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\*\* FLORIDA PUBLIC SERVICE COMMISSION \*\*

**DIVISION OF COMPETITIVE MARKETS AND ENFORCEMENT**  
**CERTIFICATION**

**APPLICATION FORM**  
**for**  
**AUTHORITY TO PROVIDE**  
**ALTERNATIVE LOCAL EXCHANGE SERVICE**  
**WITHIN THE STATE OF FLORIDA**

COMMISSION  
CLERK

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RECEIVED - FPSC

**Instructions**

- ◆ This form is used as an application for an original certificate and for approval of the assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Page 12).
- ◆ Print or type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.
- ◆ Use a separate sheet for each answer which will not fit the allotted space.
- ◆ Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of **\$250.00** to:

**Florida Public Service Commission**  
***Division of the Commission Clerk and Administrative Services***  
**2540 Shumard Oak Blvd.**  
**Tallahassee, Florida 32399-0850**  
**(850) 413-6770**

- ◆ If you have questions about completing the form, contact:

**Florida Public Service Commission**  
**Division of Competitive Markets and Enforcement**  
**Certification**  
**2540 Shumard Oak Blvd.**  
**Tallahassee, Florida 32399-0850**  
**(850) 413-6600**

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APPLICATION

1. This is an application for  (check one):

- Original certificate** (new company).
- Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.
- Approval of assignment of existing certificate:** Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.
- Approval of transfer of control:** Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of company:

Digital Express, Inc

3. Name under which the applicant will do business (fictitious name, etc.):

\_\_\_\_\_

4. Official mailing address (including street name & number, post office box, city, state, zip code):

1020 N. 9th Avenue  
Pensacola, FL 32501  
\_\_\_\_\_  
\_\_\_\_\_

5. Florida address (including street name & number, post office box, city, state, zip code):

1020 N. 9th Avenue  
Pensacola, FL 32501

6. Structure of organization:

- ( ) Individual (X) Corporation  
( ) Foreign Corporation ( ) Foreign Partnership  
( ) General Partnership ( ) Limited Partnership  
( ) Other \_\_\_\_\_

7. If individual, provide:

Name: N/A

Title: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Zip: \_\_\_\_\_

Telephone No.: \_\_\_\_\_ Fax No.: \_\_\_\_\_

Internet E-Mail Address: \_\_\_\_\_

Internet Website Address: \_\_\_\_\_

8. If incorporated in Florida, provide proof of authority to operate in Florida:

- (a) The Florida Secretary of State corporate registration number:

P96000013210

9. **If foreign corporation**, provide proof of authority to operate in Florida:

(a) The Florida Secretary of State corporate registration number:

\_\_\_\_\_ N/A \_\_\_\_\_

10. **If using fictitious name-d/b/a**, provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:

(a) The Florida Secretary of State fictitious name registration number:

\_\_\_\_\_ N/A \_\_\_\_\_

11. **If a limited liability partnership**, provide proof of registration to operate in Florida:

(a) The Florida Secretary of State registration number:

\_\_\_\_\_ N/A \_\_\_\_\_

12. **If a partnership**, provide name, title and address of all partners and a copy of the partnership agreement.

Name: \_\_\_\_\_ N/A \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Zip: \_\_\_\_\_

Telephone No.: \_\_\_\_\_ Fax No.: \_\_\_\_\_

Internet E-Mail Address: \_\_\_\_\_

Internet Website Address: \_\_\_\_\_

13. **If a foreign limited partnership**, provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.

(a) The Florida registration number: \_\_\_\_\_ N/A \_\_\_\_\_

14. Provide **F.E.I. Number**(if applicable): 59-3358955

15. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. Provide explanation.

