QCC

Qcc, Incorporated

January 31, 2001

Florida Public Service Commission
Division of Records and Reporting
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

010155-TI

RE: QCC Inc.

Dear Sir/Madam,

Please accept the attached application for QCC Inc. to offer telecommunication services within the state of Florida.

If you should have any questions or need additional information, please contact me at 913-492-1230 ext 5121.

Sincerely,
QCC Inc.

Allen E. Walbert II
VP Tax

cc: Melinda Watts

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:

01 FEB -1 AM 10:13
MAIL ROOM

DOCUMENT NUMBER-DATE
[redacted]EB -1 [illegible]
FPSC-RECORDS/REPORTING

8829 Bond Street • Overland Park, KS 66214
913/492-1230 • Fax: 913/492-1684
800/688-6424

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

DIVISION OF REGULATORY OVERSIGHT
CERTIFICATION SECTION

Application Form for Authority to Provide Interexchange Telecommunications Service Between Points Within the State of Florida

010155-TI

Instructions

- This form is used as an application for an original certificate and for approval of 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 16).

- 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 Records and Reporting
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6770

  Note: **No filing fee is required** for an assignment or transfer of an existing certificate to another company.

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

  Florida Public Service Commission
  Division of Regulatory Oversight
  Certification Section
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6480

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

(X) **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:

QCC Inc.

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

QCC Inc.

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

8829 Bond Street

Overland Park, Kansas 66214

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

none

6. Select type of business your company will be conducting √ (check all that apply):

( ) **Facilities-based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.

(x) **Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.

(x) **Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.

( ) **Switchless Rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.

( ) **Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers, then offers resold service by enrolling unaffiliated customers.

( ) **Prepaid Debit Card Provider** - any person or entity that purchases 800 access from an underlying carrier or unaffiliated entity for use with prepaid debit card service and/or encodes the cards with personal identification numbers.

7. Structure of organization;

( ) Individual	(X) Corporation
( ) Foreign Corporation	( ) Foreign Partnership
( ) General Partnership	( ) Limited Partnership
( ) Other ______	

8. **If individual,** provide:

Name:____
Title:____
Address:_______________________________________
City/State/Zip:___________________________________

Telephone No.:____________________ **Fax No.:**____________
Internet E-Mail Address:____________________________
Internet Website Address:___________________________

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

   (a) **The Florida Secretary of State Corporate Registration number:**
   ____

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

    (a) **The Florida Secretary of State Corporate Registration number:**
    L51003

11. **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:**
    ____

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

    (a) **The Florida Secretary of State registration number:** __________

13. **<u>If a partnership</u>**, provide name, title and address of all partners and a copy of the partnership agreement.

Name:____

Title:____

Address:____
City/State/Zip:____

Telephone No.:____________________ **Fax No.:**____________
Internet E-Mail Address:______________________________
Internet Website Address:______________________________

14. **<u>If a foreign limited partnership,</u>** provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.

(a) **The Florida registration number:**______________________

15. Provide **<u>F.E.I. Number</u>** (if applicable):________________________

16. Provide the following (if applicable):

(a) Will the name of your company appear on the bill for your services?
(X) **Yes** ( ) **No**

(b) If not, who will bill for your services?

Name:____
Title:____

Address:____

City/State/Zip:____

Telephone No.:____________________ **Fax No.:**____________

(c) How is this information provided?

____

____

17. Who will receive the bills for your service?

(x) Residential Customers (x) Business Customers
( ) PATs providers ( ) PATs station end-users
( ) Hotels & motels ( ) Hotel & motel guests
( ) Universities ( ) Universities dormitory residents
( ) Other: (specify)____________________.

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

(a) The application:

Name: Allen E. Walbert II

Title: VP Tax

Address: 8833 Bond Street
City/State/Zip: Overland Park, Kansas 66214

Telephone No.: 913-492-1230 x5121 **Fax No.:** 913-492-1684
Internet E-Mail Address: awalbert@ldm-ld.com
Internet Website Address:____________________

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

Name: John Greenbank

Title: VP Operations

Address: 8833 Bond Street
City/State/Zip: Overland Park, Kansas 66214

Telephone No.: 913-492-1230 x 1205 Fax No.: 913-492-1684
Internet E-Mail Address: johng@communitytelephone.com
Internet Website Address: ______

(c) Complaints/Inquiries from customers:

Name: Customer Service

Title: ______

Address: ______
City/State/Zip: ______

Telephone No.: 1-888-703-1700 Fax No.: ______
Internet E-Mail Address: ______
Internet Website Address: ______

19. List the states in which the applicant:

(a) has operated as an interexchange telecommunications company.

most states

(b) has applications pending to be certificated as an interexchange telecommunications company.

none

(c) is certificated to operate as an interexchange telecommunications company.

most states

(d) has been denied authority to operate as an interexchange telecommunications company and the circumstances involved.

none

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

Yes FL PSC Docket #991580-TI

The company is prepared to pay any past fines and fees that may be due to regain certification.

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

none

20. 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. If so, please explain.

None

(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.

None

21. The applicant will provide the following interexchange carrier services √ (check all that apply):

a._______ **MTS with distance sensitive per minute rates**

________ Method of access is FGA
________ Method of access is FGB
________ Method of access is FGD
________ Method of access is 800

b._______ **MTS with route specific rates per minute**

________ Method of access is FGA
________ Method of access is FGB
________ Method of access is FGD
________ Method of access is 800

c._______ **MTS with statewide flat rates per minute (i.e. not distance sensitive)**

________ Method of access is FGA
________ Method of access is FGB
________ Method of access is FGD
________ Method of access is 800

d._______ **MTS for pay telephone service providers**

e._______ **Block-of-time calling plan (Reach Out Florida, Ring America, etc.).**

f._X_____ **800 service (toll free)**

g._______ **WATS type service (bulk or volume discount)**

______ Method of access is via dedicated facilities
______ Method of access is via switched facilities

h._______ **Private line services (Channel Services)**
(For ex. 1.544 mbs., DS-3, etc.)

I.__x___ **Travel service**

________ Method of access is 950
____x____ Method of access is 800

j.______ **900 service**

k.__x___ **Operator services**

___x____ Available to presubscribed customers
___X____ Available to non presubscribed customers (for example, to patrons of hotels, students in universities, patients in hospitals).
________ Available to inmates

l. **Services included are:**

_________ Station assistance
___x_____ Person-to-person assistance
_________ Directory assistance
_________ Operator verify and interrupt
_________ Conference calling

22. Submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.485 (example enclosed).

See Attached Tariff

23. Submit the following:

A. Managerial capability; give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

See Statement #1

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.

See Statement #2

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.

See Financial Statements

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. **A written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

2. **A written explanation** that the applicant has sufficient financial capability to maintain the requested service.

3. **A written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

As can be seen in our most recent three years of audited financial statements, we are part of a consolidated company known as Q-Comm Corporation. As a consolidated company, we showed a pretax profit for the year ended September 30, 1999 of $784,774 while QCC Inc. specifically showed a pretax profit of $328,125. We feel our profits and our parent company's ability to secure private financing shows considerable capability to provide and maintain all requested services in Florida in addition to meeting any lease or ownership obligations wherever they may be.

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 its 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. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.

3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.

4. **APPLICATION FEE:** I understand that a non-refundable application fee of $250.00 must be submitted with the application.

UTILITY OFFICIAL:

Allen E. Walbert II
Print Name

[signature]
Signature

VP Tax
Title

1/31/01
Date

913-492-1230 ext. 5121
Telephone No.

913-492-1684
Fax No.

Address: 8829 Bond Street
Overland Park, Kansas 66214

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

THIS PAGE MUST BE COMPLETED AND SIGNED

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

A statement of how the Commission can be assured of the security of the customer's deposits and advance payments may be provided in one of the following ways (applicant, please √ check one):

(x) The applicant will **not** collect deposits nor will it collect payments for service more than one month in advance.

( ) The applicant intends to collect deposits and/or advance payments for more than one month's service and will file and maintain a surety bond with the Commission in an amount equal to the current balance of deposits and advance payments in excess of one month.
(The bond must accompany the application.)

UTILITY OFFICIAL:

Allen E. Walbert II
Print Name

Signature

VP Tax
Title

1/31/01
Date

913-492-1230 ext. 5121
Telephone No.

913-492-1684
Fax No.

Address: 8829 Bond Street
Overland Park,Kansas 66214

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

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 interexchange telecommunications 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:

Allen E. Walbert II
Print Name

Allen E Walbert
Signature

VP Tax
Title

1/31/01
Date

~~913-492-1230 ext. 5121~~
Telephone No.

913-492-1684
Fax No.

Address: 8829 Bond Street

Overland Park, Kansas 66214

CURRENT FLORIDA INTRASTATE SERVICES

Applicant **has** (X) or **has not** (   ) previously provided intrastate telecommunications in Florida.

If the answer is has, fully describe the following:

a) What services have been provided and when did these services begin?

All services as detailed in this application. 11-21-90

b) If the services are not currently offered, when were they discontinued?

UTILITY OFFICIAL:

Allen E. Walbert II	
Print Name	**Signature**
VP Tax	1/31/01
Title	**Date**
913-492-1230 ext. 5121	913-492-1684
Telephone No.	**Fax No.**

Address: 8829 Bond Street
Overland Park, Kansas 66214

CERTIFICATE 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:

(   ) transfer

(   ) assignment

of the above-mentioned certificate.

UTILITY OFFICIAL:

______________________	______________________
Print Name	**Signature**
______________________	______________________
Title	**Date**
______________________	______________________
Telephone No.	**Fax No.**

Address: ____

____

____

____

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

QCC Inc.

Tariff

TITLE SHEET

FLORIDA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service and facilities for telecommunications services provided by QCC, INC. D/B/A QCC, INC. (T) OF KANSAS, hereinafter in the text of this tariff referred to as | "QCC," with principal offices at 8829 Bond Street, Overland Park, (T) Kansas 66214. This tariff applies for services furnished within the state of Florida. This tariff is on file with the Florida Public Service Commission, and copies may be inspected, during normal business hours, at the Company's principal place of business.

Check Sheet

Sheets 1 through 20 inclusive of this tariff are effective as of the date shown at the bottom of the respective sheet(s).

Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this page.

SHEET	REVISION	
1	Second	
1.1	Thirteenth	*
1.2	Fourth	*
2	First	
2.1	Original	
2.2	First	
3	Original	
4	Original	
4.1	First	
5	Second	
5.1	Original	
5.2	First	
5.3	Original	
6	Third	
6.1	First	
7	First	
7.1	Original	
7.2	First	
8	Original	
9	Second	
9.1	Second	
9.2	Original	
9.3	Original	
9.4	First	
9.5	First	
9.6	First	
9.7	Original	
9.8	First	

* Indicates new or revised sheet with this filing.

Issued: August 25, 1999

Effective:

By:

Al Cinelli, President
8829 Bond Street
Overland Park, Kansas 66214

AUG 27 1999

CHECK SHEET, CONT'D

SHEET	REVISION	
10	Second	
11	First	
11.1	Original	
12	Second	
12.1	Third	*
12.2	First	
12.3	First	
12.4	First	
12.5	First	
12.6	First	
12.7	First	
12.8	Second	*
12.9	Original	
12.10	First	
12.11	Original	
13	First	
14	First	
15	Eleventh	•
16	Second	•
17	First	
18	Second	•
19	First	
20	Original	

*Indicates new or revised sheet with this filing.

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(N)

ALPHABETICAL INDEX

SUBJECT PAGE

(N)

Issued: July 21, 1995 Effective:

by: John Cinelli, President
8829 Bond Street
Overland Park, Kansas 66214

ALPHABETICAL INDEX, (Cont'd.)

by: John Cinelli, President
8829 Bond Street
Overland Park, Kansas 66214

SYMBOLS

The following are the only symbols used for the purposes indicated below:

D - Delete or Discontinue

I - Change Resulting In An Increase to A Customer's Bill

M - Moved From Another Tariff Location

N - New

R- Change Resulting In A Reduction to A Customer's Bill

T - Change In Text or Regulation But No Change In Rate or Charge

Issued: June 15, 1990 Effective: DEC 12 1990

by: Terry L. Clark, COO
QUEST COMMUNICATIONS CORPORATION
240 Commercial Boulevard
Suite 2A
Lauderdale-By-The-Sea, FL 33308

TARIFF FORMAT

A. Sheet Numbering - Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.

B. Sheet Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the FPSC. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc. the FPSC follows in their tariff approval process, the most current sheet number on file with the Commission is not always the tariff page in effect. Consult the Check Sheet for the sheet currently in effect.

C. Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

2.
2.1.
2.1.1.
2.1.1.A.
2.1.1.A.1.
2.1.1.A.1.(a).
2.1.1.A.1.(a).I.
2.1.1.A.1.(a).I.(i).
2.1.1.A.1.(a).I.(i).(1).

D. Check Sheets - When a tariff filing is made with the FPSC, an updated check sheet accompanies the tariff filing. The check sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this page if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some pages). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the FPSC.

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

1.1 Abbreviations

The following abbreviations are used herein only for the purposes indicated below:

C.O.	-	Central Office	
FCC	-	Federal Communications Commission	
FPSC	-	Florida Public Service Commission	
IXC	-	Interexchange Carrier	
LATA	-	Local Access and Transport Area	
LEC	-	Local Exchange Carrier	
MTS	-	Message Telecommunications Service	
PBX	-	Private Branch Exchange	
QCC	-	QCC, Inc. d/b/a QCC, Inc. of Kansas	(T)

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

1.2 Definitions

Access Line - An arrangement which connects the customer's location to a QCC, INC. D/B/A QCC, INC. OF KANSAS switching center. (T)

Authorization Code - A numerical code, one or more of which are available to a customer to enable him/her to access the carrier, and which are used by the carrier both to prevent unauthorized access to its facilities and to identify the customer for billing purposes.

Authorized User - A person, firm, corporation, or any other entity authorized by the Customer to communicate utilizing the Carrier's service.

Available Usage Balance - The amount of usage remaining on a Debit Account at any particular point in time. Each Debit Account has an Initial Account Balance which is stated either in U.S. dollars or Call Units, depending upon the type of service. The Available Balance is depleted as services provided by the Company are utilized by the Customer.

Commission - The Florida Public Service Commission.

Company or Carrier - QCC, INC. D/B/A QCC, INC. OF KANSAS unless otherwise clearly indicated by the context. (T)

Customer - The person, firm, corporation or other entity which orders service and is responsible for payment of charges due and compliance with the company's tariff regulation.

Day - From 8:00 AM up to but not including 5:00 PM local time Monday through Friday.

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

1.2 Definitions. (Cont'd.)

Debit Account - An account which consists of a pre-paid usage balance depleted on a real-time basis during each Debit Service call. (N)

Debit Card - A card issued by the Company which provides the Customer with a Personal Account code and instructions for accessing the Carrier's network.

Debit Service Call - A service accessed via a "1-800" or other access code dialing sequence whereby the Customer or Authorized User dials all of the digits necessary to route a call. Network usage for each call is deducted from the available usage balance on a Company issued Debit Account.

End User - Any person, firm, corporation, partnership or other entity which uses the services of the Carrier under the provisions and regulations of this tariff. The End User is responsible for payment unless the charges for the services utilized are accepted and paid by another Customer. (N)

Evening - From 5:00 PM up to but not including 11:00 PM local (M)
time Sunday through Friday. (M)

FPSC - The Florida Public Service Commission. (N)

Holidays - Holidays observed by the Carrier as specified in this tariff.

Initial Usage Balance - The amount of usage on a Debit Account upon issuance and before any depleting call activity.

LATA - Local access and transport area. A geographic area established by the US District Court for the District of Columbia in Civil Action No. 17-49, within which a local exchange company provides communications services. (N)

M - Material on this page was previously located on page 5.

Issued: July 21, 1995 Effective:

by: John Cinelli, President
8829 Bond Street
Overland Park, Kansas 66214

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

1.2 Definitions, (Cont'd.)

LEC - Local Exchange Company.

Marks - A collective term to mean such items as trademarks, service marks, trade names and logos; copyrighted words, artwork, designs, pictures or images; or any other device or merchandise to which legal rights or ownership are held or reserved by an entity.

Night/Weekend - From 11:00 PM up to but not including 8:00 AM Sunday through Friday, and 8:00 AM Saturday up to but not including 5:00 PM Sunday.

Operator Station Call - A service whereby caller places a non-Person-to-Person call with the assistance of an operator (live or automated).

Person to Person Call - A service whereby the person originating the call specifies a particular person to be reached, or a particular station, room number, department, or office to be reached through a PBX attendant.

Personal Account Code - A numeric or alpha-numeric sequence which uniquely identifies a travel card or debit card account.

QCC - Used throughout this tariff to mean QCC, Inc., d/b/a QCC of Kansas unless clearly indicated otherwise by the text. (T)

Renewal - A method of replenishing a Debit Account's Available Usage Balance with additional minutes of usage as authorized and paid for by the Customer.

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

1.2 Definitions. (Cont'd.)

Special Access Origination/Termination - Where originating or terminating access between the Customer and the interexchange carrier is provided on dedicated circuits. The cost of these dedicated circuits is billed by the access provider directly to the Customer. (N)

Sponsor - A corporation or other legal entity that exclusively permits the use of its Marks to the company for use with telephone cards or other merchandise, and contracts with the company for the marketing of the services described herein.

(N)

SECTION 2 - RULES AND REGULATIONS

2.1 Undertaking of QCC, INC. D/B/A QCC, INC. OF KANSAS (T)

QCC, INC. D/B/A QCC, INC. OF KANSAS' services and facilities (T) are furnished for communications originating and terminating at specific points within the state of Florida under the terms of this Tariff.

QCC, INC. D/B/A QCC, INC. OF KANSAS install, operates, and (T) maintains the communication services provided hereinunder in accordance with the terms and conditions set forth under this Tariff. It may act as the customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the customer, to allow connection of a customer's location to the QCC, INC. D/B/A QCC, INC. OF (T) KANSAS network. The customer shall be responsible for all (T) charges due for such service arrangement.

2.2 Limitations

2.2.1 Service is offered subject to the availability of facilities and the provisions of this Tariff.

2.2.2 QCC, INC. D/B/A QCC, INC. OF KANSAS reserves the (T) right to discontinue furnishing service, or limit the use of service necessitated by conditions beyond its control; or when the customer is using service in violation of the law or the provisions of this Tariff. Customers reselling or rebilling services must have a Certificate of Public Convenience and Necessity as an interexchange carrier from the Florida Public Service Commission.

