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FORM B

ARIZONA CORPORATION COMMISSION

2000 OCT 20 A 11:38

Application and Petition for Certificate of Convenience and Necessity to Provide Intrastate Telecommunications Services as an Interexchange Reseller

For Docket Control Only (Please Stamp Here)

AZ CORP COMMISSION DOCUMENT CONTROL

DOCKET NO. T. 03949A-00-0835

Docket No. \_\_\_\_\_

Date Docketed \_\_\_\_\_

A. Company and Telecommunications Service Information

A-1. The name, address and telephone number of the applicant (company):

TCAST Communications, Inc.  
24300 Town Center, Suite 320  
Valencia, CA 91355  
(661) 253-5030

A-2. If doing business under a name other than the applicant (company) name listed above, specify:

Not Applicable

A.3. The name, address, telephone number, facsimile number and email address of the management contact:

Mr. Mark E. Jordan, President  
TCAST Communications, Inc.  
24300 Town Center, Suite 320  
Valencia, CA 91355  
(661) 253-5030  
FAX: (661) 253-5036  
mjordan@tcastcom.com

A-4. The name, address, telephone number, facsimile number and email address of the Attorney, if any, representing the applicant:

Not Applicable, no Attorney assisting applicant.

The following Telecommunications Consultant is assisting TCAST with this filing:

Bonnie K. Alexander  
Alexander Consulting  
4944 Corte Playa De Castilla  
San Diego, CA 92124-4126  
(858) 573-1785  
FAX: (858) 560-6667  
[bonniea@adnc.com](mailto:bonniea@adnc.com)

A-5. What type of legal entity is the applicant?

S Corporation

A-6. Include Attachment A. Attachment A must list names of all owners, partners, limited liability company managers, or corporation officers and directors (specify), and indicate percentages of ownership.

See Attachment A

A-7. Is your company currently reselling telecommunications services in Arizona? If yes, provide the date or the approximate date that you began reselling service in Arizona.

**No**, TCAST Communications has **not** begun reselling service in Arizona.

If the answer to 1. is no, when does your company plan to begin reselling service in Arizona?

TCAST plans to commence business in approximately 60 days from this filing for a Certificate of Convenience and Necessity.

A-8. Include Attachment B. Attachment B, your proposed tariff, must include proposed rates and charges for each service to be provided state the tariff (maximum) rate as well as the price to be charged, and state other terms and conditions, including deposits, that will apply to provision of the service(s) by your company.

See Attachment B – Proposed Arizona Tariff in draft form.

The Commission provides pricing flexibility by allowing competitive telecommunications service companies to price their services at levels equal to or below the tariff (maximum) rates. The prices to be charged by the company are filed with the commission in the form of price lists. Note: Price list rate changes that result in rates that are lower than the tariff rate are effective upon concurrent notice to the Commission (See Rule R14-2-1109(B)(2)). See Rule R14-2-1110 for procedures to make price list changes that result in rates that are higher than the tariff rate.

A-9. The geographic market to be served is:

TCAST plans to allow customers to originate calls in the Tucson and Phoenix LATAs. Customers within the Tucson and Phoenix LATAs can call throughout the state of Arizona, interstate calls and international calls.

A-10. List the states in which you currently resell services similar to those you intend to resell in Arizona.

TCAST Communications, Inc. currently operates in the State of California as an InterLATA and IntraLATA (local toll) Resale Interexchange Carrier. Arizona will be the second state where TCAST is requesting authority to operate as a reseller of local toll and long distance interexchange service.

A-11. Provide the name, address, and telephone number of the company's complaint contact person.

Any billing, service questions or complaints should be directed to TCAST's Customer Service Department at (800) 759-8227.

A-12. Provide a list of states in which you have sought authority to resell telecommunications services and in which the state granted the authority with major changes and conditions or did not grant your application for those services. For each state listed, provide a copy of the Commission's decision modifying or denying your application for authority to provide telecommunications services.

TCAST has only sought authority in the state of California, but the California Public Utilities Commission did not seek any additional information after TCAST filed its initial request for authority to provide resale telecommunications services. There were no major changes or conditions added to the original application.

A-13. Has the company been granted authority to provide or resell telecommunications services in any state where subsequently the authority was revoked? If yes, provide copies of the State Regulatory Commission's decision revoking its authority.

California was the first and only state that TCAST has applied for a CPCN. TCAST's authority to resell telecommunications services has never been revoked.

A-14. Has the company been or is the company currently involved in any formal complaint proceedings before any State or Federal Regulatory Commission? If yes, in which states is the company involved in proceedings and what is the substance of these complaints. Also, provide copies of Commission orders that have resolved any of these complaints

TCAST is not and never has been involved in any formal complaint proceedings before any State or Federal Regulatory Commission.

- A-15. Has the applicant been involved in any civil or criminal investigations related to the delivery of telecommunications services within the last five years? If yes, in which states has the applicant been involved in investigations and why is the applicant being investigated?

Over the past 5 years of operations, TCAST has never been accused of or involved in any civil or criminal investigations related to the delivery of telecommunications services.

- A-16. Has the applicant had judgment entered against it in any civil matter or been convicted of criminal acts related to the delivery of telecommunications services within the last five years? If yes, list the states where judgment or conviction was entered and provide a copy of the court order.

TCAST has never had a judgment entered against it in any civil matter or been convicted of criminal acts related to the delivery of telecommunications services.

## B. Technical Information

- B-1. If your company is a switchless reseller, provide the name of the company or companies whose services you resell and skip to question (B-2). If you are not a switchless reseller, complete the remainder of this section.

TCAST is a switchless reseller in Arizona. TCAST plans to resell the services of MCI/WorldCom and Quest/US West, therefore this application will not include an attachment depicting the basic call network.

Include Attachment C. Attachment C should provide the following information: A diagram of the applicant's basic call network used to complete Arizona intrastate telecommunications traffic. This diagram should show how a typical call is routed in both its originating and terminating ends (i.e. show the access network and call completion network).

Also include on the diagram the carrier(s) used for each major network component and indicate if the carrier is facilities-based or not. If the carrier is not facilities-based, indicate who owns the facilities (within the State of Arizona) that are used to originate and terminate the applicant's intrastate telecommunications traffic (i.e. provide a list of the Arizona facilities-based long distance carriers whose facilities are used to complete the applicant's intrastate traffic).

- B-2. Will your customers be able to access alternative toll service providers or resellers via 1+ or 101XXXX access, if your system becomes non-operational?

Yes, TCAST's customers will be able to access alternative toll service providers or resellers via 1+ or 101XXXX access, regardless of whether TCAST's system becomes non-operational.

### C. Financial Information

- C-1. Include Attachment C. Attachment C **must** include a copy of your Company's balance sheet, income statement, audit report (if audited) and all related notes to these financial statements for the two most recent years your Company has been in business.

See Attachment C, TCAST Communications, Inc., Financial Statements Years Ending December 31, 1999 and December 31, 1998.

- C-2. If your Company does not have financial statements for the two most recent years, please give the date your Company began operations.

TCAST is providing two years of Financial Statements.

- C-3. If the balance sheets you submit do not have retained earnings accounts, please provide this account information on a separate sheet.

Retained Earnings are included in the Balance Sheets.

- C-4. If your Company is a subsidiary, please provide your Parent Company's financial statements, in addition to your Company's financial statements.

TCAST Communications, Inc. does not have a parent company, and therefore does not intend to rely on the financial resources of a parent company.

- C-5. If your Company intends to rely on the financial resources of its Parent Company, please provide a written statement from your Parent Company attesting that it will provide complete financial backing if your Company experiences a net loss or a business failure and that it will guarantee re-payment of customers; advances, prepayments or deposits held by your Company if, for some reason, your Company cannot provide service or repay the deposits.

TCAST does not have a parent company.

- C-6. Will your customers be required to (or have the option to) pay advances, prepayments, or deposits for any of your products or services.

YES   X   (If yes, provide an explanation of how and when these customer advances prepayments or deposits will be applied or reference the terms and conditions section of your Company's tariffs with this explanation. If this information is not explained in the tariff of this application, please provide it on a separate sheet.)

TCAST's customers may be required to make prepayments, advances or deposits. Those funds will be administered based on our tariff rules and in accordance with any statutory requirements given by the Arizona Corporation Commission or other authorized governmental agency.

