

ORIGINAL

Lance J.M. Steinhart
Attorney At Law
6455 East Johns Crossing
Suite 285
Duluth, Georgia 30097

Also Admitted in New York
and Maryland

Telephone: (770) 232-9200
Facsimile: (770) 232-9208

March 28, 2000

VIA OVERNIGHT DELIVERY

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

000379-TI

Re: US TelePacific Corp. d/b/a TelePacific Communications

Dear Sir/Madam:

Enclosed please find one original and six (6) copies of US TelePacific Corp. d/b/a TelePacific Communication's Application for Authority to Provide Interexchange Telecommunications Service Within the State of Florida, along with an original and six (6) copies of US TelePacific Corp. d/b/a TelePacific Communication's proposed tariff.

I also have enclosed a check in the amount of \$250.00 payable to the Florida Public Service Commission to cover the cost of filing these documents.

Please return a stamped copy of the extra copy of this letter in the enclosed preaddressed prepaid envelope.

If you have any questions regarding the application or the tariff, please do not hesitate to call me. Thank you for your attention to this matter.

Sincerely,

Lance J.M. Steinhart, Esq.
Attorney for US TelePacific Corp. d/b/a TelePacific Communications

RECEIVED
FLORIDA PUBLIC
SERVICE COMMISSION
00 MAR 29 11 09 08
MAIL ROOM

Enclosures
cc: Jane Delahanty

DOCUMENT NUMBER-DATE
03889 MAR 29 8
FPSC-RECORDS/REPORTING

Check received with filing and
forwarded to Fiscal for deposit.
Fiscal to forward a copy of check
to RAR with proof of deposit.

Initials of person who forwarded check:

Lance J.M. Steinhart
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Duluth, Georgia 30097

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DEPOSIT
DATE
MAR 30 2000

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ORIGINAL DOCUMENT IS PRINTED ON CHEMICAL REACTIVE PAPER & HAS A MICROPRINTED BORDER

	515 S. FLOWER STREET, 49th FLOOR LOS ANGELES, CA 90071-2201 (213) 213-3000		CALIFORNIA BANK & TRUST 11345 W. Olympic Los Angeles, CA 90064	16-339/1220 DATE 03/01/2000	CHECK NUMBER CB&T005405	5405
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Two hundred fifty and no/100 *****

PAY TO THE ORDER OF Florida Public Service Commission
c/o Lance J.M. Steinhart
Attorney At Law
6455 E. Johns Crossing #285
Duluth, GA 30097

AMOUNT 250.00 US

Kristina Klemzok

THIS DOCUMENT INCLUDES AN ORIGINAL WATERMARK - HOLD AT AN ANGLE TO VIEW

⑈005405⑈

ORIGINAL

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Duluth, Georgia 30097

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Initials of person who forwarded check:

DIVISION OF COMMUNICATIONS
BUREAU OF SERVICE EVALUATION

APPLICATION FORM

for

AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS
SERVICE
WITHIN THE STATE OF FLORIDA

Instructions

- A. This form is used for an original application for a certificate and for approval of sale, assignment or transfer of an existing certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee (See Appendix A).
- B. Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.
- C. Use a separate sheet for each answer which will not fit the allotted space.
- D. If you have questions about completing the form, contact:

Florida Public Service Commission
Division of Communications
Bureau of Service Evaluation
2540 Shumard Oak Blvd.
Gunter Building
Tallahassee, Florida 32399-0850
(904) 413-6600

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

Florida Public Service Commission
Division of Administration
2540 Shumard Oak Blvd.
Gunter Building
Tallahassee, Florida 32399-0850
(904) 413-6251

FORM PSC/CMU 31 (11/91)

Required by Commission Rule Nos. 25-24.471, 25-24.473, 25-24.480(2)

1. Select what 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.
- Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.
- Switchless rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.
- Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers. Then offers the resold service by enrolling unaffiliated customers.
- Prepaid Debit Card Provider** - any person or entity that purchases 800 access from an underlying carrier or unaffiliated entity for use with prepaid debit card service and/or encodes the cards with personal identification numbers.

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

- Original Authority** (New company).
- Approval of Transfer** (To another certificated company).
- Approval of Assignment of existing certificate** (To a noncertificated company).
- Approval for transfer of control** (To another certificated company).

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

U.S. TelePacific Corp.

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

TelePacific Communications

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

**515 S. Flower Street; 49th Floor
Los Angeles, CA 90071**

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

None at present.

7. Structure of organization;

- | | | | |
|--------------------------|---------------------|-------------------------------------|---------------------|
| <input type="checkbox"/> | Individual | <input checked="" type="checkbox"/> | Corporation |
| <input type="checkbox"/> | Foreign Corporation | <input type="checkbox"/> | Foreign Partnership |
| <input type="checkbox"/> | General Partnership | <input type="checkbox"/> | Limited Partnership |
| <input type="checkbox"/> | Other, | | |

8. If applicant is an individual or partnership, please give name, title and address of sole proprietor or partners. **Not Applicable**

- (a) Provide proof of compliance with the foreign limited partnership statute (Chapter 620.160 FS), if applicable.
- (b) Indicate if the individual or any of the partners have previously been:
 - (1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings.
 - (2) officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

9. If incorporated, please give:

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

Corporate charter number: F00000000536

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

**Corporation Service Company
1201 Hays Street
Tallahassee, FL 32301**

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

Fictitious name registration number: G00067900279

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

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

No.

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

No.

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

(a) The application;

Lance J.M. Steinhart, Regulatory Counsel
6455 East Johns Crossing, Suite 285
Duluth, GA 30097
770-232-9200

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

Jane Delahanty, Asst. VP Regulatory Affairs
U.S. TelePacific Corp. dba TelePacific Communications
515 S. Flower Street; 49th Floor
Los Angeles, CA 90071
213-213-3288

(c) Tariff;

Lance J.M. Steinhart, Regulatory Counsel
6455 East Johns Crossing, Suite 285
Duluth, GA 30097
770-232-9200

(d) Complaints/Inquiries from customers;

Vicky Rifkin, Customer Service Contact
U.S. TelePacific Corp. dba TelePacific Communications
515 S. Flower Street; 49th Floor
Los Angeles, CA 90071
213-213-3202 (toll-free- 888-353-7224)

11. List the states in which the applicant:

(a) Has operated as an interexchange carrier.

