



ENTERED

TAWANA C. MARSHALL, CLERK
THE DATE OF ENTRY IS
ON THE COURT'S DOCKET

RECEIVED

APR 04 2005

PUBLIC SERVICE
COMMISSION

The following constitutes the order of the Court.

Signed March 30, 2005.

Harlin DeWayne Hale
United States Bankruptcy Judge

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

IN RE:	§	
	§	
COMM SOUTH COMPANIES, INC.	§	03-39496-HDH
ALTAIR COMMUNICATIONS, INC.	§	
E-Z TEL, INC.	§	
COMM SOUTH COMPANIES OF VA.	§	
DEBTORS	§	Chapter 11

ORDER ESTABLISHING DEADLINES

This matter came before the court on the Motion of the U.S. Trustee to Dismiss or Convert case. Notice having been properly given and the court finding that cause exists for the following relief, it is therefore

ORDERED:

The Debtors, not later than March 21, 2005, shall file a plan and disclosure statement and obtain a setting on same. Debtors shall confirm a plan not later than May 31, 2005.

It is further ORDERED:

That the Debtors shall file the February Monthly Operating Report by March

21, 2005.

It is further ORDERED:

That the failure to meet any of the deadlines herein established for filing for the February Monthly Operating Report, Plan and Disclosure Statement or Confirmation of same shall result in the immediate conversion of the cases and the United States Trustee may submit an order of conversion without further hearing.

/s/ Stuart Craig Stuppi
Attorney for Debtors

/s/ Victoria B. Tutterrow
Office of United States Trustee

###end of order###



NORTHERN DISTRICT OF TEXAS

ENTERED

TAWANA C. MARSHALL, CLERK
THE DATE OF ENTRY IS
ON THE COURT'S DOCKET

The following constitutes the order of the Court.

Signed May 25, 2005

Hamilton DeWayne Hale
United States Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In re

COMM SOUTH COMPANIES, INC.,
ALTAIR COMMUNICATIONS, INC.,
E-Z TEL, INC. and
COMM SOUTH COMPANIES OF
VIRGINIA, INC.

Debtors.

§ CASE NO. 03-39496-HDH-11
§ CASE NO. 03-39839-HDH-11
§ CASE NO. 03-39834-HDH-11
§ CASE NO. 03-39832-HDH-11
§
§ Chapter 11
§
§ (Jointly Administered Under
§ Case No. 03-39496)
§
§
§

ORDER

**(1) APPROVING FIRST AMENDED
DISCLOSURE STATEMENT; (2) FIXING TIME FOR SUBMITTING
ACCEPTANCES OR REJECTIONS OF
SECOND AMENDED PLAN OF REORGANIZATION; (3) FIXING TIME FOR FILING
AND SERVING OBJECTIONS TO CONFIRMATION OF THE PLAN; AND (4) FIXING
TIME FOR HEARING CONFIRMATION OF THE PLAN**

A First Amended Disclosure Statement under chapter 11 of the Bankruptcy Code having been filed on May 20, 2005 by the Debtors and Debtors-in-Possession ("Debtors") referring to the Debtor's Second Amended Plan of Reorganization (the "Plan") under chapter 11 of the Code; and a Notice of Hearing on Approval of Adequacy of Disclosure Statement to Plan of Reorganization ("Notice of Hearing on Disclosure Statement"), having been filed by the Debtors on or about March 21, 2005; the Court finding that the Notice of Hearing on Disclosure Statement provided sufficient notice of the relief requested; and the Court having sustained the objections filed by the Office of the United States Trustee and directed the Debtors to amend the Disclosure Statement accordingly.

IT IS ORDERED, and notice is hereby given, that:

A. The Debtors' First Amended Disclosure Statement is hereby approved with the consent of the United States Trustee.

B. On or before May 27, 2005, the Plan, this Order, the First Amended Disclosure Statement, and the Ballot conforming to Official Form 14 shall be mailed to creditors and other parties in interest, and shall be transmitted to the United States Trustee as provided in Fed.R.Bankr.P. 3017(d).

C. June 21, 2005 at 5:00 p.m. PST, is fixed as the last day for submitting written acceptances or rejections of the Plan, so as to be received by Debtors' counsel on or before that date at the following address:

Sheppard, Mullin, Richter & Hampton LLP
Four Embarcadero Center, 17th Floor
San Francisco, CA 94111-4106
Attn: Judy Nakaso

D. June 21, 2005, is fixed as the last day for filing and serving written objections to confirmation of the Plan pursuant to Fed.R.Bankr.P. 3020(b)(1).

E. June 28, 2005, at 1:30 p.m. is fixed for the hearing on confirmation of the Plan.
The hearing shall be held at:

Courtroom of the Honorable Harlin D. Hale
Earl Cabell Building
1100 Commerce Street
Dallas, Texas

F. The Debtors are authorized to reproduce the Disclosure Statement and Plan in a legible manner and to print the Disclosure Statement and the Plan single-spaced on both sides of the pages.

G. The Court previously entered an order setting May 31, 2005 as the last day for plan confirmation. That date is hereby extended to June 28, 2005.

End of Order

SUBMITTED BY:

Michael H. Ahrens
California Bar No. 44766
Craig Stuppi
California Bar No. 51663
Sarah M. Stuppi
Cal. Bar No. 103041
SHEPPARD, MULLIN, RICHTER & HAMPTON LLP
Four Embarcadero Center, 17th Floor
San Francisco, California 94111-4106
Telephone: 415-434-9100
Facsimile: 415-434-3947

ATTORNEYS FOR THE DEBTORS AND
DEBTORS-IN-POSSESSION

Joe E. Marshall
Texas State Bar No. 13031100
MUNSCH HARDT KOPF & HARR, P.C.
1445 Ross Avenue, Suite 4000
Dallas, TX 75202
Telephone: 214-855-7500
Facsimile: 214-978-4365

LOCAL COUNSEL FOR THE DEBTORS AND
DEBTORS-IN-POSSESSION

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF TEXAS

DALLAS DIVISION

<p>In re</p> <p>COMM SOUTH COMPANIES, INC., ALTAIR COMMUNICATIONS, INC., E-Z TEL, INC. and COMM SOUTH COMPANIES OF VIRGINIA, INC.</p> <p>Debtors.</p>	<p>CASE NO. 03-39496-HDH-11 CASE NO. 03-39839-HDH-11 CASE NO. 03-39834-HDH-11 CASE NO. 03-39832-HDH-11</p> <p>Chapter 11</p> <p>(Jointly Administered Under Case No. 03-39496)</p> <p>BALLOT FOR ACCEPTING OR REJECTING DEBTORS' SECOND AMENDED PLAN OF REORGANIZATION</p>
---	---

On May 20, 2005, Comm South Companies, Inc., Altair Communications, Inc., E-Z Tel, Inc. and Comm South Companies of Virginia, Inc. (collectively, "Debtors") filed their Second Amended Plan of Reorganization (the "Plan") in their chapter 11 bankruptcy cases. On May 25, 2005, the Bankruptcy Court entered an order approving the Disclosure Statement with respect to the Plan (the "Disclosure Statement"). The Disclosure Statement provides information to assist you in deciding how to vote your Ballot. The Bankruptcy Court's approval of the Disclosure Statement does not indicate the Bankruptcy Court's approval of the Plan.

If you do not have a copy of the Disclosure Statement or the Plan, you may obtain a copy from:

Sheppard, Mullin, Richter & Hampton LLP
Attn: Judy Nakaso
Four Embarcadero Center, 17th Floor
San Francisco, CA 94111
Telephone: (415) 434-9100; Facsimile (415) 434-3947; e-mail: jnakaso@sheppardmullin.com

You should review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and your classification and treatment under the Plan.

If your Ballot is not signed and **received** by Sheppard, Mullin, Richter & Hampton LLP at the above address, on or before June 21, 2005 at 5:00 p.m. (Pacific Time), your vote will not count as either an acceptance or rejection of the Plan. Unsigned Ballots will not be counted. Ballots that are signed but do not designate acceptance or rejection of the Plan will be deemed acceptances of the Plan. **If the Plan is confirmed by the Bankruptcy Court, it will be binding on you whether or not you vote.**

Parties with Allowed Administrative Expenses and Allowed Priority Tax Claims are unclassified and shall be paid pursuant to the Plan. Allowed Priority Claims (Class 1) and Allowed Other Secured Claims (Class 3) are unimpaired and are deemed to have accepted the Plan. All Interest Holders (Class 6) are impaired and are deemed to have rejected the Plan. Accordingly, no vote is required by any of the preceding parties.

ACTUAL BALLOT ON REVERSE SIDE

ACCEPTANCE OR REJECTION OF THE DEBTORS' PLAN

Please place a check (✓) in the box to elect the appropriate Classification of your claim, and if a vote is required of you, state the amount of your Claim as you filed it with the Court or as Scheduled by the Debtors:

 CLASS 2 – SECURED TAX CLAIM OF THE TEXAS COMPTROLLER

ACCEPTS PLAN REJECTS PLAN YOUR CLAIM AMOUNT
\$ _____

 CLASS 4 – LEC CURE CLAIMS

ACCEPTS PLAN REJECTS PLAN YOUR CLAIM AMOUNT
\$ _____

 CLASS 5 – UNSECURED CLAIMS

ACCEPTS PLAN REJECTS PLAN YOUR CLAIM AMOUNT
\$ _____

Dated: _____, 2005

(Print name of Claimant company or individual)

(Signature of individual signing on behalf of Claimant & Title)

Address: _____

RETURN THIS BALLOT, ON OR BEFORE 5:00 P.M. (PACIFIC TIME) ON JUNE 21, 2005, TO:

Sheppard, Mullin, Richter & Hampton LLP
Attn: Judy Nakaso
Four Embarcadero Center, 17th Floor
San Francisco, CA 94111
Telephone: (415) 434-9100; Facsimile (415) 434-3947

Michael H. Ahrens, California Bar No. 44766
Craig Stuppi, California Bar No. 51663
Sarah M. Stuppi, California Bar No. 103041
SHEPPARD, MULLIN, RICHTER & HAMPTON LLP
Four Embarcadero Center, 17th Floor
San Francisco, California 94111-4106
Telephone: 415-434-9100
Facsimile: 415-434-3947

Document No. 548
Electronically Filed on 5-20-05

Attorneys for the Debtors and Debtors-in-Possession

Joe E. Marshall
Texas State Bar No. 13031100
MUNSCH HARDT KOPF & HARR, P.C.
1445 Ross Avenue, Suite 4000
Dallas, TX 75202
Telephone: 214-855-7500
Facsimile: 214-978-4365

Local Counsel for the Debtors and Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In re	§	CASE NO. 03-39496-HDH-11
	§	CASE NO. 03-39839-HDH-11
COMM SOUTH COMPANIES, INC.,	§	CASE NO. 03-39834-HDH-11
ALTAIR COMMUNICATIONS, INC.,	§	CASE NO. 03-39832-HDH-11
E-Z TEL, INC. and	§	
COMM SOUTH COMPANIES OF	§	Chapter 11
VIRGINIA, INC.,	§	
	§	(Jointly Administered Under
Debtors.	§	Case No. 03-39496)
	§	
	§	

FIRST AMENDED DISCLOSURE STATEMENT
TO SECOND AMENDED PLAN OF REORGANIZATION

TABLE OF CONTENTS

	Page(s)
I. INTRODUCTION.....	1
II. DEFINITIONS AND RULES OF CONSTRUCTION.....	2
A. Definitions.....	2
B. Generally.....	2
C. Exhibits.....	2
D. Time Periods.....	2
E. Miscellaneous.....	2
III. DEBTORS' BUSINESS AND OPERATIONS PRIOR TO SEPTEMBER 19, 2003.....	2
A. History of Debtors.....	2
B. Events Leading to the Filing of the Chapter 11 Cases.....	3
IV. CHAPTER 11 EVENTS.....	3
A. Events Since the Chapter 11.....	3
B. Administrative Orders.....	4
C. Claims Bar Dates.....	4
D. Professional Fees and Costs.....	4
a. Sheppard, Sheppard, Mullin, Richter & Hampton LLP.....	4
b. Munsch Hardt Kopf & Harr, P.C.....	4
c. Vinson & Elkins LLP.....	4
d. Pillsbury, Winthrop, Shaw, Pittman LLP.....	4
e. Miller Enterprises, Inc.....	4
f. Goodwin & Goodwin LLP.....	4
g. Stewart & Irwin.....	4
E. Statements of Financial Affairs and Schedules of Assets and Liabilities.....	4
F. Orders Deeming Utilities to be Adequately Assured of Payment.....	5
G. Extensions of Time to Have Exclusive Right to File Plan and Obtain Ballots From Parties in Interest.....	5
H. BellSouth Settlement.....	5
I. Settlement of the Claim Asserted by Texas Comptroller.....	5
J. Davel Contract.....	6
K. Sale of Pre-Paid Customers to DialAfford.....	6
L. United States Trustee's Motion to Dismiss or Convert Case to Chapter 7.....	7
V. PLAN OF REORGANIZATION.....	7
A. Classification, Impairment And Treatment Of Claims And Equity Interests.....	7
1. Class 1 Claims (Priority Claims).....	7
a. Classification.....	7
b. Impairment and Voting.....	7
c. Treatment.....	7
d. Total Estimated Priority Claims.....	7
2. Class 2 Claim (Secured Tax Claims of the Texas Comptroller of Public Accounts):.....	7
a. Classification.....	7
b. Impairment and Voting.....	7
c. Treatment.....	8

3.	Class 3 Claims (Other Secured Claims):	8
a.	Classification	8
b.	Impairment and Voting	8
c.	Treatment	8
d.	Estimated Total Other Secured Claims	8
4.	Class 4 (LEC Cure Claims):	8
a.	Classification	8
b.	Impairment and Voting	9
c.	Treatment	9
d.	Total Estimated Class 4 Claims	9
5.	Class 5 Claims (Unsecured Claims):	9
a.	Classification	9
b.	Impairment and Voting	9
c.	Treatment	9
d.	The Comm South Trust	10
e.	Total Estimated Unsecured Claims and Recoveries	10
6.	Class 6 Equity Interests (Equity Interests):	10
a.	Classification	10
b.	Impairment and Voting	10
c.	Treatment	10
7.	Acceptance by an Individual Creditor	10
8.	Cramdown	10
B.	Administrative Claims, Fee Claims And Priority Tax Claims	11
1.	Administrative Claims	11
2.	Fee Claims	11
3.	Priority Tax Claims	11
4.	Subordination Rights	11
VI.	IMPLEMENTATION OF THE PLAN	12
A.	Post-Confirmation Operations	12
B.	Distributions to Creditors	12
C.	Risks of the Plan	12
VII.	PROCEDURES FOR RESOLVING AND TREATING DISPUTED CLAIMS	13
A.	Prosecution of Disputed Claims	13
B.	Claims Settlement Procedures	13
VIII.	DISTRIBUTIONS	13
A.	Distributions after Allowance	13
B.	Transmittal of Distributions and Notices	13
C.	Disputed Payment	13
D.	Unclaimed Property	14
IX.	EXECUTORY CONTRACTS AND UNEXPIRED LEASES	14
A.	Bar Date for Rejection Damages	14
X.	LIQUIDATION ANALYSIS	14
XI.	CONFIRMATION	15
A.	Voting	15
B.	Confirmation Standards	15
C.	Classification of Claims and Interests	15

D. Modification of the Plan16
E. Confirmation Without Acceptance by All Impaired Classes.....16
F. Effect of Confirmation.....16
G. Post Confirmation Financial Reports.....16
H. Post Confirmation Management.....16
XII. CONCLUSION17

THIS FIRST AMENDED DISCLOSURE STATEMENT FOR DEBTORS' SECOND AMENDED PLAN OF REORGANIZATION ("DISCLOSURE STATEMENT") HAS BEEN APPROVED BY THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF TEXAS AS CONTAINING ADEQUATE INFORMATION AS REQUIRED BY THE BANKRUPTCY CODE FOR SOLICITATION OF ACCEPTANCES OF THE SECOND AMENDED PLAN OF REORGANIZATION DATED MAY 10, 2005. DISTRIBUTION OF THIS DISCLOSURE STATEMENT TO CREDITORS, SHAREHOLDERS AND OTHER PARTIES IN INTEREST WAS AUTHORIZED BY UNITED STATES BANKRUPTCY COURT ON MAY 25, 2005. THE COURT HAS MADE NO INDEPENDENT INVESTIGATION OR DETERMINATION OF ANY FACTUAL STATEMENT OR DOLLAR VALUE SET FORTH IN THE PLAN OR THE DISCLOSURE STATEMENT.

