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

Also Admitted in New York and Maryland

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

May 6, 2000

#### VIA OVERNIGHT DELIVERY

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

Re: GTC Telecom

Check received with filling and forwarded to Fiscal for deposit. Fiscal to forward a cony of track to RAR with proof of deposit.

with a of person who forwarded check.

000573-TX

Dear Sir/Madam:

Enclosed please find one original and six (6) copies of GTC Telecom's Application for Authority to Provide Alternate Local Exchange Telecommunications Service Within the State of Florida.

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

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

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

Sincerely,

Attorney for GTC Telecom

Enclosures

cc: Jerry DeCiccio

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FPSC-RECORDS/REPORTING

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DATE

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Attorney for GTC Telecom

**Enclosures** 

cc: Jerry DeCiccio

# \*\* FLORIDA PUBLIC SERVICE COMMISSION DIVISION OF TELECOMMUNICATIONS BUREAU OF CERTIFICATION AND SERVICE EVALUATION

#### APPLICATION FORM

for

000573-TX

## AUTHORITY TO PROVIDE ALTERNATIVE LOCAL EXCHANGE SERVICE WITHIN THE STATE OF FLORIDA

#### **Instructions**

- ♦ This form is used as an application for an original certificate and for approval of the assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Appendix A).
- ♦ Print or type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.
- Use a separate sheet for each answer which will not fit the allotted space.
- Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of \$250.00 to:

Florida Public Service Commission Division of <u>Records and Reporting</u> 2540 Shumard Oak Blvd. Tallahassee, Florida 32399-0850 (850) 413-6770

If you have questions about completing the form, contact:

Florida Public Service Commission
Division of Telecommunications
Bureau of Certification and Service Evaluation
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850
(850) 413-6600

#### **APPLICATION**

1.	Thi	s is	s an application for √ (check one):				
	("	')	Original certificate (new company).				
	<ul> <li>Approval of transfer of existing certificate: <u>Example</u>, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.</li> </ul>						
	<ul> <li>Approval of assignment of existing certificate: <u>Example</u>, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.</li> </ul>						
	(	)	<b>Approval of transfer of control:</b> Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.				
2.	2. Name of company:						
GTC Telecom							
3.	Na	Name under which the applicant will do business (fictitious name, etc.):					
4.	<ol> <li>Official mailing address (including street name &amp; number, post office box, city zip code):</li> </ol>						
	3151 Airway Avenue; Suite P-3; Costa Mesa, CA 92626						
	-						
5.	5. Florida address (including street name & number, post office box, city, state, zip code):  None						

6.	Structure of organization:
	( ) Individual ( ) Corporation ( ✓ ) Foreign Corporation ( ) Foreign Partnership ( ) General Partnership ( ) Limited Partnership ( ) Other
7.	If individual. provide:
	Name:
	Title:
	Address:
	City/State/Zip:
	Telephone No.: Fax No.:
	Internet E-Mail Address:
	Internet Website Address:
8.	If incorporated in Florida, provide proof of authority to operate in Florida:
	(a) The Florida Secretary of State corporate registration number:
	Not applicable
9.	If foreign corporation. provide proof of authority to operate in Florida:
	(a) The Florida Secretary of State corporate registration number:  F99000000810
10.	If using fictitious name-d/b/a, provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:
	(a) The Florida Secretary of State fictitious name registration number:
No	t applicable

11.	If a limited liability partnership, provide proof of registration to operate in Florida:
	(a) The Florida Secretary of State registration number:
N	ot applicable
12.	If a partnership, provide name, title and address of all partners and a copy of the partnership agreement.
	Not applicable Name:
	Title:
	Address:
	City/State/Zip:
	Telephone No.: Fax No.:
	Internet E-Mail Address:
	Internet Website Address:
13.	If a foreign limited partnership, provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.
	(a) The Florida registration number: Not applicable
14.	Provide F.E.I. Number(if applicable):
15.	Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:
	<ul> <li>(a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. <u>Provide</u> <u>explanation</u>.</li> </ul>
No.	

	telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.				
No.					
16.	Who will serve as liaison to the Commission with regard to the following?				
	(a) The application:				
	Lance Steinhart, Esq. Name:				
	Regulatory Counsel for GTC Telecom Title:				
	Address:6455 East Johns Crossing				
	City/State/Zip:				
	Telephone No.: 770/232-9200 Fax No.: 770/232-9208				
	Internet E-Mail Address:				
	Internet Website Address:				
	(b) Official point of contact for the ongoing operations of the company:  Jerry DeCiccio  Name:				
	Chief Financial Officer Title:				
	Address:				
	City/State/Zip: Costa Mesa, CA 92626				
	Telephone No.: 714-549-7700 Fax No.: 714-549-7707				
	Internet E-Mail Address: jdeciccio@teamgtc.com				

