MGC

DEPOSIT D833

DATE AUG 24 1998

August 10, 1998

981062-TI

Florida Public Service Commission
Division of Administration
2540 Shumard Oak Blvd., Gerald Gunter Building
Tallahassee, Florida 32399-0850

Re: Application for Authority to Provide Interexchange Telecommunications Service Within the State of Florida

Dear Commission Administrator:

Enclosed for filing are an original and six (6) copies of the application form and a check in the amount of $250.00 from MGC Communications, Inc. ("MGC") for authority to provide the above-referenced service.

In addition, MGC requests that the Commission waive Rule 25-24.490(3) requiring posting of a bond. MGC requests a waiver based upon the financial strength shown in its response to item 18.A. in the attached application.

Sincerely,

Richard E. Heatter
Legal Counsel

09200 AUG 24 98

State of Florida

ORIGINAL

Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: October 5, 1998

TO: Lou Yambor, Division of Communications

FROM: Pete Lester, Division of Auditing and Financial Analysis PL

RE: Docket No. 981062-TI, MGC Communications, Inc., Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service

ALM
APC

Section 364.337 (3), Florida Statutes, requires the following:

> The commission shall grant a certificate of authority to provide intrastate interexchange telecommunications service upon a showing that the applicant has sufficient technical, financial, and managerial capability to provide such service in the geographic area proposed to be served.

Also Section 364.01 (3) and (4) states that:

> (3) The Legislature finds that the competitive provision of telecommunications service, including local exchange telecommunications service, is in the public interest.

and

> (4)(d) The Commission shall exercise its exclusive jurisdiction in order to: (d) Promote competition by encouraging new entrants into telecommunications markets . . .

Regarding the showing of financial capability, the Finance staff has analyzed the unaudited financial statements of MGC Communications, Inc. (MGC) for the three month period ending March 31, 1998. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, MGC has adequate liquidity, insufficient common equity, and reported a loss for the period.

In this matter, MGC is asking for a certificate to provide IXC service. Staff notes the limited nature of the application. For purposes of granting a certificate based on the financial information provided, the financial capability appears marginal.

Although an analysis of the financial statements reveals the applicant is in a marginal financial position, the applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that it raised funds for facilities through public stock offerings and privately placed investment. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.

cc: Division of Legal Services
Division of Records and Reporting (2)

ACK ____
AFA ____
APP ____
CAF ____
CMU ____
CTR ____
EAG ____
LEG ____
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OTH ____

DOCUMENT NUMBER-DATE
10969 OCT-6 98
FPSC-RECORDS/REPORTING

DOCKET NO. 981062-
MGC COMMUNICATIONS, INC.
IXC TELECOMMUNICATION SERVICE
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS
SEC FORM 10-Q

IN THOUSANDS	THREE MONTHS ENDED 03/31/98
CURRENT ASSETS	$79,582
CURRENT LIABILITIES	17,446
CURRENT RATIO	4.56
CASH	39,411
COMMON EQUITY	3,027
TOTAL DEBT	156,689
TOTAL PREFERRED STOCK	21,645
TOTAL INVESTOR CAPITAL	181,361
COMMON EQUITY RATIO	2%
NET INCOME	(6,734)
RETURN ON EQUITY	NEGATIVE

STATE OF FLORIDA

Commissioners:
JULIA L. JOHNSON, CHAIRMAN
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.

DIVISION OF RECORDS & REPORTING
BLANCA S. BAYÓ
DIRECTOR
(850) 413-6770

Public Service Commission

August 25, 1998

Richard E. Heatter, Esquire
MGC Communications, Inc.
3301 North Buffalo Drive
Las Vegas, Nevada 89129

Re: Docket No. 981062-TI

Dear Mr. Heatter:

This will acknowledge receipt of an application for certificate to provide interexchange telecommunications service by MGC Communications, Inc., which was filed with this office on August 24, 1998 and assigned the above-referenced docket number. Appropriate staff members will be advised.

Mediation may be available to resolve any dispute in this docket. If mediation is conducted, it does not affect a substantially interested person's right to an administrative hearing. For more information, contact the Office of General Counsel at (850) 413-6078 or FAX (850) 413-6079.

Please make notes as well that Commission Rule 25-22.005(7), F.A.C., requires certificated companies to notify the Commission of any changes in name, telephone, address, or contact person. Should your application be granted by the Commission, you will be expected to comply with this rule by advising us of any changes as they occur

Division of Records and Reporting
Florida Public Service Commission

MGC

DEPOSIT D833

DATE AUG 24 1998

Direct Dial

[illegible]

Richard E. Heatter
Legal Counsel

[illegible]

Angela Banbury
Legal Administration

August 10, 1998

981062-TI

Florida Public Service Commission
Division of Administration
2540 Shumard Oak Blvd., Gerald Gunter Building
Tallahassee, Florida 32399-0850

Re: Application for Authority to Provide Interexchange Telecommunications Service Within the State of Florida

Dear Commission Administrator:

Enclosed for filing are an original and six (6) copies of the application form and a check in the amount of $250.00 from MGC Communications, Inc. ("MGC") for authority to provide the above-referenced service.

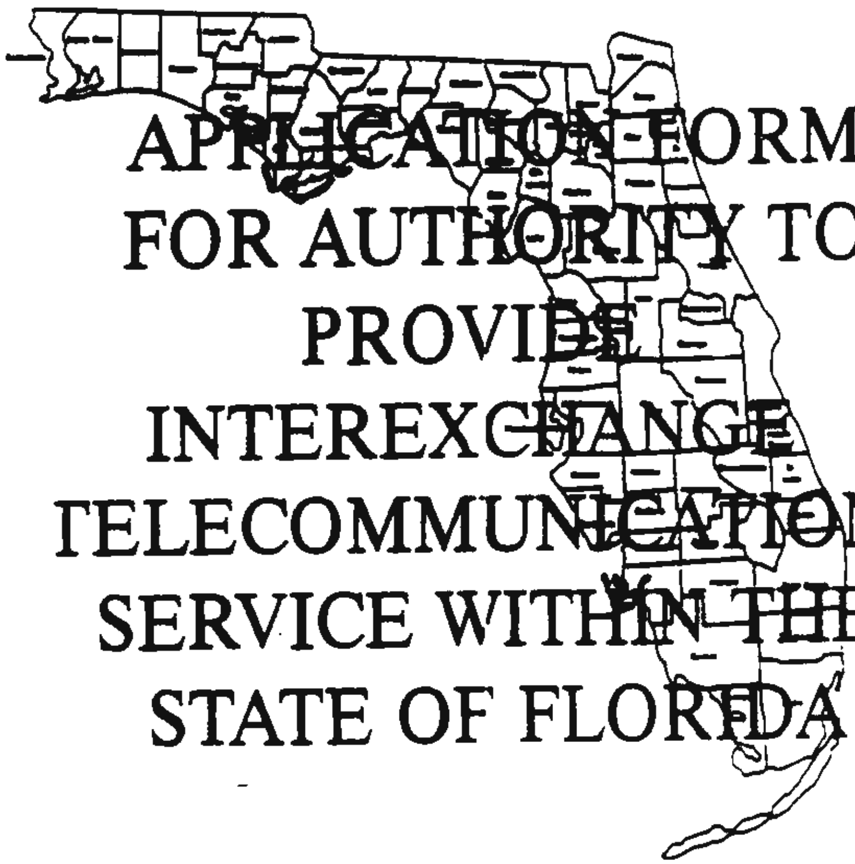
In addition, MGC requests that the Commission waive Rule 25-24.490(3) requiring posting of a bond. MGC requests a waiver based upon the financial strength shown in its response to item 18.A. in the attached application.

Sincerely,

Richard E . Heatter
Legal Counsel

09200 AUG 24 98

N. Buffalo Drive Las Vegas, Nevada Facsimile Number



APPLICATION FORM FOR AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATION SERVICE WITHIN THE STATE OF FLORIDA

** FLORIDA PUBLIC SERVICE COMMISSION **

DIVISION OF COMMUNICATIONS
BUREAU OF SERVICE EVALUATION

APPLICATION FORM
for
AUTHORITY TO PROVIDE
INTEREXCHANGE TELECOMMUNICATIONS SERVICE
WITHIN THE STATE OF FLORIDA

Instructions

A. This form is used for an original application for a certificate and for approval of sale, assignment or transfer of an existing certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee (See Appendix A).

B. Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.

C. Use a separate sheet for each answer which will not fit the allotted space.

D. If you have questions about completing the form, contact:

Florida Public Service Commission
Division of Communications
Bureau of Service Evaluation
2540 Shumard Oak Blvd., Gerald Gunter Building
Tallahassee, Florida 32399-0850
(850) 413-6600

E. Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of $250.00 to:

Florida Public Service Commission
Division of Administration
2540 Shumard Oak Blvd., Gerald Gunter Building
Tallahassee, Florida 32399-0850
(850) 413-6251

1. Select what type of business your company will be conducting ☑ (check all that apply):

(x) **Facilities based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.

(x) **Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.

(x) **Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.

( ) **Switchless Rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.

( ) **Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers. Then offers the resold service by enrolling unaffiliated customers.

(x) **Prepaid Debit Card Provider** - any person or entity that purchases 800 access from an underlying carrier or unaffiliated entity for use with prepaid debit card service and/or encodes the cards with personal identification numbers.

2. This is an application for ☑ (check one):

(x) **Original Authority** (New company).

( ) **Approval of Transfer** (To another certificated company).

( ) **Approval of Assignment of existing certificate** (To an uncertificated company).

( ) **Approval for transfer of control** (To another certificated company).

3. Name of corporation, partnership, cooperative, joint venture or sole proprietorship:

MGC Communications, Inc.

4. Name under which the applicant will do business (fictitious name, etc.):

MGC Communications, Inc.

5. National address (including street name & number, post office box, city, state and zip code).

3301 North Buffalo Drive
Las Vegas, Nevada 89129

6. Florida address (including street name & number, post office box, city, state and zip code):

The applicant does not yet have an office in Florida.

7. Structure of organization; check which applies.

( ) Individual (✓) Corporation
( ) Foreign Corporation ( ) Foreign Partnership
( ) General Partnership ( ) Limited Partnership
( ) Other, ________________

8. If applicant is an individual or partnership, please give name, title and address of sole proprietor or partners.

n/a

(a) Provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.

(b) Indicate if the individual or any of the partners have previously been:

(1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings.

(2) officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

9. If incorporated, please give:

(a) Proof from the Florida Secretary of State that the applicant has authority to operate in Florida.

Corporate charter number: F97000005301

(b) Name and address of the company's Florida registered agent.

CT Corporation
1200 South Pine Island Road
Plantation, Florida 33324

(c) Provide proof of compliance with the fictitious name statute (Chapter 865.09 FS), if applicable.

n/a
Fictitious name registration number: ______

(d) Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings.

No

(2) officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

No

10. Who will serve as liaison with the Commission in regard to (please give name, title, address and telephone number):

(a) The application;

Richard Heatter
Assistant Legal Counsel
3301 North Buffalo Drive
Las Vegas, Nevada 89129

(702) 310-4272

(b) Official Point of Contact for the ongoing operations of the company;

Jim Mitchell
President, Eastern Region
1593 Northeast Expressway
Atlanta, Georgia 30329
(404) 554-1000

(c) Tariff;

Carol Lisowski
Manager, Tariff Development and Compliance
3301 North Buffalo Drive
Las Vegas, Nevada 89129 Phone: (702) 310-4246

(d) Complaints/Inquiries from customers;

Jim Mitchell
President, Eastern Region
1593 Northeast Expressway
Atlanta, Georgia 30329

(404) 554-1000

11. List the states in which the applicant:

(a) Has operated as an interexchange carrier.

Nevada, Georgia and California

(b) Has applications pending to be certificated as an interexchange carrier.

None.

(c) Is certificated to operate as an interexchange carrier.

Nevada, Georgia, California and Illinois
and Massachusetts

(d) Has been denied authority to operate as an interexchange carrier and the circumstances involved.

None.

(e) Has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

None.

(f) Has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

None.

12. What services will the applicant offer to other certificated telephone companies: Check which applies.

(x) Facilities.
(x) Billing and Collection.
(x) Maintenance.
( ) Other: ____________________
(x) Operators.
(x) Sales.

13. Do you have a marketing program?

Yes.

14. Will your marketing program:

(x) Pay commissions?
( ) Offer sales franchises?
(x) Offer multi-level sales incentives?
(x) Offer other sales incentives?

15. Explain any of the offers checked in question 14 (To whom, what amount, type of franchise, etc.).

See attached.

16. Who will receive the bills for your service? ☑ (Check all that apply)

(x) Residential customers.
(x) Business customers.
( ) PATS providers.
( ) PATS station end-users.
(x) Hotels & motels.
( ) Hotel & motel guests.
( ) Universities.
( ) Univ. dormitory residents.
( ) Other: (specify)_______________________.

