

4. **Assumptions.** In delivering the opinions expressed herein, we have assumed the following:

4.1 **No Outside Agreements.** All terms and conditions of, or relating to, the transactions contemplated by the Stock Purchase Agreement and the Rebiller Service Agreement are correctly and completely embodied in the Stock Purchase Agreement and the Rebiller Service Agreement.

4.2 **Genuineness, Authenticity, and Conformity.** All signatures on the Stock Purchase Agreement and the Rebiller Service Agreement are genuine, all documents submitted to us as originals are authentic, and all documents submitted to us as copies are true and correct reproductions of the original of such documents.

4.3 **Buyer's Authority.** The Stock Purchase Agreement, and the transaction evidenced thereby, are valid, binding, and enforceable against Buyer as appropriate to the extent that such validity, binding effect, and enforceability affects the opinions herein expressed.

4.4 **Approval by the Company.** With respect to the opinions set forth in Sections 2.2 and 2.3, that the Company has the legal capacity to enter into the Stock Purchase Agreement and the Rebiller Service Agreement and that the authorization of the Stock Purchase Agreement and the Rebiller Service Agreement by the Company's Board of Directors complies with the laws of the State of Texas and that no additional corporate action is necessary.

4.5 **Accuracy of Representations.** There has not been any mutual mistake of fact or misunderstanding, fraud, duress, or undue influence, and all representations in the Stock Purchase Agreement and the Rebiller Service Agreement are true and correct.

4.6 **Litigation after the Date of the Stock Purchase Agreement.** Buyer has informed us in writing of any actions or proceedings first filed or threatened against the Company after the date of the Stock Purchase Agreement.

5. **Qualifications and Limitations.** The opinions expressed herein are subject to the following qualifications and limitations:

5.1 **Specified Laws.** Such opinions are subject to:

5.1.1 **Bankruptcy and Insolvency Exception.** The effect of bankruptcy, insolvency, reorganization, receivership, moratorium, and other similar laws affecting the rights and remedies of creditors generally. This exception includes all Federal and state bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent transfer and conveyance, arrangement and assignment for the benefit of creditors laws and judicially developed doctrines; and

5.1.2 Equitable Principles Limitation. The effect of general principles of equity, whether applied by a court of law or equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and the possible unavailability of specific performance or injunctive relief.

5.2 Exceptions. We express no opinion as to the validity or enforceability of any provisions of the Stock Purchase Agreement or the Rebiller Service Agreement that:

5.2.1 Impose any restrictions on competition, solicitation of employees or customers, or the disclosure of information;

5.2.2 Impose any liquidated damages, penalties or "breakup fees;" or

5.2.3 Limit judicial discretion regarding the determination of damages and entitlement to attorneys' fees and other costs.

5.3 Knowledge. As used herein, the term "knowledge" means the current actual knowledge of the lawyers who are participating in drafting this opinion letter and in handling the transaction described herein, but does not include, except as specifically provided hereafter, constructive knowledge or inquiry knowledge. The term "knowledge" also confirms that each of the lawyers drafting this opinion letter (i) has made a reasonable examination of his or her files, and (ii) has made a reasonable inquiry of other members of the lawyer's law firm if the lawyer drafting this opinion had a reasonable belief that other lawyers in the law firm may have knowledge (as defined herein) relating to facts relevant to this opinion.

5.4 Limitation as to Laws. We are licensed to practice law only in the State of California. We express no opinion with respect to the effect of any laws other than the applicable laws of the State of California and of the United States of America and the General Corporation Law of the State of Delaware. We express no opinion concerning (a) copyright, patent or trademark laws, or other intellectual property laws or regulations, (b) federal or state environmental laws and regulations, including those regarding use and disposal of materials commonly referred to as "toxic substances" or "hazardous waste," (c) pension and employee benefits laws and regulations (e.g., ERISA), (d) federal and state tax laws and regulations, (e) federal and state employment laws and regulations, (f) telecommunications or public utilities laws or regulations, (g) federal or state antifraud statutes, rules and regulations concerning the offer or sale of securities, and (h) the statutes, ordinances, administrative decisions and rules and regulations of counties, municipalities and special political subdivisions (whether created or enabled through legislative action at the federal, state or regional level), and judicial decisions to the extent they deal with any of the foregoing.

5.5 Subsequent Events. We undertake no obligation to advise you of facts or changes in law occurring after the date of this opinion letter which might affect the opinions expressed herein.

5.6 Captions. The captions in this opinion are for convenience of reference only and shall not limit, amplify, or otherwise modify the provisions hereof.

5.7 Restrictions on Use. This opinion letter shall not be relied upon by any party other than Buyer.

Respectfully submitted,

EXHIBIT A

[List of contracts to consist solely of Seller's material contracts as set forth in its most recent Form 10-K.]

Exhibit 6.1.6(b)
Nonsolicitation

Sales & Marketing

S. Hall
S. Reese
M. Pierce
V. Michael
D. Barber
D. Saxton
J. Smith
M. Hallen
S. Butts

Customer Service

N. Borodidna
I. Elgurt
D. Karpov
S. Pevichko
M. Serebro
E. Kramer
L. Gershengoren

Administrative/Other

R. Dole
L. Gordon
K. Barnes

Exhibit 6.3.4(i)
Assignment from the Company to the Seller

- Conference Service Reseller Agreement between ViaLog Corporation and Matrix Telecom, Inc., dated November 6, 1998.
- IXC Master Service Agreement between IXC Communications Services, Inc. and Matrix Telecom, Inc., dated October 29, 1998.
- Data Communications Service Frame Relay Orders between Sprint Data Services and Matrix Telecom, Inc., dated March 24, 1997 for the following sites: 128K Seattle WA ExcelServ, 128K First Service Ins., and 128K Dallas TX Port Host Site.
- Service Order between e.spire (formerly known as American Communications Services, Inc.) and Matrix Telecom, Inc., installed May 31, 1996.
- Honors Service Order between MFS and Matrix Telecom, Inc., installed November 20, 1998.
- Emulex Service Order between MFS and Matrix Telecom, Inc., installed July 30, 1999.
- Insurdata Service Order between MFS and Matrix Telecom, Inc., installed August 3, 1999.
- Prism Service Order between MFS and Matrix Telecom, Inc., installed July 7, 1999.
- UICI Marketing (Tampa) Service Order between MFS and Matrix Telecom, Inc., installed June 1996.
- Insurdata Service Order between MFS and Matrix Telecom, Inc., installed February 3, 1999.
- UICI Administrators Service Order between MFS and Matrix Telecom, Inc., installed March 1998.
- AMLI Service Order between MFS and Matrix Telecom, Inc., installed July 1997.
- Softline Service Order between MFS and Matrix Telecom, Inc., installed June 1999.
- Service Order between USWest and Matrix Telecom, Inc., dated July 1998.
- Private Line Service Agreement between Camanco Communications and Matrix Telecom, Inc., dated November 2, 1998.

•Dedicated Service Agreement between Excell Agent Services and Matrix Telecom, Inc., dated February 19, 1997 (and Amendment No. 1 to Attachment D-1).

•Telecommunications Services Agreement between Interactive Media Works and Matrix Telecom, Inc., dated January 20, 1997.

•Local Loop Agreement between AT&T and Matrix Telecom, Inc.

•Agreement for the Provision of Business Telecom Services between US Search and Matrix Telecom, Inc.

Exhibit 6.3.4(ii)
Assignment from the Seller to the Company

- Master Agreement between GTE Internetworking Incorporated and AvTel Communications, Inc., dated March 17, 1999, and all attachments and agreements related thereto.

SCHEDULE 4.1.4

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CONSENTS, VIOLATIONS AND AUTHORIZATIONS

Consents Required

Coast Business Credit pursuant to Loan and Security Agreement dated as of September 30, 1998.

Regulatory Approvals Required

Hart Scott Rodino Act approval.

SCHEDULE 4.2.1

Page 1 of 1

FOREIGN QUALIFICATIONS FOR MATRIX

Alabama	Nevada
Alaska	New Hampshire
Arizona	New Jersey
Arkansas	New Mexico
California	New York
Colorado	North Carolina
Connecticut	North Dakota
Delaware	Ohio
District of Columbia	Oklahoma
Florida	Oregon
Georgia	Pennsylvania
Hawaii	Rhode Island
Idaho	Puerto Rico
Illinois	South Carolina
Indiana	South Dakota
Iowa	Tennessee
Kansas	Texas
Kentucky	US Virgin Islands
Louisiana	Utah
Maine	Vermont
Maryland	Virginia
Massachusetts	Washington
Michigan	West Virginia
Minnesota	Wisconsin
Mississippi	Wyoming
Missouri	
Montana	
Nebraska	

SCHEDULE 4.2.2

Page 1 of 1

CAPITALIZATION

The Company's authorized capital stock consists of 10,000,000 shares of common stock, no par value, of which 3,860,987 shares are issued and outstanding. AvTel Communications, Inc. is the sole shareholder of the Company.

SCHEDULE 4.2.3

Page 1 of 1

CONSENTS, VIOLATIONS, AND AUTHORIZATIONS

Consents Required

Coast Business Credit pursuant to Loan and Security Agreement dated as of September 30, 1998.

Consents to change contracts from Matrix to AvTel:

- | | |
|---------------------------|---|
| 1) ViaLog Corporation | COGS - Conference Calling |
| 2) IXC | COGS - Long distance for Business customer base |
| 3) Sprint Data Services | COGS - Frame Relay (3 individual contracts) |
| 4) AT&T (TCG) | COGS - Local Loops for Dedicated Customers |
| 5) e.spire (ACSI) | COGS - Local Loops for Dedicated Customers |
| 6) MFS | COGS - Local Loops for Dedicated Customers |
| 7) USWest | COGS - Local Loops for Dedicated Customers |
| 8) Camanco Communications | COGS - Local Loops for Dedicated Customers |
| 9) IMW | Revenue |
| 10) Excell Agent Services | Revenue |
| 11) US Search | Revenue |

Consents to change contracts from AvTel to Matrix:

- 1) GTE Internet

Regulatory Approvals Required

Required approvals of the FCC and the PUCs listed in Schedule 4.2.27.

LITIGATION AND COMPLIANCE WITH LAWS

1. E. Craig Sanders v. Ronald L. Jensen, Matrix Telecom, Inc. et al. (DV9903591).

On May 28, 1999, the Company was served with a complaint filed in the District Court of Dallas County, Texas, by E. Craig Sanders. Mr. Sanders was an executive of the Company from late 1994 until he was terminated by the Company in May, 1995. In addition to the Company, the defendants in the action are Ronald L. Jensen, United Group Association, Inc. (an entity affiliated with Mr. Jensen) and the Seller. The complaint alleges that Mr. Jensen wrongfully foreclosed on the Company stock owned by Mr. Sanders after Mr. Sanders failed to repay a debt to Mr. Jensen. The Company then repurchased the stock from Mr. Jensen pursuant to an existing buy/sell agreement with Mr. Sanders. In addition to his claim against Mr. Jensen, Mr. Sanders is apparently seeking 171,548 shares of the Seller's common stock, or its monetary equivalent, from the Company and/or the Seller. The parties are currently beginning the discovery process. AvTel and the Company intend to defend this complaint vigorously. The Company is represented by the law offices of Kelly Akins, Esq. Dallas.

2. Jennifer Anderson and Teri Friddle v. Matrix Telecom, Inc. (No. 99-85149-1)

Two female former employees of the Company filed a complaint in July 1999 alleging sexual harassment with regard to what these women perceived to be inappropriate gesturing by one of the Company's managers. The women had earlier filed a claim with the Texas Human rights Commission which, to the Company's best knowledge, has not taken any action on the matter. The Company has filed an answer denying the claims. The Company is represented by Hughes & Luce LLP.

3. Dispute with MCI WorldCom.

There is a dispute between MCI WorldCom ("WorldCom") and DNS Communications, Inc., formerly a subsidiary of the Company. The dispute is based on two contracts signed by Robert Holdsworth (formerly Vice President of Marketing for DNS Communications). WorldCom has threatened action against the Company in connection with this matter.

The first contract was an alleged private line contract between DNS Communications and WILTEL (now MCI WorldCom), dated October 5, 1995. The second was an alleged voice contract between DNS Communications and WorldCom, Inc. (now MCI WorldCom), dated November 10, 1995.

The Company believes that Robert Holdsworth misrepresented to WorldCom his authority to enter into these agreements, and that Holdsworth indeed did not have the power or authority to bind the Company to these contracts.

LITIGATION AND COMPLIANCE WITH LAWS

3. Dispute with MCI WorldCom. (cont.)

In order to honor its obligations to its customers, the Company did use WorldCom's services as provided pursuant to these agreements. However, AvTel and the Company believes that WorldCom billed the Company under the alleged contracts for charges not incurred by the Company or its customers.

WorldCom has not taken action to collect unpaid sums under these alleged contracts.

4. Potential dispute with Pacific Gateway Exchange

On March 27 through March 29, 1999 Matrix incurred \$48,320.72 in fraudulent calling card traffic from the PGE network. Normally the PGE fraud reporting system would detect such fraud and provide notification to the Matrix system so that Matrix could take timely action. However PGE's system did not provide notification of the unusual activity. Matrix notified PGE of the lack of notification on March 30, 1999. Before PGE did not research the problem and take corrective action until late April. On April 17-21 another series of fraudulent calling card traffic occurred in the amount of \$120,632.66.

On July 2, 1999, Matrix provided documentation as to the detail call records and other support documenting the Matrix position that PGE should be responsible for the fraudulent call activity because of the deficiency in their system. PGE insisted that Matrix pay \$48,320.72 until the dispute was resolved, but Matrix did not pay the \$120,632.66. On August 25, 1999, Matrix received a letter from PGE denying the dispute and requesting payment of \$120,632.66 by August 31, 1999, plus other outstanding bills.

Matrix continues to deny responsibility and will respond with additional evidence by August 31, 1999.

SCHEDULE 4.2.5

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SUBSIDIARIES & INVESTMENTS

SUBSIDIARY NAME	STATE OF INCORP.	FOREIGN QUALIF.	CAPITAL STRUCTURE	OWNERSHIP	COMMON STOCK SHARES ISSUED/ OUTSTANDING
BestConnections, Inc.	TEXAS	None	Common Stock	100%	100,000

BestConnections will be merged into Matrix pending final income tax return filing.

SCHEDULE 4.2.6(a)

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TANGIBLE PERSONAL PROPERTY AND ASSETS

			Life	Capitalized	Monthly	Accum	Net
FURNITURE & FIXTURES:							
OVERHEAD (9000)							
05/31/94	AMFAX - FAX MACHINE	SL	84.00	1,072.12	12.76	804.02	268.10
06/30/95	BT MILLER BUS/SHREDDER	SL	84.00	1,336.18	15.91	795.50	540.68
11/30/95	OFFICE MAX - FAX MACHINE	SL	84.00	614.61	7.32	329.40	285.21
04/30/96	BCS/I SYNCHRONOUS DATA C	SL	84.00	1,000.00	11.90	476.00	524.00
	BALANCE - OFFICE EQUIP -			4,022.91	47.89	2,404.92	1,617.99
09/30/92	PEARCE OFFICE FURN/10 CHAI	SL	84.00	1,427.69	17.00	1,411.00	16.69
11/30/92	DAVID PEARCE/CHAIRS	SL	84.00	1,427.69	17.00	1,377.00	50.69
12/31/92	BKM	SL	84.00	34,865.26	415.06	33,204.80	1,660.46
01/31/93	BKM/CHAIRS	SL	84.00	2,244.74	26.72	2,110.88	133.86
03/31/93	BKM	SL	84.00	493.35	5.87	451.99	41.36
03/31/93	BKM	SL	84.00	431.52	5.14	395.78	35.74
03/31/93	BKM	SL	84.00	9,162.68	109.08	8,399.16	763.52
03/31/93	CONFERTECH	SL	84.00	1,293.00	15.39	1,185.03	107.97
06/30/93	CUBICALS	SL	84.00	9,910.55	117.98	8,730.52	1,180.03
07/31/93	FILE CABINETS	SL	84.00	1,788.76	21.29	1,554.17	234.59
09/30/93	BROWN OFF SYST/WORKSTAT	SL	84.00	3,480.00	41.43	2,941.53	538.47
10/31/93	TELE CONN/DP CABINET	SL	84.00	3,668.47	43.67	3,056.90	611.57
10/31/93	BKM/DP CUBICLES	SL	84.00	35,901.87	427.40	29,918.00	5,983.87
11/30/93	SBN/HAWORTH FURNITURE	SL	84.00	11,666.63	138.89	9,583.41	2,083.22
12/31/93	BKM/CUBICLES	SL	84.00	8,189.56	97.49	6,629.32	1,560.24
02/28/94	BKM/CONFERENCE ROOM CH	SL	84.00	3,318.31	39.50	2,607.00	711.31
04/30/94	STAPLES/WORK STATIONS	SL	84.00	1,253.46	14.92	954.88	298.58
05/31/94	REBEL TECH/4 PHONES	SL	84.00	932.75	11.10	699.30	233.45
07/31/94	BKM/CUBICLES	SL	84.00	15,086.57	179.60	10,955.60	4,130.97
07/31/94	BCS/STATION & DID CARDS	SL	84.00	2,949.64	35.11	2,141.71	807.93
07/31/94	OFFICE SYS/CUBICLES	SL	84.00	3,483.39	41.47	2,529.67	953.72
08/31/94	BKM/CUBICLES	SL	84.00	3,876.12	46.14	2,768.40	1,107.72
12/28/94	BUS COMM SYS/(38) PHONES	SL	84.00	1,380.00	16.43	920.08	459.92
03/31/96	BUSINT/OFFICE FURNITURE	SL	84.00	111,166.46	1,323.41	54,259.81	56,906.65
03/31/96	CAMERON INT/EXEC OFFICE F	SL	84.00	18,494.51	220.17	9,026.97	9,467.54
05/31/96	BUSINESS CUMMUNICATION/S	SL	84.00	1,000.00	11.90	464.10	535.90
06/30/96	KREIGER, BARRY/FURNITURE	SL	84.00	6,173.97	73.50	2,793.00	3,380.97
08/31/96	BUS COMM SYS/PHONES	SL	84.00	2,760.00	32.86	1,182.96	1,577.04
08/31/96	OFFICE FURN SOURCE/CONF	SL	84.00	2,749.55	32.73	1,178.28	1,571.27
09/30/96	BCS/DIGITAL CARD	SL	84.00	2,000.00	23.81	833.35	1,166.65
11/30/96	STAPLES/FILE CABINET	SL	84.00	1,066.27	12.69	418.77	647.50
11/30/96	FURNITURE SOURCE/EAGAN B	SL	84.00	5,412.50	64.43	2,126.19	3,286.31
	BALANCE - FURN & FIXTURES -			309,055.27	3,679.18	206,809.56	102,245.71

SCHEDULE 4.2.6(a)

