

FILED<sup>3</sup>

MAY 03 2000

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Kansas City, MO 64111

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New York

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Washington, D.C.

Mark P. Johnson  
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mpj@sonnenschein.com

Missouri Public  
Service Commission

May 2, 2000

**VIA FEDERAL EXPRESS**

Mr. Dale Roberts  
Executive Secretary  
MISSOURI PUBLIC SERVICE COMMISSION  
301 W. High Street, Suite 530  
Jefferson City, MO 65101

TM-2000-725

**RE:** *Joint Application of Zenex Long Distance, Inc., Prestige Investments, Inc., Shareholders of Prestige Investments, Inc., and Lone Wolf Energy, Inc. for Approval of a Merger and Acquisition of Prestige Investments, Inc.*

Dear Mr. Roberts:

Please find enclosed for filing the original and 14 copies of the following: the Joint Application of Zenex Long Distance, Prestige Investments, Inc., Shareholders of Prestige Investments, Inc., and Lone Wolf Energy, Inc. for Approval of a Merger and Acquisition of Prestige Investments, Inc.

By copy of this letter, two copies of the enclosed have been forwarded to the Office of Public Counsel and one copy of the enclosed to the Office of General Counsel via Federal Express. I have enclosed two additional copies of the Joint Application would appreciate your stamping those "filed" and returning them to me in the enclosed return envelope.

Very truly yours,

Mark Johnson /rgr

Mark P. Johnson

MPJ/rgr

Enclosures

cc: Office of Public Counsel (w/encl.) (via Federal Express)  
Office of General Counsel (w/encl.) (via Federal Express)

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

FILED<sup>3</sup>  
MAY 03 2000  
Missouri Public  
Service Commission

Joint Application of Zenex Long Distance, )  
Inc., Prestige Investments, Inc., )  
Shareholders of Prestige Investments, Inc., )  
and Lone Wolf Energy, Inc. for Approval )  
of a Merger and Acquisition of Prestige )  
Investments, Inc. )

Case No. TM-2000-725

**APPLICATION**

Come now Zenex Long Distance, Inc. (hereinafter referred to as "Zenex"), Prestige Investments, Inc. (hereinafter referred to as "Prestige"), and Lone Wolf Energy, Inc. (hereinafter referred to as "Lone Wolf"), (together the "Applicants"), by their undersigned attorneys, and pursuant to Ch. 392.300 RSMo., move for Commission approval of the proposed agreement to merge Prestige, the parent company of Zenex, with and into a to-be-formed wholly-owned subsidiary corporation of Lone Wolf, with Prestige to be the surviving corporation.

Due to the timing of the Applicants' business plans, Applicants respectfully request expedited treatment of this Application. In support of this Application, Applicants state the following:

**A. THE PARTIES**

1. **Zenex Long Distance, Inc.** Zenex is a wholly-owned subsidiary of Prestige organized under the laws of Oklahoma with its principal offices located at 3705 W. Memorial, Suite 101-A, Oklahoma City, Oklahoma 73134. Its Certificate of Good Standing in Missouri is attached as Exhibit 1 hereto. Zenex is a provider of intrastate interexchange telecommunications services in

Missouri. Zenex was granted a certificate of service authority and tariff approval by the Commission in Docket No. TA-96-363, dated June 11, 1996. Zenex has provided services in Missouri since that time.

2. **Prestige Investments, Inc.** Prestige Investments, Inc. is an Oklahoma corporation with its principal offices located at 821 S.W. 66th, Oklahoma City, Oklahoma 73139. Prestige was granted authority by the Commission to acquire all of the issued and outstanding stock of Zenex in 1999 resulting in Zenex becoming a wholly-owned subsidiary of Prestige.

3. **Lone Wolf Energy, Inc.** Lone Wolf Energy, Inc. is a Colorado corporation with its principal offices located at 2400 N.W. 30<sup>th</sup>, #814, Oklahoma City, Oklahoma 73112. Its Form 10-KSB for the period ending December 31, 1999 filed with the Securities and Exchange Commission is attached hereto as Exhibit 2.

#### **B. REQUEST FOR APPROVAL OF THE MERGER AND ACQUISITION**

4. The Boards of Directors of Zenex, Prestige and Lone Wolf and all of the shareholders of Prestige have determined that it would be in the best interests of the parties and the public to merge Prestige into a to-be-formed wholly-owned subsidiary corporation of Lone Wolf, with Prestige to be the surviving corporation thus becoming a wholly-owned subsidiary of Lone Wolf. This merger would result in a change in the ultimate parent company of Zenex. Accordingly, the parties have entered into a Letter of Intent, a copy of which is attached hereto as Exhibit 3. In the proposed transaction and in consideration for the merger, Lone Wolf will issue 15,550,000 shares of Lone Wolf common stock, par value \$.001 per share, to the Prestige shareholders. The transaction will be structured in a manner which will qualify as a tax-free reorganization under the

applicable provision of the Internal Revenue Code of 1986. Zenex will continue in existence under the laws of the State of Oklahoma and its Certificate of Incorporation and By-Laws shall remain as in effect immediately prior to the Merger. The only change will be the transfer of the ownership of the parent company of Zenex to Lone Wolf.

5. The proposed transaction will have no impact on the customers of Zenex. In fact, Zenex's Missouri customers will notice no change in the services they receive after the transaction is consummated. Zenex will continue to operate in Missouri under its own name and to provide high quality, affordable telecommunications services to the public in the same manner as it has operated since it obtained its certificate. As such, the proposed transaction will not in any way disrupt service nor cause inconvenience or confusion to the customers of Zenex. In fact, the efficiencies and capital infusion which will follow as a result of the merger will allow Zenex to provide better service to Missouri customers.

6. Zenex presently has approximately \$1.8 million in assets and \$1.2 million in 1999 gross operating revenues. 1999 Year End Financial Statements for Zenex are attached hereto as Exhibit 4. In late 1998, Zenex redirected its focus towards the pre-paid calling card segment of the long distance industry. This redirection has resulted in the streamlining of the company and a substantial reduction of its operating expenses. 1999 has been a year in which Zenex has re-established itself as a leader in the prepaid calling card market. These actions coupled with the financial strength of the Buyer will provide Zenex with financial resources far in excess of what it presently has available. These financial resources assure that Zenex can continue to provide high-quality telecommunication services to its Missouri customers.

7. Lone Wolf is headed by Marc W. Newman. Mr. Newman's profile as well as those

of other key employees of Lone Wolf may be found at page 13 of the attached Form 10-KSB. Lone Wolf will provide valuable management expertise as well as operating and growth-oriented capital that will enable Zenex to continue its growth in 2000 and to rapidly expand from this base. 1999 Year End Financial Statements for Lone Wolf are found beginning at page 5 of the attached Form 10-KSB.

8. The proposed transaction will allow Zenex and its prospective corporate parent, Lone Wolf, to realize significant economic and marketing efficiencies in the provision of high-quality, low-cost telecommunications services and to compete effectively in the competitive telecommunications marketplace. The resulting efficiencies will be in the best interests of Missouri ratepayers as the transaction will promote vigorous competition in the industry which should put downward pressure on the cost of telecommunication services.

9. The proposed transaction will result in little change in the management or officers of Zenex. Attached as Exhibit 5 are profiles of the Senior Management of Zenex. This management structure will not change after the Merger is consummated.

