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*Reply to Kansas City Office*

August 17, 1999

**FILED**

AUG 18 1999

**VIA OVERNIGHT DELIVERY**

Mr. Dale Hardy Roberts  
Secretary/Chief Regulatory Judge  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, MO 65102

Missouri Public  
Service Commission

TM-2000-157

**RE: The Matter of LD Services, Inc. Name Change to CEO Telecommunications, Inc., Case No. ~~TD-99-460~~, Tariff File ~~9900786~~**

Dear Mr. Roberts:

Enclosed please find the Joint Application for Merger of LD Services, Inc. and CEO Telecommunications, Inc. I have enclosed the original and 14 copies as required by the Code of State Regulations. Please file the same with the Commission and return a file-stamped copy to me in the self addressed, stamped envelope.

A copy of the Joint Application has been forwarded to the Office of Public Counsel, P.O. Box 7800, Jefferson City, Missouri 65102.

Thank you for your cooperation in this matter. Should you have any questions, please contact me at the above-listed Kansas City, Missouri telephone number.

Very truly yours,

  
JAMES C. SULLIVAN

JCS:mao

Enc.

FILED

AUG 18 1999

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

Missouri Public  
Service Commission

In the Matter of the Application of L.D.  
Services, Inc. and CEO Telecommunications,  
Inc. for an order Authorizing the Merger of  
L.D. Services, Inc. and  
CEO Telecommunications, Inc. )

TM-2000-157  
Case No. ~~TC-99-200~~  
Tariff File ~~9900786~~

JOINT APPLICATION FOR MERGER

Pursuant to 4 CSR 240-2.060(6), L.D. Services, Inc. ("LDS") and CEO Telecommunications, Inc. ("CEO Telecom") (together "Applicants") file this Joint Application respectfully requesting that the Missouri Public Service Commission issue an Order granting authorization for the merger of LDS and CEO Telecom.

In support of this request, Applicants provide the following:

1. The Parties

On June 5, 1995, LDS was granted authority to operate as a reseller of long distance and other intrastate interexchange telecommunications services in Missouri, pursuant to Case No. TA-95-314. LDS, a subsidiary of Star Telecommunications, Inc., is a California corporation with its corporate offices in Los Angeles, California. Pursuant to LDS's current tariff, LDS offers various telecommunications services to commercial and residential end-users within the state. Pursuant to the terms of the Plan of Merger, as more particularly described below, LDS has changed its name to CEO Telecommunications, Inc., which is a wholly-owned subsidiary of Star Telecommunications, Inc.

CEO Telecom was a California corporation with its corporate offices in Norwalk, California. At all relevant times, CEO Telecom was a wholly-owned subsidiary of Star Telecommunications, Inc., a Delaware corporation. Prior to the merger, CEO Telecom was not authorized to do business in Missouri and did not offer telecommunications services in Missouri. Pursuant to the terms of the Plan of Merger, the shares of CEO Telecom were canceled and LDS became the surviving corporation.

2. The Transaction

On or about August 24, 1998, LDS, a California corporation, and CEO Telecom, a California corporation, entered into a Plan of Merger ("Merger Plan"), a copy of which is attached as Exhibit A. At the time of the merger, LDS and CEO Telecom were wholly-owned subsidiaries of Star Telecommunications, Inc. The specific terms of the transaction are contained in Exhibit A, which is incorporated herein by reference.

Pursuant to the Merger Plan, LDS is the surviving corporation and CEO Telecom is the merging corporation. Upon consummation of the merger, the shares of CEO Telecom were canceled and no shares of LDS were issued in exchange for the cancellation of such shares. The outstanding shares of LDS remain outstanding and were not effected by the merger. LDS assumed all of the liabilities of CEO Telecom in the merger. Upon completion of the merger, the services of the merged

companies have been and are being provided by LDS under the LDS tariff. As part of the merger plan, the corporate name of LDS under the LDS Articles of Incorporation was changed to "CEO Telecommunications, Inc." This surviving corporation remains a wholly-owned subsidiary of Star Telecommunications, Inc.

Both the LDS and CEO Telecom Boards of Directors, respectively, have unanimously concluded that the terms of the Merger Plan are in the best interests of their respective shareholders, customers and employees. Copies of the board resolutions are attached hereto as Exhibit B.

The impact of this merger on the customers in Missouri has been seamless. Prior to the merger, CEO Telecom did not have any customers in Missouri. On or about September 25, 1998, shortly after the merger, LDS had approximately 1,261 customers in Missouri and those customers were not affected by the merger. LDS, now CEO Telecommunications, Inc., continues to provide the same level and quality of services to its Missouri customers.

The effect of the merger of LDS and CEO Telecom was to effectuate a name change of LDS by way of a merger. The merger did not create a change in control of LDS as LDS, the company that provides service to Missouri companies, was and remains a subsidiary of Star Telecommunications, Inc.

LDS and CEO Telecom did not request approval from the Missouri Public Service Commission to complete this merger due to a misinterpretation of the Missouri regulations. LDS and CEO Telecom regret any hardship imposed on the PSC and have now retained the undersigned Missouri counsel to ensure future compliance with Missouri's regulations.

3. Board Resolutions

Certified copies of the LDS and CEO Telecom board resolutions approving this transaction are attached hereto as Exhibit B and are incorporated by reference.

