buyer's efforts to obtain the employment of such Business Employees. Buyer and Buyer Parent agree that, for a period of three (3) years after the Closing, they will not (a) relocate Buyer's location for operating the Business from the Center City, Philadelphia, Pennsylvania area or (b) make it reasonably necessary for any Business Employee hired by Seller to relocate his or her residence from the greater Philadelphia, Pennsylvania area in order to perform services as an employee of Buyer.

(c) At the time of Closing, Seller's employment of the Key Employees and all of the Business Employees shall cease, and Seller shall pay to all such Key Employees and Business Employees (and any of its other employees) all amounts earned or accrued for wages, commissions, salaries, bonuses, holiday and vacation pay (except as otherwise provided in Section 7.7(b) with respect to the Accrued Vacation Credit), and past service claims as of the Closing Date. Seller shall make and remit, for all periods through and including the Closing Date, all proper deductions, remittances and contributions for employees' wages, commissions and salaries required under all Contractual Obligations and Laws (including, without limitation, for health, hospital and medical insurance, group life insurance, pension plans, workers' compensation, unemployment insurance, income tax, FICA taxes and the like) and, wherever required by such Contractual Obligations and/or Laws, all proper deductions and contributions from its own funds for such purposes. Seller shall be responsible for all Liabilities arising out of or based upon the termination of any of Seller's employees (including the Key Employees and Business Employees), including, without limitation, any severance pay obligations of Seller or its Affiliates. Seller shall comply with all provisions of the WARN Act and all similar Laws, including but not limited to all notification requirements and any severance or other payment obligations under such Laws. However, Buyer acknowledges that Buyer will be responsible for offering COBRA continuation coverage to any "M&A qualified beneficiaries" who become entitled to COBRA continuation coverage as a result of the transactions contemplated by this Agreement, in accordance with Section 54.4980B-9 of the Treasury Regulations.

(d) Whether or not Buyer hires on or after the Closing Date any employees of Seller, Seller shall be responsible for all compensation and benefits (including salary, bonus, accrued vacation (except as otherwise provided in Section 7.7(b) with respect to the Accrued Vacation Credit), any benefits attributable to compensation and service earned prior to the Closing, and sick pay) accruing prior to the Closing Date. Without limiting the generality of Section 3.2, Buyer is not assuming any obligations or Liability (i) to any of Seller's employees for sick or vacation pay or other benefits (except as otherwise provided in Section 7.7(b) with respect to the Accrued Vacation Credit), or (ii) under any Company Benefit Plan, it being acknowledged, however, that Buyer shall be obligated to offer COBRA continuation coverage to M&A qualified beneficiaries as described in Section 7.7(c). Seller shall retain all Liability and responsibility for its Company Benefit Plans, and shall ensure that such Company Benefit Plans are duly and properly terminated with all benefits paid out to participants and beneficiaries in accordance with the terms of such Company Benefit Plans.

(e) At the request of Buyer prior to the Closing, Seller shall continue its health care coverage for a period not to exceed the remainder of the calendar month in which the Closing occurs for those Key Principals and Business Employees hired by Buyer. Seller shall bear the insurance premiums for such period (less the amount paid by covered employees in

keeping with Seller's usual practices) and the pro rated amount for such insurance premiums shall be taken into account pursuant to Section 7.12 hereof and reflected on the Closing Date Working Capital Statement.

(f) Nothing contained herein shall (i) be treated as an amendment to any particular Employee Plan of Buyer or Seller, (ii) obligate Buyer or any of its Affiliates to (A) maintain any particular Employee Plan or (B) retain the employment of any particular employee, (iii) prevent Buyer or any of its Affiliates from amending or terminating any Employee Plan, or (iv) give any third party the right to enforce any of the provisions of this Agreement.

7.8 Further Assurances. From and after the Closing Date, upon the request of either Seller or Buyer, each of the Parties shall do, execute, acknowledge and deliver all such further acts, assurances, deeds, assignments, transfers, conveyances and other instruments and papers as may be commercially reasonable to carry out the transactions contemplated hereunder. Seller shall not take any action that is designed or intended to have the effect of discouraging any lessor, licensor, supplier, distributor or customer of Seller or other Person with whom Seller has a relationship from maintaining the same relationship with Buyer after the Closing as it maintained with Seller prior to the Closing. Seller shall refer all customer inquiries relating to the Business to Buyer from and after the Closing.

7.9 Transfer of Warranties. As of the Closing Date, to the extent assignable, Seller shall be deemed to have assigned to Buyer all of its right, title and interest in and to warranties (express and implied) that continue in effect with respect to any of the Purchased Assets, and to have nominated Buyer as Seller's true and lawful attorney to enforce such warranties against such manufacturers, and Seller shall execute and deliver such specific assignments of such warranty rights as Buyer may reasonably request.

7.10 Bulk Sales Laws. Prior to Closing, Buyer and Seller shall deliver all notices, and make filings, with any Governmental Authorities as may be required pursuant to the Laws governing "bulk sales" of assets. Notwithstanding any other provision hereof to the contrary, if after receiving notice, pursuant to the Laws governing "bulk sales" of assets, of the purchase transaction contemplated hereby, any Governmental Authority notifies Buyer of a potential claim against Seller, for Taxes or other amounts due, and advises Buyer that Buyer will be liable for such claim, then Buyer shall place any amounts otherwise due Seller hereunder, up to the potential amount of the claim, in escrow with the Escrow Agent pursuant to the Escrow Agreement. Such amounts shall be held in escrow until Buyer is notified by the applicable Governmental Authority of the amount due. Any amounts due to the Governmental Authority shall be paid from the amount held in escrow and the remaining amount held in escrow, if any, shall be paid promptly to Seller.

7.11 Use of Name; Telephone Numbers. In furtherance of the purchase and sale of the Purchased Assets hereunder, immediately upon the Closing Seller shall cause Seller's company name to be changed to a name completely dissimilar to "Alteva, LLC", and thereafter shall not adopt, use, cause to be used, or approve or sanction the use of such name, or any name so similar as to cause confusion therewith, or any other trade name or assumed name listed in Schedule 2.1(f). After the Closing, upon the request of Buyer, Seller shall file such other documents as may be necessary to terminate Seller's use of any trade name or assumed name identified on Schedule 2.1(f). Promptly after the Closing, Seller shall discontinue use of its existing business telephone numbers and, along with Buyer, shall take all reasonable action (at

no cost to Seller) and sign all documents as may be reasonably necessary to make such telephone numbers available for use by Buyer. Notwithstanding the provisions of this Section 7.11, Buyer acknowledges that Seller's employees, including all Key Principals, shall be permitted to announce or reflect on their respective resumes, curriculum vitae and other factual references the fact of their previous association with and achievements on behalf of Seller (including, with respect to the Key Principals, their role as founding members of Seller).

7.12 Prorations. Personal property, ad valorem, use and intangible Taxes and assessments, common area maintenance charges, utility charges and rental payments with respect to the Purchased Assets and the Leased Premises and, to the extent applicable pursuant to Section 7.7(e), health insurance premiums for the calendar month during which Closing occurs (collectively, "Charges") shall be prorated on a per diem basis and apportioned on a calendar year basis between Seller, on the one hand, and Buyer, on the other hand, as of the date of the Closing. Seller shall be liable for that portion of such Charges relating to, or arising in respect of, periods on or prior to the Closing Date, and Buyer shall be liable for that portion of such Charges relating to, or arising in respect of, any period after the Closing Date.

7.13 Representation and Warranty Insurance. Prior to Closing, Buyer shall obtain from an insurer acceptable to Buyer in its sole discretion a Representation and Warranty Liability Insurance policy or policies in form acceptable to Buyer in its sole discretion, insuring against the breach by Seller of its representations or warranties set forth in this Agreement (the "Representation and Warranty Insurance"), which policy shall have limits of not less than $5,000,000 in the aggregate, shall have a retention or deductible of no more than $150,000 in the aggregate and shall contain only those exclusions as are acceptable to Buyer. The Representation and Warranty Insurance shall name the Buyer Indemnitees as insureds. Seller agrees to reimburse and pay to Buyer an amount equal to 50 percent of the aggregate amount of the premium and underwriting fee for the Representation and Warranty Insurance (provided, however, that the amount that Seller shall pay to Buyer with respect to the Representation and Warranty Insurance shall not exceed $125,000), which amount shall be deducted from the Purchase Price pursuant to 3.2(a).

7.14 Restrictive Covenants. Seller and, by their respective joinder in the execution hereof, Key Principals, acknowledge that Buyer and Seller are engaged in a highly competitive industry, that Seller and each of the Key Principals have knowledge of the operations of the Business, and that details of the operations of the Business constitute valuable confidential information, the disclosure of which to a competitor would diminish the value of the Purchased Assets being purchased hereunder. Seller and each of the Key Principals further acknowledge that the usual and natural territory of the Business is and has been the area within the states of Pennsylvania, New Jersey, New York, Delaware, Maryland, Connecticut, Rhode Island and Massachusetts (the "Territory"), and that the value of the Purchased Assets being purchased hereunder would be seriously diminished if Seller or any Key Principal were to compete with Buyer in the Territory. Buyer and the Key Principals acknowledge that the non-solicitation and non-competition covenants applicable to the Key Principals shall be exclusively set forth in their respective Employment Agreements or Consulting Agreement, as applicable, upon the consummation of Closing hereunder and, for such Key Principals, such non-solicitation and non-competition covenants shall supersede and be in lieu of the non-solicitation and non-competition covenants set forth in subsections (b), (c) and (d), below (provided, however, that the provisions of subsection (a) shall apply to the Key Principals, in addition to any covenants set forth in their

respective Employment Agreements and Consulting Agreement). Therefore, Seller, for itself and its Affiliates other than any Key Principal who may be an Affiliate (collectively, the "Restricted Persons"), and the Key Principals covenant upon the consummation of Closing that:

(a) the Restricted Persons and the Key Principals will not at any time disclose, either directly or indirectly, any information concerning the customers, suppliers, price lists, catalogs, products, operations, sales techniques or other Business-related information of Seller (except information pertaining solely to the Excluded Assets) to any Person not specifically authorized in writing by Buyer to have such information; and

(b) for a period of three (3) years from and after the Closing Date (the "Restricted Period"), the Restricted Persons will not, directly or indirectly, solicit in any manner the business of any Person which is a customer of Seller on the date hereof, with respect to products or services which are similar to or competitive with the products or services offered by Seller prior to the date hereof; and

(c) during the Restricted Period, the Restricted Persons will not, directly or indirectly employ, or knowingly permit any Person directly or indirectly controlled by a Restricted Person, to employ, any person who was employed by Seller on the date hereof and who becomes an employee of a Buyer Party or an Affiliate of a Buyer Party, or in any manner to seek to induce any such Person to leave his employment with a Buyer Party or its Affiliate; and

(d) during the Restricted Period, the Restricted Persons will not, directly or indirectly, compete with Buyer or become an interested party, as shareholder, director, employee, partner, investor or otherwise, in any Person which competes with Buyer within the Territory, for any business purpose competitive with the Business. Notwithstanding the provisions of this Section 7.14, the beneficial ownership of less than five percent (5%) of the shares of stock of any corporation having a class of equity securities actively traded on a national securities exchange or over-the-counter market and not formed for the purpose of circumventing this Section 7.14 shall not be deemed to violate the provisions of this Section 7.14.

Seller and each of the Key Principals acknowledge that the foregoing restrictive covenants and the restrictive covenants set forth in the respective Employment Agreements and Consulting Agreement, as applicable, are necessary to preserve the value of the Purchased Assets being purchased hereunder, are essential elements of this Agreement and the transactions contemplated hereby and are reasonable notwithstanding the expense or hardship they may impose on it or him, and Seller and each of the Key Principals agree that they have each received fair and adequate consideration for making such restrictive covenants. Seller and each of the Key Principals agree that if any of the provisions of this Section 7.14 are or become unenforceable, the remainder of this Section 7.14 shall nevertheless remain binding to the fullest extent possible, taking into consideration the purposes and spirit of hereof. The Parties agree and acknowledge that the breach of this Section 7.14 will cause irreparable damage to the Buyer Parties and upon breach of any provision of this Section 7.14, the Buyer Parties shall be entitled to injunctive relief, specific performance or other equitable relief, provided, however, that the foregoing remedies shall in no way limit any other remedies which either Buyer Party may have (including, without limitation, the right to seek monetary damages), and in any event, Seller and each of the Key Principals shall be liable for and pay any and all reasonable expenses (including reasonable attorneys' fees and expenses) incurred by the Buyer Parties in successfully enforcing the terms of this Section

7.14 on account of any such breach by them.

(e) Notwithstanding anything to the contrary contained in this Agreement or in the Employment Agreements and Consulting Agreement, in the event Buyer defaults in its payment of any of the Purchase Price or Additional Consideration, when due, under this Agreement, or Buyer Parent defaults in its payment or performance of any of Buyer Parent's obligations under the Lock-Up Agreement, which breach or default continues uncured by Buyer or Buyer Parent, as applicable, for a period of thirty (30) days following written notice of any such breach, the restrictive covenants set forth in Section 7.14(b), Section 7.14(c) and Section 7.14(d) (but expressly excluding Section 7.14(a)) shall be null, void and of no further force and effect and the Restricted Parties shall forever be relieved of all restrictions thereunder.