10. After the proposed transaction is completed, Zenex will continue to possess the technical, managerial, and financial resources necessary to provide reliable and low-cost telecommunications services in Missouri.

11. It is anticipated that new products and rates will be introduced in the near future. However, a separate filing for necessary tariff revisions due to these additions will be made.

12. Applications for approval of this transaction have been filed with the FCC and every state in which Zenex is required to file for approval. Letters of notification have been sent to all other states in which Zenex operates.

13. Zenex pledges that it will continue to comply with all applicable statutes and Commission rules and regulations.

**C. DESIGNATED CONTACT**

14. The Applicants herein provide the following designated contact information for questions, notices, pleadings and other communications concerning this Application:

Mark P. Johnson  
Lisa C. Creighton  
Sonnenschein Nath & Rosenthal.  
4520 Main Street, Suite 1100  
Kansas City, MO 64111  
816-932-4400 Telephone  
816-531-7545 Facsimile

With Copies To:

Judith A. Riley  
Telecom Professionals, Inc.  
2912 Lakeside Drive, Suite 100  
Oklahoma City, Oklahoma 73120  
405-755-8177 Telephone  
405-755-8377 Facsimile

**D. CONCLUSION**

For the reasons stated herein, the Applicants request that the Commission authorize the Merger and Acquisition, to permit the Applicants to consummate this Agreement as soon as possible.

Respectfully Submitted,



Mark P. Johnson MO Bar #30740

Lisa C. Creighton MO Bar #42194

Sonnenschein Nath & Rosenthal.

4520 Main Street, Suite 1100

Kansas City, MO 64111

816-932-4400 Telephone

816-531-7545 Facsimile

Attorneys for Applicants

Dated: May 2, 2000

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that on this 1st day of May, 2000, two true and correct copies of the above and foregoing were forwarded via Federal Express to:

Office of Public Counsel  
301 West High Street  
Suite 250  
Jefferson City, Missouri 65101

With one copy being forwarded via Federal Express on the same date to:

Office of General Counsel  
Missouri Public Service Commission  
301 West High Street  
Room 530  
Jefferson City, Missouri 65101



ATTORNEY FOR APPLICANT  
ZENEX LONG DISTANCE, INC.

**VERIFICATION**

STATE OF MISSOURI     )  
                                      ) ss.  
COUNTY OF JACKSON    )

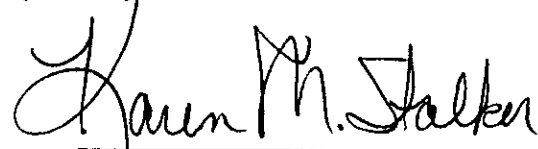
COMES NOW Lisa C. Creighton, being of lawful age and duly sworn, swears and affirms as follows:

2.     My name is Lisa C. Creighton, and I am the attorney for Zenex Long Distance, Inc. In that capacity I am authorized to verify this Application and the information contained therein on behalf of Zenex Long Distance, Inc.
3.     The information contained herein is true and accurate to the best of my knowledge and belief.



\_\_\_\_\_  
Lisa C. Creighton

Subscribed and sworn to before me this 1<sup>st</sup> day of May, 2000.



\_\_\_\_\_  
Notary Public

My Commission Expires:

<p><b>KAREN M. STALKER</b> Notary Public – Notary Seal STATE OF MISSOURI Jackson County My Commission Expires: April 20, 2002</p>
---



VERIFICATION

STATE OF OKLAHOMA       )  
                                  )  
COUNTY OF OKLAHOMA    )       SS

Brian Gustas, being duly sworn, states that he files this Application as the President of Zenex Long Distance, Inc.; that, in such capacity, he is qualified and authorized to file and verify such Application; that he has carefully examined all the statements and matters contained in the Application; and that all such statements made and matters set forth therein are true and correct to the best of his knowledge, information and belief. Affiant further states that the Application is made in good faith, with the intention of presenting evidence in support thereof in every particular.

Dated this 7 day of April, 2000.

Zenex Long Distance, Inc.

By: B. Gustas  
Brian Gustas, President

Subscribed and sworn to before me, a  
Notary Public in and for the State and  
County above named, this 7 day  
of April, 2000.

Peggy A. Hunter  
(Seal) Notary Public

My Commission expires: 12-24-00

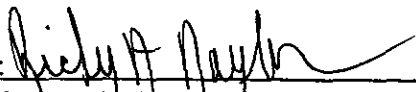
**VERIFICATION**

STATE OF OKLAHOMA       )  
                                      )  
COUNTY OF OKLAHOMA    )       SS

Ricky A. Naylor, being duly sworn, states that he files this Application as the President of Prestige Investments, Inc.; that, in such capacity, he is qualified and authorized to file and verify such Application; that he has carefully examined all the statements and matters contained in the Application; and that all such statements made and matters set forth therein are true and correct to the best of his knowledge, information and belief. Affiant further states that the Application is made in good faith, with the intention of presenting evidence in support thereof in every particular.

Dated this 6 day of April, 2000.

Prestige Investments, Inc.

By:   
Ricky A. Naylor, President

Subscribed and sworn to before me, a  
Notary Public in and for the State and  
County above named, this 6 day  
of April, 2000.

  
(Seal)       Notary Public

My Commission expires: 04-08-2001

VERIFICATION

STATE OF OKLAHOMA        )  
                                  )       SS  
COUNTY OF OKLAHOMA    )

Marc Newman, being duly sworn, states that he files this Application as the President of Lone Wolf Energy, Inc.; that, in such capacity, he is qualified and authorized to file and verify such Application; that he has carefully examined all the statements and matters contained in the Application; and that all such statements made and matters set forth therein are true and correct to the best of his knowledge, information and belief. Affiant further states that the Application is made in good faith, with the intention of presenting evidence in support thereof in every particular.

Dated this 7 day of April, 2000.

Lone Wolf Energy, Inc.

By: Marc Newman President  
Marc Newman, President

Subscribed and sworn to before me, a  
Notary Public in and for the State and  
County above named, this 7 day  
of April, 2000.

Peggy A. Narter  
(Seal) Notary Public

My Commission expires: 12-24-00

**EXHIBIT 1**

**Certificate of Good Standing**

**Zenex Long Distance, Inc.**  
(Attached)

No. F00404278

# STATE OF MISSOURI



**Rebecca McDowell Cook**  
**Secretary of State**

## CORPORATION DIVISION

### CERTIFICATE OF CORPORATE GOOD STANDING - FOREIGN CORPORATION

I, REBECCA McDOWELL COOK, Secretary of State of the State of Missouri, do hereby certify that the records in my office and in my care and custody reveal that

ZENEX LONG DISTANCE, INC.

using in Missouri the name

ZENEX LONG DISTANCE, INC.

an OKLAHOMA corporation filed its Evidence of Incorporation with this State on the 9th day of DECEMBER, 1994, and is in good standing, having fully complied with all requirements of this office.

IN TESTIMONY WHEREOF, I have set my hand and imprinted the GREAT SEAL of the State of Missouri, on this, the 4th day of APRIL, 2000.

