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Leon L. Nowalsky
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Monica Borne Haab
EllenAnn G. Sands
Bruce C. Betzer

October 3, 2001

Via Overnight Delivery

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

011330-TI

RE: **VirtualCom, Inc.**

Dear Sirs:

Enclosed please find an original and six (6) copies of Application Form for authority to provide interexchange telecommunications service within the State of Florida, submitted on behalf of VirtualCom, Inc. Also enclosed is the requisite $250.00 filing fee.

Please acknowledge receipt of this filing by returning a date stamped copy of this letter in the self-addressed envelope provided.

Thank you for your assistance. Please call with any questions.

Sincerely,

Monica Borne Haab

Enclosure

01 OCT -4 AM 9:37

DISTRIBUTION CENTER

DOCUMENT NUMBER-DATE
12608 OCT-4 01
FPSC-COMMISSION CLERK

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.
Initials of person who forwarded check: AM

** **FLORIDA PUBLIC SERVICE COMMISSION** **

DIVISION OF REGULATORY OVERSIGHT
CERTIFICATION SECTION

Application Form for Authority to Provide Interexchange Telecommunications Service Between Points Within the State of Florida

Instructions

- This form is used as an application for an original certificate and for approval of 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 Page 16).

- 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 Records and Reporting
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6770

  Note: **No filing fee is required** for an assignment or transfer of an existing certificate to another company.

- If you have questions about completing the form, contact:

  Florida Public Service Commission
  Division of Regulatory Oversight
  Certification Section
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6480

1. This is an application for √ (check one):

(X) **Original certificate** (new company).

( ) **Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.

( ) **Approval of assignment of existing certificate:** Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.

( ) **Approval of transfer of control:** Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of company:

VirtualCom, Inc.

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

Same as above. No fictitious names used.

4. Official mailing address (including street name & number, post office box, city, state, zip code):

VirtualCom. Inc.

3450 Lakeside Drive, Suite 301

Miramar, Florida 33027

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

Same as Section 4 above.

6. Select type of business your company will be conducting √ (check all that apply):

( ) **Facilities-based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.

( ) **Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.

(X) **Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.

( ) **Switchless Rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.

( ) **Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers, then offers resold service by enrolling unaffiliated customers.

( ) **Prepaid Debit Card Provider** - any person or entity that purchases 800 access from an underlying carrier or unaffiliated entity for use with prepaid debit card service and/or encodes the cards with personal identification numbers.

7. Structure of organization;

( ) Individual	(X) Corporation
( ) Foreign Corporation	( ) Foreign Partnership
( ) General Partnership	( ) Limited Partnership
( ) Other ______________________________	

8. **If individual,** provide:

Name:____
Title:____
Address:_______________________________________
City/State/Zip:____________________________________

Telephone No.:____________________ **Fax No.:**_____________
Internet E-Mail Address:_________________________________
Internet Website Address:________________________________

9. **If incorporated in Florida,** provide proof of authority to operate in Florida:

   (a) **The Florida Secretary of State Corporate Registration number:**

   ____

10. **If foreign corporation,** provide proof of authority to operate in Florida:
    Certificate of Authority attached as Exhibit A.

    (a) **The Florida Secretary of State Corporate Registration number:**
    F99000003427 (Delaware Corporation)

11. **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:**

    ____

12. **If a limited liability partnership**, provide proof of registration to operate in Florida:

    (a) **The Florida Secretary of State registration number:** __________

13. **If a partnership**, provide name, title and address of all partners and a copy of the partnership agreement.

Name:____

Title:____

Address:____
City/State/Zip:____________________________________

Telephone No.:____________________ **Fax No.:**____________
Internet E-Mail Address:______________________________
Internet Website Address:______________________________

14. **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:**______________________

15. Provide **F.E.I. Number** (if applicable): 650888693

16. Provide the following (if applicable):

(a) Will the name of your company appear on the bill for your services?
(X) Yes ( ) No

(b) If not, who will bill for your services?

Name:____
Title:____

Address:____

City/State/Zip:____________________________________

Telephone No.:____________________ **Fax No.:**____________

(c) How is this information provided?

Bills will be available electronically and mailed in paper form.

17. Who will receive the bills for your service?

( ) Residential Customers (X) Business Customers
( ) PATs providers ( ) PATs station end-users
( ) Hotels & motels ( ) Hotel & motel guests
( ) Universities ( ) Universities dormitory residents
( ) Other: (specify)__________.

18. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

Name: Monica Borne Haab

Title: Attorney - Nowalsky, Bronston & Gothard

Address: 3500 N. Causeway Blvd., Suite 1442
City/State/Zip: Metairie, Louisiana 70002

Telephone No.: (504) 832-1984 **Fax No.:** (504) 831-0892
Internet E-Mail Address: mborne@nbglaw.com
Internet Website Address:

(b) Official point of contact for the ongoing operations of the company:

Name: Daniel R. DeFazio

Title: Executive Vice President - Finance

Address: 3450 Lakeside Drive, Suite 301
City/State/Zip: Miramar, Florida 33027

Telephone No.: (954) 689-4211 **Fax No.:** (954) 689-4205
Internet E-Mail Address: ddefazio@virtual-com.net
Internet Website Address: virtual-com.net

(c) Complaints/Inquiries from customers:

Name: Esther De Jesus

Title: Director of Accounting Operations

Address: 3450 Lakeside Drive, Suite 301
City/State/Zip: Miramar, Florida 33027

Telephone No.: (954) 689-4214 **Fax No.:** (954) 689-4205
Internet E-Mail Address: edejesus@virtual-com.net
Internet Website Address: virtual-com.net

19. List the states in which the applicant:

(a) has operated as an interexchange telecommunications company.

None.

(b) has applications pending to be certificated as an interexchange telecommunications company.

None.

(c) is certificated to operate as an interexchange telecommunications company.

None.

(d) has been denied authority to operate as an interexchange telecommunications 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.

20. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.

None.

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

None.

21. The applicant will provide the following interexchange carrier services √ (check all that apply):

a.______ **MTS with distance sensitive per minute rates**

______ Method of access is FGA
______ Method of access is FGB
______ Method of access is FGD
______ Method of access is 800

b.______ **MTS with route specific rates per minute**

______ Method of access is FGA
______ Method of access is FGB
______ Method of access is FGD
______ Method of access is 800

c. X **MTS with statewide flat rates per minute (i.e. not distance sensitive)**

________ Method of access is FGA
________ Method of access is FGB
________ Method of access is FGD
________ Method of access is 800

d._______ **MTS for pay telephone service providers**

e._______ **Block-of-time calling plan (Reach Out Florida, Ring America, etc.).**

f._______ **800 service (toll free)**

g._______ **WATS type service (bulk or volume discount)**

_______ Method of access is via dedicated facilities
_______ Method of access is via switched facilities

h._______ **Private line services (Channel Services)**
(For ex. 1.544 mbs., DS-3, etc.)

I._______ **Travel service**

________ Method of access is 950
________ Method of access is 800

j.______ **900 service**

k.______ **Operator services**

________ Available to presubscribed customers
________ Available to non presubscribed customers (for example, to patrons of hotels, students in universities, patients in hospitals).
________ Available to inmates

I. **Services included are:**

_________ Station assistance
_________ Person-to-person assistance
_________ Directory assistance
_________ Operator verify and interrupt
_________ Conference calling

22. Submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.485 (example enclosed).

Tariff attached as Exhibit B.

23. Submit the following:

A. Managerial capability; give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

Attached as Exhibit C.

B. 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.

Attached as part of Exhibit C.

C. Financial capability.

The application **<u>should contain</u>** 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. Audited financial statements and credit references attached as Exhibit D.

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

1. the balance sheet;

2. income statement; and

3. 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:

All statements contained in Exhibit E.

1. **A written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

2. **A written explanation** that the applicant has sufficient financial capability to maintain the requested service.

3. **A written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

THIS PAGE MUST BE COMPLETED AND SIGNED

APPLICANT ACKNOWLEDGMENT STATEMENT

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.

3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.

4. **APPLICATION FEE:** I understand that a non-refundable application fee of $250.00 must be submitted with the application.

UTILITY OFFICIAL:

John W. Puente
Print Name

Signature

Chief Executive Officer
Title

9/19/01
Date

(954) 689-4200
Telephone No.