2.2.3 All facilities provided under this Tariff are directly controlled by QCC, INC. D/B/A QCC, INC. OF (T) KANSAS and the customer may not transfer or assign the use of service or facilities, except with the express written consent of the Company. Such transfer or assignment shall only apply where there is no interruption of the use or location of the service or facilities.

SECTION 2 - RULES AND REGULATIONS

2.2 Limitations (Cont'd)

2.2.4 The Company does not undertake to transmit messages, but offers the use of its facilities when available, and will not be liable for errors in transmission or for failure to establish connections.

2.2.5 QCC reserves the right to discontinue the offering of service or deny an application for service if a change in regulation materially and negatively impacts the financial viability of the service in the best business judgment of the Company. (T)

by: John Cinelli, President
8829 Bond Street
Overland Park, Kansas 66214

SECTION 2 - RULES AND REGULATIONS

2.2 Limitations (Cont'd.)

2.2.4 Prior written permission from The Company is required before any assignment or transfer. All regulations and conditions contained in this Tariff shall apply to all such permitted assignees or transferees, as well as all conditions for service.

2.3 Liabilities of The Company (T)

2.3.1 The liability of the Carrier for its willful misconduct or gross negligence which is the sole legal cause of damage or injury is not limited by this tariff. With respect to any other claim or suit, by a Subscriber or by any others, for damages associated with acts or omissions involving initiation, installation, provision, termination, maintenance, repair, interruption or restoration of any service or facilities offered under this tariff, the Carrier's liability, if any, is limited to 1/30 of the monthly charge for service affected for each 24-hour period during which such failure of service occurs and is reported to or known by the Carrier. For services for which no monthly charge applies, the actual credit for outages is limited to the prorated charge for the period during which the call was interrupted. In addition, Subscriber credits for interrupted service will be issued, where applicable, in accordance with the provisions of Section 2.4.

2.3.2 In no event will Carrier be responsible for consequential damages or lost profits suffered by Subscriber on account of interrupted or unsatisfactory service unless Carrier is found to have been willfully negligent.

2.3.3 The Carrier is not liable for any act or omission of any other company or companies furnishing a portion of the service. (T)

Material previously located on this sheet is now on sheet 7.2

SECTION 2 - RULES AND REGULATIONS

2.3 Liabilities of The Company

2.3.4 The Carrier shall be indemnified and held harmless by the Customer against: (N)

a. Claims for libel, slander, infringement of copyright or unauthorized use of any trade mark, trade name or service mark arising out of the material, data, information, or other content transmitted by the Customer over the Carrier's facilities; and

b. Claims for patent infringement arising from combining or connecting the Carrier's facilities with apparatus and systems of the Customer; and

c. All other claims arising out of any act or omission of the Customer in connection with any service provided by the Carrier.

2.3.5 The Carrier will make no refund of overpayments by a Subscriber unless the claim for such overpayment together with proper evidence be submitted within one (1) year from the date of alleged overpayment unless billing records prepared by the Company can be produced which would justify a credit beyond one year.

(N)

2.3 Liabilities of The Company. (Cont'd.)

2.3.6 QCC shall not be liable for any claim, loss, or refund as a result of loss or theft of Debit Cards or Personal Account codes issued for use with the Company's services. Nor will the Company be liable for any claim, loss or refund on any unused balance remaining on a Debit Card provided to a Customer before or after the expiration date assigned to each Debit Account. (T)

2.4 Interruption of Service

2.4.1 Credit allowance for the interruption of service which is not due to The Company's testing or adjusting, negligence of the customer, or to the failure of channels of equipment provided by the customer, are subject to the general liability provisions of the customer to notify The Company immediately of any interruption in service for which

2.4 Interruption of Service (Cont.)

a credit allowance is desired. Before giving such notice, the customer shall ascertain that the trouble is not being caused by any action or omission by the customer with his control, or is not in wiring or equipment, if any, furnished by the customer and connected to The Company's facilities. The Company's service and facilities are provided on a monthly basis, unless ordered on a longer basis and are provided 24 hours per day, 7 days per week.

2.4.2 For purposes of credit computation, every month shall be considered to have 720 hours.

2.4.3 No credit shall be allowed for an interruption of a continuous duration of less than two hours.

2.4.4 The customer shall be credited for an interruption of two hours or more at the rate of 1/720th of the monthly charge for the facilities affected for each hour or major fraction thereof that the interruption continues.

Credit Formula:

$$\text{Credit} = \frac{A}{720} \times B$$

"A" - outage time in hours
"B" - total monthly charge for affected facility

2.5 Restoration of Service
The use and restoration of service shall be in accordance with the priority system specified in part 64, subpart D of the Rules and Regulations of the Federal Communications Commission.

2.6 Deposits

The Company does not require a deposit from the customer.

2.7 Advance Payments

For customers whom The Company feels an advance payment is necessary, QCC reserves the right to collect an amount not to exceed on (1) month's estimated charges as an advance payment for service. This will be applied against the next month's charges and if necessary a new advance payment will be collected for the next month. (T)

2.8 Taxes

For services paid in arrears, all state and local taxes (i.e., gross receipts tax, sales tax, municipal utilities tax) are listed as separate line items and are not included in the quoted rates. For pre-paid services, such as debit card service, all taxes are included in the tariffed rate.

2.9 Special Conditions Governing Operator Services

Each customer subscribing to QCC'S operator services (see section 3.4.7) must disclose the following information to transient end users by displaying the following information supplied on stickers or tent cards provided by the Company: (T)

1) Company name - QCC, INC. D/B/A QCC, INC. OF KANSAS (T)

2) Rates for operator services -

Collect Station to Station	$1.00
Collect Person to Person	$2.50
Person to Person	$2.50
Station to Station	$1.00
Customer Dialed Calling Card	$ .75

3) Billing procedures - all operator services and long distance rates will be billed to the end user on their telephone bill.

SECTION 2 - RULES AND REGULATIONS

2.9 Special Conditions Governing Operator Services (Cont'd.)

3.a Alternate Billing Methods - End users may bill calls on commercial credit cards such as Visa and Master Card.

4) IntraLATA dialing instructions - please consult your local telephone company directory or operator.

5) IntraLATA rates - please consult your local telephone company directory or operator.

6) InterLATA dialing instructions - dial 9+0+area code+number.

7) InterLATA rates - dial QCC, INC. D/B/A QCC, INC. OF KANSAS for interLATA long distance rates. (T) (T)

8) Surcharges for local call - establishment charge for local calls: $ X.00/X% (must be billed by establishment).

9) Surcharges for long distance calls - establishment charge for long distance calls: $ X.00/X% (must be billed by establishment).

SECTION 2 - RULES AND REGULATIONS

2.10 Payment Regulations

The Customer is responsible for payment of all charges for services and equipment furnished to the Customer for transmission of calls via the Company. The Customer agrees to pay to the Company any cost(s) incurred as a result of any delegation of authority resulting in the use of his or her communications equipment and/or network services which result in the placement of calls via the Company. The Customer agrees to pay the Company or its authorized agent any and all cost(s) incurred as a result of the use of the service arrangement, including calls which the Customer did not individually authorize. (N)

All charges due by the Customer are payable to the Company or any agency duly authorized to receive such payments. Terms of payment shall be according to the rules and regulations of the agency and subject to the rules of regulatory agencies, such as the Florida PSC. Any objections to billed charges must be promptly reported to the Company or its billing agent. Adjustments to Customers' bills shall be made to the extent that circumstances exist which reasonably indicate that such changes are appropriate.

Charges for installations, service connections, moves, and rearrangements, where applicable, are payable upon demand by the Company or its authorized agent. The billing thereafter will include recurring charges and actual usage as defined in this tariff.

(N)

SECTION 2 - RULES AND REGULATIONS

2.10 Payment Regulations, (Cont'd.)

(N)

The Customer shall be responsible for all calls placed by or through Customer's equipment by any person. In particular and without limitation to the foregoing, the Customer is responsible for any calls placed by or through the Customer's equipment via any remote access features. The Customer is responsible for all calls placed via their authorization code as a result of the Customer's intentional or negligent disclosure of the authorization code. This includes payment for calls or services originated at the Customer's number(s); placed using a Debit Card as a form of payment regardless of the purchaser of the card or the originating location of the call; incurred at the specific request of the Customer.

Payments for service provided in association with Company-issued Debit Accounts must be received by the company or its authorized agent prior to the activation of the Customer's Debit Account. The Customer shall be responsible for all calls placed via the Debit Account as the result of the Customer's intentional or negligent disclosure of their Personal Account Code.

(N)

SECTION 2 - RULES AND REGULATIONS

2.11 Minimum Service Period

The minimum service period is one month (30 days), unless otherwise specified by tariff or contract.

2.12 Cancellation by Customer

Unless otherwise specified elsewhere in this tariff or by mutually accepted contract between the Customer and the Company, service may be canceled by the Subscriber or Customer on not less than 30 days prior written notice to the Company.

2.13 Refusal or Discontinuance by Company

2.13.1 Service may be suspended by the Company, without notice to the Customer, by blocking traffic to certain cities or NXX exchanges, or by blocking calls using certain Customer travel cards when the Company deems it necessary to take such action to prevent unlawful use of its service. QCC will (T) restore services as soon as it can be provided without undue risk, and will upon request by the Customer, assign new travel card codes to replace ones that have been deactivated.

2.13.2 QCC may refuse or discontinue service under the (T) following conditions provided that, unless otherwise stated, the Customer shall be given 15 days notice to comply with any rule or remedy any deficiency:

(A) For non-compliance with or violation of any State, municipal, or Federal law, ordinance or regulation pertaining to telephone service.

SECTION 2 - RULES AND REGULATIONS

2.13 Refusal or Discontinuance by Company. (Cont'd.)

2.13.2 (Cont'd.)

(B) For use of telephone service for any purpose other than that described in the application.

(C) For neglect or refusal to provide reasonable access to QCC or its agents for the purpose of (T) inspection and maintenance of equipment owned by QCC or its agents. (T)

(D) For noncompliance with or violation of Commission regulation or QCC's rules and (T) regulations on file with the Commission, provided five (5) working days' written notice is given before termination.

(E) For nonpayment of bills, provided that suspension or termination of service shall not be made without five (5) days written notice to the Customer, except in extreme cases. Such notice will be provided in a mailing separate from the customer's regular monthly bill for service.

(F) Without notice in the event of Customer or Authorized User use of equipment in such a manner as to adversely affect QCC's equipment (T) or service to others.

SECTION 2 - RULES AND REGULATIONS

2.13 Refusal or Discontinuance by Company. (Cont'd.)

2.13.2 (Cont'd)

(G) Without notice in the event of tampering with the equipment or services owned by QCC or its agents. (T)

(H) Without notice in the event of unauthorized or fraudulent use of service. Whenever service is discontinued for fraudulent use of service, QCC may, before restoring service, require the Customer to make, at his or her own expense, all changes in facilities or equipment necessary to eliminate illegal use and to pay an amount reasonably estimated as the loss in revenues resulting from such fraudulent use. (T)

(I) Without notice by reason of any order or decision of a court or other government authority having jurisdiction which prohibits Company from furnishing such services.

SECTION 2 - RULES AND REGULATIONS

2.14 Employee Concessions

Any employee of the Company in good standing for three months or longer may receive any of the Company's residential services below the tariffed rate as a concession. (N)

Employees, general	5%
Employees, officers	10%

2.15 Terminal Equipment

Company's facilities and service may be used with or terminated in Customer-provided or Subscriber-provided terminal equipment or systems, such as PBXs, key systems, multiplexers, repeaters, signaling sets, teleprinters, handsets, or data sets. Such terminal equipment shall be furnished and maintained at the expense of the Customer or Subscriber, except as otherwise provided. Subscriber or Customer is responsible for all costs at his or her premises, including personnel, wiring, electrical power, and the like, incurred in the use of Company's service.

2.16 Applicable Law

This tariff shall be subject to and construed in accordance with Florida law.

(N)

SECTION 2 - RULES AND REGULATIONS

2.17 Cost of Collection and Repair

Customer is responsible for any and all costs incurred in the collection of monies due the Company including legal and accounting expenses. The Customer or the Subscriber is also responsible for recovery costs of Company-provided equipment and any expenses required for repair or replacement of damaged equipment.

2.18 Other Rules

2.18.1 QCC reserves the right to validate the credit (T) worthiness of Customers or Authorized Users through available verification procedures. Where a travel card code cannot be validated, the Customer or Authorized User may be required to provide an acceptable alternate billing method or the Carrier may refuse to place the call.

2.18.2 The Company reserves the right to discontinue service, limit service, or to impose requirements on Subscribers or Customers as required to meet changing regulations, rules or standards of the FPSC.

2.18.3 QCC may temporarily suspend service without notice (T) to the Customer, by blocking traffic to certain cities or NXX exchanges, or by blocking calls using certain Personal Account codes when the company deems it necessary to take such action to prevent unlawful use of its service. QCC will restore (T) service as soon as service can be provided without undue risk.

SECTION 3 - DESCRIPTION OF SERVICE

3.1 Timing of Calls

The customer's long distance usage charge is based on the actual usage of QCC, INC. D/B/A QCC, INC. OF KANSAS' network. (T) Usage begins when the called party picks up the receiver. When the called party picks up is determined by hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. When software answer supervision is employed, up to 60 seconds of ringing is allowed before it is billed as usage of the network. A call is terminated when one of the parties hangs up.

Minimum call duration for billing purposes is one minute unless otherwise specified in the individual rate schedules of this tariff. There is no billing applied for incomplete calls.

3.2 Calculation of Distance

Usage charges for all mileage sensitive products are based on the airline distance between rate centers associated with the originating and terminating points of the call.

The airline mileage between rate centers is determined by applying the formula below to the vertical and horizontal coordinates associated with the rate center involved. The Company uses the rate centers and associated vertical and horizontal coordinates that are produced by Bell Communications Research in their NPA-NXX V & H Coordinates Tape and Bell's NECA Tariff No. 4.

Formula:

$$\sqrt{\frac{(V_1-V_2)^2+(H_1-H_2)^2}{10}}$$

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8829 Bond Street
Overland Park, Kansas 66214

SECTION 3 - DESCRIPTION OF SERVICE

3.2 Calculation of Distance (Cont'd.)

EXAMPLE: Distance between Miami and New York City -

	V	H
Miami	8,351	529
New York	4,997	1,406
Difference	3,354	-879

Square and add: 11,249,316 + 772,641 = 12,021,196

Divide by 10 and round: 12,021,597 / 10 = 1,202,195,70
= 1,202,196

Take square root and round: 1,202,196 = 1,096.4
= 1,097 miles

3.3 Minimum Call Completion Rate

A customer can expect a call completion rate of not less than 99% during peak use periods for all FGD services. The call (T) completion rate is calculated as the number of calls completed (including calls completed to a busy line or to a line which remains unanswered by the called party) divided by the number of calls attempted. (T)

(D)

(D)

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SECTION 3 - DESCRIPTION OF SERVICE

3.4 Time of Day Rate Periods

The appropriate rates apply for day, evening and night/weekend calls based on the following chart. (N)

	MON	TUES	WED	THUR	FRI	SAT	SUN
8:00 AM TO 5:00 PM*	DAYTIME RATE PERIOD					NON-DAY RATE PERIOD	
5:00 PM TO 11:00 PM*	NON-DAY RATE PERIOD						
11:00 PM TO 8:00 AM*							

* to, but not including

3.5 Holiday Rates

Holiday Rates apply to that portion of a call occurring on Company acknowledged Holidays. The rate is equivalent to the Evening Rate unless a lower rate would normally apply. Holiday rates apply on New Year's Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

(N)

by: John Cinelli, President
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Overland Park, Kansas 66214

SECTION 3 - DESCRIPTION OF SERVICE

3.6 Service Offerings

3.6.1 Operator Service

Operator service-assisted calls are timed according to section 3.1. Billing is in one minute increments and no customer will be billed for an uncompleted call. This service includes the completion of collect, station to station, person to person, and credit card calls by QCC, for all end users in compliance with Rules of Procedure for AOS companies as set forth by the Florida Public Service Commission.

3.6.2 QCC Message Telecommunications Service (MTS)

(D)

(D)

3.6.3 QCC One Plus Switched Service

.1 Option I

QCC One Plus Switched Service – Option I is an intrastate service designed for outbound calling. Calls are billed in one minute increments with a minimum billing period of one minute. Calls originate from Customer-provided standard business or residential switched access lines.

SECTION 3 - DESCRIPTION OF SERVICE

3.6 Service Offerings (Cont'd.)

3.6.3 One Plus Switched Service. (Cont'd.)

.2 Option II

One Plus Switched Service - Option II is an intrastate switched direct dial service available to customers who have maintenance contracts on customer premises equipment sold by the Company or CSII Corporation, an affiliated company. Calls are billed in one minute increments with a minimum billing period of one minute. Calls originate from Customer-provided standard business or residential switched access lines.

3.6.4 QCC One Plus Dedicated Service (T)

Intrastate dedicated outbound service designed for business customers. Calls are billed in six second increments with an 18 second minimum billing period. No minimum commitment is required. Calls originate from Customer-provided dedicated access lines.

3.6.5 QCC Switched 800 Service (T)

QCC Switched 800 Service is available to business and residential subscribers for incoming calls. Calls originate from any interstate or intrastate location over an 800 number and terminate to a Customer-provided residential or business switched access line. Call charges are billed to the Subscriber rather than to the originating caller. Calls are billed in one minute increments with a minimum billing period of one minute. A monthly service charge applies per 800 number. (T)

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SECTION 3 - DESCRIPTION OF SERVICE

3.6 Service Offerings (Cont'd.)

3.6.6 QCC Dedicated 800 Service (T)

QCC Dedicated 800 Service is available to Subscribers for incoming calls. Calls originate from any interstate or intrastate location over an 800 number and terminate to a customer-provided dedicated access line. Call charges are billed to the subscriber rather than to the originating caller. Calls are billed in one minute increments with a minimum call duration for billing purposes of one minute. A monthly service charge applies per 800 number. (T)

3.6.7 Travel Card Service

QCC Travel Card is available to Subscribers for placing calls while away from home or office. Calls are originated by dialing a 1-800 access number, followed by the terminating telephone number and personal identification number. Calls may originate from standard residential, business, hotel or pay telephone access lines and may terminate to any interstate or intrastate location. A per call charge and usage charges apply. Calls are billed in one minute and additional minute increments. The minimum call duration for billing purposes is one minute. (T)

QCC Travel Card I (T)

QCC Travel Card I is a travel card service marketed primarily to business professionals. (T)

QCC Travel Card II (T)

QCC Travel Card II is a travel card service marketed primarily to truckers and the residential market. (T)

SECTION 3 - DESCRIPTION OF SERVICE

3.6 Service Offerings (Cont'd.)

3.6.8 QCC Debit Card Service - I (T)

QCC Debit Card Service is a Debit Card service (T) available to residential and business Subscribers for placing calls while away from home or office. Calls are originated by dialing the 800 access number printed on the card, followed by an account identification number and personal identification number. Debit card accounts maintain a balance which is depleted on a real-time basis as calls are placed. Customers are notified of their remaining account balance at the beginning of each call. Calls may originate from standard residential, business or pay telephone access lines and may terminate to any interstate or intrastate location. Calls are billed in one (1) minute increments. The minimum call duration for billing purposes is one (1) minute. QCC Debit Card Service is available 24 (T) hours a day, seven days per week. The number of available cards is subject to technical limitations. Cards will be offered to customers on a first come, first served basis.