*Rebecca McDowell Cook*  
Secretary of State



**EXHIBIT 2**

**Form 10-KSB**

**Lone Wolf Energy, Inc.**  
(Attached)

**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-KSB**

Annual Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the year ended December 31, 1999

Commission File No. 0-24684

**LONE WOLF ENERGY, INC.**  
(Name of small business issuer in its charter)

Colorado  
(State or other jurisdiction of Incorporation or Organization)

73-1550360  
(IRS Employer Identification Number)

2400 NW 30<sup>th</sup>, #814  
Oklahoma City, Oklahoma 73112  
(405) 946-4850  
(Address, including zip code and telephone number, including area  
Code of registrant's executive offices)

Securities registered under Section 12 (b) of the Exchange Act: none

Securities registered under Section 12 (g) of the Exchange Act:

Common Stock, \$0.001 par value  
(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. ☐

Issuer's revenues for its most recent fiscal year: \$ 120,893

State the aggregate market value of the voting stock held by non-affiliates, computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within the past 60 days: As of March 23, 2000: \$9,335,200

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of March 23, 2000 there were 16,670,000 shares of the Company's common stock issued and outstanding.

Documents Incorporated by Reference: None

## PART I

### Item 1. Description of Business

Lone Wolf Energy, Inc. (the "Registrant" or "Company") was incorporated on March 4, 1991 in the state of Colorado and was formerly known as K&S Ventures. In May 1997, the Company changed its name from K&S Ventures, Inc. to Lone Wolf Energy, Inc. In February 1999 the Company signed a Master Equipment Sales Agreement with Eagle Capital, Inc. (OTCBB: ECIC) to sell specialized equipment used in producing patented IMSI blocks for mortarless dry stack construction. The Agreement calls for the Company to provide ten mobile block plants and five portable Q-Bond plants over the next three years. In February 2000 the Company sold the contract back to Eagle Capital, Inc.

In February 2000 the Company purchased EP Distributing Company, an e-commerce based company marketing private label vitamins from its own formulas and medical products.

In March 2000 the its plans to acquire and put together business units with Internet and telecommunications-centered knowledge and capabilities.

#### Employees

During the year ended December 31, 1999, the Company had no full-time employees. It is anticipated the Company will have a minimum of 15 to 25 employees in the year 2000.

### Item 2. Description of Property

#### Facilities

The Company maintains its principal office at 2400 NW 30<sup>th</sup>, #814, Oklahoma City, OK 73112. Its officers provide the office space free of charge to the Company. The Company owns no other property.

### Item 3. Legal Proceedings

There are no material legal proceedings that are pending or have been threatened against the Company.

### Item 4. Submission of Matters to a Vote of Security Holders

None

## PART II

### Item 5. Market for Registrant's Common Stock and Related Shareholder Matters

#### Market Information

The Company began trading on the OTC Bulletin Board in October 1998 under the symbol LWEI.

Such over-the-counter market quotations reflect interdealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions. Where there is an absence of an established public trading market, reference to quotations shall be qualified by appropriate explanation.



The range of bid prices since trading was approved in the fourth quarter of 1998 is as follows:

	<u>Low</u>	<u>High</u>
4 <sup>th</sup> Quarter 1998	\$0.02	\$0.50
1 <sup>st</sup> Quarter 1999	\$0.18	\$0.75
2 <sup>nd</sup> Quarter 1999	\$0.12	\$0.34
3 <sup>rd</sup> Quarter 1999	\$0.06	\$0.25
4 <sup>th</sup> Quarter 1999	\$0.04	\$0.09

Sales of Common Stock During 1999

None.

Common Stock Dividend During 1999

There were no common stock dividends during 1999.

Common Stock Subject to Options or Warrants There are no outstanding options or warrants to purchase common stock of the Registrant. There are no securities convertible into common stock of the Registrant

Common Stock that could be sold pursuant to Rule 144

Of the 16,670,000 shares outstanding, 16,670,000 shares are eligible, as of the date of this report, for sale under Rule 144 of the Securities Act.

Holders

As of December 31, 1999, the Company had in excess of 100 shareholders of record.

Cash Dividends

The Company has not paid any cash dividends on its Common Stock and does not foresee that such dividends will be paid in the future.

Item 6. Management's Discussion and Analysis or Plan of Operation

**Managements discussion and analysis of operations and plan of operations**

Discussions of operations

During the year 1999 the Company entered into a Master sales agreement whereby it provided financing for certain construction equipment for Eagle Capital, Inc. All the revenues are from this contract. The major items of expense related to this contract were for legal fees in drawing up the contract and for interest to carry the Company's note to finance the equipment. In February the contract was sold back to Eagle for \$1,000,000 in short term notes.

Plan of Operations

In February 2000 the Company purchased EP Distributing, an e-commerce based company which sells vitamins from its own formulas and medical products. The Company plans to use profits from the sale of its Master Sales Agreement to develop EP into a major marketer of medical and nutritional products.

In March 1999 the company appointed a business development firm, Ensynq, Inc. to help reposition the Company to help it to acquire and put together business units Internet and telecommunications-centered knowledge capabilities. The Company has already in March of 2000 signed a letter of intent to acquire Zenex, Inc., a privately held and fast growing switch-based telecommunications provider. Zenex has significant revenues and profit going forward into the year 2000. The contract will be completed upon completion of a definitive agreement and obtaining regulatory approval for transfer of tariffs in 48 states. This transaction will be an all cash transaction.

Item 7. Financial Statements

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and Stockholders of Lone Wolf Energy, Inc.:

We have audited the balance sheet of Lone Wolf Energy, Inc., a Colorado corporation, as of December 31, 1999 and 1998 and the related statements of operations, stockholders' equity, and cash flows for the years then ended. The Company was a development stage enterprise, beginning January 14, 1997 until January 1, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts disclosed in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lone Wolf Energy, Inc. as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended and from the inception of the development stage in conformity with generally accepted accounting principles.

**HENDERSON, SUTTON & COMPANY P. C.**

/s/ HENDERSON, SUTTON & COMPANY P. C.  
Certified Public Accountants,

March 28, 2000  
Tulsa, Oklahoma

# LONE WOLF ENERGY, INC.

## BALANCE SHEETS December 31, 1999 AND 1998

	December 31, 1999	December 31, 1998
<b>ASSETS</b>		
Current Assets		
Cash	\$ 108,472	\$ 282
Accrued interest receivable	4,681	-
Current portion of note receivable	72,169	-
Total current assets	<u>185,322</u>	<u>282</u>
Long Term Assets		
Note receivable – net of current portion (Note 5)	564,148	-
Investments (Note 6)	24,375	-
<b>TOTAL ASSETS</b>	<u>\$ 773,845</u>	<u>\$ 282</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts Payable	\$ 4,257	\$ -
Accrued interest	2,521	-
Current portion of long-term debt	56,464	-
Note payable	100,000	-
Total current liabilities	<u>163,242</u>	<u>-</u>
Long term debt – net of current portion (Note 7)	409,633	-
Other liabilities		
Deposits	24,000	-
Deferred revenue (Note 8)	160,449	-
<b>Total Liabilities</b>	<u>757,324</u>	<u>-</u>
Stockholders' Equity		
Preferred Stock, \$0.001 par value, 20,000,000 shares authorized, No shares issued and outstanding	-	-
Common Stock, \$0.001 par value, 100,000,000 shares authorized, 11,670,000 shares issued and outstanding at December 31, 1999 and 11,170,000 shares issued and outstanding at December 31, 1998	11,670	11,170
Additional Paid in Capital	45,941	45,941
Unrealized Gain/(Loss) on Available for Sale Securities	(7,969)	-
Retained Earnings (Deficit)	4,151	(19,557)
Deficit Accumulated During The Development Stage	(37,272)	(37,272)
<b>Total Stockholders' Equity</b>	<u>16,521</u>	<u>282</u>
<b>TOTAL LIABILITIES' AND STOCKHOLDERS' EQUITY</b>	<u>\$ 773,845</u>	<u>\$ 282</u>