I certify that if the applicant is an Arizona corporation, a current copy of the Articles of Incorporation is on file with the Arizona Corporation Commission and the applicant holds a Certificate of Good Standing from the Commission. If the company is a foreign corporation or partnership, I certify that the company has authority to transact business in Arizona. I certify that all appropriate city, county and/or State agency approvals have been obtained. Upon signing of this application, I attest that I have read the Commission's rules and regulations relating to the regulations of telecommunications services (A.A.C. Title 14, Chapter 2, Article 11) and that the company will abide by Arizona State Law including the Arizona Corporation Commission Rules and Regulations. I agree that the Commission's rules apply in the event there is a conflict between those rules and the company's tariff, unless otherwise ordered by the Commission. I certify that to the best of my knowledge the information provided in this Application and Petition is true and correct.



Signature of Authorized Representative

President

Title

Mark Jordan

Printed Name of Authorized Representative

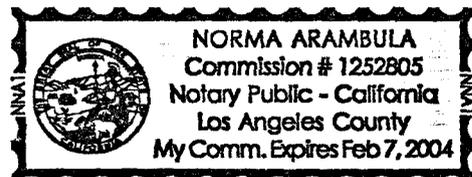
Date: 10-17-00

NOTARY PUBLIC

SUBSCRIBED AND SWORN to before me this 17<sup>th</sup> day of October, 2000.



My Commission Expires: 02/07/2004



**ATTACHMENT A**

<u>Name</u>	<u>Position</u>	<u>% of Ownership</u>
Mark E. Jordan	President/Chairman of the Board	17.65%
Robert L. Carr	Executive Vice President/Director	17.65%
Lee J. Howard	Director	14.71%

**ATTACHMENT B**

**Proposed Intrastate Tariff**

TCAST Communications Inc.  
24300 Town Center, Suite 320  
Valencia, CA 91355

Schedule A.C.C. No. 1  
Original Sheet No. Title Page

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Tariff Schedule  
Applicable to  
Arizona Intrastate Communications Service  
of  
TCAST Communications, Inc.

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**Mark Jordan**  
NAME  
President

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LIST OF EFFECTIVE SHEETS  
Current Sheets in this tariff are as follows:

Sheet No.	Revision	Sheet No.	Revision
Title	Original	30	Original
1	Original	31	Original
2	Original	32	Original
3	Original	33	Original
4	Original	34	Original
5	Original	35	Original
6	Original	36	Original
7	Original	37	Original
8	Original	38	Original
9	Original	39	Original
10	Original	40	Original
11	Original	41	Original
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**PRELIMINARY STATEMENT**

**A. Explanation of Symbols**

- (C) To signify changed listing, rule or condition which may affect rates or charges
- (D) To signify discontinue material, including listing, rate, rule or condition
- (I) To signify increase
- (L) To signify material relocated from or to another part of tariff schedules with no change in text, rate, rule or condition
- (N) To signify new material including listing, rate, rule or condition
- (R) To signify reduction
- (T) To signify change in wording of text but no change in rate, rule or condition

**B. Type of Service Rendered**

This tariff applies to Arizona dedicated and switched communications service furnished by TCAST Communications, Inc. (hereinafter "TCAST" or "Company") from points in the state of Arizona to points in the state of Arizona. TCAST undertakes to install, operate and maintain intrastate, intraLATA and interLATA communications service in conjunction with its interstate service offering.

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**PRELIMINARY STATEMENT** (cont'd)

**C. General Conditions**

1. Service is furnished subject to the condition that it will be used only for authorized and lawful purposes.
2. Service is offered subject to the availability of facilities and may be limited for reasons beyond Company's control or by national or local emergency.
3. The service or any rights associated therewith may not be assigned or in any manner transferred without the prior written consent of the Company.
4. The Company has the right to limit the manner in which the facilities are used to protect the technical integrity of the network. Technical limitations and protective criteria are available on request.
5. Any equipment supplied by TCAST in rendering service to its customers remains the property of TCAST Communications, Inc.
6. TCAST shall be responsible for maintaining in safe operating condition all equipment and fixtures owned by and under the exclusive control of TCAST that are used in providing telecommunications services to the customer.
7. TCAST shall make known to applicants for its service and to its subscribers any information necessary to assist the subscriber or customer in obtaining adequate, efficient and reasonably priced service.
8. TCAST shall make reasonable efforts to supply a satisfactory and continuous level of service pursuant to article R14-2-1114.

**D. Territory Served**

TCAST will provide originating communication service from LATA 666 (Phoenix) and LATA 668 (Tucson), and terminate communication service throughout the state of Arizona.

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## SWITCHED SERVICES

### MATRIX 2000

#### A. Rate Range

	<u>Local Toll</u>	<u>Intrastate</u>
Maximum Rate, Per Minute	\$.145	\$.145
Actual Rate, Per Minute	\$.085	\$.085

#### B. Special Conditions

1. Rates for "Local Toll" and "Intrastate" refer to calls originating and terminating within the State of Arizona.
2. Usage is subject to a minimum of six-seconds per call.
3. Calls, within the United States, will be billed in six-second increments.
4. Matrix 2000 requires a one-year subscription agreement.

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**SWITCHED SERVICES**

**ONE PLUS 2000**

**A. Rate Range**

	<u>Local Toll</u>	<u>Intrastate</u>
Maximum Rate, Per Minute	\$.145	\$.145
Actual Rate, Per Minute	\$.085	\$.085

**B. Special Conditions**

1. Rates for "Local Toll" and "Intrastate" refer to calls originating and terminating within the State of Arizona.
2. Usage is subject to a minimum of six-seconds per call.
3. Calls, within the United States, will be billed in six-second increments.
4. One Plus 2000 requires a one-year subscription agreement.

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## SWITCHED SERVICES

### ONE PLUS AT HOME

#### A. Rate Range

	<u>Local Toll</u>	<u>Intrastate</u>
Maximum Rate, Per Minute	\$ .145	\$ .145
Actual Rate, Per Minute	\$ .085	\$ .085

#### B. Special Conditions

1. Rates for "Local Toll" and "Intrastate" refer to calls originating and terminating within the State of Arizona.
2. Usage is subject to a minimum of six-seconds per call.
3. Calls, within the United States, will be billed in six-second increments.
4. One Plus At Home has no monthly service fee, providing a minimum monthly usage of \$25.00 or more is maintained. If the minimum monthly usage does not reach \$25.00, there will be a \$3.50 monthly access fee per account.

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## INBOUND CALLING SERVICES

### MATRIX 2000

#### A. Inbound Calling Rate Ranges

	<u>Intrastate</u>
Maximum Rate, Per Inbound Minute	\$.250
Actual Rate, Per Inbound Minute	\$.108

#### B. Monthly Fee

	<u>Intrastate</u>
Maximum Rate, Per Toll Free Number	\$10.00
Actual Rate, Per Toll Free Number	\$ 1.50

#### C. Special Conditions

1. Customers selecting Matrix 2000 for their switched long distance service are eligible to request Matrix 2000 Inbound Calling Services.
2. Customers will be charged in one-minute increments.

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## INBOUND CALLING SERVICES

### ONE PLUS 2000

#### A. Inbound Calling Rate Ranges

	Intrastate
Maximum Rate, Per Inbound Minute	\$.250
Actual Rate, Per Inbound Minute	\$.098

#### B. Monthly Fee

	Intrastate
Maximum Rate, Per Toll Free Number	\$10.00
Actual Rate, Per Toll Free Number	\$ 1.50

#### C. Special Conditions

1. Customers selecting One Plus 2000 for their switched long distance service are eligible to request One Plus 2000 Inbound Calling Services.
2. Customers will be charged in one-minute increments.

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## INBOUND CALLING SERVICES

### MEGABIT 2000

#### A. Inbound Calling Rate Ranges

	Intrastate
Maximum Rate, Per Inbound Minute	\$.250
Actual Rate, Per Inbound Minute	\$.07

#### B. Monthly Fee

	Intrastate
Maximum Rate, Per Toll Free Number	\$10.00
Actual Rate, Per Toll Free Number	\$ 1.50

#### C. Special Conditions

1. Customers selecting Megabit 2000 for their dedicated access, long distance service are eligible to request Megabit 2000 Inbound Calling Services.
2. Customers will be charged in one-minute increments.