None

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

Applicant is in the process of filing Applications throughout the United States.

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

California, Colorado and Nevada.

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

None.

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

None.

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

None.

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

- | | |
|---|------------------------------------|
| <input checked="" type="checkbox"/> Facilities | <input type="checkbox"/> Operators |
| <input type="checkbox"/> Billing and Collection | <input type="checkbox"/> Sales |
| <input type="checkbox"/> Maintenance | |
| <input type="checkbox"/> Other: | |

13. Do you have a marketing program?

Yes.

14. Will your marketing program:

- Pay commissions?
 Offer sales franchises?
 Offer multi-level sales incentives?
 Offer other sales incentives?

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

Applicant will pay commissions to sales representatives.

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

- | | |
|--|--|
| <input checked="" type="checkbox"/> Residential customers | <input checked="" type="checkbox"/> Business customers |
| <input type="checkbox"/> PATS providers | <input type="checkbox"/> PATS station end-users |
| <input checked="" type="checkbox"/> Hotels & motels | <input checked="" type="checkbox"/> Hotel & motel guests |
| <input type="checkbox"/> Universities | <input type="checkbox"/> Univ. dormitory residents |
| <input checked="" type="checkbox"/> Other (specify): <u>Other carriers</u> | |

17. Please provide the following (if applicable):

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

Applicant's name and toll free number will appear on all end-users' bills.

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

The Company intends to direct bill customers utilizing real-time completed call detail information from its underlying carriers.

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

- A. Financial capability.

Regarding the showing of financial capability, the following applies:

The application should contain the applicant's financial statements for the most recent 3 years, including:

1. the balance sheet
2. income statement
3. statement of retained earning.

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

1. Please provide documentation that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.
2. Please provide documentation that the applicant has sufficient financial capability to maintain the requested service.
3. Please provide documentation that the applicant has sufficient financial capability to meet its lease or ownership obligations.

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

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

B. Managerial capability.

See Attached.

C. Technical capability.

Applicant will initially utilize the network services of its underlying carrier to provide services to customers in the State of Florida.

19. Please submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.482 (example enclosed).

See Attached.

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

MTS with distance sensitive per minute rates

Method of access is FGA

Method of access is FGB

Method of access is FGD

Method of access is 800

MTS with route specific rates per minute

Method of access is FGA

Method of access is FGB

Method of access is FGD

Method of access is 800

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

MTS for pay telephone service providers

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

800 Service (Toll free)

WATS type service (Bulk or volume discount)

Method of access is via dedicated facilities

Method of access is via switched facilities

Private Line services (Channel Services)

(For ex. 1.544 mbs., DS-3, etc.)

- Travel Service**
- Method of access is 950
- Method of access is 800

900 service

- 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

Services included are:

- Station assistance
- Person to Person assistance
- Directory assistance
- Operator verify and interrupt
- Conference Calling

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

1 (or 101XXXX) +area code+number or 1-800-XXX-XXXX

21. **Other:**

**** APPLICANT ACKNOWLEDGEMENT STATEMENT ****

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of 15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of \$50 is required.
2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.
3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.
4. **APPLICATION FEE:** A non-refundable application fee of \$250.00 must be submitted with the application.
5. **RECEIPT AND UNDERSTANDING OF RULES:** I acknowledge receipt and understanding of the Florida Public Service Commission's Rules and Orders relating to my provision of interexchange telephone service in Florida. I also understand that it is my responsibility to comply with all current and future Commission requirements regarding AAV service.
6. **ACCURACY OF APPLICATION:** By my signature below, I the undersigned owner or officer of the named utility in the application, attest to the accuracy of the information contained in this application and associated attachments. I have read the foregoing and declare that to the best of my knowledge and belief, the information is a true and correct statement. Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree.

UTILITY OFFICIAL:


Signature

3/9/00
Date

Jane Delahanty

Assistant VP Regulatory Affairs
Title

213-213-3000
Telephone No.

FL IXC

**** APPENDIX B ****

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

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

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

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

UTILITY OFFICIAL:


Signature

3/9/00
Date

Jane Delahanty

Assistant VP Regulatory Affairs
Title

213-213-3000
Telephone No.

FL IXC

LIST OF ATTACHMENTS

PROPOSED TARIFF

FINANCIAL INFORMATION

MANAGEMENT INFORMATION

STATEMENT OF FINANCIAL CAPABILITY

PROPOSED TARIFF

TABLE OF CONTENTS

	Page
Title Sheet.....	1
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Section 1 - Technical Terms and Abbreviations.....	6
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Section 3 - Description of Service.....	20
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Issued: March 28, 2000

Effective:

By: Jane Delahanty, Asst. VP Regulatory Affairs
515 S. Flower Street, 49th Floor
Los Angeles, CA 90071

TARIFF FORMAT

A. Sheet Numbering: Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between pages 11 and 12 would be page 11.1.

B. Sheet Revision Numbers: Revision numbers also appear in the upper right corner of each sheet where applicable. These numbers are used to indicate the most current page version on file with the Commission. For example, 4th Revised Sheet 13 cancels 3rd Revised Sheet 13. Consult the Check Sheet for the sheets currently in effect.

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

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

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

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SECTION 2 - RULES AND REGULATIONS

2.1 Undertaking of the Company

This tariff contains the regulations and rates applicable to intrastate interexchange telecommunications services provided by TelePacific for telecommunications between points within the State of Florida. Services are furnished subject to the availability of facilities and subject to the terms and conditions of this tariff in compliance with limitations set forth in the Commission's rules. The Company's services are provided on a statewide basis and are not intended to be limited geographically. The Company offers service to all those who desire to purchase service from the Company consistent with all of the provisions of this tariff. Customers interested in the Company's services shall file a service application with the Company which fully identifies the Customer, the services requested and other information requested by the Company. The Company may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the Customer, to allow connection of a Customer's location to a service provided by the Company. The Customer shall be responsible for all charges due for such service arrangement.