The accompanying notes are an integral part of these Financial Statements

**LONE WOLF ENERGY, INC.**

**STATEMENTS OF OPERATIONS**  
For the years ended December 31, 1999 and 1998

	December 31, 1999	December 31, 1998
Revenue	\$ 120,893	\$ 0
Expenses		
Computer	622	0
Legal	27,845	11,425
Accounting	2,750	4,907
Consulting	20,800	6,500
Transfer Agent	1,874	1,368
Telephone	5,455	1,712
Corporate fees	270	0
Filing costs	980	0
Public relations	3,128	0
Travel	620	0
Interest - net	32,154	0
Miscellaneous	687	530
Total Expenses	<u>97,185</u>	<u>26,442</u>
Net Income	<u>\$ 23,708</u>	<u>\$ (26,442)</u>
Weighted Average Shares Outstanding	<u>11,420,000</u>	<u>4,516,154</u>
Loss Per Share	<u>\$ 0.00</u>	<u>\$0.00</u>
Net Income	\$ 23,708	\$ (26,442)
Other Comprehensive Income:		
Unrealized holding losses	<u>(7,969)</u>	<u>0</u>
Comprehensive Income	<u>\$ 15,739</u>	<u>\$ (26,442)</u>

The accompanying notes are an integral part of these Financial Statements

**LONE WOLF ENERGY, INC.**

**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 1999 and 1998

	December 31, 1999	December 31, 1998
Operating Activities:		
Net Loss	\$ 15,739	\$ (26,442)
Change in interest receivable	(4,681)	
Change in notes receivable	(636,317)	
Change in Accounts Payable	4,257	(6,972)
Change in interest payable	2,521	
Change in notes payable	566,097	
Change in other liabilities	184,449	
	<hr/>	<hr/>
Cash Used In Operating Activities	132,065	(33,414)
	<hr/>	<hr/>
Financing Activities:		
Sale of Common Stock	0	420
Less: Issue Costs	0	0
Common Stock Issued for Services Rendered	500	6,500
Contribution of Capital by Stockholders	0	26,776
	<hr/>	<hr/>
Cash Provided By Financing Activities	500	33,696
	<hr/>	<hr/>
Investing Activities	(24,375)	0
	<hr/>	<hr/>
Change in Cash	108,190	282
	<hr/>	<hr/>
Cash at Beginning of Period	282	0
	<hr/>	<hr/>
Cash at End of Period	\$ 108,472	\$ 282
	<hr/>	<hr/>

The accompanying notes are an integral part of these Financial Statements

**LONE WOLF ENERGY, INC.**

**STATEMENTS OF STOCKHOLDERS' EQUITY**  
For the years ended December 31, 1999, 1998 and 1997

	Shares of Common Stock	Common Stock	Additional Paid in Capital	Deficit Accumulated During the Development Stage	Accumulated Deficit	Unrealized Holding Gains (Losses)	Total Stockholders' Equity
Balance at December 31, 1996	10,000	\$100	\$19,457	\$0	\$(19,457)		\$(0)
Capital Contributed by Shareholders	0	0	4,410	0	0		4,410
Common Stock Issued for Cash	90,000	900	99,100	0	0		100,000
Less: Issue Costs	0	0	(100,000)	0	0		(100,000)
Change in Par Value	0	(900)	900	0	0		0
Stock Dividend Issued in 1997	4,150,000	4,150	(4,150)				
Capital Contributed by Shareholders	0	0	3,858	0	0		3,858
Net Loss	0	0	0	(10,830)	0		(10,830)
Balance at December 31, 1997	4,250,000	\$4,250	\$19,165	\$(10,830)	\$(19,557)		\$(6,972)
Common Stock Issued for Cash	420,000	420	0	0	0		420
Common Stock Issued for Services	6,500,000	6,500	0	0	0		6,500
Capital Contributed by Shareholders	0	0	26,776	0	0		26,776
Net Loss	0	0	0	(26,442)	0		(26,442)
Balance at December 31, 1998	11,170,000	\$11,170	\$45,941	\$(37,272)	\$(19,557)		\$282
Common Stock Issued for Services	500,000	500	0	0	0		500
Unrealized Holding Loss						(7,969)	(7,969)
Net Income	0	0	0	0	23,708		23,708
Balance at December 31, 1999	11,670,000	\$11,670	\$45,941	\$(37,272)	\$4,151	(7,969)	\$16,521

The accompanying notes are an integral part of these Financial Statements

## **LONE WOLF ENERGY, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 1999 and 1998**

#### **1. SIGNIFICANT ACCOUNTING POLICIES**

##### **Organization**

Lone Wolf Energy, Inc. (formerly K&S Ventures, Inc.) was incorporated on March 4, 1991 in the state of Colorado. In February 1999 the Company signed a Master Sales Agreement with Eagle Capital, Inc. (OTCBB: ECIC) to sell specialized equipment used in producing patented Integrated Masonry Systems International ("IMSI") blocks for mortarless dry stack construction. The agreement calls for the Company to provide ten mobile block plants and five portable Q-Bond plants over the next three years.

##### **Basis of Accounting**

Assets, liabilities, equity, revenue and expenses are recorded under the accrual method of accounting in conformity with generally accepted accounting principles.

##### **Cash and cash equivalents**

The Company considers all cash and marketable securities as cash equivalents.

##### **Investments**

The Company accounts for investments in marketable and other securities in accordance with Financial Accounting Standards Board ("FASB") Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The Company determines the appropriate classification at the time of purchase. Securities are classified as available-for-sale. Available-for-sale securities are carried at fair value, which is based on quoted prices. Unrealized gains and losses, net of tax, are reported as a separate component of shareholders' equity. The cost of securities available-for-sale is adjusted for amortization of premiums and discounts to maturity. Interest and amortization of premiums and discounts for all securities are included in interest income. Realized gains and losses are included in other income. Cost of securities sold is determined on a specific identification basis.

##### **Income Taxes**

For the years prior to 1997, the Company was taxed under the provisions of Subchapter S of the Internal Revenue Code. Under the provisions of the Code, all losses or taxable income was deducted or taxed to the stockholders of the Company. In January 1997, the Company's standing as a Subchapter S corporation, as defined by the Internal Revenue Code, was revoked. Beginning January 1, 1997, the Company became a "C" corporation for income tax purposes.

##### **Fiscal Year End**

The Company's fiscal year end is December 31.

##### **Earnings (Loss) per Share**

Primary income (loss) per share is calculated by dividing net income (loss) by the weighted average shares of common stock of the Company outstanding during the period.

##### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.



