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NEW APPLICATION ORIGINAL

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March 14, 2000
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[redacted]

Ms. Nancy Cole
Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

DOCKET NO. T-03855A-00-0169

Re: OnePoint Services, L.L.C./Application and Petition for Certificate of Convenience and Necessity to Provide Local Exchange Services as a Reseller

Dear Nancy:

Enclosed for filing are one original and ten copies of the above-referenced application submitted on behalf of my client OnePoint Services, L.L.C. Please contact me at the direct line listed above if you have any questions.

Very truly yours,

SNELL & WILMER

Jeffrey W. Crockett

JWC:gdb
Enclosures
cc: Tim Ostrowski (with enclosure)
Dick Kolb, Esq. (with enclosure)

[redacted]

NEW APPLICATION

ARIZONA CORPORATION COMMISSION

Application and Petition for Certificate of Convenience and Necessity to Provide Local Exchange Services as a Reseller

Mail original plus 10 copies of completed application to:

Docket Control Center
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2927

If you have current applications pending in Arizona as an interexchange reseller, AOS provider or as the provider of other telecommunication services, please specify:

Type of Service: Intrastate Telecommunications Services as an Interexchange Reseller

Docket No.:____________Date:____________________

Type of Service: Not Applicable

Docket No.: Date:

For Docket Control Only:

DOCKET NO. T-03855A-00-0169

Docket No.:____________________

Date Docketed:____________________

A. Company and Telecommunications Service Information
(A-1) The name, address, telephone number, and facsimile number of applicant are: ONEPOINT SERVICES, L.L.C. 2201 Waukegan Road Suite No. W-100 Bannockburn, Illinois 60015 Phone: (847) 374-3700 Facsimile: (847) 374-3701
(A-2) If doing business under a name other than OnePoint Services, L.L.C., please specify: R.C.P. SERVICES

(A-3) The name, address, telephone number, facsimile number and e-mail address of the management contact for OnePoint Services, L.L.C., are:

James Silva
ONEPOINT SERVICES, L.L.C.
300 West Osborn
Suite No. 101
Phoenix, Arizona 85013
Phone: (602) 234-9877
Fax: (602) 234-8809
james@debit-cards.com

(A-4) The name, address, telephone number, facsimile number and e-mail address of the attorney representing OnePoint Services, L.L.C., are:

Jeffrey W. Crockett, Esq.
Snell & Wilmer
One Arizona Center
Phoenix, Arizona 85004-2202
Phone: (602) 382-6234
Fax: (602) 382-6070
jcrockett@swlaw.com

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

☐ Sole proprietorship

☐ Partnership: ____limited, _____general, ____ Arizona, _____ Foreign

☒ Limited liability company (formed under the laws of the State of Delaware)

☐ Corporation: ____ "S", ____ "C", _____ non-profit, ____ Arizona, _____ Foreign

☐ Other, specify: (Not applicable).

(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 list of members and officers attached hereto as Attachment "A."

(A-7) 1. Is your company currently offering any telecommunication services in Arizona? If yes, list each service offered and provide the date that you began offering each such service in Arizona.

OnePoint Services, L.L.C., was formed on August 25, 1999. On November 30, 1999, OnePoint Services, L.L.C., acquired the outstanding stock of R.C.P. Communications, Inc., an Arizona corporation, which currently provides pre-paid long distance calling card service and inbound 800 service in Arizona as a reseller. R.C.P. Communications, Inc., filed an application for a certificate of convenience and necessity with the Arizona Corporation Commission in Docket No. T-03467A-97-0639. R.C.P. Communications, Inc., began marketing pre-paid long distance cards in Arizona on or about June 15, 1997 and began providing resold inbound 800 service on or about June 1999.

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

Initially, OnePoint Services, L.L.C., intends to continue providing inbound 800 service and marketing pre-paid long distance calling cards through its wholly-owned subsidiary R.C.P. Communications, Inc. Within the foreseeable future, OnePoint Services, L.L.C., intends to offer pre-paid local exchange service.

(A-8) Include Attachment "B." Attachment "B," the applicant's proposed tariff, must include proposed rates and charges for each service to be provided, **must state the maximum tariff rate and effective rate to be charged for each service**, and must state any other terms and conditions, including deposits, that will apply to provision of the service(s) by the applicant.

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

The proposed tariff of OnePoint Services, L.L.C., is attached hereto as Attachment "B." A copy of the effective rates and charges for each of the tariffed services will be late-filed.

(A-9) The geographic market to be served by OnePoint Services, L.L.C., is:

☒ Statewide

☐ Other. Describe and provide a map depicting the area. (Not applicable)

(A-10) List the states in which you currently offer, or have been approved to offer, services similar to those you intend to resell in Arizona.

At the present time, all telecommunications services provided by OnePoint Services, L.L.C., are provided through the company's wholly-owned subsidiary, R.C.P. Communications, Inc., In addition to Arizona, R.C.P. Communications, Inc., currently markets pre-paid long distance calling cards in Arkansas, California, Colorado, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Mississippi, Missouri, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas and Virginia. R.C.P. Communications, Inc., does not currently provide resold inbound 800 service in any states other than Arizona.

(A-11) List the companies with which you have signed resale agreements, along with the states in which they have been approved.

Through its wholly-owned subsidiary, R.C.P. Communications, Inc., OnePoint Communications, L.L.C., purchases minutes from MCIWorldcom, World Access, Control Network and other carriers. OnePoint Services, L.L.C., intends to resale the local exchange service of its affiliate, OnePoint Communications-Colorado, L.L.C., or U S WEST Communications.

(A-12) Include Attachment "C." All applicants must include a resale agreement or contract. Attachment "C" is a copy of the resale agreement or contract between your company and an applicable local exchange service provider.

Although OnePoint Services, L.L.C., is seeking local exchange resale authority with this application, the Company does not intent to immediately offer resale local exchange service in Arizona. OnePoint Services, L.L.C., will file its resale agreement or agreements with the Commission upon execution.

(A-13) The name, address, telephone number and facsimile number of applicant's complaint contact person are:

Rocky Valdez, Manager of Customer Service
ONEPOINT SERVICES, L.L.C.
300 West Osborn
Suite No. 101
Phoenix, Arizona 85013
Phone: (602) 234-9877
Fax: (602) 234-8809

(A-14) Provide a list of states in which you have sought authority to resell telecommunications services and in which the state granted the authority <u>with major changes and conditions or did not grant</u> 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.

None.

(A-15)	Has the company been granted authority to provide or resell telecommunications services in any state where subsequently the <u>authority was revoked</u>? If "yes", provide copies of the state regulatory commission's decision revoking its authority. No.
(A-16)	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 No.
(A-17)	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? No.
(A-18)	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. No.
	B. Technical Information
(B-1)	Provide the name of the company or companies whose services you resell. See the response to items A-11 and A-12 above.

(B-2) Explain what actions the applicant has taken to ensure that basic exchange service to applicant's customers will not be interrupted in the event the applicant ceases to do business.

OnePoint Services, L.L.C., will comply with whatever conditions the Commission imposes in order to ensure that customers will not be interrupted in the event the Company ceases to do business.

C. Financial Information

(C-1) Include Attachment "D." Attachment "D" **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.

OnePoint Services, L.L.C., was formed less than seven months ago, and therefore, does not have a balance sheet, income statement, or audited financials. However, pro forma financial information for OnePoint Services, L.L.C., for the years 1999 through 2004 is attached as Attachment "D."

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

See the response to item A-7 above.

(C-3) If the balance sheets you submit do not have retained earnings accounts please provide this account information on a separate sheet for each of the two years.

See the response to item C-1 above.

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

OnePoint Services, L.L.C., is a majority-owned subsidiary of OnePoint Communications Corp., a Delaware corporation. A copy of the audited consolidated financial statements of OnePoint Communications Corporation for the year ended December 31, 1998, is attached as Attachment "E." The consolidated financial statements of OnePoint Communications Corp. for the year ended December 31, 1999, will be late filed when they are completed.

(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 customer's advances, prepayments or deposits held by your Company if, for some reason, your Company cannot provide service or repay the deposits.

OnePoint Services, L.L.C., will not rely upon the financial resources of any affiliated entity.

(C-6) Will your customers by 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.)

Customers of OnePoint Services, L.L.C., will pre-pay their long distance and/or local services through either the purchase of a pre-paid long distance calling card and/or the prepayment of one month's local exchange service. For specific terms and conditions of the services to be offered by OnePoint, Services, L.L.C., see the proposed tariff attached as Attachment "B."

NO ____ (**Note:** If at a later date, your Company decides it wants to offer or require customer advances, prepayments or deposits, it must submit financial statements as part of the tariff amendment process.)

CERTIFICATION

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 or has applied for authority to transact business in Arizona. I certify that all appropriate city, county and/or State agency approvals have been obtained or that applicant has applied for such approvals. Upon signing of this application, I attest that I have read the Commission's rules and regulations relating to the regulations of telecommunications services and that the applicant will abide by Arizona State Law including the Arizona Corporation Commission's Rules and Regulations. I agree that the Commission's rules apply in the event there is a conflict between those rules and the applicant'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.

Timothy J. Ostrowski
(Signature of Authorized Representative)

March 7, 2000
(Date)

Timothy J. Ostrowski
(Print Name of Authorized Representative)

Chief Financial Officer, OnePoint Services, L.L.C.
(Title)

SUBSCRIBED AND SWORN to before me this 7th day of March, 2000.

Bonnie J. Rogalski
NOTARY PUBLIC

My Commission Expires:

11-24-01

OFFICIAL SEAL
BONNIE J. ROGALSKI
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 11-24-2001

Crockej\PHX\791143.1

ATTACHMENT "A"

ONEPOINT SERVICES, L.L.C.—LIST OF MEMBERS AND OFFICERS

Name/Title	Ownership Percent
OnePoint Communications Corp., Member	71.2898%
Albin Moschner, President and Chief Executive Officer, Member	6.34%
Timothy J. Ostrowski, Chief Financial Officer, Member	2.01%
Oscar Aguiar, Jr., Member	8.46%
James A. Silva, Member	8.46%
Nancy Sokolowski, Member	0.0002%
Uncommitted Units	3.44%
Total	**100.0%**

ATTACHMENT "B"

ONEPOINT SERVICES, L.L.C.—PROPOSED TARIFF

ONE POINT SERVICES, L.L.C.

REGULATIONS AND SCHEDULE OF CHARGES FOR

RESALE OF COMPETITIVE INTEREXCHANGE

TELECOMMUNICATIONS SERVICES

WITHIN THE STATE OF ARIZONA

Albin Moschner, President
Two Conway Park
150 Field Drive, Suite 300
Lake Forest, IL 60045

CHECK PAGE

All of the pages of this Tariff are effective as of the date shown at the bottom of the page. Original and revised pages as named below comprise all changes from the original Tariff.

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Albin Moschner, President
Two Conway Park
150 Field Drive, Suite 300
Lake Forest, IL 60045

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Albin Moschner, President
Two Conway Park
150 Field Drive, Suite 300
Lake Forest, IL 60045

TABLE OF CONTENTS

Albin Moschner, President
Two Conway Park
150 Field Drive, Suite 300
Lake Forest, IL 60045

SECTION 1 - DEFINITIONS AND ABBREVIATIONS

A.C.C.: Refers to the Arizona Corporation Commission.

Account Code: An Account code is a numerical code, one or more of which may be assigned to a Customer, to enable the Company to identify the origin of service user so it may rate and bill the call. All Account codes shall be the sole property of the company and no Customer shall have any property or other right or interest in the use of any particular Account code.

ANI: Automatic Number Identification.

Applicant: Applicant is any entity or individual who applies for service under this Tariff.

Blocking: Blocking is a temporary condition that may be initiated by the Company so that the Customer cannot complete a telephone call.

Business Customer: A Business Customer is a Customer whose use of Service is for a business, professional, institutional, or occupational purpose.

Class of Service: The type of calling associated with exchange service, such as measured or message rate or business or residential service.

CLEC: CLEC stands for Competitive Local Exchange Carrier and is any carrier or reseller offering local exchange telecommunications services other than the LEC.

Commission: Commission refers to the Arizona Corporation Commission or any succeeding agency.

Company: Company refers to OnePoint Services, L.L.C.

Credit Card: Credit Card refers to Visa®, MasterCard®, or other Credit Card companies as appropriate.

SECTION 1 - DEFINITIONS AND ABBREVIATIONS

Customer: The Customer is a person or legal entity which subscribes to the Company's services and thereby assumes responsibility for the payment of charges and compliance with the Company's Tariff regulations.

Direct Dialed: A Direct Dialed call is a call where the caller places a long distance call outside the caller's local service area without operator assistance.

Directory Services: Directory Services are provided to help customers determine telephone numbers and to be reached by other customers.

DUC: DUC stands for Designated Underlying Carrier.

End User: End User is the person or legal entity that uses the service provided by the Company.

Equal Access: Equal Access is the ability to access all long distance carriers by dialing 1 and not a string of long dialing codes. Equal Access provides the Company the ability to serve Customers on a presubscribed basis rather than through the use of dial access codes.

Exchange: A geographical area established for the administration of communication services and consists of one or more central offices together with associated facilities used in providing exchange services.

Exchange Area: An exchange area is the entire area within which are located the stations that a customer may call at the rates and charges specified in the Local Exchange Services.

Exchange Services: Exchange services are lines and services that give Customers access to the telecommunications network.

F.C.C.: F.C.C. stands for Federal Communications Commission.

SECTION 1 - DEFINITIONS AND ABBREVIATIONS

Feature Group D: Feature Group D is a class of service associated with Equal Access arrangements.

Individual Case Basis: A service arrangement in which the regulations, rates and charges are developed based on the specific circumstances of the Customer's situation.

InterLATA: An InterLATA call is any call that originates and terminates in a different LATA.

International: For the purposes of this Tariff, International includes calls to/from Mexico and Canada and all other foreign locations/areas described in this and other Tariffs of the Company.

IntraLATA: An IntraLATA call is any call that originates and terminates within the same LATA.

IXC: IXC stands for Interexchange Carrier.

LATA: LATA stands for Local Access Transport Area that is a geographic boundary established by the Modification of Final Judgement.