17. Please provide the following (if applicable):

(a) Will the name of your company appear on the bill for your services, and if not who will the billed party contact to ask questions about the bill (provide name and phone number) and how is this information provided?
Yes,

(b) Name and address of the firm who will bill for your service.

n/a

18. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide interexchange telecommunications service in Florida.

A. Financial capability.

15. Explain any of the offers checked in question 14 (To whom, what amount, type of franchise, etc.).

Sales Incentives

To agent/vendors with whom we have formal arrangements to sell our products, referral fees paid will be a function of volume of sales (measured in lines sold) and type of product sold & installed on our switch (line, voicemails, data, etc.).

Multi-Level Sales Incentives

To multi-level organizations with whom we have formal arrangements to sell our products, actual commissions paid will be a function of volume and type of products sold and installed on our switch.

Commissions

MGC's direct sales team is compensated on a base salary and commission basis. Commissions paid will be a function of volume in terms of number of lines sold and type of products sold and installed on our switch.

Regarding the showing of financial capability, the following applies: The application should contain the applicant's financial statements for the most recent 3 years, including:

1. the balance sheet

2. income statement

3. statement of retained earnings.

Further, **a written explanation**, which can include supporting documentation, regarding the following should be provided to show financial capability.

1. Please provide documentation that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

2. Please provide documentation that the applicant has sufficient financial capability to maintain the requested service.

3. Please provide documentation that the applicant has sufficient financial capability to meet its lease or ownership obligations.

NOTE: This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.

If available, the financial statements should be audited financial statements.

If the applicant does not have audited financial statements, it shall be so stated. The unaudited financial statements should then be signed by the applicant's chief executive officer and chief financial officer. The signatures should affirm that the financial statements are true and correct.

SEE ATTACHED EXHIBIT A

B. Managerial capability.

SEE ATTACHED EXHIBIT B

C. Technical capability.

SEE ATTACHED EXHIBIT C

19. Please submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.485 (example enclosed).

See Exhibit D.

20. The applicant will provide the following interexchange carrier services ☑ (Check all that apply):

X **MTS with distance sensitive per minute rates**
X Method of access is FGA
X Method of access is FGI
X Method of access is FGD
X Method of access is 800

__ **MTS with route specific rates per minute**
__ Method of access is FGA
__ Method of access is FGB
__ Method of access is FGD
__ Method of access is 800

X **MTS with statewide flat rates per minute (i.e. not distance sensitive)**
X Method of access is FGA
X Method of access is FGB
X Method of access is FGD
X Method of access is 800

X **MTS for pay telephone service providers**

__ **Block-of-time calling plan (Reach out Florida, Ring America, etc.)**

X **800 Service (Toll free)**

X **WATS type service (Bulk or volume discount)**
X Method of access is via dedicated facilities
__ Method of access is via switched facilities

X **Private Line services (Channel Services)**
(For ex. 1.544 mbs., DS-3, etc.)

_x_ **Travel Service**
__ Method of access is 950
_X_ Method of access is 800

__ **900 service**

_x_ **Operator Services**
_x_ Available to presubscribed customers
__ Available to non presubscribed customers (for example to patrons of hotels, students in universities, patients in hospitals.

__ Available to inmates

Services included are:

_X_ Station assistance
_X_ Person to Person assistance
_X_ Directory assistance
_X_ Operator verify and interrupt
__ Conference Calling

21. What does the end user dial for each of the interexchange carrier services that were checked in services included (above).

    Zero minus, zero plus, or 1411.

22. __ **Other:**

** APPLICANT ACKNOWLEDGEMENT STATEMENT **

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.

3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.

4. **APPLICATION FEE:** A non-refundable application fee of $250.00 must be submitted with the application.

5. **RECEIPT AND UNDERSTANDING OF RULES:** I acknowledge receipt and understanding of the Florida Public Service Commission's Rules and Orders relating to my provision of interexchange telephone service in Florida. I also understand that it is my responsibility to comply with all current and future Commission requirements regarding interexchange service.

6. **ACCURACY OF APPLICATION:** By my signature below, I the undersigned owner or officer of the named utility in the application, attest to the accuracy of the information contained in this application and associated attachments. I have read the foregoing and declare that to the best of my knowledge and belief, the information is a true and correct statement. **Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083".**

UTILITY OFFICIAL:

Signature	8/17/98 Date
V. P. Title	(702) 310-8258 Telephone No.

**** APPENDIX A ****

CERTIFICATE TRANSFER STATEMENT

N/A

I, **(TYPE NAME)** ______________________________,

(TITLE) ______________________________,

of **(NAME OF COMPANY)**____________ __________

________________, and current holder of certificate number __________,

have reviewed this application and join in the petitioner's request for a transfer of the above-mention certificate.

UTILITY OFFICIAL:

______________________________ ______________________________
Signature Date

____

______________________________ ______________________________
Title Telephone No.

**** APPENDIX B ****

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

A statement of how the Commission can be assured of the security of the customer's deposits and advance payments may be responded to in one of the following ways (applicant please check one):

☑ SEE COVER LETTER FOR WAIVER REQUEST.

( ) **The applicant will not collect deposits nor will it collect payments for service more than one month in advance.**

( ) **The applicant will file with the Commission and maintain a surety bond in an amount equal to the current balance of deposits and advance payments in excess of one month. (Bond must accompany application.)**

UTILITY OFFICIAL:

Signature	Date
Title	Telephone No.

FORM PSC/CMU 31 (12/96).
Required by Commission Rule Nos. 25-24.471, 25-24.473, and 25-24.480(2)

** APPENDIX C **

INTRASTATE NETWORK

1. **POP:** Addresses where located, and indicate if owned or leased.

   1) 201 NE 4th Street 2)
   Fort Lauderdale, Florida 33301

   3) 4)

2. **SWITCHES:** Address where located, by type of switch, and indicate if owned or leased.

   1) 201 NE 4th Street
   Fort Lauderdale, Florida 33301
   (Nortel DMS-500, owned)

   2) All RSC's in central offices are switches. (List included in Exhibit F.)

   3) 4)

3. **TRANSMISSION FACILITIES:** Pop-to-Pop facilities by type of facilities (microwave, fiber, copper, satellite, etc.) and indicate if owned or leased.

POP-to-POP	TYPE	OWNERSHIP

1) All transmission facilities are leased by MGC, point to point.

2)

4. **ORIGINATING SERVICE:** Please provide the list of exchanges where you are proposing to provide originating service within thirty (30) days after the effective date of the certificate (Appendix D).

   MGC intends to be in service in Fort Lauderdale on or about October 15, 1998. The central offices which will be turned up at the time are listed in Exhibit E. They include West Palm Beach, Pompano Beach, Fort Lauderdale and Hollywood.

5. **TRAFFIC RESTRICTIONS:** Please explain how the applicant will comply with the EAEA requirements contained in Commission Rule 25-24.471 (4) (a) (copy enclosed).

   MGC intends to route our end-user dialed 0+ local and 0- calls to the serving local exchange company. There will be no change or augmentation to the dialed pattern for 0+ local or 0- calls.

6. **CURRENT FLORIDA INTRASTATE SERVICES:** Applicant has ( ) or has not ( ) previously provided intrastate telecommunications in Florida. If the answer is <u>has</u>, fully describe the following:

   a) What services have been provided and when did these services begin?

   b) If the services are not currently offered, when were they discontinued?

UTILITY OFFICIAL:

Signature	Date
Title	Telephone No.

** APPENDIX D **

FLORIDA TELEPHONE EXCHANGES

AND

EAS ROUTES

Describe the service area in which you hold yourself out to provide service by telephone company exchange. If all services listed in your tariff are not offered at all locations, so indicate.

In an effort to assist you, attached is a list of major exchanges in Florida showing the small exchanges with which each has extended area service (EAS).

** FLORIDA EAS FOR MAJOR EXCHANGES **

Extended Service Area with	These Exchanges
PENSACOLA:	Cantonment, Gulf Breeze Pace, Milton Holley-Navarre.
PANAMA CITY:	Lynn Haven, Panama City Beach, Youngstown-Fountain and Tyndall AFB.
TALLAHASSEE:	Crawfordville, Havana, Monticello, Panacea, Sopchoppy and St. Marks.
JACKSONVILLE:	Baldwin, Ft. George, Jacksonville Beach, Callahan, Maxville, Middleburg, Orange Park, Ponte Vedra and Julington.
GAINESVILLE:	Alachua, Archer, Brooker, Hawthorne, High Springs, Melrose, Micanopy, Newberry and Waldo.

OCALA:	Belleview, Citra, Dunnellon, Forest Lady Lake (B21), McIntosh, Oklawaha, Orange Springs, Salt Springs and Silver Springs Shores.
DAYTONA BEACH:	New Smyrna Beach.
TAMPA:	Central None East Plant City North Zephyrhills South Palmetto West Clearwater
CLEARWATER:	St. Petersburg, Tampa-West and Tarpon Springs.
ST. PETERSBURG:	Clearwater.
LAKELAND:	Bartow, Mulberry, Plant City, Polk City and Winter Haven.
ORLANDO:	Apopka, East Orange, Lake Buena Vista, Oviedo, Windermere, Winter Garden, Winter Park, Montverde, Reedy Creek, and Oviedo-Winter Springs.
WINTER PARK:	Apopka, East Orange, Lake Buena Vista, Orlando, Oviedo, Sanford, Windermere, Winter Garden, Oviedo-Winter Springs Reedy Creek, Geneva and Montverde.
TITUSVILLE:	Cocoa and Cocoa Beach.
COCOA:	Cocoa Beach, Eau Gallie, Melbourne and Titusville.
MELBOURNE:	Cocoa, Cocoa Beach, Eau Gallie and Sebastian.
SARASOTA:	Bradenton, Myakka and Venice.

FT. MYERS:	Cape Coral, Ft. Myers Beach, North Cape Coral, North Ft. Myers, Pine Island, Lehigh Acres and Sanibel-Captiva Islands.
NAPLES:	Marco Island and North Naples.
WEST PALM BEACH:	Boynton Beach and Jupiter.
POMPANO BEACH:	Boca Raton, Coral Springs, Deerfield Beach and Ft. Lauderdale.
FT. LAUDERDALE:	Coral Springs, Deerfield Beach, Hollywood and Pompano Beach.
HOLLYWOOD:	Ft. Lauderdale and North Dade.
NORTH DADE:	Hollywood, Miami and Perrine.
MIAMI:	Homestead, North Dade and Perrine

EXHIBIT A

Statement of Financial Fitness and Relevant Financial Information

MGC COMMUNICATIONS, INC. ("MGC") is financially qualified to operate as an interexchange telecommunication service carrier in Florida. The funding required for construction and operation of MGC's telecommunications network in Florida has been provided through a public common stock offering as well as privately placed investment. Accordingly, MGC has the financial resources to provide the services described in this application. As is evident from MGC's financial statement (see MGC's Form 10-Q Financial Report filed with the Securities and Exchange Commission, which is being filed with the application), MGC has significant assets and profits to finance its operations.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT URSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 1998

Commission file number 333-38875

MGC Communications, Inc.
(Exact name of registrant as specified in its charter)

Nevada	88-0360042
(State of incorporation)	(IRS Employer Identification Number)

3301 North Buffalo Drive
Las Vegas, Nevada 89129
(Address of principal executive offices)

(702) 310-1000
(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

YES X NO

The number of shares outstanding of the issuer's common stock, as of May 11, 1998:

Common stock ($.001 par value) ... 9,185,640

INDEX

	Page No.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MGC COMMUNICATIONS, INC.

STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

<Table>
<Caption>

	THREE MONTHS ENDED MARCH 31, 1998	THREE MONTHS ENDED MARCH 31, 1997
	(UNAUDITED)	
<S>	<C>	<C>
Telecommunication services:		
Operating revenues	$ 2,846	$ 212
Operating expenses:		
Cost of operating revenues (excluding depreciation)	2,371	539
Selling, general and administrative	2,562	883
Depreciation and amortization	867	160
	5,800	1,582
Loss from operations	(2,954)	(1,370)
Other income (expense):		
Interest income	2,169	128
Interest expense (net of amount capitalized)	(5,505)	--
Net loss	(6,290)	(1,242)
Accrued preferred stock dividend	(444)	--
Net loss applicable to common stockholders	$ (6,734)	$ (1,242)
Basic and diluted loss per share of common stock	$ (.76)	$ (.15)
Basic and diluted weighted average shares outstanding	8,892,282	8,078,306

</Table>

See accompanying condensed notes to unaudited interim financial statements.

MGC COMMUNICATIONS, INC.