## 2. STOCKHOLDERS' EQUITY

### Issuance of Common Stock

During the first quarter of 1997, 90,000 shares of the Company's common stock was purchased by Lone Wolf Exploration, Inc., a non-affiliated privately held Oklahoma corporation ("LWX"), in exchange for \$100,000 in cash. The transaction resulted in LWX owning 90% of the issued and outstanding common stock of the Registrant. In connection with the transaction, the Company paid fees in the amount of \$100,000 to certain unrelated third parties.

During 1998 6,500,000 shares were issued at 0.001 for services rendered by related parties and stockholders.

### Change in Par Value

In June 1997, the par value of the Company's common stock was changed from \$0.01 per share to \$0.001 per share.

### Common Stock Dividend

In June 1997, the Board of Directors of the Company declared a common stock dividend for the purpose of increasing the number of common shares outstanding. The stock dividend resulted in each shareholder of the Company owning 42.5 shares for each share owned, which increased the common stock outstanding from 100,000 shares to 4,250,000 shares.

## 3. INCOME TAXES

The deferred tax assets and liabilities are as follows:

Net operating loss carryforward	\$ 5,272
Less: valuation allowance	<u>5,272</u>
Net deferred tax asset	<u>\$ 0</u>

As of December 31, 1999, the Company has a net operating loss carryforward of approximately \$13,000 for income tax purposes and expires as follows:

Year of Loss	Expires	Carryforward Amount	Deferred Tax Asset or (Liability)
1998	2013	13,000	5,272
		<u>\$ 13,000</u>	<u>\$ 5,272</u>

Deferred taxes reflect a combined federal and state tax rate of approximately 40%.

#### 4. EARNINGS (LOSS) PER SHARE

Common Shares Outstanding	11,670,000
Effect of using weighted average common and common equivalent shares outstanding	<u>(250,000)</u>
Weighted average common shares outstanding	<u>11,420,000</u>

#### 5. NOTE RECEIVABLE

In April the Company entered into a master agreement with Eagle Capital, Inc. ("ECIC"). The terms of the agreement call for ECIC to pay \$12,000 per month to the Company for a period of seven (7) years. The Company has elected to treat this agreement as an installment sale and has imputed interest at 12%.

#### 6. INVESTMENTS

The Company's investments at December 31, 1999 and 1998 consisted of the following available-for sale marketable securities carried at market value:

	1999	1998
Eagle Capital, Inc.-Common Stock	24,375	0

#### 7. NOTE PAYABLE

The Company has a note payable with a lending institution for \$500,000. The note bears an interest rate of 8.75 percent and is payable monthly for a period of seven (7) years. The monthly principal and interest payments are approximately \$7,900.

In consideration for the loan the Company offered the lending institution options on 500,000 shares of the Company's stock at \$.15 per share. The Company also agreed to pay a shareholder 600,000 shares of common stock for guarantying the note when the note is paid in full.

Estimated principal payments on the note due for each of the five years subsequent to December 31, 1999 are as follows:

2000	56,400
2001	61,600
2002	67,200
2003	73,300
2004	80,000

#### 8. DEFERRED REVENUE

The amount for this caption consists of the unamortized imputed interest on the note receivable. The deferred revenue is being amortized to income using the straight-line method over the term of the note as set forth in Note 5 above.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

NONE

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.

Directors are elected for one-year terms or until the next annual meeting of shareholders and until their successors are duly elected and qualified. Officers serve at the discretion of the Board of Directors.

The officers and directors devote only such time as is necessary to the operations of the Company. Each officer and director maintains outside employment at non-affiliated companies.

The Directors and Officers of the Registrant as of the date of this report are as follows:

Name	Age	Position
Marc W. Newman	30	President and Director
Douglas A. Newman	52	Vice President, Secretary, and Director
Tim Apgood	48	Director

**Marc W. Newman**, has been President and a Director of the Company since November 1998. From July 1998 to November 1998 Mr. Newman was a private investment consultant. From 1992 to July 1998 Mr. Newman was a registered investment broker. Prior to that time Mr. Newman was a full time student.

**Douglas A. Newman**, have been Vice President, Secretary and a Director of the Company since November 1998. From 1991 to 1998 Mr. Newman was Chairman, Vice President and Secretary of Hospital Rehabilitation Services, Inc. a privately held company he co-founded, which provided contract Physical Therapy services to hospitals in Tennessee, Alabama, Illinois and North Carolina. From 1985 to 1990 Mr. Newman was Chairman, CFO, Secretary and a Director of Wedding Information Network, Inc. (NASDAQ: WINN), a franchisor and operator of "The Wedding Pages", a leading publication for bridal planning and direct marketing to brides to be. Prior to his employment with Wedding Information Network, Inc., Mr. Newman was a partner in the CPA firm of Newman and Nanfito in Omaha, Nebraska. Douglas Newman is the father of Marc Newman, President of the Company.

**Tim Apgood**, has been a Director of the Company since February 2000. Mr. Apgood has an extensive background in medical supply and equipment sales. He has spent the last six years developing EP Distributing Company.

Item 10. Executive Compensation

For the year ended December 31, 1998, the Company paid no salary or compensation to its executive officers. For the year ended December 31, 1999 the Company paid \$20,300 to Douglas Newman for consulting fees. During those periods, there were no bonus plans in effect, nor were there any liabilities incurred for the payment of compensation to the officers of the Company related to past, present or future services.

**EXHIBIT 3**

**Letter Of Intent**  
(Attached)

**Lone Wolf Energy, Inc.  
2400 N.W. 30th, No. 814  
Oklahoma City, OK 73112**

March 28, 2000

Prestige Investments, Inc.  
821 S. W. 66th Street  
Oklahoma City, Oklahoma 73139

Re: Proposed Merger Acquisition of Prestige  
Investments, Inc. by Lone Wolf Energy, Inc.

Dear Ladies and Gentlemen:

The purpose of this letter of intent (this "Letter") is to confirm our recent conversations concerning the proposed merger acquisition by Lone Wolf Energy, Inc., a Colorado corporation ("Lone Wolf") of Prestige Investments, Inc., an Oklahoma corporation ("Prestige"), which, in turn, owns all of the issued and outstanding shares of capital stock of Zenex Long Distance, Inc., an Oklahoma corporation ("Zenex") on the basis and subject to the terms and conditions hereinafter described.

1. **Merger.**

On the terms and subject to the conditions to be set forth in a definitive, legally binding, written agreement to be negotiated, entered into and executed by Lone Wolf, Prestige, Zenex and the holders of at least a majority of all of the issued and outstanding common capital stock of Prestige (the "Prestige Shareholders"), Prestige will be merged with and into a to-be-formed wholly owned subsidiary corporation of Lone Wolf, with Prestige to be the surviving corporation ("Merger Agreement"). In consideration for the merger, Lone Wolf will issue to the Prestige Shareholders 15,550,000 shares of Lone Wolf common stock, par value \$.001 per share (the "Lone Wolf Stock"). It is an essential part of the transaction that it be structured in a manner which will qualify as a tax-free reorganization under the applicable provisions of the Internal Revenue Code of 1986.

2. **Registration Obligations.**

(a) As a material inducement to the Prestige Shareholders to enter into the Merger Agreement, Lone Wolf agrees, as soon as is reasonably practical following the execution and delivery of the Merger Agreement, to file a registration statement under cover of Form S-1, pursuant to the Securities Exchange Act of 1933, as amended (the "1933 Act"), with the U.S. Securities & Exchange Commission ("SEC"), and with the Oklahoma Department of Securities ("Oklahoma

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Department"), covering all of the shares of Lone Wolf Stock issued to the Prestige Shareholders pursuant to the Merger Agreement (the "Registerable Securities") and will use its best efforts to effect such registration as expeditiously as possible, with both the SEC and the Oklahoma Department.