7.15 Accounts Receivable. During the 120 day period beginning on the day immediately following the Closing Date (the "Collection Period"), Buyer shall use commercially reasonable efforts to collect the accounts receivable of Seller included in the Purchased Assets (but Buyer shall not be obligated to bring collection actions to collect any such accounts from an account debtor). Buyer shall apply amounts received during the Collection Period from customers in payment of accounts receivable existing as of the Closing Date to the specific outstanding invoice to which such payment relates; provided, however, that no such amounts received during the Collection Period and specifically identified as being delivered in payment of an accounts receivable existing as of the Closing Date shall be applied to Buyer's accounts receivable generated following the Closing. If, during the Collection Period, Buyer does not collect in full any of the accounts receivable of Seller included in the Purchased Assets, then Buyer shall deliver to Seller written notice identifying all such accounts receivable that were not so collected ("Uncollected Receivables") and the Uncollected Receivables shall not be included in the value of the accounts receivable of the Company for purposes of calculating the Closing Date Working Capital to be included in the Closing Date Working Capital Statement pursuant to Section 3.4. Upon such adjustment of the value of the accounts receivable (to exclude the Uncollected Receivables) for purposes of calculating the Closing Date Working Capital of Seller as of the Closing Date, Buyer shall assign, without recourse, the Uncollected Receivables to Seller, and Seller shall thereafter be entitled to take reasonable actions to collect, for Seller's benefit, the Uncollected Receivables and, if Buyer thereafter receives any payments with respect to such Uncollected Receivables, it shall promptly remit such payments to Seller.

7.16 Reporting of 2011 Revenues. Seller (and not Buyer) shall file with USAC, when due, FCC Form 499-A for collected revenues received by Seller between January 1, 2011 and the Closing Date, and Seller (and not Buyer) shall be responsible for all Liabilities relating to such filing. Seller (and not Buyer) shall be entitled to any credit or refund resulting from USAC's true-up of the revenues reported on such FCC Form 499-A (a "True-Up Credit"), and if Buyer receives any credit on its account attributable to a True-Up Credit due to Seller, then Buyer shall pay to Seller, within 30 days after receiving such credit, the amount of such credit received by Buyer. Seller covenants and agrees that it will not be dissolved prior to such filing, and shall take all such actions as may be necessary under any applicable Laws or under any applicable rules or policies of USAC to permit Seller to make such filing.

ARTICLE VIII

Conditions to Performance by Buyer.

The obligation of Buyer to consummate the Closing is subject to the fulfillment of each of the following conditions (unless waived by Buyer in accordance with Section 12.4):

8.1 Representations and Warranties. Each of the representations and warranties of Seller contained in this Agreement and in any document, instrument or certificate delivered pursuant to this Agreement, shall be true and correct in all respects (in the case of any representation or warranty qualified by materiality or Material Adverse Effect) or true and correct in all material respects (in the case of any representation or warranty not qualified by materiality or Material Adverse Effect), in either case, as of the date hereof and as of the Closing Date, other than representations and warranties that expressly speak only as of a specific date or time, which shall be true and correct (or true and correct in all material respects, as the case may be) as of such specified date or time.

8.2 Covenants and Agreements. Seller shall have performed and complied in all respects with all of his, her or its respective obligations under this Agreement which are to be performed or complied with by them prior to or at the Closing.

8.3 Compliance Certificate. Seller shall have delivered to Buyer a certificate dated as of the Closing Date, duly executed by an officer of Seller, certifying as to the satisfaction or the conditions set forth in Sections 8.1 and 8.2.

8.4 Absence of Litigation. No Proceeding shall be initiated, pending or threatened, verbally or in writing, nor shall there be any formal or informal inquiry by a Governmental Authority, which may result in a Governmental Order (nor shall there be any Governmental Order in effect) (a) which would prevent consummation of any of the transactions contemplated hereunder, (b) which would result in any of the transactions contemplated hereunder being rescinded following consummation, (c) which would limit or otherwise adversely affect the right of Buyer to operate all or any portion of either the Business or the Purchased Assets or of the business or assets of Buyer or any of its Affiliates, or (d) would compel Buyer or any of its Affiliates to dispose of all or any portion of either the Business or the Purchased Assets or the business or assets of Buyer or any of its Affiliates.

8.5 No Material Adverse Effect. There shall not have occurred after the date of this Agreement any event, change, effect or development that has had or is reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

8.6 Consents and Authorizations. All actions by (including any Governmental Authorization or consents of any other Persons) or in respect of (including notice to), or filings with, any Governmental Authority or other Person that are required to consummate the transactions contemplated hereunder, and identified in Schedule 8.6 (the "Material Consents and Authorizations") shall have been obtained or made in a manner reasonably satisfactory in form and substance to Buyer.

8.7 Release of Encumbrances on the Purchased Assets. Buyer shall have received evidence reasonably satisfactory to it that all Encumbrances on the Purchased Assets, other than Permitted Liens, shall have been released and that termination statements with respect to all UCC financing statements relating to such Encumbrances have been, or shall be promptly following the Closing, filed at the expense of Seller.

8.8 Other Closing Deliveries. Seller shall deliver or shall cause to be delivered to Buyer the following:

(a) Seller's Customer List, updated as of the Closing Date;

(b) lease amendment and assignment documents in a form reasonably acceptable to Buyer and Seller, duly executed by Seller and any other required Persons and in forms satisfactory to Buyer (the "Existing Lease Assignments"), pursuant to which the Existing Leases shall be assumed by Buyer, together with Landlord Estoppel Certificates and Subordination, Non-Disturbance and Attornment Agreements to the extent requested by Buyer;

(c) the Assumption Agreement, duly executed by Seller;

(d) the Consulting Agreement, duly executed by William Bumbernick;

(e) a General Assignment and Bill of Sale, in a form acceptable to Buyer and Seller, duly executed by Seller;

(f) an Employment Agreement, duly executed by each Key Employee;

(g) a certificate of the secretary of Seller, in form and substance reasonably satisfactory to Buyer, certifying that (A) attached thereto is a true, correct and complete copy of (1) the articles or certificate of organization or formation of Seller, certified as of a recent date by the Secretary of State of Seller's state of formation and the operating agreement of Seller, (2) to the extent applicable, resolutions duly adopted by the board of managers and members of Seller authorizing the performance of the transactions contemplated by this Agreement and the execution and delivery of the Transaction Documents to which it is a party and (3) a certificate of existence or good standing, as of a recent date, of Seller from Seller's state of formation and a certificate of good standing, as of a recent date, of Seller from each state in which it is qualified to conduct business, (B) the resolutions referenced in subsection (A)(2) are still in effect and (C) nothing has occurred since the date of the issuance of the certificate(s) referenced in subsection (A)(3) that would adversely affect Seller's existence or good standing in any such jurisdiction;

(h) the Lock-Up Agreement, duly executed by Seller, if the Parent Shares are to be issued at the Closing pursuant to Section 3.2(c);

(i) the Closing Statement, duly executed by a duly authorized officer of Seller;

(j) the schedule reflecting the Accrued Vacation Credit, as required pursuant to Section 7.7(b); and

(k) such other bills of sale, assignments and other instruments of transfer or conveyance, including without limitation, a domain name assignment, trademark assignment and any applicable trade name assignments, duly executed by Seller, as may be reasonably requested by Buyer to effect the sale, conveyance and delivery of the Purchased Assets to Buyer.

8.9 Representation and Warranty Insurance.. Buyer shall have obtained the Representation and Warranty Insurance, pursuant to Section 7.13.

ARTICLE IX

Conditions to Performance by Seller.

The obligations of Seller to consummate the Closing is subject to the fulfillment of each of the following conditions (unless waived by Seller in accordance with Section 12.4):

9.1 Representations and Warranties. Each of the representations and warranties of the Buyer Parties contained in this Agreement shall be true and correct in all respects (in the case of any representation or qualified by materiality) or true and correct in all material respects (in the case of any representation or warranty not qualified by materiality), in either case, as of the date hereof and as of the Closing Date, other than representations and warranties that expressly speak only as of a specific date or time, which shall be true and correct (or true and correct in all material respects, as the case may be) as of such specified date or time.

9.2 Covenants and Agreements. The Buyer Parties shall have performed and complied in all respects with all of its obligations under this Agreement which are to be performed or complied with by them prior to or at the Closing.

9.3 Compliance Certificate. Buyer shall have delivered to Seller a certificate dated as of the Closing Date, duly executed by an officer of each of Buyer and Buyer Parent, certifying as to the satisfaction or the conditions set forth in Sections 9.1 and 9.2.

9.4 Absence of Litigation. No Proceeding shall be pending or threatened in writing which may result in a Governmental Order (nor shall there be any Governmental Order in effect) (a) which would prevent consummation of any of the transactions contemplated hereunder, or (b) which would result in any of the transactions contemplated hereunder being rescinded following consummation.

9.5 Consents and Authorizations. All Material Consents and Authorizations shall have been obtained or made in a manner reasonably satisfactory in form and substance to Seller.

9.6 Representation and Warranty Insurance.. Buyer shall have obtained the Representation and Warranty Insurance, pursuant to Section 7.13.

9.7 Other Closing Deliveries. Subject to the fulfillment or waiver of the conditions set forth in Article VIII, at Closing, Buyer shall (a) pay the Purchase Price to Seller, in the manner provided in Section 3.2, (b) pay the Escrow Amount to the Escrow Agent, (c) pay in full or otherwise arrange for the release of all personal guaranties of Seller's Key Principals' (and their respective spouses) with respect to, all Guaranteed Capital Leases, pursuant to Section 2.3(c), and (d) execute, if applicable, and deliver to Seller (i) the certificate contemplated by Section 9.3, (ii) the Existing Lease Assignments, (iii) the Assumption Agreement, (iv) the Consulting Agreement, (v) the Closing Statement; (vi) the Employment Agreements, duly executed by Buyer Parent, and (vii) the Lock-Up Agreement, if the Parent Shares are to be issued at the Closing pursuant to Section 3.2(c).

ARTICLE X

Termination.

10.1 Termination. Notwithstanding anything contai ned in this Agreem ent to the contrary, this Agreement may be terminated at any time prior to the Closing:

(a) by the mutual written consent of Buyer and Seller;

(b) by either B uyer or Seller, if (i) any Governm ental Authority having competent jurisdiction over any Party hereto sh all have issued a final Governmental Order restraining, enjoining or otherwise prohibiting the transactio ns contemplated by this Agreem ent and such G overnmental Order is or shall have becom e nonappealable or (ii) there shall be adopted any Law that m akes the transactions contemplated by this Agreem ent illegal or otherwise prohibited; provided , however , that the Party seeking to term inate this Agreem ent pursuant to clause (i) above shall not have in itiated such Proceeding or taken an y action in support of such Proceeding and shall have used its reasonable best efforts to challenge such order or other action;

(c) by Buyer, in the event of the inaccuracy in or breach of any representation or warranty of Seller contained in this Agreem ent or if Seller breaches or fails to perform any of its covenants or agreements con tained in th is Agreement and such inaccuracy, breach or failu re to perform (i) would reasonably be expected to give rise to the fa ilure of a condition set forth in Article VIII, (ii) cannot be or has not been cured within 20 Bu siness D ays after the receipt of written notice thereof and (iii) has not been waived by Buyer; provided , that, the right to terminate this Agreement pursuant to this Section 10.1(c) shall not be available if, at the tim e of such purported termination, any Buyer Party has breached or failed to perform in any respect any of its representations, warranties, covenants or agreements contained in this Agreement;

(d) by Seller, in the event of the inaccu racy in or breach of any repres entation or warranty of the Buye r Parties contained in this Agreement or if any Buyer Party breaches or fails to perf orm any of its covenants or agre ements contained in th is Agreem ent and su ch inaccuracy, breach or failure to perform (i) would reasonably be expected to give rise to the failure of a condition set forth in Article IX, (i i) cannot be or has not been cured within 20 Business Days after the rece ipt of written notice thereof and (iii) has not been waived by Seller; provided, that, the right to term inate this Agreement pursuant to this Section 10.1(d) shall not be available if, at the time of such purported termination, Seller has breached or failed to perform in any respect any of its representa tions, warranties, covenants or agreem ents contained in this Agreement; or

(e) by either Buyer or Seller, if the Cl osing has not been consummated on or before August 15, 2011 (the "Closing Date Deadline "); provided , that neither Party m ay terminate this Agreem ent pursuant to this Section 10.1(e) if such Party's breach or failure to perform any of such Party's representations, warra nties, covenants or agreem ents contained in this Agreement shall have been a principal cause of or resulted in the failure of the Closing to be consummated on or before the Closing Date Deadline; provided , however, that in th e event th e Closing has not occurred solely by reason of Section 8.6, Secti on 8.9, Section 9.5 or S ection 9.6, the Closing Date Deadline sha ll au tomatically be extended by an additional 60 days, and the Parties shall continue their efforts pursuant to Sections 7.2 to fulfill the conditions in Section 8.6, Section 8.9, Section 9.5 or Section 9.6 by the earliest practicable date.