I. INTRODUCTION

This Disclosure Statement has been prepared by Comm South Companies, Inc.; Altair Communications, Inc.; E-Z Tel, Inc.; and Comm South Companies of Virginia, Inc., and is being distributed to creditors, shareholders and other parties in interest for the purpose of soliciting acceptances of the Plan. The purpose of the Disclosure Statement is to provide holders of claims against and interests in Debtors with adequate information to enable them to make informed judgments about the Plan before exercising their right to vote to accept or reject it. Acceptance or rejection of the Plan must be in writing, and may only be made by completing the Ballot that accompanies the Plan and mailing it to Sheppard, Mullin, Richter & Hampton LLP, 4 Embarcadero Center, 17th Floor, San Francisco, California 94111 Attention: Judy Nakaso. For your vote to be counted, your completed Ballot must be received no later than June 21, 2005, at 5:00 p.m. Pacific Time.

The Disclosure Statement describes the business background and operating history of Debtors before the filing of these Chapter 11 Cases. It also summarizes certain significant events that have taken place during the Chapter 11 Cases and describes the terms of the Plan, which divides creditor claims and the interests of shareholders into classes and provides for the satisfaction of allowed claims and interests.

The Plan calls for the wind down of the Debtors' business over time, the eventual liquidation of all Debtors' assets, and the orderly distribution of the proceeds to creditors as provided in the Plan. A detailed description of the Plan is set forth in Article V of the Disclosure Statement.

On approval of the Plan by the Bankruptcy Court, it will be binding on all creditors and shareholders, regardless of whether an individual creditor or shareholder has voted in favor of it. **DEBTORS THEREFORE URGE YOU TO READ THE DISCLOSURE STATEMENT AND THE PLAN CAREFULLY.**

II.
DEFINITIONS AND RULES OF CONSTRUCTION

A. Definitions.

Attached as Exhibit 1 are the definitions for certain terms that are capitalized in the Plan and the Disclosure Statement. If a capitalized term is used, but has not been defined in Exhibit 1, it will have the meaning attributed to it in the Code and the Rules.

B. Generally.

The rules of construction in the Code and in the Rules will apply unless superseded by the Plan or the Confirmation Order.

C. Exhibits.

All Exhibits are incorporated into and are a part of the Disclosure Statement as if set forth in full.

D. Time Periods.

In computing any period of time described in the Disclosure Statement, Rule 9006(a) will apply.

E. Miscellaneous.

Unless the context requires otherwise, (a) the words "herein," "hereof," "hereunder," and other words of similar import refer to the Disclosure Statement as a whole, (b) whenever it appears appropriate from the context, terms stated in the singular or the plural include the singular and the plural, and pronouns include the masculine, feminine and the neuter, (c) the words "include" or "including" will not be words of limitation, but will be deemed to be followed by the phrase "without limitation," and (d) captions and headings to Articles and Sections of the Disclosure Statement are inserted for reference only and are not intended to be a part of or to affect its interpretation.

III.
DEBTORS' BUSINESS AND OPERATIONS PRIOR TO SEPTEMBER 19, 2003

A. History of Debtors.

Debtors are public utilities regulated by the Federal Communications Commission ("FCC") and the respective state public utility commissions of the states in which they do business. Comm South Companies, Inc. ("CSC") is a Texas corporation that was founded in 1996 as a Competitive Local Exchange Carrier ("CLEC"), as provided for in the Telecommunications Action of 1996, and is headquartered in Dallas, Texas. CSC operates three (3) subsidiaries, Altair Communications, Inc., E-Z Tel, Inc. and Comm South Companies of Virginia, Inc. CSC provides non-facilities based local, long distance and related telephone services. CSC's business plan was to provide prepaid services through a variety of different distribution channels. By 2001, CSC had approximately 200,000 customers.

In 2000, CSC was sold to a subsidiary of America Movil, S.A. de C.V., TracFone Wireless, Inc. TracFone Wireless, Inc. operated the company until 2001. During this time, CSC expanded its business aggressively through extensive television advertising. This placed a significant drain on capital. In 2001, TracFone Wireless, Inc. sold the company to Arbros

Communications, Inc. ("Arbros"), a facilities based CLEC. Arbros provided CSC a working capital infusion in excess of \$39 million. These funds were used for trade payables, equipment and a new office support system.

During 2000-2001, CSC failed to meet its provisions requirements and as a result it lost significant market share to competitors and also lost a significant number of sales agents. These events dramatically reduced cash flow. Additionally, its costs increased due to its failure to process disconnection and change orders in a timely manner. In late 2001 its parent company, Arbros, ceased operations, which created a substantial burden on CSC, as it no longer had the resources to provide equitable settlements for its creditors. CSC was reorganized by its shareholders, under a parent holding company, Arcomm Holding Company, in June 2002.

B. Events Leading to the Filing of the Chapter 11 Cases.

In 2002-2003, a turnaround plan was adopted to bring expenses in line with revenue. While costs were brought in line, cash flow could not be sustained to offset the expenses that had been compiled over the past fiscal years and to continue to serve its customer base. While CSC had reached settlement agreements with advertisers that represented approximately \$4.1 million in past due invoices, it still lacked the ability to increase its cash flow through advertising as it no longer had a credit facility. In July 2003, CSC lost a \$1.2 million arbitration that it could not satisfy. In September 2003 CSC was unable to meet its settlement obligations and run its day-to-day operations. Its customer base had dropped to approximately 20,000 customers. As a result, CSC filed for Chapter 11 protection on September 19, 2003.

**IV.
CHAPTER 11 EVENTS**

A. Events Since the Chapter 11.

At the outset of this case, CSC worked to contain its costs, improve operations and grow its revenue base via commercial accounts. In December 2003, CSC signed an agreement with Davel Communications that provided for a 100+ percent increase in the number of phone lines it serviced.

In December 2003 CSC management sought new financing in order to provide a plan that would bring the creditors more value than a liquidation of assets. After months of negotiations with several groups, Debtors entered into a Strategic Investment Agreement with Mobilepro Corporation in May 2004. That agreement provided equity contributions and assumption of certain debt, and provided for significantly more value for creditors than liquidation of CSC assets. Additionally, it provided CSC with working capital for marketing and advertising.

Based on this agreement, Debtors on August 9, 2004 filed their initial plan of reorganization and disclosure statement relating to the plan. However, Debtors subsequently discovered that they had incurred significant unpaid post-petition obligations to Bell South. Although Debtors subsequently reached an agreement with Bell South regarding payment of this obligation, Mobilepro invoked the material adverse change clause of the agreement. As a result, Debtors were unable to proceed to confirmation of their initial plan.

B. Administrative Orders.

On October 1, 2003, the Court entered its orders authorizing Debtors to maintain their existing bank accounts and cash management system, and to honor certain pre-petition priority obligations to employees; and on this same date, the Court entered an order designating these cases to be treated as complex Chapter 11 bankruptcy cases pursuant to the local rules of the bankruptcy court.

On October 10, 2003, the Court entered its orders jointly administering Debtors' bankruptcy cases and limiting notice in those cases.

C. Claims Bar Dates.

The deadline for filing claims arising before the Petition Date was (a) January 26, 2004, for all claims other than the claims of governmental units or claims arising from the rejection of an executory contract, and (b) March 18, 2004, for claims of governmental units. The bar dates for claims arising from the rejection of executory contracts or unexpired leases shall be thirty (30) days after the executory contract or unexpired lease is rejected pursuant to the Plan. The Debtors intend to reject a number of executory contracts or unexpired leases upon the Effective Date of the Plan, and the bar dates for damages arising from those rejections will be thirty (30) days after the Effective Date. The Debtors estimate that the total rejection damages will approximate \$2.5 million.

D. Professional Fees and Costs.

Claims of attorneys, accountants and other professionals for fees and costs incurred after the Petition Date but before the Effective Date will be determined by order of the Court. Below are the estimated outstanding fees and expenses of the court-approved professionals as of March 31, 2005:

- a. Sheppard, Sheppard, Mullin, Richter & Hampton LLP, Debtors' lead bankruptcy counsel - \$340,000.
- b. Munsch Hardt Kopf & Harr, P.C., Debtors' local bankruptcy counsel - \$13,000.
- c. Vinson & Elkins LLP, Debtors' Special Counsel for tax matters - \$4,000.
- d. Pillsbury, Winthrop, Shaw, Pittman LLP, Debtors' Special Counsel for regulatory matters - \$1,500.
- e. Miller Enterprises, Inc., consultant to the Debtors - \$0.
- f. Goodwin & Goodwin LLP, Debtors' Special Counsel - \$0.
- g. Stewart & Irwin, Debtors' Special Regulatory Counsel in Indiana - \$0.

E. Statements of Financial Affairs and Schedules of Assets and Liabilities.

On October 21, 2003, Debtors filed their respective Statements of Financial Affairs and Schedules of Assets and Liabilities. Those documents are on file with the clerk of the Court and are available for review during normal business hours. Those documents set forth the assets and liabilities, to the best of Debtors' information and belief, that existed as of the date of the filing of these Chapter 11 Cases.

F. Orders Deeming Utilities to be Adequately Assured of Payment.

Shortly after these cases were filed, Debtors filed a motion requesting that the Court find that certain utilities were provided adequate assurance of future performance under Debtors' contracts with in excess of 14 different providers of local exchange services to Debtors. In that regard, Debtors were able to negotiate settlements with many of these providers, all of which were approved by the Court. Other telecom providers failed to respond and orders were entered that provided for the orderly payment of the existing charges that were owing the providers after these cases were filed, and provided assurance that future charges would be timely made.

G. Extensions of Time to Have Exclusive Right to File Plan and Obtain Ballots From Parties in Interest.

The Code provides that Debtors have the exclusive rights for 120 days after filing a bankruptcy case to file a plan, and an additional 60 days thereafter to obtain acceptance of the plan. These time limits may be extended (or reduced) by the Court on motion by a party in interest.

Debtors filed three motions requesting that these time limits be extended. Most recently, on July 16, 2004, the Bankruptcy Court signed an order extending the exclusive time within which Debtors could file a plan to August 17, 2004, and the time period during which the Debtors may solicit acceptances to October 15, 2004. As those time limits have expired, Debtors no longer have the exclusive right to file a plan. However, Debtors are not aware of any other plans filed by interested parties.

H. BellSouth Settlement.

As noted above, BellSouth was owed approximately \$1.2 million for post-petition services provided to the Debtors. To provide for the payment for these services and resolve other differences between the parties, in December 2004, Debtors and BellSouth entered into a stipulation, subsequently approved by the Bankruptcy Court, which provides, among other things, that Debtors will continue to make weekly payments of \$10,000 to be applied against the post-petition deficiency. As of March 31, 2005, the current amount owed to BellSouth on the post-petition deficiency is \$930,019.33. These payments will be made by the Debtor while it continues its business operations during the Plan. As part of the stipulation, the Debtors released BellSouth from any Avoidance Actions arising under Chapter 5 of the Bankruptcy Code.

I. Settlement of the Claim Asserted by Texas Comptroller.

At the time of the filing of these Chapter 11 Cases, Debtors believed that a relatively small pre-petition tax obligation was owed to the State of Texas. Although Debtors were aware that Texas was conducting an audit of sales taxes owing going back to 1998 (a period prior to the time present management took over control of the Debtors), no significant amounts were believed owed.

However, in early 2004, Debtors were informed that Texas alleged that in excess of \$1 million dollars of pre-petition sales taxes remained owing. Further, in December of 2001, Texas had filed a lien related to sales taxes then owed. These taxes were promptly paid. However, the tax lien was never released and the State of Texas took the position that the lien attached to the sales taxes allegedly not paid for prior years that were discovered through the audit process.

This set of circumstances created a potentially disastrous situation for the Debtors and other creditors of these estates. As a result, Debtors immediately engaged the law firm of Vinson & Elkins LLC ("Vinson"), certain of whose attorneys were skilled in negotiating resolutions of tax disputes with the Texas state authorities. As a result of Vinson's efforts, a compromise was reached with the State of Texas that provides for a substantial reduction in the amount of the \$1,057,113.27 proof of claim, and will allow Debtors to fund payments to other creditors as provided in their plan. The details of the Texas settlement are set forth in Article V.2.c, of this Disclosure Statement.

J. Davel Contract.

In December 2003, Comm South entered into a one-year agreement with Davel Communications, Inc. ("Davel") whereby Comm South agreed to provide local telephone services for a minimum of 10,500 payphones owned and operated by Davel. In December 2004, the number of Davel payphones had increased to in excess of 24,000 lines and the agreement was extended for an additional 60 days. At that time it was further agreed that Davel would pay all non-recurring costs, charges and taxes of Comm South relating to these pay phone lines, and further provided for the payment of all of Comm South's carrier costs relating to these pay phones. The rates fixed in the extended contract also provide for payments to Comm South to cover its other costs and charges attributable to this business. On February 21, 2005, the Davel contract was extended until February 27, 2006. The Debtors estimate that approximately \$6,358,127 in revenues will result from the extension of the Davel contract through February 2006.

The Davel contract, and Debtors' ability to continue its operations and orderly liquidation, is contingent upon Debtors' ability to access its ILEC's bundled network element platforms (UNE-P) at current rates. Recently, the FCC has held that CLEC's, such as these Debtors, shall continue to have access to these UNE-Ps until March 2006; and unless that date is extended by legislative, judicial or regulatory action, Debtors will cease business operations in March 2006.

K. Sale of Pre-Paid Customers to DialAfford.

In December 2004, Debtors entered into an Account Sale and Purchase Agreement whereby Debtors sold approximately 10,700 pre-paid local dial tone accounts to DialAfford, LLC ("Dial Afford") for, among other things, cash in the amount of \$355,410. During the transition of these customers from Debtors' telecommunications platform to those of the buyer, DialAfford entered into an operating agreement whereby it agreed to pay weekly amounts to Debtors sufficient in amount to cover Debtors' costs of servicing those customers for up to 90 days from closing. In March 2005, Dial Afford sold to SSI-Telecom, Inc., a Nevada corporation ("SSI"), all of Dial Afford's accounts as set forth above. Subsequently, Debtors entered into an amendment to the operations agreement with SSI that provides that the Debtors' costs will be fully paid by SSI while the Debtors' platform continues to service the accounts through February 28, 2006. The Debtors estimate that approximately \$6,313,451 in gross income will be realized by the Debtors as a result of the amendment to the operating agreement with SSI.

The Debtors further estimate that total NET EBITDA available to creditors from all business operations from March 1, 2005 through February 28, 2006 will approximate \$907,000.

L. United States Trustee's Motion to Dismiss or Convert Case to Chapter 7.

In February 2005, the Court heard a motion filed by the Office of the United States Trustee ("OUST") that sought conversion of this case from Chapter 11 to Chapter 7 liquidation or dismissal. Debtors vigorously opposed that motion on the grounds that conversion to Chapter 7 would result in no distribution to creditors other than a partial payment to the State of Texas which held a Secured Claim of in excess of \$1,000,000.

Debtors further argued that they could file a plan (as set forth herein) that would provide for payment in full of not only the Texas Secured Claim, but also all Administrative Claims and Priority Claims. Further, such a plan held out the possibility of paying a dividend to unsecured creditors. At the hearing on the OUST motion, the Bankruptcy Judge denied the motion to convert, but set strict time limits for the filing and confirmation of a plan of reorganization, and further ordered Debtors timely to file their monthly operating reports which in recent months had not been filed on time.

**V.
PLAN OF REORGANIZATION**

The Plan contemplates that Debtors will continue in business through February 2006, or longer should regulations allow them to continue UNE-P operations after that date. Debtors believe that during this period they will accrue NET EBITDA each month to be used to fund payments to creditors as provided in the Plan, as set forth in the attached Exhibit 2. Following termination of business activities, or prior to that date if feasible, Debtors will liquidate their remaining assets for the benefit of creditors.