1. Exclusions

Calls to 700 numbers
Calls to 800 numbers
Calls to 900 numbers
Calls requiring the quotation of time and charges
Air to ground service
High seas service

SECTION 3 - DESCRIPTION OF SERVICE

3.6 Service Offerings (cont'd.)

3.6.8 QCC Debit Card Service - I. (Cont'd.) (T)

2. Service Availability

a. All calls must be charged against a QCC Debit Card that has sufficient available balance. (T)

b. A Customer's call will be interrupted with an announcement when the balance is about to be depleted. Such announcement will occur one minute before the balance will be depleted, based on the terminating location of the call. The Customer will be requested to enter another valid QCC Debit Card number in order to continue the call or can recharge their current card. (T)

c. Calls in progress will be terminated by the Company if the balance on the QCC Debit Card is insufficient to continue the call and the Customer fails to recharge their card number or enters another valid QCC Debit Card prior to termination. (T) (T)

d. Payment for the QCC Debit Card and any Available Usage in a Customer's Debit Account is non-refundable. (T)

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SECTION 3 - DESCRIPTION OF SERVICE

3.6 Service Offerings (cont'd.)

3.6.9 QCC Debit Card Service - II (T)

QCC Debit Card Service II is a Debit Card service available to organizations or commercials entities (Sponsors) for distribution to their members of patrons. The marketing vehicle and expiration period is selected by the Sponsor upon joint agreement between the Carrier and the Sponsor. The Sponsor is responsible for name, service mark or other image on the card. The carrier reserves the right to approve or reject any image and to specify the customer information, language and use of the Carrier's trade mark, trade name, service mark or other image on the card. The Sponsor may distribute the Carrier's Debit Card Accounts at reduced rates or free of charge to end users for promotional purposes. At the option of the Sponsor, these cards may not be renewable. (T)

Calls are originated by dialing the 800 access number printed on the card, followed by an account identification number and personal identification number. Calls may originate from standard residential, business or pay telephone access lines and may terminate to any interstate or intrastate location. Calls are billed in one (1) minute increments. The minimum call duration for billing purposes is one (1) minute. QCC Debit Card Service is available 24 hours a day, seven days per week. The number of available cards is subject to technical limitations. Cards will be offered to customers on a first come, first served basis. (T)

1. Exclusions

Calls to 700 numbers
Calls to 800 numbers
Calls to 900 numbers
Calls requiring the quotation of time and charges
Air to ground service
High seas service

SECTION 3 - DESCRIPTION OF SERVICE

3.6 Service Offerings (Cont'd.)

3.6.9 QCC Debit Card Service - II. (Cont'd.) (T)

2. Service Availability

a. All calls must be charged against a QCC Debit Card that has sufficient available balance. (T)

b. A Customer's call will be interrupted with an announcement when the balance is about to be depleted. Such announcement will occur one minute before the balance will be depleted, based on the terminating location of the call. The Customer will be requested to enter another valid QCC Debit Card account number in order to continue the call or can recharge their current card. (T)

c. Calls in progress will be terminated by the Company if the balance on the QCC Debit Card is insufficient to continue the call and the Customer fails to recharge their card number or enters another valid QCC Debit Card prior to termination. (T) (T)

d. Payment for the QCC Debit Card and any Available Usage in a Customer's Debit Account is non-refundable. (T)

SECTION 4 -- RATES

4.1 General

Each Customer is charged individually for each call placed through the Company. Charges are computed on an airline mileage basis as described in Section 3.2 of this tariff.

Charges may vary by service offering, mileage band, class of call, time of day, day of week, call duration, and/or volume and term commitment.

Customers are billed based on their use of QCC's long distance service, with each charge being rounded up to the nearest cent. (T)

Example of calculation of volume discounts:

Monthly Plan A Usage:	Interstate	$400.00
	Florida	$200.00
	International	$ 50.00
	Total Usage	$650.00
	Term Discount 2%	-- 13.00
	Total Due (before tax)	$637.00

SECTION 4 - RATES

4.2 Exemptions and Special Rates (N)

4.2.1 Discounts for Hearing Impaired Customers

A telephone toll message which is communicated using a telecommunications devise for the deaf (TDD) by properly certified hearing or speech impaired persons or properly certified business establishments or individuals equipped with TDDs for communicating with hearing or speech impaired persons will receive, upon request, credit on charges for certain intrastate toll calls placed between TDDs. The credit to be given on a subsequent bill for such calls placed between TDDs will be equal to applying the evening rate during business day hours and night/weekend rate during evening and night/weekend hours. Discounts do not apply to per call add-on charges for services when the call is placed by a method that would normally incur the surcharge.

(N)

4.2 Exemptions and Special Rates, (Cont'd.)

4.2.2 Emergency Call Exemptions

The following calls are exempted from all charges: Emergency calls to recognizable authorized civil agencies including police, fire, ambulance, bomb squad and poison control. QCC will only handle these calls if the caller dials all of the digits to route and bill the call. Credit will be given for any billed charges pursuant to this exemption on a subsequent bill after verified notification by the billed Customer within thirty (30) days of billing. (T)

4.2.3 Directory Assistance Charges for Handicapped Persons

Presubscribed residential Customers or authorized users of Customers' services who are certified as handicapped are exempt from applicable Directory Assistance charges for the first 50 directory assistance calls per month.

4.2.4 Telecommunications Relay Service Rates

For toll calls received from the relay service, call charges shall be discounted by 50% from the otherwise applicable usage rate for a voice nonrelay call, except that where the calling or called party indicates that either party is both hearing and visually impaired, the call shall be discounted 60 percent.

SECTION 4.0 - RATES

(N)

4.3 Late Payment Charge and Cost of Collection

A late fee of 1.5% per month will be charged on any Company-billed past due balance. In the event that the Company incurs fees or expenses, including attorney's fees, collecting or attempting to collect, any charges owed to the Company, the Company may charge the Customer all such fees and expenses reasonably incurred.

4.4 Return Check Charge

A fee of $10.00 will be charged for each check returned for insufficient funds.

(N)

by: John Cinelli, President
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SECTION 4 – RATES

4.5 OPERATOR SERVICES

4.5.1 Charges for Operator Services from hotels, motels, pre-subscribed local exchange company payphones, and other transient locations.

4.5.1.A Operator Services

	Auto	Live
Calling Card	$1.00	$1.75
Collect	$1.75	$1.75
Third Party Billed	XX	$1.75
Person-to-Person	XX	$3.25

(D)

4.5.1.B Usage Rates – Revised

Rate Mileage	Day Initial Minute	Day Each Additional Minute	Evening Initial Minute	Evening Each Additional Minute	Night/Weekend Initial Minute	Night/Weekend Each Additional Minute
1-10	$.1800	$.1800	$.1300	$.1300	$.1100	$.1100
11-22	.2000	.2000	.1500	.1500	.1200	.1200
23-55	.2300	.2380	.1700	.1700	.1300	.1300
56-124	.2500	.2500	.1700	.1700	.1400	.1400
125-292	.2600	.2600	.1800	.1800	.1400	.1400
293-430	.2600	.2600	.1900	.1900	.1500	.1500
431-624	.2600	.2600	.1900	.1900	.1500	.1500

4.5.2 Charges for Operator Services from Privately Owned (nonLec) Payphones (T)

For QCC operator assisted calls placed from privately owned payphones, the operator services charges in 4.5.1.A and the undiscounted usage schedule in 4.5.1.B above apply, plus a $.25 surcharge per call.

4.5.3 Charges for operator assistance from pre-subscribed customer (see 3.6.1).

QCC, INC.

2ND REVISED SHEET 16 (T)
CANCELS 1ST REVISED SHEET 16

SECTION 4 – RATES

4.10 QCC MTS Service

(D)

(D)

4.11 QCC One Plus Switched Service – Option I

One minute initial and additional usage billing.

Per minute rate
All times of day: $0.2390 (R)

4.12 QCC One Plus Switched Service – Option II

One minute initial and additional usage billing.

Per minute rate
All times of day: $0.1800

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By: Al Cinelli, President
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SECTION 4 - RATES

4.13 QCC One Plus Dedicated Service (T)

Dedicated outbound service billed in six second increments with an 18 second minimum call duration. Rate does not include charges for facilities from the Customer location to the Carrier Point of Presence. (POP).

Per minute rate
All times of day: $0.1400

4.14 QCC Switched 800 Service (T)

One minute initial and additional minute billing.

All mileage bands
All times of day: $ 0.1800
Monthly Service Charge: $20.00

4.15 QCC Dedicated 800 Service (T)

One minute initial and additional minute billing.

All mileage bands
All times of day: $ 0.1600
Monthly Service Charge: $20.00

SECTION 4 – RATES

4 . 16 Travel Card Service

QCC Travel Card I

Per minute rate		(T)
All times of day:	$0.239	(T)(R)
Per call charge:	$0.25	(R)

QCC Travel Card II

(D)

All times of day:	$0.20
Per call surcharge	$0.50

4 .17 QCC Debit Card Service – I

QCC Debit Card Service I cards are available in various unit and dollar denominations. One (1) unit equals one (1) minute. The Debit Card is non-refundable and will expire on the date specified on the card or package in which the card is enclosed. Any unused balances may be applied toward any replenishment amount. Unlike a deposit or advance payment, the Debit Card Account Balance is not held against future payment as all service is available for immediate consumption. The Per Minute rate is inclusive of all applicable taxes.

Per Minute Usage Charge:	$0.50
Per Call Charge:	$0.60
Volume Discounts	
$0.00 - $99.00	0% Discount
$100.00+	5% Discount

SECTION 4 - RATES

4.18 QCC Debit Card Service II (T)

QCC Debit Card Service II cards are available in various unit (T) and dollar denominations. One (1) unit equals one (1) minute. The Debit Card is non-refundable and will expire on the date specified on the card or package in which the card is enclosed. Any unused balances may be applied toward any replenishment amount. Unlike a deposit or advance payment, the Debit Card Account Balance is not held against future payment as all service is available for immediate consumption. The Per Minute rate is inclusive of all applicable taxes.

Per Minute Rate: $.33

Volume Discounts:
- 100-999 cards - 5%
- 1000-4999 cards - 10%
- 5000+ cards - 15%

4.19 Directory Assistance

Directory Assistance is available to Customers of QCC Plus and (T) Travel Card Services. Directory Assistance charge applies to each call to the Directory Assistance Bureau. Up to two requests may be made on each call to Directory Assistance. The Directory Assistance charge applies to each call regardless of whether the Directory Assistance Bureau is able to furnish the requested telephone number.

Per Call Charge: $.60

5.0 SPECIAL PROMOTIONS AND DISCOUNTS

5.1 Tests, Pilots, Promotional Campaigns and Contests (N)

The Company may conduct special tests or pilot programs and promotions at its discretion to demonstrate the ease of use, quality of service and to promote the sale of its services. The Company may also waive a portion or all processing fees or installation fees for winner of contests and other occasional promotional events sponsored or endorsed by the Company. From time to time the Company may waive all processing fees for a Customer.

These promotions will be approved by the FPSC with specific starting and ending dates with promotions running under no circumstances longer than 90 days in any twelve month period.

(N)

QCC Inc.

Statements

QCC, INC.
MANAGEMENT PROFILES

Albert E. Cinelli, Chairman

Mr. Cinelli, a graduate of Lafayette College and Columbia University Law School, is Chairman of the Board of QCC, Inc.. Mr. Cinelli has been employed as General Counsel for several major corporations, including ELTRA Corporation and American Home Products in New York. Mr. Cinelli also worked for Marion Labs in Kansas City as Vice President and Chief Legal Counsel. Mr. Cinelli founded an interconnect company in Kansas City in 1985 and purchased Quest Communications in 1990. QCC, Inc., a multi-service long distance reseller, merged with Quest Communications in 1994.

John P. Cinelli, President

Mr. Cinelli received his Bachelor of Arts in International Regulations from Tufts University in 1984. Having worked for the Bank of Boston and Security Pacific, Mr. Cinelli's background is primarily in financial services. Mr. Cinelli managed CSI Corporation, a Kansas City interconnect company, and QCC, Inc., a local and long-distance reseller and facilities-based CLEC, both companies are sister companies of QCC, Inc.

John C. Greenbank, Executive Vice President

Mr. Greenbank is Executive Vice President of QCC, Inc.. Prior to working with QCC, Inc., Mr. Greenbank gained a vast amount of telecommunications experience as an applications engineer and senior engineer for a carrier in southern Missouri. After working in that capacity for more than ten years, Mr. Greenbank was hired to manage and operate CSI Corporation, a Kansas City interconnect company.

Lohn H. Weber, Vice President, C.F.O., and Treasurer

A graduate of the University of Missouri, Columbia, Mr. Weber is a Vice President, Chief Financial Officer, and Treasurer of QCC, Inc.. Mr. Weber, a CPA with an extensive background in accounting, joined QCC, Inc.'s senior management team in 1996. Prior to joining QCC, Inc., Mr. Weber worked for Baird, Kurtz and Dobson, a Kansas City area public accounting firm.

QCC, INC.
TECHNICAL PROFILES

Joseph Buck, Director of New Market Development

Mr. Buck has held executive positions with a number of companies in the communications industry prior to joining QCC, Inc.. Mr. Buck was instrumental in forming the first CLEC in the state of North Carolina (PrivaCom, Inc.) and worked on the management team to secure TRA and Nashville city approvals for ICG Access Services as well as several other existing CLEC's.

Tim Gimmel, Network Operations Manager

Mr. Gimmel oversees the day-to-day operation and maintenance of QCC, Inc.'s transmission equipment. Mr. Gimmel also trains and supervises QCC, Inc.'s trouble emergency response crew. Mr. Gimmel has been with QCC, Inc. since 1985.

David Schleter, Switch Manager

Mr. Schleter oversees the day-to-day operation and maintenance of QCC, Inc.'s switching equipment in Evansville, Indiana. Mr. Schleter also trains and supervises QCC, Inc.'s trouble emergency response crew. Mr. Schleter has been with QCC, Inc. since 1998.

QCC Inc.

Audited Financial Statements

Ending September 30

1997, 1998, 1999

Q-Comm Corporation

Accountants' Report and
Consolidated Financial Statements

September 30, 1997

Q-COMM CORPORATION

SEPTEMBER 30, 1997

CONTENTS

Baird, Kurtz & Dobson
Certified Public Accountants

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Independent Accountants' Report

Board of Directors
Q-Comm Corporation
Overland Park, Kansas

We have audited the accompanying consolidated balance sheet of Q-COMM CORPORATION as of September 30, 1997, and the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for the nine months 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 audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Q-COMM CORPORATION as of September 30, 1997, and the results of its operations and its cash flows for the nine months then ended, in conformity with generally accepted accounting principles.

Baird, Kurtz & Dobson

January 8, 1998

Q-COMM CORPORATION

CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 1997

ASSETS

CURRENT ASSETS	
Accounts receivable:	
Billing companies, less allowance for doubtful accounts of $315,836	$ 2,197,739
Direct billing, less allowance for doubtful accounts of $84,164	2,152,973
Other	301,204
Inventories	275,415
Prepaid expenses	3,662
Notes receivable	8,781
Refundable income taxes	127,336
Deferred income taxes	626,095
Total Current Assets	5,693,205
DEFERRED INCOME TAXES	235,192
PROPERTY AND EQUIPMENT	
Switch facilities	2,562,227
Microwave towers	2,173,090
Fiber line	857,832
Software and equipment	854,229
Office equipment	828,181
Leasehold improvements	409,944
Real estate and building	325,536
Automobiles	315,977
	8,327,016
Less accumulated depreciation	3,703,388
	4,623,628
OTHER ASSETS	192,716
TOTAL ASSETS	$10,744,741

See Notes to Consolidated Financial Statements

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES	
Accounts payable	$ 2,865,884
Current maturities of long-term debt	1,257,902
Advance funding from billing companies	1,470,217
Reserve for legal contingencies	1,411,570
Other accrued liabilities	733,534
Total Current Liabilities	7,739,107
DUE TO STOCKHOLDER	5,158,457
LONG-TERM DEBT	829,916
STOCKHOLDERS' EQUITY (DEFICIT)	
Common stock, $.001 par value; 15,000,000 shares authorized, 7,368,207 shares issued and outstanding	7,368
Additional paid-in capital	631,125
Retained earnings (deficit)	(3,621,232)
	(2,982,739)
	$10,744,741

Q-COMM CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 1997

NET SALES	$ 24,100,223
COST OF SALES	18,222,845
GROSS PROFIT	5,877,378
OPERATING EXPENSES	4,840,516
INCOME FROM OPERATIONS	1,036,862
OTHER INCOME (EXPENSE)	
Litigation expense	(2,086,480)
Write off of investment	(100,000)
Interest income	97,118
Interest expense	(502,494)
Miscellaneous	34,285
	(2,557,571)
INCOME (LOSS) BEFORE INCOME TAXES	(1,520,709)
PROVISION (CREDIT) FOR INCOME TAXES	(546,000)
NET INCOME (LOSS)	$ (974,709)

See Notes to Financial Consolidated Statements

Q-COMM CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

NINE MONTHS ENDED SEPTEMBER 30, 1997

	Common Stock	Preferred Stock	Additional Paid-in Capital	Retained Earnings (Deficit)
BALANCE (DEFICIT), DECEMBER 31, 1996	$ 147	$250,003	$ 2,012,367	$(2,667,625)
Issuance of debt to stockholder for preferred stock		(250,003)	(1,375,021)	
Exchange of parent company stock for subsidiary company stock	6,510		(6,510)	
Merger with Kentucky Data Link, Inc.	711		289	21,102
Net loss				(974,709)
BALANCE (DEFICIT), SEPTEMBER 30, 1997	$7,368	$ 0	$ 631,125	$(3,621,232)

See Notes to Financial Consolidated Statements

Q-COMM CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30, 1997

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	$ (974,709)
Items not requiring (providing) cash:	
Depreciation	496,279
Deferred income taxes	(645,987)
Gain on sale of assets	(122,243)
Changes in:	
Accounts receivable	1,610,176
Inventory	(49,777)
Prepaid expenses	51,475
Other assets	199,771
Accounts payable and accrued expenses	1,231,375
Advance funding from billing companies	(1,004,818)
Income taxes payable	(53,076)
Net cash provided by operating activities	738,466
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of equipment	233,003
Purchase of property and equipment	(743,207)
Net cash used in investing activities	(510,204)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net proceeds under line of credit	15,779
Net borrowings from stockholder	263,986
Payments on long-term debt	(508,027)
Net cash used in financing activities	(228,262)
INCREASE IN CASH	0
CASH, BEGINNING OF PERIOD	0
CASH, END OF PERIOD	$ 0

See Notes to Financial Consolidated Statements

Q-COMM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1997

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Company was formed on September 26, 1996 for the purpose of acquiring all the issued and outstanding shares of stock of QCC, Inc., Wright Businesses, Inc., CSII Corporation and Card Comm Corporation, entities under common control with the Company and already in existence prior to January 1, 1997, the date of acquisition. All of the assets and liabilities of these entities were recorded at their pre-existing book values.

