

LAW OFFICES
SHUGHART THOMSON & KILROY
A Professional Corporation

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ANNE E. POPPER
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Reply to Kansas City Office

April 26, 2000

FILED

APR 28 2000

Secretary of the Commission
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

Missouri Public
Service Commission

**Re: Application for Certificate of Service Authority
Application for Merger Approval**


TM-2000-699

Dear Secretary of the Commission:

Enclosed are the original and sixteen (16) copies of JD Services Inc.'s Application for Certificate of Service Authority and Application for Merger Approval. Please file the original and **fourteen (14)** copies of each Application with the Commission, and return the two (2) extra copies to us with a file stamp in the enclosed self-addressed stamped envelope.

We appreciate your cooperation in this matter, and please do not hesitate to call if you have any questions.

Very truly yours,


ANNE E. POPPER

AEP/
enclosures

cc: Kristin K. Sornson, Esq.

FILED

BEFORE THE PUBLIC SERVICE COMMISSION APR 28 2000
OF THE STATE OF MISSOURI

Missouri Public
Service Commission

In the Matter of the Application of)
J D Services, Inc., a Utah corporation,)
and J D Services, Inc., a Nevada)
corporation, for an Order Authorizing)
the Acquisition by Merger of J D Services,))
Inc., a Utah corporation, by J D Services,)
Inc., a Nevada corporation)

Case No. TM-2000-699

APPLICATION

J D Services, Inc., a Utah corporation, ("JDS Utah") and J D Services, Inc., a Nevada corporation ("JDS Nevada") (together "Applicants") file this Application, pursuant to Section 392.300 of the Missouri Revised Statutes, respectfully requesting that the Missouri Public Service Commission issue an Order granting authorization for the acquisition by merger of JDS Utah by JDS Nevada. In support of their request, Applicants provide the following:

1. The Parties

JDS Utah was issued a certificate of public convenience and necessity from the Commission to provide intrastate interexchange telecommunications services and was classified as a competitive telecommunications company on November 29, 1995, in Case No. TA-96-131. Pursuant to its current tariff, JDS Utah provides debit card services. Its principal place of business is located at 1890 South 3850 West, Salt Lake City, UT 84104.

JDS Nevada, pursuant to 4 CSR 240-2.060(9), is concurrently filing with the Commission an application for a certificate of service authority to provide intrastate interexchange telecommunications services. JDS Nevada will provide debit card services. Its principal place of business is located at 1890 South 3850 West, Salt Lake City, UT 84104.

2. The Transaction

In a Plan of Merger dated March 3, 1998, JDS Utah was merged with and into JDS Nevada, with JDS Nevada surviving. The Plan of Merger was executed by the presidents and secretaries of both corporations. A copy of the Plan of Merger is attached hereto as Exhibit A.

According to the Plan of Merger, each outstanding share of common stock of JDS Utah was converted into 500 fully-paid and non assessable restricted shares of Exchanged JDS Nevada Stock with the holders of JDS Utah common stock receiving an aggregate of approximately 25,000,000 shares of Exchanged JDS Nevada Stock.

JDS Nevada, as the surviving corporation, assumed all of the debts, liabilities and assets of JDS Utah. Moreover, JDS Nevada has the same officers, directors, shareholders and place of business as JDS Utah. Accordingly, the company's operations will continue with no substantive change.

3. Board Resolutions

Attached hereto as Exhibit B are copies of the resolutions of the boards of directors of JDS Utah and JDS Nevada authorizing the merger.

4. Financial Information

Attached hereto as Exhibit C are the Applicants' financial statements for the years 1997 and 1998, the year before the merger and the year during which the merger took place. The information provided is contained in a single statement as JDS Nevada was incorporated only shortly before the merger took place, and all other aspects of operation continued without interruption.

5. Requested Approval

Applicants respectfully request that the Commission issue an order approving the merger of JDS Utah with and into JDS Nevada. JDS Nevada proposes to adopt the filed tariff of JDS Utah. The intrastate authority of JDS Utah should be withdrawn. The former services provided by JDS Utah will be provided by JDS Nevada.

Concurrently herewith, JDS Nevada has filed an application for a certificate of service authority.

