

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE**

In re: Touch America Intangible Holding Company, LLC

Case No. 03-11919 (KJC)  
Reporting Period: June 20, 2003 - July 31, 2003

**MONTHLY OPERATING REPORT**

File with Court and submit copy to United States Trustee within 20 days after end of month

Submit copy of report to any official committee appointed in the case.

REQUIRED DOCUMENTS	Form No.	Document Attached	Explanation Attached
Schedule of Cash Receipts and Disbursements	MOR-1	X	
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1 (CONT)	X	
Copies of bank statements			
Cash disbursements journals			
Statement of Operations	MOR-2	X	
Balance Sheet	MOR-3	X	
Status of Postpetition Taxes	MOR-4	X	
Copies of IRS Form 6123 or payment receipt			
Copies of tax returns filed during reporting period			
Summary of Unpaid Postpetition Debts	MOR-4	X	
Listing of aged accounts payable			
Accounts Receivable Reconciliation and Aging	MOR-5	X	
Debtor Questionnaire	MOR-5	X	

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

\_\_\_\_\_  
Signature of Debtor

Date

\_\_\_\_\_  
Signature of Joint Debtor

Date

/s/ J. P. Pederson

August 27, 2003

Signature of Authorized Individual\*

Date

J. P. Pederson

Vice Chairman and CFO

Printed Name of Authorized Individual

Title of Authorized Individual

\*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.

### SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Amounts reported should be per the debtor's books, not the bank statement. The beginning cash should be the ending cash from the prior month or, if this is the first report, the amount should be the balance on the date the petition was filed. The amounts reported in the "CURRENT MONTH - ACTUAL" column must equal the sum of the four bank account columns. The amounts reported in the "PROJECTED" columns should be taken from the SMALL BUSINESS INITIAL REPORT (FORM IR-1). Attach copies of the bank statements and the cash disbursements journal. The total disbursements listed in the disbursements journal must equal the total disbursements reported on this page. A bank reconciliation must be attached for each account. [See MOR-1 (CONT)]

	BANK ACCOUNTS				CURRENT MONTH		CUMULATIVE FILING TO DATE	
	OPER.	PAYROLL	TAX	OTHER	ACTUAL	PROJECTED	ACTUAL	PROJECTED
CASH BEGINNING OF MONTH	0				0			
RECEIPTS								
CASH SALES								
ACCOUNTS RECEIVABLE								
LOANS AND ADVANCES								
SALE OF ASSETS								
OTHER (ATTACH LIST)								
TRANSFERS (FROM DIP ACCTS)								
TOTAL RECEIPTS								
DISBURSEMENTS								
NET PAYROLL								
PAYROLL TAXES								
SALES, USE, & OTHER TAXES								
INVENTORY PURCHASES								
SECURED/ RENTAL/ LEASES								
INSURANCE								
ADMINISTRATIVE								
SELLING								
OTHER (ATTACH LIST)								
OWNER DRAW *								
TRANSFERS (TO DIP ACCTS)								
PROFESSIONAL FEES								
U.S. TRUSTEE QUARTERLY FEES								
COURT COSTS								
TOTAL DISBURSEMENTS								
NET CASH FLOW (RECEIPTS LESS DISBURSEMENTS)								
CASH - END OF MONTH	0				0		0	

\* COMPENSATION TO SOLE PROPRIETORS FOR SERVICES RENDERED TO BANKRUPTCY ESTATE

#### THE FOLLOWING SECTION MUST BE COMPLETED

DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES: (FROM CURRENT MONTH ACTUAL COLUMN)	
TOTAL DISBURSEMENTS	0
LESS: TRANSFERS TO DEBTOR IN POSSESSION ACCOUNTS	\$
PLUS: ESTATE DISBURSEMENTS MADE BY OUTSIDE SOURCES (i.e. from escrow accounts)	\$
TOTAL DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES	0

FORM MOR-1  
(9/99)

A bank reconciliation must be included for each bank account. The debtor's bank reconciliation may be substituted for this page.

[illegible]

OTHER \_\_\_\_\_

In re: Touch America Intangible Holding Company, LLC

Case No. 03-11919 (KJC)  
Reporting Period. June 20, 2003 - July 31, 2003

**STATEMENT OF OPERATIONS**  
(Income Statement)

The Statement of Operations is to be prepared on an accrual basis. The accrual basis of accounting recognizes revenue when it is realized and expenses when they are incurred, regardless of when cash is actually received or paid.