One other entity under common control with the Company, Kentucky Data Link, Inc., was acquired as a subsidiary on June 30, 1997.

The Company's revenues are earned primarily from providing long distance services to commercial and residential customers throughout the country. These services include direct dial long distance, prepaid calling and calling cards. 800 number, paging and operator services. The Company extends unsecured credit to customers.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. QCC, Inc., Wright Businesses, Inc., Kentucky Data Link, Inc., CSII Corporation and Card Comm Corporation. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are depreciated over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful lives of the improvements. Annual depreciation is primarily computed using straight-line methods

Income Taxes

Deferred tax liabilities and assets are recognized for the tax effects of differences between the financial statement and tax bases of assets and liabilities A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will be not be realized.

Q-COMM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1997

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory Pricing

All inventories are stated at the lower of cost or market. Costs of telecommunications equipment are determined using the FIFO (first-in, first-out) method.

NOTE 2: RELATED PARTY TRANSACTIONS

The amount of $5,158,457 shown as due to stockholder is to the majority stockholder. This stockholder has provided a revolving line of credit of up to $3,500,000, which is collateralized by property and equipment, accounts receivable, inventory and other assets. The balance bears interest at 10.0%, payable monthly, and is due on January 1, 2002. Interest expense incurred by the Company under this agreement for the nine months ended September 30, 1997 was $208,993. The balance under this agreement was $2,505,000 at September 30, 1997.

The remaining balance of $2,653,457 is due to the majority stockholder under a note agreement due January 15, 2001, collateralized by property and equipment, accounts receivable, inventory and other assets. The balance is payable $76,128 monthly, including interest at 14%. Currently, payments on this loan have been suspended pending the outcome of the litigation discussed in Note 5. The balance will continue to accrue interest until that time. Interest expense incurred by the Company under this agreement for the nine months ended September 30, 1997 was $187,293. In connection with this note agreement, the Company is required, among other things, to maintain certain financial conditions. The stockholder has formally approved noncompliance with certain of these conditions through December 31, 1998.

NOTE 3: LONG-TERM DEBT

Note payable, bank (A)	$ 758,335
Note payable, bank (B)	383,333
Note payable, bank (C)	94,231
Note payable, bank (D)	22,400
Note payable, individual (E)	165,000
Note payable, bank (F)	17,519
Note payable, individual (G)	50,000
Revolving credit agreement, bank (H)	597,000
	2,087,818
Less current maturities	1,257,902
	$ 829,916

NOTE 3: LONG-TERM DEBT (Continued)

(A) Note payable; due June 1999; payable $36,111 monthly including interest at LIBOR rate plus 3%; collateralized by all assets of the Company *

(B) Note payable; due August 1999; payable $16,667 monthly including interest at LIBOR rate plus 3%; collateralized by all assets of the Company *

(C) Note payable; due July 2002; payable $2,034 monthly including interest at 9.375%; collateralized by automobiles

(D) Note payable; due July 2000; payable $735 monthly including interest at 9.5%; collateralized by automobile

(E) Note payable; originally due in 1991, note has not been formally renewed; however, interest only of 10.5% has been accepted at prior due dates; collateralized by assets of the Company

(F) Note payable; due October 2001; payable $431 monthly including interest at 9.25%; collateralized by automobile

(G) Note payable; due January 1, 2002; the balance bears interest at 10% payable monthly; collateralized by assets of the Company

(H) Revolving credit agreement; due December 1998; provides for borrowing up to $1,400,000; interest payable at rate of prime plus 1.5%; collateralized by all assets of the Company *

* In connection with these notes payable and revolving credit agreement, all from the same bank, the Company is required, among other things, to maintain certain financial conditions. The bank has formally approved noncompliance with certain of these conditions that were violated during the year.

NOTE 3: LONG-TERM DEBT (Continued)

Aggregate annual maturities of long-term debt at September 30, 1997 are as follows:

1998	$1,257,902
1999	702,996
2000	31,086
2001	26,396
2002	69,438
	$2,087,818

NOTE 4: INCOME TAXES

The provision for income taxes at September 30, 1997 includes these components:

Taxes currently payable	$ 23,500
Deferred income taxes	(569,500)
	$ (546,000)

The tax effects of temporary differences related to deferred taxes shown on the consolidated balance sheet are as follows:

Deferred tax assets	
Allowance for doubtful accounts	$ 155,400
Reserve for legal contingencies	470,695
Net operating loss carryforwards	312,645
Miscellaneous tax credits	7,887
Alternative minimum tax credits	75,748
Net deferred tax asset before valuation allowance	1,022,375
Valuation allowance:	
Beginning balance	(175,074)
Decrease during the period	13,986
Ending balance	(161,088)
Net Deferred Tax Asset	$ 861,287

NOTE 4: INCOME TAXES (Continued)

The above net deferred tax asset is presented on the balance sheet as follows:

Deferred tax asset – current	$ 626,095
Deferred tax asset – long term	235,192
	$ 861,287

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

Computed at the statutory rate (34%)	$(517,000)
Change in valuation allowance	(13,986)
Increase (decrease) resulting from:	
Nondeductible travel costs	5,600
State income taxes – net of federal tax benefits	(59,000)
Other	38,386
Actual Tax Provision	$(546,000)

As of September 30, 1997, the Company had approximately $75,000 of alternative minimum tax credits available to offset future federal income taxes. The credits have no expiration date. The Company also has unused operating loss carryforwards of $805,000, which expire between 2010 and 2012, respectively.

NOTE 5: SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Generally accepted accounting principles require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Litigation-Related Obligations

The Company is currently a defendant in a lawsuit under a breach of contract in which a judgment was reached against the Company in the amount of $1,800,000. The judgment is currently under appeal and the Company will owe approximately $2,100,000, which includes interest, if the judgment is not overturned. An accrued liability of $1,176,480 is included in the consolidated balance sheet, after payments made to the court of $250,000 required to make an appeal, and payments of $650,000 to the majority stockholder who provided the bond for the Company. Litigation expense in the amount of $2,086,000 has been recognized in the consolidated statement of operations relating to this case for the nine month period ended September 30, 1997.

The Company is also a defendant in several cases which allege unauthorized changes in selection of long distance carriers. The Company is vigorously defending itself in all such cases and believes the cases are without merit Accordingly, no provision for losses have been estimated in the financial statements.

NOTE 5: SIGNIFICANT ESTIMATES AND CONCENTRATIONS (Continued)

Major Suppliers

Included in cost of sales are services purchased from two long distance carriers totaling $6,374,796 for the nine month period ended September 30, 1997.

NOTE 6: BUSINESS ACQUISITION

On June 30, 1997, the Company acquired all of the outstanding shares of Kentucky Data Link, Inc. (KDL) common stock in exchange for 711,000 shares of Company stock. The entity was included in the consolidated group through a reverse triangular merger with a former subsidiary of the Company, with KDL as the surviving entity. As KDL was under common control prior to the acquisition, all of the assets of the entity were recorded at their pre-existing book values in a manner similar to a pooling of interests. The consolidated operations of the Company include the operations of the acquiree from the acquisition date. Net sales of KDL included in the accompanying statement of operations from the acquisition date amounted to approximately $508,000.

NOTE 7: SUBSEQUENT EVENT

Subsequent to September 30, 1997, the Company entered into an agreement to purchase the prepaid calling card business of Earthcall, Inc. for approximately $342,000.

For the latest unaudited fiscal year ended December 31, 1997, the business to be acquired had net revenues of approximately $1.5 million.

Q-COMM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1997

NOTE 8: ADDITIONAL CASH FLOWS INFORMATION

Noncash Investing and Financing Activities

Debt issued to stockholder in exchange for preferred stock	$1,625,024
Long-term debt incurred for property and equipment	122,749
Reduction of loan to officer in exchange for property and equipment	225,000

On June 30, 1997, Kentucky Data Link, Inc. (KDL) was merged into the Company through a reverse triangular merger of KDL and QCC Acquisition Corporation, a former subsidiary of Q-Comm Corporation *(see Note 6)*. In conjunction with the merger, the following pre-existing liabilities were assumed:

Assets assumed	$2,213,180
Capital	(22,102)
Liabilities assumed	$2,191,078

Additional Cash Payment Information

Interest paid	$ 487,379
Income taxes paid (net of refunds)	300,080

Independent Accountants' Report on Supplementary Information

Board of Directors
Q-Comm Corporation
Overland Park, Kansas

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The nature of our audit procedures is more fully described in our report on the basic consolidated financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Baird, Kurtz & Dobson

Kansas City, Missouri
January 8, 1998

Q-COMM CORPORATION
CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 1997

ASSETS

	Q-Comm Corporation	QCC, Inc.	Wright Businesses, Inc.	Kentucky Data Link, Inc.	CSII Corporation	Card Comm Corporation	Adjustments and Eliminations	Consolidated
CURRENT ASSETS								
Accounts receivable:								
Billing companies, less allowance for doubtful accounts		$1,973,847				$ 223,892		$ 2,197,739
Direct billing, less allowance for doubtful accounts		241,752	$1,822,262	$ 203,089	$ 25,036	750	$ (139,916)	2,152,973
Affiliated companies		4,413,439					(4,413,439)	0
Other		52,353	187,377		64,539	10,466	(13,531)	301,204
Inventories		19,460	206,246		49,709			275,415
Prepaid expenses		3,103	559					3,662
Notes receivable			8,781					8,781
Refundable income taxes		(84,483)	206,819	5,000				127,336
Deferred income taxes	$151,557	226,674	233,526	3,885	3,633	6,820		626,095
Total Current Assets	151,557	6,846,145	2,665,570	211,974	142,917	241,928	(4,566,886)	5,693,205
DEFERRED INCOME TAXES			235,192					235,192
PROPERTY AND EQUIPMENT								
Switch facilities		65,531	2,496,696					2,562,227
Microwave towers				2,173,090				2,173,090
Fiber line				857,832				857,832
Software and equipment		727,582	125,231	1,416				854,229
Office equipment		191,866	591,357	44,958				828,181
Leasehold improvements		134,772	275,172					409,944
Real estate and building			294,793	30,743				325,536
Automobiles	25,218	60,054	230,705					315,977
	25,218	1,179,805	4,013,954	3,108,039				8,327,016
Less accumulated depreciation	841	465,299	2,080,959	1,156,289				3,703,388
	24,377	714,506	1,932,995	1,951,750				4,623,628
OTHER ASSETS		55,786	116,660	20,270				192,716
	$175,934	$7,616,437	$4,950,417	$ 2,183,994	$142,917	$ 241,928	$(4,566,886)	$10,744,741

Q-COMM CORPORATION
CONSOLIDATING BALANCE SHEET (Continued)
SEPTEMBER 30, 1997

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	Q-Comm Corporation	QCC, Inc.	Wright Businesses, Inc.	Kentucky Data Link, Inc.	CSII Corporation	Card Comm Corporation	Adjustments and Eliminations	Consolidated
CURRENT LIABILITIES								
Accounts payable	$ (8,623)	$1,501,075	$2,125,232	$ 18,688	$ (6,877)	$ (26,786)	$ (736,825)	$ 2,865,884
Current maturities of long-term debt	7,610		425,515	824,777				1,257,902
Advance funding from billing companies		1,386,798				83,419		1,470,217
Reserve for legal contingencies		235,090	1,176,480					1,411,570
Affiliated companies	164,979		2,115,113	795,677	609,149	145,143	(3,830,061)	0
Other accrued liabilities		392,477	224,449	100,468	6,749	9,391		733,534
Total Current Liabilities	163,966	3,515,440	6,066,789	1,739,610	609,021	211,167	(4,566,886)	7,739,107
DUE TO STOCKHOLDERS		5,028,457	100,000			30,000		5,158,457
LONG-TERM DEBT	14,790	50,000	419,291	345,835				829,916
STOCKHOLDERS' EQUITY (DEFICIT)								
Common stock	7,368	133	594,992	1,000	2,000	1	(598,126)	7,368
Additional paid-in capital	(7,368)	40,367					598,126	631,125
Retained earnings (deficit)	(2,822)	(1,017,960)	(2,230,655)	97,549	(468,104)	760		(3,621,232)
	(2,822)	(977,460)	(1,635,663)	98,549	(466,104)	761	0	(2,982,739)
	$175,934	$7,616,437	$4,950,417	$2,183,994	$142,917	$ 241,928	$(4,566,886)	$10,744,741

Q-COMM CORPORATION
CONSOLIDATING STATEMENT OF OPERATIONS
SEPTEMBER 30, 1997

	Q-Comm Corporation	QCC, Inc.	Wright Businesses, Inc.	Kentucky Data Link, Inc.	CSII Corporation	Card Comm Corporation	Adjustments and Eliminations	Consolidated
NET SALES		$12,500,093	$10,625,531	$479,635	$256,537	$388,427	$(150,000)	$24,100,223
COST OF SALES		9,700,619	7,923,005	203,493	208,811	336,917	(150,000)	18,222,845
GROSS PROFIT		2,799,474	2,702,526	276,142	47,726	51,510	0	5,877,378
OPERATING EXPENSES	$ 4,400	2,351,213	2,226,986	104,320	105,273	48,324		4,840,516
INCOME (LOSS) FROM OPERATIONS	(4,400)	448,261	475,540	171,822	(57,547)	3,186		1,036,862
OTHER INCOME (EXPENSE)								
Litigation expenses		(10,000)	(2,076,480)					(2,086,480)
Write-off of investment		(100,000)						(100,000)
Interest income		17,708	70,527	2,487	6,396			97,118
Interest expense		(206,993)	(206,966)	(83,192)	(3,343)	(2,000)		(502,494)
Miscellaneous		190	4,197	28,118	1,780			34,285
		(299,095)	(2,208,722)	(52,587)	4,833	(2,000)		(2,557,571)
INCOME (LOSS) BEFORE INCOME TAXES	(4,400)	149,166	(1,733,182)	119,235	(52,714)	1,186		(1,520,709)
PROVISION (CREDIT) FOR INCOME TAXES	(1,578)	53,528	(622,247)	42,788	(18,917)	426	0	(546,000)
NET INCOME (LOSS)	$ (2,822)	$ 95,638	$ (1,110,935)	$ 76,447	$ (33,797)	$ 760	$ 0	$ (974,709)

Q-COMM CORPORATION

CONSOLIDATED SCHEDULE OF OPERATING EXPENSES

NINE MONTHS ENDED SEPTEMBER 30, 1997

Salaries	$2,429,138
Depreciation and amortization	507,654
Professional fees	337,790
Payroll taxes	175,178
Travel and entertainment	163,481
Maintenance	153,992
Insurance	144,928
Bad debt expense	130,546
Office rent	106,734
Postage	105,879
Telephone	99,821
Computer processing	94,200
Office supplies	90,268
Licenses and taxes	68,787
Utilities	64,451
Printing expense	60,762
Marketing	49,132
Equipment rent	26,695
Employee benefits	8,449
Other	22,631
	$4,840,516

June 20, 1997

Dear Sirs:

This letter contains a list of litigation involving Q-Comm Corporation and/or its affiliated entities. **THIS LETTER IS FURNISHED UPON THE EXPRESS CONDITION THAT NEITHER THIS LETTER NOR THE INFORMATION CONTAINED HEREIN WILL BE DISCLOSED OR FURNISHED TO ANY OTHER PERSON WITHOUT OUR PRIOR EXPRESS CONSENT.**

A. Q-Comm Corporation. Q-Comm Corporation is not involved in any litigation.

B. CSII Corporation CSII Corporation is not involved in any litigation.

C. QCC, Inc. QCC, Inc. is not involved in any litigation, except as follows:

1. On April 13, 1995, the Mercantile Bank of Joplin, N.A., and A.M. Brown, Trustees of the Harold D. Youngman Trust, filed a civil action in the Circuit Court of Jasper County, Missouri at Joplin on a promissory note in the principal sum of $200,000 purportedly executed for and on behalf of Quest Communications Corporation on an unspecified date in March 1990. The Company is represented by Richard S. Bender of Rosenblum, Goldenhersh, Silverstein & Zafft, P.C. By letter dated January 13, 1997, Plaintiffs demanded $225,000 in return for resolving the matter without litigation. The Company rejected this offer. The Company has instructed Counsel to vigorously defend the Company against this claim while continuing to explore a reasonable settlement.

2. On August 22, 1996, the office of the Attorney General of the Commonwealth of Kentucky filed a civil action against the Company asserting violations of Kentucky's Consumer Protection Act. The Company is represented in this matter by Keith Moorman of Brown, Todd & Heyburn, PLLC. The Company disputes the allegations made in such complaint and has threatened to assert a counterclaim for damages against the office of the Attorney General if the Complaint is not dismissed. The office of the Attorney General has offered the Company a settlement proposal, which proposal does not require the Company to pay investigative costs, attorney's fees, restitution or civil fines, and therefore, if such proposal is accepted, the Company will have no monetary loss. The Company intends to accept the settlement proposal.