(b) Prestige and the Prestige Shareholders agree that the consummation of the merger pursuant to the Merger Agreement shall not be conditioned upon the completion of the registration process. If it is not completed when the conditions for the merger have been fully satisfied, then they will accept in lieu thereof restricted shares of Lone Wolf Stock at the closing of the merger, subject to Lone Wolf's continuing covenant to obtain Registerable Securities by registering said restricted shares, as expeditiously as possible, pursuant to Paragraph 2(a) above. In this regard, Prestige and the Prestige Shareholders will furnish to Lone Wolf in writing such information and affidavits as Lone Wolf may reasonably request for use in connection with any such registration statement and the prospectus contained therein. All expenses incident to Lone Wolf's performance of or compliance with the registration requirements set forth in this Letter and in the Merger Agreement, including without limitation, all registration and filing fees, fees and expenses of compliance with securities or blue sky laws, attorneys' or accounting fees, will be the sole responsibility of Lone Wolf.

### 3. Merger Agreement.

After all parties have executed this Letter, as indicated below, the parties shall work toward the preparation and execution within thirty (30) days hereafter of a definitive Merger Agreement covering the terms, types of representations, warranties, covenants, indemnities, conditions and provisions which are in form and substance mutually satisfactory and acceptable to the parties. The parties agree that the Merger Agreement will contain a covenant fixing the number of directors of Lone Wolf, post merger, at ~~seven~~ <sup>five</sup> (5) members, with Lone Wolf's current directors having the right to designate ~~four~~ <sup>three</sup> (3) members, and the Prestige Shareholders having the right to designate the remaining ~~three~~ <sup>two</sup> (2) members thereof. Upon execution of the Merger Agreement, the parties will use their reasonable best efforts to effect the Closing and to consummate the transactions contemplated by the Merger Agreement as promptly as possible.

### 4. Standstill.

During the term of this Letter, neither Prestige, Zenex or the Prestige Shareholders (nor any of their respective officers, directors, employees, bankers, attorneys, accountants or other agents or affiliates) will negotiate or solicit, whether directly or indirectly, any proposals for the sale of substantially all of the stock, or of the assets of either Prestige or Zenex with any third party and shall immediately terminate any current negotiations and contacts in that regard.

### 5. Costs.

Lone Wolf and Zenex will be solely responsible for and bear all of its own respective expenses, including, without limitation, expenses of legal counsel, accountants, brokers and other advisors, incurred with regard to the negotiation and execution of the Merger Agreement.

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R.M.

**6. Public Disclosure and Confidentiality.**

Before the Closing, no party shall make any public release of information regarding the matters contemplated herein except as required by applicable law; provided that in the event of any disclosure mandated by law, each party shall consult with the other as to the substance of such disclosure and receive the prior written approval of the other party to the text of any such proposed disclosure. Each party agrees that (except as may be required by law) prior to the Closing, it will not disclose or use and will cause its officers, directors, employees, representatives, agents and advisors not to disclose or use, any Confidential Information (as defined below) furnished, or to be furnished, in connection herewith at any time or in any manner and will not use such information other than in connection with its evaluation of the transaction contemplated hereby. For the purpose of this paragraph, "Confidential Information" means any information identified as such in writing by the party providing it. If the transaction contemplated hereby is not consummated, the parties will promptly return all such documents, contracts, records or properties provided to it by the other party. The provisions of this Paragraph 6 shall survive the termination of this Letter.

**7. Non-Binding Nature of Letter of Intent.**

Except for the provisions of Paragraphs 4, 5 and 6, above, this Letter is not a binding agreement and no party shall have any liability or obligation to any other party nor any rights against any other party arising out of this Letter. Paragraphs 4, 5 and 6 shall survive this Letter unless the subject matter thereof is addressed in the Merger Agreement, in which case the Merger Agreement shall control over the provisions of this Letter. This Letter is merely a statement of present intent and a broad guide to the preparation of a mutually satisfactory Merger Agreement. Nothing in this Letter shall be construed to preclude other provisions from being inserted into the Merger Agreement at the request of either party.

**8. Term of Letter of Intent.**

This Letter shall remain in effect for a period of thirty (30) days from and after the date it is fully executed and shall thereafter terminate, become null, void and of no further force and effect unless the parties mutually agree to extend the term thereof.

**9. Miscellaneous Provisions.**

(a) This Letter shall be governed by and construed under the laws and decisions of the State of Oklahoma.

(b) This Letter may be executed in two or more counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same Letter.

**10. Due Diligence.**

The representatives of Lone Wolf and the representatives of Prestige and Zenex, respectively, shall have the authority to commence an examination of Prestige and Zenex by Lone Wolf, on the one hand, and of Lone Wolf by Prestige, on the other hand, immediately after the execution of this Letter by all the parties hereto, provided that the examination shall occur

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during reasonable hours, at the sole cost and expense of the party conducting the examination and expressly subject to the confidentiality provisions of this Letter, in a manner that will not unreasonably disrupt the business activities of the party being so examined.

If you concur with the above and foregoing provisions, please execute and date this Letter in the spaces provided below to confirm our mutually intentions, understandings and agreements as set forth in this Letter and return an executed copy thereof to the undersigned.

Very truly yours,

**Lone Wolf Energy, Inc.**

By:

Marc Newman President

Marc Newman, President

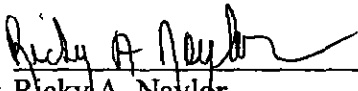
Lone Wolf  
Energy Inc

am/rom  
D.G.




ACKNOWLEDGED AND AGREED TO THIS \_\_\_\_\_ DAY OF MARCH, 2000:

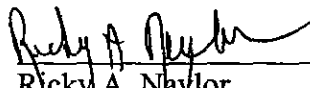
**Prestige Investments, Inc.,  
an Oklahoma corporation**

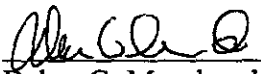
By:   
Name: Ricky A. Naylor  
Title: President  
Date: 3/28/00

**Zenex Long Distance, Inc.,  
an Oklahoma corporation**

By:   
Name: Brian Gustaf  
Title: President  
Date: 3/28/00

**The Holders of a Majority of the Issued and  
Outstanding Shares of Prestige Investments, Inc.**

By:   
Ricky A. Naylor  
Date: 3/28/00

By:   
Debra G. Morehead  
Date: 3/28/00

1/10/01

**EXHIBIT 4**

**Financial Statements**

**Zenex Long Distance, Inc.**  
(Attached)

ZENEX Communications, Inc.  
Balance Sheet  
December 31, 1999

ASSETS

Current Assets		
CASH - NATIONSBANK	\$	<1,725.90>
CASH - TAX ESCROW		174.15
ACCOUNTS RECEIVABLE TRADE		130,704.44
PREPAID CARD INVENTORY		7,000.00
NOTE RECEIVABLE - US TELECARD		340,000.00
Total Current Assets		476,152.69
Property and Equipment		
DEDICATED LINE EQUIPMENT		8,291.00
SWITCHING EQUIPMENT		1,071,304.27
OFFICE EQUIPMENT		341,688.10
LEASEHOLD IMPROVEMENTS		21,935.68
LESS: ACCUMULATED DEPRECIATI		<549,172.41>
Total Property and Equipment		894,046.64
Other Assets		
GOODWILL		505,402.78
ORGANIZATION COSTS		105,494.88
ACCUMULATED AMORTIZATION		<106,362.59>
Total Other Assets		504,535.07
Total Assets		\$ 1,874,734.40