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TANGIBLE PERSONAL PROPERTY AND ASSETS

			Life	Capitalized	Monthly	Accum	Net
09/30/93	ISYS/2TOKEN RING ADAPTERS	SL	84.00	1,264.99	15.06	1,069.26	195.73
09/30/93	ISYS/5 MAU TOKEN RINGS	SL	84.00	3,103.20	36.94	2,622.74	480.46
09/30/93	ISYS/2 MAU TOKEN RINGS	SL	84.00	1,241.28	14.78	1,049.38	191.90
09/30/93	BUS COMM SVC/INST SR1000	SL	84.00	16,099.00	191.65	13,607.15	2,491.85
11/30/93	ISYS/DELL 433	SL	84.00	2,277.48	27.11	1,870.59	406.89
11/30/93	SBN/SR-1000,T-1 CARDS	SL	84.00	27,655.00	329.23	22,716.87	4,938.13
12/31/93	SBN/DATA CARD TR CARD EM	SL	84.00	13,160.65	156.67	10,653.56	2,507.09
09/30/94	BUS COMM SYSTEMS/TRUNK	SL	84.00	1,475.00	17.56	1,036.04	438.96
11/30/94	TESSCO/TELEPHONES CABLES	SL	84.00	2,559.03	30.46	1,736.22	822.81
11/30/94	BUS COMM SYS/T-1, (6) PHONE	SL	84.00	9,380.00	111.67	6,365.19	3,014.81
11/30/94	BUS COMM SYSTM/STATION C	SL	84.00	4,000.00	47.62	2,714.34	1,285.66
11/30/94	BUS COMM SYS/8 PORT ST CA	SL	84.00	1,000.00	11.90	678.30	321.70
01/31/95	BCS/T-I CARD PARTS	SL	84.00	12,675.00	150.89	8,298.95	4,376.05
01/31/95	BKM/REPAIR PANELS	SL	84.00	1,908.75	22.72	1,249.60	659.15
02/28/95	BCS/SR1000 CARDS	SL	84.00	30,020.00	357.38	19,298.52	10,721.48
08/31/95	SPECTRUM CORP/460A CR MES	SL	84.00	2,062.00	24.55	1,178.40	883.60
03/31/96	BCS/SR1000 CARDS	SL	84.00	5,000.00	59.52	2,440.32	2,559.68
05/31/96	LIGAS ENTERPRISES/MITEL PH	SL	84.00	1,210.00	14.40	561.60	648.40
08/31/96	GRAYBAR/HEADSETS	SL	84.00	2,284.25	27.19	978.84	1,305.41
03/31/97	BCS TECHN/CARD PHONE SWI	SL	84.00	1,048.00	12.48	361.92	686.08
05/31/97	BCS/LINE & TRUNK CARD	SL	84.00	1,748.00	20.81	561.87	1,186.13
05/31/97	BCS/TELEPHONE UPGRADE	SL	84.00	45,720.00	544.29	14,695.83	31,024.17
06/30/97	BCS/STATION CARD	SL	84.00	1,592.00	18.95	492.70	1,099.30
09/10/98	BUILDOUT CUBES IN 1998 9 IN	SL	84.00	10,130.50	120.60	1,326.60	8,803.90
12/11/98	BUILDOUT CUBES/BILLING DE	SL	84.00	10,652.67	126.82	1,014.56	9,638.11
TOTAL TELEPHONE UPGRADE -				209,266.80	2,491.25	118,579.35	90,687.45
TOTAL OVERHEAD				522,344.98	6,218.32	327,793.83	194,551.15
DATA PROCESSING (7100)							
07/31/97	J.T. EAGLE/INSTALL WORK SU	SL	84.00	1,353.13	16.11	402.75	950.38
TOTAL DP				1,353.13	16.11	402.75	950.38
CUSTOMER SERVICE (5400)							
03/31/97	BUSINESS INTERIORS/CUBES	SL	84.00	3,165.54	37.69	1,093.01	2,072.53
12/31/98	UNISOURCE/40 NEW CHAIRS 2	SL	84.00	6,603.28	78.61	628.88	5,974.40
TOTAL CS				9,768.82	116.30	1,721.89	8,046.93
MARKETING SUPPORT (5100)							
08/01/97	BEST CONNECTIONS/USED OF	SL	24.00	2,034.49	84.78	2,034.49	0.00
08/01/97	BUSINESS INTERIORS/CUBES	SL	24.00	1,144.80	47.70	1,144.80	0.00

SCHEDULE 4.2.6(a)

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TANGIBLE PERSONAL PROPERTY AND ASSETS

			Life	Capitalized	Monthly	Accum	Net
08/01/97	UGA/WORKSTATION PANELS	SL	24.00	1,142.61	47.58	1,142.61	0.00
				4,321.90	180.06	4,321.90	0.00
SALES SUPPORT (5200)							
11/30/98	EASTSIDE FURNITURE	SL	84.00	17,626.48	209.84	1,888.56	15,737.92
01/31/99	NORTHSTAR PHONE SYSTEM	SL	84.00	1,872.00	22.29	156.03	1,715.97
				19,498.48	232.13	2,044.59	17,453.89
ACCOUNTING (6100)							
10/16/97	BT OFFICE/FILE CABINET	SL	84.00	1,182.09	14.07	309.54	872.55
				1,182.09	14.07	309.54	872.55
GRAND TOTAL FURNITURE & FIXTURES				558,469.40	6,776.99	336,594.50	221,874.90

COMPUTER EQUIPMENT

OVERHEAD (9000)

08/31/94	REBEL TECHNOLOGIES/10 PHO	SL	60.00	2,114.00	35.43	2,114.00	0.00
08/31/94	ISYS/MONICA'S DELL 466L CO	SL	60.00	2,483.25	41.24	2,483.25	0.00
08/31/94	ISYS/DELL 433L COMPUTER SY	SL	60.00	2,489.78	41.28	2,489.78	0.00
08/31/94	PATRIOT GROUP/FORMS PRO 4	SL	60.00	2,380.42	39.89	2,380.42	0.00
08/31/94	ISYS/DELL 433L COMPUTER SY	SL	60.00	2,129.07	35.75	2,129.07	0.00
08/31/94	DELL DIRECT(2)DIM PENTIUM	SL	60.00	8,316.16	138.76	8,316.16	0.00
09/30/94	ISYS/COMPUTER	SL	60.00	1,646.83	27.45	1,619.55	27.28
09/30/94	ISYS/COMPUTERS (1)	SL	60.00	2,692.03	44.87	2,647.33	44.70
10/31/94	DELL DIRECT/COMPUTER EQU	SL	60.00	6,232.26	103.87	6,024.46	207.80
10/31/94	DELL DIRECT/COMPUTER EQU	SL	60.00	768.26	12.80	742.40	25.86
10/31/94	ISYS/HP IV PLUS	SL	60.00	1,689.21	28.15	1,632.70	56.51
10/31/94	C. TAYLOR/LAP TOP	SL	60.00	8,892.05	148.20	8,595.60	296.45
11/30/94	IBM/IBM THINKPAD 750C	SL	60.00	1,058.63	17.64	1,005.48	53.15
11/30/94	ISYS/HP IV PLUS	SL	60.00	1,631.87	27.20	1,550.40	81.47
01/31/95	ISYS/COMPUTER SYSTEM	SL	60.00	2,379.02	39.65	2,180.75	198.27
01/31/95	ISYS/MEMORY, MODEM	SL	60.00	3,241.21	54.02	2,971.10	270.11
01/31/95	ISYS/COMPUTER WORKSTATI	SL	60.00	2,314.24	38.57	2,121.35	192.89

SCHEDULE 4.2.6(a)

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TANGIBLE PERSONAL PROPERTY AND ASSETS

			Life	Capitalized	Monthly	Accum	Net
01/31/95	ISYS/COMPUTER WORKSTATI	SL	60.00	2,314.24	38.57	2,121.35	192.89
02/28/95	COMPUTER CITY/AERO 433C M	SL	60.00	2,077.59	34.63	1,870.02	207.57
03/31/95	ISYS/COMPUTER & MEMORY	SL	60.00	1,814.70	30.25	1,603.25	211.45
03/31/95	ISYS/RAM420, RAM270	SL	60.00	3,815.82	63.60	3,370.80	445.02
03/31/95	FLAIR DATA SYS/CISCO ROUT	SL	60.00	3,170.00	52.83	2,799.99	370.01
04/30/95	DELL DIRECT/PC & ACCESS	SL	60.00	6,941.00	115.68	6,015.36	925.64
04/30/95	DELL DIRECT/PC & ACCESS	SL	60.00	6,630.32	110.51	5,746.52	883.80
04/30/95	ISYS/CISCO ROUTER	SL	60.00	2,389.33	39.82	2,070.64	318.69
04/30/95	ISYS/DESK TOP PC'S	SL	60.00	11,391.89	189.86	9,872.72	1,519.17
04/30/95	BCS/38 PHONES	SL	60.00	460.00	7.67	398.84	61.16
04/30/95	BCS/5 PHONES	SL	60.00	2,300.00	38.33	1,993.16	306.84
05/31/95	ISYS/COMPUTER EQUIPMENT	SL	60.00	2,521.17	42.02	2,143.02	378.15
07/31/95	ISYS/COMPUTER EQUIP - K. SH	SL	60.00	2,354.94	39.25	1,923.25	431.69
09/30/95	COMP USA/TRINA'S COMPUTE	SL	60.00	2,237.27	37.29	1,752.63	484.64
10/31/95	COMP USA/COMPAQ COMP &	SL	60.00	2,242.69	37.38	1,719.48	523.21
11/30/95	COMP USA/2 COMPUTERS	SL	60.00	4,118.92	68.65	3,089.25	1,029.67
11/30/95	SMART WORLD/A YOUNG CO	SL	60.00	2,093.82	34.90	1,570.50	523.32
02/29/96	DELL DIRECT/COMPUTER & K	SL	60.00	4,061.01	67.68	2,842.56	1,218.45
03/31/96	DELL DIRECT/COMPUTER EQP	SL	60.00	3,590.67	59.84	2,453.44	1,137.23
04/30/96	COMPUTER CITY/HP LASERJET	SL	60.00	3,740.10	62.34	2,493.60	1,246.50
04/30/96	DELL DIRECT/2 DELL COMPUT	SL	60.00	3,990.10	66.50	2,660.00	1,330.10
04/30/96	COMP USA/HP SCANJET	SL	60.00	1,017.13	16.95	678.00	339.13
04/30/96	DELL DIRECT SALES/2 COMPU	SL	60.00	3,944.64	65.74	2,629.60	1,315.04
04/30/96	DELL DIRECT/2 DELL COMPUT	SL	60.00	4,498.87	74.98	2,999.20	1,499.67
04/30/96	ISYS/2 COMPUTERS	SL	60.00	4,765.58	79.43	3,177.20	1,588.38
05/31/96	DELL DIRECT/COMPUTER	SL	60.00	2,399.92	40.00	1,560.00	839.92
05/31/96	DELL DIRECT/2 COMPUTERS	SL	60.00	5,098.58	84.98	3,314.22	1,784.36
05/31/96	DELL DIRECT/TOKEN RING	SL	60.00	249.52	4.16	162.24	87.28
05/31/96	DELL DIRECT/2 COMPUTERS	SL	60.00	4,398.75	73.31	2,859.09	1,539.66
06/30/96	COMP USA/LAPTOP COMPUTE	SL	60.00	3,492.59	58.21	2,211.98	1,280.61
06/30/96	DELL DIRECT/COMPUTER	SL	60.00	4,836.09	80.60	3,062.80	1,773.29
06/30/96	DELL DIRECT/TOKEN RING &	SL	60.00	5,144.05	85.73	3,257.74	1,886.31
06/30/96	SMART WORLD/LAP TOP COM	SL	60.00	2,859.20	47.65	1,810.70	1,048.50
07/31/96	COMP USA/LAP TOP COMPUTE	SL	60.00	7,641.44	127.36	4,712.32	2,929.12
07/31/96	DELL DIRECT/COMPUTER	SL	60.00	1,951.76	32.53	1,203.61	748.15
07/31/96	DELL DIRECT/COMPUTER & H	SL	60.00	1,833.76	30.56	1,130.72	703.04
08/31/96	COMP USA/CUST SVC COMPUT	SL	60.00	20,713.61	345.23	12,428.28	8,285.33
08/31/96	COMP USA/SERVER	SL	60.00	18,412.31	306.87	11,047.32	7,364.99
08/31/96	COMP USA/APAQ MODEL 4100-	SL	60.00	1,033.80	17.23	620.28	413.52
09/30/96	PREMIUM COMPUTERS/COMP	SL	60.00	1,343.38	22.39	783.65	559.73
01/14/97	DIGEX/INTERNET SERVER	SL	60.00	2,211.92	36.87	1,142.97	1,068.95

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TANGIBLE PERSONAL PROPERTY AND ASSETS

			Life	Capitalized	Monthly	Accum	Net
03/31/97	COMPUTER CITY/MONITORS	SL	60.00	1,532.74	25.55	740.95	791.79
07/31/97	COMP USA/HP COLOR PRINTE	SL	60.00	1,534.46	25.57	639.25	895.21
01/28/98	DELL DIRECT SALES/NOTEBO	SL	60.00	3,150.62	52.51	997.69	2,152.93
01/21/98	DELL DIRECT SALES/NOTEBO	SL	60.00	6,330.47	105.51	2,004.69	4,325.78
02/18/98	COMPUSA/TONY PAPA'S TOSHI	SL	60.00	2,992.31	49.87	897.66	2,094.65
02/27/98	DELL/PO 348	SL	60.00	2,721.40	45.36	816.48	1,904.92
06/10/98	DELL/PO 383 CHUCK LEBLO	SL	60.00	2,830.75	47.18	660.52	2,170.23
12/31/96	COMP USA/HPC VECTRA & MO	SL	60.00	2,207.23	36.79	1,177.28	1,029.95
04/30/97	COMP USA/HPC VLS P166 & HI	SL	60.00	1,672.48	27.87	780.36	892.12
08/01/97	BEST CONNECTIONS/USED CO	SL	24.00	2251.32	93.69	2,251.32	0.00
08/01/97	MATRIX TELECOM/COMPUTE	SL	24.00	1122.79	46.85	1,122.79	0.00
08/01/97	MATRIX TELECOM/COMPUTE	SL	24.00	1260.63	52.44	1,260.63	0.00
10/29/98	COMP USA/PO 447	SL	60.00	2,567.52	42.79	427.90	2,139.62
01/14/99	COMP USA/PO 450	SL	60.00	282.80	4.71	32.97	249.83
TOTAL OH				257,018.29	4,399.84	186,116.59	70,901.70

AS/400 DEVELOPMENT (7100)

04/30/94	ISYS/NOVELL UPGRADE	SL	60.00	1,421.11	0.00	1,421.11	0.00
08/31/94	ISYS/NOVELL UPGRADE	SL	60.00	1,296.84	21.85	1,296.84	0.00
10/31/94	COMDISCO/TAPE DRIVE & MO	SL	60.00	9,158.75	152.65	8,853.70	305.05
11/16/94	BUS COMM SYS/SYCH DATA C	SL	60.00	1,130.00	18.83	1,073.31	56.69
12/06/94	COMDISCO/9348 TAPE DRIVE	SL	60.00	1,237.50	20.63	1,155.28	82.22
12/07/94	ISYS/(2) COMPUTER SYSTMES	SL	60.00	4,271.30	71.19	3,986.64	284.66
01/31/95	ISYS/SERVER	SL	60.00	6,649.46	110.82	6,095.10	554.36
01/31/95	BSC/CITRIX BX CARD	SL	60.00	1,000.00	16.67	916.85	83.15
01/31/95	ISYS/WINVIEW NOTEWORKS	SL	60.00	2,353.36	39.22	2,157.10	196.26
01/31/95	BSC/CITRIX	SL	60.00	2,293.47	38.22	2,102.10	191.37
02/28/95	IBM/M200 DASD	SL	60.00	2,693.75	44.90	2,424.60	269.15
02/28/95	ISYS/466LE DELL COMPUER SY	SL	60.00	2,352.66	39.21	2,117.34	235.32
03/31/95	ISYS/CISCO ROUTER ACCESS	SL	60.00	27,044.52	450.74	23,889.22	3,155.30
03/31/95	ISYS/RAM420, RAM 270	SL	60.00	7,480.13	124.67	6,607.51	872.62
03/31/95	ISYS/16 ISA CARDS	SL	60.00	2,408.48	40.14	2,127.42	281.06
04/30/95	EDS/NY DMS 300 COLLECTION	SL	60.00	1,285.17	21.42	1,113.84	171.33
04/30/95	ISYS/DESK TOP PC	SL	60.00	2,278.38	37.97	1,974.44	303.94
09/30/95	ISYS/COMP EQUIP	SL	60.00	2,851.47	47.52	2,233.44	618.03
09/30/95	METRO INFO/HARD DRIVE	SL	60.00	3,157.08	52.62	2,473.14	683.94
10/31/95	COMP USA/COMPUTER EQUIP	SL	60.00	2,472.72	41.21	1,895.66	577.06
04/30/96	COMP USA/COMPUTER & EQUI	SL	60.00	3,207.62	53.46	2,138.40	1,069.22
06/30/96	N.E.T./COMPUTER SERVER	SL	60.00	3,705.50	61.76	2,346.88	1,358.62
07/31/96	COMP USA/COMPUTER EQUIP	SL	60.00	1,465.41	24.42	903.54	561.87

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			Life	Capitalized	Monthly	Accum	Net
12/31/96	CHOICE SOLUTIONS/TOKEN RI	SL	60.00	4,113.50	68.56	2,193.92	1,919.58
12/31/96	SPECTRUM COMPUTER/TAPE	SL	60.00	1,192.80	19.88	636.16	556.64
05/31/97	COMP USA/HPC VE3 P133	SL	60.00	1,196.18	19.94	538.38	657.80
01/09/98	GLOBALDATA/HP-VECTRA	SL	60.00	1,212.19	20.20	383.80	828.39
02/23/98	GLOBALDATA/PO 342	SL	60.00	1,320.65	22.01	396.18	924.47
09/28/98	INSIGHT PO 430	SL	60.00	9,547.56	159.13	1,750.43	7,797.13
12/12/98	INSIGHT PO 475	SL	60.00	3,521.31	58.69	469.52	3,051.79
04/19/99	DEVELOPMENT BOX LEASE	SL	60.00	38,782.00	646.37	2,585.48	36,196.52
06/23/99	PRODUCTION BOX LEASE	SL	60.00	229,238.00	3,820.63	7,641.26	221,596.74
TOTAL DP				383,338.87	6,365.53	97,898.59	285,440.28

OPERATIONS (7200)

