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KATZ, KUTTER, HAIGLER, ALDERM

000030449

PROFESSIONAL ASSOCIATION

ATTORNEYS AND COUNSELORS AT LAW

www.katzlaw.com

ORIGINAL

Orlando Office	Tallahassee Office	Miami Office	Washington, DC Office
Suite 900	12th Floor	Suite 409	Suite 750
111 North Orange Avenue	106 East College Avenue	2999 NE 191st Street	801 Pennsylvania Avenue, NW
ORLANDO, FL 32801	TALLAHASSEE, FL 32301	AVENTURA, FL 33180	WASHINGTON, D.C. 20004
(407) 841-7100	(850) 224-9634	(305) 932-0996	(202) 393-1132
fax (407) 648-0660	fax (850) 222-0103	fax (305) 932-0972	fax (202) 624-0659

February 22, 2001

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AZ CORP COMMISSION
DOCUMENT CONTROL

VIA FEDERAL EXPRESS

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

Re: Docket No. T-3299A-96-0618 ✓ – In the Matter of the Application of Buehner-Fry, Inc. d/b/a DirectDial USA for a Certificate of Convenience and Necessity to Provide Competitive Intrastate Telecommunications Services as a Reseller Except Local Exchange Services

Re: Docket No. T-92764A-94-0140 ✓ – In the Matter of the Application of Buehner-Fry, Inc. d/b/a Resort Operator Services for a Certificate of Convenience and Necessity to Provide Competitive Intrastate Telecommunications Services

Dear Docket Control Center:

Pursuant to staff request, enclosed for filing are the original and ten (10) copies of Buehner-Fry, Inc.'s updated financial information.

Please acknowledge receipt of this transmittal by returning a date-stamped copy of the enclosed cover letter duplicate in the return envelope provided for that purpose.

Please contact me if you have any questions. Thank you for your assistance in this matter.

Sincerely,

Charles J. Pellegrini

Charles J. Pellegrini

Arizona Corporation Commission
DOCKETED
FEB 26 2001
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CJP:plk
Enclosures

BUEHNER-FRY, INC.
FINANCIAL STATEMENTS
May 31, 2000 and 1999

Thomas C. Riley
CERTIFIED PUBLIC ACCOUNTANT & CONSULTANT

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Stockholders of
Buehner-Fry, Inc.
Bend. Oregon

I have reviewed the accompanying balance sheet of Buehner-Fry, Inc.. as of May 31. 2000. and the related statements of operations. of changes in stockholders' equity and of cash flows for the year then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Buehner-Fry. Inc.

A review consists primarily of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards. the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly. I do not express such an opinion.

Based on my review. I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The May 31, 1999, financial statements of Buehner-Fry. Inc.. were reviewed by other accountants whose report. dated July 15. 1999. stated that they were not aware of any material modifications that should be made to those statements in order for them to be in conformity with generally accepted accounting principles.

Thomas C Riley CPA

July 15, 2000

P. O. BOX 1731 ■ BEND. OREGON 97709 ■ (541) 389-6401

BUEHNER-FRY, INC.
Balance Sheets
May 31, 2000 and 1999
(See Independent Accountant's Review Report.)