NIA

(b) an officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

Express Phone Service, Inc  
William Kloss, Stockholder  
Thomas M. Armstrong, President

16. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

Name: Thomas m Armstrong  
Title: Vice President  
Address: 1020 N. 9th Avenue  
City/State/Zip: Pensacola, FL 32501  
Telephone No.: 850 444 9673 Fax No.: 850 444 9674  
Internet E-Mail Address: tom @ dei. goxmail .com  
Internet Website Address: \_\_\_\_\_

(b) Official point of contact for the ongoing operations of the company:

Name: Thomas M. Armstrong  
Title: Vice President  
Address: 1020 N. 9th Avenue  
City/State/Zip: Pensacola, FL 32501  
Telephone No.: 850 444 9673 Fax No.: 850 444 9674  
Internet E-Mail Address: tom@dei.gccoxmail.com  
Internet Website Address: \_\_\_\_\_

(c) Complaints/Inquiries from customers:

Name: Robert McDonald  
Title: Chief of Operations  
Address: 1020 N. 9th Avenue  
City/State/Zip: Pensacola, FL 32501  
Telephone No.: 850 432 0255 Fax No.: \_\_\_\_\_  
Internet E-Mail Address: hob@express.gccoxmail.com  
Internet Website Address: \_\_\_\_\_

**17. List the states in which the applicant:**

(a) has operated as an alternative local exchange company.

N/A

(b) has applications pending to be certificated as an alternative local exchange company.

N/A

(c) is certificated to operate as an alternative local exchange company.

N/A

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(d) has been denied authority to operate as an alternative local exchange company and the circumstances involved.

N/A

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(e) has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

(f) has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

N/A

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**18. Submit the following:**

- A. Managerial capability: give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.**
- B. Technical capability: give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.**

### C. Financial capability.

The application **should contain** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated.

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer **affirming that the financial statements are true and correct** and should include:

1. the balance sheet:
2. income statement: and
3. statement of retained earnings.

**NOTE:** *This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.*

Further, the following (which includes supporting documentation) should be provided:

1. **written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.
2. **written explanation** that the applicant has sufficient financial capability to maintain the requested service.
3. **written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

**THIS PAGE MUST BE COMPLETED AND SIGNED**

**APPLICANT ACKNOWLEDGMENT STATEMENT**

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of \$50 is required.
  
2. **APPLICATION FEE:** I understand that a non-refundable application fee of \$250.00 must be submitted with the application.

**UTILITY OFFICIAL:**

Thomas M. Armstrong  
Print Name



Vice President  
Title

\_\_\_\_\_

850-444-9673  
Telephone No.

850-444-9674  
Fax No.

Address: 1020 N. 9th Ave.  
Pensacola, FL 32501  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**THIS PAGE MUST BE COMPLETED AND SIGNED**

**AFFIDAVIT**

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange company service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

UTILITY OFFICIAL:

Thomas M. Armstrong

Thomas M. Armstrong

850 444 9673  
Telephone No.

850 444 9674  
Fax No.

Address: 1020 N. 9th Avenue  
Pensacola FL 32501

**INTRASTATE NETWORK (if available)**

Chapter 25-24.825 (5), Florida Administrative Code, requires the company to make available to staff the alternative local exchange service areas only upon request.

**1. POP:** Addresses where located, and indicate if owned or leased.

1) _____	2) _____
_____	_____
3) _____	4) _____
_____	_____

**2. SWITCHES:** Address where located, by type of switch, and indicate if owned or leased.

1) _____	2) _____
_____	_____
3) _____	4) _____
_____	_____

**3. TRANSMISSION FACILITIES:** POP-to-POP facilities by type of facilities (microwave, fiber, copper, satellite, etc.) and indicate if owned or leased.

<u>POP-to-POP</u>	<u>OWNERSHIP</u>
1) _____	_____
2) _____	_____
3) _____	_____
4) _____	_____

## CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT

I, (Name) \_\_\_\_\_  
(Title) \_\_\_\_\_ of (Name of Company)

and current holder of Florida Public Service Commission Certificate Number # \_\_\_\_\_  
\_\_\_\_\_, have reviewed this application and join in the petitioner's request for a:

- ( ) sale
- ( ) transfer
- ( ) assignment

of the above-mentioned certificate.

