

AFFIDAVIT OF DANIEL NICHERIE

STATE OF ALABAMA

COUNTY OF JEFFERSON

Before me, the undersigned notary public in and for said county and state, personally appeared Daniel Nicherie, who, being personally known to me and after being first duly sworn, deposed as follows:

1. My name is Daniel Nicherie and I am the President and Chief Executive Officer of Federal Transtel, Inc. ("FTT"), the defendant. I make this affidavit from my own personal knowledge and from my familiarity with the books and records of FTT.

2. FTT is not insolvent. Attached hereto as **Exhibit A** is a true and correct copy of the Financial Statement of FTT, prepared internally as of September 30, 2001. As reflected on the second page of the Balance Sheet, FTT has total stockholders equity of \$1,209,411.03. Contrary to allegations or statements I have read in the Affidavit of Lester Alexander, the Note Receivable identified on the first page of Balancing Sheet is a valid asset. Though the Note is in default, the Note is secured by two mortgages on real property located in California which have sufficient equity to fully secure and collateralize the Note. Thus, while the Note is in default, it remains a valid and completely secured asset of FTT.

3. Moreover, FTT has and does pay its obligations on a regular basis.

4. Again, contrary to statements contained within the Affidavits filed in this matter, I have not taken money from FTT in any inappropriate fashion. Offsets to monies payable to Mercury Marketing are justified under our contract. Moreover, any monies that



have been paid to me by FTT have been used for the corporate purposes and direct benefit of FTT.

5. It is my understanding and I state upon information and belief that Mercantile Capital owns 35% of Mercury Marketing. It is also my understanding and I state upon information and belief that the controller of Mercantile Capital is the son of the principal of Mercury Marketing. Any rights of Mercantile Capital are derived through Mercury Marketing, and are subject to a setoff of those obligations owed by Mercury Marketing to FTT. Attached hereto as **Exhibit B** is correspondence authorized by me to be sent to Mercury Marketing on October 31, 2001. The statements contained within the letter are true and correct. Mercury Marketing has breached its contract with FTT and owes FTT \$1,994,623.16 through underfunding of the reserve maintained at FTT. Any obligation owed to Mercury Marketing is more than offset by that underfunding debt, and we believe that Mercury Marketing presently owes FTT at least \$263,455.27. More importantly, I am aware that the Federal Trade Commission ("FTC") determined that Mercury Marketing defrauded its customers. Mercury Marketing has settled with the FTC without admitting any improprieties. However, the knowledge of that claimed defalcation by the FTC exposes FTT to much larger chargebacks, by which the amount owed to FTT by Mercury Marketing probably will far exceed the amount presently due.

6. Several contracts of FTT with local exchange carriers (LEC) contain provisions by which the appointment of a receiver constitutes an immediate term of default and enables the LEC to terminate the contract immediately. Hence, the appointment of a Receiver for FTT would constitute a term of default of these agreements. Because the revenue obtained by FTT is generated solely through its contractual relationships with the

LECs, the appointment of a Receiver would expose FTT to an immediate breach of these contracts and termination of any ability to obtain revenue, thereby putting FTT out of business.

7. FTT has not taken any money or failed to pay any money due Mercury Marketing under its contractual relationships, until it was determined that FTT had overpaid Mercury Marketing or had underfunded the Reserve for Mercury Marketing held by FTT.


8. I have read the above and foregoing Affidavit and it is true and correct to the best of my knowledge.

Further the affiant saith not.



DANIEL NICHERIE

Sworn to and subscribed before me this the 1st day of November, 2001.



ANGELLE MARIE ALEMAN
NOTARY PUBLIC, ALABAMA, STATE AT LARGE
My Commission Expires: September 2, 2003

ANGELLE MARIE ALEMAN
Notary Public, Alabama, State at Large
My Commission Expires September 2, 2003



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FEDERAL EXPRESS, INC.

FINANCIAL STATEMENTS

2868 ACHON ROAD
SUITE 100
BIRMINGHAM, AL 35243

As of
Sep 30 01

THIS INFORMATION IS HIGHLY CONFIDENTIAL. NOT FOR USE OR DISCLOSURE WITHOUT PRIOR WRITTEN CONSENT OF FEI.