4. Financial Information

Attached as Exhibit C to this Application and incorporated by reference are CEO Telecommunications, Inc.'s balance sheets and income statements for the period immediately following the merger.

5. Impact on Tax Revenues

Neither LDS and CEO Telecom has any structures, facilities or equipment located in Missouri, and therefore, there will not be an impact on the tax revenues of any political subdivision within Missouri.

6. Requested Approvals and Withdrawals

Applicants respectfully request that the commission issue an order approving the merger of LDS and CEO Telecom. LDS and CEO Telecom request that the commission recognize the merger as complete. LDS, the surviving corporation, also requests that the commission recognize that LDS has changed its name to CEO Telecommunications, Inc. Upon approval of this merger application, the surviving corporation will submit an amended tariff to appropriately reflect the name change.

7. Pursuant to 4 CSR 40-2.060(6), the surviving company, now CEO Telecommunications, Inc., has no pending or final decisions or judgments against it from any state or federal agency involving service to customers or rates charged.

In 1997 the State of California, in and for the County of Monterrey, and the California Public Utility Commission ("CPUC"), Consumer Services Division, filed actions against the company. Both actions concluded upon agreement of the parties without admission of liability, law or fact. The company agreed to pay a monetary penalty to the State of California and a monetary settlement to the CPUC.

In addition, a formal complaint has been filed against the company in the State of Michigan. Prior to the filing of the formal complaint, the customer had been made whole. A decision by the ALJ is forthcoming.

8. Notices

Further inquiries or correspondence regarding LDS and CEO Telecom should be sent to:

Eric Bohman  
CEO Telecommunications, Inc.  
12440 Firestone Blvd.  
Norwalk, California 90650  
(805) 963-1619 (Tel)  
(805) 962-3806 (Fax)

with a copy to:

George Rebensdorf  
30211 Avenida de las Banderas  
Suite 200  
Rancho Santa Margarita, California 92688  
(949) 766-6710 (Tel)  
(949) 766-6711 (Fax)

and a copy to:

James C. Sullivan, Esq.  
Shughart Thomson & Kilroy, P.C.  
120 W. 12th Street  
Kansas City, Missouri 64105-1929  
(816) 421-3355 (Tel)  
(816) 374-0509 (Fax)

9. Public Interest Considerations

Approval of the merger will further the public interest, including the interest of current customers and enhance CEO Telecommunication's competitive viability. The merger has been and will continue to appear seamless to current LDS customers and will not affect the provision of such services. As a result of the transaction, CEO Telecommunications will be able to pursue marketing and business plans more effectively and enhance CEO Telecommunication's ability to provide a full range of desirable, competitively priced intrastate telecommunications services to the public in Missouri, thus invigorating competition.

CONCLUSION

For the reasons stated herein, LDS and CEO Telecom respectfully submit that the public interest, convenience, and necessity would be furthered by the grant of this application for merger between LDS and CEO Telecom.

L.D. SERVICES, INC. AND CEO  
TELECOMMUNICATIONS, INC.

By 

JAMES C. SULLIVAN #38318  
SHUGHART THOMSON & KILROY, P.C.  
Twelve Wyandotte Plaza  
120 West 12th Street  
Kansas City, MO 64105-1929  
(816) 421-3355

and

GEORGE REBENS DORF  
30211 Avenida de las Banderas  
Suite 200  
Rancho Santa Margarita, California 92688  
(949) 766-6710

SEP 25 1998

BILL JONES, Secretary of S

PLAN OF MERGER

OF

L.D. SERVICES, INC. AND CEO TELECOMMUNICATIONS, INC.

This Plan of Merger is entered into between L.D. Services, Inc., a California corporation ("Surviving Corporation"), and CEO Telecommunications, Inc., a California corporation ("Merging Corporation").

1. Merging Corporation shall be merged into Surviving Corporation.
2. The outstanding shares of Merging Corporation shall be canceled and no shares of Surviving Corporation shall be issued in exchange for the cancellation of such shares.
3. The outstanding shares of Surviving Corporation shall remain outstanding and are not affected by the merger.
4. Merging Corporation shall from time to time, as and when requested by Surviving Corporation, execute and deliver such documents and instruments and take all such action necessary or desirable to evidence or carry out this merger.
5. The following resolutions were duly adopted by the Board of Directors of L.D. Services, Inc.

NOW, THEREFORE, BE IT RESOLVED: That the Merging Corporation shall merge into Surviving Corporation, each of which are wholly owned subsidiaries of STAR Telecommunications, Inc., a Delaware corporation, and Surviving Corporation shall assume all the liabilities of Merging Corporation.

RESOLVED, FURTHER: That Article I of the Articles of Incorporation of Surviving Corporation is amended to read as follows:

"ARTICLE I

The name of the corporation is CEO Telecommunications, Inc."

6. The effect of the merger and the effective date of the merger are as prescribed by law.

L.D. SERVICES, INC., a California  
corporation

By Mary Casey  
Mary Casey, President

By Kelly Enos  
Kelly Enos, Secretary

CEO TELECOMMUNICATIONS, INC., a  
California corporation

By Mary Casey  
Mary Casey, President

By Kelly Enos  
Kelly Enos, Secretary



WRITTEN CONSENT OF THE SOLE SHAREHOLDER

OF

CEO TELECOMMUNICATIONS, INC.

