



September 17, 1996  
OVERNIGHT

210 N. Park Ave.  
P.O. Drawer 200  
Winter Park, FL  
32790-0200

Florida Public Service Commission  
Division of Administration, Room G-50  
101 East Gaines Street  
Tallahassee, FL 32399-0850

Tel: 407-740-8575  
Fax: 407-740-0613

RE: Initial Application and Tariff of HLC - Internet,  
Incorporated for Authority to Provide Interexchange  
Telecommunications Services within the State of  
Florida.

Dear Sir/Madam:

Enclosed for filing are the original and twelve (12) copies  
of the above-referenced application of HLC - Internet,  
Incorporated.

Also enclosed is Technologies Management, Inc. check  
#14725, in the amount of \$250, to cover the filing fee.

Please acknowledge receipt of this filing by returning,  
filed stamped, the extra copy of this letter in the  
self-addressed stamped envelope provided for that purpose.

I may be reached at (407) 740-8575 with any questions,  
comments or correspondence regarding this application.  
Thank you for your assistance.

Sincerely,

Thomas M. Forte  
Consultant to HLC - Internet, Incorporated

Enclosures

cc: T. Lera - HLC  
to file: HLC - FL  
TMX# FL96000

96 SEP 18 AM 10:16  
MAIL ROOM

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:  
*A.J.*

DOCUMENT NUMBER-DATE

09939 SEP 18 96

FPSC-RECORDS/REPORTING



September 17, 1996  
OVERNIGHT

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P.O. Drawer 200  
Winter Park, FL  
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Florida Public Service Commission  
Division of Administration, Room G-50  
101 East Gaines Street  
Tallahassee, FL 32399-0850

961137-71

DEPOSIT TREAS. REC. DATE

D376 SEP 18 '96

RE: Initial Application and Tariff of HLC - Internet, Incorporated for Authority to Provide Interexchange Telecommunications Services within the State of Florida.

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Consultant to HLC - Internet, Incorporated

96 SEP 18 AM 10:16  
TELEPHONE ROOM

Enclosures

cc: T. Lera - HLC  
to file: HLC - FL  
TMX# FL96000

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Fiscal to forward a copy of check to RAR with proof of deposit.  
initials of person who forwarded check:  
A.J.

FLORIDA PUBLIC SERVICE COMMISSION

Application Form

for

Authority to Provide Interexchange Telecommunications Service

Between Points Within the State of Florida

To: Florida Public Service Commission  
Division of Records and Reporting  
101 East Gaines Street  
Tallahassee, Florida 32399-0850  
(904) 488-4733

This package includes the original and twelve (12) copies of the application along with a non-refundable application fee of \$250.00.

FILE COPY

1. This is an application for:

961137-71

- (X) Original Authority (new company)
- ( ) Approval of transfer (to another certificated company)
- ( ) Approval of assignment of existing certificate (to a noncertificated company)
- ( ) Approval for transfer of control (To another certificated company).

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

- ( ) **Facilities based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.
- ( ) **Alternative Operator Service** - company provides or plans to provide alternative operator services for IXC's; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.
- ( ) **Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.
- (X) **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.
- ( ) **Call aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers associated with such aggregated telecommunications business.

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

HLC - Internet, Incorporated

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

HLC - Internet, Incorporated

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

HLC - Internet, Incorporated  
19800 MacArthur Boulevard, Suite 700  
Irvine, California 92715  
Telephone: (714) 474-4950  
Facsimile: (714) 474-8127  
Toll Free: (800) 915-5515

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

Same as above.

7. **Structure of organization:**

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

8. **If applicant is an individual or partnership, please give name, title and address of sole proprietor or partners.**

Not applicable.

- (a) **Provide proof of compliance with the foreign partnership statute (Chapter 620.169 FS), if applicable.**

- (b) **Indicate if the individual or any of the partners have previously been:** Not Applicable.

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

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

9. If incorporated, please give:

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

Corporate charter number: F96000003461

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

C T Corporation System  
1200 South Pine Island Road  
Plantation, Florida 33324

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

Fictitious name registration number: Not applicable.

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

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

No officer, director or stockholder of the company has been adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime. No officer, director or stockholder of the company are involved in proceedings which may result in such action.

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

No officer, director or stockholder of the company is an officer, director, partner or stockholder in any other Florida certificated telephone company.

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

(a) The application:

Thomas M. Forte  
Consultant to HLC - Internet, Incorporated  
Technologies Management, Inc.  
P.O. Drawer 200  
Winter Park, FL 32790-0200  
Telephone: (407) 740-8575  
Facsimile: (407) 740-0613

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

Scott Purcell - President  
HLC - Internet, Incorporated  
19800 MacArthur Boulevard, Suite 700  
Irvine, California 92715  
Telephone: (714) 474-4950  
Facsimile: (714) 474-8127  
Toll Free: (800) 915-5515

(c) Tariff:

Thomas M. Forte  
Consultant to HLC - Internet, Incorporated  
Technologies Management, Inc.  
P.O. Drawer 200  
Winter Park, FL 32790-0200  
Telephone: (407) 740-8575  
Facsimile: (407) 740-0613

(d) Complaints/Inquiries from customers:

Customer Service Manager  
HLC - Internet, Incorporated  
19800 MacArthur Boulevard, Suite 700  
Irvine, California 92715  
Toll Free: (800) 915-5515  
Facsimile: (714) 474-8127

11. List the states in which the applicant:

(a) Has operated as an interexchange carrier.

None.

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

HLC presently has applications pending in Illinois, Indiana and Wisconsin. The company plans on filing nationwide by the end of 1996.

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

None.

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

None.

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

None.

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

None.

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

- |  |                                    |
|--|------------------------------------|
| <input type="checkbox"/> Facilities                                  | <input type="checkbox"/> Operators |
| <input type="checkbox"/> Billing and Collection                      | <input type="checkbox"/> Sales     |
| <input type="checkbox"/> Maintenance                                 |                                    |
| <input type="checkbox"/> Other: <u>None anticipated at this time</u> |                                    |

13. Do you have a marketing program?

Yes.



14. Will your marketing program:

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

15. Explain any of the offers checked in question 13 (to whom, what amount, type of franchise, etc.).

HLC plans to market services through sales agents and direct telemarketing.

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

- Residential customers
- Business customers
- PATS providers
- PATS station end-users
- Hotels & motels
- Hotel & motel guests
- Universities
- Univ. dormitory residents
- Other:(specify) Anyone who uses the company's service

17. Please provide the following (if applicable):

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

Yes, HLC - Internet, Incorporated will appear on the bill received by the Customer.

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

The company will provided its own billing services.

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

See Attachment II.

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

- MTS with distance sensitive per minute rates
  - Method of access is FGA
  - Method of access is FGB
  - Method of access is FGD
  - Method of access is 800
- MTS with route specific rates per minute
  - Method of access is FGA
  - Method of access is FGB
  - Method of access is FGD
  - Method of access is 800
- MTS with statewide flat rates per minute (i.e. not distance sensitive)
  - Method of access is FGA
  - Method of access is FGB
  - Method of access is FGD
  - Method of access is 800
- MTS for pay telephone service providers.
- Block of time calling plan (Reach Out Florida, Ring America, etc.)
- 800 Service (toll free)
- WATS type service (Bulk or volume discount)
  - Method of access is via dedicated facilities
  - Method of access is via switched facilities
- Private line services (Channel Services)  
(For ex. 1.544 mbps, DS-3, etc.)
- Travel service
  - Method of access is 950
  - Method of access is 800
- 900 service
- Operator Services
  - Available to presubscribed customers
  - Available to non presubscribed customers (for example, patrons of hotels, students in universities, patients in hospitals.
  - Available to inmates
- Services included are:
  - Station assistance
  - Person to person assistance
  - Directory assistance
  - Operator verify and interrupt
  - Conference calling

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

For direct dialed calls:


1 + Destination #, 10XXX + Destination # or 10XXXX + Destination #.

**Other:**

Appropriate operator services will be provided by the LEC or the underlying carrier and billed by either party on their own bill. The charges rendered by either party will be at rates filed with the Florida Public Service Commission and HLC will not be remunerated in any way.

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 one and one-half percent, or currently applicable rates, on all intra and interstate business.
3. SALES TAX: I understand that a seven percent sales tax, or other currently applicable percentage, must be paid on intra and interstate revenues.
4. APPLICATION FEE: A non-refundable application fee of \$250.00 must be submitted with the application.
5. LEC BYPASS RESTRICTIONS: I acknowledge the Commission's policy that interexchange carriers shall not construct facilities to bypass the LECs without first demonstrating to the Commission that the LEC cannot offer the needed facilities at a competitive price and in a timely manner.
6. RECEIPT AND UNDERSTANDING OF RULES: I acknowledge receipt and understanding of the Florida Public Service Commission's Rules and Orders relating to my provision of interexchange telephone service in Florida. I also understand that it is my responsibility to comply with all current and future Commission requirements regarding interexchange telephone service.
7. ACCURACY OF APPLICATION: By my signature below, I attest to the accuracy of the information contained in this application and associated attachments.

  
\_\_\_\_\_  
Scott Purcell  
President  
HLC - Internet, Incorporated

9/13/96  
Date

APPENDICES

- A - Certificate of Transfer Statement
- B - Customer deposits and advance payments
- C - Intrastate network
- D - Florida telephone exchanges and EAS routes
- E - Glossary

ATTACHMENTS:

- I - Florida Secretary of State Registration
- II - Proposed Tariff
- III - Financial Statements
- IV - Resumes

APPENDIX A

CERTIFICATE OF TRANSFER STATEMENT

I, \_\_\_\_\_, current holder of certificate  
number \_\_\_\_\_, have reviewed this application and join in  
the petitioner's request.

**NOT APPLICABLE**

\_\_\_\_\_  
Signature of owner or chief  
officer of the certificate  
holder.

Title: \_\_\_\_\_

Date: \_\_\_\_\_

APPENDIX B

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

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

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

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

By



Scott Purcell  
President  
HLC - Internet, Incorporated

Date: \_\_\_\_\_

9/13/96

APPENDIX C

INTRASTATE NETWORK

1. POP: Addresses where located, and indicate if owned or leased.

1) None. 2)

3) 4)

2. SWITCHES: Address where located, by type of switch and indicate if owned or leased.

1) None. 2)

3) 4)

3. TRANSMISSION FACILITIES: POP-to-POP facilities by type of facilities (microwave, fiber copper, satellite, etc.) and indicate if owned or leased.

	<u>POP-to-POP</u>	<u>TYPE</u>	<u>OWNERSHIP</u>
1)	None		
2)			
3)			

HLC does not maintain any points of presence, switches or transmission facilities within the State of Florida. Originating calls are transported over facilities provided by HLC's underlying carrier(s).

4. **ORIGINATING SERVICE:** Please provide a list of exchanges where you are proposing to provide originating service within thirty (30) days after the effective date of the certificate. (Appendix D)

Statewide.

