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AZ CORP COMMISSION
DOCUMENT CONTROL

January 15, 2001

alex.valencia@phonesforall.com

Arizona Corporation Commission
Docket #

JAN 16 2001

VIA UPS NEXT DAY AIR

Arizona Corporation Commission
Docket Control Center
1200 West Washington Street
Phoenix, Arizona 85007-2927



Re: Preferred Carrier Services, Inc. d/ba Phones For All™/Teléfonos Para Todos - Docket Number T-03583A-98-0349

Dear Commission:

Enclosed for filing is an original and ten (10) copies of updated financials and a letter of guaranty for Preferred Carrier Services, Inc. These updated, un-audited financials should replace the existing financials in the application for Preferred Carrier Services, Inc. in the above-mentioned docket.

Please feel free to contact me at (972) 404-5437, if you have any questions or require further information. Thank you for your attention to this matter.

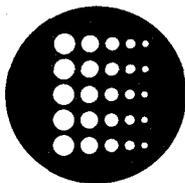
Respectfully,

PREFERRED CARRIER SERVICES, INC.


Alex Valencia
Regulatory Counsel

Enclosures

ORIGINAL



PHONES FOR ALL, INC.

*Local Phone Service
Long Distance Service*

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AZ CORP COMMISSION
DOCUMENT CONTROL

January 15, 2001

Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Re: Parent Guaranty Obligations of Preferred Carrier Services, Inc.

Dear Commission:

This letter of guaranty is being issued by Phones For All, Inc. ("PFA"), a Delaware corporation, on behalf of its wholly-owned subsidiary, Preferred Carrier Services, Inc. ("PCS"), a Texas corporation. This guaranty is issued in connection with the application of PCS to provide competitive local exchange service throughout the State of Arizona in docket number T-03583A-98-0349.

PFA guarantees that it will provide sufficient financial backing to continue services to local exchange customers of PCS who have paid for such services should PCS experience a net loss or business failure. PFA also guaranties repayment of customers' advances, prepayments or deposits held by PCS if PCS cannot provide service or repay these monies. The foregoing guaranty is limited in its scope to the provision by PCS of local exchange service in the State of Arizona and to the contingencies specified in this letter.

Very truly yours,

PHONES FOR ALL, INC.

By: _____
Printed Name: Steven Jamieson
Title: CEO/President
Date: 01/15/01

PHONES FOR ALL, INC.
CONSOLIDATED BALANCE SHEET

December 31, 2000

Assets

Current Assets

Cash	21,826.18
Restricted Cash	1,218.81
Accounts Receivable-Agents	264,522.62
Allowance For Doubtful Accounts	(57,784.98)
A/R Writeoff	0.00
A/R Other	1,076.38
Prepays	50,009.97
Deposits	83,040.90
A/R - Employees & Other	1,313.27
TOTAL Current Assets	<u>365,223.15</u>

Fixed Assets

Furniture & Fixtures	131,132.87
Office Equipment	34,460.85
Computer & Network Equipment	505,280.86
Phone Equipment	372,774.41
Software	256,570.24
Leasehold Improvements	12,427.93
Accum Depr - Furn & Fixtures	(617,693.09)
TOTAL Fixed Assets	<u>694,954.07</u>

Other Assets

Goodwill - PCS Purchase	1,100,000.00
Accum Amortization - Goodwill	(348,333.13)
TOTAL Other Assets	<u>751,666.87</u>

TOTAL ASSETS	<u><u>1,811,844.09</u></u>
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PHONES FOR ALL, INC.
CONSOLIDATED BALANCE SHEET

December 31, 2000

Liabilities & Equity

Current Liabilities

Accounts Payable	1,046,469.37
Accrued Expenses - Other	256,009.60
Accrued Medical Expenses	37,976.49
Accrued Vacation	68,517.87
Accrued Salaries & 401K	18,893.96
Accrued Commissions	4,243.00
Capital Leases	26,796.22
Federal Withholding	3,101.12
FICA - Employer	2,888.86
Federal Unemployment	5.36
State Unemployment	5.34
Telecom Tax - State	691,366.57
FCC - 3% Excise Tax	92,607.39
Sales Tax - State	0.00
Unearned Revenue	(229,855.69)
Southland	822,070.77
Circle K - Corporate	72,107.09
Circle K - Valley	(29,159.81)
Speedway Super America	16,034.82
TOTAL Current Liabilities	<u>2,900,078.33</u>

Long Term Liabilities

Accrued Statutory Liabilities	685,237.06
Capital Leases - Long-term	1,468.38
Notes Payable	1,850,000.00
Accrued Interest	125,726.52
TOTAL Long Term Liabilities	<u>2,662,431.96</u>

TOTAL LIABILITIES

5,562,510.29

Equity

Common Stock	5,000.00
Paid In Capital	14,917,398.43
Retained Earnings	(19,590,772.14)
Retained Earnings-Current Year	917,707.51
TOTAL Equity	<u>(3,750,666.20)</u>

TOTAL Liabilities AND Equity

1,811,844.09

PHONES FOR ALL, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED:
December 31, 2000

	<u>December 31, 2000</u>	<u>YEAR TO DATE</u>
OPERATING REVENUES		
Sales - Local Dial Tone	1,171,692.10	17,094,604.75
FCC Taxes & Surcharges	(85,639.32)	(1,638,336.37)
Returns - Local	(3,629.51)	(83,956.61)
TOTAL OPERATING REVENUES	1,082,423.27	15,372,311.77
COST OF REVENUES		
Local Monthly Service	670,980.48	10,169,067.81
TOTAL COST OF REVENUES	670,980.48	10,169,067.81
GROSS PROFIT	411,442.79	5,203,243.96
OPERATING EXPENSES		
Selling Expense	234,587.37	3,242,475.16
G & A Expense	322,948.60	3,967,365.19
Rent - Housing	19,245.74	236,500.69
TOTAL OPERATING EXPENSES	576,781.71	7,446,341.04
EBITDA	(165,338.92)	(2,243,097.08)
OTHER INCOME(EXPENSES)		
Interest Income	12.98	664.49
Uncatergorized Income	0.00	35,844.05
Interest Expense	(62,847.93)	(354,765.02)
Depreciation	(24,521.15)	(293,828.24)
Amortization - Leasehold Impr	0.00	(4,637.34)
Amortization - Goodwill	(9,166.66)	(109,999.92)
Professional Fees- Legal	(211,798.14)	(231,823.54)
Statutory Filing Fees	0.00	(48,897.52)
TOTAL OTHER INCOME(EXPENSES)	(308,320.90)	(1,007,443.04)
NET INCOME(LOSS)	(473,659.82)	(3,250,540.12)
EXTRAORDINARY GAIN(LOSS)	4,168,247.63	4,168,247.63
NET INCOME AFTER EXTRAORDINARY ITEMS	3,694,587.81	917,707.51