TO CORPORATE ACTION IN LIEU OF MEETING

Pursuant to Section 603(a) of the California Corporations Code and by the written consent of the sole shareholder of CEO TELECOMMUNICATIONS INC., a California corporation (the "Corporation"), the following resolution is adopted on behalf of the Corporation in lieu of a meeting of the shareholders:

**WHEREAS:** The Board of Directors of the Corporation has authorized the merger of the Corporation into L.D. Services, Inc., a California corporation ("L.D. Services"), pursuant to that certain Plan of Merger between the Corporation and L.D. Services;

**NOW, THEREFORE, BE IT RESOLVED:** That the undersigned sole shareholder of the Corporation hereby authorizes and approves the merger of the Corporation into L.D. Services pursuant to the Plan of Merger.

**WITNESS** the signature on the date set forth below.

STAR Telecommunications, Inc.,  
a Delaware corporation

8/31/98

Date

By

Mary Casey, President

WRITTEN CONSENT OF THE BOARD OF DIRECTORS

OF

CEO TELECOMMUNICATIONS, INC.

TO CORPORATE ACTION IN LIEU OF MEETING

The undersigned, being all of the directors of CEO TELECOMMUNICATIONS, INC., a California corporation (the "Corporation"), do hereby take the following actions and adopt the following resolutions in lieu of a special meeting in accordance with Section 307(b) of the California Corporations Code:

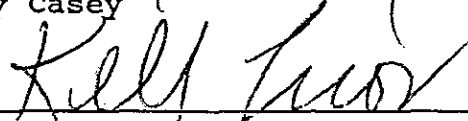
Merger

WHEREAS: The Board has determined that it would be beneficial to the Corporation to merge into L.D. Services, Inc., a California corporation ("Surviving Corporation");

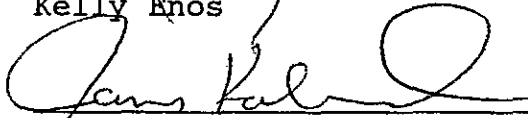
NOW, THEREFORE, BE IT RESOLVED: That the Corporation shall merge into the Surviving Corporation, each of which are wholly owned subsidiaries of STAR Telecommunications, Inc., a Delaware corporation, and Surviving Corporation shall assume all the liabilities of Corporation.



Mary Casey



Kelly Enos



James Kolsrud

(8/31/98)

WRITTEN CONSENT OF THE BOARD OF DIRECTORS

OF

L.D. SERVICES, INC.

TO CORPORATE ACTION IN LIEU OF MEETING

The undersigned, being all of the directors of L.D. SERVICES, INC., a California corporation (the "Corporation"), do hereby take the following actions and adopt the following resolutions in lieu of a special meeting in accordance with Section 307(b) of the California Corporations Code:

Merger

WHEREAS: The Board has determined that it would be beneficial to the Corporation to merge with CEO Telecommunications, Inc., a California corporation ("Merging Corporation");

NOW, THEREFORE, BE IT RESOLVED: That the Merging Corporation shall merge into Corporation, each of which are wholly owned subsidiaries of STAR Telecommunications, Inc., a Delaware corporation, and Corporation shall assume all the liabilities of Merging Corporation.

RESOLVED, FURTHER: That after the merger Article I of the Articles of Incorporation of Corporation is amended to read as follows:

"ARTICLE I

The name of the corporation is CEO Telecommunications, Inc."

Mary Casey  
Mary Casey

Kelly Enos  
Kelly Enos

(8/31/98)

WRITTEN CONSENT OF THE SOLE SHAREHOLDER

OF

L.D. SERVICES, INC.

TO CORPORATE ACTION IN LIEU OF MEETING

Pursuant to Section 603(a) of the California Corporations Code and by the written consent of the sole shareholder of L.D. SERVICES, INC., a California corporation (the "Corporation"), the following resolution is adopted on behalf of the Corporation in lieu of a meeting of the shareholders:

**WHEREAS:** The Board of Directors of the Corporation has authorized the merger of CEO Telecommunications, Inc., a California corporation ("Merging Corporation") into the Corporation, pursuant to that certain Plan of Merger between the Corporation and Merging Corporation;

**NOW, THEREFORE, BE IT RESOLVED:** That the undersigned sole shareholder of the Corporation hereby authorizes and approves the merger of the Merging Corporation into the Corporation pursuant to the Plan of Merger.

**WITNESS** the signature on the date set forth below.

STAR Telecommunications, Inc.,  
a Delaware corporation

8/31/98

Date

By

Mary Casey  
Mary Casey, President

CERTIFICATE OF APPROVAL

OF

PLAN OF MERGER

MARY CASEY and KELLY ENOS certify that:

1. They are the President and Secretary, respectively, of L.D. SERVICES, INC., a California corporation (the "Corporation").
2. The Plan of Merger in the form attached was duly approved by the Board of Directors and by the sole shareholder of the Corporation.
3. Shareholder approval was by the holders of 100% of the outstanding shares of the Corporation.
4. The Corporation has only one class of shares and the number of shares outstanding is 99.2.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