10.2 Notice of Termination; Effect of Termination.

(a) The Party desiring to terminate this Agreement pursuant to Sections 10.1(b) through 10.1(e) shall give written notice of such termination to the other Party in accordance with Section 12.7, specifying the provision or provisions hereof pursuant to which such termination is effected. The right of any Party to terminate this Agreement pursuant to Section 10.1 shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Party hereto, whether prior to or after the execution of this Agreement.

(b) In the event of termination of this Agreement pursuant to Section 10.1, this Agreement shall be of no further force or effect; provided, however, (i) the provisions of Section 7.1(c), Article X and Article XII shall survive termination and (ii) any termination pursuant to Section 10.1 shall not relieve any Party of any Liability for breach of any representation, warranty, covenant or agreement hereunder occurring prior to such termination.

10.3 Return of Documentation. Following termination of this Agreement, (a) all filings, applications and other submissions made pursuant to this Agreement or prior to the execution of this Agreement in contemplation hereof shall, to the extent practicable, be withdrawn from the Governmental Authority to which made and (b) Buyer shall return or destroy (and provide proof of such destruction of) all agreements, documents, contracts, instruments, books, records, materials and other information (in any format) regarding Seller provided to Buyer or its representatives in connection with the transactions contemplated hereunder other than as reasonably necessary to enforce its rights under this Agreement. Notwithstanding the foregoing, Buyer shall be permitted to retain one (1) copy of all such information and materials in its law department or with its outside legal counsel, and Buyer shall be permitted to retain such electronic copies of all such information and materials that have become embedded in its electronic data systems through programmed backup procedures.

ARTICLE XI

Indemnification.

11.1 Survival of Representations and Warranties. Except for the representations and warranties contained in Sections 5.2(a), 5.2(b), 5.5(a), 5.7, 5.11 and 5.14 and Sections 6.2 and 6.5(b) (collectively, the "Special Representations"), which shall survive the consummation of the transactions contemplated by this Agreement without limitation, all representations and warranties contained in this Agreement shall survive the consummation of the transactions contemplated by this Agreement for a period of two years from the Closing Date. The right to indemnification, reimbursement or other remedy based upon the representations and warranties of any Party shall not be affected by any investigation conducted with respect to, or any knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of any such representation or warranty. The waiver of any condition based upon the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or obligation, shall not affect the right to indemnification, reimbursement or other remedy based upon such representations, warranties, covenants and obligations.

11.2 Indemnification by Seller. Subject to the terms and conditions of Section 11.4, Section 11.5 and Section 11.6, Seller agrees to indemnify, defend and hold harmless Buyer and Buyer Parent and their respective successors and assigns (each a "Buyer Indemnitee") from or against, for and in respect of, any and all damages, losses, obligations, Liabilities, demands, judgments, injuries, penalties, claims, actions or causes of action, costs, and expenses (including, without limitation, reasonable attorneys', experts' and consultants' fees) (collectively, "Losses") suffered, sustained, incurred or required to be paid by any Buyer Indemnitee arising out of, based upon, in connection with or as a result of:

(a) any inaccuracy in or breach of any representation or warranty made by Seller in or pursuant to this Agreement;

(b) the non-fulfillment, non-performance or other breach of any covenant or agreement to be performed by Seller pursuant to this Agreement;

(c) the Excluded Liabilities or any Liability of any member of Seller;

(d) all Taxes, losses, damages and deficiencies resulting from the Parties' non-compliance with any applicable Laws of the State of Pennsylvania, the State of New Jersey or the State of New York pertaining to "bulk transfers", including, without limitation, the New Jersey Bulk Sales Act, N.J. Stat. §54:48-1 et seq. and Section 1141(c) of Article 28 of the New York Tax Law;

(e) any arrangements or agreements made or alleged to have been made by Seller or any member of Seller with any broker, finder or other agent in connection with the transactions contemplated by this Agreement; or

(f) any matter, item, condition or circumstance listed, contained or otherwise referred to in Section 5.7 of the Disclosure Schedule.

11.3 Indemnification by Buyer Parties. Subject to the terms and conditions of Section 11.4 and Section 11.5, the Buyer Parties, jointly and severally hereby agree to indemnify, defend and hold harmless Seller and their respective successors and assigns (each a "Seller Indemnitee") from or against, for and in respect of, any and all Losses suffered, sustained, incurred or required to by paid by any Seller Indemnitee arising out of, based upon, in connection with or as a result of:

(a) any inaccuracy in or breach of any representation or warranty made by a Buyer Party in or pursuant to this Agreement;

(b) the non-fulfillment, non-performance or other breach of any covenant or agreement to be performed by Buyer or Buyer Parent pursuant to this Agreement;

(c) the Assumed Liabilities; or

(d) the operation of the Business and the Purchased Assets by Buyer following Closing.

11.4 Indemnification Procedures.

(a) Any Party seeking indemnification hereunder (the "Indemnified Party") shall promptly notify the other Party hereto (the "Indemnifying Party", which term shall include all Indemnifying Parties if there be more than one) of any claim for indemnification hereunder (a "Claim"), provided that failure of the Indemnified Party to give such notice shall not relieve the Indemnifying Party of its obligations under this Article XI except to the extent, if at all, that such Indemnifying Party shall have been prejudiced thereby. After an Indemnified Party has delivered a Claim requesting payment from an Indemnifying Party for any Losses, the Indemnifying Party shall, within 30 days of receipt of such Claim, (i) pay to the Indemnified Party, in immediately available funds, the amount of Losses, or (ii) deliver to the Indemnified Party written notice (a "Dispute Notice") advising the Indemnifying Party that it disputes the Claim. If, within 30 days of receipt of a Claim, the Indemnifying Party fails to pay said amount to the Indemnified Party or deliver to the Indemnified Party a Dispute Notice the Indemnifying Party shall be deemed to have accepted and agreed to such Claim (a "Deemed Acceptance") and the Indemnified Party may exercise any and all legal or equitable remedies available to the Indemnified Party under this Agreement or otherwise with respect to such Losses. If, within such 30 day period following receipt of a Claim, the Indemnifying Party delivers a Dispute Notice with respect to the Indemnified Party's Claim, the Indemnifying Party and the Indemnified Party agree that, prior to commencing any litigation or other proceedings against the other concerning such Claim, they will negotiate in good faith to resolve any dispute with respect to such Claim and to provide each other with all relevant information relating to such dispute. If the Indemnifying Party and the Indemnified Party are unable to resolve any such dispute within 30 days of the delivery of a Dispute Notice (or such longer period as the Parties may agree upon), the Indemnifying Party or the Indemnified Party may thereafter commence litigation or other proceedings to resolve such dispute. The successful Party in any such proceeding shall be entitled to reimbursement from the non-successful Party for any and all of the successful Party's costs and expenses including, without limitation, reasonable attorneys' fees, incurred in connection with such proceeding. Notwithstanding anything herein to the contrary, if any Claim relates to a Third Party Claim, the procedures of Section 11.4(b), Section 11.4(c) and Section 11.4(d) shall apply to such Third Party Claim.

(b) If such Claim relates to any Proceeding or demand instituted against the Indemnified Party by a third party (a "Third Party Claim"), the Indemnifying Party shall be entitled to participate in the defense of such Third Party Claim after receipt of notice of such claim from the Indemnified Party. Within 30 days after receipt of notice of a particular matter from the Indemnified Party, the Indemnifying Party may assume the defense of such Third Party Claim, in which case the Indemnifying Party shall have the authority to negotiate, compromise and settle such Third Party Claim, if and only if the following conditions are satisfied:

(i) the Indemnifying Party shall have confirmed in writing that it is obligated hereunder to indemnify the Indemnified Party with respect to such Third Party Claim;

(ii) the Indemnified Party shall not have given the Indemnifying Party written notice that it has determined, in the exercise of its reasonable discretion in good faith, that matters of corporate or management policy or a conflict of interest make separate representation by the Indemnified Party's own counsel advisable; and

(iii) such Third Party Claim involves only money damages and does not seek an injunction or other equitable relief;

provided, however, that no Indemnifying Party shall, except with the consent of the Indemnified Party, consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all Liability in respect of such claim or litigation. Indemnified Party's consent shall not be unreasonably withheld with respect to monetary matters and matters that are not likely to adversely affect the business operations or reputation of the Indemnified Party.

(c) In the event the Indemnifying Party does not elect, or is not entitled, to assume the defense of the Third Party Claim, the Indemnified Party (upon further written notice to the Indemnifying Party) shall have the right to undertake the defense, compromise or settlement of such Third Party Claim, by counsel of its own choosing, on behalf of and for the account and at the risk of the Indemnifying Party.

(d) Notwithstanding anything in this Section 11.4 to the contrary, the Indemnified Party shall have the right, at its own cost and expense, to participate in the defense and, to the extent such participation affects the Indemnified Party, the compromise or settlement of the Third Party Claim. In the event the Indemnifying Party undertakes defense of any Third Party Claim, the Indemnified Party, at its sole cost and expense, shall have the right to consult with the Indemnifying Party and its counsel concerning such Claim and the Indemnifying Party and the Indemnified Party and their respective counsel shall cooperate with respect to the defense of such Claim.

11.5 Limitations.

(a) Notwithstanding any provision of Section 11.2, and except as hereafter provided, Seller shall not be required to indemnify any Buyer Indemnitee for any individual claim, pursuant to Section 11.2(a), that any representation or warranty of Seller contained in this Agreement has been breached or is inaccurate (a "Representation Claim"), where the Losses relating to such Representation Claim (or series of related representation Claims, or Representation Claims arising from the same or substantially similar facts and circumstances) is less than $10,000, individually and in the aggregate (the "Minimum Claim Threshold"). Notwithstanding any provision of Section 11.2 and except as hereafter provided, Seller shall have no liability for indemnification with respect to Representation Claims unless and until the aggregate amount of Losses incurred by the Buyer Indemnitees (not including claims below the Minimum Claim Threshold) with respect to such Representation Claims exceeds $150,000 (the "Threshold"), at which time Seller shall be obligated to indemnify the Buyer Indemnitees for all Losses for Representation Claims and not merely Losses in excess of the Threshold (but excluding claims below the Minimum Claim Threshold); provided, however, that after Seller has paid or satisfied Representation Claims in an aggregate amount equal to the Threshold, the Buyer Indemnitees' sole remedy and recourse for Representation Claims shall be claims against the Representation and Warranty Insurance Policy (except to the extent of any facts or circumstances which constitute fraud or intentional breach of this Agreement by Seller). Notwithstanding the foregoing, the Minimum Claim Amount and the Threshold shall not apply to (i) Losses relating to any Claims under Section 11.2(b), Section 11.2(c), Section 11.2(d), Section 11.2(e) or Section

11.2(f), or (ii) Losses resulting from any facts or circumstances which constitute fraud or intentional breach of this Agreement by Seller.

(b) Notwithstanding any provision of Section 11.3, and except as hereafter provided, the Buyer Parties shall not be required to indemnify any Seller Indemnitee for any individual claim, pursuant to Section 11.3(a), that any representation or warranty of either Buyer Party contained in this Agreement has been breached or is inaccurate, where the Losses relating to such claim (or series of related claims, or claims arising from the same or substantially similar facts and circumstances) is less the Minimum Claim Threshold. Notwithstanding any provision of Section 11.3 and except as hereafter provided, the Buyer Parties shall have no liability for indemnification with respect to Claims for breaches of representations and warranties under Section 11.3(a) unless and until the aggregate amount of Losses incurred by the Seller Indemnitees (not including claims below the Minimum Claim Threshold) with respect to such matters exceeds the Threshold, at which time the Buyer Parties shall be obligated to indemnify the Seller Indemnitees for all Losses and not merely Losses in excess of the Threshold (but excluding claims below the Minimum Claim Threshold). Notwithstanding the foregoing, the Minimum Claim Amount and the Threshold shall not apply to (i) Losses relating to any claims under Section 11.3(b), Section 11.3(c) or Section 11.3(d), or (ii) Losses resulting from any facts or circumstances which constitute fraud or intentional breach of this Agreement by the Buyer Parties.

(c) Buyer and Seller acknowledge and agree that the indemnification provided in this Article XI (including the Representation and Warranty Insurance) is the exclusive remedy with respect to any Losses arising under or in connection with this Agreement; provided, however, that (i) either Seller or the Buyer Parties may seek equitable relief, including the remedies of specific performance and injunction, with respect to the breach of any covenant or agreement to be performed after Closing, (ii) this Section 11.5(c) shall not apply with respect to any claim based on fraud or intentional breach of this Agreement, and (iii) nothing contained in this Agreement shall impair or limit in any way the rights or remedies available to any Party under or in respect of the other Transaction Documents.