3. On September 26, 1996, the Company filed a civil action in the Circuit Court of Jackson County, Missouri against Regional Investment Company ("Regional"). Regional then filed a counterclaim against the Company, and the Company implead Teleco, Inc. ("Teleco") and Toshiba American Information Systems, Inc. ("Toshiba"). The Company is represented by Barry L. Pickens of Spencer, Fane Britt & Browne, L.L.P. This is an action brought by the Company to recover $14,130.04, which is the balance owed by Regional for equipment it purchased from the Company. Regional counter-claimed that the Company sold it defective equipment, and it was damaged as a result thereof. By letter dated February 21, 1997, Regional demanded $113,605.18 in return for resolving the matter without litigation. The Company believes the demand exceeds any reasonable estimate of liability, and will vigorously defend against Regional's counterclaim while continuing to explore a reasonable settlement with Toshiba and Teleco.

4. On January 13, 1997, a Class Action Complaint was filed in the United States District Court for the Northern District of Alabama, Southern Division. The Company is represented in this matter by Lee H. Zell of Balch & Bingham. This is a nationwide class action brought on behalf of a class of persons, who claim that their long distance telephone carrier was changed without their knowledge or consent and/or as a result of misconduct designed to effect such a change. The Company disputes the allegations made in this case and has instructed Counsel to vigorously defend the Company. At the present time, no discovery has been conducted in this case, and therefore, the outcome of the case is not determinable.

5. On March 5, 1997, a civil action was filed against the Company in the Circuit Court of Cook County, Illinois. The Company is represented in this matter by Bill Sullivan of Martin, Brown & Sullivan, Ltd. This is an action brought by an individual, who claims that his long distance was changed without his knowledge and/or as a result of misconduct. The Company disputes the allegations made in this case and has instructed Counsel to vigorously defend the Company. At the present time, no discovery has been conducted in this case, and therefore, the outcome of the case is not determinable.

6. On April 22, 1997, a civil action was filed against the Company in the Circuit Court of Macon County, Alabama. The Company is represented in this matter by Lee H. Zell of Balch & Bingham. This is an action brought by an individual, who claims that her long distance was changed without her knowledge and/or as a result of misconduct. The Company disputes the allegations made in this case and has instructed Counsel to vigorously defend the Company. At the present time, no discovery has been conducted in this case, and therefore, the outcome of the case is not determinable.

7. The Company is involved in three separate civil suits, in which the Company is attempting to enforce a contractual liquidated damages provision against three past customers for the wrongful cessation of such customers' use of the Company's services before the end of the contract term. At the present time, only limited discovery has been conducted in these cases, and therefore, the outcomes of such cases are not determinable.

D. Wright Businesses, Inc. Wright Businesses, Inc. is not involved in any litigation, except as follows:

On September 15, 1995, A.D. Wright, Jr. and Arthur Wright (the "Wrights"), then the sole shareholders of Wright Businesses, Inc. ("WBI") and Kentucky Data Link, Inc. ("KDL") (collectively, the "defendants"), executed a document relating to the sale of a 54% ownership interest in the two companies to the plaintiff Thomas G. Ward ("Ward"). The "September 15 Agreement" (or the "Agreement") provided that Ward and the Wrights would enter into certain definitive documentation necessary to accomplish the transaction, including a shareholders agreement and employment contracts for the Wrights. The Agreement also contained a closing date of September 29, 1995 and was subject to the parties arriving at an agreement regarding the definitive documentation and the satisfactory performance of due diligence by Ward. The proposed transaction did not close on September 29, 1995, and the parties did not agree on an alternative closing date, although due diligence requests and attempts to resolve disputes regarding the terms of the definitive documentation continued until January 1996.

After concluding that they could not reach an agreement regarding the terms of the necessary documents, the Wrights approached Albert E. Cinelli ("Cinelli") with a proposal that he purchase a substantial interest in the companies. The Wrights and Cinelli began negotiations regarding the proposed sale. After the Wrights notified Ward of the termination of negotiations between the two, the Wrights and Cinelli entered into a transaction in which Cinelli ultimately secured a 51% ownership interest in WBI and KDL.

Ward sued the Wright defendants and Cinelli, seeking monetary damages for his failure to secure the stock in the companies under the Agreement. Ward contended that the Wrights had breached the Agreement and had further breached a duty of good faith in their failure to close the transaction with Ward. Ward further contended that the Wrights had conspired with Cinelli to breach the Agreement and to deprive him of his ability to purchase the stock of KDL and WBI. Finally, Ward contended that Cinelli had tortiously interfered with the business relationship and contract rights which Ward had with the Wrights.

Prior to trial, the Wrights argued that, as a matter of law, the Agreement lacked sufficient definiteness to constitute a binding contract. At trial, witnesses for both parties testified that legitimate disputes existed with regard to the essential terms of the definitive documentation referenced by the Agreement. Moreover, the evidence indicated that an agreement was unlikely. Thus, the proof at trial also supported the argument that the Agreement could not impose enforceable contractual obligations.

The Agreement called for a closing on September 29, 1995, unless another date was agreed to by the parties. Witnesses for both parties also testified that either side could have terminated negotiations after September 29, 1995. Since the parties did not agree on an alternative closing date, neither side had any obligations past that date. However, the evidence showed that the Wrights continued to make good faith efforts to negotiate with Ward until matters reached an impasse later in the year.

The Wrights and Cinelli also denied having conspired to bring about the breach of the Agreement and to cause injury to Ward. Cinelli's unrefuted testimony was that he did not actually learn of the existence of the Agreement until January 1996, when he and the Wrights were in the process of closing their own transaction. At that time, Cinelli received assurances from the Wrights and their attorney that the Agreement did not constitute a binding obligation and that the relationship with Ward had terminated. Thus, the evidence showed that, after being approached by the Wrights, Cinelli negotiated at arms-length for the purchase of an interest in the companies. Ward presented no evidence that Cinelli intended to interfere with a valid business expectancy between Ward and the Wrights and no evidence that Cinelli acted with malice or without justification.

At trial, the judge submitted the issues of breach of contract, breach of duty of good faith, conspiracy and tortious interference to the jury. The jury found that the Wrights had breached the September 15 Agreement by unreasonably failing to comply with its terms, and that the Wrights failed to act in good faith in negotiating the definitive documentation referenced in the Agreement. The jury also found that the Wrights and Cinelli had conspired to bring about the breach of the Agreement and damage to Ward. Finally, the jury concluded that Cinelli had tortiously interfered with a valid business relationship between Ward and the Wrights. The jury awarded damages of $1,854,000.00, with $987,000.00 being assigned to the Wright defendants and $867,000.00 to Cinelli.

Both the Wrights and Cinelli are shocked by the Court's failure to grant their pre-trial motions and on the jury verdict that followed. Although one can never predict how a court will rule, both the Wrights and Cinelli have been informed by counsel that their arguments on appeal are supported by a wealth of Kentucky case law supporting their position that this case should have either been dismissed prior to its reaching a jury or, alternatively, the facts presented do not support the jury's findings.

Q-Comm Corporation

Accountants' Report and
Consolidated Financial Statements

September 30, 1998 and 1997

Baird,
Kurtz &
Dobson
Certified Public Accountants

Q-COMM CORPORATION

SEPTEMBER 30, 1998 AND 1997

CONTENTS

Baird,
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Independent Accountants' Report

Board of Directors
Q-Comm Corporation
Overland Park, Kansas

We have audited the accompanying consolidated balance sheets of Q-COMM CORPORATION as of September 30, 1998 and 1997, and the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for the year ended September 30, 1998 and the nine months ended September 30, 1997. 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 misstatement. 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 provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Q-COMM CORPORATION as of September 30, 1998 and 1997 and the results of its operations and its cash flows for the year ended September 30, 1998 and the nine months ended September 30, 1997, in conformity with generally accepted accounting principles.

Baird, Kurtz & Dobson

November 30, 1998
(Except for Note 5, as to which the date is January 8, 1999)

Q-COMM CORPORATION

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 1998 AND 1997

ASSETS

	1998	1997
CURRENT ASSETS		
Accounts receivable:		
Billing companies, less allowance for doubtful accounts of $272,000 in 1998 and $315,836 in 1997	$ 1,252,545	$ 2,197,739
Direct billing, less allowance for doubtful accounts of $409,301 in 1998 and $84,164 in 1997	3,294,997	2,152,973
Other	175,505	309,985
Inventories	307,072	275,415
Prepaid expenses	63,639	3,662
Refundable income taxes		127,336
Deferred income taxes	487,768	626,095
Total Current Assets	5,581,526	5,693,205
DEFERRED INCOME TAXES	289,938	235,192
PROPERTY AND EQUIPMENT		
Switch facilities	2,858,349	2,562,227
Microwave towers	2,173,090	2,173,090
Fiber line	3,306,833	857,832
Software and equipment	2,182,053	854,229
Office equipment	337,618	828,181
Leasehold improvements	353,907	409,944
Real estate and buildings	496,679	325,536
Transportation equipment	813,844	315,977
	12,522,373	8,327,016
Less accumulated depreciation	3,894,360	3,703,388
	8,628,013	4,623,628
OTHER ASSETS	274,107	192,716
TOTAL ASSETS	$14,773,584	$10,744,741

See Notes to Consolidated Financial Statements

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	1998	1997
CURRENT LIABILITIES		
Accounts payable	$ 3,253,422	$ 2,865,884
Current maturities of long-term debt	1,341,989	1,257,902
Advance funding from billing companies		1,470,217
Reserve for legal contingencies	255,480	1,411,570
Income taxes payable	71,665	
Deferred revenues	581,253	
Other accrued liabilities	1,355,546	733,534
Total Current Liabilities	6,859,355	7,739,107
DUE TO STOCKHOLDER	4,814,486	5,158,457
LONG-TERM DEBT	5,514,480	829,916
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, $.001 par value; 15,000,000 shares authorized, 7,368,207 shares issued and outstanding	7,368	7,368
Additional paid-in capital	631,125	631,125
Retained earnings (deficit)	(3,053,230)	(3,621,232)
	(2,414,737)	(2,982,739)
	$14,773,584	$10,744,741

Q-COMM CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

YEAR ENDED SEPTEMBER 30, 1998 AND NINE MONTHS ENDED SEPTEMBER 30, 1997

	1998	1997
NET SALES	$ 30,195,757	$ 24,100,223
COST OF SALES	19,296,856	18,222,845
GROSS PROFIT	10,898,901	5,877,378
OPERATING EXPENSES	9,111,218	4,840,516
INCOME FROM OPERATIONS	1,787,683	1,036,862
OTHER INCOME (EXPENSE)		
Litigation expense		(2,086,480)
Write off of investment		(100,000)
Interest income	7,960	97,118
Interest expense	(1,158,633)	(502,494)
Miscellaneous	165,992	34,285
	(984,681)	(2,557,571)
INCOME (LOSS) BEFORE INCOME TAXES	803,002	(1,520,709)
PROVISION (CREDIT) FOR INCOME TAXES	235,000	(546,000)
NET INCOME (LOSS)	$ 568,002	$ (974,709)

See Notes to Financial Consolidated Statements

Q-COMM CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

YEAR ENDED SEPTEMBER 30, 1998 AND NINE MONTHS ENDED SEPTEMBER 30, 1997

	Common Stock	Preferred Stock	Additional Paid-in Capital	Retained Earnings (Deficit)
BALANCE (DEFICIT), DECEMBER 31, 1996	$ 147	$250,003	$ 2,012,367	$(2,667,625)
Issuance of debt to stockholder for preferred stock		(250,003)	(1,375,021)	
Exchange of parent company stock for subsidiary company stock	6,510		(6,510)	
Merger with Kentucky Data Link, Inc.	711		289	21,102
Net loss				(974,709)
BALANCE (DEFICIT), SEPTEMBER 30, 1997	7,368		631,125	(3,621,232)
Net income				568,002
BALANCE (DEFICIT), SEPTEMBER 30, 1998	$7,368	$ 0	$ 631,125	$(3,053,230)

See Notes to Financial Consolidated Statements

Q-COMM CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 1998 AND
NINE MONTHS ENDED SEPTEMBER 30, 1997

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 568,002	$ (974,709)
Items not requiring (providing) cash:		
Depreciation	1,088,864	496,279
Deferred income taxes	83,581	(645,987)
(Gain) loss on sale/disposal of assets	302,276	(122,243)
Changes in:		
Accounts receivable	135,912	1,610,176
Inventory	(31,657)	(49,777)
Prepaid expenses	(59,977)	51,475
Other assets	(187,274)	199,771
Accounts payable and accrued expenses	378,284	1,231,375
Advance funding from billing companies	(1,470,217)	(1,004,818)
Income taxes receivable/payable	199,001	(53,076)
Net cash provided by operating activities	1,006,795	738,466
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of equipment		233,003
Purchase of property and equipment	(2,283,469)	(743,207)
Net cash used in investing activities	(2,283,469)	(510,204)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds under line of credit		15,779
Net (payments) borrowings from stockholder	(379,921)	263,986
Proceeds from long-term debt	2,710,181	
Payments on long-term debt	(1,053,586)	(508,027)
Net cash provided by (used in) in financing activities	1,276,674	(228,262)
INCREASE IN CASH	0	0
CASH, BEGINNING OF PERIOD	0	0
CASH, END OF PERIOD	$ 0	$ 0

See Notes to Financial Consolidated Statements

Q-COMM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1998 AND 1997

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Company's revenues are earned primarily from providing long distance services to commercial and residential customers throughout the country. These services include direct dial long distance, prepaid calling and calling cards, internet dialup, 800 number, paging, fiber and operator services. The Company extends unsecured credit to customers.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, QCC, Inc., Wright Businesses, Inc., Kentucky Data Link, Inc., World Connection Services, Inc. and Earthcall Communications Corporation. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are depreciated over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful lives of the improvements. Annual depreciation is primarily computed using straight-line methods.

Income Taxes

Deferred tax liabilities and assets are recognized for the tax effects of differences between the financial statement and tax bases of assets and liabilities. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will be not be realized.

Inventory Pricing

All inventories are stated at the lower of cost or market. Costs of telecommunications equipment are determined using the FIFO (first-in, first-out) method.

NOTE 2: RELATED PARTY TRANSACTIONS

The amount of $4,814,486 shown as due to stockholder is to the majority stockholder, who has provided a revolving line of credit of up to $7,000,000 which is collateralized by property and equipment, accounts receivable, inventory and other assets. This agreement is also guaranteed by all subsidiaries of the Company. The balance bears interest at 13% with principal payments of $50,000 beginning on October 31, 1999 through July 31, 2003, and a balloon payment for the remaining balance on August 31, 2003. The stockholder has signed an agreement subordinating this note to bank notes. Aggregate annual maturities on this agreement at September 30, 1998 are as follows:

1999	$ 0
2000	100,000
2001	600,000
2002	600,000
2003	3,514,486
	$4,814,486

Interest expense incurred by the Company under this agreement was $720,124 for the year ended September 30, 1998 and $208,993 for the nine months ended September 30, 1997.

NOTE 3: LONG-TERM DEBT

	1998
Note payable, bank (A)	$4,054,170
Note payable, bank (B)	1,752,520
Notes payable, bank (C)	300,806
Notes payable, bank (D)	51,330
Note payable, individual (E)	165,000
Note payable, bank (F)	14,409
Note payable, individual (G)	50,000
Note payable, financing company (H)	386,523
Notes Payable, bank (I)	81,711
	6,856,469
Less current maturities	1,341,989
	$5,514,480

NOTE 3: LONG-TERM DEBT

(A) Note payable; due October 2003; payable $79,167 monthly plus interest at LIBOR rate plus 2.25%; collateralized by all assets of the Company; guaranteed by subsidiaries of the Company*

(B) Note payable; due October 2003; payable $20,863 monthly plus interest at LIBOR rate plus 2.25%, provides for borrowing up to $8,500,000 collateralized by all assets of the Company; guaranteed by subsidiaries of the Company*

(C) Notes payable; due in 2002 through 2012; payable in various monthly amounts including interest ranging from 8.5% to 9.375%; collateralized by assets of the Company

(D) Notes payable; due in 1999 through 2003; payable in various monthly including interest ranging from 8.95% to 9.25%; collateralized by assets of the Company

(E) Note payable; originally due in 1991; note has not been formally renewed; however, interest only of 10.5% has been accepted at prior due dates; collateralized by property owned by stockholders

(F) Note payable; due October 2001; payable $431 monthly including interest at 9.25%; collateralized by automobile

(G) Note payable; due August 2003; the balance bears interest at 13% payable monthly; collateralized by assets of the Company

(H) Note payable; due November 2003; payable $5,100 monthly including interest at a floating rate of 301 basis points over the one-month financial commercial paper weekly average yield as published by the Federal Reserve Board; collateralized by transportation equipment

(I) Notes payable; due in 1999 through 2001; payable in various monthly amounts including interest ranging from 8.5% to 8.75%; collateralized by assets of the Company; two of the four notes are guaranteed by stockholders of the Company.

* In connection with these notes payable, both from the same bank, the Company is required, among other things, to maintain certain financial conditions. The bank has formally approved noncompliance with one of these conditions that was violated during the year.

In addition to the notes above, the Company has available to it a revolving credit agreement which provides for borrowing of up to $5,000,00. The Company pays interest mainly on the outstanding balance at the LIBOR rate plus 2.25%. The balance under this agreement at September 30, 1998 was $0.

