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TELECOM/INTERNET LAW ■ REGULATORY CONSULTING

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March 30, 2005

Via FedEx
Mr. Adam Lebrecht
Executive Consultant I
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007-2927

Arizona Corporation Commission

DOCKETED

APR - 1 2005

DOCKETED BY

Re: CommPartners, LLC, Docket No. T-04251-A-04-0257

Dear Mr. Lebrecht:

Attached is an original and thirteen (13) copies of CommPartners 2004 year-end financials including balance sheet, profit and loss statement, and notes. Please contact me at 510 903-1304 with any questions.

Sincerely,

Kristopher E. Twomey
Counsel to CommPartners, LLC

cc: David Clark

Enclosures

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DOCUMENT CONTROL

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CommPartners Holding Corporation
(Successor to CommPartners HoldCo, LLC)
Statements of Operations
From the Period June 5, 2004 (date of inception) to December 31, 2003
and the Year Ended December 31, 2004

	For the Year Ended 12/31/04	From June 5, 2003 (date of inception) to 12/31/2003
Revenues	\$ 58,300	
Direct costs:		
Personnel	456,587	33,116
Network and infrastructure	359,815	44,182
Telco and access fees	230,310	
Depreciation and amortization	106,468	1,558
Other		
Total direct costs	<u>1,153,179</u>	<u>78,856</u>
Gross margin		
Sales and marketing	180,983	3,679
General and administrative	770,242	120,495
Total S, G & A costs	<u>951,225</u>	<u>124,174</u>
Interest expense	55,797	
Operating loss	<u>\$ 2,101,901</u>	<u>\$ 203,030</u>

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

CommPartners Holding Corporation
(Successor to CommPartners HoldCo, LLC)
Consolidated Balance Sheets
As of December 31, 2004 and 2003

	12/31/2004	12/31/2003
ASSETS		
Current assets		
Cash	\$ 9,817,233	\$ 1,050,439
Accounts receivable		
Inventory	10,920	-
Prepaid expenses	99,213	-
Deposits	53,040	3,040
Notes receivable		
Total current assets	9,980,407	1,053,479
Fixed assets		
Computers and equipment	2,948,061	735,507
Software licenses	778,236	2,105
Furniture and fixtures	12,646	-
Leasehold improvements		
accumulated depreciation	(108,517)	(1,880)
Total fixed assets	3,630,424	735,733
Total assets	\$ 13,610,831	\$ 1,789,212
LIABILITIES		
Current liabilities		
Accounts payable	396,891	386,909
Notes payable ST		
Maturities of long-term debt		
Accrued Liabilities	1,228,995	38
Total current liabilities	1,625,886	386,947
Total liabilities	1,625,886	386,947
EQUITY		
Common stock	10,058	6,733
Additional paid-in capital - common stock	3,096,942	1,593,267
Preferred stock	11,182,876	-
Accumulated deficit	(203,030)	-
Loss for current period	(2,101,901)	(203,030)
Total equity	11,984,946	1,396,970
Total liabilities & equity	\$ 13,610,831	\$ 1,783,917

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

CommPartners Holding Corporation
(Successor to CommPartners HoldCo, LLC)
Notes to Consolidated Financial Statements
Year Ended December 31, 2004 and the Period from June 5, 2003 (inception date of
the Company) to December 31, 2003

1. Summary of Business and Significant Accounting Policies

General

The consolidated financial statements included herein have been prepared by CommPartners Holding Corporation (the "Company" or "we") without audit by an independent accountant. Certain information and disclosures normally included in accordance with generally accepted accounting principles have been condensed or omitted. However, we believe that the disclosures are adequate so that the information presented is not misleading.

Year-end

The Company's fiscal year end is December 31.

Business

We consider ourselves to be an "IP-based communications company" and began selling voice over internet protocol ("VoIP") services in October 2004. We plan to sell other services related to IP-based communications.

CommPartners HoldCo LLC was formed as a Nevada limited liability company in June 2003. In December 2004, all of the assets and business of CommPartners HoldCo LLC were merged into CommPartners Holding Corporation, which is the successor corporation. We also conduct our business through the following subsidiaries:

CommPartners, LLC - this company will hold all CLEC certifications and purchase transport facilities under our interconnection agreements.

CommPartners Network Services, LLC - this company will market, sell and bill wholesale VoIP services to broadband service providers.

Principles of Consolidation

The consolidated financial statements include the accounts of us and our subsidiaries. All material intercompany accounts and transactions have been eliminated.

Property and Equipment

Property and equipment, which consists of computers, network equipment and furniture and fixtures, is stated at cost, less accumulated depreciation. Major improvements and renewals are capitalized, while ordinary maintenance and repairs are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to seven years. Management reviews these assets on an ongoing basis to determine whether carrying values have been impaired.

2. Related Party Transactions

The controlling stockholders of our Company and their affiliates contributed \$5.8 million which became part of the Company's initial preferred stock offering, which totaled \$10.145 million and was completed in October 2004.

In the normal course of business, we lease our primary office space from an entity affiliated with one of our controlling stockholders. Rents paid for this office space were \$90,900 and \$2,600, respectively, in the nine month period ended September 30, 2004 and the 2003 fiscal year.

In 2003, we acquired a perpetual software license to the systems that will facilitate primarily all aspects of the business. The license was acquired from a company that is owned by one of our founding stockholders, who is also an officer. We paid 232,558 shares of our common stock, valued at \$100,000, for the license and pay \$60,000 annually for system maintenance.

3. Subsequent Event

The Company's placement agent is completing a private equity offering of preferred stock with a final closing date of February 15, 2005. The Company has already completed an initial closing on this offering in the amount of \$5.6 million in December 2004. The Company's placement agent is confident that it will close the second round of the Company's offering for at least an additional \$7 million and up to an additional \$10million.