DATE: August 31, 1998

  
\_\_\_\_\_  
Mary Casey, President

  
\_\_\_\_\_  
Kelly Enos, Secretary

CERTIFICATE OF APPROVAL

OF

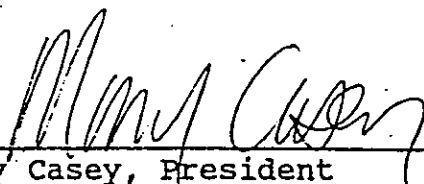
PLAN OF MERGER

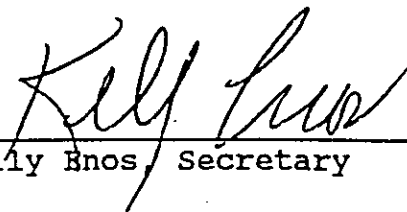
MARY CASEY and KELLY ENOS certify that:

1. They are the President and Secretary, respectively, of CEO TELECOMMUNICATIONS, INC., a California corporation (the "Corporation").
2. The Plan of Merger in the form attached was duly approved by the Board of Directors and sole shareholder of the Corporation.
3. The shareholder approval was by the holders of 100% of the outstanding shares of the Corporation.
4. The Corporation has only one class of shares and the number of shares outstanding is 1,000.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

DATE: August 31, 1998

  
\_\_\_\_\_  
Mary Casey, President

  
\_\_\_\_\_  
Kelly Enos, Secretary



8/13/99  
9:25am

CEO Telecommunications, Inc.  
Balance Sheet  
August 31, 1998

Page 1

	<i>AUGUST</i>	<i>JULY</i>	<i>VARIANCE</i>
<b>Assets:</b>			
Current Assets			
Cash & Cash Equivalents	\$122,585.54	\$28,523.97	\$94,061.57
Accounts Receivable, net of Allowance	\$6,942,998.92	\$6,253,729.39	\$689,269.53
Receivables from related parties	\$5,685.24	\$8,046.64	(\$2,361.40)
Receivables from Shareholders	\$15,432.85	\$18,252.39	(\$2,819.54)
Other Receivables	\$655,583.80	\$706,471.70	(\$50,887.90)
Deferred Tax Asset	\$556,309.00	\$556,309.00	\$0.00
Prepays & Other Current Assets	\$120,771.01	\$152,165.28	(\$31,394.27)
Prepaid Taxes	\$26,918.00	\$26,918.00	\$0.00
Total Current Assets	8,446,284.36	7,750,416.37	695,867.99
Property & Equipment			
Leasehold Improvements	\$62,940.75	\$60,831.34	\$2,109.41
Operating Equipment	\$131,649.63	\$131,649.63	\$0.00
Computer Equipment	\$176,158.26	\$171,558.12	\$4,600.14
Furniture & Fixtures	\$286,712.91	\$286,712.91	\$0.00
Total Property & Equipment	657,461.55	650,752.00	6,709.55
Less Accumulated Depreciation & Amortization	\$292,348.25	\$277,970.46	\$14,377.79
Net Property & Equipment	365,113.30	372,781.54	(7,668.24)
Deposits	\$84,485.04	\$84,485.04	\$0.00
Intercompany Receivables	\$600.00	\$7,997,391.22	(\$7,996,791.22)
Total Other Assets	85,085.04	8,081,876.26	(7,996,791.22)
Total Assets	8,896,482.70	16,205,074.17	(7,308,591.47)

Liabilities:

Current Liabilities

Revolving Lines with Shareholder			
Accounts Payable, net of disputes	\$1,498,802.78	\$832,759.30	\$666,043.48
I/C Star Payable	\$2,512,312.38	\$10,213,743.01	(\$7,701,430.63)



8/13/99  
9:25am

CEO Telecommunications, Inc.  
Balance Sheet  
August 31, 1998

Page 2

	<i>AUGUST</i>	<i>JULY</i>	<i>VARIANCE</i>
Accrued Line Cost	\$1,024,817.51	\$1,349,900.39	(\$325,082.88)
Excise Tax & S & U Tax Payable	\$115,456.04	\$171,280.07	(\$55,824.03)
Income Taxes Payable	\$666,000.00	\$666,000.00	\$0.00
Accrued & Other liabilities	\$2,868,101.05	\$2,835,964.13	\$32,136.92
Total Current Liabilities	8,685,489.76	16,069,646.90	(7,384,157.14)
Long Term Debt & Capital Lease Obligations	\$358,848.35	\$362,844.83	(\$3,996.48)
Total Long Term Liabilities	358,848.35	362,844.83	(3,996.48)
Total Liabilities	9,044,338.11	16,432,491.73	(7,388,153.62)
Equity			
Common Stock	\$348,000.00	\$348,000.00	\$0.00
APIC	(\$61,126.00)	(\$61,126.00)	\$0.00
Retained Earnings	(\$344,875.00)	(\$344,875.00)	\$0.00
Current Earnings	(\$89,854.41)	(\$169,416.56)	\$79,562.15
Total Equity	(147,855.41)	(227,417.56)	79,562.15
Total Liabilities & Equity	8,896,482.70	16,205,074.17	(7,308,591.47)