5. **TRAFFIC RESTRICTIONS:** Please explain how the applicant will comply with the EAEA requirements contained in Commission Rule 25-24.471 (4) (a) (copy enclosed).

Not applicable for 1+ calls.

6. **CURRENT FLORIDA INTRASTATE SERVICES:** Applicant has ( ) or has not (X) 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 service begin?

Not applicable.

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

Not applicable.

By



Scott Purcell  
President  
HLC - Internet, Incorporated

Date:

9/13/96



APPENDIX D

FLORIDA TELEPHONE EXCHANGES AND EAS ROUTES

Describe the service area in which you hold yourself out to provide service by telephone company exchange. If all services listed in your tariff are not offered at all locations, so indicate.

In an effort to assist you, attached is a list of major exchanges in Florida showing the small exchanges with which each has extended area service (EAS).

Jacksonville  
Gainesville  
Daytona Beach  
Ocala  
Orlando  
Cocoa  
Melbourne  
West Palm Beach  
Miami  
Pensacola  
Panama City  
Tallahassee  
Titusville

Tampa  
Clearwater  
St. Petersburg  
Lakeland  
Winter Park  
Ft. Lauderdale  
Pompano Beach  
Hollywood  
North Dade  
Sarasota  
Ft. Myers  
Naples

HLC intends to offer service throughout the State of Florida.

By



Scott Purcell  
President  
HLC - Internet, Incorporated

Date: \_\_\_\_\_

9/13/86

ATTACHMENT I

AUTHORITY TO OPERATE IN FLORIDA



**FLORIDA DEPARTMENT OF STATE**  
**Sandra B. Mortham**  
Secretary of State

July 9, 1996

**CT CORPORATION SYSTEM**

Qualification documents for HLC - INTERNET, INCORPORATED were filed on July 9, 1996 and assigned document number F96000003461. Please refer to this number whenever corresponding with this office.

Your corporation is now qualified and authorized to transact business in Florida as of the file date.

A corporation annual report will be due this office between January 1 and May 1 of the year following the calendar year of the file date. A Federal Employer Identification (FEI) number will be required before this report can be filed. If you do not already have an FEI number, please apply NOW with the Internal Revenue by calling 1-800-829-3676 and requesting form SS-4.

Please be aware if the corporate address changes, it is the responsibility of the corporation to notify this office.

Should you have any questions regarding this matter, please telephone (904) 487-6091, the Foreign Qualification/Tax Lien Section.

Jennifer Sindt  
Document Examiner  
Division of Corporations

Letter Number: 296A00033337

**APPLICATION BY FOREIGN CORPORATION FOR AUTHORIZATION  
TRANSACT BUSINESS IN FLORIDA**

IN COMPLIANCE WITH SECTION 607.1503, FLORIDA STATUTES, THE FOLLOWING IS  
SUBMITTED TO REGISTER A FOREIGN CORPORATION TO TRANSACT BUSINESS IN THE  
STATE OF FLORIDA:

1. HLC-Internet, Incorporated  
(Name of corporation: must include the word "INCORPORATED", "COMPANY", "CORPORATION", or words or  
abbreviations of like import in language as will clearly indicate that it is a corporation instead of a natural person  
or partnership if not so contained in the name at present.)

2. California (State or country under the law of which it is incorporated)      3. 330602148 (FEI number, if applicable)

4. February 24, 1994 (Date of incorporation)      5. Perpetual (Duration: Year corp. will cease to exist or "perpetual")

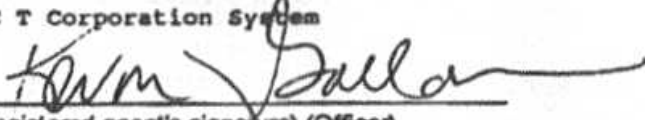
6. May 1, 1996  
(Date first transacted business in Florida. (See sections 607.1501, 607.1502, and 817.156, F.S.))

7. 19800 MacArthur Blvd., Suite 700, Irvine, California 92715  
(Current mailing address)

8. See attached purpose clause  
(Purpose(s) of corporation authorized in home state or country to be carried out in the state of  
Florida)

9. Name and street address of Florida registered agent:  
Name: C T Corporation System  
Office Address: c/o C T Corporation System, 1200 South Pine  
Island Road  
Plantation, Florida, 33324  
(Zip Code)

10. Registered agent acceptance:  
*Having been named as registered agent and to accept service of process for the above stated corporation at the place  
designated in this application. I hereby accept the appointment as registered agent and agree to act in this capacity. I  
further agree to comply with the provisions of all statutes relative to the proper and complete performance of my duties,  
and I am familiar with and accept the obligation of my position as registered agent.*

C T Corporation System  
  
(Registered agent's signature) (Officer)  
By: Kevin J. Gallagher  
Asst. Vice President  
(Type Name and Title of Officer)

FILED  
SECRETARY OF STATE  
DIVISION OF CORPORATIONS  
96 JUN -9 PM 12:11

**ATTACHMENT II**  
**PROPOSED TARIFF**

TITLE PAGE  
FLORIDA TELECOMMUNICATIONS TARIFF  
OF  
HLC - INTERNET, INCORPORATED

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of resold telecommunication services provided by HLC - Internet, Incorporated with principal offices located at 10345 West Olympic Boulevard, Los Angeles, California, 90064-2524. 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.

---

ISSUED: September 18, 1996

EFFECTIVE:

Issued by: Thomas Lera, Regulatory Manager  
19800 MacArthur Boulevard, Suite 700  
Irvine, California 92715

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**CHECK SHEET**

This tariff contains Sheets 1 through 35 inclusive, each of which is effective as of the date shown on each sheet. Original and revised pages as named below comprise all changes from the original tariff.

SHEET	REVISION	SHEET	REVISION
1	Original *	31	Original *
2	Original *	32	Original *
3	Original *	33	Original *
4	Original *	34	Original *
5	Original *	35	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 *		
19	Original *		
20	Original *		
21	Original *		
22	Original *		
23	Original *		
24	Original *		
25	Original *		
26	Original *		
27	Original *		
28	Original *		
29	Original *		
30	Original *		

\* - Indicates new or revised sheet with this filing

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ISSUED: September 18, 1996

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Issued by: Thomas Lera, Regulatory Manager  
19800 MacArthur Boulevard, Suite 700  
Irvine, California 92715

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19800 MacArthur Boulevard, Suite 700  
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**SYMBOLS**

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.

When changes are made in any tariff sheet, a revised sheet will be issued canceling the tariff sheet affected. Changes will be identified on the revised sheet(s) through the use of the above mentioned symbols.

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ISSUED: September 18, 1996

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Irvine, California 92715

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**TARIFF FORMAT**

- A. **Sheet Numbering** - Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between 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 pages in effect. Consult the check sheet for sheet currently in effect.
- C. **Paragraph Numbering Sequence** - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:
- 2.
  - 2.1.
  - 2.1.1.
  - 2.1.1.A.
  - 2.1.1.A.1.
  - 2.1.1.A.1.(a).
  - 2.1.1.A.1.(a).I.
  - 2.1.1.A.1.(a).I.(i).
  - 2.1.1.A.1.(a).I.(i).(1).
- D. **Check Sheets** - When a tariff filing is made with the 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 the check sheet 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.

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ISSUED: September 18, 1996

EFFECTIVE:

Issued by: Thomas Lera, Regulatory Manager  
19800 MacArthur Boulevard, Suite 700  
Irvine, California 92715

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**SECTION 1.0 - TECHNICAL TERMS AND ABBREVIATIONS****1.1 Abbreviations**

The following abbreviations are used herein only for the purposes indicated below:

C.O.	-	Central Office
Corp.	-	Corporation
FCC	-	Federal Communications Commission
FPSC	-	Florida Public Service Commission
IXC	-	Interexchange Carrier
LATA	-	Local Access and Transport Area
LEC	-	Local Exchange Carrier
MTS	-	Message Telecommunications Service
PBX	-	Private Branch Exchange

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**SECTION 1.0 - TECHNICAL TERMS AND ABBREVIATIONS, (CONT'D.)**

**1.2 Definitions**

**Access Line** - An arrangement which connects the Subscriber's or Customer's location to the Carrier's designated point of presence or network switching center.

**Authorized User** - A person, firm or corporation, or any other entity authorized by the Customer or Subscriber to communicate utilizing the Company's services.

**Carrier or Company** - HLC - Internet, Incorporated unless otherwise indicated by the context.

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**SECTION 1.0 - TECHNICAL TERMS AND ABBREVIATIONS, (CONT'D.)**

**1.2 Definitions, (Cont'd.)**

**Customer** - The person, firm or corporation, or other entity which orders, cancels, amends, or uses service and is responsible for the payment of charges and/or compliance with tariff regulations.

**Customer Premises Equipment** - Terminal equipment, as defined herein, which is located on the Customer's premises.

**Dedicated Access** - See Special Access Origination/Termination.

**HLC** - Used throughout this tariff to refer to HLC - Internet, Incorporated unless otherwise indicated by the text.

**Special Access Origination/Termination** - Where originating or terminating access between the Customer and the interexchange carrier is provided on dedicated circuits. The LEC provides these dedicated circuits from the Customer's location to the Company's point of presence. The rates and charges for dedicated circuits are determined by the LEC and the Customer is responsible for payment of these charges to the LEC.

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**SECTION 2.0 - RULES AND REGULATIONS****2.1 Undertaking of HLC**

HLC is a resale common carrier providing intrastate direct dialed (1+) services to Customers within the State of Florida.

HLC services and facilities are furnished for communications originating at specified points within the State of Florida under terms of this tariff.

HLC provides for the installation, operation, and maintenance of the communications services provided herein in accordance with the terms and conditions set forth under this tariff. HLC 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 HLC services. The Customer shall be responsible for all charges due for such service arrangement.

The Company's services is provided on a monthly basis unless otherwise provided, and are available twenty-four (24) hours per day, seven (7) days per week.

**2.2 Applicability of Tariff**

This tariff is applicable to telecommunications services provided by HLC within the state of Florida.

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**SECTION 2.0 - RULES AND REGULATIONS, (CONT'D.)****2.3 Payment and Credit Regulations****2.3.1 Payment Arrangements**

The Customer is responsible for payment of all charges for services and equipment furnished to the Customer for transmission of calls via the Company. The Customer agrees to pay to the Company or its authorized agent any cost(s) incurred as a result of any delegation of authority resulting in the use of his or her communications equipment and/or network services which result in the placement of calls via the Company. The Customer agrees to pay the Company or its authorized agent any and all cost(s) incurred as a result of the use of the service arrangement, including calls which the Customer did not individually authorize.

