AUSLEY & McMULLEN

ATTORNEYS AND COUNSELORS AT LAW

227 SOUTH CALHOUN STREET
P.O. BOX 391 (ZIP 32302)
TALLAHASSEE, FLORIDA 32301
(850) 224-9115 FAX (850) 222-7560

ORIGINAL

RECEIVED-FPSC
00 OCT -5 PM 3:10
RECORDS AND REPORTING

October 5, 2000

BY HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Joint Petition of Vista-United Telecommunications and Smart City Telecommunications L.L.C. to Transfer Certificates of Public Convenience and Necessity, and to Designate Smart City as an Eligible Telecommunications Carrier; Docket No. 001536-TP

Dear Ms. Bayo:

Enclosed for filing are the original and fifteen (15) copies of the Joint Petition of Vista-United Telecommunications ("Vista") and Smart City Telecommunications L.L.C. ("Smart City") to Transfer Certificates of Public Convenience and Necessity, and to Designate Smart City as an Eligible Telecommunications Carrier. This Joint Petition requests transfer of Vista's local exchange ("LEC") and interexchange ("IXC") certificates to Smart City. **The original and six (6) copies of completed Form PSC/CMU 31 are included with this filing as Exhibit C to the Joint Petition.**

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning the same to this writer.

RECEIVED & FILED
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE
12724 OCT-5 8
FPSC-RECORDS/REPORTING

Thank you for your assistance in this matter.

Sincerely,

J. Jeffry Wahlen

Enclosures

cc: Kenneth A. Hoffman (H/D)
Martin A. Rubin (Mail)
Lynn B. Hall (Mail)
John M. McGowan (Mail)
Dan Hoppe (RGO)(H/D)
Bill Lowe (RGO)(H/D)
Patti Daniel (RGO)(H/D)
Jackie Gilchrist (RGO)(H/D)
Bob Casey (ECR)(H/D)
Rick Moses (CMP)(H/D)
Rick Wright (CMP)(H/D)
Diana Caldwell (LEG)(H/D)
Felicia Banks (LEG)(H/D)

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ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Joint Petition of Vista-United Telecommunications and Smart City Telecommunications L.L.C. to Transfer Certificates of Public Convenience and Necessity, and to Designate Smart City as an Eligible Telecommunications Carrier	DOCKET NO. 001536-TP Filed: October 5, 2000

JOINT PETITION

Pursuant to Sections 364.335(4) and 364.345(2), Florida Statutes (1999), 47 U.S.C. §214(e)(2) and Rules 25-4.005, 25-24.473, and 28-106.201, Florida Administrative Code, VISTA-UNITED TELECOMMUNICATIONS ("Vista" or "Transferor") and SMART CITY TELECOMMUNICATIONS L.L.C. ("Smart City" or "Transferee") jointly petition the Florida Public Service Commission ("FPSC" or "Commission"), and allege:

Introduction

1. This is a joint petition for approval of transfer of two certificates of public convenience and necessity from Vista to Smart City, and for designation of Smart City as an eligible telecommunications carrier within the meaning of 47 U.S.C. §214(e).

2. The number and type of certificates of public convenience and necessity proposed to be transferred, together with the number and issuance dates of the Orders granting the certificates, are as follows:

No.	Type	Order No.	Date
1971	Local Exchange Carrier	4873	April 20, 1970

DOCUMENT NUMBER-DATE
12724 OCT-5 8
FPSC-RECORDS/REPORTING

2442	Interexchange Carrier	22790	April 30, 1990

Together, these two certificates shall be referred to herein as "the Certificates."

3. Certificate Number 2442 currently authorizes Vista to provide interexchange ("IXC") telecommunications services throughout the State of Florida.

4. Certificate No. 1971 authorizes Vista to provide local exchange carrier ("LEC") services within portions of Orange and Osceola counties. Exhibit A to Order No. 4873 reflects the legal description of Vista's LEC service territory as originally approved by the Commission. By Order No. 18586, issued December 22, 1987, in Docket No. 871082-TL, the FPSC modified Vista's LEC service territory to reflect a transfer of certain of Vista's territory in Orange County to United Telephone Company of Florida. The legal description of the LEC territory presently served by Vista pursuant to Certificate No. 1971 is reflected in Exhibit A to Order No. 4873, as modified by Order No. 18586 ("certificated local exchange territory"). A map of Vista's certificated local exchange service territory is reflected in Vista's General Exchange Tariff, Supplemental Section A3, 1st Revised Sheet 1 (effective May 1, 1996), which is reproduced and included as **Exhibit A** to this Joint Petition and is incorporated herein by reference.

5. Vista is a Florida General Partnership consisting of Vista Communications, Inc., a Florida corporation, and United Telephone Company of Florida, a Florida corporation. Vista is a "small local exchange telecommunications company" within the meaning of Section 364.052, Florida Statutes, and is a "rural telephone company" within the meaning of 47 U.S.C. §153(47). Vista elected price regulation pursuant to Section 364.051, Florida Statutes, on February 5, 1996. *See* Order No. PSC-96-0369-FOF-TL, issued March 15, 1996 in Docket No. 960137-TL. The principal business address of Vista is 3100 Bonnet Creek Road, Lake Buena Vista, Florida, 32830-0180.

6. All pleadings, motions, orders, notices and other papers filed or served in this docket should be sent to Vista at the following addresses:

Lynn B. Hall Vista-United Telecommunications 3100 Bonnet Creek Road Lake Buena Vista, FL 32830-0180	John P. Fons J. Jeffry Wahlen Ausley & McMullen P. O. Box 391 Tallahassee, FL 32302 (850) 224-9115
John M. McGowan P. O. Box 10,000 1375 Buena Vista Drive Team Disney, 4N Lake Buena Vista, FL 32830-1000	

7. Smart City is a limited liability company organized under the laws of the State of Delaware, and registered to do business in Florida. The principal business address of Smart City is: Smart City Telecommunications L.L.C., 28 West Grand Avenue, Montvale, New Jersey, 07645. All pleadings, motions, orders, notices and other papers filed or served in this docket should be sent to Smart City at the following addresses:

Smart City Telecommunications, L.L.C. 28 West Grand Avenue Montvale, NJ 07645 Attn: Marty Rubin	Kenneth A. Hoffman Rutledge, Ecenia, Purnell & Hoffman, P.A. P. O. Box 551 Tallahassee, FL 32302-0551 (850) 681-6788

8. The service of notice affidavit required by Rule 25-4.005(1), Florida Administrative Code, is attached hereto as **Exhibit B**, and is incorporated herein by reference.

The Transaction

9. By agreement dated September 8, 2000 (the "Agreement"), Vista has agreed to sell, and Smart City has agreed to buy, the regulated telecommunications assets of Vista, including, but not limited to, the Certificates. Under the Agreement, Smart City will pay Vista

consideration estimated to be approximately Ninety-five Million Dollars ($95,000,000.00). The closing of the transaction is subject to and contingent upon regulatory approvals, including approval of transfer of the Certificates by the Commission.

10. With the exception of a name change, the proposed transaction does not contemplate any immediate or material change to the manner in which telecommunications services are provided to customers. No modifications to the rates, terms or conditions of Vista's currently filed and effective tariffs are contemplated as a result of the proposed transaction. Upon closing, the transferee will provide telecommunications services under the name Smart City Telecommunications L.L.C.

11. The proposed transaction does not contemplate any changes to the boundaries of Vista's certificated LEC territory as described in **Exhibit A.**

12. As of June 30, 2000, the total number of access lines being served by Vista was approximately 18,000. As of August 31, 2000, the number of subscribers being served by Vista pursuant to its LEC Certificate (No. 1971) was approximately 4,500. As of August 31, 2000, the number of subscribers being served by Vista pursuant to its IXC Certificate (No. 2442) was approximately 13. None of these subscribers are proposed to be exempt from the proposed transaction.

13. The intrastate services being provided to end-user customers by Vista pursuant to its LEC Certificate (No. 1971) and IXC Certificate (No. 2442) are the services set forth in Vista's Florida General Exchange Tariff and Florida Interexchange Services Tariff, which are on file with the Commission. Vista's intrastate access service terms and conditions are set forth in BellSouth's Intrastate Access Tariff. Smart City will continue to provide these services in the petitioned area after the transfer.

14. There are no pending applications for service being held by either party. Customers currently being served by Vista will not experience changes in calling scope as a result of the proposed transaction. There will be no changes to deposits or deposit interest as a result of the proposed transaction.

15. Smart City has the managerial, technical and financial ability to own and operate the telecommunications facilities of Vista that it will purchase under the Agreement. Consummation of the proposed transaction and transfer of the Certificates will serve the public interest, because it will bring to the State of Florida and Vista customers: (a) sound, experienced telecommunications company ownership and management; (b) the financial resources necessary to continue the provision of reliable local and interexchange telecommunications service; and (c) the availability of high quality, innovative, competitively priced services in the emerging competitive provision of telecommunications services.

Other

16. The joint petitioners' substantial interests will be affected by the Commission's determination on this joint petition, because the proposed transaction will not close without Commission approval. There are no disputed issues of material fact relating to this joint petition.

17. The original and six (6) copies of Florida Public Service Commission Form PSC/CMU-31 (12/96)(Application for Approval of Transfer of an Existing IXC Certificate) completed by Vista and Smart City, are included with this petition as **Exhibit C.**

18. Vista is the holder of Pay Telephone Certificate No. 7549, which was issued to Vista by Order No. PSC-00-1451-PAA-TL, dated August 10, 2000. Contemporaneous with the filing of this joint petition, Smart City will be filing with the FPSC an application to obtain a certificate to provide pay telephone service within the State of Florida (Form PSC/CMU-32). Vista will

request cancellation of its Pay Telephone Certificate No. 7549 upon issuance of a PATS certificate to Smart City and completion of the sale as set forth in the Agreement.

19. Vista has been designated by the Florida Public Service Commission as an "eligible telecommunications carrier" within the meaning of 47 U.S.C. §214(e) for its certificated local exchange territory as described above. *See* Order No. PSC-97-1262-FOF-TP, dated October 14, 1997 in Docket No. 970744-TP ("ETC Order"). Upon consummation of the proposed transaction and transfer of the Certificates, Smart City will be the carrier of last resort within Vista's certificated local exchange territory pursuant to Section 364.025, Florida Statutes, and should be designated as the "eligible telecommunications carrier" for that territory consistent with the rationale in the Commission's ETC Order.

WHEREFORE, Vista-United Telecommunications and Smart City Telecommunications L.L.C. respectfully request that the Commission enter an order granting this joint petition and

(1) Approving transfer of Certificates of Public Convenience and Necessity Numbers 1971 and 2442 from Vista to Smart City, and

(2) Designating Smart City as the "eligible telecommunications carrier" within its certificated local exchange territory.

DATED this 5th day of October, 2000.

John P. Fons
J. Jeffry Wahlen
Ausley & McMullen
P. O. Box 391
Tallahassee, FL 32302
(850) 224-9115

ATTORNEYS FOR VISTA-UNITED TELECOMMUNICATIONS

Kenneth A. Hoffman
Rutledge, Ecenia,
Purnell & Hoffman, P.A.
P. O. Box 551
Tallahassee, FL 32302-0551
(850) 681-6788

ATTORNEYS FOR SMART CITY TELECOMMUNICATIONS L.L.C.