## Assets:

### Current Assets

#### Cash & Cash Equivalents:

11101-111 Montecito General	\$96,964.97	(\$14,213.61)	\$111,178.58
11105-111 Payroll Checking Account	\$22,745.76	\$46,819.03	(\$24,073.27)
11110-111 Collection Checking Account	\$0.00	(\$6,456.26)	\$6,456.26
11112-111 Houston Checking Account	\$1,094.81	\$1,094.81	\$0.00
11210-114 Petty Cash	\$1,280.00	\$1,280.00	\$0.00
11210-115 Petty Cash	\$500.00	\$0.00	\$500.00
Total Cash & Cash Equivalents	\$122,585.54	\$28,523.97	\$94,061.57

Accounts Receivable, net of Allowance:

CEO TELECOMMUNICATIONS  
INCOME STATEMENT  
For the six months ending

	JANUARY	FEBRUARY	MARCH	April	MAY	JUNE	JULY	AUGUST	8 Months
<b>REVENUES</b>									
Billing Income	\$2,282,823.30	\$2,001,232.73	\$2,125,982.34	\$1,880,409.69	\$1,919,782.28	\$1,824,786.61	\$1,724,932.74	\$1,888,529.80	\$15,648,479.49
Service Fee Income	\$281,257.33	\$258,174.88	\$262,109.28	\$270,101.62	\$268,214.48	\$411,060.05	\$387,959.21	\$412,024.79	\$2,550,901.64
USF Income	\$117,930.31	\$53,879.15	\$87,008.20	\$83,995.45	\$67,158.33	\$130,300.28	\$91,611.64	\$104,080.27	\$735,963.63
NY GRT Income	\$18,600.00	\$18,600.00	\$14,445.94	\$0.00	\$18,750.00	\$21,750.00	\$21,750.00	\$18,750.00	\$132,645.94
PIC C Income	\$0.00	\$323,840.57	\$652,997.43	\$259,279.99	\$328,446.75	\$322,673.96	\$330,084.41	\$338,574.05	\$2,555,897.16
Customer Refunds	(\$163,774.00)	(\$160,688.16)	(\$148,047.38)	(\$132,564.92)	(\$156,138.85)	\$33,064.64	(\$104,331.92)	(\$113,311.79)	(\$945,792.38)
<b>Total Revenues</b>	<b>\$2,536,836.94</b>	<b>\$2,495,039.17</b>	<b>\$2,994,495.81</b>	<b>\$2,361,221.83</b>	<b>\$2,446,212.99</b>	<b>\$2,743,635.54</b>	<b>\$2,452,006.08</b>	<b>\$2,648,647.12</b>	<b>\$20,678,095.48</b>
<b>COSTS OF SALES:</b>									
Usage STAR	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$40,649.36	\$40,649.36
Usage DNI	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$25,198.39	\$34,350.68	\$59,549.07
Usage IXC	\$893,346.64	\$631,969.18	\$832,034.92	\$746,923.49	\$670,169.80	\$555,000.00	\$435,165.24	\$355,747.00	\$5,120,356.27
Usage TELSAVE	\$25,000.00	\$26,000.00	\$29,323.46	\$30,000.00	\$30,000.00	\$25,000.00	\$24,728.26	\$20,424.26	\$210,475.98
Usage LDDS	\$7,394.77	\$11,240.08	\$573.18	\$10,000.00	\$5,000.00	\$4,000.00	\$3,227.06	\$2,254.48	\$43,689.57
Usage WCT	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	125.09	736.38	\$61.47
Usage FRONTIER	\$225,163.80	\$184,797.43	\$160,317.09	\$277,122.90	\$336,864.51	\$376,000.00	\$372,210.08	\$443,187.83	\$2,375,663.64
<b>Total</b>	<b>\$1,150,905.21</b>	<b>\$854,006.69</b>	<b>\$1,022,248.65</b>	<b>\$1,064,046.39</b>	<b>\$1,042,034.31</b>	<b>\$960,000.00</b>	<b>\$860,654.12</b>	<b>\$897,349.99</b>	<b>\$7,851,245.36</b>
Billing Services-GTE	8,255.80	8,400.00	8,500.00	6,350.00	6,997.11	28,400.00	20,000.00	20,000.00	106,902.91
Billing Services-PB	3,868.74	8,850.00	8,750.00	0.00	0.00	0.00	4,000.00	3,970.33	29,439.07
Billing Services-BELL ATLANTIC	30,433.90	22,526.46	38,830.53	35,267.70	37,273.56	34,000.00	34,000.00	34,000.00	266,332.15
Billing Services-USW	4,360.65	10,500.00	12,100.00	14,800.00	15,341.00	14,000.00	14,500.00	19,299.48	104,901.13
Billing Services-ZPDI	90,216.00	97,081.00	100,000.00	90,125.00	121,130.00	95,000.00	163,565.61	171,314.97	928,452.58
Billing Services-SWB	0.01	0.99	0.00	0.00	0.00	0.00	10,196.30	3,400.00	13,597.30
Billing Services-AMERITECH	16,509.90	17,301.58	15,227.73	17,575.98	23,424.62	16,500.00	18,760.96	17,000.00	142,300.77
<b>Total B &amp; C Cost</b>	<b>153,645.00</b>	<b>164,660.03</b>	<b>183,408.26</b>	<b>164,118.68</b>	<b>204,166.29</b>	<b>187,900.00</b>	<b>265,022.87</b>	<b>269,004.78</b>	<b>1,591,925.91</b>
Rating Charges	20,787.06	17,665.69	19,414.12	24,074.91	17,457.57	18,867.14	20,000.00	20,000.00	158,266.49
Third Party Verification	0.00	0.00	0.00	0.00	12,435.00	(12,435.00)	0.00	0.00	0.00
USF Charges	0.00	0.00	(79,607.15)	87,436.28	351,021.48	87,500.00	87,500.00	87,500.00	621,350.61
PIC C Charges	200,000.00	440,000.00	528,000.00	280,988.20	328,200.82	334,000.00	323,386.75	344,339.17	2,778,914.94