All charges due by the Customer are payable to the Company or any agency duly authorized to receive such payments. Terms of payment shall be according to the rules and regulations of the agency and subject to the rules of regulatory agencies, such as the Florida PSC. Any objections to billed charges must be promptly reported to the Company or its billing agent. Adjustments to Customers' bills shall be made to the extent that circumstances exist which reasonably indicate that such changes are appropriate.

Charges for installations, service connections, moves, and rearrangements, where applicable, are payable upon demand by the Company or its authorized agent. The billing thereafter will include recurring charges and actual usage as defined in this tariff.

**2.3.2 Deposits**

The Company does not require a deposit from the Customer or Subscriber.

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**SECTION 2.0 - RULES AND REGULATIONS, (CONT'D.)****2.3 Payment and Credit Regulations, (Cont'd.)****2.3.3 Advance Payments**

For Customers whom the Company determines 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 a new advance payment may be collected for the next month.

**2.3.4 Taxes**

Company reserves the right to bill any and all applicable taxes in addition to normal long distance usage charges, including, but not limited to: Federal Excise Tax, State Sales Tax, Municipal Taxes, and Gross Receipts Tax. Such taxes will be itemized separately on Customer invoices.

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**SECTION 2.0 - RULES AND REGULATIONS, (CONT'D.)****2.4 Refunds or Credits for Service Outages or Deficiencies****2.4.1 Interruption of Service**

Credit allowances for interruptions of service which are not due to the Company's testing or adjusting, to the negligence of the Customer or Subscriber, or to the failure of channels, equipment and/or communications systems provided by the Customer or Subscriber, are subject to the general liability provisions set forth in this tariff. It shall be the obligation of the Customer to notify Company immediately of any interruption in service for which a credit allowance is desired by Customer. Before giving such notice, the Customer shall ascertain that the trouble is not within his or her control, or is not in wiring or equipment, if any, furnished by Customer. Interruptions caused by Customer-provided, Subscriber-provided or Company-provided automatic dialing equipment are not deemed an interruption of service as defined herein since the Customer has the option of using the long distance network via LEC access. For purposes of credit computation every month shall be considered to have 30 days. For services with a monthly recurring charge, no credit shall be allowed for an interruption of continuous duration of less than twenty-four hours. For message rated toll services, credits will be limited to, at maximum, the price of the initial period of individual call that was interrupted.

The Customer shall be credited for an interruption of one day (24 hours) or more at the rate of 1/30th of the monthly charge for the services affected for each day that the interruption continues.

Credit Formula:

$$\text{Credit} = A/30 \times B$$

A = outage time in days

B = total monthly charge for affected service.

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**SECTION 2.0 - RULES AND REGULATIONS, (CONT'D.)****2.4 Refunds or Credits for Service Outages or Deficiencies,  
(Cont'd.)****2.4.2 Inspection, Testing and Adjustment**

Upon reasonable notice, the facilities provided by the Company shall be made available to the Company for such tests and adjustments as may be deemed necessary for maintenance in a condition satisfactory to the Company. No interruption allowance will be granted for the time during which such tests and adjustments are made.

**2.4.3 Liability**

- (A) The liability of the Company for any claim or loss, expense or damage (including indirect, special, or consequential damage) for any interruption, delay, error, omission, or defect in any service, facility or transmission provided under this tariff shall not exceed an amount equivalent to the proportionate charges to the Customer for the period of service or the facility provided during which such interruption, delay, error, omission, or defect occurs.
- (B) The Company shall not be liable for any claim or loss, expense, or damage (including indirect, special, or consequential damage), for any interruption, delay, error, omission, or other defect in any service facility, or transmission provided under this tariff, if caused by any person or entity other than the Company, by any malfunction of any service or facility provided by any other carrier, by any act of God, fire, war, civil disturbance, or act of government, or by any other cause beyond the Company's direct control.

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**SECTION 2.0 - RULES AND REGULATIONS, (CONT'D.)****2.4 Refunds or Credits for Service Outages or Deficiencies,  
(Cont'd.)****2.4.3 Liability (cont'd.)**

- (C) The Company shall not be liable for, and shall be fully indemnified and held harmless by Customer and Subscriber against any claim or loss, expense, or damage, (i) for defamation, invasion of privacy, infringement of copyright or patent, unauthorized use of any trademark, trade name, or service mark, unfair competition, interference with or misappropriation or violation of any contract, proprietary or creative right, or any other injury to any person, property, or entity arising from the material data, information, or content revealed to, transmitted, processed, handled, or used by Company under this tariff, or (ii) for connecting, combining, or adapting Company's facilities with Customer's or Subscriber's apparatus or systems, or (iii) for any act or omission of the Customer or Subscriber, or (iv) for any personal injury or death of any person, or for any loss of or damage to Subscriber's or Customer's premises or any other property, whether owned by Customer, Subscriber or others, caused directly or indirectly by the installation, maintenance, location, condition, operation, failure or removal of equipment or wiring provided by the Company if not directly caused by negligence of the Company.
- (D) The Company will provide credit on charges disputed by Customer in writing that are verified as incorrect by Company. If objection in writing is not received by Company within a reasonable period of time after bill is rendered (as determined by current law and regulatory policy), the account shall be deemed correct and binding upon the Customer.

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**SECTION 2.0 - RULES AND REGULATIONS, (CONT'D.)****2.5 Minimum Service Period**

The minimum service period is one month (30 days).

**2.6 Cancellation by Customer**

Unless otherwise specified elsewhere in this tariff or by mutually accepted contract between the Customer and the Company, service may be canceled by the Subscriber or Customer on not less than 30 days prior written notice to the Company.

**2.7 Refusal or Discontinuance by Company**

**2.7.1** Service may be suspended by the Company, without notice to the Customer, by blocking traffic to certain cities or NXX exchanges, or by blocking calls using certain Customer travel cards when the Company deems it necessary to take such action to prevent unlawful use of its service. HLC will restore services as soon as it can be provided without undue risk, and will upon request by the Customer, assign new travel card codes to replace ones that have been deactivated.

**2.7.2** HLC may refuse or discontinue service under the following conditions provided that, unless otherwise stated, the Customer shall be given 15 days notice to comply with any rule or remedy any deficiency:

- (A) For non-compliance with or violation of any State, municipal, or Federal law, ordinance or regulation pertaining to telephone service.
- (B) For use of telephone service for any purpose other than that described in the application.

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**SECTION 2.0 - RULES AND REGULATIONS, (CONT'D.)****2.7 Refusal or Discontinuance by Company, (Cont'd.)****2.7.2 (cont'd.)**

- (C) For neglect or refusal to provide reasonable access to HLC or its agents for the purpose of inspection and maintenance of equipment owned by HLC or its agents.
- (D) For noncompliance with or violation of Commission regulation or HLC's rules and regulations on file with the Commission, provided five (5) working days' written notice is given before termination.
- (E) For nonpayment of bills, provided that suspension or termination of service shall not be made without five (5) days written notice to the Customer, except in extreme cases. Such notice will be provided in a mailing separate from the customer's regular monthly bill for service.
- (F) Without notice in the event of Customer or Authorized User use of equipment in such a manner as to adversely affect HLC's equipment or service to others.
- (G) Without notice in the event of tampering with the equipment or services owned by HLC or its agents.

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**SECTION 2.0 - RULES AND REGULATIONS, (CONT'D.)****2.7 Refusal or Discontinuance by Company, (Cont'd.)****2.7.2 (cont'd.)**

- (H) Without notice in the event of unauthorized or fraudulent use of service. Whenever service is discontinued for fraudulent use of service, HLC may, before restoring service, require the Customer to make, at his or her own expense, all changes in facilities or equipment necessary to eliminate illegal use and to pay an amount reasonably estimated as the loss in revenues resulting from such fraudulent use.
- (I) Without notice by reason of any order or decision of a court or other government authority having jurisdiction which prohibits Company from furnishing such services.
- (J) For periods of inactivity over sixty (60) days.

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**SECTION 2.0 - RULES AND REGULATIONS, (CONT'D.)****2.8 Limitations of Service**

- 2.8.1 Service will be furnished subject to the availability of the necessary facilities and/or equipment and subject to the provisions of this tariff.
- 2.8.2 HLC reserves the right to discontinue furnishing service, upon written notice, when necessitated by conditions beyond its control, or when the Customer is using the service in violation of the provisions of this tariff, or in violation of law.
- 2.8.3 The Company does not undertake to transmit messages, but offers the use of its facilities when available, and will not be liable for errors in transmission or for failure to establish connections.
- 2.8.4 HLC reserves the right to discontinue the offering of service or deny an application for service if a change in regulation materially and negatively impacts the financial viability of the service in the best business judgment of the Company.

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SECTION 2.0 - RULES AND REGULATIONS, (CONT'D.)

2.9 Use of Service

Service may be used for any lawful purpose for which it is technically suited. Customers or Subscribers reselling or rebilling HLC's Florida intrastate service must have a Certificate of Public Convenience and Necessity as an interexchange carrier from the Florida Public Service Commission.

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**SECTION 2.0 - RULES AND REGULATIONS, (CONT'D.)****2.10 Employee Concessions**

[Reserved for Future Use]

**2.11 Terminal Equipment**

Company's facilities and service may be used with or terminated in Customer-provided or Subscriber-provided terminal equipment or systems, such as PBXs, key systems, multiplexers, repeaters, signaling sets, teleprinters, handsets, or data sets. Such terminal equipment shall be furnished and maintained at the expense of the Customer or Subscriber, except as otherwise provided. Subscriber or Customer is responsible for all costs at his or her premises, including personnel, wiring, electrical power, and the like, incurred in the use of Company's service.

**2.12 Applicable Law**

This tariff shall be subject to and construed in accordance with Florida law.

**2.13 Cost of Collection and Repair**

Customer is responsible for any and all costs incurred in the collection of monies due the Company including legal and accounting expenses. The Customer or the Subscriber is also responsible for recovery costs of Company-provided equipment and any expenses required for repair or replacement of damaged equipment.

**2.14 Restoration of Service**

In the event the Customer is disconnected for non-payment, no reconnection charge is required by HLC. The Customer may be required to pay a "PIC" change charge by the applicable LEC, if one is applicable.

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**SECTION 2.0 - RULES AND REGULATIONS, (CONT'D.)****2.14 Tests, Pilots, Promotional Campaigns and Contests**

The Company may conduct special tests or pilot programs and promotions at its discretion to demonstrate the ease of use, quality of service and to promote the sale of its services. The Company may also waive a portion or all processing fees or installation fees for winner of contests and other occasional promotional events sponsored or endorsed by the Company. From time to time the Company may waive all processing fees for a Customer.

These promotions will be approved by the FPSC with specific starting and ending dates with promotions running under no circumstances longer than 90 days in any twelve month period.

**2.15 Other Rules**

2.15.1 HLC reserves the right to validate the credit worthiness of Customers or Authorized Users through available verification procedures.

2.15.2 The Company reserves the right to discontinue service, limit service, or to impose requirements on Subscribers or Customers as required to meet changing regulations, rules or standards of the FPSC.