6. Correspondence

Correspondence, communications and orders of the Commission should be sent to:

P. John Brady
Shughart Thomson & Kilroy
Twelve Wyandotte Plaza
120 West 12th Street
Kansas City, MO 64105-1929
(816) 421-3355
(816) 374-0509 (Fax)

with a copy to:

Mark A. Pieper
McGill, Gotsdiner, Workman & Lepp, P.C.
11404 West Dodge Road, Suite 500
Omaha, NE 68154-2576
(402) 492-9200
(402) 492-9222 (Fax)

7. Other Considerations

The proposed merger is not detrimental to the public interest. The only substantive effect of the proposed merger is that the state of incorporation of J D Services, Inc. will have changed from Utah to Nevada. The operations of J D Services, Inc. will continue with no substantive changes.

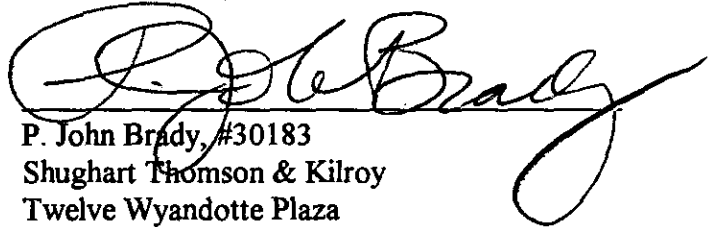
Neither JDS Utah nor JDS Nevada has any structures, facilities or equipment located in Missouri. Accordingly, the proposed merger will have no impact on the tax revenues of any political subdivisions in Missouri.

CONCLUSION

Wherefore, for the reasons stated herein, Applicants respectfully request that the Commission issue an order approving the merger of JDS Utah with and into JDS Nevada, the adoption by JDS Nevada of JDS Utah's current filed tariff, and the withdrawal of JDS Utah's authority.

J D SERVICES, INC.

By:



P. John Brady, #30183
Shughart Thomson & Kilroy
Twelve Wyandotte Plaza
120 West 12th Street
Kansas City, MO 64105-1929
(816) 421-3355
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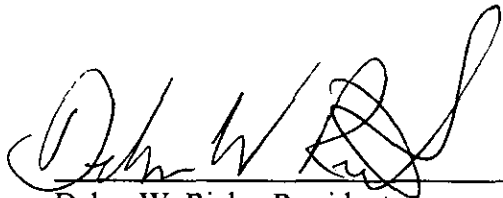
and

Mark A. Pieper
McGill, Gotsdiner, Workman & Lepp, P.C.
11404 West Dodge Road, Suite 500
Omaha, NE 68154-2576
(402) 492-9200

Attorneys for J D Services, Inc.

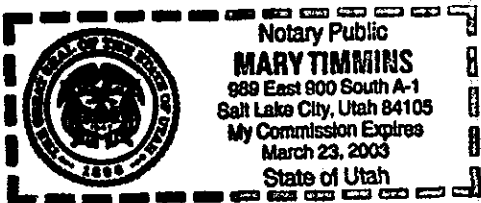
VERIFICATION OF APPLICANT

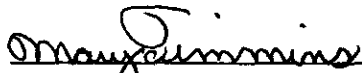
The undersigned officer of J D Services, Inc., a Utah corporation, being first duly sworn, deposes and says the following: That she is the President of J D Services, Inc., a Utah corporation; that she has read the foregoing Application and knows the contents thereof, and that the same is true of her knowledge except as to the matters stated upon information and belief, and as to those matters she believes them to be true; and that she attests to and adopts all filings submitted with this Application; and that she consents to the verification affidavit being used as evidence in this proceeding.



Debra W. Ricks, President
J D Services, Inc., a Utah corporation

Subscribed and sworn to before me this 4th day of April, 2000.