(d) Seller and the Buyer agree to treat any indemnity payments made pursuant to Sections 11.2 and 11.3 hereof as an adjustment to the Purchase Price for all Tax purposes. All such indemnity payments shall be determined net of any insurance recoveries actually received by the Indemnified Party, as applicable, with respect to the Losses subject to such indemnification claim. Indemnification payments under this Article XI shall be paid without reduction for any Tax Benefits available to the Indemnified Party. However, to the extent that the Indemnified Party actually recognizes Tax Benefits as a result of any Losses, the Indemnified Party shall pay the amount of such Tax Benefits (but not in excess of the payments actually received from the Indemnifying Party on account of such Losses) to the Indemnifying Party as and when such Tax Benefits are actually recognized by the Indemnified Party. For this purpose, the Indemnified Party shall be deemed to recognize a tax benefit ("Tax Benefit") with respect to a Taxable period if, and to the extent that, such Indemnified Party's cumulative liability for Taxes through the end of such period, calculated by excluding any Tax items attributable to the Losses from all Tax periods, exceeds the Indemnified Party's actual cumulative liability for Taxes through the end of such Tax period, calculated by taking into account any Tax items attributable to the Losses and the receipt of indemnification payments under this Article XI for all Tax periods.

(e) For all purposes of this Article XI, when determining the amount of any Losses associated with a breach of a representation or warranty of Seller or the Buyer Parties, as applicable, any Material Adverse Effect or other materiality qualifier contained in any such representation or warranty will be disregarded.

11.6 Limited Right of Setoff. Seller agree that any payments which may be due to Seller from Buyer pursuant to Section 3.6 of this Agreement with respect to the Holdback Amount (for avoidance of doubt, such rights shall not apply to Buyer's obligations with respect to the Additional Consideration under Section 3.5 or Buyer's obligations under the Lock-Up Agreement or the Employment Agreements or Consulting Agreement) may be used by Buyer to satisfy (i) Seller's indemnification obligations with respect to any Claim for Losses required to be paid by Seller pursuant to this Article XI (other than Representation Claims pursuant to Section 11.2(a), which may not be set of pursuant to this Section 11.6), provided that a Final Resolution with respect to such Claim for Losses has occurred; and (ii) any obligation of Seller to pay when due any amounts that may become due to Buyer pursuant to Section 3.4 with respect to the adjustments to the Purchase Price, which right may be exercised at any time after such payments become due. As used in this Agreement, a "Final Resolution" with respect to a Claim shall mean (a) a written agreement duly signed by Seller and the Buyer Parties; (b) a Deemed Acceptance under Section 11.4(a); or (c) a final order issued by a court with proper jurisdiction. If Buyer exercises its rights in accordance with the terms of this Section 11.6, such exercise shall be and constitute a complete and absolute set-off against any such payments which may become due to Seller from Buyer, to the extent of the amount for which such right was exercised. If, at the time any payment is due to Seller pursuant to Section 3.6, there is a pending Claim by a Buyer Indemnitee against Seller for indemnification pursuant to this Article XI (other than Representation Claims pursuant to Section 11.2(a)), but there has not been a Final Resolution of such Claim, then Buyer may withhold from any payment then due to Seller an amount that Buyer reasonably deems necessary to fully satisfy such Claim, and instead pay such amount to the Escrow Agent to be held pursuant to the Escrow Agreement until there is a Final Resolution of such Claim. All remaining amounts not so set-off or paid to the Escrow Agent pursuant to this Section 11.6 shall be timely paid to Seller when due. The Parties acknowledge and agree that the right of setoff provided in this Section 11.6 shall be the Buyer Indemnitees' sole and exclusive source for satisfying Claims for Losses under Section 11.2(b), Section 11.2(c), Section 11.2(d), Section 11.2(e) and Section 11.2(f) (but not Representation Claims under Section 11.2(a)), except to the extent of any facts or circumstances which constitute fraud or intentional breach of this Agreement by Seller.

ARTICLE XII

General Provisions.

12.1 Expenses; Transfer Taxes. Whether or not the transactions contemplated herein shall be consummated, except as otherwise expressly provided herein, the Parties shall pay their own respective expenses incident to the preparation of this Agreement and to the consummation of the transactions provided for herein. All transfer, documentary, sales, use, stamp, registrations and other such Taxes applicable to, imposed upon or arising out of the transactions contemplated hereby shall be shared equally by Buyer and Seller.

12.2 Entire Agreement; No Third Party Beneficiaries; Amendment. This Agreement and the other Transaction Documents and the Exhibits and Schedules thereto, embodies all of the representations, warranties and agreements of the Parties with respect to the subject matter hereof, and all prior understandings, representations and warranties (whether oral or written) with respect to such matters are superseded. Nothing in this Agreement, express or implied, is intended to or shall confer upon any Person other than the Parties any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement. This Agreement may not be amended, modified, waived, discharged or orally terminated except by an instrument in writing signed by the Party or a duly authorized officer of a corporate Party against whom enforcement of the change, waiver, discharge or termination is sought.

12.3 Severability. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted. Furthermore, in lieu of such illegal, invalid or unenforceable provisions there shall be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

12.4 Waiver. Any Party to this Agreement may, by written notice to the other Parties, waive any provision of this Agreement from which such Party is entitled to receive a benefit. The waiver by any Party hereto of a breach by another Party of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by such other Party of such provision or any other provision of this Agreement.

12.5 Public Announcements. Prior to the Closing Date, no public announcement or other publicity regarding the existence of this Agreement or any agreements contemplated hereby or their contents or the transactions contemplated hereby or thereby shall be made by any Party or any of their respective Affiliates, officers, directors, employees, representatives or agents, without the prior written agreement of the other Parties as to form, content, timing and manner of distribution or publication. On and after the Closing Date, each Party shall maintain confidential the terms and provisions of this Agreement and the agreements contemplated hereby and the terms of the transactions contemplated hereby and thereby. Notwithstanding the foregoing, nothing in this Section 12.5 shall prevent any Party or its Affiliates or any other Person from (a) making any public announcement or disclosure required by applicable Law or the rules of any stock exchange (in which case the disclosing Party will provide the other Party with the opportunity to review and comment in advance of the disclosure), (b) disclosing this Agreement or any of the agreements contemplated hereby or their contents or the transactions contemplated hereby or thereby to (i) current and future officers, directors, employees, representatives and agents of such Party and its Affiliates, (ii) current and potential lenders to, investors in and purchasers of such Party and its Affiliates, and (iii) any Governmental Authority in order to provide notice, transfer any permits or licenses or obtain such Governmental Authorities consent in order to consummate the transaction contemplated by this Agreement, (c) disclosing the tax treatment and tax structure of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to such Party relating to such tax treatment and tax structure except to the extent maintaining confidentiality of such information is necessary to comply with any applicable securities Laws or (d) enforcing its rights hereunder.

12.6 Successors and Assigns. This Agreement shall not be assignable by any Party hereto without the prior written consent of the other Parties; provided, however, Buyer may, upon written notice to Seller, assign this Agreement in whole or in part to any affiliate of Buyer, provided that such assignment shall not relieve Buyer or Buyer Parent of its obligations hereunder. This Agreement shall be binding upon, and shall inure to the benefit of, and be enforceable by, the Parties and their respective legal representatives, heirs, legatees, successors and assigns.

12.7 Notice. All notices or other communications required or permitted hereunder shall be in writing and shall be delivered personally or sent by registered or certified mail, by reputable overnight delivery or courier or by facsimile transmission, addressed as follows:

To Seller:	Alteva, LLC 111 S. Independence Mall East Suite 700 Philadelphia, PA 19106-2512 Facsimile No.: (866) 406-9283
Attn:	President/CEO
and	
	William Bumbernick 254 Jennings Way Mickleton, NJ 08056
With a copy to: (which shall not constitute notice)	Sherman Silverstein 308 Harper Drive, Suite 200 Moorestown, NJ 08057 Facsimile No.: (856) 661-2069 Attn: Daniel J. Barrison, Esq.; and Morgan, Lewis & Bockius LLP 1701 Market St. Philadelphia, PA 19103 Facsimile No.: (215) 963-5001 Attn: Jeffrey P. Bodle, Esq.
To Buyer or Buyer Parent:	Warwick Valley Telephone Company 47 Main St. PO Box 592 Warwick, NY 10990 Facsimile No.: (845) 986-6699 Attention: Chief Executive Officer
With a copy to: (which shall not constitute notice)	Harter Secrest & Emery LLP 1600 Bausch & Lomb Place Rochester, New York 14604-2711 Facsimile No.: (585) 232-2152

Attn: James M. Jenkins, Esq.

and in any case at such other address as the advisee shall have specified by written notice. Notice of change of address shall be effective only upon receipt thereof. All such other notices and communications shall be deemed effective (a) if by personal delivery, upon receipt, (b) if by registered or certified mail, on the seventh Business Day after the date of mailing thereof, (c) if by reputable overnight delivery or courier, on the first Business Day after the date of mailing or (d) if by facsimile transmission, immediately upon receipt of a transmission confirmation, provided notice is sent on a Business Day between the hours of 9:00 a.m. and 5:00 p.m., recipient's time, but if not then upon the following Business Day.

12.8 Counterparts; Facsimile Signatures. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be an original, but all such counterparts shall constitute one and the same instrument. The exchange of executed copies of this Agreement by facsimile, portable document format (PDF) or other reasonable form of electronic transmission shall constitute effective execution and delivery of this Agreement.

12.9 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, without regard to conflicts-of-laws principles that would require application of any other law.

12.10 Jurisdiction. Seller and each of the Buyer Parties hereby (a) agrees that any Proceeding in connection with or relating to this Agreement, any agreement contemplated hereby or any matters contemplated hereby or thereby, shall be brought in a court of competent jurisdiction located in Burlington County, New Jersey, whether a state or federal court; (b) agrees that in connection with any such Proceeding, such Party shall consent and submit to personal jurisdiction in any such court described in clause (a) of this Section 12.10 and to service of process upon it in accordance with the rules and statutes governing service of process; and (c) agrees to waive to the full extent permitted by Law any objection that it may now or hereafter have to the venue of any such Proceeding in any such court or that any such Proceeding was brought in an inconvenient forum. Seller and each of the Buyer Parties shall not, and shall cause its Affiliates not to, file, initiate or bring, or participate in, any Proceeding in connection with or relating to this Agreement or any matters contemplated hereby in or before any Governmental Body other than that specified in clause (a) of this Section 12.10.

12.11 Interpretation. The use of the masculine, feminine or neuter gender or the singular or plural form of words used herein (including defined terms) shall not limit any provision of this Agreement. The terms "include," "includes" and "including" are not intended to be limiting and shall be deemed to be followed by the words "without limitation" (whether or not they are in fact followed by such words) or words of like import. The term "or" has the inclusive meaning represented by the phrase "and/or." Reference to a particular Person includes such Person's successors and assigns to the extent such successors and assigns are permitted by the terms of any applicable agreement. Reference to a particular agreement (including this Agreement), document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof. The terms "dollars" and "$" mean United States Dollars. Unless Business Days are specified, all references to "days" hereunder shall mean calendar days. The Exhibits and Disclosure Schedule

identified in this Agreement are incorporated in to this Agreement by reference and made a part hereof. The Article, Section, paragraph, Exhibit and Schedule headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. References to Articles, Sections, paragraphs, clauses, Exhibits or Schedules shall refer to those portions of this Agreement. The use of the terms "hereunder," "hereof," "hereto" and words of similar import shall refer to this Agreement as a whole and not to any particular Article, Section, paragraph or clause of, or Exhibit or Schedule to, this Agreement.

[Signature page follows.]

IN WITNESS WHEREOF, the Parties have executed this Asset Purchase Agreement as of the day and year first above written.

BUYER:

WARWICK VALLEY NETWORKS, INC.

By: _____
Duane W. Albro
President and Chief Executive Officer

BUYER PARENT:

WARWICK VALLEY TELEPHONE COMPANY

By: _____
Duane W. Albro
President and Chief Executive Officer

SELLER:

ALTEVA, LLC

By: _____
William Bumbernick
Chairman

The undersigned, the Key Principals referred to in the foregoing Asset Purchase Agreement, hereby acknowledge receipt of the foregoing Asset Purchase Agreement and agree to be legally responsible for the terms and provisions applicable to them set forth in Section 7.5 and Section 7.14 therein.

KEY PRINCIPALS:

_____
William Bumbernick

_____
David Cuthbert

_____
Louis Hayner

_____
Mardoqueo Marquez

EXHIBITS AND SCHEDULES

Exhibits:

Exhibit 3.2(c)	-	Form of Lock-Up Agreement
Exhibit 3.2(d)	-	Form of Escrow Agreement
Exhibit 7.7(a)(i)	-	Form of Employment Agreement
Exhibit 7.7(a)(ii)	-	Form of Consulting Agreement

Schedules:

Schedule A	-	Disclosure Schedule
Schedule 2.1(a)	-	Personal Property Assets
Schedule 2.1(b)	-	Inventory and Supplies
Schedule 2.1(f)	-	Intellectual Property Rights
Schedule 2.1(j)	-	Leases and Subleases
Schedule 2.2	-	Excluded Assets
Schedule 2.3(a)	-	Assigned Contracts
Schedule 3.3	-	Allocation Schedule
Schedule 3.5	-	Calculation of Additional Consideration
Schedule 8.6	-	Material Consents and Authorizations

Disclosure Schedule:

Section 5.1(a)	-	Organization
Section 5.1(b)	-	Ownership
Section 5.1(c)	-	Predecessors
Section 5.2(c)	-	No Conflict
Section 5.3(a)	-	Financial Statements
Section 5.3(b)	-	Preparation of Financial Statements
Section 5.3(c)	-	No Undisclosed Liabilities
Section 5.4	-	Absence of Changes
Section 5.5(a)	-	Title to Assets
Section 5.5(b)	-	Location of Purchased Assets
Section 5.6(b)	-	Leased Premises; Existing Leases
Section 5.7	-	Taxes
Section 5.8	-	Insurance
Section 5.9(a)	-	Governmental Authorizations
Section 5.10(a)	-	Compliance with Laws
Section 5.11	-	Environmental Matters
Section 5.12	-	Litigation
Section 5.14(a)	-	Employee Plans
Section 5.15(a)	-	Employees
Section 5.15(b)	-	Employee Liabilities
Section 5.15(d)	-	Employee Compensation Liabilities
Section 5.18	-	Customer List
Section 5.23	-	Transactions with Related Parties

Exhibit C

Certificate of Incorporation of Warwick Valley Networks, Inc.