LEC: LEC stands for Local Exchange Carrier.

Modification of Final Judgment: Modification of Final Judgment refers to the judicial opinion set forth at United States vs. American Telephone & Telegraph Company, 552 F. Supp. 131 (D.C. 1982). See United States v. Western Electric Co., 552 F. Supp. 131 (D.D.C. 1982), affd sub nom. Maryland v. United States, 460 U.S. 1001 (1983).

Non-Recurring Charges: The one time charges for services or order processing including, but not limited to installation, special fees at time of ordering service.

NPA: Refers to the Numbering Plan Area and is commonly called an area code.

SECTION 1 - DEFINITIONS AND ABBREVIATIONS

PIC: PIC stands for Primary Interexchange Carrier and is identified by a code number which is assigned by the LEC to the telephone numbers of all the Customers to that carrier to ensure the calls are routed over the correct network. When a subscriber switches long distance carriers, it often is referred to as a PIC change.

POP: POP is an acronym for Point-of-Presence and is the central office of where the LEC hands off the traffic of the Company's Customers or where the Customer's access facility interconnects with the long distance network.

Promotions: Promotions are offerings of service that may include waivers or reductions in rates, that may be limited in term, dates, times and locations.

Presubscription: Presubscription is an arrangement whereby a Customer may select and designate an exchange carrier that it wishes to use for toll calling.

Residential Customer: A Residential Customer is a Customer who subscribes to a Service for a non-business, non-trade, or non-professional purpose.

Restriction Services: Restriction services allow Customers to customize the outbound calling capabilities of their lines.

Service: Any or all Services provided pursuant to this Tariff or other Tariffs of the Company.

Service Charges: Service charges are charges for services performed by the Company with respect to establishment and altering of Customer's lines and associated services and features.

SECTION 1 - DEFINITIONS AND ABBREVIATIONS

Special Charges: Special charges are administrative fees associated with payment.

State: State refers to the State of Arizona.

Terminate: Terminate means to permanently disconnect service.

Toll Free Service: Toll Free service refers to an inbound toll call billing arrangement in which the terminating party, rather than the originating party, pays the toll charge. This service is also referred to as "800" service.

Underlying Carrier: Underlying Carrier refers to any carrier that provides local exchange services resold by the Company pursuant to this Tariff.

V&H: V&H stands for Vertical and Horizontal.

Albin Moschner, President
Two Conway Park
150 Field Drive, Suite 300
Lake Forest, IL 60045

SECTION 2 - RULES AND REGULATIONS

2.1 Application of the Tariff

This Tariff contains the description, regulations, and rates applicable to all intrastate telecommunications services offered by OnePoint Services, L.L.C. with principal offices located at Two Conway Park, 150 Field Drive, Suite 300, Lake Forest, Illinois 60045. Service is furnished for communications originating and terminating at points within the State of Arizona under terms of this Tariff. The Company operates as a reseller and resells the services of LECs and DUCs. The coverage area is the entire State. The Company's Tariffs are on file at the Arizona Corporation Commission and may be viewed at the Company's offices. The Company intends to offer its services via prepaid phone cards, and by other means described in this tariff. In the State of Arizona, the Company is doing business as (d/b/a) RCP Services.

SECTION 2 - RULES AND REGULATIONS

2.2 Limitations on Service

2.2.1 Service Offerings

All services are interexchange service offerings. All outbound services requiring Switched Access to reach the long distance network are only available to Customers located in those exchanges which have been converted to equal access. Equal access dialing allows customers to make interexchange service calls on an intraLATA and interLATA basis.

2.2.2 Availability of Facilities

Service is offered subject to the availability of facilities, equipment, or systems, including those to be provided by the DUC(s), Company, CLEC(s) or LEC, the Company's ability to fulfill the order, and the provisions of this Tariff. The Company reserves the right, without incurring liability, to limit service to or from any location where the necessary facilities, equipment, systems, and/or switch software are available or where the Company is unable to fulfill the order.

2.2.3 Limited Communication

Shortage of facilities provided by the LEC caused by emergency conditions may result in limitation on the length of communication. The Company recognizes that underlying carriers may impose such limitation on service and reserves such right on their behalf.

2.2.4 Third Number Calls

A third number call is any call charged to a number other than that of the called or calling party. The Company reserves the right to refuse to process a third number call when the Company cannot confirm acceptance of charges at the third number or based on characteristics of the originating location.

SECTION 2 - RULES AND REGULATIONS

2.2 Limitations on Service (continued)

2.2.5 Fraudulent or Unlawful Use of Company Services

In the event the Company or the DUC learn of actual or possible unauthorized, fraudulent, or unlawful use of any Company services, the Company will make an effort to contact the Customer, but service may be Terminated or Blocked without notice and without liability to the Company. Service may be suspended by the Company without incurring liability by Blocking all traffic or by Blocking traffic to or from certain NPA-NXXs, certain countries, cities, or individual telephone stations for any Service offered under this Tariff. Service will be restored as soon as Company is reasonably satisfied that use of service is not unauthorized, fraudulent, or unlawful and only after accounts have been brought current.

2.2.6 Liability of the Company for Damages

The liability of the Company for damages arising out of mistakes, omissions, interruptions, delays, errors or defects occurring in the course of providing Service hereunder, where such damages were not caused by the Company's willful misconduct, will in no event exceed an amount equivalent to the initial period charge to the Customer according to this Tariff for the call during which such mistake, omission, interruption, delay, error or defect occurred.

SECTION 2 - RULES AND REGULATIONS

2.2 Limitations on Service (continued)

2.2.7 Discontinuance of Service with Notice

The Company reserves the right to discontinue service without liability, or to limit the use of service when necessitated by conditions beyond the Company's control, when the Customer or End User is using service in violation of the law or in violation of the provisions of this Tariff.

The Company may discontinue or suspend service, with notice, under the following conditions:

(A) Abandonment of the service.

(B) Failure of the Customer to make suitable deposit as required by this Tariff.

(C) Non-payment of any sum due for exchange, long distance or other services.

(D) Use of service in such a way as to impair or interfere with the service of other customers.

(E) Abuse or fraudulent use of service including but not limited to (i) the use of service to transmit a message or to locate a person or otherwise to give or obtain information without payment of the charge applicable for the service; (ii) the obtaining, or attempting to obtain, or assisting another to obtain or to attempt to obtain, long distance message telephone service, by rearranging, tampering with, or making connection with any facilities of the Company, or by any trick, scheme, false representation, or false credit device, or by or through any other fraudulent means or device whatsoever, with intent to avoid the payment, in whole or in part, of the regular charge for such service.

(F) Customer violation or non-compliance with any order of the Commission or any rules of the Company's Tariff.

SECTION 2 - RULES AND REGULATIONS

2.2 Limitations on Service (continued)

2.2.8 Reserved for Future Use

SECTION 2 - RULES AND REGULATIONS

2.2 Limitations on Service (continued)

2.2.9 Recording of Conversations

Recording of telephone conversations of service provided by the Company under this Tariff is prohibited except as authorized by applicable federal, state, and local laws.

2.2.10 With Respect to DUCs

The Company reserves the right to add, change or delete services and/or DUCs at any time.

2.2.11 Toll Free Number Assignment

The availability of Toll Free numbers and of any specifically requested Toll Free number from the Company is limited by the Company's ability to obtain Toll Free numbers from the DUC.

The Company will accept a Customer's or Applicant's request for a particular Toll Free telephone number. The Company will accommodate such requests to the extent possible. No guarantee of the assignment of the Toll Free number will be made prior to the initiation of Service to the Customer. Assignment of the Toll Free telephone number to the Customer does not provide the Customer with any ownership interest or proprietary right in that number. However, the Customer does have a controlling interest in its active Toll Free number. If the Company learns that an Applicant is attempting to sell, barter, trade, or otherwise transfer a Toll Free number to another person, the Company may refuse to establish or, upon written notice, discontinue service. If a Customer's Toll Free telephone number is not used by callers other than for test calls to reach the Customer or Customer's designee within ninety (90) days of activation of the Toll Free number, the Company, may upon written notice, discontinue Service.

SECTION 2 - RULES AND REGULATIONS

2.2 Limitations on Service (continued)

2.2.12 Failure to Provide Notice or Insist Upon Compliance

The Company's failure to give notice of default, to enforce or insist upon compliance with any of the terms or conditions herein, to grant a waiver of any term or conditions herein, or to grant the Customer an extension of time for performance, will not constitute the permanent waiver of any such term or condition herein. Each of the provisions will remain, at all times, in full force and in effect until modified in writing, signed by the Company and Customer.

Albin Moschner, President
Two Conway Park
150 Field Drive, Suite 300
Lake Forest, IL 60045

SECTION 2 - RULES AND REGULATIONS

2.3 Limitation of Liability

The Company's liability will be limited to that expressly assumed in Section 2.3 of this Tariff and that arises in connection with the provision of service to Customer.

2.3.1 Fit for Purpose

With respect to service provided hereunder, the Company hereby expressly disclaims, without limitation, all warranties not stated in this Tariff, whether express, implied or statutory, and in particular disclaims all implied warranties of merchantability and of fitness for a particular purpose.

2.3.2 Contractors and Agents

No contractors, agents or employees of connecting, concurring or other participating carriers or companies will be deemed to be contractors, agents or employees of the Company without the Company's written authorization.

2.3.3 Company's Officers

Under no circumstances whatsoever will the Company's officers, agents, or employees be liable for any damages, including but not limited to direct, indirect, actual, consequential, special or punitive damages or lost profits.

SECTION 2 - RULES AND REGULATIONS

2.3 Limitation of Liability (continued)

2.3.4 Limitations

The Company will not be liable for, and shall be fully indemnified and held harmless by the Customer against:

(A) Any claim, loss, expense or damage for any interruption, delay, error, omission or defect in service, facility or transmission provided under this Tariff, if caused by the CLEC(s), LEC or DUC(s) or any other third party providing a portion of the service, or by an act of God, fire, war, civil disturbance, act of government, or due to any other causes beyond the Company's control, and no event absent a determination of willful misconduct through a judicial or administrative proceeding.

(B) 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.

SECTION 2 - RULES AND REGULATIONS

2.3 Limitation of Liability (continued)

2.3.4 Limitations (continued)

(C) The use or abuse of any service described herein by any party including, but not limited to, the Customer's employees or members of the public. Use or abuse includes, but is not limited to, any calls placed by means of PBX-reorigination or any other legal or illegal equipment, service, or device. In the case of inbound service, this also applies to third parties who dial the Customer's Toll Free number by mistake.

(D) Any action, such as Blocking or refusal to accept certain calls, that Company deems necessary in order to prevent unauthorized, fraudulent, or unlawful use of its service. Compensation for any injury the Customer may suffer due to the fault of parties other than the Company must be sought from such other parties.

(E) Any claim where the Customer indemnifies the Company pursuant to Section 2.5 of this Tariff.

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SECTION 2 - RULES AND REGULATIONS

2.3 Limitation of Liability (continued)

2.3.5 Liability for Damages

The Company will use its best efforts to provide competent services consistent with industry standards. The Company will have no liability to the Customer for any loss of revenue or any other direct, special, incidental, consequential, or other damages the Customer may sustain resulting from the failure or inability of the Company to provide service to its Customers; negligent or defective services to Customers; equipment, computer, network, or electrical malfunctions of any kind, breakdowns, or outages; or any other cause, whether or not within the control of the Company.

The liability of the Company for damages arising out of mistakes, omissions, interruptions, delays, errors or defects occurring in the course of providing Service hereunder, where such damages were not caused by the Company's willful misconduct, will in no event exceed an amount equivalent to the initial period charge to the Customer according to this Tariff for the call during which such mistake, omission, interruption, delay, error or defect occurred.

2.3.6 Liability for Message Content

The Company does not undertake to transmit messages but furnishes the use of its services to its Customers for telecommunications. The Company is not liable for the content of Customer messages.

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SECTION 2 - RULES AND REGULATIONS

2.3 Limitation of Liability (continued)

2.3.7 With Respect to Busy Line Verification and Interruption

In conjunction with the Busy Line Verification and Interrupt Service as described in Section 4, the Company shall not be liable for any claim that may arise from either party to the interrupted call or any person.

2.3.8 Defacement of Premises

The Company or its agents or employees is not liable for any defacement of, or damage to, the customer's premises resulting from the furnishing of service or the attachment of equipment and facilities furnished by the Company or the LEC on such premises or by the installation or removal thereof, when the defacement or damage is not the result of negligence of the Company.

2.3.9 Loss of Prepaid Phone Card

The Company will have no liability to the Customer or any third party for any claims that a Prepaid Phone Card or its PIN has been lost, stolen or fraudulently used. In no event will the Company be obligated to restore any Prepaid Phone Card account or otherwise reimburse any Cardholder for any calls charged to the Prepaid Phone Card account which such Cardholder denies having made.

SECTION 2 - RULES AND REGULATIONS

2.4 Use of Service

2.4.1 Service Availability

The Company's services are available for use twenty-four hours per day, seven days per week.

2.4.2 Allowable Uses

The service offered herein may be used for any lawful purpose, including residential, business, governmental, or other use. The use of service shall be restricted to the Customer, the Customer's employees and representatives in the case of business service, or the Customer, the Customer's family and persons residing in the Customer's household in the case of residential service except as otherwise specified in this Tariff. The Company will have no liability to any person or entity other than the Customer and only as set forth herein. The Customer will not use nor permit others to use the service in a manner that could interfere with service provided to others or that could harm the facilities of the CLEC(s), DUC(s), LEC or others and will be liable for reimbursing the Company or LEC, CLEC or DUC for damages to any facilities or equipment caused by such negligence or willful acts.

Service furnished under this Tariff is intended only for communications in which the Customer has a direct interest and shall not be used for any purpose for which a payment or other compensation shall be received by the Customer for such use or in the collection, transmission or delivery of any communication for others, except as otherwise stated in this Tariff.

SECTION 2 - RULES AND REGULATIONS

2.5 Obligations of the Customer

2.5.1 Indemnification of Company by Customer

The Customer will indemnify, defend, and hold the Company harmless from and against all claims and liabilities against the Company:

(A) where the Company has stated a limitation of liability in Section 2.3 of this Tariff.