**2.16 Reservation of 800 Numbers**

The Company will make every effort to reserve 800 vanity numbers for customers, but makes no guarantee or warranty that the requested number(s) will be available.

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**SECTION 3.0 - DESCRIPTION OF SERVICE****3.1 Quality and Grade of Service Offered**

Minimum Call Completion Rate - Customers can expect a call completion rate of not less than 90% during peak use periods for Feature Group D 1+ dialing. The call completion rate is calculated as the number of calls completed (including calls completed to a busy line or to a line which remains unanswered by the called party) divided by the number of calls attempted.

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## SECTION 3.0 - DESCRIPTION OF SERVICE, (CONT'D.)

## 3.2 Calculation of Distance

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

The serving wire centers of a call are determined by the area codes and exchanges of the origination and destination points.

The distance between the Wire Center of the Customer's equipment and that of the destination point is calculated by using the "V" and "H" coordinates found in BellCore's V&H Tape and NECA FCC Tariff No. 4.

- Step 1 - Obtain the "V" and "H" coordinates for the Wire Centers serving the Customer and the destination point.
- Step 2 - Obtain the difference between the "V" coordinates of each of the Wire Centers. Obtain the Difference between the "H" coordinates.
- Step 3 - Square the differences obtained in Step 2.
- Step 4 - Add the squares of the "V" difference and "H" difference obtained in Step 3.
- Step 5 - Divide the sum of the square obtained in Step 4 by ten (10). Round to the next higher whole number if any fraction results from the division.
- Step 6 - Obtain the square root of the whole number obtained in Step 5. Round to the next higher whole number if any fraction is obtained. This is the distance between the Wire Centers.

Formula:

$$\sqrt{\frac{(V_1 - V_2)^2 + (H_1 - H_2)^2}{10}}$$

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## SECTION 3.0 - DESCRIPTION OF SERVICE, (CONT'D.)

## 3.2 Calculation of Distance, (Cont'd.)

EXAMPLE: Distance between Miami and New York City -

	V	H
Miami:	8,351	529
New York:	<u>4,997</u>	<u>1,406</u>
Difference:	3,354	-877
Square and add:	11,249,316 + 769,129 = 12,018,445	
Divide by 10:	12,018,445 / 10 = 1,201,844.5	
Round up:	1,201,845	
Take square root:	$\sqrt{1,201,845} = 1,096.3$	
Round up:	1,097 miles	

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**SECTION 3.0 - DESCRIPTION OF SERVICE, (CONT'D.)****3.3 Timing of Calls**

Billing for calls placed over the network is based in part on the duration of the call.

- 3.3.1 Timing for all calls begins when the called party answers the call (i.e. when two way communications are established.) Answer detection is based on standard industry answer detection methods, including hardware and software answer detection.
- 3.3.2 Chargeable time for all calls ends when one of the parties disconnects from the call.
- 3.3.3 Minimum call duration for billing purposes is thirty (30) seconds unless otherwise specified in the individual rate schedules of this tariff.
- 3.3.4 The initial period for all calls is thirty (30) seconds or fraction thereof, regardless of the rate period.
- 3.3.5 The additional period for all calls is six (6) seconds regardless of the rate period. If the additional period usage is less than six (6) seconds, it will be billed at the full six (6) second rate.
- 3.3.6 There is no billing applied for incomplete calls.

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**SECTION 3.0 - DESCRIPTION OF SERVICE, (CONT'D.)****3.4 Rate Periods**

Unless otherwise indicated elsewhere in this tariff, all usage-based rates in Section 4.0 are subject to the following time-of-day, day-of-week, and holiday rate periods:

- 3.4.1 Day Rate Period - Applies to that portion of a call occurring from 8:00 AM to, but not including, 5:00 PM Monday through Friday.
- 3.4.2 Evening Rate Period - Applies to that portion of a call occurring from 5:00 PM to, but not including, 11:00 PM Sunday through Friday.
- 3.4.3 Night/Weekend Rate Period - Applies to that portion of a call occurring from 11:00 PM to, but not including 8:00 AM all days, 8:00 AM to, but not including, 11:00 PM Saturday; 8:00 AM to, but not including, 5:00 PM Sunday.
- 3.4.4 When a call is established in one rate period and ends in another rate period, the rate in effect at the calling station applies to the portion of the call occurring within that rate period. When a unit of time is split between two rate periods, the rate applicable to that unit of time is based on the rate period in which it began.

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**SECTION 3.0 - DESCRIPTION OF SERVICE, (CONT'D.)****3.5 Service Offerings****3.5.1 HLC 1+ Service**

HLC 1+ Service allows Customers to place direct dialed calls to terminating locations throughout the state of Florida. Customers are presubscribed to the HLC network or dial the Company's Access Code. Calls are placed by dialing "1+" or Casual Calling Access Code and the destination telephone number, including the area code if applicable. Customers may access HLC 1+ Service through switched access facilities. Calls are billed in one (1) minute increments with an initial period, for billing purposes, of one (1) minute.

**3.5.2 Toll Free Inbound Service**

HLC Toll Free Inbound Service is an inward calling service. It permits termination of intrastate calls from diverse geographic locations to Customer local exchange lines or to dedicated access facilities. With HLC Toll Free Service, the Customer is billed for the call rather than the call originator. Calls are billed in thirty (30) second increments with an initial period, for billing purposes, of one (1) minute.

**3.5.3 HLC Wide Area Service**

HLC Wide Area Service allows Business Customers to place direct dialed calls to terminating locations throughout the state of Florida. Customers are presubscribed to the HLC network. Calls are placed by dialing "1+" and the destination telephone number, including the area code if applicable. Customers may access HLC 1+ Service through switched access facilities. Calls are billed in thirty (30) second increments with an initial period, for billing purposes, of one (1) minute.

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SECTION 3.0 - DESCRIPTION OF SERVICE, (CONT'D.)

3.5 Service Offerings, (Cont'd.)

3.5.4 HLC Travel Card Service

HLC Travel Card Service allows the Customer to place calls within the State of Florida while away from the home or office. The Customer must dial an "800" number and a special access code before completing the call. Calls are billed in one (1) minute increments with an initial calling period of one (1) minute.

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**SECTION 4.0 - RATES**

**4.1 General**

Each Customer is charged individually for each call placed through the Company. Charges may vary by service offering, mileage band, class of call, time of day, day of week and/or call duration.

Customers are billed based on their use of HLC - Internet, Incorporated's Message Toll Service. No installation charges or fixed monthly recurring charges apply.

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**SECTION 4.0 - RATES, (CONT'D.)****4.2 Exemptions and Special Rates****4.2.1 Discounts for Hearing Impaired Customers**

A telephone toll message which is communicated using a telecommunications device for the deaf (TDD) by properly certified hearing or speech impaired persons or properly certified business establishments or individuals equipped with TDDs for communicating with hearing or speech impaired persons will receive, upon request, credit on charges for certain intrastate toll calls placed between TDDs. Discounts do not apply to surcharges or per call add-on charges when the call is placed by a method that would normally incur the surcharge.

- (A) The credit to be given on a subsequent bill for such calls placed between TDDs will be equal to applying the evening rate during business day hours and the night/weekend rate during the evening rate period.
- (B) The credit to be given on a subsequent bill for such calls placed by TDDs with the assistance of the relay center will be equal to 50% of the rate for the applicable rate period. If either the calling or called party indicates that either party is both hearing and visually impaired, the call shall be discounted at 60% of the applicable rate.

**4.2.2 Emergency Call Exemptions**

The following calls are exempted from all charges: Emergency calls to recognizable authorized civil agencies including police, fire, ambulance, bomb squad and poison control. HLC - Internet, Incorporated will only handle these calls if the caller dials all of the digits to route and bill the call. Credit will be given for any billed charges pursuant to this exemption on a subsequent bill after verified notification by the billed Customer within thirty (30) days of billing.

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**SECTION 4.0 - RATES, (CONT'D.)**

**4.3 Late Payment Charge**

A late fee of 1.5% per month will be charged on any past due balance.

**4.4 Return Check Charge**

A return check charge of \$15.00 or 5% of the balance due (whichever is greater) will be assessed for checks returned for insufficient funds. Any applicable return check charges will be assessed according to the terms and conditions of the billing entity (i.e. local exchange company and/or commercial credit card company) and pursuant to Florida law and FPSC regulations.

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## SECTION 4.0 - RATES, (CONT'D.)

## 4.5 Service Offerings - Rates

## 4.5.1 HLC 1+ Service

Per Minute Rate

<u>Monthly Usage</u>	<u>Per Minute Rate</u>	<u>Recurring Monthly Fee</u>
\$ 0 - \$100	\$0.1900	\$10.00
\$101 - \$299	0.1900	7.00
\$300 +	0.1900	5.00

## 4.5.2 Toll Free Inbound Service

## (A) Per Minute Rate Options

Customers of HLC's Toll Free Inbound Service are given the option of various billing rates depending on their calling patterns and anticipated usage. Each option provides for a lower per minute rate in exchange for a higher monthly fee.

<u>Monthly Recurring Charge</u>	<u>Per Minute Rate</u>
\$ 7.00	\$0.1650
\$10.00	0.1550
\$12.00	0.1450
\$15.00	0.1350

(B) Registration Fee per Number \$75.00

## (C) Volume Discount

Customers are eligible for volume discounts based upon their total monthly intrastate and interstate HLC Toll Free Inbound Service. The volume discounts for this service are:

<u>Monthly Usage</u>	<u>Discount %</u>
\$ 0 - \$999.99	0.00%
\$1,000 +	10.00%

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## SECTION 4.0 - RATES, (CONT'D.)

## 4.5 Service Offerings - Rates, (Cont'd.)

## 4.5.2 HLC Wide Area Service

## (A) Wide Area Service I

Wide Area Service I is for Wide Area Service Customers billing greater than \$500 per month.

## (1) Per Minute Rates

Mileage Band	Day	Evening	Night/Weekend
	Per Minute Rate	Per Minute Rate	Per Minute Rate
0 - 22	\$0.1657	\$0.0955	\$0.0892
23 - 124	0.1721	0.1020	0.0892
125 - 430	0.1785	0.1147	0.0892
430 +	0.1785	0.1147	0.0892

(2) Monthly Rec. Charge \$ 5.00

(3) Per Line Set-up Fee \$25.00

ISSUED: September 18, 1996

EFFECTIVE:

Issued by: Thomas Lera, Regulatory Manager  
19800 MacArthur Boulevard, Suite 700  
Irvine, California 92715

## SECTION 4.0 - RATES, (CONT'D.)

## 4.5 Service Offerings - Rates, (Cont'd.)

## 4.5.2 Switched Access Service, (cont'd.)

## (B) Wide Area Service II

Wide Area Service II is for Wide Area Service Customers billing less than \$500 per month.