CERTIFICATE OF INCORPORATION
OF
WARWICK VALLEY NETWORKS INC.

Upon **Section 402** of the **Business Corporation Law**

HAGEAND**HOBAICA**
J.K. Hage III, Esq., of Counsel
610 Charlotte Street
PO Box 1769
Utica, New York 13503-1769
(315) 797-9850

N. Y. S. DEPARTMENT OF STATE
DIVISION OF CORPORATIONS AND STATE RECORDS

162 WASHINGTON AVENUE
ALBANY, NY 12231

FILING RECEIPT

CORPORATION NAME: WARWICK VALLEY NETWORKS, INC.

DOCUMENT TYPE : INCORPORATION (DOM. BUSINESS) COUNTY: ORAN

SERVICE COMPANY : VANGUARD CORPORATE SERVICES

FILED: 07/13/1994 DURATION: PERPETUAL CASH #: 940713000365 FILM #: 940713000331

ADDRESS FOR PROCESS

THE CORPORATION
47-49 MAIN STREET
WARWICK, NY 10990

REGISTERED AGENT

STOCK: 200 NPV

RECEIPT OF SECRETARY OF STATE

FILER	FEES	160.00	PAYMENTS	160.00
HAGE AND HOBAICA	FILING :	125.00	CASH :	0.00
J.K. HAGE III, ESQ., OF COUSEL	TAX :	10.00	CHECK :	0.00
610 CHARLOTTE STREET PO BOX 1769	CERT :	0.00	BILLED:	160.00
UTICA, NY 13503-1769	COPIES :	0.00		
	HANDLING:	25.00		
			REFUND:	0.00

DOS-1025 (11/89)

CERTIFICATE OF INCORPORATION
OF
WARWICK VALLEY NETWORKS, INC.

Upon **Section 402** of the **Business Corporation Law**

IT IS HEREBY CERTIFIED THAT:

1. The name of the corporation is:

WARWICK VALLEY NETWORKS, INC.

2. The purpose or purposes for which the corporation is formed are as follows, to wit:

To engage in any lawful act or activity for which corporations may be formed under the **Business Corporation Law.** The corporation is not formed to engage in any act or activity requiring the consent or approval of any state official, department, board, agency or other body without such consent or approval first being obtained.

To own, operate, manage, acquire and deal in property, real and personal, which may be necessary to the conduct of the business.

The corporation shall have all of the powers enumerated in **Section 202** of the **Business Corporation Law,** subject to any limitations provided in the **Business Corporation Law** or any other statute in the State of New York.

3. The county in which the office of the corporation is to be located in the State of New York is: **ORANGE.**

4. The aggregate number of shares which the corporation shall have authority to issue is two hundred (200) shares, no par value.

5. The Secretary of State is designated as agent of the corporation upon whom process against it may be served. The post office address to which the Secretary of State shall mail a copy of any process against the corporation served upon him is:

The corporation
47-49 Main Street
Warwick, New York 10990

6. The personal liability of the Directors of the Corporation is hereby eliminated to the fullest extent permitted by the provisions of **Paragraph (b)** of **Section 402** of the **Business Corporation Law** of the State of New York, as the same may be amended and supplemented.

IN WITNESS WHEREOF, the undersigned incorporator, being at least eighteen (18) years of age, has executed and signed this **Certificate of Incorporation** this 13 day of July, 1994.

John Brosnan
Hage and Hobaica
610 Charlotte Street
Utica, New York 13501-2909
(315) 797-9850

STATE OF NEW YORK)
COUNTY OF ONEIDA) **ss.:**

On this 13th day of July, 1994, before me personally came John Brosnan, to me known to be the individual described in and who executed the foregoing instrument, and he duly acknowledge to me that he executed the same.

Notary Public

Amy M. Porter
Notary Public in the State of New York
Commissioned in Herkimer County
My Commission Expires 11/27/95

Exhibit D

STATEMENT OF FINANCIAL CONDITION OF WARWICK VALLEY TELEPHONE COMPANY

a. The certificate of incorporation, as last amended, authorized 5,000 shares of preferred stock at a par value of $100.00 each, 10,000,000 shares of preferred stock at a par value of $0.01 per share and 10,000,000 shares of common stock at a par value $0.01 per share.

b. Capital stock has been authorized by the New York State Public Service Commission as follows:

Number of Shares	Stock	Authorized PSC Case Number	Order Date
9,415	Common	4323	5/22/1931
4,708	Common	18352	8/6/1957
4,000	Preferred	21264	9/27/1960
1,000	Preferred	23233	8/26/1964
21,185	Common	24508	11/14/1967
7,062	Common	26123	8/17/1971
57,630	Common	27050	9/14/1976
20,000	Common	28086	9/9/1982
240,000	Common	29610	8/5/1987
360,000	Common	90-C-0475	8/29/1990
1,440,000	Common	97-C-1024	9/10/1997
7,840,000	Common	03-C-0762	8/20/2003
10,000,000	Preferred	03-C-0762	8/20/2003

c. No amounts paid to the corporation for stock for which subscriptions have been received but which have not been fully paid and issued.

d. The outstanding preferred stock provides for dividends at the rate of 5% per annum in preference to dividends on the common stock and the terms of the preference on said preferred stock are more fully stated in the Restated Certificate of Incorporation as amended.

e. Items transferred from surplus or other accounts:

$94,150 has been transferred from surplus to capital as authorized by Order made in Case No. 18352.
$176,530 has been transferred from surplus to capital as authorized by Order made in Case No. 24508.

Currently, the Company has no class of stock without a par value.

f. Evidence of indebtedness:

Description of Debt	Authorized PSC Case Number	Order Date
$300,000, 4.00% First Mortgage Bonds, Series A, Due November 1, 1977	15965	11/30/1952
$300,000, 5.25% First Mortgage	18352	8/15/1957

Bonds, Series B, Due July 1, 1982 $260,000, 6.00% First Mortgage	21264	9/30/1960
Bonds, Series C, Due July 1, 1985 400,000,5.25% First Mortgage	23233	8/26/1964
Bonds, Series D, Due September 1, 1989 $300,000, 6.25% First Mortgage	24508	11/14/1967
Bonds, Series E, Due January 1, 1993 $500,000,9.5% First Mortgage	26123	8/17/1971
Bonds, Series F, Due September 1, 1996 $2,200,000,8.75% First Mortgage	27030	9/14/1976
Bonds, Series G Due December 15, 1996 $2,000,000, 12% First Mortgage	28086	2/9/1982
Bonds, Series H, Due March 1, 1990 $3,000,000,9.05% First Mortgage	Not Available	Not Available
Bonds, Series I, Due May 1, 2000 $4,000,000, 7.05% First Mortgage	93-C-0454	11/12/1993
Bonds, Series J, Due Dec 1,2003 $18,475,000 7.3% Unsecured Promissory Notes, CoBank, ACB, $2,658,000 outstanding as of 12-31-2010; Due July 20, 2012	01-C-0188	12/19/2001

g. There are no mortgages on applicant's property.

h. There are no outstanding bonds.

i. There is no indebtedness to affiliated interests.

j. The amount of other indebtedness is shown on the Comparative Balance Sheet referenced in item p.

k. Interest accrued as of 12-31-2010 required by the terms of outstanding indebtedness and the amount of interest accrued at each rate was as follows:

Rate	Amount
2.92%	$10,134
2.91%	8,593
2.92%	9,542
2.94%	8,954
3.00%	8,840
3.03%	8,633
3.02%	8,579
2.97%	7,754
2.94%	7,441
2.94%	7,503
2.94%	6,511
2.95%	6,747
Total	$99,231

l. Dividends have been declared during the past five years as follows:

Preferred Stock			Common Stock	
Year	Rate	Amount	Year	Amount
2006	5%	$25,000	2006	$9,633,204
2007	5%	$25,000	2007	$4,281,424
2008	5%	$25,000	2008	4,289,024
2009	5%	$25,000	2009	4,735,742
2010	5%	$25,000	2010	5,198,512

m. There are no contingent assets, contingent liabilities, or unpaid cumulative dividends accrued..

n. There is no unearned surplus.

o. Amortization of debt issuances cost for the year 2010 was $18,748.

p. Comparative Balance Sheet, as of December 31, 2010 and December 31, 2009, and Income Statement for the 12-month period ending December 31, 2010 and December 31, 2009 are attached

11. BALANCE SHEET

Assets and Other Debits

Provide total company amounts on the basis of the New York Uniform System of Accounts. Any jurisdictional differences between the FCC and NY PSC should be distributed to each account.

Line No.		Accounts (a)	Sch. Page No. (b)	Balance at End of Year (c)	Balance at Beginning of Year (d)	Increase or (Decrease) (e)
		CURRENT ASSETS				
1	1130	Cash	--	$1,664,111	$1,347,754	$316,357
2	1140	Special Cash Deposits	--	0		0
3	1160	Temporary Investments as Cash Equivalents	--	9,033,233	7,936,677	1,096,556
4	1160	Temporary Investments	--	2,636,035	0	2,636,035
5	1180	Telecom. Accounts Receivable	36	1,521,542	1,622,827	(101,285)
6	1181	Accounts Rec. Allow.-Tel.	36	55,158	602,791	(547,633)
7	1190.1	Accounts Rec From Affil. Cos.	37	31,126,071	24,597,432	6,528,639
8	1190.2	Other Accounts Receivable	37	471,764	653,179	(181,415)
9	1191	Accounts Rec Allow-Other and Affil.	38	0	0	0
10	1200.1	Notes Receivable From Affil Cos.	39	0	0	0
11	1200.2	Other Notes Receivable	39	0	0	0
12	1201	Notes Rec. Allow-Other and Affil.	39	0	0	0
13	1210	Interest and Dividends Receivable	--	49,975	31,400	18,575
14	1220	Inventories	40	678,908	729,202	(50,294)
15	1290	Prepaid Rents	--	0	0	0
16	1300	Prepaid Taxes	41-42	(58,475)	88,333	(146,808)
17	1310	Prepaid Insurance	--	142,947	134,502	8,445
18	1320	Prepaid Directory Expenses	--	72,449	83,576	(11,127)
19	1330	Other Prepayments	--	93664	47377	46,287
20	1350	Other Current Assets	--	0	0	0
21	1360	Current Deferred Income Taxes-Dr.	43-44	0	0	0
22		Total Current Assets		47,377,066	36,669,468	10,707,598
		NONCURRENT ASSETS				
23	1401.1	Investments in Affiliated Companies	50-51	2,302,048	5,543,162	(3,241,114)
24	1401.2	Advances to Affiliated Companies	52-53	0	0	0
25	1402	Investments in Nonaffiliated Companies	52-53	3,599,410	3,587,808	11,602
26	1406	Nonregulated Investments	54	0	0	0
27	1407	Unamortized Debt Issuance Expense	58-59	20,628	39,375	(18,747)
28	1408	Sinking Funds	--	0		0
29	1410	Other Noncurrent Assets	--	4,342,882	4,331,297	11,585
30	1438	Deferred Maintenance and Retirements	--	0	0	0
31	1439	Deferred Charges	55	943,179	662,655	280,524
32	1500	Other Jurisdictional Assets-Net	--	XXXXXXXXXXXXXXX	XXXXXXXXXXXXXXX	XXXXXXXXXXXX
33	1510	Noncurrent Deferred Income Taxes-Dr.	43-44	(77,134)	18,234	(95,368)
34		Total Noncurrent Assets		11,131,013	14,182,531	(3,051,518)
		REGULATED PLANT				
35	2001	Telecommunications Plant In Service	24-25	71,278,934	70153104	1,125,830
36	2002	Property Held for Future Tel. Use	24-25	0	0	0
37	2003	Tel. Plant Under Construction - Short Term	24-25	82,994	180357	(97,363)
38	2004	Tel. Plant Under Construction - Long Term	24-25	0	0	0
39	2005	Tel. Plant Adjustment	24-25	0	0	0
40	2006	Nonoperating Plant	24-25	0	0	0
41	2007	Goodwill	24-25	0	0	0
42		Total Telecommunications Plant		71,361,928	70,333,461	1,028,467
43	3100-3300	Less: Accumulated Depreciation	32-33	46,882,002	42,975,607	3,906,395
44	3410-3600	Less: Accumulated Amortization	32-33	0	0	0
45		Net Telecommunications Plant		24,479,926	27,357,854	(2,877,928)
46		TOTAL ASSETS AND OTHER DEBITS		$82,988,005	$78,209,853	$4,778,152

11. BALANCE SHEET
Liabilities and Other Credits

Provide total company amounts on the basis of the New York Uniform System of Accounts. Any jurisdictional differences between the FCC and NY PSC should be distributed to each account.