(B) resulting from Customer (or its employee's agent's or independent contractor's) actions hereunder, including, but not limited to breach of any provision in this Tariff, misrepresentation of Company services or rates, unauthorized or illegal acts, or violations of right to privacy by the Customer, its employees, agents, or independent contractor.

(C) for any personal injury to, or death of, any person or persons, and for any loss, damage or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused directly or indirectly by the provision of service, whatever shall be the cause and whether negligent or otherwise.

(D) for any and all liability not expressly assumed by the Company in Section 2.3 of this Tariff and arising in connection with the provision of service to the Customer, and will protect and defend the Company from any suits or claims alleging such liability, and will pay all expenses and satisfy all judgments which may be incurred by or rendered against the Company in connection therewith.

(E) for any and all claims, demands, suits, actions, losses, damages, assessments or payments which may be asserted or demanded by third parties directly or indirectly authorized by Customer to use the service.

SECTION 2 - RULES AND REGULATIONS

2.5 Obligations of the Customer (continued)

2.5.2 Payment Obligations

The Customer is responsible for payment for all applicable charges pursuant to this Tariff originated at the Customer's number(s), accepted at the Customer's number, or incurred at the specific request of the Customer. The Customer is responsible for paying for all services the Company provides to or from the Customer's number(s), regardless of whether the Customer's facilities were used fraudulently.

The termination or disconnection of service(s) by the Company does not relieve the Customer of any obligations to pay the Company for charges due and owing for service(s) furnished up to the time of termination or disconnection. The remedies set forth herein will not be exclusive and the Company will at all times be entitled to all rights available to it under either law or equity.

The Customer will be responsible for the payment of all charges for services provided under this Tariff and for the payment of all excise, sales, use, gross receipts or other taxes that may be levied by a federal, state, or local governing body or bodies applicable to the service(s) furnished under this Tariff unless specified otherwise herein. Also see Section 2.16 of this Tariff for the Customer's obligations concerning taxes.

SECTION 2 - RULES AND REGULATIONS

2.6 Obtaining Toll Free Service

2.6.1 Application for Service

To obtain Toll Free service, the Company may require the Customer to provide the Company with a signed letter of agency or third party verified verbal authorization of agency. Upon the Company's acceptance of this proof, all applicable provisions in the Company's Tariff, as amended from time-to-time which are lawfully on file, become the agreement for service between the Company and the Customer. Acceptance or use of service offered by the Company shall be deemed an application for such service and an agreement by the Customer to subscribe to, use, and pay for such service in accordance with the applicable Tariffs of the Company.

Company reserves the right to refuse service to applicants who are known to have been previously terminated by this Company or by LEC or other CLECs within the last twelve (12) months and when the applicant cannot establish credit satisfactory to the Company as given in Section 2.6.2 of this tariff.

All services offered by the Company via a Prepaid Phone Card are prepaid, and therefore, no formal application or credit will be required.

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SECTION 2 - RULES AND REGULATIONS

2.6 Obtaining Toll Free Service (continued)

2.6.2 Establishment of Credit

(A) Applicant

The Company reserves the right to require all Applicants for Toll Free service to establish credit worthiness to the reasonable satisfaction of the Company. Upon receipt of the signed letter of agency or verbal third party verified authorization by the Company, the Applicant will be deemed to have authorized the Company to obtain such routine credit information and verification as the Company requires.

(B) Customer

Under certain conditions an existing Customer of Toll Free service may be required to establish additional credit. The Company reserves the right to examine the credit record and check the references of any Customer under these circumstances.

SECTION 2 - RULES AND REGULATIONS

2.6 Obtaining Toll Free Service (continued)

2.6.3 Customer Deposits

Any Applicant for Toll Free service whose credit is not acceptable to the Company as provided in Section 2.6.2 of this Tariff may be required to make a deposit to be held by Company as a guarantee of payment for service provided under this Tariff. In addition, an existing Customer may be required to make a deposit or to increase a deposit presently held by the Company if re-establishment of credit is not satisfactory subject to Section 2.6.2 of this tariff.

Except as otherwise specified in the Tariff, the amount of such deposit shall not exceed the amount of charges for service which it is estimated will accrue for a period of two months; however, after service has been established and experience demonstrates that the amount of the outstanding deposit is not suitable to safeguard the interests of the Company, the Company may require an adjustment of the deposit not exceeding the charges which it is estimated will accrue for a period of two months.

When service is terminated, any balance of the deposit remaining after deduction of all sums due the Company will be returned to the customer. No deposit shall be held beyond a one-year period during which the customer has established satisfactory credit. Interest on deposits will be paid each year at a rate which is established by the Commission.

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SECTION 2 - RULES AND REGULATIONS

2.6 Obtaining Toll Free Service (continued)

2.6.4 Initial Contract Periods and Termination of Service

(A) Initial Contract Periods

Except as provided herein, the Initial Contract Period is one month. Service is provided and billed on the basis of a minimum period of at least one month, and shall continue to be provided until cancelled by the Customer, with written notification to the Company a minimum of thirty days in advance of the date of cancellation. Unless otherwise specified herein, for purposes of computing this tariff, every month is considered to have thirty (30) days. Initial Contract Periods begin on and include the day following the establishment of service.

(B) Cancellation of Service

When an application or request for service, including additions and changes is cancelled or changed in whole or in part before service is established, the customer may be required to reimburse the Company for all costs incurred in connection with that part of the application or request which is cancelled or changed, except as otherwise stated in this Tariff. The charge to the Customer shall not exceed the charges which would have applied to normal establishment of the original order and subsequent cancellation thereof.

Service may be cancelled prior to expiration of the Initial Contract Period with written notification from the Customer to the Company within a reasonable period in advance of the date of cancellation. Upon such cancellation, the Customer will be responsible for the payment of all charges due for the service period, and for reimbursement to the Company of any services contracted by the Company with a third party for the life of the contract.

Service may be cancelled subsequent to the expiration of the Initial Contact Period with written notification from the Customer to the Company within a reasonable period in advance of the date of cancellation. Upon such cancellation, the Customer will be responsible for the payment of all charges up to and including the date of cancellation.

SECTION 2 - RULES AND REGULATIONS

2.6 Obtaining Toll Free Service (continued)

2.6.5 Provision and Ownership of Equipment and Facilities

Company may use equipment and facilities for provision of services that are furnished in whole or in part by the LEC. Such equipment and facilities located on the premise of a Customer remain the property of the LEC, whose employees or agents acting on behalf of the Company may enter said premises at any reasonable hour to install, repair and inspect equipment and facilities up to and including the Network Interface. In cases where the equipment and facilities beyond the Network Interface remain the property of the Building Owner or other entity, Agents and employees of the Company may enter the premises at any reasonable hour to install, repair and inspect facilities and equipment beyond the Network Interface up to and including the inside wiring and the jack(s).

Equipment and facilities utilized by the Company for the provision of services shall be returned to their owner in good condition upon termination of service, reasonable wear and tear thereof expected. In the case of damage, loss or destruction of any aforementioned equipment and facilities, due to the negligence or willful act of the Customer or other Authorized Users, the Customer shall be required to pay the expense incurred by the Company in connection with replacement of the property damaged, lost, stolen or destroyed, or the expense incurred in restoring it to its original condition.

SECTION 2 - RULES AND REGULATIONS

2.6 Obtaining Toll Free Service (continued)

2.6.6 Installation, Maintenance and Repair

All installation, service and repair expense is borne by the Company except as otherwise specified in this tariff. The Customer shall not install, disconnect, rearrange, remove or attempt to repair any equipment or facilities furnished by the Company or permit others to do so, except upon the written consent of the Company or as specified in this tariff.

2.6.7 Non-Routine Establishment of Services

At the Customer's request, establishment of services may be performed outside the Company's normal business hours and normal work intervals. In such cases, costs may be incurred that would not otherwise have been incurred. The Customer may be required to pay, in addition to the other rates and charges specified in this tariff, the amount of additional costs incurred by the Company as a result of the Customer's special requests.

SECTION 2 - RULES AND REGULATIONS

2.7 Advance and Assurance of Payments

Customers and applicants may be required to pay for service charges, installation and non-recurring charges of one month's fixed charge in advance of installation of their service. The amount of any advance payment is credited to the Customer's account and applied to indebtedness for the services ordered once provisioned. Customers may also be required to provide a guarantee of payment in the form of credit card imprint or other such guarantee of payment for future services. The required advance payments or other security may be increased or decreased by the Company as it deems appropriate in the light of changing conditions.

SECTION 2 - RULES AND REGULATIONS

2.8 Rendering Bill

2.8.1 General

The Company uses cycle billing. The usual billing period is one month. The Company uses direct billing by Company or authorized billing agent. Where billing systems allow, Credit Card billing and automatic withdrawal from Customer's checking or savings accounts are available. Upon notice from the Company, bills may be rendered, and payments may be due from the Customer, on a weekly basis.

2.8.2 Direct Billing By Company Or Authorized Billing Agent

Bills are sent to the Customer's current billing address no later than sixty (60) days following the close of billing. Call detail is included with the bill. Payment in full is due by the due date disclosed on the bill. Charges are payable only in United States currency. Payment may be made by check, money order, or cashier's check, which should be made payable as named on the bill and are sent to the address as listed on the bill. If the bill is not paid within thirty (30) days from the invoice date, the Company may impose a late charge on the delinquent amount. A late charge of 1.5% applies to any past due balance. In instances where a check is returned by the bank and not accepted as payment, the Company may impose a returned check charge of $30.

SECTION 2 - RULES AND REGULATIONS

2.8 Rendering Bill (continued)

2.8.3 Credit Card Billing

With Credit Card billing, when available, the charges for services provided by the Company are billed on the Customer's designated and approved credit card bill. Charges are billed monthly in accordance with the terms and conditions between the Customer and the Customer's designated Credit Card company. Call detail will not be included in the Credit Card bill.

2.8.4 Automatic Withdrawal From Checking or Savings Account

If the Customer utilizes automatic withdrawal, when available, the charges for services provided by the Company are automatically debited to the Customer's designated checking account or savings account.

SECTION 2 - RULES AND REGULATIONS

2.9 Dispute Procedures

2.9.1 Inquiries and disputes, including billing disputes, will be handled as follows:

(A) The Customer shall pose the inquiry or dispute directly to the Company for resolution. Written communications should be directed to the Company's Customer Service department as per Section 2.10 of this Tariff. All undisputed portions of any outstanding balance due are to be paid while resolution of the inquiry or dispute is pending

(B) The Company will investigate a Customer inquiry or dispute and report the findings to the Customer.

(C) If the Company finds it's actions to be consistent with this Tariff, the Company will inform the Customer of it's no fault finding and require full payment of any outstanding balance due.

(D) If the Customer is not satisfied with the Company's resolution of an inquiry or dispute, the Customer may refer the matter to the Arizona Corporation Commission Division of Communications at 1200 West Washington, Phoenix, AZ 85007-2996 or via telephone at (602) 542-4251 or TDD (602) 542-2105.

SECTION 2 - RULES AND REGULATIONS

2.10 Customer Service

The Company maintains a Customer Service Department in Arizona exclusively for Customers' questions, requests for service, compliments, complaints and trouble handling. The Company's Customer Service address and toll free number are printed on the Customer's bill and prepaid card. Customers may contact the Company's Customer Service Department in writing or by calling a toll free number.

The Customer Service Department is located at 300 W. Osborne, Phoenix, Arizona. The toll free number is (800) 755-0803. Excluding holidays, Customer Service Representatives are available 7:00 AM to 7:00 PM Mountain time Monday through Friday, 10:00 AM to 2:00 PM Mountain on Saturday and Sunday. After hours, Sundays and on holidays, Customers are automatically forwarded to an answering service for messaging.

Customer Service support for repair services is available twenty four (24) hours per day, 365 days per year at (800) 755-0803. After hours, trouble management teams will be paged by the answering service for immediate response to reports of trouble and repair needed.

SECTION 2 - RULES AND REGULATIONS

2.11 Reserved for Future Use

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SECTION 2 - RULES AND REGULATIONS

2.12 Timing of Calls

2.12.1 Calls are timed by the DUC that carries the call. Conversation time is defined as when two way communications between the calling and called party is possible.

2.12.2 On station-to-station direct-dialed (1+) calls chargeable time begins when the called station answers and the connection is established between the calling station and the called station, miscellaneous common carrier, mobile radio system, or PBX system. Answer detection is based on standard industry answer detection methods, including hardware and software answer detection.

2.12.3 Chargeable times ends when the calling station hangs up thereby releasing the network connection. If the called station hangs up but the calling station does not, chargeable time ends when the network connection is released either by the automatic timing equipment in the telecommunications network or by the operator.

SECTION 2 - RULES AND REGULATIONS

2.13 Rate Periods

2.13.1 General

Different rates may be applicable to a call at a different time of the day and on certain days of the week, as specified in the appropriate rate schedule for that call. The rate periods shown below apply. All times shown are local time at the calling station in case of an outbound call and at the called station in case of an inbound call.

2.13.2 Day, Evening, and Night Rate Periods

Rate Period	From	To, But Not Including	Days Applicable
Daytime	8:00 A.M.	5:00 P.M.	Mon – Fri
Evening	5:00 P.M.	11:00 P.M.	Sun – Fri
Night/Weekend	11:00 P.M.	8:00 A.M.	All days
	8:00 A.M.	11:00 P.M.	Sat
	8:00 A.M.	5:00 P.M.	Sun

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SECTION 2 - RULES AND REGULATIONS

2.14 Determining Rate In Effect

2.14.1 General

For outbound services that are time-of-day sensitive, the time-of-day at the central office or POP associated with the calling station determines the rate in effect. For inbound services that are time-of-day sensitive, the time-of-day at the central office or POP associated with the called station determines the rate in effect.

2.14.2 Multiple Rate Periods

When a call spans multiple rate periods, it is billed at multiple rate period rates. The time at the beginning of each increment of connection determines the applicable rate period. 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.