### UTILITY OFFICIAL:

**Print Name** \_\_\_\_\_ **Signature** \_\_\_\_\_

**Title** \_\_\_\_\_ **Date** \_\_\_\_\_

**Telephone No.** \_\_\_\_\_ **Fax No.** \_\_\_\_\_

**Address:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



715 South G Street  
Pensacola, FL 32501

850-435-8820  
850-390-4555 fax  
wkloss@expressphone.net

# William M. Kloss

## Experience

1970–1977                      United States Army Reserve  
**Staff Sergeant**

1970–1983  
**Human Resources & Development**

- Various positions with multiple companies

1983–present  
**President/CEO**

- Various small businesses

## Education

1966-1970                      University of Southern Mississippi    Hattiesburg, MS  
• B.S. in Business Administration

# DIGITAL EXPRESS, INC.

1020 N. 9<sup>th</sup> Avenue  
Pensacola, FL 32501  
850-444-9673  
Fax 850-444-9674

I, Thomas M. Armstrong, hereby affirm that the financial statements are true and correct to the best of my knowledge and belief.

Thomas M. Armstrong V.P.  
(Signature of Affiant)

Subscribed and sworn before me, this  
7 day of Jun, 2005.

Robert P. McDonald



Robert P. McDonald  
My Commission DD242061  
Expires December 05, 2007

**DIGITAL EXPRESS, INC.  
PENSACOLA, FLORIDA  
FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

**RANDALL L. SANSOM, C.P.A., P.A.**  
**Certified Public Accountant**

**87 Baybridge Park  
Post Office Box 957  
Gulf Breeze, FL 32561  
(850) 932-5335 FAX (850) 934-1310  
e-mail: rlscca@mchsi.com**

July 24, 2003

Digital Express, Inc.  
Pensacola, FL 32501

To the Shareholders of Digital Express, Inc.:

We have compiled the accompanying statement of assets and liabilities-income tax basis of Digital Express, Inc. (an S corporation) as of December 31, 2002 and the related statement of revenues and expenses-income tax basis for the twelve months then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on the basis of accounting used by the Company for income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all the disclosures ordinarily included in financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, fund balance, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in these financial statements.



Randall L. Sansom, C.P.A.  
Randall L. Sansom, C.P.A., P.A.

**Digital Express, Inc.**  
**Statement of Assets and Liabilities-Income Tax Basis**  
**December 31, 2002**

	<u>Dec 31, 02</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
9TH-92241-TL	840.92
CDV-97204	5,052.72
MH-35297-TL	26,942.30
UNV-92238-TL	3,313.41
<b>Total Checking/Savings</b>	<u>36,149.35</u>
<b>Other Current Assets</b>	
Cash on Hand	4,601.88
Inventory Asset	32,983.59
<b>Total Other Current Assets</b>	<u>37,585.47</u>
<b>Total Current Assets</b>	73,734.82
<b>Fixed Assets</b>	
Autos and Trucks	9,421.00
Furniture and Fixtures	851.49
Machinery and Equipment	36,196.66
zAccum. Amortization	(250.00)
zAccum. Depreciation	<u>(39,836.07)</u>
<b>Total Fixed Assets</b>	6,383.08
<b>Other Assets</b>	
Lease Deposit	1,802.50
Utility Deposit	2,171.10
<b>Total Other Assets</b>	<u>3,973.60</u>
<b>TOTAL ASSETS</b>	<b><u>84,091.50</u></b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Other Current Liabilities</b>	
Due to William Kloss	151,245.73
Pension Plan Payable	17,606.00
Sales Tax Payable	1,740.79
<b>Total Other Current Liabilities</b>	<u>170,592.52</u>
<b>Total Current Liabilities</b>	<u>170,592.52</u>
<b>Total Liabilities</b>	170,592.52
<b>Equity</b>	
Accum. Adjustments Acct	58,394.22
Capital Stock	200.00
Net Income	(145,095.24)
<b>Total Equity</b>	<u>(86,501.02)</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>84,091.50</u></b>

**Digital Express, Inc.**  
**Statement of Revenues and Expenses-Income Tax Basis**  
For the Year Ended December 31, 2002