Line No.		Accounts (a)	Sch. Page No. (b)	Balance at End of Year (c)	Balance at Beginning of Year (d)	Increase or (Decrease) (e)
		CURRENT LIABILITIES				
1	4010.1	Accounts Payable to Affiliated Companies	56	$30,461,486	$24,748,183	$5,713,303
2	4010.2	Other Accounts Payable	56	735,659	652,987	82,672
3	4020.1	Notes Payable to Affiliated Companies	57	0	0	0
4	4020.2	Other Notes Payable	57	0	0	0
5	4030	Advance Billing and Payments	--	332,497	268,093	64,404
6	4040	Customers' Deposits	--	45,818	102,460	(56,642)
7	4050	Current Maturities-Long-Term Debt	58-59	1,518,633	1,518,633	0
8	4060	Current Maturities-Capital Leases	--	0	0	0
9	4070	Income Taxes-Accrued	41-42	2,369,203	(813,000)	3,182,203
10	4080	Other Taxes-Accrued	41-42	85,416	101,727	(16,311)
11	4100	Current Deferred Oper. Income Taxes-Cr.	45-47	0	(1,148)	1,148
12	4110	Current Def. Nonoper. Income Taxes-Cr.	45-47	0	0	0
13	4120	Other Accrued Liabilities	--	2,615,531	3,119,624	(504,093)
14	4130	Other Current Liabilities	--	951	3,779	(2,828)
15		Total Current Liabilities		38,165,194	29,701,338	8,463,856
		LONG-TERM DEBT				
16	4210	Funded Debt	58-59	1,138,974	2,657,606	(1,518,632)
17	4220	Premium on Long-Term Debt	58-59	0	0	0
18	4230	Discount on Long-Term Debt	58-59	0	0	0
19	4240	Reacquired Debt	--			0
20	4250	Obligations Under Capital Leases	--			0
21	4260	Advances from Affiliated Companies	58-59	0	0	0
22	4270	Other Long-Term Debt	58-59	0	0	0
23		Total Long-Term Debt		1,138,974	2,657,606	(1,518,632)
		OTHER LIABILITIES AND DEFERRED CREDITS				
24	4310	Other Long-Term Liabilities	61	6,554,035	5,766,912	787,123
25	4320	Un.Oper.Invest.Tax Credits-Net	45-47	0	0	0
26	4330	Un.Nonoper.Invest.Tax Credits-Net	45-47	0	0	0
27	4340	Noncurrent Def.Oper Income Taxes-Cr.	45-47	607,253	2,267,496	(1,660,243)
28	4350	Noncurrent Def.Nonoper Income Taxes-Cr.	45-47	0	0	0
29	4360	Other Deferred Credits	62	234,775	234,775	0
30	4370	Other Juris.Liabilities & Def.Credits-Net	--	XXXXXXXXXXXXXXX	XXXXXXXXXXXXXXX	XXXXXXXXXXXX
31		Total Other Liabilities and Def. Credits		7,396,063	8,269,183	(873,120)
		STOCKHOLDERS' EQUITY				
32	4510.1	Capital Stock-Common	63	59,975	59,908	67
33	4510.2	Capital Stock-Preferred	63	500,000	500,000	0
34	4520	Additional Paid-in Capital	63	4,063,355	3,650,191	413,164
35	4530	Treasury Stock	63	4,769,554	4,747,660	21,894
36	4540	Other Capital	--	0	0	0
37	4550.1	Appropriated Retained Earnings	21	0	0	0
38	4550.2	Unappropriated Undistrib. Affil Earnings	21	(3,241,114)	323,799	(3,564,913)
39	4550.3	Unappropriated Retained Earnings	21	39,675,112	37,795,488	1,879,624
40		Total Stockholders' Equity		36,287,774	37,581,726	(1,293,952)
41		TOTAL LIABILITIES AND OTHER CREDITS		$82,988,005	$78,209,853	$4,778,152

12. INCOME AND RETAINED EARNINGS STATEMENT

Provide total company amount on the basis of the New York Uniform System of Accounts. Any jurisdictional differences between the FCC and NY PSC should be distributed to each account.

Line No.		Item (a)	Sch. Page No. (b)	TOTAL Current Year (c)	TOTAL Last Year (d)
		INCOME			
		TELEPHONE OPERATING INCOME			
1		Operating Revenues	65	$15,868,949	$15,629,802
2		Operating Expenses	72	17,758,675	17,553,642
3		Net Operating Revenues		(1,889,726)	(1,923,840)
		OTHER OPERATING INCOME AND EXPENSE			
4	7110	Income from Custom Work	--	0	0
5	7130	Return from Nonregulated Use of Regulated Facilities	--	0	0
6	7140	Gains and Losses from Foreign Exchange	--	0	0
7	7151	Gains or Losses from Disposition of Land and Artworks	--	0	0
8	7160	Other Operating Gains and Losses	--	8,912	0
9		Total Other Operating Income and Expenses		8,912	0
		OPERATING TAXES			
10	7210	Operating Investment Tax Credits-Net	45-47	0	0
11	7220	Operating Federal Income Taxes	73-74	3,117,273	2,885,656
12	7230	Operating State and Local Income Taxes	73-74	0	0
13	7240	Operating Other Taxes	73-74	1,088,358	1,233,719
14	7250	Provision for Deferred Operating Income Taxes-Net	43-47	0	0
15		Total Operating Taxes		4,205,631	4,119,375
16		Net Operating Income		(6,086,445)	(6,043,215)
		NONOPERATING INCOME AND EXPENSES			
17	7310	Dividend Income	--	0	0
18	7320	Interest Income	--	132,512	51,665
19	7330	Income from Sinking and Other Funds	--	0	0
20	7340	Allowance for Funds Used During Construction	--	0	0
21	7350	Gains or Losses from the Disposition of Certain Property	--	143,261	97,202
22	7355	Equity in Earnings of Affiliated Companies	50-51	(3,241,114)	323,799
23	7360	Other Nonoperating Income	79	12,616,060	12,502,530
24	7370	Special Charges	77	428,210	(96,872)
25		Total Nonoperating Income Items and Expenses		9,222,509	13,072,068
		NONOPERATING TAXES			
26	7410	Nonoperating Investment Tax Credits-Net (-)	45-47	0	0
27	7420	Nonoperating Federal Income Taxes	73	0	0
28	7430	Nonoperating State and Local Income Taxes	73-74	0	0
29	7440	Nonoperating Other Taxes	73-74	0	0
30	7450	Provision for Deferred Nonoperating Income Taxes-Net	43-47	0	0
31		Total Nonoperating Taxes		0	0
32		Total Nonoperating Income		9,222,509	13,072,068
33		Income Available for Fixed Charges		3,136,064	7,028,853
		INTEREST AND RELATED ITEMS			
34	7510	Interest on Funded Debt	58-59	99,231	148,159
35	7520	Interest Expense-Capital Leases		0	0
36	7530	Amortization of Debt Issuance Expense	58-59	0	12,600
37	7540	Other Interest Deductions	78	666	(60,119)
38		Total Interest and Related Items		99,897	100,640
39		Income Before Extraordinary Items		3,036,167	6,928,213

12. INCOME AND RETAINED EARNINGS STATEMENT (Continued)

Line No.		Item (a)	Sch. Page No. (b)	TOTAL Current Year (c)	TOTAL Current Year (c)
		EXTRAORDINARY ITEMS			
40	7610	Extraordinary Income Credits	80	0	0
41	7620	Extraordinary Income Charges	80	0	0
42	7630	Current Income Tax Effect of Extraordinary Items-Net	80	0	0
43	7640	Provision for Def. Income Tax Effect of Extra. Items-Net	80	0	0
44		Total Extraordinary Items		0	0
		JURISDICTIONAL DIFFERENCES AND NONREG. INCOME ITEMS			
45	7910	Income Effect of Jurisdictional Ratemaking Differences-Net	- -	xxxxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxxxx
46	7990	Nonregulated Net Income	- -		
47		Total Jurisdictional Differences and Extraordinary Items		0	0
48		Net Income		$3,036,167	$6,928,213
		RETAINED EARNINGS			
49	4550.3	Unappropriated Retained Earnings (at Beginning of Period)		$37,795,488	$35,092,818
50	4550.4	Balance Transferred from Income		3,036,167	6,346,536
51	4550.5	Appropriations of Retained Earnings			
52	4550.6	Dividends Declared-Preferred Stock	63	25,000	25,000
53	4550.7	Dividends Declared-Common Stock	63	5,198,512	4,735,742
54	4550.8	Adjustments to Retained Earnings	64	(825,855)	(1,116,876)
55		Net Change to Unappropriated Retained Earnings		(1,361,490)	2,702,670
56	4550.3	Unappropriated Retained Earnings (End of Period)		36,433,998	37,795,488
57	4550.1	Appropriated Retained Earnings (End of Period)		0	0
58		Total Retained Earnings		$36,433,998	$37,795,488
		UNAPPROPRIATED UNDISTRIBUTED AFFILIATE EARNINGS			
59	4550.2	Unappropriated Undistributed Affiliate Earnings (beginning of period)			
60		Equity in Earnings for Period	51	(3,241,114)	323,799
61		Dividends Received			
62		Other Changes (explain)			
63	4550.2	Unappropriated Undistributed Affiliate Earnings (end of period)		($3,241,114)	$323,799

NOTES TO INCOME AND RETAINED EARNINGS STATEMENT

Note 1. Refunds to subscribers, in the event of an adverse decision in pending rate proceedings, would reduce the amount of "Operating Revenues" for the current year by approximately $_____

Note 2: Includes LTIP expenses on line24 for both year 2010 and year 2009

Exhibit E

STATE OF NEW YORK)
) SS:
COUNTY OF ORANGE)

Affidavit

Ralph Martucci, being duly sworn, deposes and says that:

i. I am the Executive Vice President, Chief Financial Officer and Treasurer (principal accounting officer) of the Warwick Valley Telephone Company; and

ii. The accounts of the Petitioner have been kept strictly in accordance with the accounting orders of the Commission, and since the effective date of such orders there have been no charges to asset accounts not in accordance therewith and that all required credits to such asset accounts have been made for the amount and in the manner prescribed therefore in such accounting orders.

Ralph Martucci, Executive Vice President, Chief Financial Officer and Treasurer

Sworn to before me this 22nd day of July, 2011.

Amelia F. Lawlor
Notary Public
My commission expires 12-20-2014

AMELIA F LAWLOR
Notary Public - State of New York
NO. 01LA6232958
Qualified in Orange County
My Commission Expires 12-20-14

Exhibit F

Alteva Inventory

Exhibit F-1

Accounts Receivable

Dec 31, 2010

	Balance
BCG	$17,605.81
AR Resources	$15,474.74
A&M Vending	$118.52
DMW	($0.00)
Berkadia Commercial Mortgage LLC	$7,281.00
Care Corps, LLC	($0.02)
FBO Services, Inc.	$371.20
Logistics Resources International	$648.68
Independence Fish Company	$499.58
RRJ2, LLC	$213.68
Greenwood Partners	($0.01)
ePlus Technology Inc.	$244.00
Maximus Fairport NY	$15,797.57
AssetWorks Wayne	$10,279.55
Aserdiv, Inc. Headquarters	$28,251.27
Precision PCB Products	$297.50
Rapunzel's Salon & Spa	($0.00)
Sparks Exhibits	($0.06)
TSG Reporting Inc	$1,705.47
D Island Dental Spa	$617.98
Edgewater Networks	$40.00
Advanced Financial Applications	($415.00)
Penncat	$900.61
B4 Consulting	($96.57)
1260 Housing Development Corp	$5,065.09
Access Security Corp	$2,832.71
Wealthcare Solutions, LLC	$202.20
Adesis, Inc.	$1,111.56
Bayview Real Estate	$260.47
Mellon Certified Restoration	$13,822.63
Wealth Management Systems	$3,105.98
Kamelot Auctions	($0.00)
Proforma Industries, Inc.	$200.22
Fetterman, Millinghausen and McNutt Inc.	$15.68
VoIP Solutions Partners	($0.00)
Vaughan Oil Co., Inc.	$1,443.88
All Covered	($0.00)
Madison Credit	$1,009.68
Eventus Strategic Partners	$1,024.85