Exhibit A to Joint Petition

Map of LEC Territory

GENERAL EXCHANGE TARIFF

VISTA-UNITED TELECOMMUNICATIONS

SUPPLEMENT SECTION A3
1st Revised Sheet 1
Canceling Original Sheet 1

ISSUED: April 16, 1996
BY: JAMES T. SCHUMACHER-
MANAGER, BUSINESS AFFAIRS

EFFECTIVE: May 1, 1996

SERVICE TERRITORY MAP

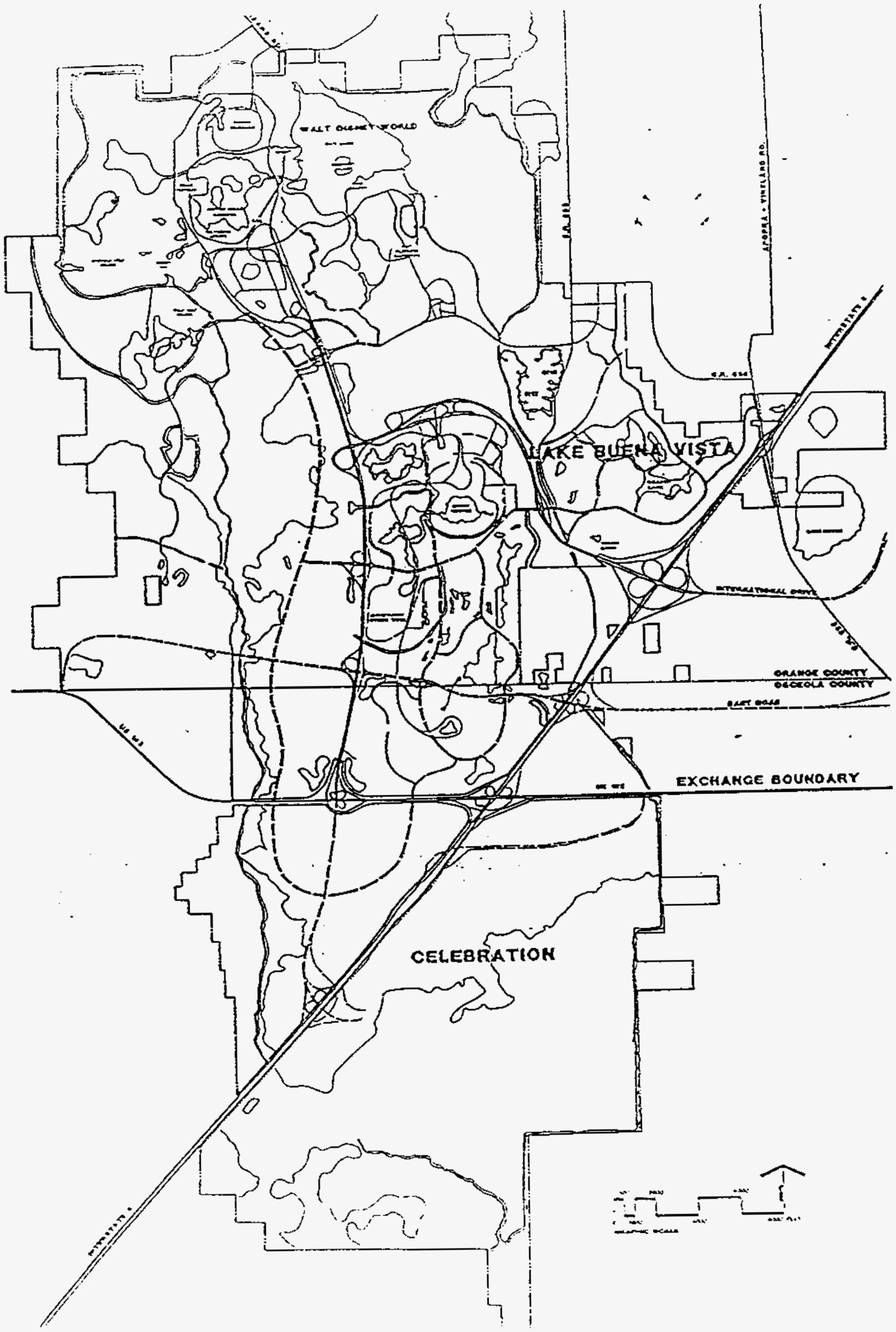

Exhibit B to Joint Petition

Notice Affidavit

Affidavit

STATE OF FLORIDA
COUNTY OF ORANGE

BEFORE ME, the undersigned authority, appeared JAMES T. SCHUMACHER, who deposed and said:

1. My name is JAMES T. SCHUMACHER. I am employed by Vista-United Telecommunications ("Vista") as Manager-Business Affairs. This affidavit is based on my personal knowledge.

2. Notice of intent to file a joint petition for approval of the transfer of Certificate of Public Convenience and Necessity Numbers 1971 and 2442 from Vista-United Telecommunications to Smart City Telecommunications L.L.C. has been given as follows:

(a) By United States mail or hand delivery (*) to the governing bodies of the counties and municipalities within Vista's local exchange company territory as defined in FPSC Order Nos. 4783 and 18586, to the Public Counsel, and to the Florida Public Service Commission, at the following addresses:

Board of County Commissioners
Orange County, Florida
201 South Rosalind Avenue, 5th Floor
Orlando, Florida 32801

Board of County Commissioners
Osceola County, Florida
17 South Vernon Avenue
Kissimmee, Florida 34741

City of Bay Lake
1900 Hotel Plaza Boulevard
Lake Buena Vista, Florida 32830

City of Lake Buena Vista
1900 Hotel Plaza Boulevard
Lake Buena Vista, Florida 32830

Reedy Creek Improvement District
1900 Hotel Plaza Boulevard
Lake Buena Vista, Florida 32830

Florida Public Service Commission *
Division of Records and Reporting
2540 Shumard Oaks Boulevard
Tallahassee, Florida 32399-0850

Celebration Community Development District
610 Sycamore Street, Suite 140
Celebration, Florida 34747

Jack Shreve *
Office of Public Counsel
111 W. Madison Street, Room 812
Tallahassee, FL 32399-1400

Enterprise Community Development District
610 Sycamore Street, Suite 140
Celebration, Florida 34747

A copy of the notice sent to these persons is attached hereto as **Attachment One**.

(b) By a legal advertisement in the Orlando Sentinel, which is a newspaper of general circulation in the area affected, published on two (2) separate occasions at least two (2) weeks prior to the filing of the joint petition. This notice was published on September 15 and 20, 2000, as shown in the proof of publications, copies of which are attached hereto as **Attachment Two**.

(c) By written notice sent by United States Mail to each subscriber in the area to be transferred on October 5, 2000, a copy of which notice was approved by the Staff of the Florida Public Service Commission on October 2, 2000, and a copy of which is attached hereto as **Attachment Three.**

FURTHER AFFIANT SAYETH NOT.

James T. Schumacher

STATE OF FLORIDA
COUNTY OF ORANGE

Sworn to or affirmed and signed before me on October 4, 2000, by James T. Schumacher, who is personally known to me and who did take an oath.

Lynn B. Hall

Notary Public – State of Florida

[Print, type, or stamp commissioned name of notary.]

Lynn B Hall
My Commission CC849931
Expires July 23, 2003

Notice of Intent to File Joint Petition
for Approval of Transfer of Certificates
of Public Convenience and Necessity

Dated: October 4, 2000

Notice is hereby given that Vista-United Telecommunications ("Vista-United") and Smart City Telecommunications L.L.C. ("Smart City") intend to file a Joint Petition before the Florida Public Service Commission ("FPSC" or "Commission") for approval of transfer of Certificates of Public Convenience and Necessity Numbers 1971 and 2442 from Vista-United to Smart City. Certificate Number 2442 currently authorizes Vista-United to provide interexchange (long distance) service in Florida. Certificate Number 1971 currently authorizes Vista-United to provide local exchange telecommunications services in portions of Orange and Osceola counties. Vista-United intends to seek cancellation of its pay telephone certificate (Number 7549) and Smart City will apply for a new pay telephone certificate under its own name. Vista-United and Smart City propose to make no changes to the telecommunications rates and charges Vista-United is authorized to charge under current FPSC-approved tariffs pursuant to the Joint Petition.

Upon filing, copies of the Joint Petition will be available at the Division of Records and Reporting, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida,

ATTACHMENT ONE

32399-0850, and at the offices of Vista-United, 3100 Bonnet Creek Road, Lake Buena Vista, Florida, 32830-0180. Copies of any comments concerning the Joint Petition that are directed to or filed with the FPSC should be provided to John P. Fons and J. Jeffry Wahlen, Ausley & McMullen, P. O. Box 391, Tallahassee, Florida, 32302, attorneys for Vista-United, and Kenneth A. Hoffman, Rutledge, Ecenia, Purnell & Hoffman, P.A., 215 South Monroe Street, Suite 420, Tallahassee, Florida, 32301, attorney for Smart City.

h:\data\jjw\vst\joint petition noirev.doc

Orlando Sentinel

Published Daily

State of Florida
COUNTY OF ORANGE } S.S.

Before the undersigned authority personally appeared Julia Nichols, who on oath says that he/she is the Legal Advertising Representative of Orlando Sentinel, a daily newspaper published at ORLANDO in ORANGE County, Florida; that the attached copy of advertisement, being a NOTICE OF INTENT in the matter of Vista-United Telecommunications in the ORANGE Court, was published in said newspaper in the issue; of 09/15/00

Affiant further says that the said Orlando Sentinel is a newspaper published at ORLANDO, in said ORANGE County, Florida, and that the said newspaper has heretofore been continuously published in said ORANGE County, Florida, each Week Day and has been entered as second-class mail matter at the post office in ORLANDO in said ORANGE County, Florida, for a period of one year next preceding the first publication of the attached copy of advertisement; and affiant further says that he/she has neither paid nor promised any person, firm or corporation any discount, rebate, commission or refund for the purpose of securing this advertisement for publication in the said newspaper.

The foregoing instrument was acknowledged before me this 15th day of Sept., 2000, by Julia Nichols, who is personally known to me and who did take an oath.

Lisandra Sanchez

(SEAL)

STATE OF FLORIDA NOTARY PUBLIC
LISANDRA SANCHEZ
My Comm Exp. 9/23/2002
No. CC 777537
[✓] Personally Known [ ] Other I.D.

Notice of Intent to File Joint Petition For Approval of Transfer of Certificates of Public Convenience and Necessity
Dated: September 15, 2000

Notice is hereby given that Vista-United Telecommunications ("Vista-United") and Smart City Telecommunications LLC ("Smart City") intend to file a Joint Petition before the Florida Public Service Commission ("FPSC" or "Commission") for approval of transfer of Certificates of Public Convenience and Necessity Numbers 1971, 2442 and 7549 from Vista-United to Smart City. Certificate Numbers 2442 and 7549 currently authorize Vista-United to provide interexchange (long distance) and pay telephone services, respectively, in Florida. Certificate Number 1971 currently authorizes Vista-United to provide local exchange telecommunications services in portions of Orange and Osceola Counties. Vista-United and Smart City propose to make no changes to the telecommunications rates and charges Vista-United is authorized to charge under current FPSC-approved tariffs pursuant to the Joint Petition.

Upon filing, copies of the Joint Petition will be available at the Division of Records and Reporting, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, and at the offices of Vista-United, 3100 Bonnet Creek Road, Lake Buena Vista, Florida 32830-0180. Copies of any comments concerning the Joint Petition that are directed to or filed with the FPSC should be provided to John P. Fons and J. Jeffry Wahlen, Ausley & Macmillan, P. O. Box 391, Tallahassee, Florida 32302, attorneys for Vista-United, and Kenneth A. Hoffman, Rutledge, Ecenia, Purnell & Hoffman, P.A., 215 South Monroe Street, Suite 420, Tallahassee, Florida 32301, attorney for Smart City."
COR3520950 9/15/00

ATTACHMENT TWO

Orlando Sentinel

Published Daily

State of Florida
COUNTY OF ORANGE } S.S.

Before the undersigned authority personally appeared Julia Nichols, who on oath says that he/she is the Legal Advertising Representative of Orlando Sentinel, a daily newspaper published at KISSIMMEE in OSCEOLA County, Florida; that the attached copy of advertisement, being a NOTICE OF INTENT in the matter of Vista-United Telecommunications in the OSCEOLA Court, was published in said newspaper in the issue; of 09/15/00

Affiant further says that the said Orlando Sentinel is a newspaper published at KISSIMMEE, in said OSCEOLA County, Florida, and that the said newspaper has heretofore been continuously published in said OSCEOLA County, Florida, each Week Day and has been entered as second-class mail matter at the post office in KISSIMMEE in said OSCEOLA County, Florida, for a period of one year next preceding the first publication of the attached copy of advertisement; and affiant further says that he/she has neither paid nor promised any person, firm or corporation any discount, rebate, commission or refund for the purpose of securing this advertisement for publication in the said newspaper.

The foregoing instrument was acknowledged before me this 15th day of Sept., 20 00, by Julia Nichols, who is personally known to me and who did take an oath.

(SEAL)

LISANDRA SANCHEZ
My Comm Exp. 9/23/2002
No. CC 777537
[X] Personally Known [ ] Other I.D.
STATE OF FLORIDA NOTARY PUBLIC

Notice of Intent to File Joint Petition For Approval of Transfer of Certificates of Public Convenience and Necessity
Dated: September 15, 2000

Notice is hereby given that Vista-United Telecommunications ("Vista-United") and Smart City Telecommunications LLC ("Smart City") intend to file a Joint Petition before the Florida Public Service Commission ("FPSC" or "Commission") for approval of transfer of Certificates of Public Convenience and Necessity Numbers 1971, 2442 and 7549 from Vista-United to Smart City. Certificate Numbers 2442 and 7549 currently authorize Vista-United to provide interexchange (long distance) and pay telephone services, respectively, in Florida. Certificate Number 1971 currently authorizes Vista-United to provide local exchange telecommunications services in portions of Orange and Osceola Counties. Vista-United and Smart City propose to make no changes to the telecommunications rates and charges Vista-United is authorized to charge under current FPSC-approved tariffs pursuant to the Joint Petition.

Upon filing, copies of the Joint Petition will be available at the Division of Records and Reporting, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, and at the offices of Vista-United, 3100 Bonnet Creek Road, Lake Buena Vista, Florida 32830-0180. Copies of any comments concerning the Joint Petition that are directed to or filed with the FPSC should be provided to John P. Fons and J. Jeffry Wahlen, Ausley & Macmillan, P. O. Box 391, Tallahassee, Florida 32302, attorneys for Vista-United, and Kenneth A. Hoffman, Rutledge, Ecenia, Purnell & Hoffman, P.A., 215 South Monroe Street, Suite 420, Tallahassee, Florida 32301, attorney for Smart City."