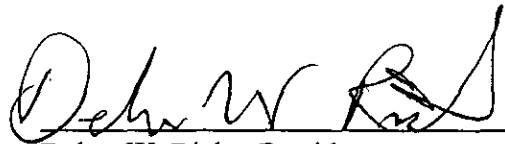




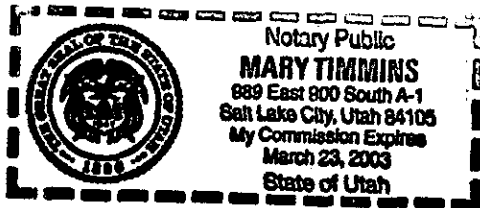
Notary Public

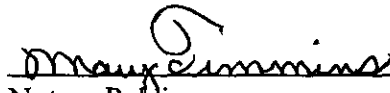
VERIFICATION OF APPLICANT

The undersigned officer of J D Services, Inc., a Nevada corporation, being first duly sworn, deposes and says the following: That she is the President of J D Services, Inc., a Nevada corporation; that she has read the foregoing Application and knows the contents thereof, and that the same is true of her knowledge except as to the matters stated upon information and belief, and as to those matters she believes them to be true; and that she attests to and adopts all filings submitted with this Application; and that she consents to the verification affidavit being used as evidence in this proceeding.


Debra W. Ricks, President
J D Services, Inc., a Nevada corporation

Subscribed and sworn to before me this 4th day of April, 2000.




Notary Public

PLAN OF MERGER

THIS PLAN OF MERGER is made and entered into this 3 ^{March} day of February, 1998, by and between J D SERVICES, INC., a Nevada corporation ("J D-Nev"), and J D SERVICES, Inc., a Utah corporation ("J D-Utah"), such corporations being hereinafter collectively referred to as the "Constituent Corporations."

RECITALS

WHEREAS, J D-Nev is a corporation duly organized and existing under the laws of the state of Delaware, having an authorized capital of 50,000,000 shares of common stock, par value \$0.001 per share (the "Common Stock of J D-Nev"), of which 1,000 shares are issued and outstanding as of the date hereof; 10,000,000 shares of preferred stock, par value \$0.01 per share, no shares of which are issued and outstanding as of the date hereof; and

WHEREAS, J D-Utah is a corporation duly organized and existing under the laws of the state of Utah, having an authorized capital of 50,000 shares of common stock, par value \$1.00 (the "Common Stock of J D-Utah"), of which 1,000 shares are issued and outstanding as of the date hereof; and

WHEREAS, the respective boards of directors of J D-Nev and J D-Utah have each duly approved this Plan of Merger (the "Plan") providing for the merger of J D-Utah with and into J D-Nev, with J D-Nev as the surviving corporation as authorized by the statutes of the states of Nevada and Utah; and

WHEREAS, the purpose of the merger is to change the domicile of J D-Utah to the state of Nevada.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements herein contained, and for the purpose of setting forth the terms and conditions of said merger and the manner and basis of causing the shares of Common Stock of J D-Utah to be converted into shares of Exchanged J D-Nev Stock and such other provisions as are deemed necessary or desirable, the parties hereto have agreed and do hereby agree, subject to the approval and adoption of this Plan by the requisite vote of the stockholders of each Constituent Corporation, and subject to the conditions hereinafter set forth, as follows:

ARTICLE I

MERGER AND NAME OF SURVIVING CORPORATION

On the effective date of the merger, J D-Utah and J D-Nev shall cease to exist separately and J D-Utah shall be merged with and into J D-Nev, which is hereby designated as the "Surviving Corporation," the name of which on and after the effective date of the merger shall be "J D Services Inc." or such other name as may be available and the parties may agree to.

ARTICLE II

TERMS AND CONDITIONS OF MERGER

The terms and conditions of the merger are (in addition to those set forth elsewhere in this Plan) as follows:

(a) On the effective date of the merger:

(1) J D-Utah shall be merged into J D-Nev to form a single corporation, and J D-Nev shall be, and is designated herein as, the Surviving Corporation;

(2) the separate existence of J D-Utah shall cease;

(3) the Surviving Corporation shall have all the rights, privileges, immunities, and powers and shall be subject to all duties and liabilities of a corporation organized under the General Corporation Law of the state of Nevada; and

(4) the Surviving Corporation shall thereupon and thereafter possess all the rights, privileges, immunities, and franchises, of a public as well as of a private nature, of each of the Constituent Corporations; and all property, real, personal, and mixed, and all debts due of whatever account, including subscriptions to shares, and all other choses in action, and all and every other interest, of or belonging to or due to each of the Constituent Corporations, shall be taken and deemed to be transferred to and vested in the Surviving Corporation without further act or deed; the title to any real estate, or any interest therein, vested in either Constituent Corporation shall not revert or be in any way impaired by reason of the merger; the Surviving Corporation shall thenceforth be responsible and liable for all the liabilities and obligations of each of the Constituent Corporations; any claim existing or action or proceeding pending by or against either of such Constituent Corporations may be prosecuted as if the merger had not taken place, or the Surviving Corporation may be substituted in place of either of the Constituent Corporations; and neither the rights of creditors nor any liens on the property of either of the Constituent Corporations shall be impaired by the merger.