	2000	1999
ASSETS		
Current Assets:		
Cash	$ 17.429	$ 48.789
Restricted cash	25.000	25.000
Accounts receivable. net of allowance for collection expenses and losses of $ 26.025 in 2000 and $46.825 in 1999	660.031	958.613
Inventories	189.485	160.069
Capitalized software costs	181.692	-
Note receivable	50.000	-
Prepaid income tax	24.581	-
Total current assets	1.148.218	1.192.471
Telephones. equipment and leasehold improvements. net (Note 3)	395.977	749.063
Other assets:		
Investment in affiliate (Note 6)	50.000	50.000
Intangible assets. net of accumulated amortization of $153.626 in 2000 and $134.094 in 1999	79.867	99.399
Notes receivable – related parties	-	78.368
Supplier deposits	3.247	22.097
Cash surrender value – life insurance (Note 9)	277.740	173.952
Deferred income tax	23.700	-
	434.554	423.816
	$ 1.978.749	$ 2.365.350
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expense	$ 561.578	$ 654.860
Line of credit (Note 4)	95.000	470.058
Deferred revenue	69.444	100.000
Income taxes payable (Note 7)	-	4.300
Note payable – related party (Note 6)	-	8.423
Current portion of long-term debt (Note 5)	178.308	223.037
Total current liabilities	904.330	1.460.678
Long-term Liabilities:		
Customer deposits	36.848	39.046
Deferred income taxes (Note 7)	-	28.500
Deferred compensation liability (Note 9)	374.563	263.430
Long-term debt. net of current portion (Note 5)	722.868	494.275
	1.134.279	825.251
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Common stock $0.01 par value. 2.000 shares authorized: 522.400 shares Issued and outstanding	5.224	5.224
Additional paid-in capital	368.827	368.827
Treasury stock	(590.625)	(590.625)
Retained earnings	156.714	295.995
	(59.860)	79.421
	$ 1.978.749	$ 2.365.350

The accompanying notes are an integral part of this financial statement.

BUEHNER-FRY, INC.
Statements of Operations
Years Ended May 31, 2000 and 1999
(See Independent Accountant's Review Report.)

	2000		1999	
	Amount	Percent	Amount	Percent
Revenues	$ 6,311,032	100.0%	$ 6,847,971	100.0 %
Costs of sales	3,748,020	59.4	4,312,079	63.0
Gross profit	2,563,012	40.6	2,535,892	37.0
Operating expenses	2,553,020	40.4	2,559,846	37.4
Income (loss) from operations	9,992	0.2	(23,954)	(0.4)
Other income (expense):				
Telephone sales, net of costs	-	-	3,178	-
Gain on sale of assets	44,931	0.7	-	-
Other income	1,641	-	139,878	2.0
Other expenses	(133,114)	(2.1)	(155,567)	(2.2)
Interest expense	(86,036)	(1.3)	(113,289)	(1.6)
	(172,578)	(2.7)	(125,800)	(1.8)
Loss before income taxes	(162,586)	(2.5)	(149,754)	(2.2)
Income taxes:				
Current	(28,895)	(0.5)	(46,293)	(0.7)
Deferred	52,200	0.8	99,000	1.4
	23,305	0.3	52,707	.7
Net loss	$ (139,281)	(2.2)%	$ (97,047)	(1.5)%

The accompanying notes are an integral part of this financial statement.

BUEHNER-FRY, INC.
Statements of Changes in Stockholders' Equity
Years Ended May 31, 2000 and 1999
(See Independent Accountant's Review Report.)

	Common Stock		Additional Paid-In	Treasury	Retained	
	Shares	Amount	Capital	Stock	Earnings	Total
Balances, June 1, 1998	522,400	$ 5,224	$ 368,827	$ (590,625)	$ 393,042	$ 176,463
Net loss	-	-	-	-	(97,047)	(97,047)
Balances, May 31, 1999	522,400	5,224	368,827	(590,625)	295,995	79,421
Net loss	-	-	-	-	(139,281)	(139,281)
Balances, May 31, 2000	522,400	$ 5,224	$ 368,827	$ (590,625)	$ 156,714	$ (59,860)

The accompanying notes are an integral part of this financial statement.

BUEHNER-FRY, INC.
Statements of Cash Flows
Years Ended May 31, 2000 and 1999
(See Independent Accountant's Review Report.)