	Jan - Dec 02
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
<b>Advertising In</b>	
<b>Sprint Advertising CO-OP</b>	44,479.84
<b>Total Advertising In</b>	44,479.84
<b>Agent Fee Received</b>	102,258.66
<b>Commission In</b>	
<b>Cingular Commission</b>	2,086.70
<b>Sprint Commission</b>	402,586.05
<b>Voicestream Commission</b>	10,410.00
<b>Commission In - Other</b>	60,401.36
<b>Total Commission In</b>	475,484.11
<b>Income Tax Fee</b>	50.00
<b>NSF Fees</b>	3,204.85
<b>NSF Payments</b>	0.00
<b>Other Charges</b>	2,497.32
<b>Other Sales</b>	32,283.33
<b>Over/Short</b>	
<b>Over</b>	2,926.13
<b>Short</b>	(3,001.31)
<b>Over/Short - Other</b>	2,556.22
<b>Total Over/Short</b>	2,481.04
<b>PDA/Title Loans</b>	
<b>Interest</b>	1,086.99
<b>Principal</b>	7,082.86
<b>PDA/Title Loans - Other</b>	429.38
<b>Total PDA/Title Loans</b>	8,599.23
<b>Sales</b>	
<b>Activation Kits</b>	
<b>Voicestream</b>	2,310.00
<b>Activation Kits - Other</b>	7,513.54
<b>Total Activation Kits</b>	9,823.54
<b>Minute Cards</b>	152,157.86
<b>Pagers</b>	4,388.15
<b>Phone Products</b>	
<b>Internet</b>	25.59
<b>Phone Products - Other</b>	11,119.07
<b>Total Phone Products</b>	11,144.66
<b>Phone Service</b>	
<b>Late Fee</b>	36,532.77
<b>Long Distance</b>	25.00
<b>Reconnect Fee</b>	24,303.52
<b>Phone Service - Other</b>	784,228.02
<b>Total Phone Service</b>	845,089.31
<b>Precash Cards</b>	186.00
<b>Prepaid Calling Cards</b>	7,828.80
<b>Wireless Accessories</b>	27,975.54
<b>Wireless Phones</b>	
<b>Cingular Phone</b>	8,084.00
<b>Sprint Phone</b>	177,499.82
<b>Voicestream Phone</b>	21,968.24
<b>Wireless Phones - Other</b>	212,853.79
<b>Total Wireless Phones</b>	420,405.85
<b>Sales - Other</b>	(3,349.45)
<b>Total Sales</b>	1,475,650.26
<b>Total Income</b>	2,146,988.64

**Digital Express, Inc.**  
**Statement of Revenues and Expenses-Income Tax Basis**  
For the Year Ended December 31, 2002

	Jan - Dec 02
Cost of Goods Sold	
*Cost of Goods Sold	38,685.80
Cost of Goods Sold	
Activation Kits	
Voicestream	2,310.00
Activation Kits - Other	6,036.38
Total Activation Kits	8,346.38
Minute Cards	107,575.45
Phone Products	12.20
Phone Service Bill	848,869.74
Precash Cards	214.50
Prepaid Calling Cards	7,621.53
Shipping	1,321.86
Wireless Accessories	6,616.70
Wireless Phones	
Cingular Phones	2,226.50
Sprint Phones	270,202.47
Voicestream Phones	21,250.00
Wireless Phones - Other	3,570.73
Total Wireless Phones	297,249.70
Cost of Goods Sold - Other	195,614.61
Total Cost of Goods Sold	1,473,442.67
Total COGS	1,512,128.47
Gross Profit	634,860.17
Expense	
Accounting & Legal Fees	
PDA Legal Costs	591.50
Accounting & Legal Fees - Other	6,721.94
Total Accounting & Legal Fees	7,313.44
Advertising	
Cellular Ads	18,299.11
Phone Ads	8,992.00
Advertising - Other	16,793.91
Total Advertising	44,085.02
Agent Fee Paid	5,549.98
Amortization Expense	167.00
Bad Debts	1,137.40
Bank Charges	1,216.66
Cell Phones & Pagers	1,384.80
Commission Out	211,870.44
Depreciation Expense	4,787.00
Entertainment	0.00
Equipment	340.35
Fees & Licenses	1,287.46
Insurance	
Med & Dental	915.14
Property & Liability	1,894.69
Worker's Comp	3,980.72
Insurance - Other	(1,201.17)
Total Insurance	5,589.38
Maintenance & Repair	
Lawn Care	1,356.00
Maintenance & Repair - Other	705.05
Total Maintenance & Repair	2,061.05
Office Expense	27,391.13
Payroll	
Admin Pay & Taxes	