A. Classification, Impairment And Treatment Of Claims And Equity Interests.

All Claims and Equity Interests, except Administrative Claims, Fee Claims and Priority Tax Claims are placed in Classes as described herein.

1. Class 1 Claims (Priority Claims).
 - a. Classification. All Priority Claims against Debtors.
 - b. Impairment and Voting. Class 1 Claims are unimpaired. Holders of Class 1 Claims are not entitled to vote on the Plan.
 - c. Treatment. Unless it agrees to receive other, less favorable treatment, each holder of an Allowed Priority Claim will be paid 100% of the unpaid amount of the Allowed Priority Claim by Debtors, in Cash. Payment will be made on or as soon as reasonably practicable after the later of (a) the Effective Date, and (b) the date the Priority Claim becomes an Allowed Priority Claim.
 - d. Total Estimated Priority Claims. \$0.00.

2. Class 2 Claim (Secured Tax Claims of the Texas Comptroller of Public Accounts):
 - a. Classification. The Secured Tax Claims of the Texas Comptroller of Public Accounts.
 - b. Impairment and Voting. The Class 2 Claim is impaired. The holder of the Class 2 Claim is entitled to vote on the Plan.

c. Treatment. The holder of the Class 2 Claim will receive from Debtors an Allowed Secured Claim in the principal amount of \$544,219 (the "Texas Comptroller's Allowed Secured Claim"), in accordance with the following payment schedule:

(1) A 24-month payout (beginning on the 15th day of the month following the Confirmation) with a balloon payment in the 25th month as follows:

- a) First 12 months, monthly payments of \$7,558;
- b) Next 12 months, monthly payments of \$11,338;
- c) Balloon payment in 25th month totaling \$317,467 (the "Balloon").

(2) Payment terms of the Balloon shall be negotiated by the parties during the 25th month, or earlier, based on Debtors' financial condition at that time. The Debtors reserve the right to pay the entire balance of the Texas Comptroller's Allowed Secured Claim in full on or before the Effective Date. The Debtors anticipate that Allowed Class 2 Claims will be paid in full no later than on Effective Date.

3. Class 3 Claims (Other Secured Claims):

a. Classification. All Other Secured Claims.

b. Impairment and Voting. Class 3 Claims are unimpaired. Holders of Class 3 Claims are not entitled to vote on the Plan.

c. Treatment. Unless it agrees to receive other, less favorable treatment, each holder of an Allowed Other Secured Claim will receive one of the following treatments as soon as reasonably practical on or before the Effective Date:

(1) Debtors will leave unaltered all of that holder's other legal, equitable, or contractual rights with respect to its Class 3 Claim, including the retention of the Liens securing the Claim;

(2) Debtors will convey the Collateral that is subject to the holder's Class 3 Claim; or

(3) Debtors will pay to the holder of a Class 3 Claim Cash in the amount of its Allowed Class 3 Claim.

Debtors, in their sole discretion, will select which of these treatments each holder of an Allowed Class 3 Claim will receive. However, Debtors believe there are no Class 3 Creditors in this case.

d. Estimated Total Other Secured Claims. \$0.00.

4. Class 4 (LEC Cure Claims):

a. Classification.

(1) Class 4A are the Cure Claims of Bell South Communications in the approximate amount of \$692,894.89.

(2) Class 4B are the Cure Claims of Qwest Communications in the approximate amount of \$28,974.04.

(3) Class 4C are the Cure Claims of SBC Communications in the approximate amount of \$646,000.00.

(4) Class 4D are the Cure Claims of Verizon-GTE in the approximate amount of \$183,750.00.

(5) Class 4E are the Cure Claims of Valor Communications in the approximate amount of \$2,067.57.

(6) Class 4F are the Cure Claims of TXU Communications in the approximate amount of \$210.60.

(7) Class 4G are the Cure Claims of USA Digital in the approximate amount of \$15,570.49.

(8) Class 4H are the Cure Claims of Frontier Communications in the approximate amount of \$1,511.22.

(9) Class 4I are the Cure Claims of Century Telecom in the approximate amount of \$2,752.26.

(10) Class 4J are the Cure Claims of Alltel in the approximate amount of \$164,735.70.

(11) Class 4K are the Cure Claims of Sprint Communications in the approximate amount of \$643,530.70 (\$366,741.87 of which is disputed).

b. Impairment and Voting. All Class 4 Claims are impaired and entitled to vote on the Plan, and each creditor in Class 4 shall be treated as a separate class for all purposes, including voting on the Plan.

c. Treatment. If the executory contracts of the claims in Classes 4A through 4K (or any of them) are assumed by the Debtors on or before the Effective Date, those Claims shall be fully satisfied, discharged and released as of the Effective Date by the consensual modification and restatement of each such classes' respective interconnection and/or other executory contracts and agreements, as shall be evidenced by the execution and delivery of such modified agreements as to which the respective parties may agree which shall include terms for repayment of all pre-petition amounts owed to each such creditor. No other distribution shall be made on account of any Allowed Class 4 Claim. If the executory contracts of one or more of these claims is not assumed, the contract will be deemed rejected pursuant to Sections 11.1 and 11.2 of the Plan and treated as provided therein.

d. Total Estimated Class 4 Claims. \$2.5 million.

5. Class 5 Claims (Unsecured Claims):

a. Classification. All Unsecured Claims.

b. Impairment and Voting. Class 5 Claims are impaired. Holders of Class 5 Claims are entitled to vote on the Plan.

c. Treatment. Each holder of an Allowed Unsecured Claim will receive its Pro Rata share of the proceeds of the Debtors' operations and liquidation of its assets, including the proceeds of any Avoidance Actions, after payment of Allowed Administrative Claims, Allowed Class 1 Claims, Allowed Class 2 Claims, Allowed Class 3 Claims, and Allowed Class 4 Claims. The Comm South Trust will administer the payment of Class 5 Claims. The Comm South Trust will distribute any funds to Allowed Class 5 Claims as soon as is reasonably practical after the Effective Date, based on its review and determination of the Unsecured Claims and any necessary reserve for Disputed Claims.

Debtors' former shareholder, Arbros, purports to hold an Unsecured Claim, including interest, in an amount in excess of \$39 million. Debtors believe that this purported "debt" should be treated as an equity infusion and should not be entitled to any Distribution under the Plan. Alternatively, Debtors believe that valid grounds exist to have this claim treated as a

subordinated claim, that is, it would not be paid unless and until other Unsecured Claims were paid in full. When it becomes evident that the Estates will have sufficient funds to pay a dividend on Unsecured Claims, Debtors will provide information to the Comm South Trust to institute litigation against Arbros to subordinate or disallow its claim.

Payments to general unsecured creditors under the Plan will depend, in part, also upon the success of the Debtor in recovering any preference payments made within 90 days to general creditors and within one year to insiders. The Debtors have not conducted a formal analysis of the potential recoveries under the Avoidance Actions of the Code, however, there were an estimated \$965,190 in late payments made to creditors within 90 days of the Petition Date. The Debtors will commence prosecution of any appropriate Avoidance Actions prior to the second anniversary of the Petition Date.

d. The Comm South Trust. In the event that funds are available to Class 5 Claims under the Plan, the Debtors will establish the Comm South Trust, a separate legal entity. For federal income tax purposes, the holders of Class 5 Claims shall be treated as grantors of the Comm South Trust and deemed to be owners of Comm South Trust's assets.

The holders of all Allowed Class 5 Claims are the only beneficiaries of the Comm South Trust. The Comm South Trust will receive all Cash of the Debtors after all Allowed Administrative Claims, Allowed Fee Claims, Allowed Priority Claims and Allowed Class 1, 2, 3 and 4 Claims have been paid or otherwise provided for.

(1) Appointment of Trustee. From and after the Effective Date, Dan Lain will act as Trustee of the Trust. Any vacancy occurring in the office of Trustee under the Plan shall be filled as provided in the Trust.

e. Total Estimated Unsecured Claims and Recoveries. Estimated Unsecured Claims aggregate \$7.3 million, excluding the Arbros Claim discussed above. Before distributions can be made to Allowed Unsecured Creditors, all Allowed Secured, Administrative, Priority, Priority Tax and Fee Claims must be paid or provided for in full.

6. Class 6 Equity Interests (Equity Interests):

- a. Classification. All equity interests in the Debtors.
- b. Impairment and Voting. Class 6 Equity Interests are impaired and are deemed to have rejected the Plan. As a result, they will not vote on the Plan.
- c. Treatment. Holders of Class 6 Equity Interests will receive no distribution of any kind under the Plan on account of their Equity Interests. On the Effective Date, all Equity Interests in Comm South will be deemed cancelled.

7. Acceptance by an Individual Creditor.

A Creditor will have accepted the Plan if it votes to accept by (a) so marking the ballot for the Class in which its Claim is placed, and (b) timely returning the ballot as instructed on its face.

8. Cramdown.

If a Class does not accept, or is deemed to reject, the Plan in accordance with Sections 1126 and 1129(a) of the Code, Debtors request that the Court confirm the Plan in

accordance with Section 1129(b) of the Code as to any rejecting Class. Debtors reserve the right to modify the Plan to the extent, if any, that confirmation under Section 1129(b) of the Code requires modification.

B. Administrative Claims, Fee Claims And Priority Tax Claims.

1. Administrative Claims.

Unless it agrees to receive other, less favorable treatment, each holder of an Allowed Administrative Claim will be paid 100% of the unpaid amount of its Allowed Administrative Claim in Cash. Payment will be made either (a) in the ordinary course of Debtors' business, or (b) 10 Business Days after the date the Administrative Claim becomes an Allowed Administrative Claim, but no later than 30 days after the Effective Date. Notwithstanding the foregoing, Allowed Administrative Claims of the United States Trustee for fees under 28 U.S.C. § 1930(a)(6) will be paid in accordance with the applicable schedule for payment of those fees. In addition to the BellSouth claim noted above, the following Administrative Claims have been filed in these Chapter 11 Cases: Universal Service Administrative Company - \$73,000; Red River Communications (claim disputed) - \$110,000; Akers Communications (claim disputed) - \$28,000. Even if Administrative Claims in dispute are allowed in full, the Debtors believe they will have sufficient funds to satisfy the payments required under the Plan.

2. Fee Claims.

Unless it agrees to receive other, less favorable treatment, each holder of a final Allowed Fee Claim will be paid 100% of the unpaid Allowed Fee Claim, in Cash. Payment will be made on or as soon as reasonably practicable: (a) 10 days after the Fee Claim becomes an Allowed Claim, or (b) on an interim basis as authorized by the Court in its Administrative Order Under 11 U.S.C. §§ 105(a) and 331, Establishing Procedures for Monthly and Interim Compensation and Reimbursement of Expenses for Professionals entered on November 26, 2003.

3. Priority Tax Claims.

Unless (a) otherwise provided for in the Plan, or (b) it agrees to receive other, less favorable treatment, each holder of an Allowed Priority Tax Claim will receive Cash, in the unpaid amount of its Allowed Priority Tax Claim, with payment being made on the later of (1) the Effective Date or (2) the date the Priority Tax Claim becomes an Allowed Priority Tax Claim; provided, however, that in no event will such Claims be paid unless and until all Allowed Secured Claims and Allowed Administrative Claims have been paid in full or otherwise provided for. Claims or demands for penalties relating to a Priority Tax Claim will be disallowed. The holders of Allowed Priority Tax Claims will not assess or attempt to collect a penalty from Debtors or their respective assigns. It is estimated that Allowed Priority Tax Claims will aggregate \$429,000.

4. Subordination Rights.

Subordination rights, if any, arising out of provisions under Sections 510(a) and (b) of the Code will be enforced as to each class of Claim herein.

VI.
IMPLEMENTATION OF THE PLAN

A. Post-Confirmation Operations.

Following confirmation of the Plan, and for as long as Debtors are able to operate pursuant to their UNE-P agreements with their ILECs, Debtors will continue their business operations pursuant to their contracts with Davel and SSI as set forth herein in Article IV. However, if in any month NET EBITDA is a negative number, Debtors' business operations shall cease and the Effective Date of the Plan shall occur at the end of the month following the month in which NET EBITDA is negative. In the event of a default, the Debtors shall immediately comply with any applicable regulations of the Federal Communications Commission concerning notice to customers of the cessation of Debtors' businesses.

B. Distributions to Creditors.

Debtors estimate that on (or before) the Effective Date, the Texas Comptroller Allowed Secured Claim in the amount of \$544,219 will have been paid in full. Debtors further estimate that Allowed Administrative Claims (including Allowed Fee Claims) as of the Effective Date will total approximately \$770,000, and Allowed Priority and Priority Tax Claims will not exceed \$429,000. These classes of Claims collectively are estimated to total \$1,743,219.

To satisfy these Claims, Debtors estimate they have the following sources of Cash – NET EBITDA (\$907,000); cash deposits (\$574,000); restricted cash (\$355,000); accounts receivable-CABS (\$120,000); plus miscellaneous accounts receivable, cash on hand and proceeds from liquidation of tangible personal property (\$50,000). These amounts total \$2,006,000, which would leave a surplus of \$262,781 for Unsecured Creditors. Further, as noted in Article V.A.5.c., above, Debtors believe Avoidance Actions that could generate as much as \$965,190. Avoidance Action recoveries would further be available to Unsecured Creditors assuming senior classes of Creditors are paid in full.

As noted previously, Debtors estimate total Allowed Unsecured Claims to aggregate approximately \$7.3 million, excluding the Arbros Claim. If the estimated surplus of \$262,781 noted above is realized, Unsecured Claims would receive an approximate 4% distribution. However, combined with potential maximum avoidance Action recoveries of \$965,190, the recovery to Unsecured Claims could exceed 16%, or more. Of course, if the Arbros Claim is Allowed in full amount claimed, these percentages would be substantially reduced, and a de minimis recovery to Unsecured Claims would result. However, as set forth in more detail in the Liquidation Analysis in Article X, if Debtors' Plan is not confirmed and Debtors are forced to liquidate, it is certain that Unsecured Claims will receive nothing. The Debtors therefore urge you to vote in favor of the Plan.

C. Risks of the Plan.

Debtors' contract with Davel and SSI provide that those two entities will advance to Debtors funds on a monthly basis to satisfy all operational costs and a reasonable return as set forth in Exhibit 2. Thus, the Debtors' operations are dependent upon receipt of these payments.

VII.
PROCEDURES FOR RESOLVING AND TREATING DISPUTED CLAIMS

A. Prosecution of Disputed Claims.

The Debtors will have responsibility for objecting to the allowance of any Claim other than Class 5 Unsecured Claims. The Debtors are empowered, but not required, to consensually resolve disputes regarding the allowance, classification or amount of any Claim other than Class 5 Unsecured Claims. The Comm South Trust will prosecute Class 5 Claim objections. Objections that are filed and prosecuted as provided in this Section will be litigated to Final Order or compromised and settled in accordance with Section 9.2.

B. Claims Settlement Procedures.

Notwithstanding any requirement that may be imposed by Rule 9019, from and after the Effective Date, all Claims may be compromised and settled, with approval of the Court, by the Debtors pursuant to their authority under Section 9.1, or the Comm South Trust in the case of Class 5 Claims.

In addition, Debtors have posted cash deposits and other direct cash deposits that were required by state public utilities commissions where the Debtors operate. These deposits total \$574,000. As the Debtors cease doing business in the states that hold bonds, the Debtors will work with its regulatory counsel, Pillsbury, Winthrop, Shaw, Pittman LLP, to have their cash deposits released and made available for payment to Allowed Claims as set forth in the Plan.

VIII.
DISTRIBUTIONS

A. Distributions after Allowance.

Distributions to holders of a Disputed Claim, to the extent that the Claim ultimately becomes allowed, will be made by Debtors according to the provisions of the Plan governing the Class of Claims to which the Creditor belongs.

