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**Local Gateway Exchange, Inc.**

700 N. Pearl Street, Suite 200  
Dallas, Texas 75201-7404  
(214) 303-0001

(214) 303-1312 Fax

Charles G. Taylor, Jr.  
President

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Arizona Corporation Commission  
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February 12, 2001

Arizona Corporation Commission  
Docket Control Center  
1200 W. Washington Street  
Phoenix, AZ 85007-2996

*Via Overnight Delivery*

**RE: Updated Financials in connection with Local Gateway Exchange, Inc.'s  
Application for a Certificate of Convenience and Necessity to Provide  
Competitive Facilities-Based and Resold Local and Interexchange  
Telecommunications Services  
Docket No. T-03883A-00-0366**

Dear Sir or Madam:

Please find enclosed updated financial information in support of Local Gateway Exchange, Inc.'s application for a Certificate of Convenience and Necessity to provide local and interexchange telecommunications services in the state of Arizona. Please contact Cindy Lewis at 214-303-0001, ext. 112 to confirm your receipt of this document.

Local Gateway Exchange previously submitted an amended application and proposed tariff on June 20, 2000.

Question regarding the financial information may be directed to me at 214-303-0001.

Sincerely,

Charles G. Taylor, Jr.

Enclosure

cc: Marta Kalleberg, Arizona Corporation Commission (via facsimile)  
Connie Wightman, Technologies Management Inc.

**Local Gateway Exchange, Inc.**  
**Balance Sheet**  
**December 31, 2000**

**ASSETS**

**Current Assets**

Checking/Savings		\$	20,245.07
Accounts Receivable			
Accounts Receivable	\$	10,255.79	
Less: Allowance for Doubtful Accounts		(1,168.30)	
<i>Net Accounts Receivable</i>			9,087.49
Other Current Assets			
Advance Commissions	\$	175.00	
Prepaid Expenses		220,462.67	
Payroll Advance		14,000.00	
<i>Total Other Current Assets</i>			234,637.67

**Total Current Assets** **\$ 263,970.23**

**Fixed Assets**

Computer Equipment	\$	121,423.81	
OSS Software		3,587,917.26	
Less: Accumulated Depreciation		(108,400.00)	
<b>Total Fixed Assets</b>			<b>3,600,941.07</b>

**Other Assets**

Start-Up Costs	\$	244,035.44	
Organization Costs		2,183.99	
Regulatory Certifications		16,287.21	
Less: Accumulated Amortization		(19,250.00)	
Loan to Others		18,751.89	
Deposits		50,000.00	
<b>Total Other Assets</b>			<b>312,008.53</b>

**TOTAL ASSETS** **\$ 4,176,919.83**

**LIABILITIES & EQUITY**

**Current Liabilities**

Accounts Payable	\$	1,647,614.92	
Other Current Liabilities		141,243.28	
<b>Total Current Liabilities</b>			<b>\$ 1,788,858.20</b>

**Long Term Liabilities**

OSS Contracts Payable	\$	2,195,979.82	
Loans - Convertible to Equity			
Shareholders		883,400.00	
Others		700,000.00	
<b>Total Long Term Liabilities</b>			<b>3,779,379.82</b>

**Total Liabilities** **\$ 5,568,238.02**

**Stockholder's Equity**

Common Stock, \$1.00 Par Value	\$	1,000.00	
Net Income (Loss)		(1,192,318.19)	
<b>Total Stockholder's Equity</b>			<b>(1,191,318.19)</b>

**TOTAL LIABILITIES & EQUITY** **\$ 4,176,919.83**

**Local Gateway Exchange, Inc.**  
**Statement of Income (Loss)**  
**For the Year Ended, December 31, 2000**

<b>Sales Income</b>		<b>\$ 34,739.03</b>
<b>Cost of Goods Sold</b>		<u><b>25,488.84</b></u>
<b>Gross Profit</b>		<b>\$ 9,250.19</b>
<b>Sales, General and Administrative Expenses</b>		
Sales And Marketing	\$ 7,090.96	
Automobile Expense	279.00	
Bank Service Charges	4,709.59	
Bad Debts	1,168.30	
Billing & Collection	5,882.70	
Dues and Subscriptions	1,091.52	
Fulfillment Expense	2,115.00	
Info Systems & Technology	147,660.58	
Insurance	26,369.00	
Licenses and Permits	165.00	
Miscellaneous	53.00	
Office Expense	4,946.36	
Printing and Reproduction	8,820.33	
Professional Fees	48,944.48	
Rent	69,008.44	
Repairs	2,077.39	
Telephone	40,399.82	
Travel & Ent	21,467.98	
Salaries And Personnel	641,779.06	
Taxes	38,113.53	
Late Fees	337.71	
<b>Total SG&amp;A Expenses</b>		<u><b>1,072,479.75</b></u>
<b>Operating Income</b>		<b>\$ (1,063,229.56)</b>
<b>Other Income (Expenses)</b>		
Interest Income		1,190.00
Depreciation & Amortizaiton		<u>(130,278.63)</u>
<b><u>NET INCOME (LOSS)</u></b>		<b><u>\$ (1,192,318.19)</u></b>

**Local Gateway Exchange, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended, December 31, 2000**

**OPERATING ACTIVITIES**

Net Income		\$ (1,192,318.19)
Adjustments to reconcile Net Income to net cash provided by operations:		
Depreciation	\$ 108,400.00	
Amortization	19,250.00	
Accounts Receivable	(10,255.79)	
Allowance for Doubtful Accounts	1,168.30	
Other Current Assets	(220,637.67)	
Payroll Advance	(14,000.00)	
Accounts Payable	1,523,306.86	
Other Current Liabilities	141,027.28	
<i>Total Reconciling Adjustments</i>		<u>1,548,258.98</u>

**NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** **\$ 355,940.79**

**INVESTING ACTIVITIES**

Purchases of / Investments in:		
Computer Equipment	\$ (45,516.94)	
OSS Software	(3,437,256.26)	
Start-Up Costs	(28,917.36)	
Organization Costs	(2,183.99)	
Regulatory Certifications	(16,287.21)	
Other Assets	(31,250.00)	

**NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES** **(3,561,411.76)**

**FINANCING ACTIVITIES**

Sales of Furniture & Fixtures	\$ 12,894.09	
Loan Proceeds		
OSS Contracts	2,195,979.82	
Shareholder Loans	673,400.00	
Other Loans	290,000.00	

**NET CASH PROVIDED BY FINANCING ACTIVITIES** **3,172,273.91**

**NET CASH INCREASE FOR PERIOD** **\$ (33,197.06)**

Cash At Beginning Of Period, January 1, 2000 53,442.13

**CASH AT END OF PERIOD** **20,245.07**