BALANCE SHEETS
(IN THOUSANDS)

<Table>
<Caption>

<S>	MARCH 31, 1998 (UNAUDITED) <C>	DECEMBER 31, 1997 <C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 39,411	$ 45,054
Investments held to maturity	8,619	7,797
Restricted investments	28,449	18,482
Amounts receivable for shares issued	163	--
Trade accounts receivable, less allowance for doubtful accounts of $239 and $216	2,617	1,200
Prepaid expenses	323	277
Total current assets	79,582	72,810
Property and equipment, net	34,421	24,617
Investments held to maturity	49,367	49,913
Restricted investments	29,917	39,092
Deferred financing costs, net of amortization of $408 and $198	5,371	5,448
Other assets	149	97
Total assets	$198,807	$191,977
LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 387	$ 381
Accounts payable:		
Trade	1,908	462
Property and equipment	3,999	3,123
Accrued interest	10,528	5,328
Accrued other expenses	1,011	786
Total current liabilities	17,833	10,080
Senior Secured Notes, net of unamortized discount of $3,738 and $3,882	156,262	156,118
Other long-term debt	40	138
Total liabilities	174,135	166,336
Commitments and contingencies		
Redeemable preferred stock:		
8% Series A convertible preferred stock, 6,571,450 shares authorized, 6,571,427 and 5,148,570 issued and outstanding	21,645	16,665
Stockholders' equity:		
Preferred stock, 43,428,550 shares authorized but unissued	--	--
Common stock, $0.001 par value, 60,000,000 shares authorized, 9,185,640 and 8,799,600 shares issued and outstanding	9	9
Additional paid-in capital	24,388	22,118
Accumulated deficit	(19,197)	(12,463)
	5,200	9,664
Notes receivable from stockholders for issuance of common stock	(2,173)	(688)
Total stockholders' equity	3,027	8,976
Total liabilities, redeemable preferred stock and stockholders' equity	$198,807	$191,977

</Table>

See accompanying condensed notes to unaudited interim financial statements.

MGC COMMUNICATIONS, INC.

STATEMENTS OF REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

<Table>
<Caption>

	REDEEMABLE PREFERRED		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	NOTES RECEIVABLE FROM STOCKHOLDERS FOR ISSUANCE OF COMMON STOCK	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT	SHARES	AMOUNT				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE AT DECEMBER 31, 1996...........	--	$ --	7,176,000	$ 7	$12,276	$ (1,491)	$ --	$ 10,792
Common stock issued for cash...........	--	--	1,458,600	2	4,860	--	--	4,862
Common stock issued for notes receivable.........	--	--	165,000	--	688	--	(688)	-
Proceeds from offering allocated to warrants........	--	--	--	--	3,885	--	--	3,885
Warrants issued for common stock commitment.........	--	--	--	--	409	--	--	409
Net loss.............	--	--	--	--	--	(10,836)	--	(10,836)
8% Series A Convertible Preferred Stock issued for cash....	5,148,570	16,665	--	--	--	--	--	
Accrued preferred stock dividend.....	--	--	--	--	--	(116)	-	(116)
BALANCE AT DECEMBER 31, 1997...........	5,148,570	16,665	8,799,600	9	22,118	(12,463)	(688)	$ 8,976
Common stock issued for cash...........	--	--	99,840	--	772		--	772
Common stock issued for notes receivable.........	--	--	189,000	--	1,485	--	(1,485)	--
Warrants and options exercised for Common Stock......	--	--	97,200	--	13	--	--	13
Net loss.............	--	--	--	--	--	(6,290)	--	(6,290)
8% Series A Convertible Preferred Stock issued for cash....	1,422,857	4,980	--	--		--	--	--
Accrued preferred stock dividend.....	--	--	--	--	--	(444)	--	(444)
BALANCE AT MARCH 31, 1998 (UNAUDITED)...	6,571,427	$21,645	9,185,640	$ 9	$24,388	$(19,197)	$(2,173)	$ 3,027

</Table>

See accompanying condensed notes to unaudited interim financial statements.

MGC COMMUNICATIONS, INC.

STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

<Table>
<Caption>

<S>	THREE MONTHS ENDED MARCH 31, 1998 (UNAUDITED) <C>	1997 <C>
Cash flows from operating activities:		
Net loss	$ (6,290)	$(1,242)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	867	160
Amortization of debt discount	144	--
Amortization of deferred debt financing costs	210	--
Changes in assets and liabilities:		
Increase in accounts receivable, net	(1,442)	(89)
(Increase) decrease in prepaid expenses	(46)	10
Increase in other assets	(52)	(5)
Increase in accounts payable -- trade	1,446	235
Increase in accrued expenses	4,981	25
Net cash used in operating activities	(182)	(906)
Cash flows from investing activities:		
Purchase of property and equipment, net of payables	(9,795)	(847)
Purchase of investments held to maturity	(276)	--
Purchase of restricted investments	(792)	--
Net cash used in investing activities	(10,863)	(847)
Cash flows from financing activities:		
Costs associated with issuance of Senior Secured Notes and warrants	(133)	--
Proceeds from issuance of 8% Series A convertible preferred stock, net of issuance costs	4,980	--
Payments on other long term debt	(92)	--
Proceeds from issuance of common stock during 1996	--	1,153
Proceeds from issuance of common stock during 1997	--	4,331
Proceeds from issuance of common stock during 1998	647	--
Net cash provided by financing activities	5,402	5,484
Net (decrease) increase in cash	(5,643)	3,731
Cash and cash equivalents at beginning of period	45,054	7,897
Cash and cash equivalents at the end of period	$ 39,411	$11,628
Supplemental schedule of non-cash investing and financing activities:		
Increase in property and equipment purchases included in accounts payable -- property and equipment	$ 876	$ --
Stock issued for notes receivable	$ 1,485	$ --
Other disclosures:		
Cash paid for interest net of amounts capitalized	$ 305	$ --

</Table>

See accompanying condensed notes to unaudited interim financial statements

MGC COMMUNICATIONS, INC.
Condensed Notes to Unaudited Interim Financial Statements

(1) BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of MGC Communications, Inc., a Nevada corporation (the "Company") reflect all normal recurring adjustments, which management believes are necessary to present fairly the financial position, results of operations, and cash flows for the Company for the respective periods presented. Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission for Form 10-Q. These unaudited interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Registration Statement on Form S-1 filed by the Company with the Securities and Exchange Commission.

The balance sheet at December 31, 1997 was derived from the audited financial statements, but does not include all disclosures required under generally accepted accounting principles.

(2) PROPERTY AND EQUIPMENT

Property and equipment consist of the following (in thousands):

<Table>
<Caption>

<S>	MARCH 31, 1998 (UNAUDITED) <C>	DECEMBER 31, 1997 <C>
Building and property	$ 258	$ 278
Switching equipment	23,326	21,621
Leasehold improvements	990	956
Computer hardware and software	1,485	1,404
Office equipment and vehicles	348	300
	26,407	24,559
Less accumulated depreciation and amortization	(2,184)	(1,317)
	24,223	23,242
Switching equipment under construction	10,198	1,375
Net property and equipment	$34,421	$24,617

</Table>

(3) DEBT

Long-term borrowings at December 31, 1997 consist of the following:

<Table>
<Caption>

<S>	(IN THOUSANDS) <C>
13% Senior Secured Notes, due October 1, 2004, net of unamortized discount of $3,882	$156,118
10% note payable in monthly installments through February 1999	441
Other	78
	156,637
Less current portion	(381)
	$156,256

</Table>

Maturities of long-term debt for each of the next five years ending December 31, consist of the following:

<Table>
<Caption>

<S>	(IN THOUSANDS) <C>
1998	$ 381
1999	117
2000	21
2001	--
2002 and thereafter	156,118
	$156,637

</Table>

In September 1997, the Company completed an offering for 160,000 units consisting of $160 million of 13% Senior Secured Notes due in 2004 and warrants to purchase 774,720 shares of common stock (collectively the "Offering").

The Notes bear interest at the rate of 13% per annum, payable semi-annually in arrears on April 1 and October 1, commencing April 1, 1998. As set forth in the Indenture pursuant to which the Notes were issued, the Company is required to hold in a trust account sufficient funds to provide for payment in full of interest on the Notes through October 1, 2000. The accompanying financial statements reflect approximately $57.6 million as restricted investments as security for the interest payments on the Notes. In addition, the Notes are secured by a security interest in certain telecommunications equipment owned by the Company or which may be acquired in the future. As of December 31, 1997, the Notes were secured by a security interest in telecommunications equipment with a net book value of $11.1 million and restricted investments of $57.6 million (at fair market value).

In conjunction with the Offering, the Company engaged an investment banking firm which determined a value for each warrant and share of common stock. Consistent with this determination, the Company has allocated a portion of the Offering proceeds to the warrants based on a value of $4.68 per share of common stock less the exercise price of $.02 per share for the warrant.

The warrants are exercisable at any time on or after the earlier to occur of (i) October 1, 1998, or (ii) the date on which a change in control occurs. The agreement pursuant to which the warrants were issued required an antidilution adjustment for stock issued through December 31, 1997 if the preferred stock offering was consummated at a price less than $5.00 per share. As further discussed in Note 5, the Company completed the preferred stock offering for $3.50 per share. Accordingly, the warrants issued in connection with the Offering were increased from 774,200 to 862,923 and have been reflected in the accompanying financial statements as of December 31, 1997. Expenses allocated to the warrants in connection with the Offering were $141,000. The warrants expire on October 1, 2004.

In conjunction with the Offering, certain persons deposited an aggregate of $15.0 million in escrow (the Common Stock Commitment), which funds were to have been applied to the purchase of shares of Common Stock in the event the Company failed to sell at least $15.0 million of preferred stock within a certain period of time. Since sufficient preferred stock was issued within the time period, the investors received a return of their funds contributed to escrow. As a commitment fee for the Common Stock Commitment, the Company issued to all such persons contributing to the escrow funds warrants to purchase an aggregate of 90,000 shares of Common Stock at $.02 per share.

The Company has recorded the commitment fee as non-cash consideration in connection with the Offering. The value of the warrants issued as a commitment fee was determined based on a value of the Company's common stock at $4.68 per share less the exercise price of $.02 per share for the warrant. All such warrants were exercised in January and February 1998.

The Notes may be redeemed at the option of the Company, in whole or in part, on or after October 1, 2001, at a premium declining to par in 2003, plus accrued and unpaid interest and liquidated damages, if any, through the redemption date as follows:

YEAR	PERCENTAGE
2001	106.50
2002	103.25
2003 and thereafter	100.00

In the event of a sale by the Company prior to October 1, 2000 of its capital stock in one or more equity offerings, up to a maximum of 35% of the aggregate principal amount of the Notes originally issued will, at the option of the Company, be redeemed from the net cash proceeds at a redemption price equal to 113% of the principal amount, plus accrued and unpaid interest and liquidated damages, if any, to the redemption date, provided at least 65% of the aggregate principal amount of Notes originally issued remain outstanding immediately after the occurrence of such redemption. As of the date of these financial statements, management has no intention of redeeming the Notes prior to their stated redemption date.

The Indenture contains certain covenants that among other things, limit the ability of the Company and its restricted subsidiaries to incur additional indebtedness and issue preferred stock, pay dividends or make other distributions, repurchase equity interests or subordinated indebtedness, acquire an aggregate of more than 20 Switches until consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) is positive for two consecutive quarters (with certain exceptions), engage in sale and lease back transactions, create certain liens, enter into certain transactions with affiliates, sell assets of the Company or its restricted subsidiaries, conduct certain lines of business, issue or sell equity interests of the Company's restricted subsidiaries or enter into certain mergers and consolidations. As of December 31, 1997, management believes it is in compliance with all debt covenants.

In conjunction with the Offering, the authorized capital stock of the Company was increased to 60,000,000 shares of common stock, $.001 par value per share, and 50,000,000 share of preferred stock, $.001 par value per share.

In January 1998, the Company filed a registration statement offering to exchange the Notes (discussed in Note 3) for 13% Series B Senior Secured Notes Due 2004 under the Securities Act of 1933, as amended. Terms of the 13% Series B Senior Secured Notes due 2004 are substantially the same as the Notes. The exchange was consummated in March 1998.

Associated with the issuance of the Notes, expenses of $68,000 were paid to a related party for charter services.

(5) REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY

COMMON STOCK

In June 1997, the Company approved agreements with two key members of management granting them rights to purchase a total of 150,000 shares at $3.33 per share and 165,000 shares at $4.17 per share. In both cases, the Company retains the right to repurchase these shares at their cost in the event of termination of employment for any reason and has agreed to finance the purchase price of the shares purchasable at $4.17 per share over a period of three years. During September 1997, the members of management exercised their rights and the respective aforementioned shares were issued. The Company received $500,000 for the 150,000 shares issued at $3.33 per share. The $688,000 owed to the Company for the 165,000 shares issued at $4.17 per share has been classified in the accompanying statements of redeemable preferred stock and stockholders' equity as notes receivable from stockholders for issuance of common stock.