REVENUES	Month	Cumulative Filing to Date
Gross Revenues		
Less: Returns and Allowances		
Net Revenue	0	0
<b>COST OF GOODS SOLD</b>		
Beginning Inventory		
Add: Purchases		
Add: Cost of Labor		
Add: Other Costs (attach schedule)		
Less: Ending Inventory	0	0
Cost of Goods Sold	0	0
Gross Profit		
<b>OPERATING EXPENSES</b>		
Advertising		
Auto and Truck Expense		
Bad Debts		
Contributions		
Employee Benefits Programs		
Insider Compensation*		
Insurance		
Management Fees/Bonuses		
Office Expense		
Pension & Profit-Sharing Plans		
Repairs and Maintenance		
Rent and Lease Expense		
Salaries/Commissions/Fees		
Supplies		
Taxes - Payroll		
Taxes - Real Estate		
Taxes - Other		
Travel and Entertainment		
Utilities		
Other (attach schedule)		
Total Operating Expenses Before Depreciation		
Depreciation/Depletion/Amortization	84,794.26	84,794.26
Net Profit (Loss) Before Other Income & Expenses	-84,794.26	-84,794.26
<b>OTHER INCOME AND EXPENSES</b>		
Other Income (attach schedule)		
Interest Expense		
Other Expense (attach schedule)		
Net Profit (Loss) Before Reorganization Items	-84,794.26	-84,794.26
<b>REORGANIZATION ITEMS</b>		
Professional Fees		
U. S. Trustee Quarterly Fees	500.00	500.00
Interest Earned on Accumulated Cash from Chapter 11 (see continuation sheet)		
Gain (Loss) from Sale of Equipment		
Other Reorganization Expenses (attach schedule)		
Total Reorganization Expenses	500.00	500.00
Income Taxes		
Net Profit (Loss)	-85,294.26	-85,294.26

\*"Insider" is defined in 11 U.S.C. Section 101(31).

FORM MOR-2  
(9/99)

## STATEMENT OF OPERATIONS - continuation sheet

BREAKDOWN OF "OTHER" CATEGORY	Month	Cumulative Filing to Date
Other Costs		
Other Operational Expenses		
Other Income		
Other Expenses		
Other Reorganization Expenses		

**Reorganization Items - Interest Earned on Accumulated Cash from Chapter 11:**

Interest earned on cash accumulated during the chapter 11 case, which would not have been earned but for the bankruptcy proceeding, should be reported as a reorganization item.

In re : Touch America Intangible Holding Company, LLC.  
Debtor

Case No. 03-11919 (KJC)  
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## BALANCE SHEET

The Balance Sheet is to be completed on an accrual basis only. Pre-petition liabilities must be classified separately from postpetition obligations.

ASSETS	BOOK VALUE AT END CURRENT REPORTING PERIOD	BOOK VALUE ON PETITION DATE
<b>CURRENT ASSETS</b>		
Unrestricted Cash and Equivalents	0.00	0.00
Restricted Cash and Cash Equivalents (see continuation sheet)	0.00	0.00
Accounts Receivable (Net)	0.00	0.00
Accounts Receivable - Intercompany	7,006,388.96	7,006,388.96
Notes Receivable	0.00	0.00
Inventories	0.00	0.00
Prepaid Expenses	0.00	0.00
Professional Retainers	0.00	0.00
Other Current Assets (attach schedule)	0.00	0.00
<b>TOTAL CURRENT ASSETS</b>	<b>\$7,006,388.96</b>	<b>\$7,006,388.96</b>
<b>PROPERTY AND EQUIPMENT</b>		
Real Property and Improvements	7,598.38	7,598.38
Communications Equipment	488,020.31	488,020.31
Furniture, Fixtures and Office Equipment	0.00	0.00
Leasehold Improvements	0.00	0.00
Vehicles	0.00	0.00
Fiber Optic Network	14,030,040.20	14,030,040.20
Construction Work in Progress	458,170.32	458,170.32
Less Accumulated Depreciation	1,429,232.27	1,344,438.01
<b>TOTAL PROPERTY &amp; EQUIPMENT</b>	<b>\$13,554,596.94</b>	<b>\$13,639,391.20</b>
<b>OTHER ASSETS</b>		
Loans to Insiders*	0.00	0.00
Other Assets (attach schedule)	0.00	0.00
<b>TOTAL OTHER ASSETS</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>TOTAL ASSETS</b>	<b>\$20,560,985.90</b>	<b>\$20,645,780.16</b>

