



May 6, 2003  
Via Overnight Delivery

210 N. Park Ave.  
Winter Park, FL  
32789

P.O. Drawer 200  
Winter Park, FL  
32790-0200

Tel: 407-740-8575  
Fax: 407-740-0613  
tmi@tminc.com

Manager of the Data Center  
Missouri Public Service Commission  
200 Madison Street  
Suite 100  
Jefferson City, MO 65101

RE: Ciera Network Systems, Inc  
MO Annual Report (CLEC)  
For the year ending December 31, 2002

**RECEIVED<sup>4</sup>**

MAY 07 2003

*Records  
Public Service Commission*

Dear Sir or Madam:

Enclosed please find the MO Annual Report (CLEC) for the year ending December 31, 2002, filed on behalf of Ciera Network Systems, Inc. No check is enclosed as there are no remittance fees due.

Please acknowledge receipt of this filing by date-stamping the extra copy of this cover letter and returning it to me in the self-addressed, stamped envelope provided for that purpose.

Questions regarding this filing should be directed to my attention at 407-740-8575. Thank you for your assistance in this matter.

Sincerely,

Elizabeth A. Corddy  
Compliance Reporting Consultant

cc: Robert W. Livingston - Ciera Network Systems, Inc

file: Ciera Network Systems, Inc - Reporting - Missouri

**FILED<sup>3</sup>**

MAY 12 2003

Missouri Public  
Service Commission

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MAY 12 2003

Missouri Public  
Service Commission

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Ciera Network Systems, Inc.  
(Full Company Name)

**RECEIVED<sup>4</sup>**

MAY 07 2003

*Records*  
*Public Service Commission*

**COMPETITIVE  
LOCAL EXCHANGE CARRIER  
  
ANNUAL REPORT  
  
TO THE  
  
MISSOURI PUBLIC SERVICE COMMISSION**

For Period Ending December 31, 2002







11 Please Provide the following information concerning Total Company and Missouri Specific Revenues:

<u>Revenues:</u>	<b>Total Company</b>	<b>MO Specific</b>
Operating Revenues* from Telecommunication Services	20,232,801	0
Access Fee Revenues	0	0
Federal USF Subsidies	0	0
State USF Subsidies	0	0
Other Revenues	0	0
<b>TOTAL REVENUES</b>	<b>20,232,801</b>	<b>0</b>

12 Type of tax return filed (i.e. 1120C, 1120S, Partnership, ect.): 1120C

13 Taxpayer ID: 76-0593650

\* Missouri Revised Statues §386.020(53)

## Competitive Local Exchange Carrier Access Line Report

Exchange	Residential Voice Grade Equivalent Lines				Business Voice Grade Equivalent Lines				Public Access Lines		Customer Owned Coin Telephone
	Pure Resale	UNE	UNE P	Full Facility Based	Pure Resale	UNE	UNE P	Full Facility Based	Public		
ADVANCE	0	-	2	-	5	-	21	-	-	-	
ALTENBURG FROHNA	1	-	3	-	-	-	-	-	-	-	
ALTON	0	-	2	-	1	-	3	-	-	-	
ANTONIA	1	-	3	-	1	-	5	-	-	-	
BELTON	1	-	2	-	1	-	2	-	-	-	
BENTON	1	-	2	-	3	-	11	-	-	-	
BISMARCK	-	-	-	-	1	-	2	-	-	-	
BLOOMFIELD	1	-	5	-	3	-	13	-	-	-	
BLUE SPRINGS	1	-	2	-	6	-	26	-	-	-	
BONNE TERRE	0	-	2	-	1	-	4	-	-	-	
BRANSON	-	-	-	-	3	-	11	-	-	-	
BRIDGETON	1	-	3	-	4	-	15	-	-	-	
BUFFALO	0	-	1	-	-	-	-	-	-	-	
CABOOL	0	-	1	-	-	-	-	-	-	-	
CAMDENTON	0	-	1	-	-	-	-	-	-	-	
CAMPBELL	-	-	-	-	1	-	4	-	-	-	
CAPE GIRARDEAU	14	-	58	-	137	-	547	-	-	-	
CARL JUNCTION	0	-	1	-	1	-	3	-	-	-	
CARTHAGE	2	-	6	-	4	-	17	-	-	-	
CARUTHERSVILLE	0	-	2	-	0	-	2	-	-	-	
CEDAR HILL	0	-	1	-	1	-	3	-	-	-	
CHAFFEE	1	-	3	-	2	-	9	-	-	-	
CHARLESTON	-	-	-	-	3	-	11	-	-	-	
CHESTERFIELD	5	-	20	-	12	-	46	-	-	-	
CLARENCE	-	-	-	-	0	-	1	-	-	-	
CLIMAX SPRINGS	0	-	2	-	-	-	-	-	-	-	
COLUMBIA	0	-	1	-	0	-	1	-	-	-	
CRANE	-	-	-	-	0	-	1	-	-	-	
CREVE COEUR	1	-	3	-	12	-	50	-	-	-	
CUBA	-	-	-	-	1	-	5	-	-	-	
DARDENNE	0	-	1	-	2	-	7	-	-	-	
DE SOTO	1	-	4	-	0	-	1	-	-	-	
DEERING	-	-	-	-	1	-	2	-	-	-	