2.1.1 The services provided by TelePacific are not part of a joint undertaking with any other entity providing telecommunications channels, facilities, or services, but may involve the resale of the Message Toll Services (MTS) and Wide Area Telecommunications Services (WATS) of underlying common carriers subject to the jurisdiction of this Commission.

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- 2.1.2 The rates and regulations contained in this tariff apply only to the services furnished by TelePacific and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other common carriers for use in accessing the services of TelePacific.
- 2.1.3 The Company reserves the right to limit the length of communications, to discontinue furnishing services, or limit the use of service necessitated by conditions beyond its control, including, without limitation: lack of satellite or other transmission medium capacity; the revision, alteration or repricing of the Underlying Carrier's tariffed offerings; or when the use of service becomes or is in violation of the law or the provisions of this tariff.

2.2 Use and Limitations of Services

- 2.2.1 TelePacific's services may be used for any lawful purpose consistent with the transmission and switching parameters of the telecommunications facilities utilized in the provision of services, subject to any limitations set forth in this Section 2.2.
- 2.2.2 The use of TelePacific's services to make calls which might reasonably be expected to frighten, abuse, torment, or harass another or in such a way as to unreasonably interfere with use by others is prohibited.
- 2.2.3 The use of TelePacific's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, schemes, false or invalid numbers, or false calling or credit cards is prohibited.

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-
- 2.2.4 TelePacific's services are available for use twenty-four hours per day, seven days per week.
 - 2.2.5 TelePacific does not transmit messages, but the services may be used for that purpose.
 - 2.2.6 TelePacific's services may be denied for nonpayment of charges or for other violations of this tariff subject to Section 2.5.1 herein.
 - 2.2.7 Customers shall not use the service provided under this tariff for any unlawful purpose.
 - 2.2.8 The Customer is responsible for notifying the Company immediately of any unauthorized use of services.

2.3 Liability of the Company

- 2.3.1 The Company shall not be liable for any claim, loss, expense or damage for any interruption, delay, error, omission, or defect in any service, facility or transmission provided under this tariff, if caused by an act of God, fire, war, civil disturbance, act of government, or due to any other causes beyond the Company's control.
- 2.3.2 The Company shall not be liable for, and shall be fully indemnified and held harmless by the Customer against any claim, loss, expense, or damage for defamation, libel, slander, invasion, infringement of copyright or patent, unauthorized use of any trademark, trade name or service mark, proprietary or creative right, or any other injury to any person, property or entity arising out of the material, data or information transmitted.
- 2.3.3 No agent or employee of any other carrier or entity shall be deemed to be an agent or employee of the Company.

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- 2.3.4 The Company's liability, resulting in whole or in part from or arising in connection with the furnishing of service under this tariff, including but not limited to mistakes, omissions, interruptions, delays, errors, or other defects shall not exceed an amount equal to the charges provided for under this tariff for the long distance call for the period during which the call was affected. No other liability in any event shall attach to the Company, except as ordered by the Commission.
- 2.3.5 The Company shall not be liable for and shall be indemnified and saved harmless by any Customer or by any other entity from any and all loss, claims, demands, suits, or other action or any liability whatsoever, whether suffered, made, instituted, or asserted by any Customer or any other entity for any personal injury to, or death of, any person or persons, and for any loss, damage, defacement or destruction of the premises of any Customer or any other entity or any other property whether owned or controlled by the Customer or others.
- 2.3.6 The Company shall not be liable for any indirect, special, incidental, or consequential damages under this tariff including, but not limited to, loss of revenue or profits, for any reason whatsoever, including the breakdown of facilities associated with the service, or for any mistakes, omissions, delays, errors, or defects in transmission occurring during the course of furnishing service.
- 2.3.7 The remedies set forth herein are exclusive and in lieu of all other warranties and remedies, whether express or implied, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

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2.4 Responsibilities of the Customer

- 2.4.1 The Customer is responsible for placing any necessary orders and complying with tariff regulations. The Customer is also responsible for the payment of charges for services provided under this tariff.
- 2.4.2 The Customer is responsible for charges incurred for special construction and/or special facilities that the Customer requests and which are ordered by TelePacific on the Customer's behalf.
- 2.4.3 If required for the provision of TelePacific's services, the Customer must provide any equipment space, supporting structure, conduit and electrical power without charge to TelePacific.
- 2.4.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to TelePacific and the Customer when required for TelePacific personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of TelePacific's services.
- 2.4.5 The Customer shall cause the temperature and relative humidity in the equipment space provided by Customer for the installation of TelePacific's equipment to be maintained within the range normally provided for the operation of microcomputers.
- 2.4.6 The Customer shall ensure that the equipment and/or system is properly interfaced with TelePacific's facilities or services, that the signals emitted into TelePacific's network are of the proper mode, bandwidth, power and signal level for the intended use of the subscriber and in compliance with criteria set forth in this tariff, and that the signals do not

Section 2.4.6 Continued

- damage equipment, injure personnel, or degrade service to other Customers. If the Federal Communications Commission or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with the telephone network, TelePacific will permit such equipment to be connected with its channels without the use of protective interface devices. If the Customer fails to maintain the equipment and/or the system properly, with resulting imminent harm to TelePacific equipment, personnel or the quality of service to other Customers, TelePacific may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, TelePacific may, upon written notice, terminate the Customer's service.
- 2.4.7 The Customer must pay TelePacific for replacement or repair of damage to the equipment or facilities of TelePacific caused by negligence or willful act of the Customer or others, by improper use of the services, or by use of equipment provided by Customer or others.
- 2.4.8 The Customer must pay for the loss through theft of any TelePacific equipment installed at Customer's premises.
- 2.4.9 If TelePacific installs equipment at Customer's premises, the Customer shall be responsible for payment of any applicable installation charge.
- 2.4.10 The Customer must use the services offered in this tariff in a manner consistent with the terms of this tariff and the policies and regulations of all state, federal and local authorities having jurisdiction over the service.