NOTE 3: LONG-TERM DEBT (Continued)

	1997
Note payable, bank (A)	$ 758,335
Note payable, bank (B)	383,333
Note payable, bank (C)	94,231
Note payable, bank (D)	22,400
Note payable, individual (E)	165,000
Note payable, bank (F)	17,519
Note payable, individual (G)	50,000
Revolving credit agreement, bank (H)	597,000
	2,087,818
Less current maturities	1,257,902
	$ 829,916

(A) Note payable; due June 1999; payable $36,111 monthly including interest at LIBOR rate plus 3%; collateralized by all assets of the Company*

(B) Note payable; due August 1999; payable $16,667 monthly including interest at LIBOR rate plus 3%; collateralized by all assets of the Company*

(C) Note payable; due July 2002; payable $2,034 monthly including interest at 9.375%; collateralized by automobiles

(D) Note payable; due July 2000; payable $735 monthly including interest at 9.5%; collateralized by automobile

(E) Note payable; originally due in 1991; note has not been formally renewed; however, interest only of 10.5% has been accepted at prior due dates; collateralized by assets of the Company

(F) Note payable; due October 2001; payable $431 monthly including interest at 9.25%; collateralized by automobile

(G) Note payable; due January 1, 2002; the balance bears interest at 10% payable monthly; collateralized by assets of the Company

(H) Revolving credit agreement; due December 1998; provides for borrowing up to $1,400,000; interest payable at rate of prime plus 1.5%; collateralized by all assets of the Company*

*In connection with these notes payable and revolving credit agreement, all from the same bank, the Company is required, among other things, to maintain certain financial conditions. The bank has formally approved noncompliance with certain of these conditions that were violated during the year.

NOTE 3: LONG-TERM DEBT (Continued)

Aggregate annual maturities of long-term debt at September 30, 1998 are as follows:

1999	$1,341,989
2000	1,478,892
2001	1,297,300
2002	1,290,598
2003	620,678
Thereafter	827,012
	$6,856,469

NOTE 4: INCOME TAXES

The provision for income taxes at September 30, 1998 and 1997 includes these components:

	1998	1997
Taxes currently payable	$ (42,400)	$ 23,500
Deferred income taxes	277,400	(569,500)
	$ 235,000	$ (546,000)

NOTE 4: INCOME TAXES (Continued)

The tax effects of temporary differences related to deferred taxes shown on the consolidated balance sheets are as follows:

	1998	1997
Deferred tax assets:		
Allowance for doubtful accounts	$ 264,317	$ 155,400
Reserve for legal contingencies	99,254	470,695
Contribution carryovers	11,291	
Accrued salaries and interest to shareholders	29,271	
Net operating loss carryforwards	520,214	312,645
Miscellaneous tax credits	7,887	7,887
Alternative minimum tax credits	75,748	75,748
	1,007,982	1,022,375
Deferred tax liabilities:		
Accumulated depreciation	(143,256)	
Net deferred tax asset before valuation allowance	864,726	1,022,375
Valuation allowance:		
Beginning balance	(161,088)	(175,074)
Decrease during the period	74,068	13,986
Ending balance	(87,020)	(161,088)
Net deferred tax asset	$ 777,706	$ 861,287

NOTE 4: INCOME TAXES (Continued)

The above net deferred tax asset is presented on the balance sheets as follows:

	1998	1997
Deferred tax asset – current	$ 487,768	$ 626,095
Deferred tax asset – long term	289,938	235,192
	$ 777,706	$ 861,287

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

	1998	1997
Computed at the statutory rate (34%)	$ 298,000	$(517,000)
Change in valuation allowance	(74,000)	(13,986)
Increase (decrease) resulting from:		
Nondeductible travel costs	10,200	5,600
State income taxes – net of federal tax benefits	6,000	(59,000)
Other	(5,200)	38,386
Actual Tax Provision	$ 235,000	$(546,000)

As of September 30, 1998, the Company had approximately $75,000 of alternative minimum tax credits available to offset future federal income taxes. The credits have no expiration date. The Company also has unused operating loss carryforwards of $1,339,000, which expire between 2010 and 2013, respectively. Included in this total are loss carryforwards that can only be used by individual subsidiaries of the Company. Wright Business, Inc. and World Connection Services, Inc. have individual operating loss carryforwards of $448,000 and $264,000, respectively.

NOTE 5: SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Generally accepted accounting principles require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Litigation-Related Obligations

The Company is currently a defendant in a lawsuit under a breach of contract in which a judgment was reached against the Company in the amount of $1,800,000. The judgment is currently under appeal and the Company will owe approximately $2,100,000, which includes interest, if the judgment is not overturned. An accrued liability of $255,480 is included in the consolidated balance sheets, after payments made to the court of $850,000 required to make an appeal, and payments of $971,000 to the majority stockholder who provided the bond for the Company. Litigation expense in the amount of $2,086,000 has been recognized in the consolidated statements of operations relating to this case for the nine month period ended September 30, 1997.

Subsequent to year-end, the Commonwealth of Kentucky Court of Appeals reversed the decision against the Company. It is anticipated this action will result in the Company, during the year ended September 30, 1999, receiving all previous payments made.

The Company is also a defendant in several cases which allege unauthorized changes in selection of long distance carriers. The Company is vigorously defending itself in all such cases and believes the cases are without merit. Accordingly, no provision for losses has been estimated in the financial statements.

Major Suppliers

Included in cost of sales are services purchased from two long distance carriers totaling $9,598,973 and $6,374,796 for the year ended September 30, 1998 and for the nine month period ended September 30, 1997, respectively.

Year 2000 Compliance

Like all entities, the Company is exposed to risks associated with the Year 2000 issue, which affects computer software and hardware; transactions with customers, vendors and other entities; and equipment dependent on microchips. The Company has begun but not yet completed the process of identifying and remediating potential Year 2000 problems. It is not possible for any entity to guarantee the results of its own remediation efforts or to accurately predict the impact of the Year 2000 issue on third parties with which the Company does business. If remediation efforts of the Company or third parties with which it does business are not successful, the Year 2000 problem could have negative effects on the Company's financial condition and results of operations in the near term.

NOTE 6: BUSINESS ACQUISITIONS AND CORPORATE CHANGES

On October 31, 1997, the Company acquired all of the outstanding shares of Earthcall Communications Company common stock for $342,350. The acquisition has been accounted for as a purchase by recording the assets and liabilities of the acquiree at their estimated fair values at the acquisition date. The consolidated operations of the Company include the operations of the acquiree from the acquisition date.

On March 31, 1998, the Company acquired all the outstanding shares of World Connection Services; LLC common stock for $633,172. The acquisition has been accounted for as a purchase by recording the assets and liabilities of the acquiree at their estimated fair values at the acquisition date. The consolidated operations of the Company include the operations of the acquiree from the acquisition date. The acquiree was merged into CSII Corporation, another subsidiary of the Company, on July 15, 1998. CSII Corporation was the surviving corporation with World Connection Services, LLC ceasing to exist at that time. However, the name of the surviving corporation was changed to World Connection Services, Inc.

On December 1, 1997, Card Comm Corporation was merged into QCC, Inc. QCC, Inc. was the surviving corporation with Card Comm Corporation ceasing to exist at that time.

NOTE 7: SUBSEQUENT EVENTS

Incentive Stock Option Plan

On October 1, 1998, the Company adopted an Incentive Stock Option Plan for the benefit of key employees. Under this plan, the Company may grant options that are exercisable over a five year vesting schedule at the rate of 20% per year, commencing on a date that is five years from the employee's entrance into the plan. The exercise price of each option is intended to equal the fair value of the Company's stock on the date of grant, based on a formula set forth in the plan agreement. An option's maximum term is 10 years.

The number of shares available under the plan is 400,000 shares. The number of stock options granted on October 1, 1998 was 364,000 shares.

Corporate Changes

On October 1, 1998, Wright Businesses, Inc. was changed in name only to Community Telephone Corporation. In addition, World Connection Services, Inc. was merged with Community Telephone Corporation, with Community Telephone Corporation remaining as the surviving corporation.

NOTE 7: SUBSEQUENT EVENTS (Continued)

Business Acquisitions

On October 31, 1998, Community Telephone Corporation acquired all of the outstanding shares of Martech Communications, Inc. for $119,000, plus 1,842 shares of Q-Comm Corporation common stock. Based on unaudited financial statements for Martech Communications, Inc. for the eight months ended August 31, 1998, the business to be acquired had annualized net revenues of approximately $500,000.

On August 5, 1998, World Connection Services, Inc. entered into an agreement to acquire all of the outstanding shares of Telemanagement System, Inc. common stock in exchange for 80,000 shares of stock from the Company and 5,000 shares of Company stock from existing stockholders. The closing date of this acquisition was October 1, 1998. Based on unaudited financial statements for Telemangement System, Inc. for the six months ended June 30, 1998, the business to be acquired had annualized net revenues of approximately $1.6 million.

On December 3, 1998, the Company signed a letter of intent to acquire all of the outstanding shares of Mercury Communications, Inc. in exchange for $100,000 at closing and $10,000 one year from the closing. Based on unaudited financial statements for Mercury Communications, Inc. for the ten months ended October 31, 1998, the business to be acquired had annualized net revenues of approximately $500,000.

Sale of Assets

The Company has signed a letter of intent to sell five micro-wave towers owned by Kentucky Data Link, Inc. with a book value of $967,152 for $970,000. The sale is scheduled to be completed in the upcoming fiscal year.

NOTE 8: ADDITIONAL CASH FLOWS INFORMATION

Noncash Investing and Financing Activities	1998	1997
Debt issued to stockholder in exchange for preferred stock		$1,625,024
Long-term debt incurred for property and equipment	$3,112,056	122,749
Reduction of loan to officer in exchange for property and equipment		225,000
The Company acquired all of the common stock of Earthcall Communications Company for $342,350. In conjunction with the acquisition, liabilities were assumed as follows:		
Fair value of assets acquired	793,210	
Cash paid for common stock	(342,350)	
Liabilities assumed	$ 450,860	
The Company acquired all of the common stock of World Connection Services, LLC for $633,172. In conjunction with the acquisition, liabilities were assumed as follows:		
Fair value of assets acquired	$1,069,217	
Cash paid for common stock	(633,172)	
Liabilities assumed	$ 436,045	
On June 30, 1997, Kentucky Data Link, Inc. (KDL) was merged into the Company through a reverse triangular merger of KDL and QCC Acquisition Corporation, a former subsidiary of Q-Comm Corporation. In conjunction with the merger, the following pre-existing liabilities were assumed:		
Assets assumed		$2,213,180
Capital		(22,102)
Liabilities assumed		$2,191,078

Additional Cash Payment Information		
Interest paid	$ 739,276	$ 487,379
Income taxes paid (net of refunds)	(32,187)	300,080

Independent Accountants' Report
on Supplementary Information

Board of Directors
Q-Comm Corporation
Overland Park, Kansas

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The nature of our audit procedures is more fully described in our report on the basic consolidated financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Kansas City, Missouri
November 30, 1998

Q-COMM CORPORATION
CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 1998

ASSETS

	Q-Comm Corporation	QCC, Inc.	Wright Businesses, Inc.	Kentucky Data Link, Inc.	World Connection Services, Inc.	Earthcall Communication Corporation	Adjustments and Eliminations	Consolidated
CURRENT ASSETS								
Accounts receivable:								
Billing companies, less allowance for doubtful accounts		$ 1,252,545						$ 1,252,545
Direct billing, less allowance for doubtful accounts		297,333	$2,235,413	$ 401,272	$ 144,121	$ 216,858		3,294,997
Affiliated companies	$ 12,492,242						$(12,492,242)	
Other	1,067	858	167,135		1,445	5,000		175,505
Inventories			295,846		11,226			307,072
Prepaid expenses	9,554	2,765	28,904		17,846	4,570		63,639
Deferred income taxes	11,291	196,687	186,800	33,023	5,577	54,390		487,768
Total Current Assets	12,514,154	1,750,188	2,914,098	434,295	180,215	280,818	(12,492,242)	5,581,526
INVESTMENT IN SUBSIDIARIES	975,522						(975,522)	
DEFERRED INCOME TAXES	243,812	(773)	87,020	(133,300)	102,362	(9,183)		289,938
PROPERTY AND EQUIPMENT								
Switch facilities		65,531	2,792,818					2,858,349
Microwave towers				2,173,090				2,173,090
Fiber line				3,306,833				3,306,833
Software and equipment		544,732	519,369	1,416	903,234	213,302		2,182,053
Office equipment		77,507	174,241	55,012		30,858		337,618
Leasehold improvements		134,772	219,135					353,907
Real estate and building			465,936	30,743				496,679
Transportation equipment		152,358	172,441		489,045			813,844
		974,900	4,343,940	5,567,094	1,392,279	244,160		12,522,373
Less accumulated depreciation		382,791	1,888,153	1,452,482	146,434	24,500		3,894,360
		592,109	2,455,787	4,114,612	1,245,845	219,660		8,628,013
OTHER ASSETS		240,027	30,252			3,828		274,107
	$13,733,488	$2,581,551	$5,487,157	$ 4,415,607	$ 1,528,422	$ 495,123	$(13,467,764)	$14,773,584

Q-COMM CORPORATION
CONSOLIDATING BALANCE SHEET (Continued)
SEPTEMBER 30, 1998

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	Q-Comm Corporation	QCC, Inc	Wright Businesses, Inc	Kentucky Data Link, Inc.	World Connection Services, Inc.	Earthcall Communications Corporation	Adjustments and Eliminations	Consolidated
CURRENT LIABILITIES								
Accounts payable	$ 956,270	$ 458,228	$ 1,592,672	$ 139,235	$ 106,081	$ 936		$ 3,253,422
Current maturities of long-term debt	1,215,115		28,729		98,145			1,341,989
Reserve for legal contingencies			255,480					255,480
Income taxes payable	65,391	6,274						71,665
Deferred revenues				276,986	234,265	70,002		581,253
Affiliated companies		2,756,453	4,754,850	4,402,054	251,515	327,370	$ (12,492,242)	0
Other accrued liabilities	340,659	348,424	570,329	6,370	27,445	62,319		1,355,546
Total Current Liabilities	2,577,435	3,569,379	7,145,631	4,824,645	717,451	460,627	(12,492,242)	6,859,355
DUE TO STOCKHOLDERS	4,814,486							4,814,486
LONG-TERM DEBT	4,721,981		404,090		388,409			5,514,480
STOCKHOLDERS' EQUITY (DEFICIT)								
Common stock	7,368	134	594,992	1,000	2,000	1,000	(599,126)	7,368
Additional paid-in capital	(7,368)	40,367			633,172	341,350	(376,396)	631,125
Retained earnings	1,619,586	(1,028,329)	(2,713,985)	(410,038)	(212,610)	(307,854)		(3,053,230)
	1,619,586	(987,828)	(2,118,993)	(409,038)	422,562	34,496	(975,522)	(2,414,737)
	$13,733,488	$ 2,581,551	$ 5,487,157	$4,415,607	$ 1,528,422	$ 495,123	$ (13,467,764)	$14,773,584

Q-COMM CORPORATION
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED SEPTEMBER 30, 1998

	Q-Comm Corporation	QCC, Inc.	Wright Businesses, Inc.	Kentucky Data Link, Inc.	World Connection Services, Inc.	Earthcall Communications Corporation	Adjustments and Eliminations	Consolidated
NET SALES		11,626,286	$ 17,043,423	$ 1,655,221	$ 1,159,836	$1,223,197	$ (2,512,206)	$ 30,195,757
COST OF SALES		7,579,466	12,196,461	847,779	374,633	962,723	2,664,206	19,296,856
GROSS PROFIT		4,046,820	4,846,962	807,442	785,203	260,474	152,000	10,898,901
OPERATING EXPENSES	$ 2,530,978	1,854,859	2,971,368	605,473	701,325	596,417	(149,202)	9,111,218
INCOME (LOSS) FROM OPERATIONS	(2,530,978)	2,191,961	1,875,594	201,969	83,878	(335,943)	301,202	1,787,683
OTHER INCOME (EXPENSE)								
Management fee income (expense)	4,660,601	(2,080,257)	(1,829,027)	(544,069)	(207,248)			
Interest income	24	4,893			3,043			7,960
Interest expense	(641,055)	(150,721)	(215,143)	(90,861)	(36,230)	(24,623)		(1,158,633)
Miscellaneous		24	111,439	40,481	307,745	7,505	(301,202)	165,992
	4,019,570	(2,226,061)	(1,932,731)	(594,449)	67,310	(17,118)	(301,202)	(984,681)
INCOME (LOSS) BEFORE INCOME TAXES	1,488,592	(34,100)	(57,137)	(392,480)	151,188	(353,061)		803,002
PROVISION (CREDIT) FOR INCOME TAXES	(133,816)	(22,971)	426,193	115,107	(104,306)	(45,207)		235,000
NET INCOME (LOSS)	$ 1,622,408	$ (11,129)	$ (483,330)	$ (507,587)	$ 255,494	$ (307,854)	$ 0	$ 568,002

Q-COMM CORPORATION
CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 1997

ASSETS

	Q-Comm Corporation	QCC, Inc	Wright Businesses, Inc.	Kentucky Data Link, Inc.	CSII Corporation	Cardcomm Corporation	Adjustments and Eliminations	Consolidated
CURRENT ASSETS								
Accounts receivable:								
Billing companies, less allowance for doubtful accounts		$ 1,973,847				$ 223,892		$ 2,197,739
Direct billing, less allowance for doubtful accounts		241,752	$1,822,262	$ 203,089	$ 25,036	750	$ (139,916)	2,152,973
Affiliated companies		4,413,439					(4,413,439)	0
Other		52,353	187,377		64,539	10,466	(13,531)	309,985
Inventories		19,460	206,246		49,709			275,415
Prepaid expenses		3,103	559					3,662
Refundable income taxes		(84,483)	206,819	5,000				127,336
Deferred income taxes	$ 151,557	226,674	233,526	3,885	3,633	6,820		626,095
Total Current Assets	151,557	6,846,145	2,665,570	211,974	142,917	241,928	(4,566,886)	5,693,205
DEFERRED INCOME TAXES			235,192					235,192
PROPERTY AND EQUIPMENT								
Switch facilities		65,531	2,496,696					2,562,227
Microwave towers				2,173,090				2,173,090
Fiber line				857,832				857,832
Software and equipment		727,582	125,231	1,416				854,229
Office equipment		191,866	591,357	44,958				828,181
Leasehold improvements		134,772	275,172					409,944
Real estate and buildings			294,793	30,743				325,536
Transportation equipment	25,218	60,054	230,705					315,977
	25,218	1,179,805	4,013,954	3,108,039				8,327,016
Less accumulated depreciation	841	465,299	2,080,959	1,156,289				3,703,388
	24,377	714,506	1,932,995	1,951,750				4,623,628
OTHER ASSETS		55,786	116,660	20,270				192,716
	$ 175,934	$ 7,616,437	$4,950,417	$ 2,183,994	$ 142,917	$ 241,928	$ (4,566,886)	$ 10,744,741