Fax: (954) 689 4206
Fax No.
(954) 689-4206

Address:

VirtualCom
3450 Lakeside Drive Suite 301
Miramar, FL 33027

THIS PAGE MUST BE COMPLETED AND SIGNED

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

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

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

(   ) The applicant intends to collect deposits and/or advance payments for more than one month's service and will file and maintain a surety bond with the Commission in an amount equal to the current balance of deposits and advance payments in excess of one month.
(The bond must accompany the application.)

UTILITY OFFICIAL:

John W Puente
Print Name

Signature

Chief Executive Officer
Title

9/19/01
Date

(954)689-4200
Telephone No.

(954) 689-4206
Fax No.

Address: 3450 Lakeside Dr
Suite 301
Miramar Fl 33027

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

THIS PAGE MUST BE COMPLETED AND SIGNED

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 interexchange telecommunications 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."

UTILITY OFFICIAL:

John W. Puente
Print Name

Signature

Chief Executive Officer
Title

9/19/01
Date

(954) 689 4200
Telephone No.

(954) 689 4206
Fax No.

Address:

VIRTUALCOM, INC.
3450 LAKESIDE DRIVE
SUITE 301
MIRAMAR, FL 33027

CURRENT FLORIDA INTRASTATE SERVICES

Applicant **has** (   ) or **has not** (✓) previously provided intrastate telecommunications in Florida.

If the answer is has, fully describe the following:

a) What services have been provided and when did these services begin?

b) If the services are not currently offered, when were they discontinued?

UTILITY OFFICIAL:

John W. Puente
Print Name

Signature

Chief Executive Officer
Title

9/19/01
Date

(954) 689 4200
Telephone No.

(954) 689 4206
Fax No.

Address:

VIRTUALCOM, INC.
~~3450 LAKESIDE DRIVE~~
SUITE 301
~~MIRAMAR, FL 33027~~

CERTIFICATE TRANSFER, OR ASSIGNMENT STATEMENT

I, (Name)____,

(Title)____ of
____(Name of Company)

and current holder of Florida Public Service Commission Certificate Number

_______________________, have reviewed this application and join in the petitioner's request for a:

(   ) transfer

(   ) assignment

of the above-mentioned certificate.

UTILITY OFFICIAL:

____________________	____________________
Print Name	**Signature**
____________________	____________________
Title	**Date**
____________________	____________________
Telephone No.	**Fax No.**

Address: ____

____

____

____

EXHIBIT A

CERTIFICATE OF AUTHORITY

Florida Department of State, Division of Corporations
Corporations Online
www.sunbiz.org
Public Inquiry

Foreign Profit

VIRTUALCOM WWW, INC.

Cross Reference Name

VIRTUALCOM, INC.

PRINCIPAL ADDRESS
3450 LAKESIDE DRIVE STE 301
MIRAMAR FL 33027
Changed 06/02/2001

MAILING ADDRESS
3450 LAKESIDE DRIVE STE 301
MIRAMAR FL 33027
Changed 06/02/2001

Document Number	**FEI Number**	**Date Filed**
F99000003427	650888693	06/29/1999
State	**Status**	**Effective Date**
DE	ACTIVE	NONE

Registered Agent

Name & Address
PUENTE, JOHN W 3450 LAKESIDE DRIVE STE 301 MIRAMAR FL 33027
Address Changed 06/02/2001

Officer/Director Detail

Name & Address	**Title**
PUENTE, JOHN W 6161 BLUE LAGOON DRIVE, #330	PDS

MIAMI FL 33126	
SCHUMMER, ERIC 6161 BLUE LAGOON DRIVE, #330 MIAMI FL 33126	CSSV
DEFAZIO, THOMAS 8420 NW 52ND ST MIAMI FL 33166	OCFO
PUENTE, JOHN G 6161 BLUE LAGOON DR MIAMI FL 33126	CD
DEFAZIO, DANIEL 8420 NW 52ND ST MIAMI FL 33166	OC

Annual Reports

Report Year	Filed Date	Intangible Tax
2000	03/02/2000	
2001	06/02/2001	

Previous Filing Return to List Next Filing

No Events
No Name History Information

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Corporations Inquiry **Corporations Help**

EXHIBIT B

PROPOSED TARIFF

TITLE SHEET

FLORIDA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service and facilities for telecommunications services provided by VirtualCom, Inc. with principal offices at 3450 Lakeside Drive, Suite 301, Miramar, Florida 33027. This tariff applies for services furnished within the state of Florida. This tariff is on file with the Florida Public Service Commission, and copies may be inspected, during normal business hours, at the Company's principal place of business.

CHECK SHEET

The sheets listed below, which are inclusive of this tariff, are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date of the bottom of this page.

SHEET	REVISION
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original
15	Original
16	Original
17	Original
18	Original

TABLE OF CONTENTS

SYMBOLS SHEET

The following are the only symbols used for the purposes indicated below:

D - Delete Or Discontinue

I - Change Resulting In An Increase to A Customer's Bill

M - Moved From Another Tariff Location

N - New

R - Change Resulting In A Reduction To A Customer's Bill

T - Change in Text Or Regulation But No Change In Rate Or Charge

TARIFF FORMAT SHEETS

A. Sheet Numbering - Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.

B. Sheet Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the FPSC. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc, the FPSC follows in their tariff approval process, the most current sheet number on file with the Commission is not always the tariff page in effect. Consult the Check Sheet for the sheet currently in effect.

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

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

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

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

Access Line - An arrangement which connects the customer's location to the Company's network switching center.

Authorization Code - A numerical code, one or more of which are available to a customer to enable him/her to access the carrier, and which are used by the carrier both to prevent unauthorized access to its facilities and to identify the customer for billing purposes.

Company or Carrier - Reduced Rate Long Distance, LLC

Customer - the person, firm, corporation or other entity which orders service and is responsible for payment of charges due and compliance with the Company's tariff regulations.

Day - From 8:00 AM up to but not including 5:00 PM local time Monday through Friday.

Evening - From 5:00 PM up to but not including 11:00 PM local time Sunday through Friday.

Holidays - The Company's recognized holidays are New Year's Day, Memorial Day, July 4th, Labor Day, Thanksgiving Day, Christmas Day.

Night/Weekend - From 11:00 PM up to but not including 8:00 AM Sunday through Friday, and 8:00 AM Saturday up to but not including 5:00 PM Sunday.

SECTION 2 - RULES AND REGULATIONS

2.1 **Undertaking of the Company.**

The Company's services and facilities are furnished for communications originating at specified points within the state of Florida under terms of this tariff.

The Company installs operates, and maintains the communications services provided herein in accordance with the terms and conditions set forth under this tariff. It may act as the customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the customer, to allow connection of a customer's location to the Company's network. The customer shall be responsible for all charges due for such service arrangement.

The Company's services and facilities are provided on a monthly basis unless ordered on a longer term basis, and are available twenty-four hours per day, seven days per week.

The selling of IXC telecommunication service to uncertificated IXC resellers is prohibited.

2.2 **Limitations.**

2.2.1 Service is offered subject to the availability of facilities and provisions of this tariff.

2.2.2 The Company's reserves the right to discontinue furnishing service, or limit the use of service necessitated by conditions beyond its control: or when the customer is using service in violation of the law or the provisions of this tariff.

SECTION 2 - RULES AND REGULATIONS continued

2.2 **Limitations (Cont.)**

2.2.3 All facilities provided under this tariff are directly controlled by the Company and the customer may not transfer or assign the use of service or facilities, except with the express written consent of the Company. Such transfer or assignment shall only apply where there is no interruption of the use or location of the service or facilities.

2.2.4 Prior written permission from the Company is required before any assignment or transfer. All regulations and conditions contained in this tariff shall apply to all such permitted assignees or transferees, as well as all conditions for service.

2.2.5 Customers reselling or rebilling services must have a Certificate of Public Convenience and Necessity as an interexchange carrier for the Florida Public Service Commission.

2.3 **Liabilities of the Company.**

2.3.1 The Company's liability arising out of mistakes, interruptions, omissions, delays, errors, or defects in the transmission occurring in the course of furnishing service or facilities, and not caused by the negligence of its employees or its agents, in no event shall exceed an amount equivalent to the proportionate charge to the customer for the period during which the aforementioned faults in transmission occur, unless ordered by the Commission.

