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January 7, 2003

VIA ELECTRONIC DELIVERY

Mr. Dale Roberts
Chief A.L.J./Executive Secretary
Missouri Public Service Commission
200 Madison Street, Suite 100
Jefferson City, MO 65102
(573) 751-3234

Re: Transcom Communications, Inc.

Dear Mr. Roberts:

Enclosed please find for filing an electronically submitted copy of Transcom Communications, Inc.'s Application for Certificate of Service Authority to Provide Interexchange Telecommunications Services Within the State of Missouri and Interexchange Telecommunications Tariff.

Please verify receipt of this filing via a return e-mail. If you have any questions or if I may provide you with any additional information, please do not hesitate to contact me.

Please note that this Application is being submitted by myself and Judith A. Rau, Esq., Missouri Counsel, Bar # 24856.

Respectfully submitted,


Lance J.M. Steinhart
Attorney for Transcom Communications, Inc.

Enclosures

cc: Jeff Becker
Office of Public Counsel
Office of General Counsel

No. F00516558

STATE OF MISSOURI



Matt Blunt
Secretary of State

CORPORATION DIVISION - CERTIFICATE OF AUTHORITY

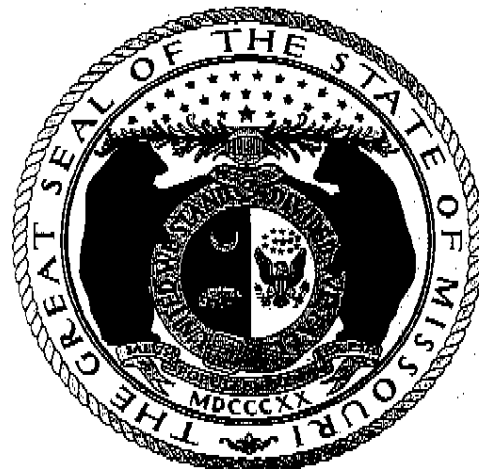
WHEREAS,
TRANSCOM COMMUNICATIONS, INC.

using in Missouri the name
TRANSCOM COMMUNICATIONS, INC.

has complied with the General and Business Corporation Law which governs Foreign Corporations; by filing in the office of the Secretary of State of Missouri authenticated evidence of its incorporation and good standing under the Laws of the State of TEXAS.

NOW, THEREFORE, I, MATT BLUNT, Secretary of State of the State of Missouri, do hereby certify that said corporation is from this date duly authorized to transact business in this State, and is entitled to all rights and privileges granted to Foreign Corporations under the General and Business Corporation Law of Missouri.

IN TESTIMONY WHEREOF, I have set my hand and imprinted the GREAT SEAL of the State of Missouri, on this, the 3rd day of JANUARY, 2003.



Matt Blunt

Secretary of State

\$155.00

Corporations Section
P.O.Box 13697
Austin, Texas 78711-3697



Gwyn Shea
Secretary of State

Office of the Secretary of State

The undersigned, as Secretary of State of Texas, does hereby certify that the document, Articles Of Incorporation for TRANSCOM COMMUNICATIONS, INC. (filing number: 153415800), a Domestic Business Corporation, was filed in this office on May 04, 1999.

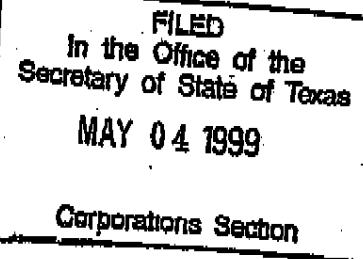
It is further certified that the entity status in Texas is active.

In testimony whereof, I have hereunto signed my name officially and caused to be impressed hereon the Seal of State at my office in Austin, Texas on December 11, 2002.



A handwritten signature in cursive script that reads "Gwyn Shea".

Gwyn Shea
Secretary of State



ARTICLES OF INCORPORATION
OF

TRANSCOM COMMUNICATIONS, INC.

I, the undersigned natural person of the age of eighteen years or more, acting as incorporator of a corporation under the Texas Business Corporation Act, do hereby adopt the following Articles of Incorporation for such corporation.