OSC3520921 9/15/00

Orlando Sentinel

Published Daily

State of Florida } S.S.
COUNTY OF ORANGE

Before the undersigned authority personally appeared DEBORAH TONEY, who on oath says that he/she is the Legal Advertising Representative of Orlando Sentinel, a daily newspaper published at ORLANDO in ORANGE County, Florida; that the attached copy of advertisement, being a NOTICE OF INTENT in the matter of APPROVAL OF TRANSFER OF CERTIFICATES

in the ORANGE Court, was published in said newspaper in the issue; of 09/20/00

Affiant further says that the said Orlando Sentinel is a newspaper published at ORLANDO, in said ORANGE County, Florida, and that the said newspaper has heretofore been continuously published in said ORANGE County, Florida, each Week Day and has been entered as second-class mail matter at the post office in ORLANDO in said ORANGE County, Florida, for a period of one year next preceding the first publication of the attached copy of advertisement; and affiant further says that he/she has neither paid nor promised any person, firm or corporation any discount, rebate, commission or refund for the purpose of securing this advertisement for publication in the said newspaper.

The foregoing instrument was acknowledged before me this 21 day of SEPT, 20 00, by DEBORAH TONEY, who is personally known to me and who did take an oath.

(SEAL)

STATE OF FLORIDA NOTARY PUBLIC
JULIA NICHOLS
My Comm Exp. 9/23/2001
Bonded By Service Ins
No. 683016
[ ] Personally Known [ ] Other I.D.

Notice of Intent to File Joint Petition For Approval of Transfer of Certificates of Public Convenience and Necessity
Dated: September 19, 2000
Notice is hereby given that Vista-United Telecommunications ("Vista-United") and Smart City Telecommunications LLC ("Smart City") intend to file a Joint Petition before the Florida Public Service Commission ("FPSC" or "Commission") for approval of transfer of Certificates of Public Convenience and Necessity Numbers 1971, 2442 and 7549 from Vista-United to Smart City. Certificate Numbers 2442 and 7549 currently authorize Vista-United to provide interexchange (long distance)> and pay telephone services, respectively, in Florida. Certificate Number 1971 currently authorizes Vista-United to provide local exchange telecommunications services in portions of Orange and Osceola Counties. Vista-United and Smart City propose to make no changes to the telecommunications rates and charges Vista-United is authorized to charge under current FPSC-approved tariffs pursuant to the Joint Petition. Upon filing, copies of the Joint Petition will be available at the Division of Records and Reporting, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, and at the offices of Vista-United, 3100 Bonnet Creek Road, Lake Buena Vista, Florida 32830-0180. Copies of any comments concerning the Joint Petition that are directed to or filed with the FPSC should be provided to John P. Fons and J. Jeffry Wahlen, Ausley & Macmillan, P. O. Box 391, Tallahassee, Florida 32302, attorneys for Vista-United, and Kenneth A. Hoffman, Rutledge, Ecenia, Purnell & Hoffman, P.A., 215 South Monroe Street, Suite 420, Tallahassee, Florida 32301, attorney for Smart City.
9/20/00

Orlando Sentinel

Published Daily

State of Florida }
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in the OSCEOLA Court, was published in said newspaper in the issue; of 09/20/00

Affiant further says that the said Orlando Sentinel is a newspaper published at KISSIMMEE, in said OSCEOLA County, Florida, and that the said newspaper has heretofore been continuously published in said OSCEOLA County, Florida, each Week Day and has been entered as second-class mail matter at the post office in KISSIMMEE in said OSCEOLA County, Florida, for a period of one year next preceding the first publication of the attached copy of advertisement; and affiant further says that he/she has neither paid nor promised any person, firm or corporation any discount, rebate, commission or refund for the purpose of securing this advertisement for publication in the said newspaper.

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(SEAL)

STATE OF FLORIDA NOTARY PUBLIC
JULIA NICHOLS
My Comm Exp. 9/23/2001
Bonded By Service Ins
No. 683016
[ ] Personally Known [ ] Other I.D.

Notice of Intent to File Joint Petition For Approval of Transfer of Certificates of Public Convenience and Necessity
Dated: September 19, 2000
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OSC3527444 9/20/00

Notice of Intent to File Joint Petition for Approval of
Transfer of Certificates
of Public Convenience and Necessity

Dated: October 4, 2000

Notice is hereby given that Vista-United Telecommunications ("Vista-United") and Smart City Telecommunications L.L.C. ("Smart City") intend to file a Joint Petition before the Florida Public Service Commission ("FPSC" or "Commission") for approval of transfer of Certificates of Public Convenience and Necessity Numbers 1971 and 2442 from Vista-United to Smart City. Certificate Number 2442 currently authorizes Vista-United to provide interexchange (long distance) service in Florida. Certificate Number 1971 currently authorizes Vista-United to provide local exchange telecommunications services in portions of Orange and Osceola counties. Vista-United intends to seek cancellation of its pay telephone certificate (Number 7549) and Smart City will apply for a new pay telephone certificate under its own name. Vista-United and Smart City propose to make no changes to the telecommunications rates and charges Vista-United is authorized to charge under current FPSC-approved tariffs pursuant to the Joint Petition.

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ATTACHMENT THREE

Exhibit C to Joint Petition

Form PSC/CMU 31 (12/96)

** FLORIDA PUBLIC SERVICE COMMISSION **

DIVISION OF REGULATORY OVERSIGHT
CERTIFICATION SECTION

Application Form for Authority to Provide Interexchange Telecommunications Service Between Points Within the State of Florida

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Instructions

- This form is used as an application for an original certificate and for approval of assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Page 16).

- Print or Type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.

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

- 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 Records and Reporting
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6770

  Note: **No filing fee is required** for an assignment or transfer of an existing certificate to another company.

- If you have questions about completing the form, contact:

  Florida Public Service Commission
  Division of Regulatory Oversight
  Certification Section
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6480

1. This is an application for √ (check one):

( ) **Original certificate** (new company).

(X) **Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.

( ) **Approval of assignment of existing certificate:** Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.

( ) **Approval of transfer of control:** Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of company:

Smart City Telecommunications, LLC

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

Smart City Telecommunications, LLC

4. Official mailing address (including street name & number, post office box, city, state, zip code):

28 West Grand Avenue

Montvale, NJ 07645

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

3100 Bonnet Creek Road; P.O. Box 10180

Lake Buena Vista, Florida 32830-0180

6. Select type of business your company will be conducting √(check all that apply):

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

( ) **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 resold service by enrolling unaffiliated customers.

( ) **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.

7. Structure of organization;

( ) Individual
( ) Foreign Corporation
( ) General Partnership
(X) Other LLC
( ) Corporation
( ) Foreign Partnership
( ) Limited Partnership

8. <u>If individual,</u> provide: N/A

Name:____

Title:____

Address:____

City/State/Zip:____________________________________

Telephone No.:____________________ **Fax No.:**______________

Internet E-Mail Address:_______________________________

Internet Website Address:______________________________

9. <u>If incorporated in Florida,</u> provide proof of authority to operate in Florida:

   (a) **The Florida Secretary of State Corporate Registration number:**

   ____

   Not incorporated in Florida.

10. <u>If foreign corporation,</u> provide proof of authority to operate in Florida: N/A

   (a) **The Florida Secretary of State Corporate Registration number:** N/A

   ____

11. <u>If using fictitious name-d/b/a,</u> provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida: N/A

   (a) **The Florida Secretary of State fictitious name registration number:**

   ____

12. <u>If a limited liability partnership,</u> provide proof of registration to operate in Florida:

   (a) **The Florida Secretary of State registration number:** N/A

13. **If a partnership**, provide name, title and address of all partners and a copy of the partnership agreement. N/A

Name:____________________________

Title:____________________________

Address:____________________________

City/State/Zip:____________________________

Telephone No.:__________________ **Fax No.:**____________

Internet E-Mail Address:____________________________

Internet Website Address:____________________________

14. **If a foreign limited partnership,** provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable. N/A

(a) **The Florida registration number:** N/A

15. Provide **F.E.I. Number** (if applicable): 22-3751025

16. Provide the following (if applicable):

(a) Will the name of your company appear on the bill for your services?
(X) **Yes** ( ) **No**

(b) If not, who will bill for your services? N/A

Name:____________________________

Title:____________________________

Address:____________________________

City/State/Zip:____________________________

Telephone No.:__________________ **Fax No.:**____________

(c) How is this information provided?

N/A

17. Who will receive the bills for your service?

( ) Residential Customers
(X) Business Customers
( ) PATs providers
( ) PATs station end-users
( ) Hotels & motels
( ) Hotel & motel guests
( ) Universities
( ) Universities dormitory residents
( ) Other: (specify)________.

18. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

Name: Martin A. Rubin

Title: Chief Executive Officer

Address: 28 West Grand Avenue

City/State/Zip: Montvale, NJ 07645

Telephone No.: 201-930-9000 Ext. 500 **Fax No.:** 201-930-9704

Internet E-Mail Address: mrubin@smartcitynetworks.com

Internet Website Address: smartcitynetworks.com

(b) Official point of contact for the ongoing operations of the company:

Name: James T. Schumacher

Title: Manager - Business Affairs

Address: 3100 Bonnet Creek Road

City/State/Zip: Lake Buena Vista, Florida 32830-0180

Telephone No.: 407-827-2170 **Fax No.:** 407-827-2600

Internet E-Mail Address: jim.schumacher@disney.com

Internet Website Address: ---

(c) Complaints/Inquiries from customers:

Name: Lynn B. Hall

Title: Contracts and Tariffs Manager

Address: 3100 Bonnet Creek Road

City/State/Zip: Lake Buena Vista, Florida 32830-0180

Telephone No.: 407-827-2210 **Fax No.:** 407-827-2424

Internet E-Mail Address: lynn.b.hall@disney.com

Internet Website Address: ---

19. List the states in which the applicant:

(a) has operated as an interexchange telecommunications company.

None.

(b) has applications pending to be certificated as an interexchange telecommunications company.

None.

(c) is certificated to operate as an interexchange telecommunications company.

None.

(d) has been denied authority to operate as an interexchange telecommunications company and the circumstances involved.

None.

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

Yes. CLEC sister company Smart City Networks, L.P., fine for failure to respond to Local Competition data request - $1,000

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

No.

20. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.

No.

(b) an 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.

Yes. CLEC sister company Smart City Networks, L.P.

21. The applicant will provide the following interexchange carrier services √ (check all that apply):

a. X **MTS with distance sensitive per minute rates**

X Method of access is FGA
___ Method of access is FGB
___ Method of access is FGD
___ Method of access is 800

b. ___ **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

c.__________ **MTS with statewide flat rates per minute (i.e. not distance sensitive)**

__________ Method of access is FGA
__________ Method of access is FGB
__________ Method of access is FGD
__________ Method of access is 800

d.__________ **MTS for pay telephone service providers**

e.__________ **Block-of-time calling plan (Reach Out Florida, Ring America, etc.).**

f.__________ **800 service (toll free)**

g.__________ **WATS type service (bulk or volume discount)**

__________ Method of access is via dedicated facilities
__________ Method of access is via switched facilities

h.____X____ **Private line services (Channel Services)**
(For ex. 1.544 mbs., DS-3, etc.)

I.__________ **Travel service**

__________ Method of access is 950
__________ Method of access is 800

j.__________ **900 service**

k.__________ **Operator services**

__________ Available to presubscribed customers
__________ Available to non presubscribed customers (for example, to patrons of hotels, students in universities, patients in hospitals).
__________ Available to inmates

1. **Services included are:**

____X____ Station assistance
________ Person-to-person assistance
________ Directory assistance
________ Operator verify and interrupt
________ Conference calling

22. Submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.485 (example enclosed).
Smart City Telecommunications, LLC will begin operation pursuant to Vista-United Telecommunications' Florida Telecommunications Tariff on file with the Florida Public Service Commission.

23. Submit the following:

A. Managerial capability; give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

B. Technical capability; give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.

C. Financial capability.

The application **<u>should contain</u>** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated. The applicant does not yet have audited financial statements. Therefore, we are supplying the audited financial statements of Smart City Networks, our affiliated company.
The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer <u>affirming that the financial statements are true and correct</u> and should include:

1. the balance sheet;

2. income statement; and

3. statement of retained earnings.

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.*

Further, the following (which includes supporting documentation) should be provided:

1. **<u>A written explanation</u>** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

2. **<u>A written explanation</u>** that the applicant has sufficient financial capability to maintain the requested service.

3. **<u>A written explanation</u>** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

Smart City Telecommunications is a wholly-owned subsidiary of Smart City Holdings. Smart City Telecommunications has sufficient financial capability to provide the requested service in the geographic area, to maintain the requested service and to meet its lease or ownership obligations because the owners of Smart City Holdings have financial resources in excess of $250 million. The owners of Smart City Holdings have agreed to invest a minimum of $15 million in Smart City Holdings which will be downstreamed to Smart City Telecommunications.

THIS PAGE MUST BE COMPLETED AND SIGNED

APPLICANT ACKNOWLEDGMENT 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:** I understand that a non-refundable application fee of $250.00 must be submitted with the application.

UTILITY OFFICIAL:

Martin A. Rubin
Print Name

Martin A. Rubin
Signature

Chief Executive Officer
Title

October 5 2000
Date

201-930-9000 Ext. 500
Telephone No.

201-930-9704
Fax No.

Address: Smart City Networks
28 West Grand Avenue
Montvale, NJ 07645

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

THIS PAGE MUST BE COMPLETED AND SIGNED

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 provided in one of the following ways (applicant, please √ check one):

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

(   ) The applicant intends to collect deposits and/or advance payments for more than one month's service and will file and maintain a surety bond with the Commission in an amount equal to the current balance of deposits and advance payments in excess of one month.
(The bond must accompany the application.)