During the three months ended March 31, 1998, the Company offered 99,840 shares of $.001 par value Common Stock at prices ranging from $5.83 to $8.33 per share, for total proceeds to the Company of $772,000.

During the three months ended March 31, 1998, the Company approved agreements with 12 key members of management to purchase a total of 189,000 shares of Common Stock. The purchase price of these shares ranged from $5.83 to $8.33 per share. The $1,485,000 owed to the Company is classified in the accompanying statements of redeemable preferred stock and stockholders' equity as notes receivable from stockholders for issuance of common stock.

REDEEMABLE PREFERRED STOCK

The Company has authorized the issuance of up to 50,000,000 shares of preferred stock. In November 1997, the Company designated 6,571,450 shares as 8% Series A Convertible Preferred Stock (the "Preferred Stock").

In November 1997, the Company completed a private placement offering in which 5,148,570 shares of the Preferred Stock were issued at $3.50 per share, for total proceeds to the Company of approximately $16.7 million, net of expenses. Each share of Preferred Stock is convertible into shares of Common Stock at any time at the option of the holder. In addition, each share of Preferred Stock is automatically converted into Common Stock at its then applicable conversion rate in the event of a qualified firm-commitment underwritten public offering, as defined.

In January 1998, the Company completed an additional private placement offering in which 1,422,857 shares of Preferred Stock were issued at $3.50 per share for total proceeds to the Company of approximately $5.0 million, net of expenses. The terms of the offering were substantially identical to those of the previous preferred stock offering.

Dividends on the Preferred Stock accumulate whether or not the Company has earnings or profits, whether or not there are funds legally available for the payment of such dividends and whether or not dividends are declared. Except as may otherwise be required by law, holders of Preferred Stock are entitled to vote together with the holders of the Common Stock and not as a separate class and are entitled to elect two members of the Company's Board of Directors.

Commencing at any time on or after October 2, 2004, at the option and written election of the holders of a majority of the outstanding shares of the Preferred Stock, the Company shall, subject to applicable law, redeem all of the outstanding shares of Preferred Stock at a price equal to the greater of (1) $3.50, plus an amount equal to any unpaid dividends thereon, or (2) the market value of the Preferred Stock, on an as converted basis, determined by an independent appraiser.

(5) COMMITMENTS AND CONTINGENCIES

LEASE OBLIGATIONS

The Company has entered into various leasing agreements for its switching facilities and offices. The facility which houses the Company's headquarters in Las Vegas is owned by two of the Company's principal stockholders and directors. Management believes the terms and conditions of this agreement are equal to or better than the terms which would be available from an unaffiliated lessor.

Future minimum lease obligations in effect as of December 31, 1997 are as follows (in thousands):

<Table>

<S>	<C>
Payments during the year ending December 31:	
1998	$ 679
1999	643
2000	660
2001	633
2002	617
Thereafter	478
	$3,710

</Table>

Rent expense was $207,000 for the year ended December 31, 1997.

PURCHASE COMMITMENTS

In the ordinary course of business, the Company enters into purchase agreements with its vendors of telecommunications equipment. In May 1997, the Company signed an agreement to purchase 20 Northern Telecom DMS-500 switches and related Access Nodes from its primary vendor. As of December 31, 1997, the Company had a total for all vendors of approximately $37.4 million of remaining purchase commitments for purchases of switching equipment.

INTERCONNECTION AGREEMENTS

The Company has interconnection agreements with five incumbent local exchange carriers. These agreements expire on various dates through July 2000.

The Company is dependent on the cooperation of the incumbent local exchange carriers to provide access service for the origination and termination of its local and long distance traffic. Historically, these access charges can make up a significant percentage of the overall cost of providing these services. To the extent the access services of the local exchange carriers are used, the Company and its customers are subject to the quality of service, equipment failures and service interruptions of the local exchange carriers.

(6) RISKS AND UNCERTAINTIES

Certain rates in the interconnection agreements have been established by the Federal Communications Commission (FCC) and are subject to adjustment upon final negotiations. The Company has recorded costs of sales related to the Sprint (Nevada) interconnection agreement at amounts which are management's best estimates of the probable outcome of the final negotiated rates, which are less than the FCC established rates. The difference, which totals approximately $1.1 million at December 31, 1997, has not been recorded in the accompanying financial statements. Management believes that the resolution of this matter will not have an adverse effect on the Company's financial position, results of operations, or liquidity.

(7) SUBSEQUENT EVENT

The Company's registration statement on Form S-1/A relating to the sale of 3,500,000 shares of common stock at $17.00 per share, was declared effective by the Securities and Exchange Commission on May 11, 1998. The Company granted the underwriters a 30-day option to purchase up to 525,000 additional shares of common stock. The offering is expected to close on May 15, 1998. In conjunction with the initial public offering of the Company's common stock, the Company effected a six for ten reverse stock split (the "reverse stock split"), which has been reflected in the accompanying financial statements. The Company intends to pay cash for the repurchase of any fractional shares created by the reverse stock split. In addition to the reverse stock split, the Company's 6,571,427 outstanding shares of Preferred Stock are to convert to 3,942,856 shares of common stock upon consummation of a qualified firm-commitment underwritten public offering, as defined. The conversion of the Preferred Stock has not been reflected in the accompanying financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

MGC began providing competitive local exchange services to small business and residential users in December 1996, and in February 1998, began offering long distance services in its existing markets. MGC's network strategy consists of purchasing and deploying switching equipment, collocating equipment in ILECs' COs and leasing fiber optic transmission capacity from ILECs and other providers of communications transport services. Currently, the Company has switches fully operational in Las Vegas and in selected suburban areas of Atlanta and Los Angeles.

The Company's 1997 revenues were primarily generated from local phone service, switched access billings and non-recurring charges (principally installation charges). As a result of the introduction of long distance and data services in late 1997, the Company expects that a meaningful portion of its revenues will be generated from such services beginning in 1998.

The Company's principal operating expenses consist of direct costs, operating costs and depreciation. Direct costs consist of access charges, line installation expenses, transport expenses, engineering costs and long distance expenses. Operating costs are comprised of sales and marketing, customer service and general and administrative expenses. As the Company expands into new markets, both direct costs and selling, general and administrative costs increase prior to achieving significant revenue. Significant levels of marketing activity may be necessary in new markets in order for the Company to build a customer base large enough to generate sufficient revenues to offset such marketing expenses. In addition, selling, general and administrative costs may increase in the short term after the Company enters a new market because many of the fixed costs of providing service in new markets are incurred before significant revenue can be expected from those markets.

The development and expansion of the Company's business will require significant expenditures. The Company's capital expenditures primarily consist of the purchase of communications switching and associated equipment, the purchase of land for switching sites and the construction of buildings or leasehold improvements to house switches. As part of its network strategy, the Company has made the strategic decision to purchase and install Nortel DMS 500 switches in each of its target markets. This strategy initially increases its level of capital expenditures and operating losses. However, over the long term, the Company believes this will enhance its financial performance.

The Company has experienced operating losses and generated negative EBITDA since inception and expects to continue to generate negative EBITDA through the year 1999 while it installs and expands its networks and develops its business. There can be no assurance the Company's revenue or customer base will grow or that the Company will be able to achieve or sustain positive EBITDA.

RESULTS OF OPERATIONS

The following is a comparison of the first quarter 1998 with the fourth quarter 1997 and first quarter 1997.

Quarter over Quarter Comparison -- March 31, 1998 vs. December 31, 1997

Total operating revenues for the quarter ended March 31, 1998 were $2.8 million as compared to $1.9 million for the quarter ended December 31, 1997. The increase from the fourth quarter 1997 to the first quarter 1998 is a result of the increase in the number of lines placed in service during the first quarter 1998, the introduction of long distance service which commenced in February

1998 and the first full quarter of operations for the Atlanta and Los Angeles markets. The Company had 20,924 lines in service at the end of the first quarter 1998 as compared to 15,590 lines in service at the end of the fourth quarter 1997.

Cost of operating revenues for the quarter ended March 31, 1998 was $2.4 million as compared to $1.4 million for the quarter ended December 31, 1997. The increase from quarter to quarter is due to the increased number of lines placed in service during the first quarter 1998 and the incurrence of network expenses associated with the Company's long distance product.

For the quarter ended March 31, 1998, selling, general and administrative expenses totaled $2.6 million as compared to $2.5 million for the quarter ended December 31, 1997. These expenses were incurred in connection with the marketing of the Company's services and the continued buildout of the Company's network. These expenses consisted primarily of payroll expenses, provision for bad debts, professional fees and rents.

Depreciation and amortization expense includes depreciation on switching equipment as well as general property and equipment. For the quarter ended March 31, 1998 depreciation and amortization was $0.9 million as compared to $0.5 million for the quarter ended December 31, 1997. This increase is a result of the Company's placing additional assets in service during the first quarter 1998 in accordance with the planned buildout of its network.

Interest expense for the first quarter 1998 totaled $5.5 million as compared to $5.4 million for the fourth quarter 1997. This amount is attributable to interest incurred on the Senior Secured Notes issued by the Company in late September 1997.

Interest income was $2.2 million in both the fourth quarter 1997 and the first quarter 1998. The interest income is attributable to earnings on investments made in late September 1997 with the proceeds from the issuance of Senior Secured Notes.

The Company incurred net losses of $6.3 million and $5.7 million during the first quarter 1998 and the fourth quarter 1997, respectively.

Quarter over Quarter Comparison -- March 31, 1998 vs. March 31, 1997

Total operating revenues for the quarter ended March 31, 1998 were $2.8 million as compared to $0.2 million for the quarter ended March 31, 1997. The increase from the first quarter 1997 to the first quarter 1998 is a result of the addition of two markets to the Company's operating territory, increases in the number of lines placed in service and the introduction of long distance service during February 1998. The Company conducted business in Las Vegas and selected suburban areas of Atlanta and Los Angeles during the first quarter 1998 as compared to Las Vegas only during first quarter 1997. The Company had 20,924 lines in service at the end of first quarter 1998 as compared to 3,801 lines in service at the end of the first quarter 1997.

Cost of operating revenues for the quarter ended March 31, 1998 was $2.4 million as compared to $0.5 million for the quarter ended March 31, 1997. The increase from quarter to quarter is due to the increased number of lines placed in service, opening the Atlanta and Los Angeles markets and introducing the Company's long distance product. The Company began incurring network expenses associated with its long distance product during the first quarter 1998.

For the quarter ended March 31, 1998, selling, general and administrative expenses totaled $2.6 million as compared to $0.9 million for the quarter ended March 31, 1997. These expenses were incurred in connection with the marketing of the Company's services and the continued buildout of the Company's network. These expenses consisted primarily of payroll expenses, provision for bad debts, professional fees and rents.

Depreciation and amortization expense includes depreciation on switching equipment as well as general property and equipment. For the quarter ended March 31, 1998, depreciation and amortization was $0.9 million as compared to $0.2 million for the quarter ended March 31, 1997. This increase is a result of the Company placing additional assets in service during the twelve month period in accordance with the planned buildout of its network.

Interest expense for first quarter 1998 totaled $5.5 million as compared to no interest expense being incurred during first quarter 1997. This amount is attributable to interest incurred on the Senior Secured Notes issued by the Company in late September 1997.

Interest income for the quarter ended March 31, 1998 was $2.2 million as compared to $0.1 million for the quarter ended March 31, 1997. The increase is attributable to earnings on investments made in late September 1997 with the proceeds from the issuance of Senior Secured Notes.

The Company incurred net losses of $6.3 million and $1.2 million during the first quarter 1998 and the first quarter 1997, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operations have required substantial capital investment for the purchase of telecommunications equipment and the design and development of the Company's networks. Capital expenditures for the quarter ended March 31, 1998 were $10.7 million. The Company expects it will continue to have substantial capital requirements in connection with the (i) purchase of switches necessary for expansion of local exchange services and provisioning of long distance services, and (ii) development of new markets. Management expects capital expenditures of $84.6 million for fiscal year 1998.

The Company has funded a substantial portion of these expenditures through the private sales of debt and equity securities. From its inception through March 31, 1998, the Company raised approximately $17.9 million from private sales of Common Stock.

In September 1997, the Company completed a $160.0 million offering of Senior Secured Notes and warrants to purchase 862,923 shares of Common Stock (after giving effect to certain anti-dilution adjustments). At the closing of the sale of the Senior Secured Notes, the Company used approximately $56.8 million of the net proceeds from the sale of the Senior Secured Notes to purchase a portfolio of securities that has been pledged as security to cover the first six interest payments on the Senior Secured Notes and the Company used approximately $3.1 million of the net proceeds to pay accounts payable incurred in connection with the acquisition of equipment. In addition, the Company has granted the holders of the Senior Secured Notes a security interest in certain of the Company's telecommunications equipment.