2.3.2 The Company shall be indemnified and held harmless by the customer against:

(A) Claims for libel, slander, or infringement of copyright arising out of the material, data, information, or other content transmitted over the Company's facilities.

(B) All other claims arising out of any act or omission of the customer in connection with any service or facility provided by the Company.

SECTION 2 - RULES AND REGULATIONS continued

2.4 **Interruption of Service.**

2.4.1 Credit allowance for the interruption of service which is not due to The Company's testing or adjusting, negligence of the customer, or to the failure of channels or equipment provided by the customer, are subject to the general liability provisions set forth in 2.3.1 herein. It shall be the customer's obligation to notify the Company immediately of any service interruption 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, if any, furnished by the customer and connected to the Company's facilities. No refund or credit will be made for the time that the Company stands ready to repair the service and the subscriber does not provide access to the Company for such restoration work.

2.4.2 No credit shall be allowed for an interruption of a continuous duration of less than twenty-four hours after the subscriber notifies the Company.

2.4.3 The customer shall be credited for an interruption of more than twenty-four hours as follows:

Credit Formula:

Credit = A/B x C

"A" - outage time in hours
"B" - total hours in month (720 hours)
"C" - total monthly charge for affected facility

SECTION 2 - RULES AND REGULATIONS continued

2.5 Disconnection of Service by Carrier.

The Company, upon five (5) working days written notice to the customer, may discontinue service or cancel an application for service without incurring any liability for any of the following reasons:

2.5.1 Non-payment of any sum due to carrier for regulated service for more than thirty days beyond the date of rendition of the bill for such service.

2.5.2 A violation of any regulation governing the service under this tariff.

2.5.3 A violation of any law, rule, or regulation of any government authority having jurisdiction over such service.

2.5.4 The company has given the customer notice and has allowed a reasonable time to comply with any rule, or remedy, and deficiency as stated in Rule 25-4.113, F.A.C., Refusal or Discontinuance of Service by Company.

SECTION 2 - RULES AND REGULATIONS continued

2.6 **Deposits**

The Company does not require a deposit from the customer.

2.7 **Advance Payments**

For customers whom the Company feels an advance payment is necessary, the Company reserves the right to collect an amount not to exceed one (1) month's estimated charges as an advance payment for service. This will be applied against the next month's charges and if necessary a new advance payment will be collected for the next month.

2.8 **Taxes**

All state and local taxes (i.e., gross receipts tax, sales tax, municipal utilities tax) are listed as separate line items and are not included in the quoted rates.

2.9 **Billing of Calls**

All charges due by the subscriber are payable at any agency duly authorized to receive such payments. Any objection to billed charges should be promptly reported to the Company. Adjustments to customers' bills shall be made to the extent that records are available and/or circumstances exist which reasonably indicate that such charges are not in accordance with approved rates or that an adjustment may otherwise be appropriate.

SECTION 3 - DESCRIPTION OF SERVICE

3.1 Timing of Calls

3.1.1 When Billing Charges Begin and End For Phone Calls

The customer's long distance usage charge is based on the actual usage of the Company's network. Usage begins when the called party answers (i.e. when 2 way communication, often referred to as "conversation time" is possible.). When the called party answers is determined by hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. When software answer supervision is employed, up to 60 seconds of ringing is allowed before it is billed as usage of the network. A call is terminated when the calling or called party hangs up.

3.1.2 Billing Increments

The billing increments for each service is set forth in the individual product rate section.

3.1.3 Per Call Billing Charges

Billing will be rounded up to the nearest penny for each call.

3.1.4 Uncompleted Calls

There shall be no charges for uncompleted calls.

SECTION 3 - DESCRIPTION OF SERVICE continued

3.2 Calculation of Distance

Usage charges for all mileage sensitive products are based on the airline distance between rate centers associated with the originating and terminating points of the call.

The airline mileage between rate centers is determined by applying the formula below to the vertical and horizontal coordinates associated with the rate centers involved. The Company uses the rate centers that are produced by Bell Communications Research in the NPA-NXX V & H Coordinates Tape and Bell's NECA Tariff No. 4.

FORMULA:
The square root of:

$$\frac{(V1 - V2)^2 + (H1 - H2)^2}{10}$$

3.3 Minimum Call Completion Rate

A customer can expect a call completion rate (number of calls completed / number of calls attempted) of not less than 90% during peak use periods for all FG D services ("1+" dialing).

SECTION 3 - DESCRIPTION OF SERVICE continued

3.4 Service Offerings

3.4.1 **1+ Long Distance Service**

Long Distance service permits residential and business direct dialed outbound calling at a single per minute rate. Service is provided from presubscribed, dedicated or shared use access lines. Calls are billed in one minute increments.

The Company offers switched Long Distance Service to residential and business customers under the plans set forth in Section 4.1.

3.4.2 **Inbound 8XX Long Distance Service**

Inbound 8XX Long Distance Service permits residential and business inbound 800/888 calling at a single per minute rate. Service is provided from presubscribed, dedicated or shared use access lines. Calls are billed in one minute increments.

The Company offers Inbound 8XX Long Distance Service to residential and business customers under the plans set forth in Section 4.1.

3.4.3 **Travel Card Service**

Travel Card Service is a calling card service offered to residential and business customers who subscribe to the Company's Long Distance Service calling plan. Customers using the Carrier's calling card service access the service by dialing a 1-800 number followed by an account identification number and the number being called. This service permits subscribers utilizing the Carrier's calling card to make calls at a single per minute rate. Calls are billed in one minute increments.

SECTION 3 - DESCRIPTION OF SERVICE continued

3.4.4 **Operator Services**

The Company does not provide operator services at this time.

3.4.5 **Directory Assistance**

Listed telephone numbers will be provided to requesting customers at the per call charge set forth in Section 4. Customers may request up to 2 numbers per call.

SECTION 4 - RATES

4.1 1+ Long Distance Service and Inbound 8XX Service Rates

Rate Plan	Rate per minute	Usage Requirement
Option 1:	$0.160/minute	$ 0 - $ 49 per month
Option 2:	$0.1500/minute	$ 50 - $ 74 per month
Option 3:	$0.1400/minute	$ 75 - $ 99 per month
Option 4:	$0.1300/minute	$100 - $149 per month
Option 5:	$0.1200/minute	$150 - $199 per month
Option 6:	$0.1100/minute	$200 - $249 per month
Option 7:	$0.1000/minute	$250 + per month

Billed in whole minute increments.

4.2 Travel Card Service Rates

$0.25 per minute.

Billed in whole minute increments.

No Per Call Surcharge.

4.3 **Directory Assistance**

$0.85 per call. (Up to 2 requests per call.)

SECTION 4 - RATES continued

4.4 **Payment of Calls**

4.4.1 **Late Payment Charges**

- Charges of 1.5% per month will be assessed on all unpaid balances more than thirty days old.

4.4.2 **Return Check Charges**

A return check charge of $25.00 will be assessed for checks returned for insufficient funds if the face value does not exceed $50.00, $30.00 if the face value does exceed $50.00 but does not exceed $300.00, $40.00 if the face value exceeds $300.00 or 5% of the value of the check, which ever is greater.

4.5 **Special Promotions**

The company will, from time to time, offer special promotions to its customers waiving certain charges. These promotions will be approved by the FPSC with specific starting and ending dates and will be made part of this tariff.

4.6 **Special Rates For The Handicapped**

4.6.1. **Directory Assistance**

There shall be no charge for up to fifty calls per billing cycle from lines or trunks serving individuals with disabilities. The Company shall charge the prevailing tariff rates for every call in excess of 50 within a billing cycle.

4.6.2. **Hearing and Speech Impaired Persons**

Intrastate toll message rates for TDD users shall be evening rates for daytime calls and night rates for evening and night calls.

SECTION 4 - RATES continued

4.6 **Special Rates For The Handicapped** (contd.)

4.6.3. **Telecommunications Relay Service**

For intrastate toll calls received from the relay service, the Company will when billing relay calls discount relay service calls by 50 percent off of the otherwise applicable rate for a voice nonrelay call except that where either the calling or called party indicates that either party is both hearing and visually impaired, the call shall be discounted 60 percent off of the otherwise applicable rate for a voice nonrelay call. The above discounts apply only to time-sensitive elements of a charge for the call and shall not apply to per call charges such as a credit card surcharge.