ARTICLE ONE

The name of the corporation shall be:

TRANSCOM COMMUNICATIONS, INC.

ARTICLE TWO

The period of its duration shall be perpetual.

ARTICLE THREE

The purposes for which the corporation is organized are the transaction of any or all lawful business for which corporations may be incorporated under the Texas Business Corporation Act.

ARTICLE FOUR

The aggregate number of shares which this corporation shall have the authority to issue is:

One Thousand Five Hundred (1500) Shares With No Par Value

ARTICLE FIVE

The corporation will not commence business until it has received for the issuance of its shares consideration of the value of One Thousand Dollars (\$1,000.00) consisting of money, labor done or property actually received.

ARTICLE SIX

The post office address of its initial registered office is: 800 Brazos, Austin, TX, 78701 and the name of the registered agent at such address is: Corporation Service Company d/b/a CSC-Lawyers Incorporating Service Company.

ARTICLE SEVEN

The number of directors constituting the initial board of directors is one (1), and the names and addresses of the persons who are to serve as directors until the first annual meeting of shareholders or until their successors are elected and qualify are:


NAME	ADDRESS
Jeffrey Reed	10382 Miller Road Dallas TX, 75238

ARTICLE EIGHT

The name and address of the incorporator is:

NAME	ADDRESS
Brenda Guirastante	Corporation Service Company 800 Brazos Austin, TX 78701-2507

IN WITNESS WHEREOF, I have hereunto set my hand and seal
this 4th day of May, A.D., 1999.


Incorporator

2025 RELEASE UNDER E.O. 14176

FILED
In the Office of the
Secretary of State of Texas

**ARTICLES OF AMENDMENT TO
THE ARTICLES OF INCORPORATION OF
TRANSCOM COMMUNICATIONS, INC.**

DEC 20 2001

December 21, 2001

Corporations Section

Pursuant to the provisions of Article 4.04 of the Texas Business Corporation Act, the undersigned Corporation hereby adopts the following Articles of Amendment to its Articles of Incorporation, as adopted on December 21, 2001.

ARTICLE I

The name of the Corporation is Transcom Communications, Inc.

ARTICLE II

The following Amendments to the Articles of Incorporation were adopted by the shareholders of the Corporation:

Revision to Article Four:

The clause in Article Four of the Articles of Incorporation that provides "The aggregate number of shares which this corporation shall have the authority to issue is One Thousand Five Hundred (1500) Shares With No Par Value" is hereby amended to read as follows:

"The aggregate number of shares which this corporation shall have the authority to issue is One Million (1,000,000) shares of which One Million (1,000,000) shares are designated common stock, par value \$.001 per share."

Addition of Article Nine:

Article Nine is added to the Articles of Incorporation to read as follows:

"With respect to any matter for which the affirmative vote of the holders of shares entitled to vote is required, the act of the shareholders on that matter shall be the affirmative vote of the holders of a majority of the shares entitled to vote on that matter."

Addition of Article Ten:

Article Ten is added to the Article of Incorporation to read as follows:

"Any action that may be taken at any annual or special meeting of shareholders may be taken without a meeting, without prior notice, and without a vote, if consents in writing, setting forth the action so taken, shall be signed by the holders of not less than the minimum number of shares that would be necessary to take such action at a meeting at which the holders of all shares entitled to vote on the action were present and voted."

Addition of Article Eleven:

Article Eleven is added to the Articles of Incorporation to read as follows:

"No holder of any shares of stock of the corporation shall have or enjoy any preemptive right to acquire any additional or treasury shares of the corporation.

Each outstanding share of the capital stock of the corporation shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders and no shareholder shall have the right to cumulate his votes in the election of directors of the corporation and such cumulative voting of shares as provided in Section D of Article 2.29 of the Texas Business Corporation Act is expressly prohibited."

Addition of Article Twelve:

Article Twelve is added to the Articles of Incorporation to read as follows:

"To the maximum extent permitted by applicable law and regulations, a Director of the corporation shall not be liable to the corporation or its shareholders for monetary damages for an act or omission in the Director's capacity as a Director, except that this Article 12 does not eliminate or limit the liability of a Director for:

- (1) a breach of a Director's duty of loyalty to the corporation or its shareholders,
- (2) an act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law,
- (3) a transaction from which a Director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the Director's office,
- (4) an act or omission for which the liability of a Director is expressly provided for by statute, or
- (5) an act related to an unlawful share repurchase or payment of a dividend.