## Competitive Local Exchange Carrier Access Line Report

Exchange	Residential Voice Grade Equivalent Lines				Business Voice Grade Equivalent Lines				Public Access Lines	
	Pure Resale	UNE	UNE P	Full Facility Based	Pure Resale	UNE	UNE P	Full Facility Based	Public	Customer Owned Coin Telephone
DELTA	0	-	1	-	0	-	2	-	-	-
DEXTER	7	-	28	-	30	-	122	-	-	-
DORA	0	-	1	-	-	-	-	-	-	-
EAST INDEPENDENCE	-	-	-	-	2	-	6	-	-	-
EAST PRAIRIE	-	-	-	-	0	-	2	-	-	-
ELDON	1	-	3	-	0	-	2	-	-	-
EMINENCE	-	-	-	-	1	-	2	-	-	-
EUREKA	1	-	3	-	4	-	14	-	-	-
EXCELSIOR SPRINGS	-	-	-	-	1	-	5	-	-	-
FARMINGTON	0	-	2	-	11	-	43	-	-	-
FENTON	-	-	-	-	8	-	33	-	-	-
FERGUSON	1	-	3	-	3	-	14	-	-	-
FESTUS CRYSTAL CITY	1	-	5	-	4	-	17	-	-	-
FLAT RIVER	1	-	2	-	6	-	22	-	-	-
FLORISSANT	1	-	3	-	6	-	26	-	-	-
FORISTELL	-	-	-	-	1	-	6	-	-	-
FORSYTH	0	-	1	-	-	-	-	-	-	-
FREDERICKTOWN	0	-	1	-	1	-	4	-	-	-
FULTON	-	-	-	-	1	-	3	-	-	-
GAINESVILLE	-	-	-	-	0	-	1	-	-	-
GLADSTONE	0	-	1	-	2	-	8	-	-	-
GRAIN VALLEY	-	-	-	-	0	-	1	-	-	-
GRAVOIS MILLS	1	-	4	-	2	-	6	-	-	-
GRAY SUMMIT	1	-	3	-	0	-	2	-	-	-
HANNIBAL	-	-	-	-	1	-	5	-	-	-
HARVESTER	2	-	7	-	24	-	94	-	-	-
HAYTI	0	-	1	-	0	-	1	-	-	-
HAZELWOOD	0	-	1	-	4	-	18	-	-	-
HERCULANEUM-PEVELY	-	-	-	-	1	-	2	-	-	-
HERMANN	0	-	1	-	-	-	-	-	-	-
HIGH RIDGE	1	-	5	-	6	-	24	-	-	-
HILLSBORO	-	-	-	-	0	-	1	-	-	-
HORNERSVILLE	1	-	3	-	0	-	1	-	-	-

## Competitive Local Exchange Carrier Access Line Report

Exchange	Residential Voice Grade Equivalent Lines				Business Voice Grade Equivalent Lines				Public Access Lines	
	Pure Resale	UNE	UNE P	Full Facility Based	Pure Resale	UNE	UNE P	Full Facility Based	Public	Customer Owned Coin Telephone
HOUSTON	-	-	-	-	1	-	3	-	-	-
IMPERIAL	2	-	6	-	4	-	18	-	-	-
INDEPENDENCE	2	-	7	-	2	-	9	-	-	-
JACKSON	8	-	32	-	28	-	113	-	-	-
JOPLIN	6	-	26	-	37	-	149	-	-	-
KANSAS CITY	0	-	2	-	27	-	110	-	-	-
KENNETT	2	-	7	-	14	-	57	-	-	-
KIMBERLING CITY	-	-	-	-	0	-	1	-	-	-
KIRKSVILLE	0	-	1	-	0	-	1	-	-	-
KIRKWOOD	2	-	8	-	4	-	14	-	-	-
LADUE (ST LOUIS)	4	-	15	-	49	-	194	-	-	-
LAKE OZARK OSAGE BEACH	1	-	3	-	1	-	3	-	-	-
LAMAR	-	-	-	-	1	-	3	-	-	-
LEES SUMMIT	1	-	3	-	2	-	8	-	-	-
LIBERTY	0	-	1	-	-	-	-	-	-	-
LILBOURN	-	-	-	-	0	-	2	-	-	-
MACON	-	-	-	-	0	-	2	-	-	-
MALDEN	2	-	7	-	4	-	14	-	-	-
MANCHESTER	5	-	19	-	6	-	23	-	-	-
MARBLE HILL	1	-	4	-	9	-	38	-	-	-
MARIONVILLE	0	-	2	-	0	-	1	-	-	-
MARSHALL	-	-	-	-	0	-	2	-	-	-
MARSHFIELD	-	-	-	-	0	-	1	-	-	-
MARSTON	0	-	1	-	-	-	-	-	-	-
MAXVILLE	1	-	2	-	2	-	8	-	-	-
MEHLVILLE	1	-	5	-	5	-	21	-	-	-
MONETT	0	-	2	-	0	-	2	-	-	-
MONROE CITY	-	-	-	-	0	-	2	-	-	-
MONTGOMERY CITY	-	-	-	-	0	-	2	-	-	-
MOREHOUSE	0	-	1	-	-	-	-	-	-	-
MOSCOW MILLS	0	-	1	-	-	-	-	-	-	-
NEOSHO	2	-	6	-	5	-	20	-	-	-
NEVADA	0	-	2	-	-	-	-	-	-	-

## Competitive Local Exchange Carrier Access Line Report

Exchange	Residential Voice Grade Equivalent Lines				Business Voice Grade Equivalent Lines				Public Access Lines	
	Pure Resale	UNE	UNE P	Full Facility Based	Pure Resale	UNE	UNE P	Full Facility Based	Public	Customer Owned Coin Telephone
NEW MADRID	-	-	-	-	4	-	17	-	-	-
NIXA	1	-	4	-	3	-	12	-	-	-
OAKVILLE	0	-	2	-	1	-	4	-	-	-
OFALLON	1	-	4	-	8	-	34	-	-	-
OLD APPLETON	0	-	1	-	-	-	-	-	-	-
ORAN	-	-	-	-	4	-	18	-	-	-
OZARK	1	-	3	-	3	-	10	-	-	-
PACIFIC	-	-	-	-	3	-	13	-	-	-
PARKVILLE	0	-	1	-	2	-	6	-	-	-
PATTON	0	-	2	-	-	-	-	-	-	-
PERRYVILLE	3	-	11	-	19	-	76	-	-	-
POCAHONTAS	0	-	1	-	1	-	2	-	-	-
POND	1	-	2	-	0	-	1	-	-	-
POPLAR BLUFF	5	-	19	-	21	-	84	-	-	-
PORTAGEVILLE	-	-	-	-	1	-	5	-	-	-
PRAIRIE HOME	0	-	1	-	-	-	-	-	-	-
PUXICO	0	-	2	-	1	-	5	-	-	-
QULIN	0	-	1	-	-	-	-	-	-	-
RAYTOWN	0	-	2	-	1	-	6	-	-	-
REPUBLIC	1	-	3	-	1	-	5	-	-	-
RICHMOND	-	-	-	-	1	-	5	-	-	-
RISCO	-	-	-	-	0	-	2	-	-	-
ROGERSVILLE	1	-	2	-	-	-	-	-	-	-
SAPPINGTON	2	-	9	-	10	-	42	-	-	-
SCOTT CITY	1	-	3	-	5	-	20	-	-	-
SEDALIA	-	-	-	-	1	-	4	-	-	-
SENATH	1	-	2	-	-	-	-	-	-	-
SHELL KNOB	-	-	-	-	0	-	1	-	-	-
SIKESTON	7	-	29	-	29	-	118	-	-	-
SOUTH KANSAS CITY	0	-	1	-	1	-	5	-	-	-
SPARTA	0	-	1	-	-	-	-	-	-	-
SPRINGFIELD	13	-	51	-	12	-	49	-	-	-
ST CHARLES	2	-	9	-	19	-	75	-	-	-