	2000	1999
Cash flows from operating activities:		
Net loss	$ (139.281)	$ (97.04
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	397.184	390.27
Deferred income taxes	(52.200)	(99.00
Deferred compensation liability	111.133	133.72
Inventory obsolescence	75.000	
Changes in assets and liabilities:		
Accounts receivable	298.582	282.39
Inventories	(104.416)	(35.97
Advances and prepaid expenses	(181.692)	16.57
Deferred revenue	(30.556)	100.00
Supplier deposits	18.850	(1.89
Accounts payable and accrued expenses	(93.282)	11.54
Income taxes payable	(4.300)	(62.82
Customer deposits	(2.198)	(1.00
Prepaid income tax	(24.581)	
Net cash provided by operating activities	268.243	636.77
Cash flows from investing activities:		
Restricted cash	-	25.00
Additions of telephones, equipment and leasehold improvements	(48.685)	(45.88
Investment in affiliate	-	(50.00
Increase in note receivable	(50.000)	(2.78
Collections on notes receivable – related parties	78.368	
Cash surrender value – life insurance	(103.788)	(127.30
Sale of equipment	24.119	
Net cash used in investing activities	(99.986)	(200.97
Cash flows from financing activities:		
Payments on line of credit	(150.208)	(148.51
Payments on long-term debt	(222.627)	(250.65
Payments on note payable – related party	(8.423)	(9.88
Borrowing on long-term debt	181.641	
Net cash used in financing activities	(199.617)	(409.05
Net (decrease) increase in cash	(31.360)	26.74
Cash, beginning of year	48.789	22.04
Cash, end of year	$ 17.429	$ 48.78

The accompanying notes are an integral part of this financial statement.

1. Description of Company and Summary of Significant Accounting Policies

The Company

The Company, a Nevada corporation formed in 1993, provides charge-a-call services to properties throughout the United States and various other countries. The Company receives revenues from telephone operator service companies based on customer telephone call volumes.

Cash

Cash includes cash on hand. demand deposits and investments with an original maturity at acquisition of three months or less.

Restricted Cash

Restricted cash, which is invested in a time certificate of deposit, consists of funds reserved under a credit card processing service agreement with National Bank of the Redwoods. These funds are reserved to cover current charge back and other charges resulting from merchant credit card activities.

Revenue Recognition

The Company recognizes revenues from services in the period services are rendered. Cash received in advance of services performed is deferred until services are performed and the Company's revenue recognition policies are met.

Accounts Receivable

Accounts receivable consist of telephone billings recorded on computerized tapes and submitted to telephone carriers and credit card processors for collection from customers.

An allowance for collection expenses and losses is recorded for accounts receivable to establish the receivable at net realizable value.

Note Receivable

During 2000, the Company loaned an affiliated entity $50,000 on a short-term unsecured promissory note. A lump sum is due no later than December 31, 2000, including interest at 10%.

Inventories

Inventories, consisting of telephones and dialers, are recorded at the lower of cost (first-in, first out) or market.

Capitalized Software Cost

The Company has capitalized internal use software in accordance with Statement of Position 98-1 in which application costs related to internal use software is capitalized and amortized over the estimated useful life. The estimated useful life of software at May 31, 2000, is ten months.

1. Description of Company and Summary of Significant Accounting Policies (Continued)

Telephones, Equipment and Leasehold Improvements

Telephones, equipment and leasehold improvement acquisitions are recorded at cost. Depreciation is computed using the straight-line method over estimated useful lives of five to seven years on telephones and equipment and over thirty years on leasehold improvements.

Due to technological advances, acquisition costs of new "non-intelligent" telephones which do not perform certain switch functions are expensed as cost of sales when incurred.

Intangible Assets

Telephone locations purchased from other vendors and retooling costs are recorded at estimated cost and are amortized using the straight-line method over estimated useful lives of fifteen years.

Customer Deposits

Deposits are funds received from customers for property monitoring systems installed on customer premises. The deposits are refunded when the property monitoring systems are returned to the Company. Portions of these deposits expected to be refunded currently, if any, are included in accounts payable.

Income Taxes

The Company accounts for income taxes under Statements of Financial Accounting Standards No. 09. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between book and tax methods of depreciation and other temporary differences. Deferred tax assets and liabilities represent the future tax return consequences of those differences, which will be either taxable or deductible when the assets and liabilities are recovered or settled.

