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CONVERGENT COMMUNICATIONS

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**

- AFI _____
- AFI _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG _____
- LIN _____
- OPC _____
- RCI _____
- SPC _____
- WDC _____
- _____

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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 its 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.

**CONVERGENT COMMUNICATIONS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME**

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)

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

CONVERGENT COMMUNICATIONS, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Shares	Common Stock	Treasury Stock	Deferred Compensation Obligation	Warrants	Unearned Compensation	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
Balance, December 31, 1997						(unaudited)			
Common stock issued 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 unearned compensation									
Other comprehensive income:									
Unrealized gain on securities									
Net loss									
Balance, June 30, 1998									

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

CONVERGENT COMMUNICATIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

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

Investment

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

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

CONVERGENT COMMUNICATIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONVERGENT COMMUNICATIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONVERGENT COMMUNICATIONS, INC.
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CONVERGENT COMMUNICATIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONVENT COMMUNICATIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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CONVERGENT COMMUNICATIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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CONVERGENT COMMUNICATIONS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
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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**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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