PIC Disputes	0.00	0.00	0.00	0.00	19,135.90	171,588.27	27,195.06	28,783.43	246,702.66
<b>Total Costs of Sales</b>	<b>\$1,525,337.27</b>	<b>\$1,476,332.41</b>	<b>\$1,673,463.88</b>	<b>\$1,620,664.46</b>	<b>\$1,974,451.37</b>	<b>\$1,747,420.41</b>	<b>\$1,583,758.80</b>	<b>\$1,646,977.37</b>	<b>\$13,248,405.97</b>
<b>GROSS PROFIT</b>	<b>\$1,011,499.67</b>	<b>\$1,018,706.76</b>	<b>\$1,321,031.93</b>	<b>\$740,557.37</b>	<b>\$471,761.62</b>	<b>\$996,215.13</b>	<b>\$868,247.28</b>	<b>\$1,001,669.75</b>	<b>\$7,429,689.51</b>
Gross Margin %	39.9%	40.8%	44.1%	31.4%	19.3%	36.3%	35.4%	37.8%	35.9%
<b>SG&amp;A EXPENSES:</b>									
Lead Generation	\$0.00	\$0.00	\$0.00	\$0.00	\$6,568.79	\$3,500.00	\$2,000.00	\$4,729.73	\$16,798.52
Equipment-Lease	\$0.00	\$0.00	\$0.00	\$212.17	\$212.00	\$0.00	\$0.00	\$0.00	\$424.17
Misc. Equip.	\$0.00	\$0.00	\$0.00	\$0.00	\$215.42	\$0.00	\$0.00	(\$197.24)	\$18.18
Insurance-Liability	\$4,042.25	\$383.20	\$383.20	\$383.00	\$0.00	\$0.00	\$766.40	\$383.20	\$6,341.25
Insurance-Other	\$0.00	\$15,000.00	\$0.00	\$4,400.00	\$6,044.00	\$6,044.00	\$6,044.00	\$6,044.00	\$43,576.00
<b>Total Insurance</b>	<b>\$4,042.25</b>	<b>\$15,383.20</b>	<b>\$383.20</b>	<b>\$4,783.00</b>	<b>\$6,044.00</b>	<b>\$6,044.00</b>	<b>\$6,810.40</b>	<b>\$6,427.20</b>	<b>\$49,917.25</b>
Licences & Fees	\$3,101.09	\$5,301.12	\$4,302.27	\$718.01	\$1,782.00	\$783.00	\$2,198.66	\$3,047.63	\$21,233.78
Consulting	\$3,171.72	\$7,958.36	\$2,090.00	\$131.25	\$3,000.00	\$320.00	\$0.00	\$2,426.17	\$19,097.50
Sales Commission O/S Agents	\$181,504.76	\$173,898.14	\$119,879.57	\$118,658.03	\$147,542.30	\$138,098.25	\$130,414.90	\$126,597.42	\$1,136,593.37
Professional Fees	\$0.00	\$0.00	\$5,000.00	\$3,993.75	\$0.00	\$5,000.00	\$5,000.00	\$9,651.74	\$28,645.49
Audit Fees	\$3,445.51	\$24,597.80	\$16,392.99	\$16,004.98	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$70,441.28
Outside Services - Atlantax	\$2,718.34	\$2,727.50	\$2,736.67	\$2,718.11	\$2,719.00	\$2,725.00	\$2,700.00	\$2,802.52	\$21,847.14
Legal Fees	\$0.00	\$0.00	\$0.00	\$0.00	\$7,674.16	\$5,000.00	\$5,000.00	\$2,523.67	\$20,197.83
<b>Total Professional</b>	<b>\$6,163.85</b>	<b>\$27,325.30</b>	<b>\$24,129.66</b>	<b>\$22,716.84</b>	<b>\$12,893.16</b>	<b>\$15,225.00</b>	<b>\$15,200.00</b>	<b>\$17,477.93</b>	<b>\$141,131.74</b>
Bank Service Charges	\$101.21	\$21.72	\$40.67	\$62.27	\$54.00	\$56.00	\$531.40	(\$79.45)	\$787.82
Temporary Help	\$0.00	\$888.75	\$2,818.01	\$625.88	\$2,059.75	\$287.50	\$600.00	\$3,255.00	\$10,534.89
Outside Services	\$4,010.00	\$0.00	\$1,125.00	\$0.00	\$419.49	(\$49.16)	\$249.48	\$326.80	\$6,081.61
Benefits	\$35.89	\$0.00	\$0.00	\$6,009.00	(\$8.23)	\$9,002.05	(\$7,126.95)	\$10,599.47	\$18,511.23
Bonuses	\$0.00	\$0.00	\$0.00	\$57,319.98	\$89,886.73	\$76,384.65	\$53,071.26	\$67,960.45	\$344,623.07
Commissions	\$0.00	\$0.00	\$0.00	\$28,196.68	\$18,874.75	\$35,473.21	\$33,247.82	\$31,024.27	\$146,816.73
Salaries	\$542,693.59	\$504,766.68	\$523,307.90	\$410,753.50	\$321,957.78	\$312,101.19	\$291,881.13	\$346,167.00	\$3,253,628.77
Payroll Taxes	\$42,104.38	\$49,464.25	\$52,388.69	\$35,990.50	\$36,229.83	\$50,748.83	\$39,546.19	\$38,699.32	\$345,171.99
<b>Total Payroll Expense</b>	<b>\$584,833.86</b>	<b>\$554,230.93</b>	<b>\$575,696.59</b>	<b>\$538,269.66</b>	<b>\$466,940.86</b>	<b>\$483,709.93</b>	<b>\$410,619.45</b>	<b>\$494,450.51</b>	<b>\$4,108,751.79</b>
Payroll Service Fees	\$4,878.50	\$1,133.13	\$1,822.10	\$2,139.56	\$2,249.33	\$2,240.24	\$2,332.00	\$2,581.81	\$19,376.67
Printing	\$2,278.32	\$4,290.99	\$2,481.95	\$4,333.72	\$5,141.66	\$4,979.90	\$3,524.72	\$2,876.48	\$29,907.74
Rent-Corporate Office	\$8,248.00	\$8,762.14	\$9,032.18	\$9,111.50	\$9,065.00	\$9,065.00	\$9,156.82	\$7,918.00	\$70,358.64
Rent-Equip. Other	\$9,659.75	\$9,659.75	\$9,659.75	\$9,659.75	\$9,659.75	\$9,659.75	(\$32,296.28)	\$6,681.78	\$32,344.00
Rents-Copiers	\$2,129.30	\$5,273.00	\$5,272.72	\$4,200.00	\$2,142.06	\$2,142.06	\$1,700.00	\$2,477.94	\$25,337.08