**Digital Express, Inc.**  
**Statement of Revenues and Expenses-Income Tax Basis**  
For the Year Ended December 31, 2002

	Jan - Dec 02
Admin Payroll	38,004.83
Admin Taxes	4,046.72
Admin Pay & Taxes - Other	19,306.45
<b>Total Admin Pay &amp; Taxes</b>	<b>61,358.00</b>
Employee Pay & Taxes	
Employee Payroll	102,367.12
Employee Taxes	31,915.26
Employee Pay & Taxes - Other	84,732.08
<b>Total Employee Pay &amp; Taxes</b>	<b>219,014.46</b>
Payroll - Other	0.00
<b>Total Payroll</b>	<b>280,372.46</b>
Pension Plan Expense	17,606.00
Postage	
PDA Postage Costs	28.26
Postage - Other	688.21
<b>Total Postage</b>	<b>716.47</b>
Recruiting	2,967.20
Rent	78,660.40
Taxes	41,688.68
Telephone	11,159.01
Title Loan	
Repossession Fee	150.00
Tag and Title	4.00
<b>Total Title Loan</b>	<b>154.00</b>
Travel & Mileage	569.85
Utilities	3,932.55
Vehicle Prep	(225.00)
<b>Total Expense</b>	<b>751,782.73</b>
<b>Net Ordinary Income</b>	<b>(116,922.56)</b>
<b>Other Income/Expense</b>	
Other Income	
Misc In	2,524.75
Other Income	1,635.59
Rent Income	4,800.00
<b>Total Other Income</b>	<b>8,960.34</b>
Other Expense	
Deposits (Lease/Utilities)	0.00
Interest Paid-Business	8,975.40
Loss on Scrapped Assets	6,650.00
Misc Out	20,514.62
Rental Expenses	993.00
<b>Total Other Expense</b>	<b>37,133.02</b>
<b>Net Other Income</b>	<b>(28,172.68)</b>
<b>Net Income</b>	<b>(145,095.24)</b>

**DIGITAL EXPRESS, INC.  
PENSACOLA, FLORIDA  
FINANCIAL STATEMENTS  
DECEMBER 31, 2003**

RANDALL L. SANSOM, C.P.A., P.A.  
Certified Public Accountant

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87 Baybridge Park  
Post Office Box 957  
Gulf Breeze, FL 32561  
(850) 932-5335 FAX (850) 934-1310  
e-mail: rlsdpa@mchsi.com

March 30, 2004

Digital Express, Inc.  
Pensacola, FL 32501

To the Shareholders of Digital Express, Inc.:

We have compiled the accompanying statement of assets and liabilities-income tax basis of Digital Express, Inc. (an S corporation) as of December 31, 2003 and the related statement of revenues and expenses-income tax basis for the twelve months then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on the basis of accounting used by the Company for income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all the disclosures ordinarily included in financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, fund balance, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in these financial statements.

Randall L. Sansom, C.P.A.  
Randall L. Sansom, C.P.A., P.A.