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Los Angeles, CA 90071

2.5 Cancellation or Interruption of Services

- 2.5.1 Without incurring liability, upon five (5) working days' (defined as any day on which the company's business office is open and the U.S. Mail is delivered) written notice to the Customer, TelePacific may immediately discontinue services to a Customer or may withhold the provision of ordered or contracted services:
- 2.5.1.A For nonpayment of any sum due TelePacific for more than thirty (30) days after issuance of the bill for the amount due,
 - 2.5.1.B For violation of any of the provisions of this tariff,
 - 2.5.1.C For violation of any law, rule, regulation, policy of any governing authority having jurisdiction over TelePacific's services, or
 - 2.5.1.D By reason of any order or decision of a court, public service commission or federal regulatory body or other governing authority prohibiting TelePacific from furnishing its services.
- 2.5.2 Without incurring liability, TelePacific may interrupt the provision of services at any time in order to perform tests and inspections to assure compliance with tariff regulations and the proper installation and operation of Customer and TelePacific's equipment and facilities and may continue such interruption until any items of noncompliance or improper equipment operation so identified are rectified.

Issued: March 28, 2000 Effective:
By: Jane Delahanty, Asst. VP Regulatory Affairs
 515 S. Flower Street, 49th Floor
 Los Angeles, CA 90071

- 2.5.3 Service may be discontinued by TelePacific without notice to the Customer, by blocking traffic to certain counties, cities or NXX exchanges, or by blocking calls using certain Customer authorization codes, when TelePacific deems it necessary to take such action to prevent unlawful use of its service. TelePacific will restore service as soon as it can be provided without undue risk, and will, upon request by the Customer affected, assign a new authorization code to replace the one that has been deactivated.
- 2.5.4 The Customer may terminate service upon verbal or written notice for the Company's standard month to month contract. Customer will be liable for all usage on any of the Company's service offerings until the Customer actually leaves the service. Customers will continue to have Company usage and be responsible for payment until the Customer or its agent notifies its local exchange carrier and changes its long distance carrier.

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 Los Angeles, CA 90071

2.6 Credit Allowance - Interruption of Service

- 2.6.1 Credit may be given for disputed calls, on a per call basis.
- 2.6.2 Credit shall not be issued for unavailability of long distance services.
- 2.6.3 The Customer shall be credited for an interruption of two hours or more at the rate of 1/720th of any monthly service charges for each hour or major fraction thereof that the interruption continues.

Credit Formula:

$$\text{Credit} = \frac{A}{720} \times B$$

"A" - outage time in hours

"B" - monthly charge for affected activity

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2.7 Deposit

The Company does not require deposits.

2.8 Advance Payments

The Company requires advance payments for recurring and non-recurring charges. This will be applied against the next month's charges, and if necessary, a new advance payment will be collected for the next month.

2.9 Payment and Billing

2.9.1 Service is provided and billed on a billing cycle basis, beginning on the date that service becomes effective. Billing is payable upon receipt.

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2.12 Late Charge

A late fee will be charged on any past due balances as set forth in Section 4.10 of this tariff.

2.13 Returned Check Charge

A fee, as set forth in Section 4.6 of this tariff, will be charged whenever a check or draft presented for payment for service is not accepted by the institution on which it is written.

2.14 Location of Service

The Company will provide service to Customers within the State of Florida.

2.15 Sale of Telecommunications Services to Uncertified IXCs Prohibited

Customers reselling or rebilling the Company's telecommunications services must have a Certificate of Public Convenience and Necessity as an interexchange carrier from the Commission.

2.16 Reconnection Charge

A reconnection fee per occurrence as set forth in Section 4.12 of this tariff, will be charged when service is reestablished for Customers which have been disconnected due to non-payment. Payment of the reconnection fee and any other outstanding amounts will be due in full prior to reconnection of service

Issued: March 28, 2000

Effective:

By: Jane Delahanty, Asst. VP Regulatory Affairs
515 S. Flower Street, 49th Floor
Los Angeles, CA 90071

3.5.5 Directory Assistance.

Access to long distance directory assistance is obtained by dialing 1 + (area code) + 555-1212. When more than one number is requested in a single call, a charge will be applicable for each number requested, whether or not the number is listed or published.

3.5.6 Emergency Call Handling Procedures

Emergency "911" calls are not routed to company, but are completed through the local network at no charge.

3.5.7 Promotional Offerings

The Company may offer approved special promotions of new or existing services or products for limited time periods as approved by the Commission. These promotions will include specific tariffed starting and ending dates. All such promotions will be offered on a completely non-discriminatory basis. All such tariffed promotions must be approved by the Commission and must state exactly what charges are being reduced or waived, who is eligible, and what Customers have to do to be eligible.

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Los Angeles, CA 90071

4.5 Directory Assistance

\$.95 per each number requested

4.6 Returned Check Charge

\$25.00

4.7 Rate Periods

	Monday - Friday	Sat.	Sun.
8 a.m. to 5 p.m.*	Daytime Rate Period		
5 p.m. to 11 p.m.*	Evening Rate Period		Evening Rate Period
11 p.m. to 8 a.m.*	Night/Weekend Rate Period		

* To, but not including
When a message spans more than one rate period, total charges for the minutes in each rate period are calculated and the results for each rate period are totaled to obtain the total message charge. If the calculation results in a fractional charge, the amount will be rounded down to the lower cent.

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4.8 Rates Applicable for Hearing/Speech Impaired Persons

For intrastate toll messages which are communicated using a telecommunications device for the deaf (TDD) by properly certified business establishments or individuals equipped with TDDs for communications with hearing or speech impaired persons, the rates shall be evening rates for daytime calls and night rates for evening and night calls.

Intrastate toll calls received from the relay service, each local exchange and interexchange telecommunications company billing relay call will be discounted by 50 percent of the applicable rate for a voice nonrelay call except that where either the calling or called party indicates that either party is both hearing and visually impaired, the call will be discounted 60 percent off the applicable rate for voice nonrelay calls.