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## INBOUND CALLING SERVICES

### ACCESS 2000

#### A. Inbound Calling Rate Ranges

	Intrastate
Maximum Rate, Per Inbound Minute	\$.250
Actual Rate, Per Inbound Minute	\$.064

#### B. Monthly Fee

	Intrastate
Maximum Rate, Per Toll Free Number	\$10.00
Actual Rate, Per Toll Free Number	\$ 1.50

#### C. Special Conditions

1. Customers selecting Access 2000 for their dedicated access, long distance service are eligible to request Access 2000 Inbound Calling Services.
2. Customers will be charged in one-minute increments.

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## DEDICATED ACCESS SERVICES

### MEGABIT 2000

#### A. Rate Range

	<u>Local Toll</u>	<u>Intrastate</u>
Maximum Rate, Per Minute	\$.25	\$.25
Actual Rate, Per Minute	\$.07	\$.07

#### B. Fixed Rates

	<u>Maximum</u>	<u>Actual</u>
1. Non-recurring Installation Charge:	\$1,000 per DS1	\$400.00 per DS1
2. Order Expedite Charge:	\$ 500 per expedite	\$100.00 per expedite
3. Monthly Dedicated Port Charge:	\$ 200 per DS1	\$ 50.00 per DS1
4. Monthly Transport Charge:	\$1,000 per DS1	\$250.00 per DS1

#### C. Special Conditions

1. Rates for "Local Toll" and "Intrastate" refer to calls originating and terminating within the State of Arizona.
2. Usage is subject to a minimum of six-seconds per call.
3. Calls, within the United States, will be billed in six-second increments.
4. Megabit 2000 requires a one-year subscription agreement.
5. Customer-provided high capacity, special access circuits must terminate at company's demarcation point:

Tucson Customers: TCAST Communications, Inc.  
c/o MCI/WorldCom  
126 E. Alameda  
Tucson, AZ 85701

Phoenix Customers: TCAST Communications, Inc.  
c/o MCI/WorldCom  
211 W. Monroe  
Phoenix, AZ 85003

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## DEDICATED ACCESS SERVICES

### ACCESS 2000

#### A. Rate Range

	<u>Local Toll</u>	<u>Intrastate</u>
Maximum Rate, Per Minute	\$.25	\$.25
Actual Rate, Per Minute	\$.064	\$.064

#### B. Fixed Rates

	<u>Maximum</u>	<u>Actual</u>
1. Non-recurring Installation Charge:	\$1,000 per DS1	\$400.00 per DS1
2. Order Expedite Charge:	\$ 500 per expedite	\$100.00 per expedite
3. Monthly Dedicated Port Charge:	\$ 200 per DS1	\$ 50.00 per DS1
4. Monthly Transport Charge:	\$1,000 per DS1	\$250.00 per DS1

#### C. Special Conditions

1. Rates for "Local Toll" and "Intrastate" refer to calls originating and terminating within the State of Arizona.
2. Usage is subject to a minimum of six-seconds per call.
3. Calls, within the United States, will be billed in six-second increments.
4. Access 2000 requires a one-year subscription agreement.
5. Customer-provided high capacity, special access circuits must terminate at company's demarcation point:

Tucson Customers: TCAST Communications, Inc.  
c/o MCI/WorldCom  
126 E. Alameda  
Tucson, AZ 85701

Phoenix Customers: TCAST Communications, Inc.  
c/o MCI/WorldCom  
211 W. Monroe  
Phoenix, AZ 85003

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**RULE NO. 1**  
**DEFINITIONS**

Certain terms used generally throughout this tariff are defined as follows:

**Authorized User**

A person, firm, corporation, or any other legal entity authorized by the customer to use the service being provided to the customer.

**Arizona Corporation Commission – Commission or ACC**

The regulatory agency of the State of Arizona having jurisdiction over public service corporations operating in Arizona.

**Central Office**

A facility within a telecommunications system where calls are switched and which contains all the necessary equipment, operating arrangements and interface points for terminating and interconnecting facilities such as subscribers' line, and interoffice trunks.

**Competitive Telecommunications Service**

Any telecommunications service where customers of the service within the relevant market have or are likely to have reasonably available alternatives.

**Completed Call**

If answerback supervision is not provided by the local telephone company, any call or call attempt for a duration of 24 seconds or more will be considered a completed call.

**Customer**

A person, firm, corporation, or other legal entity that orders service from the Company and is responsible for the payment of charges and for compliance with the Company's regulations.

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**RULE NO. 1**  
**DEFINITIONS (cont'd)**

**Equal Access**

An arrangement where a local exchange company provides all telecommunications companies operating in an equal access central office with dialing arrangements and other service characteristics that are equivalent in type and quality to what the local exchange carrier utilizes in the provision of its service.

**Interexchange Carrier**

A primary interexchange company that provides long distance service between the local exchange carrier's operating territory and offers such services to the public.

1. **"Local Exchange Service."** The telecommunications service that provides a local dial tone, access line, and local usage within an exchange or local calling area.

2. **"Primary Interexchange Company" or "PIC."** The telecommunications company with whom a customer may presubscribe to provide 1+/0+ toll service, without the use of access codes, following equal access implementation.

**Local Access and Transport Area ("LATA")**

A geographic area established by the Federal Communications Commission for the provision and administration of communication service.

**Rate**

Within the context of this Article, this term refers to the maximum tariffed rate approved by the Commission, from which the competitive telecommunications service provided may be discounted down to the total service long run incremental cost of providing the service.

**Tariffs**

The documents filed with the Commission which list the services and products offered by a telecommunications company and which set forth the terms and conditions and a schedule of the rates and charges for those services and products.

**TCAST Communications, Inc. – Company or TCAST**

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President  
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**RULE NO. 1**  
**DEFINITIONS (cont'd)**

**Telecommunications Company**

A public service corporation, as defined in the Arizona Constitution, Article 15 § 2 that provides telecommunications services within the State of Arizona, and over which the Commission has jurisdiction.

**Telecommunications Service**

Any transmission of interactive switched and non-switched signs, signals, writing, images, sounds, messages, data or other information of any nature by wire, radio, lightwave, or any other electromagnetic means (including access services), which originate and terminate in this state, and are offered to or for the public, or some portion thereof, for compensation.

**Total Service Long Run Incremental Cost**

The total additional cost incurred by a telecommunications company to produce the entire quantity of a service, given that the telecommunications company already provides all of its other services. Total Service Long Run Incremental Cost is based on the least cost, most efficient technology that is capable of being implemented at the time the decision to provide the service is made.

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**RULE NO. 2**  
**DESCRIPTION OF SERVICE**

**A. Description of Service**

TCAST will be offering the public either switched access or high capacity special access service. Calls will be rated based on their duration.

**B. Use of Service**

1. Communication service furnished by the Company may be used to transmit telephone conversations of the customer or its authorized users.
2. Service is furnished subject to the condition that it will be used only for authorized and lawful purposes.
3. The service or any rights associated therewith may not be assigned or in any manner transferred without the prior written consent of the Company.
4. Service orders, including requests for the installation or termination of service, will be accepted only from the customer or the customer's designated agent.

**C. Liability**

1. The liability of the Company for damages arising out of mistakes, omissions, interruptions, delays, errors, or defects in any service or facility rendered hereunder, and not caused by any act or omission of the customer, shall be limited to the credit allowance for service interruptions specified in Rule No. 14. The Company will not be liable for compensatory or consequential damages arising out of any delay, defect, or interruption in service.
2. TCAST shall make reasonable effort to reestablish service within the shortest possible time when service interruptions occur. TCAST will issue instructions to its employees covering procedures to be followed in the event of any emergency, including national emergencies or local disasters, in order to prevent or mitigate interruption or impairment of service. The Commission shall be notified of major interruptions in service affecting the entire system or any major division.

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Advice Letter No.     1    

Issued by  
Mark Jordan  
NAME  
President  
TITLE

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**RULE NO. 2**

**DESCRIPTION OF SERVICE (cont'd)**

**C. Liability (cont'd)**

3. When TCAST, or a company which TCAST relies upon for the access, transport, or termination of telecommunications service, plans to interrupt service to perform necessary repairs or maintenance, the TCAST shall attempt to inform affected customers at least twenty-four (24) hours in advance of the scheduled date. TCAST will attempt to provide the customer with the estimated duration of the service interruption. Such service interruptions shall be completed in the shortest possible time to minimize the inconvenience to TCAST's customers.