SECTION 2 - RULES AND REGULATIONS

2.14 Determining Rate In Effect (continued)

2.14.3 Holiday Rates

Holiday rates apply to the following services:

- None at this time

The term Holiday denotes all the following holidays:

- New Year's Day
- Independence Day
- Labor Day
- Thanksgiving Day
- Christmas Day
- Memorial Day

The evening rate applies on a holiday unless a lower rate would normally apply.

SECTION 2 - RULES AND REGULATIONS

2.15 Rounding

For all services, fractions of a billing increment are rounded up to the next higher increment. Calls are measured in increments which are specified on the individual pre-paid phone card selected by the Customer.

SECTION 2 - RULES AND REGULATIONS

2.16 Taxes and Surcharges

2.16.1 Federal, State and Local Taxes and Surcharges

In addition to the charges specifically pertaining to services, certain federal, state, and local surcharges, taxes, and fees apply to services. These taxes, surcharges, and fees are calculated based upon the point of origination of the call, the point of termination of the call, the length of each call, and the taxing jurisdiction's rules and regulations.

All federal, state, and local taxes, surcharges, and fees (i.e., sales tax, gross receipts tax, municipal utilities tax, etc, unless otherwise specified herein, are not included in the rates listed in this Tariff.

2.16.2 Tax Exemption Status

In order to be granted tax exempt status, a Customer claiming tax exempt status must provide the Company with copies of all tax exemption certificates and documents required by the Company at the time service is ordered. Failure to provide the required documentation at the time service is ordered will result in all taxes as noted herein being levied by the Company on the Customer's service, and the Customer will be responsible for the payment of all such charges. At the Company's option, the Company may accord the Customer tax exempt status upon receipt of the required documentation after service is ordered. However, the Customer will be billed for all applicable taxes and responsible for the payment of same until such time as the Company has ceased billing the applicable taxes. The Company is not liable for refunding the amount of the taxes paid the Customer. The Customer is responsible for seeking refunds for such taxes from the appropriate taxing authority. Failure to pay the appropriate taxes prior to tax exempt status being accorded by the Company will result in termination of service.

SECTION 2 - RULES AND REGULATIONS

2.17 Interruption of Service

2.17.1 Tests and Inspections

Without incurring liability, the Company may interrupt the provision of services at any time in order for tests and inspections to be performed to assure compliance with Tariff regulations and the proper installation and operation of Customer's equipment and facilities and may continue such interruption until any items of non-compliance or improper equipment operation so identified are rectified.

2.17.2 With Regard to Unauthorized, Fraudulent, or Unlawful Use

To prevent possible unauthorized, fraudulent, or unlawful use of service, the Company may initiate Blocking all calls or Blocking calls to or from certain NPA-NXXs, cities, or individual telephone stations for any service offered under this Tariff. Service will be restored as soon as it can be provided without undue risk and only after accounts have been brought current.

2.17.3 Credit Allowances for Monthly Charges

No credit for recurring monthly charges will be issued for outages less than twenty-four consecutive hours in duration. If there is no monthly recurring charge, no credit will be issued. For Customers with service subject to a monthly recurring charge, service interruptions of greater than twenty-four (24) consecutive hours duration will receive a credit equal to the number of hours of service interruption divided by 720 hours times the monthly recurring charge for the service.

2.17.4 Credit Allowances for Usage Sensitive Charges

Credit allowances for the interruption of usage sensitive service are subject to the general liability provisions set forth in Section 2.3.5 of this Tariff. It shall be the obligation of the Customer to notify the Company immediately of any interruption in service for which a credit allowance is desired. Before giving such notice, the Customer shall ascertain that the trouble is not being caused by any action or omission by the Customer within his control, or is not in wiring or equipment, if any, furnished by the Customer.

SECTION 2 - RULES AND REGULATIONS

2.18 Termination of Service By Company

The termination of service(s) by the Company pursuant to this section does not relieve the Customer of any obligations to pay the Company for charges due and owing for service(s) furnished up to the time of termination. The remedies set forth herein will not be exclusive and the Company will at all times be entitled to all rights available to it under either law or equity.

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SECTION 2 - RULES AND REGULATIONS

2.19 Terminal Equipment

The Company's services may be used with or terminated in Customer-provide terminal equipment or Customer-provided communications systems such as a telephone set, PBX or key system. Such terminal equipment shall be furnished and maintained at the expense of the Customer. The Customer is responsible for all costs at his or her premises, including personnel, wiring, electrical power, and the like, incurred in the use of the Company's service. When such terminal equipment is used, the equipment shall comply with applicable rules and regulations of the Federal Communications Commission, including but not limited to, Part 68. In addition, equipment must comply with generally accepted minimum protective criteria standards and engineering requirements of the telecommunications industry which are not barred by the Federal Communications Commission.

SECTION 2 - RULES AND REGULATIONS

2.20 Credits

2.20.1 Allowances for Interruptions

The Company will take appropriate measures to assure minimal service interruptions. If service is interrupted, appropriate action will be taken to the extent possible to restore service within twenty four (24) hours following notification by the Customer.

Interruptions of more than twenty four (24) consecutive hours, which are reported to or detected by the Company, and which are not due to the negligence or willful act of the Customer will be credited to the Customer's account upon the Customer's request at the proportionate monthly charge involved for each twenty four hours or fraction thereof of interruption.

2.20.2 Credit for an Incomplete Call

An incomplete call is a call where two-way communication was not possible between the called station and the calling station. When a Customer notifies the Company that the Customer has been inadvertently billed for an incomplete call, the Company will issue credit for the amount of the charge for that call.

2.20.3 Credit for Loss of Pre-paid Phone card

If the Customer notifies the Company that a particular Prepaid Phone Card has been lost or stolen prior to the activation of its PIN, the Company will use its best efforts to ensure that such PIN is not activated.

SECTION 3 - DESCRIPTION OF SERVICES

3.1 Reserved for Future Use

SECTION 3 - DESCRIPTION OF SERVICES

3.2 Inbound Services

3.2.1 General

Inbound calls are originated from any point in the state on any type of access but are terminated via Switched Access lines in the terminating city to the Customer's location only. Inbound Toll Free permits calls to be completed to the Customer's location without charge to the calling party. Access to the service is gained by dialing a ten digit telephone number, {e.g. (800/888) NXX-XXXX}, which terminates at the Customer's location.

3.2.2 Residential Toll Free

Residential Toll Free is an inbound only, long distance pricing plan. Residential Toll Free is available to Residential Customers that utilize Switched Access to reach the long distance network of the DUC. For all calls, the initial and additional periods are billed in increments of one (1) minute. The minimum service period is one month.

3.2.3 Business Toll Free

Business Toll Free is an inbound only, long distance pricing plan. Business Toll Free is available to Business Customers that utilize Switched Access to reach the long distance network of the DUC. For all calls, the initial and additional periods are billed in increments of one (1) minute. The minimum service period is one month.

SECTION 3 - DESCRIPTION OF SERVICES

3.3 Directory Assistance

Intrastate Directory Assistance involves the supplying of assistance in determining or attempting to determine the telephone number of another party located in another area or state. Directory Assistance is available to any Customer that has access to the directory assistance bureau of the DUC. If a Customer with Switched Access calls directory assistance for a call within its area code, the call is handled by the LEC or CLEC. If a Customer with Switched Access calls directory assistance for a call within the state but outside of its area code, the call may be routed to the DUC for handling. Person-to-Person and collect calls to Directory Assistance are not permitted.

SECTION 3 - DESCRIPTION OF SERVICES

3.4 Miscellaneous Charges

3.4.1 Returned Check Charge

This charge applies when a personal check remitted for payment is not honored by the bank.

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SECTION 3 - DESCRIPTION OF SERVICES

3.5 Reserved for Future Use

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SECTION 3 – DESCRIPTION OF SERVICES

3.6 Prepaid Phone Card Services

3.6.1 General

All Prepaid Phone Card services are interstate offerings with the Cardholder having the option of using the Prepaid Phone Card to place calls within the State.

3.6.2 Phone Card

(A) Description of Service

The Phone Card service is a prepaid long distance service that allows Customers to obtain a predetermined amount of access to the Company's long distance services. The card is a dollar based service, meaning there is a fixed amount of dollar (i.e., $5, $10, $20, $50, or some other denomination) available to the Customer who purchases a card. The initial period and additional periods are as stated on each card

The Phone Card service is offered via "Toll Free" or local access numbers and is available to a Cardholder from touch-tone phone. The Cardholder dials a Toll-Free or local access number. The Cardholder hears recorded messages that guide the Cardholder through the Platform. The Platform validates the Cardholder's PIN, determines whether time remains on the card and, if so, completes the call to the called telephone number dialed by the Cardholder. The Cardholder is verbally informed of the available balance of the Prepaid Phone Card account.

SECTION 3 – DESCRIPTION OF SERVICES

3.6 Prepaid Phone Cards Services (continued)

3.6.2 Phone Card (continued)

(A) Description of Service (continued)

Calls are real-time rated during call progression. The total price of each call, including applicable taxes, is calculated on the basis of usage and is deducted from the available account balance associated with each Phone Card. The Company debits the Cardholder's account balance as the Cardholder places a call. The Cardholder receives a warning tone two minutes before the balance reaches zero. Calls in progress will be terminated when the balance reaches zero.

The Cardholder may access the network from anywhere in the United States by dialing a universal "Toll Free" number, a PIN, and the called telephone number.

(B) Availability

Prepaid Calling Cards are available to Residential Customers and Business Customers.

(C) Features

1. Instructions Available In Multiple Languages

The Company may make available to the Cardholder different Toll Free access numbers for instructions in English or Spanish, or other languages as appropriate.

2. Sequential Calling

Sequential calling allows the Cardholder to make several calls without disconnecting from the system after the completion of each call.

SECTION 4 - MAXIMUM RATES AND CHARGES

4.1 Phone Card

4.1.1 Domestic Rates (calls within the United States)

The maximum usage rates for domestic calls are as follows:

Call Initiation........................$1.99 per call

Rate per minute......................$0.50 per minute

Initial call period.....................15 minutes per call

Subsequent call periods............15 minute increments

4.1.2 International Rates:

The maximum usage rates for international calls are as follows:

Call Initiation..........................$4.99 per call

Rate per Minute.......................$5.00 per minute

Initial Call Period.....................25 minutes per call

Subsequent Call Periods............25 minute increments

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Lake Forest, IL 60045

SECTION 4 - MAXIMUM RATES AND CHARGES

4.2 Maintenance Fee

A monthly or weekly maintenance fee applies to each Phone Card, and is identified on each specific Phone Card. The maximum rates for this monthly or weekly maintenance fee are as follows:

Monthly fee..$2.99
Weekly fee...$0.75

4.3 Directory Assistance

The maximum charge is $2.00 per minute.

SECTION 4 – MAXIMUM RATES AND CHARGES

4.4 Inbound Services

4.4.1 Residential 800 .... $ 0.31 per minute

4.4.2 Business 800 .... $ 0.31 per minute

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SECTION 4 – MAXIMUM RATES AND CHARGES

4.5 Reserved for Future Use

SECTION 4 – MAXIMUM RATES AND CHARGES

4.6 Miscellaneous Charges

4.6.1 Returned Check Charge

The amount of the return check charge is to be no greater than $30.00. When another telecommunications carrier provides the billing function on behalf of the Company, the other carrier's bad check charge applies in lieu of the charge contained in this Tariff.

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SECTION 5 - PROMOTIONS

5.1 General

From time-to-time, the Company may engage in Special Promotional Offerings or trial Service offerings designed to attract new Customers, retain existing Customers, win back former Customers, stimulate Customer usage, test potential new services and/or increase existing Customer awareness of the Company's services. These offerings may be limited to certain dates, times of day and/or locations determined by the Company. As a condition of subscribing to a promotional offering, the Company may require the Customer to subscribe to a term plan.

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SECTION 5 - PROMOTIONS

5.2 Reserved for Future Use

SECTION 6 – INDIVIDUAL CASE BASIS

6.1 General

Arrangements may be made on a case-by-case basis in response to a bona fide special request from a customer or prospective customer to develop a bid for a service not generally offered under this tariff. ICB rates will be offered to the customer in writing and on a non-discriminatory basis.

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<u>ATTACHMENT "C"</u>

ONEPOINT SERVICES, L.L.C.