(b) On the effective date of the merger, the board of directors of the Surviving Corporation and the members thereof, shall consist of the members of the board of directors of J D-Nev immediately prior to the merger; to serve thereafter in accordance with the bylaws of the Surviving Corporation and until their respective successors shall have been duly elected and qualified in accordance with such bylaws and the laws of the state of Nevada.

(c) On the effective date of the merger, the officers of the Surviving Corporation shall be the officers of J D-Nev immediately prior to the merger, such officers to serve thereafter in accordance with the bylaws of the Surviving Corporation and until their respective successors shall have been duly elected and qualified in accordance with such bylaws and the laws of the state of Nevada.

If on the effective date of the merger, a vacancy shall exist in the board of directors or in any of the offices of the Surviving Corporation, such vacancy may be filled in the manner provided in the bylaws of the Surviving Corporation.

clm/12/12/2009

ARTICLE III

MANNER AND BASIS OF CONVERTING SHARES

The manner and basis of converting the shares of Common Stock of J D-Utah into shares of the Exchanged J D-Nev, and the mode of carrying the merger into effect are as follows:

(a) Each one share of the Common Stock of J D-Utah outstanding on the effective date of the merger shall, without any action on the part of the holder thereof, be converted into 500 fully-paid and non-assessable restricted shares of Exchanged J D-Nev Stock, so that the 50,000 outstanding shares of J D-Utah Common Stock are converted into an aggregate of approximately 25,000,000 shares of Exchanged J D-Nev Stock, which shares of Exchanged J D-Nev Stock shall thereupon be duly and validly issued and outstanding, fully-paid, and non-assessable and shall not be liable to any further call, nor shall the holder thereof be liable for any further payment with respect thereon. After the effective date of the merger, each holder of an outstanding certificate which prior thereto represented shares of the Common Stock of J D-Utah shall be entitled on surrender thereof to the transfer and exchange agent of J D-Nev and on execution and delivery of a representation letter in a form acceptable to J D-Nev, to receive in exchange therefor a certificate or certificates representing the number of whole shares of Exchanged J D-Nev Stock into which the shares of Common Stock of J D-Utah so surrendered shall have been converted as set forth above, in such denominations and registered in such names as such holder may request. Until so surrendered, each such outstanding certificate which, prior to the effective date of the merger, represented shares of Common Stock of J D-Utah shall for all purposes evidence the shares of Exchanged J D-Nev Stock into which such shares shall have been converted; provided, that dividends or other distributions which are payable in respect to shares of Exchanged J D-Nev Stock into which shares of Common Stock of J D-Utah shall have been converted shall be set aside by J D-Nev and shall not be paid to holders of certificates representing such shares of Common Stock of J D-Utah until such certificates shall have been surrendered in exchange for certificates representing shares of Exchanged J D-Nev Stock, and on such surrender, holders of such shares shall be entitled to receive such dividends or other distributions without interest. J D-Nev shall not issue any fractional interest in shares of Exchanged J D-Nev Stock in connection with the aforesaid conversion and the number of shares of Exchanged J D-Nev Stock to which shares of J D-Utah Common Stock shall be converted shall be rounded to the nearest whole number of shares.

(b) All shares of Exchanged J D-Nev Stock into which shares of the Common Stock of J D-Utah shall have been converted pursuant to this Article III shall be issued in full satisfaction of all rights pertaining to the shares of Common Stock of J D-Utah.

(c) If any certificate for shares of Exchanged J D-Nev Stock is to be issued in a name other than that in which the certificate surrendered in exchange therefor is registered, it shall be a condition of the issuance thereof that the certificate so surrendered shall be properly endorsed and otherwise in proper form for transfer and that the person requesting such exchange pay to J D-Nev, or any agent designated by it any transfer or other taxes required by reason of the issuance of a certificate for shares of common stock of J D-Nev, in any name other than that of the registered holder of the certificate surrendered, or establish to the satisfaction of J D-Nev, or any agent designated by it that such tax has been paid or is not payable.