**D. No Liability**

TCAST Communications Inc. shall not be liable for:

1. Libel, slander, or infringement of copyright arising from or in connection with the transmission of communications by means of Company-provided facilities unless the libel, slander or infringement results solely from the negligence or willful misconduct of the Company;
2. Infringement of patents arising from the combination, or use, of Company-provided facilities with customer-provided or authorized user-provided facilities or services;
3. Any claim arising out of any act or omission of the customer, its authorized users or any other entity furnishing services or facilities for use in conjunction with services provided under this tariff;
4. Unlawful or unauthorized use of the Company's facilities and service, unless such use results solely from the negligence or willful misconduct of the Company;
5. Any claim arising out of a breach in the privacy or security of communications transmitted over the Company's facilities unless such breach results from the negligence or willful misconduct of the Company;
6. Changes in any of the facilities, operations or procedures of the Company that render any facilities or services provided by the customer or its authorized users obsolete, or require modification or alteration of such facilities or services, or otherwise affect their use or performance. The Company will endeavor to advise the customer on a timely basis of such changes.

Advice Letter No.     1    

Issued by

Mark Jordan  
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**RULE NO. 2**  
**DESCRIPTION OF SERVICE (cont'd)**

**D. No Liability (cont'd)**

7. The customer shall indemnify and save the Company harmless from all liability disclaimed by the Company, as specified in Rule No. 2, Section B(2)(a) through (f) arising in connection with the provision of service by the Company to the customer, and shall protect and defend the Company from any suits or claims alleging such liability, and shall pay all expenses and satisfy all judgments which may be incurred by or rendered against the Company in connection herewith. The Company shall notify the customer of any such suit or claim against the Company.
  
8. The customer shall indemnify and hold the Company harmless from any and all loss, claims, demands, suits, or other action or any liability whatsoever, whether suffered, made, instituted, or asserted by the customer, by an authorized user or by any other party, for any personal injury to or death of any person or person, and for any loss, damage, or destruction of any property, whether owned by the customer, by an authorized user or by any other party, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, removal, presence, condition, location or use of any installation so provided. The Company may require the customer to sign an agreement acknowledging its acceptance of the above stated provisions prior to such installation.

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Advice Letter No. 1

Issued by  
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**President**  
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**RULE NO. 3**  
**SERVICE ESTABLISHMENT**

**A. Service Order**

Any customer requesting communication service from the Company shall have an authorized employee complete a service order, credit application and letter of agency. After Company has ascertained that there is adequate space and power for service connection, and after customer's credit has been approved, the service order shall be accepted for processing.

**B. Information From New Applicants**

1. TCAST may obtain the following minimum information from each new applicant for service:
  - a. Name or names of applicant(s).
  - b. Service address or location and telephone number
  - c. Billing address, if different than service address.
  - d. Address and telephone number where service was provided previously.
  - e. Date applicant will be ready for service.
  - f. Indication of whether premises have been supplied with telephone utility service previously.
  - g. Class of service to be provided.
  - h. Indication of whether applicant is owner or tenant of or agent for the premises.
2. TCAST may require a new applicant for service to appear at the utility's designated place of business to produce proof of identity and sign the utility's application form.
3. Where service is requested by 2 or more individuals the utility shall have the right to collect the full amount owed to the Company from any 1 of the applicants.

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Mark Jordan  
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**RULE NO. 4**  
**CREDIT PROCEDURES**

**A. Grounds for Refusal of Service**

A Company may refuse to establish service if any of the following conditions exist:

1. The applicant has an outstanding amount due for similar Company services and the applicant is unwilling to make acceptable arrangements with the Company for payment.
2. A condition exists which in the Company's judgment is unsafe or hazardous to the applicant, the general population, or the Company's personnel or facilities.
3. Refusal by the applicant to provide the Company with a deposit when the customer has failed to meet the credit criteria for waiver of deposit requirements.
4. Customer is known to be in violation of the Company's tariffs filed with the Arizona Corporation Commission.
5. Failure of the customer to furnish such funds, suitable facilities, and/or rights-of-way necessary to serve the customer and which have been specified by the Company as a condition for providing service.
6. Applicant falsifies his or her identity for the purpose of obtaining service.

**B. Establishment of Credit**

1. Customer must provide all necessary information to enable Company to determine customer's credit worthiness.
2. Customer shall complete a standard credit application provided by the Company. Information given on the application will be considered confidential.
3. Company has the right to review customer's credit application for credit worthiness before communication service is provided.
4. Company reserves the right to request a deposit from the customer before service initiation. Requirements for deposits can be found in this tariff.

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**RULE NO. 4**  
**CREDIT PROCEDURES (cont'd)**

**C. Re-establishment of Credit**

1. If for any reason the customer discontinues service and subsequently requests service to be re-established, or if a customer requests additional facilities to be added to any existing service, then a review of the customer's payment history and credit worthiness shall be initiated.
2. If customer's prior payment history is poor, Company reserves the right to request a deposit from the customer under the terms of this tariff.
3. Company reserves the right to refuse service to any customer whose credit worthiness or payment history indicates the customer would be an unacceptable credit risk.

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Advice Letter No.   1  

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**President**  
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**RULE NO. 5**  
**DEPOSITS**

**A. Deposits**

1. TCAST shall issue a nonnegotiable receipt to the applicant for the deposit. The inability of the customer to produce such a receipt shall in no way impair his right to receive a refund of the deposit that is reflected in the Company's records.
2. Deposits shall be interest bearing; the interest rate and method of calculation shall be filed with and approved by the Commission in a tariff proceeding.
3. TCAST shall file a deposit refund policy with the Commission, subject to Commission review and approval during a tariff proceeding. However, each utility's refund policy shall include provisions for residential deposits and accrued interest to be refunded after 12 months of service if the customer has not been delinquent in the payment of utility bills or applied to the closing bill upon discontinuance of service.
4. TCAST may require a residential customer to establish a deposit if the customer becomes delinquent in the payment of 2 or more bills within a 12-consecutive-month period or has been disconnected for service during the last 12 months.
5. The amount of a deposit required by the utility shall be determined according to the following terms:
  - a. Residential customer deposits shall not exceed 2 times that customer's estimated average monthly bill or the average monthly bill for the customer class for that customer which ever is greater.
  - b. Nonresidential customer deposits shall not exceed 2 1/2 times that customer's estimated maximum monthly bill.
6. TCAST may review the customer's usage after service has been connected and adjust the deposit amount based upon the customer's actual usage.

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**RULE NO. 5**  
**DEPOSITS (cont'd)**

**B. Deposits Not Applied**

1. TCAST shall not require a deposit from a new applicant for residential service if the applicant is able to meet any of the following requirements:
  - a. The applicant has had continuous telephone service of a comparable nature with the utility at another service location within the past 2 years and was not delinquent in payment more than once during the last 12 consecutive months or disconnected for nonpayment.
  - b. The applicant can produce a letter regarding credit or verification from a telephone utility where service of a comparable nature was last received which states:
    - i. Applicant had a timely payment history at time of service discontinuation.
    - ii. Applicant has no outstanding liability from prior service.
  - c. In lieu of a deposit, a new applicant may provide a Letter of Guarantee from an existing customer with service who is acceptable to the utility or a surety bond as security for the utility. The utility shall review and release an existing customer as a guarantor for the new applicant after 12 consecutive months if no obligations are delinquent and has maintained a timely payment history.
2. Deposits may be used by the Company in any manner, in compliance with Arizona law.