Florida Public Service Commission Rules and Regulations require the Company to provide the first 50 directory assistance calls initiated per billing cycle by handicapped persons free of charge.

4.9 Employee Concessions

The Company does not offer employee concessions.

4.10 Late Charge

1.5% monthly or the amount otherwise authorized by law, whichever is lower.

4.11 Payphone Dial Around Surcharge

A dial around surcharge of \$.35 per call will be added to any completed INTRAstate toll access code and subscriber 800/888 type calls placed from a public or semi-public payphone.

4.12 Reconnection Charge

\$25.00

Issued: March 28, 2000

Effective:

By: Jane Delahanty, Asst. VP Regulatory Affairs
515 S. Flower Street, 49th Floor
Los Angeles, CA 90071

FINANCIAL INFORMATION

MANAGEMENT INFORMATION

TELEPACIFIC COMMUNICATIONS, A PIONEER IN VOICE OVER DSL ANNO

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to view individual profile.



David Glickman
Chairman of the Board
CEO



Ken Blisoff
Vice President,
Sales and Marketing



Phil Puccio
Executive
Vice President
Of Operations



Michael Lee
Chief Technology



David Glickman

Chairman of the Board and CEO

About TelePacific

Mr. Glickman, founder, Chairman and CEO of TelePacific Communications is also the founder and Chairman of Justice Technology Corporation, a full service international telecommunications company that was ranked the fastest growing private company by Inc. Magazine. Mr. Glickman spearheaded the revenue growth from \$200,000 in 1993 to nearly \$100 million in 1999. Prior to entering the telecommunications industry, Mr. Glickman headed Special Projects for American Express in Argentina, directed Corporate Finance at Ad Rendon and founded Oliver D. World Imports, Inc. Mr. Glickman was selected as a finalist for Ernst & Young's Entrepreneur of the Year for Southern California in 1997. He is the youngest board member of the world famous Los Angeles Philharmonic, serves on the board of the Hollywood Bowl and was founder and Chairman of the Board of the California Association of Entrepreneurs. He was selected as Philanthropist of the Year by CARE International in 1997. Mr. Glickman earned his Bachelor of Science degree from the Wharton School of Business at the University of Pennsylvania and a Master of Arts degree in Psychology at the University of California, Los Angeles.

CALIFORNIA GOVERNOR PETE WILSON APPOINTED TO TELEPACIFIC BC

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David Glickman
Chairman of the Board
CEO



Ken Bisnoff
Vice President,
Sales and Marketing



Phil Puccio
Executive
Vice President
of Operations



Michael Lee
Chief Technology
Officer



Ken Bisnoff

Vice President
Sales and Marketing

About TelePacific

Mr. Bisnoff has more than a decade of sales performance in the telecommunications industry. Prior to joining TelePacific, Mr. Bisnoff was Vice President of Carrier Sales for CallManage Inc., a developer of least call routing technologies for small to medium sized businesses. Previously, Mr. Bisnoff was a Senior National Account Manager with WinStar, a wireless facilities-based CLEC offering local voice and data. As one of WinStar's early employees, Mr. Bisnoff helped develop the companies' operational and marketing standards utilizing his knowledge of CLEC products, sales and engineering. From 1993 to 1995, Mr. Bisnoff was a Senior Account Executive with TCG-New York, where he sold competitive local voice and data services to a broad spectrum of business customers. Mr. Bisnoff began his telecommunications sales career with AT&T, where he rose from a Systems Consultant to National Account Manager. Mr. Bisnoff earned a Bachelor of Science Degree in Electrical Engineering from the University of Massachusetts-Amherst.



TELEPACIFIC COMMUNICATIONS, A PIONEER IN VOICE OVER DSL ANNO

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David Glickman
Chairman of the Board
CEO



Philip Puccio
Executive Vice President

About TelePacific



Ken Bisnoff
Vice President,
Sales and Marketing



Phil Puccio
Executive
Vice President
Of Operations



Michael Lee
Chief Technology

Mr. Puccio, Executive Vice President, has 19 years of operations and engineering experience in the telecommunications and broadcast industries. Prior to joining TelePacific, Mr. Puccio spent 12 years at TCG and was Regional Vice President for TCG's Southwest market, which included Dallas, Houston, Kansas City and St. Louis. Mr. Puccio had P&L responsibility for the region along with operational responsibility for switch voice, data, private line and infrastructure activities. This included daily installation, maintenance and provisioning of these services. Mr. Puccio's prior positions at TCG included Director of Operations and Engineering for Dallas and Field Service Supervisor in TCG New York for voice data and satellite operations. Mr. Puccio earned a Bachelor of Science Degree in Financial Management from Dominican College. Mr. Puccio's team was responsible for firing up TelePacific's Los Angeles Lucent 5ESS switch in record time. The industry's most sophisticated switch was up and running in just four months.

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to view individual profile.



David Glickman
Chairman of the Board
CEO



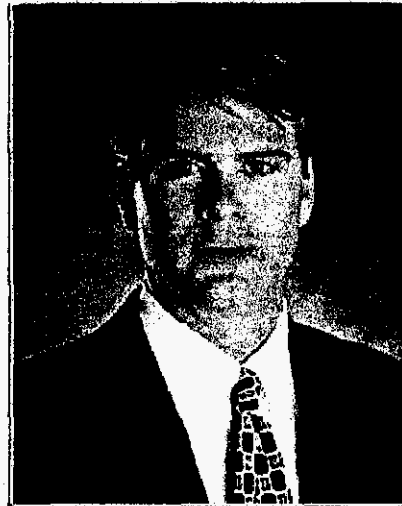
Ken Bisnoff
Vice President,
Sales and Marketing



Phil Puccio
Executive
Vice President
Of Operations



Michael Lee
Chief Technology
Officer



Michael Lee

Chief Technology Officer

About TelePacific

Mr. Lee has more than 10 years of experience in the high technology and Internet industries. Prior to joining TelePacific, Mr. Lee founded DigitalVelocity™, a Los Angeles-based Internet Service Provider that provides superior connectivity to multiple backbone carriers. Mr. Lee developed network methodology, marketing, and operational plans, and assembled a technical and management team to fully develop and deploy the service. DigitalVelocity™ was successfully launched in Los Angeles in 1998 and was acquired by TelePacific in April 1999. Mr. Lee previously served as National Director of Internet Sales for TCG Corporation and with CERFnet, one of the original commercial ISP's. As National Sales and Marketing Director for the Advanced Technology Operation (ATO) of Canon Computer Systems Inc., Mr. Lee was instrumental in developing and marketing one of the first Internet hosting and HTML content development hardware systems, the ObjectStation. Mr. Lee managed large-scale deployment of ObjectStations for several Fortune 1000 corporations. Mr. Lee earned a Bachelor of Science Degree in Systems Engineering from the University of Arizona.