UTILITY OFFICIAL:

Martin A. Rubin	Martin A. Rubin
Print Name	**Signature**
Chief Executive Officer	October 5, 2000
Title	**Date**
201-930-9000 Ext. 500	201-930-9704
Telephone No.	**Fax No.**

Address: Smart City Networks
28 West Grand Avenue
Montvale, NJ 07645

THIS PAGE MUST BE COMPLETED AND SIGNED

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange company service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

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:

Martin A. Rubin
Print Name

Martin A. Rubin
Signature

Chief Executive Officer
Title

October 5, 2000
Date

201-930-9000 Ext. 500
Telephone No.

201-930-9704
Fax No.

Address:
Smart City Networks
28 West Grand Avenue
Montvale, NJ 07645

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

CURRENT FLORIDA INTRASTATE SERVICES

Applicant **has** ( ) or **has not** (X) previously provided intrastate telecommunications in Florida.

If the answer is has, 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:

Martin A. Rubin	Martin A. Rubin
Print Name	**Signature**
Cheif Executive Officer	October 5, 2000
Title	**Date**
201-930-9000 Ext. 500	201-930-9704
Telephone No.	**Fax No.**

Address: Smart City Networks
28 West Grand Avenue
Montvale, NJ 07645

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

CERTIFICATE TRANSFER, OR ASSIGNMENT STATEMENT

I, (Name) Richard L. Astleford,

(Title) General Manager and Director of

Vista-United Telecommunications

(Name of Company)

and current holder of Florida Public Service Commission Certificate Number

2442, have reviewed this application and join in the petitioner's request for a:

(X) transfer

(   ) assignment

of the above-mentioned certificate.

UTILITY OFFICIAL:

Richard L. Astleford	
Print Name	**Signature**
General Manager and Director	October 5, 2000
Title	**Date**
(407) 827-2010	(407) 827-2600
Telephone No.	**Fax No.**

Address: 3100 Bonnet Creek Road
P.O. Box 10,180
Lake Buena Vista, Florida 32830-0180

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

EXHIBIT A AND B

MANAGEMENT AND TECHNICAL CAPABILITY

The executives of Smart City have extensive experience in the telecommunications and hospitality industries. The senior and middle management ranks are staffed by individuals whose backgrounds include positions at long distance carriers, ISPs (Internet service providers), trade show decorators, hotels and convention centers.

Martin Rubin, CEO, is a twenty-five year veteran of the telecommunications and technology industries. He is the former president of several companies including a publicly-traded satellite communications firm (AutoInfo), an Internet firewall security company (Raptor Systems) and a microwave transmission firm (DCT Communications now Advanced Radio Telecom). He was also formerly the Vice President of Corporate Information Systems at Chemical Bank (now Chase Manhattan Bank). He holds a BS from The Wharton School of the University of Pennsylvania.

James Pearson, Board Member, is the President of US Cable, the nation's twenty-third largest cable television company. He is also currently a member of the Board of the National Cable Television Association. He holds a BS from Washington & Lee and a MBA from Indiana University.

Paul Ashley, President, has spent the last fifteen years in the cable television and data services industry, most recently as a General Manager of AT&T Broadband Services. He has also held several positions in government, including the post of city manager. He has a BS from Michigan State and an MBA from Michigan.

Raymond LaBelle, Chief Operating Officer, has a thirty-year track record in the telephone industry, including various positions at Centel and WilTel Communications. He has held his current position at Smart City for the past eleven years. He has been involved in every aspect of operations.

William Suszko, Vice President of Finance, is a twenty-year veteran in the hospitality industry with senior level positions at Viad Corporation and Dobbs House. Most recently he was a Regional Director of Greyhound Exposition, the largest trade show decorating company. He holds a BS from the University of Missouri and an MBA from Harvard University.

Ron Patterson, Vice President of Operations, is a twenty-five year veteran of the telephone industry with Centel and WilTel. He has held his current position for the past three years. In his most recent position at WilTel, he was responsible for several of the most critical large-scale accounts in the country.

Scott Frost, Vice President of Sales and Marketing, has been with the company for three years. He holds a BS from the University of Nevada.

Drew Sisler, Vice President of Business Development, has an extensive background in new business development at a major accounting firm. He holds a BA from Hamilton College and an MBA from George Washington University.

The Smart City management team will be expanded to include a number of individuals currently employed by Vista-United. An abbreviated list of these managers include:

James Schumacher, Regulatory & Business Affairs
Bob Merrick, Engineering & Regulated Operations
Toni Edwards, Customer Service
Bill Huttenhower, Regulatory Affairs
Lynn Hall, Contracts and Tariffs

The management team at Vista-United is highly experienced and has an outstanding record of dedication to customer support and service. Most of these individuals and their staff have been with Vista-United for fifteen years or longer.

1999 Annual Report

Making the world smarter.
One city at a time.

Smart City Networks
Ten Business Principles

Many things have changed since we got started in this business many years ago. More will change in the future as our customers expect new technologies and services. However, we are steadfast in our core values that are not subject to change. It is these ten principles that define our business, our relationships and our values.

1. **Integrity without Compromise.** Having integrity means more to us than simply the absence of deception. It means that we are completely forthright in all our dealings. We say what needs to be said, not simply what people want to hear.

2. **Do Right by All Our Customers.** Doing right means acting with the best interest of the other party in mind. An important word in this phrase is "all" – it includes every relationship. We treat each other, our business partners and our vendors with the same care and respect with which we treat our customers.

3. **It's the People.** We have great people who want to do well, who are capable of doing great things and who come to work fired up to achieve them. Great people flourish in an environment that liberates and amplifies their energy.

4. **Seek the Best.** We seek the best in two ways: We cast wide nets to find the best people to hire and the best ideas to adopt, and we base decisions regarding them on facts. We acknowledge and capitalize on our diverse work force.

5. **Continually Improve Processes.** How do we know if a process needs improving? The answer is: It always does. We can always get better. We strive continually to improve our processes, to help people do their jobs better, and to produce higher quality at lower cost.

6. **Speak, Listen and Respond.** The managers of Smart City have a responsibility to create an environment that encourages people to speak openly, knowing that they will be listened to when they do. Listening, however, is only a first step. It's also key to respond – if not through direct action and then through acknowledgement and feedback. Feedback is the breakfast of champions!

7. **Teams Work.** Teamwork means focusing on the team's success, realizing that ultimately the team's success is your success. It also means that you succeed by helping other members of the team to succeed.

8. **Customers Define Quality.** Part of adapting to changing customer needs and desires is knowing what our customers want. Smart City has succeeded, in part, because we actively solicit input from our customers.

9. **Think Fast, Move Fast.** Customers want the benefit from our great ideas sooner – not later. Moving fast enables us to learn and to make better decisions over time. That's because the best learning comes from trying out more things in the real world.

10. **We Care and Give Back.** We believe that with our success comes the responsibility to give back to our communities. We seek to contribute to our communities in ways that reflect broadly held values, have meaningful impact, draw on our unique strengths as a company and whenever possible reinforce our business objectives.

SmartCity

To Our Partners

There is much good news to report to you in this, our fifteenth year of business. The past year was a momentous one for Smart City Networks, both in terms of the substantial growth in our business and the positioning of our company. We are excited about what has been accomplished, but even more excited about what is coming.

Strong Revenue Growth

Revenue in 1999 increased to $16 million from $10.9 million in 1998. Nearly all of our revenue was derived from implementing and operating the latest voice and data technology at convention centers, stadiums and large hotels located in major cities.

> ***ANAHEIM CONVENTION CENTER -***
> *"Smart City Networks has been the exclusive telecommunications provider at the Anaheim Convention Center since 1987. Smart City Networks has always been diligent at providing the best possible service regardless of the size of the event." - Greg Smith, General Manager*

We are making it possible for city governments and major hotel chains, to offer sophisticated voice and data capabilities to trade show exhibitors and attendees. By offering our services, the convention and visitors bureaus of large cities have a powerful capability in their sales and marketing efforts to attract conventions and trade shows.

We now are offering a wide array of services that address the telecommunications needs of every type of trade show and convention. Over the past fifteen years we have met the needs of 10,000 events from the Republican National Convention to the World Economic Summit. This past year we participated in over 1,000 events, including COMDEX, National Association of Broadcasters, Consumer Electronics Show, Western Cable, Texaco Grand Prix and the World of Concrete. This year we will handle over 2,000 events including a significant portion of the 2000 Democratic National Convention in Los Angeles.

> ***CHARLOTTE CONVENTION CENTER -***
> *"As much as a year before our grand opening, Smart City Networks was involved, reviewing the telecommunications system design, making recommendations, developing software... visiting the construction site to coordinate with the cabling and PBX contractors. Smart City Networks involvement at this early stage resulted in substantial savings for the Charlotte Convention Authority both in initial cost and in on-going maintenance expenses. Their services since our opening have been excellent." - Ted W. Lewis, Building Manager*

In many instances our telecommunications services are superior to those offered by some of the nation's largest telephone and Internet service companies.

Industry Leadership

Even more important than our revenue growth last year was our success in establishing Smart City Networks as the clear leader in telecommunications services to the hospitality industry. No company has more experience in delivering high-quality telecommunications services under the most demanding conditions. This achievement has important implications for our future. Our owning the dominant position in this industry makes us the most attractive partner for major cities and hotel chains that offer convention services. It also will make us the most attractive partner for those quality telecommunications and eCommerce companies who want to reach our formidable audience of trade show attendees with their services.

At the end of 1999 we were the largest provider of telecommunications to the convention services industry. We have both the greatest number of cities under exclusive agreements and the highest number of trade shows using our services.

Net Loss for Year

We incurred a pro forma loss of $202,000 in 1999, excluding the write-off of intangible assets as mandated by new FASB accounting rules. However, we generated cash flow of $1.5 million, our fifteenth year of generating cash flow. The extraordinary growth forecasts for the hospitality industry argues the wisdom of an accelerated investment in product and market development. We made the decision in 1998 to open offices in Las Vegas, San Antonio, San Diego, Sacramento and Santa Clara. This decision produced net losses in 1998 and 1999. We chose to make this decision to accelerate our future growth and enhance our dominant leadership position. We believe that these actions will prove beneficial over the next few years.

Acquisitions

In early 1999 we completed the acquisition of Expotel, a small provider of telecommunications services to the convention industry in California. We are very pleased to include Expotel's employees and management in the Smart City family.

In mid-1999 one of our competitors, PCS World, filed for protection under chapter 11 of the Federal bankruptcy code. We have been working very closely with the secured and unsecured creditors of PCS World. This cooperation has resulted in the filing of a reorganization plan whereby Smart City Networks would acquire PCS World operations in Nevada, New York and Canada. The confirmation date for the reorganization plan is currently set for mid-July.

A Note of Appreciation

We are building the largest and most advanced telecommunications company serving the convention and hospitality industry. We have successfully combined the elements of telecommunications technology with our understanding of the needs of the hospitality industry. This success is due to the dedication of our staff to making Smart City the best company in its field. These individuals works countless nights and weekends in their pursuit of being the best and I want to express my deepest gratitude for their dedication, effort and time.

Sincerely,

Martin A. Rubin

CEO

Our History

Smart City Networks was started fifteen years ago as a telephone company dedicated to providing its services solely at large hospitality facilities. The Company was initially a partnership between the Houston Astros and Centel, a NYSE-listed independent telephone company. Appropriately named, Centel Facilities Communications, the Company provided all of the telephone services at the Houston Astrodome and the nearby Astrohall. The Company was in a unique position to acquire the telephony expertise of Centel and the hospitality knowledge of the Houston Sports Association, owner of the Houston Astros and operator of the Astrodome and nearby hotels.

> ***ASTRODOME USA*** -
> *"During these 12 years, Smart City Networks has handled many major events which have included the Republican National Convention, National Association of Homebuilders, Offshore Technology Conference. Smart City Networks diligent attention to both show management and exhibitors' requests, along with their staff's advanced planning, are always a pleasant surprise for our new shows and something our repeat clients come to count on year after year." - George H. Koenig, Vice President Sales and Marketing*

In 1984 the concept of integrating telephone and hospitality expertise was a novel but forward thinking concept. The Company perfected its ability to install and operate telephone switches, provide daily telephony and billing services to the administrative offices and implement the high pressure, rapid paced requirements of trade shows and major events held in the Astrodome. In the late 1980's the Company began to offer its specialized expertise to major convention centers in the United States. The cities of Anaheim, Houston and Los Angeles signed long-term exclusive contracts for telephone services in their convention centers.

In the early 1990's the unregulated business of Centel, including Centel's 50% interest in the Company, was sold to the WilTel division of The Williams Companies. During this time, the Company also demonstrated to the world its combined expertise in telephony and hospitality. The Company, now named Facilities Communications, handled all of the telecommunications requirements for two very large events: the 1992 Republican National Convention and the 1994 World Economic Summit.