LOCAL EXCHANGE SERVICE RESALE AGREEMENT

<u>TO BE LATE FILED</u>

ATTACHMENT "D"

ONEPOINT SERVICES, L.L.C.—PRO FORMA FINANCIAL STATEMENTS

OnePoint Services, L.L.C.
1999-2004 Financial Statements
(Dollars,Minutes in Thousands)

Operating Data	Years 1999	2000	2001	2002	2003	2004
Debit Cards	1,809,077	2,943,600	6,764,922	9,743,859	13,900,714	19,375,233
Traffic Minutes(in thousands)	167,986	294,360	732,867	1,151,547	1,807,093	2,798,645
Revenue/Minute	$ 0.070	$ 0.065	$ 0.060	$ 0.055	$ 0.050	$ 0.045
Gross Profit/Minute	0.005	0.017	0.016	0.013	0.012	0.010
Switches	1	1	1	1	1	1

Income Statement

Revenue	$ 11,759	$ 19,133	$ 43,972	$ 63,335	$ 90,355	$ 125,939
Cost of Goods Sold	(10,909)	(13,998)	(32,554)	(47,905)	(69,283)	(98,059)
Gross Margin- $'s	850	5,136	11,418	15,430	21,072	27,880
%	7.2%	26.8%	26.0%	24.4%	23.3%	22.1%
Depreciation & Amortization	(98)	(462)	(687)	(911)	(1,153)	(1,475)
Overhead Expenses	(2,058)	(5,191)	(10,117)	(11,945)	(15,681)	(21,201)
-Overhead % of Revenue	-17.5%	-27.1%	-23.0%	-18.9%	-17.4%	-16.8%
Income/(Loss) From Operations	(1,306)	(517)	613	2,574	4,237	5,203
Interest Income/(Expense)	8	(22)	(121)	(127)	(126)	(86)
Income/(Loss) Before Taxes	(1,298)	(539)	492	2,447	4,111	5,118
Income Tax	-	-	-	(930)	(1,562)	(1,945)
Net Profit/(Loss)	$ (1,298)	$ (539)	$ 492	$ 1,517	$ 2,549	$ 3,173
Memo: EBITDA	$ (1,208)	$ (55)	$ 1,301	$ 3,485	$ 5,391	$ 6,679
EBITDA Margin	-10.3%	-0.3%	3.0%	5.5%	6.0%	5.3%

Cashflow

Beginning Cash	$ 167	$ 1,527	$ 317	$ 592	$ 2,228	$ 3,532
Cashflow From Operations:						
Net Income	(1,298)	(539)	492	1,517	2,549	3,173
Depreciation	98	462	687	911	1,153	1,475
Working Capital	(441)	(57)	(221)	73	(1,320)	(75)
Total Operations	(1,641)	(134)	958	2,501	2,382	4,573
Capital Purchases	16	(989)	(943)	(1,120)	(1,210)	(1,610)
Acquisitions	(356)	(536)	-	-	-	-
Financing Activities:						
Equipment Financing	(53)	716	542	537	414	517
Revolving Credit Line	-	-	-	-	-	-
Issuance of Common Stock	3,414	12	-	-	-	-
Ending Cash	$ 1,527	$ 317	$ 592	$ 2,228	$ 3,532	$ 6,730

Balance Sheet

Assets						
Current Assets:						
Cash	$ 1,527	$ 317	$ 592	$ 2,228	$ 3,532	$ 6,730
Acct.Rec./Cust. Dep./Inv.	663	1,381	2,099	2,972	4,325	5,933
Total Current Assets	2,190	1,698	2,691	5,200	7,857	12,663
Goodwill	256	792	792	792	792	792
Net Fixed Assets	441	1,003	1,337	1,625	1,761	1,975
Total Assets	$ 2,985	$ 3,556	$ 4,805	$ 7,522	$ 10,236	$ 15,176
Liabilities & Equity						
Accounts Payable	$ 1,842	$ 2,225	$ 2,440	$ 3,103	$ 3,998	$ 5,531
Dividends Payable	20	299	581	863	-	-
Equipment Financing	-	716	1,258	1,795	2,209	2,726
Revolving Credit Line	-	-	-	-	-	-
Stockholder's Equity:						
Common Stock	3,450	3,462	3,462	3,462	3,462	3,462
Dividends Declared	(20)	(299)	(581)	(863)	(1,145)	(1,427)
Retained Earnings	(2,307)	(2,847)	(2,354)	(837)	1,712	4,885
Total Stockholder's Equity	1,123	317	527	1,762	4,029	6,920
Total Liabilities & Equity	$ 2,985	$ 3,556	$ 4,805	$ 7,522	$ 10,236	$ 15,176

ATTACHMENT "E"

ONEPOINT COMMUNICATIONS CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Auditors

Stockholder
OnePoint Communications Corp.

We have audited the accompanying consolidated balance sheets of OnePoint Communications Corp. as of December 31, 1997 and 1998, and the related consolidated statements of operations, comprehensive income, unitholders'/stockholder's equity (deficit) and cash flows for the period from March 14, 1996 (inception) to December 31, 1996 and the years ended December 31, 1997 and 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Mid-Atlantic Telcom Plus, LLC, an investment in a 41.4% owned unconsolidated subsidiary, which statements reflect total assets of $48.0 million and $57.2 million as of December 31, 1997 and 1998, respectively, and total revenues of $14.0 million and $16.5 million for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to data included for Mid-Atlantic Telcom Plus, LLC, is based solely on the report of the other auditors.

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

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material aspects, the consolidated financial position of OnePoint Communications Corp. at December 31, 1997 and 1998, and the results of its operations and cash flows for the period from March 14, 1996 (inception) to December 31, 1996, and for the years ended December 31, 1997 and 1998, in conformity with generally accepted accounting principles.

/s/ Ernst & Young, LLP

February 12, 1999, except for the
fourth paragraph of Note 10 as to
which the date is March 5, 1999
and Note 21 as to which the date
is March 30, 1999.
Vienna, Virginia

OnePoint Communications Corp.
Consolidated Statements of Operations
(Dollars in thousands, except per share data)

	Period from March 14, 1996 (inception) to December 31, 1996	Year Ended December 31, 1997	Year Ended December 31, 1998
Revenue	$ –	$ 43	$ 6,953
Cost of revenue	–	83	8,765
Gross margin loss	–	(40)	(1,812)
Expenses:			
Selling, general and administrative	2,021	12,788	27,873
Depreciation and amortization	19	235	1,455
Loss from operations	(2,040)	(13,063)	(31,140)
Other income (expense)			
Interest income	4	72	6,042
Interest expense	–	(11)	(15,846)
Other income (loss)	–	(17)	17
	4	44	(9,787)
	(2,036)	(13,019)	(40,927)
Equity in losses of unconsolidated subsidiaries	–	(3,072)	(3,698)
Loss before extraordinary item	(2,036)	(16,091)	(44,625)
Extraordinary item gain on bond repurchases	–	–	19,799
Net loss	$ (2,036)	$ (16,091)	$ (24,826)
Basic Earnings Per Share:			
(Loss) before extraordinary item	$ (203.60)	$ (16.09)	$ (44.62)
Extraordinary item	–	–	19.80
Net (loss)	$ (203.60)	$ (16.09)	$ 24.82
Shares used in computing loss per share:			
Weighted average common shares – basic	10,000	1,000,000	1,000,000

See accompanying notes.

OnePoint Communications Corp.
Statements of Comprehensive Income
For the Period from March 14, 1996 (Inception) to December 31, 1996 and
Years Ended December 31, 1997 and 1998
(Dollars in thousands, except share data)

	Period from March 14, 1996 (Inception) to December 31, 1996	Years Ended December 31, 1997	1998
Net loss	$ (2,036)	$ (16,091)	$ (24,826)
Other comprehensive income, net of tax:			
Unrealized gain arising during the year on securities	--	--	701
Comprehensive loss	$ (2,036)	$ (16,091)	$ (24,125)

See accompanying notes.

OnePoint Communications Corp.
Consolidated Balance Sheets
(Dollars in thousands, except share data)

	December 31, 1997	December 31, 1998
Assets		
Current assets:		
Cash and cash equivalents	$ 5,463	$ 5,730
Restricted cash	--	5,199
Investment in marketable securities, current	--	13,118
Accounts receivable, net	32	2,277
Affiliate receivable	33	653
Prepaid expenses	1,131	898
Total current assets	6,659	27,875
Investment in marketable securities, non-current ($ 73,377 restricted)	--	86,705
Investments in unconsolidated subsidiaries	10,061	6,283
Property and equipment, net	2,704	10,923
Intangible assets, net	--	11,549
Other assets	257	5,972
Total assets	$ 19,681	$ 149,307
Liabilities, Redeemable Preferred Stock and Unitholders'/Stockholder's Equity/(Deficit)		
Current liabilities:		
Accounts payable and accrued expense	$ 2,797	$ 7,167
Affiliate payable	--	3,558
Accrued interest payable	11	1,701
Current portion of long term debt	--	250
Total current liabilities	2,808	12,676
Long term debt – affiliate	1,500	--
Long term debt	--	138,503
Redeemable preferred stock, $1.00 par value, 35,000 shares authorized, 35,000 shares issued and outstanding at redemption value	--	35,000
Unitholders'/Stockholder'sEquity/(Deficit):		
Unitholders' equity:		
Preferred units	33,500	--
Founder units	80	--
Notes receivable – unitholder	(80)	--
Stockholder's deficit:		
Common stock, $0.01 par value, 2,000,000 shares authorized, 1,000,000 shares issued and outstanding at December 31, 1998	--	10
Additional capital	--	5,370
Accumulated deficit	(18,127)	(42,953)
Other comprehensive income	--	701
Total unitholders'/stockholder's equity/(deficit)	15,373	(36,872)
Total liabilities, redeemable preferred stock and unitholders'/stockholder's equity/(deficit)	$ 19,681	$ 149,307

See accompanying notes.

OnePoint Communications Corp.

Consolidated Statements of Unitholders'/Stockholder's Equity/(Deficit)

(Dollars in thousands, except share data)

	Member Units				Notes				Accumulated	
	Redeemable Units		Founders Units		Receivable	Common	Additional	Accumulative	Comprehensive	Total
	Units	Amount	Units	Amount	Unitholder	Stock	Capital	Deficit	Income	Equity
March 13, 1996	–	$ –	–	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Initial capitalization	–	–	10,000	1,640	–	–	–	–	–	1,640
Unit-holder additional contributions	–	–	–	14,000	–	–	–	–	–	14,000
Net loss	–	–	–	–	–	–	–	(2,036)	–	(2,036)
Balance, December 31, 1996	–	–	10,000	15,640	–	–	–	(2,036)	–	13,604
Unitholder additional contributions	-	–	–	12,000	–	–	–	–	–	12,000
Issuance of units – 1997 recapitalization	–	–	–	80	(80)	–	–	–	–	–
1997 recapitalization (see Note 1)	199,000	33,500	791,000	(27,640)	–	–	–	–	–	5,860
Comprehensive income:										
Net loss	–	–	–	–	–	–	–	(16,091)	–	(16,091)
Balance, December 31, 1997	199,000	3,500	801,000	80	(80)	–	–	(18,127)	–	15,373
1998 recapitalization (see Note 1)	(199,000)	(33,500)	(801,000)	(80)	–	10	70	–	–	(33,500)
Unitholder payment	–	–	–	–	80	–	–	–	–	80
Warrants	–	–	–	–	–	–	5,300	–	–	5,300
Comprehensive income:										
Net (loss)	–	–	–	–	–	–	–	(24,826)	–	(24,826)
Net unrealized gain on marketable securities	–	–	–	–	–	–	–	–	701	701
Balance, December 31, 1998	–	$ –	–	$ –	$ –	$ 10	$ 5,370	$ (42,953)	$ 701	$ (36,872)

See accompanying notes.

OnePoint Communications Corp.
Consolidated Statements of Cash Flow
(Dollars in thousands)

	March 14, 1996 (inception) to December 31, 1996	Year ended December 31, 1997	1998
Operating activities			
Net loss	$ (2,036)	$ (16,091)	$ (24,826)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	19	235	1,455
Amortization of premium (discount) of securities acquired included in interest income	--	--	499
Amortization of debt discount and issuance cost included in interest expense	--	--	552
Amortization of warrants included in interest expense	--	--	63
Amortization of developer payments included in reselling costs	--	--	173
Losses in equity of interest of unconsolidated investments	--	3,072	3,698
Extraordinary gain on bond repurchases	--	--	(19,799)
Gain on investments in marketable securities	--	--	(790)
Change in allowance for doubtful accounts	--	7	777
Changes in operating assets and liabilities:			
Accounts receivable	--	(39)	(3,022)
Developer payments PCTV acquisition	--	--	(5,400)
Prepaid expenses	(11)	(1,121)	--
Other assets	(335)	79	(50)
Affiliates payable	--	--	3,558
Affiliates receivable	(84)	(51)	(620)
Accounts payable and accrued expenses	427	2,370	4,370
Accrued interest	--	11	1,690
Net cash used in operating activities	(2,020)	(11,427)	(37,672)
Investing activities			
Restricted cash, net	(13,000)	13,000	(5,199)
Acquisition of intangible assets	--	--	(4,467)
Purchase of equity investments	--	(13,133)	--
Proceeds form sale of marketable securities	--	--	85,179
Purchase of marketable securities	--	--	(184,711)
Acquisition of property and equipment	(517)	(2,440)	(9,374)
Net cash used in investing activities	(13,517)	(2,573)	(118,572)
Financing activities			
Proceeds from issuance of long-term debt	--	1,500	188,050
Repayment of long-term debt	--	--	(22,151)
Debt discount and issuance costs	--	--	(9,468)
Unitholder contributions	15,640	17,860	80
Net cash provided by financing activities	15,640	19,360	156,511
Net increase (decrease) in cash	103	5,360	267
Cash at the beginning of period	--	103	5,463
Cash at the end of period	$ 103	$ 5,463	$ 5,730

See accompanying notes.

OnePoint Communications Corp.
Notes to Consolidated Financial Statements
(Dollars in thousands, except per share data)

1. Organization and Recapitalization

Organization

OnePoint Communications Corp., (the "Company") was incorporated to provide bundled communications services including local and long distance telephony, video programming and Internet access to residents of multiple dwelling units ("MDU"). The Company has operations in a number of major markets. The Company is the successor to OnePoint Communications, L.L.C. (the "Predecessor"). The Predecessor entered into several significant contracts and began to generate revenue during the second half of 1997, and was no longer considered to be in the development stage at that time.

The Company consists of OnePoint Communications Corp., the parent and its wholly-owned subsidiaries which consist of OnePoint Communications - Colorado, L.L.C., OnePoint Communications - Illinois, L.L.C., OnePoint Communications - Georgia, L.L.C., and OnePoint Communications Holdings, L.L.C. ("OPC Holdings"). In addition, through OPC Holdings, the Company maintains (i) a 97.5% interest in VIC-RMTS-DC, L.L.C., which has been consolidated in the Company's financial statements and (ii) 41.4% interest in Mid-Atlantic Telcom Plus, L.L.C. ("Mid-Atlantic"), and a 50% interest in Mid-Atlantic Telcom Plus Interactive, LLC ("MAC Interactive") and Mid-Atlantic RMTS Holdings, L.L.C. which are accounted for under the equity method (see Note 7).

The Predecessor was initially formed in 1996 by Ventures in Communications, L.L.C. ("VIC"), which initially owned 99% of the equity interests in the Predecessor, and AMI-VCOM2, Inc. ("AMI2"), which owned the remaining 1% equity interest in the Predecessor. VIC is an affiliate of SBC Communications, Inc. ("SBC"), and 99% of the equity of VIC is owned indirectly by SBC. The remaining 1% of the equity of VIC is owned by The VenCom Group, Inc. , which is, in turn, owned by James A. Otterbeck, the Company's Chairman and Chief Executive Officer.

