

**ORIGINAL**

**Lance J.M. Steinhart  
Attorney At Law  
6455 East Johns Crossing  
Suite 285  
Duluth, Georgia 30097**

Also Admitted in New York  
and Maryland

Telephone: (770) 232-9200  
Facsimile: (770) 232-9208

July 30, 1998

VIA OVERNIGHT DELIVERY

Florida Public Service Commission  
Division of Records & Reporting  
Certification & Compliance Section  
2540 Shumard Oak Blvd.  
Gunter Bldg.  
Tallahassee, Florida 32399-0850

980985-T1

Re: **Convergent Communications Services, Inc.**  
**CONFIDENTIAL TREATMENT REQUESTED**

Dear Sir/Madam:

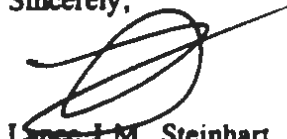
Enclosed please find three (3) copies of Convergent Communications, Inc.'s (Applicant's parent company) financial statements for the years ended December 31, 1995, 1996 & 1997 respectively, which is being filed in conjunction with Convergent Communications Services, Inc.'s Application for Authority to Interexchange Telecommunications Service Within the State of Florida. The Applicant requests confidential treatment for its financial information.

I have enclosed one original copy and two edited copies in which the information claimed as confidential is blacked out.

Please return a stamped copy of the extra copy of this letter in the enclosed preaddressed prepaid envelope.

If you have any questions, please do not hesitate to call me. Thank you for your attention to this matter.

Sincerely,



Lance J.M. Steinhart, Esq.  
Attorney for Convergent Communications Services, Inc.

Enclosures  
cc: Karen Bedell

- ACK \_\_\_\_\_
- AFA \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG \_\_\_\_\_
- LEG \_\_\_\_\_
- LIN \_\_\_\_\_
- OPC \_\_\_\_\_
- RCH \_\_\_\_\_
- SEC \_\_\_\_\_
- WAS \_\_\_\_\_
- 4TH \_\_\_\_\_

DOCUMENT NUMBER - DATE  
160, AUG -3 88  
REPORTING

**CONVERGENT COMMUNICATIONS, INC.**

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**CONSOLIDATED FINANCIAL STATEMENTS**

**as of December 31, 1996 and 1997 and for the year ended  
December 31, 1995, the period from January 1, 1996 to December 16, 1996,  
the period from inception (March 1, 1996) to December 31, 1996  
and the year ended December 31, 1997**

CONVERGENT COMMUNICATIONS, INC.

CONSOLIDATED BALANCE SHEETS

ASSETS	December 31, 1996	December 31, 1997
Current assets:		
Cash and cash equivalents		
Short-term investments		
Trade accounts receivable, net of allowance for doubtful accounts of \$15,827 and \$21,389 respectively		
Prepaid expenses and other current assets		
Total current assets		
Property and equipment		
Less accumulated depreciation		
Total property and equipment		
Restricted cash		
Goodwill, net of amortization of \$12,090 and \$475,052 respectively		
Other intangible assets, net of amortization of \$18,548 and \$358,486, respectively		
Investments and other assets		
Total assets		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Trade accounts payable		
Accrued compensation		
Other accrued liabilities		
Current portion of notes payable and capital leases		
Total current liabilities		
Non-current portion of notes payable and capital leases		
Shareholders' equity:		
Preferred stock, 1 million shares authorized, none issued		
Common stock, no par value, 50 million shares authorized, 15,739,525 and 26,859,000 issued and outstanding, respectively		
Warrants		
Unrealized gain (loss) on investments		
Unearned compensation		
Accumulated deficit		
Total shareholders' equity		
Total liabilities and shareholders' equity		

The accompanying notes are an integral part of these consolidated financial statements.

CONVERGENT COMMUNICATIONS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the year ended December 31, 1995	For the Period January 1, 1996 through December 16, 1996	For the Period from Inception through December 31, 1996	For the year ended December 31, 1997
Data and voice product revenue				
Data and voice service revenue				
Total revenue				
Cost of data and voice products				
Cost of data and voice services				
Total cost				
Gross margin				
Selling, general and administrative				
Depreciation and amortization				
Interest expense/(income) and other				
Net loss				
Net loss per share (basic)				
Weighted average shares outstanding				
Net loss per share (diluted)				
Weighted average shares outstanding (diluted)				

The accompanying notes are an integral part of these consolidated financial statements.

CONVERGENT COMMUNICATIONS, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Predecessor:

Member's equity, January 1, 1995

Receivable from member

Net loss allocated to members

Balance, December 31, 1995

Net loss allocated to members

Contributions from members

Balance, December 16, 1996

Successor:

	Common Shares	Common Stock	Warrants	Unearned Compensation	Unrealized Gain (Loss)	Accumulated Deficit	Total
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Balance, March 1, 1996

Initial sale of stock to founders

Sale of stock in private placement

Offering costs

Stock issued in acquisition of BCN

Stock compensation

Net loss

Balance, December 31, 1996

Sale of stock in private placements

Offering costs

Stock issued to SOnetech

Stock issued in acquisitions

Exercise of stock options

Stock purchases

Stock compensation

Warrants

Unrealized gain (loss)

Net loss

Balance, December 31, 1997

The accompanying notes are an integral part of these consolidated financial statements.