## Competitive Local Exchange Carrier Access Line Report

Exchange	Residential Voice Grade Equivalent Lines				Business Voice Grade Equivalent Lines				Public Access Lines	
	Pure Resale	UNE	UNE P	Full Facility Based	Pure Resale	UNE	UNE P	Full Facility Based	Public	Customer Owned Coin Telephone
ST CLAIR	-	-	-	-	2	-	6	-	-	-
ST JOSEPH	0	-	1	-	7	-	27	-	-	-
ST LOUIS	6	-	22	-	60	-	239	-	-	-
ST MARYS	-	-	-	-	1	-	2	-	-	-
ST PETERS	0	-	1	-	2	-	7	-	-	-
STE GENEVIEVE	0	-	1	-	5	-	19	-	-	-
STRAFFORD	0	-	1	-	-	-	-	-	-	-
THAYER	-	-	-	-	1	-	4	-	-	-
TRENTON	1	-	2	-	-	-	-	-	-	-
TROY	0	-	1	-	2	-	6	-	-	-
UNION	-	-	-	-	3	-	11	-	-	-
VALLEY PARK	1	-	5	-	5	-	20	-	-	-
VERSAILLES	3	-	14	-	0	-	2	-	-	-
VIENNA	-	-	-	-	0	-	1	-	-	-
WARDELL	-	-	-	-	0	-	2	-	-	-
WARRENTON	0	-	1	-	1	-	3	-	-	-
WEBB CITY	-	-	-	-	1	-	4	-	-	-
WENTZVILLE	0	-	1	-	3	-	14	-	-	-
WEST PLAINS	-	-	-	-	2	-	9	-	-	-
WRIGHT CITY	0	-	1	-	-	-	-	-	-	-
<b>TOTALS</b>	<b>146</b>	<b>-</b>	<b>585</b>	<b>-</b>	<b>780</b>	<b>-</b>	<b>3,118</b>	<b>-</b>	<b>-</b>	<b>-</b>

Annual Report of Ciera Network Systems, Inc. for the year ended December 31, 2002

VERIFICATION

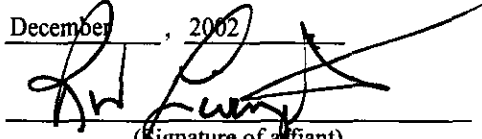
The foregoing report must be verified by the oath of the President or chief officer of the company. The oath required may be taken before any person authorized to administer an oath by the laws of the State in which the same is taken.

OATH

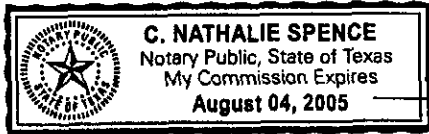
State Of Texas }  
County Of Harris } ss:

Robert W. Livingston makes oath and says that  
(Insert here the name of the affiant)  
he is CEO  
(Insert here the official title of the affiant)  
of Ciera Network Systems, Inc.  
(Insert here the exact legal title or name of the respondent)

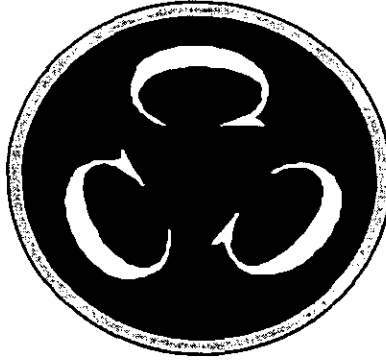
that he has examined the foregoing report; that to the best of his knowledge, information, and belief, all statements of fact contained in the said report are true and the said report is a correct statement of the business and affairs of the above-named respondent.

January, 2002, to and including December, 2002  
  
(Signature of affiant)

Subscribed and sworn before me, a Notary Public in and for the  
State and county above named, this 1<sup>st</sup> day of May, 20 03  
My Commission expires August 4, 20 05



C. Nathalie Spence  
(Signature of officer authorized to administer oaths)



**CCC GLOBALCOM CORPORATION**  
**Consolidated Financial Statements**  
**December 31, 2002 and 2001**

## INDEPENDENT AUDITORS' REPORT

### To the Board of Directors and Stockholders of CCC GlobalCom Corporation and Subsidiaries

We have audited the consolidated balance sheet of CCC GlobalCom Corporation and Subsidiaries (the Company) as of December 31, 2002, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the years ended December 31, 2002 and 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CCC GlobalCom Corporation and Subsidiaries as of December 31, 2002, and the results of their operations and their cash flows for the years ended December 31, 2002 and 2001 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has a deficit in working capital, a stockholders' deficit at December 31, 2002 and has incurred substantial losses from operations. As discussed in Note 2 to the consolidated financial statements, there is substantial doubt about the ability of the Company to continue as a going concern. Management's plans in regard to that matter are also described in note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Salt Lake City, Utah  
February 28, 2003  
except for Note 17 which  
is dated March 19, 2003

**CCC GLOBALCOM CORPORATION AND SUBSIDIARIES**  
**Consolidated Balance Sheet**

December 31,

<u>Assets</u>	<u>2002</u>
Current assets:	
Cash and cash equivalents	\$ 212,730
Restricted cash	389,138
Accounts receivable, net of allowance for doubtful accounts of \$2,435,015	3,008,240
Prepaid expense and other current assets	134,525
Total current assets	3,744,633
Property and equipment, net	2,293,825
Intangibles, net	1,042,624
Other	214,089
Total assets	\$ 7,295,171

**Liabilities and Stockholders' Deficit**

Current liabilities:	
Note payable	\$ 2,762,609
Accounts payable	14,430,550
Accrued expenses	2,127,858
Excise taxes payable	2,457,696
Accrued compensation and other	395,684
Current portion of long-term debt, net of discount of \$777,000	14,684,318
Deferred revenue	183,843
Total current liabilities	37,042,558
Long-term debt	549,446
Total liabilities	37,592,004
Commitments	
Stockholders' deficit:	
Common stock, \$.001 par value, authorized 100,000,000 shares; issued and outstanding 37,213,918 shares	37,214
Additional paid-in capital	10,684,656
Accumulated deficit	(41,018,703)
Total stockholders' deficit:	(30,296,833)
	\$ 7,295,171