(b) an officer, director, partner or stockholder in any other Florida certificated

Internet Website Address:				
(c) Complaints/Inquiries from customers:				
Name: Azad Robb				
Customer Service Manager Title:				
Address: 3151 Airway Avenue, Suite P-3				
City/State/Zip: Costa Mesa, CA 92626				
Telephone No.: Fax No.:				
Internet E-Mail Address:rob@teamgtc.com				
Internet Website Address: www.gtctelecom.com				
17. List the states in which the applicant:				
(a) has operated as an alternative local exchange company.				
None.				
(b) has applications pending to be certificated as an alternative local exchange company.				
(c) is certificated to operate as an alternative local exchange company.				
NY, NJ				

(d)	has been denied authority to operate as an alternative local exchange company and the circumstances involved.
None.	
(e)	has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.
None.	
(f)	has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.
None.	
40 0	

#### 18. Submit the following:

#### A. Financial capability.

The application **should contain** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated.

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer <u>affirming that the financial statements</u> <u>are true and correct</u> and should include:

- 1. the balance sheet;
- 2. income statement; and
- statement of retained earnings.

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

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

- 1. <u>written explanation</u> that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.
- 2. <u>written explanation</u> that the applicant has sufficient financial capability to maintain the requested service.
- 3. **written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations.
- B. Managerial capability: give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.
- C. Technical capability: give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.

#### \*\* APPLICANT ACKNOWLEDGMENT STATEMENT \*\*

- 1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of <u>15 of one percent</u> of gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of \$50 is required.
- 2. GROSS RECEIPTS TAX: I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.
- 3. SALES TAX: I understand that a seven percent sales tax must be paid on intra and interstate revenues.
- 4. APPLICATION FEE: I understand that a non-refundable application fee of \$250.00 must be submitted with the application.

Title	3151 Airway Avenue; Suite P-3	Telephone No. 714-549-7707
Address:		

#### ATTACHMENTS:

A - CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT

**B-INTRASTATE NETWORK** 

C - AFFIDAVIT

05/05/00 17:09 FAX 770 23 9208

LANCE STEINHART

\*\* APPENDIX C \*\*

#### **AFFIDAVIT**

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

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775,082 and s. 775,083."

Signature		Date
Jerry I	eCiccio, Chief Financial Officer	714-549-7700
Title		Telephone No
Address:	3151 Airway Avenue; Suite P-3	714-549-7707
	Costa Mesa, CA 92626	Fax No.

#### LIST OF ATTACHMENTS

FINANCIAL INFORMATION

MANAGEMENT INFORMATION

STATEMENT OF FINANCIAL CAPABILITY

#### FINANCIAL INFORMATION

#### Item 1. Financial Statements

#### GTC TELECOM CORP. **CONSOLIDATED BALANCE SHEET**

	March 31, 2000	June 30, 1999
	(Unaudited)	
ASSETS		
Current assets:		
Cash Accounts receivable	\$ 532,942 1,017,278	\$ 500 16,889
Deposits	0	35,500
Prepaid expenses	99,092	23,319
Total current assets	1,649,312	76,208
Property and equipment, net of accumulated depreciation		
of \$138,306 and \$32,186 at March 31, 2000	0.40.070	205 426
and June 30, 1999, respectively	340,073	365,126
Deposits	600,110	150,000
Other assets	50,361	68,735
Total assets	\$ 2,639,856	\$ 660,069
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued expenses	3,016,789	688,178
Accrued payroll and related taxes  Current portion of obligation under capital lease	564,354 66,836	167,508 61,198
Notes payable	273,500	25,000
Deferred income	25,862	12,482
Total current liabilities	3,947,341	954,366
Long-term liabilities:		
Obligation under capital lease, net of current portion	81,841	132,697
Total liabilities	\$ 4,029,182	\$ 1,087,063
Contingencies		
Stockholders' deficit:  Common stock, \$0.001 par value; 50,000,000 shares authorized 18,757,211 (unaudited) and 15,286,824 shares issued and	ed;	
outstanding at March 31, 2000 and June 30, 1999,	40.757	46.007
respectively Additional paid-in-capital	18,757 7,586,063	15,287 3,452,282
Accumulated deficit	(8,994,146)	
Total stockholders' deficit	(1,389,326)	(426,994)
Total liabilities and stockholders' deficit	\$ 2,639,856	\$ 660,069