AssetWorks Miami	$135.00
Josam_Philadelphia	$4,144.40
Relevante Inc.	$6,768.81
Code-In-Motion	$995.85
Connector Technology_NJ	$2,284.27
Friendly Mortgage	($0.00)
AssetWorks Southampton	$1,417.60
Refresh Software	$741.36
Direct Media LLC	$203.31
Spencer Gifts (HO)	$24,196.71
Instamed	$6,081.32
W Lane Enterprises	$64.86
LaSalle Licensing, Inc	($0.00)
Spencer Gifts_Pineville (DC)	$971.64
Spencer Gifts Hayward (Spirit Office)	$46.75
JMC Associates	$49.67
Maximus Omaha	($52.63)
Marks Baughan and CO	$184.99
Maximus Columbia SC	$945.27
Ruzzi Design Inc	$109.85
Xlibris	($3,912.86)
Symmetry Peak Management, LLC	$839.68
Wave 2 Wave	$59,355.93
Spencer Gifts Stores	$1,081.07
Response Computer Group	$990.82
InterArc Solutions	($166.97)
The Sporting Club at Bellevue	$4,195.79
Jacob Holtz	$2,934.32
Empire Management	$226.17
Sage Consulting	($76.35)
Keystone Risk Partners	$929.86
Global Harness	$482.06
Electric Resources	($29.42)
Payroll Professionals	$724.06
Chorus Communications	$421.00
Polartec-Kabler	$87.15
Starco Mortgage	($0.00)
Pareto Platform	($0.01)
Maximus Federal Services	$938.23
Maximus Tallahassee	($971.88)
On Performance	($0.00)
Singularity Design	$883.45
Motivation Mechanics	($0.00)
Penn Square Real Estate Group	$639.52
Inventa	$2,948.99
Moretrench American Corporation	$5,578.42
United Communities	$3,360.03
Exhibeo	($0.00)

Oscar's Carpets	$864.40
Robert Michael Communications	$2,421.72
Fiber Engineering and Design	$723.19
Generation 3 Electric	$756.30
Paliani Consulting	($0.02)
VAC of Memphis	($4,056.58)
Cintron	$782.41
Hajoca	$398.11
VAC of Macon	$702.00
Creative Precision Inc.	$3,481.20
Robert Park Associates, Inc.	$174.05
Alasoft	$64.68
RDP Technologies	$1,136.73
ExamSoft Worldwide, Inc.	$3,506.51
Evident Software	$503.25
VAC of New Orleans	$785.17
VAC of Stockbridge	$950.95
American Finance	$2,301.21
Info Solutions LLC	$202.21
dotPhoto	($0.00)
Robert Montgomery Esq	$309.81
American Dental Concepts	$26,080.97
The Plough and the Stars	$2,100.22
Launch International	$1,458.42
Broadband Services	($0.01)
Maximus Jefferson City	($105.21)
Survey Technology & Research Center	$1,281.39
VAC of Atlantic County	$844.27
Squid Wire	($0.01)
IDC Partners	$4,277.27
VSGi	$32,152.57
Royal Medical Supply	$4,056.51
Brandywine Health Foundation	($1.57)
USDM	$1,593.39
VAC of Lafeyette	$699.81
Halfpenny Technologies, Inc.	$6,266.77
Associated Specialty Insurance Agency	$768.72
IAG Technologies, LLC	($0.00)
Highpoint Solutions - Chicago	$9,269.82
Kimmel & Silverman	$10,659.73
Berkman Realty	($0.00)
PTR Baler	$4,447.41
Growth Horizon Inc	$1,258.93
Salisbury House in York	$1,098.22
Rhino World	$234.76
Harbour Insurance Group	$76.31
Cryogenic Transportation	$4,309.29
Keep It Simple Wireless	($13.33)

Customized Energy Solutions, Ltd.	$4,743.40
Rose Commercial Real Estate - Marlton	$800.24
Impact Satellite Inc	($0.01)
Americhem International	($62.51)
Michael Farrell Attorney	$82.67
Keystone Motors - Doylestown	$4,725.23
Lasting Impressions Landscape Contractors	$733.81
BC Decker	$758.75
Crystal Technologies	$1,311.50
Eastern Auto Parts Warehouse	$4,391.42
Pingable	($17.67)
Howard Brenner & Nass	$98.92
TruMethods	$473.58
Courtview Justice	$11,723.04
BCCHC	$1,715.64
Balfour Beatty	$4,941.01
Preferred Behavioral Health	$5,395.07
Advanced Sports Inc	$2,692.75
Insigniam Performance	$9,196.26
Montage Diversity Consultants	$172.28
Artisan	$196.60
Legion Insurance Company	$8,412.01
Orthopaedics at Woodbury	$1,461.30
North American Investigations	$1,060.15
Haefele Flanagan & Co	$2,146.11
Labrepco	$1,514.38
Due Process Golf & Horse Stables, LLC	$1,487.20
Dutch Country Players	$76.57
Babbleglass	$968.27
VAC Corporate	$1,468.08
MRB Public Relations Inc	$1,271.05
Right Management	$10,987.04
Viridity Energy Inc.	$2,298.68
Carr Miller Capital	$2,862.12
Halcyon Software, Inc.	$105.64
Author Solutions	($402.24)
EMSL	$182.52
Dennis P. Sheehan Attorney	$118.59
Author House	($0.00)
Author Solutions-Trafford	($9.96)
Commercial Capital Group	$381.44
Right Management - Rockville MD	$1,202.80
VAC of Durham	$534.04
STV Group	$2,119.94
Libre Management	$2,130.73
Outdash Development	$430.25
Right Management - Hunt Valley	$1,506.59
GMH Associates	$7,955.41

Bryant Electric	$5.20
Wentworth Mgmt - Valley Forge	$2,869.21
LearningRx Newtown	$133.85
Academy of Vocal Arts	($94.41)
Coastal Supply - RCG	$5,000.43
iUniverse	($9.97)
Groundwater Treatment	$259.79
Liberty Healthcare Services	$3,810.23
BlackGold Biofuels	$241.93
Handley Group	$51.19
Carr Miller Investments	($0.00)
Wentworth Mgmt - Lyndhurst	$789.00
Wentworth Mgmt - Lawrenceville	$1,429.24
Wentworth Mgmt - West Long Branch	$3,604.47
Kaplan Industries	$199.21
Spencer Gifts Conferencing	$10,033.56
The Ecolibrium Group	$113.76
Magna Legal Services	$1,912.76
Dr. Denise Gurwood	$168.19
EMSL - Cinnaminson	$2,625.55
EMSL - South Pasadena CA	$1,636.49
Boulevard Mortgage Company of Pennsylvania	$1,281.54
EMSL - Houston	$793.24
Advanced Furniture Services	$906.19
VAC of Jersey City	$836.55
WestBow Press	$1,921.93
InspiriTec	($39.76)
The American Revolution Center	$805.46
Crossbooks	($0.00)
DellArte Press	($0.00)
National Demolition Association	$318.33
Wentworth Mgmt - Maryland	$1,064.61
Right Management - Fairfax VA	$1,557.67
Hillside Pain Management	($0.01)
Get Published	$942.78
VAC of Bolivar County	$871.90
VAC of North Shore Louisiana	$789.23
Peripheral Vascular Institute of Philadelph	$893.83
Charter Management Corp	$240.07
Vaxin, Inc	$209.96
Sudbay Motors	$3,635.36
Right Management - Woodland Hills	$1,723.78
Beacon Trust Company	$4,333.87
Indumark	$59.75
Right Management - Norwalk	$2,729.32
Wentworth Mgmt - Philadelphia	$649.18
Wentworth Mgmt - Staten Island	$537.01
Accume Partners LLC	$2,538.30

Law Office of Nancy Rice	$449.75
NRI Data - Morrisville	$1,281.91
Right Management - Mississauga	$3,004.71
Commercial Retrofitters & Recyclers LLC	$189.48
Cobra Construction	$516.42
AZUNA	$3,015.48
Right Management - Charlotte	$2,123.41
Right Management - Columbus	$1,348.22
The Creeks on Kirklevington	$129.52
Sora Technologies	$486.14
VITETTA	$2,283.50
Right Management - Memphis	$997.92
STV Construction, Inc	$694.89
American Architectural Inc	$7,971.34
Excel Physical Therapy	$1,019.73
Right Management - Washington DC	$1,667.01
Right Management - Seattle	$1,203.58
Right Management - Richmond VA	$955.15
Right Management - Raleigh	$1,502.67
Right Management - Indianapolis	$1,611.10
Abigail Michaels Concierge	$2,370.19
Novak Francella	$1,777.11
Armstrong - Fairfax	$6,289.11
Armstrong - Fredericksburg	$262.19
Armstrong - Alexandria	$227.23
MX Physical Therapy	$240.51
Right Management - Kansas City	$2,081.38
Right Management - Omaha	$953.67
Jefferson Wells - Indianapolis	$46.64
Elite Marketing LLC	$30.24
Votacall	$7,845.61
Petrelli Law P.C.	$164.92
New Horizon Communications	$8,563.94
EMSL - Torrance CA	$708.96
Right Management - Melville	$2,062.76
Hellickson Real Estate	$894.01
Right Management - Woodcliff Lake	$2,185.27
Right Management - London ONT	$1,030.73
InstallNet International Inc.	$1,211.73
Topline Solutions	$1,351.92
Right Management - Kitchener	$859.22
Bieber Transportation Group	$1,516.67
Right Management - Hamilton ONT	$737.57
Right Management - Princeton	$1,960.31
Hawaii Early Learning Council - Comprensive	$660.92
Right Management - Milwaukee	$1,479.61
Right Management - CC - LaGrange	$398.23
EMSL - Garden Grove	$1,620.68

EMSL - Phoenix	$416.00
EMSL - North Port	$683.28
EMSL - Charleston	$416.00
Right Management - Parsippany	$2,572.38
Provident Homes	$1,465.68
Percepticore LLC	$954.60
Mitchell Day Heath Law Firm	$452.13
AVS Medical	$2,176.85
ARPC	$6,013.96
Right Management - Cleveland	$1,566.67
Right Management - Greenville SC	$891.26
Medi Weight Loss Clinic	$267.91
Blunden & Associates	$86.20
Right Management - Atlanta	$2,923.35
Summit Computer Solutions	$39.06
Maximus - Grapevine	($27.10)
PDL Support	$1,067.28
CMG International, Ltd.	$1,648.38
Northwestern Mutual - Doylestown	$138.29
AB&T Telecom	($10,000.00)
Maximus - Irvine CA	$474.01
Children & Family First	$468.00
Right Management - Cincinnati	$1,597.74
Jefferson Wells - Raleigh	$452.05
Maximus - Westerville	$1,782.59
FibeRio Technology Corp	($279.53)
AYTA Business Communications	$29.78
Innovative Wealth Strategies	$93.09
MacRostie Historic Advisors	$788.72
Stage 2 Networks	$987.44
Right Management - Boston	$1,921.26
Eagle Power Authority, Inc.	$731.68
Law Office of Mark Guralnick	($5,486.70)
Right Management - Burlington	$2,544.43
Rose Commercial Real Estate of Atlantic Cou	$195.25
Clear Choice Unified Communications Inc.	$180.01
Armstrong - CSCC	$46.80
American Commercial Lines, LLC	$55.51
EMA Brokerage LLC	$257.18
Superior Home Mortgage	$555.09
Feinman Group	$289.86
Right Management - Encinitas	$2,603.14
Right Management - Minneapolis	$3,856.26
Right Management - Lancaster	$1,579.61
Right Management - Allentown	$1,968.86
Right Management - GRT	$271.63
Jefferson Wells - Encinitas	$47.13
Benari Law	$49.60

Tech Superstars	$145.02
Stratus IP	$198.14
Transition Pharmacy LLC	$278.61
Right Management - New York	$5,394.67
Jefferson Wells - Minneapolis	$828.42
American Revolution Center - Phoenixville	$45.30
Excel Bainbridge First Floor	$287.81
	$681,194.81
Adjusted for late sales	$7,121.33
Adjusted for late sales	$10,000.00
Subtotal	$698,316.14
Reclass credits	16328.38
Audit adj	13108.86
Total before allowance	727753.38
Allowance for doubtful accounts	-25000
A/R nel	702,753.38

Exhibit F-2

Inventory – Equipment

Description	Units	Cost	Dec 31, 2010 Extension
4550 5 call	4	$ 315.00	$ 1,260.00
4552 15 call	2	$ 650.00	$ 1,300.00
4552 30 call	2	$ 750.00	$ 1,500.00
800 POE edgeconnect switch 9i (Edgemarc)	1	$ 325.00	$ 325.00
ATA's	5	$ 84.00	$ 420.00
Final equipment inventory @ 12/31/10			$ 4,805.00

Exhibit F-3

Inventory Software Licenses

Dec 31, 2010

User License (each user/phone must purchase one of the below licenses)			
Business Line	207.30	$	8,750.13
Standard	1,451.10	$	77,503.25
Enterprise	414.60	$	32,591.71
Additional basic license for fax or other phone			
Trunk	2,073.00	$	7,451.04
Add-on features			
Voicemail	2,073.00	$	15,237.40
AutoAttendant	2,073.00	$	20,055.28
Reception Console	2,073.00	$	19,588.54
Call Center	2,073.00	$	12,105.66
Call Center Supervisor	2,073.00	$	18,643.26
Call Center Agent	2,073.00	$	38,740.31
TOTAL		**$**	**250,667**