LIABILITIES AND CAPITAL

Current Liabilities		
ACCRUED PAYROLL	\$	18,421.48
ACCOUNTS PAYABLE		465,719.01
ACCRUED INSURANCE PAYABLE		19,649.09
FEDERAL EXCISE - ASSESSMENTS		6,682.56
SALES TAX / USF ASSESSMENTS		9,911.29
ACCRUED DIAL AROUND		<27,204.60>
CUSTOMER DEPOSITS		79,310.45
Total Current Liabilities		572,489.28
Long-Term Liabilities		
NOTE PAYABLE - PRESTIGE		1,514,703.16
NOTE PAYABLE - BA CREDIT		27,001.31
NOTE PAYABLE - HOPE SETTLEMEN		36,000.00
FEDERAL UNIVERSAL SERVICE FUN		220,541.37
Total Long-Term Liabilities		1,798,245.84
Total Liabilities		2,370,735.12
Capital		
COMMON STOCK		6,650.00
PAID IN CAPITAL		1,131,912.00
TREASURY STOCK - AT COST		<111,862.00>
RETAINED EARNINGS (DEFICIT)		<1,082,984.42>
Net Income		<439,716.30>
Total Capital		<496,000.72>
Total Liabilities & Capital		\$ 1,874,734.40

Unaudited - For Management Purposes Only

**ZENEX Communications, Inc.**  
**Income Statement**  
For the Twelve Months Ending December 31, 1999

	Current Month		Year to Date	
<b>Revenues</b>				
USAGE BASED PROJECTS	\$ 82,617.23	27.08	\$ 596,625.49	26.71
PROMOTIONAL / BATCH CARDS	45,777.77	15.00	504,018.17	22.56
TELECHECK / POSA CARDS	0.00	0.00	3,452.00	0.15
RECHARGE REVENUE	1,897.57	0.62	23,736.11	1.06
PAGING	0.00	0.00	4,352.97	0.19
WILDFIRE	0.00	0.00	51,743.93	2.32
CO-LOCATE	0.00	0.00	0.00	0.00
RETURNS AND ALLOWANCES	0.00	0.00	<841.14>	<0.04>
DISCOUNTS	0.00	0.00	0.00	0.00
FINANCE CHARGES	0.00	0.00	0.00	0.00
INTEREST INCOME	0.00	0.00	565.78	0.03
OTHER INCOME	174,794.95	57.29	1,050,093.94	47.01
GAIN ON SALE OF EQUIPMENT	0.00	0.00	0.00	0.00
<b>Total Revenues</b>	<b>305,087.52</b>	<b>100.00</b>	<b>2,233,747.25</b>	<b>100.00</b>
<b>Cost of Sales</b>				
PREPAID CARRIER COST	101,062.74	33.13	782,893.41	35.05
COST OF CARDS	5,288.70	1.73	42,774.64	1.91
DIAL AROUND CHARGES	0.00	0.00	186,257.10	8.34
PAGING CARRIER COST	0.00	0.00	3,019.85	0.14
WILDFIRE CARRIER COST	0.00	0.00	31,434.39	1.41
FEDERAL / STATE ASSESSMENTS	0.00	0.00	275.58	0.01
OKLAHOMA HIGH COST FUND	356.00	0.12	23,343.71	1.05
<b>Total Cost of Sales</b>	<b>106,707.44</b>	<b>34.98</b>	<b>1,069,998.68</b>	<b>47.90</b>
<b>Gross Profit</b>	<b>198,380.08</b>	<b>65.02</b>	<b>1,163,748.57</b>	<b>52.10</b>
<b>Expenses</b>				
ADVERTISING AND PROMOTIONAL	0.00	0.00	3,330.27	0.15
ANSWERING SERVICE	75.00	0.02	5,130.19	0.23
AUTOMOBILE EXPENSE	0.00	0.00	3,759.19	0.17
AUTOMOBILE ALLOWANCE	1,300.00	0.43	14,080.48	0.63
BAD DEBT	0.00	0.00	<51.73>	0.00
BANK AND CREDIT CARD FEES	958.33	0.31	6,588.39	0.29
BILLING FEES	2,794.40	0.92	41,389.00	1.85
CONSULTING SERVICES	0.00	0.00	<1,289.92>	<0.06>
CONTRACT LABOR	0.00	0.00	2,794.18	0.13
CONTRIBUTIONS	0.00	0.00	3,605.99	0.16
DEPRECIATION AND AMORTIZATI	240,000.00	78.67	240,000.00	10.74
DUES AND SUBSCRIPTIONS	0.00	0.00	<109.00>	0.00
DUES - CLUBS	3,758.10	1.23	4,897.41	0.22
EDUCATION - TRAINING	0.00	0.00	300.00	0.01
EMPLOYEE BENEFITS - MED INS	36,365.34	11.92	38,608.87	1.73
EMPLOYEE BENEFITS - OTHER	0.00	0.00	235.00	0.01
EMPLOYEE BENEFITS -PAYROLL T	2,893.25	0.95	47,725.91	2.14
ENTERTAINMENT AND MEALS	42.73	0.01	8,827.91	0.40
FILING FEES	0.00	0.00	4,930.49	0.22
INSURANCE - GENERAL/FACILITTE	2,139.00	0.70	38,471.66	1.72
INSURANCE - WORKERS COMP	88.00	0.03	4,384.00	0.20
KITCHEN SUPPLIES	0.00	0.00	1,308.09	0.06
LICENSES AND FEES	14.28	0.00	3,054.15	0.14
MAINTENANCE & REPAIRS - OTHE	3,543.44	1.16	12,352.22	0.55
MAINTENANCE & REPAIRS - SWITC	5,368.25	1.76	22,391.31	1.00
MANAGEMENT FEES	0.00	0.00	0.00	0.00
MARKETING AND PROMOTIONAL	0.00	0.00	2,294.09	0.10
OFFICE SUPPLIES	380.44	0.12	9,593.20	0.43
PARKING AND TOLLS	177.39	0.06	2,974.37	0.13
PENALTIES	0.00	0.00	2,818.95	0.13
POSTAGE AND FREIGHT	490.87	0.16	7,497.53	0.34
PRINTING AND COPY SERVICE	0.00	0.00	1,937.82	0.09
PROFESSIONAL FEES	51,383.41	16.84	235,394.87	10.54
RENT - BUILDING	3,235.83	1.06	51,565.17	2.31
RENT - EQUIPMENT	89.73	0.03	5,319.59	0.24

For Management Purposes Only

ZENEX Communications, Inc.  
Income Statement  
For the Twelve Months Ending December 31, 1999