If applicable law or regulations are amended after approval by the corporation's shareholders of this Article 12 to authorize corporate action further eliminating or limiting the personal liability of Directors or eliminating or limiting the personal liability of officers, the liability of a Director or officer of the corporation shall be eliminated or limited to the maximum extent permitted by law. No repeal or modification of this Article 12 by the shareholders shall adversely affect any right or protection of a Director or officer of the corporation existing by virtue of this Article 12 at the time of such repeal or modification."

ARTICLE III

The amendment made by these Articles has been effected in conformity with the provisions of the Texas Business Corporation Act and the Articles of Incorporation, and the amendment made by these Articles was duly adopted by the shareholders of the Company effective as of December 21, 2001. The number of shares of capital stock of the Company outstanding at the time these Articles were adopted was 1,500 shares of Common Stock. The number of shares of capital stock outstanding and entitled to vote on the adoption of these Articles was 1,500.

ARTICLE IV

Shareholders holding all of the outstanding shares of capital stock of the Company have signed a consent in writing pursuant to Article 9.10(A) of the Texas Business Corporation Act adopting said amendment. Any written notice required by Article 9.10(A) of the Texas Business Corporation Act has been given.

ARTICLE V

The stated capital of the Company has been changed by this Amendment to provide that the par value of the Company's common stock has been changed from no par value per share to \$.001 per share. The stated capital of the Company upon adoption of this Amendment is \$1.50.

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CT CORPORATION SYSTEM

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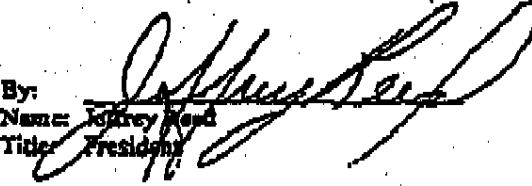
IN WITNESS WHEREOF, the undersigned hereby executes these Articles of Amendment to be effective on date first written above.

TRANSCOM COMMUNICATIONS, INC.

By:

Name: Jeffrey Reed

Title: President



Resume's of a few of Transcom's officers and Director's

Mr. Scott Birdwell has served as CEO and is a director of Transcom Communications, Inc. Mr. Birdwell founded Transcom in 1999. Prior to founding Transcom, Mr. Birdwell was president of Enhanced Communications, Inc., which he founded in 1993 and sold to World Access Service Corp. in 1999.

Mr. Britt Birdwell has served as a director of the Company since 2001. Prior to July 2002, Mr. Birdwell was vice president and director of international operations for Transcom Communications, Inc. Mr. Birdwell remains as a director of Transcom. Before joining Transcom in 1999, Mr. Birdwell was president of various entrepreneurial companies in Texas. Mr. Scott Birdwell and Mr. Britt Birdwell are brothers.

Mr. Jeff Becker has served as Vice President of Operations and Director of the Company since 2001. Prior to his employment with Transcom in October 2001, Mr. Becker held various operational and financial positions at NetVoice Technologies, Inc., World Access Service Corp., and Encom Communications Corp.

TRANSCOM COMMUNICATIONS, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2001 AND 2000

RICHARD MAYS, C.P.A.
LARRY DEWEY, C.P.A.

MEMBERS OF AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

MAYS, DEWEY & ASSOCIATES L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS



Petroleum Building
Suite 100
203 W. 8th, Box 14024
Amarillo, TX 79101-2344
806/373-6971
Fax 806/373-6973

To the Board of Directors
Transcom Communications, Inc.
Arlington, Texas

We have audited the accompanying balance sheets of Transcom Communications, Inc. as of December 31, 2001 and 2000 and the related statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits of the accompanying financial statements provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Transcom Communications, Inc. as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Mays, Dewey & Associates
Mays, Dewey & Associates, L.L.P.