8:4828 Oct 11 2001

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Federal Transit, Inc.
 Balance Sheet - REDUCTIONS BREAKDOWN
 Sep 30 01
 8:48am Oct 23 2001
 Audited
 ASSETS

	Current Balance	Change From Last Month	Change	Last Month's Balance
net assets:				
CASH	(327,842.44)	(1,172,586.37)	357.67	644,743.93
ACCOUNTS RECEIVABLE - BILLS	4,280,729.13	4,550,519.14	69.18	3,030,191.99
ACCOUNTS RECEIVABLE - CONFIRMED	23,662,057.06	(101,766.28)	2.78	3,781,821.34
EDUCTIONS - UNRELIABLE	(5,435.81)	(423,370.00)	-----	417,874.19
EDUCTIONS - FRA'S	(112,329.35)	(652,332.83)	198.00	119,502.18
EDUCTIONS - BAD DEBT ALLOWANCE	3,709,021.06	0.00	0.00	3,709,021.00
EDUCTIONS - UNCOLLECTIBLES	(159,623.48)	(377,744.21)	238.14	219,121.35
AR A/R - ALL BILLS	(1,025,948.11)	(2,113,132.85)	209.97	1,087,184.74
A/R - MISC. - CLIENTS	1,062,904.13	(112,786.10)	12.48	1,186,690.23
RAW/D.S. RECEIVABLES	623,771.58	(70,897.32)	11.33	694,668.90
OTHER RECEIVABLES	42,160.13	4,063.95	6.62	43,096.15
OTR RECEIVABLE	1,447,481.77	26,732.57	0.49	1,420,759.20
REPAID EXPENSES	703,458.11	138,315.81	19.66	565,142.30
total Current Assets	19,588,493.73	(324,987.68)	1.43	20,323,862.40
fixed assets:				
FIXED ASSETS	1,082,688.35	0.00	0.00	1,082,688.35
LESS ACCUMULATED DEPRECIATION	1,872,818.62	26,616.68	1.59	1,846,199.14
CONTRACTS & DEPOSITS	57,629.94	0.00	0.00	57,629.94
LESS AMORTIZATION EXPENSE	2,347.11	344.29	10.41	2,102.82
OTHER ASSETS	488,999.90	0.00	0.00	488,999.90
total Fixed Assets	961,152.56	(26,460.37)	2.82	978,013.83
total Assets	20,549,646.29	(351,448.05)	1.68	21,291,876.23

LIABILITIES AND SHAREHOLDERS' EQUITY

total liabilities:				
ACCOUNTS PAYABLE GENERAL ACCRUED	244,612.49	(78,420.88)	27.52	368,013.15
ACCOUNTS PAYABLE GENERAL	334,137.40	(297,285.78)	89.66	831,425.18
ACCOUNTS PAYABLE CLIENTS	5,527,442.78	(344,512.43)	6.81	6,171,952.43
CLIENT RESERVES	10,214,432.99	(248,448.73)	2.44	10,342,940.72
ESTIMATED RESERVE LOSSES	1,734,666.84	38,785.84	1.39	1,762,882.30
PAYROLL LIABILITY	151,553.90	(125.89)	0.08	153,679.19
ACCOUNTS PAYABLE ACCRUED TAXES	9,388.32	416.87	4.44	8,972.15
SALES TAX LIABILITY	100,228.75	(80,789.95)	49.34	291,012.80
TELECOMMUNICATION SURCHARGES	4,119.00	(881.66)	18.60	4,803.66
OTHER NOTES PAYABLES	800,000.00	800,000.00	100.00	0.00
total current liabilities	19,730,618.55	(228,067.91)	1.14	19,955,703.46
shareholders' equity:				

300,000

300,000

5 million

	Current Balance	Change From Last Month	% Change	Last Month's Balance
(continued)				
COMMON STOCK	1,000.00	0.00	0.00	1,000.00
DISTRIBUTIONS	(320,000.00)	0.00	0.00	(320,000.00)
RETAINED EARNINGS	1,922,779.11	0.00	0.00	1,922,779.11
Profit (loss) YEAR-TO-DATE	(194,368.08)	(124,760.74)	32.14	(267,607.34)
Total shareholders' equity	1,309,419.03	(124,760.74)	10.48	1,334,179.77
	20,540,046.38	(351,828.63)	1.68	21,291,875.23