

Attachment I

Financial Statements

Attached hereto are Applicant's most recent financial statements.

Comm South Companies, Inc.
 Balance Sheet
 For Year Ending December 31, 2002
 UNAUDITED

	<u>December 2002</u>
ASSETS:	
Cash and Short-term Investments	1,033,674
Accounts Receivable	2,901,855
Allowance for Bad Debts	<u>(588,455)</u>
Net Accounts Receivable	2,313,400
Other Current Assets	<u>297,382</u>
Total Current Assets	3,644,456
Fixed Assets	4,519,575
Goodwill	-
Other Intangibles	-
Less: Accumulated Depreciation & Amortization	<u>(3,012,955)</u>
Net Property Plant & Equipment	1,506,620
Accounts Receivable-Arbros	-
Inter Company AR - Topp	-
Inter Company AR - TelMex	-
Inter Company AR - CompUSA	<u>0</u>
Other Assets - Intercompany	0
TOTAL ASSETS	5,151,075
LIABILITIES:	
Accounts Payable	7,166,476
Accrued Expenses	3,837,974
Taxes Payable	1,516,154
Deferred Revenue	1,306,395
Current Portion of Notes Payable	<u>184,694</u>
Total Current Liabilities	14,011,692
Notes Payable - Long Term	820,160
Loan from Parent	34,715,308
Loan from Tel Mex	0
TOTAL LIABILITIES	49,547,160
STOCKHOLDERS' EQUITY:	
Common Stock	1,000
Retained Earning	(39,994,475)
Net Income	<u>(4,402,610)</u>
TOTAL STOCKHOLDERS' EQUITY	(44,396,085)

Comm South Companies, Inc.
Income Statement
For the Year ending 12/31/02
UNAUDITED

ACTUAL
YTD
2002

Customers Billed for Current Month	67,111
New Signups	23,633
Customer Churn	(61,775)
Ending Number of Customers	28,969
Average Number of Customers	48,040
Customer Churn Percentage	-11.06%
New Billed	24,284
Number of Employees	92

REVENUE

Local Service	26,817,813
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26,817,813

Cost of Goods Sold

Line Costs	11,302,136
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Average Cost per Customer -(Ex-Taxes)	21.22
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Total COGS	11,302,136
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Gross Margin

15,515,677
57.9%

Cost of Sales

Agent Sign-up Fee & Agent Commission	1,480,108
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Advertising	17,435
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Total Cost of Sales	1,497,543
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Cost of Operations

Customer Service Salaries	522,499
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Operations Salaries	1,537,875
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Long Distance	325,700
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3rd Party Call Center/Customer Processing	1,914,968
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Total Cost of Operations	4,301,042
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SG&A

Other MKT and Advertising	287,000
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SG&A Wage Expense	2,331,811
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Bad Debts	3,786,329
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Other G&A	3,232,024
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(includes one time/non recurring expenses)

Total SG&A	9,637,165
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EBITDA

79,927

Comm South Companies, Inc.
Income Statement
For the Year ending 12/31/02
UNAUDITED

	ACTUAL
	YTD
	2002
<i>Non Operating Income/(Expenses)</i>	
Depreciation	(936,364)
Amortization	(420,914)
Interest Expense	(2,620,286)
Interest Income	41,041
Other Income/(Expense)	(848,943)
Gain(Loss) on Asset Disposal	189,799
Non Operating Income/(Expenses)	<u>(4,595,666)</u>
Income before Taxes	<u>(4,515,739)</u>
Taxes on Income	113,130
Net Income After Taxes	<u><u>(4,402,610)</u></u>

Comm South Companies, Inc.
Cash Flow Statement
For Year 2002 - Unaudited

YTD
2002

Cash Flows form Operating Activities:

Net loss for the year	4,402,610
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	1,026,000
Decrease (Inc) in accounts receivable, net	1,268,399
Decrease (Inc) in prepaid expenses and other assets	581,296
Increase (Dec) in accounts payable	(1,235,080)
Increase (Dec) in accrued expenses	2,623,436
Increase (Dec) in accrued telecom taxes	104,328
Increase (Dec) in deferred revenue	(2,088,268)
Increase (Dec) in other long term liabilities	153,936
Other	
Net cash provided by operating activities	<u>(1,968,563)</u>

Cash Flows form Investing Activities:

Purchases of property and equipment	102,997
Adjustment to Common Stock and Retained Earnings	
Net cash used in investing activities	<u>102,997</u>

Cash Flows form Financing Activities:

Increase in Arbros Loans	(83,826)
Repayment of Note Payable to Vendor	455,373
Net cash provided by financing activities	<u>371,547</u>

Net increase (decrease) in cash	(1,494,018)
Cash, beginning of period	1,945,793
Cash, end of period	<u>451,775</u>