	Current Month		Year to Date	
SALARIES & WAGES - SALES & MK	10,877.98	3.57	166,726.78	7.46
SALARIES & WAGES - ADMIN	27,593.84	9.04	425,632.09	19.05
BONUSES	0.00	0.00	0.00	0.00
COMMISSIONS	970.16	0.32	10,387.40	0.47
SECURITY EXPENSE	312.30	0.10	964.62	0.04
TARIFF CONSULTING SERVICES	9,663.83	3.17	57,592.58	2.58
TAXES - PAYROLL	0.00	0.00	0.00	0.00
TAXES - PROPERTY	0.00	0.00	43,059.29	1.93
TELEPHONE AND PAGERS	12,500.96	4.10	48,951.99	2.19
TRAVEL / MOTEL / AIRLINES	0.00	0.00	12,187.05	0.55
UTILITIES	130.55	0.04	6,277.35	0.28
INTEREST EXPENSE	349.20	0.11	5,576.07	0.25
Total Expenses	417,496.61	136.84	1,603,464.87	71.78
Net Income	\$ <219,116.53>	<71.82>	\$ <439,716.30>	<19.69>

**EXHIBIT 5**

**Key Employee Profiles**

**Zenex Long Distance, Inc.**  
(Attached)

## **Brian Gustas**

Brian Gustas, Zenex Long Distance, Inc.'s president and chief executive officer, entered the telecommunications industry in 1987. Brian joined Zenex in September 1999 from ComSource, Inc., a wholesaler of telecommunication services, where he operated as president. His responsibilities at ComSource included maintaining the company vision; planning, developing and establishing policies and objectives of the organization; budgeting and financial forecasting; and seeking business opportunities and strategic alliances with other companies in the telecommunications arena.

During Brian's tenure at ComSource he sold accounts with annualized revenue of 1.2 million in the first six months of operations. He grew the calendar year gross income 290% from 1997 to 1998. The first quarter of 1999 was up 87% for the previous year.

Previous to ComSource, Brian, was with Westel Long Distance, a facility based communications provider. His experience with Westel included starting an entire sales organization, maintaining and growing a base of revenue to meet and exceed Company forecasted goals, sales process management and reporting, employee relations, training and development, staffing, budgeting, forecasting and strategic planning.

Brian opened and developed the Oklahoma City market for Westel Long Distance. Oklahoma City was Westel's first expansion outside the state of Texas. Brian functioned for the first year in a relatively unsupervised environment as an outpost for the Company. As a result of Westel's Oklahoma City's success, Brian took the initiative to write and submit a detailed business plan to open an office in Tulsa. The business plan was approved and Brian was promoted to District Manager - Oklahoma. Tulsa became a tremendous success for Westel and Brian's involvement was sought in opening the Kansas City Market. These market successes eventually led to Brian's promotion to Regional Manager over Northern Texas, Northern Kansas/Southern Missouri and Colorado.

Brian graduated from Oklahoma State University in 1985 with a B.A. in Business Administration, and a Minor in Economics.

## **Debbie Dever**

Debbie Dever was promoted from within to the position of chief operating officer, at Zenex Long Distance, Inc. in September 1999. Debbie stepped into responsibilities that include establishing and implementing pricing structure(s), customizing and approving all contracts, and coordinates with Zenex's Telecom Regulatory Tax Counsel. She also controls the process by which Zenex orders and delivers its telecommunications products and services.

Debbie has been promoted repeatedly during her tenure at Zenex. Most recently, she was the company's administrative director with responsibilities that included developing, implementing, and coordinating company policies and programs encompassing all aspects of employment, benefits and employee relations and welfare.

Earlier, Debbie was the corporate relations director, where she communicated directly with the president and CEO of Zenex on behalf of major corporate accounts. She coordinated and organized training seminars for the employees of top major accounts on the functions of Zenex' products and services along with company defined procedures in which to purchase and / or sell the products and services. Debbie also performed duties, such as corporate speaking to public groups, on behalf of Zenex Communications.

Debbie joined the Company in 1996 as an affiliate agent manager, where she designed and implemented the affiliate agent program.

Prior to Zenex, Debbie was employed with LDDS/Worldcom as a communications consultant for medium to large businesses in which dedicated long distance service was required. Debbie started her telecom career with Dobson Communications Corporation; another Oklahoma City based Telecommunications Company. With Dobson, she served in the engineering and accounting departments. She coordinated with engineers and network operation technicians that covered a five-market area consisting of thirty-six cell sites during the completion of a five-year build out process for a major rural wire line cellular company.

Debbie serves as corporate secretary for Zenex and the Board of Directors. She was a member of *Executive Women in Telecommunications*. She has also held a position on the fundraising committee for the Oklahoma Chapter of *The Diabetes Foundation*. Debbie has a strong knowledge of the telecommunications industry, which she entered in 1988. She attended the University of Central Oklahoma.



## **Joey B. Alfred**

Joey Alfred was promoted-from-within to the position of vice president, operations at Zenex Long Distance, Inc. on December 1, 1998. He joined the Company in 1995 soon after graduating from the University of Oklahoma. Mr. Alfred has been promoted repeatedly during his tenure at Zenex, which reflects his strong knowledge of the telecommunications industry. Joey plays a key role in developing and maintaining the Zenex proprietary platform, which runs the switching facility.

Most recently, he was the Company's product director. In this role, Mr. Alfred supervised the development of turnkey procedures for phone card project set-up. His department's responsibilities also included assigning 800 numbers and generating the personal identification numbers for all new projects. In addition, he authored training manuals related to Zenex' phone card products and other telecommunication services. Mr. Alfred was promoted to the director position from his previous role as projects coordinator.

Earlier, Mr. Alfred was the Wildfire systems administrator for the Company's voice recognition-based electronic personal assistant profit center, where he was involved in program set-up for new customers, and in troubleshooting user problems. He was also responsible for pricing and billing on the Wildfire product. Mr. Alfred has also been involved in attending and promoting the Company's products and services at conventions of major customers.

## **Chad NesSmith**

Chad NesSmith brings over 12 years of telecommunications experience to Zenex Long Distance, Inc. as Network Operations Director. Chad joined Zenex in March of 2000 and his responsibilities include maintaining the operations, provisioning and growth of the Harris 20/20, the HIL Host calling card platform, and Zenex switch facilities.

Prior to Zenex, Chad was with Access Communications, an Oklahoma City-based telecommunications company. His responsibilities as Senior Engineer included PBX and data equipment installation, maintenance, upgrades and administration. He was also responsible for troubleshooting hardware/software problems and interfacing with customers and other technicians to ensure that all technical aspects of projects were met and conformed to regulations and requirements.

While with Access, Chad was one of the leaders in developing the first Beta versions of the Zenex platform. This was accomplished by using the Harris 20/20 switch, the Harris CTI application Voice Frame, and an integrated voice response unit written with custom software. This created the powerful open architecture package Zenex continues to build upon today.

Chad started his communications career with Oklahoma Texas Telecommunications where he installed key and PBX equipment in lodging facilities and central offices throughout the continental United States. He was able to gain extensive hands on experience with T1 equipment, computer networks and fiber optics.

Chad brings a broad based knowledge and working background of the telecommunications industry to Zenex. He has extensive knowledge in the implementation, provisioning and maintenance of a wide range of equipment. Some of his certifications include:

Northern Telecom Option 21-81C

Northern Telecom Option 11

Harris 20/20

Harris Voice Frame

SS7

PRI/ISDN