LIABILITIES AND OWNER EQUITY	BOOK VALUE AT CURRENT REPORTING PERIOD	BOOK VALUE ON PETITION DATE
<b>LIABILITIES NOT SUBJECT TO COMPROMISE (Postpetition)</b>		
Accounts Payable	500.00	0.00
Taxes Payable (refer to FORM MOR-4)	0.00	0.00
Wages Payable	0.00	0.00
Notes Payable	0.00	0.00
Rent / Leases - Building/Equipment	0.00	0.00
Secured Debt / Adequate Protection Payments	0.00	0.00
Professional Fees	0.00	0.00
Amounts Due to Insiders*	0.00	0.00
Other Postpetition Liabilities (attach schedule)	0.00	0.00
<b>TOTAL POSTPETITION LIABILITIES</b>	<b>\$500.00</b>	<b>\$0.00</b>
<b>LIABILITIES SUBJECT TO COMPROMISE (Pre-Petition)</b>		
Secured Debt	0.00	0.00
Priority Debt	629.29	629.29
Unsecured Debt-Intercompany	66,874,094.29	66,874,094.29
Income Taxes Payable (A)	-2,054,277.29	-2,054,277.29
<b>TOTAL PRE-PETITION LIABILITIES</b>	<b>\$64,820,446.29</b>	<b>\$64,820,446.29</b>
<b>TOTAL LIABILITIES</b>	<b>\$64,820,946.29</b>	<b>\$64,820,446.29</b>
<b>OWNER EQUITY</b>		
Capital Stock	0.00	0.00
Additional Paid-In Capital	0.00	0.00
Partners' Capital Account	0.00	0.00
Owner's Equity Account	0.00	0.00
Retained Earnings - Pre-Petition	-44,174,666.13	-44,174,666.13
Retained Earnings - Postpetition	-85,294.26	0.00
Adjustments to Owner Equity (attach schedule)	0.00	0.00
Postpetition Contributions (Distributions) (Draws) (attach schedule)	0.00	0.00
<b>NET OWNER EQUITY</b>	<b>(\$44,259,960.39)</b>	<b>(\$44,174,666.13)</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>\$20,560,985.90</b>	<b>\$20,645,780.16</b>

\*"Insider" is defined in 11 U.S.C. Section 101(31).

FORM MOR-3  
(9/99)

(A) Touch America Intangible Holding Company, LLC. is included in the consolidated federal income tax return of Touch America Holdings, Inc. However the income tax expense is provided as if Touch America Intangible Holding Company, LLC. filed a stand-alone income tax return. 1997 through 2001 Income tax returns are currently under audit by the IRS and the recorded liability may be subject to change.

In re : Touch America Intangible Holding Company, LLC.  
Debtor

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**BALANCE SHEET - continuation sheet**

ASSETS		BOOK VALUE AT ENDCURRENT REPORTING PERIOD	BOOK VALUE ON PETITION DATE
Other Current Assets			
Other Assets			
LIABILITIES AND OWNER EQUITY		BOOK VALUE AT ENDCURRENT REPORTING PERIOD	BOOK VALUE ON PETITION DATE
Other Postpetition Liabilities			
Adjustments to Owner Equity			
Postpetition Contributions (Distributions) (Draws)			

Restricted Cash: cash that is restricted for a specific use and not available to fund operations. Typically, restricted cash is segregated into a separate account, such as an escrow account.

STATUS OF POSTPETITION TAXES

The beginning tax liability should be the ending liability from the prior month or, if this is the first report, the amount should be zero.  
Attach photocopies of IRS Form 6123 or payment receipt to verify payment or deposit of federal payroll taxes.  
Attach photocopies of any tax returns filed during the reporting period.

	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Date Paid	Check No. or EFT	Ending Tax Liability
<b>Federal</b>						
Withholding						
FICA-Employee						
FICA-Employer						
Unemployment						
Income						
Other:						
Total Federal Taxes	0	0	0	0	0	0
<b>State and Local</b>						
Withholding						
Sales						
Excise						
Unemployment						
Real Property						
Personal Property						
Other:						
Total State and Local	0	0	0	0	0	0
<b>Total Taxes</b>	0	0	0	0	0	0

SUMMARY OF UNPAID POSTPETITION DEBTS

Attach aged listing of accounts payable.

	Number of Days Past Due					
	Current	0-30	31-60	61-90	Over 90	Total
Accounts Payable - U S Trustee Fee	500.00					500.00
Wages Payable						
Taxes Payable						
Rent/Leases-Building						
Rent/Leases-Equipment						
Secured Debt/Adequate Protection Payments						
Professional Fees						
Amounts Due to Insiders*						
Other:						
Other:						
<b>Total Postpetition Debts</b>	500.00	0.00	0.00	0.00	0.00	500.00

Explain how and when the Debtor intends to pay any past-due postpetition debts.

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#### ACCOUNTS RECEIVABLE RECONCILIATION AND AGING

Accounts Receivable Reconciliation
Total Accounts Receivable at the beginning of the reporting period
+ Amounts billed during the period
- Amounts collected during the period
Total Accounts Receivable at the end of the reporting period

Amount
0.00
0
0
0

Accounts Receivable Aging
0 - 30 days old
31 - 60 days old
61 - 90 days old
91+ days old
Total Accounts Receivable
Amount considered uncollectible (Bad Debt)
Accounts Receivable (Net)

Amount
0
0
0.00

#### DEBTOR QUESTIONNAIRE

Must be completed each month
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below.
2. Have any funds been disbursed from any account other than a debtor in possession account this reporting period? If yes, provide an explanation below.
3. Have all postpetition tax returns been timely filed? If no, provide an explanation below.
4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.

Yes	No
	X
	X
X	
X	