10/31/92	TECHNOLOGY LABS	SL	60.00	5,413.80	0.00	5,413.80	0.00
10/31/92	TECHNOLOGY LABS	SL	60.00	1,900.00	0.00	1,900.00	0.00
10/31/92	IBM/ONE TIME CHARGE	SL	60.00	684.22	0.00	684.22	0.00
11/30/92	IBM/PURCH FEATURES	SL	60.00	3,593.47	0.00	3,593.47	0.00
12/31/92	FATHOM TECH	SL	60.00	42,750.00	0.00	42,750.00	0.00
12/31/92	MIDWEST MICRO SUPPLY	SL	60.00	4,485.00	0.00	4,485.00	0.00
01/31/93	TECH LABS/INV 39	SL	60.00	67.00	0.00	67.00	0.00
01/31/93	TECH LABS/INV 38	SL	60.00	3,027.50	0.00	3,027.50	0.00
01/31/93	IBM/ONE TIME CHG	SL	60.00	4,228.34	0.00	4,228.34	0.00
01/31/93	IBM/LEASE	SL	60.00	5,362.50	0.00	5,362.50	0.00
01/31/93	TECH LABS/COMPUTER	SL	60.00	7,068.50	0.00	7,068.50	0.00
03/31/93	EDS	SL	60.00	1,617.00	0.00	1,617.00	0.00
03/31/93	TECH LABS/COMPUTER	SL	60.00	3,421.28	0.00	3,421.28	0.00
03/31/93	IBM	SL	60.00	2,413.12	0.00	2,413.12	0.00
04/30/93	EDS	SL	60.00	4,978.05	0.00	4,978.05	0.00
04/30/93	ISYS/NOVELL UPGRADE	SL	60.00	2,203.63	0.00	2,203.63	0.00
06/30/93	ISYS/MAXTOR DR & 8MG MEM	SL	60.00	1,846.85	0.00	1,846.85	0.00
07/31/93	ISYS/2-DELL 486DX2/66L	SL	60.00	6,284.85	0.00	6,284.85	0.00
08/31/93	IBM TOKEN RING/MAG TAPE	SL	60.00	4,315.38	0.00	4,315.38	0.00
08/31/93	ISYS/TOKEN RING,COPRCSR	SL	60.00	2,589.67	0.00	2,589.67	0.00
08/31/93	ISYS/TOKEN RING,COPRCSR	SL	60.00	2,539.67	0.00	2,539.67	0.00
09/30/93	TRI-TEK/2 LARSE ACCESS T	SL	60.00	5,020.00	0.00	5,020.00	0.00
09/30/93	ISYS/DELL 4856DX2 662L	SL	60.00	3,106.44	0.00	3,106.44	0.00
09/30/93	ISYS/DELL 433P	SL	60.00	2,851.71	0.00	2,851.71	0.00
10/31/93	ISYS/COMPAQ PRO433	SL	60.00	2,400.30	0.00	2,400.30	0.00
10/31/93	ISYS/NOVELL UPGRADE	SL	60.00	2,931.27	0.00	2,931.27	0.00
11/30/93	TRI-TEK/LARSE ACCESS T	SL	60.00	2,529.33	0.00	2,529.33	0.00
11/30/93	ISYS/ALR POWER PRO	SL	60.00	8,360.06	0.00	8,360.06	0.00
11/30/93	ISYS/DELL PC/DP DIR	SL	60.00	2,919.37	0.00	2,919.37	0.00

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			Life	Capitalized	Monthly	Accum	Net
11/30/93	ISYS/HP SCAN JET/OMNI	SL	60.00	1,549.74	0.00	1,549.74	0.00
11/30/93	IBM/TOKEN RING	SL	60.00	1,882.93	0.00	1,882.93	0.00
12/31/93	ISYS/AST 120 MB NOTEBOOK	SL	60.00	846.61	0.00	846.61	0.00
06/30/94	ISYS/UPGRADE UA2 M. CHANG	SL	60.00	28,156.37	0.00	28,156.37	0.00
06/30/94	ISYS/PRINTER & MEMORY	SL	60.00	1,213.06	0.00	1,213.06	0.00
06/30/94	ISYS/DELL 433L TOKEN RING	SL	60.00	2,508.17	0.00	2,508.17	0.00
08/31/94	ISYS/MAU IBM 8228 TOKEN RI	SL	60.00	2,195.28	36.47	2,195.28	0.00
10/31/94	VMX/VOICE MAIL	SL	60.00	38,191.99	636.53	36,918.74	1,273.25
12/01/94	DYNASRV-HONEYWELL T775	SL	60.00	1,822.18	30.37	1,700.72	121.46
12/28/94	IBM/AS400 M200 DASD	SL	60.00	23,713.62	395.23	22,132.88	1,580.74
02/28/95	COMPUTER CITY/AERO 425 M8	SL	60.00	1,277.35	21.29	1,149.66	127.69
02/28/95	ISYS/DELL 466LE	SL	60.00	1,608.75	26.81	1,447.74	161.01
02/28/95	IBM/WORKSTATION	SL	60.00	2,693.75	44.90	2,424.60	269.15
11/30/96	CORPORATE EXPRESS/LASERJ	SL	60.00	3,468.33	57.81	1,907.73	1,560.60
02/18/97	MAGNATRON/AS 400 CARD	SL	60.00	1,035.25	17.25	517.50	517.75
04/30/97	COMP USA/HPC VE3 P133	SL	60.00	1,196.18	19.94	558.32	637.86
04/30/95	CDW COMPUTER/LAPTOP & A	SL	60.00	8,159.85	136.00	7,072.00	1,087.85
TOTAL OPERATIONS				262,427.72	1,422.60	255,090.36	7,337.36

PC DEVELOPMENT (7400)

09/30/96	PREMIUM COMPUTER/COMPU	SL	60.00	1,574.91	26.25	918.75	656.16
12/31/96	COMP USA/LAN EQUIP - BAYN	SL	60.00	1,554.10	25.90	828.80	725.30
01/28/97	UUNET/ISDN ROUTER	SL	60.00	1,572.80	26.21	812.51	760.29
02/05/97	COMP USA/INTERNET IPX	SL	60.00	1,980.98	33.02	990.60	990.38
03/31/97	COMP USA/NTW SAA	SL	60.00	3,931.65	65.53	1,900.37	2,031.28
03/31/97	COMP USA/HPC VECTRA	SL	60.00	2,392.33	39.87	1,156.23	1,236.10
05/31/97	COMP USA/HPC VE3 P133	SL	60.00	1,196.18	19.94	538.38	657.80
05/31/97	COMP USA/BAYSTACK EQUIP	SL	60.00	1,570.34	26.17	706.59	863.75
06/30/97	COMP USA/NOTES SERVER	SL	60.00	359.39	5.99	155.74	203.65
07/31/97	COMP USA/BAYSTACK EQUIP	SL	60.00	1,573.42	26.22	655.50	917.92
09/19/97	COMP USA/MONITOR & CARD	SL	60.00	850.86	14.18	326.14	524.72
11/01/97	PHOENIX /NET SERVER PO 31	SL	60.00	16,955.20	282.59	5,934.39	11,020.81
12/08/97	COMP USA/BAY NETWORKS P	SL	60.00	1,044.08	17.40	348.00	696.08
10/03/97	D/FW OUTLET SQUARE/HP VE	SL	60.00	1,483.73	24.73	544.06	939.67
01/06/98	GLOBAL COMBINED TECH/ME	SL	60.00	100.43	1.67	31.73	68.70
04/09/98	COMP USA/PO 367	SL	60.00	1,669.21	27.82	445.12	1,224.09
05/20/98	DELL DIRECT/PO 375 LAPTOP	SL	60.00	2,731.15	45.52	682.80	2,048.35
08/01/97	MATRIX TELECOM/COMPUTE	SL	24.00	1,968.73	82.04	1,968.73	0.00
07/23/98	INGRAM MICRO/MTX INET SE	SL	60.00	4,631.28	77.19	1,003.47	3,627.81
10/30/98	COMPUSA/PO 450	SL	60.00	2,549.29	42.49	424.90	2,124.39
TOTAL PC DEV				51,690.06	910.73	20,372.81	31,317.25

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TANGIBLE PERSONAL PROPERTY AND ASSETS

			Life	Capitalized	Monthly	Accum	Net
LAN SUPPORT (7300)							
01/14/99	CHOICESOLUTIONS/UPGRADE	SL	60.00	3,473.60	57.89	405.23	3,068.37
02/01/99	COMPUTER EQUIP/FRIENDLY	SL	36.00	14,554.33	404.29	2,425.74	12,128.59
05/08/99	INSIGHT/PO 549N	SL	60.00	2,810.03	46.83	140.49	2,669.54
TOTAL LAN SUPPORT				20,837.96	509.01	2,971.46	17,866.50
ACCOUNTING (6100)							
09/30/96	COMP USA/LASER JET PRINTE	SL	60.00	1,742.82	29.05	1,016.75	726.07
02/18/97	COMP USA/NEW PC ACCTG.	SL	60.00	3,325.47	55.42	1,662.60	1,662.87
02/28/97	DELL DIRECT/COMPUTER	SL	60.00	2,699.83	45.00	1,350.00	1,349.83
05/31/97	COMP USA/HPC VE3 P133	SL	60.00	1,789.93	29.83	805.41	984.52
08/18/97	COMP USA/MEM GNC 8MB PO#	SL	60.00	1,825.64	30.43	730.32	1,095.32
10/01/97	COMP USA/PO 304	SL	60.00	1,208.40	20.14	443.08	765.32
10/01/97	COMP USA/PO 309	SL	60.00	3,340.76	55.68	1,224.96	2,115.80
03/25/98	COMP USA/PO 356	SL	60.00	1,528.78	25.48	433.16	1,095.62
04/02/98	COMP USA/PO 365 MAR 98	SL	60.00	1,327.78	22.13	354.08	973.70
06/26/98	COMPUSA/PO 382 OFFICE MA	SL	60.00	1,638.41	27.31	382.34	1,256.07
11/04/98	INSIGHT PO 452 2 PC'S	SL	60.00	3,305.88	55.10	495.90	2,809.98
09/30/98	INSIGHT PO 431	SL	60.00	1,504.65	25.08	275.88	1,228.77
12/31/98	INSIGHT PO 482	SL	60.00	1,628.81	27.15	217.20	1,411.61
01/14/99	INSIGHT PO 497 2 INVOICES	SL	60.00	1,504.83	25.08	175.56	1,329.27
09/30/96	DELL DIRECT/COMPUTER EQU	SL	60.00	2,090.32	34.84	1,219.40	870.92
10/31/96	DELL DIRECT/COMPUTER EQU	SL	60.00	1,165.92	19.43	660.62	505.30
08/29/97	COMP USA/MICRO WAREHOUS	SL	60.00	2,883.60	48.06	1,153.44	1,730.16
TOTAL ACCOUNTING				34,511.83	575.21	12,600.70	21,911.13
FINANCE-OVERHEAD (6500)							
05/06/99	INSIGHT/PO 544	SL	60.00	1,959.06	32.65	97.95	1,861.11
TOTAL FINANCE-OVERHEAD				1,959.06	32.65	97.95	1,861.11
REGULATORY (6200)							
03/25/98	COMP USA/PO 357	SL	60.00	1,528.78	25.48	433.16	1,095.62
10/16/98	INSIGHT PO 438	SL	60.00	1,517.06	25.28	252.80	1,264.26
TOTAL REGULATORY				3,045.84	50.76	685.96	2,359.88
TAXATION (6400)							
01/22/99	INSIGHT PO 506	SL	60.00	1,607.18	26.79	187.53	1,419.65
TOTAL TAXATION				1,607.18	26.79	187.53	1,419.65

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			Life	Capitalized	Monthly	Accum	Net
CUSTOMER SERVICE (5400)							
10/31/96	COMP USA/PC	SL	60.00	8,091.71	134.86	4,585.24	3,506.47
11/30/96	COMP USA/CS APAQ SYSTEM	SL	60.00	2,067.58	34.46	1,137.18	930.40
11/30/96	COMP USA/CS APAQ SYSTEM	SL	60.00	2,067.58	34.46	1,137.18	930.40
12/31/96	COMP USA/MONITOR	SL	60.00	1,309.17	21.82	698.24	610.93
12/31/96	COMP USA/HPC	SL	60.00	3,902.39	65.04	2,081.28	1,821.11
12/31/96	COMP USA/HPC	SL	60.00	6,451.67	107.53	3,440.96	3,010.71
03/31/97	COMPUTER CITY/MONITORS C	SL	60.00	1,099.77	18.33	531.57	568.20
03/31/97	COMP USA/HP VECTRA PC	SL	60.00	5,932.11	98.87	2,867.23	3,064.88
04/30/97	COMP USA/KDS 14" MONITORS	SL	60.00	1,217.58	20.29	568.12	649.46
04/30/97	COMP USA/HP VE3 P133	SL	60.00	1,203.75	20.06	561.68	642.07
05/31/97	COMP USA/HP VE3 P133	SL	60.00	5,997.05	99.95	2,698.65	3,298.40
06/30/97	COMP USA/HP VE3 P133	SL	60.00	1,207.00	20.12	523.12	683.88
09/15/98	INSIGHT/PO 420	SL	60.00	1,418.01	23.63	259.93	1,158.08
02/27/98	DELL/PO 347 FROM PC/LAN	SL	60.00	2651.59	44.19	795.42	1,856.17
TOTAL CS				44,616.96	743.61	21,885.80	22,731.16
ACTIVATIONS (5300)							
12/31/96	COMP USA/HPC PC & COREL S	SL	60.00	1,288.19	21.47	687.04	601.15
03/31/97	COMP USA/HP VECTRA,PROCO	SL	60.00	1,185.31	19.76	573.04	612.27
05/31/97	COMP USA/HP VE3 P133 & MO	SL	60.00	1,407.27	23.45	633.15	774.12
05/31/97	COMP USA/HP VE3 P133	SL	60.00	1,138.80	18.98	512.46	626.34
05/31/97	COMP USA/HP VE3 P133	SL	60.00	1,542.04	25.70	693.90	848.14
08/05/97	COMP USA/BELKIN A/B SWITC	SL	60.00	94.72	1.58	37.92	56.80
TOTAL ACTIVATIONS				6,656.33	110.94	3,137.51	3,518.82
BILLING (7000)							
11/30/96	COMP USA/APAQ SYSTEM	SL	60.00	1,033.79	17.23	568.59	465.20
02/06/97	COMP USA/NEW PC	SL	60.00	2,530.35	42.17	1,265.10	1,265.25
10/22/97	COMP USA/COMPUTER SYS PO	SL	60.00	1,382.23	23.04	506.88	875.35
08/31/97	COMP USA/MEM GNC 8MB PO#	SL	60.00	1,754.77	29.25	702.00	1,052.77
TOTAL BIL				6,701.14	111.69	3,042.57	3,658.57
CREDIT & COLLECTIONS (6000)							
02/06/97	COMP USA/NEW PC	SL	60.00	1,274.64	21.24	637.20	637.44
05/31/97	COMP USA/HPC VE3 P133 & MO	SL	60.00	2,245.67	37.43	1,010.61	1,235.06
10/01/97	COMP USA/PO 314	SL	60.00	1,394.69	23.24	511.28	883.41
11/04/97	COMP USA/ PO 320	SL	60.00	2,978.76	49.65	1,042.65	1,936.11
02/17/98	COMP USA/ PO 343	SL	60.00	3,802.28	63.37	1,140.66	2,661.62

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TANGIBLE PERSONAL PROPERTY AND ASSETS

			Life	Capitalized	Monthly	Accum	Net
08/07/98	MICROWAREHOUSE/PC PO 400	SL	60.00	1,495.47	24.92	299.04	1,196.43
09/24/98	INSIGHT PO 427 3 INVOICES	SL	60.00	1,710.26	28.50	313.50	1,396.76
TOTAL COMPUTER EQUIPMENT-CREDIT				14,901.77	248.35	4,954.94	9,946.83

MARKETING SUPPORT (5100)

01/12/99	INSIGHT PO 493 2 INVOICES	SL	60.00	1,396.53	23.28	162.96	1,233.57
09/05/97	UGA/COMPUTER YOMARIE 510	SL	24.00	1238.32	51.60	1,186.80	51.52
05/02/98	COMPUSA/PO 370	SL	60.00	2675.89	44.60	669.00	2,006.89
03/31/97	DELL DIRECT/COMPUTER FRO	SL	60.00	2,491.95	41.53	1,204.37	1,287.58
09/22/98	DELL DIRECT/PO 424	SL	60.00	3,190.13	53.17	584.87	2,605.26
04/20/99	COMPUSA/PO 536 & 547 & 553/M	SL	60.00	4,978.15	82.97	331.88	4,646.27
TOTAL COMPUTER EQUIPMENT - MKTG				15,970.97	297.15	4,139.88	11,831.09

SALES (5200)

09/05/97	UGA/COMPUTER SCOTT 5200	SL	24.00	2634.37	109.77	2,524.71	109.66
10/02/97	DELL/NOTEBOOK COMPUTER/	SL	60.00	4317.10	71.95	1,582.90	2,734.20
10/24/97	DELL/NOTEBOOK COMP L. SH	SL	60.00	3412.10	56.87	1,251.14	2,160.96
08/01/97	POLANET/PENTIUM LAPTOP C	SL	24.00	2138.89	89.13	2,138.89	0.00
02/01/99	COMPUTER EQUIP/FRIENDLY	SL	36.00	1041.99	28.94	173.64	868.35
TOTAL COMPUTER EQUIPMENT - TELE				13,544.45	356.66	7,671.28	5,873.17

NETWORK OPERATIONS/ACCESS SUPPORT (1100)

11/04/97	COMPUSA/COMPUTER SYS PO	SL	60.00	1597.64	26.63	559.23	1,038.41
02/01/99	INSIGHT PO 515 2 INVOICES	SL	60.00	1804.54	30.08	180.48	1,624.06
TOTAL COMPUTER EQUIPMENT - ACCES				3,402.18	56.71	739.71	2,662.47

GRAND TOTAL COMPUTER EQUIPMENT

1,122,230.61	16,218.23	621,593.64	500,636.97
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CALL RATING SYSTEM

DATA PROCESSING (7100)

08/31/91	EDS-SETUP NEW SYSTEM	SL	60.00	18,975.00	0.00	18,975.00	0.00
08/31/91	IBM-SETUP NEW SYSTEM	SL	60.00	46,957.48	0.00	46,957.48	0.00
09/30/91	EDS-SETUP NEW SYSTEM	SL	60.00	21,000.00	0.00	21,000.00	0.00
09/30/91	IBM-CUSTOMER SVC	SL	60.00	2,065.00	0.00	2,065.00	0.00

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TANGIBLE PERSONAL PROPERTY AND ASSETS