4.7 **Pay Telephone (Payphone) Dial-Around Surcharge**

A $0.24 surcharge shall be assessed for each call made from a pay telephone to an 800 number or using a travel card and dialing the carrier prefix in the form 101XXXX. Although collected on the customer's bill, this charge is reimbursed to pay telephone service provider.

EXHIBIT C

MANAGEMENT PROFILES

Appendix A Management Team Profile

John G. Puente
Chairman of the Board
John G. Puente is a 40-year veteran in the telecommunications and satellite industries. He is responsible for overseeing the overall structure of the organization. A proven leader in the telecommunications field, Mr. Puente is currently Chairman of Telogy Networks, a software developer which designs and sells software utilized in IP gateways, and a Director at VIA-Networks (NASDAQ:VNWI), Primus Telecommunications (NASDAQ:PRTL) and Micors (NASDAQ:MCRS). Mr. Puente founded Digital Communications Corp., which has since been acquired by M/A-COM, a diversified telecommunications and manufacturing company. Following Digital Communications, he was a Director and held various executive positions with M/A-COM. Mr. Puente also co-founded SouthernNet, a fiber-optic based long distance communications company, later acquired by MCI. Mr. Puente also served as Chairman and CEO of Orion Network Systems, Inc., a satellite owner and operator providing global data networking solutions, subsequently purchased by Loral Space Systems.

Eric Schummer
Founder and Vice Chairman
Eric Schummer developed an IP telephony and enhanced business service model for Latin America, which led to the creation of VirtualCom in 1998. As the lead visionary, he is responsible for charting the growth strategy of the company. Mr. Schummer has over 16 years of experience working with Internet, telecommunications and defense companies in the U.S., Canada and Europe. He developed a platform for business-to-business-to-consumer communications. Patent pending on this process. He has developed strategic solutions for companies including: Litton Industries, FMC Corporation, Canadian Devices Corp., Mac Donnell Douglas, Elletronica S.p.a and Whitehead using wide-ranging technologies such as redundant fiber-optic systems, digital displays, simultaneous presentation of voice, video and data for situation and communications presentation and decision systems, data link communications, missile tele-guidance systems, and electronic warfare equipment. During his career, Mr. Schummer has been a participant in international bidding and privatization processes and has served on the board of several companies in the Venezuelan industrial sector - mainly in the salt and sugar industries. Mr. Schummer holds a Bachelor's degree in Engineering from Universidad Catolica Andres Bello, and postgraduate studies in International Finance.

John W. Puente
President and Chief Executive Officer, VirtualCom, Inc.,
Board of Directors Member
John W. Puente has been a leading force in the Latin American brokerage and telecommunications industries for twenty years. He brings extensive experience in operations and finance to his role at VirtualCom, where he is responsible for executing the company's business plan. He was Vice President of Sales for satellite communications company Loral-Orion, where he was responsible for business planning from the company's inception to the successful launch of its first satellite in 1994. In the mid-90's Mr. Puente

spearheaded Loral-Orion's Latin American business development, focusing on network services to be migrated to Orion 2 satellite. Through his efforts, Loral-Orion expanded its operations into over 15 countries in Latin America and the Caribbean, providing network services to ISPs, carriers and multinational corporations. Mr. Puente was also an Account Executive at EF Hutton in New York where he was responsible for establishing accounts and managing portfolios for corporations and individual investors. Mr. Puente holds a Bachelor's degree in Economics and a minor in Business from the University of Maryland.

Daniel DeFazio,

Executive Vice President Finance,

Dan DeFazio leads VirtualCom's financial operations. He brings to the company over 17 years of senior management experience leading investor relations, M&A activities, and executing turn around strategies and business combinations. Mr. DeFazio joined VirtualCom in May of 2000 as the Company's Vice President Controller, where he played an instrumental role in securing the Series A Financing and executing on the company's initiative to acquire EasyMail operation from AT&T in the fall of 2000. Prior to joining VirtualCom, Mr. DeFazio held several positions at Xerox Engineering Systems, a pre-IPO spin off of Xerox Corporation (NYSE:XRX), where he was instrumental developing and executing a revised business model, which resulted in a 3-fold increase in shareholder value in less than 18 months. His positions held at Xerox where as follows: Director Worldwide Finance; Controller Worldwide Operations; Manager Marketing Finance; and Acting Director Sales Operations.Mr. DeFazio was also Director of Finance, Bernard C. Harris Corporation, a leading provider in academic materials and tele-services focus directly in supporting the need of a fortune 500-customer base. Before Bernard C. Harris Corporation, Mr. DeFazio held several positions with in Pitney Bowes Corporation, most notably Manager Processing Re-engineering, where he was tasked and successfully lead the charge to re-organize and divest of Pitney Bowes interest in Dictaphone Corporation, a wholly owned subsidiary. Working with Coopers & Lybrand, Mr. DeFazio obtained his Certified Public Accountants Certificate in the State of Connecticut. Additionally he holds a Bachelor of Science degree from Ithaca College.

Arthur B. Laffer

Member of Board of Directors

Arthur B. Laffer is a world-renowned economist and government economic policy advisor, whose economic acumen and influence in triggering a worldwide tax-reduction movement in the 1980s have earned him the distinction of being considered "The Father of Supply-Side Economics." Dr. Laffer is the founder and Chairman of Laffer Associates, an economic research and consulting firm that provides investment-research services to institutional asset managers. Since its inception in 1979, the firm's research has focused on the interconnecting macroeconomic, political and demographic changes affecting global financial markets. Dr. Laffer was a member of President Ronald Reagan's Economic Policy Advisory Board for both terms of his administration. He currently sits on the board of directors of a multitude of public and private companies including: U.S. Filter Corporation (NYSE: USF), MasTec Inc. (NYSE: MTZ), Neff Corp. (NYSE: NFF), Nicholas-Applegate Mutual Funds, Nicholas-Applegate Growth Equity Fund, Coinmach

Laundry Corporation (NASDAQ: WDRY) and Oxigene Inc. (NASDAQ: OXGN).

Paul Pizzani
Member of Board of Directors
Paul Pizzani is the founder of eVentures and was Managing Director of Wasserstein Perella Emerging Markets, where he specialized in private equity investments and debt transactions. While at Wasserstein Perella, Mr. Pizzani oversaw investments in Worldly Investor.com and Kokua Communications, Inc. He previously served as Treasurer of COMSAT Corporation, where he was instrumental in establishing COMSAT International Ventures, which develops, acquires, and manages early-stage communications properties in developing markets. Mr. Pizzani was also responsible for directing investments in Latin America, Russia, Eastern Europe, India, China, and Southeast Asia. Mr. Pizzani holds a Bachelor's degree from Villanova University, and an M.B.A. from the Wharton School at the University of Pennsylvania. Mr. Pizzani is a Chartered Financial Analyst and currently serves on the board of directors at Viatel, Inc.

Michael Smith
Member of Board of Directors
Michael Smith is Chairman and President of Loquesa.com. He is a former Managing Partner of USWeb/CKS where he was responsible for managing the company's Network Solutions division and acted as a chief strategist for key accounts such as American Airlines. Prior to USWeb/CKS, Mr. Smith worked at Credit Suisse First Boston, where he managed trading technology for North America and later led the global networking efforts. Mr. Smith studied Liberal Arts at Hampshire College.

Peter Yu
Member of Board of Directors
Peter Yu is President and Chief Executive Officer of AIG Capital Partners, Inc., where he is responsible for the development and management of several AIG companies' direct investment funds worldwide. He is Chairman of the Investment Committee, which directs several AIG-sponsored funds. Prior to joining AIG, Mr. Yu served at the White House as Director of the National Economic Council, which is responsible for developing and coordinating economic policy. A graduate of Harvard Law School and a Ph.D. candidate at Harvard University, Mr. Yu has served as President of the Harvard Law Review and as a law clerk on the United States Supreme Court. Mr. Yu holds a Bachelor's degree from Princeton University's Woodrow Wilson School.

Edgar Marshall
Member of Board of Directors
Edgar Marshall is President of Productos De Acero Lamigal, C.A., a galvanizing steel plant, and Azucarera Cumanacoa, C.A. and Central Cariaco, which are sugar-refining plants. He is also the President of Mayasol, a wire forming plant, and Marshal & Asociados, an engineering and construction company focused on the petroleum and metal industries. A leader in energy and urban development for over 30 years, he has conducted seminars, negotiations and developed planning modules for cities in the U.S., Europe, Japan and Africa. Mr. Marshall holds a degree in Mechanical Engineering from Columbia

University, and a degree from Universidad Central de Venezuela and has served on the board of several companies including Corporacion Venezolana de Guyana and Fior de Venezuela.