August 30, 2002

TRANSCOM COMMUNICATIONS, INC.
BALANCE SHEETS
DECEMBER 31, 2001 AND 2000

ASSETS		
	<u>2001</u>	<u>2000</u>
CURRENT ASSETS		
Cash in Bank	\$ 167,891	294,248
Money Market Account	201,149	912,925
Accounts Receivable	541,823	205,130
Receivable from Stockholders	-	22,883
Prepaid Expenses	-	47,000
Total Current Assets	<u>910,863</u>	<u>1,482,186</u>
EQUIPMENT, at Cost Less		
Accumulated Depreciation (Note 3)	<u>577,633</u>	<u>152,552</u>
OTHER ASSETS		
Receivable from Stockholders (Note 6)	37,883	22,883
Rent Deposit	<u>3,413</u>	<u>3,413</u>
Total Other Assets	<u>41,296</u>	<u>26,296</u>
TOTAL ASSETS	<u><u>1,529,792</u></u>	<u><u>1,661,034</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 787,266	1,390,330
Accrued Expenses	44,310	79,351
Income Taxes Payable (Note 5)	177,383	-
Deferred Revenues	5,000	27,450
Current Portion of Long-term Debt	-	6,728
Total Current Liabilities	<u>1,013,959</u>	<u>1,503,859</u>
LONG-TERM DEBT (Note 4)	<u>-</u>	<u>12,273</u>
DEFERRED INCOME TAXES	<u>67,000</u>	<u>51,000</u>
STOCKHOLDERS' EQUITY (Note 6)		
Common Stock of .001 Par Value; 1,000,000		
Shares authorized; 840,000 shares issued	840	1,500
Additional Paid-in Capital	660	-
Retained Earnings	<u>447,333</u>	<u>92,402</u>
Total Stockholders' Equity	<u>448,833</u>	<u>93,902</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 1,529,792</u></u>	<u><u>1,661,034</u></u>

See accompanying accountants' report and notes to financial statements

TRANSCOM COMMUNICATIONS, INC.
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
REVENUES		
Telecommunications Services and Fees	\$ 11,410,498	3,614,060
Less Cost of Telecommunications Services	<u>8,502,910</u>	<u>2,519,767</u>
Gross Margin	2,907,588	1,094,293
EXPENSES		
Salaries and Wages	1,140,400	343,500
Consulting Fees	412,474	265,294
Profit Sharing Contribution	-	52,500
Payroll Taxes	63,279	16,738
Office and Facilities Rent	155,156	30,271
Office Expenses	28,641	7,359
Insurance	42,832	4,470
Professional Fees	45,722	59,812
Travel Expenses	230,588	137,530
Franchise Taxes	25,125	-
Telephone	46,197	20,704
Training Fee	50,050	-
Bad Debts	31,905	63,456
Charitable Contribution	20,000	-
Depreciation	61,491	20,424
Miscellaneous Expenses	<u>20,901</u>	<u>9,151</u>
Total Expenses	<u>2,374,761</u>	<u>1,031,209</u>
INCOME FROM OPERATIONS	<u>532,827</u>	<u>63,084</u>
OTHER INCOME (EXPENSE)		
Interest Income	20,720	26,505
Loss on Sale of Vehicles	<u>(5,233)</u>	<u>-</u>
Total Other Income (Expense)	<u>15,487</u>	<u>26,505</u>
INCOME BEFORE INCOME TAXES	548,314	89,589
INCOME TAX EXPENSE (Note 5)	<u>193,383</u>	<u>33,000</u>
NET INCOME	<u>\$ 354,931</u>	<u>\$ 56,589</u>

See accompanying accountants' report and notes to financial statements

TRANSCOM COMMUNICATIONS, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>Common Stock</u>	<u>Additional Paid in Capital</u>	<u>Retained Earnings</u>
Balances at December 31, 1999	\$ 1,000	\$ -	\$ 35,813
Issuance of 500 shares for Services Rendered	500		
Net Income for the Year Ended December 31, 2000	<u> </u>	<u> </u>	<u>\$ 56,589</u>
Balances at December 31, 2000	1,500		92,402
Stock Dividend (Note 6)	(660)	660	-
Net Income for the Year Ended December 31, 2001	<u> </u>	<u> </u>	<u>354,931</u>
Balances at December 31, 2001	\$ <u>840</u>	\$ <u>660</u>	\$ <u>447,333</u>