**CCC GLOBALCOM CORPORATION AND SUBSIDIARIES**  
**Consolidated Statement of Operations**

Year Ended December 31,

	2002	2001
Net sales	\$ 26,722,393	\$ 11,815,163
Expenses:		
Cost of services	(20,568,419)	(8,275,747)
Selling, general and administrative expenses	(18,258,910)	(11,931,710)
Depreciation and amortization expense	(3,726,980)	(2,592,537)
Impairment loss	-	(6,896,170)
Loss from operations	(15,831,916)	(17,881,001)
Other income (expense):		
Interest income	11,903	29,367
Interest expense	(1,570,918)	(834,187)
Other, net	(7,764)	(100,546)
Loss on disposal of assets	(2,312,266)	(4,000)
Loss before income taxes	(3,879,045)	(909,366)
Loss before income taxes	(19,710,961)	(18,790,367)
Income taxes	-	-
Net loss	\$ (19,710,961)	\$ (18,790,367)
Loss per share - basic and diluted	\$ (0.54)	\$ (0.57)
Weighted average shares - basic and diluted	36,207,000	32,999,000

**CCC GLOBALCOM CORPORATION AND SUBSIDIARIES**  
**Consolidated Statement of Changes in Stockholders' Deficit**

Years Ended December 31,

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Stockholders' Deficit
	Shares	Amount			
Balance, January 1, 2001	32,325,710	\$ 32,326	\$ 4,133,008	\$ (2,517,375)	\$ 1,647,959
Stock issued for:					
Cash	795,293	795	2,330,911	-	2,331,706
Services	460,127	460	1,165,308	-	1,165,768
Incomnet acquisition	125,000	125	499,875	-	500,000
Stock bonus awarded to:					
Officers/directors	1,200,000	1,200	40,800	-	42,000
Employee	20,020	20	65,045	-	65,065
Net loss	-	-	-	(18,790,367)	(18,790,367)
Balance, December 31, 2001	34,926,150	34,926	8,234,947	(21,307,742)	(13,037,869)
Stock issued for:					
Satisfaction of payable	912,768	913	393,584	-	394,497
Services	400,000	400	47,600	-	48,000
Equipment	50,000	50	162,450	-	162,500
Stock bonus awarded to:					
Officers/directors	500,000	500	59,500	-	60,000
Employee	300,000	300	311,700	-	312,000
Exercise of warrant	125,000	125	499,875	-	500,000
Warrants issued related to debt	-	-	975,000	-	975,000
Net loss	-	-	-	(19,710,961)	(19,710,961)
Balance, December 31, 2002	37,213,918	\$ 37,214	\$ 10,684,656	\$ (41,018,703)	\$ (30,296,833)

See accompanying notes to consolidated financial statements.

F-4

**CCC GLOBALCOM CORPORATION AND SUBSIDIARIES**  
**Consolidated Statement of Cash Flows**

December 31,

	2002	2001
<b>Cash flows from operating activities:</b>		
Net loss	\$ (19,710,961)	\$ (18,790,367)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,726,980	2,592,537
Impairment loss	-	6,896,170
Loss on disposal of assets	2,312,266	4,000
Interest and fees added to line of credit	-	569,314
Stock issued for compensation	372,000	-
Stock issued for services	48,000	1,667,330
Warrant expense related to loan refinancing	198,000	-
(Increase) decrease in:		
Restricted cash	21,193	(410,331)
Accounts receivable	2,263,465	82,912
Prepaid expenses	491,716	(430,729)
Other assets	108,693	(20,345)
Increase (decrease) in:		
Accounts payable	8,547,429	5,215,462
Accrued compensation and other	(186,012)	23,767
Excise taxes payable	1,214,958	916,767
Accrued expenses	1,577,223	477,887
Deferred revenue	(103,039)	(206,218)
Net cash provided by (used in) operating activities	<u>881,911</u>	<u>(1,411,844)</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(125,808)	(922,008)
Proceeds from sale of fixed assets	-	792
Net cash paid in acquisitions	-	(557,660)
Purchase of intangible assets	-	(56,992)
Net cash used in investing activities	<u>(125,808)</u>	<u>(1,535,868)</u>
<b>Cash flows from financing activities:</b>		
Payments on long-term debt	(217,852)	(149,931)
Net (decrease) increase on line of credit	(972,577)	299,234
Proceeds from issuance of stock	-	2,331,706
Net cash (used in) provided by financing activities	<u>(1,190,429)</u>	<u>2,481,009</u>
Net change in cash	(434,326)	(466,703)
Cash and cash equivalents at beginning of year	647,056	1,113,759
Cash and cash equivalents at end of year	<u>\$ 212,730</u>	<u>\$ 647,056</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ 1,285,444	\$ 1,975
Income taxes	\$ -	\$ -

See accompanying notes to consolidated financial statements.

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**CCC GLOBALCOM CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

December 31, 2002 and 2001

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**1. Organization  
and  
Significant  
Accounting  
Policies**

***Organization***

CCC GlobalCom Corporation, a Nevada corporation ("CCC GlobalCom" or the "Company"), conducts operations in the telecommunications industry through its wholly-owned subsidiary, Ciera Network Systems, Inc. ("Ciera"). The Company provides local and long-distance communications services in the United States.

***Principles of Consolidation***

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Ciera Network Systems, Inc. All significant intercompany balances and transactions have been eliminated in consolidation. The Company is the majority shareholder of GlobalTel (a subsidiary located in Columbia). GlobalTel is accounted for on the equity method due to the Company not being able to exercise control. Financial information of GlobalTel is not presented as the amounts are not material.

***Cash and Cash Equivalents***

The Company considers all highly liquid investments with original maturities to the Company of three months or less to be cash equivalents.

***Restricted Cash***

Restricted cash represents deposits in lockboxes setup for the benefit of RFC Capital Corp. that have not been swept at year-end in the amount of approximately \$216,000 and deposits to secure letters of credit issued for the benefit of vendors in the amount of approximately \$173,000 as of December 31, 2002.

***Property and Equipment***

Property and equipment are recorded at cost, less accumulated depreciation. Depreciation and amortization on capital leases and property and equipment are determined using the straight-line and accelerated methods over the estimated useful lives of the assets or terms of the lease. Expenditures for maintenance and repairs are expensed when incurred and betterments are capitalized. Gains and losses on sale of property and equipment are reflected in the statement of operations.