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**RULE NO. 6**  
**CUSTOMER SERVICE COMPLAINTS**

**A. Customer Service Complaints**

1. TCAST shall make a full and prompt investigation of all service complaints made by its customers, either directly or through the Arizona Corporation Commission.
2. TCAST shall respond to the complainant and/or the Arizona Corporation Commission representative within 5 working days as to the status of their investigation of the complaint.
3. TCAST shall notify the complainant and/or the Arizona Corporation Commission representative of the final disposition of each customer service complaint. Upon request of the complainant or the Arizona Corporation Commission representative, TCAST shall report the findings of its investigation in writing.
4. The Arizona Corporation Commission requires TCAST to keep a record of all written service complaints received. Records shall contain, at a minimum, the following data:
  - a. Name and address of complainant
  - b. Date and nature of the complaint
  - c. Disposition of the complaint
  - d. A copy of any correspondence between TCAST, the customer, and/or the Arizona Corporation Commission.
5. This record shall be maintained for a minimum period of 1 year and shall be available for inspection by the Arizona Corporation Commission.

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**RULE NO. 7**  
**RENDERING AND PAYMENT OF BILLS**

**A. Rendering Bills**

1. The Company will notify customer either verbally or in writing upon completion of service installation. Such date shall constitute commencement of service.
2. Usage charges and taxes will be billed monthly. The customer shall be responsible for payment to the Company of all excise, sales, use or other similar taxes which may be levied by a governing body or bodies for service rendered.

**B. Billing Periods**

Customer invoices will be mailed on a monthly basis.

**C. Due Dates**

Payment of an invoice is due within fifteen (15) days after receipt of invoice.

**D. Payment of Charges**

1. Customer shall be responsible for payment of all charges for service provided under this tariff as well as all applicable Federal, State and local taxes, surcharges and fees.
2. Customer reimbursement of a communication's service invoice shall be made by check, money order or certified check made payable to TCAST Communications, Inc. Such payment shall be made via first-class mail, postage prepaid to the address stated on the customer's invoice. For the purpose of this tariff, customer shall remit payment to TCAST Communications, Inc.
3. If a customer tenders payment for service with an insufficient funds check, TCAST reserves the right to require that the customer make payment in cash, by money order, certified check, or other means that guarantees the customer's payment to TCAST.

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President  
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**RULE NO. 7**

**RENDERING AND PAYMENT OF BILLS (cont'd)**

**D. Payment of Charges (cont'd)**

4. TCAST may, in lieu of terminating service, offer any customer a deferred payment plan to retire unpaid bills for telecommunications company service. If a deferred payment arrangement is made, current service shall not be discontinued if the customer agrees to pay a reasonable portion of the outstanding balance in installments over a period not to exceed six (6) months, and agrees to pay all future bills in accordance with the billing and collection tariffs of the telecommunications company.
5. If a customer does not fulfill the terms of a deferred payment agreement, TCAST shall have the right to disconnect service pursuant to the Arizona Corporation Commission's termination of service rules, R14-2-509.

**E. Late Payment Penalty**

TCAST may assess a late payment charge of 1.5%, or such maximum amount permitted by law, whichever is greater, on any invoice not paid when due. Customer shall be responsible for all costs, including attorney's fees, incurred in the collection of unpaid charges or in any other action to enforce payments and/or obligations.

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Advice Letter No.     1    

Issued by

Mark Jordan  
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President  
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**RULE NO. 8**  
**DISPUTED INVOICE**

**A. Customer Bill Disputes**

1. Any utility customer who disputes a portion of a bill rendered for utility service shall pay the undisputed portion of the bill and notify the utility's designated representative that such unpaid amount is in dispute prior to the delinquent date of the bill.
2. Upon receipt of the customer notice of dispute, the utility shall:
  - a. Notify the customer within 5 working days of the receipt of a written dispute notice.
  - b. Initiate a prompt investigation as to the source of the dispute.
  - c. Withhold disconnection of service until the investigation is completed and the customer is informed of the results.
3. Once the customer has received the results of the utility's investigation, the customer shall submit payment within 5 working days to the utility for any disputed amounts. Failure to make full payment shall be grounds for termination of service. Prior to termination inform the customer of his right of appeal to the Commission.

**B. Resolution of Service and/or Bill Disputes**

In the event a customer and TCAST cannot resolve a service and/or bill dispute, the customer shall file a written statement of dissatisfaction with the Arizona Corporation Commission; by submitting such notice to the Arizona Corporation Commission, the customer shall be deemed to have filed an informal complaint against the Company.

1. Within 30 days of the receipt of a written statement of customer dissatisfaction related to a service or bill dispute, a designated representative of the Arizona Corporation Commission shall endeavor to resolve the dispute by correspondence and/or telephone with TCAST and its customer. If resolution of the dispute is not achieved within 20 days of the Arizona Corporation Commission representative's initial effort, the Arizona Corporation Commission shall hold an informal hearing to arbitrate the resolution of the dispute. The informal hearing shall be governed by the following rules:
  - a. Each party may be represented by legal counsel, if desired.
  - b. All such informal hearings may be recorded or held in the presence of a stenographer.
  - c. All parties will have the opportunity to present written or oral evidentiary material to support the positions of the individual parties.

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Issued by

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**RULE NO. 8**  
**DISPUTED INVOICE (cont'd)**

**B. Resolution of Service and/or Bill Disputes (cont'd)**

2. All parties and the Arizona Corporation Commission's representative shall be given the opportunity for cross-examination of the various parties.
3. The Arizona Corporation Commission's representative will render a written decision to all parties within 5 working days after the date of the informal hearing. Such written decision of the arbitrator is not binding on any of the parties and the parties will still have the right to make a formal complaint to the Arizona Corporation Commission.
4. TCAST may implement normal termination procedures if the customer fails to pay all bills rendered during the resolution of the dispute by the Arizona Corporation Commission.

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Advice Letter No.   1  

Issued by

Mark Jordan  
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President  
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**RULE NO. 9**

**DISCONTINUANCE AND RESTORATION OF SERVICE**

**A. Cancellation of Service by Customer**

1. Any request for termination of service must be in writing and delivered to the Company via first-class, postage prepaid mail or in person. The address to provide a request for termination of service notice is:

TCAST Communications, Inc.  
24300 Town Center, Suite 320  
Valencia, CA 91355

Any other notice the customer may provide the Company may be given either orally, or in writing, unless otherwise specified in this tariff.

2. Customer may cancel TCAST long distance service after commencement of service by giving Company a minimum of thirty (30) days written notice.
  - a. Customer may cancel TCAST long distance service before commencement of service by notifying Company in writing or by personally appearing at TCAST's corporate office. Customer will be responsible for payment of the non-recurring installation charge.
  - b. Cancellation of service does not relieve the customer of any obligation to pay its bill.

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Mark Jordan  
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**RULE NO. 9**

**DISCONTINUANCE AND RESTORATION OF SERVICE (cont'd)**

**B. Suspension of Service by Company**

1. Company may suspend service for nonpayment of interLATA or local toll service it provides if the customer is fifteen (15) days past due, after providing five (5) days written notice to the customer.
2. Such notice shall be considered to be given to the customer when a copy thereof is left with the customer or posted first class in the United States mail, addressed to the customer's last known address.
3. If after the period of time allowed by the notice has elapsed, and the delinquent account has not been paid nor arrangements made with the Company for the payment thereof, or in the case of a violation of the Company's rules the customer has not satisfied the Company that such violation has ceased, the Company may then terminate service on or after the day specified in the notice without giving further notice.
4. Company may terminate service on a temporary basis by discontinuing the customer's line access at the switch.
5. Company shall have the right (but not the obligation) to remove any or all of its property installed on the customer's premises upon the termination of service.
6. The terms and conditions of these rules shall apply in all circumstances except those superseded by the provisions of the high toll usage notification procedures.
7. Company may suspend service thirty (30) days after receipt by the customer of written notice of noncompliance with any provision of the terms and conditions stated herein, if the noncompliance is not corrected within the thirty (30) day period.
8. Suspension for cause does not relieve the customer of any obligation to pay its bill.

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Advice Letter No.     1    

Issued by

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**RULE NO. 9**

**DISCONTINUANCE AND RESTORATION OF SERVICE (cont'd)**

**C. Service Establishment, Re-establishment or Reconnection Charge**

1. TCAST reserves the right to establish a charge as approved by the Arizona Corporation Commission for the establishment, reestablishment, or reconnection of Company services.
2. Should service be established during a period other than regular working hours at the customer's request, the customer may be required to pay an after-hour charge for the service connection.
3. For the purpose of this rule, service establishments are where the customer's and Company's facilities are ready and acceptable.