In January 1995 the Company was sold to its present owners, the principals of US Cable. Initially named US Telcom, the Company has been renamed to Smart City Networks. A highly dedicated management team has expanded the successful concept of marrying telephony and hospitality expertise. Smart City has added additional convention centers to its roster, including the Las Vegas Convention Center, Dallas Convention Center, and Henry B. Gonzalez Center in San Antonio, Charlotte Convention Center, Sacramento Convention Center and the Santa Clara Convention Center. In addition, Smart City has been awarded a fifteen-year renewal by the City of Anaheim and renewals by the City of Los Angeles and City of Houston.

Smart City has expanded its service offerings from its original days of providing dial tone. Today the Company provides high-speed Internet connectivity, local area networking, wireless communications, pay telephones, cyber cafes and webcasting. The Company has provided its telecommunications services at over 10,000 events including COMDEX, National Cable Television, Consumer Electronics Show, Western Cable, E3, Houston Rodeo, Texaco Grand Prixe and the Smithsonian National Tour. For the National Association of Broadcasters show in Las Vegas, Smart City provided Internet connectivity including two OC-48's to the show floor. The Company will also be responsible for a portion of the telecommunications requirements at this year's Democratic National Convention in Los Angeles.

Smart City's client base has been expanded to include upscale hotel properties in Las Vegas and California. The Company's services include in-room Internet access for Four Seasons® Las Vegas guests and data services for events at Bally's, Paris, Las Vegas Hilton, Ritz-Carlton® Laguna-Niguel and other leading hotels.

LOS ANGELES CONVENTION CENTER - *"Smart City Networks has provided the telecommunications services for the Los Angeles Convention Center for over ten years. Our telecommunications service revenue has increased steadily. Smart City Networks has always been responsive to the needs of the Los Angeles Convention Center and has done an excellent job of keeping the service level they provide equal with the increasing demand our shows constantly produce." - George T. Rakis, General Manager*

The key to our success is our people. Our staff is thoroughly trained in both telecommunications and hospitality programs. Every employee attends a customized program designed and performed by the Ritz-Carlton Learning Institute. All of our employees carry a copy of our twenty core business practices and our ten business principles. Each day our staff in every one of our locations throughout the country meets and discusses our core values.

Daily Basics

1. All team members will know our credo and our ten business principles.
2. Our motto is "In a hectic world we provide peace of mind."
3. You don't get a second chance to form a first impression. Customers form opinions of us quickly, be sure that your appearance lets them form a positive one. Appropriate dress and grooming are mandatory for all team members. Make it a goal to "dress smart" and "look smart."
4. We will be completely forthright, honest and professional in all of our interactions. Be sure to treat others as they would like to be treated. A promise made is a promise kept.
5. No team member is allowed to accept any gratuity from any customer at any time. Smile and thank them for the gesture.
6. "Get things right the first time." Strive for zero defects in our work.
7. Team members will know their roles during emergency situations and will be aware of fire and life safety response processes. Report equipment that has failed or is in need of repair to your supervisor. Make sure it gets replaced or fixed.
8. Seek opportunities to instantly recognize a job well done by your fellow team members. A sincere "pat on the back" goes a long way.
9. Be an ambassador of our company in and outside of the work place. Project a positive attitude about our company to attract and retain the people and ideas we need to support our growth.
10. Open communications is crucial to our success. Be approachable, welcome suggestions and accept feedback from all levels. Remember that feedback is the breakfast of champions.
11. All team members are encouraged to explore new and creative ways to enhance and deliver our services. Ideas will be acknowledged and responded to quickly by the person receiving the idea.
12. Team members will recognize their membership in several teams and will actively participate in the team's collective success.
13. Listen. Empathize. Ask. Produce. (LEAP) Team members will continually solicit input from customers. Customer concerns, needs and desires will be communicated using the client critique form.
14. Any team member who receives a customer complaint "owns" the complaint. Resolution is the owner's responsibility. If another team member's assistance is needed to resolve the complaint, be sure they acknowledge their ownership as well.
15. Timely resolution of customer complaints is the goal of every team member. Follow-up with the customer to ensure the complaint was addressed to the satisfaction of our customers.
16. Our customers expect perfection. Look for ways to delight our customers.
17. "Smile - the world is watching." Always maintain positive eye contact. Use the customer's name. Use a pleasant vocabulary with our customers. Practice using words like - "Good morning," "Certainly," "I'll be happy to" and "My pleasure."
18. Be knowledgeable of our facility and the activities going on at it. Be able to give directions, show hours and other important information.
19. Use proper telephone etiquette. Answer the phone within three rings and let the customer "hear you smile." Avoid transferring the customer more than once and ask the customer if you can place them on hold.
20. All team members needing immediate assistance in handling dissatisfied customers or a service outage will identify the urgency of the situation by asking for assistance by that team member and "Mr. Wolf." (Be sure not to cry "Wolf" too often).

Smart City Networks – Making the world smarter. One city at a time.

Our Vision

Smart City Network's vision is dynamic and continues to evolve as new technologies are identified and evaluated. Although we continue offer "POTS", plain old telephone service, to all of our clients, we continually strive to expand the scope of services available to our facility owners, exhibitors, and attendees. The following is a brief overview of our prospective on the delivery of services to our clients and the emerging technologies that we are introducing.

Our Services

Our extensive telecommunications experience allows us to provide services from a hospitality perspective, not from a telephone company perspective. We provide more than dial tone. We provide the communication tools necessary to conduct business and enhance the convention center experience for all network users. Our goal is to create a telecommunications network that allows information and ideas to flow freely between buyers and sellers where ever they may be. Our voice and data services are designed specifically to enable the exhibitor and attendee to "work" a show better, which, in turn, increases the value of the shows.

Smart City Networks is dedicated to providing our clients with reliable and established value-added telecommunication services as well as the latest in "emerging" value-added technology applications.

Show management, facility owners, exhibitors and attendees are all demanding new and better services that allow them to conduct, host, and attend shows that are more valuable to their associations and industries. Technology, now and in the future, makes the imagination the only limit to creating new services. Our challenge is to take the best of technology and create the new products and services that maximize service, create value, and generate revenue for our clients. This technology must further augment the convention facilities in which we operate as premium convention destinations.

The emerging and leading-edge technologies that we are in the process of providing to the facilities in which we operate creates the "WOW" that sets them apart from their competition. The technologies that we are in the process of evaluating include the following:

- On-line pre-registration, pre-event virtual booth applications, and ExpoVision® video production, broadcast and web casting services.

- The creation of facilities-based registration services networked to the surrounding hotels within each facility as a way to streamline the registration process, and offer better service to show management groups utilizing our facilities.

- On-line and kiosk-based services including messaging and e-mail services, product/exhibitor locator, attendee planner service, digital media exchange, Internet access, and lead retrieval. Extending these services to hand-held devices so attendees and exhibitors can gather and send leads, follow up on or make requests for information, and post and check messages in "real time" from anywhere in the facility.

- "Instant" Internet Access and Networking Services via a center-wide Wireless Local Area Network as an extension of Smart City Networks' RapiData® networking team.

- In-building wireless phone line services including Voice over IP.

- The creation of "the convention center information channel" broadcast to hotels surrounding our facilities via the internet or cable TV.

- The acquisition and implementation of a facility-wide digital sign networks using plasma screens and a centrally controlled operations center so graphically dazzling, animated advertisements and sponsorships can be sold to show management and exhibitors, further increasing the revenues to us and our partners.

- The design and rental of business "mini-suites" containing multi-line phones with speakers, fax, e-mail, high-speed Internet, and video conferencing capabilities that allow executives to conduct official business while at the facility.

Our Goal

Our strong commitment to R&D coupled with our market leader position in the industry will lead to new services and products. The key to the success of these initiatives is that they are all facilities based. As new technologies emerge, it is our goal to create as many facility-based services within our client's facilities as possible in order to maximize the value of these facilities to their customers.

We create a true partnership with the facilities in which we operate so that information, ideas, and revenues flow freely between both parties. With Smart City Networks as a facility's technology and marketing partner, the imagination truly is the limit to the scope of services that can be offered to a facility's clients now and in the future. Historically, our centers are the most technologically advanced centers in the industry. We expect this trend to continue.

SmartCity

Smart City Networks Financials

Consolidated Financial Statements
and Other Financial Information

Smart City Networks, L.P. and Subsidiaries
(A Limited Partnership)
(formerly Facilities Communications International, Ltd.)

December 31, 1999

ERNST & YOUNG LLP

Smart City Networks, L.P. and Subsidiaries
(A Limited Partnership)
(formerly Facilities Communications International, Ltd.)

Consolidated Financial Statements and Other Financial Information

December 31, 1999

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ERNST & YOUNG

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Report of Independent Auditors

Partners
Smart City Networks, L.P.
(A Limited Partnership)

We have audited the accompanying consolidated balance sheets of Smart City Networks, L.P. and subsidiaries (formerly "Facilities Communications International, Ltd.") as of December 31, 1999 and 1998 and the related consolidated statements of operations, partners' capital, and cash flows for the years then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Smart City Networks, L.P. and subsidiaries as of December 31, 1999 and 1998 and the consolidated results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 2 to the financial statements, effective January 1, 1999, the Partnership changed its method of accounting for business development costs.

Ernst + Young LLP

March 22, 2000

Smart City Networks, L.P. and Subsidiaries
(A Limited Partnership)
(formerly Facilities Communications International, Ltd.)

Consolidated Balance Sheets

	December 31	
	1999	**1998**
Assets *(Note 3)*		
Current assets:		
Cash and cash equivalents	**$ 1,272,689**	$1,510,634
Accounts receivable, less allowance of $90,000 in 1999 and $120,000 in 1998	**1,481,535**	1,344,560
Prepaid expenses and other current assets	**43,899**	276,975
Total current assets	**2,798,123**	3,132,169
Property and equipment, net *(Note 2)*	**2,532,078**	3,043,275
Deferred costs and intangibles *(Note 2):*		
Cost of acquisition in excess of net assets acquired, less accumulated amortization of $689,000 in 1999 and $540,000 in 1998	**1,726,780**	1,506,766
Franchise development costs, less accumulated amortization $345,000 in 1999 and $167,000 in 1998	**1,475,485**	1,536,107
Organization costs, less accumulated amortization of $62,000 in 1998		18,086
Loan origination costs, less accumulated amortization of $2,000 in 1999 and $40,000 in 1998	**136,857**	96,040
Other deferred costs	**91,243**	
	$ 8,760,566	$9,332,443
Liabilities and partners' capital		
Current liabilities:		
Accounts payable and accrued expenses	**$ 1,626,876**	$2,019,370
Customer deposits	**1,215,621**	1,179,750
Due to affiliates *(Note 4)*	**9,207**	130,249
Total current liabilities	**2,851,704**	3,329,369
Long-term debt *(Note 3)*	**5,105,000**	3,500,000
Partners' capital	**803,862**	2,503,074
	$ 8,760,566	$9,332,443

See accompanying notes.

Smart City Networks, L.P. and Subsidiaries
(A Limited Partnership)
(formerly Facilities Communications International, Ltd.)

Consolidated Statements of Operations

	Year ended December 31	
	1999	**1998**
Net sales	**$16,034,492**	$10,882,630
Costs and expenses:		
Direct costs	**6,588,150**	4,245,473
Salaries and related items	**4,086,656**	2,885,831
Selling, general and administrative	**3,549,012**	2,449,916
Business development	**152,289**	245,810
Management fees *(Note 4)*	**240,000**	240,000
Other income	**(8,400)**	(21,084)
	14,607,707	10,045,946
Income before depreciation, amortization, interest expense and cumulative effect of change in accounting principle	**1,426,785**	836,684
Depreciation and amortization *(Note 2)*	**1,311,060**	944,870
Interest expense *(Note 3)*	**317,556**	193,947
Loss before cumulative effect of change in accounting principle	**(201,831)**	(302,133)
Cumulative effect to January 1, 1999 of change in accounting principle	**(870,548)**	
Net loss	**$(1,072,379)**	$ (302,133)
Pro forma amounts assuming the change in accounting principle is applied retroactively to January 1, 1998 (unaudited):		
Income before depreciation, amortization and interest expense	**$1,426,785**	$ 140,727
Net loss	**$ (201,831)**	$ (924,097)

See accompanying notes.

Smart City Networks, L.P. and Subsidiaries
(A Limited Partnership)
(formerly Facilities Communications International, Ltd.)

Consolidated Statements of Partners' Capital

	General Partner	Limited Partners	Limited Partners Class A	Limited Partners Class B	Total Partners' Capital
Partners' capital at January 1, 1998	$1,627,165	$ –	$ 300,453	$124,314	$ 2,051,932
Net loss	(210,338)		(39,438)	(52,357)	(302,133)
Partners' contributions	842,108		157,892	25,000	1,025,000
Partners' distributions	(192,530)		(36,098)	(43,097)	(271,725)
Partners' capital at December 31, 1998	2,066,405	–	382,809	53,860	2,503,074
Transfer of partnership interests	(251,168)	687,837	(382,809)	(53,860)	–
Net loss	(777,692)	(294,687)			(1,072,379)
Partners' contributions	160,490				160,490
Partners' distributions	(644,727)	(142,596)			(787,323)
Partners' capital at December 31, 1999	$ 553,308	$ 250,554	$ –	$ –	$ 803,862

See accompanying notes.

Smart City Networks, L.P. and Subsidiaries
(A Limited Partnership)
(formerly Facilities Communications International, Ltd.)