Eduardo Benaim

Managing Director - Andean Region

Eduardo Benaim, as Managing Director of the Andean Region, is responsible for overseeing our Venezuelan and Peruvian operations. Before joining VirtualCom, he spent 15 years at various Venezuelan companies in the entertainment and telecommunications industry. Mr. Benaim holds Master Degrees in Business Administration and Chemical Engineering from the University of Tennessee.

Alejandro David Guerenstein

General Manager EasyMail Argentina

Alejandro David Guerenstein has been a part of our Argentinean operations since 1994, and currently serves as General Manager of EasyMail Argentina. In this capacity, he executes the Company's strategic and operating plans. He holds a Masters in Systems Development from the Universidad de Centro de Altos Estudios en Ciencias Exactas in Argentina.

Alan William Spencer Escobar

General Manager EasyMail Chile

Alan William Spencer Escobar oversees the Company's operations in Chile. Over the years, he has worked in the information and telecommunications industry with companies such as FirstCom/Carrier 155, currently AT &T Latin America, CTC Mundo and IBM. He is a civil engineer with a minor in electronics from the Universidad Catolica in Chile.

Javier Noguera

General Manager EasyMail Uruguay

Javier Noguera began his career with EasyMail Uruguay in 1994 as Manager of Operations and currently serves as its General Manager in charge of our operations in Montevideo and Paraguay. He is a degree in systems from the Universidad ORT in Uruguay.

EXHIBIT D

FINANCIAL DOCUMENTATION

The Company's audited financial statements for 1999 and 2000 are attached.

VirtualCom

CREDIT REFERENCE

August 23, 2001

Legal Name of Company: VirtualCom
Type of Company : Corporation
Date of Incorporation: 1-26-99 *State of Incorporation:* Delaware
Corporate Officer: John W. Puente / Daniel R. DeFazio

Tax ID#: 65-0888693 *DNB #:* *06-237-0072*
Address: 3450 Lakeside Drive, Suite 301, Miramar, Florida 33027
Telephone: (954) 689-4200 *Fax Number:* (954) 689-4205 or 4206

Nature of Business: ***Internet / Telecommunications***

Bank Information

Bank Name: *Citibank, F.S.B* *Account#:* *3200376346 / 200376362 / 3200009752*
Contact Person: *Dolores Del Castillo*
Address: *8750 Doral Boulevard, Miami, FL 33176*
Telephone Number: *(305) 470-6067*

Trade References:

Name: *AT&T* *Contact:* *Steve Finnerty*
Address: *55 Corporate Drive , Room 34D14, Bridgewater, NJ 08807*
Telephone Number: *(408) 658-2590*

Name: *Hemtech* *Contact:* *Leydon Hemsworth*
Address: *103 Margaretta Court, Staten Island, NY 10314*
Telephone Number: *(718) 815-9565*

Name: *Intelogistics* *Contact:* *Greg Cogan*
Address: *8411 W. Oakland Park Blvd., Suite 300, Ft Lauderdale, FL 33351*
Telephone Number: *(877) 453-5700*

Name: *Cort Furniture* *Contact:* *Tom Bello / Carlos Vazquez*
Address: *7748 North Kendall Drive, Miami, FL. 33156*
Telephone Number: *(305) 271-8800*

Name: *Primus Telecom* *Contact:* *Adam Stanger*
Address: *1300 Sawgrass Corporate Parkway, Suite 250, Sunrise, FL 33323*
Telephone Number: *(954) 846-1215*

Name: *Primal* *Contact:* *Susan Wright or Todd Taylor*
Address: *18881 Von Karman Avenue, Suite 450, Irvine, CA 92612*
Telephone Number: *(949) 260-1500*

VIRTUALCOM, INC.
AND SUBSIDIARIES
(A Development Stage Company)

Consolidated Financial Statements as of December 31, 2000 and 1999 and for the Year Ended December 31, 2000, the Period from January 26, 1999 (Date of Inception) to December 31, 1999 and the Period from January 26, 1999 (Date of Inception) to December 31, 2000, and Independent Auditors' Report

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Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
VirtualCom, Inc.:

We have audited the accompanying consolidated balance sheet of VirtualCom, Inc. and subsidiaries (a development stage company) (collectively, the "Company") as of December 31, 2000, the related consolidated statements of operations, stockholders' deficiency, and cash flows for the year then ended, and the related consolidated statements of operations and cash flows for the period from January 26, 1999 (date of inception) to December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The Company's consolidated financial statements as of December 31, 1999 and for the period from January 26, 1999 (date of inception) through December 31, 1999 were audited by other auditors whose report, dated June 26, 2000, expressed an unqualified opinion on those statements and contained an explanatory paragraph related to the Company's ability to continue as a going concern. The consolidated financial statements for the period from January 26, 1999 (date of inception) through December 31, 1999 reflect revenues of $32,305 and a net loss of $2,717,073. The other auditors' report has been furnished to us, and our opinion, insofar as it relates to the amounts included for such prior period, is based solely on the report of such other auditors.

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

In our opinion, based on our report and the report of other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2000, and the results of its operations and its cash flows for the year then ended, and for the period from January 26, 1999 (date of inception) to December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company is in the development stage engaged in delivering voice and enhanced business services to the North and the Latin American telecommunications marketplaces. As discussed in Note 1 to the consolidated financial statements, the Company has incurred losses since inception, and its ability to successfully complete its development program and, ultimately, obtain profitable operations is dependent upon future events, including completing product development, verifying market acceptance, achieving a level of sales adequate to support the Company's cost structure and obtaining adequate financing to fulfill its development activities, which raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Deloitte + Touche LLP

March 23, 2001

VIRTUALCOM, INC. AND SUBSIDIARIES
(A Development Stage Company)

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2000 AND 1999

ASSETS	2000	1999
CURRENT ASSETS:		
Cash and cash equivalents	$ 9,451,107	$ 225,801
Short-term investments	1,025,563	-
Accounts receivable, net of allowance for doubtful accounts of $107,150 in 2000	902,261	10,534
Prepaid expenses and other current assets	454,642	69,575
Total current assets	11,833,573	305,910
PROPERTY AND EQUIPMENT, net	2,744,242	461,249
GOODWILL, net	2,694,320	-
OTHER ASSETS	289,489	35,279
TOTAL	$ 17,561,624	$ 802,438
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
CURRENT LIABILITIES:		
Current portion of capital lease obligations	$ 413,845	$ 14,340
Accounts payable	2,676,326	1,071,177
Accrued expenses and other liabilities	1,686,599	27,905
Borrowings under revolving line of credit	500,000	-
Total current liabilities	5,276,770	1,113,422
CAPITAL LEASE OBLIGATIONS, net of current portion	525,112	30,839
Total liabilities	5,801,882	1,144,261
CONVERTIBLE REDEEMABLE PREFERRED STOCK	15,865,783	-
COMMITMENTS AND CONTINGENCIES (Notes 3, 10)		
STOCKHOLDERS' DEFICIENCY:		
Common stock, $.001 par value, 50,000,000 shares authorized, 16,798,939 outstanding in 2000	16,799	-
Common stock Class A, $.01 par value, 7,000,000 shares authorized; 6,363,636 outstanding in 1999	-	63,636
Common stock Class B, $.01 par value, 5,000,000 shares authorized; 4,308,425 outstanding in 1999	-	43,084
Common stock Class C, $.01 par value, 18,000,000 shares authorized; 2,940,995 outstanding in 1999	-	29,410
Additional paid-in capital	7,618,740	2,286,267
Stock subscription receivable	(213,636)	(63,636)
Contingently returnable shares	(341,076)	-
Deficit accumulated during the development stage	(11,276,892)	(2,717,063)
Accumulated other comprehensive income	90,024	16,479
Total stockholders' deficiency	(4,106,041)	(341,823)
TOTAL	$ 17,561,624	$ 802,438

See notes to consolidated financial statements

VIRTUALCOM, INC. AND SUBSIDIARIES
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2000, THE PERIOD FROM JANUARY 26, 1999 (DATE OF INCEPTION) TO DECEMBER 31, 1999, AND THE PERIOD FROM JANUARY 26, 1999 (DATE OF INCEPTION) TO DECEMBER 31, 2000

	Year Ended December 31, 2000	Period from January 26, 1999 (Date of Inception) to December 31, 1999	Period from January 26, 1999 (Date of Inception) to December 31, 2000
REVENUE	$ 2,688,426	$ 32,305	$ 2,720,731
OPERATING EXPENSES:			
Cost of revenue	3,888,574	388,928	4,277,502
Research and development	362,358	909,437	1,271,795
Marketing and business development	504,855	-	504,855
General and administrative	6,736,791	1,451,003	8,187,794
Total operating expenses	11,492,578	2,749,368	14,241,946
LOSS FROM OPERATIONS	(8,804,152)	(2,717,063)	(11,521,215)
INTEREST AND OTHER INCOME, net	244,323	-	244,323
NET LOSS	$ (8,559,829)	$ (2,717,063)	$ (11,276,892)

See notes to consolidated financial statements.