**CEO TELECOMMUNICATIONS  
INCOME STATEMENT**  
For the six months ending

	JANUARY	FEBRUARY	MARCH	April	MAY	JUNE	JULY	AUGUST	8 Months
Rents-Storage Space	\$433.00	\$433.00	\$389.00	\$433.00	\$433.00	\$433.00	\$478.00	\$340.00	\$3,572.00
Total Rent Expense	\$20,470.05	\$24,127.89	\$24,353.65	\$23,404.25	\$21,299.81	\$21,299.81	(\$20,961.46)	\$17,617.72	\$131,611.72
Promotional	\$5,850.79	\$273.56	\$296.00	\$500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$6,929.35
Office Supplies	\$11,888.97	\$11,753.15	\$14,530.39	\$7,490.70	\$8,619.87	\$6,000.54	\$7,532.55	\$11,216.54	\$79,032.71
Telephone, Pagers & Cell	\$7,347.24	\$15,481.53	\$14,200.47	\$50,584.91	\$48,175.25	\$21,410.29	\$38,511.17	\$19,635.97	\$215,346.83
Postage & Delivery	\$6,557.60	\$4,569.82	\$10,529.21	\$6,072.15	\$6,391.13	\$6,933.99	\$5,643.42	\$5,993.91	\$52,691.23
Recruitment	\$4,403.60	\$7,770.80	\$7,388.40	\$4,599.34	\$6,089.19	\$3,264.80	\$3,484.00	\$2,470.20	\$39,470.33
Advertising-PR	\$16,637.29	\$12,964.00	\$4,728.58	\$3,546.74	\$1,920.00	\$1,500.00	\$0.00	(\$56.00)	\$41,240.61
Miscellaneous	\$398.55	\$4,400.00	\$10,528.96	\$293.73	\$0.00	\$709.30	\$934.23	\$0.00	\$17,264.77
Repairs and Maintenance	\$2,594.89	\$1,274.44	\$1,803.23	\$3,913.22	\$908.51	\$856.76	\$899.61	\$1,591.14	\$13,841.80
Janitorial Expense	\$0.00	\$1,630.00	\$1,280.00	\$2,800.00	\$1,280.00	\$1,280.00	\$1,430.00	\$1,520.00	\$11,220.00
Training & Development	\$6,953.60	\$5,417.90	\$4,000.00	\$2,970.00	\$0.00	\$381.20	\$0.00	\$300.00	\$20,002.70
Security Services	\$10,743.38	\$9,030.40	\$7,800.24	\$9,030.40	\$13,516.20	\$19,175.99	\$17,907.36	\$13,637.00	\$100,840.97
Utilities	\$928.48	\$1,713.75	\$1,839.92	\$1,549.68	\$2,208.17	\$2,034.61	\$2,886.50	\$5,966.53	\$19,127.64
Dues & Subscriptions	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$148.10	\$500.00	\$911.35	\$1,559.45
Trade Show-Registration Fees	\$800.00	\$600.00	\$600.00	\$600.00	\$600.00	\$600.00	\$0.00	\$0.00	\$3,800.00
Total Trade Show Expense	\$800.00	\$600.00	\$600.00	\$600.00	\$600.00	\$600.00	\$0.00	\$0.00	\$3,800.00
T & E-Lodging	\$2,617.24	\$0.00	\$4,393.85	\$1,500.00	\$4,304.53	\$3,000.75	\$1,750.00	\$2,541.57	\$20,107.94
T & E-Airfare	\$1,444.00	\$2,204.00	\$4,758.52	\$2,000.00	\$3,614.00	\$2,001.00	\$0.00	\$549.00	\$16,570.52
T & E-Mileage	\$713.19	\$90.00	\$988.34	\$150.00	\$59.15	\$183.29	\$66.63	\$133.17	\$2,383.77
T & E-Meals	\$745.10	\$222.59	\$1,140.13	\$400.00	\$935.31	\$358.50	\$35.14	\$141.50	\$3,978.27
T & E-Entertainment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$306.49	\$197.50	\$813.25	\$1,317.24