## (1) Per Minute Rates

Mileage Band	Day	Evening	Night/Weekend
	Per Minute Rate	Per Minute Rate	Per Minute Rate
0 - 22	\$0.1754	\$0.1012	\$0.0944
23 - 124	0.1823	0.1080	0.0944
125 - 430	0.1890	0.1214	0.0944
430 +	0.1890	0.1214	0.0944

(2) Monthly Rec. Charge \$ 5.00

(3) Per Line Set-up Fee \$25.00

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Irvine, California 92715



SECTION 4.0 - RATES, (CONT'D.)

4.5 Service Offerings - Rates, (Cont'd.)

4.5.3 HLC Travel Card Service

(A) Flat Rate Travel Card Service

Per Call Surcharge	\$0.00
Per Minute Rate	\$0.25

(B) Combined Travel Card Service

Per Call Surcharge	\$0.75
Per Minute Rate	\$0.21

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Irvine, California 92715

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**SECTION 4 - RATES, (CONT'D.)****4.6 Directory Assistance**

Directory Assistance is available to Customers of HLC Service. A Directory Assistance charge applies to each call to the Directory Assistance Bureau. Up to two requests may be made on each call to Directory Assistance. The Directory Assistance charge applies to each call regardless of whether the Directory Assistance Bureau is able to furnish the requested telephone number. Customers certified as Handicapped will receive 50 free directory assistance calls per billing cycle.

Directory Assistance, Per Call	\$0.60
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**ISSUED: September 18, 1996****EFFECTIVE:**

Issued by: Thomas Lera, Regulatory Manager  
19800 MacArthur Boulevard, Suite 700  
Irvine, California 92715

**ATTACHMENT III**  
**FINANCIAL STATEMENTS**

**Year End 1995 Financial Statements**

**Financial Statements**

**HLC Internet, Inc.**

*For the year ended December 31, 1995 and  
the period from February 24, 1994 (date of inception)  
to December 31, 1994  
with Report of Independent Auditors*

HLC Internet, Inc.

Financial Statements

For the year ended December 31, 1995 and  
the period from February 24, 1994 (date of inception) to  
December 31, 1994

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## Report of Independent Auditors

The Board of Directors  
HLC Internet, Inc.

We have audited the accompanying balance sheets of HLC Internet, Inc. as of December 31, 1995 and 1994, and the related statements of operations, shareholders' equity and cash flows for the year ended December 31, 1995 and the period from February 24, 1994 (date of inception) to December 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HLC Internet, Inc. at December 31, 1995 and 1994, and the results of its operations and its cash flows for the year ended December 31, 1995 and the period from February 24, 1994 (date of inception) to December 31, 1994 in conformity with generally accepted accounting principles.

*Ernst & Young LLP*

March 15, 1996

HLC Internet, Inc.

Balance Sheets

	December 31	
	1995	1994
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 81,575	\$ 8,633
Accounts receivable, less allowance for doubtful accounts of \$2,775 in 1995	326,820	-
Inventories	117,706	-
Amounts due from shareholders	14,069	-
Other current assets	13,782	33,939
Total current assets	<u>553,952</u>	<u>42,572</u>
Property and equipment, at cost:		
Computer equipment and software	691,446	95,123
Furniture and fixtures	77,192	49,700
	<u>768,638</u>	<u>144,823</u>
Less accumulated depreciation and amortization	115,514	4,827
	<u>653,124</u>	<u>139,996</u>
Total assets	<u>\$1,207,076</u>	<u>\$ 182,568</u>
<b>Liabilities and shareholders' equity (deficiency)</b>		
Current liabilities:		
Accounts payable	\$ 946,165	\$ 48,054
Accrued compensation and related expenses	270,522	126,732
Other accrued liabilities	75,786	24,916
Deferred revenue	173,094	-
Amounts due to shareholders	-	56,510
Notes payable	191,774	-
Current portion of capital lease obligations	39,045	-
Total current liabilities	<u>1,696,386</u>	<u>256,212</u>
Capital lease obligations	54,605	-
Commitments		
Shareholders' equity (deficiency):		
Common stock, no par value:		
Authorized shares - 10,000,000		
Issued and outstanding shares - 7,343,245 in 1995 and 4,900,000 in 1994	1,541,646	98,280
Deferred compensation	(29,557)	-
Retained earnings (deficit)	(2,056,004)	(171,924)
Total shareholders' equity (deficiency)	<u>(543,915)</u>	<u>(73,644)</u>
Total liabilities and shareholders' equity (deficiency)	<u>\$1,207,076</u>	<u>\$ 182,568</u>

See accompanying notes.



HLC Internet, Inc.

Statements of Operations

	Year ended December 31 1995	Period from February 24, 1994 (date of inception) to December 31 1994
Product sales	\$ 90,882	\$ -
Access and programming fees	910,954	19,644
Total revenues	<u>1,001,836</u>	<u>19,644</u>
Costs and expenses:		
Cost of product sales	104,879	-
Network support and programming	1,043,877	3,987
Selling, general and administrative (including \$767,725 paid in common stock in 1995)	1,644,764	184,365
Interest expense, net (including \$59,164 paid in common stock in 1995)	91,596	2,416
Total costs and expenses	<u>2,885,116</u>	<u>190,768</u>
Loss before taxes	(1,883,280)	(171,124)
Provision for state franchise taxes	800	800
Net loss	<u>\$(1,884,080)</u>	<u>\$ (171,924)</u>

*See accompanying notes.*

HLC Internet, Inc.

Statements of Shareholders' Equity

	Common stock		Deferred compensation	Retained earnings (deficit)	Total
	Shares	Amount			
Issuance of common stock for property and equipment	3,500,000	\$ 70,200	\$ -	\$ -	\$ 70,200
Issuance of common stock for services provided by an officer of the Company	1,400,000	28,080	-	-	28,080
Net loss	-	-	-	(171,924)	(171,924)
Balance at December 31, 1994	4,900,000	98,280	-	(171,924)	(73,644)
Issuance of common stock for cash, net of costs of \$28,080	1,393,000	506,920	-	-	506,920
Issuance of common stock for services provided by consultants and employees	1,373,414	722,282	-	-	722,282
Issuance of common stock in lieu of payment of interest	152,831	59,164	-	-	59,164
Contribution of shares by founding shareholders	(560,000)	-	-	-	-
Value assigned to warrant issued in conjunction with notes payable	-	20,000	-	-	20,000
Conversion of note payable into common stock	84,000	60,000	-	-	60,000
Deferred compensation related to stock option issuances	-	75,000	(75,000)	-	-
Amortization of deferred compensation	-	-	45,443	-	45,443
Net loss	-	-	-	(1,884,080)	(1,884,080)
Balance at December 31, 1995	7,343,245	\$1,541,646	\$(29,557)	\$(2,056,004)	\$ (543,915)

See accompanying notes.

HLC Internet, Inc.

Statements of Cash Flows

	Year ended December 31 1995	Period from February 24, 1994 (date of inception) to December 31 1994
<b>Operating activities</b>		
Net loss	\$(1,884,080)	\$(171,924)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Common stock issued for services provided by consultants and employees	722,282	-
Common stock issued in lieu of payment of interest	59,164	-
Depreciation and amortization	110,687	4,827
Amortization of deferred compensation	45,443	-
Amortization of debt discount	7,500	-
Allowance for doubtful accounts	2,775	-
Change in operating assets and liabilities:		
Accounts receivable	(329,595)	-
Inventories	(117,706)	-
Other current assets	(7,923)	(5,859)
Accounts payable	898,111	48,054
Accrued compensation and related expenses	143,790	126,732
Other accrued liabilities	50,870	24,916
Deferred revenue	173,094	-
Net cash provided by (used in) operating activities	<u>(125,588)</u>	<u>26,746</u>
<b>Investing activities</b>		
Additions to property and equipment	(488,051)	(74,623)
<b>Financing activities</b>		
Proceeds from issuance of notes payable	260,000	-
Payments on notes payable	(10,000)	-
Proceeds from issuance of common stock	535,000	-
Repayment of capital lease obligations	(27,840)	-
Change in amounts due to (from) shareholders	(70,579)	56,510
Net cash provided by financing activities	<u>686,581</u>	<u>56,510</u>
Net increase in cash and cash equivalents	72,942	8,633
Cash and cash equivalents at beginning of period	8,633	-
Cash and cash equivalents at end of period	<u>\$ 81,575</u>	<u>\$ 8,633</u>
<b>Supplementary disclosure of cash paid during the period for:</b>		
Income tax	\$ 1,600	\$ -
Interest	<u>\$ 2,963</u>	<u>\$ -</u>

See accompanying notes.

# HLC Internet, Inc.

## Notes to Financial Statements

December 31, 1995

### 1. Summary of Significant Accounting Policies

#### Business and Basis of Presentation

The Company was incorporated in California under the name U.S. CD, Inc. on February 24, 1994, changed its name to The Code Shop, Inc. on May 13, 1994, to Home Learning Center, Inc. on August 25, 1994 and to HLC Internet, Inc. on February 24, 1995. The Company is a provider of a comprehensive range of Internet access services, applications and related equipment to businesses and individuals. In addition, the Company also provides Internet Web server hosting and network integration and consulting services.

The Company has incurred losses of \$2,056,004 from inception, primarily due to the start-up nature of its business. As of December 31, 1995, such losses created a working capital deficiency of \$1,142,434 and a shareholders' deficiency of \$543,915. The ability of the Company to establish itself as a successful operating entity on an ongoing basis is dependent upon future events, including further marketing of its services and achieving profitable operations. As discussed in Note 6, subsequent to year-end the Company issued common stock and notes payable aggregating \$1,150,000 and entered into an agreement to sell an additional \$500,000 of common stock in April 1996.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements. Actual results could differ from those estimates. Significant estimates made in preparing these financial statements include valuing of non-cash equity transactions, the allowance for doubtful accounts and the deferred tax valuation allowance.

#### Concentrations of Business and Credit Risk

The Company markets its services to companies and individuals in many industries and U.S. geographic locations. The Company's operations are subject to rapid technological advancement in the telecommunications industry.

## HLC Internet, Inc.

### Notes to Financial Statements (continued)

#### 1. Summary of Significant Accounting Policies (continued)

##### Concentrations of Business and Credit Risk (continued)

Accounts receivable represent the Company's only significant financial instrument with potential credit risk. The Company makes periodic evaluations of the credit worthiness of its customers and generally does not require collateral. Individuals to whom the Company provides access are normally billed through a direct credit card charge. In the event of non payment, the Company generally has the ability to terminate access services. Accounts receivable from two major customers aggregated 42% of total accounts receivable at December 31, 1995. For the year ended December 31, 1995, one customer accounted for 12% of total revenues.

The Company provides services through connections with other Internet providers and certain telephone companies. In the event that the Company changes Internet providers or telephone companies, significant time and expense may be incurred.