**Digital Express, Inc.**  
**Statement of Assets and Liabilities-Income Tax Basis**  
December 31, 2003

	<u>Dec 31, 03</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
9th-92241	(9,646.54)
MH-35297	<u>(39,490.45)</u>
<b>Total Checking/Savings</b>	(49,136.99)
<b>Other Current Assets</b>	
Cash Overage/Shortage	70.75
Inventory	<u>10,256.59</u>
<b>Total Other Current Assets</b>	<u>10,327.34</u>
<b>Total Current Assets</b>	(38,809.65)
<b>Fixed Assets</b>	
Autos and Trucks	9,421.00
Furniture and Fixtures	851.49
Machinery and Equipment	29,633.66
zAccum. Amortization	(417.00)
zAccum. Depreciation	<u>(35,817.07)</u>
<b>Total Fixed Assets</b>	3,672.08
<b>Other Assets</b>	
Lease Deposit	1,802.50
Utility Deposit	<u>2,171.10</u>
<b>Total Other Assets</b>	<u>3,973.60</u>
<b>TOTAL ASSETS</b>	<u><b>(31,163.97)</b></u>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Other Current Liabilities</b>	
Sales Tax Payable	1,876.10
<b>Total Other Current Liabilities</b>	<u>1,876.10</u>
<b>Total Current Liabilities</b>	1,876.10
<b>Long Term Liabilities</b>	
Due to William Kloss	<u>151,245.73</u>
<b>Total Long Term Liabilities</b>	<u>151,245.73</u>
<b>Total Liabilities</b>	153,121.83
<b>Equity</b>	
Capital Stock	200.00
Retained Earnings	(86,700.00)
Net Income	<u>(97,785.80)</u>
<b>Total Equity</b>	<u>(184,285.80)</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><b>(31,163.97)</b></u>

**Digital Express, Inc.**  
**Statement of Revenues and Expenses-Income Tax Basis**  
For the Year Ended December 31, 2003

	Jan - Dec 03
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
Advertising Co-op	9,615.00
Commission	
EPSI	72,240.02
Sprint	59,719.50
T-Mob	30,697.50
Commission - Other	6,773.38
<b>Total Commission</b>	<b>169,430.40</b>
Employee Theft	326.33
NSF	5,565.96
Principal	211.39
Retail Sales	124,520.86
Sales	
EPSI Services	775,304.77
Sales - Other	421.11
<b>Total Sales</b>	<b>775,725.88</b>
<b>Total Income</b>	<b>1,085,395.82</b>
<b>Cost of Goods Sold</b>	
<b>Cost of Goods Sold</b>	
EPSI Services/Fees/Taxes	781,944.89
Retail Products	96,147.33
Cost of Goods Sold - Other	(2,385.00)
<b>Total Cost of Goods Sold</b>	<b>875,707.22</b>
<b>Total COGS</b>	<b>875,707.22</b>
<b>Gross Profit</b>	<b>209,688.60</b>
<b>Expense</b>	
Accounting & Legal Fees	4,425.00
Advertising	11,800.31
Amortization Expense	167.00
Bank Service Charges	315.35
Cell Phones & Pagers	1,182.52
Commission Out	24,441.50
Depreciation Expense	2,544.00
Equipment	406.88
Fees & Licenses	1,045.69
Insurance	
Health	3,092.69
Worker's Comp	574.68
Insurance - Other	168.63
<b>Total Insurance</b>	<b>3,836.00</b>
Licenses and Permits	417.50
Maintenance & Repair	2,845.28
Miscellaneous - Out	0.00
Office Expense	12,488.96
Payroll	
Admin Pay & Taxes	
Admin Payroll	25,987.72
Admin Taxes	6,749.71
<b>Total Admin Pay &amp; Taxes</b>	<b>32,737.43</b>
Employee Pay & Taxes	
Employee Pay	189,690.28
Employee Taxes	53,016.75
<b>Total Employee Pay &amp; Taxes</b>	<b>242,707.03</b>
Payroll Expense	3,430.06
Payroll - Other	(71,966.57)

**Digital Express, Inc.**  
**Statement of Revenues and Expenses-Income Tax Basis**  
For the Year Ended December 31, 2003

	Jan - Dec 03
Total Payroll	206,907.95
Pension Plan	0.00
Postage and Delivery	485.40
Recruiting	459.97
Rent	31,360.44
Taxes	4,865.32
Telephone	
Long Distance	111.18
Telephone - Other	5,367.06
Total Telephone	5,478.24
Travel & Mileage	1,435.07
Utilities	2,765.20
Total Expense	319,673.58
Net Ordinary Income	(109,984.98)
Other Income/Expense	
Other Income	
Investment Income	68.40
Miscellaneous In	(96.70)
Other Income	21,477.80
Total Other Income	21,449.50
Other Expense	
Interest Paid - Business	9,250.32
Total Other Expense	9,250.32
Net Other Income	12,199.18
Net Income	(97,785.80)