		Life	Capitalized	Monthly	Accum	Net
10/31/91	EDS/SEPT BILL	SL 60.00	12,750.00	0.00	12,750.00	0.00
11/30/91	EDS/OCT BILL	SL 60.00	40,350.00	0.00	40,350.00	0.00
12/31/91	EDS/LIC FEE, CCMI SUBSCR	SL 60.00	289,200.00	0.00	289,200.00	0.00
01/31/92	EDS	SL 60.00	26,250.00	0.00	26,250.00	0.00
01/31/92	EDS	SL 60.00	28,275.00	0.00	28,275.00	0.00
02/29/92	SOFTWARE MARKETING	SL 60.00	3,020.00	0.00	3,020.00	0.00
03/31/92	SOFTWARE MARKETING	SL 60.00	6,590.00	0.00	6,590.00	0.00
03/31/92	SOFTWARE MARKETING	SL 60.00	5,320.00	0.00	5,320.00	0.00
03/31/92	EDS	SL 60.00	30,000.00	0.00	30,000.00	0.00
04/30/92	EDS	SL 60.00	19,575.00	0.00	19,575.00	0.00
04/30/92	SOFTWARE MARKETING	SL 60.00	3,240.00	0.00	3,240.00	0.00
04/30/92	SOFTWARE MARKETING	SL 60.00	1,830.00	0.00	1,830.00	0.00
05/31/92	EDS/APRIL SERVICES	SL 60.00	14,716.00	0.00	14,716.00	0.00
05/31/92	SFTWR MKG/CONSULT MAY 4-	SL 60.00	2,740.00	0.00	2,740.00	0.00
05/31/92	B DELASHMITT/SFTWARE MKG	SL 60.00	3,560.00	0.00	3,560.00	0.00
06/30/92	B DELASHMITT/SFTWARE MK	SL 60.00	3,360.00	0.00	3,360.00	0.00
06/30/92	EDS	SL 60.00	16,440.00	0.00	16,440.00	0.00
06/30/92	B DELASHMITT/SFTWARE MK	SL 60.00	4,830.00	0.00	4,830.00	0.00
07/31/92	EDS.UBV 50009705	SL 60.00	26,400.00	0.00	26,400.00	0.00
07/31/92	B DELASHMITT/CONS 6/21-7/11	SL 60.00	5,480.00	0.00	5,480.00	0.00
07/31/92	TECH LABS/CONS 7/12-24	SL 60.00	6,922.73	0.00	6,922.73	0.00
08/31/92	TECH LABS/CONS 7/27-8/7	SL 60.00	5,480.00	0.00	5,480.00	0.00
08/31/92	TECH LABS/CONS 8/10-21	SL 60.00	5,880.00	0.00	5,880.00	0.00
09/30/92	EDS	SL 60.00	28,380.00	0.00	28,380.00	0.00
09/30/92	TECH LABS/CONS 8/24-9/6	SL 60.00	9,398.50	0.00	9,398.50	0.00
09/30/92	TECH LABS/CONS/INV 17	SL 60.00	5,290.00	0.00	5,290.00	0.00
09/30/92	EDS/INV 50011227	SL 60.00	29,820.00	0.00	29,820.00	0.00
09/30/92	EDS/INV 50011907	SL 60.00	28,860.00	0.00	28,860.00	0.00
09/30/92	TECH LABS/9/13-9/27	SL 60.00	2,736.00	0.00	2,736.00	0.00
10/31/92	TECH LABS	SL 60.00	9,243.00	0.00	9,243.00	0.00
10/31/92	TECH LABS	SL 60.00	2,965.00	0.00	2,965.00	0.00
11/30/92	TECH LABS/10/26-11/8	SL 60.00	4,800.00	0.00	4,800.00	0.00
11/30/92	TECH LABS/11/9-20	SL 60.00	3,840.00	0.00	3,840.00	0.00
11/30/92	IBM/ONE TIME CHARGE	SL 60.00	35,086.11	0.00	35,086.11	0.00
11/30/92	TECH LABS/CONS	SL 60.00	2,400.00	0.00	2,400.00	0.00
12/31/92	EDS	SL 60.00	28,200.00	0.00	28,200.00	0.00
12/31/92	IBM	SL 60.00	3,448.10	0.00	3,448.10	0.00
12/31/92	TECH LABS	SL 60.00	12,356.00	0.00	12,356.00	0.00
02/28/93	IBM/PROGRAMS	SL 60.00	5,543.74	0.00	5,543.74	0.00
01/31/92	IBM/ONE TIME CHARGE PRGR	SL 60.00	35,872.17	0.00	35,872.17	0.00
01/31/92	VERTEX/SALES TAX SOFTWARE	SL 60.00	38,633.89	0.00	38,633.89	0.00

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TANGIBLE PERSONAL PROPERTY AND ASSETS

			Life	Capitalized	Monthly	Accum	Net
03/31/92	IBM/SOFTWARE	SL	60.00	4,500.00	0.00	4,500.00	0.00
04/30/92	IBM/SOFTWARE	SL	60.00	2,704.53	0.00	2,704.53	0.00
11/30/92	EDS/NOV SVC	SL	60.00	27,840.00	0.00	27,840.00	0.00
12/31/92	TECHNOLOGY LABS	SL	60.00	16,826.68	0.00	16,826.68	0.00
07/31/93	SYS CENTER/LIC FOR NDM	SL	24.00	12,171.88	0.00	12,171.88	0.00
09/30/93	SYNON/SOFTWARE-AS400	SL	24.00	56,775.63	0.00	56,775.63	0.00
06/30/94	EDS/SOFTWARE	SL	24.00	108,537.20	0.00	108,537.20	0.00
09/30/94	EDS/FRAUD & SA SOFTWARE	SL	24.00	37,039.07	0.00	37,039.07	0.00
10/31/94	IBM/AS400 SOFTWARE UPGRA	SL	24.00	9,478.37	0.00	9,478.37	0.00
11/21/94	EDS/NETWORK SE TIME	SL	24.00	13,633.07	0.00	13,633.07	0.00
12/28/94	EDS/NETWORK SE TIME	SL	24.00	15,556.41	0.00	15,556.41	0.00
02/28/95	EDS/FRAUD & SAS PROGRAM	SL	24.00	11,576.39	0.00	11,576.39	0.00
03/31/95	EDS/JAN SERV	SL	24.00	4,141.64	0.00	4,141.64	0.00
05/31/95	EDS/MAY SERV	SL	24.00	3,368.42	0.00	3,368.42	0.00
06/30/95	EDS/JUNE SERV	SL	24.00	11,368.42	0.00	11,368.42	0.00
07/31/95	EDS/MAY SERV	SL	24.00	620.00	0.00	620.00	0.00
07/31/95	EDS/JUNE SERV	SL	24.00	8,620.00	0.00	8,620.00	0.00
08/31/95	EDS/JULY SERV	SL	24.00	9,589.75	0.00	9,589.75	0.00
09/30/95	EDS/AUGUST SERV	SL	24.00	8,620.00	0.00	8,620.00	0.00
10/31/95	EDS/SEPTEMBER SERV	SL	24.00	8,620.00	0.00	8,620.00	0.00
11/30/95	EDS/OCT SERV	SL	24.00	8,660.00	0.00	8,660.00	0.00
TOTAL DP				1,318,326.18	0.00	1,318,326.18	0.00

GRAND TOTAL CALL RATING	1,318,326.18	0.00	1,318,326.18	0.00
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SOFTWARE

ACCOUNTING (6100)

09/15/97	CATALYST MACOLA UPGRAD	SL	12.00	9,520.59	0.00	9,520.59	0.00
09/30/97	CORE/POSTAGE AUG-SEPT PO	SL	12.00	90.00	0.00	90.00	0.00
09/26/97	FUTURECOM/PROCESSOR PO	SL	12.00	2,175.00	0.00	2,175.00	0.00
10/13/97	COMP USA/NOVELL NETWORK	SL	12.00	2,596.77	0.00	2,596.77	0.00
12/14/98	CATALYST MACOLA UPGRAD	SL	12.00	1,101.09	91.76	734.08	367.01
11/19/97	NIB LTD/SOFTWARE PACKAGE	SL	12.00	1,020.00	0.00	1,020.00	0.00
TOTAL ACCOUNTING				16,503.45	91.76	16,136.44	367.01

TAXATION (6400)

12/08/98	DPC ZIP SALES	SL	12.00	1,142.04	95.17	761.36	380.68
04/01/99	Larry Hail - New Tax Software	SL	12.00	3,345.00	278.75	1,115.00	2,230.00
TOTAL TAXATION				4,487.04	373.92	1,876.36	2,610.68

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TANGIBLE PERSONAL PROPERTY AND ASSETS

			Life	Capitalized	Monthly	Accum	Net
MARKETING (5100)							
05/18/99	INSIGHT/PO 545	SL	12.00	1,026.20	85.52	256.56	769.64
TOTAL MARKETING				1,026.20	85.52	256.56	769.64
CREDIT & COLLECTIONS (6000)							
10/29/97	DUNN & BRADSTREET/SOFTW	SL	12.00	5,000.00	0.00	5,000.00	0.00
03/12/99	TELLAN SOFTWARE/PO528	SL	12.00	1,644.00	137.00	685.00	959.00
TOTAL C&C				6,644.00	137.00	5,685.00	959.00
DATA PROCESSING (7100)							
10/15/97	PRODATA COMP SERVICES/DA	SL	12.00	1,595.00	0.00	1,595.00	0.00
01/06/98	PRODATA COMP SERVICES/DA	SL	12.00	1,595.00	0.00	1,595.00	0.00
06/01/99	ALDON/ACMS UPGRADE	SL	12.00	4,000.00	333.33	666.66	3,333.34
Do not depr	EDS Upgrade Project (Many Inv)	SL	12.00	207,155.70	0.00	0.00	207,155.70
Do not depr	JOE'S R & D PROJECTS			70,444.84	0.00	0.00	70,444.84
TOTAL DP				284,790.54	333.33	3,856.66	280,933.88
PC DEVELOPMENT (7400)							
02/05/97	COMP USA/NOVEL MGMT. SOF	SL	12.00	3,377.40	0.00	3,377.40	0.00
04/30/97	MKS/MKS SOURCE INTEGRITY	SL	12.00	2,205.00	0.00	2,205.00	0.00
01/19/98	ON TECHNOLOGY CORP/ROUT	SL	12.00	1,058.00	0.00	1,058.00	0.00
01/29/98	GLOBAL COMBINED/NOVELL	SL	12.00	1,749.00	0.00	1,749.00	0.00
03/06/98	GLOBAL COMBINED/PO 353	SL	12.00	2,651.04	0.00	2,651.04	0.00
06/01/99	MIS SYSTEMS/PO 548	SL	12.00	3,496.00	291.33	582.66	2,913.34
06/01/99	MIS SYSTEMS/PO 550	SL	12.00	2,335.00	194.58	389.16	1,945.84
06/10/99	MIS SYSTEMS/PO 558	SL	12.00	1,345.00	112.08	224.16	1,120.84
	JOE'S R & D PROJECTS			2,697.08	0.00	0.00	2,697.08
TOTAL PC/LAN				20,913.52	597.99	12,236.42	8,677.10
GRAND TOTAL SOFTWARE				334,364.75	1,619.52	40,047.44	294,317.31

LEASEHOLD IMPROVEMENTS:

OVERHEAD (9000)

03/31/96	BENSON HLAVATY PARET/AR	SL	60.00	7,394.68	123.24	5,052.84	2,341.84
03/31/96	BENSON HLAVATY PARET/AR	SL	60.00	7,081.71	118.03	4,839.23	2,242.48
03/31/96	BENSON HLAVATY PARET/AR	SL	60.00	8,481.81	141.36	5,795.76	2,686.05
03/31/96	BENSON HLAVATY PARET/AR	SL	60.00	6,678.18	111.30	4,563.30	2,114.88
03/31/96	BENSON HLAVATY PARET/AR	SL	60.00	30,019.12	500.32	20,513.12	9,506.00

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TANGIBLE PERSONAL PROPERTY AND ASSETS

			Life	Capitalized	Monthly	Accum	Net
03/31/96	BENSON HLAVATY PARET/AR	SL	60.00	130.31	2.17	88.97	41.34
03/31/96	BENSON HLAVATY PARET/AR	SL	60.00	1,158.41	19.31	791.71	366.70
03/31/96	BUSINESS INTERIORS/MODUL	SL	60.00	20,501.00	341.68	14,008.88	6,492.12
03/31/96	BENSON HLAVATY PARET/AR	SL	60.00	83.19	1.39	56.99	26.20
03/31/96	AMERITAS LIFE/ADD CONSTR	SL	60.00	183.00	3.05	125.05	57.95
03/31/96	LAIR,PEGI/REIMB EXPENSES	SL	60.00	282.54	4.71	193.11	89.43
03/31/96	BERKELEY CONSTRUCT/CHG O	SL	60.00	6,667.63	111.13	4,556.33	2,111.30
03/31/96	GRAYBAR/JACK OUTSIDE PHO	SL	60.00	128.14	2.14	87.74	40.40
03/31/96	GRAYBAR ELEC/RING DOWN P	SL	60.00	152.64	2.54	104.14	48.50
03/31/96	AMERITAS LIFE/36% CONTRIB	SL	60.00	56,299.61	938.33	38,471.53	17,828.08
03/31/96	AMERITAS LIFE/36% CONTRIB	SL	60.00	64,125.08	1,068.75	43,818.75	20,306.33
03/31/96	BENSON HLAVATY/CONSTRU	SL	60.00	3,047.77	50.80	2,082.80	964.97
03/31/96	ADVANCED CONN/CABLE COR	SL	60.00	27,485.54	458.09	18,781.69	8,703.85
03/31/96	BL&P ENG/EXPAND ELEC SER	SL	60.00	390.00	6.50	266.50	123.50
03/31/96	J.T. EAGLE/BLACK DISPLAY B	SL	60.00	161.63	2.69	110.29	51.34
03/31/96	AMERITAS LIFE/CONSTRUCTI	SL	60.00	11,883.00	198.05	8,120.05	3,762.95
03/31/96	ISYS/EQUIPMENT FOR MOVE	SL	60.00	40,243.75	670.73	27,499.93	12,743.82
03/31/96	ADV CONN/INSTALL DATA,RU	SL	60.00	36,523.33	608.72	24,957.52	11,565.81
03/31/96	BENSON HLAVATY/REVIS CON	SL	60.00	260.27	4.34	177.94	82.33
03/31/96	AMERITAS LIFE/DRAW #3, CH	SL	60.00	47,856.31	797.61	32,702.01	15,154.30
03/31/96	TESSCO/CONNECTORS FOR M	SL	60.00	811.87	13.53	554.73	257.14
03/31/96	DALLAS SEC/CARD ACCESS	SL	60.00	1,558.58	25.98	1,065.18	493.40
03/31/96	ALLEN GRAPHICS/MATRIX SIG	SL	60.00	3,881.38	64.69	2,652.29	1,229.09
03/31/96	WILLS ELECT/WIRING SERVIC	SL	60.00	881.28	14.69	602.29	278.99
03/31/96	ISYS/COMPUTER EQPT & ACCE	SL	60.00	6,122.53	102.04	4,183.64	1,938.89
04/30/96	DALLAS SECURITY SYS/ACCE	SL	59.00	6,234.34	105.67	4,226.80	2,007.54
04/30/96	OFFICE SYS GR/LEVEL STATIO	SL	59.00	549.75	9.32	372.80	176.95
04/30/96	BUSINESS INTER/POWER BASE	SL	59.00	116.57	1.98	79.20	37.37
04/30/96	BUSINESS INTER/STEELCASE F	SL	59.00	105.26	1.78	71.20	34.06
04/30/96	BUSINESS INTER/POWER RECE	SL	59.00	2,047.48	34.70	1,388.00	659.48
04/30/96	BUSINESS INTER/POWER POLE	SL	59.00	845.52	14.33	573.20	272.32
04/30/96	ISYS/4 CABLES	SL	59.00	855.85	14.51	580.40	275.45
04/30/96	AMERITAS LIFE/CHG ORDERS	SL	59.00	2,185.29	37.04	1,481.60	703.69
04/30/96	ADV CONN/MOVED DATA/PHO	SL	59.00	313.93	5.32	212.80	101.13
04/30/96	TESCO/MOVE EXPENSE	SL	59.00	256.55	4.35	174.00	82.55
05/31/96	J T EAGLE/TRACK LIGHTING	SL	58.00	800.30	13.80	538.20	262.10
09/30/96	ALLEN GRAHPICS/MATRIX SIG	SL	54.00	3,719.00	68.87	2,410.45	1,308.55
10/31/96	ADVANCED CONNECT/TERM L	SL	53.00	2,450.93	46.24	1,572.16	878.77
10/31/96	BUSINESS INTER/BUILD CUBE	SL	53.00	1,811.43	34.18	1,162.12	649.31

SCHEDULE 4.2.6(a)

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TANGIBLE PERSONAL PROPERTY AND ASSETS

	Life	Capitalized	Monthly	Accum	Net
11/30/96 BUSINESS INTERIORS/PANELS SL	52.00	1,602.97	30.83	1,017.39	585.58
11/30/96 JT EAGLE/COUNTER & SHELVES SL	52.00	1,850.62	35.59	1,174.47	676.15
TOTAL OVERHEAD		416,220.08	6,966.42	283,859.10	132,360.98
 GRAND TOTAL LEASEHOLD IMPROVEMENTS		 416,220.08	 6,966.42	 283,859.10	 132,360.98
 GRAND TOTAL FURNITURE & FIXTURES		 558,469.40	 6,776.99	 336,594.50	 221,874.90
GRAND TOTAL COMPUTER EQUIPMENT		1,122,230.61	16,218.23	621,593.64	500,636.97
GRAND TOTAL CALL RATING		1,318,326.18	0.00	1,318,326.18	0.00
GRAND TOTAL SOFTWARE		334,364.75	1,619.52	40,047.44	294,317.31
GRAND TOTAL LEASEHOLD IMPROVEMENTS		416,220.08	6,966.42	283,859.10	132,360.98
 GRAND TOTAL FIXED ASSETS		 3,749,611.02	 31,581.16	 2,600,420.86	 1,149,190.16

ENCUMBRANCES

All tangible personal property is held subject to the security interest of Coast Business Credit

UCC Filings

1. Monex Leasing - filed on 01/16/1996 and expires on 01/16/2001
2. Copelco Capital - filed on 06/04/1996 and expires on 06/04/2001
3. Minolta Business Systems - filed on 05/21/1998 and expires on 05/21/2003
4. Coast Business Credit - filed on 08/04/1998 and expires on 08/04/2003
5. Minolta Business Systems - filed on 04/01/1999 and expires on 04/01/2004
6. IBM Credit Corporation - filed on 05/28/1999 and expires on 05/28/2004
7. IBM Credit Corporation - filed on 07/14/1999 and expires on 07/14/2004

SCHEDULE 4.2.6(b)

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OWNERSHIP AND USE OF TANGIBLE ASSETS

REAL PROPERTY LEASED:

Lessee: Matrix Telecom, Inc.