#### GTC TELECOM CORP. CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Nine Month March		Three Months March 3	
	2000	1999	2000	1999
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues: Telecommunications Internet services	\$ 2,287,296 30,648	<b>\$222,535</b>	\$ 1,442,867 13,691	\$204,573 —
Net revenues	2,317,944	222,535	1,456,558	204,573
Cost of sales: Telecommunications Internet services	1,887,883 264,572	35,670	1,188,7 <i>4</i> 4 29,279	27,339
Third party verification	201,238	24,342	118,361	24,342
Total cost of sales	2,353,693	60,012	1,336,384	51,681
Gross profit/(loss)	(35,749)	162,523	120,174	152,892
Selling, general, and administrative expenses	4,997,028	2,365,424	1,827,768	1,175,758
Operating loss	(5,032,777)	(2,202,901)	(1,707,594)	(1,022,866)
Interest income/(expense)	(61,605)	4,452	(39,552)	4,402
Loss before provision for income taxes	(5,094,382)	(2,198,449)	(1,747,146)	(1,018,464)
Provision for income taxes	5,204	600	(1,704)	200
Net loss	(5,099,586)	(2,199,049)	(1,748,850)	(1,018,664)
Basic and diluted net loss per common share	\$ (0.31)	\$ (0.18)	\$ (0.10)	\$ (0.08)
Basic and diluted weighted average common shares outstanding	16,558,454	12,324,296	17,736,795	13,137,393

### GTC TELECOM CORP. CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Nine Months Ended March 31,

	***************************************	
	2000	1999
Cash Flows From Operating Activities: Net loss	\$(5,099,586)	\$ (2,199,049)
Adjustments to reconcile net loss to net cash used in operating activities: Estimated fair market value of stock issued		
for services Estimated fair market value of options granted to	1,324,522	238,600
employees for compensation Estimated fair market value of options and warrants granted to a director and consultants for services	104,022	26,400
rendered Estimated fair market value of stock issued to	425,140	889,116
employees for compensation	_	5,225
Depreciation and amortization Changes in operating assets and liabilities:	124,494	12,657
Accounts receivable and prepaid expenses	(1,040,657)	(125,935)
Accounts payable and accrued expenses	2,328,585	141,091
Accrued payroll and related taxes	396,871	8,055
Deferred income	13,380	
Net cash used in operating activities	(1,423,229)	(1,003,840)
Cash Flows From Investing Activities:		
Purchases of property and equipment	(81,068)	(139,499)
Purchase of other assets		(122,395)
Deposits	(450,110)	· · · · ·
Net cash used in investing activities	(531,178)	(261,894)
Cash Flows From Financing Activities:		
Proceeds from sale of stock, net of offering costs of \$224,110 and \$319,053 for the nine months		
ended March 31, 2000 and 1999, respectively	2,162,067	1,210,947
Borrowings on note payable to stockholder	48,500	_
Principal payments under capital lease	(45,218)	10.00
Borrowings on short term debt	250,000	 
Proceeds from exercise of stock options	71,500	57,350
Collection of stock subscription receivable, net of offering costs of \$20,525		121,975
Net cash provided by financing activities	2,486,849	1,390,272
Net increase (decrease) in cash	532,442	124,538
Cash at beginning of period	500	3,892
Cash at end of period	\$ 532,942	\$ 128,430

Supplemental disclosures of cash flow information:

Cash paid during the quarter for:

Interest \$ 57,606 \$ Income taxes \$ 5,204 \$

Supplemental disclosures on non-cash flow investing and financing activities:

During the three months ended March 31, 2000, the Company issued 55,000 shares of restricted common stock pursuant to the conversion of a note payable with a principal amount of \$50,000 and \$5,000 of interest.

During the nine months ended March 31, 1999, the Company issued 40,000 shares of restricted common stock pursuant to the conversion of a note payable in the amount of \$80,000.

The accompanying notes are an integral part of these consolidated financial statements.

#### MANAGEMENT INFORMATION

#### S. Paul Sandhu

Mr. Sandhu serves as GTC's Chairman of the Board, President and Chief Executive Officer. He has been with GTC since its inception. Mr. Sandhu has over ten (10) years experience with start-up and emerging growth companies. Mr. Sandhu was Co-Founder, President and Co-Owner of Maximum Security ("Maximum"), a Security and surveillance company he started in 1992. While at Maximum, Mr. Sandhu actively managed a staff of over 200 employees. In 1997 Mr. Sandhu sold the business to his partner.

#### **Eric Clemons**

Mr. Clemons serves as GTC's Chief Operating Officer, Secretary and Treasurer. He has been with GTC since its inception. Mr. Clemons has over eight (8) years experience with sales and marketing organizations. Mr. Clemons most recently was Vice President of Marketing for Intelligent Electronic Communications managing a staff of 50 employees. Mr. Clemons is a member of the Board of Directors.