Consolidated Statements of Cash Flows

	Year ended December 31	
	1999	**1998**
Operating activities		
Net loss	**$(1,072,379)**	$ (302,133)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Cumulative effect of change in accounting principle	**870,548**	
Depreciation of property and equipment	**811,457**	598,789
Amortization and write-off of deferred costs	**508,395**	346,081
Provision for losses on receivables	**11,015**	100,000
Changes in operating assets and liabilities:		
Increase in accounts receivable	**(147,990)**	(866,409)
Increase in prepaid expenses and other assets	**(226,190)**	(20,061)
(Decrease) increase in due from/to affiliates	**(121,042)**	337,339
(Decrease) increase in accounts payable and accrued expenses	**(239,786)**	1,250,023
Increase in customer deposits	**35,871**	775,333
Net cash provided by operating activities	**429,899**	2,218,962
Investing activities		
Purchase of property and equipment	**(452,967)**	(2,781,204)
Decrease in advances to partners		1,771,725
Increase in deferred costs	**(685,062)**	(1,705,390)
Acquisition of business	**(368,805)**	
Net cash used in investing activities	**(1,506,834)**	(2,714,869)
Financing activities		
Increase in deferred financing costs	**(139,177)**	(5,682)
Payments on term loan	**(3,500,000)**	
Proceeds from revolving credit	**5,105,000**	741,349
Contributions from partners	**160,490**	1,025,000
Distributions to partners	**(787,323)**	(271,725)
Net cash provided by financing activities	**838,990**	1,488,942
(Decrease) increase in cash and cash equivalents	**(237,945)**	993,035
Cash and cash equivalents at beginning of year	**1,510,634**	517,599
Cash and cash equivalents at end of year	**$1,272,689**	$1,510,634

See accompanying notes.

Smart City Networks, L.P. and Subsidiaries
(A Limited Partnership)
(formerly Facilities Communications International, Ltd.)

Notes to Consolidated Financial Statements

December 31, 1999

1. Organization

Smart City Networks, L.P. (formerly Facilities Communications International, Ltd.) (the "Partnership") is a limited partnership organized in 1994 under the laws of the State of Florida for the purpose of providing telecommunications services to convention centers.

The Partnership has obtained contracts to provide telecommunications services to the following convention centers - Anaheim (California), Los Angeles (California), George R. Brown (Texas), Astrodome (Texas), Charlotte (North Carolina), Dallas (Texas), Ontario (California), Las Vegas (Nevada) and Henry B. Gonzalez (Texas), substantially all of which have renewal options, the earliest of which expires in 2000.

The Company requires collateral in the form of cash deposits from all convention exhibition customers. No single customer accounted for more than 10% of revenues in 1999 and 1998.

On April 25, 1995, Smart City Electric (formerly US Utilities of Texas, Inc.), a wholly-owned subsidiary, was formed for the purpose of providing electrical contracting services at the George R. Brown and Charlotte convention centers.

On February 11, 1999, the Partnership, through a newly formed wholly-owned subsidiary, acquired all of the assets of Expotel Corporation for $320,000 which included the assumption of liabilities of $240,000. Expotel Corporation provides telecommunications services to convention centers and hotels primarily in San Diego (California) and Santa Clara (California). The acquisition was accounted for using the purchase method of accounting and the results of operations have been included in the consolidated financial statements of the Partnership since the date of acquisition.

On January 1, 1999, the Partnership Agreement was amended and restated to eliminate the distinction between Class A and Class B Limited Partners and revise the interests among the Partners as follows:

General Partner		Limited Partners	
US Convention Corporation	72.5203%	Convention Communications Corp.	21.2975%
		James D. Pearson	4.2797
		Raymond LaBelle	1.9025

1. Organization (continued)

Prior to December 31, 1998, the Partnership interests were as follows:

General Partner		Class A Limited Partners		Class B Limited Partners	
US Convention Corporation	70.1461%	Convention Communications Corporation	10.9603%	Convention Communications Corporation	12.5261%
		James D. Pearson	2.1920%	Raymond LaBelle	2.0878%
				James D. Pearson	2.0877%

Class A and Class B Limited Partners carried identical rights and obligations except that Class B Limited Partners were not subject to capital calls.

2. Significant Accounting Policies

Management's Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Consolidation

The consolidated financial statements include the accounts of the Partnership and all wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Cash Equivalents

Cash equivalents represent short-term investments which mature within ninety days from date of investment. The carrying value of cash equivalents approximates fair value.

2. Significant Accounting Policies (continued)

Property and Equipment

Property and equipment consists of the following:

	December 31 1999	December 31 1998
Telephone switching equipment	**$2,855,037**	$2,675,865
Furniture, telephone and computer equipment	**1,236,846**	1,187,899
Electrical service equipment	**455,264**	443,323
Leasehold improvements	**137,662**	77,463
	4,684,809	4,384,550
Allowance for depreciation	**2,152,731**	1,341,275
	$2,532,078	$3,043,275

Property and equipment are stated at cost. Telephone switching equipment is depreciated using various methods over its estimated useful life of 5 years. All other property and equipment is depreciated using the straight-line method over their estimated useful lives of 5 years.

Deferred Costs and Intangibles

Deferred costs and intangibles are amortized on the straight-line method generally as follows:

Assets	Period of Amortization
Cost of acquisition in excess of net assets acquired	15 years
Loan origination costs	Remaining term of the loan
Franchise development costs	Remaining term of the contract

Additions to franchise development costs included approximately $600,000 related to the Anaheim Convention Center contract in 1999 and $1 million related to the Las Vegas Convention Center contract and $100,000 related to the San Antonio Convention Center contract in 1998. In addition, $663,000 included in franchise development costs at December 31, 1998 were written off in 1999 in accordance with SOP 98-5 (see below). Included in cost of acquisition in excess of net assets acquired is $370,000 related to the 1999 Expotel acquisition.

2. Significant Accounting Policies (continued)

Revenue Recognition

The Partnership recognizes revenue from services and the related direct costs in the period in which the services are rendered.

Business Development

In April 1998, the American Institute of Certified Public Accountants' Accounting Standards Executive Committee issued Statement of Position 98-5 "Reporting on the Costs of Start-Up Activities" ("SOP 98-5"), requiring business development costs to be expensed as incurred. Prior to 1999, business development costs were capitalized upon successful development and amortized over the term of the convention center contract or written-off at the time it was determined that such projects would be abandoned. The Partnership adopted the provisions of SOP 98-5 in its financial statements for the year ended December 31, 1999. The effect of adoption of SOP 98-5 was to increase net loss from continuing operations by $80,000 and to record a charge for the cumulative effect to January 1, 1999 of $871,000 for costs that had been previously capitalized. Such costs were included in franchise development costs and prepaid expenses and other current assets at December 31, 1998.

Income Taxes

Income taxes are not provided because the income or loss of the Partnership is reported on the tax returns of the Partners.

Profit and Loss Distributions

Profit and loss distributions are made under the terms of the Partnership agreement and are generally allocated to the Partners in accordance with their respective Partnership interests (see Note 1).

3. Long-Term Debt

The Partnership entered into a credit agreement with a bank on December 15, 1999 which provides for a $9 million revolving credit facility. The initial proceeds of the loan of approximately $4,705,000 were used to repay the Partnership's existing loan. The Partnership may borrow up to the amount of the total commitment which automatically

3. Long-Term Debt (continued)

decreases by $500,000 on March 31, 2002 and September 30, 2002, $750,000 on March 31, 2003 and September 30, 2003 and $1,000,000 on March 31, 2004 and September 30, 2004, with the remaining outstanding balance due March 31, 2005. In addition the Partnership may be required to make an annual payment based on the previous year's excess cash flow, as defined, for each fiscal year commencing January 1, 2002.

The outstanding balance of the loan bears interest, payable quarterly, based on an interest rate option selected by the Partnership, to be adjusted based on the results of a certain financial ratio. The interest rates in effect at December 31, 1999 and 1998 were 8.08% and 6.50%, respectively. The Partnership is required to pay a commitment fee of between 0.375% and 0.50% on the unused portion of the revolving credit facility. The terms of the agreement include, in addition to other requirements, that the Partnership maintain compliance with certain financial ratios and limit additional borrowings and distributions to Partners.

The loan is collateralized by all of the assets of the Partnership and the assignment of all Partnership interests.

The carrying value of the loan approximates fair value.

As of December 31, 1999, maturities of long-term debt are as follows:

2004	$ 605,000
2005	4,500,000

Interest paid during 1999 and 1998 totaled $310,000 and $175,000, respectively.

4. Related Parties

US Cable Corporation, an affiliate of the General Partner, has advanced funds for certain organizational and loan origination costs and also advances the payroll for the Managing Director of the Partnership.

US Cable Corporation has also been engaged to manage the operations of the Partnership for a monthly fee of $20,000 for both 1999 and 1998. Unpaid management fees of approximately $80,000 are included in due to affiliates at December 31, 1998.

5. Commitments

The Partnership leases office space under a noncancelable operating lease with an initial five year term and a renewal option for an additional two year period. The lease contains an annual minimum escalation of 3%. The Partnership records rent expense on a straight-line basis over the term of the lease. Future minimum rental commitments on this five year lease are as follows:

2000	$204,000
2001	204,000
2002	207,000
2003	87,000
2004	–

Rent expense for all operating leases was $247,000 and $77,000 for 1999 and 1998, respectively.

6. Employee Benefit Plan

The Partnership has a defined contribution plan that qualifies as a deferred salary arrangement under Section 401(a) of the Internal Revenue Code. All employees meeting minimum age or service requirements are eligible to participate and may contribute before-tax dollars ranging from 1% to 15% of gross pay. The Partnership matches 100% of each employee's first 6% of wages contributed. Total Partnership contributions for 1999 and 1998 were $82,000 and $40,000, respectively, and are included in salaries and related items.

7. Impact of Year 2000 (Unaudited)

The Partnership completed all Year 2000 readiness procedures during 1999 and has experienced no significant problems. Costs related to the Year 2000 project were not significant and the Partnership does not believe there is continued material exposure related to the Year 2000 problem. The Partnership will continue to monitor its mission critical computer applications and those of its suppliers and vendors throughout the Year 2000 to ensure that any latent Year 2000 matters that may arise are addressed properly.

Consolidated Financial Statements
and Other Financial Information

Facilities Communications International, Ltd.
and Subsidiaries (A Limited Partnership)

December 31, 1998

ERNST & YOUNG LLP

Facilities Communications International, Ltd. and Subsidiaries (A Limited Partnership)

Consolidated Financial Statements and Other Financial Information

December 31, 1998

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433 Hackensack Avenue
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Report of Independent Auditors

Partners
Facilities Communications International, Ltd.
(A Limited Partnership)

We have audited the accompanying consolidated balance sheets of Facilities Communications International, Ltd. and subsidiaries as of December 31, 1998 and 1997 and the related consolidated statements of operations, partners' capital, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Facilities Communications International, Ltd. and subsidiaries as of December 31, 1998 and 1997 and the consolidated results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Ernst + Young LLP

April 16, 1999

Facilities Communications International, Ltd.
and Subsidiaries (A Limited Partnership)

Consolidated Balance Sheets

	December 31 1998	December 31 1997
Assets *(Note 3)*		
Current assets:		
Cash and cash equivalents	**$1,510,634**	$ 517,599
Accounts receivable, less allowance of $120,000 in 1998 and $20,000 in 1997	**1,344,560**	578,151
Prepaid expenses and other current assets	**276,975**	256,914
Advances to partners *(Note 4)*		1,771,725
Due from affiliates *(Note 4)*		443,505
Total current assets	**3,132,169**	3,567,894
Property and equipment, net *(Note 2)*	**3,043,275**	860,860
Deferred costs and intangibles *(Note 2)*:		
Cost of acquisition in excess of net assets acquired, less accumulated amortization of $540,000 in 1998 and $404,000 in 1997	**1,506,766**	1,643,215
Franchise development costs, less accumulated amortization of $167,000	**1,536,107**	
Organization costs, less accumulated amortization of $62,000 in 1998 and $47,000 in 1997	**18,086**	31,128
Loan origination costs, less accumulated amortization of $40,000 in 1998 and $13,000 in 1997	**96,040**	117,665
	$9,332,443	$6,220,762
Liabilities and partners' capital		
Current liabilities:		
Accounts payable and accrued expenses	**$2,019,370**	$ 769,347
Customer deposits	**1,179,750**	404,417
Due to affiliates *(Note 4)*	**130,249**	236,415
Total current liabilities	**3,329,369**	1,410,179
Long-term debt *(Note 3)*	**3,500,000**	2,758,651
Partners' capital	**2,503,074**	2,051,932
	$9,332,443	$6,220,762

See accompanying notes.

Facilities Communications International, Ltd.
and Subsidiaries (A Limited Partnership)

Consolidated Statements of Operations

	Year ended December 31	
	1998	**1997**
Net sales	**$10,882,630**	$6,643,607
Costs and expenses:		
Direct costs	**4,245,473**	2,394,533
Salaries and related items	**2,885,831**	1,674,498
Selling, general and administrative	**2,449,916**	970,147
Business development	**245,810**	278,190
Management fees *(Note 4)*	**240,000**	120,000
Other income	**(21,084)**	(57,728)
	10,045,946	5,379,640
Income before depreciation and amortization and interest expense	**836,684**	1,263,967
Depreciation and amortization *(Note 2)*	**944,870**	457,221
Interest expense *(Note 3)*	**193,947**	110,243
Net (loss) income	**$ (302,133)**	$ 696,503

See accompanying notes.