##### Inventories

Inventories are valued at the lower of cost, determined on the first-in, first-out method, or market. The inventories consist primarily of networking communications hardware products held for resale by the Company.

##### Depreciation and Amortization

Property and equipment are depreciated using the straight-line method over their estimated useful lives, generally five years.

##### Income Taxes

For federal and state income tax purposes, the Company has elected to be taxed under Subchapter S of the Internal Revenue Code, whereby the Company's income and expense items are included in the personal tax returns of the shareholders. Accordingly, no provision for federal income taxes and only a 1.5% provision for California franchise tax, has been included in the accompanying financial statements. Effective January 1, 1996, the Company revoked its S Corporation election for federal and state tax purposes. As a result, the Company will remeasure its deferred tax asset and liabilities for temporary differences using the federal and state corporate rates applicable to C Corporations. The effect of remeasuring the deferred tax assets and liabilities will not have a material effect on the financial statements.

# HLC Internet, Inc.

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### Revenue Recognition

Revenues are primarily derived from recurring monthly Internet connectivity fees and related installation charges; sales of related equipment, software applications and services; and computer programming and consulting services. Connectivity fees, which generally consist of fixed monthly amounts, are recognized as the service is provided. Advanced payments or billings made prior to providing connectivity are deferred until the period such services are provided. Equipment sales and installation charges are recognized when delivered and installation is complete, respectively. Programming and consulting service fees are recognized as such services are provided.

#### Software Development Costs

Costs related to the design, development and testing of new software and computer software maintenance and enhancement costs are expensed as incurred, until technological feasibility has been established for the product. Thereafter, certain costs such as coding and testing are capitalized until the product is available for general release to customers. The Company uses the working model approach to establish technological feasibility and, to date, no internal costs have been capitalized as software development.

#### Cash Equivalents

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

### 2. Notes Payable

Notes payable consist of the following:

	<u>1995</u>	<u>1994</u>
Note payable to shareholders bearing interest at 18%, interest and principal due on demand or if no demand on October 15, 1996, secured by substantially all of the assets of the Company, net of discount of \$12,500	\$ 87,500	\$ -
Demand note payable bearing interest at 10%, due on September 1, 1996	100,000	-
Demand note payable bearing interest at 10%, originally due on August 31, 1995	4,274	-
	<u>\$191,774</u>	<u>\$ -</u>

HLC Internet, Inc.

Notes to Financial Statements (continued)

**2. Notes Payable (continued)**

During April 1995, the Company borrowed \$60,000 from a shareholder under a note agreement bearing interest at 10%, increasing up to 33% subsequent to June 15, 1995. In November 1995, the note and related accrued interest of \$9,164 were converted into 96,831 shares of common stock.

**3. Amounts Due to (from) Shareholders**

The Company receives advances from and makes advances to its founding shareholders in the form of noninterest-bearing loans. Such amounts are payable upon demand and, accordingly, are classified as current.

**4. Lease Commitments**

The Company leases facilities and equipment under various lease arrangements. The lease terms range from month-to-month to five years, with a renewal option for an additional period on the Company's main facility lease. Minimum annual lease payments under noncancelable lease arrangements are as follows:

<u>Fiscal Year</u>	<u>Capital lease</u>	<u>Operating leases</u>
1996	\$ 46,653	\$169,140
1997	46,653	31,500
1998	11,663	7,617
	<u>104,969</u>	<u>\$208,257</u>
Less amounts representing interest	<u>11,319</u>	
	93,650	
Less current portion	<u>39,045</u>	
Capital lease obligations due after one year	<u>\$ 54,605</u>	

Rental expense under operating leases was approximately \$95,523 and \$2,416 in 1995 and 1994, respectively. Cost and accumulated amortization of assets acquired under capitalized lease arrangements were \$121,490 and \$30,373, respectively, at December 31, 1995.

## HLC Internet, Inc.

### Notes to Financial Statements (continued)

#### 5. Shareholders' Equity

On January 29, 1996, the Company's board of directors approved a 7 for 1 stock split of all outstanding shares of common stock. All share amounts included in the accompanying financial statements and notes have been adjusted to reflect the impact of this stock split.

During 1995, the Company granted options to purchase 350,000 shares of its common stock at an exercise price of \$0.14 per share. The Company has recorded deferred compensation expense of \$75,000 for the difference between the option exercise price and the deemed fair value of the Company's common stock. These amounts are being amortized over the vesting period of the individual options. The options become exercisable over periods ranging up to three years from the date of grant as specified in the respective option agreements. The options expire five years plus sixty days from the date of grant.

In conjunction with the execution of the \$100,000 note payable to shareholders in 1995, the Company granted the noteholders a warrant to purchase a total of 3% of the outstanding common stock of the Company, on the date of exercise, for an aggregate purchase price of \$100,000. The Company has assigned a value of \$20,000 to the warrant which has been accounted for as additional paid in capital in the accompanying financial statements. The warrant expires fifteen days after the payment of principal and related accrued interest on the note.

On December 29, 1995, the Company's President converted \$266,546 of deferred salary into 171,745 shares of common stock.

#### 6. Subsequent Events

In January 1996, the Company sold 354,585 shares of common stock to a corporation for \$550,000. In addition, the Company issued a note payable due in August 1996 for \$500,000 and entered into an agreement to sell 379,750 shares of common stock to a group of investors at a price of \$1.58 per share, of which 63,291 shares were sold in January 1996. In connection with this agreement, the Company also granted an option to purchase 4.31% of the Company's common stock for an aggregate exercise price of \$500,000. The option expires upon the earlier of the repayment of the note payable at the election of the note holder, completion of an initial public offering, sale of the Company, or January 1, 1997.



HLC Internet, Inc.

Notes to Financial Statements (continued)

**6. Subsequent Events (continued)**

The number of shares issued and issuable in conjunction with the conversion of deferred compensation by the Company's President and the January 1996 transactions, are subject to increase in the event that the Company issues additional shares of common or preferred stock for a period of 180 days from the closing of the transactions. The agreements also limit the number of shares that may be granted under stock options for a period of 180 days from the closing of the transactions to five percent of the outstanding shares of the Company.

**Year to Date June 1996 Financial Statements**

HLC-INTERNET, INC.  
Balance Sheet  
June 30, 1996

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$2,861,166
Accounts receivable - trade	480,185
Allowance for doubtful accounts	(16,313)
Accounts receivable - other	31,883
Amounts due from shareholders	71,909
Work in process	1,538
Inventories	34,884
Prepaid expenses	45,292

Total current assets 3,510,545

**FIXED ASSETS**

Property and equipment, at cost	1,387,410
Accumulated depreciation and amortization	(215,678)

Net fixed assets 1,171,732

**OTHER ASSETS**

Deposits	131,962
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Total other assets 131,962

**TOTAL ASSETS** \$4,814,239

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**CURRENT LIABILITIES**

Accounts payable	\$892,941
Payroll taxes payable	21,245
Sales taxes payable	2,944
Current portion capital lease obligations	39,045
Notes and loans payable	643,235
Other accrued expenses	131,775
Reserve for telco costs - bundle	36,216
Unearned income	83,461
Unbilled professional fees	1,550

Total current liabilities 1,852,413

Capital lease obligations 35,568

**SHAREHOLDERS' EQUITY**

Common stock	2,720,421
Preferred stock	3,999,999
Deferred compensation	(29,557)
Retained earnings (deficit)	(3,784,600)

Total shareholders' equity 2,926,258

**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** \$4,814,239

**HLC-INTERNET, INC.**  
**Statement Of Operations**  
**Six Months Ended June 30, 1996**

<b>REVENUES</b>	<b>\$ 4,328,869</b>
Sales returns and allowances	239,690
Net revenues	<u>4,089,179</u>
Total cost of sales	<u>2,911,809</u>
<b>GROSS PROFIT</b>	<b>1,177,369</b>
Operating expenses	2,809,945
Interest expense, net	49,762
Other expenses, net	<u>26,265</u>
<b>NET OPERATING LOSS</b>	<b><u>\$ (1,708,602)</u></b>

HLC-INTERNET, Incorporated  
 Monthly Cash Flow Projection  
 For the Twelve Months Ended April 30, 1997

REVENUES:	May-96	Jun-96	Jul-96	Aug-96	Sep-96	Oct-96	Nov-96	Dec-96	Jan-97	Feb-97	Mar-97	Apr-97	Y.T.O.
<b>Product and Service Sales:</b>													
Equipment sales, Net of costs	41,308	82,616	98,139	118,967	142,760	171,313	205,575	246,690	296,028	355,234	426,280	511,536	2,697,447
Call-up connect sales	25,500	55,500	120,500	250,500	400,500	625,500	825,500	1,300,500	1,675,500	2,050,500	2,425,500	2,800,500	12,666,000
Internet access connections, net of Telco	98,558	108,515	120,496	132,513	145,764	160,340	178,374	194,012	213,413	234,754	258,230	284,053	2,128,994
Telco revenue	43,292	45,458	47,729	50,116	52,821	55,252	58,015	60,916	63,962	67,160	70,518	74,044	689,080
Trade shows	25,000	40,000	50,000	57,500	66,125	76,044	87,450	100,568	115,653	133,001	152,951	175,894	1,080,188
Branch office revenue (OTE cities)	288,875	438,313	438,313	484,313	529,313	574,313	619,313	664,313	709,313	754,313	799,313	844,313	7,144,313
Host server fees	15,043	15,796	16,549	17,315	18,085	18,850	19,620	21,188	22,226	23,337	24,504	25,729	239,647
Domain registrations	5,828	6,119	6,425	6,746	7,083	7,438	7,809	8,200	8,610	9,040	9,492	9,967	92,757
Web site development	19,965	20,963	22,011	23,112	24,267	25,481	26,755	28,092	29,497	30,972	32,520	34,146	317,781
Internet consulting & training	5,000	7,500	11,250	16,875	25,313	37,969	56,953	85,430	128,145	192,217	288,325	432,488	1,287,463
<b>TOTAL SALES</b>	<b>570,369</b>	<b>819,777</b>	<b>943,418</b>	<b>1,158,055</b>	<b>1,412,832</b>	<b>1,752,848</b>	<b>2,183,904</b>	<b>2,709,888</b>	<b>3,262,348</b>	<b>3,850,527</b>	<b>4,467,634</b>	<b>5,182,670</b>	<b>28,343,467</b>