T & E-Other	\$0.00	\$0.00	\$0.00	\$0.00	\$506.00	\$1,915.64	\$500.00	(\$1,406.00)	\$1,515.64
Total Travel & Entertainment	\$5,519.53	\$2,516.59	\$11,280.84	\$4,050.00	\$9,418.99	\$7,765.67	\$2,549.27	\$2,772.49	\$45,873.38
Property Taxes	\$8,636.15	\$0.00	\$0.00	\$0.00	\$0.00	\$1,000.00	\$0.00	\$0.00	\$9,636.15
Other Taxes	\$118,908.48	\$57,239.85	\$84,047.84	\$268.81	(\$263,268.81)	\$2,048.14	\$4,733.78	\$374.96	\$4,353.05
TX. TELECOM Tax	\$2,100.00	\$17,356.73	\$7,500.00	\$5,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$31,956.73
WA, B & O Tax	\$200.00	\$886.13	\$831.23	\$411.95	\$870.59	\$600.00	\$570.31	\$391.51	\$4,761.72
FL., MT, SD & ND. GRT TAXES	\$19,272.00	\$20,445.73	\$18,549.27	\$21,444.21	\$22,189.47	\$22,050.00	\$28,138.79	\$22,050.00	\$174,139.47
CA-TRS Fund	\$1,204.33	\$1,204.33	\$1,204.33	\$1,204.33	\$0.00	\$0.00	\$0.00	\$2,408.66	\$7,225.98
Bad Debt Expense	\$162,046.62	\$79,062.00	\$109,894.00	\$65,812.30	\$73,391.00	\$70,000.46	\$97,622.12	\$108,135.50	\$765,964.00
<b>TOTAL SG&amp;A EXPENSES</b>	<b>\$1,207,536.11</b>	<b>\$1,070,150.24</b>	<b>\$1,071,955.58</b>	<b>\$908,197.11</b>	<b>\$608,732.13</b>	<b>\$844,254.32</b>	<b>\$766,862.66</b>	<b>\$880,857.47</b>	<b>\$7,358,545.62</b>
Depreciation Expense	\$0.00	\$0.00	\$3,000.00	\$1,000.00	\$12,789.17	\$6,839.08	\$14,479.16	\$14,377.79	\$52,485.20
<b>EARNINGS BEFORE INTEREST &amp; TAXES</b>	<b>(\$196,036.44)</b>	<b>(\$51,443.48)</b>	<b>\$246,076.35</b>	<b>(\$168,639.74)</b>	<b>(\$149,759.68)</b>	<b>\$145,121.73</b>	<b>\$86,905.46</b>	<b>\$106,434.49</b>	<b>\$18,658.69</b>
OTHER INCOME (EXPENSE)									
Interest Expense	(\$1,837.08)	\$0.00	\$39,038.24	\$15,406.13	\$13,015.29	\$13,750.00	\$13,314.75	\$14,619.89	\$107,307.22
Interest Income	(\$20,888.91)	(\$336.13)	(\$1,697.25)	(\$144.68)	(\$8.33)	(\$7,500.00)	(\$5,362.53)	(\$3,817.68)	(\$39,755.51)
Other Income/Expense	\$0.00	\$0.00	\$20,715.00	\$0.00	(\$48.00)	\$154.90	\$10.55	\$16,070.13	\$36,902.58
Other Interest Expense	\$0.00	\$0.00	1,696.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	1,696.00
Total	(22,725.99)	(336.13)	59,751.99	15,261.45	12,958.96	6,404.90	7,962.77	26,872.34	106,150.29
TAXES									
Federal Income Taxes	\$0.00	\$0.00	\$100.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$100.00
Outside CA State Income Tax	\$0.00	\$0.00	\$5,975.00	\$3,625.81	\$0.00	(\$100.00)	(\$7,238.00)	\$0.00	\$2,262.81
Total	\$0.00	\$0.00	6,075.00	3,625.81	\$0.00	(100.00)	(7,238.00)	\$0.00	2,362.81
<b>NET INCOME(LOSS)</b>	<b>(\$173,310.45)</b>	<b>(\$51,107.35)</b>	<b>\$180,249.36</b>	<b>(\$187,527.00)</b>	<b>(\$162,718.64)</b>	<b>\$138,816.83</b>	<b>\$86,180.69</b>	<b>\$79,562.15</b>	<b>(\$89,854.41)</b>