Facilities Communications International, Ltd.
and Subsidiaries (A Limited Partnership)

Consolidated Statements of Partners' Capital

	General Partner	Limited Partners Class A	Limited Partners Class B	Total Partners' Capital
Partners' capital at January 1, 1997	$1,547,574	$297,197	$ 193,044	$2,037,815
Net income	488,112	91,518	116,873	696,503
Partners' distributions	(408,521)	(88,262)	(110,603)	(607,386)
Acquisition of limited partner interest			(75,000)	(75,000)
Partners' capital at December 31, 1997	1,627,165	300,453	124,314	2,051,932
Net loss	(210,338)	(39,438)	(52,357)	(302,133)
Partners' contributions	842,108	157,892	25,000	1,025,000
Partners' distributions	(192,530)	(36,098)	(43,097)	(271,725)
Partners' capital at December 31, 1998	$2,066,405	$382,809	$ 53,860	$2,503,074

See accompanying notes.

Facilities Communications International, Ltd.
and Subsidiaries (A Limited Partnership)

Consolidated Statements of Cash Flows

	Year ended December 31	
	1998	**1997**
Operating activities		
Net (loss) income	**$ (302,133)**	$ 696,503
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Net loss on disposition of fixed assets		14,000
Depreciation of property and equipment	**598,789**	234,854
Amortization and write-off of deferred costs	**346,081**	222,367
Provision for losses on receivables	**100,000**	
Changes in operating assets and liabilities:		
Increase in accounts receivable	**(866,409)**	(159,130)
Increase in prepaid expenses and other assets	**(20,061)**	(196,319)
Decrease in due from/to affiliates	**337,339**	178,847
Increase in accounts payable and accrued expenses	**1,250,023**	85,639
Increase in customer deposits	**775,333**	171,375
Net cash provided by operating activities	**2,218,962**	1,248,136
Investing activities		
Purchase of property and equipment	**(2,781,204)**	(465,263)
Decrease (increase) in advances to partners	**1,771,725**	(1,771,725)
Increase in deferred costs	**(1,705,390)**	
Net cash used in investing activities	**(2,714,869)**	(2,236,988)
Financing activities		
Increase in deferred costs	**(5,682)**	(130,739)
Payments on term loan		(1,564,524)
Proceeds from revolving credit	**741,349**	2,758,651
Contributions from partners	**1,025,000**	
Distributions to partners	**(271,725)**	(607,386)
Acquisition of limited partner interest		(75,000)
Net cash provided by financing activities	**1,488,942**	381,002
Increase (decrease) in cash and cash equivalents	**993,035**	(607,850)
Cash and cash equivalents at beginning of year	**517,599**	1,125,449
Cash and cash equivalents at end of year	**$ 1,510,634**	$ 517,599

See accompanying notes.

1. Organization

Facilities Communications International, Ltd. (the Partnership) is a limited partnership organized in 1994 under the laws of the State of Florida for the purpose of providing telecommunications services to convention centers.

The Partnership has obtained contracts to provide telecommunications services to the following convention centers - Anaheim (California), Los Angeles (California), George R. Brown (Texas), Astrodome (Texas), Charlotte (North Carolina), Dallas (Texas), Ontario (California) and Las Vegas (Nevada), substantially all of which have renewal options, the earliest of which expires in 1999.

The Company requires collateral in the form of cash deposits from all convention exhibition customers. No single customer accounted for more than 10% of revenues in 1998 and 1997.

On April 25, 1995, US Utilities of Texas, Inc. (US Utilities), a wholly-owned subsidiary, was formed for the purpose of providing electrical contracting services at the George R. Brown and Charlotte convention centers.

Under the terms of the Partnership agreement, as amended, the Partnership interests subsequent to April 1, 1998 are as follows:

General Partner		Class A Limited Partners		Class B Limited Partners	
US Convention Corporation	70.1461%	Convention Communications Corporation	10.9603%	Convention Communications Corporation	12.5261%
		James D. Pearson	2.1920%	Raymond LaBelle	2.0878%
				James D. Pearson	2.0877%

Class A and Class B Limited Partners carry identical rights and obligations except that Class B Limited Partners are not subject to capital calls (see Note 7).

2. Significant Accounting Policies

Management's Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Consolidation

The consolidated financial statements include the accounts of the Partnership and all wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Cash Equivalents

Cash equivalents represent short-term investments which mature within ninety days from date of investment. The carrying value of cash equivalents approximates fair value.

Property and Equipment

Property and equipment consists of the following:

	December 31	
	1998	**1997**
Telephone switching equipment	**$2,675,865**	$ 897,553
Furniture, telephone and computer equipment	**1,187,899**	368,081
Electrical service equipment	**443,323**	337,713
Leasehold improvements	**77,463**	
	4,384,550	1,603,347
Allowance for depreciation	**1,341,275**	742,487
	$3,043,275	$ 860,860

2. Significant Accounting Policies (continued)

Property and equipment are stated at cost. Telephone switching equipment is depreciated using various methods over its estimated useful life of 5 years. All other property and equipment is depreciated using the straight-line method over their estimated useful lives of 5 years.

Deferred Costs and Intangibles

Deferred costs and intangibles are amortized on the straight-line method generally as follows:

Assets	Period of Amortization
Cost of acquisition in excess of net assets acquired	15 years
Loan origination costs	Remaining term of the loan
Organization costs	5 years
Franchise development costs	Remaining term of the contract

Included in franchise development costs at December 31, 1998 is approximately $1,377,000 related to the Las Vegas Convention Center, and $159,000 related to the San Antonio Convention Center (see Note 7).

Revenue Recognition

The Partnership recognizes revenue from services and the related direct costs in the period in which the services are rendered.

Business Development

Business development costs are capitalized upon successful development and amortized over the term of the convention center contract or written-off at the time it is determined that such projects will be abandoned. Included in prepaid expenses and other current assets is $222,000 and $218,000 at December 31, 1998 and 1997, respectively, of business development costs related to ongoing projects. In April 1998, the American Institute of Certified Public Accountants' Accounting Standards Executive Committee issued Statement of Position 98-5 "Reporting on the Costs of Start-Up Activities" ("SOP 98-5") which will be effective in fiscal 1999, requiring business development costs to be expensed as incurred. As of December 31, 1998, the Company has capitalized

2. Significant Accounting Policies (continued)

franchise development costs of $1,536,000, net of accumulated amortization, consisting of business development and other related costs to obtain contracts to provide telecommunication services to the Las Vegas and San Antonio convention centers. Had SOP 98-5 been adopted at December 31, 1998, total assets and partners' capital would have been reduced by $870,000.

Income Taxes

Income taxes are not provided because the income or loss of the Partnership is reported on the tax returns of the Partners.

Profit and Loss Distributions

Profit and loss distributions are made under the terms of the Partnership agreement and are generally allocated to the Partners in accordance with their respective Partnership interests (see Note 1).

3. Long-Term Debt

The Partnership entered into a credit agreement with a bank on June 24, 1997 which provided for a $7.5 million revolving credit facility. The initial proceeds of the loan of approximately $1,245,000 were used to repay the Partnership's existing term loan. The Partnership may borrow up to the amount of the total commitment which automatically decreased by $500,000 on June 30, 1998 and $1,000,000 on December 31, 1998, and further decreases by $1,000,000 each 6 month period thereafter through December 31, 2001. In addition the Partnership may be required to make an annual payment based on the previous year's excess cash flow, as defined, for each fiscal year commencing January 1, 1999.

The outstanding balance of the loan bears interest, payable quarterly, based on an interest rate option selected by the Partnership, to be adjusted based on the results of a certain financial ratio. The interest rates in effect at December 31, 1998 and 1997 were 6.50% and 7.44%, respectively. The Partnership is required to pay a commitment fee of between 0.25% and 0.375% on the unused portion of the revolving credit facility. The terms of the agreement include, in addition to other requirements, that the Partnership maintain compliance with certain financial ratios and limit additional borrowings and distributions to Partners.

3. Long-Term Debt (continued)

The loan is collateralized by all of the assets of the Partnership and the assignment of all Partnership interests.

The carrying value of the loan approximates fair value.

As of December 31, 1998, maturities of long-term debt are as follows:

1999	$ –
2000	1,500,000
2001	2,000,000

Interest paid during 1998 and 1997 totaled $175,000 and $117,000, respectively.

4. Related Parties

US Cable Corporation, an affiliate of the General Partner, has advanced funds for certain organizational and loan origination costs and also advances the payroll for the Managing Director of the Partnership.

US Cable Corporation has also been engaged to manage the operations of the Partnership for a monthly fee of $20,000 and $10,000 for 1998 and 1997, respectively. Unpaid management fees of approximately $80,000 and $90,000 are included in due to affiliates at December 31, 1998 and 1997, respectively.

Due from affiliates at December 31, 1997 consists of a receivable due from Warp Drive, an affiliated telecommunication service company, which amount was collected in 1998.

Advances to Partners at December 31, 1997 represent amounts loaned to the Partners in December 1997 which were repaid in 1998.

5. Commitments

The Partnership leases office space under a noncancelable operating lease with an initial five year term and a renewal option for an additional two year period. The lease contains an annual minimum escalation of 3%. The Partnership records rent expense on a straight-line basis over the term of the lease. Future minimum rental commitments on this five year lease are as follows:

5. Commitments (continued)

1999	$ 169,000
2000	205,000
2001	212,000
2002	219,000
2003	111,000

Rent expense for all operating leases was $77,000 for the year ended December 31, 1998.

6. Employee Benefit Plan

The Partnership has a defined contribution plan that qualifies as a deferred salary arrangement under Section 401(a) of the Internal Revenue Code. All employees meeting minimum age or service requirements are eligible to participate and may contribute before-tax dollars ranging from 1% to 15% of gross pay. The Partnership matches 100% of each employee's first 6% (5% in 1997) of wages contributed. Total Partnership contributions for 1998 and 1997 were $40,000 and $22,000, respectively, and are included in salaries and related items.

7. Subsequent Events

On January 1, 1999, the Partnership Agreement was amended and restated to eliminate the distinction between Class A and Class B Limited Partners and revise the interests among the Partners.

On January 14, 1999, a subsidiary of the Partnership obtained a contract to provide telecommunications services for the Henry B. Gonzales Convention Center in San Antonio (Texas). The term of this contract is 10 years.

On February 11, 1999, the Partnership, through a newly formed wholly-owned subsidiary, acquired all of the assets of Expotel Corporation for $320,000 which included the assumption of liabilities of $240,000. Expotel Corporation provides telecommunications services to convention centers and hotels primarily in San Diego (California) and Santa Clara (California). The acquisition will be accounted for under the purchase method of accounting.

8. Impact of Year 2000 (Unaudited)

The Partnership has developed a plan to ensure all of its critical information technology systems are ready for the year 2000. This evaluation includes vendor-supplied software and hardware, its switching and telephone equipment, as well as outside service bureaus which perform billing services for the Partnership. US Cable Corporation, which manages the operations of the Partnership, is in the process of implementing a new accounting package which is Year 2000 compliant. In addition, the Partnership has received, or is in the process of obtaining, certification from its outside service bureau and suppliers of switching and telephone equipment, that the technology associated with their services and equipment is Year 2000 compliant. The Partnership plans to perform testing to validate Year 2000 compliance, which should be completed by mid-1999, and will develop contingency plans based on the results of such testing. The Partnership currently expects the project to be substantially complete by mid 1999 and does not expect related costs to be significant. The Partnership does not expect this project to have a significant effect on operations.

Consolidated Financial Statements

Facilities Communications International, Ltd.
and Subsidiary (A Limited Partnership)

December 31, 1997

ERNST & YOUNG LLP

Facilities Communications International, Ltd.
and Subsidiary (A Limited Partnership)

Consolidated Financial Statements

December 31, 1997

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ERNST & YOUNG LLP

Continental Plaza III
433 Hackensack Avenue
Hackensack, New Jersey 07601

Phone: 201 343 4095

Report of Independent Auditors

Partners
Facilities Communications International, Ltd.
(A Limited Partnership)

We have audited the accompanying consolidated balance sheets of Facilities Communications International, Ltd. and subsidiary as of December 31, 1997 and 1996 and the related consolidated statements of income, partners' capital, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Facilities Communications International, Ltd. and subsidiary as of December 31, 1997 and 1996 and the consolidated results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Ernst + Young LLP

April 28, 1998

Facilities Communications International, Ltd.
and Subsidiary (A Limited Partnership)

Consolidated Balance Sheets

	December 31 1997	1996
Assets *(Note 3)*		
Current assets:		
Cash and cash equivalents	**$ 517,599**	$ 1,125,449
Accounts receivable, less allowance of $20,000 in 1997 and 1996	**578,151**	419,021
Prepaid expenses and other current assets	**256,914**	60,595
Advances to partners *(Note 4)*	**1,771,725**	
Due from affiliates *(Note 4)*	**443,505**	406,959
	3,567,894	2,012,024
Property and equipment, net *(Note 2)*	**860,860**	644,451
Deferred costs and intangibles *(Note 2):*		
Cost of acquisition in excess of net assets acquired, less accumulated amortization of $404,000 in 1997 and $267,000 in 1996	**1,643,215**	1,779,664
Organization costs, less accumulated amortization of $47,000 in 1997 and $31,000 in 1996	**31,128**	47,554
Loan origination costs, less accumulated amortization of $13,000 in 1997 and $36,000 in 1996	**117,665**	56,418
	$6,220,762	$4,540,111
Liabilities and partners' capital		
Current liabilities:		
Current portion of long-term debt *(Note 3)*		$ 769,720
Accounts payable and accrued expenses	**$ 769,347**	683,708
Customer deposits	**404,417**	233,042
Due to affiliates *(Note 4)*	**236,415**	21,022
	1,410,179	1,707,492
Long-term debt *(Note 3)*	**2,758,651**	794,804
Partners' capital	**2,051,932**	2,037,815
	$6,220,762	$4,540,111

See accompanying notes.