**CONVERGENT COMMUNICATIONS, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the year ended December 31, 1995	For the Period January 1, 1996 through December 16, 1996	For the Period from Inception through December 31, 1996	For the year ended December 31, 1997
<b>Cash flows from operating activities:</b>				
Net loss				
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization				
Provision for uncollectible accounts				
Stock compensation expense				
(Gain) loss from sale of equipment				
Other				
Change in working capital (net of acquisitions):				
Trade accounts receivable				
Prepaid expenses and other current assets				
Restricted cash				
Trade accounts payable				
Accrued compensation				
Other accrued liabilities				
Net cash provided by (used in) operating activities				
<b>Cash flows from investing activities:</b>				
Additions of property and equipment				
Proceeds from sales of property and equipment				
Organizational costs				
Acquisitions, net of cash acquired				
Long-term investment				
Purchase of short-term investments				
Sale of short-term investments				
Other assets				
Net cash used in investing activities				
<b>Cash flows from financing activities:</b>				
Payments on long-term borrowings				
Advances to members				
Proceeds from new borrowings				
Proceeds from initial capital contributions				
Proceeds from sale of common stock, net				
Payment of note to former owner of ICN				
Cash paid to retire indebtedness of predecessor company				
Proceeds from exercise of stock options				
Repurchase of common shares				
Net cash provided by (used in) financing activities				
Net increase (decrease) in cash and cash equivalents				
Cash and cash equivalents at beginning of period				
Cash and cash equivalents at end of period				

The accompanying notes are an integral part of these consolidated financial statements.

CONVERGENT COMMUNICATIONS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOW (continued)

	For the year ended December 31, 1995	For the Period January 1, 1996 through December 16, 1996	For the Period from Inception through December 31, 1996	For the year ended December 31, 1997
	(predecessor)	(predecessor)	(successor)	(successor)
<b>Non cash transactions and supplemental disclosures:</b>				
Acquisition of equipment through the assumption of capital lease obligations				
Issuance of common stock for investment in SONeTech				
Interest paid				
Income taxes paid				

The accompanying notes are an integral part of these consolidated financial statements.

**Lance J.M. Steinhart**  
Attorney At Law  
6455 East Johns Crossing  
Suite 285  
Duluth, Georgia 30097

DEPOSIT                      DATE  
D 8 2 3                      AUG 03 1998

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and Maryland

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July 30, 1998

**VIA OVERNIGHT DELIVERY**

Florida Public Service Commission  
Division of Administration  
2540 Shumard Oak Blvd.  
Gunter Bldg.  
Tallahassee, Florida 32399-0850

Check received with filing and  
forwarded to Fiscal for deposit.  
Fiscal to forward a copy of check  
to RAR with proof of deposit.

Initials of person who forwarded check:  
*A.J.*

Re: **Convergent Communications Services, Inc.**

980985-TI

Dear Sir/Madam:

Enclosed please find one original and twelve (12) copies of Convergent Communications Services, Inc.'s Application for Authority to Provide Interexchange Telecommunications Service Within the State of Florida, along with an original and twelve (12) copies of Convergent Communications Services, Inc.'s proposed tariff.

Convergent Communications Services, Inc. has sufficient financial capability to provide the requested service in the State of Florida and has sufficient financial capability to maintain the requested service and to meet its lease or ownership obligations. In support of Convergent Communications Services, Inc.'s stated financial capability, copies of its financial statements for the years ended December 31, 1995, 1996 & 1997 respectively are being submitted under separate cover requesting confidential treatment. As a switchless reseller, Convergent Communications Services, Inc. does not intend to make a capital investment to provide service in the State of Florida, however, Convergent Communications Services, Inc. intends to fund the provision of service through internally generated cash flow or its parent company. Convergent Communications Services, Inc. also has the ability to borrow funds, if required, based upon its financial capabilities.

I also have enclosed a check in the amount of \$250.00 payable to the Florida Public Service Commission to cover the cost of filing these documents.

DOCUMENT NUMBER DATE

980985-TI AUG-3 98

FF 50-REC-REG/REPORTING



Florida Public Service Commission

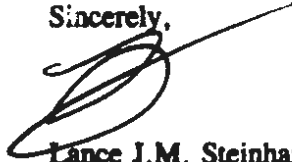
July 30, 1998

Page 2

Please return a stamped copy of the extra copy of this letter in the enclosed preaddressed prepaid envelope.

If you have any questions regarding the application or the tariff, please do not hesitate to call me. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Lance J.M. Steinhart", with a long, sweeping horizontal line extending to the right.

Lance J.M. Steinhart, Esq.

Attorney for Convergent Communications Services, Inc.

Enclosures

cc: Karen L. Bedell