	May-96	Jun-96	Jul-96	Aug-96	Sep-96	Oct-96	Nov-96	Dec-96	Jan-97	Feb-97	Mar-97	Apr-97	Y-T-D
<b>OPERATING EXPENSES:</b>													
Salaries and wages	210,158	220,686	231,899	243,284	255,448	268,221	281,632	295,713	310,499	326,024	342,325	359,441	3,345,111
Contract labor	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
Consulting expense	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	54,000
Branch offices (GTE cities)	84,150	84,150	84,150	84,150	84,150	84,150	84,150	84,150	84,150	84,150	84,150	84,150	1,009,800
Internet University	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900	82,800
Customer service desk	1,915	3,738	8,296	15,590	24,706	38,381	56,815	102,198	124,990	147,781	170,573	193,265	886,146
Commissions - Inside sales	14,029	16,700	18,731	20,817	23,185	25,811	28,787	32,173	35,984	40,327	45,348	50,845	352,836
Commissions - GTE	0	57,675	67,263	67,863	66,863	105,863	114,863	123,863	132,863	141,863	150,863	159,863	1,260,000
Payroll tax expense	16,814	17,802	18,782	19,808	20,896	22,052	23,282	24,581	25,987	27,476	29,068	30,772	377,331
Employee benefits	4,203	4,413	4,634	4,866	5,109	5,364	5,633	5,914	6,210	6,520	6,847	7,189	66,902
Worker's compensation insurance	2,102	2,207	2,317	2,433	2,554	2,682	2,816	2,957	3,105	3,260	3,423	3,594	33,451
Recruiting expense	18,750	18,750	18,750	18,750	18,750	18,750	18,750	18,750	18,750	18,750	18,750	18,750	225,000
Outside services	600	600	600	600	600	600	600	600	600	600	600	600	7,200
COGS - Equipment	33,946	66,083	79,311	95,174	114,208	137,050	164,460	197,262	236,822	284,187	341,024	409,229	2,157,958
Rent	25,326	33,704	43,815	56,959	74,047	95,261	125,139	162,681	211,486	274,931	351,411	454,634	1,926,993
Telephone	6,309	6,625	6,936	7,304	7,669	8,053	8,455	8,878	9,322	9,798	10,277	10,791	100,428
Cellular phones	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
Cost of Dial-up service provided	4,300	14,400	20,400	42,409	84,059	161,355	257,375	402,305	596,145	837,695	1,079,245	1,320,795	4,821,387
Dedicated line telco charges	38,336	41,324	43,380	45,380	47,338	49,258	52,141	55,378	58,147	61,054	64,107	67,312	626,436
Point-of-presence Telco charge	46,854	46,854	46,854	46,854	46,854	46,854	46,854	46,854	46,854	46,854	46,854	46,854	562,248
Internet telecommunication link	15,421	15,421	15,421	15,421	15,421	15,421	15,421	15,421	15,421	15,421	15,421	15,421	185,052
Repairs and maint.-Other	250	250	250	250	250	250	250	250	250	250	250	250	3,000
Small equipment and parts	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	72,000
Advertising and promotion	129,806	148,277	171,668	197,419	227,032	261,086	300,249	345,287	397,080	456,641	525,138	603,908	3,764,590
Ad: & promo - cost of sub's (amort)	0	2,500	20,000	12,500	50,000	125,000	200,000	300,000	450,000	600,000	825,000	1,100,000	2,765,000
Office supplies	15,189	16,708	18,378	20,216	22,238	24,462	26,908	29,599	32,559	35,814	39,386	43,235	324,802
Computer supplies	7,217	7,939	8,733	9,606	10,567	11,623	12,786	14,064	15,470	17,018	18,719	20,581	154,333
Printing	5,000	6,000	7,200	8,640	10,368	12,442	14,930	17,916	21,499	25,799	30,959	37,150	187,903
Postage and freight	4,287	4,830	5,670	6,820	8,384	10,273	12,567	15,282	18,441	22,111	26,361	31,251	124,336
Equipment rentals/Leases	600	600	600	600	600	600	600	600	600	600	600	600	7,200
Computer lease	6,500	6,500	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	312,000
Insurance	35,000	3,500	2,500	2,500	2,500	2,500	37,500	2,500	2,500	2,500	2,500	2,500	97,500
Property and other leases	1,180	1,866	2,332	3,265	4,572	6,400	8,960	12,544	17,582	24,587	34,421	48,190	165,689
Legal and professional fees	12,189	14,017	16,120	18,538	21,318	24,516	28,194	32,423	37,286	42,879	49,311	56,707	353,497
Dues and subscriptions	200	200	200	200	200	200	200	200	200	200	200	200	2,400
InterNc registration fees	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Education and seminars	0	0	0	0	0	0	0	0	0	0	0	0	8,400
Travel	30,338	45,506	50,057	55,063	60,569	66,626	73,288	80,617	88,679	97,547	107,301	118,031	873,821
Meals and entertainment	2,253	2,581	2,979	3,426	3,940	4,531	5,211	5,993	6,892	7,925	9,114	10,481	85,336
Bank charges	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Depreciation, existing	18,385	18,385	18,385	18,385	18,385	18,385	18,385	18,385	18,385	18,385	18,385	18,385	220,620
Depreciation on new start-ups**	0	3,430	3,580	3,790	4,060	4,490	5,000	5,490	6,090	6,890	7,890	9,090	56,827
<b>TOTAL OPERATING EXPENSES</b>	<b>814,736</b>	<b>857,120</b>	<b>1,112,732</b>	<b>1,221,456</b>	<b>1,419,164</b>	<b>1,711,531</b>	<b>2,083,750</b>	<b>2,460,349</b>	<b>3,003,110</b>	<b>3,631,009</b>	<b>4,304,514</b>	<b>4,909,071</b>	<b>27,628,133</b>
<b>NET OPERATING REVENUE</b>	<b>(244,367)</b>	<b>(137,343)</b>	<b>(188,313)</b>	<b>(63,403)</b>	<b>(7,132)</b>	<b>41,317</b>	<b>100,654</b>	<b>249,538</b>	<b>259,236</b>	<b>219,428</b>	<b>183,120</b>	<b>283,569</b>	<b>715,333</b>

	May-96	Jun-96	Jul-96	Aug-96	Sep-96	Oct-96	Nov-96	Dec-96	Jan-97	Feb-97	Mar-97	Apr-97	Y.T.O
<b>OTHER EXPENSE:</b>													
Interest expense	0	0	0	0	0	0	0	0	0	0	0	0	0
Merchant card fees	456	993	2,336	4,484	7,169	11,196	16,566	23,279	29,991	36,704	43,416	50,129	226,721
Interest income													0
Equity finders fee													0
Debt reduction allowance													0
<b>TOTAL OTHER EXPENSES</b>	<b>456</b>	<b>993</b>	<b>2,336</b>	<b>4,484</b>	<b>7,169</b>	<b>11,196</b>	<b>16,566</b>	<b>23,279</b>	<b>29,991</b>	<b>36,704</b>	<b>43,416</b>	<b>50,129</b>	<b>226,721</b>
<b>TOTAL FROM OPERATIONS</b>	<b>(244,823)</b>	<b>(138,337)</b>	<b>(171,649)</b>	<b>(67,887)</b>	<b>(14,301)</b>	<b>30,120</b>	<b>84,088</b>	<b>226,259</b>	<b>229,244</b>	<b>182,724</b>	<b>139,703</b>	<b>233,470</b>	<b>488,612</b>
<b>ADDITIONAL USES OF CASH:</b>													
AP paydown	42,333	42,333	42,333	42,333	42,333	0	0	0	0	0	0	0	211,667
Other cash needs per attached schedule	199,785	0	0	0	0	0	0	0	0	0	0	0	199,785
Branch Offices (OTE) Start-up costs	0	0	0	0	0	0	0	0	0	0	0	0	0
Customer service desk: Start-up costs	6,000	6,000	12,000	18,000	24,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	279,600
<b>ADDITIONAL CASH NEEDS</b>	<b>248,118</b>	<b>51,833</b>	<b>54,333</b>	<b>60,333</b>	<b>66,333</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>	<b>691,051</b>
<b>CASH FLOW BEFORE NON-CASH ADJUSTMENTS</b>	<b>(492,941)</b>	<b>(190,270)</b>	<b>(225,987)</b>	<b>(128,220)</b>	<b>(60,634)</b>	<b>120</b>	<b>54,088</b>	<b>196,259</b>	<b>199,244</b>	<b>152,724</b>	<b>109,703</b>	<b>203,470</b>	<b>(202,439)</b>
<b>CASH FLOW ADJUSTMENTS:</b>													
Depreciation	18,365	21,815	21,875	22,175	22,475	22,875	23,375	23,875	24,375	24,875	25,375	25,875	277,447
<b>NET CHANGES IN AIR:</b>													
Debit Net Sales	576,368	819,777	943,418	1,158,055	1,412,032	1,752,848	2,183,904	2,709,868	3,262,346	3,850,527	4,487,634	5,192,670	
Cash collected (AIR)	270,889	633,280	902,073	1,077,814	1,323,852	1,854,404	2,072,508	2,581,552	3,111,508	3,669,322	4,264,843	4,912,139	
<b>NET (INCREASE) DECREASE IN AIR</b>	<b>(299,481)</b>	<b>(186,497)</b>	<b>(41,345)</b>	<b>(80,441)</b>	<b>(88,380)</b>	<b>(98,444)</b>	<b>(111,398)</b>	<b>(128,336)</b>	<b>(150,839)</b>	<b>(181,205)</b>	<b>(222,790)</b>	<b>(280,531)</b>	<b>(1,869,886)</b>
<b>TOTAL CASH FLOW ADJUSTMENTS</b>	<b>(281,096)</b>	<b>(164,682)</b>	<b>(19,370)</b>	<b>(58,267)</b>	<b>(65,905)</b>	<b>(75,569)</b>	<b>(88,023)</b>	<b>(104,461)</b>	<b>(128,465)</b>	<b>(158,330)</b>	<b>(187,416)</b>	<b>(254,656)</b>	<b>(1,582,239)</b>
Cash Requirements	(774,037)	(354,952)	(245,353)	(186,487)	(148,539)	(75,449)	(33,935)	81,758	72,780	(3,606)	(87,712)	(51,186)	(1,794,878)
Cash Inflows		4,000,000											
Beginning Cash on Hand	348,839	(425,188)	3,219,850	2,974,497	2,788,011	2,641,471	2,506,022	2,532,087	2,623,805	2,896,885	2,693,059	2,605,347	
<b>ENDING CASH ON HAND</b>	<b>(425,188)</b>	<b>3,219,850</b>	<b>2,974,497</b>	<b>2,788,011</b>	<b>2,641,471</b>	<b>2,506,022</b>	<b>2,532,087</b>	<b>2,623,885</b>	<b>2,696,865</b>	<b>2,893,059</b>	<b>2,605,347</b>	<b>2,514,161</b>	