B. Transmittal of Distributions and Notices.

Any property or notice that a Person is or becomes entitled to receive under the Plan may be delivered by regular mail, postage prepaid, in an envelope addressed to that Person at the address indicated on any notice of appearance filed by the Person or its authorized agent before the Effective Date. If no notice of appearance has been filed, notice will be sent to the address indicated on a properly filed proof of claim or, absent a proof of claim, to the address in the relevant Schedule of Assets and Liabilities for the Person. Property distributed in accordance with this Section will be deemed delivered to a Person, regardless of whether it is actually received. Holders of a Claim or Equity Interest may designate a different address for notices and distributions by notifying Debtors of that address in writing. To be effective, changes of address by a party entitled to receive distributions under the Plan will be by registered mail. Notification will be effective on receipt.

C. Disputed Payment.

If a dispute arises as to the identity of a holder of an Allowed Claim who is to receive a distribution, Debtors may, in lieu of making the distribution to that Person, make it into an

escrow account until the proper disposition has been determined by Court order or by a written agreement among the interested parties to the dispute.

D. Unclaimed Property.

If a distribution remains unclaimed for a period of 30 days after it has been delivered (or attempted to be delivered) to the holder entitled to receive it under the Plan, the holder will forfeit the Unclaimed Property. Thereupon, all right, title and interest in and to the Unclaimed Property will immediately and irrevocably vest in the Debtors. The holder of an Allowed Claim previously entitled to Unclaimed Property will thereafter cease to be entitled to it, and any such remaining Cash will revert to the Debtors, and be paid to Creditors as otherwise provided in the plan. Upon such reversion the claim of any Creditor or its successor with respect to such property shall be discharged and forever barred notwithstanding any federal or state escheat laws to the contrary.

IX.
EXECUTORY CONTRACTS AND UNEXPIRED LEASES

On the Effective Date, Debtors will reject all executory contracts and unexpired leases of the Estates under Sections 365 and 1123 of the Code, unless notice of Debtors' intention to assume an executory contract is given by the Debtors' to the other party to the contract on or before the Effective Date.

A. Bar Date for Rejection Damages.

If the rejection of an executory contract or unexpired lease under the Plan gives rise to a Claim by the non-Debtor party to the contract or lease, the Claim, to the extent that it is timely filed and is an Allowed Claim, will be classified as a Class 5 Claim. However, the Claim arising from the rejection will be forever barred and will not be enforceable against Debtors, unless a proof of the Claim is filed with the Court and served on the Debtors and the Comm South Trust within 30 days after the date the order of the Court rejecting the executory contract or unexpired lease is entered.

X.
LIQUIDATION ANALYSIS

Section 1129(a)(7)(A)(ii) of the Code permits the Court to confirm the Plan only if each member of an impaired class of claims or interests who has voted to reject the Plan receives or retains at least the amount or value that he or she would receive if the Debtors were liquidated in a case under Chapter 7 of the Code.

Attached hereto as Exhibit 3 is a liquidation analysis prepared by the Debtors, based upon their knowledge and experience concerning the telecommunications industry, which assumes a scenario in which a Chapter 7 trustee would liquidate the assets of Debtors. This liquidation analysis is based on a number of estimates and assumptions that, although developed and considered reasonable by the Debtors, are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of Debtors. The liquidation analysis is also based on assumptions with regard to liquidation decisions that are subject to

change. Accordingly, there can be no assurance that the values reflected would be realized if the Debtors were, in fact, to undergo such a liquidation.

However, the Debtors believe that in a Chapter 7 liquidation under the scenario as set forth in Exhibit 3, the proceeds of the sale of the assets on a distressed basis would result only in the payment of the Chapter 7 expenses of the trustee and his or her counsel and the remaining monies, if any, would go to the State of Texas on its Secured Claim. Thus, there would be no payment to any Chapter 11 Allowed Priority, Administrative, or Unsecured Claim.

XI. **CONFIRMATION**

A. Voting.

To confirm the Plan, two-thirds in monetary amount and a majority of the number of Allowed Claims of the creditors in each impaired class of creditors who vote on the Plan must vote in favor of it. Only Allowed Claims will be counted unless the Court orders otherwise. The holders of interests in Class 6 will receive and retain nothing under the Plan and, therefore, are deemed to have rejected it.

If a class of Claims that is impaired under the Plan does not vote in favor of it, Debtors must seek confirmation under section 1129(b) of the Code. The requirements for confirmation under Code section 1129(b) are discussed below.

Acceptance or rejection of the Plan may be voted by completing and signing the ballot that accompanies the Plan and mailing it to Sheppard, Mullin, Richter & Hampton, LLP, Attn: Judy Nakaso, 4 Embarcadero, 17th Floor, San Francisco, California 94111 in an envelope marked "BALLOT" in the lower left hand corner. Only the ballot should be mailed and all ballots must be received by June 21, 2005, at 5:00 p.m., Pacific Time.

BALLOTS RECEIVED THAT ARE SIGNED BUT DO NOT DESIGNATE
ACCEPTANCE OR REJECTION OF THE PLAN WILL BE DEEMED
ACCEPTANCES. UNSIGNED BALLOTS WILL NOT BE COUNTED.

B. Confirmation Standards.

For the Plan to be confirmed and to be binding on all Creditors and Equity Interests, the Court must determine that the requirements of Code Section 1129(a) have been satisfied, including that at least one Class of Claims that is impaired under the Plan has accepted it.

C. Classification of Claims and Interests.

The Code requires that a plan of reorganization place each Claim and interest in a Class with other Claims or interests that are "substantially similar." The dollar amount of a Claim is usually not a basis on which to distinguish it from other Claims. Debtors believe that the classification system in the Plan meets the Code standard.

D. Modification of the Plan.

Debtors may modify the Plan at any time before the Confirmation Date. If the Plan is modified, Debtors may be required to provide additional disclosure to Creditors and other parties in interest with respect to the Plan, as modified. Any holder of a Claim that has accepted or rejected the Plan will be deemed to have accepted or rejected, as the case may be, the Plan as modified, unless, within the time fixed by the Court, the holder changes his previous acceptance or rejection.

E. Confirmation Without Acceptance by All Impaired Classes.

Section 1129(b) of the Code enables Debtors to confirm the Plan without the acceptance of one or more classes of Claims. If any impaired Class fails to accept the Plan by the statutory majorities described above, Debtors will seek confirmation under Section 1129(b) of the Code.

To be confirmed over the objection of a Class of Allowed Unsecured Claims, the Plan must provide either that (1) each holder of an Allowed Claim in the Class receive property of a value, on the Effective Date, equal to the Allowed Claim, or (2) no junior Claim or Equity Interest receive anything. The Court must also find that no senior Class will receive more than 100% on account of its Allowed Claims.

F. Effect of Confirmation.

If the Plan is confirmed, its terms will be binding on all Creditors and Equity Interests. Debtors will be discharged from all liability for Claims arising before the Confirmation Date and the discharge will be effective as to each Claim regardless of whether the holder of a particular Claim filed a Proof of Claim, whether the Claim is allowed by the Court, or whether the holder of the Claim voted to accept the Plan.

G. Post Confirmation Financial Reports.

After the Confirmation Order is entered, the Debtors shall file with the Court and serve on the United States Trustee a monthly financial report for each month (or portion thereof) the case remains open. Such report shall be in the format prescribed by the United States Trustee.

H. Post Confirmation Management.

Until the Debtors cease business operations, John McClure shall continue to manage the Debtors' post-confirmation operations. His salary will be paid in accordance with the attached Exhibit 4. Other post-confirmation employees and their respective salaries are set forth in the attached Exhibit 5.

The Debtors anticipate that, after the Debtors cease operations, some remaining administrative matters will remain pending such as the collection of state utility deposits, the preparation of monthly operating reports, final distributions on Allowed Claims, and the filing of the Debtors' motion for final decree.

After the Effective Date, John McClure will continue to manage the Debtors' affairs and will be compensated at the rate of \$150.00 per hour with a maximum of \$3000 charged in any given month, absent Bankruptcy Court approval. In the event that Mr. McClure will not or cannot continue in this capacity after the Effective Date, the Debtors will appoint a third party replacement to perform the necessary functions, subject to the approval of the Office of the

EXHIBIT 1

DEFINITIONS

1. "Administrative Claim" is a Claim, other than a Fee Claim, a Priority Tax Claim or a Priority Claim, for costs or expenses of administration allowed under Section 503(b) of the Code, including the actual, necessary costs and expenses incurred after the Petition Date to preserve the Estates and operate Debtors' businesses (such as wages, salaries, taxes or commissions for services rendered); and all fees and charges assessed against the Estates under to Section 1930 of Title 28 of the United States Code.

2. "Allowed" means, with respect to a Claim, the amount of such Claim: (a) that is scheduled by a Debtor pursuant to the Code and the Rules in a liquidated amount and that is not listed as contingent, unliquidated or disputed; (b) proof of which has been timely filed, or deemed timely filed under applicable law or order of the Court, with the Court pursuant to the Code, the Rules and any applicable orders of the Court, or late filed with leave of the Court after notice and a hearing; or (c) if such Claim is an Administrative Claim, proof of which, or application for which, has been timely filed, or deemed timely filed under applicable law or order of the Court, with the Court pursuant to the Code, the Rules and any applicable orders of the Court, or late filed with leave of the Court after notice and a hearing, and which, with respect to each of the foregoing clauses (a), (b) and (c); (1) has not been objected to within the period fixed by the Plan, the Rules and applicable orders of the Court or (2) has otherwise been Allowed by a Final Order or as set forth in the Plan.

3. "Allowed Claim" is a Claim that is Allowed, regardless of whether it became Allowed before or after the Effective Date. The amount of a Claim that is Allowed will be net of any valid setoff exercised with respect to it under the Code. Unless otherwise specified, in Section 506(b) of the Code or by order of the Court, an "Allowed Claim," will not, for purposes of distribution under the Plan, include (a) interest on any Claim accruing from or after the Petition Date, (b) punitive or exemplary damages, or (c) any fine, penalty or forfeiture.

4. "Avoidance Actions" are all claims, rights and Causes of Action assertable by Debtors, their successors or assignees, including an action brought under Sections 542, 543, 544, 545, 547, 548, 549, 550 or 553 of the Code and applicable state law.

5. "Bar Date" is the last date for filing proofs of Claim against Debtors set by the Court or as established in the Plan.

6. "Business Day" is any day except a Saturday, Sunday, or "legal holiday" as that term is defined in Rule 9006(a).

7. "Cash" means cash, cash equivalents and other readily marketable securities or instruments.

8. "Causes of Action" are actions, claims, Liens, liabilities, obligations, rights, suits, debts, sums of money, damages, judgments and demands whatsoever, whether known or unknown, in law, equity or otherwise.

9. "Chapter 11 Cases" are the Comm South Chapter 11 case filed on September 19, 2003, and the Altair, E-Z Tel and Comm South Virginia Chapter 11 cases filed on September 30, 2003.

10. "Claim" is a claim as defined in Code Section 101(5) against a Debtor, including (a) any asserted right to payment from any of Debtors, whether or not that right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured, (b) any asserted right to an equitable remedy for breach of performance if the breach gives rise to a right of payment from any of Debtors, whether or not the right to an equitable remedy is reduced to a judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured, or (c) any asserted right under Section 502(h) of the Code.

11. "Class" is a category of holders of Claims or Equity Interests described in Article IV of the Plan.

12. "Code" is Title 11 of the United States Code, as now in effect or hereafter amended to the extent such amendments are applied retroactively to the Chapter 11 cases.

13. "Collateral" is property of Debtors that secures a Claim, up to the amount of the Claim.

14. "Comm South Trust" is the irrevocable trust to be established on the Effective Date for the benefit of holders of Allowed Class 5 Claims in accordance with Section 8.1 of the Plan and from which Distributions will be made.

15. "Comm South Trust Agreement" is the agreement that governs the Comm South Trust, a copy of which will be attached to the Confirmation Order.

16. "Confirmation Date" is the date on which the Court enters the Confirmation Order on its docket.

17. "Confirmation Hearing" is the hearing pursuant to which the Court enters the Confirmation Order.

18. "Confirmation Order" is the order of the Court confirming the Plan pursuant to Section 1129 of the Code.

19. "Creditor" is any Person holding a Claim.

20. "Court" is the United States Bankruptcy Court for the Northern District of Texas, Dallas Division, or any other court exercising competent jurisdiction over the Chapter 11 Cases or any proceeding therein.

21. "Customer Deposits" are those certain deposits made by individuals, made before the commencement of the case to the extent of an amount not to exceed \$2,100 for each such individual, to Debtors for phone services for the personal, family or household use of such individuals, that were not delivered or provided.

22. "Deficiency Claim" is a claim by a Creditor arising out of the same transaction as a Secured Claim to the extent that the value, as determined by the Court under to Section 506(a) of the Code, of the Creditor's interest in property of Debtors' estates securing the Claim is less than the amount of the Claim which has the benefit of that security as provided by Section 506(a) of the Code.

23. "Disputed Claim" is (a) if no proof of Claim has been timely filed or deemed timely filed under applicable law or order of the Court, a Claim that has been listed on a Debtor's Schedules of Assets and Liabilities as disputed, contingent or unliquidated, or (b) if a proof of Claim has been filed or deemed timely filed under applicable law or order of the Court, a proof of Claim as to which an objection has been timely filed and has not been withdrawn, overruled or denied by a Final Order, or granted in whole by a Final Order. For the purposes of the Plan a Claim is considered a Disputed Claim in its entirety before the time that an objection has been or may be filed if: (1) the amount or classification of the Claim specified in the relevant proof of Claim exceeds the amount or classification of any corresponding Claim scheduled by the appropriate Debtor in its Schedules of Assets and Liabilities, (2) any corresponding Claim scheduled by any of Debtors that has been scheduled as disputed, contingent or unliquidated, or (3) no corresponding Claim has been scheduled by the appropriate Debtor in its Schedules of Assets and Liabilities.

24. "Distribution" is Cash to be distributed by holders of Allowed Claims.

25. "Effective Date" is (a) if no stay of the Confirmation Order is at any time in effect, March 11, 2006; or (b) if a stay of the Confirmation Order is in effect, on the first business day after the later of (i) the date on which such stay is vacated or (ii) March 11, 2006; or (c) sooner as provided in paragraph 8.1 of the Plan.

26. "Equity Interest" is any ownership or equity interest in any of Debtors' common or preferred stock, and all warrants, options or other rights to purchase any ownership or interest in any of Debtors.

27. "Estate" is the relevant estate created in each of the Chapter 11 Cases under Section 541 of the Code and existing as of the Effective Date.

28. "Exhibit Filing Date" is the last date by which forms of the Exhibits to the Plan will be filed with the Court, which date will be as specified in the Plan for each Exhibit, but in any event, or when no date is specified, no later than 20 days before the Confirmation Hearing.

29. "Fee Claim" is a Claim for compensation or reimbursement of expenses of a Professional under Sections 327, 328, 330, 331 or 503(b) of the Code in connection with the Chapter 11 Cases.

30. "Final Order" means an order or judgment of the Court, as entered on the docket of the Court, that has not been reversed, stayed, modified, or amended, and as to which: (a) the time to appeal, seek review or rehearing or petition for certiorari has expired and no timely filed appeal or petition for review, rehearing, remand or certiorari is pending; or (b) any

appeal taken or petition for certiorari filed has been resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought.

31. "Liens" are, collectively, all mortgages, liens (statutory or otherwise), interests, security interests, licenses, assessments, levies, pledges, charges, encumbrances, equities, Claims (including claims of lessors/sublessors and licensors/sublicensors), covenants, conditions, options or restrictions (including restrictions set forth in applicable leases/subleases and licenses/sublicenses), of any nature whatsoever.

32. "NET EBITDA" shall be monthly Net Profits as shown on line 28 of Debtors' "Monthly Operating Report: Income Statement," adding back to said number the sum of line 18 (Interest Expense), line 19 (Depreciation), line 20 (Amortization) and line 21 (Other - if applicable), of said Income Statement.

33. "Other Secured Claims" are any Secured Claims, if Allowed, not expressly classified in Class 2.