In November 1997 and January 1998, the Company issued an aggregate of 6,571,427 shares of Series A Convertible Preferred Stock at $3.50 per share for net proceeds of $21.6 million. The shares of Series A Convertible Preferred Stock will be converted into 3,942,856 shares of Common Stock upon consummation of a qualified firm-commitment underwritten public offering.

The Company's Registration Statement on Form S-1/A relating to the sale of 3,500,000 shares of common stock at $17.00 per share was declared effective by the Securities and Exchange Commission on May 11, 1998, and public trading of the Company's common stock commenced on May 12, 1998. This offering is expected to close on May 15, 1998.

The substantial capital investment required to initiate the Company's services and the funding of the Company's initial operations has resulted in negative cash flow since the Company's inception. This negative cash flow is a result of the need to establish the Company's switch-based network in anticipation of connecting revenue generating customers. The Company expects to continue to produce negative cash flow through the year 1999 due to expansion activities associated with the development of the Company's markets. There can be no assurance the Company will attain break-even cash flow in subsequent periods. Until sufficient cash flow is generated, the Company will be required to utilize its current and future capital resources to meet its cash flow requirements and may be required to issue additional debt and/or equity securities. Based upon its current business plan, the Company does not expect to require additional financing; however, there can be no assurance the Company will not require additional financing, or as to the availability or the terms upon which such financing might be available. Moreover, the indenture governing the Senior Secured Notes imposes certain restrictions upon the Company's ability to incur additional indebtedness or issue preferred stock.

IMPACT OF YEAR 2000

The Year 2000 issue is the result of computer-controlled systems using two digits rather than four to define the applicable year. For example, computer programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices or engage in similar normal business activities.

The Company believes its internal software and hardware systems will function properly with respect to dates in the year 2000 and thereafter. The Company is in the process of contacting all of its significant suppliers to determine the extent to which the Company's interface systems are vulnerable to those third parties' failure to remediate their own Year 2000 issues.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 130, Reporting Comprehensive Income. SFAS No. 130 requires companies to classify items of other comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity sections of a statement of financial position and is effective for financial statements issued for fiscal years beginning after December 15, 1997. The Company has adopted SFAS No. 130 during the three month period ended March 31, 1998 and has determined that such adoption will not result in comprehensive income different from net income as reported in the accompanying financial statements.

In June 1997, the FASB issued SFAS No. 131, Disclosure About Segments of an Enterprise and Related Information. SFAS No. 131 establishes additional standards for segment reporting in financial statements and is effective for fiscal years beginning after December 15, 1997. The Company currently operates as one segment.

The American Institute of Certified Public Accountants recently issued Statement of Position ("SOP") 98-5, "Reporting on the Costs of Start-Up Activities." SOP 98-5 requires start-up costs, as defined, to be expensed as incurred and is effective for financial statements for fiscal years beginning after December 15, 1998. The Company intends to adopt SOP 98-5, as required, and expense any previously capitalized start-up costs at that time. Management believes application of SOP 98-5 will not have a material impact on the Company's financial statements.

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES

During January 1998, the Company issued 1,422,857 shares of its Series A Convertible Preferred Stock to 35 investors who purchased the securities in a private placement. The gross proceeds of this private placement were $4,980,000. All of the securities were acquired by the recipients thereof for investment and with no view toward the sale or redistribution thereof. In each instance, the offers and sales were made without any public solicitation; the stock certificates bear restrictive legends; and appropriate stop transfer instructions have been or will be given to the transfer agent. No underwriter was involved in this transaction and no commissions were paid with respect to the sale of such securities. All issuances of securities under this private placement were made in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933 as transactions by an issuer not involving a public offering and Rule 506 under Regulation D promulgated under the Securities Act of 1933.

In January and February 1998, the Company issued 90,000 shares of Common Stock to four persons (two of whom are Directors of the Company and the other two of whom are significant stockholders in the Company) who exercised warrants at approximately $.02 per share for a total consideration of $1,500. These warrants were issued in September 1997 to these persons in consideration for their providing a commitment to purchase Common Stock of the Company in the event the Company failed to raise at least $15.0 million through the sale of its preferred stock within a certain period of time. All of the securities were acquired by the recipients thereof for investment and with no view toward the sale or redistribution thereof. In January 1998, a former officer exercised options to purchase 7,200 shares of Common Stock for a total purchase price of $12,000. These issuances of securities were made in reliance on the exemption from registration provided by Section 4 (2) of the Securities Act of 1933 as transactions by an issuer not involving a public offering; the sales were made without any public solicitation; the stock certificates bear restrictive legends; and appropriate stop transfer instructions have been or will be given to the transfer agent. No underwriter was involved in these transactions and no commissions were paid.

In March 1998, the Company issued 255,000 shares of Common Stock to 11 Executive Officers of the Company for a total consideration of $2,012,500, consisting of $562,500 in cash and $1,450,000 in three-year promissory notes. All of the securities were acquires by the recipients thereof for investment and with no view toward the sale or redistribution thereof. These issuances of securities were made in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933 as transactions by an issuer not involving a public offering; the sales were made without any public solicitation; the stock certificates bear restrictive legends; and appropriate stop transfer instructions have been or will be given to the transfer agent. No underwriter was involved in these transactions and no commissions were paid.

The above numbers of shares of Common Stock and per share price therefor reflect a six for ten reverse split implemented by the Company on May 8, 1998.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

There are no exhibits being filed with this Quarterly Report on Form 10-Q.

(b) Reports on Form 8-K

A Form 8-K dated as of February 6, 1998, was filed with the Commission to report that the Company did not renew the engagement of KPMG Peat Marwick LLP as its independent auditors and that Arthur Andersen LLP has been retained as the Company's independent auditors.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf of the undersigned, thereunto duly authorized.

MGC COMMUNICATIONS

Date: May 12, 1998

/s/ Maurice J. Gallagher, Jr.

Maurice J. Gallagher, Jr.
Chairman of the Board

Date: May 12, 1998

/s/ Linda M. Sunbury

Linda M. Sunbury
Vice President-Administration
Chief Financial Officer

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EXHIBIT B

Statement of Managerial Fitness and Managerial Qualifications

MGC COMMUNICATIONS, INC. is managerially qualified to provide interexchange telecommunication service in Florida. MGC's officers, directors and management team has considerable experience in marketing, sales, network operations, engineering, financail analysis/accounting, legal and regulatory, customer service, training, and other relevant areas. MGC's officers and managers have a combined managerial experience of well over 200 years. As the resumes of MGC's key personnel reflect, these individuals have substantial experience in running major business operations. Each member of MGC's management team will draw upon his or her own experience, as well as the collective experience of the entire management team, to ensure that MGC is managed and operated efficiently and profitably.

Maurice J. Gallagher, Jr., 48, is the Chairman of the Board of Directors and a founder of MGC, Inc. Mr. Gallagher was instrumental in organizing MGC with Mr. Montgomery. Mr. Gallagher was a founder of ValuJet Airlines, Inc. in 1993 and served as a Director with Valujet from 1993 until November, 1997. Mr Gallagher also held prior positions (President and CFO) with ValuJet from 1993 to 1994 and served as Vice Chairman from 1994 to 1997. Prior to that, Mr. Gallagher was a founder and President of WestAir Holding Inc. ("WestAir"), a commuter airline headquartered in Fresno, California. WestAir was sold to Mesa Airlines ("Mesa") in June, 1992. Mr. Gallagher was a member of the Mesa Board of Directors from June 1992 through March, 1993 and served as a Director of Submicron Systems, Inc. from April 1997 until November, 1997.

Nield J. Montgomery, 52, has been the Chief Executive Officer and President and a member of the Board of Directors of the Company since he participated in it founding. Mr. Montgomery has over 35 years of telephone experience, most recently serving as General Manager for ICG from April 1994 to June, 1995. In that capacity he was responsible for developing strategy and deploying telephone switches nationally to position the company to enter the local phone service business. Prior to that, Mr. Montgomery served as General Marketing and Sales Manager for Sprint/Centel (successor to Centel Nevada) ("Centel"). During his 13 year Centel career from 1979 to 1993, he served in senior executive positions directing engineering, operations, business office, sales, and marketing functions. Before joining Centel, Mr. Montgomery held a variety of management positions with NYNEX.

Timothy P. Flynn, 47,has served as a member of the Board of Directors of the Company since 1996. Mr. Flynn served as a member of the Board of Directors of ValuJet Airlines, Inc. since he participating in its founding in 1993 until November, 1997. Prior to that, Mr. Flynn was Chairman of the Board and CEO of WestAir Holding, Inc. He and Mr. Gallagher founded WestAir in 1983 and operated it through June, 1992 when it was sold to Mesa. Mr. Flynn was a member of the Board of Directors of Mesa from June, 1992 through March, 1993. Mr. Flynn and Mr. Gallagher are affiliated in a number of other transactions.

Jack Hancock, 61, has served as a Member of the Board of Directors of the Company since 1996. Mr. Hancock was Vice President of Systems Technology and Executive Vice President, Product and Technology for PacBell (from 1988 to 1993). Prior to joining PacBell, Mr Hancock was Executive Vice President for Information Systems, Strategic Planning, and Human Resources at Wells Fargo Bank (from 1982 to 1987). Before that, he was Senior Vice President for Management Information Systems at Chemical Bank (from 1978 to 1981). He is a member of the Boards of Directors of several public and private companies, including Union Bank of California (from 1994 to present) and Wittaker Corporation (from 1994 to present).

David Kronfeld, 50, was elected to serve as a Director of the Company in February, 1998. Mr. Kronfeld is the founder of JK&B Management Co., L.L.C., a venture capital firm, and has managed its affairs since 1995. Since 1989, Mr. Kronfeld has also been a partner at Boston Capital Ventures, a venture capital firm where he specialized in the telecommunications and software industries. Mr. Kronfeld was Vice President of Acquisitions and Venture Investments at Ameritech. Prior to Ameritech, Mr. Kronfeld was a Senior Manager at Booz, Allen & Hamilton, an international management consulting firm from 1977 to 1982 and a systems analyst at Electronic Data Systems from 1973 to 1975.

Thomas Neustaetter, 46, was elected to service as a Director in February, 1998. Since January, 1996, Mr Neustaetter has been a principal in The Chatterjee Group ("TCG"), an investment firm. Prior to that, he was managing director and founder of Bancroft Capital (financial advisory services) from January, 1996 to December, 1996 and was a managing director at Chemical Bank from 1990 to 1995.

Mitchell Allee, 51, has served as Vice President--Information Technology and Chief Information Officer of the Company since July, 1997. Although Mr. Allee is expected to devote the majority of his time to the Company pursuant to an independent contractor agreement with Palm Centre Drive, Inc. ("PCDI"), he will continue to direct CMS Solutions ("CMS"), a company which he owns and serves as president. Since its founding in 1985, CMS Solutions has been a software development company specializing in high volume financial transaction software. CMS clients have ranged from the smallest Public Utility District in California to Unocal Corporation where CMS developed a nationwide Chemical Distribution and Accounting System. CMS also developed the first ticketless reservation system for ValuJet Airlines.

John Boersma, 37, has served as Vice President of Operations of the Company since May, 1997. He served as Vice President of Carrier Relations for ICG Telecom Group, Inc. from 1996 to 1997. He was responsible for ICG's relationship with local exchange carriers and implementation, purchase agreements and service quality and served as vice President, Northern California Operations from April, 1994 to

September, 1996. He joined Bay Area Transport, now a part of ICG Telecom Group, in 1986 and held various positions, including responsibility for overall financial and operational performance, marketing management, new business development, regulatory affairs, and information systems development. He has been a member of the Board of Directors of ALTS, and served as the chairman of the association's Tariff Committee from 1991 until February, 1993.

Michael E. Burke, 53, has served as Vice President -- Network Operations of the Company since December, 1996. Mr. Burke has over 27 years of engineering and engineering project management experience in the telecommunications industry, and served most recently as a member of the Board of Directors and as Vice President—Network Design for Contel of California. Mr. Burke also served in various engineering management roles with Continental Telephone Company, California Pacific Utilities, and General Telephone Company of California.

David S. Clark, 37, has served as Vice President, Marketing of the Company since May, 1997. Mr. Clark has been in the telecommunications industry for nine years, with responsibilities including engineering, purchasing, product development, client acquisition and maintenance, marketing and advertising. From 1989 to 1997, Mr. Clark was employed by North American InTeleCom, his last position being Vice President of Communications Services. Prior to that, Mr. Clark held various management positions with national advertising agencies.