ARTICLE IV

ARTICLES OF INCORPORATION AND BYLAWS

The articles of incorporation of J D-Nev shall, on the merger becoming effective, be and constitute the articles of incorporation of the Surviving Corporation unless and until amended in the manner provided by law.

The bylaws of J D-Nev shall, on the merger becoming effective, be and constitute the bylaws of the Surviving Corporation unless and until amended in the manner provided by law.

ARTICLE V

OTHER PROVISIONS WITH RESPECT TO MERGER

This Plan shall be submitted to a vote of a meeting of shareholders of each of the Constituent Corporations as provided by the laws of the states of Nevada and Utah. After the approval or adoption thereof by the shareholders of each Constituent Corporation in accordance with the requirements of the laws of the states of Nevada and Utah, all required documents shall be executed, filed, and recorded, and all required acts shall be done in order to accomplish the merger under the provisions of the laws of the states of Nevada and Utah, subject to the terms and conditions of the Reorganization Agreement.

ARTICLE VI

APPROVAL AND EFFECTIVE DATE OF THE MERGER; MISCELLANEOUS MATTERS

The merger shall become effective when all the following actions have been taken:

(a) This Plan shall be authorized, adopted, and approved on behalf of the Constituent Corporations in accordance with the laws of the states of Nevada and Utah;

(b) This Plan, or the Articles of Merger attached hereto as Exhibit "A," shall be executed and verified in accordance with the laws of the state of Nevada, shall be filed in the office of the Secretary of State of the state of Nevada, and such office shall have issued a certificate of merger reflecting such filing; and

(c) Articles of Merger (with this Plan attached as Exhibit "A" thereof), setting forth the information required by, and executed and verified in accordance with, the laws of the state of Utah, shall be filed in the office of the Division of Corporations of the state of Utah, and such office shall have issued a certificate of merger reflecting such filing.

The date on which such actions are completed and such merger is effective is herein referred to as the "effective date."

If at any time the Surviving Corporation shall deem or be advised that any further grants, assignments, confirmations, or assurances are necessary or desirable to vest, perfect, or confirm title in the Surviving Corporation, of record or otherwise, in any property of J D-Utah acquired or to be acquired

Class of Surviving Corp.

by, or as a result of, the merger, the officers and directors of JD-Utah or any of them shall be, and they hereby are, severally and fully authorized to execute and deliver any and all such deeds, assignments, confirmations, and assurances and to do all things necessary or proper so as to best prove, confirm, and ratify title to such property in the Surviving Corporation and otherwise carry out the purposes of the merger and the terms of this Plan.

JD-Nev, the Surviving Corporation, hereby agrees and covenants that from and after the effective date of the merger, it will promptly pay to the dissenting shareholders, if any, of JD-Utah the amount, if any, to which such shareholder shall be entitled under the provisions of the Utah Corporation Code Annotated.

For the convenience of the Parties and to facilitate the filing and recording of this Plan, any number of counterparts hereof may be executed, and each such counterpart shall be deemed to be an original instrument and all such counterparts together shall be considered one instrument.

This Plan shall be governed by and construed in accordance with the laws of the states of Nevada and Utah, as applicable.

This Plan cannot be altered or amended, except pursuant to an instrument in writing signed on behalf of the parties hereto.

IN WITNESS WHEREOF, each Constituent Corporation has caused this Plan of Merger to be executed, all as of the date first-above written.

JD SERVICES, INC., a Nevada
Corporation

ATTEST:

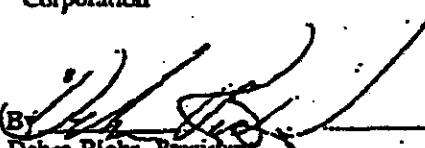

Gerald Ricks, Secretary

By 
Debra Ricks, President

JD SERVICES, INC., A Utah
Corporation

ATTEST:


Gerald Ricks, Secretary

By 
Debra Ricks, President

EXECUTION AND ACKNOWLEDGEMENT

The foregoing Plan of Merger, having been approved by the board of directors of each Constituent Corporation, and having been adopted separately by the stockholders of each Constituent Corporation thereto in accordance with the Nevada Revised Statutes and the Utah Revised Business Corporation Act, the president and secretary of JD-Services, a Nevada corporation, and the president and secretary of JD-Nev, a Utah corporation, do hereby execute this Plan of Merger this 3 day of ~~February~~ ^{March}, 1998, declaring and certifying that this is our act and deed and the facts herein stated are true.

