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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: APPLICATION FOR CERTIFICATE TO PROVIDE ALTERNATIVE LOCAL EXCHANGE SERVICE BY BROADSPAN COMMUNICATIONS, INC., D/B/A PRIMARY NETWORK COMMUNICATIONS, Inc.	)	DOCKET NO.: 000211-TX FILED: FEBRUARY 18, 2000

This request for confidentiality was filed in a docketed matter by or on behalf of a telecommunications company for Confidential Document No. 02277-00. No ruling is required unless the material is subject to a request per 119.07, FS, or has been admitted into the record per Rule 25-22.006(8)(b), FAC.

REQUEST BY BROADSPAN COMMUNICATIONS, INC.
FOR CONFIDENTIAL CLASSIFICATION

Applicant BroadSpan Communications, Inc., d/b/a Primary Network Communications, Inc. ("BroadSpan"), by and through hits undersigned counsel and pursuant to Commission Rule 25-22.006(4), Florida Administrative Code, files this Request for Confidential Classification, and in support thereof states:

1. BroadSpan has this day filed with the Commission its application for certification to provide service in Florida as an alternative local exchange company (ALEC).

2. In response to item 18 of the Commission's ALEC application form, BroadSpan has attached as Exhibit 2 - Supplement its 1998 year-end financial statements, with said statements marked as proprietary and confidential.

3. The information contained in BroadSpan's financial statement's are proprietary to BroadSpan as a private corporation. As a new ALEC, BroadSpan's financial statements of income, expenses, assets and liabilities, and the notes to those statements, is competitive information and clearly confidential and

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proprietary under Section 364.183, Florida Statutes, and Commission Rule 25-22.006 F.A.C.

4. Attached hereto as Attachment "A" is a listing reflecting the location, by page number, of the information in BroadSpan's financial statements which have been designated as confidential.

5. Attached hereto as Attachment "B" is an envelope containing two copies of BroadSpan's financial statements with the confidential information deleted.

6. Attached hereto as Attachment "C" is a sealed envelope containing one copy of BroadSpan's financial statement with the confidential information highlighted.

7. The confidential and proprietary information includes information of BroadSpan's financial results in 1998, as well as its capital structure. As an ALEC and non-publicly held corporation, this information relates to BroadSpan's competitive interests. Public disclosure of that information would result in harm to BroadSpan's business operations, and impair its competitive business. Such information is proprietary, confidential business information under Section 364.183, Florida Statutes.

8. The information for which BroadSpan seeks confidential classification is not publicly available, and is maintained as confidential by BroadSpan. BroadSpan has treated and intends to continue to treat the information as private.

WHEREFORE, BroadSpan respectfully requests the Commission to enter its Order declaring the above described information as confidential proprietary business information and thus not subject to public disclosure.

Respectfully submitted,

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Attorney for
BroadSpan Communications, Inc., d/b/a
Primary Network Communications, Inc.

ATTACHMENT "A"

LOCATION OF PROPRIETARY INFORMATION IN DECEMBER 31, 1998 FINANCIAL STATEMENTS

PAGES 2-15

Attachment "B"

Financial Statements

BroadSpan Communications, Inc.

Year ended December 31, 1998
with Report of Independent Auditors

W05990077-5T

BroadSpan Communications, Inc.

Financial Statements

Year ended December 31, 1998

Contents

ERNST & YOUNG LLP

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Phone: 314 259 1000

Report of Independent Auditors

The Board of Directors and Stockholders
BroadSpan Communications, Inc.

We have audited the accompanying balance sheet of BroadSpan Communications, Inc. as of December 31, 1998 and the related statements of operations, stockholders' equity, and cash flows for the year 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 audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BroadSpan Communications, Inc. at December 31, 1998 and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

May 10, 1999

Ernst + Young LLP

BroadSpan Communications, Inc.

Balance Sheet

December 31, 1998

Assets

Current assets:	
Cash and cash equivalents	$
Accounts receivable	
Accounts and notes receivable – other	
Total current assets	
Property and equipment, net	
Prepaid billing services	

Liabilities and stockholders' equity

Current liabilities:	
Accounts payable	
Accrued expenses	
Total current liabilities	

[redacted]

See accompanying notes.

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BroadSpan Communications, Inc.

Statement of Operations

Year ended December 31, 1998

Revenues from communications services	$
Cost of communication services	
Gross margin	
Selling, general, and administrative expenses	
Depreciation and amortization expense	
Loss from operations	
Other income (expense):	
Interest expense	
Other income, net	
Loss before income taxes	
Provision for income taxes	
Net loss	

See accompanying notes.

BroadSpan Communications, Inc.

Statement of Stockholders' Equity

	Preferred Stock		Class A Common Stock			Additional	
	Shares Issued	Amount	Shares Issued	Amount	Due From Stockholder	Paid-In Capital	
Balance at December 31, 1997	–	$ –	–	–	$ –	$ –	$ –
	–	–	–		–	–	
Sale of common stock	–	–			–		–
Stock awards to employees	–	–			–		–
Stock options exercised		–			–		–
Sale of preferred stock				–		–	–
Payment of amount due from stockholder	–	–	–			–	–
Balance at December 31, 1998							

See accompanying notes.

BroadSpan Communications, Inc.