Kent F. Heyman 42, has served as Vice President and General Counsel of the Company since June, 1996. Mr. Heyman has 17 years of legal experience, most recently as chairman of the litigation department and Senior Trial Counsel of the Dowling, Magarian, Aaron & Heyman Law Firm. Mr. Heyman has served as a California Superior Court Judge pro tempore presiding over trial, settlement conference and other proceedings from 1990 to 1996.

James J. Hurley III, 49 has served as President, Midwest Region of the Company since March, 1998. He previously served as Chief Operating Officer of Wireless Works, Inc. in Chicago from 1996 to 1998. From 1992 to 1996, Mr. Hurley was President and Chief Executive Officer of Inn Room Systems, Inc. (a manufacturer of on-line room refreshment center). From 1976 to 1992, he held various finance, administration and operations management positions with Centel corporation. Mr. Hurley began his career with Arthur Andersen and Company from 1970 to 1976.

Thomas G. Keough, 52, has served as Vice President, Sales of the Company since December, 1996 and is responsible for all sales. He has over 20 years experience as a marketing and sales executive, serving most recently as Executive Vice President and Director of Sales for Jetstream Aircraft, a subsidiary of British Aerospace from 1992 to 1996. Mr. Keough also served in senior marketing and sales management roles with Beech Aircraft (from 1989 to 1992), Bombardier (from 1988 to 1989), Saab Aircraft of America (from 1983 to 1988), and DeHavilland (from 1976 to 1983).

James Mitchell, 37, has served as President, Eastern Region of the Company since February, 1998. Mr. Mitchell has over eight years of telephone industry experience, serving from 1990 to 1998 in various sales and marketing management roles with MCI, his last position being Regional Sales and Marketing Manager for the Southwest Region. Prior to joining MCI, Mr. Mitchell served as General Partner and Chief Financial Officer of Oak Value Partners, (a private money management firm) from 1987 to 1990. Mr. Mitchell began his career as an auditing associate with Price Waterhouse in Philadelphia.

Carol Mittwede, 42, has served as Vice President, Human Resources since January, 1998. Her responsibilities include all aspects of human resource management for MGC. Ms. Mittwede has spent the past 18 years working in the casino industry in both human resources and operations. She was Vice

President of Human Resources for the 2,000 room Flamingo Hilton in Laughlin, Nevada from 1989 to 1994. From 1994 to 1997, she served as the Vice President and General Manager of the Las Vegas Hilton.

Mark Peterson, 42, has served as President, Western Region of the Company since March, 1997. He previously served as head of corporate affairs for both WestAir Holding, Inc., operating as United Express in Fresno, California from 1988 to 1992 and for AirCal Airlines in Newport Beach, California from 1978 to 1982. He also served as marketing communications manager with Bank of America in San Francisco, worked as a marketing consultant in Northern California and was an instructor in business communications at California State University, Chico.

David A. Rahm, 43, has served as Vice President of Network Development of the Company since May, 1996. Mr. Rahm served as General Counsel of Chadmoore Wireless Group, Inc. from 1995 to 1996. Prior to that, Mr. Rahm served as Director of Administration, Acting Director of Production and General Counsel of Sigma Game, Inc. from 1993 to 1994. Mr Rahm also served as Assistant Vice President, Manager of Marketing, Credit, Leasing and Administration for Lodgistix, Inc. from 1980 to 1990

Walter J. Rusak, 49, has served as Vice President, Engineering since March, 1998. Mr. Rusak served as Chief Technical Officer of United Digital Network, Inc. from 1996 to 1998. Previously, Mr. Rusak was Senior Vice President and General Manager of California for ICG from 1995 to 1996. From 1991 to 1995, he was Vice President of Operations for U.S. Long Distance, Inc. Mr. Rusak was Director of Domestic Network Engineering for MCI from 1989 to 1991. From 1970 to 1989, Mr. Rusak held various engineering management positions with RBOCs and IXCs.

Linda Sunbury, 36, has served as Vice President of the Company since June, 1996 and Chief Financial Officer since February, 1998. Ms. Sunbury has over 12 years accounting and administrative experience, having held similar positions in the airline industry. Most recently, Ms. Sunbury was Vice President of Administration for Business Express, Inc. ("Business Express") dba the Delta Connection from 1994 to

1996. Prior to that, Ms. Sunbury served as Controller for WestAir Holding Inc. operating as United Express from 1988 to 1994. Ms. Sunbury began her career with the accounting firm of KPMG Peat Marwick, LLP where she was employed from 1983 to 1988.

EXHIBIT C

Statement of Technical Fitness

MGC COMMUNICATIONS, INC. is technically qualified to provide interexchange telecommunication service in Florida. MGC has been providing telecommunications service in several states for many years. As a provider of local exchange and interexchange communication service, MGC has adequate technical experience and capabilities to maintain a successful operation in Florida.

MGC employs an outstanding team of engineers and network specialists. Collectively, its senior technical personnel have designed, managed and/or operated advanced telecommunications facilities in the United States. Exhibit B describes the technical capabilities of select members of MGC's management team.

EXHIBIT D

REGULATIONS AND SCHEDULE OF INTEREXCHANGE

TELECOMMUNICATIONS CHARGES

APPLYING TO END-USER

COMMUNICATION SERVICES WITHIN

THE STATE OF FLORIDA

TITLE SHEET

FLORIDA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations and rates applicable to the furnishing of service and facilities for telecommunications services provided by MGC Communications, Inc., with principal offices at 3301 North Buffalo Drive, Las Vegas, Nevada 89129. This tariff applies for services furnished within the state of Florida. This tariff is on file with the Florida Public Service Commission, and copies may be inspected, during normal business hours, at any of the Company's public offices.

CHECK SHEET

The sheets listed below, which are inclusive of this tariff, are effective as of the date shown at the bottom of the respective sheets(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date of the bottom of this page.

SHEET	REVISION
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original
15	Original
16	Original
17	Original
18	Original
19	Original
20	Original
21	Original

SYMBOLS SHEET

The following are the only symbols used for the purposes indicated below:

D – Delete or discontinue information

I – Change resulting in an increase to a Customer's bill

M – Moved from another tariff location

N – New material

R – Change resulting in a reduction to a Customer's bill

T – Change in Text or Regulation but no change in rate or charge

Kent F. Heyman
Vice President, General Counsel
3301 N. Buffalo Drive
Las Vegas, Nevada 89129

TARIFF FORMAT SHEETS

A. **Sheet Numbering** – Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.

B. **Sheet Revision Numbers** – Revision numbers also appear in the upper right corner of each page These numbers are used to determine the most current sheet version on file with the FPSC. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc, the FPSC follows in their tariff approval process, the most current sheet number on file with the Commission is not always the tariff page in effect. Consult the Check Sheet for the sheet currently in effect.

C. **Paragraph Numbering Sequence** – There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

2.
2.1.
2.1.1.
2.1.1.A.
2.1.1.A.1.
2.1.1.A.1.(a).
2.1.1.A.1.(a).I.
2.1.1.A.1.(a).I.(i).
2.1.1.A.1.(a).I.(i).(1).

D. **Check Sheets** – When a tariff filing is made with the FPSC, an updated check sheet accompanies the tariff filing. The check sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this page if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some pages). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the FPSC.

Kent F. Heyman
Vice President, General Counsel
3301 N. Buffalo Drive
Las Vegas, Nevada 89129

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

Access Lines: A Telephone facility which permits access to and from both the Customer's premises and the telephone exchange or serving central office.

Applicant: A person who applies for telecommunications service. Includes persons seeking reconnection of their service after Company-initiated termination.

Business Service: Determination as to whether or not Customer's service should be classified as Business will be based on the character or use to be made of the service. The practice of advertising a telephone number in newspapers, business cards, or on trucks shall be a contributing, but not an exclusive factor in determining the classification of service. Service will be classified as Business service where the use is primarily or substantially of a business, professional, institutional, or otherwise occupational nature.

Calling Card: The term "Calling Card" denotes a billing arrangement where a call may be charged to an authorized Telephone Company Calling Card Number.

Central Office: A switching unit in a telephone system which provides service to the general public, having the necessary equipment and operating arrangements for terminating and interconnecting Customer lines and trunks or trunks only. There may be more than one central office in a building or exchange.

Company: MGC Communications, Inc. (MGC), the issuer of this tariff.

Customer: The person, firm or corporation which orders service and is responsible for the payment of charges and compliance with the terms and conditions of this tariff.

Interexchange Carrier (IXC) or Interexchange Common Carrier: Any individual, partnership, association, joint-stock company, trust, governmental entity or corporation engaged for hire in interstate or foreign communication by wire or radio, between two or more exchanges.

LATA: A Local Access and Transport Area established pursuant to the Modification of Final Judgment entered by the United States District Court for the District of Columbia in Civil Action No. 82-0192; or any other geographic area designated as a LATA in the National Exchange Carrier Association, Inc. Tariff F.C.C. No. 4.

Network: The Company's facilities, equipment, and services provided under this Tariff.

SECTION 1 – TECHNICAL TERMS AND ABBREVIATIONS (Cont'd)

NSF Check: Any negotiable instrument returned by a bank, savings institution, or other eligible institution which is returned by that institution with one of the following instructions: non sufficient funds, uncollectible funds, account closed, account frozen, no account.

Residence Service: Service will be classified as residence service where the business use, if any, is merely incidental and where the major use is of a social or domestic nature.

Telecommunication Relay Service: Any telecommunications transmission service that allows a person who is hearing or speech impaired to communicate by wire or radio in a manner that is functionally equivalent to the ability of a person who is not hearing or speech impaired. Such term includes any service that enables two-way communication between a person who uses a telecommunications device or other nonvoice terminal device and a person who does not use such a device.

V and H Coordinates Method: The term "V and H Coordinates Method" denotes a method of computing airline miles between two points by utilizing an established formula which is based on the vertical and horizontal coordinates of the two points.

SECTION 2 – RULES AND REGULATIONS

2.1 Undertaking of the Company

The Company undertakes to furnish communications service pursuant to the terms of this tariff in connection with one-way and/or two-way information transmission between points within the State of Florida.

The Company shall be responsible only for the installation, operation and maintenance of the service that it provides. The responsibility of the Telephone Company shall be limited to the provision of services under this tariff and to the maintenance and operation of such service in a proper manner.

Customers and end users may use services and facilities provided under this tariff to obtain access to services offered by other service providers. The selling of IXC telecommunication service to uncertificated IXC resellers is prohibited per Florida Administrative Code, rule 25-24.4701. The Company is responsible under this tariff only for the services and facilities provided hereunder, and it assumes no responsibility for any service provided by any other entity that purchases access to the Company network in order to originate or terminate its own services, or to communicate with its own customers.

Services are provided 24 hours daily, seven days per week unless otherwise stated.

2.2 Limitations

2.2.1 The Customer may not assign or transfer the use of services provided under this tariff except, where there is no interruption of use or relocation of the services, such assignment or transfer may be made to:

(A) another Customer, whether an individual, partnership, association or corporation, provided the assignee or transferee expressly assumes all outstanding indebtedness for such services, and the unexpired portion of the minimum period and the termination liability applicable to such services, if any; or

(B) a court appointed receiver, trustee or other person acting pursuant to law in bankruptcy, receivership, reorganization, insolvency, liquidation or other similar proceedings, provided the assignee of transferee expressly assumes the unexpired portion of the minimum period and the termination liability applicable to such services, if any.

SECTION 2 – RULES AND REGULATIONS – CONT'D

2.2 Limitations (Cont'd)

2.2.1 (Cont'd)

In all cases of assignment or transfer, the written acknowledgment of the Telephone Company is required prior to such assignment or transfer which acknowledgment shall be made within 15 days from the receipt of notification. All regulations conditions contained in this tariff shall apply to such assignee or transferee.

The assignment or transfer of services does not relieve or discharge the assignor or transferor from remaining jointly or severally liable with the assignee or transferee for any obligations existing at the time of assignment or transfer.

The use and restoration of services shall be in accordance with Part 64, Subpart D, Appendix A, of the Federal Communications Commission's Rules and Regulations, which specifies the priority system for such activities.

Subject to compliance with the above mentioned rules, where a shortage or availability of facilities or equipment exists is insufficient at any time, to meet the service requirements of an IC either for temporary or protracted periods, the services offered herein will be provided to ICs on a first come first served basis per date of service order.

2.2.2 All facilities provided under this tariff are directly controlled by MGC and the Customer may not transfer or assign the use of service or facilities without the express written consent of the Company. Such transfer or assignment shall only apply where there is no interruption of the use or location of the service or facilities.

2.2.3 Prior written permission from the Company is required before any assignment or transfer. All regulations and conditions contained in this tariff shall apply to all such permitted assignees or transferees, as well as all conditions of service.