VIRTUALCOM, INC. AND SUBSIDIARIES
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY
YEAR ENDED DECEMBER 31, 2000 AND PERIOD FROM JANUARY 26, 1999 (DATE OF INCEPTION) TO DECEMBER 31, 1999

	Shares	Common Stock (Par Value)	Class A Common Stock (Par Value)	Class B Common Stock (Par Value)	Class C Common Stock (Par Value)	Additional Paid-In Capital	Stock Subscription Receivable	Contingently Returnable Shares	Deficit Accumulated During Development Stage	Accumulated Other Comprehensive Income	Total
Issuance of shares:											
Class A common stock	6,363,636	-	$ 63,636				$ (63,636)	-			$ -
Class B common stock	4,308,425	-	-	$ 43,084		$ 475,907	-	-			518,991
Class C common stock	2,683,680	-	-	-	$ 26,837	1,483,330	-	-			1,510,167
Class C common stock for services rendered	257,315	-	-	-	2,573	272,927	-	-			275,500
Issuance of stock options for services rendered		-	-	-	-	54,103	-	-			54,103
Comprehensive income (loss):											
Net loss		-	-	-	-	-	-	-	$ (2,717,063)		(2,717,063)
Cumulative translation adjustment		-	-	-	-	-	-	-	-	$ 16,479	16,479
Comprehensive loss		-	-	-	-	-	-	-	-	-	(2,700,584)
BALANCE AT DECEMBER 31, 1999		-	63,636	43,084	29,410	2,286,267	(63,636)	-	(2,717,063)	16,479	(341,823)
Issuance of shares:											
Conversion of notes payable into Class C common stock	321,663	-	-	-	3,217	479,278	-	-	-	-	482,495
Class C common stock	1,925,608	-	-	-	19,256	2,869,157	(150,000)	-	-	-	2,738,413
Class C common stock for services rendered	65,556	-	-	-	655	71,901	-	-	-	-	72,556
Common stock for services rendered	67,915	$ 68	-	-	-	125,828	-	-	-	-	125,896
Common stock	38,396	38	-	-	-	48,917	-	-	-	-	48,955
Common stock for acquisition	725,929	726	-	-	-	1,509,206	-	-	-	-	1,509,932
Contingently returnable stock		-	-	-	-	-	-	$ (341,076)	-	-	(341,076)
Common stock in exchange for assets	40,815	41	-	-	-	84,854	-	-	-	-	84,895
Conversion of Class A, B and C common stock into a single class of common stock		15,926	(63,636)	(43,084)	(52,538)	143,332	-	-	-	-	-
Comprehensive income (loss)											
Net loss		-	-	-	-	-	-	-	(8,559,829)	-	(8,559,829)
Cumulative translation adjustment		-	-	-	-	-	-	-	-	73,545	73,545
Comprehensive loss		-	-	-	-	-	-	-	-	-	(8,486,284)
BALANCE AT DECEMBER 31, 2000		$ 16,799	$ -	$ -	$ -	$7,618,740	$ (213,636)	$ (341,076)	$ (11,276,892)	$ 90,024	$ (4,106,041)

See notes to consolidated financial statements.

VIRTUALCOM, INC. AND SUBSIDIARIES
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2000, THE PERIOD FROM JANUARY 26, 1999 (DATE OF INCEPTION) TO DECEMBER 31, 1999, AND THE PERIOD FROM JANUARY 26, 1999 (DATE OF INCEPTION) TO DECEMBER 31, 2000

	Year Ended December 31, 2000	Period from January 26, 1999 (Date of Inception) to December 31, 1999	Period from January 26, 1999 (Date of Inception) to December 31, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (8,559,829)	$ (2,717,063)	$ (11,276,892)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	798,004	70,777	868,781
Bad debt expense	107,150	-	107,150
Common stock issued for services	198,451	329,603	528,054
Changes in assets and liabilities:			
Increase in accounts receivable	(288,877)	(10,534)	(299,411)
Increase in prepaid and other assets	(400,703)	(105,924)	(506,627)
Increase in accounts payable, accrued expenses and other liabilities	821,833	1,099,082	1,920,915
Net cash used in operating activities	(7,323,971)	(1,334,059)	(8,658,030)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(1,132,195)	(475,266)	(1,607,461)
Purchase of short-term investments	(1,020,500)	-	(1,020,500)
Acquisition of business, net of cash acquired	(738,093)	-	(738,093)
Net cash used in investing activities	(2,890,788)	(475,266)	(3,366,054)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of capital lease obligations	(274,232)	(10,511)	(284,743)
Proceeds from revolving line of credit and long-term debt	505,111	-	505,111
Proceeds from issuance of preferred stock, net of offering costs	15,865,783	-	15,865,783
Proceeds from issuance of common stock, net of offering costs	3,269,858	2,029,158	5,299,016
Net cash provided by financing activities	19,366,520	2,018,647	21,385,167
EFFECT OF EXCHANGE RATE ON CASH	73,545	16,479	90,024
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,225,306	225,801	9,451,107
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	225,801	-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 9,451,107	$ 225,801	$ 9,451,107
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION:			
Cash paid for interest	$ 108,066	$ 6,616	$ 114,682
Assets acquired under capital lease agreements	$ 596,015	$ 55,690	$ 651,705
Assets acquired in exchange for common stock	$ 84,895		$ 84,895
ACQUISITION:			
Goodwill recorded	$ 2,986,949		$ 2,986,949
Fair value of assets acquired	2,219,000		2,219,000
Liabilities assumed	(3,299,000)		(3,299,000)
Common stock issued, net of contingently returnable shares	(1,168,856)		(1,168,856)
	$ 738,093		$ 738,093

See notes to consolidated financial statements.

VIRTUALCOM, INC. AND SUBSIDIARIES
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business - VirtualCom, Inc. and subsidiaries (the "Company") was incorporated in Delaware on January 26, 1999 to deliver voice and enhanced business services to the North and the Latin American telecommunications marketplaces. The Company currently provides Voice Over Internet Protocol (VOIP) telephony services in Venezuela, Peru and the United States and corporate data services in Chile, Argentina, Paraguay and Uruguay. The Company is continuing to build out its VOIP and data services infrastructure and business relationships throughout its defined marketplaces in order to create a platform on which to develop and deliver its enhanced business services.

The Company is in the development stage and is devoting substantially all of its efforts to establish its enhanced business services offerings and as such its planned principal operations have not fully commenced. Successful completion of the Company's development program and, ultimately, the attainment of profitable operations is dependent upon future events, including maintaining adequate financing to fulfill its development activities and achieving a level of revenue adequate to support the Company's cost structure.

Basis of Presentation - The consolidated financial statements include the accounts of VirtualCom, Inc. and its wholly-owned subsidiaries. All significant intercompany balances and transactions are eliminated.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the financial statements, the Company has incurred losses since inception of approximately $11.3 million. In addition, the Company has not yet completed product development or verified market acceptance.

These factors, among others, may indicate that the Company will be unable to continue as a going concern for a reasonable period of time. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. The Company's continuation as a going concern is dependent upon future events, including completing product development, verifying market acceptance, achieving a level of sales adequate to support the Company's cost structure and obtaining adequate financing. The Company is in the process of obtaining additional financing and reducing its operating expenses. However, there can be no assurance that the Company will be successful with such efforts or that the ultimate financing proceeds will prove to be adequate.