Lessor: Ameritas Life Insurance Company

Location: 8721 Airport Freeway, Fort Worth, TX 76180

A complete description of the property is included in the lease.

ENCUMBRANCES:

The Company's leasehold cannot be assigned, sublet, or terminated without the prior written consent of the Lessor.

All assets of the Company are subject to the security interests of Coast Business Credit and Sprint.

SCHEDULE 4.2.6(d)

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TANGIBLE PERSONAL PROPERTY LEASES > \$3,000

Pimey Bowes Lease - scale, postage meter, mail opener, sorter

Minolta Lease - copy machines and service

IBM - AS/400 maintenance, computer equipment etc.

SCHEDULE 4.2.6(e)

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LIST OF TOLL FREE TELEPHONE NUMBERS USED BY COMPANY

800 258 1007	Matrix Customer Service
800 258 1007	ECS modems
800 269 5582	Matrix Customer Service
800 282 0242	Matrix Customer Service
800 326 3161	TRAVELCARD
800 326 3163	Matrix Customer Service
800 335 3588	Adjustments - rings to 5252
800 354 3335	TDY Phone
800 366 0047	Matrix Customer Service
800 366 0376	Matrix Customer Service
800 366 4150	Matrix Customer Service
800 366 4152	Matrix Customer Service
800 366 4158	Matrix Customer Service
800 368 1007	Matrix Customer Service
800 368 5007	Matrix Customer Service
800 458 8771	800 Citrix Access for Lan
800 458 8776	Matrix New Business Fax- rings to X3219
800 458 8783	Matrix Customer Service
800 458 8792	Matrix Customer Service
800 485 8253	Matrix Customer Service
800 460 4664	Matrix Customer Service
800 482 7283	Matrix Customer Service
800 554 2228	Matrix Customer Service
800 566 4347	Sales- rings to Operator
800 581 9380	Customer Service
800 583 6273	Customer Service FAX machine
800 641 6410	Matrix Customer Service
800 660 6895	HAWAII
800 660 6959	Matrix Customer Service
800 669 0362	Matrix Customer Service
800 747 6245	Matrix 800 for Voice Mail
800 760 0984	Customer Service
800 769 6779	Matrix Customer Service
800 769 6814	Credit Department 800 number
800 769 7378	Matrix Customer Service
800 769 8863	Matrix Customer Service
800 776 8030	Matrix Customer Service
800 776 8960	Matrix Customer Service
800 788 8760	Matrix Customer Service

LIST OF TOLL FREE TELEPHONE NUMBERS USED BY COMPANY

800 807 5996	Gate 39-Houston-Rings into console
800 816 6331	Adjustments 800 number -rings to 5252
800 822 4326	Matrix Customer Service
800 832 1167	Citizens
800 853 4634	800 remote access to Voice Mail
800 890 0248	Matrix Customer Service
800 890 0323	Matrix Customer Service
800 890 0539	Matrix Customer Service
800 893 2850	VMX Access
800 900 9804	Matrix Customer Service
800 942 8351	Commercial Account
800 949 0838	Matrix Customer Service
877 962 8749	Sales- Employee
888 205 4779	CS alpha pager
888 223 6273	Adjustments Fax-rings to 3295
888 264 6289	Optical Drive
888 270 6879	Sweepstakes
888 505 5450	Matrix PGE Extra Sales
888 530 0123	Matrix Customer Service
888 603 6879	Customer Service
888 622 6879	Customer Service
888 705 4638	Customer Service
888 775 6273	Matrix Customer Service
888 808 6879	Matrix Customer Service
800 882 4326	Matrix Customer Service - NASE
800 515 1540	Matrix Customer Service - MSF
800 683 6273	Matrix Customer Service - Fax Machine
800 776 6635	Matrix Customer Service - SC Letters
800 282 9513	Matrix Customer Service - Take-A-Minute
800 832 1167	Matrix Customer Service - Citizens
888 578 4237	Matrix Customer Service - Take-A-Minute

SCHEDULE 4.2.7(a)

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INTELLECTUAL PROPERTIES

SERVICE MARKS:

Matrix Telecom and design
Registration No.: 1,908,833
Issue Date: August 1, 1995

SERVICE MARK APPLICATION FILED:

Simply 800

INFRINGEMENT UPON INTELLECTUAL PROPERTIES:

The Company received a letter dated August 20, 1998 from O'Donnell, Ramis, Crew, Corrigan & Bacharach, LLP ("ORCCB"), as counsel to Matrix Communications Corporation ("MCC") which is located in Milwaukee, Oregon, alleging that the Company's use of the name "MATRIX" or "MATRIX TELECOM" in Oregon and Washington infringes on MCC's rights to the service mark "MATRIX COMMUNICATIONS." The ORCCB letter indicated that MCC had used the mark in Oregon and Southwest Washington since January 24, 1994 and the mark was registered by MCC in Oregon on June 23, 1993.

The Company responded to MCC's claim on September 3, 1998. In letter to ORCCB, the Company advised MCC of the following:

1. The Company registered the service mark "MATRIX TELECOM" on the Principal Register of the United States Patent and Trademark Office on August 1, 1995. MCC has not registered the mark with the USPTO.
2. The Company qualified to transact business in Oregon as a foreign corporation on February 24, 1992, and has been engaged in business in Oregon since at least that date.
3. The predecessor entity to the Company began providing telecommunications services in Oregon on or before March 27, 1991.
4. The Company qualified to transact business as a foreign corporation in Washington on June 3, 1994 and has been engaged in providing telecommunications services in Washington since at least that date.

As a result of the above, the Company believes that its rights to the mark are superior to the rights of MCC. The Company demanded that MCC immediately cease and desist further use of the mark. MCC subsequently communicated to the Company MCC's belief that MCC and the Company use the mark in different lines of commerce, so that MCC could continue to use the mark. MCC uses the mark in connection with its telephone installation business. Neither the Company nor MCC has taken further action with respect to this matter.

SCHEDULE 4.2.7(c)

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COMPUTER SOFTWARE LICENSES AND ROYALTIES PAYABLE

Vendor	Product	# of Licenses	Use
<u>AS400-BASED LICENSES</u>			
Aldon Computer	Change Management	1	AS/400 development change control
ASNA	Exterminate Debugger	1	On line, interactive debugger
EDS	IXPlus	1	Graduated scale, value shown for 2000
EDS	MultiBill	1	Desktop CDR viewer and report generator
IBM	OS/400	3	AS400 Operating System
IBM	Client Access	3	PC Workstation Connectivity
IBM	ImagePlus	1	Used for image storage and retrieval
Mid-Comp USA	SnapShot	1	AS/400 Performance Stats
ProData	Data Base Utility	1	Interactive data base viewer
Skydancer	Fathom Optical Software	1	3rd party software support
Sterling Software	Connect (NDM)	1	Use to receive CDR feeds from Sprint
Works Right	Zip City	1	NPA/NXX to zip code cross reference info
<u>PC-BASED LICENSES</u>			
Tellan	PC Authorize	1	Credit Card Authorization
Adobe	Illustrator for MAC	1	Graphics Design
Adobe	Pagemaker for MAC	1	Graphics Design
Adobe	PhotoShop for MAC	1	Graphics Design
AURA	EasyCom400	1	PC/LAN access to AS/400
Borland	Delphi 1	3	PC Application Development
Borland	Delphi 2	1	PC Application Development
Borland	Delphi 3	2	PC Application Development
Borland	Delphi 4	1	PC Application Development
Borland	QuattroPro	4	Desktop Software
Borland	Visual Dbase	1	PC Application Development
Borland	Visual J+	1	PC Application Development
Catalyst	PSQL/Betreive	1	Used by Macola/10 User
Citrix	WinView 2.3	1	Remote Dial In Access
Cognos	Impromptu	1	Desktop Software
Computer Assc	CA Visual Objects	1	PC Application Development
Computer Assc	Clipper 5.2	1	PC Application Development
Computer Assc	GrumpFish for Clipper	1	PC Application Development
Computer Assc	SuperLib for Clipper	1	PC Application Development
Corel	Corel Office Pro	46	Desktop Software
Corel	Draw 5	2	
Corel	Draw 8	1	
Corel	Office 7	2	Desktop Software

SCHEDULE 4.2.7(c)

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COMPUTER SOFTWARE LICENSES AND ROYALTIES PAYABLE**PC-BASED LICENSES (cont.)**

Corel	PhotoPaint	1
Corel	WordPerfect 5.2	9 Word Processing
Corel	WordPerfect Suite 8	1 Desktop Software
IBM	DOS 5	1 Displaced Desktop OS
IBM	OS/2 Connection Mgr	2 Desktop Software
IBM	OS/2 Warp	3 Desktop OS
IBM	StoryBoard	1 Desktop Software
Lotus	123 Rel5	3 Desktop Software
Lotus	Domino 4.5	1 Not in Use
Lotus	Organizer	1 Desktop Software
Lotus	SmartSuite for OS/2	1 Desktop Software
McAfee	Viruscan 95	2 Desktop Software
Micrografx	Designer 7	1 Graphics Design
Microsoft	Access97	2 Desktop Software
Microsoft	DOS 6.2	7 Desktop OS
Microsoft	Explorer	100 Internet Access
Microsoft	Front Page98 Upgrade	1 Web Site Development
Microsoft	FrontPage	1 Web Site Development
Microsoft	NT Server	2 LAN OS
Microsoft	NT Workstation	1 Desktop OS
Microsoft	Office 3.1	3 Desktop Software
Microsoft	Office 97 w/Access	2 Desktop Software
Microsoft	Office2000	2 Desktop Software
Microsoft	Office95 w/Bookshelf	1 Desktop Software
Microsoft	Office97	37 Desktop Software
Microsoft	Office98 for MAC	1 Desktop Software
Microsoft	PhotoDraw	1
Microsoft	Project	3 Project Management
Microsoft	Project98 Upgrade	1 Project Management
Microsoft	Visual FoxPro	1 Application Development
Microsoft	Win for WorkGroups	22 Displaced Desktop OS
Microsoft	Win3.1	49 Displaced Desktop OS
Microsoft	Win95	63 Desktop OS
Microsoft	Win98	6 Desktop OS
Microsoft	Word97	1 Desktop Software
MKS	Source Integrity	1 PC Application Development
Monarch	Monarch V3	4 Import Data from AS/400
NetScape	Communicator	100 Internet Access
Novell	25 User Upgrade 3 to 4	1 LAN OS
Novell	Connect	1

SCHEDULE 4.2.7(c)

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COMPUTER SOFTWARE LICENSES AND ROYALTIES PAYABLE**PC-BASED LICENSES (cont.)**

Novell	Managewise	1 LAN Management
Novell	Netware 3.12	4 LAN OS
Novell	Netware Management	3 LAN Software
Novell	NWSAA for AS/400	2 LAN/SNA Connectivity
Novell	Perfect Office	4 Desktop Software
On Technology	Davici e-Mail	1 Ft Worth Office e-Mail
On Technology	SMTP Gateway	1
Quark	Quark Express 4	1 Graphics Design on MAC
Red Hat	Linux	1 Mail Server
Seagate	Crystal Reports	1 Accounting Department
SmartDraw	SmartDraw	10 Application Development
Sprint	Desktop Manager	1 Telecom Network Management
Strategic Software	Easy Access/400	1 Phasing Out
Symantec	Act 4	1 Desktop Software
Symantec	Act for Windows	1 Desktop Software
Symantec	Bean Machine for Java	1 PC Application Development
Symantec	Norton Antivirus 5	9 Desktop Software
Symantec	Norton Utilities for Win95	1 Desktop Software
Symantec	PCAnywhere	1 Desktop Software
Symantec	ProComm Plus for W/31	2 Desktop Software
Symantec	ProComm Plus for W/95	1 Desktop Software
Wall Data	Arpeggio Report Writer	1 User Reporting Software
Wall Data	R&R Report Writer 6.5	2 PC Application Development
Wall Data	R&R Report Writer 8	7 PC Application Development
Wall Data	R&R Report Writer SQL	1 PC Application Development
Wall Data	Rumba for as/400	10 Desktop Software
	Blinker	1
	Brief Editor	1
	Cashe - Financial Mgr	1
	Central Point AntiVirus	1
	CloseUp	1
	Cromptons Encyclopedia	1
	CrossTalk XVI	2
	Data Junction	1
	Digital Trainer	1
	Drive Copy	1
	Free Space	1
	Grolier 98 Encyclopedia	1
	Hurricane	2

SCHEDULE 4.2.7(c)

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COMPUTER SOFTWARE LICENSES AND ROYALTIES PAYABLE

PC-BASED LICENSES (cont.)

Infopower for Delphi	1
InterNet Cameleon	1
Key Photo Clips	1
LANsight	3 Server Licenses
LapLink	1
Legal Point Advisor	1 Regulatory
MapLinx	1
NERO CD Rom Burn	1
Partition Magic	1
PC Authorize Hub/Client	1 Credit Card Processing
RAM Double for Win31	1
ReachOut	2 Desktop Software
Select Phone 95	1
Systools for Delphi	1 PC Application Development
Turbopower ASYNC	1
Virtual PC for MAC	1

INTERNET APPLICATIONS LICENSED FROM THE SELLER:

Portal Sites for Affinity ISP Program:

matrixinet.com
uahc.org
nmatoday.com
supportms.com

CD Installer for Affinity ISP Program

Net@gent - billing and accounting software for managing customer

Webomatic - tools provided to Affinity ISPs to personalize web sites

ROYALTIES PAYABLE

There are no royalties payable under the above licenses.

SCHEDULE 4.2.9

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CONDUCT OUT OF ORDINARY COURSE

- (i) The Company has granted security interests in its assets as set forth in Schedule 4.2.6(b). In addition, the Company has granted security interests in its accounts and related assets to Sprint Communications Company L.P. ("Sprint") pursuant to a Security Agreement dated August 17, 1999
- (iv) The Company has borrowed funds from Coast Business Credit pursuant to the Loan and Security Agreement dated as of September 30, 1998.
- (vii) On August 25, 1999, the Company dividended to the Seller all of the outstanding capital stock of DNS Communications, Inc., which formerly was an inactive subsidiary of the Company
- (ix), (xi), (xiv), and (xviii) On August 17, 1999, the Company executed a letter agreement, promissory note and security agreement with Sprint relating to the payment of certain amounts due.
See also Schedule 4.2.11(b).

SCHEDULE 4.2.10(b)

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TAXES

SALES TAXES:

Rhode Island - Audit period Apr 1, 1995- Dec 31, 1997. Assessment of \$14,710.70.

Pennsylvania - Audit period of Jan 1, 1993- Feb 28, 1997. Assessment of \$193,251.97.

Florida - Audit period Oct 1, 1993- Sept 30, 1998. Audit not scheduled as of yet.

Massachusetts - Audit period Jul 1, 1996-Jan 31, 1999. Audit not scheduled as of yet.

Michigan - Audit being handled directly by OAN.

PROPERTY TAX:

Webb Cooley - Responsible for filing property tax returns.

California - Return due for \$4,494.72.

POWER OF ATTORNEY:

Peat Marwick KPMG - for the purpose of filing income tax returns and related filings. See Schedule 4.2.11(a)iii

Note: prior to 04/01/1999 all sales tax returns were prepared by OAN/Atlantax; therefore all source documents and returns are housed at OAN's facilities.

SCHEDULE 4.2.11(a)

Page 1 of 1

**(i) LEASE, LICENSE OR RIGHT TO USE REAL OR PERSONAL
PROPERTY**

See Schedule 4.2.6(b) and Schedule 4.2.6(d)

SCHEDULE 4.2.11(a)

Page 1 of 1

(ii) AGREEMENTS FOR USE OF PATENTS, TRADE NAMES ETC.

See Schedule 4.2.7(a)

SCHEDULE 4.2.11(a)

Page 1 of 7

(iii) CONTRACTS

CONTRACT	Service Provided	CONTRACT NAME	FUTURE PURCHASES
MATRIX CONTRACTS			
Coast Business Credit	Line of Credit	Matrix/AvTel	Yes
Southwestern Bell	Local Phone Service - 3 DSIs at the FT Worth office	Matrix	Yes
Sprint	COGS - Admendment / Original : Long distance service	Matrix	Yes
Sprint	DS-1 Private Line Contract	Matrix	Yes
Sprint	DS-0 Private Line Contract	Matrix	Yes
Advanced Computer Team	Contract Labor for Programming	Matrix	Yes
Ameritas	Building Lease	Matrix	Yes
Ameritech	LEC Billing and Collections	Matrix	Yes
BCS Technologies	PBX Maintainance at FT location	Matrix	Yes
BellAtlantic	LEC Billing and Collections	Matrix	Yes
CBLD	COGS - Long distance for customer base	Matrix	Yes
CBLD	COGS	Matrix	Yes
Chase	Lock Box	Matrix	Yes
College Fund Division	Distributor	Matrix	
Cornerstone Marketing	Distributor	Matrix	
Dataprose	Direct Bill Production	Matrix	Yes
EDS	Software Maintainance	Matrix	Yes
Executive Telecard SA	COGS - International Travel Card for customer base	Matrix	Yes
GTE Choice Billing	LEC Billing and Collections	Matrix	Yes
Integration Services, Inc.	Contract Labor for Programming	Matrix	Yes
Interactive Media Works	COGS - PIN 800 Service for customer base	Matrix	Yes
Minolta	Lease and Maintainance of office copiers	Matrix	Yes
NYNEX (now BellAtlantic North)	LEC Billing and Collections	Matrix	Yes
PacBell	LEC Billing and Collections	Matrix	Yes
Pacific Gateway Exchange	COGS - Long distance service for customer base	Matrix	Yes
Pagemart	COGS - Paging service for customer base	Matrix	Yes
Pitney Bowes	Postage Metter	Matrix	Yes
PSINet	COGS - Internet Backbone for customer base	Matrix	
Southwestern Bell	LEC Billing and Collections	Matrix	Yes
Sprint	Commission Income from 0+ traffic	Matrix	
Tel-Sav, Inc. (now Talk.Com)	COGS - Long distance for customer base	Matrix	Yes
United Group Association	Distributor	Matrix	
USWest	LEC Billing and Collections	Matrix	Yes
UUNET	Internet backbone for Fort Worth office	Matrix	Yes
Vertex	Monthly update of telecommunication tax database	Matrix	Yes
VoiceLog	3rd party verification of all LOAs	Matrix	Yes
Webb Cooley	Property tax filing	Matrix	Yes
OAN	Billing and Collections	Matrix	Yes

SCHEDULE 4.2.11(a)