Exhibit F-4

Prepaid Software Maintenance

12.31.10

Commencement date >>	Total	Broadsoft 3/1/2010	Broadsoft 7/1/2010	Broadsoft 7/1/2010	Broadsoft 7/1/2010	Broadsoft 7/1/2010	Blackberry 10/1/2010	Red Hat 11/1/2010
Cost	162,738.38	17,865.64	9,425.32	2,274.99	118,832.38	6,162.19	1,588.94	6,588.92
Accumulated Amortization	84,730.86	14,888.03	4,712.66	1,137.50	59,416.19	3,081.10	397.24	1098.15
FINAL BAL	78007.52	2977.61	4712.66	1137.50	59416.19	3081.10	1191.71	5490.77

Exhibit F-5

Prepaid Interest

Dec 31, 2010

Principal:	$ 200,000.00
Prepaid Interest	$ 23,750.00

Exhibit F-6

Property Plant and Equipment

FIXED ASSETS at 12/31/2010

Description		Cost
Computer Software - A/C # 1300		
Computer Software	$	36,337.24
Computer Software	$	11,399.00
Computer Software	$	28,125.00
Computer Software*	$	18,375.00
Computer Software*	$	54,244.37
Computer Software	$	1,142.71
Computer Software	$	2,158.92
MAR 10 BILL	$	4,016.92
Event Log Mgt Sutie 50 Server	$	3,141.00
AMEX BILL NOV 2010	$	1,402.92
Total Computer Software	**$**	**160,343.08**
Computer Equipment - A/C # 1310		
Computer Equipment	$	89,844.03
Computer Equipment	$	3,300.00
Computer Equipment**	$	1,996.00
Computer Equipment*	$	2,843.90
Computer Equipment	$	2,193.29
Computer Equipment	$	1,792.15
Computer Equipment	$	1,599.58
Computer Equipment	$	1,134.43
Computer Equipment	$	2,067.82
Computer Equipment	$	1,207.50
Computer Equipment	$	1,280.79
Computer Equipment	$	1,434.36
Computer Equipment	$	4,117.36
Computer Equipment	$	2,192.43
Computer Equipment	$	1,021.79
Computer Equipment	$	4,614.91
Computer Equipment	$	2,427.16
Computer Equipment	$	2,488.29
Computer Equipment	$	2,691.60
Computer Equipment	$	1,659.76

Computer Equipment	$	2,329.66
Computer Equipment	$	1,091.98
Computer Equipment	$	1,196.62
Computer Equipment	$	1,146.95
Computer Equipment	$	2,169.74
Computer Equipment	$	2,427.16
Computer Equipment	$	3,233.29
APRIL 2010 BILL	$	7,851.22
Dell Latitude E6410/Eport	$	1,227.81
600GB 15K RPM Cabled HD	$	2,477.96
AMEX Bill for July 2010	$	2,477.96
AMEX Bill for August 2010	$	2,848.68
DELL LATITUDE	$	1,270.59
AMEX BILL SEPT	$	1,334.14
AMEX BILL OCT 2010	$	7,709.71
AMEX BILL NOV 2010	$	12,464.70
Computer Equipment	$	9,940.69
Computer Equipment	$	4,729.86
Total Computer Equipment	**$**	**199,835.87**
Furn & Fixtures - A/C # 1320		
Furn & Fixtures	$	30,245.22
Furn & Fixtures	$	1,176.99
Furn & Fixtures	$	3,718.14
Furn & Fixtures	**$**	**2,256.12**
Total Furn & Fixtures	**$**	**37,396.47**
Capitalized Tel Eqpt - A/C # 1311		
Capitalized Tel Eqpt	$	45,215.00
	$	**-**
Total Capitalized Tel Eqpt	**$**	**45,215.00**
Cap Leasehold Imp's - A/C # 1331		
Cap Leasehold Imp's	$	161,147.80
Cap Leasehold Imp's	$	1,300.00
Cap Leasehold Imp's		
Total Cap Leasehold Imp's	**$**	**162,447.80**

Capital Leases	
FIRSTLEASE - 8649	36,535.00
PUGET SOUND	65,823.00
VARILEASE	37,773.06
IFC/PIONEER	48,825.18
MARLIN	35,612.58
FINANCIAL PACIFIC	55,883.00
PINNACLE	47,829.00
ACC CAPITAL	44,850.00
BALBOA	47,829.00
BMT/BRYN MAWR	49,650.00
TECH CAPITAL	156,875.00
FIRSTLEASE - 11005	45,000.00
First Lease	5,645.00
Pawnee Leasing	29,905.63
M&T (COURT SQUARE) - LEASE 55205	10,000.00
COMMERCE FINANCIAL - LEASE CS1293 SLP	49,985.00
US BANK- LYON FINANCIAL - LEASE 600	49,800.00
ACC CAPITAL LEASE #21676-2	48,035.65
AEL FINANCIAL- LEASE # 65295	70,557.50
COMMERCIAL EQUPIMENT (VANGUARD) SLP	23,287.50
EMPIRIX -LEASE	52,400.00
COMMERCE FINANCIAL LEASE -CS1327	38,548.61
COMMERCE FINANCIAL LEASE -CS	9,983.36
COMMERCE FINANCIAL LEASE -CS	21,750.00
Alliance # # 001-0081892-001	60,635.19
CISCO 6-1-2010 - #25043618	12,220.42
EMPIRIX -LEASE 3 1 10	18,000.00
Financial Pac / Alliance	22,900.00
FIRST LEASE - LEASE 15643	75,235.65
Key Equipment	25,360.00
Total Capital Leases	**$1,296,734.33**

TOTAL	$1,901,974

Exhibit F-7

Security Deposits

		31 Dec 10
Balance consists of:		
Alliance	60	2,092.48
Varilease	38	1,467.48
ACC	45	1,829.36
Cisco	12	-
Alliance	23	864.24
Puget	66	3,691.96
Pioneer	49	2,668.82
Commercial	39	1,285.00
Commercial	10	356.04
Commercial	22	758.26
ACC	48	1,775.40
Commercial	23	925.91
Technology Cap	36	514.01
Bryn Mawr	50	2,107.62
First Lease	45	1,478.64
First Lease	6	187.50
Empirix	18	1,044.93
Empirix	52	2,466.65
Court Square	10	-
Commercial	50	1,675.00
US Bank Lyon	50	1,778.71
Pawnee/Vanguard	30	1,555.79
Key Equipment	25	884.11
First Lease	75	5,405.21
AEL Financial	70	1,784.64
First Lease	39	1,255.97
Technology Cap	157	35,296.88
Lease Tech	48	1,918.90
Financial Pacific	56	1,808.05
Pinnacle	48	1,837.59
		80,715.15
Office lease deposit - 5th & Market		11,770.00
Total of Security Deposits		92,485.15

Exhibit G

Accrued Depreciation

Dec 31, 2010

PROPERTY CATEGORY	ACCRUED DEPRECIATION	DEPRECIATION METHODS USED
Computer Software	129,427	Straight line 2 years and 3 years
Computers	109,544	Straight line 2 years and 3 years
Furniture and Fixtures	17,577	Straight line 5 years
Equipment	30,682	Straight line 7 years
Capitalized Leases	543,276	Straight Line 6 years
Leasehold Improvements	65,063	Straight Line 5 years
TOTAL	895,569	

Exhibit H

Depreciation and Amortization Reserves

	A/D @
Description	**12/31/2010**
Computer Software - A/C # 1300	
Computer Software	31,969.80
Computer Software	11,399.00
Computer Software	22,656.25
Computer Software*	13,781.25
Computer Software*	46,710.44
Computer Software	825.28
Computer Software	779.61
MAR 10 BILL	1,004.23
Event Log Mgt Sutie 50 Server	261.75
AMEX BILL NOV 2010	38.97
Total Computer Software	**129,426.58**
Computer Equipment - A/C # 1310	
Computer Equipment	86,368.81
Computer Equipment	1,650.00
Computer Equipment**	898.20
Computer Equipment*	1,232.36
Computer Equipment	951.43
Computer Equipment	776.60
Computer Equipment	639.84
Computer Equipment	434.87
Computer Equipment	689.27
Computer Equipment	554.70
Computer Equipment	348.23
Computer Equipment	375.69
Computer Equipment	1,166.58
Computer Equipment	621.19
Computer Equipment	289.51
Computer Equipment	1,307.56
Computer Equipment	448.68
Computer Equipment	651.32
Computer Equipment	717.76
Computer Equipment	414.94
Computer Equipment	543.59

Computer Equipment	254.80
Computer Equipment	259.26
Computer Equipment	248.51
Computer Equipment	1,175.28
Computer Equipment	1,314.71
Computer Equipment	987.95
APRIL 2010 BILL	1,744.72
Dell Latitude E6410/Eport	204.64
600GB 15K RPM Cabled HD	344.16
AMEX Bill for July 2010	344.16
AMEX Bill for August 2010	316.52
DELL LATITUDE	105.88
AMEX BILL SEPT	111.18
AMEX BILL OCT 2010	428.32
AMEX BILL NOV 2010	346.24
Computer Equipment	276.13
Computer Equipment	-
Total Computer Equipment	**109,543.58**
Furn & Fixtures - A/C # 1320	
Furn & Fixtures	15,880.03
Furn & Fixtures	364.30
Furn & Fixtures	1,106.58
Furn & Fixtures	225.61
Total Furn & Fixtures	**17,576.52**
Capitalized Tel Eqpt - A/C # 1311	
Capitalized Tel Eqpt	30,681.54
	-
Total Capitalized Tel Eqpt	**30,681.54**
Cap Leasehold Imp's - A/C # 1331	
Cap Leasehold Imp's	64,459.12
Cap Leasehold Imp's	603.58
Cap Leasehold Imp's	-
Total Cap Leasehold Imp's	**65,062.70**

Capital Leases	
FIRSTLEASE - 8649	24,356.67
PUGET SOUND	41,176.95
VARILEASE	23,474.49
IFC/PIONEER	30,342.95
MARLIN	22,001.74
FINANCIAL PACIFIC	34,371.87
PINNACLE	29,352.59
ACC CAPITAL	27,114.79
BALBOA	28,610.04
BMT/BRYN MAWR	29,245.89
TECH CAPITAL	89,397.26
FIRSTLEASE - 11005	24,719.18
First Lease	2,667.84
Pawnee Leasing	12,877.17
M&T (COURT SQUARE) - LEASE 55205	3,150.68
COMMERCE FINANCIAL - LEASE CS1293 SLP	14,972.68
US BANK- LYON FINANCIAL - LEASE 600	14,712.60
ACC CAPITAL LEASE #21676-2	14,015.88
AEL FINANCIAL- LEASE # 65295	20,587.33
COMMERCIAL EQUPIMENT (VANGUARD) SLP	6,677.88
EMPIRIX -LEASE	11,628.49
COMMERCE FINANCIAL LEASE -CS1327	8,220.18
COMMERCE FINANCIAL LEASE -CS	2,042.26
COMMERCE FINANCIAL LEASE -CS	3,932.88
Alliance # # 001-0081892-001	9,263.71
CISCO 6-1-2010 - #25043618	1,527.55
EMPIRIX -LEASE 3 1 10	2,250.00
Financial Pac / Alliance	2,544.44
FIRST LEASE - LEASE 15643	5,224.70
Key Equipment	2,817.78
	-
Total Capital Leases	**543,278.49**
TOTAL	$ 895,569.4

Exhibit I-1

Statement Regarding Alteva Revenues, Expenses and Taxes

(Unaudited)

	2010	2009	2008
Revenues	6,012,064	4,826,717	3,314,712
Cost of Sales	2,511,062	2,137,634	1,432,937
Gross Margin	3,501,002	2,689,083	1,881,775
Total Operating expenses	3,108,668	2,069,541	1,426,758
Depreciation & Amortization	301,145	382,756	327,181
Interest Expense	182,030	196,237	169,962
Taxes	78,462	89,002	(108,188)
Net Income (Loss)	(169,303)	(48,453)	66,062

Exhibit I-2

Alteva Balance Sheet

(Unaudited)

	Dec 31, 2010
Assets	
Current assets	
Cash	$ 846,504
Accounts receivable, net allowance for doubtful accounts of $25,000	702,753
Inventory	255,472
Prepaid expenses	101,757
Total current assets	1,906,486
Fixed assets	
Property & equipment	1,901,9742
Accumulated depreciation	(895,569)
Fixed assets, net	1,006,405
Other assets	92,485
Total assets	**$ 3,005,375**
Liabilities and members' equity	
Liabilities	
Current liabilities	
Accounts payable	$ 610,455
Accrued expenses	148,047
Accrued sales & use taxes	100,675
Current portion-long term debt	63,653
Current maturities-cap lease	245,543
Other current liabilities	41,988
Total current liabilities	1,368,205
Long term liabilities	
Long term debt, net current	654,079
Capital lease, net current	208,382
Total long term liabilities	793,250
Total liabilities	2,072,822
Members' equity	
Member contributions	1,763,325
Member loans	119,105
Member distributions	(363,005)
Retained earnings (losses)	(586872)
Total members equity	932,553
Total liabilities & members' equity	**$ 3,005,375**