Financial Statements
Nine Months Ended September 30, 1999

EDITED FINANCIALS

ORIGINAL
000379-TL

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DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

**TelePacific Communications
September 1999 Balance Sheet**

Assets

Cash and Cash Equivalents
Cash on Demand
Marketable Equity Securities

Accounts Receivable
Bad Debt Reserve
Account Receivable Net

Prepays

Fixed Assets
Accumulated Depreciation
Net Fixed Assets

TOTAL ASSETS

Current Liabilities

Accounts Payable
Accrued Liabilities & Other
Capital Lease Obligations
Total Current Liabilities

Long Term Liabilities

Capital Leases
Notes Payable
Debt Issuance Costs
Total Long Term Liabilities

Total Liabilities

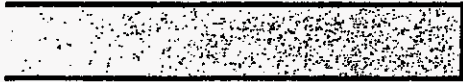
Shareholders Equity

Preferred Stock, Common Stock, and Warrants
Issuance Costs
Retained Earnings
Total Stockholders Equity

TOTAL LIABILITIES & SE

TELEPACIFIC COMMUNICATIONS
 INCOME STATEMENT 1999
 MTD & YTD

	Act MTD Jan-99	Act MTD Feb-99	Act MTD Mar-99	Act MTD Apr-99	Act MTD May-99	Act MTD Jun-99	Act MTD Jul-99	Act MTD Aug-99	Act MTD Sep-99
Total Revenue									
COGS									
Variable operating costs									
Fixed operating costs									
Depr. & amort.									
Total COGS									
Gross profit									
G&A									
EBIT									
INTEREST									
Interest income									
Interest expense									
Net Interest Income/(Expense)									
Loss on sale of Marketable Securities									
EBT									
Income tax									
Net Income / (Loss)									
BITDA									



Act YTD
Sep-99

Total Revenue

COGS
Variable operating costs
Fixed operating costs
Depr. & amort.
Total COGS
Gross profit

3&A
EBIT

INTEREST
Interest income
Interest expense
Net Interest Income/(Expense)

Losses on sale of Marketable Securities

EBT
Income Tax
Net Income / (Loss)

BITDA

TELEPACIFIC COMMUNICATIONS
YTD CASH FLOW AS OF SEPTEMBER 30, 1999

Actual
YTD
Sep-99

CASH FLOW FROM OPERATING ACTIVITIES

NET LOSS

\$

Adjustment to reconcile net loss to net cash used by operating activities:

- Depreciation & amortization
- Non-cash loss on marketable equity securities

Net change in operating assets and liabilities:

- Change in net accounts receivable
- Change in prepaids
- Change in accounts payable
- Change in accrued liabilities

Net Cash Used by Operating Activities

CASH USED FOR INVESTING ACTIVITIES

- Purchase of Marketable Equity Securities
- Cash from sale of Marketable Equity Securities
- Capital Expenditures

Net Cash Used by Investing Activities

CASH FLOWS FROM FINANCING ACTIVITIES

- Paid in Equity
- Equity Issuance costs
- Drawdown of available funds
- Debt issuance costs
- Paydown of Sanwa note
- Principal payments on capital leases
- Total cash from financing activities

NET INCREASE / (DECREASE) IN CASH

Cash at beginning of period

Cash at end of period

NON-CASH TRANSACTIONS:

- Equity Issuance Costs
- Debt Issuance Costs
- Acquired Fixed Assets

U.S. TelePacific Corp.

Notes to Financial Statements:

Note 1 - Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting.

Note 2 - 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 of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Note 3 - Consolidated Statements:

The financial statements represent the activity of U.S. TelePacific Corp dba TelePacific Communications. No activity exists in any subsidiaries. Therefore, consolidating financial statements are not provided.

Note 4 - Subsequent Events:

On November 9, 1999, the Company signed an agreement to sell \$ _____ of Series B preferred stock to G.E. Capital Equity Investments, Inc.



Financial Statements
Year Ended December 31, 1998

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U.S. TelePacific Corp.

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Statement of Cash Flows for the Year Ended December 31, 1998	7
Notes to the Financial Statements	8-15

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U.S. TelePacific Corp.

Report of Independent Accountants For the Year Ended December 31, 1998

To the Shareholders of
U.S. Telepacific Corp.

In our opinion, the accompanying balance sheet and the related statements of operations, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of U.S. Telepacific Corp. as of December 31, 1998, and the results of its operations and its cash flows for the year ended December 31, 1998, in conformity with generally accepted accounting principles. 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 of these statements in accordance with generally accepted auditing standards which 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 the opinion expressed above.

July 14, 1999

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U.S. TelePacific Corp.

Balance Sheet
December 31, 1998

CURRENT ASSETS	
Cash and Cash Equivalents	\$
Accounts Receivable	
Total Current Assets	
Property and Equipment, Net	
TOTAL ASSETS	\$
CURRENT LIABILITIES	
Line of Credit	\$
Accounts Payable	
Accrued Liabilities	
Current Portion of Capital Leases	
Total Current Liabilities	
LONG-TERM LIABILITIES	
Capital Lease Obligations, Net of Current Portion	
Total Liabilities	
SHAREHOLDERS' EQUITY	
Common Stock, No Par (100,000,000 authorized, 9,999,930 issued and outstanding)	
Accumulated Deficit	
Total Shareholders' Equity	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$

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See accompanying notes to the financial statements

U.S. TelePacific Corp.