**CCC GLOBALCOM CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
*Continued*

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**1. Organization and Significant Accounting Policies**  
*Continued*

***Intangible Assets***

Effective January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets." The adoption of SFAS No. 142 required an initial impairment assessment involving a comparison of the fair value of intangible assets to the current carrying value. This initial impairment assessment did not result in any impairment of our intangible assets. Our intangible assets consist of acquired customer accounts which are being amortized on a straight-line basis over two years.

The Company reviews such intangible assets for impairment to ensure they are appropriately value dif conditions exist that may indicate they carrying value may not be recoverable. Such conditions may include an economic downturn in a geographic market or a change in the assessment of future operations. The Company assesses recoverability of the intangible assets by determining whether the intangible asset can be recovered over its remaining life through undiscounted future operating cash flows of the acquired operation.

***Revenue Recognition***

Revenues are derived primarily from sales of local and long-distance telephone services. Revenues are recognized as services are provided to customers that have entered into binding agreements with a price that is fixed and determinable and when collection is reasonably assured. Deferred revenues arise primarily from pre-billing for local telephone services. These amounts are recognized over the period for which the services are provided.

***Advertising***

The Company expenses the cost of advertising as incurred. For the years ended December 31, 2002 and 2001, advertising expenses totaled approximately \$11,000 and \$32,000, respectively, and are included in general and administrative expenses in the accompanying statement of operations.

**CCC GLOBALCOM CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
*Continued*

**1. Organization and Significant Accounting Policies**  
*Continued*

***Stock Based Compensation***

The Company accounts for stock-based compensation under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. No stock-based employee compensation cost is reflected in the net loss as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net loss and loss per share if the company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

	Years Ended December 31,	
	2002	2001
Net loss – as reported	\$ (19,711,000)	\$ (18,790,000)
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects.	(327,000)	(328,000)
Net loss – pro forma	\$ (20,038,000)	\$ (19,118,000)
Loss per share – as reported	\$ (.54)	\$ (.57)
Loss per share – pro forma	\$ (.55)	\$ (.58)

The fair value of each option grant is estimated in the date of grant using the Black-Scholes option pricing model with the following assumptions:

	December 31,	
	2002	2001
Expected dividend yield	-	-
Expected price volatility	143%	79%
Risk-free interest rate	4.25	4.5%
Expected life of options	5	5

The weighted average fair value of options granted during 2002 and 2001 are \$0.05 and \$1.47 per share, respectively.

**CCC GLOBALCOM CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
*Continued*

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**1. Organization  
and  
Significant  
Accounting  
Policies**  
*Continued*

***Income Taxes***

The Company accounts for income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

***Loss Per Common Share***

The computation of basic earnings (loss) per common share is based on the weighted average number of shares outstanding during each year. The computation of diluted earnings per common share is based on the weighted average number of shares outstanding during the year, plus the common stock equivalents that would arise from the exercise of stock options and warrants outstanding, using the treasury stock method and the average market price per share during the year. Options to purchase 1,702,000 and 915,000 shares of common stock at a range of \$1.00 to \$3.75 per share were outstanding at December 31, 2002 and 2001 respectively, but were not included in the diluted loss per share calculation because the effects would have been anti-dilutive.

***Impairment of Long-Lived Assets***

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through undiscounted future cash flows. If it is determined that an impairment loss has occurred based on expected cash flows, such loss is recognized in the statement of operations.

***Concentration of Credit Risk and Significant Customers***

Financial instruments, which potentially subject the Company to concentration of credit risk, consist primarily of trade receivables. In the normal course of business, the Company provides credit terms to its customers. Accordingly, the Company performs ongoing credit evaluations of its customers and maintains allowances for possible losses which, when realized, have been within the range of management's expectations.

## CCC GLOBALCOM CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

*Continued*

**1. Organization  
and  
Significant  
Accounting  
Policies  
*Continued***

***Concentration of Credit Risk and Significant Customers*** *Continued*

The Company's customer base consists primarily of telecommunications service resellers and individuals. During the year ended December 31, 2002, 29 percent of the revenues were billed to customers in California, 20 percent of the revenues were billed to customers located in Texas and 17 percent of the revenues were billed to customers located in Missouri.

The Company relies on certain vendors to provide wholesale telecommunication services. Three vendors provide 36%, 24% and 21%, respectively, of the local and long-distance services that the Company resells.

The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

***Use of Estimates in the Preparation of Financial Statements***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts. Accordingly, actual results could differ from those estimates.

**2. Going  
Concern**

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. However, the Company has incurred significant recurring net losses, has a working capital deficit, and has a stockholders' deficit. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

Management's plans with respect to this uncertainty include, among other matters, (1) raising capital through issuance of equity, (2) continuing to increase revenue through obtaining new customers and (3) minimizing operating costs.

**CCC GLOBALCOM CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
*Continued*

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**2. Going  
Concern**  
*Continued*

There can be no assurance that management's plans will be successful. The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

**3. Acquisitions**

On April 5, 2001, the Company purchased certain assets of Equalnet Communications Corporation (Equalnet), a reseller of long-distance telephone services. The agreement required the Company to pay \$500,000 cash and to assume approximately \$7,500,000 in debt. The Company incurred approximately \$162,000 of costs in acquiring Equalnet. The acquisition costs were primarily professional fees.

On September 11, 2001, the Company purchased the assets of Omniplex Communications Corporation (Omniplex), a reseller of local and long-distance telephone service. The agreement required the Company to assume approximately \$8,125,000 in debt. The Company incurred acquisition costs of approximately \$175,000, which were primarily professional fees for this purchase.

On November 30, 2001, the Company purchased the assets of Incomnet Communications Corporation (Incomnet), a reseller of long-distance telephone service. The agreement required approximately \$1,750,000 in cash, which was borrowed from RFC Capital, a \$750,000 note payable, \$500,000 of the Company's stock, and the assumption of approximately \$3,029,000 of Incomnet liabilities.

The acquisitions were accounted for using the purchase method of accounting, and the excess of the purchase price of approximately \$7,906,000 over the estimated fair value of the net assets acquired was allocated to goodwill and approximately \$3,273,000 was allocated to the customer base. The consolidated financial statements reflect the operations of the acquired assets from the dates of the acquisitions.