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(iii) CONTRACTS

CONTRACT	Service Provided	CONTRACT NAME	FUTURE PURCHASES
AVTEL CONTRACTS IN MATRIX'S NAME			
ViaLog Corporation	COGS - Conference Calling	Matrix	
IXC	COGS - Long distance for Business customer base	Matrix	
Sprint Data Services	COGS - Frame Relay (3 individual contracts)	Matrix	
AT&T (TCG)	COGS - Local Loops for Dedicated Customers	Matrix	
e.spire (ACSI)	COGS - Local Loops for Dedicated Customers	Matrix	
MFS	COGS - Local Loops for Dedicated Customers	Matrix	
USWest	COGS - Local Loops for Dedicated Customers	Matrix	
Camanco Communications	COGS - Local Loops for Dedicated Customers	Matrix	
IMW	Revenue	Matrix	
Excell Agent Services	Revenue	Matrix	
US Search	Revenue	Matrix	

MATRIX CONTRACTS IN AVTEL'S NAME

GTE	COGS - Internet Backbone for customer base	AvTel	Yes
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ARRANGEMENTS AND UNDERSTANDINGS

Name	Description	Payments Arrangements	Amounts > 30 Days past Due
ABBOTT COFFEE SERVICES	Office supplies -coffee	Yes	1,696.80
ADVANCED DATA-COMM,INC.	Contractor	Yes	16,008.00
AIRBORNE EXPRESS	Delivery service	Yes	491.41
ALABAMA DEPARTMENT OF REVENUE	Regulatory/Tax		
Aldon Computer Group	Software Upgrade	Yes	2,000.00
ALIAN COMMUNICATIONS ICSC	PICC		239.74
AMERICAN EXPRESS	Credit Card		
AMERITECH	B&C, CABS, or PICC	Yes	30,791.94
AMERITECH	B&C, CABS, or PICC	Yes	-
AMERITECH	B&C, CABS, or PICC	Yes	-
AMERITECH ILLINOIS CABS	B&C, CABS, or PICC	Yes	1,509.96
AMERITECH INDIANA	B&C, CABS, or PICC	Yes	3,962.98
AMERITECH INDIANA CABS	B&C, CABS, or PICC	Yes	541.20
AMERITECH MICHIGAN CABS	B&C, CABS, or PICC	Yes	9,943.35
AMERITECH MICHIGAN CABS	B&C, CABS, or PICC	Yes	4,311.96
AMERITECH OHIO CABS	B&C, CABS, or PICC	Yes	3,019.66
AMERITECH-INDIANA	B&C, CABS, or PICC	Yes	1,550.00
AMERITECH-OHIO CABS	B&C, CABS, or PICC	Yes	2,237.24

SCHEDULE 4.2.11(a)

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(iii) CONTRACTS

Name	Description	Payments Arrangements	Amounts > 30 Days past Due
AMERITECH-WISCONSIN CABS	B&C, CABS, or PICC	Yes	1,290.38
AMERITECH-WISCONSIN CABS	B&C, CABS, or PICC	Yes	642.15
ARCUS DATA SECURITY, INC.	Security	Yes	3,574.76
ARK. INTRASTATE CARRIER COMMON	Regulatory/Tax		
AT&T	Telephone Service	Yes	3,558.89
AT&T	Telephone Service	Yes	-
AT&T	Telephone Service	Yes	-
AT&T WIRELESS	Telephone Service	Yes	-
AT&T WIRELESS	Telephone Service	Yes	-
BCS USERS GROUP	Membership		
BELL ATLANTIC	B&C, CABS, or PICC	Yes	70,057.92
BELL ATLANTIC	B&C, CABS, or PICC	Yes	22,689.34
BELL ATLANTIC	B&C, CABS, or PICC	Yes	18,243.24
BELL ATLANTIC	B&C, CABS, or PICC	Yes	-
BELL ATLANTIC	B&C, CABS, or PICC	Yes	13,794.51
BELL ATLANTIC	B&C, CABS, or PICC	Yes	13,429.51
BELL ATLANTIC	B&C, CABS, or PICC	Yes	10,538.05
BELL ATLANTIC-PA	B&C, CABS, or PICC	Yes	14,643.49
BELLCORE	Monthly LERG update		1,099.69
BELLSOUTH PRO-CABS	B&C, CABS, or PICC	Yes	2,519.52
BLUE SKY MLS, INC	Regulatory/Tax		-
business printing	Printing Services	Yes	2,141.08
CALIFORNIA PUBLIC UTILITIES COMM	Regulatory/Tax		-
CASE-DUNLAP ENTERPRISES	Marketing	Yes	-
CHASE BANK	Bank fees		-
CHURCHILL COUNTY TELEPHONE	B&C, CABS, or PICC		35.00
CINCINNATI BELL TELEPHONE	B&C, CABS, or PICC		3,817.73
CITIZENS COMMUNICATIONS	B&C, CABS, or PICC		1,130.45
CITIZENS COMMUNICATIONS	B&C, CABS, or PICC		545.67
CITY OF ALABASTER	Regulatory/Tax		-
CITY OF ATHENS	Regulatory/Tax		-
CITY OF MELBOURNE	Regulatory/Tax		-
COMMINWEALTH OF MASSACHUSETT	Regulatory/Tax		-
COMMISSIONER OF REVENUE SERVIC	Regulatory/Tax		-
COMMONWEALTH OF MASSACHUSET	Regulatory/Tax		-
COMMONWEALTH TELEPHONE COMP	B&C, CABS, or PICC		286.20
CONNECTICUT SECRETARY OF STATE	Regulatory/Tax		-
CORPORATE EXPRESS	Office Supplies	Yes	-
CORPORATE EXPRESS-FT WORTH	Office Supplies	Yes	1,682.33
CURTIS 1000 INC.	Forms		-
D.C. TREASURER DEPT. OF CONSUMER	Regulatory/Tax		-

SCHEDULE 4.2.11(a)

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(iii) CONTRACTS

Name	Description	Payments Arrangements	Amounts > 30 Days past Due
DATACARD SERVICES	Hardware Maintenance		-
DEPARTMENT OF STATE	Regulatory/Tax		-
DEPT OF COMMERCE AND CONSUMER	Regulatory/Tax		-
DEPT OF REVENUE PENNSYLVANIA	Regulatory/Tax		-
DFW PAINTING, INC.	Repair & Maint. Bldg.	Yes	-
DIRECTOR OF REVENUE, STATE OF MI	Regulatory/Tax		-
DYNA SERVICE	Hardware Maintenance		-
EQUIFAX CREDIT INFO. SERVICES	Credit Services		-
EXPERIAN	Credit Services		390.95
FEDERAL EXPRESS	Delivery Service	Yes	99.65
FLORIDA PUBLIC SERVICE COMMISSI	Regulatory/Tax		-
FRANCHISE TAX BOARD	Regulatory/Tax		-
FRONTIER COMMUNICATIONS, INC.	B&C, CABS, or PICC	Yes	2,432.19
GTE	B&C, CABS, or PICC	Yes	339.00
GTE	B&C, CABS, or PICC	Yes	267.16
GTE ARKANSAS INCORPORATED	B&C, CABS, or PICC	Yes	168.72
GTE CALIFORNIA	B&C, CABS, or PICC	Yes	6,778.77
GTE CALIFORNIA	B&C, CABS, or PICC	Yes	525.79
GTE FLORIDA	B&C, CABS, or PICC	Yes	2,667.52
GTE HAWAIIAN TEL	B&C, CABS, or PICC	Yes	536.69
GTE MIDWEST INCORPORATED	B&C, CABS, or PICC	Yes	415.97
GTE NORTH	B&C, CABS, or PICC	Yes	28,303.05
GTE NORTH	B&C, CABS, or PICC	Yes	8,794.51
GTE NORTH INCORPORATED	B&C, CABS, or PICC	Yes	(234.22)
GTE NORTHWEST INCORPORATED	B&C, CABS, or PICC	Yes	3,612.40
GTE SOUTH	B&C, CABS, or PICC	Yes	913.25
GTE SOUTH	B&C, CABS, or PICC	Yes	73.64
GTE SOUTH INC.	B&C, CABS, or PICC	Yes	355.97
GTE SOUTHWEST	B&C, CABS, or PICC	Yes	62.21
GTE SOUTHWEST	B&C, CABS, or PICC	Yes	32.68
GTE SOUTHWEST INCORPORATED	B&C, CABS, or PICC	Yes	3,323.29
GTE SYSTEMS OF INDIANA	B&C, CABS, or PICC	Yes	700.93
GTE SYSTEMS OF MICHIGAN	B&C, CABS, or PICC	Yes	324.97
GTE SYSTEMS OF THE SOUTH	B&C, CABS, or PICC	Yes	68.38
GTE VIRGINIA INC.	B&C, CABS, or PICC	Yes	77.55
GUARANTEED EXPRESS, INC.	Delivery Service	Yes	84.50
IBM INCORPORATED	Lease	Yes	44,021.33
ILLINOIS COMMERCE COMMISSION	Regulatory/Tax		-
INDIANA UTILITY	Regulatory/Tax		-
INTEGRATION SERVICES, INC.	Contractor	Yes	41,877.00

SCHEDULE 4.2.11(a)

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(iii) CONTRACTS

Name	Description	Payments Arrangements	Amounts > 30 Days past Due
INTERNETWORK EXPERTS, INC.	Internet Domain Name		412.50
LAZER COMP	Office Supplies	Yes	1,460.44
LIEBERT COPR	Hardware Maintenance		-
LIGHTSPEED NET	COGS		-
LOUISIANA COMMERICAL DIVISION	Regulatory/Tax		-
MARYLAND DEPT.OF ASSESSMENT AN	Regulatory/Tax		-
MARYLAND PUBLIC SER COMM	Regulatory/Tax		-
MASSACHUSETTS DEPT OF REVENUE	Regulatory/Tax		-
MEANS/POLAIRS TELCOM	B&C, CABS, or PICC	Yes	150.00
METROCALL	Paging Service		12.43
MICHIGAN DEPT. OF TREASURY	Regulatory/Tax		-
MINOLTA BUSINESS SYSTEMS, INC.	Leased copiers	Yes	6,365.67
MINOLTA BUSINESS SYSTEM-SOUTH	Leased copiers	Yes	-
MN DEPT OF REVENUE	Regulatory/Tax		-
MODERN MAIL SERVICE COMPANY	Fulfiment service		-
MONTANA DEPT. OF REVENUE	Regulatory/Tax		-
NACM SOUTHWEST	Regulatory/Tax		-
NEBRASKA PUBLIC SERVICE COMMISI	Regulatory/Tax		-
NECA TRS	Regulatory/Tax		-
NETWORK SOLUTIONS, INC	Internet Domain Name		-
NEVADA PUBLIC UTILITIES COMMISIO	Regulatory/Tax		-
NEW JERSEY CORPORATION	Regulatory/Tax		-
NEW YORK DEPARTMENT OF PUBLIC	Regulatory/Tax		-
NORTH CAROLINA DEPARTMENT OF R	Regulatory/Tax		-
NORTH CAROLINA UTILITIES COMMIS	Regulatory/Tax		-
NORTH DAKOTA	Regulatory/Tax		-
NORTH STATE TELEPHONE CO.	B&C, CABS, or PICC		245.45
NYS CORPORATION TAX	Regulatory/Tax		-
OFFICE DEPOT	Office Supplies	Yes	6,784.92
OFFICE OF CONSUMER AFFAIRS	Regulatory/Tax		-
OREGON DEPT OF REVENUE	Regulatory/Tax		-
OZARKA NATURAL SPRING WATER	Office Supplies		80.70
PACIFIC BELL	B&C, CABS, or PICC	Yes	9,232.16
PACIFIC BELL	B&C, CABS, or PICC	Yes	1.72
PACIFIC BELL (PICC)	B&C, CABS, or PICC	Yes	14,606.20
PACIFIC BELL ICSC	B&C, CABS, or PICC	Yes	18,435.60
PAGENET OF DALLAS/FT. WORTH	Paging Service	Yes	44.34
PAGENET SOUTH	Paging Service	Yes	-
PIERCE LEAHY CORP.	Storage	Yes	-
PITNEY BOWES INC.	Postage by phone		-
PITNEY BOWESS CREDIT CORP/PURCH	Postage by phone		-

SCHEDULE 4.2.11(a)

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(iii) CONTRACTS

Name	Description	Payments Arrangements	Amounts > 30 Days past Due
PITNEYWORKS	Postage by phone		5,155.31
PLANT DESIGN, INC.	Office Supplies		679.82
PUBLIC SERVICE COMMISSION OF W.	Regulatory/Tax		-
RAELYN PRINTING, INC.	Printing service		-
SECRETARY OF STATE	Regulatory/Tax		-
SECRETARY OF STATE VERMONT	Regulatory/Tax		-
SKYTEL	Paging Service		163.26
SMITH PROTECTION SECURITY	Security at FT Office	Yes	10,733.91
SNET (PICC)	PICC		1,780.51
SOUTH CAROLINA DEPARTMENT OF R	Regulatory/Tax		991.90
SOUTHWESTERN BELL	B&C, CABS, or PICC	Yes	26,600.81
SOUTHWESTERN BELL	B&C, CABS, or PICC	Yes	1,668.09
SOUTHWESTERN BELL	B&C, CABS, or PICC	Yes	-
SOUTHWESTERN BELL	B&C, CABS, or PICC	Yes	-
SOUTHWESTERN BELL	B&C, CABS, or PICC	Yes	-
SOUTHWESTERN BELL	B&C, CABS, or PICC	Yes	-
SOUTHWESTERN BELL TELEPHONE	B&C, CABS, or PICC	Yes	31.11
SOUTHWESTERN BELL TELEPHONE	B&C, CABS, or PICC	Yes	30.50
SOUTHWESTERN BELL TELEPHONE	B&C, CABS, or PICC	Yes	-
SOUTHWESTERN BELL TELEPHONE	B&C, CABS, or PICC	Yes	-
SOUTHWESTERN BELL TELEPHONE	B&C, CABS, or PICC	Yes	-
SOUTHWESTERN BELL TELEPHONE	B&C, CABS, or PICC	Yes	-
SOUTHWESTERN BELL TELEPHONE	B&C, CABS, or PICC	Yes	-
SOUTHWESTERN BELL YELLOW PAGE	Yellow Pages ad	Yes	988.38
SPRINT	B&C, CABS, or PICC	Yes	13,391.08
SPRINT	B&C, CABS, or PICC	Yes	233.09
SPRINT/LOCAL TELE. DIVISION	B&C, CABS, or PICC	Yes	3,280.67
SPRINT/UNITED MANAGEMENT CO	B&C, CABS, or PICC	Yes	16.00
STANDARD REGISTER	Office Supplies	Yes	-
STATE COMPTROLLER	Regulatory/Tax		-
STATE CORP COMMISSION	Regulatory/Tax		-
STATE DEPT OF ASSESSMENT	Regulatory/Tax		-
STATE OF CONNECTICUT	Regulatory/Tax		-
STATE OF MICHIGAN	Regulatory/Tax		-
STATE OF NEW JERSEY	Regulatory/Tax		-
STATE OF NEW YORK OF PUBLIC SERV	Regulatory/Tax		-
STATE OF OREGON	Regulatory/Tax		-
STATE OF RHODE ISLAND	Regulatory/Tax		-
STATE OF RHODE ISLAND & PROVIDE	Regulatory/Tax		14,710.70
STATE OF TENNESSEE	Regulatory/Tax		-
STATE TREASURER TEXAS	Regulatory/Tax		-

SCHEDULE 4.2.11(a)

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(iii) CONTRACTS

Name	Description	Payments Arrangements	Amounts > 30 Days past Due
STUDIO 6	Fulfillment		1,703.39
TARGETED ACCESSIBILITY FUND OF N	Regulatory/Tax		-
TEACH/UW SYSTEMS WI USF	Regulatory/Tax		-
TECHNOLOGIES MANAGEMENT, INC.	Monthly CD of LEC Rates	Yes	1,650.00
TELCORDIA TECHNOLOGIES	Database Subscription		2,199.38
TELEPHONE AUDIO PRODUCTIONS	Advertising		300.92
TENNESSEE REGULATORY AUTHORIT	Regulatory/Tax		-
TRAVELHOST	Advertising	Yes	-
TXU ELECTRIC	Utilities		6,134.16
U S WEST COMMUNICATIONS	B&C, CABS, or PICC	Yes	3,994.93
U S WEST COMMUNICATIONS	B&C, CABS, or PICC	Yes	16,789.06
U S WEST COMMUNICATIONS	B&C, CABS, or PICC	Yes	457.80
U S WEST COMMUNICATIONS	B&C, CABS, or PICC	Yes	-
U S WEST COMMUNICATIONS	B&C, CABS, or PICC	Yes	-
U S WEST COMMUNICATIONS	B&C, CABS, or PICC	Yes	-
U S WEST COMMUNICATIONS	B&C, CABS, or PICC	Yes	-
U S WEST COMMUNICATIONS	B&C, CABS, or PICC	Yes	-
U S WEST COMMUNICATIONS	B&C, CABS, or PICC	Yes	-
U S WEST COMMUNICATIONS	B&C, CABS, or PICC	Yes	-
UICI MARKETING	Delivery Service	Yes	22.81
UNIVERSAL SERVICE FUND	Regulatory/Tax		-
US ACCESS	COGS	Yes	2,790.00
UTAH STATE TAX COMMISSION	Regulatory/Tax		-
VERMONT DEPARTMENT OF TAXES	Regulatory/Tax		-
VERMONT STATE TREASURER	Regulatory/Tax		-
VIRGO PUBLISHING	Advertising	Yes	-
VISITOR MAGAZINES	Advertising		5,285.50
VT DEPARTMENT OF TEXAS	Regulatory/Tax		-
WINGTIP COURIERS, INC.	Delivery Service		1,109.00
WISCONSON DEPARTMENT OF REVEN	Regulatory/Tax		-

Note: Above list based on \$100 y-t-d minimum.

There may be outstanding AP items that are not on-going arrangements or understanding and thus not listed.

(iv) INDEBTEDNESS FOR MONEY BORROWED OR EXTENSIONS OF CREDIT

Loan and Security Agreement by and between AvTel Communications, Inc. a Delaware corporation, Matrix Telecom, Inc. a Texas corporation and Coast Business Credit, a division of Southern Pacific Bank dated as of September 30, 1998 that consists of a line of credit of up to \$7.5 million subject to eligible receivables and other restrictions.

Amendment Number One to Loan and Security Agreement, dated as of June 11, 1999, amending that certain Loan and Security Agreement by and between AvTel Communications, Inc. a Delaware corporation, Matrix Telecom, Inc. a Texas corporation and Coast Business Credit, a division of Southern Pacific Bank dated as of September 30, 1998 whereas the Company's and the Seller's unbilled receivables were added to the line of credit, Remote Lojix was added as borrower and the Remote Lijox receivables were added to the line of credit.

Waiver Letter dated as of August 17, 1999 from Coast Business Credit whereas Coast waived the Event of Default relating to Section 8.1 of the Schedule to the Loan Agreement relating to the Net Worth requirement of \$2 million for the period of February 28, 1999 through September 30, 1999.