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**DIGITAL EXPRESS, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**RANDALL L. SANSOM, C.P.A., P.A.**  
**Certified Public Accountant**

**87 Baybridge Park  
Post Office Box 957  
Gulf Breeze, FL 32561  
(850) 932-5335 FAX (850) 934-1310  
e-mail: rlsopa@mchsi.com**

March 11, 2005

Digital Express, Inc.  
Pensacola, FL 32501

To the Shareholders of Digital Express, Inc.:

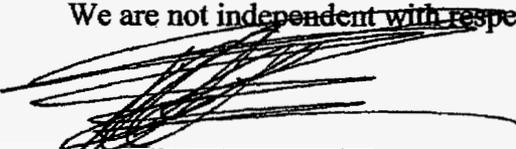
We have compiled the accompanying statement of assets and liabilities-income tax basis of Digital Express, Inc. (an S corporation) as of December 31, 2004 and the related statement of revenues and expenses-income tax basis for the twelve months then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on the basis of accounting used by the Company for income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all the disclosures ordinarily included in financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, fund balance, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in these financial statements.

~~We are not independent with respect to Digital Express, Inc.~~



Randall L. Sansom, C.P.A.

Randall L. Sansom, C.P.A., P.A.

**Digital Express, Inc.**  
**Statement of Assets and Liabilities-Income Tax Basis**  
**December 31, 2004**

	<u>Dec 31, 04</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
9th-92241	(6,798.90)
MH-35297	(112,427.90)
<b>Total Checking/Savings</b>	<b>(119,226.80)</b>
<b>Other Current Assets</b>	
Inventory	5,714.19
<b>Total Other Current Assets</b>	<b>5,714.19</b>
<b>Total Current Assets</b>	<b>(113,512.61)</b>
<b>Fixed Assets</b>	
Autos and Trucks	11,421.00
Furniture and Fixtures	851.49
Machinery and Equipment	29,633.66
zAccum. Amortization	(500.00)
zAccum. Deprecation	(38,642.07)
<b>Total Fixed Assets</b>	<b>2,764.08</b>
<b>Other Assets</b>	
Utility Deposit	1,802.50
	2,171.10
<b>Total Other Assets</b>	<b>3,973.60</b>
<b>TOTAL ASSETS</b>	<b>(106,774.93)</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Other Current Liabilities	
Sales Tax Payable	2,175.36
<b>Total Other Current Liabilities</b>	<b>2,175.36</b>
<b>Total Current Liabilities</b>	<b>2,175.36</b>
<b>Long Term Liabilities</b>	
Due to William Kloss	151,245.73
<b>Total Long Term Liabilities</b>	<b>151,245.73</b>
<b>Total Liabilities</b>	<b>153,421.09</b>
<b>Equity</b>	
Capital Stock	200.00
Retained Earnings	(184,485.80)
Net Income	(75,910.22)
<b>Total Equity</b>	<b>(260,196.02)</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>(106,774.93)</b>

**Digital Express, Inc.**  
**Statement of Revenues and Expenses-Income Tax Basis**  
**For the Year Ended December 31, 2004**