JD SERVICES, INC., a Nevada
Corporation

ATTEST:

Gerald Ricks
Gerald Ricks, Secretary

By Debra Ricks
Debra Ricks, President

JD SERVICES, INC., a Utah
Corporation

ATTEST:

Gerald Ricks
Gerald Ricks, Secretary

By Debra Ricks
Debra Ricks, President

STATE OF UTAH)

COUNTY OF SALT LAKE)

I, Pamela L. Warren, a notary public, hereby certify that on the 3rd day of ~~February~~ ^{March}, 1998, personally appeared before me the president and secretary of JD Services, Inc., a Nevada corporation ("JD-Nev"), and the president and secretary of JD Services, Inc., a Utah corporation ("JD-Utah"), who being by me first duly sworn, severally declared that they are the persons who signed the foregoing documents as the president and secretary, respectively, of JD-Nev and JD-Utah, and that the statements therein contained are true.

WITNESS MY HAND AND OFFICIAL SEAL.

Pamela L. Warren
NOTARY PUBLIC
Residing in UTAH

My Commission Expires: Dec. 4, 1999

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FILED
IN THE OFFICE OF THE
SECRETARY OF STATE OF THE
STATE OF NEVADA

AUG 06 1998
No. C 8200-98
Dean Heller
DEAN HELLER, SECRETARY OF STATE

Co# 173544

RECEIVED

AUG 10 1998

Utah Chs. of Corp. Comm. Code

Exhibit "A" to
Plan of Merger

SJS

ARTICLES OF MERGER

KNOW ALL MEN BY THESE PRESENTS:

THESE ARTICLES OF MERGER are executed and entered into as of the 3 day of ^{March} February, 1998, by and between J D SERVICES, INC., a Nevada corporation (hereinafter referred to as "J D" or the "Surviving Corporation"), and J D SERVICES, INC., a Utah corporation (hereinafter referred to as "J D-Utah").
Co# 173544

WITNESSETH:

I

Plan of Merger

Pursuant to these Articles of Merger, it is intended and agreed that J D-Utah will be merged into J D and J D shall be the Surviving Corporation. The name of the Surviving Corporation shall be "J D Services, Inc." The terms, conditions, and understandings of the merger are set forth in the Plan of Merger between J D and J D-Utah dated as of February 3, 1998, a copy of which is attached hereto as Exhibit "A" and incorporated herein by this reference.

II

Articles of Incorporation and Bylaws

On the consummation of the merger, the articles of incorporation and bylaws of the Surviving Corporation shall be the articles of incorporation and bylaws of J D (copies of which are attached hereto as Exhibits "B" and "C" and are incorporated herein by this reference).

III

Authorized and Outstanding Shares of J D

J D has authorized 50,000,000 shares of common voting stock, par value, \$0.001, of which 1,000 shares are issued and outstanding; and 10,000,000 shares of preferred stock, par value \$0.01, of which no shares are outstanding. Each of the shares of common stock is entitled to one vote.

State of Utah
Department of Commerce
Division of Corporations and Commercial Code

I hereby certify that the foregoing has been filed and approved on the 10 day of August 1998 in the office of this Division and hereby issue this Certificate thereof.

Examiner

Date 9/1/98



LORENA R. RUPPO
DIVISION DIRECTOR

8222000004

IV

Authorized and Outstanding Shares of Merger Co.

JD-Utah has 50,000 shares of common stock, \$1.00 par value, authorized, of which 1,000 shares are issued and outstanding. Each of the shares is entitled to one vote.

V

Approval by Shareholders of JD

Of the 1,000 issued and outstanding shares of JD, all of such shares were voted in favor of entering into the Plan of Merger, with no shares of common stock of JD dissenting. Such shares were voted individually and not as a class.