#### Gerald DeCiccio

Mr. DeCiccio joined the Company in January 1999 as Chief Financial Officer. He has over eighteen years experience in the financial and accounting field. Prior to joining GTC, Mr. DeCiccio was the Vice President of Finance and Administration for National Telephone & Communications, Inc., ("NT&C"), a \$150 million interexchange carrier and provider of communications products and services. While at NT&C, Mr. DeCiccio managed NT&C's finance, accounting, human resources and legal departments. Between 1995 and 1997, Mr. DeCiccio was the Corporate Controller for Newport Corporation, a \$140 million multi-national manufacturer / distributor of laser and optics products. Prior to that, Mr. DeCiccio was the Director of Audit and Quality Systems for Sunrise Medical, Inc., a \$750 million multi-national manufacturer / distributor of health care products. From 1980 to 1984, Mr. DeCiccio was a Supervising Senior Accountant for Ernst and Young. He is a Certified Public Accountant in the State of California.

#### Mark Fleming

Mr. Fleming joined the Company in October 1998 as Executive Vice President. He has sixteen years of business strategy, planning, and analysis experience within the competitive consumer products / services industries. For the past seven years, Mr. Fleming worked in the telecommunications industry, holding several finance and marketing management positions at MCI. Some of the key business / operational issues that Mr. Fleming managed while at MCI included pricing strategy, market positioning, new product development, sales channel and customer service performance reviews, capital investment decisions and

overall business planning / analysis for Residential Markets and Local Services divisions.

#### Frank Naccarelli

Mr. Naccarelli joined GTC in March 1999 as its Vice President of Sales. In this role, he is responsible for leading the Company's national sales efforts with large corporate accounts, as well as the Company's Commercial Sales Agent Programs. Prior to joining the Company, Mr. Naccarelli worked with MCI / WorldCom. During his 20 year term with MCI / WorldCom, Mr. Naccarelli's duties involved responsibility for P & L management, and regional and national sales.

#### John M. Eger

Appointed to the Board on October 20, 1999. Mr. Eger is currently the holder of the prestigious Lionel Van Deerlin Endowed Chair of Communications and Public Policy at San Diego State University. He is also the President and CEO of the World Foundation for Smart Communities, a non-profit, non-governmental educational program dedicated to helping communities understand the importance of information technology as a catalyst for transforming life and work in the 21st Century. Mr. Eger formerly headed CBS Broadcast International which he established and was Senior Vice President of the CBS Broadcast Group. From 1971-1973, he was legal assistant to the chairman of the Federal Communications Commission, and from 1974-1976 served as Telecommunications Advisor to Presidents Nixon and Ford and was also the Head of the White House Office of Telecommunications Policy (OTP). Other positions Mr. Eger has held include serving as Chairman of the Board of the San Diego Processing Corporation, Chairman of San Diego Mayor Susan Golding's City of the Future Advisory Committee and Chairman of Governor Pete Wilson's California Commission on Information Technology.

#### Clay T. Whitehead

Appointed to the Board on September 16, 1998. Mr. Whitehead is currently President of Clay Whitehead Associates, a strategic consulting and business development company which concentrates on the telecommunications and media industries. Clay Whitehead Associates primarily works with large companies to develop business projects in the areas of telecommunications and television. Mr. Whitehead has participated in the formation, strategy development, regulatory posture, and financing of a number of telecommunications businesses in the United States and internationally. Mr. Whitehead has also served as a special assistant to President Nixon, with policy responsibility for NASA, the Atomic Energy Commission, and the National Science Foundation. From 1971 to 1974, he was director of the U.S. Office of Telecommunications Policy. From 1979 to 1983, Mr. Whitehead founded and was president of Hughes Communications, Inc., a subsidiary of Hughes Aircraft Company.

#### STATEMENT OF FINANCIAL CAPABILITY

GTC Telecom has sufficient financial capability to provide the requested service in the State of Florida and has sufficient financial capability to maintain the requested service and to meet its lease or ownership obligations. In support of GTC's stated financial capability, a copy of its Balance Sheet & Income Statement for the nine months ended March 31, 2000 is attached to its application. The balance sheet shows cash of over \$500,000, and the income statements for the 2 periods show that the company's revenues have increased 10 fold. GTC intends to fund the provision of service through internally generated cash flow, and as a publicly traded company, through the sale of stock. GTC also has the ability to borrow funds, if required, based upon its financial capabilities.

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

Also Admitted in New York and Maryland

Telephone: (770) 232-9200

Facsimile: (770) 232-9208

May 6, 2000

#### VIA OVERNIGHT DELIVERY

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

DEPOSIT

DATE

D293 :

EAY 12 2011

Re: GTC Telecom

0005 73-12

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

Sincerely,

GTC TELECOM CORP. 3151 AIRWAY AVENUE, SUITE P-3 COSTA MESA, CALIFORNIA 92626

DATE MARCH 02

PAY TO THE ORDER OF

FLORDIA PSC

FIFTY AND NO/100\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

SOUTHERN CALIFORNIA BANK 3800 EAST LA PALMA AVENUE ANAHEIM, CALIFORNIA 92807

FOR CLEC APPLICATION FEE

#O03495#