34. "Person" is any individual, corporation, partnership, limited liability company, association, indenture trustee, organization, joint stock company, joint venture, estate, trust, governmental unit or any political subdivision thereof, Equity Interest holders, holders of Claims, current or former employees of any Debtor, or any other entity.

35. "Plan" is this Second Amended Plan of Reorganization, dated May 10, 2005, for Debtors, together with any amendments or modifications as Debtors may file hereafter in accordance with the terms of the Plan.

36. "Priority Claim" is any Claim, if Allowed, which is entitled to priority under Section 507(a) of the Code, other than (a) an Administrative Claim; (b) a Priority Tax Claim; or (c) a Fee Claim.

37. "Priority Tax Claim" is any Claim, if Allowed, that is entitled to priority under Section 507(a)(8) of the Code.

38. "Professional" is a Person retained or to be compensated for services rendered or costs incurred on or after the Petition Date through and including and after the Effective Date under Section 327, 328, 330, 503(b) or 1103 of the Code.

39. "Ratable," "Ratably," "Ratable Share" or "Pro Rata" is a number (expressed as a percentage) equal to the proportion that an Allowed Claim in a particular Class bears to the aggregate amount of (a) Allowed Claims plus (b) disputed Claims (in their aggregate Face Amount) in such Class as of the date of determination.

40. "Responsible Individual" means John McClure.

41. "Rules" are the Federal Rules of Bankruptcy Procedure and the local rules of the Court, as now in effect or hereafter amended to the extent such amendments are applied retroactively to the Chapter 11 Cases.

42. "Secured Claim" is, under Section 506 of the Code, that portion of a Claim that is secured by a valid, perfected and enforceable security interest, Lien, mortgage or other Encumbrance, that is not subject to avoidance under applicable bankruptcy or non-bankruptcy law, in or upon any right, title or interest of any of Debtors in and to property of the Estates, to the extent of the value of the holder's interest in the property as of the relevant determination date. The defined term Secured Claim includes any Claim that is (a) subject to an offset right under applicable law; and (b) a secured claim against any of Debtors under Sections 506(a) and 553 of the Code. "Secured Claim" does not include, for voting or distribution purposes, any Claim that would otherwise qualify as a Secured Claim, but that has been or will be paid in connection with the "cure" of defaults under an executory contract or unexpired lease assumed by a Debtor under Section 365 of the Code or pursuant to the Plan.

43. "Secured Tax Claim of the Texas Comptroller of Public Accounts" is that secured tax claim dated May 12, 2004 and subsequently filed herein designated Second Amended Secured Proof of Claim by the Texas Comptroller of Public Accounts.

44. "Trustee" is Dan Lain or any entity or entities designated by the Debtors to act in such capacity under the Comm South Trust Agreement.

45. "Unclaimed Property" is any distribution or distributable property unclaimed on or after the Effective Date or the date on which an additional distribution would have been made to the holder of an Allowed Claim. Unclaimed Property will include (a) checks (and the funds represented thereby) returned as undeliverable without a proper forwarding address; (b) funds for uncashed checks; and (c) checks (and the funds represented thereby) not mailed or delivered because no address to mail or deliver the property was available, notwithstanding efforts by Debtors or the Comm South Trust to locate such address which were commercially reasonable under the circumstances.

46. "United States Trustee" is the Office of the United States Trustee for the Northern District of Texas.

47. "Unsecured Claim" is any Claim that is not (a) an Administrative Claim; (b) a Priority Claim; (c) a Priority Tax Claim; (d) a Secured Claim; or (e) a Fee Claim, and includes any claim arising from the rejection by Debtors of any executory contract.

COMMSOUTH COMPANIES, INC.
11 MONTH BUDGET
ENDING 2-28-2006
AS OF 3-1-05

<u>REVENUE</u>	April	May	June
RESIDENTIAL REVENUE	\$ 573,950.13	\$ 573,950.13	\$ 573,950.13
PAYPHONE REVENUE	\$ 578,011.58	\$ 578,011.58	\$ 578,011.58
CABS	\$ 120,457.96	\$ 120,457.96	\$ 120,457.96
LESS DIAL-AFFORD	\$ (42,155.51)	\$ (42,155.51)	\$ (42,155.51)
TOTAL REVENUE	\$ 1,230,264.16	\$ 1,230,264.16	\$ 1,230,264.16
 <u>COST OF GOODS SOLD</u>			
LINE COST TOTAL	\$ 805,119.13	\$ 805,119.13	\$ 805,119.13
GROSS REVENUE	\$ 425,145.03	\$ 425,145.03	\$ 425,145.03
 <u>SG&A</u>			
LONG DISTANCE	\$ 10,682.01	\$ 10,682.01	\$ 10,682.01
COMMISSIONS (Payphone)	\$ 2,802.09	\$ 2,802.09	\$ 2,802.09
COMMISSIONS (Residential)	\$ 1,721.85	\$ 1,721.85	\$ 1,721.85
ADVERTISING	\$ -	\$ -	\$ -
TELEPHONE/DATA	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00
EXCELERON	\$ 29,551.21	\$ 29,551.21	\$ 29,551.21
INTEC	\$ 17,834.82	\$ 17,834.82	\$ 17,834.82
QINTERACTION	\$ 17,264.00	\$ 17,264.00	\$ 17,264.00
ACCOUNTING	\$ 500.00	\$ 500.00	\$ 500.00
BANK FEES	\$ 8,560.17	\$ 8,560.17	\$ 8,560.17
CONTRACT LABOR	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00
EMPLOYEE HEALTH	\$ 5,081.28	\$ 5,081.28	\$ 5,081.28
LICENSE/PERMITS/FEES	\$ 7,166.01	\$ 7,166.01	\$ 7,166.01
OFFICE RENT/STORAGE	\$ 6,031.40	\$ 6,031.40	\$ 6,031.40
OUTSIDE SERVICES	\$ 3,270.66	\$ 3,270.66	\$ 3,270.66
PAYROLL & PAYROLL TAXES	\$ 73,886.22	\$ 73,886.22	\$ 72,980.63
POSTAGE & DELIVERY	\$ 10,500.00	\$ 10,500.00	\$ 10,500.00
REFUNDS/PROMOTIONS	\$ 300.00	\$ 300.00	\$ 300.00
SUPPLIES	\$ 250.00	\$ 250.00	\$ 250.00
TRAVEL/MEALS	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00
TAXES	\$ 47,500.00	\$ 47,500.00	\$ 47,500.00
BELLSOUTH (Make-up Payments)	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00
SETTLEMENT PAYMENTS (BA)	\$ 26,250.00	\$ 26,250.00	\$ 26,250.00
US TRUSTEE (Bankruptcy)	\$ 2,916.66	\$ 2,916.66	\$ 2,916.66
LEGAL	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00
TOTAL SG&A	\$ 362,068.38	\$ 362,068.38	\$ 361,162.79
 NET EBITDA/CASH	 \$ 63,076.65	 \$ 63,076.65	 \$ 63,982.24

COMMSOUTH COMPANIES, INC.
11 MONTH BUDGET
ENDING 2-28-2006
AS OF 3-1-05

<u>REVENUE</u>	July	August	Sept
RESIDENTIAL REVENUE	\$ 573,950.13	\$ 573,950.13	\$ 573,950.13
PAYPHONE REVENUE	\$ 578,011.58	\$ 578,011.58	\$ 578,011.58
CABS	\$ 120,457.96	\$ 120,457.96	\$ 120,457.96
LESS DIAL-AFFORD	\$ (42,155.51)	\$ (42,155.51)	\$ (42,155.51)
TOTAL REVENUE	\$ 1,230,264.16	\$ 1,230,264.16	\$ 1,230,264.16
 <u>COST OF GOODS SOLD</u>			
LINE COST TOTAL	\$ 805,119.13	\$ 805,119.13	\$ 805,119.13
GROSS REVENUE	\$ 425,145.03	\$ 425,145.03	\$ 425,145.03
 <u>SG&A</u>			
LONG DISTANCE	\$ 10,682.01	\$ 10,682.01	\$ 10,682.01
COMMISSIONS (Payphone)	\$ 2,802.09	\$ 2,802.09	\$ 2,802.09
COMMISSIONS (Residential)	\$ 1,721.85	\$ 1,721.85	\$ 1,721.85
ADVERTISING	\$ -	\$ -	\$ -
TELEPHONE/DATA	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00
EXCELERON	\$ 29,551.21	\$ 29,551.21	\$ 29,551.21
INTEC	\$ 17,834.82	\$ 17,834.82	\$ 17,834.82
QINTERACTION	\$ 17,264.00	\$ 17,264.00	\$ 17,264.00
ACCOUNTING	\$ 500.00	\$ 500.00	\$ 500.00
BANK FEES	\$ 8,560.17	\$ 8,560.17	\$ 8,560.17
CONTRACT LABOR	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00
EMPLOYEE HEALTH	\$ 5,081.28	\$ 5,081.28	\$ 5,081.28
LICENSE/PERMITS/FEES	\$ 7,166.01	\$ 7,166.01	\$ 7,166.01
OFFICE RENT/STORAGE	\$ 6,031.40	\$ 6,031.40	\$ 6,031.40
OUTSIDE SERVICES	\$ 3,270.66	\$ 3,270.66	\$ 3,270.66
PAYROLL & PAYROLL TAXES	\$ 67,230.63	\$ 64,930.63	\$ 61,480.63
POSTAGE & DELIVERY	\$ 10,500.00	\$ 10,500.00	\$ 10,500.00
REFUNDS/PROMOTIONS	\$ 300.00	\$ 300.00	\$ 300.00
SUPPLIES	\$ 250.00	\$ 250.00	\$ 250.00
TRAVEL/MEALS	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00
TAXES	\$ 47,500.00	\$ 47,500.00	\$ 47,500.00
BELLSOUTH (Make-up Payments)	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00
SETTLEMENT PAYMENTS (BA)	\$ 26,250.00	\$ 26,250.00	\$ 26,250.00
US TRUSTEE (Bankruptcy)	\$ 2,916.66	\$ 2,916.66	\$ 2,916.66
LEGAL	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00
TOTAL SG&A	\$ 355,412.79	\$ 353,112.79	\$ 349,662.79
 NET EBITDA/CASH	 \$ 69,732.24	 \$ 72,032.24	 \$ 75,482.24

COMMSOUTH COMPANIES, INC.
11 MONTH BUDGET
ENDING 2-28-2006
AS OF 3-1-05

<u>REVENUE</u>	Oct	Nov	Dec
RESIDENTIAL REVENUE	\$ 573,950.13	\$ 573,950.13	\$ 573,950.13
PAYPHONE REVENUE	\$ 578,011.58	\$ 578,011.58	\$ 578,011.58
CABS	\$ 120,457.96	\$ 120,457.96	\$ 120,457.96
LESS DIAL-AFFORD	\$ (42,155.51)	\$ (42,155.51)	\$ (42,155.51)
TOTAL REVENUE	\$ 1,230,264.16	\$ 1,230,264.16	\$ 1,230,264.16
<u>COST OF GOODS SOLD</u>			
LINE COST TOTAL	\$ 805,119.13	\$ 805,119.13	\$ 805,119.13
GROSS REVENUE	\$ 425,145.03	\$ 425,145.03	\$ 425,145.03
<u>SG&A</u>			
LONG DISTANCE	\$ 10,682.01	\$ 10,682.01	\$ 10,682.01
COMMISSIONS (Payphone)	\$ 2,802.09	\$ 2,802.09	\$ 2,802.09
COMMISSIONS (Residential)	\$ 1,721.85	\$ 1,721.85	\$ 1,721.85
ADVERTISING	\$ -	\$ -	\$ -
TELEPHONE/DATA	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00
EXCELERON	\$ 29,551.21	\$ 29,551.21	\$ 29,551.21
INTEC	\$ 17,834.82	\$ 17,834.82	\$ 17,834.82
QINTERACTION	\$ 17,264.00	\$ 17,264.00	\$ 17,264.00
ACCOUNTING	\$ 500.00	\$ 500.00	\$ 500.00
BANK FEES	\$ 8,560.17	\$ 8,560.17	\$ 8,560.17
CONTRACT LABOR	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00
EMPLOYEE HEALTH	\$ 5,081.28	\$ 5,081.28	\$ 5,081.28
LICENSE/PERMITS/FEES	\$ 7,166.01	\$ 7,166.01	\$ 7,166.01
OFFICE RENT/STORAGE	\$ 6,031.40	\$ 6,031.40	\$ 6,031.40
OUTSIDE SERVICES	\$ 3,270.66	\$ 3,270.66	\$ 3,270.66
PAYROLL & PAYROLL TAXES	\$ 61,480.63	\$ 61,480.63	\$ 61,480.63
POSTAGE & DELIVERY	\$ 10,500.00	\$ 10,500.00	\$ 10,500.00
REFUNDS/PROMOTIONS	\$ 300.00	\$ 300.00	\$ 300.00
SUPPLIES	\$ 250.00	\$ 250.00	\$ 250.00
TRAVEL/MEALS	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00
TAXES	\$ 47,500.00	\$ 47,500.00	\$ 47,500.00
BELLSOUTH (Make-up Payments)	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00
SETTLEMENT PAYMENTS (BA)	\$ 26,250.00		
US TRUSTEE (Bankruptcy)	\$ 2,916.66	\$ 2,916.66	\$ 2,916.66
LEGAL	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00
TOTAL SG&A	\$ 346,162.79	\$ 319,912.79	\$ 319,912.79
NET EBITDA/CASH	\$ 78,982.24	\$ 105,232.24	\$ 105,232.24

COMMSOUTH COMPANIES, INC.
11 MONTH BUDGET
ENDING 2-28-2006
AS OF 3-1-05

<u>REVENUE</u>	Jan	Feb	TOTAL
RESIDENTIAL REVENUE	\$ 573,950.13	\$ 573,950.13	\$ 6,313,451.43
PAYPHONE REVENUE	\$ 578,011.58	\$ 578,011.58	\$ 6,358,127.38
CABS	\$ 120,457.96	\$ 120,457.96	\$ 1,325,037.56
LESS DIAL-AFFORD	\$ (42,155.51)	\$ (42,155.51)	\$ (463,710.63)
TOTAL REVENUE	\$ 1,230,264.16	\$ 1,230,264.16	\$ 13,532,905.74
 <u>COST OF GOODS SOLD</u>			
LINE COST TOTAL	\$ 805,119.13	\$ 805,119.13	\$ 8,856,310.43
			\$ -
GROSS REVENUE	\$ 425,145.03	\$ 425,145.03	\$ 4,676,595.31
 <u>SG&A</u>			
LONG DISTANCE	\$ 10,682.01	\$ 10,682.01	\$ 117,502.11
COMMISSIONS (Payphone)	\$ 2,802.09	\$ 2,802.09	\$ 30,822.99
COMMISSIONS (Residential)	\$ 1,721.85	\$ 1,721.85	\$ 18,940.35
ADVERTISING	\$ -	\$ -	\$ -
TELEPHONE/DATA	\$ 4,000.00	\$ 4,000.00	\$ 65,000.00
EXCELERON	\$ 29,551.21	\$ 29,551.21	\$ 325,063.31
INTEC	\$ 17,834.82	\$ 17,834.82	\$ 196,183.02
QINTERACTION	\$ 17,264.00	\$ 17,264.00	\$ 189,904.00
ACCOUNTING	\$ 500.00	\$ 500.00	\$ 5,500.00
BANK FEES	\$ 8,560.17	\$ 8,560.17	\$ 94,161.87
CONTRACT LABOR	\$ 1,000.00	\$ 1,000.00	\$ 11,000.00
EMPLOYEE HEALTH	\$ 5,081.28	\$ 5,081.28	\$ 55,894.08
LICENSE/PERMITS/FEES	\$ 7,166.01	\$ 7,166.01	\$ 78,826.11
OFFICE RENT/STORAGE	\$ 6,031.40	\$ 6,031.40	\$ 66,345.40
OUTSIDE SERVICES	\$ 3,270.66	\$ 3,270.66	\$ 35,977.26
PAYROLL & PAYROLL TAXES	\$ 61,480.63	\$ 61,480.63	\$ 721,798.11
POSTAGE & DELIVERY	\$ 10,500.00	\$ 10,500.00	\$ 115,500.00
REFUNDS/PROMOTIONS	\$ 300.00	\$ 300.00	\$ 3,300.00
SUPPLIES	\$ 250.00	\$ 250.00	\$ 2,750.00
TRAVEL/MEALS	\$ 1,500.00	\$ 1,500.00	\$ 16,500.00
TAXES	\$ 47,500.00	\$ 47,500.00	\$ 522,500.00
BELLSOUTH (Make-up Payments)	\$ 40,000.00	\$ 40,000.00	\$ 440,000.00
SETTLEMENT PAYMENTS (BA)	\$ -	\$ -	\$ 183,750.00
US TRUSTEE (Bankruptcy)	\$ 2,916.66	\$ 2,916.66	\$ 32,083.26
LEGAL	\$ 40,000.00	\$ 40,000.00	\$ 440,000.00
TOTAL SG&A	\$ 319,912.79	\$ 319,912.79	\$ 3,769,301.87
 NET EBITDA/CASH	 \$ 105,232.24	 \$ 105,232.24	 \$ 907,293.44

COMM SOUTH COMPANIES, INC.