2.3 Use

Services provided under this tariff may be used for any lawful purpose for which the service is technically suited. Customers or Subscribers reselling or rebilling the Company's Florida intrastate service must have a Certificate of Public convenience and Necessity as an interexchange carrier from the Florida Public Service Commission.

SECTION 2 - RULES AND REGULATIONS - CONT'D

2.4 Liability of the Company

2.4.1 The liability of the Company, if any, for damages arising out of mistakes, omissions, interruptions, delays, errors, or defects in transmission during the course of furnishing service shall in no event exceed an amount proportionate to the charge to the Customer for the service during the period when such mistakes, omissions interruptions, delays, errors, or defects in transmission occurred. The remedy of the Customer with respect to the provision of service by the Company shall be limited to that expressly provided herein to the exclusion of any and all other remedies. No agreement varying or extending such warranties, the remedies expressly provided, or these limitations, will be binding upon the Company unless in writing and signed by the Company and the Customer.

2.4.2 The Company shall not be liable for any indirect, special, incidental, punitive, or consequential damages under this tariff including, but not limited to, loss of revenue or profits, for any reason whatsoever, including any delay or interruption of service or any failure in or breakdown of facilities associated with the service; or for any mistakes, omissions, delays, errors or defects in transmission occurring in the course of furnishing service, except as specified herein. The Company's liability for a Company's direct damages incurred as a direct consequence of a service interruption or the failure of the Company to perform shall in no event exceed an amount equal to that which the Company would have otherwise paid for the period that the service was not provided during which the Company has failed to perform.

2.4.3 The Company will not be responsible for any lost profits of the subscriber or against the subscriber by any other party. However, any such mistakes, omissions, interruptions, delays, errors, or defects in transmission or service which are caused by or contributed to by the negligence or willful act of Customer, or which arise from facilities or equipment used by Customer, shall not result in the imposition of any liability whatsoever upon the Company.

2.4.4 The Company is not liable for any act, omission, or negligence of any local exchange or interexchange carrier or other provider whose facilities are used in furnishing any portion of the service received by Customer. The Company is not liable for the quality of service provided by any local exchange or other interexchange carrier.

2.4.5 Under no circumstances whatsoever shall the Company or its officers, agents, or employees be liable for indirect, incidental, special, punitive, or consequential damages, however caused, and regardless of theory of liability.

SECTION 2 - RULES AND REGULATIONS - CONT'D

2.4 Liability of the Company (Cont'd)

2.4.6 The Company is providing service without respect to the volume, quantity, content or value of signals transmitted over the service. The payments provided to the Company are based solely on the value of the service, and are unrelated to the nature, content, volume or value of any signals or communications transmitted over the service. The Company is not liable for losses that may occur in cases of malfunction or nonfunction of the service or the Company's facilities, even if due to the Company's negligence, gross negligence or failure of performance, except as expressly provided herein. The Company is not an insurer. Insurance, if any, covering personal injury, property loss or loss of revenue or business advantage shall be obtained and maintained by Customer if desired by Customer.

2.4.7 It would be impractical and extremely difficult to fix actual damages which may arise in situations where there may be a failure of the service, due to the uncertain nature of the volume, nature, content and value of messages, signals or communications transmitted over the service. Therefore, if any liability is imposed on the Company, such liability shall be limited to the amount expressly stated herein. The payment or credit of this amount shall be the Company's sole and exclusive liability regardless of whether loss or damage is caused by the performance or nonperformance of the Company's obligations under this agreement, or by negligence or gross negligence, active or otherwise, of the Company, its employees, agents or representatives.

2.4.8 The Company shall not be liable for any failure, delay or interruption of service hereunder due to causes beyond its control including, but not limited to, civil disorders; labor problems; and fire, flood, atmospheric conditions or other phenomena of nature, such as radiation. In addition, the Company shall not be liable for any failure of performance hereunder due to necessary network reconfiguration; system modifications due to technical upgrades; or regulations established or actions taken by any court or government agency having jurisdiction over the Company.

2.4.9 The Company shall not be obligated to refund any overpayment by a user unless a written claim for such overpayment, together with substantiating evidence which will allow the Company to verify such claim, is submitted within one (1) year of the alleged overpayment.

2.4.10 The Company makes no representation or warranty, express or implied (including, without limitation, an implied warranty regarding merchantability or fitness for a particular purpose), regarding any service provided under this tariff. The Company expressly disclaims all such warranties.

Kent F. Heyman
Vice President, General Counsel
3301 N. Buffalo Drive
Las Vegas, Nevada 89129

SECTION 2 - RULES AND REGULATIONS - CONT'D

2.4 Liability of the Company (Cont'd)

2.4.11 The Company shall not be liable for:

(A) libel, slander or infringement of patents, trade secrets or copyrights arising from or in connection with the transmission of communications by means of Company-provided facilities;

(B) infringement of patents, trade secrets, or copyrights arising from the combination or use of the Company-provided facilities with Customer-provided facilities or services;

(C) any claim arising out of any act or omission of the Customer or any other entity furnishing services or facilities for use in conjunction with services or facilities provided by the Company;

(D) unlawful or unauthorized use of the service or the Company's facilities;

(E) any claim arising out of a breach in the privacy or security of communications transmitted over the Company's facilities.

2.4.12 The Company assumes no responsibility for the availability or performance of any facilities or services under the control of other entities, or for other facilities or services provided by other entities used for service to the Customer, except to the extent that such nonperformance or non-availability is the result of a willful act of the Company. The Company is not liable for any act or omission of any other company furnishing a portion of the facilities or services used to provide service to Customer; such facilities are provided subject to such degree of protection or non-preemptibility as may be provided by the other entities.

2.4.13 Any claim of whatever nature against the Company shall be deemed conclusively as having been waived unless presented in writing to the Company within ninety (90) days after the date service was affected.

2.4.14 Customer shall defend, indemnify and hold the Company harmless of and from any and all liability, loss, claims, costs, demands, damages, or expenses disclaimed herein arising out of or in connection with the provision of service by the Company to Customer, and shall pay all expenses and satisfy all judgments which may be incurred by or rendered against the Company in connection therewith. The Company shall notify Customer of any such suit or claim against the Company.

SECTION 2 – RULES AND REGULATIONS - CONT'D

2.4 Liability of the Company (Cont'd)

2.4.15 The Company shall not be liable for, shall be excused from performance during, and the Customer shall not be liable for charges related to the Company's excused performance during any failure of performance due to causes beyond its control, including, but not limited to, Acts of God, fires, floods, earthquakes, hurricanes, or other catastrophes; national emergencies, insurrections, riots or wars; strikes, lockouts, work stoppages or other labor difficulties; unavailability or non-performance of facilities provided by others; and any law, order, regulation or other action of any governing authority or agency thereof.

2.4.16 The Company shall not be liable for any damages, including usage charges, that Customer may incur as a result of the unauthorized use of its Authorization Codes by others. The unauthorized use of Customer Authorization Codes includes, but is not limited to, the placement of calls utilizing Customer's Authorization Codes without the authorization of Customer. Customer shall be fully liable for all such usage charges.

2.5 Interruption of Service

2.5.1 Credit allowance for the interruption of service that is not due to the Company's testing or adjusting, negligence of the Customer, or to the failure of channels or equipment provided by the Customer, are subject to the general liability provisions set forth in 2.3.1 herein. It shall be the Customer's obligation to notify the Company immediately of any service interruption for which a credit allowance is desired. Before giving such notice, the Customer shall ascertain that the trouble is not being caused by any action or omission by the Customer within his control, if any, furnished by the Customer and connected to the Company's facilities. No refund or credit will be made for the time that the Company stands ready to repair the service and the subscriber does not provide access to the Company for such restoration work.

2.5.2 No credit shall be allowed for an interruption of a continuous duration of less than twenty-four hours after the subscriber notifies the Company.

2.6 Discontinuance of Service by Carrier

2.6.1 The Company, upon five (5) working days written notice to the Customer, may discontinue service or cancel an application for service without incurring any liability for any of the following reasons:

(A) Non-payment of any sum due to the Company for regulated service for more than thirty (30) days beyond the date of the rendition of the bill for such services.

SECTION 2 - RULES AND REGULATIONS - CONT'D

2.6 Discontinuance of Service by Carrier (Cont'd)

2.6.1 (Cont'd)

(B) A violation of any regulation governing the service under this tariff.

(C) A violation of any law, rule, or regulation of any government authority having jurisdiction over such service.

(D) The Company has given the Customer notice and has allowed a reasonable time to comply with any rule, or remedy, and deficiency as stated in Rule 25-4.113, F.A.C., Refusal or Discontinuance of Service by Company.

2.6.2 When a Customer or Applicant fails to establish a satisfactory credit history, the Company may, in order to safeguard its interest, require a deposit to ensure payment of charges. The fact that a deposit has been made in no way relieves the Applicant or Customer from complying with the Company's regulations and the prompt payment of bills on presentation.

The Company may refuse service if satisfactory credit is not established and may deny or disconnect service if a deposit is not paid when requested by the Company.

2.7 Taxes

All state and local taxes (i.e., gross receipts tax, sales tax, municipal utilities tax) are listed as separate line items and are not included in the rates quoted to customers.

2.8 Terminal Equipment

The Company's facilities and service may be used with or terminated in Customer-provided terminal equipment or Customer-provided communications systems, such as a PBX, key systems or Pay Telephones. Such terminal equipment shall be furnished and maintained at the expense of the Customer, except as otherwise provided. The Customer is responsible for all costs at his or her premises, including personnel, wiring, electrical power, and the like, incurred in the use of the Company's service. When such terminal equipment is used, the equipment shall comply with the generally accepted minimum protective criteria standards of the telecommunications industry as endorsed by the Federal Communication Commission.

2.9 Billing of Calls

All charges due by the Customer are payable at any agency duly authorized to receive such payments, including the Company's local business offices. Any objection to billed charges should be promptly reported to the Company. Adjustments to customers' bills shall be made to the extent that records are available and/or circumstances exist which reasonably indicate that such charges are not in accordance with approved rates or that an adjustment may otherwise be appropriate.

SECTION 2 - RULES AND REGULATIONS - CONT'D

2.10 Installation and Termination

Service is installed upon mutual agreement between the Customer and the Company. The agreement will determine terms and conditions of installation, termination of service, and conditions of installation, any applicable sales commission structure, and sales commission payment schedule. The service agreement does not alter rates specified in this tariff.

2.11 Payment for Service

The Customer is responsible for payment of all charges for services and equipment furnished to the Customer or to an Authorized User of the Customer by MGC. All charges due by the Customer are payable to the Company or to any agency duly authorized to receive such payments. The billing agency may be a local exchange telephone company, interexchange carrier, or other billing service. Terms of payment shall be according to the rules and regulations of the agency and subject to the rules of regulatory agencies, such as the FPSC. Any objections to billed charges must be reported within 60 days of receipt to the Company or the Company's billing agent or bill will be considered final. Adjustments to Customer's bills shall be made to the extent that circumstances exist which reasonably indicate that such changes are appropriate.

2.12 Deposits

2.12.1 To safeguard its interests, the Company may require a Customer to make a deposit to be held as a guarantee for the payment of charges. A deposit does not relieve the Customer of the responsibility for the prompt payment of bills on presentation. The deposit will not exceed an amount equal to:

(A) two month's charges for a service or facility that has a minimum payment period of one month; or

(B) the charges that would apply for the minimum payment period for a service or facility that has a minimum payment period of more than one month; except that the deposit may include an additional amount in the event that a termination charge is applicable.

2.12.2 When a service or facility is discontinued, the amount of a deposit, if any, will be applied to the Customer's account and any credit balance remaining will be refunded. Before the service or facility is discontinued, the Company may, at its option, return the deposit or credit it to the Customer's account.

2.12.3 Deposits held will accrue interest at a rate in accordance with the rules of the Florida Public Service Commission without deductions for any taxes on such deposits. Interest will not accrue on any deposit after the date on which reasonable effort has been made to return it to the Customer.

SECTION 3 – DESCRIPTION OF SERVICE

3.1 Timing of Calls

3.1.1 When Billing Charges Begin and End for Phone Calls

The Customer's long distance usage charge is based on the actual usage of the Company's network. Usage begins when the called party picks up the receiver (i.e., when 2-way communication, often referred to as "conversation time" is possible). When the called party picks up is determined by hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. When software answer supervision is employed, up to 60 seconds of ringing is allowed before it is billed as usage of the network. A call is terminated when the calling or called party hangs up.

3.1.2 Billing Increments

Toll calls are billed in six second increments with a six second minimum. Customer billing is rounded to the next whole cent.

3.1.3 Uncompleted Calls

There shall be no charges for uncompleted calls.