Reclassification

Certain amounts in the 1999 financial statements have been reclassified to conform to the 2000 presentation.

Use of Estimates in Preparation of Financial Statements

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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

The Company expenses advertising costs the first time advertising takes place.

1. Description of Company and Summary of Significant Accounting Policies (Continued)

Other Income and Expenses
Other income in 1999 in the amount of $139,878 is comprised of a vendor negotiated settlement for poor performance.

Other expense for the years ended May 31, 2000 and 1999, consisted of $133,114 and $155,567, respectively, and related to system modification costs in preparation of year 2000 readiness.

2. Statements of Cash Flows – Summary of Noncash and Other Items

Income taxes paid during the years ended May 31, 2000 and 1999, totaled $50,976 and $109,029, respectively.

Interest expense paid on the cash basis for the years ended May 31, 2000 and 1999, amounted to $88,007 and $123,874, respectively.

During the year ended May 31, 2000, the Company refinanced with a different lender debt in the amount of $318,359 in a noncash transaction.

3. Telephones, Equipment and Leasehold Improvements

	2000	1999
Telephones	$ 1,948,801	$ 1,966,362
Equipment	1,030,304	1,055,089
Leasehold improvements	33,805	33,071
	3,012,910	3,054,522
Accumulated depreciation	(2,616,933)	(2,305,459)
	$ 395,977	$ 749,063

Depreciation expense for the years ended May 31, 2000 and 1999, totaled $377,652 and $362,246, respectively.

4. Line of Credit

Credit line – Columbia River Bank, $500,000 line of credit, interest at prime rate plus 1.5% (11%), secured by personal guarantees of the stockholders, accounts receivable, inventories and equipment, matures January 2001	$ 95,000	$ -

4. Line of Credit (Continued)

	2000	1999
Credit line – U.S. Bank, $1.3 million line of credit, interest at prime rate plus 2% (9.75%), secured by personal guarantees of the stockholders, accounts receivable, inventories, contract rights, equipment and intangibles, matures September 2000	$ -	$ 470.058

5. Long-Term Debt

	2000	1999
Note payable – Columbia River Bank payable $10.417 per month including interest at 8.75%, secured by personal guarantee of stockholder and inventory, equipment and fixtures, matures January 2004	$ 458.332	$ -
Note payable – U.S. Bank through the Small Business Administration, payable $6,178 per month including interest at prime rate plus 2.25% (10.75%), secured by substantially all assets of the Company, matures March 2000	-	74.082
Note payable – U.S. Bank through the Small Business Administration, payable $8.110 per month including interest at prime rate plus 2.75% (11.25%), secured by substantially all assets of the Company, matures June 1999	-	49.179
Note payable – payable $4.583 per months plus interest at prime rate plus 2.25% (10.75) secured by the Company's switch, matures March 2001	-	100.833
Note payable – shareholder, payable $6.557 per month including interest at 6.00%, matures February 2007	442.844	493.218
	901.176	717.312
Less current portion	(178.308)	(223.037)
	$ 722.868	$ 494.275

5. Long-Term Debt (Continued)

At May 31, 2000, scheduled maturities of debt are summarized at follows:

2001	S 178.574
2002	181.878
2003	185.387
2004	147.427
2005	68.061
Thereafter	139.849
	S 901.176

6. Related Party Transactions

A shareholder owed the Company S78.368 at May 31, 1999. The balance was paid in full by May 31, 2000.

The Company borrowed funds from related parties of S65.000. The funds together with interest at the rate of 11.25% were repaid during the year ended May 31, 1999.

	2000	1999
Note payable – Milton Buehner, payable S871 per month including interest at 9.25%, secured by airplane, paid in full during the year ended May 31, 2000	S -	S 8.423

In 1997, the Company began leasing phones from Pacific Trust Leasing (a company owned by a related party) at market rates for various types of phones. The lease agreement expires December, 2000. Lease payments were $457.982 and S446.056 for the years ended May 31, 2000 and 1999, respectively. At May 31, 2000, $13.845 was unpaid and was included in accounts payable.