Revenue Recognition - The Company recognizes revenue upon delivery of services. Associated costs are recognized as incurred. Service revenue consists of fees charged for terminating VOIP traffic and providing electronic data interchange services.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements* ("SAB 101"), providing guidance with respect to revenue recognition issues and disclosures. The Company believes that its existing accounting policies comply with the requirements of this published guidance.

Use of Estimates - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"). In preparing the financial statements, management is required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the balance sheet, and revenues and expenses for the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include financial instruments with an original maturity of three months or less.

Short-Term Investments - Short-term investments at December 31, 2000 consist of a certificate of deposit with an original maturity greater than three months, but less than one year. The carrying amount of the investment approximates fair value due to its short maturity.

Property and Equipment - Property and equipment are stated at cost. Property and equipment under capital leases are stated at the present value of minimum lease payments.

Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years. Property and equipment held under capital leases and leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset.

Software development costs are capitalized in accordance with Statement of Position No. 98-1 ("SOP 98-1"), *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, which was issued by the American Institute of Certified Public Accountants ("AICPA") in 1998. SOP 98-1 requires the Company to capitalize certain payroll and payroll-related costs and other costs that are directly related to the development of certain systems of the Company. The Company amortizes these costs on a straight-line basis over a period of three years, beginning upon completion of the development software. All costs that are not capitalized under SOP 98-1 are recorded as research and development expense.

Goodwill - Goodwill, which represents the excess of purchase price over the fair value of net assets acquired, is amortized on a straight-line basis over five years. Amortization expense related to goodwill amounted to $296,845 in 2000.

Stock-Based Compensation - The Company accounts for stock-based compensation paid to employees using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25 ("APB Opinion 25"), *Accounting for Stock Issued to Employees*. Compensation for stock options granted to employees, if any, is measured as the excess of the market price of the Company's stock at the date of grant over the amount the employee must pay to purchase the stock. Compensation expense related to options granted to non-employees is calculated using the fair-value based method of accounting described below. Any compensation expense related to such grants are deferred and amortized to expense over the vesting period of the related options.

Statement of Financial Accounting Standards No. 123 ("SFAS No. 123"), *Accounting for Stock-Based Compensation*, established accounting and disclosure requirements using a fair-value based method of accounting for stock-based employee compensation plans. The Company has elected to remain on its current method of accounting as described above for stock options granted to employees, and has adopted the disclosure-only requirements of SFAS No. 123.

Research and Development Costs - Research and development costs include costs of internally generated research and development activities. All research and development costs are charged to operations in the period incurred.

Comprehensive Income - Other comprehensive income (loss) refers to revenues, expenses, gains and losses that under generally accepted accounting principles are included in comprehensive income (loss) but are excluded from net income (loss) as these amounts are recorded directly as an adjustment to stockholders' equity. The Company's other comprehensive income (loss) is comprised of foreign currency translation adjustments.

Foreign Currency Translation - The Company's Uruguayan subsidiary uses the U.S. Dollar as its functional currency. Accordingly, a combination of current and historical rates is used in translating these financial statements. Foreign currency gains and losses resulting from the translation of this subsidiary's financial statements are reflected in the statements of operations.

The assets and liabilities of all other Non-U.S. subsidiaries are translated into U.S. dollars using year-end exchange rates, while operating results are translated using the average exchange rate for the period. The resulting translation adjustments are included as a component of accumulated other comprehensive income in stockholders' equity.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of - The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of.* This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is determined by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If the carrying value of the assets exceeds such cash flows, the assets are considered impaired. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded during 2000 and 1999.

Income Taxes - The Company accounts for income taxes by utilizing the asset and liability method. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. A valuation allowance is provided for deferred tax assets if it is more likely than not that these items will either expire before the Company is able to realize their benefit, or that future deductibility is prohibited or uncertain.

Recent Accounting Pronouncements - In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, *Accounting for Derivative Financial Instruments and for Hedging Activities* ("SFAS 133"), which provides a comprehensive standard for the recognition and measurement of derivatives and hedging activities. SFAS 133 is effective for fiscal years beginning after June 15, 2000. SFAS 133 did not have a material impact on the Company's results of operations or financial condition when adopted on January 1, 2001 as the Company holds no derivative financial instruments and does not currently engage in hedging activities.

Reclassifications - Certain amounts in the prior year's financial statements have been reclassified to conform to current year presentation.

2. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2000 and 1999 is comprised of the following:

	2000	1999
Network equipment and software	$ 1,717,781	$ 525,956
Furniture, fixtures and office equipment	1,453,935	5,000
Leasehold improvements	86,786	-
Building and improvements	57,802	-
Total	3,316,304	530,956
Less accumulated depreciation and amortization	(572,062)	(69,707)
Property and equipment, net	$ 2,744,242	$ 461,249

The cost of assets held under capital leases at December 31, 2000 and 1999 totaled $651,705 and $55,690, respectively.

Depreciation expense for the year ended December 31, 2000 and the period from January 26, 1999 to December 31, 1999 was $519,214 and $69,707, respectively.

3. LEASES

The Company leases certain property and equipment under various operating and capital lease arrangements that expire over the next 10 years.

On December 21, 1999, the Company obtained a lease commitment which allows the Company to lease equipment worth up to $250,000. During 2000, this commitment was increased to $1.0 million. As of December 31, 2000, approximately $550,000 of this commitment has been utilized to lease equipment associated with the Company's infrastructure build-out throughout North and Latin America.

At December 31, 2000, payments due under capital leases and future minimum annual lease payments under noncancelable operating lease agreements having initial terms in excess of one year are as follows:

Fiscal Year	Capital Leases	Noncancelable Operating Leases
2001	$ 505,834	$ 503,166
2002	316,045	343,114
2003	70,744	208,617
2004	54,000	209,933
2005	54,000	-
Thereafter	252,000	-
Total minimum lease payments	1,252,623	$1,264,830
Less amount representing interest	(313,666)	
Present value of net minimum capital lease payments	938,957	
Less current portion	(413,845)	
Long-term portion	$ 525,112	

Rental expense under operating leases for the year ended December 31, 2000 and the period from January 26, 1999 to December 31, 1999 was $238,972, and $39,620, respectively.

4. REVOLVING LINE OF CREDIT

On November 7, 2000, the Company obtained a revolving line of credit for $1.0 million to fund working capital needs. The line of credit is secured by the $1.0 million certificate of deposit and bears interest at a rate of 2% over the stated interest rate on the certificate of deposit. The Company must pay a fixed fee on the unused portion of the commitment. Borrowings under the line of credit aggregated $500,000 at December 31, 2000. This line of credit expires on November 29, 2001.

5. INCOME TAXES

The Company has not provided for income taxes since its inception as a result of net losses incurred. At December 31, 2000, the Company has a net operating loss carryforward of approximately $8.5 million expiring between 2019 and 2020, which may be available to offset future taxable income. A valuation allowance has been recorded to fully reserve the net deferred tax asset of approximately $3.3 million created principally as a result of the net operating loss carryforwards.

6. ACQUISITION

On June 30, 2000, the Company, through a wholly owned subsidiary, acquired all of the outstanding stock of Easymail Chile S.A. ("Easymail"), a provider of electronic data interchange services and Internet access. The Company's management believes that the integration of Easymail will further assist in the development and commercialization of its products. The Company acquired Easymail for approximately $500,000 in cash (net of cash acquired) and the issuance of 725,929 shares of common stock having a fair value of approximately $1.5 million. The acquisition was accounted for under the purchase method of accounting. Accordingly, Easymail's results of operations are included in the consolidated statements of operations beginning from the date of acquisition. The excess of the purchase price over the identifiable net assets (goodwill) amounted to approximately $3.0 million and is being amortized over five years using the straight-line method. Pursuant to the provisions of the stock purchase agreement, the Company holds 422,499 shares in escrow having a fair value of approximately $879,000 to satisfy certain contingencies. In accordance with the stock purchase agreement, the Company expects to recover approximately 164,000 of the shares held in escrow, valued at approximately $341,000, in order to satisfy operating liabilities which were not stipulated in the agreement. This amount has been recorded as contingently returnable shares in the consolidated balance sheet to offset the total amount of stock issued for the acquisition. Additionally, the Company is attempting to recover approximately $850,000 in cash for operating liabilities not stipulated in the agreement that were not provided for through shares held in escrow. The potential recovery of the $850,000 has not been recognized in the accompanying consolidated financial statements.