**D. Termination of Service after Suspension of Service by Company**

1. Company may terminate service for cause, after suspension of service for nonpayment or noncompliance with any provision of this tariff, if such nonpayment or noncompliance is not corrected within five (5) days following suspension of service.
2. Termination for cause does not relieve the customer of any obligation to pay its bill.

**E. Termination of Service with Notice by Company**

1. Company may disconnect service to any customer for any reason stated below provided the Company has met the notice requirements established by the Arizona Corporation Commission:
  - a. Customer violation of any of the Company's tariffs filed with the Arizona Corporation Commission and/or violation of the Arizona Corporation Commission's rules and regulations.
  - b. Failure of the customer to pay a bill for Company service.
  - c. Failure to meet or maintain the Company's credit and deposit requirements.

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Advice Letter No. <u>  1  </u>	Issued by	Date Filed <u>                    </u>
	<b>Mark Jordan</b>	Effective <u>                    </u>
	NAME	
	<b>President</b>	
	TITLE	

**RULE NO. 9**

**DISCONTINUANCE AND RESTORATION OF SERVICE (cont'd)**

**E. Termination of Service with Notice by Company (cont'd)**

- d. Failure of the customer to provide the Company reasonable access to its equipment and property.
  - e. Customer breach of contract for service between the Company and customer.
  - f. When necessary for the Company to comply with an order of any governmental agency having such jurisdiction.
  - g. Unauthorized resale of equipment or service.
2. Each Company shall maintain a record of all terminations of service with notice. This record shall be maintained for 1 year and be available for Arizona Corporation Commission inspection.
  3. Company shall not terminate service to any of its customers without providing advance written notice to the customer of the Company's intent to disconnect service, except under those conditions specified where advance written notice is not required.
  4. Advance written notice shall contain, at a minimum, the following information:
    - a. The name of the person whose service is to be terminated and the telephone number where service is being rendered.
    - b. The Company rules or regulation that was violated and explanation thereof or the amount of the bill which the customer has failed to pay in accordance with the payment policy of the Company, if applicable.
    - c. The date on or after which service may be terminated.
    - d. A statement advising the customer to contact the Company at a specific phone number for information regarding any deferred billing or other procedures which the Company may offer or to work out some other mutually agreeable solution to avoid termination of the customer's service.

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**RULE NO. 9**

**DISCONTINUANCE AND RESTORATION OF SERVICE (cont'd)**

**F. Non-Permissible Termination Of Service**

1. According to the rules set by the Arizona Corporation Commission, TCAST may not disconnect service for:
  - a. The failure of a customer to pay for services or equipment which are not regulated by the Arizona Corporation Commission.
  - b. Disputed bills where the customer has complied with the Arizona Corporation Commission's rules on complaints.
  - c. Delinquency in payment for services rendered to a prior customer at the premises where service is being provided, except in the instance where the prior customer continues to reside on the premises.
  - d. Residential service may not be disconnected due to nonpayment of a bill related to another class of service.
  - e. Failure to pay for a bill to correct a billing error if the customer agrees to pay over a reasonable period of time.
  - f. Failure to pay the bill of another customer as guarantor thereof unless guarantor does not make acceptable payment arrangements.

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**RULE NO. 9**

**DISCONTINUANCE AND RESTORATION OF SERVICE (cont'd)**

**G. Termination of Service Without Notice**

1. TCAST may disconnect a customer, without advance written notice, under the following conditions:
  - a. The existence of an obvious hazard to the safety or health of the consumer or the general population or the Company's personnel or facilities.
  - b. The Company has evidence of tampering or evidence of fraud.
  - c. The Company shall not be required to restore service until the conditions which resulted in the termination have been corrected to the satisfaction of the Company.
2. Each Company shall maintain a record of all terminations of service without notice. This record shall be maintained for a minimum of 1 year and shall be available for inspection by the Arizona Corporation Commission.

**H. Timing of Terminations With Notice**

1. TCAST shall be required to give at least 5 days advance written notice prior to the termination date.
2. Such notice shall be considered to be given to the customer when a copy thereof is left with the customer or posted first class in the *United States mail*, addressed to the customer's last known address.
3. If after the period of time allowed by the notice has elapsed and the delinquent account has not been paid nor arrangements made with TCAST for the payment thereof or in the case of a violation of TCAST's rules the customer has not satisfied TCAST that such violation has ceased, TCAST may then terminate service on or after the day specified in the notice without giving further notice.
4. TCAST may terminate service on a temporary basis by discontinuing the customer's line access at the central office.
5. TCAST shall have the right (but not the obligation) to remove any or all of its property installed on the customer's premises upon the termination of service.

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Issued by

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**RULE NO. 10**  
**OPTIONAL RATES AND INFORMATION**

**A. Optional Rates**

1. Directory Assistance \$.60 per call
2. Taxes, Surcharges and Fees

TCAST shall support the requirements of the Arizona Corporation Commission and establish an intrastate universal service fund, which shall assure the continued availability of basic telephone service at reasonable rates.

In addition, TCAST will assess all applicable Federal, State and local taxes.

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**RULE NO. 11**  
**TEMPORARY SERVICE**

1. Applicants for temporary service may be required to pay TCAST, in advance of service establishment, the funds provided under the terms of a construction agreement or the cost of installing and removing the facilities necessary for furnishing the desired service.
2. Where the duration of service is to be less than 1 month, the applicant may also be required to advance a sum of money equal to the estimated bill for service.
3. If at any time the character of a temporary customer's operations changes so that in the opinion of the Company the customer is classified as permanent, the terms of the Company's construction agreement or tariff shall apply.

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Issued by  
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**RULE NO. 12**  
**SERVICE INTERRUPTIONS**

**A. Service Interruptions**

Each telecommunications company shall make reasonable efforts to reestablish service within the shortest possible time when service interruptions occur. TCAST shall issue instructions to its employees covering procedures to be followed in the event of any emergency, including national emergencies or local disasters, in order to prevent or mitigate interruption or impairment of service. The Commission shall be notified of major interruptions in service affecting the entire system or any major division.

When TCAST plans to interrupt service to perform necessary repairs or maintenance, TCAST shall attempt to inform affected customers at least twenty-four (24) hours in advance of the scheduled date and estimated duration of the service interruption. Such repairs shall be completed in the shortest possible time to minimize the inconvenience to the customers.

**B. Credit Allowances for Service Interruptions**

No credit allowance will be made for interruptions due to:

1. Failure of facilities provided by the customer or an authorized user.
2. Periodic maintenance performed by the Company.
3. Additions or changes to the service ordered by the customer.
4. Cooperative testing, except where trouble or fault is found in Company-provided facilities.
5. Any other act or failure to act by the customer, customer's employees, agents or contractor, or authorized user.

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President  
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**RULE NO. 12**  
**SERVICE INTERRUPTIONS (cont'd)**

**C. Credit Allowance**

1. When service is interrupted due to causes other than those listed above, credit allowances will be made for an interruption of service.
2. The customer will be credited for interruptions after service has been interrupted for twenty-four (24) contiguous hours or more. Such credit will be based upon the customer's average usage as exhibited in the customer's previous two (2) month's billing, calculated on the basis of a thirty (30) day month and twenty-four (24) hours day.
  - a. No credit will be given for interruptions less than twenty (24) hours.
  - b. The time period for determining when service has been interrupted begins when the customer notifies TCAST, and ends when TCAST resolves the problem causing the interruption.