## CCC GLOBALCOM CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

*Continued*

#### 3. Acquisitions *Continued*

The Company, during the fourth quarter of 2001, reallocated the purchase price of Equalnet and Omniplex acquisitions based upon the fact that not all of the receivables purchased were collected. Goodwill was increased by \$1,631,569 and accounts receivable were decreased by the same amount to appropriately reflect the purchased accounts receivable that were not collected.

The following pro forma results of operations give effect to the acquisitions of Equalnet, Omniplex, and Incomnet as if the transactions had occurred January 1, 2001 (rounded to thousands):

	<u>2001</u>
Revenue	\$ 39,500,000
Cost of sales	(26,484,000)
General and administrative	(41,681,000)
Other income (expense)	(9,523,000)
	<u>Net loss</u>
	(38,188,000)
	<u>Net loss per share</u>
	\$ (1.16)

#### 4. Property and Equipment

Property and equipment consists of the following at December 31, 2002 (rounded to thousands):

Switch equipment	\$ 1,279,000
Computer hardware and software	2,510,000
Office equipment and other	174,000
Furniture and fixtures	429,000
Leasehold improvements	50,000
	<u>4,442,000</u>
Less accumulated depreciation and amortization	(2,148,000)
	<u>\$ 2,294,000</u>

Depreciation and amortization expense totaled approximately \$2,132,000 and \$588,000 for the years ended December 31, 2002 and 2001, respectively.

**CCC GLOBALCOM CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
*Continued*

**4. Property and Equipment**  
*Continued*                      During the year ended December 31, 2002, the Company was released from an operating lease. A loss of approximately \$2,312,000 was recognized for undepreciated leasehold improvements related to the lease.

**5. Intangibles and Impairment Loss**                      Intangibles consists of the following as of December 31, 2002 (rounded to thousands):

	Customer base	\$ 3,089,000
	Less accumulated amortization	<u>(2,046,000)</u>
	Intangibles, net	<u>\$ 1,043,000</u>

Amortization expense of intangibles totaled approximately \$1,595,000 and \$2,005,000 for the years ended December 31, 2002 and 2001, respectively. The remaining intangible balance will be fully amortized in 2003. The Company wrote off approximately \$84,000 in 2001 as a result of a review of the recoverability of costs of the Omniplex purchased customer base. During 2001, the Company recorded an impairment loss of approximately \$6,788,000 against goodwill and an impairment loss of approximately \$24,000 against organization costs as a result of the uncertainty about its ability to recover these costs.

**6. Note Payable**                      The Company has an Amended and Restated Loan and Security Agreement (the "Loan and Security Agreement") with RFC Capital Corporation ("RFC Capital") which provides for a revolving line of credit. Under the Loan and Security Agreement, RFC has a security interest in and lien on Ciera Network Systems, Inc. and CCC GlobalCom Corp. assets, including inventory, accounts receivable, intangibles, equipment, furniture and fixtures, trade names and marks, intellectual property, customer base, deposit accounts, and insurance proceeds.

Under the Loan and Security Agreement the principal amount of the revolving line of credit is not to exceed the lesser of (A) \$6,000,000 and (B) the Availability Formula. The Company has been extended the full amount available under the Availability Formula.

## CCC GLOBALCOM CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

*Continued*

- 
- 6. Note Payable**  
*Continued*
- The revolving line of credit bears interest at prime plus 2% per annum (6.25% as of December 31, 2002). The principal is due December 31, 2007. Interest is paid on a monthly basis. At December 31, 2002 the loan had a balance due of \$2,762,609. At December 31, 2002, there was approximately \$384,000 in legal fees incurred by the lender relating to Incomnet that the lender had rolled into the balance of the line of credit that is being disputed by the Company. The disputed amount has not been included in the line of credit balance on the financial statements, but has been accrued in accounts payable.
- 7. Long-Term Debt**
- Our term debt consists of the following as of December 31, 2002 (rounded to thousands):
- RFC term notes with an interest rate at prime plus 2% (6.25% at December 31, 2002). Interest only payments are made through January 2005. At that time, principal payments between \$100,000 and \$150,000 per month plus interest will be paid until the due date, December 31, 2007. The liability is net of unamortized warrant costs of \$777,000. The notes have a number of loan covenants, one of which requires the Company to pay all required federal and state taxes in a timely manner. The Company is delinquent in the payment of federal excise taxes. As a result, the Company is in default on the notes and the notes are therefore included in current maturities. RFC has not notified the Company of an event of default. \$ 13,223,000
- Unsecured note payable for priority tax claims to various government entities with an interest rate of 8%. Payments are to be made based on a schedule confirmed in the Incomnet bankruptcy reorganization plan through December 21, 2005. 727,000
-

**CCC GLOBALCOM CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
*Continued*

**7. Long-Term  
Debt**  
*Continued*

Note Payable to a company with interest at 8%. The note was due in full on May 31, 2002. This note is secured by a second lien security interest in a portion of the accounts receivable. The note is currently in default. 660,000

Convertible note payable to an individual with interest at 12%. The note and accrued interest is due and payable in cash or the Company's common stock at the prevailing market price stock. 8,000

Capitalized lease obligations (Note 8) 615,000

Total term debt 15,233,000  
Less current portion (14,684,000)

Long-term debt \$ 549,000

Future maturities of long-term debt are as follows (rounded to thousands):

**Year Ending December 31:**

2003	\$	14,684,000
2004		340,000
2005		<u>209,000</u>
	\$	<u>15,233,000</u>

**8. Capital  
Leases**

The Company leases certain equipment from leasing institutions under long-term lease agreements. The cost of assets under capital leases at December 31, 2002 totaled approximately \$875,000. Accumulated amortization on these assets at December 31, 2002 totaled approximately \$403,000.

**CCC GLOBALCOM CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
*Continued*

**8. Capital  
Leases**  
*Continued*

Minimum lease payments are as follows (rounded to thousands):

Years Ending December 31:

	2003	\$	452,000
	2004		168,000
	2005		28,000
			648,000
Less amount representing interest			(33,000)
		\$	615,000

**9. Income  
Taxes**

The provision for income taxes differs from the amounts which would be provided by applying the statutory federal income tax rate to net loss before provision for income taxes for the following reasons:

	<u>Years Ended December 31,</u>	
	<u>2002</u>	<u>2001</u>
Federal income tax benefit at statutory rate	\$ 8,255,000	7,328,000
Change in valuation allowance	(8,255,000)	(7,328,000)
	\$ -	\$ -

Deferred tax assets (liabilities) at December 31, 2002 are comprised of the following:

Net operating loss carry forward	\$	11,857,000
Depreciation and amortization		3,462,000
Allowance for doubtful accounts		764,000
Deferred revenue		68,000
Non-deductible accrued expense		54,000
Non-deductible loss from foreign subsidiary		46,000
Valuation allowance		(16,251,000)
	\$	-

**CCC GLOBALCOM CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
*Continued*

**9. Income Taxes**  
*Continued*

A valuation allowance has been recorded for the full amount of the deferred tax asset due to the uncertainty surrounding its ultimate realization caused by recurring losses.