See accompanying accountants' report and notes to financial statements

TRANSCOM COMMUNICATIONS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 354,931	56,589
Adjustments to reconcile Net Income to		
Net Cash Provided by Operating Activities		
Depreciation	61,491	20,424
Loss on Sales of Vehicles	5,233	-
(Increase) Decrease in Receivables	(336,693)	(139,767)
(Increase) Decrease in Prepaid Expenses	47,000	(47,000)
Increase (Decrease) in Accounts Payable	(603,064)	1,328,850
Increase (Decrease) in Accrued Expenses	(35,041)	79,351
Increase (Decrease) in Deferred Revenues	(22,450)	27,450
Increase (Decrease) in Income Taxes Payable	<u>177,383</u>	<u>-</u>
Total Adjustments	<u>(706,141)</u>	<u>1,269,308</u>
Net Cash Provided (Used) by Operating Activities	<u>(351,210)</u>	<u>1,325,897</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Vehicles	14,953	-
Purchases of Equipment	(506,758)	(148,444)
Increase in Rent Deposit	<u>-</u>	<u>(3,413)</u>
Net Cash Provided (Used) by Investing Activities	<u>(491,805)</u>	<u>(151,857)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Common Stock	-	500
(Increase) Decrease in Stockholder Receivable	7,883	(45,766)
Increase (Decrease) Deferred Income Taxes	16,000	33,000
Principal Payments on Long-term Debt	<u>(19,001)</u>	<u>(6,577)</u>
Net Cash Provided (Used) by Financing Activities	<u>4,882</u>	<u>(18,843)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENT	<u>(838,133)</u>	<u>1,155,197</u>
CASH AND EQUIVALENT, BEGINNING OF YEAR	<u>1,207,173</u>	<u>51,976</u>
CASH AND EQUIVALENT, END OF YEAR	<u>\$ 369,040</u>	<u>1,207,173</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year For Interest	\$ <u>366</u>	<u>653</u>
Cash Paid During the Year For Income Taxes	\$ <u>-</u>	<u>-</u>

See accompanying accountants' report and notes to financial statements

TRANSCOM COMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

Transcom Communications, Inc. (TCI, the Company) was incorporated in the State of Texas on May 4, 1999 for the purpose of transacting any or all lawful business. The Company currently operates as a telecommunications wholesaler with satellite stations in the United States of America and in various foreign locations. In addition, the Company also performs consultation services with other telecommunication firms. The Company is subject to the economic risks associated with the telecommunications industry.

Revenue Recognition

The Company records revenues from data transmissions services in the period such services are used by its customers. Fees from consultation services are recorded in the period such services are rendered.

Telecommunication Equipment Installation Costs

The costs of installing telecommunication equipment in foreign countries and locations, including construction costs and other costs associated with enabling construction in a foreign country and equipment costs, are capitalized and depreciated over their estimated useful lives.

Cash Equivalent

For purposes of determining cash flows, the Company's money market account is considered a cash equivalent.

Allowance for Doubtful Accounts

The Company establishes an allowance for doubtful accounts when a review by management determines such allowance is necessary. At December 31, 2001 and 2000 no such allowance was deemed necessary.

Equipment and Depreciation

The Company records purchases of equipment at cost and depreciates such costs over the estimated useful lives of the assets, which range from 3 to 7 years.

Deferred Income Taxes

For income tax reporting, the Company uses accounting methods that recognize depreciation sooner than for financial statement reporting. As a result, the basis of equipment for financial reporting exceeds its tax basis by the cumulative amount that accelerated depreciation exceeds straight-line depreciation. Deferred income taxes have been recorded for the excess, which will be taxable in future periods through reduced depreciation deductions for tax purposes. In addition certain revenues and expenses were recognized in different periods for financial and income tax reporting.

TRANSCOM COMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain classifications, amounts and disclosures appearing in the accompanying financial statements may not agree with prior presentations to owners or other interested parties. As such differences arise primarily from the timing of the recognition of income and expenses, and are known to the Board of Directors of the Company, no consideration has been given to detail disclosure of any differences.

2. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2001 and 2000 consists of billings for telecommunication services and include data transmission charges and consulting fees.

3. EQUIPMENT

Equipment at December 31, 2001 and 2000 consisted of the following:

	<u>2001</u>	<u>2000</u>
Vehicles	\$ -	\$ 31,484
Office Equipment	21,619	-
Computers and Peripherals	39,911	13,316
Licensed Software	171,296	-
Telecommunication Equipment	403,979	129,928
Leasehold Improvements	<u>13,283</u>	<u>-</u>
Total	650,088	174,728
Less Accumulated Depreciation	<u>(72,455)</u>	<u>(22,176)</u>
Net Equipment	<u>\$ 577,633</u>	<u>\$152,552</u>

At December 31, 2001, telecommunication equipment with depreciated cost of \$ 90,928 was located outside United States jurisdiction and subject to the risk of expropriation.

TRANSCOM COMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

4. NOTE PAYABLE

Note payable at December 31, 2000 consisted of a 2.9% installment note payable to Ford Credit secured by a certain vehicle. The vehicle was sold in 2001 and the note was paid off.

5. INCOME TAXES

The provision for income taxes consists of the following components:

	<u>2001</u>	<u>2000</u>
Current	177,383	-
Deferred	<u>16,000</u>	<u>33,000</u>
	<u>\$193,383</u>	<u>33,000</u>

The income tax provision differs from the expense that would result from applying Federal Statutory rates to income before income taxes due to non deductible expenses for tax purposes.

6. RELATED PARTY TRANSACTIONS

The Company utilized the services of certain other telecommunication operations in which certain stockholders and directors have a beneficial interest. The cost of services purchased from companies related to officers and directors of the Company follow:

	<u>2001</u>	<u>2000</u>
Consulting Fees	113,400	250,300
Telecommunication Services	-	277,490

Incentive bonuses paid to officers and employees are determined by management each year based on the Company's profitability. Included in salaries and wages in the accompanying financial statements include bonuses to officers of \$500,000 in 2001 and \$100,000 in 2000. In addition, a stock bonus of 502 shares of the Company's stock was declared in September 2001.

In December 2001, the Company amended its articles of incorporation to authorize the issuance of up to 1,000,000 shares and changed its no-par stock to common stock with a par value of .001. In conjunction with this amendment, 560 shares of the newly authorized shares were issued for each share of no par stock held by stockholders of record at the date of the amendment.

The Company loaned the principal stockholders \$ 45,766 in 2000 and \$ 15,000 in 2001. One of the stockholders repaid his loan of \$ 22,883 in 2001.

TRANSCOM COMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

7. SUBSEQUENT EVENTS

In July 2002 the Company acquired 51% of the outstanding common stock of DTVN Holdings, Inc. for \$100,000. The Company's directors plan to merge Transcom Communications, Inc. and DTVN upon the determination of the values of the respective entities.

In May 2002, one of the principal stockholders of the company tendered his resignation as board member, President, Secretary and Treasurer. The Company purchased 279,300 shares of its stock from such stockholder for \$13,000. In addition, the Company entered into employment and non-complete agreements with Mr. & Mrs. Reed as 'European Associates'. Under the terms of the agreements, Mr. & Mrs. Reed will be paid a total salary of \$13,000 per month for a period of 47 months plus a commission of 40% of gross profit derived from new routes generated in Europe and sales of the Company's products.

8. COMMITMENTS AND CONTINGENCIES

The Company leases its office space and equipment operating sites under operating leases with lease terms of 36 months. Future minimum rentals under such leases are \$142,000 in 2002 and \$81,000 in 2003.

At December 31, 2001, the Company had cash deposits with a bank of \$269,000 in excess of FDIC coverage.

In August 2002, a supplier filed an arbitration claim against the Company seeking damages of approximately \$ 1,100,000. The Company intends to vigorously deny this claim and cannot accurately quantify the likelihood of any potential damages that might result from this action. The accompanying financial statements do not include any allowance for this potential claim.