LIQUIDATION ANALYSIS

As of March 15, 2005

1. Liquidation Proceeds

Assets	Net Book Value	Liquidation Value
Cash - Current Balance	\$ 81,839	\$ 81,839
Restricted Cash	\$ 355,310	\$ 355,310
Recovered Payments - Settlements	\$ -	\$ -
Recovery of PUC deposits	\$ 574,000	-
Accounts Receivable:		
Accounts Receivables, Net	180,000	80,000
Agent Receivables, Net	-	-
Fixed Assets:		
Currently In Use:		
Computer Hardware	58,508	8,478
Office / Agent Equipment	305,050	3,050
Store & Warehouse Eqpmnt.	349	35
Furniture & Fixtures	77,593	7,759
Automobiles	7,367	2,500
Computer Software	447,005	-
Total Above	\$ 2,064,819	\$ 538,770

2. Distribution of Liquidation Proceeds from Sale of Assets and Collection of Receivables

Liquidation Proceeds Available for Distribution	\$ 538,770
Less: Estimate for Post Petition A/P	\$ (1,285,000)
Less: Del'd Revenue (Est Customer Dpts for future svc)	\$ -
Less: Sales & Telecom Taxes Payable - Post Petition	\$ -
Less: Liquidation Expenses	(100,212)
Available for distribution to Creditors	\$ (846,442)
Less: Pending Pre-Petition Claims	
Secured Debt	\$ (1,057,000)
Priority Debt	\$ (429,000)
Unsecured Debt - See Note 2	\$ (7,299,888)
Total Claims	\$ (8,785,888)
Adjusted Claims	\$ (8,785,888)
Estimated Shortfall	<u>\$ (9,632,328)</u>

Note 1 - Assumes no residential revenue

Note 2 - Does not include disputed claim of Arbros Communications in the amount of \$39,033,978

All values are estimates and are subject to change

**John E. McClure Salary Projections
11 Month Budget
Ending February 28, 2006**

Base Salary as of 1-1-05	\$ 200,000.00
Monthly	\$ 16,666.67
Apr-05 *	\$ 15,000
May-05	\$ 15,000
Jun-05	\$ 15,000
Jul-05	\$ 15,000
Aug-05	\$ 8,000
Sep-05	\$ 5,000
Oct-05	\$ 5,000
Nov-05	\$ 5,000
Dec-05	\$ 5,000
Jan-06	\$ 5,000
Feb-06	\$ 5,000
11 Month Total	\$ 98,000

**NOTE: First salary reduction as of March 2005*

**COMMSOUTH COMPANIES, INC.
EMPLOYEE SALARY
11 MONTH BUDGET
AS OF 3-31-05**

EMPLOYEE		MONTHLY SALARY
CARL	NICHOLS	\$ 2,687
JATOYA	LAND	\$ 2,625
SANDRA	DELEON	\$ 2,625
STELLA	OLIVEREZ	\$ 2,625
BRENDA	WONG	\$ 3,731
SHEL	ROBERTSON	\$ 2,625
BETTY	FIELDS	\$ 3,333
BRENDA	GILLARD	\$ 6,250
RYAN	ALLEN	\$ 5,833
BEVERLY	ESTES	\$ 3,731
MARK	JAMES	\$ 4,331
KARLIN	AGUILAR	\$ 2,897
JOHN	OLIVEREZ	\$ 2,625
JULIE	ROAN	\$ 2,897
	TOTAL	\$ 48,816

Michael H. Ahrens, California Bar No. 44766
Craig Stuppi, California Bar No. 51663
Sarah M. Stuppi, California Bar No. 103041
SHEPPARD, MULLIN, RICHTER & HAMPTON LLP
Four Embarcadero Center, 17th Floor
San Francisco, California 94111-4106
Telephone: 415-434-9100
Facsimile: 415-434-3947

Document No. 547
Electronically Filed on 5-20-05

Attorneys for the Debtors and Debtors-in-Possession

Joe E. Marshall
Texas State Bar No. 13031100
MUNSCH HARDT KOPF & HARR, P.C.
1445 Ross Avenue, Suite 4000
Dallas, TX 75202
Telephone: 214-855-7500
Facsimile: 214-978-4365

Local Counsel for the Debtors and Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In re	§	CASE NO. 03-39496-HDH-11
	§	CASE NO. 03-39839-HDH-11
COMM SOUTH COMPANIES, INC.,	§	CASE NO. 03-39834-HDH-11
ALTAIR COMMUNICATIONS, INC.,	§	CASE NO. 03-39832-HDH-11
E-Z TEL, INC. and	§	
COMM SOUTH COMPANIES OF	§	Chapter 11
VIRGINIA, INC.,	§	
	§	(Jointly Administered Under
Debtors.	§	Case No. 03-39496)
	§	
	§	Confirmation Hearing
	§	Date: June 28, 2005
	§	Time: 1:30 p.m.
	§	Place: Earl Cabell Building
	§	1100 Commerce Street
	§	Dallas, Texas 75242
	§	Judge: Hon. Harlin D. Hale

DEBTORS' SECOND AMENDED PLAN OF REORGANIZATION

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS	1
ARTICLE II RULES OF CONSTRUCTION	1
2.1 Generally	1
2.2 Exhibits	1
2.3 Time Periods	1
2.4 Miscellaneous	1
ARTICLE III BAR DATES AND METHOD OF CLASSIFYING CLAIMS AND EQUITY INTERESTS.....	1
3.1 Bar Date for Fee Claims	1
3.2 Bar Date for Administrative Claims	2
3.3 Bar Date For Pre-Petition Claims.	2
3.4 Administrative Claims, Priority Tax Claims and Fee Claims.....	2
ARTICLE IV CLASSIFICATION AND IMPAIRMENT OF CLAIMS AND EQUITY INTERESTS	2
4.1 Class 1 Claims (Priority Claims)	2
4.2 Class 2 Claim (Secured Tax Claims of the Texas Comptroller of Public Accounts).....	2
4.3 Class 3 Claims (Other Secured Claims).....	2
4.4 Class 4 (LEC Cure Claims).....	3
4.5 Class 5 Claims (Unsecured Claims)	3
4.6 Class 6 Equity Interests (Equity Interests).....	3
4.7 Acceptance by an Individual Creditor	4
4.8 Cramdown.....	4
ARTICLE V ADMINISTRATIVE CLAIMS, FEE CLAIMS AND PRIORITY TAX CLAIMS	4
5.1 Administrative Claims	4
5.2 Fee Claims	4
5.3 Priority Tax Claims.....	4
ARTICLE VI TREATMENT OF CLASSIFIED CLAIMS AND EQUITY INTERESTS.....	4
6.1 Priority Claims (Class 1).....	4
6.2 Secured Tax Claim of the Texas Comptroller of Public Accounts (Class 2)	5
6.3 Other Secured Claims (Class 3).....	5
6.4 LEC Cure Claims (Class 4).....	5
6.5 General Unsecured Claims (Class 5)	6
6.6 Equity Interests (Class 6).....	6
6.7 Subordination Rights	6
ARTICLE VII CANCELLATION OF EQUITY INTERESTS AND SECURITIES.....	6
7.1 Cancellation of Equity Interests and Securities Generally.	6
ARTICLE VIII IMPLEMENTATION OF THE PLAN.....	6
8.1 Post-Confirmation Operations & Comm South Trust	6
8.2 Treatment of Intercompany Claims and Guarantees	7
ARTICLE IX PROCEDURES FOR RESOLVING AND TREATING DISPUTED CLAIMS	7
9.1 Prosecution of Disputed Claims.....	7

9.2	Claims Settlement Procedures	7
	ARTICLE X DISTRIBUTIONS.....	8
10.1	Distributions after Allowance	8
10.2	Transmittal of Distributions and Notices.....	8
10.3	Unclaimed Property	8
10.4	Distributions on Non-Business Days	8
	ARTICLE XI EXECUTORY CONTRACTS AND UNEXPIRED LEASES	8
11.1	Assumption or Rejection of Executory Contracts and Unexpired Leases.....	8
11.2	Bar Date for Rejection Damages	9
	ARTICLE XII ADMINISTRATIVE PROVISIONS	9
12.1	Retention of Jurisdiction.....	9
12.2	Amendments to Plan.....	10
12.3	Successors and Assigns.....	11
12.4	Corporate Action.....	11
12.5	Effectuating Documents and Further Transactions.....	11
12.6	Severability	11
12.7	Exculpation of Certain Persons.....	11
12.8	Injunction	12
12.9	Blank Ballots.....	12

INTRODUCTION

Comm South Companies, Inc. ("Comm South"); Altair Communications ("Altair"); E-Z Tel, Inc. ("E-Z Tel"); and Comm South Companies of Virginia, Inc. ("Comm South Virginia"), debtors and debtors in possession under Chapter 11 of the Code (each a "Debtor" and collectively, the "Debtors"), collectively and jointly propose the following amended plan of reorganization:

ARTICLE I **DEFINITIONS**

Attached as Exhibit 1 are the definitions for certain terms that are capitalized in the Plan and its accompanying Disclosure Statement. If a capitalized term is used, but has not been defined in Exhibit 1, it will have the meaning attributed to it in the Code and the Rules.

ARTICLE II **RULES OF CONSTRUCTION**

2.1 Generally. The rules of construction in the Code and in the Rules will apply unless superseded by the Plan or the Confirmation Order.

2.2 Exhibits. Unless otherwise noted, all Exhibits are incorporated into and are a part of the Plan as if set forth in full. To the extent not annexed hereto, Exhibits will be filed with the Court on or before the Exhibit Filing Date. Copies can be obtained on written request to Sheppard, Mullin, Richter & Hampton, LLP, Four Embarcadero Center, 17th Floor, San Francisco, CA 94111, Attention: Judy Nakaso, 415-434-9100.

2.3 Time Periods. In computing any period of time prescribed or allowed by the Plan, Rule 9006(a) will apply.

2.4 Miscellaneous. (a) Unless the context requires otherwise, the words "herein," "hereof," "hereunder," and other words of similar import refer to the Plan as a whole, (b) whenever it appears appropriate from the context, terms stated in the singular or the plural include the singular and the plural, and pronouns include the masculine, feminine and the neuter, (c) the words "include" or "including" will not be words of limitation, but will be deemed to be followed by the phrase "without limitation," and (d) captions and headings to Articles and Sections of the Plan are inserted for reference only and are not intended to be a part of or to affect its interpretation.

ARTICLE III **BAR DATES AND METHOD OF CLASSIFYING CLAIMS AND EQUITY INTERESTS**

3.1 Bar Date for Fee Claims. All final applications for the payment of Fee Claims must be filed with the Court not later than 30 days after the Effective Date (or, if that date is not a Business Day, by the next Business Day).

3.2 **Bar Date for Administrative Claims.** The deadline for filing claims entitled to treatment as Administrative Claims will be January 31, 2006, or such earlier date as ordered by the Court. Holders of Administrative Claims that have already filed requests for payment of administrative claims or proofs of administrative claim will not be required to file additional requests for payment or proofs of claim.

3.3 **Bar Date For Pre-Petition Claims.** The deadline for filing pre-petition claims was January 26, 2004, except that the bar date for claims by governmental units was March 18, 2004.

3.4 **Administrative Claims, Priority Tax Claims and Fee Claims.** In accordance with Section 1123(a)(1) of the Code, Administrative Claims, Priority Tax Claims and Fee Claims have not been classified and are excluded from the Classes in Article IV.

ARTICLE IV
CLASSIFICATION AND IMPAIRMENT OF
CLAIMS AND EQUITY INTERESTS

All Claims and Equity Interests, except Administrative Claims, Fee Claims and Priority Tax Claims are placed in Classes as described below.

4.1 **Class 1 Claims (Priority Claims)**

(a) **Classification.** All Priority Claims against Debtors.

(b) **Impairment and Voting.** Class 1 Claims are unimpaired. Holders of Class 1 Claims are not entitled to vote on the Plan.

4.2 **Class 2 Claim (Secured Tax Claims of the Texas Comptroller of Public Accounts)**

(a) **Classification.** The Secured Tax Claims of the Texas Comptroller of Public Accounts.

(b) **Impairment and Voting.** The Class 2 Claim is impaired. The holder of the Class 2 Claim is entitled to vote on the Plan.

4.3 **Class 3 Claims (Other Secured Claims)**

(a) **Classification.** All Other Secured Claims.

(b) **Impairment and Voting.** Class 3 Claims are unimpaired. Holders of Class 3 Claims are not entitled to vote on the Plan.

4.4 Class 4 (LEC Cure Claims)

(a) Classification.

- Communications.
- (1) Class 4A are the Cure Claims of Bell South
 - (2) Class 4B are the Cure Claims of Qwest Communications.
 - (3) Class 4C are the Cure Claims of SBC Communications.
 - (4) Class 4D are the Cure Claims of Verizon-GTE.
 - (5) Class 4E are the Cure Claims of Valor Communications.
 - (6) Class 4F are the Cure Claims of TXU Communications.
 - (7) Class 4G are the Cure Claims of USA Digital.
 - (8) Class 4H are the Cure Claims of Frontier Communications.
 - (9) Class 4I are the Cure Claims of Century Telecom.
 - (10) Class 4J are the Cure Claims of Alltel.
 - (11) Class 4K are the Cure Claims of Sprint Communications.

(b) Impairment and Voting. All Class 4 claims are impaired and entitled to vote on the Plan, and each creditor in Class 4 shall be treated as a separate class for all purposes, including voting on the Plan.

4.5 Class 5 Claims (Unsecured Claims)

(a) Classification. All Unsecured Claims.

(b) Impairment and Voting. Class 5 Claims are impaired. Holders of Class 5 Claims are entitled to vote on the Plan.

4.6 Class 6 Equity Interests (Equity Interests)

(a) Classification. All Equity Interests in the Debtors.

(b) Impairment and Voting. Class 6 Equity Interests are impaired and are deemed to have rejected the Plan. As a result, they will not vote on the Plan.

4.7 **Acceptance by an Individual Creditor.** A Creditor will have accepted the Plan if it votes to accept by (a) so marking the ballot for the Class in which its Claim is placed, and (b) timely returning the ballot as instructed on its face.

4.8 **Cramdown.** If a Class does not accept, or is deemed to reject, the Plan in accordance with Sections 1126 and 1129(a) of the Code, Debtors request that the Court confirm the Plan in accordance with Section 1129(b) of the Code as to any rejecting Class. Debtors reserve the right to modify the Plan to the extent, if any, that confirmation under Section 1129(b) of the Code requires modification.

ARTICLE V

ADMINISTRATIVE CLAIMS, FEE CLAIMS AND PRIORITY TAX CLAIMS

5.1 **Administrative Claims.** Unless it agrees to receive other, less favorable treatment, each holder of an Allowed Administrative Claim will be paid 100% of the unpaid amount of its Allowed Administrative Claim in Cash. Payment will be made either (a) in the ordinary course of Debtors' business, or (b) 10 Business Days after the date the Administrative Claim becomes an Allowed Administrative Claim, but no later than 30 days after the Effective Date. Notwithstanding the foregoing, Allowed Administrative Claims of the United States Trustee for fees under 28 U.S.C. § 1930(a)(6) will be paid in accordance with the applicable schedule for payment of those fees.