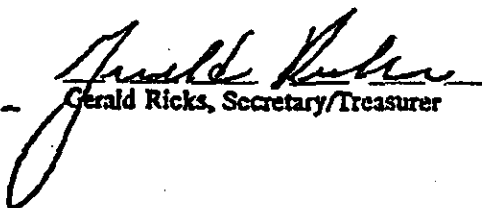
VI

Approval by Shareholders of Merger Co.

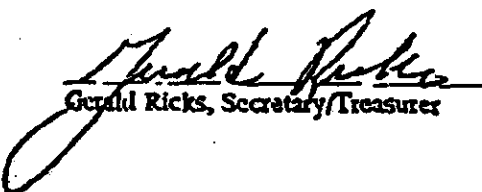
All 1,000 shares of common stock of JD-Utah were voted in favor of entering into the Plan of Merger with no shares of common stock of JD-Utah dissenting. Such shares were voted individually and not as a class.

IN WITNESS WHEREOF, the undersigned corporations, acting by their respective presidents and secretaries, have executed these Articles of Merger as of the date first-above written.


ATTEST:


Gerald Ricks, Secretary/Treasurer

ATTEST:


Gerald Ricks, Secretary/Treasurer

JD SERVICES, INC.
A Nevada Corporation

By 
Debra Ricks, President

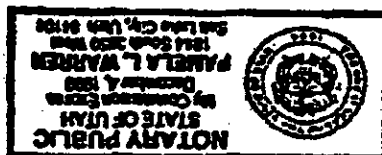
JD SERVICES, INC.
A Utah Corporation

By 
Debra Ricks, President

3

Don't know

James C. Lewis
 Notary Public
 Residing in UTAH



On this 3rd day of February, 1998, personally appeared me Debra Ricks and Gerald Ricks, who being by me duly sworn did say, each for themselves, that she, the said Debra Ricks, is the president, and he, the said Gerald Ricks, is the secretary, respectively, of JD Services, Inc., a Utah corporation, and JD Services, Inc., a Nevada corporation, that they are the persons who executed the foregoing Articles of Merger on behalf of said corporations and that the statements contained therein are true.

STATE OF UTAH
 COUNTY OF SALT LAKE



60 East South Temple
Suite 900
Salt Lake City, UT 84111

Independent Auditors' Report

The Board of Directors
J D Services, Incorporated:

We have audited the accompanying balance sheets of J D Services, Incorporated as of December 31, 1998 and 1997, and the related statements of operations, stockholders' deficit, and cash flows for the years 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of J D Services, Incorporated as of December 31, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

KPMG LLP

January 29, 1999

J D SERVICES, INCORPORATED

Balance Sheets

December 31, 1998 and 1997

	1998	1997
Assets		
Current assets:		
Cash	\$ 375,584	521,503
Restricted cash	316,006	—
Certificates of deposit	42,079	—
Restricted certificates of deposit	306,312	—
Accounts receivable, less allowances for doubtful accounts of \$1,428,260 in 1998 and \$250,000 in 1997	5,278,832	639,411
Income taxes receivable	—	10,000
Current portion of notes receivable (note 2)	219,149	—
Loans to employees (note 8)	9,000	—
Prepaid expenses and other current assets (note 3)	114,040	1,010,482
Total current assets	6,661,002	2,181,396
Furniture and equipment, net (note 4)	9,336,923	1,991,981
Notes receivable, excluding current portion (note 2)	1,042,026	—
Deferred income taxes (note 7)	532,741	—
Deposits	850,631	307,905
	\$ 18,423,323	4,481,282
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	\$ 1,938,572	3,428,800
Accrued taxes	1,621,819	925,193
Accrued expenses	3,469,962	2,146,543
Notes payable (note 5)	69,917	126,033
Current portion of capital lease obligation (note 6)	1,105,800	480,245
Income taxes payable	183,596	—
Deferred revenue	7,121,580	273,197
Total current liabilities	15,511,246	7,380,011
Long-term liabilities:		
Capital lease obligation, excluding current portion (note 6)	2,312,934	510,881
Deposits held	391,066	223,350
Deferred income taxes (note 7)	470,495	—
Total long-term liabilities	3,174,495	734,231
Total liabilities	18,685,741	8,114,242
Stockholders' deficit:		
Capital stock, \$1.00 par value. Authorized 50,000 shares issued and outstanding 1,000 shares	1,000	1,000
Additional paid-in capital	7,820	7,820
Accumulated deficit	(271,238)	(3,641,780)
Total stockholders' deficit	(262,418)	(3,632,960)
Commitments and contingencies (note 5, 6, 9, 10, and 11)		
	\$ 18,423,323	4,481,282

See accompanying notes to financial statements.