Q-COMM CORPORATION
CONSOLIDATING BALANCE SHEET (Continued)
SEPTEMBER 30, 1997

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	Q-Comm Corporation	QCC, Inc.	Wright Businesses, Inc.	Kentucky Data Link, Inc.	CSII Corporation	Card Comm Corporation	Adjustments and Eliminations	Consolidated
CURRENT LIABILITIES								
Accounts payable	$ (8,623)	$ 1,501,075	$ 2,125,232	$ 18,688	$ (6,877)	$ (26,786)	$ (736,825)	$ 2,865,884
Current maturities of long-term debt	7,610		425,515	824,777				1,257,902
Advance funding from billing companies		1,386,798				83,419		1,470,217
Reserve for legal contingencies		235,090	1,176,480					1,411,570
Affiliated companies	164,979		2,115,113	795,677	609,149	145,143	(3,830,061)	0
Other accrued liabilities		392,477	224,449	100,468	6,749	9,391		733,534
Total Current Liabilities	163,966	3,515,440	6,066,789	1,739,610	609,021	211,167	(4,566,886)	7,739,107
DUE TO STOCKHOLDER		5,028,457	100,000			30,000		5,158,457
LONG-TERM DEBT	14,790	50,000	419,291	345,835				829,916
STOCKHOLDERS' EQUITY (DEFICIT)								
Common stock	7,368	133	594,992	1,000	2,000	1	(598,126)	7,368
Additional paid-in capital	(7,368)	40,367					598,126	631,125
Retained earnings (deficit)	(2,822)	(1,017,960)	(2,230,655)	97,549	(468,104)	760		(3,621,232)
	(2,822)	(977,460)	(1,635,663)	98,549	(466,104)	761	0	(2,982,739)
	$ 175,934	$ 7,616,437	$ 4,950,417	$ 2,183,994	$ 142,917	$ 241,928	$ (4,566,886)	$ 10,744,741

Q-COMM CORPORATION
CONSOLIDATING STATEMENT OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 1997

	Q-Comm Corporation	QCC, Inc.	Wright Businesses, Inc.	Kentucky Data Link, Inc.	CSII Corporation	Card Comm Corporation	Adjustments and Eliminations	Consolidated
NET SALES		$12,500,093	$10,625,531	$479,635	$256,537	$388,427	$ (150,000)	$24,100,223
COST OF SALES		9,700,619	7,923,005	203,493	208,811	336,917	(150,000)	18,222,845
GROSS PROFIT		2,799,474	2,702,526	276,142	47,726	51,510	0	5,877,378
OPERATING EXPENSES	$ 4,400	2,351,213	2,226,986	104,320	105,273	48,324		4,840,516
INCOME (LOSS) FROM OPERATIONS	(4,400)	448,261	475,540	171,822	(57,547)	3,186		1,036,862
OTHER INCOME (EXPENSE)								
Litigation expenses		(10,000)	(2,076,480)					(2,086,480)
Write-off of investment		(100,000)						(100,000)
Interest income		17,708	70,527	2,487	6,396			97,118
Interest expense		(206,993)	(206,966)	(83,192)	(3,343)	(2,000)		(502,494)
Miscellaneous		190	4,197	28,118	1,780			34,285
		(299,095)	(2,208,722)	(52,587)	4,833	(2,000)		(2,557,571)
INCOME (LOSS) BEFORE INCOME TAXES	(4,400)	149,166	(1,733,182)	119,235	(52,714)	1,186		(1,520,709)
PROVISION (CREDIT) FOR INCOME TAXES	(1,578)	53,528	(622,247)	42,788	(18,917)	426		(546,000)
NET INCOME (LOSS)	$ (2,822)	$ 95,638	$ (1,110,935)	$ 76,447	$ (33,797)	$ 760	$ 0	$ (974,709)

Q-COMM CORPORATION

CONSOLIDATED SCHEDULES OF OPERATING EXPENSES

YEAR ENDED SEPTEMBER 30, 1998 AND NINE MONTHS ENDED SEPTEMBER 30 1997

	1998	1997
Salaries	$ 3,819,315	$ 2,429,138
Depreciation and amortization	1,088,864	507,654
Professional fees	532,383	337,790
Travel and entertainment	350,925	163,481
Bad debt expense	631,324	130,546
Loss on sale of assets	302,276	
Payroll taxes	288,000	175,178
Postage	220,203	105,879
Insurance	204,058	144,928
Office rent	198,737	106,734
Telephone	190,128	99,821
Maintenance	158,767	153,992
Office supplies	156,092	90,268
Marketing	100,342	49,132
Utilities	97,339	64,451
Licenses and taxes	80,503	68,787
Employee benefits	45,971	8,449
Equipment rent	29,977	26,695
Computer processing	197,796	94,200
Printing	54,675	60,762
Bank charges	90,877	
Technical supplies	75,819	
Small equipment	35,612	
Other	161,235	22,631
	$ 9,111,218	$ 4,840,516

Q-Comm Corporation

Accountants' Report and Consolidated Financial Statements

September 30, 1999 and 1998

Baird, Kurtz & Dobson

Baird, Kurtz & Dobson

City Center Square
1100 Main Street, Suite 2700
Kansas City, MO 64105-2112
816 221-6300 Fax 816-221-6380
www.bkd.com

Independent Accountants' Report

Board of Directors
Q-Comm Corporation
Overland Park, Kansas

We have audited the accompanying consolidated balance sheets of Q-COMM CORPORATION as of September 30, 1999 and 1998, and the related consolidated statements of income, changes in stockholders' equity (deficit) and cash flows for the years ended September 30, 1999 and 1998. 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 misstatement. 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 provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Q-COMM CORPORATION as of September 30, 1999 and 1998 and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Baird, Kurtz & Dobson

December 6, 1999, except for Notes 2, 3 and 8
as to which the date is March 7, 2000

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	1999	1998
CURRENT LIABILITIES		
Accounts payable	$ 2,899,271	$ 3,253,422
Current maturities of long-term debt and due to stockholder	2,600,381	1,341,989
Reserve for legal contingencies		255,480
Income taxes payable	72,559	71,665
Other taxes payable	130,398	
Deferred revenues	682,418	581,253
Other accrued liabilities	982,164	1,355,546
Total Current Liabilities	7,367,191	6,859,355
DUE TO STOCKHOLDER	4,411,242	4,814,486
LONG-TERM DEBT	12,221,439	5,514,480
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, $.001 par value; 15,000,000 shares authorized, 7,450,549 shares issued and outstanding – 1999; 7,368,207 shares issued and outstanding – 1998	7,451	7,368
Additional paid-in capital	641,123	631,125
Retained earnings (deficit)	(2,543,456)	(3,053,230)
	(1,894,882)	(2,414,737)
	$22,104,990	$14,773,584

Q-COMM CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED SEPTEMBER 30, 1999 AND 1998

	1999	1998
NET SALES	$ 30,375,243	$ 30,195,757
COST OF SALES	19,294,327	19,296,856
GROSS PROFIT	11,080,916	10,898,901
OPERATING EXPENSES	11,041,390	9,111,218
INCOME FROM OPERATIONS	39,526	1,787,683
OTHER INCOME (EXPENSE)		
Interest income	133,912	7,960
Interest expense	(1,521,429)	(1,158,633)
Litigation settlement	2,076,000	
Miscellaneous	56,765	165,992
	745,248	(984,681)
INCOME BEFORE INCOME TAXES	784,774	803,002
PROVISION FOR INCOME TAXES	275,000	235,000
NET INCOME	$ 509,774	$ 568,002

See Notes to Financial Consolidated Statements

Q-COMM CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

YEARS ENDED SEPTEMBER 30, 1999 AND 1998

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Total
BALANCE (DEFICIT), SEPTEMBER 30, 1997	$ 7,368	$ 631,125	$(3,621,232)	$(2,982,739)
Net income			568,002	568,002
BALANCE (DEFICIT), SEPTEMBER 30, 1998	7,368	631,125	(3,053,230)	(2,414,737)
Exchange of company stock for assets	83	9,998		10,081
Net income			509,774	509,774
BALANCE (DEFICIT), SEPTEMBER 30, 1999	$ 7,451	$ 641,123	$(2,543,456)	$(1,894,882)

See Notes to Financial Consolidated Statements

Q-COMM CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 1999 AND 1998

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 509,774	$ 568,002
Items not requiring (providing) cash:		
Depreciation	1,797,657	1,088,864
Deferred income taxes	274,106	83,581
(Gain) loss on sale/disposal of assets	(209,103)	302,276
Changes in:		
Accounts receivable	883,938	135,912
Inventory	341,362	(31,657)
Prepaid expenses	(86,324)	(59,977)
Other assets	234,991	(187,274)
Accounts payable, accrued expenses and deferred revenue	(862,660)	378,284
Advance funding from billing companies		(1,470,217)
Income taxes payable	894	199,001
Net cash provided by operating activities	2,884,635	1,006,795
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of equipment	1,003,693	
Purchase of property and equipment	(10,466,980)	(2,283,469)
Net cash used in investing activities	(9,463,287)	(2,283,469)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds under revolving credit agreement	1,886,243	
Net (payments) borrowings from stockholder	(696,180)	(379,921)
Proceeds from long-term debt	7,056,998	2,710,181
Payments on long-term debt	(1,668,409)	(1,053,586)
Net cash provided by financing activities	6,578,652	1,276,674
CHANGE IN CASH	0	0
CASH, BEGINNING OF YEAR	0	0
CASH, END OF YEAR	$ 0	$ 0

See Notes to Financial Consolidated Statements

Q-COMM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1999 AND 1998

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Company's revenues are earned primarily from providing long distance services to commercial and residential customers located in the Midwest. Services include direct dial long distance, prepaid calling and calling cards, internet access, 800 number, local paging, fiber, interconnect and operator services. The Company extends unsecured credit to customers.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, QCC, Inc., Community Telephone Corporation (previously Wright Business, Inc. and World Connection Services, Inc.), Kentucky Data Link, Inc. and Earthcall Communications Corporation. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are depreciated over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful lives of the improvements. Annual depreciation is primarily computed using straight-line methods.

Construction in progress includes expenditures for projects primarily related to new fiber optic cable route installation, billing system consolidation and enhancements.

The Company capitalizes interest costs as a component of construction in progress, based on the weighted average rates paid for long-term borrowing. Total interest incurred each year was:

	1999	1998
Interest costs capitalized	$ 177,946	
Interest cost charged to expense	1,521,429	$1,158,633
Total interest incurred	$1,699,375	$1,158,633

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Deferred tax liabilities and assets are recognized for the tax effects of differences between the financial statement and tax bases of assets and liabilities. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will be not be realized.

Inventory Pricing

All inventories are stated at the lower of cost or market. Costs of telecommunications equipment are determined using the FIFO (first-in, first-out) method.

Reclassifications

Certain reclassifications have been made to the 1998 consolidated financial statements to conform to the 1999 financial statement presentation. These reclassifications had no effect on net earnings.

NOTE 2: RELATED PARTY TRANSACTIONS

The Company has an amount of $5,011,242 due to the majority stockholder, who has provided a revolving line of credit of up to $7,000,000 which is collateralized by property and equipment, accounts receivable, inventory and other assets. This agreement is also guaranteed by all subsidiaries of the Company. The balance bears interest at 13% with principal payments of $50,000 beginning on October 31, 1999 through July 31, 2003, and a balloon payment for the remaining balance on August 31, 2003. The stockholder has signed an agreement subordinating this note to bank notes. Aggregate annual maturities on this agreement at September 30, 1999 are as follows:

2000	$ 600,000
2001	600,000
2002	600,000
2003	3,211,242
	$5,011,242

Interest expense incurred by the Company under this agreement was $681,096 and $720,124 for the years ended September 30, 1999 and 1998, respectively.

Subsequent to September 30, 1999, in conjunction with the bank debt refinancing described at Note 3, the majority stockholder is required to convert $3,500,000 of subordinated debt to preferred stock.

NOTE 2: RELATED PARTY TRANSACTIONS (Continued)

During 1999, the Company transferred real property and transportation equipment to a stockholder at a net book value of approximately $625,000. The debt related to the property and equipment was assumed by the stockholder of approximately $547,000. The difference between the net book value and the debt was recorded as an increase in Accounts Receivable – Officers and employees of approximately $78,000.

At September 30, 1999, $973,700 was due from the majority stockholder, and was included in the account Accounts Receivable – Officers and employees. This amount was repaid subsequent to year-end.

NOTE 3: LONG-TERM DEBT

	1999	1998
Note payable, bank (A)	$ 3,879,163	$4,054,170
Note payable, bank (B)	7,570,029	1,752,520
Revolving credit agreement, bank (C)	1,886,243	
Notes payable, bank (D)	98,370	300,806
Note payable, individual (E)	165,000	165,000
Notes payable, related party (F)	100,000	50,000
Note payable, financing company (G)		386,523
Notes payable, banks (H)	514,015	147,450
Other	9,000	
	14,221,820	6,856,469
Less current maturities	2,000,381	1,341,989
	$ 12,221,439	$5,514,480

(A) Note payable; due October 2003; refinanced subsequent to September 30, 1999 as described below.

(B) Note payable; due October 2003; refinanced subsequent to September 30, 1999 as described below.

(C) Revolving credit agreement; due April 2000; refinanced subsequent to September 30, 1999 as described below.

(D) Notes payable; due in 2001 through 2012; payable in various monthly amounts including interest ranging from 8.5% to 9.375%; collateralized by assets of the Company; the note payable maturing in 2012 and the related asset were transferred to the majority stockholder in 1999 *(see Note 2)*.

NOTE 3: LONG-TERM DEBT (Continued)

(E) Note payable; originally due in 1991; note has not been formally renewed; however, interest only of 10.5% has been accepted at prior due dates; collateralized by property owned by stockholders.

(F) Notes payable; due January 2002 to the spouse of the majority stockholder; and April 2009; the balances bear interest at 8% to 10% payable monthly; unsecured.

(G) Note payable; due November 2003; payable $5,100 monthly including interest at a floating rate of 301 basis points over the one-month financial commercial paper weekly average yield as published by the Federal Reserve Board; collateralized by transportation equipment; the note and the respective asset were transferred to the majority stockholder of the Company during 1999 *(see Note 2).*

(H) Due various dates through 2014, payable in monthly installments including interest at various rates; certain of these notes collateralized by Company assets; certain of these notes guaranteed by a subsidiary of the Company.

On March 7, 2000, the Company entered into agreements with the Bank to refinance items (A), (B) and (C). The agreements provide for a revolving credit facility, term notes and a construction loan commitment with due dates ranging from March 2001 to November 2005.

The revolving credit agreement provides for borrowings up to $3,500,000, is due March 2001 and bears interest at rates from LIBOR plus 2.25% to LIBOR plus 3.25%.

The term notes are due in February and March 2005 and are payable monthly in installments of $146,885, plus interest from LIBOR plus 2.25% to LIBOR plus 3.25%.

The construction loan commitment provides for up to $7,500,000 in financing for the construction of fiber optic systems. The loan converts to a term loan in December 2000. The outstanding principal balance at that time will be amortized over a seven-year period, plus interest at LIBOR rate plus 2.25% and matures November 2005.

In conjunction with these agreements, the majority stockholder of the Company has agreed to convert $3,500,000 of subordinated debt to preferred stock. The majority stockholder is also required to loan the Company an additional $1,000,000 in subordinated debt by January 7, 2001. The majority stockholder has personally guaranteed $1,000,000 on the revolving credit agreement and one term note. The personal guarantee is to be released pro rata with the funding of the $1,000,000 in subordinated debt to the Company by the majority stockholder.

The loans are collateralized by all assets of the Company and are also guaranteed by subsidiaries of the Company.

These agreements contain covenants for the Company to maintain certain financial ratios, which among other things includes funded debt to EBITDA, fixed charge coverage and debt to worth.

NOTE 3: LONG-TERM DEBT (Continued)

Aggregate annual maturities of long-term debt at September 30, 1999 reflecting the refinancing described above are as follows:

2000	$ 2,000,381
2001	3,776,625
2002	1,940,157
2003	1,796,466
2004	1,771,096
Thereafter	2,937,095
	$14,221,820

NOTE 4: INCOME TAXES

The provision for income taxes at September 30, 1999 and 1998 includes these components:

	1999	1998
Taxes currently payable	$ 900	$ (42,400)
Deferred income taxes	274,100	277,400
	$ 275,000	$ 235,000

NOTE 4: INCOME TAXES (Continued)

The tax effects of temporary differences related to deferred taxes shown on the consolidated balance sheets are as follows:

	1999	1998
Deferred tax assets:		
Allowance for doubtful accounts	$ 190,000	$ 264,317
Reserve for legal contingencies		99,254
Contribution carryovers	8,200	11,291
Accrued salaries and interest to shareholders	172,900	29,271
Net operating loss carryforwards	697,800	520,214
Miscellaneous tax credits		7,887
Alternative minimum tax credits	75,000	75,748
	1,143,900	1,007,982
Deferred tax liabilities:		
Accumulated depreciation	(306,500)	(143,256)
Software costs	(206,800)	
	(513,300)	(143,256)
Net deferred tax asset before valuation allowance	630,600	864,726
Valuation allowance:		
Beginning balance	(87,020)	(161,088)
(Increase) decrease during the period	(39,980)	74,068
Ending balance	(127,000)	(87,020)
Net deferred tax asset	$ 503,600	$ 777,706

The above net deferred tax asset is presented on the balance sheets as follows:

	1999	1998
Deferred tax asset – current	$ 365,700	$ 487,768
Deferred tax asset – long term	137,900	289,938
	$ 503,600	$ 777,706

NOTE 4: INCOME TAXES (Continued)

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

	1999	1998
Computed at the statutory rate (34%)	$ 266,800	$ 298,000
Change in valuation allowance	40,000	(74,000)
Increase (decrease) resulting from:		
Nondeductible travel costs	5,300	10,200
State income taxes – net of federal tax benefits		6,000
Other	(37,100)	(5,200)
Actual Tax Provision	$ 275,000	$ 235,000

As of September 30, 1999, the Company had approximately $75,000 of alternative minimum tax credits available to offset future federal income taxes. The credits have no expiration date. The Company also has unused operating loss carryforwards of $1,836,000, which expire between 2010 and 2013, respectively. Included in this total are loss carryforwards that can only be used by individual subsidiaries of the Company. Community Telephone Corporation (previously Wright Business, Inc. and World Connection Services, Inc.) has operating loss carryforwards of $732,000.