In October 1997, AMI2 transferred to VIC its membership units of the Predecessor, Mr. Otterbeck became a member of the Predecessor and the Predecessor was recapitalized (the "Recapitalization"). Pursuant to the Recapitalization, VIC agreed to guarantee up to $9,000 of collateralized indebtedness of the Predecessor, contributed additional capital to the Predecessor (resulting in aggregate equity contributions to the Predecessor of $33,500) and exchanged its membership interests for (i) 19.9% of the Predecessor's membership units, and a priority on the first $33,500 of distributions, (ii) a promissory note in the principal amount of $1,500 due October 15, 2007 which bore interest at 10% per annum (the "Predecessor Note"), and (iii) a warrant to purchase 5% of the common units outstanding following exercise of the warrant. In connection with the Recapitalization, Mr. Otterbeck purchased 80.1% of the Predecessor's membership units (which did not have a preferential return or priority on distributions) for an aggregate of $80 and agreed to contribute up to an additional $1,500 to the Predecessor. Mr. Otterbeck's 80.1% of the Predecessor's membership units are held by VenCom, L.L.C., a company in which Mr. Otterbeck is the sole member and manager. The parties also entered into (i) a Members Agreement that restricted the transfer of membership units and provided preemptive rights on the sale of new securities and (ii) a Registration Agreement that provided certain rights to register the Predecessor's securities under the Securities Act of 1933, as amended.

In April 1998, in order to convert the Predecessor into a corporation, VenCom, L.L.C. and VIC contributed their membership interests in the Predecessor and a $1,500 promissory note payable by the Predecessor to VIC to Ventures in Communications II, LLC ("VIC2") in exchange for membership interests of VIC2. Subsequently, the Predecessor merged with and into the Company, with the Predecessor's outstanding membership interests and its $1,500 promissory note payable to VIC exchanged for shares of the Company's common stock and preferred stock. As a result of the April 1998 merger transactions, the Company became a Delaware corporation which is a wholly owned by VIC2.

The membership interests of VIC2 are owned by VIC (19.9%) and VenCom, L.L.C. (80.1%). VIC also owns a warrant to purchase 9.9% of the membership units of VIC2. The operating agreement of VIC2 entered into in April 1998 in connection with the Recapitalization (i) imposes certain restrictions on the transfer of VIC2's membership units; (ii) grants certain participation rights in connection with a sale of membership units by a member; (iii) grants VIC certain preemptive rights with respect to VIC2 membership units in connection with issuances by

1. Organization and Recapitalization (continued)

VIC2 of membership units or issuances by the Company of common stock; (iv) grants VIC the right to require VenCom, L.L.C. to purchase all or any portion of the VIC2 membership units held by VIC; (v) grants a first refusal right to the members in connection with a transfer of VIC2 membership units and shares of the Company's common stock; (vii) requires the members to take certain actions in the event of an initial public offering by VIC2; and (viii) grants VIC the right to require VIC2 to exercise its demand and piggyback registration rights and to require VIC2 to distribute the proceeds of the resulting offering.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

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 amounts reported in the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Marketable Securities

Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designation as of each balance sheet date. Debt securities are classified as held-to-maturity when the Company has the intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost, adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in investment income. Interest on securities classified as held-to-maturity is included in investment income.

Marketable equity securities and debt securities not classified as held-to-maturity are classified as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of tax, reported in a component of comprehensive income. The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in investment income. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in investment income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in investment income.

Property and Equipment

Property and equipment are stated at cost and depreciated on the straight-line method over their estimated useful lives, ranging from 3 to 5 years. Leasehold improvements are depreciated over the shorter of their useful lives or the lease term, not to exceed 15 years. The Company classifies installed wiring and hardware costs in construction in process until the installation is completed at which time the balances are classified as leasehold improvements.

2. Significant Accounting Policies (continued)

Intangible Assets

Intangible assets consist of goodwill representing the excess of cost over net assets acquired and rights of entry ("ROE") contracts resulting from the purchase of certain assets and liabilities from Preferred Entertainment, Inc., a subsidiary of People's Choice-TV Corp.("PCTV"), deferred financing charges consisting of original issue debt discount and issuance costs related to the Company's offering of 175,000 units each consisting of $1,000 principal amount of 14 ½ % Senior Notes due 2008 (the "Senior Notes") and warrants to purchase 111,125 shares of common stock (the "Warrants") for gross proceeds of $175,000 (collectively, the "Unit Offering"). Goodwill and rights of entry contracts are amortized using the straight line method over a 15 year periods. Deferred financing charges are amortized under the effective interest method as a component of interest expense over the life of the related debt.

Research and Development

All research and development costs are charged to operations as incurred.

Revenue Recognition

The Company recognizes revenue as services are provided.

Fair Value of Financial Instruments

The Company considers the recorded value of its financial assets and liabilities, to approximate the fair value of the respective assets and liabilities at December 31, 1997 and 1998, respectively.

Stock Based Compensation

The Company has adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standard No. 123, *"Accounting for Stock-Based Compensation"* (Statement No. 123). Statement No. 123 allows companies to either account for stock-based compensation under the new provisions of Statement No. 123 or under the provisions of Accounting Principles Board Opinion No. 25, *"Accounting for Stock Issued to Employees"* (Opinion No. 25), but requires pro forma disclosures in the footnotes to the consolidated financial statements as if the measurement provisions of Statement No. 123 had been adopted. The Company intends to continue to account for its stock-based compensation in accordance with Opinion No. 25.

Marketing Costs

Marketing costs are expensed as incurred. For the period from March 14, 1996 (Inception) to December 31, 1996 and for the years ended December 31, 1997 and 1998, marketing costs were approximately $40, $484 and $1,921, respectively.

Income Taxes

The Company accounts for income taxes and the related accounts under the liability method. Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted rates expected to be in effect during the year in which the differences reverse. The Company has incurred losses for both financial and income tax reporting since inception. Accordingly, no provision or benefit for income tax has been recorded in the accompanying consolidated financial statements.

2. Significant Accounting Policies (continued)

Loss Per Share

The Company's basic loss per share calculations are based upon the weighted average of shares of common stock outstanding. The dilutive effect of stock appreciation rights are included for purposes of calculating diluted earnings per share, except for periods when the Company reported a net loss, in which case the inclusion of stock options would be anti-dilutive. Diluted loss per share is not presented for the periods ended December 31, 1996, 1997, and 1998 as the effects of potentially dilutive instruments are anti-dilutive.

Segment Reporting

In June 1997, FASB issued Statement of Financial Accounting Standards No. 131, *"Disclosures about Segments of an Enterprise and Related Information,"* (Statement No. 131) which is effective for fiscal years beginning after December 15, 1997. The Statement changes the way public companies report segment information in annual financial statements and also requires those companies to report selected segment information in interim financial statements to stockholders. The Statement also establishes standards for related disclosures regarding products and services, geographic areas and major customers. The Company adopted Statement No. 131 for the year ended December 31, 1998, resulting in additional segment disclosures as required by the Statement.

Comprehensive Income

In June 1997, FASB issued Statement of Financial Accounting Standards No. 130, *"Reporting Comprehensive Income,"* which is effective for fiscal years beginning after December 15, 1997. The Statement establishes standards for reporting of comprehensive income and its components in financial statements. The Company adopted Statement No. 130 effective the fourth quarter of the year ended December 31, 1998, and has applied its provisions retroactively as required by the Statement. The adoption of this Statement did not have a material impact on its financial position or results from operations.

Recently Issued Accounting Standards

In June 1998, The FASB issued Statement of Financial Accounting Standards No. 133, *"Accounting for Derivative Instruments and Hedging Activities"*, which requires that all derivatives be recognized as either assets or liabilities in the statement of financial position and that those instruments shall be measured at fair value. Statement No. 133 also prescribes the accounting treatment for changes in the fair value of derivatives which depends on the intended use of the derivative and the resulting designation. Designations include hedges of the exposure to changes in the fair value of a recognized asset or liability, hedges of the exposure to variable cash flows of a forecasted transaction, hedges of the exposure to foreign currency translations, and derivatives not designated as hedging instruments. Statement No. 133 is effective for fiscal years beginning after June 15, 1999. The Company expects to adopt Statement No. 133 in the first quarter of the fiscal year ending December 31, 2000; however, no disclosures are expected to be required. The Company does not believe the adoption of this Statement will have a material impact on its financial position or results from operations.

3. Acquisitions

On February 23, 1998, the Company purchased certain cable television ROE contracts and satellite cable television equipment from U.S. Online Communications, LLC. The purchase resulted in the addition of 425 cable television subscribers located in two properties in Atlanta, Georgia. The purchase price was approximately $400 in cash and was accounted for pursuant to the purchase method of accounting.

On June 9, 1998, the Company entered into a definitive agreement to acquire certain video programming ROE contracts and microwave cable television equipment of Preferred Entertainment, Inc., a subsidiary of People's Choice TV Corp. ("PCTV") , which provided contractual rights to serve 28,270 MDU in 160 properties in the Chicago market. On July 1, 1998, August 10, 1998 and October 1, 1998 the Company completed closings acquiring

(Dollars in thousands, except per share data)

3. Acquisitions (continued)

such assets of PCTV for a total consideration of $12.479 in cash. The PCTV acquisition was recorded pursuant to the purchase method of accounting.

The results of operations of these acquisitions have been included in the Company's consolidated financial statements from the date of acquisition through the end of the period presented. The Company amortizes the goodwill and other intangible assets acquired over a period of 10 to 15 years, on a straight-line basis, based on the estimated future economic benefit to the Company related to the assets acquired in connection with these transactions. The Company is not obligated to make any further payments or provide any form of additional or contingent consideration related to these acquisitions.

The following pro forma unaudited financial data is based upon the historical financial statements of the Company for the year ended December 31, 1998 adjusted to give effect to (i) the series of acquisitions of certain assets, liabilities, and operations of PCTV from July 1, 1998 through October 1, 1998; and (ii) certain purchase accounting adjustments related to the amortization of goodwill and other intangible assets acquired in connection with the PCTV series of transactions as if such transactions had occurred on January 1, 1997. The pro forma adjustments are based upon available information and certain assumptions that management believes are reasonable. The pro forma financial data does not purport to represent what the Company's operations would have actually been had such transaction in fact occurred on January 1, 1997 or to predict the Company's results of operations.

	OnePoint Communications Corp.	Adjustments to Reflect PCTV Acquisition	Pro Forma OnePoint Communications Corp.
	For the Year Ended December 31, 1997		
Revenue	$ 43	$ 5,208	$ 5,251
Loss before extraordinary items	(16,091)	(1,991)	(18,082)
Net loss	$ (16,091)	$ (1,991)	$ (18,082)
Basic loss per share	$ (16.09)		$ (18.08)
	For the Year Ended December 31, 1998		
Revenue	$ 6,953	$ 2,632	$ 9,585
Loss before extraordinary items	(44,625)	(1,519)	(46,144)
Net loss	$ (24,826)	$ (1,519)	$ (26,345)
Basic loss per share	$ (24.82)		$ (26.34)
Shares used in computing loss before extraordinary item per share (1997 and 1998)			
Weighted average common shares - Basic	1,000,000		1,000,000

(Dollars in thousands, except per share data)

4. Restricted Cash

At December 31, 1998 the Company had restricted cash of $5,000 plus accrued interest. These funds were held in this account in anticipation of meeting an equity capital call for Mid-Atlantic, pending the successful outcome of arbitration proceedings. On January 15, 1999 the Company entered into a Settlement Agreement (the "Settlement Agreement") which resolved the disputes covered by the arbitration demand (see Note 19). The Company also had $125 of restricted cash at December 31, 1998 which represented security deposits on certain leased office space.

5. Accounts Receivable

Accounts receivable consist of the following:

	December 31,	
	1997	1998
Customers	$ 39	$ 2,487
Other	--	6
Total accounts receivable	39	2,493
Allowance for doubtful accounts	(7)	(216)
Accounts receivable, net	$ 32	$ 2,277

The Company provides an allowance for doubtful accounts for accounts receivable amounts deemed uncollectible as determined by management. Activity in the allowance for doubtful accounts was as follows:

	For the Period from March 14, 1996 (inception) to December 31,	Year Ended December 31,	
	1996	1997	1998
Opening balance	$ --	$ --	$ 7
Bad debt charge-offs	--	--	(568)
Adjustments to reserves	--	7	777
Ending balance	$ --	$ 7	$ 216

(Dollars in thousands, except per share data)

6. Investments in Marketable Securities

The is a summary of marketable securities, all of which were classified as available-for-sale, as of December 31, 1998:

	Cost	Unrealized Losses	Unrealized Gains	Accrued Interest	Estimated Fair Value
Non-restricted:					
Corporate bonds	$ 13,048	$ --	$ 91	$ 188	$ 13,327
Commercial paper	12,637	--	--	121	12,758
Mutual Funds	339	--	--	21	360
Restricted:					
U.S.Treasury Notes and Securities	69,988	--	610	--	70,598
Money Market	2,780	--	--	--	2,780
	$ 98,792	$ --	$ 701	$ 330	$ 99,823

The gross realized gains on sales of available-for-sale securities totaled $916, and the gross realized losses totaled $544. The net adjustment to unrealized holding gains (losses) on available-for-sale securities included as comprehensive income in shareholders' equity totaled $701 in 1998. The Company did not hold investments in marketable securities in 1996 or 1997.

The amortized cost and estimated fair value of debt and marketable equity securities at December 31, 1998, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties. The Company's restricted securities are comprised of the Pledged Securities as discussed in Note 10. The Company has classified restricted securities with an estimated fair value of approximately $27,270 which mature within twelve months as non-current investments in the accompanying consolidated balance sheet.

	Cost	Estimated Fair Value
Due in one year or less	$ 36,969	$ 37,248
Due after one year through three years	58,704	59,435
Due after three years	--	--
	95,673	96,683
Mutual funds and money market	3,119	3,140
	$ 98,792	$ 99,823

7. Investment in Unconsolidated Subsidiaries

The Company has investments ranging from 41-50% in three companies and accounts for those investments using the equity method.

The daily operations of Mid-Atlantic are managed by an entity which owns the other 58.6% interest Mid-Atlantic. The Company maintains certain veto rights on significant transactions and as defined in the operating agreement between the unitholders.

7. **Investment in Unconsolidated Subsidiaries (continued)**

Mid-Atlantic RMTS Holdings, LLC had no material operations, assets or liabilities as of and for the period from March 14, 1996 (inception) to December 31, 1996, and for the years ended December 31, 1997 and 1998.