Statement of Cash Flows

Year ended December 31, 1998

Operating activities

$

Adjustments to reconcile net cash used by operating activities:
Depreciation and amortization
Stock-based compensation expense
Changes in operating assets and liabilities:
Accounts receivable
Account and notes receivable – other
Accounts payable
Accrued expenses
Net cash used by operating activities

Investing activities
Purchases of property and equipment
Purchase of prepaid billing services
Net cash used by investing activities

Financing activities
Proceeds from issuance of preferred stock
Proceeds from issuance of common stock
Payments of amount due from stockholder
Net cash provided by financing activities

Net increase in cash and cash equivalents
Cash and cash equivalents at beginning of year
Cash and cash equivalents at end of year

Supplemental cash flow information
Cash paid during the year for:
Interest
Noncash investing and financing transaction:
Issuance of preferred stock

See accompanying notes.

BroadSpan Communications, Inc.

Notes to Financial Statements

December 31, 1998

1. Organization

BroadSpan Communications, Inc. (the Company) was incorporated for the purpose of providing facilities-based and resold basic local telecommunications service, dedicated/non-switched local exchange telecommunications services, and intrastate interexchange telecommunications services. The Company's targeted markets include residential and business customers primarily in Missouri. The basic local service is classified as competitive by the State of Missouri Public Service Commission (PSC) and is provided in portions of Missouri that are currently served primarily by Southwestern Bell Telephone Company (SWBT).

The Company was in the development stage for the period from October 16, 1997 (date of inception) to October 1998. Accordingly,

The Company had no assets, liabilities, or financial activity prior to 1998.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company has and had

and has Management's operational and financing plans to address these conditions include, but are not limited to,

Subsequent to December 31, 1998, the Company

The telecommunications markets are highly competitive. The Company believes that existing competitors, incumbent local exchange carriers and other competitive local exchange carriers,

The accompanying financial statements have been prepared on a basis that contemplates the realization of the assets and satisfaction of liabilities in the normal course of business.

2. Summary of Significant Accounting Policies (continued)

Use of 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 in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Property and Equipment

Prepaid Billing Services

Impairment of Long-Lived Assets

Periodically, management determines whether any property or equipment or any other assets have been impaired based on the criteria established in Statement of Financial Accounting Standards (SFAS) No. 121, *Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of.* The Company made no adjustments to the carrying values of its assets during the year ended December 31, 1998.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Costs of Services

Advertising Costs

Income Taxes

The provision for income taxes is computed using the liability method. Deferred income taxes are provided to reflect the tax effects of temporary differences between the book and tax basis of assets and liabiliti

2. Summary of Significant Accounting Policies (continued)

Financial Instruments and Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The cash is held by a high-credit-quality financial institution.

and such losses have been within management's expectations. The net carrying amount of the receivables approximates their fair value.

Significant Suppliers

. Although management believes alternative telecommunications providers could be found in a timely manner, any disruption of these services could have an adverse effect on operating results.

3. Property and Equipment

Property and equipment consist of the following at December 31, 1998:

Less accumulated depreciation and amortization		

4. Related Party Transactions

respectively, and are included in accounts receivable and accounts payable in the accompanying balance sheet.

4. Related Party Transactions (continued)

. The value of the services, labor, and equipment provided to the Company has not been determined.

5. Employee Benefit Plan

6. Commitments, Contingencies, and Uncertainties

Local Services

In August 1998, the Company entered into an Interconnection Agreement (the "agreement") with SWBT. The agreement establishes the terms and conditions by which the Company and SWBT interconnect their local networks and by which the Company gains access to unbundled elements of SWBT's network pursuant to the Telecommunications Act of 1996. This access allows the Company to compete effectively with SWBT in reselling local telephone service. SWBT has appealed the PSC orders which established the agreement. There is a risk that an adverse court ruling could leave the Company with no effective means by which to interconnect with SWBT's network for some period of time, which could significantly affect the Company's ability to provide services. The Company is currently negotiating with SWBT to preclude such an interruption of service. The Company's management and its external legal counsel are unable to estimate the probability of outcome or the potential economic impact on the Company.

Long Distance Services

Billing Services

6. Commitments, Contingencies, and Uncertainties (continued)

Guarantees

7. Stockholders' Equity

Common Stock

7. Stockholders' Equity (continued)

continued)

Stock Option Plan

Under SFAS No. 123, the Minimum Value method may be used by nonpublic companies to value an option. This includes estimating the risk-free interest rate, the expected dividend yield, and the life of the options. Based on this option valuation model, the weighted average fair value of options granted and the total pro forma compensation expense to be disclosed as prescribed under SFAS No. 123 for the year ended December 31, 1998 are

7. Stockholders' Equity (continued)

8. Income Taxes

The components of deferred tax assets are as follows as of December 31, 1998:

Vacation accruals	
Start-up costs capitalized for tax purposes	
Valuation allowance	
Total deferred taxes	$ –

Under existing tax laws, all operating expenses incurred prior to a company commencing its principal operations are capitalizable for income tax purposes.

The Company's
December 31, 1998 and expire in 2013.
December 31, 1998

9. Subsequent Events (Unaudited)

In March 1999, the Company's Board of Directors authorized management to enter into a

In addition, all of the stockholders of

Additionally, on April 23, 1999,

9. Subsequent Events (Unaudited) (continued)

10. Year 2000 Issue (Unaudited)

The Company has developed a plan to modify its information technology to be ready for the year 2000 and has begun converting critical data processing systems. The Company currently expects the project to be substantially complete by mid-1999 and estimates the cost to be immaterial. This estimate includes internal costs, but excludes the costs to upgrade and replace systems in the normal course of business. The Company presently believes the year 2000 issue will not pose any significant operational problems for its computer systems or other information technology-based equipment. The Company has initiated formal communications with its significant vendors to determine the extent to which the Company's operations are vulnerable to those third parties' failure to remediate their own year 2000 issues.