Letter agreement with Sprint Communications Company L.P. dated July 19, 1999 (and executed by Sprint on August 17, 1999); Promissory Note of the Company to Sprint Communications Company L.P. dated July 29, 1999, and Security Agreement in favor of Sprint Communications Company L.P. dated July 29, 1999 and executed by Sprint on August 17, 1999.

SCHEDULE 4.2.11(a)

Page 1 of 1

**(v) INDEMNITY OR GUARANTY ISSUED WITHIN THE
LAST 3 YEARS**

None

**(vii) CONTRACTS, ARRANGEMENTS OR UNDERSTANDINGS
WITH CUSTOMERS OR DISTRIBUTORS OTHER THAN
THE STANDARD LOA**

Current Distributors with Contracts for Matrix: **Current Distributors with Contracts for DNS:***

Abtel
Americall
AMLI Residential
A. Reichelt
Bell Telecom
Consortium
Core Marketing
Cox
DC Enterprises
Harvest
Jewish Network Association
JFI Communications
Lexford Properties
Lezo
Oxford Group
Pacific Equity
Peoples Network
P. Keenly
SA Group
SAS
Silicon Beach
Small Business ShowCase
Sportron
Star Communications
Teleworth
West Net
DNS Communications
Global Talk

Communications Savings
Commsult Telecommunications
First National Network
Global Talk
Miramar Tariff Consultants
Big Country Systems

Current Distributors with Contracts for BestConnections:

United Group Association**
Cornerstone Marketing Association**

Special Arrangements with Distributors:

Agent Access***
Provided with account rep
Provided with account support
UGA - 1.5% com. override paid quarterly for 1999 onl
UGA - the Company has committed to spend \$50K in
promotions for 1999, currently spent \$12K
UGA & CMA - the Company sponsors yearly
functions
The Company sponsors contest throughout year
The Company produces specialized reporting
customized by distributor - monthly, weekly or
daily

Special Arrangements with Customers:

Collection plans have been granted
eBill - internet billing
Credit card processing
Tech support for internet product
24 by 7 customer service support
Product support
Switching fee reimbursement

Reseller of Matrix for June:

Coast International, Inc.

* As of August 31, 1999, these distributors will be transferred to Matrix

** The Company pays commission directly to the agents for this association either monthly, quarterly, or semiannually (1000+ checks).

*** This is an internet database for the distributor to access its customers' information.

**(vii) CONTRACTS, ARRANGEMENTS OR UNDERSTANDINGS
WITH CUSTOMERS OR DISTRIBUTORS OTHER THAN
THE STANDARD LOA**

Agent Option Plan:

United Group Association
Cornerstone Marketing Association
Provide support for above option plans

Distributor Option Plans:

Americall
Starr Communications
Provide support for above option plans

Special Verbal Understandings:

See Florida - company will pay 15% commission on any customers generated from ad
Star Communications - commission on products 107 and 108, the Company will pay 10% commission on
Saturday calling (call type 3).

SCHEDULE 4.2.11(a)

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(viii) POWER OF ATTORNEYS CURRENTLY IN EFFECT

Peat Marwick KPMG:

Representatives for income tax and related returns for 1994, 1995, 1996, 1997, 1998.

Authorized representatives: Louise Sheridan and James McKee

SCHEDULE 4.2.11(a)

Page 1 of 1

(ix) COLLECTIVE BARGAINING AGREEMENTS

None

SCHEDULE 4.2.11(a)

Page 1 of 1

(xi) FUTURE PURCHASES

See Schedule 4.2.11(a)(iii)

SCHEDULE 4.2.11(a)

Page 1 of 1

(xii) LIST OF CONTRACTS AND AGREEMENTS WITH AFFILIATES

See Schedule 4.2.19 and Schedule 4.2.22

SCHEDULE 4.2.11(a)

Page 1 of 1

(xiv) MERGER, CONSOLIDATION OR ACQUISITION AGREEMENTS

AvTel Communications, Inc. - reverse stock acquisition

BestConnections, Inc. - acquisition and merger

DNS Communications, Inc. - stock exchange and purchase as a subsidiary

SCHEDULE 4.2.11(b)

Page 1 of 2

LIST OF ANY MATERIAL DISPUTES OR DEFAULTS

	Description	Date Range	Amount
Sprint	PICC Charges - Overbilling # of customers	1/98-7/99	\$ 103,519.46
	Min. Usage per port surcharge - not applicable	6/99-7/99	\$ 143,433.12
	Rate error - 2/98 Contract (account code)	6/99-7/99	\$ 4,923.16
	Rate error - 10/98 Contract Amendment	10/98-4/99	\$ 343,931.45
	Rate error - 2/99 Verbal Agreement	2/99-4/99	\$ 216,260.63
	Rate error - 4/99 Contract Amendment	4/99-7/99	\$ 976,947.25
	Dedicated recurring charges	7/98-11/98	\$ 12,473.80
	Switched 800 - Recurring fee - rate error	7/99	\$ 20,773.48
	Payphone Surcharge refund - rate error	10/97-4/99	\$ 28,602.60
	Voice Contract Totals		\$ 1,850,864.95
	Private Line Contract Totals	10/98	\$ 496.64
Pacific Gateway Exchange	Fraud	10/97-11/97	\$ 4,373.46
	Fraud	3/99	\$ 48,320.72
	Fraud	4/99	\$ 120,632.66
	Payphone Surcharge	11/97-12/97	\$ 24,367.80
	Rate Error - DA	9/98	\$ 1,916.72
	Over billing of minutes, not billed	4/98-10/98	\$ 22,559.31
	Over billing of minutes, billed	7/98-2/99	\$ 21,301.65
			\$ 243,472.32
eGlobe	File format problem, not able to bill	8/98-12/98	\$ 21,855.24
Talk.Com (TelSave)	PICC Charge Credits	1/98-6/99	\$ 36,222.58
	Unknown ANIs	1/98-6/99	\$ 28,597.69
			\$ 64,820.27
CBLD	Late Fees		\$ 1,214.65
	Billing Errors		\$ 143.54
			\$ 1,358.19
<u>DEMAND NOTICES</u>			
	Description	Date Range	Amount
Bell Atlantic	Billing and Collection	3/99-6/99	\$ 52,399.76
US West	Billing and Collection	2/99-6/99	\$ 71,260.43
US West	PICC	5/99-6/99	\$ 51,043.27
Integration Services	Contractor Services	6/99-7/99	\$ 36,624.00

Sprint - weekly payment of \$250,000 was due on 08/31/99 and was not paid
 (See Schedule 4.2.11 (a)iii)

LIST OF ANY MATERIAL DISPUTES OR DEFAULTS

Notes describing disputes:

Sprint:

PICC Disputes: Matrix determined that Sprint was over charging Matrix for PICC charges and submitted a database to Sprint that identified discrepancy. Sprint verbally agreed (and will followup in writing) to Matrix paying 53% owed. The 53% has been accrued. This balance of \$103,519.46 represents the remaining 47% which is expected in subsequent bill. This amount has not been accrued.

Minimum Usage Per Port Surcharge: Sprint's billing system has been incorrectly charging this fee. Sprint has routinely been crediting this charge to our account. These have not been accrued.

Rate Errors - Sprint takes a significant amount of time to a) change the rates in their billing system once new rates have been signed and b) to issue the credits on the months affecting the new rates. We have re-calculated the rates and are confident that these credits will be issued. These have not been accrued.

Dedicated recurring charges: Overbilling of dedicated customers recurring fees. These have not been accrued.

Switched 800 - Routine credit. Sprint billing system cannot charge the correct rate. These have not been accrued.

Payphone Surcharge refund - FCC recently lower the Payphone Surcharge rate retroactively. Sprint has given tentative approval for retroactive credit. These have not been accrued.

Private Line: Overbilling of data customers recurring fees. These have not been accrued.

PGE:

Fraud: Due to failing of PGE to monitor Travel Card platform adequately. The \$48k credit was paid to them. The \$120,000.00 has not been accrued.

Payphone Surcharge: PGE tried to back bill old charges from 1997 in 1998 without notification. They have since verbally agreed to credit these amounts. These have not been accrued.

Rate Error - DA: Overbilling of directory assistance rates. These have not been accrued.

Over billing of minutes, not billed: PGE was billing us for customers in our monthly invoice that they were not providing call records for us to bill on a daily basis. Also, these were not our customers. These have not been accrued.

Over billing of minutes, billed: PGE was providing call records to us that were their customers. We would bill the but then have to issue credits to these customers. They had been routinely giving this credit but stopped after one of their managers took a leave of absence. These have not been accrued.

eGlobe:

eGlobe: Matrix claims it experienced a file formatting problem during this period of time. This has been accrued for and is included in accounts payable.

Talk.Com (TelSave)

PICC Charge Credits: Talk.Com over bills Matrix for the PICC charges each month. Talk.com has been notified. not been accrued.

Unknown ANIs: Matrix has special programming set up to determine if this vendor bills calls from new ANIs each month. Matrix has been routinely billed for new customers that are not Matrix customers. Each month a dispute sent to Talk.com. The amount has not been accrued.

SCHEDULE 4.2.12

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EMPLOYEE BENEFIT MATTERS

Employment Contracts:

None

Consulting Contracts:

1. Contract with Advanced Computer Team for Raymond Tauro effective 3/19/99.
2. Contract with Integration Services, Inc. for Eric Sundstrom effective 3/21/97.

Bonuses:

The following is a list of names on those employees with bonus plans based on 3rd quarter performance:

1. Scott Hall
2. Marti Pierce
3. Hope Holly
4. Darla Barber
5. Stephanie Reese
6. Vijay Michael
7. Darlene Saxton
8. Jennifer Smith

List and Description of Benefits:

The following are employee benefit programs of the Seller:

1. Medical Insurance - provided through Blue Cross; - Group # 1287UJ; Blue Card of Texas. Employer and employee share costs.
2. Dental Insurance - provided through Guarantee Life Insurance Company - Group # 00005703. Employer and employee share costs.
3. Long Term Disability - provided through Guarantee Life Insurance Company - Group # 00005703. Employer pays total cost.
4. Life Insurance - provided through Guarantee Life Insurance Company - Group # 00005703. Employer pays cost. Term life to maximum of 50,000 with ADD coverage with additional \$50,000 maximum.
5. 401(K) Plan. Administered by Troug-Ryding. Funds invested through Manulife Financial Services Plan # 53092. Company match 50 cents on the dollar to maximum of 6%. All company match purchases AvTel Stock.
6. Vacation accrual based on years of service. 2 weeks for first 5 years of service; maximum accrual 120 hours. 3 weeks for six through tenth year; 160 hours maximum accrual; 4 weeks after eleven years of service; 200 hours maximum accrual.
7. Sick leave - six days per year. Can carry over unused balance to new year. No pay out if unused.
8. 10 holidays per year; seven are scheduled; three are floaters.
9. 16 hours of personal leave each year. 8 hours available first pay period in January; second 8 hours available first pay period in July.
10. AvTel Communications, Inc. 1997 Stock Incentive Plan.
11. AvTel Communications, Inc. 1998 Stock Incentive Plan.

SCHEDULE 4.2.15(a)

Page 1 of 1

LIST OF ALL PERMITS

FCC Authorizations (see Schedule 4.2.27)

PUC Authorizations (see Schedule 4.2.27)

Qualifications to do business as a foreign corporation (see Schedule 4.2.1)

Local business licenses relating to the general business purposes of Company have been obtained where necessary

SCHEDULE 4.2.15(b)

Page 1 of 1

LIST OF ALL CARRIER IDENTIFICATION CODES

CIC CODE ACNA

- | | |
|---------|-----|
| 1) 0697 | NZT |
| 2) 0780 | MXT |

SCHEDULE 4.2.16

Page 1 of 1

MATERIAL SUPPLIERS

Written Supply Contracts, Outstanding Purchase Orders (over \$10,000) and Material Adverse Changes

- Those written supply contracts listed in Schedule 4.2.11(a)(iii) which involved an aggregate value of \$10,000 or more during the year ended December 31, 1998.

- References to MCI WorldCom and Pacific Gateway Exchange in Schedule 4.2.4, and references to material disputes, defaults, demand notices and delayed payments in Schedule 4.2.11(b).

SCHEDULE 4.2.17

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LIST OF ALL MATERIAL INSURANCE POLICIES

Producer	Policy #	Carrier	Type	Expiration Date	Policy Name
Caesar & Cseidar Insurance Services LLC	35390004	Chubb Group	Property	12/10/99	AvTel

SCHEDULE 4.2.19

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**LIST OF ALL TRANSACTIONS BETWEEN THE COMPANY
AND ANY DIRECTOR, OFFICER, EMPLOYEE, OR
STOCKHOLDER**

No employees are direct employees of the Company. All employee related services are provided by Seller's employees and billed to the Company.

The Company provides telecom and internet services to certain officers and directors at a small "employee" discount to market price.

The Company provides the following services to Seller and affiliates:

- Processing of call records
- Accounting services
- Billing and collection
- Tax services
- Bill payment services
- Telecom services under various Company contracts

The Company and Seller or a Seller's subsidiary shares services as follows:

- Company credit card accounts
- Coast business credit secured borrowings
- Corporate overhead charges
- Various corporate expenses, including legal and audit services
- Corporate office space in Ft. Worth
- Leasing of copiers
- Mobile telephones

The Seller or a subsidiary provides the following services to the Company

- Technical support to internet customers

The Company provides a net intercompany loan to the Seller and subsidiaries and accrues an intercompany interest charges of 1% per month.

See also Schedule 4.2.22

SCHEDULE 4.2.21

Page 1 of 1

**LIST OF EACH BANK ACCOUNT, LINE OF CREDIT OR
SAFETY DEPOSIT BOX AND EACH PERSON AUTHORIZED
TO DRAW AND POWER OF ATTORNEY**

	Account #	Drawers	Notes
<u>LINE OF CREDIT</u>			
Coast Business Credit		Lynette McCarty Craig Clark Michael Ussery	
<u>BANK ACCOUNTS</u>			
Chase Bank of Texas			
Operating Account	08805156914	Lynette McCarty James Pisani Raymond Waters Mark Vance Gary Friedman	
Adjustment Account	08805156930	James Pisani Cindy Lewis	
Tax Account	08806247357	Lynette McCarty James Pisani Anthony Papa	Established recently since brought tax filing in-house
Tax Account	08805156922	Lynette McCarty Virginia Baker John Kovlick Ronald Evan Joseph Lawhorn	Dormant

SCHEDULE 4.2.22

Page 1 of 1

CONFLICTS OF INTEREST

See Schedule 4.2.19

Directors of the Seller, or their relatives, may have interests in business customers of the Company.

DESCRIPTION OF THE YEAR 2000 COMPLIANCE PROGRAM, THE PROGRESS IN MEETING THE SCHEDULED GOALS, AND A LIST OF SOFTWARE AND HARDWARE ITEMS NOT YEAR 2000 COMPLIANT

Year 2000 Compliance Program

As commonly defined, the Year2000 or Y2K issue for computer programs is basically centered around two areas. The more significant items is the commonly used practice of defining the year of a date with only two digits. With the arrival of the year 2000, a two digit year could be interpreted as 1900 instead of the year 2000. The two most common errors that could result would be that a year of '00' would be declared as invalid and not allowed and/or in an elapsed time calculation, the difference would be incorrect, i.e., the difference between January 1, 1999 to January 1, 2000 in days would not be 365 but the difference between 1900 and 1999 or 36,135 days.

Year 2000 initiatives are generally broken down into the following tasks/categories:

- A. Awareness/Inventory
- B. Assessment
- C. Renovation
- D. Testing/Implementation
- E. Contingency Planning

Awareness/Inventory

Beginning in third quarter of 1998, Avtel initiated efforts to increase the awareness of the areas within its infrastructure that could have Year 2000 related issues. In late 1998, Avtel formed a committee of management to oversee the efforts of Year 2000 renovation efforts in the areas defined as critical to the ongoing concern of Avtel as an organization. The committee was comprised of management from the various areas of the company. The committee has been involved in the identification of areas to be discontinued or renovated. This phase of the process was completed in March of 1999.

Assessment

Activities in this area resulted in a comprehensive list of the potentially affected areas including but not limited to information services, automation hardware, desktop software, business partners, and support facilities. Once assessed, the specific re-mediation efforts to be employed for each area were defined and initiated. One of the more significant decisions made in late 1998, was to continue with the rating and billing software employed by the Fort Worth office from EDS known as IXPlus. The transition to the latest, Year 2000 compliant version of IXPlus would provided Avtel with considerable, needed functionality

DESCRIPTION OF THE YEAR 2000 COMPLIANCE PROGRAM, THE PROGRESS IN MEETING THE SCHEDULED GOALS, AND A LIST OF SOFTWARE AND HARDWARE ITEMS NOT YEAR 2000 COMPLIANT

Year 2000 Compliance Program (cont.)

Assessment (cont.)

as well as being Y2K compliant. The majority of this phase has been completed, although evaluation of the items identified were expected to continue throughout 1999, activities in this area have been curtailed as a result of the pending sale of Matrix.

Renovation (Internal)

The effort to transition the rating and billing software were initiated in early 1999 primarily by EDS. Concurrently, Avtel resources set out to transition all of its site specific application software for use with the new EDS software. This involved all applications, be it PC, LAN, AS/400 or WEB based and included review/analysis, renovation, and testing.

Status as of July 1, 1999

1. EDS had completed its contracted task of transitioning Avtel's data to the latest, Y2K compliant version of its long distance rating and billing software.
2. Avtel resources have transitioned/renovated LAN based software
3. Avtel resources are on target to transition/renovate its AS/400 based site specific functionality.
4. Local Area Network Operating Systems were all Y2K compliant.
5. Avtel desktop software consist primarily of Microsoft products and Corel products. All of which are Y2K compliant. There are however, some user specific software packages that are still under evaluation as to Y2K. These packages make up less than 10% of the total desktop software items that are used. These were scheduled to be completed approximately 9/30/99 but activities have been curtailed pending the sale of Matrix.
6. Ninety-five percent of all identified/inventoried hardware had been renovated or replaced. Plans were to complete the remaining items by the end of the third quarter of 1999 but activities have been curtailed pending the sale of Matrix.

Renovation (External)

In addition to the efforts above, Avtel has been in contact with all of its critical and major business partners in an attempt to assess their situation as to Year 2000 issues. There were a total of 94 business partners there were contacted inquiring as to their Year 2000 readiness. There were 10 companies related to Avtel's billing activities, 9 long distance carriers, 4 financial institutions, 7 hardware vendors, 9 local exchange companies (LECs), 2 utility/building vendors, and 53 other business services/equipment providers. Of these, all but 4 have responded that they are or will be Year 2000 compliant. Of the 4 that remain, 3 have yet to respond and 1, the Fort Worth office building access security system, had been scheduled to be upgraded. Activities in the Y2K Compliance area have been curtailed pending the sale of the Company.

DESCRIPTION OF THE YEAR 2000 COMPLIANCE PROGRAM, THE PROGRESS IN MEETING THE SCHEDULED GOALS, AND A LIST OF SOFTWARE AND HARDWARE ITEMS NOT YEAR 2000 COMPLIANT

Year 2000 Compliance Program (cont.)