5.2 **Fee Claims.** Unless it agrees to receive other, less favorable treatment, each holder of an Allowed Fee Claim will be paid 100% of the unpaid Allowed Fee Claim, in Cash. Payment will be made on or as soon as reasonably practicable: (a) 10 days after the Fee Claim becomes an Allowed Claim, or (b) on an interim basis as authorized by the Court in its Administrative Order Under 11 U.S.C. §§ 105(a) and 331, Establishing Procedures for Monthly and Interim Compensation and Reimbursement of Expenses for Professionals entered on November 26, 2003.

5.3 **Priority Tax Claims.** Unless (a) otherwise provided for in the Plan, or (b) it agrees to receive other, less favorable treatment, each holder of an Allowed Priority Tax Claim will receive Cash, in the unpaid amount of its Allowed Priority Tax Claim, with payment being made on the later of (1) the Effective Date or (2) the date the Priority Tax Claim becomes an Allowed Priority Tax Claim; provided, however, that in no event will such Claims be paid unless and until all Allowed Secured Claims and Allowed Administrative Claims have been paid in full or otherwise provided for. Claims or demands for penalties relating to a Priority Tax Claim will be disallowed. The holders of Allowed Priority Tax Claims will not assess or attempt to collect a penalty from Debtors or their respective assigns.

ARTICLE VI

TREATMENT OF CLASSIFIED CLAIMS AND EQUITY INTERESTS

6.1 **Priority Claims (Class 1).** Unless it agrees to receive other, less favorable treatment, each holder of an Allowed Priority Claim will be paid 100% of the unpaid amount of the Allowed Priority Claim by Debtors, in Cash. Payment will be made on or as soon

as reasonably practicable after the later of (a) the Effective Date, and (b) the date the Priority Claim becomes an Allowed Priority Claim.

6.2 Secured Tax Claim of the Texas Comptroller of Public Accounts (Class 2). The holder of the Class 2 Claim will receive from Debtors an Allowed Secured Claim in the principal amount of \$544,219 (the "Texas Comptroller Allowed Secured Claim"), in accordance with the following payment schedule:

(1) A 24-month payout (beginning on the 15th day of the month following the Confirmation Date) with a balloon payment in the 25th month as follows:

- (i) First 12 months, monthly payments of \$7,558;
 - (ii) Next 12 months, monthly payments of \$11,338;
 - (iii) Balloon payment in 25th month totaling \$317,467
- (the "Balloon").

(2) Payment terms of the Balloon shall be negotiated by the parties during the 25th month, or earlier, based on Debtors' financial condition at that time. The Debtors reserve the right to pay the entire balance of the Texas Comptroller Allowed Secured Claim in full on or before the Effective Date.

6.3 Other Secured Claims (Class 3). Unless it agrees to receive other, less favorable treatment, each holder of an Allowed Other Secured Claim will receive one of the following treatments as soon as reasonably practical on or before the Effective Date:

- (a) Debtors will leave unaltered all of that holder's other legal, equitable, or contractual rights with respect to its Class 3 Claim, including the retention of the Liens securing the Claim;
- (b) Debtors will convey the Collateral that is subject to the holder's Class 3 Claim; or
- (c) Debtors will pay to the holder of a Class 3 Claim Cash in the amount of its Allowed Class 3 Claim.

Debtors, in their sole discretion, will select which of these treatments each holder of an Allowed Class 3 Claim will receive.

6.4 LEC Cure Claims (Class 4). If one or more of the executory contracts of the Claims in Classes 4A through 4K are assumed by the Debtors on or before the Effective Date, those Claims shall be fully satisfied, discharged and released as of the Effective Date by the consensual modification and restatement of each such classes' respective interconnection and/or other executory contracts and agreements, as shall be evidenced by the execution and delivery of such modified agreements as to which the respective parties may agree which shall

include terms for repayment of all pre-petition amounts owed to each such creditor. No other distribution shall be made on account of any Allowed Class 4 claim. If one or more of the executory contracts are not assumed, the contract(s) will be deemed rejected pursuant to Sections 11.1 and 11.2 of this Plan and treated as provided therein.

6.5 General Unsecured Claims (Class 5). Each holder of an Allowed Unsecured Claim will receive its Pro Rata share of the proceeds of the Debtors' operations and liquidation of its assets, including the proceeds of any Avoidance Actions, after payment of Allowed Administrative Claims, Allowed Class 1 Claims, Allowed Class 2 Claims, Allowed Class 3 Claims and Allowed Class 4 Claims. The Comm South Trust will administer the payment of Class 5 Claims. The Comm South Trust will distribute any funds to Allowed Class 5 Claims as soon as is reasonably practical after the Effective Date, based on its review and determination of the Unsecured Claims and any necessary reserve for Disputed Claims. The Debtors will commence prosecution of any appropriate Avoidance Actions prior to the second anniversary of the Petition Date.

6.6 Equity Interests (Class 6). Holders of Class 6 Equity Interests will receive no distribution of any kind under the Plan on account of their Equity Interests. On the Effective Date, all Equity Interests in Comm South will be deemed cancelled.

6.7 Subordination Rights. Subordination rights, if any, arising out of provisions under Sections 510(a) and (b) of the Code will be enforced as to each class of Claim herein.

ARTICLE VII **CANCELLATION OF EQUITY INTERESTS AND SECURITIES**

7.1 Cancellation of Equity Interests and Securities Generally.

(a) Cancellation of Equity Interests. All Equity Interests in each of Debtors will be deemed cancelled on the Effective Date.

(b) Cancellation of Securities Generally. On the Effective Date, (1) the existing securities and any other note, bond, indenture, or other instrument or document evidencing or creating any indebtedness or obligation of Debtors, will be cancelled, and (2) the obligations of, and Claims against, Debtors under or relating to any agreements, indentures or certificates of designations governing the existing securities and any other note, bond, indenture or other instrument or document evidencing or creating any indebtedness or obligation of Debtors, as the case may be, will be released and discharged.

ARTICLE VIII **IMPLEMENTATION OF THE PLAN**

8.1 Post-Confirmation Operations & Comm South Trust. Until the Effective Date of the Plan, the Debtors will continue operations and will aggregate funds for disbursement to Allowed Administrative Claims, Allowed Fee Claims, Allowed Priority Tax

Claims, Allowed Class 1 Claims, Allowed Class 2 Claims, Allowed Class 3 Claims and Allowed Class 4 Claims. No distributions will be made outside the ordinary course of business to any Allowed Priority Tax Claim or Allowed Class 1 Claims until holders of Allowed Class 2 and Allowed Class 3 Claims have been paid in full or fully provided for.

However, if in any month following Confirmation the Debtors' monthly NET EBITDA is a negative number, Debtor's business operations shall cease and the Effective Date shall occur at the end of the month following the month in which NET EBITDA is negative. In the event of a default, the Debtors shall immediately comply with any applicable regulations of the Federal Communications Commission concerning notice to customers.

On the Effective Date, and to the extent funds exist to pay dividends to Allowed Class 5 Claims, the Comm South Trust will be established as a separate legal entity governed by the terms of the Comm South Trust Agreement. The Comm South Trust will be responsible for disbursing funds to Allowed Class 5 Claims. The Trustee will serve as the sole trustee of the Comm South Trust. After the Comm South Trust has been completely administered and all distributions have been made to Allowed Class 5 Claims, as provided in the Plan, and all other conditions to termination of the Comm South Trust Agreement have been satisfied, the Comm South Trust will be terminated prior to the entry of the final decree.

8.2 Treatment of Intercompany Claims and Guarantees. On the Effective Date (a) all intercompany Claims by and among the Debtors will be eliminated; (b) all pre-petition guarantees by one Debtor of another Debtor's obligation will be discharged, released and of no further force and effect; and (c) every Claim filed in the individual Chapter 11 Case of a Debtor will be deemed filed against the assets to be distributed to Creditors as provided in this Plan.

ARTICLE IX **PROCEDURES FOR RESOLVING AND TREATING DISPUTED CLAIMS**

9.1 Prosecution of Disputed Claims. The Debtors will have responsibility for objecting to the allowance of any Claim other than Class 5 Unsecured Claims. The Debtors are empowered, but not required, to consensually resolve disputes regarding the allowance, classification or amount of any Claim other than Class 5 Unsecured Claims. The Comm South Trust will prosecute Class 5 Claim objections. Objections that are filed and prosecuted as provided in this Section will be litigated to Final Order or compromised and settled in accordance with Section 9.2.

9.2 Claims Settlement Procedures. Notwithstanding any requirement that may be imposed by Rule 9019, from and after the Effective Date, all Claims may be compromised and settled, with approval of the Court, by the Debtors pursuant to their authority under Section 9.1, or the Comm South Trust in the case of Class 5 Claims.

ARTICLE X DISTRIBUTIONS

10.1 Distributions after Allowance. Distributions to holders of a Disputed Claim, to the extent that the Claim ultimately becomes allowed, will be made according to the provisions of the Plan governing the Class of Claims to which the Creditor belongs.

10.2 Transmittal of Distributions and Notices.

(a) Any property or notice that a Person is or becomes entitled to receive under the Plan may be delivered by regular mail, postage prepaid, in an envelope addressed to that Person at the address indicated on any notice of appearance filed by the Person or its authorized agent before the Effective Date. If no notice of appearance has been filed, notice will be sent to the address indicated on a properly filed proof of claim or, absent a proof of claim, to the address in the relevant Schedule of Assets and Liabilities for the Person. Property distributed in accordance with this Section will be deemed delivered to a Person, regardless of whether it is actually received.

(b) Holders of a Claim or Equity Interest may designate a different address for notices and distributions by notifying Debtors of that address in writing. To be effective, changes of address by a party entitled to receive distributions under the Plan will be by registered mail. Notification will be effective on receipt by Debtors.

10.3 Unclaimed Property. If a distribution remains unclaimed for a period of 30 days after it has been delivered (or attempted to be delivered) to the holder entitled to receive it under the Plan, the holder will forfeit the Unclaimed Property. Thereupon, all right, title and interest in and to the Unclaimed Property will immediately and irrevocably vest in the Debtors or, in the case of a Class 5 Claim, the Comm South Trust, for the benefit of other Creditors herein. The holder of an Allowed Claim previously entitled to Unclaimed Property will thereafter cease to be entitled to it, and any such remaining Cash shall revert to the Debtors or, in the case of Class 5 Claims, the Comm South Trust for payment to other Creditors as provided in this Plan. Upon such reversion, the Claim of any creditor or its successor with respect to such property shall be discharged and forever barred notwithstanding any federal or state escheat or other similar laws to the contrary.

10.4 Distributions on Non-Business Days. Any payment or distribution due on a day other than a Business Day will be made, without interest, on the next Business Day.

ARTICLE XI EXECUTORY CONTRACTS AND UNEXPIRED LEASES

11.1 Assumption or Rejection of Executory Contracts and Unexpired Leases. On the Effective Date, Debtors will reject all executory contracts and unexpired leases of the Estates under Sections 365 and 1123 of the Code, unless notice of Debtors' intention to assume an executory contract is given by the Debtors' to the other party to the contract on or

before the Effective Date.

11.2 Bar Date for Rejection Damages. If the rejection of an executory contract or unexpired lease under the Plan gives rise to a Claim by the non-Debtor party to the contract or lease, the Claim, to the extent that it is timely filed and is an Allowed Claim, will be classified as a Class 5 Claim. However, the Claim arising from the rejection will be forever barred and will not be enforceable against Debtors, unless a proof of the Claim is filed with the Court and served on the Debtors and the Comm South Trust within 30 days after the date the executory contract is rejected.

ARTICLE XII **ADMINISTRATIVE PROVISIONS**

12.1 Retention of Jurisdiction. The Court will retain such jurisdiction as is legally permissible, including for the following purposes:

(a) To determine the allowability, classification or priority of Claims on objection by Debtors, the Comm South Trust or any other party in interest entitled to file an objection, and to determine the validity, extent, priority and nonavoidability of consensual and nonconsensual Liens and other encumbrances;

(b) To issue injunctions, take such other actions or make such other orders as may be necessary or appropriate to restrain interference with the Plan or its execution or implementation by any Person, to construe and to take any other action to enforce and execute the Plan, the Confirmation Order, or any other order of the Court, to issue such orders as may be necessary for the implementation, execution, performance and consummation of the Plan and all matters it refers to, and to determine all matters that may be pending before the Court in the Chapter 11 Cases with respect to any Person;

(c) To protect the property of the Estates, including all Avoidance Actions, from claims against, or interference with, such property, including actions to quiet or otherwise clear title to such property or to resolve any dispute concerning Liens, security interests or encumbrances on any property of the Estates;

(d) To determine any Priority Tax Claims, Priority Claims, Administrative Claims or any other request for Allowance or payment of Claims or expenses entitled to priority under Section 507(a) of the Code;

(e) To resolve any dispute arising under or related to the implementation, execution, consummation or interpretation of the Plan and the making of distributions under it;

(f) To determine all motions related to the rejection, assumption or assignment of executory contracts or unexpired leases, or to determine any motion to reject an executory contract or unexpired lease under Article XI;

(g) To determine all applications, motions, adversary proceedings, contested matters, actions, and any other litigated matters instituted in and before the closing of the Chapter 11 Cases, including any remands;

(h) To enter a Final Order closing the Chapter 11 Cases;

(i) To modify the Plan under Section 1127 of the Code, remedy any defect, cure any omission, or reconcile any inconsistency in the Plan or the Confirmation Order so as to carry out its intent and purposes;

(j) To issue such orders in aid of consummation of the Plan and the Confirmation Order notwithstanding any otherwise applicable non-bankruptcy law, with respect to any Person, to the full extent authorized by the Code;

(k) To enable Debtors to prosecute all proceedings to set aside Liens or encumbrances and to recover any transfers, assets, properties or damages to which Debtors may be entitled under applicable provisions of the Code or any other federal, state or local laws except as may be waived pursuant to the Plan;

(l) To determine any tax liability under Section 505 of the Code;

(m) To enter and implement such orders as may be appropriate if the Confirmation Order is for any reason stayed, revoked, modified or vacated;

(n) To resolve any disputes concerning whether a Person had sufficient notice of the Chapter 11 Cases, the applicable Claims bar date, the hearing to consider approval of the Disclosure Statement or the Confirmation Hearing or for any other purpose;

(o) To resolve any dispute or matter arising under or in connection with any order of the Court entered in the Chapter 11 Cases;

(p) To hear and resolve litigation matters, including the Avoidance Actions;

(q) To approve any Claims settlement entered into or offset exercised by Debtors or the Comm South Trust; and

(r) To determine such other matters, and for such other purposes, as may be provided in the Confirmation Order or as may be authorized under provisions of the Code.

12.2 Amendments to Plan.

(a) Preconfirmation Amendment. Debtors may modify the Plan at any time before the Confirmation Order is entered provided that the Plan, as modified, and the

Disclosure Statement pertaining to it meet applicable Code requirements.

(b) Postconfirmation Amendment Not Requiring Resolicitation.

After entry of the Confirmation Order, Debtors may modify the Plan to remedy any defect or omission or to reconcile any inconsistencies in the Plans or in the Confirmation Order, as may be necessary to carry out its purposes and effects of the Plan, provided that (1) Debtors obtain approval of the Court for the modification, after notice and a hearing, and (2) the modification does not materially and adversely affect the interests, rights, treatment or distributions of any Class of Allowed Claims or Equity Interests under the Plan.

(c) Postconfirmation Amendment Requiring Resolicitation. After the Confirmation Date, Debtors may modify the Plan in a way that materially or adversely affects the interests, rights, treatment, or distributions of a Class of Claims or Equity Interests, provided that (1) the Plan, as modified, meets applicable Code requirements, (2) Court approval is obtained for the modification, after notice and a hearing, and (3) Debtors and/or the Comm South Trust, as applicable, comply with Section 1125 of the Code with respect to the Plan as modified.