Facilities Communications International, Ltd.
And Subsidiary (A Limited Partnership)

Consolidated Statements of Income

	Year ended December 31 1997	1996
Net sales	**$6,643,607**	$6,079,925
Costs and expenses:		
Direct costs	**2,394,533**	2,207,342
Salaries and related items	**1,674,498**	1,480,606
Selling, general and administrative	**970,147**	798,658
Business development	**278,190**	113,162
Management fees *(Note 4)*	**120,000**	
Other (income) expense	**(57,728)**	47,954
	5,379,640	4,647,722
Income before depreciation and amortization and interest expense	**1,263,967**	1,432,203
Depreciation and amortization *(Note 2)*	**457,221**	407,092
Interest expense *(Note 3)*	**110,243**	142,341
Net income	**$ 696,503**	$ 882,770

See accompanying notes.

Facilities Communications International, Ltd.
and Subsidiary (A Limited Partnership)

Consolidated Statements of Partners' Capital

	General Partner	Limited Partners Class A	Limited Partners Class B	Total Partners' Capital
Partners' capital at January 1, 1996	$1,083,102	$218,276	$ 67,817	$1,369,195
Net income	619,228	116,102	147,440	882,770
Partners' distributions	(154,756)	(19,440)	(22,213)	(196,409)
Acquisition of limited partner interest *(Note 1)*		(17,741)		(17,741)
Partners' capital at December 31, 1996	1,547,574	297,197	193,044	2,037,815
Net income	488,112	91,518	116,873	696,503
Partners' distributions	(408,521)	(88,262)	(110,603)	(607,386)
Acquisition of limited partner interest *(Note 1)*			(75,000)	(75,000)
Partners' capital at December 31, 1997	$1,627,165	$300,453	$124,314	$2,051,932

See accompanying notes.

Facilities Communications International, Ltd.
and Subsidiary (A Limited Partnership)

Consolidated Statements of Cash Flows

	Year ended December 31 1997	1996
Operating activities		
Net income	$ **696,503**	$ 882,770
Adjustments to reconcile net income to net cash provided by operating activities:		
Net loss on disposition of fixed assets	**14,000**	
Depreciation of property and equipment	**234,854**	236,521
Amortization and write-off of deferred costs	**222,367**	170,571
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable from customers	**(159,130)**	97,171
Increase in prepaid expenses and other assets	**(196,319)**	(451)
Decrease in due from/to affiliates	**178,847**	31,509
Increase in accounts payable and accrued expenses	**85,639**	116,684
Increase in customer deposits	**171,375**	14,314
Net cash provided by operating activities	**1,248,136**	1,549,089
Investing activities		
Purchase of property and equipment, net	**(465,263)**	(86,781)
Advances to affiliates		(404,611)
Advances to partners	**(1,771,725)**	
Net cash used in investing activities	**(2,236,988)**	(491,392)
Financing activities		
Increase in deferred costs	**(130,739)**	
Payments on term loan	**(1,564,524)**	(600,508)
Proceeds from revolving credit	**2,758,651**	402,000
Distribution to partners	**(607,386)**	(196,409)
Acquisition of limited partner interest	**(75,000)**	(17,741)
Net cash provided by (used in) financing activities	**381,002**	(412,658)
(Decrease) increase in cash and cash equivalents	**(607,850)**	645,039
Cash and cash equivalents at beginning of year	**1,125,449**	480,410
Cash and cash equivalents at end of year	$ **517,599**	$1,125,449

See accompanying notes.

Facilities Communications International, Ltd.
and Subsidiary (A Limited Partnership)

Notes to Consolidated Financial Statements

December 31, 1997

1. Organization

Facilities Communications International, Ltd. (the Partnership) is a limited partnership organized in 1994 under the laws of the State of Florida for the purpose of providing telecommunications services to convention centers.

The Partnership has obtained contracts to provide telecommunications services to the following convention centers - Anaheim (California), Los Angeles (California), George R. Brown (Texas), Astrodome (Texas), Charlotte (North Carolina), Dallas (Texas) and Ontario (California), substantially all of which have renewal options, the earliest of which expires in 1998.

On April 25, 1995, US Utilities of Texas, Inc. (US Utilities), a wholly-owned subsidiary, was formed for the purpose of providing electrical contracting services at the George R. Brown and Charlotte convention centers.

Under the terms of the Partnership agreement, as amended, the Partnership interests subsequent to April 1, 1997 are as follows (before the transaction described in Note 6):

General Partner		Class A Limited Partners		Class B Limited Partners	
US Convention Corporation	70.855%	Convention Communications Corporation	11.071%	Convention Communications Corporation	12.653%
		James D. Pearson	2.214%	Raymond LaBelle	1.098%
				James D. Pearson	2.109%

Class A and Class B Limited Partners carry identical rights and obligations except that Class B Limited Partners are not subject to capital calls.

On December 31, 1995, the Estate of Richard Neustadt (the Estate), a former limited partner, sold all of its Limited Partner interests in the Partnership (8.40% Class A and 6.00% Class B) to Convention Communications Corporation, James D. Pearson, Raymond LaBelle and the Partnership. In connection therewith, the Partnership acquired 50% of the Estate's Class A Limited Partner interest for approximately $70,000, inclusive of approximately $17,000 paid in 1996 based on a final adjustment.

1. Organization (continued)

On April 1, 1997, the Partnership acquired a 1% Class B Limited Partner interest from Raymond LaBelle for consideration of $75,000.

2. Significant Accounting Policies

Management's Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Consolidation

The consolidated financial statements include the accounts of the Partnership and US Utilities. All significant intercompany accounts and transactions have been eliminated.

Cash Equivalents

Cash equivalents represent short-term investments which mature within ninety days from date of investment. The carrying value of cash equivalents approximates fair value.

Property and Equipment

Property and equipment consists of the following:

	December 31	
	1997	**1996**
Telephone switching equipment	**$ 897,553**	$ 645,113
Furniture, telephone and computer equipment	**368,081**	232,210
Electrical service equipment	**337,713**	280,761
	1,603,347	1,158,084
Allowance for depreciation	**742,487**	513,633
	$ 860,860	$ 644,451

2. Significant Accounting Policies (continued)

Property and equipment are stated at cost. Telephone switching equipment is depreciated using various methods over its estimated useful life of 5 years. All other property and equipment is depreciated using the straight-line method over their estimated useful lives of 5 years.

Deferred Costs and Intangibles

Deferred costs and intangibles are amortized on the straight-line method generally as follows:

Assets	Period of Amortization
Cost of acquisition in excess of net assets acquired	15 years
Loan origination costs	Remaining term of the loan
Organization costs	5 years

Revenue Recognition

The Partnership recognizes revenue from services and the related direct costs in the period in which the services are rendered.

Business Development

Business development costs are capitalized as deferred costs upon successful development and amortized over the term of the convention center contract or written-off at the time it is determined that such projects will be abandoned. Included in prepaid expenses and other current assets is $218,000 and $50,000 at December 31, 1997 and 1996, respectively, of business development costs related to ongoing projects. In April 1998, the American Institute of Certified Public Accountants' Accounting Standards Executive Committee issued Statement of Position 98-5 "Reporting on the Costs of Start-Up Activities" which will be effective in fiscal 1999, requiring business development costs to be expensed as incurred.

Income Taxes

Income taxes are not provided because the income or loss of the Partnership is to be reported on the tax returns of the Partners.

2. Significant Accounting Policies (continued)

Profit and Loss Distributions

Profit and loss distributions are made under the terms of the Partnership agreement and are generally allocated to the Partners in accordance with their respective Partnership interests (see Note 1).

Basis of Presentation

Certain amounts in the 1996 financial statements have been reclassified to conform with the 1997 presentation.

3. Long-Term Debt

The Partnership entered into a credit agreement with a bank on June 24, 1997 which provides for a $7.5 million revolving credit facility. The initial proceeds of the loan of approximately $1,245,000 were used to repay the Partnership's existing term loan. The Partnership may borrow up to the amount of the total commitment which automatically decreases by $500,000 on June 30, 1998 and $1,000,000 on December 31, 1998, and each 6 months period thereafter through December 31, 2001. In addition the Partnership may be required to make an annual payment based on the previous year's excess cash flow, as defined, for each fiscal year commencing January 1, 1999.

The outstanding balance of the loan bears interest, payable quarterly, based on an interest rate option selected by the Partnership, to be adjusted based on the results of a certain financial ratio. The interest rates in effect at December 31, 1997 and December 31, 1996 were 7.44% and 7.62%, respectively. The Partnership is required to pay a commitment fee of between 0.25% and 0.375% on the unused portion of the revolving credit facility. The terms of the agreement include, in addition to other requirements, that the Partnership maintain compliance with certain financial ratios and limit additional borrowings and distributions to Partners.

The loan is collateralized by all of the assets of the Partnership and the assignment of all Partnership interests.

The carrying value of the loan approximates fair value.

3. Long-Term Debt (continued)

As of December 31, 1997, maturities of long-term debt are as follows:

1998	$ –
1999	–
2000	758,651
2001	2,000,000

Interest paid during 1997 and 1996 totaled $117,000 and $148,000, respectively.

4. Related Parties

US Cable Corporation, an affiliate of the General Partner, has advanced funds for certain organizational and loan origination costs and also advances the payroll for the Managing Director of the Partnership.

US Cable Corporation has also been engaged to manage the operations of the Partnership for a monthly fee of $10,000. Unpaid management fees of approximately $90,000 are included in due to affiliates at December 31, 1997.

Included in due from affiliates at December 31, 1997 and 1996 is approximately $444,000 and $405,000, respectively, due from Warp Drive, an affiliated telecommunication service company, which amounts were collected in 1998 and 1997, respectively.

Advances to Partners at December 31, 1997 represent amounts loaned to the Partners in December 1997 which were repaid in 1998.

5. Employee Benefit Plan

The Partnership has a defined contribution plan that qualifies as a deferred salary arrangement under Section 401(a) of the Internal Revenue Code. All employees meeting minimum age or service requirements are eligible to participate and may contribute before-tax dollars ranging from 1% to 15% of gross pay. The Partnership matches 100% of each employee's first 5% of wages contributed. Total Partnership contributions for 1997 and 1996 were $22,000 and $34,000, respectively, and are included in salaries and related items.

6. Subsequent Events

On March 31, 1998, Raymond LaBelle, a Limited Partner, purchased a 1% Class B Limited Partner interest in the Partnership from the Partnership for $25,000.

On March 24, 1998, the Partnership obtained a contract to provide telecommunication services to the Las Vegas (Nevada) Convention Center.

7. Impact of Year 2000 (Unaudited)

The Partnership is currently in the process of evaluating its information technology and developing a plan to ensure all of its critical information technology systems are ready for the Year 2000. This evaluation includes vendor-supplied software as well as outside service bureaus which perform billing services for the Partnership. Based on preliminary evaluation, the Partnership currently expects the project to be substantially complete by mid-1999 and does not expect related costs to be significant. The Partnership does not expect this project to have a significant effect on operations.

Corporate Directory

Management Team

Martin Rubin
Chief Executive Officer

Paul Ashley
President

Ray LaBelle
Chief Operating Officer

Drew Sisler
Vice President, New Business Development

Scott Frost
Vice President, Sales & Marketing

Bill Suszko
Vice President, Finance & Administration

Ron Patterson
Vice President, Eastern Region

Steve Reed
Vice President, Western Region

Board of Directors

Karen Linder,
CFO, US Cable Corporation

James Pearson,
President, US Cable Corporation

Martin Rubin,
CEO, Smart City Networks

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www.smartcitynetworks.com

Independent Accountants

Ernst & Young LLP
Hackensack, New Jersey

General Counsel

Baer Marks & Upham
New York, New York

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Charlotte, North Carolina
Dallas, Texas
Houston, Texas
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Las Vegas, Nevada
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Florida Department of State, Division of Corporations
Corporations Online
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001536-TP

Foreign Limited Liability

SMART CITY TELECOMMUNICATIONS LLC

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Registered Agent

Name & Address
CORPORATION SERVICE COMPANY 1201 HAYS STREET TALLAHASSEE FL 32301

Manager/Member Detail

Name & Address	Title
NONE	

Annual Reports

Report Year	Filed Date	Intangible Tax

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