At December 31, 2002, the Company has approximately \$32,045,000 of net operating loss carry forwards to offset future taxable income. These carry forwards begin expiring in 2020.

**10. Stock-Based Compensation**

As of December 31, 2002 and 2001, the Company had 1,702,000 and 915,000 options outstanding, respectively, to purchase shares of the Company's common stock. The options are exercisable at amounts in the range of \$1.00 to \$3.75 and will continue to vest through June 2005. The options expire beginning at various dates through November 2012.

Changes in stock options were as follows:

	<u>Shares Under Options</u>	<u>Price Range Shares</u>
Outstanding at January 1, 2001	1,355,000	\$ 3.50 – 5.00
Forfeited	(440,000)	3.50 – 3.75
Outstanding at December 31, 2001	915,000	3.50 – 5.00
Granted	842,000	1.00
Expired or canceled	(55,000)	5.00
Outstanding at December 31, 2002	<u>1,702,000</u>	<u>\$ 1.00 – 3.75</u>
Exercisable at December 31, 2002	<u>1,252,000</u>	<u>\$ 1.00 – 3.75</u>

**CCC GLOBALCOM CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

*Continued*

**10. Stock-Based Compensation**  
*Continued*

The following table summarizes information about stock options outstanding at December 31, 2002:

Range of Exercise Prices	Options and Warrants Outstanding			Options and Warrants Exercisable	
	Number Outstanding At 12/31/02	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable At 12/31/02	Weighted Average Exercise Price
\$ 1.00 - 3.75	1,702,000	6.15	\$ 2.31	1,252,000	\$ 1.85

The Company has a Stock Option Plan (the Option Plan) which reserves 4,000,000 shares of the Company's authorized but unissued common stock for the granting of stock options.

The Option Plan provides for the grant of incentive stock options and non-statutory stock options to employees, non-employee directors of the Company and consultants. The Option Plan is administered by the Board of Directors or a Compensation Committee, which determines the terms of options granted including the exercise price, the number of shares subject to the option, and the exercisability of the option. At December 31, 2002, 842,000 stock options had been issued under the stock option plan. All other stock options that had been issued as of December 31, 2002 were issued outside of the current stock option plan.

**11. Operating Leases**

The Company has noncancellable operating leases, primarily for its various office space and equipment. Rental expense for these operating leases for the years ended December 31, 2002 and 2001 was approximately \$1,034,000 and \$574,000.

**CCC GLOBALCOM CORPORATION AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

*Continued*

**11. Operating Leases**  
*Continued*

Future minimum lease payments under noncancellable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2002 are approximately:

Years Ending December 31.

2003	\$ 653,000
2004	590,000
2005	246,000
2006	213,000
2007	30,000
Thereafter	-
	<u>\$ 1,732,000</u>

**12. Commitments**

***Carrier Minimums***

The Company has agreements with two wholesale long-distance service providers that call for future usage minimums in 2003 of \$600,000.

**13. Related Party Transactions**

***Employment Agreements – CCC GlobalCom Officers***

In February 2001, the Company entered into employment agreements with two members of executive management; who are officers, directors and shareholders; that expire February 16, 2005. The agreements are automatically extended each year for an additional year, unless either party gives written notice 60 days in advance of the anniversary date. The agreement provides the officer/director with an annual base salary, business expense reimbursement, certain employee benefits or equivalent compensation, vacation and paid holidays, office space and eligibility for: 1) 500,000 sign on shares for one executive and 1,000,000 sign on shares for the other; 2) bonuses; 3) other benefit programs which may be offered by the Company to its employees;

## CCC GLOBALCOM CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

*Continued*

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#### 13. Related Party Transactions *Continued*

##### ***Employment Agreements – CCC GlobalCom Officers -Continued***

4) a lump sum termination payment of 300% of the officer/director's gross income for the year preceding termination. In the event the officer/director is terminated for other than cause, the officer/director will be entitled to receive all or part of the items noted above; including a bonus, if paid in the year preceding termination, for the remaining term of the agreement as if employment had not terminated. The agreement must be assigned to acquiring or successor entities and termination of the officer/director must be approved by a majority of the directors of the Company.

##### ***Stock Bonus to Officers***

On August 31, 2001, the Company granted to two officer/directors a stock bonus of 600,000 shares each under terms of an Escrow Agreement that was fulfilled November 30, 2001 when the Company purchased the assets of Incomnet. These shares have been valued at a price of \$0.035 per share based upon an independent appraisal and related compensation expense of \$42,000 has been recorded in 2001 operations.

##### ***Employment Agreements – Ciera Officers***

In June 2000, the Company entered into employment agreements with two officers of Ciera Network Systems. The agreements have five-year terms and expire June 1, 2005. Each year the agreements will be renewed for one year on June 1 unless either party gives written notification at least three months prior to the anniversary date. The agreements provide the officers with an annual base salary; participation in a stock option plan; 1,300,000 options to purchase shares of CCC GlobalCom common stock (800,000 options have a strike price of \$3.50 per share and 500,000 options have a strike price of \$3.75 per share, these options expire June 2005), the options vest ratably over five years on the anniversary date of the agreements. If the officers' employment is terminated for reasons other than cause, the stock options will vest immediately and a severance payment equal to the balance of the employment agreement contract is due. One officer who was a party to this employment agreement terminated employment in September 2001 and had an additional provision in his agreement that called for reimbursement for a housing/travel allowance up to \$24,000 per year, \$12,000 was paid in 2001. This former officer had vested in 110,000 options at the time of his departure from the Company. No options that have vested under these employment agreements have been exercised by the employees.

## CCC GLOBALCOM CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

*Continued*

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#### 13. Related Party Transactions *Continued*

##### ***Employment Agreements – Ciera Officers – Continued***

In August 2001, the Company entered into a Settlement and Release Agreement with the two officers of Ciera to settle and resolve differences related to the Ciera Purchase executed on May 3, 2000. The Company agreed to issue 400,000 shares of CCC GlobalCom stock to each officer. The Company recorded \$28,000 in expense during 2001 related to these shares. In addition, the Company reimbursed the officers for professional fees of approximately \$8,000 that they incurred to have a review of the documents performed.