J D SERVICES, INCORPORATED**Statements of Operations****Years ended December 31, 1998 and 1997**

	<u>1998</u>	<u>1997</u>
Operating revenue:		
Sales:		
Telephone debit cards	\$ 34,336,739	9,760,078
800 numbers	618,112	476,627
Recharges	3,647,062	1,540,813
Pay-by-use	56,695,793	17,185,815
Other	1,001,843	17,833
Allowances, discounts, and services credits	<u>(4,337,916)</u>	<u>(1,283,364)</u>
Net operating revenue	91,961,633	27,697,802
Cost of sales	<u>71,336,980</u>	<u>23,748,655</u>
Gross profit	20,624,653	3,949,147
Operating expenses	<u>16,838,089</u>	<u>6,528,437</u>
Income (loss) from operations	3,786,564	(2,579,290)
Other income and expense:		
Interest expense	(345,578)	(106,413)
Other, net	<u>70,906</u>	<u>(51,985)</u>
Income (loss) before income taxes	3,511,892	(2,737,688)
Income tax expense (note 7)	<u>141,350</u>	<u>—</u>
Net income (loss)	\$ 3,370,542	(2,737,688)

See accompanying notes to financial statements.

ID SERVICES, INCORPORATED**Statements of Stockholders' Deficit****Years ended December 31, 1998 and 1997**

	<u>Common stock</u>		<u>Additional paid-in capital</u>	<u>Accumulated deficit</u>	<u>Total stockholders' deficit</u>
	<u>Shares</u>	<u>Amount</u>			
Balances at December 31, 1996	1,000 \$	1,000	7,820	(904,092)	(895,272)
Net loss	—	—	—	(2,737,688)	(2,737,688)
Balances at December 31, 1997	1,000	1,000	7,820	(3,641,780)	(3,632,960)
Net income	—	—	—	3,370,542	3,370,542
Balances at December 31, 1998	1,000 \$	1,000	7,820	(271,238)	(262,418)

See accompanying notes to financial statements.

J D SERVICES, INCORPORATED

Statements of Cash Flows

Years ended December 31, 1998 and 1997

	1998	1997
Cash flows from operating activities:		
Net income (loss)	\$ 3,370,542	(2,737,688)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,239,614	659,045
Provision for bad debts	6,961,595	690,807
Loss on disposal of equipment	43,450	5,375
Deferred income taxes	(62,246)	—
Changes in operating assets and liabilities:		
Accounts receivable	(10,081,304)	(1,079,118)
Prepays and other assets	344,716	(946,737)
Notes receivable	(2,780,887)	—
Accounts payable and accrued expenses	529,817	4,662,299
Deferred revenue	6,848,383	231,206
Deposits held	167,716	170,050
Income taxes	193,596	—
Net cash provided by operating activities	6,774,992	1,655,239
Cash flows from investing activities:		
Purchase of equipment	(5,395,403)	(863,595)
Purchase of certificates of deposit	(42,079)	—
Net cash used in investing activities	(5,437,482)	(863,595)
Cash flows from financing activities:		
Net borrowings from notes payable	—	108,967
Payments on notes payable	(56,116)	(76,441)
Principal payments under capital lease obligation	(804,995)	(367,224)
Deposit of restricted cash	(316,006)	—
Purchase of restricted certificates of deposit	(306,312)	—
Net cash used in financing activities	(1,483,429)	(334,698)
Increase (decrease) in cash	(145,919)	456,946
Cash at beginning of year	521,503	64,557
Cash at end of year	\$ 375,584	521,503
<u>Supplemental Disclosures of Cash Flow Information</u>		
Cash paid during the year for interest	\$ 297,342	—
Cash paid during the year for income taxes	20,000	—
Write-off of accounts and notes receivable	5,783,335	—
<u>Supplemental Schedule of Noncash Investing and Financing Activity</u>		
Furniture and equipment acquired through capital leases	\$ 3,232,603	748,037

See accompanying notes to financial statements