Statement of Operations
For the Year Ended December 31, 1998

REVENUES:

Revenues

\$

TOTAL REVENUES

COST OF REVENUES:

Variable Operating Costs

Fixed Operating Costs

Depreciation & Amortization

TOTAL COST OF REVENUES

GROSS MARGIN

**SELLING, GENERAL AND ADMINISTRATIVE
EXPENSES**

LOSS FROM OPERATIONS

OTHER INCOME AND (EXPENSE):

Interest Income

Interest Expense

TOTAL OTHER INCOME AND (EXPENSE)

NET LOSS

\$

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See accompanying notes to the financial statements

U.S. TelePacific Corp.

Statement of Shareholders' Equity
For the Year Ended December 31, 1998

	<u>Common Stock</u>		<u>Accumulated</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Deficit</u>	<u>Total</u>
Balances, January 1, 1998				
Common stock sold for cash				
Net Loss			\$	
Balances, December 31, 1998		\$	\$	\$

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See accompanying notes to the financial statements

U.S. TelePacific Corp.

Statement of Cash Flows
For the Year Ended December 31, 1998

CASH FLOWS FROM OPERATING ACTIVITIES

NET LOSS

\$

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

Depreciation and amortization

Net change in operating assets and liabilities:

Accounts receivable

Accounts payable

Accrued liabilities

Net Cash Used by Operating Activities

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures

Net Cash Used by Investing Activities

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from line of credit

Proceeds from sale of common stock

Proceeds from note payable from related party

Repayment of note payable from related party

Principal payments on capital leases

Net Cash Provided by Financing Activities

Net Increase in Cash and Cash Equivalents

Cash and Cash Equivalents

Cash at Beginning of Year

Cash at End of Year

Supplemental Disclosures of Cash Flow Information

Cash paid for interest

\$.

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U.S. TelePacific Corp.

Notes to the Financial Statements

NOTE 1: THE COMPANY

U.S. TelePacific Corp. (the "Company"), a California corporation, was organized under the name Justice Long Distance Corp. effective July 17, 1996, and remained inactive until 1998. The Company's name was changed to U.S. TelePacific Corp. (dba TelePacific Communications) as of July 27, 1998. The Company is a "next generation" competitive local exchange carrier ("CLEC"), focused on providing telecommunications services primarily in large urban markets throughout California and Nevada serving the local and long distance voice, data, internet and multimedia needs of its clients. The Company was in its start-up phase prior to December 15, 1998, when it began operations. The Company's operations are subject to significant risks and uncertainties including competitive, financial, developmental, operational, growth and expansion, technological, regulatory, and other risks associated with developing the Company's business.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting.

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 of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents - The Company considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

Revenue Recognition – The Company recognizes revenue on telecommunications and enhanced communications services in the period that services are provided to customers.

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U.S. TelePacific Corp.

Notes to the Financial Statements

Property and Equipment - Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of property and equipment are as follows:

Telecommunications Equipment:	10 years
Furniture, Fixtures and Office Equipment:	5 years
Computers and software:	3 years
Leasehold improvements:	Lesser of estimated useful life or term of lease

The Company capitalizes costs associated with the construction, installation and expansion of the Company's network. Capitalized costs generally include personnel and related costs incurred in the enhancement and implementation of the network.

Equipment Under Capital Leases - The Company leases certain of its furniture and office equipment under capital lease agreements. The assets and liabilities under capital leases are recorded at the lesser of the present value of aggregate future minimum lease payments or fair value of the assets under lease, whichever is less. Assets under capital lease are amortized over the lesser of the lease term or useful life of the assets.

Income Taxes - The Company provides for income taxes utilizing the liability method in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes". Under the liability method, current income tax expense or benefit represents income taxes expected to be payable or refundable for the current period. Deferred income tax assets and liabilities are established for both the impact of differences between the financial reporting bases and tax bases of assets and liabilities and for the expected future tax benefit to be derived from tax credits and tax loss carryforwards. Deferred income tax expense or benefit represents the change during the reporting period in the net deferred income tax assets and liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

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U.S. TelePacific Corp.

Notes to the Financial Statements

Fair Value of Financial Instruments – SFAS No. 107, “Disclosures About Fair Value of Financial Instruments,” as amended by SFAS No. 119, “Disclosures About Derivative Financial Instruments and Fair Value of Financial Instruments,” requires disclosure of fair value information about financial instruments whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available for identical or comparable financial instruments, fair values are based on estimates using the present value of estimated cash flow or other valuation techniques. The resulting fair values can be significantly affected by amounts and timing of future cash flows.

The following methods and assumptions were used to estimate the fair value for financial instruments:

Cash and Cash Equivalents: The carrying amount approximates fair value.

Borrowings: The fair values of borrowings, including long-term debt and other obligations, were estimated based on quoted market prices, where available, or by discounting the future cash flows using estimated borrowing rates at which similar types of borrowing arrangements with the same remaining maturities could be obtained by the company. For all borrowings outstanding at December 31, 1998, fair value approximates recorded value.

Concentration of Credit Risk - Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash in excess of operating requirements is conservatively invested in money market funds, certificates of deposit with high-quality financial institutions, obligations of the U.S. Government and its agencies and investment grade A commercial paper. The Company continually evaluates the creditworthiness of its customers.

Key Suppliers – The Company is dependent on limited source of suppliers for certain equipment used to provide its services. The Company has generally been able to obtain an adequate supply of equipment. However, an extended interruption in the supply of equipment currently obtained from limited source suppliers could adversely affect the Company’s business and results of operations.

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U.S. TelePacific Corp.

Notes to the Financial Statements

New Accounting Pronouncements – In April 1998, the AICPA released Statement of Position 98-5, "Reporting on the costs of Start-up Activities" ("SOP 98-5"). The new standard requires that all entities expense costs of start-up activities as those costs are incurred. The Company has expensed start-up costs incurred directly relating to its pre-operating, pre-opening, and organization activities as defined in SOP 98-5.