3.2 Calculation of Distance

Usage charges for all mileage sensitive products are based on the airline distance between rate centers associated with the originating and terminating points of the call.

The airline mileage between rate centers is determined by applying the formula below to the vertical and horizontal coordinates associated with the rate centers involved. The Company uses the rate centers and associated vertical and horizontal coordinates that are produced by Bell Communications Research in their NPA-NXX V & H Coordinates Tape and Bell's NECA Tariff No. 4.

FORMULA: $$\sqrt{\frac{(V_1 - V_2)^2 + (H_1 - H_2)^2}{10}}$$

SECTION 3 - DESCRIPTION OF SERVICE - CONT'D

3.3 Minimum Call Completion Rate

A Customer can expect a call completion rate (number of call completed/number of calls attempted) of not less than 90% during peak use periods for all FGD services ("1+" dialing).

3.4 Service Offerings

3.4.1 MGC Long Distance Service

MGC Long Distance Service is offered to residential and business customers of its Local Exchange services. The Company does not offer toll services to casual users on a no-presubscribed basis.

The service permits direct dialed outbound calling at non-distance and non-time of day/day of week sensitive usage rates for all Intrastate/Interstate calling. Service is provided from presubscribed, dedicated or shared use access lines. Calls are billed in six second increments with a six second minimum. Customer billing is rounded to the next whole cent. No monthly minimum recurring charges or minimum monthly billing requirements apply.

In addition, where live or automated operator assistance is required for call completion or billing, applicable operator service call placement charges of either the Company or any other carrier will be applied.

3.4.2 MGC 800/888/877 (Inbound) Long Distance Service

MGC 800/888/877 (Inbound) Long Distance Service is offered to residential and business customers. The service permits inbound 800/888/877 calling at a single per minute rate. Service is provided from presubscribed, dedicated or shared use access lines. Each call is billed a six (6) second minimum and six (6) second increments thereafter. Customer billing is rounded to the next whole cent.

SECTION 3 - DESCRIPTION OF SERVICE - CONT'D

3.4.3 MGC Calling Card Services

MGC's Calling Card Services is a calling card service offered to residential and business customers who subscribe to MGC Long Distance Service. Rates apply to the Company's Calling Card for Continental U.S. calling. Each call is billed a six (6) second minimum and six (6) second increments thereafter. Customer billing is rounded to the next whole cent. The rate is not affected by time of day, day of week, calling pattern distributions or volume requirements. No per call or monthly maintenance fees are associated with these services. Extended area and international minute rates will be the same as filed in MGC's International Tariff F.C.C. No. 2.

3.4.4 Operator Services

The Company's operator services are provided to residential and business customers who "presubscribe" to this service for intrastate calling. Operator services include the completion of collect, station-to-station, person-to-person, third party billing and credit card calls with the assistance of a Carrier operator. Each completed operator assisted call consists of two charge elements (except as otherwise indicated herein): (I) a fixed operator charge which will be dependent on the type of billing selected (e.g., calling card, collect or other) and/or the completion restriction selected (e.g., station-to-station or person-to-person); and (ii) a measured usage charge dependent upon the duration, distance and/or time of day of the call.

3.4.4.A Operator Dialed Surcharge

This surcharge applies to Operator Station and Person-to-Person rated calls when the Customer has the capability of dialing all the digits necessary to complete a call, but selects to dial only the appropriate operator code and requests the operator to dial the called station. The surcharge does not apply to:

(A) calls where a Customer cannot otherwise dial the call due to defective equipment or trouble on the MGC network; and

(B) calls in which a Company operator places a call for a calling party who is identified as being handicapped and unable to dial the call because of his/her handicap.

The Operator Dialed Surcharge applies in addition to any other applicable operator charges.

SECTION 4 - RATES

4.1 MGC Long Distance Service

Intrastate toll service is available to residential and business customers. It offers customers non-distance and non-time of day/day of week sensitive usage rates for all their Intrastate calling. Intrastate toll calls are billed in six second increments with a six second minimum. Customer billing is rounded to the next whole cent.

	Rate per minute
Residential	
IntraLATA and InterLATA	$0.10
Business	
IntraLATA and InterLATA	$0.05

4.2 MGC 800/888/877 (Inbound) Long Distance Service

Residence 800/888/877 Service	$0.12
Business 800/888/877 Service	$0.11

Each call is billed a six (6) second minimum and six (6) second increments thereafter.

4.3 MGC Calling Card Services

Residence	$0.22
Business	$0.20

Each call is billed a six (6) second minimum and six (6) second increments thereafter. No per call or monthly maintenance fees are associated with these services

4.4 Operator Services (for presubscribed customers)

4.4.1 Usage Rates: The appropriate rates found under 4.1 or 4.3 shall apply.

4.4.2 Operator Charges:

Collect Station-to-Station	$1.00
Collect Person-to-Person	$3.25
Person-to-Person	$3.25
Station-to-Station	$1.00
Customer Dialed Calling Card	$1.00
Operator Dialed Calling Card	$1.75
Operator Dialed Surcharge	$0.75

SECTION 4 - RATES - CONT'D

4.5 Determining Applicable Rate in Effect

For the initial minute, the rate applicable at the start of chargeable time at the calling station applies. For additional minutes, the rate applicable is that rate which is in effect at the calling station when the additional minute(s) begin. That is, if chargeable time begins during the Day Period, the Day Rate applies to the initial minute and to any additional minutes that the call continues during the rate period. If the call continues into a different rate period, the appropriate rates from that period apply to any additional minutes occurring in that rate period. If an additional minute is split between two rate periods, the rate period applicable a the start of the minute applies to the entire minute.

4.6 Payment of Calls

4.6.1 Late Payment Charges

Interest charges of 1.5% per month will be assessed on all unpaid balances more than thirty days old.

4.6.2 Return Check Charges

A NSF return check charge of $25.00 will be assessed for checks returned for insufficient funds.

4.7 Restoration of Service

A reconnection fee of $25.00 per occurrence is charged when service is re-established for customers who had been disconnected for non-payment.

4.8 Special Promotions

The Company may from time to time engage in special promotional service offerings designed to attract new customers or to increase existing customers awareness of a particular tariff offering. These offerings may be limited to certain dates, times and/or locations. Each promotional offering of the Company for any service set forth in this tariff must be submitted to and filed with the Florida Public Service Commission with specific starting and ending dates.

SECTION 4 - RATES - CONT'D

4.9 Special Rates for the Handicapped

4.9.1 Directory Assistance

There shall be no charge for up to fifty (50) calls per billing cycle from lines or trunks serving individuals with disabilities. The Company shall charge the prevailing tariff rates for every call in excess of 50 within a billing cycle. The Customer must contact the Company for credit on their directory assistance calls.

4.9.2 Hearing and Speech Impaired Persons Discounts

A telephone toll message which is communicated using a telecommunications device for the deaf (TDD) by properly certified hearing or speech impaired persons or properly certified business establishments or individuals equipped with TDDs for communicating with hearing or speech impaired persons will receive, upon request, credit on charges for certain intrastate toll calls place between TDDs. The credit to be given on a subsequent bill for such calls placed between TDDs will be equal to applying the evening rate during business day hours and the night/weekend rate during the evening rate period. Discounts do not apply to surcharges or per call add on charges for operator service when the call is placed by a method that would normally incur the surcharge.

4.9.3 Telecommunications Relay Service

For intrastate toll calls received from the relay service, the Company will when billing relay calls discount relay service calls by fifty (50) percent off the otherwise applicable rate for a voice nonrelay call except that where either the calling or called party indicates that either party is both hearing and visually impaired, the call shall be discounted sixty (60) percent off of the otherwise applicable rate for a voice nonrelay call. The above discounts apply only to time-sensitive elements of a charge for the call and shall not apply to per call charges such as a credit card surcharge.

Kent F. Heyman
Vice President, General Counsel
3301 N. Buffalo Drive
Las Vegas, Nevada 89129

EXHIBIT E

Fort Lauderdale Area Build–out Plan

Host Swi ch – Ft Lauderdale

OFFICE	LINES	CLLI	NPA	ADDRESS	In-Service Date
FTLD Plantation RSC - P	65,397	FTLDFLPL	954	4036 Bryan Blvd Plantation, FL. 33317	11/98
FTLD Main RSC- P HOST	90,314	FTLDFLMR	954	211 N.E. 2nd St. Ft Lauderdale, Fl. 33301	11/98
FTLD Cypress RSC (small) - P	54,433	FTLDFLCY	954	5395 N.W. 14th Ave. Ft Lauderdale, Fl. 33304	11/98
FTLD Oakland RSC - P	69,406	FTLDFLOA	954	4200 W. Oakland Park Blvd Ft Lauderdale, Fl. 33308	11/98

FTLD Jacaranda RSC - P	68,410	FTLDFLJA	954	10141 W. Broward Blvd. Plantation, FL. 33324	11/98
FTLD Coral Ridge RSC (small) - P	49,945	FTLDFLCR	954	2530 E. Oakland Park Blvd. Ft Lauderdale, Fl. 33311	11/98
FTLD Sunrise RSC (small) - P	51,348	FTLDFLSU	954	8750 W. Oakland Park Blvd. Sunrise, Fl. 33351	11/98
Pembroke Pines RSC - P	97,136	HLWDFLPE	954	68 N.W. 98th Ave. Hollywood, FL. 33024	11/98
West Hollywood RSC - P	93,386	HLWDFLWH	954	250 S.W. 62nd Ave. Hollywood, Fl. 33023	11/98
Hollywood Main RSC (small) - P	56,818	HLWDFLMA	954	714 N. Federal Hwy Hollywood, Fl. 33020	11/98
Hlwd Hallandale Acc. Node - V	32,270	HLWDFLHA	954	120 NE 12th Ave. Hallandale, Fl. 33009	11/98
PMBH Margate RSC - P	83,833	PMBHFLMA	954	1180 Banks Road Pompano Beach, FL. 33060	12/98
PMBH Federal RSC - P	76,683	PMBHFLFE	954	1230 N. Federal Hwy Pompano Beach, FL. 33062	12/98

PMBH Coral Spngs RSC - P	72,543	PMBHFLCS	954	9420 Royal Palm Blvd Pompano Beach, FL. 33065	11/98
PMBH Tamarac Acc. Node - V	38,552	PMBHFLTA	954	7600 University Dr. Tamarac, Fl. 33065	11/98
Deerfield Beach RSC - P	62,303	DRBHFLMA	954	780 S. Deerfield Ave. Deerfield, FL. 33441	12/98
Boca Raton Main RSC - P	82,238	BCRTFLMA	561	838 S. Dixie Boca Raton, FL. 33432	11/98
BCRT Sandalfoot RSC - P	64,841	BCRTFLSA	561	9407 State Road Boca Raton, FL. 33434	11/98
BCRT Boca Tecca Acc. Node – V	37,634	BCRTFLBT	561	5140 Congress Ave. Boca Raton, FL. 33431	11/98

Revised 8/10/98

MGC

Direct Dial

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DEPOSIT D833 DATE AUG 24 1998

August 10, 1998

Florida Public Service Commission
Division of Administration
2540 Shumard Oak Blvd., Gerald Gunter Building
Tallahassee, Florida 32399-0850

981062-TI

Re: Application for Authority to Provide Interexchange Telecommunications Service Within the State of Florida

Dear Commission Administrator:

Enclosed for filing are an original and six (6) copies of the application form and a check in the amount of $250.00 from MGC Communications, Inc. ("MGC") for authority to provide the above-referenced service.

In addition, MGC requests that the Commission waive Rule 25-24.490(3) requiring posting of a bond. MGC requests a waiver based upon the financial strength shown in its response to item 18.A. in the attached application.

DOCUMENT NUMBER-DATE 09200 AUG 24 98

Sincerely,

THIS CHECK IS VOID WITHOUT A BLUE & GREEN BACKGROUND AND AN ARTIFICIAL WATERMARK ON THE BACK - HOLD AT ANGLE TO VIEW SEAL

MGC Communications, Inc.
3301 N. Buffalo Drive
Las Vegas, NV 89129
(702) 310-1000

FIRST UNION NATIONAL BANK
Of North Carolina
Chapel Hill, NC
IN COOPERATION WITH BANK OF AMERICA NT&SA

No. 00005944

66-156
531

PAY EXACTLY:
TWO HUNDRED FIFTY AND NO/100 DOLLARS.

DATE 07/17 1998
PAY ********250.00

NOT VALID AFTER 6 MONTHS

Pay To The Order Of
FLORIDA PUBLIC SERVICE COMMISSION
2540 SHUMARD OAK BLVD
TALAHASSEE, FL 32399-0876

TWO SIGNATURES REQUIRED OVER $5000

SIGNATURE HAS A COLORED BACKGROUND • BORDER CONTAINS MICROPRINTING