Testing/Implementation

With the completion of the EDS transition project, some limited testing has been completed to insure the appropriateness of the contracted work. As transition of Avtel's site specific software has been effected, each component has been tested individually. Testing on software not transitioned is yet to occur. Completion these items had basically been completed as of August 15, 1999. Parallel testing of the primary components of the rating and billing system begin as scheduled approximately mid-August, 1999 with completion within expected to take 30 to 45 days to complete. Implementation of the new IXPlus software and related Avtel site specific functionality was on schedule for late September or early October, 1999. Activities in this area have been curtailed pending the sale of Matrix.

Contingency Planning

Activities in this area have been minimal to date. Primary area of concern are those areas that are outside the sphere of Avtel's control and that would result in significant impact to Avtel's business activities. These areas are now subject to change pending the sale of Matrix and has resulted in a curtailment of activities in this area. These items include, but may not be limited to, the following:

1) Long Distance Carriers (IXCs)

In the event of failure, Avtel is currently investigating the feasibility of effecting the re-PICing of its 71,000 ANIs to an alternate carrier's CIC code. Assuming Avtel's current base of ANIs, the estimated cost from just LEC charges would be \$355,000 and would take approximately 10-15 business days to effect.

2) Local Exchange Companies (LECs)

These companies represent the greatest single point of failure to Avtel's business model. LECs operate in a local monopoly environment without viable alternatives. Avtel utilizes several LEC services, LEC activation (PIC) services, LEC response (CARE) services, and LEC billing services. These are individual services and failure could occur separately or combined. However, should a LEC not be able to process a consumer's call, then the Avtel's basic transaction would be unavailable.

DESCRIPTION OF THE YEAR 2000 COMPLIANCE PROGRAM, THE PROGRESS IN MEETING THE SCHEDULED GOALS, AND A LIST OF SOFTWARE AND HARDWARE ITEMS NOT YEAR 2000 COMPLIANT

Year 2000 Compliance Program (cont.)

Contingency Planning (cont.)

3) Billing for Services

Avtel employs two methods to deliver billing for services to it's customers. Billing occurs through the LECs and also via direct bill from Avtel to its customers. Should a failure occur in the LEC billing models, affected customers would be transitioned to Avtel direct bill process. Avtel outsources the generation of it's direct bill printing and mailing. Although Avtel's current provider has declared itself as Y2K compliant, Avtel will investigate the probability of alternative services.

4) Financial Institutions

Avtel collection of revenue occurs primarily through our "lockbox" processes. In the event of failure, payment for services rendered by Avtel to its customers would not be processed and as such not available to Avtel. Options available other than the manual data entry of payments is yet to be explored.

Status of Software Conversion Items

Project	Priority	Assigned	Target Date	Percent Complete	Date Completed	Project Notes
Order Entry	1	Yes	8/15/99	100%	8/9/99	COMPLETE
Pic/Care	1	Yes	6/25/99	100%	6/25/99	COMPLETE
Travel Cards	1	Yes	5/4/99	100%	5/4/99	COMPLETE
Direct Bill	1	Yes	7/15/99	100%	7/31/99	COMPLETE
LEC billing	1	Yes	8/15/99	100%	8/14/99	COMPLETE
File Conversions	1	Yes	6/1/99	100%	6/11/99	COMPLETE
Customer Service	1	Yes	5/14/99	100%	5/14/99	COMPLETE
Management Reports	1	Yes	8/6/99	98%		Parallel Testing
Trouble Tickets	1	Yes	6/30/99	100%	6/11/99	COMPLETE
Adjustments	1	Yes	7/15/99	100%	6/18/99	COMPLETE
Features System	1	Yes	7/16/99	100%	7/9/99	COMPLETE
Commissions	1	Yes	6/30/99	100%	6/25/99	COMPLETE
Auth split/Return	2	Yes	7/30/99	100%	6/25/99	COMPLETE
Weekly Reports	2	Yes	7/15/99	90%		Parallel Testing
Monthly Extract	2	Yes	7/30/99	100%	6/4/99	COMPLETE
Monthly Reports	2	Yes	7/30/99	100%	6/4/99	COMPLETE

DESCRIPTION OF THE YEAR 2000 COMPLIANCE PROGRAM, THE PROGRESS IN MEETING THE SCHEDULED GOALS, AND A LIST OF SOFTWARE AND HARDWARE ITEMS NOT YEAR 2000 COMPLIANT

Status of Software Conversion Items (cont)

Project	Priority	Assigned	Target Date	Percent Complete	Date Completed	Project Notes
800 Order Processing	2	Yes	7/15/99	100%	7/9/99	COMPLETE
Collections Processes	3	No	8/30/99			Suspended
Cycle Change	3	Yes	7/31/99	100%	7/31/99	COMPLETE
Auth/Ani Transfer	3	Yes	7/31/99	100%	7/31/99	COMPLETE
Process AuthAnip	3	Yes	8/15/99			Suspended
Unbillables	3	No	8/15/99			Suspended
PC Rating	3	No	8/30/99			Suspended
ANI INFO Maintananc	4	No	9/1/99			Suspended
Trouble Ticket Extract	4	No	9/1/99			Suspended
User Special Request	4	No	10/15/99			Suspended
Call Cycle Audit Proce	4	No	10/1/99			Suspended
Year End Purges	4	No	11/15/99			Suspended

Notes related to Software Conversion Items

As of 8/23/99

Rick Chapman - Rick wrapped up the LEC billing project. Rick moved on to assist with the parallel testing efforts. Rick will remain focused on the parallel until a final decision is made regarding the sale of Matrix and the future use of IXPlus.

Harm Schreur - Harm moved to parallel testing handling the initial setup of the site specific data bases required to effect parallel testing. After the data based creation and population has occurred, Harm will be supporting the parallel testing of the applications that he remediated. Harm will remain focused on parallel testing until a final decision is made regarding the sale of Matrix and the future use of IXPlus.

Eric Sunstrom - Eric the modifications to the Order Entry project and joined the parallel testing efforts with the rest of the group. Eric will continue to focus on the parallel testing of the applications that he remediated. Eric will remain focused on parallel testing until a final decision is made regarding the sale of Matrix and the future use of IXPlus.

Ray Tauro - Ray has and is focused on the parallel testing of the projects that he was responsible for remediating. Ray will remain focused on parallel testing until a final decision is made regarding the sale of Matrix and the future use of IXPlus.

SCHEDULE 4.2.26

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Status of Hardware Conversion Items

Compliance status yet to be determined:

Local Area Network Equipment

Compaq Prolinea 4/66

NWSAA Desktop/Server

Compaq Prolinea 4/66

SAA/400 Desktop/Server

Compaq Proliant

Server Disk Unit

Bay Networks

10 Base T Hub

Palindrome Fast 5000c

LAN Tape Backup Unit

Larse Access T Network Unit

CSU/DSU for NDM

Larse Access T Network Unit

CSU/DSU for NDM Backup Unit

SCHEDULE 4.2.27

Page 1 of 2

REGULATORY COMPLIANCE

STATE	DATE COAs	DATE CPCNs
	ISSUED	ISSUED
Alabama	08/15/94	05/10/91
Alaska	09/27/94	N/A
Arizona	06/11/94	Applied on 7/12/96
Arkansas	06/09/94	10/25/90
California	04/05/95	12/19/90
Colorado	02/24/92	N/A
Connecticut	06/15/95	11/08/95
Delaware	05/10/94	03/04/97
District of Columbia	06/30/94	N/A
Florida	05/13/94	10/13/94
Georgia	02/25/92	10/06/92
Hawaii	05/13/94	N/A
Idaho	03/16/92	N/A
Illinois	07/26/94	06/21/95
Indiana	03/16/92	05/15/96
Iowa	02/18/92	N/A
Kansas	05/04/94	01/02/91
Kentucky	02/18/94	03/13/91
Louisiana	01/03/95	10/05/90
Maine	09/01/93	03/28/97
Maryland	02/24/92	10/15/90
Massachusetts	04/25/94	11/15/90
Michigan	05/05/94	N/A
Minnesota	07/29/94	07/17/91
Mississippi	05/09/94	11/26/90
Missouri	10/08/92	11/01/91
Montana	02/25/92	N/A
Nebraska*	02/24/92	03/19/91
Nevada	06/15/94	08/23/94
New Hampshire	08/11/94	10/05/93
New Jersey	04/27/94	09/29/94
New Mexico	06/02/94	09/12/91
New York	08/17/94	12/08/94
North Carolina	03/26/92	12/18/90
North Dakota	05/05/94	08/10/94
Ohio	02/24/92	01/30/91
Oklahoma	10/20/95	06/19/97
Oregon	06/09/94	09/14/94
Pennsylvania	09/11/92	09/11/92
Rhode Island	06/09/94	12/18/96
Puerto Rico	02/28/95	N/A

SCHEDULE 4.2.27**Page 2 of 2****REGULATORY COMPLIANCE**

STATE	DATE COAs ISSUED	DATE CPCNs ISSUED
South Carolina	08/26/94	09/14/94
South Dakota	06/24/92	N/A
Tennessee	06/15/94	10/13/95
Texas	N/A	N/A
US Virgin Islands	09/26/94	N/A
Utah	05/11/94	N/A
Vermont	07/17/92	09/03/92
Virginia	04/28/94	N/A
Washington	06/03/94	04/30/97
West Virginia	06/03/94	11/30/94
Wisconsin	06/30/94	N/A
Wyoming	05/05/94	01/02/96
FCC	08/08/98	N/A

* A Nebraska Universal Service Plan must be filed within 20 days to remain in compliance with Public Utilities Com.

EXHIBIT 5

Partial Schematic of Platinum Companies
(Attached)

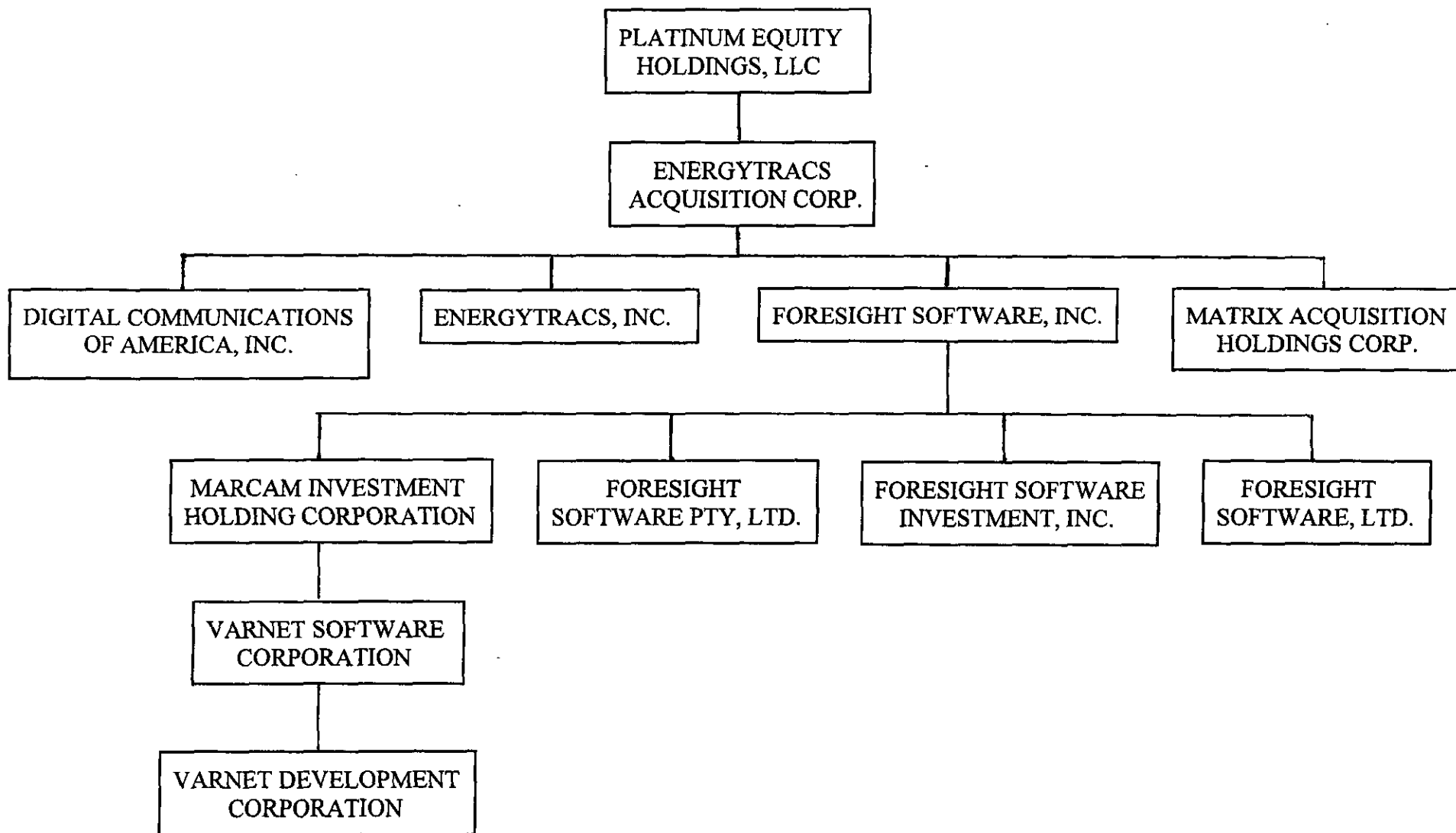
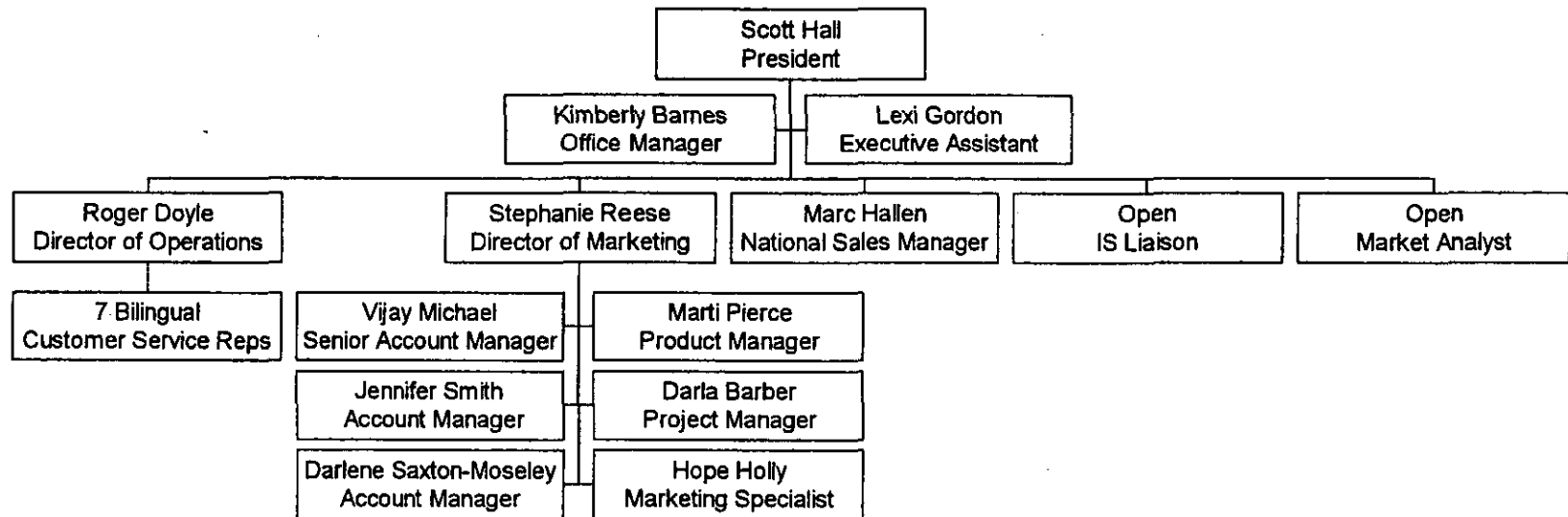


EXHIBIT 8

Organizational Structure and Employee Profiles

Matrix Telecom, Inc.
(Attached)

Matrix Telecom, Inc.



Key Employee Profiles

M. Scott Hall, President

Mr. Hall was recently appointed President of Matrix Telecom, Inc. From September 1998 until his appointment as President, he was Senior Vice President of AvTel's Channel Markets Group. Based in Fort Worth, Texas, Mr. Hall was responsible for directing AvTel's broad range of telecommunications and advanced network services to target corporation, reseller distribution companies and affinity groups. Mr. Hall has been in telecommunications for 16 years and has held several management and executive positions. Prior to joining AvTel, Mr. Hall served as Vice President at One Call Communications, Inc., where he directed all sales, marketing and customer retention activities. Mr. Hall received a B.A. from the University of Hawaii in 1982.

Stephanie S. Reese, Director of Marketing

Ms. Reese joined AvTel in February 1999 as Director of Marketing and is now with Matrix Telecom, Inc. in the same position. Ms. Reese earned a BBA in Marketing Management from the University of North Texas in August 1989 and an MBA in Marketing from the University of Texas in May 1996. She comes to AvTel and Matrix from PageMart Wireless, Inc. based in Dallas, Texas where she spear-headed direct mail, telemarketing and collateral programs to support new product launches and designed and negotiated lead trading programs with Southwestern Bell.

Roger L. Doyle, Director of Operations

Mr. Doyle joined AvTel in March 1999 as Director of Customer Relations and is now with Matrix Telecom, Inc. as Director of Operations. Mr. Doyle has over 12 years experience in the call center/customer support industry with a focus in providing quality support in the high-tech, telecommunication and sales environments. He comes to AvTel and Matrix from Netcom On-Line Communication Services, Inc. where he served as Director of Customer Support. At Netcom, Mr. Doyle was responsible for planning and building the Dallas Customer Support Center for one of the country's largest internet service providers.

Marc Hallen, National Sales Manager

Mr. Hallen joined Matrix in November 1998 as National Sales Manager. Based in Atlanta, GA, Mr. Hallen is responsible for recruiting, training and motivating agents and affinity groups in the selling of all Matrix products and services. Mr. Hallen has been in the telecommunications industry for 17 years. Prior to joining Matrix, Mr. Hallen served as National Sales Manager for FaxNet, where he penetrated the RBOC, IXC and CLEC marketplace offering fax over IP services.

Darlene Saxton-Moseley, Account Manager

Ms. Saxton-Moseley has been with Matrix since 1990. She has held the position of Facilities Manager, Manager of New Business and Distributor Support and General Manager of Operations for all Telemarketing Centers within the Core Marketing family. Those duties included responsibility for the day to day operations of three outbound telemarketing centers. Ms. Saxton-Moseley is currently working as an Account Manager for CMA, Star and Americall.