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CONVERGENTCOMMUNICATIONS

Convergent Communications, Inc.

Consolidated Financial Statements

As of December 31, 1997 and June 30, 1998 And for the Three and Six Months Ended June 30, 1997 and 1998

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When used in this Report, the words "intend," "expects," "plans," "estimates," "anticipates," "projects," "believes," and similar expressions are intended to identify forward-looking statements. Specifically, statements included in this Report that are not historical facts, including statements about the Company's beliefs and expectations about its business and its industry are forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results or outcomes to differ materially. Such risks and uncertainties include, but are not limited to, the degree to which the Company is leveraged and the restrictions imposed on the Company under its existing debt instruments that may adversely affect the Company's ability to finance its future operations, to compete effectively against better capitalized competitors and to withstand downturns in it's business or the economy generally; and other factors discussed in the Company's filings with the Securities and Exchange Commission. Forward -looking statements included in this Report speak only as of the date hereof and the Company undertakes no obligation to revise or update such statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Frank Care Town Avenue

ASSETS

December 31, 1997

June 30, 1998 (unandine)

Current assets:

Cash and cash equivalents

Restricted cash

Short-term investments

Trade accounts receivable, net of allowance for doubtful

accounts of

respectively

Prepaid expenses and other current assets

Total current assets

Property and equipment

Less accumulated depreciation

Total property and equipment

Restricted cash, non-current

Goodwill, net of amortization of ..

respectively

Other intangible assets, net of amortization of

respectively

Investments and other assets

Total assets

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Trade accounts payable

Accrued compensation

Accrued interest

Other accrued liabilities

Current portion of long-term debt

Current portion of capital lease obligations

Liability related to business acquisition

Total current liabilities

Long term debt, net of discount, net of current portion

Long term capital lease obligations, net of current portion

Total liabilities

Commitments (note 6)

Shareholders' equity:

Preferred stock, I million shares authorized, none issued

Common stock, no par value, 100 million shares authorized,

26,859,000 and 27,473,507 issued and outstanding, respectively

Warrants

Treasury stock

Deferred compensation obligation

Accumulated other comprehensive income

Unearned compensation

Accumulated deficit

Total shareholders' equity

Total liabilities and shareholders' equity

The accompanying notes are an imagral part of these consolidated financial statements

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Operating revenue

Data and voice products

Data and voice services

Total revenue

Operating expenses
Operating costs
Selling, general and administrative
Depreciation and amortization
Total operating expenses

Operating loss

Other income (expense)
Interest expense
Interest income
Other, net

Net Loss
Other comprehensive income,
Unrealized holding gains on securities

Comprehensive income (loss)

Net loss per share:
Net loss per share (basic and diluted)
Weighted average number of shares
outstanding (basic and diluted)

CONVERGENT COMMUNICATIONS, INC. CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

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Common Shares	Common Stock	Tressury Stock	Deferred Compensation Obligation	Warrants	Uncarned Compensation	Other Comprehensive Income	Accumulated Deficit	Total	
						Accumulated			

Balance, December 31, 1997

Common stock insued for: 401K Match Payments to consultants Correction of private placement Business combinations **Exercise of stock options** Exercise of warrants Stock compensation Deferred stock compensation Warrants issued in private placement Amortization of uncorned compensation Other comprehensive income: Unrealized gain on securities Net loss Balance, June 30, 1998

For the six months ended

June 30, 1997

June 30, 1998

(unaudited)

Cash flows from operating activities:

Net loss

Adjustments to reconcile net loss to net cash used in operating activities:

Depreciation and amortization

Amortization of deferred financing costs included in interest expense

Provision for uncollectible accounts

Stock compensation expense

401-k contributions through the issuance of common stock

Change in working capital, net of the effects of business combinations:

Trade accounts receivable

Prepaid expenses and other current assets

Trade accounts payable

Accrued compensation

Accrued interest

Other accrued liabilities

Net cash used in operating activities

Cash flows from investing activities:

Additions of property and equipment

Acquisitions, net of cash acquired

Livestment

Short-term investments

Restricted cash

Other assets

Net cash used in investing activities

Cash flows from financing activities:

Proceeds from private placement, net of offering costs

Payments on long-term borrowings

Proceeds from new borrowings

Proceeds from sale of common stock, net

Proceeds from exercise of stock options and warrants

Cash paid to retire indebtedness of predecessor company

Net cash provided by financing activities

Net increase (decrease) in cash and cash equivalents
Cash and cash equivalents at beginning of period
Cash and cash equivalents at end of period

Non-cash disclosure:

Cash paid for interest
Cash paid for income taxes
Acquisition of property and equipment through the
issuance of capital leases
Common stock issued for business combinations



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CONVERGENT COMMUNICATIONS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 1996 and 1997 and for the year ended December 31, 1995, the period from January 1, 1996 to December 16, 1996, the period from inception (March 1, 1996) to December 31, 1996 and the year ended December 31, 1997 CONVERGENT COMMUNICATIONS, INC.

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