##### ***Consulting Agreement with Shareholder***

In January 2001, the Company entered into a consulting agreement with a company that is a shareholder and an affiliate of a current shareholder and a former director. This agreement engaged the consultant to assist the Company with shareholder relations, financial public relations, review of the Company's business plan, introductions to lending institutions and securities brokers, and assisting the Company in evaluating and structuring potential mergers or acquisitions. The term of the agreement expired in 2002. The Company issued 400,000 shares of common stock valued at \$48,000 which was the fair market value of the common stock during the year ended December 31, 2002, for services performed under this agreement. The consulting firm was compensated with common stock valued at \$90,000 for services performed during the year ended December 31, 2001.

##### ***Consulting Services Provided by a Board Member***

During 2002, the Company paid consulting fees to a board member totaling \$64,000.

**CCC GLOBALCOM CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
*Continued*

**14. Supplemental Disclosure of Cash Flow Information**

During the year ended December 31, 2002, the Company:

- Refinanced \$14,000,000 of the line of credit to term notes.
- Sold a portion of a customer base totaling \$100,000 in exchange for satisfaction of a payable.
- Acquired equipment with common stock valued at \$162,500.
- Satisfied accrued expenses of \$394,497 by issuing the common stock.
- Reduce the line of credit by \$500,000 through the exercise of common stock warrants.
- Decreased long-term debt by \$777,000 as a result of the issuance of a warrant.
- Acquired property and equipment of \$442,440 through a capital lease.

During the year ended December 31, 2001, the Company:

- Increased accounts payable \$366,496 and accrued compensation and other by \$28,000 for compensation and services performed to be paid in stock aggregating to a total of \$394,496.
- Acquired selected assets during 2001 of Equalnet, Omniplex, and Incomnet. The transactions were recorded as follows (rounded in thousands):

	Equalnet	Omniplex	Incomnet	Total
Accounts receivable	\$ 1,784,000	\$ 1,681,000	\$ 1,524,000	\$ 4,989,000
Prepaid expense	-	-	191,000	191,000
Property and equipment	1,678,000	204,000	3,676,000	5,556,000
Other assets	-	-	287,000	287,000
Intangible assets	4,700,000	6,414,000	65,000	11,179,000
Accounts payable	-	-	(294,000)	(294,000)
Accrued liabilities	-	-	(1,246,000)	(1,246,000)
Note payable	(7,492,000)	(8,125,000)	(1,750,000)	(17,367,000)
Long-term debt	-	-	(1,918,000)	(1,918,000)
Deferred income	-	-	(321,000)	(321,000)
Common stock	-	-	(500,000)	(500,000)
<b>Net cash received (paid) on acquisition</b>	<b>\$ (670,000)</b>	<b>\$ (174,000)</b>	<b>\$ 287,000</b>	<b>\$ (558,000)</b>

## CCC GLOBALCOM CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

*Continued*

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**15. Fair Value of  
Financial  
Instruments**

The Company's financial instruments consist of cash, receivables, payables, and notes payable. The carrying amount of cash, receivables, and payables approximates fair value because of the short-term nature of these items. The carrying amount of notes payable approximates fair value as the individual borrowings bear interest at market interest rates.

**16. Recent  
Accounting  
Pronounce-  
ments**

The Financial Accounting Standards Board issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" in October 2001. SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets, and is effective for fiscal years beginning after December 15, 2001. The Statement also extends the reporting requirements to report separately as discontinued operations, components of an entity that have either been disposed of or classified as held for sale. During 2002, management implemented SFAS 144, which did not have a material effect on the consolidated financial statements of the Company.

In July 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". The statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity. (Including Certain Costs Incurred in a Restructuring)." The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not expect the adoption of SFAS 146 to have a material impact on the Company's future results of operations or financial position.

## CCC GLOBALCOM CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

*Continued*

**16. Recent  
Accounting  
Pronounce-  
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*Continued***

In December 2002, the FASB issued SFAS No. 148 (SFAS 148), "Accounting for Stock-Based Compensation—Transition and Disclosure", amending FASB Statement No. 123 (SFAS 123), "Accounting for Stock-Based Compensation. SFAS 148 provides two additional alternative transition methods for recognizing an entity's voluntary decision to change its method of accounting for stock-based employee compensation to the fair-value method. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 so that entities will have to (1) make more-prominent disclosures regarding the pro forma effects of using the fair-value method of accounting for stock-based compensation, (2) present those disclosures in a more accessible format in the footnotes to the annual financial statements, and (3) include those disclosures in interim financial statements. SFAS 148's transition guidance and provisions for annual disclosures are effective for fiscal years ending after December 15, 2002; earlier application is permitted. During 2002, management implemented SFAS 148. The only effect on the Company's consolidated financial statements was to change the proforma disclosure information for stock-based compensation. Disclosures required by SFAS 148 will appear in the Company's future interim financial statements.

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of ARB No. 51. This Interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. The Interpretation applies immediately to variable interests in variable interest entities created after January 31, 2003, and to variable interests in variable interest entities obtained after January 31, 2003. For public enterprises with a variable interest in a variable interest entity created before February 1, 2003, the Interpretation is applied to that enterprise no later than the beginning of the first interim or annual reporting period beginning after June 15, 2003. The Company does not expect the adoption of Interpretation No. 46 to have a material impact on the Company's future results of operations or financial position.

**CCC GLOBALCOM CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
*Continued*

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**16. Recent  
Accounting  
Pronounce-  
ments**  
*Continued*

The Emerging Issues Task Force issued EITF No. 00-21, Revenue Arrangements with Multiple Deliverables addressing the allocation of revenue among products and services in bundled sales arrangements. EITF 00-21 is effective for arrangements entered into in fiscal periods after June 15, 2003. The Company does not expect the adoption of EITF No. 00-21 to have a material impact on the Company's future results of operations or financial position.

**17. Subsequent  
Events**

Subsequent to year-end, the Company received the following significant notices:

- A shut-off notice dated March 10, 2003 was received from one of the Company's major providers of local phone service.
- A notice dated March 19, 2003 was received from the state of Missouri informing the Company that the Missouri retail sales license as well as all city and county occupancy licenses have been revoked as a result of non-payment of taxes owed.