NOTE 3: PROPERTY AND EQUIPMENT

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

Telecommunications Equipment	\$
Furniture, Fixtures and Office Equipment	
Computers	
Software	
Leasehold Improvements	
<hr/>	
Accumulated Depreciation	
Property and Equipment, Net	\$

Capitalized labor costs for the year ended December 31, 1998 was \$:

NOTE 4: LINE OF CREDIT

On April 12, 1998, the Company entered into a \$ _____ Line of Credit Agreement (the "Agreement") with Sanwa Bank for purchase of a Lucent 5EES system 2000 switch. Borrowings against the Agreement were \$ _____ at December 31, 1998. The Agreement provides for interest-only payments on the outstanding principal. Interest expense incurred through December 31, 1998, was \$ _____ with an average annum rate of 6.7%. The principal balance was initially due on March 31, 1999, but an amendment to the Agreement dated March 31, 1999, revised the repayment of the principal date to March 31, 2000. The Agreement is collateralized by equipment, cash and cash equivalents and other property in possession of the Company and is personally guaranteed by the Company's Chairman of the Board and Chief Executive Officer, his father and Justice Technology Corporation.

CONFIDENTIAL

U.S. TelePacific Corp.

Notes to the Financial Statements

**NOTE 5:
LEASES**

The Company has entered into capital lease arrangements to finance the acquisition of certain office equipment and furniture. The principal value of these leases was \$ _____ and was equivalent to the fair value of the assets leased. In addition, the Company leases office space under an operating lease.

Future minimum obligations for leases in effect at December 31, 1998, were as follows:

Year Ending December 31,	Capital	Operating
1999	\$	\$
2000		
2001		
2002		
2003		
Thereafter	-	
Total minimum lease payments		\$ _____
Less amount representing interest		
Present value of net minimum lease payments		
Less current portion		
Capital lease obligations, net of current Portion	\$	

CONFIDENTIAL

U.S. TelePacific Corp.

Notes to the Financial Statements

NOTE 6: STOCK OPTIONS

In 1998, the Company adopted the U.S. TelePacific Corp. 1998 Stock Incentive Plan ("the Plan"). The Plan provides for the grant of stock purchase rights and options to purchase shares of common stock to employees and consultants from time to time as determined by the Board of Directors. The options and rights expire 10 years from the date of grant, provided that in the case of an incentive stock option granted to a holder of ten percent or more of the Company's common stock, the terms of such option shall be 5 years from the date of grant. As of December 31, 1998, the Company has reserved 2,500,000 shares of its common stock for sale and issuance under the Plan at prices to be determined by the Board of Directors. Options vest over a four year period. There were no stock purchase rights granted during the year ended December 31, 1998.

The following summarizes stock option activity for the year ended December 31, 1998:

	Number of Options	Weighted Average Exercise Price
Options outstanding at January 1, 1998:	-	-
Granted		
Exercised	-	-
Canceled	-	-
Options outstanding at December 31, 1998:		\$

The following is a summary of stock options outstanding at December 31, 1998:

Exercise Price Range	Number Outstanding	Weighted Average Life Remaining	Weighted Average Exercise Price	Options Exercisable

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U.S. TelePacific Corp.

Notes to the Financial Statements

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB 25") and related interpretations in accounting for its employee stock options. Under APB 25, compensation expense is recognized based on the amount by which the fair value of the underlying common stock exceeds the exercise price of stock options at the date of grant.

The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting and disclosure of Stock-Based Compensation". Had compensation expense for the Company's Plan been determined based on the fair value method of accounting for stock-based compensation, the Company's net loss for the year ended December 31, 1998 would have increased by \$. For the purposes of determining this compensation expense, the fair value of each option grant is estimated on the grant date using the Black Scholes option pricing model with the following weighted average assumptions used for grants during the year ended December 31, 1998: No dividend yield, risk free interest rate of 4.78%, expected volatility of nil and expected term of five years.

NOTE 7: INCOME TAXES

As of December 31, 1998, the Company had a net operating loss carryforward of approximately \$, which is available to offset future taxable income, if any, through 2013 for federal taxes and 2003 for state taxes, subject to the limitations of Internal Revenue Code Section 382 relating to changes in ownership of the Company, and other state limitations.

Components of deferred income taxes for December 31, 1998, are as follows:

Deferred Tax Assets:

Net operating loss carryforwards..... \$1

Deferred Tax Liabilities:

Depreciation.....

Net Deferred Tax Asset.....

Valuation Allowance.....

Net Deferred Income Tax Asset..... \$ -

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NOTE 9: RELATED PARTY TRANSACTIONS

Justice Technology Corporation, a shareholder of the Company and who is controlled by the Company's Chairman of the Board and Chief Executive Officer is paid for services rendered and equipment purchased on behalf of the Company. Equipment is transferred to the Company at cost. Such amounts totaled \$_____ for the year ended December 31, 1998, of which approximately \$_____ was owed to Justice Technology at December 31, 1998 and is included in accounts payable on the accompanying balance sheet. It is anticipated that Justice Technology will continue to provide limited services on behalf of the Company in the future.

NOTE 10: SUBSEQUENT EVENTS

On March 17, 1999, the Company sold an additional _____ shares of its common stock for cash of \$_____.

On April 7, 1999, the Company sold an additional _____ shares of its common stock for cash of \$_____.

On April 12, 1999, the Company completed the acquisition of Digital Velocity, an internet service provider and web hosting firm based in Los Angeles in exchange for _____ common stock options of the Company with an exercise price of \$_____ per share.

On April 14, 1999, the Company amended its Articles of Incorporation authorizing the Company to issue two classes of stock to be designated, respectively, "Preferred Stock" and "Common Stock". The total number of shares which the Company shall have authority to issue is _____ shares Preferred Stock and _____ shares Common Stock).

On April 14, 1999, the Company agreed to a \$_____ investment offer from Rader Reinfrank & Co., LLC and issued 150 shares of Series A Convertible Preferred Stock at \$_____ per share with a liquidation preference.

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