NOTE 5: BUSINESS ACQUISITIONS

During 1999, the Company acquired all of the common stock of Telemanagement Systems, Inc. and certain assets of Martech Communications, Inc. and Mercury Communications, Inc. These acquisitions were recorded using the purchase method and the assets and liabilities were recorded at their fair values. The combined fair value of the assets acquired was approximately $770,000.

During 1998, the Company acquired all of the common stocks of Earthcall Communications Company and World Connection Services, L.L.C. These acquisitions were recorded using the purchase method and the assets and liabilities were recorded at their fair values. The combined fair values of the assets acquired was approximately $1,860,000.

NOTE 6: SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Generally accepted accounting principles require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Litigation-Related Obligations

In 1998, the Company was a defendant in a lawsuit under a breach of contract in which a judgment was reached against the Company. The judgment was expensed during 1997.

The Commonwealth of Kentucky Court of Appeals reversed the decision against the Company. As a result, litigation settlement income, in the amount of $2,076,000, has been recognized in the consolidated statement of income for the year ended September 30, 1999.

The Company is also a defendant in several cases which allege unauthorized changes in selection of long distance carriers. The Company is vigorously defending itself in all such cases and believes the cases are without merit. Accordingly, no provision for losses has been estimated in the financial statements.

Major Suppliers

Included in cost of sales are services purchased from two long distance carriers totaling $9,496,104 and $9,598,973 for the years ended September 30, 1999 and 1998, respectively.

Year 2000 Compliance

Like all entities, the Company is exposed to risks associated with the Year 2000 issue, which affects computer software and hardware; transactions with customers, vendors and other entities; and equipment dependent on microchips. The Company recognizes that the Year 2000 issue poses a risk beyond January 1, 2000 as errors may not become evident until after that date. The Company has performed the remediation steps it believes necessary to address the Year 2000 issue.

It is not possible for any entity to guarantee the results of its own remediation efforts or to accurately predict the impact of the Year 2000 issue on third parties with which it does business. If remediation efforts of the Company or third parties with which it does business are not successful, the Year 2000 problem could have negative effects on the Company's financial condition and results of operations in the near term.

NOTE 7: STOCK OPTIONS

Incentive Stock Option Plan

On October 1, 1998, the Company adopted an Incentive Stock Option Plan for the benefit of key employees. Under this plan, the Company may grant options that are exercisable over a five year vesting schedule at the rate of 20% per year, commencing on a date that is five years from the employee's entrance into the plan. The exercise price of each option is intended to equal the fair value of the Company's stock on the date of grant, based on a formula set forth in the plan agreement. An option's maximum term is 10 years.

The number of shares available under the plan is 400,000 shares. There were 393,500 options granted at an exercise price of $2.46 per option and 13,300 options were forfeited during 1999. The total number of stock options outstanding at September 30, 1999 was 380,200. No options were exercisable at September 30, 1999.

The Company applies APB Opinion 25 and related Interpretations in accounting for the plan, and no compensation cost has been recognized. ***No fair value disclosures with respect to stock options are presented because in the opinion of management such values do not have a material effect.***

NOTE 8: SUBSEQUENT EVENTS

On November 1, 1999, the Company entered into an agreement to lease fiber optic network capacity through October 2007. The lessee is obligated to pay stipulated minimum monthly commitments of rentals as follows:

2000	$ 1,207,000
2001	2,850,000
2002	4,400,000
2003	4,500,000
2004	4,500,000
Thereafter	12,750,000
	$30,207,000

On November 2, 1999, the Company signed a letter of intent, which allows the Company to use another party's fiber optic cable for twenty-five years at a one-time purchase cost of approximately $3,450,000.

On February 16, 2000, the Company entered into an agreement to purchase 1,424,844 shares of common stock from two stockholders. The Company has the right to purchase a minimum of 4,708 shares each month and/or up to 1,424,844 shares on February 15, 2007.

On March 7, 2000, the Company, with its primary bank, entered into agreements to extend and revise existing loans *(see Notes 2 and 3).*

NOTE 9: ADDITIONAL CASH FLOWS INFORMATION

Noncash Investing and Financing Activities	1999	1998
Long-term debt incurred for property and equipment		$3,112,056
The Company acquired all of the common stock of Earthcall Communications Company and World Connection Services, LLC for $975,522. In conjunction with the acquisition, liabilities were assumed as follows:		
Fair value of assets acquired		$1,862,427
Cash paid for common stock		(975,522)
Liabilities assumed		$ 886,905
The Company acquired all of the common stock of Telemanagement Systems, Inc. and certain assets of MarTech Communications, Inc. and Mercury Communications, Inc. in exchange for 82,394 shares of common stock and $238,324. In conjunction with the acquisitions, assets and liabilities were acquired as follows:		
Fair value of assets acquired	$ 765,724	
Consideration paid for common stock and assets	(248,405)	
Liabilities assumed	$ 517,319	
The majority stockholder assumed certain long-term debt and the related equipment. In conjunction with this transaction, accounts receivable from this stockholder was increased as follows:		
Net book value of property transferred	$ 624,877	
Fair value of long-term debt transferred	(546,813)	
Increase in receivable from stockholder	$ 78,064	

Additional Cash Payment Information		
Interest paid (net of amount capitalized)	$ 1,462,494	$ 739,276
Income taxes paid (net of refunds)		(32,187)

Independent Accountants' Report on Supplementary Information

Board of Directors
Q-Comm Corporation
Overland Park, Kansas

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The nature of our audit procedures is more fully described in our report on the basic consolidated financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Baird, Kurtz & Dobson

Kansas City, Missouri
December 6, 1999

Q-COMM CORPORATION
CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 1999

ASSETS

	Q-Comm Corporation	QCC, Inc.	Community Telephone Corporation	Kentucky Data Link, Inc.	Earthcall Communication Corporation	Eliminations	Consolidated
CURRENT ASSETS							
Cash	$ 540,988	$ (293,459)	$ (234,101)	$ (13,428)			
Accounts receivable:							
Billing companies, less allowance for doubtful accounts		398,990					$ 398,990
Direct billing, less allowance for doubtful accounts		46,347	3,344,999	177,541	$ 31,175	$ (117,899)	3,482,163
Affiliated companies	18,178,320	5,897,891	684,778		349,957	(25,110,946)	
Officers and employees	973,700		9,792				983,492
Other		113,013	29,422	12,405	5,000		159,840
Inventories			391,957				391,957
Prepaid expenses	67,274	5,294	76,092	1,303			149,963
Deferred income taxes	138,800	67,300	120,100	33,800	5,700		365,700
Total Current Assets	19,899,082	6,235,376	4,423,039	211,621	391,832	(25,228,845)	5,932,105
INVESTMENT IN SUBSIDIARIES	975,522					(975,522)	
DEFERRED INCOME TAXES	428,400	(40,300)	(143,600)	(105,800)	(800)		137,900
PROPERTY AND EQUIPMENT							
Switch facilities		65,531	3,728,455				3,793,986
Microwave towers and equipment				1,062,206			1,062,206
Fiber line				9,302,092			9,302,092
Software and equipment		538,225	2,359,961	16,341	210,000		3,124,527
Office equipment		12,052		55,012			67,064
Leasehold improvements		51,228	336,431	40,816			428,475
Real estate and buildings			282,329				282,329
Transportation equipment		152,357	462,330	84,852			699,539
Construction in progress			2,074,677				2,074,677
		819,393	9,244,183	10,561,319	210,000		20,834,895
Less accumulated depreciation		428,359	2,952,105	1,391,552	67,010		4,839,026
		391,034	6,292,078	9,169,767	142,990		15,995,869
OTHER ASSETS			36,093	75	2,948		39,116
	$ 21,303,004	$ 6,586,110	$ 10,607,610	$ 9,275,663	$ 536,970	$ (26,204,367)	$ 22,104,990

Q-COMM CORPORATION
CONSOLIDATING BALANCE SHEET (Continued)
SEPTEMBER 30, 1999

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	Q-Comm Corporation	QCC, Inc.	Community Telephone Corporation	Kentucky Data Link, Inc.	Earthcall Communications Corporation	Eliminations	Consolidated
CURRENT LIABILITIES							
Accounts payable	$ 56,018	$ 416,321	$ 2,344,301	$ 173,950	$ 26,580	$ (117,899)	$ 2,899,271
Current maturities of long-term debt and due to stockholder	2,600,381						2,600,381
Income taxes payable (refundable)	(74,512)	67,360	(259)	79,277	693		72,559
Other taxes payable		14,845	112,645		2,908		130,398
Deferred revenues			456,592	151,696	74,130		682,418
Affiliated companies		6,890,363	8,977,553	8,897,332	345,698	(25,110,946)	
Other accrued liabilities	183,483	92,245	680,621	8,619	17,196		982,164
Total Current Liabilities	2,765,370	7,481,134	12,571,453	9,310,874	467,205	(25,228,845)	7,367,191
DUE TO STOCKHOLDER	4,411,242						4,411,242
LONG-TERM DEBT	12,221,439						12,221,439
STOCKHOLDERS' EQUITY (DEFICIT)							
Common stock	7,451	134	596,992	1,000	1,000	(599,126)	7,451
Additional paid-in capital	641,123	35,046			341,350	(376,396)	641,123
Retained earnings (deficit)	1,256,379	(930,204)	(2,560,835)	(36,211)	(272,585)		(2,543,456)
	1,904,953	(895,024)	(1,963,843)	(35,211)	69,765	(975,522)	(1,894,882)
	$21,303,004	$ 6,586,110	$ 10,607,610	$9,275,663	$ 536,970	$ (26,204,367)	$22,104,990

Q-COMM CORPORATION
CONSOLIDATING STATEMENT OF INCOME
YEAR ENDED SEPTEMBER 30, 1999

	Q-Comm Corporation	QCC, Inc.	Community Telephone Corporation	Kentucky Data Link, Inc.	Earthcall Communications Corporation	Eliminations	Consolidated
NET SALES		$ 4,833,333	$ 24,597,885	$ 1,596,966	$ 294,221	$ (947,162)	$ 30,375,243
COST OF SALES		1,900,311	18,154,474	79,558	45,636	(885,652)	19,294,327
GROSS PROFIT		2,933,022	6,443,411	1,517,408	248,585	(61,510)	11,080,916
OPERATING EXPENSES	$ 1,266,528	1,493,005	7,888,587	273,094	181,686	(61,510)	11,041,390
INCOME (LOSS) FROM OPERATIONS	(1,266,528)	1,440,017	(1,445,176)	1,244,314	66,899	0	39,526
OTHER INCOME (EXPENSE)							
Management fee income (expense)	1,968,000	(1,150,000)		(818,000)			
Interest income	850	18,887	104,803	2	9,370		133,912
Interest expense	(1,517,324)	(301)	(3,480)	(324)			(1,521,429)
Litigation settlement			2,076,000				2,076,000
Miscellaneous	(205)	19,522	38,613	(1,165)			56,765
	451,321	(1,111,892)	2,215,936	(819,487)	9,370		745,248
INCOME (LOSS) BEFORE INCOME TAXES	(815,207)	328,125	770,760	424,827	76,269		784,774
PROVISION (CREDIT) FOR INCOME TAXES	(452,000)	230,000	405,000	51,000	41,000		275,000
NET INCOME (LOSS)	$ (363,207)	$ 98,125	$ 365,760	$ 373,827	$ 35,269	$ 0	$ 509,774

Q-COMM CORPORATION
CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 1998

ASSETS

	Q-Comm Corporation	QCC, Inc.	Wright Businesses, Inc.	Kentucky Data Link, Inc.	World Connection Services, Inc.	Earthcall Communication Corporation	Eliminations	Consolidated
CURRENT ASSETS								
Accounts receivable:								
Billing companies, less allowance for doubtful accounts		$1,252,545						$ 1,252,545
Direct billing, less allowance for doubtful accounts		297,333	$2,235,413	$ 401,272	$ 144,121	$ 216,858		3,294,997
Affiliated companies	$ 13,130,735						$(13,130,735)	
Officers and employees	1,067	858	167,135					169,060
Other					1,445	5,000		6,445
Inventories			295,846		11,226			307,072
Prepaid expenses	9,554	2,765	28,904		17,846	4,570		63,639
Deferred income taxes	11,291	196,687	186,800	33,023	5,577	54,390		487,768
Total Current Assets	13,152,647	1,750,188	2,914,098	434,295	180,215	280,818	(13,130,735)	5,581,526
INVESTMENT IN SUBSIDIARIES	975,522						(975,522)	
DEFERRED INCOME TAXES	243,812	(773)	87,020	(133,300)	102,362	(9,183)		289,938
PROPERTY AND EQUIPMENT								
Switch facilities		65,531	2,792,818					2,858,349
Microwave towers and equipment				2,173,090				2,173,090
Fiber line				3,306,833				3,306,833
Software and equipment		544,732	519,369	1,416	903,234	213,302		2,182,053
Office equipment		77,507	174,241	55,012		30,858		337,618
Leasehold improvements		134,772	219,135					353,907
Real estate and buildings			465,936	30,743				496,679
Transportation equipment		152,358	172,441		489,045			813,844
		974,900	4,343,940	5,567,094	1,392,279	244,160		12,522,373
Less accumulated depreciation		382,791	1,888,153	1,452,482	146,434	24,500		3,894,360
		592,109	2,455,787	4,114,612	1,245,845	219,660		8,628,013
OTHER ASSETS		240,027	30,252			3,828		274,107
	$ 14,371,981	$2,581,551	$5,487,157	$ 4,415,607	$ 1,528,422	$ 495,123	$(14,106,257)	$14,773,584

Q-COMM CORPORATION
CONSOLIDATING BALANCE SHEET (Continued)
SEPTEMBER 30, 1998

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	Q-Comm Corporation	QCC, Inc.	Wright Businesses, Inc.	Kentucky Data Link, Inc.	World Connection Services, Inc.	Earthcall Communications Corporation	Eliminations	Consolidated
CURRENT LIABILITIES								
Accounts payable	$ 956,270	$ 458,228	$ 1,592,672	$ 139,235	$ 106,081	$ 936		$ 3,253,422
Current maturities of long-term debt	1,215,115		28,729		98,145			1,341,989
Reserve for legal contingencies			255,480					255,480
Income taxes payable	65,391	6,274						71,665
Deferred revenues				276,986	234,265	70,002		581,253
Affiliated companies		2,761,774	4,754,850	4,402,054	884,687	327,370	$ (13,130,735)	0
Other accrued liabilities	340,659	348,424	570,329	6,370	27,445	62,319		1,355,546
Total Current Liabilities	2,577,435	3,574,700	7,145,631	4,824,645	1,350,623	460,627	(13,130,735)	6,859,355
DUE TO STOCKHOLDER	4,814,486							4,814,486
LONG-TERM DEBT	4,721,981		404,090		388,409			5,514,480
STOCKHOLDERS' EQUITY (DEFICIT)								
Common stock	7,368	134	594,992	1,000	2,000	1,000	(599,126)	7,368
Additional paid-in capital	631,125	35,046				341,350	(376,396)	631,125
Retained earnings (deficit)	1,619,586	(1,028,329)	(2,713,985)	(410,038)	(212,610)	(307,854)		(3,053,230)
	2,258,079	(993,149)	(2,118,993)	(409,038)	(210,610)	34,496	(975,522)	(2,414,737)
	$14,371,981	$ 2,581,551	$ 5,487,157	$4,415,607	$ 1,528,422	$ 495,123	$ (14,106,257)	$14,773,584

Q-COMM CORPORATION
CONSOLIDATING STATEMENT OF INCOME
YEAR ENDED SEPTEMBER 30, 1998

	Q-Comm Corporation	QCC, Inc.	Wright Businesses, Inc.	Kentucky Data Link, Inc.	World Connection Services, Inc.	Earthcall Communications Corporation	Eliminations	Consolidated
NET SALES		$11,626,286	$ 17,043,423	$ 1,655,221	$ 1,159,836	$1,223,197	$ (2,512,206)	$ 30,195,757
COST OF SALES		7,579,466	12,196,461	847,779	374,633	962,723	2,664,206	19,296,856
GROSS PROFIT		4,046,820	4,846,962	807,442	785,203	260,474	152,000	10,898,901
OPERATING EXPENSES	$ 2,530,978	1,854,859	2,971,368	605,473	701,325	596,417	(149,202)	9,111,218
INCOME (LOSS) FROM OPERATIONS	(2,530,978)	2,191,961	1,875,594	201,969	83,878	(335,943)	301,202	1,787,683
OTHER INCOME (EXPENSE)								
Management fee income (expense)	4,660,601	(2,080,257)	(1,829,027)	(544,069)	(207,248)			
Interest income	24	4,893			3,043			7,960
Interest expense	(641,055)	(150,721)	(215,143)	(90,861)	(36,230)	(24,623)		(1,158,633)
Miscellaneous		24	111,439	40,481	307,745	7,505	(301,202)	165,992
	4,019,570	(2,226,061)	(1,932,731)	(594,449)	67,310	(17,118)	(301,202)	(984,681)
INCOME (LOSS) BEFORE INCOME TAXES	1,488,592	(34,100)	(57,137)	(392,480)	151,188	(353,061)		803,002
PROVISION (CREDIT) FOR INCOME TAXES	(133,816)	(22,971)	426,193	115,107	(104,306)	(45,207)		235,000
NET INCOME (LOSS)	$ 1,622,408	$ (11,129)	$ (483,330)	$ (507,587)	$ 255,494	$ (307,854)	$ 0	$ 568,002

Q-COMM CORPORATION

CONSOLIDATED SCHEDULES OF OPERATING EXPENSES

YEARS ENDED SEPTEMBER 30, 1999 AND 1998

	1999	1998
Salaries	$ 4,480,391	$ 3,819,315
Depreciation and amortization	1,797,657	1,088,864
Professional fees	644,962	730,179
Travel and entertainment	399,037	350,925
Bad debt expense	839,002	631,324
Loss (gain) on sale of assets	(209,103)	302,276
Payroll taxes	482,779	288,000
Postage	150,127	220,203
Insurance	73,282	74,718
Office rent	251,131	198,737
Telephone	309,630	190,128
Maintenance	342,872	158,767
Office supplies	196,879	156,092
Marketing	241,284	100,342
Utilities	96,699	97,339
Licenses and taxes	131,307	80,503
Employee benefits	442,167	175,311
Equipment rent	32,548	29,977
Printing		54,675
Bank charges	73,362	90,877
Technical supplies	218,716	75,819
Small equipment		35,612
Other	46,661	161,235
	$11,041,390	$ 9,111,218