Balance Sheet Projection

	May-96	Jun-96	Jul-96	Aug-96	Sep-96	Oct-96	Nov-96	Dec-96	Jan-97	Feb-97	Mar-97	Apr-97
<b>CURRENT ASSETS:</b>												
Cash	(425,198)	3,219,850	2,974,497	2,788,011	2,641,471	2,566,022	2,532,087	2,623,885	2,696,665	2,693,059	2,605,347	2,554,181
Net A/R	635,905	622,401	863,747	944,188	1,032,568	1,131,012	1,242,410	1,370,746	1,521,585	1,702,789	1,925,580	2,206,110
Employee Advances	14,143	14,143	14,143	14,143	14,143	14,143	14,143	14,143	14,143	14,143	14,143	14,143
A/R - Other	42,547	42,547	42,547	42,547	42,547	42,547	42,547	42,547	42,547	42,547	42,547	42,547
Inventory	128,011	128,011	128,011	128,011	128,011	128,011	128,011	128,011	128,011	128,011	128,011	128,011
Prepaid Expenses	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500
<b>TOTAL CURRENT ASSETS</b>	<b>408,908</b>	<b>4,040,453</b>	<b>4,036,445</b>	<b>3,930,400</b>	<b>3,872,240</b>	<b>3,895,235</b>	<b>3,972,698</b>	<b>4,192,832</b>	<b>4,416,451</b>	<b>4,594,050</b>	<b>4,729,128</b>	<b>4,958,472</b>
<b>NET FIXED ASSETS</b>	<b>1,010,957</b>	<b>994,038</b>	<b>978,183</b>	<b>965,188</b>	<b>954,954</b>	<b>947,379</b>	<b>939,304</b>	<b>930,729</b>	<b>921,655</b>	<b>912,080</b>	<b>902,005</b>	<b>891,430</b>
<b>OTHER ASSETS:</b>												
Deposits	23,595	23,595	23,595	23,595	23,595	23,595	23,595	23,595	23,595	23,595	23,595	23,595
<b>TOTAL ASSETS</b>	<b>1,443,459</b>	<b>5,258,086</b>	<b>5,038,223</b>	<b>4,919,183</b>	<b>4,850,789</b>	<b>4,866,209</b>	<b>4,935,597</b>	<b>5,147,156</b>	<b>5,361,701</b>	<b>5,529,725</b>	<b>5,654,728</b>	<b>5,873,498</b>
<b>CURRENT LIABILITIES:</b>												
A/P	786,747	744,414	702,081	659,747	617,414	617,414	617,414	617,414	617,414	617,414	617,414	617,414
Capital Lease Obligation-ST	39,045	39,045	39,045	39,045	39,045	39,045	39,045	39,045	39,045	39,045	39,045	39,045
Notes and Loans Payable	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Other Accrued Expenses	153,660	153,660	153,660	153,660	153,660	153,660	153,660	153,660	153,660	153,660	153,660	153,660
Reserve for Telco Costs-Bundle	45,975	45,975	45,975	45,975	45,975	45,975	45,975	45,975	45,975	45,975	45,975	45,975
Unearned Income	71,302	71,302	71,302	71,302	71,302	71,302	71,302	71,302	71,302	71,302	71,302	71,302
Unbilled Professional Fees	3,612	3,612	3,612	3,612	3,612	3,612	3,612	3,612	3,612	3,612	3,612	3,612
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,600,341</b>	<b>1,558,008</b>	<b>1,515,675</b>	<b>1,473,341</b>	<b>1,431,008</b>	<b>1,431,008</b>	<b>1,431,008</b>	<b>1,431,008</b>	<b>1,431,008</b>	<b>1,431,008</b>	<b>1,431,008</b>	<b>1,431,008</b>
<b>LONG-TERM LIABILITIES:</b>												
Capital Lease Obligation	42,019	42,019	42,019	42,019	42,019	42,019	42,019	42,019	42,019	42,019	42,019	42,019
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>42,019</b>	<b>42,019</b>	<b>42,019</b>	<b>42,019</b>	<b>42,019</b>	<b>42,019</b>	<b>42,019</b>	<b>42,019</b>	<b>42,019</b>	<b>42,019</b>	<b>42,019</b>	<b>42,019</b>
<b>SHAREHOLDERS' EQUITY:</b>												
Common Stock	2,834,146	2,834,146	2,834,146	2,834,146	2,834,146	2,834,146	2,834,146	2,834,146	2,834,146	2,834,146	2,834,146	2,834,146
Deferred Employee Compensation	(29,557)	(29,557)	(29,557)	(29,557)	(29,557)	(29,557)	(29,557)	(29,557)	(29,557)	(29,557)	(29,557)	(29,557)
Retained Earnings	(2,056,003)	(2,056,003)	(2,056,003)	(2,056,003)	(2,056,003)	(2,056,003)	(2,056,003)	(2,056,003)	(2,056,003)	(2,056,003)	(2,056,003)	(2,056,003)
Net Income	(947,487)	(1,090,527)	(1,268,056)	(1,344,763)	(1,370,824)	(1,355,404)	(1,288,016)	(1,074,456)	(859,912)	(691,888)	(568,885)	(348,115)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>(198,901)</b>	<b>3,658,059</b>	<b>3,480,530</b>	<b>3,403,823</b>	<b>3,377,762</b>	<b>3,393,182</b>	<b>3,462,570</b>	<b>3,674,130</b>	<b>3,888,674</b>	<b>4,056,698</b>	<b>4,181,701</b>	<b>4,400,471</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>1,443,459</b>	<b>5,258,086</b>	<b>5,038,223</b>	<b>4,919,183</b>	<b>4,850,789</b>	<b>4,866,210</b>	<b>4,935,596</b>	<b>5,147,157</b>	<b>5,361,701</b>	<b>5,529,725</b>	<b>5,654,729</b>	<b>5,873,498</b>



ATTACHMENT IV  
RESUMES OF KEY PERSONNEL

**HLC - Internet, Incorporated  
Resumes of Key Personal**

**Scott Purcell - Founder and CEO, Chairman**

Mr. Purcell provides leadership at HLC and concentrates his efforts on strategic marketing decisions, strategic technical decisions, sales, networking, business partner relationships, financial planning and analysis, training and partner programs. A leader in the Internet community, Mr. Purcell is a frequent speaker at industry conferences and events and has represented the Commercial Internet Exchange in Testimony before Congress.

Mr. Purcell is also a founding member of the Los Angeles chapter of the Young Entrepreneurs' Organization, a prestigious network of business owners under the age of 40 who have started businesses which have achieved in excess of \$1 million in annual sales. His membership in this organization is due to his ability to quickly grow start up businesses catering to corporate clients into major market players.

Mr. Purcell got his start in business development at the age of 20 when he co-founded Encad Inc. (formerly Enter Computer), a plotter manufacturing firm that markets to business and industrial clients. At Encad, he developed distribution throughout the United States and Canada, and also served as the Product Development Manager designing new products and taking them from engineering and into manufacturing. After several rounds of venture capital, Encad is now, as of December, 1993, a public company (NASDAQ: ENCD); though Mr. Purcell sold his remaining interest in the company when he founded HLC. Mr. Purcell studied Entrepreneurship at the University of Southern California.

**Powell Hamilton - Director of System Administration**

Mr. Hamilton is primarily concerned with all computer operations and systems administration. He is also chiefly responsible for all applications programming for both customer and the firm in low level languages and relational databases.

Mr. Hamilton was previously at Rockwell International World Headquarters where he served as the company's Senior Systems Analyst. In addition to his duties as Rockwell's Cray Administrator, he also established evaluation teams to analyze products and write "white papers" which directed the systems configuration for Rockwell and its business units on an enterprise-wide level. These products included Windows NT, Novell, Windows95, RAM Mobile Data, Sony Magic Link and Nethopper in addition to numerous computers and operating systems. Mr. Hamilton attended the University of Southern California where he received his BS in Computer Science. He received an MBA at the University of LaVerne.

**HLC - Internet, Incorporated**  
**Resumes of Key Personal**  
**(Continued)**

**Bradshaw Hall - Director of Network Engineering**

Mr. Hall is responsible for all technical and network engineering of HLC's backbone and points of presence. Additional, he is the HLC appointee to the Internet Engineering Task Force (IETF) and the North American Network Operators Group (NANOG) - the two highest level network organizations in the US.

As the Senior Network Engineer at Rockwell's Seal Beach headquarters, Mr. Hall was responsible for expanding and managing that company's world wide area network using a variety of routing protocols and equipment. That experience, combined with long hours of study and experimentation, enable him to transition into the BGP world of a first-tier ISP. He is now one of perhaps only 50 people in the country who can manage and expand a network at this level. Mr. Hall attended the University of Alabama where he received his BS in Computer Science. He then received his MS in Technology Management from Pepperdine University.

**James Gorman - Director of Sales Engineering**

As director of Sales Engineering, Mr. Gorman is responsible for the technical side of HLC's sales and business development. Using his extensive knowledge of communications and systems technology as well as offering business counsel from his experience in the Internet marketplace, Mr. Gorman provides extensive technical input as well as help to build and develop HLC's Internet services and technical support operations.

As President and co-founder of PlanetCom Inc., a Rockville-based Internet access and consulting service corporation, Mr. Gorman managed day-to-day Internet network operations, designed custom solutions for Internet presence and connectivity and interfaced with corporate clients. He successfully directed PlanetCom through an explosive growth period and its eventual sale. Mr. Gorman's responsibilities included negotiating strategic partnerships, sales and marketing technical support, customer relations, creating and packaging new product offerings.

Prior to co-founding PlanetCom, Inc., Mr. Gorman owned an independent consulting business where he offered his services to the management and staff of a manufacturing company. He improved the company's inventory and product delivery, wrote databases that used input from EDI ANSI complaint documents and related them to manufacturing process components.



September 17, 1996  
OVERNIGHT

210 N. Park Ave.  
P.O. Drawer 200  
Winter Park, FL  
32790-0200

Florida Public Service Commission  
Division of Administration, Room G-50  
101 East Gaines Street  
Tallahassee, FL 32399-0850

DEPOSIT TREAS. REC DATE

D376 SEP 18 '96

Tel: 407-740-8575  
Fax: 407-740-0613

RE: Initial Application and Tariff of HLC - Internet,  
Incorporated for Authority to Provide Interexchange  
Telecommunications Services within the State of  
Florida.

Dear Sir/Madam:

Enclosed for filing are the original and twelve (12) copies  
of the above-referenced application of HLC - Internet,  
Incorporated.

Also enclosed is Technologies Management, Inc., check  
#14725, in the amount of \$250, to cover the filing fee.

Please acknowledge receipt of this filing by returning,  
filed stamped, the extra copy of this letter in the  
self-addressed stamped envelope provided for that purpose.

I may be reached at (407) 740-8575 with any questions,  
comments or correspondence regarding this application.  
Thank you for your assistance.

Sincerely,

Thomas M. Forte  
Consultant to HLC - Internet, Incorporated

96 SEP 18 AM 10:11  
CALL FOR #

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14725

NUMBER  
14725

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TALLAHASSEE FL 32399-0850

TECHNOLOGIES MANAGEMENT, INC.

THE REVERSE SIDE OF THIS DOCUMENT INCLUDES AN ARTIFICIAL WATERMARK - HOLD AT AN ANGLE TO VIEW