	Jan - Dec 04
<b>Ordinary Income/Expense</b>	
Income	
<b>Commission</b>	
Cing	6,586.70
EPSI	90,513.40
Sprint	3,975.00
T-Mob	28,563.75
<b>Total Commission</b>	129,638.85
Dividend	0.00
Employee Theft	307.12
NSF	4,995.48
Principal	315.13
Retail Sales	64,060.04
Sales	
EPSI Services	885,159.27
<b>Total Sales</b>	885,159.27
<b>Total Income</b>	1,084,475.89
<b>Cost of Goods Sold</b>	
Cost of Goods Sold	
EPSI Services/Fees/Taxes	834,885.21
Retail Products	103,913.32
<b>Total Cost of Goods Sold</b>	938,798.53
<b>Total COGS</b>	938,798.53
<b>Gross Profit</b>	145,677.36
<b>Expense</b>	
Accounting & Legal Fees	4,555.00
Advertising	1,910.62
Amortization Expense	83.00
Bank Service Charges	1,487.15
Cash Short	27.93
Cell Phones & Pagers	1,389.73
Commission Out	7,265.00
Depreciation Expense	2,825.00
Equipment	33.24
Fees & Licenses	268.75
Insurance	
Health	3,890.75
Property & Liability	1,735.83
Worker's Comp	2,217.43
Insurance - Other	1,221.75
<b>Total Insurance</b>	9,065.76
Licenses and Permits	52.50
Maintenance & Repair	3,963.01
Office Expense	11,661.49
Payroll	
Admin Pay & Taxes	
Admin Payroll	16,544.12
Admin Taxes	3,714.44
<b>Total Admin Pay &amp; Taxes</b>	20,258.56
Employee Pay & Taxes	
Employee Pay	98,256.70
Employee Taxes	29,327.50
<b>Total Employee Pay &amp; Taxes</b>	127,584.20
Payroll Expense	2,454.01
<b>Total Payroll</b>	150,296.77
Postage and Delivery	263.48

**Digital Express, Inc.**  
**Statement of Revenues and Expenses-Income Tax Basis**  
**For the Year Ended December 31, 2004**

	Jan - Dec 04
Recruiting	659.56
Rent	14,171.55
Taxes	1,599.79
Telephone	4,026.51
Theft	503.73
Travel & Mileage	1,033.62
Utilities	2,914.23
<b>Total Expense</b>	<b>220,057.42</b>
<b>Net Ordinary Income</b>	<b>(74,380.06)</b>
<b>Other Income/Expense</b>	
Other Income	
Hurricane Insurance	5,300.00
Other Income	2,420.16
<b>Total Other Income</b>	<b>7,720.16</b>
<b>Other Expense</b>	
Interest Paid - Business	9,250.32
<b>Total Other Expense</b>	<b>9,250.32</b>
<b>Net Other Income</b>	<b>(1,530.16)</b>
<b>Net Income</b>	<b>(75,910.22)</b>

# **DIGITAL EXPRESS, INC.**

1020 N. 9<sup>th</sup> Avenue  
Pensacola, Florida 32501  
850-444-9673  
Fax 850-444-9674

May 25, 2005

Digital Express, Inc. has the exact same ownership and controlling interest as Express Phone Service, Inc., a CLEC that is currently certificated by the Florida Public Service Commission. In addition to sharing operational and management personnel as well, Digital Express, Inc. also has access to the financial assets of the entire controlled group of corporations. This access, when coupled with the additional fact that the service to be provided will be non-facilities based resell or UNE-P services, provides Digital Express, Inc. with sufficient financial capability to provide the requested service in the geographic area proposed to be served and to maintain the requested service.

Digital Express, Inc. also currently shares operational spaces with Express Phone Service, Inc., who will continue to maintain those spaces for the use of both corporations. Since there are no lease or ownership obligations in addition to those already present, Digital Express, Inc. has sufficient financial capability to meet (maintain) its current lease or ownership obligations with respect to operational spaces. Lease or ownership obligations as far as facilities to provide service is not pertinent as the service to be provided is non-facilities based resell or UNE-P service.

# **DIGITAL EXPRESS, INC.**

1020 N. 9<sup>th</sup> Avenue  
Pensacola, FL 32501  
850-444-9673  
Fax 850-444-9674

May 25, 2005

We currently lease two locations in Pensacola, Florida. The first is located at 4709 Mobile Highway; it is leased from Baker and Baker out of Columbia, South Carolina. We have leased this building from Baker and Baker since 1998. Our contract with them is renewed every two years. Our other location is 1020 N. 9<sup>th</sup> Avenue; it is leased from John Ryan Fitzgerald Trust out of Pensacola, Florida. We have leased this building since 2002 and will renew it on a yearly basis after 2005.