12.3 Successors and Assigns. The rights, benefits and obligations of any Person named or referred to in the Plan will be binding on, and will inure to the benefit of, the heirs, executors, administrators, successors and/or assigns of that Person.

12.4 Corporate Action. Any matters provided for under the Plan involving the corporate or entity structure of any Debtor or corporate action, as the case may be, to be taken by or required of any Debtor will be deemed to have occurred and be effective as provided in the Plan and will be authorized and approved in all respects, without any requirement of further action by stockholders or directors of Debtors, as the case may be.

12.5 Effectuating Documents and Further Transactions. Each Debtor will be authorized to execute, deliver, file, or record such documents, contracts, instruments, releases, and other agreements and take such other actions as may be necessary to effectuate and further evidence the terms of the Plan.

12.6 Severability. If any provision of the Plan is determined to be unenforceable, the determination will not limit or affect the enforceability and operative effect of any other provisions of the Plan.

12.7 Exculpation of Certain Persons. As of the Effective Date, the Plan will be deemed to satisfy, waive and release in full any and all Persons who have held or may hold claims, any Equity Interest holder or Debtors against the Responsible Individual, Debtors, and each of their present employees, officers, directors, agents, advisors, attorneys or accountants, from any Claim arising out of or in connection with any act or failure to act in connection with their rights and duties arising under or related to the Chapter 11 Cases from the Petition Date to and including the Effective Date, except any (a) unknown claims, and (b) claims expressly created or preserved under the terms of the Plan or any documents executed, or to be executed, in connection with the Plan. Except as expressly provided in the Plan or any document executed or

to be executed in connection with the Plan, neither Debtors, the Responsible Individual, nor any of their respective present employees, officers, directors, agents, advisors, attorneys or accountants, will have any liability to Debtors, the Responsible Individual, nor any of their respective employees, officers, directors, agents, advisors, attorneys or accountants for actions taken or omitted to be taken under or in connection with the Plan or the Chapter 11 Cases from the Petition Date to and including the Effective Date.

12.8 Injunction. On entry of the Confirmation Order, and except as otherwise expressly provided in the Plan or in connection with its enforcement, all Persons who have held, hold or may hold Claims against Debtors that arose before the Effective Date are permanently enjoined from (a) commencing or continuing in any manner, directly or indirectly, any action or other proceeding of any kind against Debtors or any property of Debtors with respect to any such Claim, (b) the enforcement, attachment, collection or recovery by any manner or means, directly or indirectly, of any judgment, award, decree, or order against Debtors or any property of Debtors with respect to any such Claim, (c) creating, perfecting or enforcing, directly or indirectly, any Lien or encumbrance of any kind against Debtors or any property of Debtors, with respect to any such Claim, and (d) asserting, directly or indirectly, any setoff, or right of subrogation of any kind against any obligation due Debtors or any property of Debtors with respect to any such Claim.

Nothing contained in this Section 12.8 will prohibit the holder of a timely-filed proof of Claim from litigating its right to seek to have that Claim declared an Allowed Claim and paid in accordance with the distribution provisions of the Plan, or enjoin or prohibit the interpretation or enforcement by the claimant of any of the obligations of Debtors under the Plan.

12.9 Blank Ballots. Any ballot that is executed by a Creditor entitled to vote to accept or reject the Plan, but which indicates neither acceptance nor rejection, will be deemed an acceptance of the Plan. Any ballot that does not comply with the filing instructions on the ballot will not be counted for voting purposes.

Dated: May 10, 2005

COMM SOUTH COMPANIES, INC.

By: /s/ John E. McClure

John E. McClure

Dated: May 10, 2005

ALTAIR COMMUNICATIONS

By: /s/ John E. McClure

John E. McClure

Dated: May 10, 2005

COMM SOUTH COMPANIES OF VIRGINIA, INC.

By: /s/ John E. McClure

John E. McClure

Dated: May 10, 2005

E-Z TEL, INC.

By: /s/ John E. McClure

John E. McClure

Dated: May 10, 2005

By: /s/ Craig Stuppi

Craig Stuppi

Michael H. Ahrens, California Bar No. 44766

Craig Stuppi, California Bar No. 51663

Sarah M. Stuppi, Cal. Bar No. 103041

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

Four Embarcadero Center, 17th Floor

San Francisco, California 94111-4106

Telephone: 415-434-9100

Facsimile: 415-434-3947

Attorneys for the Debtors and Debtors-in-Possession

Joe E. Marshall, Texas Bar No. 13031100

MUNSCH HARDT KOPF & HARR, P.C.

4000 Fountain Place

1445 Ross Avenue

Dallas, Texas 75202-2790

Telephone (214) 855-7500

Facsimile (214) 978-4365

Local Counsel for the Debtors and Debtors-in-Possession

EXHIBIT 1

DEFINITIONS

1. "Administrative Claim" is a Claim, other than a Fee Claim, a Priority Tax Claim or a Priority Claim, for costs or expenses of administration allowed under Section 503(b) of the Code, including the actual, necessary costs and expenses incurred after the Petition Date to preserve the Estates and operate Debtors' businesses (such as wages, salaries, taxes or commissions for services rendered); and all fees and charges assessed against the Estates under to Section 1930 of Title 28 of the United States Code.

2. "Allowed" means, with respect to a Claim, the amount of such Claim: (a) that is scheduled by a Debtor pursuant to the Code and the Rules in a liquidated amount and that is not listed as contingent, unliquidated or disputed; (b) proof of which has been timely filed, or deemed timely filed under applicable law or order of the Court, with the Court pursuant to the Code, the Rules and any applicable orders of the Court, or late filed with leave of the Court after notice and a hearing; or (c) if such Claim is an Administrative Claim, proof of which, or application for which, has been timely filed, or deemed timely filed under applicable law or order of the Court, with the Court pursuant to the Code, the Rules and any applicable orders of the Court, or late filed with leave of the Court after notice and a hearing, and which, with respect to each of the foregoing clauses (a), (b) and (c); (1) has not been objected to within the period fixed by the Plan, the Rules and applicable orders of the Court or (2) has otherwise been Allowed by a Final Order or as set forth in the Plan.

3. "Allowed Claim" is a Claim that is Allowed, regardless of whether it became Allowed before or after the Effective Date. The amount of a Claim that is Allowed will be net of any valid setoff exercised with respect to it under the Code. Unless otherwise specified, in Section 506(b) of the Code or by order of the Court, an "Allowed Claim," will not, for purposes of distribution under the Plan, include (a) interest on any Claim accruing from or after the Petition Date, (b) punitive or exemplary damages, or (c) any fine, penalty or forfeiture.

4. "Avoidance Actions" are all claims, rights and Causes of Action assertable by Debtors, their successors or assignees, including an action brought under Sections 542, 543, 544, 545, 547, 548, 549, 550 or 553 of the Code and applicable state law.

5. "Bar Date" is the last date for filing proofs of Claim against Debtors set by the Court or as established in the Plan.

6. "Business Day" is any day except a Saturday, Sunday, or "legal holiday" as that term is defined in Rule 9006(a).

7. "Cash" means cash, cash equivalents and other readily marketable securities or instruments.

8. "Causes of Action" are actions, claims, Liens, liabilities, obligations, rights, suits, debts, sums of money, damages, judgments and demands whatsoever, whether known or unknown, in law, equity or otherwise.

9. "Chapter 11 Cases" are the Comm South Chapter 11 case filed on September 19, 2003, and the Altair, E-Z Tel and Comm South Virginia Chapter 11 cases filed on September 30, 2003.

10. "Claim" is a claim as defined in Code Section 101(5) against a Debtor, including (a) any asserted right to payment from any of Debtors, whether or not that right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured, (b) any asserted right to an equitable remedy for breach of performance if the breach gives rise to a right of payment from any of Debtors, whether or not the right to an equitable remedy is reduced to a judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured, or (c) any asserted right under Section 502(h) of the Code.

11. "Class" is a category of holders of Claims or Equity Interests described in Article IV of the Plan.

12. "Code" is Title 11 of the United States Code, as now in effect or hereafter amended to the extent such amendments are applied retroactively to the Chapter 11 cases.

13. "Collateral" is property of Debtors that secures a Claim, up to the amount of the Claim.

14. "Comm South Trust" is the irrevocable trust to be established on the Effective Date for the benefit of holders of Allowed Class 5 Claims in accordance with Section 8.1 of the Plan and from which Distributions will be made.

15. "Comm South Trust Agreement" is the agreement that governs the Comm South Trust, a copy of which will be attached to the Confirmation Order.

16. "Confirmation Date" is the date on which the Court enters the Confirmation Order on its docket.

17. "Confirmation Hearing" is the hearing pursuant to which the Court enters the Confirmation Order.

18. "Confirmation Order" is the order of the Court confirming the Plan pursuant to Section 1129 of the Code.

19. "Creditor" is any Person holding a Claim.

20. "Court" is the United States Bankruptcy Court for the Northern District of Texas, Dallas Division, or any other court exercising competent jurisdiction over the Chapter 11 Cases or any proceeding therein.

21. "Customer Deposits" are those certain deposits made by individuals, made before the commencement of the case to the extent of an amount not to exceed \$2,100 for each such individual, to Debtors for phone services for the personal, family or household use of such individuals, that were not delivered or provided.

22. "Deficiency Claim" is a claim by a Creditor arising out of the same transaction as a Secured Claim to the extent that the value, as determined by the Court under Section 506(a) of the Code, of the Creditor's interest in property of Debtors' estates securing the Claim is less than the amount of the Claim which has the benefit of that security as provided by Section 506(a) of the Code.

23. "Disputed Claim" is (a) if no proof of Claim has been timely filed or deemed timely filed under applicable law or order of the Court, a Claim that has been listed on a Debtor's Schedules of Assets and Liabilities as disputed, contingent or unliquidated, or (b) if a proof of Claim has been filed or deemed timely filed under applicable law or order of the Court, a proof of Claim as to which an objection has been timely filed and has not been withdrawn, overruled or denied by a Final Order, or granted in whole by a Final Order. For the purposes of the Plan a Claim is considered a Disputed Claim in its entirety before the time that an objection has been or may be filed if: (1) the amount or classification of the Claim specified in the relevant proof of Claim exceeds the amount or classification of any corresponding Claim scheduled by the appropriate Debtor in its Schedules of Assets and Liabilities, (2) any corresponding Claim scheduled by any of Debtors that has been scheduled as disputed, contingent or unliquidated, or (3) no corresponding Claim has been scheduled by the appropriate Debtor in its Schedules of Assets and Liabilities.

24. "Distribution" is Cash to be distributed by holders of Allowed Claims.

25. "Effective Date" is (a) if no stay of the Confirmation Order is at any time in effect, March 11, 2006; or (b) if a stay of the Confirmation Order is in effect, on the first business day after the later of (i) the date on which such stay is vacated or (ii) March 11, 2006; or (c) sooner as provided in paragraph 8.1 of the Plan.

26. "Equity Interest" is any ownership or equity interest in any of Debtors' common or preferred stock, and all warrants, options or other rights to purchase any ownership or interest in any of Debtors.

27. "Estate" is the relevant estate created in each of the Chapter 11 Cases under Section 541 of the Code and existing as of the Effective Date.

28. "Exhibit Filing Date" is the last date by which forms of the Exhibits to the Plan will be filed with the Court, which date will be as specified in the Plan for each Exhibit, but in any event, or when no date is specified, no later than 20 days before the Confirmation Hearing.

29. "Fee Claim" is a Claim for compensation or reimbursement of expenses of a Professional under Sections 327, 328, 330, 331 or 503(b) of the Code in connection with the Chapter 11 Cases.

30. "Final Order" means an order or judgment of the Court, as entered on the docket of the Court, that has not been reversed, stayed, modified, or amended, and as to which: (a) the time to appeal, seek review or rehearing or petition for certiorari has expired and no timely filed appeal or petition for review, rehearing, remand or certiorari is pending; or (b) any

appeal taken or petition for certiorari filed has been resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought.

31. "Liens" are, collectively, all mortgages, liens (statutory or otherwise), interests, security interests, licenses, assessments, levies, pledges, charges, encumbrances, equities, Claims (including claims of lessors/sublessors and licensors/sublicensors), covenants, conditions, options or restrictions (including restrictions set forth in applicable leases/subleases and licenses/sublicenses), of any nature whatsoever.

32. "NET EBITDA" shall be monthly Net Profits as shown on line 28 of Debtors' "Monthly Operating Report: Income Statement," adding back to said number the sum of line 18 (Interest Expense), line 19 (Depreciation), line 20 (Amortization) and line 21 (Other - if applicable), of said Income Statement.

33. "Other Secured Claims" are any Secured Claims, if Allowed, not expressly classified in Class 2.

34. "Person" is any individual, corporation, partnership, limited liability company, association, indenture trustee, organization, joint stock company, joint venture, estate, trust, governmental unit or any political subdivision thereof, Equity Interest holders, holders of Claims, current or former employees of any Debtor, or any other entity.

35. "Plan" is this Second Amended Plan of Reorganization, dated May 10, 2005, for Debtors, together with any amendments or modifications as Debtors may file hereafter in accordance with the terms of the Plan.

36. "Priority Claim" is any Claim, if Allowed, which is entitled to priority under Section 507(a) of the Code, other than (a) an Administrative Claim; (b) a Priority Tax Claim; or (c) a Fee Claim.

37. "Priority Tax Claim" is any Claim, if Allowed, that is entitled to priority under Section 507(a)(8) of the Code.

38. "Professional" is a Person retained or to be compensated for services rendered or costs incurred on or after the Petition Date through and including and after the Effective Date under Section 327, 328, 330, 503(b) or 1103 of the Code.

39. "Ratable," "Ratably," "Ratable Share" or "Pro Rata" is a number (expressed as a percentage) equal to the proportion that an Allowed Claim in a particular Class bears to the aggregate amount of (a) Allowed Claims plus (b) disputed Claims (in their aggregate Face Amount) in such Class as of the date of determination.

40. "Responsible Individual" means John McClure.

41. "Rules" are the Federal Rules of Bankruptcy Procedure and the local rules of the Court, as now in effect or hereafter amended to the extent such amendments are applied retroactively to the Chapter 11 Cases.

42. "Secured Claim" is, under Section 506 of the Code, that portion of a Claim that is secured by a valid, perfected and enforceable security interest, Lien, mortgage or other Encumbrance, that is not subject to avoidance under applicable bankruptcy or non-bankruptcy law, in or upon any right, title or interest of any of Debtors in and to property of the Estates, to the extent of the value of the holder's interest in the property as of the relevant determination date. The defined term Secured Claim includes any Claim that is (a) subject to an offset right under applicable law; and (b) a secured claim against any of Debtors under Sections 506(a) and 553 of the Code. "Secured Claim" does not include, for voting or distribution purposes, any Claim that would otherwise qualify as a Secured Claim, but that has been or will be paid in connection with the "cure" of defaults under an executory contract or unexpired lease assumed by a Debtor under Section 365 of the Code or pursuant to the Plan.

43. "Secured Tax Claim of the Texas Comptroller of Public Accounts" is that secured tax claim dated May 12, 2004 and subsequently filed herein designated Second Amended Secured Proof of Claim by the Texas Comptroller of Public Accounts.

44. "Trustee" is Dan Lain or any entity or entities designated by the Debtors to act in such capacity under the Comm South Trust Agreement.

45. "Unclaimed Property" is any distribution or distributable property unclaimed on or after the Effective Date or the date on which an additional distribution would have been made to the holder of an Allowed Claim. Unclaimed Property will include (a) checks (and the funds represented thereby) returned as undeliverable without a proper forwarding address; (b) funds for uncashed checks; and (c) checks (and the funds represented thereby) not mailed or delivered because no address to mail or deliver the property was available, notwithstanding efforts by Debtors or the Comm South Trust to locate such address which were commercially reasonable under the circumstances.

46. "United States Trustee" is the Office of the United States Trustee for the Northern District of Texas.

47. "Unsecured Claim" is any Claim that is not (a) an Administrative Claim; (b) a Priority Claim; (c) a Priority Tax Claim; (d) a Secured Claim; or (e) a Fee Claim, and includes any claim arising from the rejection by Debtors of any executory contract.