During 1997, the Predecessor entered into a joint venture with the entity that is the other member of Mid-Atlantic to form MAC Interactive. The initial capitalization of the joint venture was used to purchase certain assets and marketing rights. Each member owns a 50% equity interest. On January 15, 1999, the Company took over control of MAC Interactive and committed to a formal plan to terminate the joint venture as soon as practicable. The Company has estimated the loss on disposal of the assets and liabilities of the joint venture to be approximately $1,096 and that the Company's proportionate share of these losses will be approximately $548. This loss has been reflected in the accompanying financial statements as a component of losses from unconsolidated subsidiaries.

The results of operations and financial position of the Company's equity-basis affiliates are summarized below for the years ended December 31, 1997 and 1998 (in thousands):

	1997	1998
Condensed Operating Information:		
Net sales	$ 14,040	$ 16,494
Loss from operations	(3,367)	(3,919)
Net loss	(6,142)	(7,717)
Condensed Balance Sheet Information:		
Current assets	$ 1,402	$ 2,192
Non-current assets	47,380	55,183
Current liabilities	29,461	7,233
Non-current liabilities	713	34,257
Net worth	18,608	15,885

Investments in net assets of companies accounted for under the equity method was as follows:

	1997	1998
Opening Balance	$ --	$ 10,061
Purchase of equity interests	12,750	--
Equity losses of unconsolidated subsidiaries	(3,072)	(3,678)
Other investment costs	463	--
Amortization of other investment costs	(80)	(80)
Balance at December 31	$ 10,061	$ 6,283

OnePoint Communications Corp.
Notes to Consolidated Financial Statements
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8. Property and Equipment

Property and equipment consist of the following:

	December 31, 1997	December 31, 1998
Furniture and equipment	$ 462	$ 3,157
Computer equipment	738	1,942
Facility equipment	--	3,176
Vehicles	139	791
Leasehold improvements	816	1,828
	2,155	10,894
Less accumulated depreciation	(254)	(1,409)
	1,901	9,485
Construction in progress	803	1,438
	$ 2,704	$ 10,923

The Company recognized depreciation expense of $19, $235 and $1,155 in 1996, 1997 and 1998, respectively.

9. Intangible Assets

Intangible assets consist of the following as of December 31:

	1997	1998
Issuance costs and original issuance discount on Notes	$ --	$ 7,250
Goodwill	--	4,937
Other	--	30
		12,217
Accumulated amortization	--	(668)
	$ --	$ 11,549

During 1998 the Company repurchased $41,000 of its 14 ½% Senior Notes and wrote off $2,111 of issuance costs and original issuance discount on the Senior Notes, net of accumulated amortization of $107.

Amortization expense for the period from March 14, 1996 (Inception) to December 31, 1996 and for the years ended December 31, 1997 and 1998 totaled $0, $0 and $775, respectively.

Amortization related to the issuance costs and original issuance discount on the Senior Notes of $552 in 1998 was recognized as a component of interest expense.

10. Long Term Debt

Unit Offering

During May 1998, the Company offered units each consisting of $1,000 principal amount of 14½% Senior Notes due 2008 (the "Senior Notes") and Warrants to purchase 111,125 shares of common stock (the "Warrants") for gross proceeds of $175,000 (collectively, the "Unit Offering"). Each of the 175,000 Warrants entitles the holders to

(Dollars in thousands, except per share data)

10. Long Term Debt (continued)

purchase 0.635 shares of common stock of the Company at an exercise price of $0.01 per share. Unless exercised, the Warrants expire on June 1, 2008. The Warrants were valued at $5,300 based on independent appraisal thereof as of the issuance date and are reflected as an additional debt discount in the accompanying financial statements.

In connection with the Unit Offering, the Company purchased $80,500 of government securities (the "Pledged Securities") to fund the first seven scheduled interest payments on the Senior Notes. These Pledged Securities are pledged to a trustee for the benefit of the holders of the Senior Notes, and secure a portion of the Company's obligations under the indenture with respect to the Unit Offering (the "Indenture"). Pursuant to the restricted securities agreement entered into in connection with the Unit Offering, the trustee is allowed to release Pledged Securities in excess of the amount required to fund the first seven scheduled interest payments on the Senior Notes, upon request by the Company.

As of November 6, 1998, the date on which the Senior Notes and the Warrants became separable, the Company recognized a discount of $5,300 on the book value of the Senior Notes relating to the Warrants and will amortize this amount over the life of the Senior Notes. Accordingly, $63 of amortization of the discount of the Senior Notes resulting from the issuance of the Warrants has been recorded in the accompanying financial statement for the year ended December 31, 1998.

The Company completed open market purchases of Senior Notes having an aggregate principal amount of $73,250 between November 9, 1998 and March 5, 1999 at various prices for an aggregate total cost of approximately $38,355, including accrued interest and transaction fees. The Company recognized an extraordinary gain on the early extinguishment of this debt of $19,799 in the fourth quarter of 1998 and will recognize an extraordinary gain of approximately $12,417 in the first quarter of 1999. Pursuant to the restricted securities agreement entered into in connection with the Unit Offering, the trustee of the Pledged Securities released approximately $26,650 on February 24, 1999 upon request by the Company.

The Senior Notes bear interest annually at 14½% from the date of issuance. Interest payments are due on June 1 and December 1 of each year, commencing on December 1, 1998. During 1998, the Company paid $10,656 of interest related to the Senior Notes and accrued approximately $32 of liquidated damages as described below. The Company is not required to make mandatory redemption or sinking fund payments under the Senior Notes. The Senior Notes generally are not redeemable at the option of the Company at anytime prior June to 1, 2003. Thereafter, the Senior Notes will be subject to redemption at any time at the option of the Company, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set forth below, plus any unpaid interest and liquidated damages, if any.

	Percentage
June 1, 2003 to May 31, 2004	107.250%
June 1, 2004 to May 31, 2005	104.833%
June 1, 2005 to May 31, 2006	102.417%
June 1, 2006 and thereafter	100.000%

In addition, the Company may redeem up to 35% of the aggregate principal amount of issued Senior Notes at a redemption price of 114.5% of the principal amount, plus unpaid interest and liquidated damages, if any, with the net cash proceeds of one or more public or private offerings of common stock generating net cash proceeds to the Company of at least $20,000 provided at least 65% of the aggregate principal amount of Senior Notes issued remain outstanding immediately after such redemption.

In the event of a change in control, as defined in the Indenture, the Company will be required to make an offer to each holder of Senior Notes to repurchase all or any part of the Senior Notes at 101% of the aggregate principal amount, plus unpaid interest and liquidated damages, if any.

(Dollars in thousands, except per share data)

10. Long Term Debt (continued)

Amounts outstanding under the Senior Notes were $130,003, net of a discount of $3,997 relating to the value assigned to the Warrants, at December 31, 1998. Interest accrued under the Senior Notes at December 31, 1998 was $1,678.

In connection with the Unit Offering, the Company is required to comply with specified covenants described in the Indenture. These covenants include limitations on sales of subsidiaries and certain assets, mergers, and other activities.

In connection with the May 1998 Unit Offering, the Company entered into a Registration Rights Agreement (the "Registration Rights Agreement") pursuant to which it agreed to file and use its best efforts to cause to become effective the registration statement relating to an offer to exchange the Senior Notes for substantially identical notes which are not subject to restrictions on transfer that are applicable to the Senior Notes. The Company filed the registration statement on September 18, 1998, as required under the Registration Rights Agreement. The Registration Rights Agreement provides, however, that if the registration statement has not been declared effective by the Securities and Exchange Commission on or before November 17, 1998, then liquidated damages will accrue with respect to the Senior Notes. Such liquidated damages accrue at a rate of $0.05 per week per $1,000 principal amount of Senior Notes for the first 90 days beyond November 17, 1998, and thereafter increase by $0.05 per week per $1,000 outstanding principal amount of the Senior Notes each 90 day period, up to a maximum of $0.50 per week per $1,000 principal amount of Senior Notes. Liquidated damages cease to accrue when the registration statement is declared effective. As the registration statement was not declared effective by November 17, the Company accrued approximately $32 at December 31, 1998.

Term Note

On March 25, 1998, the Company entered into a term note with a bank (the "Credit Facility"). Under the terms of the Credit Facility, the Company may borrow up to $9,000. Through December 1998, the Company borrowed $8,750 with the additional $250 of availability securing a letter of credit. Principal payments begin on January 1,1999 with all balances payable on or before January1, 2003. The Credit Facility has mandatory repayment provisions upon certain events. The Credit Facility is collateralized by certain of the Company's assets and is guaranteed by SBC. As of December 31, 1998 the outstanding principal balance was $8,750 and the amount available to the Company under the Credit Facility was $0. At December 31, 1998, the Company had accrued interest of $23 on the Credit Facility.

The following future minimum debt payments are required for the Company's borrowings as of December 31, 1998:

1999	$	250
2000		500
2001		2,250
2002		3,500
2003		2,250
Thereafter		134,000
		142,750
Less remaining debt discounts attributable to warrants ssued		(3,997)
	$	138,753

11. Stockholder's Equity

Pursuant to the Company's Recapitalization as described in Note 1, the Company has authorized capital stock consisting of 2,000,000 shares of $0.01 par value common stock ("Common Stock") and 35,000 shares of $1.00 par value preferred stock ("Preferred Stock").

Upon liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to receive pro rata the assets of the Company which are legally available for distribution, after payment of all debts and other liabilities and subject to the prior rights of any holders of Preferred Stock. Each outstanding share of Common Stock is entitled to vote on all matters submitted to a vote of stockholders. Subject to the prior rights of the holders of Preferred Stock, the holders of outstanding shares of Common Stock are entitled to receive dividends as determined, from time to time, by the Board of Directors. The Indenture restricts the ability of the Company to pay dividends on the Common Stock.

The Preferred Stock is not entitled to receive dividends; however, the Company can not redeem, purchase, or otherwise acquire directly or indirectly any junior securities or pay or declare dividends or make any distribution upon any junior securities so long as the Preferred Stock is outstanding. The Preferred Stock is not entitled to vote on matters upon which holders of the Common Stock are entitled to vote unless the Company is non-compliant with certain provisions of the Company's amended and restated articles of incorporation (an "Event of Noncompliance"), at which time the holders of Preferred Stock are entitled to elect an additional member of the Board of Directors who shall have voting rights equal to the total number of board members plus one. The Preferred Stock is redeemable by the Company at any time in whole or in part, and the holders thereof have the right to demand redemption if an Event of Noncompliance occurs, at a redemption price of $1,000 per share. Upon liquidation, dissolution or winding up of the Company, each holder of Preferred Stock is entitled to be paid before any distribution or payment is made with respect to any other class of the Company's capital stock, an amount in cash equal to the aggregate liquidation value of all Preferred Stock held by such holder. "Liquidation Value" for any share of Preferred Stock is equal to $1,000. The Preferred Stock does not accrue dividends, and is not convertible into any other class of capital stock. The Preferred Stock is entitled to certain anti-dilution rights in the event of a stock split, dividend, combination, or other recapitalization.

12. Stock Appreciation Rights Plan

During 1998, the Company authorized the issuance of up to 166,669 stock appreciation rights ("SARs") pursuant to the OnePoint Stock Appreciation Rights Plan (the "Plan") and granted a total of 71,719 SARs with an exercise price of $67.50 per SAR to certain officers and employees of the Company pursuant to agreements with each grantee. All SARs issued have an expiration date of 10 years and are subject to certain vesting schedules, typically 5 years. The Company estimates the market value of SARs issued based on a capitalization of discounted cash flow valuation model, as adjusted for the current general market conditions and specific company information. No compensation expense related to these stock appreciation rights was recognized in the accompanying financial statements during 1998 as the estimated market value was substantially lower than the exercise price at date of grant. No form of stock based compensation was issued prior to 1998.

(Dollars in thousands, except per share data)

12. Stock Appreciation Rights Plan (continued)

	Period from March 14, 1996 (Inception) to December 31, 1996	Year Ended December 31, 1997	Year Ended December 31, 1998
Stock appreciation rights outstanding, beginning	–	–	–
Granted	–	–	71,719
Exercised	–	–	–
Forfeited	–	–	1,975
Stock appreciation rights outstanding, ending	–	–	69,774

The Company had no SARs that were exercisable as of December 31, 1998. The weighted average grant-date estimated market value of common stock underlying the SARs granted during the year ended December 31, 1998 was approximately $8 per share. Had the Company adopted the employee stock compensation measurement provisions of Statement No. 123, net loss and basis net loss per share, on a pro forma basis assuming no other adjustments, would have been the same as reported amounts.

The Company's estimation of the fair value of stock appreciation rights granted during 1998 was estimated on the grant date using the Black-Scholes option pricing model. The following assumptions were used for grants made in 1998: no dividend yield; zero volatility; risk-free interest rate of 6 percent; and an expected life of ten years.

13. Related Party Transactions

Affiliate Receivable

As of December 31, 1997 and 1998, the Company had receivable balances from Mid-Atlantic primarily resulting from a shared cash receipts lockbox totaling approximately $33 and $653, respectively.

Other

Certain officers of the Company are officers of VIC and VIC2.

The Company shares certain operations and billing systems with Mid-Atlantic, a company in which the Company holds a 41.4% interest. The Company paid approximately $0, $250 and $836 for services provided by this company in 1996, 1997 and 1998, respectively.

At December 31, 1997 and 1998, the Company had accrued $203 and $208 in accounts payable related to reimbursement for seconded employees provided by SBC. SBC has guaranteed certain leases and other obligations of the Company.