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**ATTACHMENT C**

**Financial Statements**

**TCAST COMMUNICATIONS, INC.**

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**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 1999 AND 1998**

TCAST COMMUNICATIONS, INC.  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1999 AND 1998

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
TCAST Communications, Inc.  
Valencia, California

We have audited the accompanying balance sheets of TCAST Communications, Inc., (a California S corporation) as of December 31, 1999 and 1998, and the related statements of income, stockholders' deficit and cash flows for the years then ended. These financial statements are the responsibility of TCAST Communications, Inc.'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 combined 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 financial position of TCAST Communications, Inc.'s at December 31, 1999 and 1998 and the results of their operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. The supplementary information included on pages 13 and 14 are presented only for additional analysis purposes and is not a required part of the basic financial statements. Such information has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SOLOMON · ROSS · GREY & COMPANY

Encino, California  
March 23, 2000

TCAST COMMUNICATIONS, INC.  
BALANCE SHEETS  
DECEMBER 31, 1999 AND 1998

	1999	1998
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 86,541	\$ 245,144
Accounts receivable, net of allowance for doubtful accounts of \$57,120 and \$12,000, respectively	714,552	604,713
Accrued revenue	232,291	145,561
Employee receivable	2,000	
Prepaid expenses		11,348
Deferred tax asset	15,500	
Total Current Assets	1,050,884	1,006,766
PROPERTY AND EQUIPMENT, NET	1,045,896	935,476
SECURITY DEPOSITS	24,663	44,663
TOTAL ASSETS	\$ 2,121,443	\$ 1,986,905
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,981,711	\$ 1,713,693
Income taxes payable		800
Note payable		248,683
Line of credit	133,700	
Current portion of deferred compensation	38,193	38,193
Current portion of capital lease obligations	42,447	50,205
Current portion of notes payable, related parties	26,565	44,548
Total Current Liabilities	2,222,616	2,096,122
LONG-TERM LIABILITIES		
Customer deposits	62,800	44,863
Deferred compensation, net of current portion	95,483	133,676
Capital lease obligations, net of current portion	100,967	166,405
Notes payable, related parties, net of current portion	254,644	247,213
Total Long-term Liabilities	513,894	592,157
Total Liabilities	2,736,510	2,688,279
COMMITMENTS		
STOCKHOLDERS' DEFICIT		
Common stock, no par value, 1,000 shares authorized, 870 and 850 shares issued and outstanding, respectively	870	850
Paid-in capital	509,383	507,403
Accumulated deficit	(1,125,320)	(1,209,627)
Total Stockholders' Deficit	(615,067)	(701,374)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 2,121,443	\$ 1,986,905

*See Accompanying Notes and Accountants' Report*

TCAST COMMUNICATIONS, INC.  
STATEMENTS OF INCOME  
YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>1999</u>		<u>1998</u>	
REVENUES	\$ 7,365,898	100.00 %	\$ 15,783,335	100.00 %
NETWORK COSTS	5,428,465	73.70	12,341,240	78.20
NETWORK DEPRECIATION	73,200	0.99	63,160	0.40
GROSS PROFIT	<u>1,864,233</u>	<u>25.31</u>	<u>3,378,935</u>	<u>21.40</u>
OPERATING EXPENSES				
Selling expenses	254,094	3.44	343,788	2.17
General and administrative expenses	1,476,065	20.05	3,734,466	23.66
Total Operating Expenses	<u>1,730,159</u>	<u>23.49</u>	<u>4,078,254</u>	<u>25.83</u>
INCOME (LOSS) FROM OPERATIONS	134,074	1.82	(699,319)	(4.43)
INTEREST EXPENSE, NET	<u>(64,467)</u>	<u>(0.89)</u>	<u>(32,203)</u>	<u>(0.20)</u>
INCOME (LOSS) BEFORE INCOME TAXES	69,607	0.93	(731,522)	(4.63)
INCOME TAX BENEFIT (EXPENSE)	<u>14,700</u>	<u>0.20</u>	<u>(800)</u>	<u>(0.01)</u>
NET INCOME (LOSS)	<u>\$ 84,307</u>	<u>1.13 %</u>	<u>\$ (732,322)</u>	<u>(4.64)%</u>

*See Accompanying Notes and Accountants' Report*

TCAST COMMUNICATIONS, INC.  
STATEMENTS OF STOCKHOLDERS' DEFICIT  
YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares Issued</u>	<u>Amount</u>			
Balance at December 31, 1998	850	\$ 850	\$ 507,403	\$ (1,209,627)	\$ (701,374)
Stock issuance for compensation	20	20	1,980		2,000
Net income for the year ended December 31, 1999				84,307	84,307
Balance at December 31, 1999	<u>870</u>	<u>\$ 870</u>	<u>\$ 509,383</u>	<u>\$ (1,125,320)</u>	<u>\$ (615,067)</u>

*See Accompanying Notes and Accountants' Report*

TCAST COMMUNICATIONS, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 84,307	\$ (732,322)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	192,809	116,476
Bad debts	393,420	2,877,971
Provision for stock issuance	2,000	7,453
Capitalized shareholder loan interest	17,500	14,380
(Increase) decrease in assets		
Accounts receivable	(503,259)	(3,109,495)
Accrued revenue	(86,730)	(410,319)
Prepaid expenses	11,348	(9,648)
Employee receivable	(2,000)	
Security deposits	20,000	(33,089)
Deferred tax asset	(15,500)	
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	268,018	891,242
Line of credit	133,700	
Income taxes payable	(800)	(1,600)
Customer deposits	17,937	(48,200)
Deferred compensation	(38,193)	171,869
Total Adjustments	410,250	467,040
Total Cash Provided by (Used in) Operating Activities	494,557	(265,282)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(303,228)	(343,016)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable		248,683
Payments on note payable	(248,683)	
Principal payments on capital lease obligations	(73,196)	(28,162)
Principal payments notes payable, stockholders	(28,053)	(15,536)
Total Cash Provided by (Used in) Financing Activities	(349,932)	204,985
<b>NET DECREASE IN CASH</b>	(158,603)	(403,313)
CASH - Beginning of Year	245,144	648,457
CASH - End of Year	\$ 86,541	\$ 245,144

*See Accompanying Notes and Accountants' Report*

TCAST COMMUNICATIONS, INC.  
STATEMENTS OF CASH FLOWS - CONTINUED  
YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for:		
Income taxes	\$ 800	\$ 2,400
Interest	\$ 69,065	\$ 36,435
 <b>SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING TRANSACTIONS</b>		
Equipment acquired under capital lease obligations	\$ 0	\$ 137,624
Stock issuance for compensation	\$ 2,000	\$ 7,453

*See Accompanying Notes and Accountants' Report*

TCAST COMMUNICATIONS, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1999 AND 1998

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

TCAST Communications, Inc. (hereinafter referred to as the "Company") is a provider of telecommunication services. The Company was incorporated in California on May 18, 1995. The Company maintains offices in Valencia and Los Angeles and provides services domestically.

Allowance For Doubtful Accounts

The Company extends credit to its customers in the normal course of business and provides allowances for potential credit losses.

Property and Equipment

Property and equipment is stated at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets.

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 and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Long-Lived Assets

In accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting For the Impairment of Long-Lived Assets and For Long-Lived Assets to be Disposed Of," the Company records impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. SFAS No. 121 also addresses the accounting for long-lived assets that are expected to be disposed of. Based on current estimates, management does not believe there is any impairment of long-lived assets.

Reclassifications

Certain reclassifications of 1998 amounts have been made to conform with the 1999 presentation.

TCAST COMMUNICATIONS, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1999 AND 1998

NOTE 2      BUSINESS AND CREDIT CONCENTRATIONS

At December 31, 1999 and 1998, before adjustments for outstanding checks and deposits in transit, the Company has \$262,117 and \$415,715 on deposit with a bank. The deposits are federally insured up to \$100,000.

During the year ended December 31, 1998, the Company derived approximately 74% of the Company's revenues from one customer. At December 31, 1998, one customer accounts for approximately 76% of the Company's accounts receivable.

At December 31, 1999 and 1998, 52% and 72% of the Company's usage costs were paid to two and four suppliers, respectively.

NOTE 3      ACCOUNTS RECEIVABLE

The allowance for doubtful accounts is based on management's evaluation of outstanding accounts receivable at the end of the year. Allowances for uncollectible accounts of \$57,120 and \$12,000 have been provided for the years ending December 31, 1999 and 1998. At December 31, 1999 and 1998, bad debts were \$393,420 and \$2,877,971, respectively. The Company sustained significant bad debts in 1998 due to bankruptcy of two major customers.