Certain management services of the Pacific Trust Leasing, Inc., are performed by the Company. During the years ended May 31, 2000 and 1999, no fees were charged for these services.

The Company used an airplane owned by a majority of the stockholders. The airplane expenses paid during the years ended May 31, 2000 and 1999, were $27,021 and $28,743, respectively. At May 31, 2000 and 1999, $3,771 and $5,299, respectively, was unpaid and included in accounts payable.

During 2000 and 1999, the Company paid certain consulting fees to a stockholder of the Company in the amounts of $24,600 and $26,754, respectively.

6. Related Party Transactions (Continued)

During 1999, the Company made an investment of $50,000 in an affiliated entity which has an equal common fifty-percent ownership interest in a switch utilized by both companies. The Company owns 10% of the affiliated entity and accounts for its investment under the cost method. During 2000, the Company loaned $50,000 on a short term note including 10% interest. The note is due December 31, 2000.

7. Income Taxes

The provision (benefit) for income taxes consists of the following:

	2000	1999
Current taxes:		
Federal	$ (16,095)	$ (40,693)
State	(12,800)	(5,600)
	(28,895)	(46,293)
Deferred taxes:		
Federal	47,500	90,000
State	4,700	9,000
	52,200	99,000
	$ 23,305	$ 52,707

The income tax provision differs from the benefit or expense that would result from applying statutory tax rates to income before income taxes because of permanent and timing differences.

The tax effect of temporary differences that give rise to the deferred tax liability as of May 31, 2000 and 1999, is as follows:

	2000	1999
Deferred tax asset arising from:		
Deferred compensation	$ 113,000	$ 92,000
Contribution carryovers	30,000	23,000
Deferred revenue	23,200	-
Deferred tax asset	166,200	115,000
Deferred tax liability arising from:		
Prepaid expense	(63,500)	-
Depreciation expense	(79,000)	143,500
Deferred tax liability	(142,500)	(143,500)
	$ (23,700)	$ 28,500

8. Lease Commitments

The Company leases office space and equipment under operating leases expiring in various years through 2003. Leases include various phone and office equipment payments made to a related party as discussed in Note 6.

Future minimum lease payments, including to the related party, under these leases as of May 31, 2000, are as follows:

2001	$ 359,412
2002	69,988
2003	63,267
2004	5,068
2005	-
	$ 497,735

Lease expense amounted to $607,477 and $593,968 for the years ended May 31, 2000 and 1999, respectively.

9. Deferred Compensation Agreement

The Company entered into agreements with an officer and certain key employees to provide future benefits under a deferred compensation agreement. Certain life insurance policies were purchased by the Company whereby the Company agrees to a future compensation arrangement based on the life insurance face value plus cash surrender values under the plan.

The deferred compensation liability represents the Company's future obligation under this agreement and the cash surrender value of the life insurance policy offsets the future obligations under the agreements.

	2000	1999
Cash surrender value – life insurance	$ 277,740	$ 173,952
Deferred compensation liability	$ 374,563	$ 263,430

The Company incurred $100,254 and $133,723 in deferred compensation expense in 2000 and 1999, respectively.

10. Common Stock

During 1998, the Company authorized an 800-for-1 stock split to shareholders of record on February 28, 1998. The par value of the common stock was increased from no par to $0.01 per share. Each share is entitled to one vote and each shareholder continued to hold the same percentage of ownership of the Company. As of May 31, 2000 and 1999, common stock consisted of 2,000,000 authorized shares and 522,400 issued and outstanding shares of $0.01 par value common stock.

11. Concentration of Credit Risk

The Company collects most of its telephone billings from three telephone carriers and, as a result, maintains individually significant receivable balances with these telephone carriers. The receivable balances of these telephone carriers collectively represent 71% and 75% of total accounts receivable at May 31, 2000 and 1999, respectively. The Company does not require collateral but performs on-going credit evaluations of these organizations.