(Dollars in thousands, except per share data)

13. Related Party Transactions (continued)

The Company entered into a professional services agreement with The VenCom Group, Inc. in April 1998, pursuant to which The VenCom Group, Inc. provides financial and management consulting services and manages the Company's relationships with VIC2 and SBC. Under this agreement, The VenCom Group, Inc. receives an annual management fee of $750 and a fee of 2% of the amount of any capital raising activity or acquisition activity of the Company, including debt and equity placements. Fees payable under the agreement are subject to an annual cap of $900, provided that if the amount paid in any calendar year is less than $900, the annual cap in the next calendar year shall be equal to the difference between $1,800 and the amount paid in the previous calendar year and further provided that amounts owed in excess of the cap in any year may be paid in one or more subsequent years if and to the extent they are within the cap in such years. The Company accrued consulting fees payable of $3,500 from the Unit Offering, of which, approximately $3,350 remained unpaid as of December 31, 1998. Amortization of this debt issuance cost has been recognized as a component of interest expense. Under this agreement, the Company paid The VenCom Group, Inc. $900 during 1998.

14. Income Taxes

The Company was treated as a partnership for income tax purposes until incorporation in April 1998. Accordingly, no provision or benefit for income taxes has been included in the financial statement for any period prior to April 1998 as taxable income or loss passes through to and is reported by unitholders individually. As of December 31, 1998, the Company had net tax operating loss carryforwards of approximately $20.3 million, which were generated from April 1998 through December 31, 1998 will expire through 2018. Net operating loss carryforwards may be used to offset future taxable income generated by the Company. All loss carryforwards may be limited in the future in the event of significant changes in the ownership of the Company.

The Company had net deferred tax assets of approximately $8.3 million at December 31, 1998. The components of net deferred tax assets consist primarily of net operating loss carryforwards and current nondeductible reserves. The benefit of deferred tax assets are recorded to the extent that management believes the realization of such deferred tax assets to be "more likely than not." As of December 31, 1998, the Company has incurred losses since inception and management does not believe taxable income will be achieved in the near future. Accordingly, management has fully reserved the net deferred tax assets due to uncertainty of the ultimate realization of any benefit from such assets.

The effective income tax rate differs from the statutory federal income tax rate due principally to the following:

	December 31, 1998
Federal tax rate (benefit)	34.0%
State tax, net of federal tax	(7.0)
Valuation allowance	33.8
Nondeductible expenses	6.9
Change in entity tax status	(0.1)
Other	0.4
Effective rate	0.0%

(Dollars in thousands, except per share data)

14. Income Taxes (continued)

The net deferred tax liabilities in the accompanying balance sheets include the following components:

		December 31, 1998
Deferred tax asset and other temporary differences deductible in the future	$	88
Deferred tax asset for net operating loss		8,258
Valuation allowance		(8,346)
Net deferred tax liability	$	--

15. Fringe Benefit Plans

The Company has a 401(k) Savings Plan and Trust for the benefit of all employees who meet certain eligibility requirements. The plan documents provide for the Company to make defined contributions as well as matching and other discretionary contributions, as determined by the Board of Directors. The Company contributed $0, $0, and $47 to the 401(k) Savings Plan and Trust during the period from March 14, 1996 (Inception) to December 31, 1996 and for the years ended December 31, 1997 and 1998, respectively.

16. Leases

The Company currently leases office space and equipment under non-cancelable operating leases. The future minimum lease payments under non-cancelable operating leases at December 31, 1998, are as follows:

December 31,		
1999	$	1,638
2000		1,682
2001		1,736
2002		1,712
2003		1,061
Thereafter		2,190
Total	$	10,019

Most leases provide for the pass through of increases in operating expenses and real estate taxes. Rent expense for 1996, 1997 and 1998 was approximately $79, $629 and $1,107, respectively.

17. Other Information

During 1998, the Company made cash payments of $10,656 and $0 for interest and income taxes, respectively, and recapitalized long-term debt totaling $1,500 through the issuance of preferred stock. During 1996 and 1997, the Company made no cash payments for interest or income taxes.

The Company is from time to time party to litigation arising in the ordinary course of its business. The Company believes that such litigation will not have a material impact on the Company's financial position or results from operations.

17. Other Information (continued)

Approximately 0%, 50% and 70% of the Company's cost of revenues for the period from March 14, 1996 (Inception) to December 31, 1996 and for the years ended December 31, 1997 and 1998, respectively, were purchased from 5 suppliers, each of whom supplied more than 10% of the total cost of revenues during such periods.

18. Arbitration Proceedings

On August 6, 1998 the OPC Holdings made a demand for arbitration of certain disputes under the Mid-Atlantic operating agreement. The arbitration demand sought the resolution of several disputes between the parties, including among other things, whether the Company was entitled to disclose Mid-Atlantic's financial results in connection with the Company's exchange offer registration statement. On January 15, 1999 OPC Holdings, Mid-Atlantic and other related parties entered into a Settlement Agreement which resolved the disputes covered by the arbitration demand. The Settlement Agreement provides, among other things, that Mid-Atlantic would provide the necessary financial information regarding Mid-Atlantic for the exchange offer and OPC Holdings' periodic filings under the Security Exchange Act of 1934, as amended. Also as part of the Settlement Agreement, the parties agreed to the formation of a new holding company, Mid-Atlantic Telcom Plus Holding, LLC to own the membership interests of Mid-Atlantic.

19. Segment Information

The Company's reportable segments are segregated into business units that offer services to four distinct geographic regions; (i) Atlanta, Georgia and Charlotte/Raleigh/Durham, North Carolina (the "Southeast Region"), (ii) Chicago, Illinois (the "Central Region"), (iii) Denver, Colorado and Phoenix, Arizona (the "Western Region"), and (iv) Washington, DC/Baltimore, MD/Philadelphia, PA (the "Mid-Atlantic Region"). The Company's services to each segment include a combination of telephony, video and/or high-speed Internet access services.

The Company evaluates performance and allocates resources based on operating profit or loss. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. The Company and its subsidiaries carry their investments in affiliates on the equity method of accounting. Accordingly, certain segments have recognized equity in the earnings of other segments and their proportionate share of the assets and liabilities of investments in affiliates. All such amounts have been included in the reported financial information for the business segments. The Company's segments do not provide services to each other; therefore, there were no inter-segment sales or related cost of sales during the periods presented.

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19. Segment Information (continued)

The following table provides certain financial information for each business segment:

	December 31, 1996	1997	1998
Revenues:			
Central Region	$ --	$ --	$ 2,690
Mid-Atlantic Region	--	43	1,660
Southeast Region	--	--	1,670
Western Region	--	--	911
Other	--	--	22
	$ --	$ 43	$ 6,953
Loss from operations:			
Central Region	$ (663)	$ (3,138)	$ (5,817)
Mid-Atlantic Region	(556)	(4,686)	(11,772)
Southeast Region	--	(2,853)	(6,938)
Western Region	--	(2,411)	(5,585)
Other	(821)	25	(1,028)
	$ (2,040)	$ (13,063)	$ (31,140)
Identifiable assets:			
Central Region	$ 57	$ 1,039	$ 15,515
Mid-Atlantic Region	287	1,860	4,378
Southeast Region	--	595	2,206
Western Region	--	465	908
Other	13,687	15,722	126,300
	$ 14,031	$ 19,681	$ 149,307
Capital expenditures:			
Central Region	$ 8	$816	$ 4,677
Mid-Atlantic Region	172	1,004	1,200
Southeast Region	--	364	837
Western Region	--	199	390
Other	337	57	2,270
	$ 517	$ 2,440	$ 9,374
Depreciation and amortization:			
Central Region	$ --	$ 94	$ 684
Mid-Atlantic Region	2	57	287
Southeast Region	--	30	111
Western Region	--	20	74
Other	17	34	299
	$ 19	$ 235	$ 1,455

(Dollars in thousands, except per share data)

20. Consolidating Condensed Financial Statements

The Company's consolidating condensed financial statements for the (i) Company, (ii) its wholly-owned subsidiaries (OnePoint Communications-Illinois LLC, OnePoint Communications-Colorado LLC, OnePoint Communications-Georgia LLC and OnePoint Communications Holdings, LLC), on a combined basis, which are guarantors under the Senior Notes, and (iii) its majority owned subsidiary (VIC-RMTS-DC, LCC) which is a guarantor under the Senior Notes as required by the Securities and Exchange Commission's Staff Accounting Bulletin No. 53 follows.

Consolidating Condensed Balance Sheets as of December 31, 1997 and 1998

	Parent	Wholly Owned Guarantor Subsidiaries	Majority Owned Guarantor Subsidiary	Eliminations	Consolidated Total
		December 31, 1997			
Current assets	$ 5,496	$ 548	$ 615	$ --	$ 6,659
Noncurrent assets	11,462	12,543	1,245	(12,228)	13,022
Current liabilities	85	1,628	1,111	(16)	2,808
Noncurrent liabilities	1,500	--	--	--	1,500
Redeemable preferred stock	--	--	--	--	--
Minority interests	--	--	--	--	--
Total unitholders' equity	15,373	11,463	749	(12,212)	15,373
		December 31, 1998			
Current assets	$ 24,769	$ 2,141	$ 965	$ --	$ 27,875
Noncurrent assets	119,415	25,790	3,413	(27,186)	121,432
Current liabilities	7,553	4,060	1,063	--	12,676
Noncurrent liabilities	138,503	--	--	--	138,503
Redeemable preferred stock	35,000	--	--	--	35,000
Minority interests	--	--	--	--	--
Total stockholders' equity/(deficit)	(36,872)	23,871	3,315	(27,186)	(36,872)

(Dollars in thousands, except per share data)

20. Consolidating Condensed Financial Statements (continued)

Consolidating Condensed Statements of Operations
for the Period from March 14, 1996 (Inception) to December 31, 1996
and for the Years Ended December 31, 1997 and 1998

	Parent	Wholly Owned Guarantor Subsidiaries	Majority Owned Guarantor Subsidiary	Eliminations	Consolidated Total
For the Period from March 14, 1996 (Inception) to December 31, 1996					
Revenues	$ --	$ --	$ --	$ --	$ --
Cost of revenues	--	--	--	--	--
Loss from continuing operations before extraordinary items	(2,036)	(1,827)	(670)	2,497	(2,036)
Net loss	$ (2,036)	$ (1,827)	$ (670)	$ 2,497	$ (2,036)
For the Year Ended December 31, 1997					
Revenues	$ --	$ --	$ 43	$ --	$ 43
Cost of revenues	--	--	83	--	83
Loss from continuing operations before extraordinary items	(16,091)	(16,135)	(4,686)	20,821	(16,091)
Net loss	$ (16,091)	$ (16,135)	$ (4,686)	$ 20,821	$ (16,091)
For the Year Ended December 31, 1998					
Revenues	$ --	$ 5,293	$ 1,660	$ --	$ 6,953
Cost of revenues	--	5,925	2,840	--	8,765
Loss from continuing operations before extraordinary items	(44,625)	(33,567)	(11,772)	45,339	(44,625)
Net loss	$ (24,826)	$ (33,567)	$ (11,772)	$ 45,339	$ (24,826)

21. Subsequent Events

On March 30, 1999. OPC Holdings filed a demand for arbitration seeking a declaratory ruling on the equity ownership of VIC-RMTS-DC, LLC. OPC Holdings believes that the value of the assets contributed by Mid-Atlantic RMTS Holdings, LLC was sufficient to give Mid-Atlantic RMTS Holdings, LLC a 5% interest based on capital contributions through October 31, 1998. The manager of Mid-Atlantic RMTS Holdings, LLC has suggested that they are entitled to an unspecified, but higher, equity interest in VIC-RMTS-DC, LLC. OPC Holdings will be entitled only to that portion of any distributions made by VIC-RMTS-DC, LLC corresponding to its percentage equity ownership therein.

MEMORANDUM

This is a new RESELLER application.

To: Managers

From: Docket Control

Please list staff assignments.

Initial & date by your name & pass the folder to the next manager on the list.

Please note: We need a 24 hour turn around per manager.

This folder should be returned to Docket Control by March 22

Mosier	Initial ___ Date 3/18/00	**Hubbard** Initial ___ Date 3/27/00
Shand	Initial ___ Date 3/27/00	

Assigned Staff: Mosier

Assigned Staff:

DOCKET: T-03855A-00-0169

COMPANY: ONEPOINT SERVICES, L.L.C.

DBA: R.C.P. SERVICES

CASE TYPE: LX

DESC: LOCAL EXCHANGE CC&N

DO NOT REMOVE THE COPY FROM THE FOLDER! IF YOU NEED A COPY, PLEASE MAKE ONE. THANK YOU!!

3/15/00 09:05 AM

DOCKET PREPARED BY SAD

SUMMARY OF CASE
UTILTIES DIVISION

COMPLETE DOCKET NUMBER

T - 03855A - 00 - 0169

CASE_TYPE: LOCAL EXCHANGE CC&N

COMPANY: ONEPOINT SERVICES, L.L.C.
DBA: R.C.P. SERVICES

FILED_BY: JEFFREY W. CROCKETT - ATTY., ONEPOINT

PLACE: ______________ DATE: ______________

BEFORE: CHAIRMAN ______________

COMMISSIONER ______________

COMMISSIONER ______________

HEARING OFFICER ______________

APPEARANCES: (FOR APPLICANT) ______________

APPEARANCES: (IN OPPOSITION) ______________

APPEARANCES: (STAFF) ______________

DISPOSITION OF CASE: ______________

COURT REPORTER

* COMPLETE DOCKET NUMBER BREAKS DOWN INTO : DKT_TYPE - NUMBER DIV-YEAR - MATTER

REQUEST FOR HEARING DATE

DKT_TYPE -NUMBER DIV -YEAR -MATTER	COMPANY and DBA	CASE_TYPE	ASSIGNMENTS	DATE TIME HEARING	CITY/LOCATION FOR HEARING
T - 03855A - 00 - 0169	ONEPOINT SERVICES, L.L.C. R.C.P. SERVICES	LOCAL EXCHANGE CC&N	STAFF MOSIER LEGAL HEARING	ESTIMATED TIME REQUIRED	

OTHER INFORMATION:

3/15/00 HEARING, LEGAL, 3 COMMISSIONERS COPIED WITH APPLICATION

PLEASE RETURN ORIGINAL TO DOCKET CONTROL

DIVISION DIRECTOR ____________________ (SIGNATURE) ________ (DATE)

DATE SENT TO LEGAL ________

LEGAL DIVISION ____________________ (SIGNATURE) ________ (DATE)

DATE SENT TO HEARING ________

HEARING DIVISION ____________________ (SIGNATURE) ________ (DATE)