NOTE 4      PROPERTY AND EQUIPMENT, NET

Property and equipment at December 31, 1999 and 1998 consists of the following:

	<u>1999</u>	<u>1998</u>
Switch equipment	\$ 670,874	\$ 643,327
Furniture and equipment	217,643	202,265
Software	160,517	75,808
Intangible assets	372,684	197,089
Leasehold improvements	14,851	14,851
	<u>1,436,569</u>	<u>1,133,340</u>
Less: Accumulated depreciation and amortization	<u>(390,673)</u>	<u>(197,864)</u>
Property and Equipment, Net	<u>\$ 1,045,896</u>	<u>\$ 935,476</u>

TCAST COMMUNICATIONS, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1999 AND 1998

NOTE 5      COMMITMENTS

The Company leases certain furniture and equipment under agreements which are accounted for as capital leases. The leases expire through the year 2003. The net balance of equipment under the capital leases is as follows:

	<u>1999</u>	<u>1998</u>
Gross amount of equipment under capital leases	\$ 227,261	\$ 266,261
Less accumulated depreciation	<u>(72,977)</u>	<u>(44,630)</u>
Net Balance of Equipment Under Capital Leases	<u>\$ 154,284</u>	<u>\$ 221,631</u>

The Company also leases facilities in Valencia and Los Angeles, California and certain equipment under non-cancelable operating leases expiring through 2003. Rent expense for the years ended December 31, 1999 and 1998 is \$82,347 and \$32,319, respectively. As of January 1, 1999, the Company is also responsible for its respective share of property taxes, insurance, repairs and maintenance and common area costs. These costs are approximately \$70 per month.

The following is a schedule by years of future minimum lease payments together with the present value of the net minimum capital lease payments:

Years ending December 31,	<u>Capital Leases</u>	<u>Operating Leases</u>
2000	\$ 67,751	\$ 86,753
2001	51,463	84,552
2002	37,778	84,552
2003	20,603	56,368
Net minimum lease payments	<u>177,595</u>	<u>\$ 312,225</u>
Less amount representing interest	<u>(34,181)</u>	
Present value of minimum lease payments	143,414	
Less current portion	<u>(42,447)</u>	
	<u>\$ 100,967</u>	

TCAST COMMUNICATIONS, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1999 AND 1998

NOTE 6      INCOME TAXES

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under these provisions, the Company does not pay federal corporate income taxes, but is subject to a 1.5% California corporate income tax. The stockholders of the Company report the Company's taxable income on their individual income tax returns.

The provision (benefit) for income taxes, for the years ending December 31, 1999 and 1998, consists of the following:

	<u>1999</u>	<u>1998</u>
Current state income tax expense	\$ (800)	\$ (800)
Deferred income tax benefit	15,500	
	<u>\$ 14,700</u>	<u>\$ (800)</u>

At December 31, 1999 and 1998, the deferred tax asset consists of the following:

	<u>1999</u>	<u>1998</u>
Deferred tax asset	\$ 15,500	\$ 17,000
Deferred tax asset valuation allowance		(17,000)
Net Deferred Tax Asset	<u>\$ 15,500</u>	<u>\$ 0</u>

Deferred income taxes are due to the tax effects of temporary differences in the reporting of income for financial statement and income tax reporting purposes and arise principally from net operating loss carryforwards, temporary differences in deductibility of depreciation and the allowance for doubtful accounts. For the years ended December 31, 1999 and 1998, the Company has \$1,021,990 and \$1,007,246 state operating loss carryforwards, respectively, expiring through 2004. At December 31, 1999 and 1998, the Company has a deferred tax benefit of \$15,500 and \$17,000, respectively. Due to the uncertainty of the future utilization of the net operating loss carryforward, the deferred tax asset in 1998 was offset by a valuation allowance of \$17,000. No allowance is deemed necessary at December 31, 1999.

NOTE 7      RELATED PARTY

At December 31, 1999 and 1998, the Company has four notes payable to related parties. The notes bear interest at 10% and are due in 2001. The Company incurred interest expense related to those notes of \$17,500 and \$23,396, for the years ended December 31, 1999 and 1998, respectively. The accrued interest at December 31, 1999 and 1998 is \$68,749 and \$57,297, respectively.

TCAST COMMUNICATIONS, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1999 AND 1998

NOTE 7      RELATED PARTY - CONTINUED

Notes payable, related parties are as follows:

	<u>1999</u>	<u>1998</u>
Note payable, officer, payable in a lump sum of \$37,500, bearing interest at 10% per annum, due January 2001	\$ 34,793	\$ 32,293
Notes payable, stockholder, payable in two lump sums of \$75,000 and \$37,500, bearing interest at 10% per annum, remaining principal and interest due September 2001	102,708	95,208
Notes payable, stockholder, payable in monthly installments of \$1,891 and \$946, including interest of 10% per annum, beginning February 1998 and October 1998, due January 2001 and September 2001, respectively	41,000	69,052
Notes payable, stockholder, payable in two lump sums of \$75,000 and \$37,500, bearing interest at 10% per annum, due January 2001 and September 2001, respectively	<u>102,708</u>	<u>95,208</u>
	281,209	291,761
Less current portion	<u>(26,565)</u>	<u>(44,548)</u>
	<u>\$ 254,644</u>	<u>\$ 247,213</u>

The following is a schedule by years of the future minimum principal payments on the Company's notes payable, related parties:

Year Ended December 31, 2001	<u>\$ 254,644</u>
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TCAST COMMUNICATIONS, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1999 AND 1998

NOTE 8      DEFERRED COMPENSATION

Pursuant to an officer's employment contract, the Company purchased an automobile. The vehicle is financed by the officer and the Company makes the payments. The following is a schedule by years of the future payments made to the officer:

Years Ended December 31	Amount
2000	\$ 38,193
2001	38,193
2002	38,193
2003	19,097
	133,676
Less current portion	(38,193)
	\$ 95,483

NOTE 9      LINE OF CREDIT

At July 30, 1999, the Company secured a line of credit. The creditor makes advances to the Company, based on 80% of eligible accounts receivable, up to \$1,250,000. Interest is payable at 2% above the prime rate (8.50% at December 31, 1999). The line of credit is secured by the Company's assets. The Company is obligated to finance a minimum of \$300,000 of accounts receivable per month with the creditor for a minimum of twelve months. This obligation will expire July 30, 2000. The outstanding balance at December 31, 1999 was \$133,700.

NOTE 10      SUBSEQUENT EVENTS

Subsequent to year end, the Company entered into a capital lease for switch equipment. The equipment cost was approximately \$1,600,000.

**SUPPLEMENTARY INFORMATION**

TCAST COMMUNICATIONS, INC.  
SCHEDULES OF SELLING EXPENSES  
YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999		1998	
Advertising	\$ 12,292	0.17 %	\$ 6,080	0.04 %
Auto	15,114	0.21	15,959	0.10
Commissions	203,839	2.74	272,577	1.72
Marketing	7,241	0.10	9,300	0.06
Trade show	7,111	0.10	12,730	0.08
Travel and entertainment	8,497	0.12	27,142	0.17
	\$ 254,094	3.44 %	\$ 343,788	2.17 %

*See Accompanying Notes and Accountants' Report*

TCAST COMMUNICATIONS, INC.  
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES  
YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>1999</u>		<u>1998</u>	
Accounting	\$ 60,505	0.82 %	\$ 44,909	0.28 %
Bad debts	393,420	5.34	2,877,971	18.25
Bank charges	1,164	0.02	476	0.00
Computer	4,344	0.06	4,994	0.03
Depreciation and amortization	119,609	1.62	53,316	0.34
Donations	149	0.00	0	0.00
Dues and subscriptions	2,993	0.04	1,910	0.01
Employee benefits	0	0.00	1,928	0.01
Equipment rental	8,910	0.12	0	0.00
Finance fees	20,809	0.28	0	0.00
Insurance	38,646	0.52	35,111	0.22
Office expense	6,948	0.09	9,928	0.06
Office salaries	589,911	8.04	564,749	3.58
Office supplies	19,738	0.27	15,819	0.10
Payroll taxes	39,515	0.54	30,511	0.19
Postage	14,998	0.20	4,954	0.03
Professional fees	46,006	0.62	25,278	0.16
Rent	75,991	1.03	32,225	0.20
Repairs and maintenance	1,477	0.02	850	0.01
Taxes and licenses	8,281	0.11	12,641	0.08
Telephone	21,320	0.29	16,896	0.11
Temporary help	1,331	0.02	0	0.00
	<u>\$ 1,476,065</u>	<u>20.05 %</u>	<u>\$ 3,734,466</u>	<u>23.66 %</u>

*See Accompanying Notes and Accountants' Report*