The unaudited pro forma financial information of the Company as if the above acquisition had occurred on January 1, 1999 is as follows:

	2000	1999
Revenue	$ 4,828,978	$ 3,482,908
Net loss	$ (9,321,729)	$ (4,256,246)

7. STOCK OPTION AND BENEFIT PLANS

Stock Option Plans - During 1999, the Company adopted the 1999 Stock Option Plan (the "Option Plan"). Officers, key employees and non-employee consultants may be granted stock options, stock appreciation rights, stock awards, performance shares and performance units under the Option Plan. The Company has reserved 3,500,000 common shares for issuance under the Option Plan, subject to further antidilution adjustments.

The Company's Board of Directors administered the Option Plan until the establishment of the Compensation Committee (the "Committee"). The Board of Directors or the Committee is authorized to determine, among other things, the key employees to whom, and the time at which, options and other benefits are to be granted, the number of shares subject to each option, the applicable vesting schedule and the exercise price. The Board of Directors or the Committee also determines the treatment to be afforded to a participant in the Option Plan in the event of termination of employment for any reason, including death, disability or retirement. Under the Option Plan, the maximum term of both incentive stock options and nonqualified stock options is ten years.

The Board of Directors has the power to amend the Option Plan from time to time. Shareholder approval of an amendment is only required to the extent that it is necessary to maintain the Option Plan's status as a protected plan under applicable securities laws or the Option Plan's status as a qualified plan under applicable tax laws.

Options to purchase an aggregate of 2,836,250 shares have been granted to employees at a weighted average exercise price equal to $1.22 per share through December 31, 2000. These options have a life of ten years and vest in equal amounts over a three-year term. During 1999, an additional 150,000 options were granted to consultants as payment for services rendered, and 500,000 options were granted to a shareholder. The options granted to the shareholder had a life of 6 months and expired during 2000.

The stock option transactions related to the Option Plan previously described are summarized as follows:

	2000		1999	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	2,027,000	$0.84	-	$ -
Granted	1,434,250	1.84	2,052,000	0.84
Exercised	-	-	-	-
Canceled	(539,750)	1.95	(25,000)	0.84
Outstanding at end of year	2,921,500	$1.23	2,027,000	$ 1.68

The following table summarizes information regarding outstanding options at December 31, 2000:

Exercise Prices	Options Outstanding	Weighted Average Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.30	612,000	8.09		374,000	
$0.40	415,000	8.31		362,500	
$1.35	600,000	8.78		483,333	
$1.50	460,000	9.27		254,167	
$2.08	834,500	9.74		340,567	
	2,921,500	8.91	$ 1.23	1,814,567	$ 1.11

Accounting for Stock-Based Compensation - The Company applies APB Opinion No. 25, and related interpretations, in accounting for its Option Plan. Accordingly, no compensation expense has been recognized for options granted under the Plan. Had compensation expense been determined based upon the fair value at the grant dates for the awards under the Option Plan consistent with the methods prescribed by SFAS No. 123, the Company's net loss, on a pro forma basis, for the year ended December 31, 2000 and the period from January 26, 1999 to December 31, 1999 would have been as follows:

	2000	1999
As reported net loss	$ (8,559,829)	$ 2,717,063
Pro forma net loss	$ (8,877,895)	$ 2,811,372

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of future amounts. The Company anticipates that additional awards will be granted in future years.

The fair value of each option grant under the Company's Stock Plans is estimated on the date of grant using the Black-Scholes option-pricing model. The weighted-average fair value of stock options granted during 2000 and 1999 was $0.41 and $0.84, respectively. The following weighted average assumptions were used for grants for the year ended December 31, 2000 and the period from January 26, 1999 to December 31, 1999:

	2000	1999
Dividend yield	None	None
Volatility	0.01 %	0.01 %
Risk-free interest rate	6.4 %	6.0 %
Expected life	4 years	10 years

8. STOCKHOLDERS' EQUITY

In conjunction with the private offering of the Company's Series A Convertible Preferred Stock, the Company, on July 17, 2000, amended its certificate of incorporation to change the number and classes of authorized shares of the Company. As part of this amendment, the Company increased the number of authorized shares of its common stock to 70.0 million consisting of: (i) 50.0 million shares of common stock, par value $0.001 per share; and (ii) 20.0 million shares of preferred stock, par value $0.001 per share. All previously authorized and issued shares of Class A Common Stock, par value $0.01 per share, Class B Common Stock, par value $0.01 per share, and Class C Common Stock, par value $0.01 per share, were automatically converted to a like number of shares of the newly authorized and issued common stock.

9. REDEEMABLE CONVERTIBLE PREFERRED STOCK OFFERING

Between July 14, 2000 and November 30, 2000, the Company completed a private offering of the Company's Series A Redeemable Convertible Preferred Stock ("Series A Preferred Stock") at the price of $2.45 per share. The Company sold 6,519,186 shares for aggregate net proceeds of approximately $15.9 million.

The Series A Preferred Stock rank senior to the Company's Common Stock both as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution or winding up of the Company. On the anniversary date of purchase, each Series A Preferred Shareholder shall receive an annual dividend equal to 7% of such holder's issued and outstanding Series A Preferred Stock, in the form of additional shares of Series A Preferred Stock. The Series A Preferred Stock has a liquidation preference over the Common Stock and upon liquidation will be paid prior to any distribution against the Common Stock. The shareholders of the Series A Preferred Stock and the holders of the Common Stock shall vote as a single class on all matters of the Company.

Each share of the Series A Preferred Stock is convertible at the option of the holder thereof, at any time, into one share of Common Stock of the Company, par value $0.001 per share, subject to adjustment under certain anti-dilution conditions. All Series A Preferred Stock will be automatically converted into Common Stock upon completion of a registered public offering of Common Stock. On or after July 15, 2005, holders of a majority of the outstanding shares of Series A Preferred Stock may elect to have the Company redeem all of the then outstanding shares of preferred shares for an amount per share equal to the liquidation value at the date of redemption. Accordingly, the Series A Preferred Stock is not presented as equity in the consolidated balance sheet.

The provisions of the Stock Purchase Agreement between the Company and the Preferred shareholders require that the Company will issue additional shares of Series A Preferred Stock to the shareholders of record if the Company does not meet prescribed gross revenue targets for the year ended December 31, 2000. Such gross revenue targets were not met and, as a result, the Company will be issuing an additional 1,629,797 Series A Preferred Stock to the Series A Preferred shareholders of record.

10. COMMITMENTS AND CONTINGENCIES

Employment Contracts - The Company has entered into employment contracts with several of its key executive officers and employees for periods up to three years. Such agreements include provisions for severance amounts equal to a multiple of defined compensation for a period of up to one year after termination. In the event of termination of all executives under such agreements, the Company would be required to make total payments of approximately $535,000. Subsequent to December 31, 2000, the Company terminated two employees covered under these agreements. Payments associated with these agreements, totaling approximately $150,000, will be paid out over the 12-month period commencing March 1, 2001. The Company is required to pay an additional $150,000 to these employees in the event that the Company obtains additional financing.

Legal - The Company is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

11. RELATED PARTIES

On January 6, 2000, the Company issued notes payable of $475,000, which are convertible into common stock at a conversion price of $1.50 per share. The loans have a stated interest rate of 8% and were issued with detachable warrants to purchase a total of 31,667 shares of the Company's common stock at a price of $1.50 per share. The notes and related accrued interest totaling $482,495 were converted, in their entirety, into 321,663 shares of the Company's common stock during 2000.

On March 31, 2000, the Company accepted a $150,000, two-year promissory note from a director in lieu of cash to purchase shares of the Company's common stock. The note bears interest at a rate of 6.45%; interest is compounded semiannually and is payable upon maturity of the note, unless the director serves on the board of directors for the entire term of the note, upon which condition the note is automatically renewed for an additional two years. This note was recorded as a stock subscription receivable offsetting equity in the consolidated balance sheet.

* * * * * *

EXHIBIT E

CAPABILITY STATEMENTS

1. Although a development stage company, the Applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served. This is evidenced by its assets set forth in its audited financial statements.

2. The Applicant will maintain the requested services revenue generated from its current and ongoing operations. The Company also has access to a revolving line of credit as set forth in its audited financial statements.

3. The Company has sufficient financial capability to meet its lease and ownership obligations.