

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

Also Admitted in New York
and Maryland

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

December 6, 1999

VIA OVERNIGHT DELIVERY

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

Re: NetworkIP, LLC

991839-TI

Dear Sir/Madam:

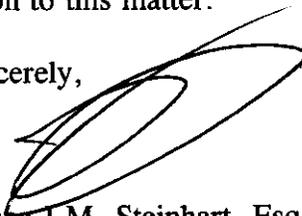
Enclosed please find one original and six (6) copies of NetworkIP, LLC's Application for Authority to Provide Interexchange Telecommunications Service Within the State of Florida, along with an original and six (6) copies of NetworkIP, LLC's proposed tariff.

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

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

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

Sincerely,



Lance J.M. Steinhart, Esq.
Attorney for NetworkIP, LLC

Enclosures

cc: Ms. Toni Van Burkleo

Check received with filing and forwarded to Florida for deposit.
Initials of person who forwarded check

Initials of person who forwarded check

99 DEC -7 AM 10:26
MAIL ROOM

DOCUMENT NUMBER - DATE

14923 DEC -7 99

FPSC-RECORDS/REPORTING

NETWORK ENHANCED TELECOM, L.L.P.

119 W. TYLER, STE. 260
LONGVIEW, TX 75601

LONGVIEW BANK & TRUST

300 E. WHALEY, P.O. BOX 3188
LONGVIEW, TEXAS 75606
903-237-5500

3482

003482

88-2323
1119

PAY *TWO HUNDRED FIFTY DOLLARS AND NO CENTS
TO THE
ORDER OF

DATE
11/23/99

AMOUNT
*****250.00*

Florida Public Service Comm

FLORIDA

M. Stal

⑈003482⑈

Controlled Function. Includ. Details on back

MP

**** FLORIDA PUBLIC SERVICE COMMISSION ***

**DIVISION OF COMMUNICATIONS
BUREAU OF SERVICE EVALUATION**

**APPLICATION FORM
for
AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS
SERVICE
WITHIN THE STATE OF FLORIDA**

Instructions

- A. This form is used for an original application for a certificate and for approval of sale, assignment or transfer of an existing certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee (See Appendix A).
- B. Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.
- C. Use a separate sheet for each answer which will not fit the allotted space.
- D. If you have questions about completing the form, contact:

**Florida Public Service Commission
Division of Communications
Bureau of Service Evaluation
2540 Shumard Oak Blvd.
Gunter Building
Tallahassee, Florida 32399-0850
(904) 413-6600**

- E. Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of \$250.00 to:

**Florida Public Service Commission
Division of Administration
2540 Shumard Oak Blvd.
Gunter Building
Tallahassee, Florida 32399-0850
(904) 413-6251**

FORM PSC/CMU 31 (11/91)

Required by Commission Rule Nos. 25-24.471, 25-24.473, 25-24.480(2)

1. 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.
 - Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.
 - Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. *Bills its own customer base for services used.*
 - Switchless rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.
 - Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers. Then offers the resold service by enrolling unaffiliated customers.
 - Prepaid Debit Card Provider** - any person or entity that purchases 800 access from an underlying carrier or unaffiliated entity for use with prepaid debit card service and/or encodes the cards with personal identification numbers.

2. This is an application for (check one):

- 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).

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

NetworkIP, LLC

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

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

**119 West Tyler Street, Suite 168
Longview, TX 75601**

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

None

7. Structure of organization;

- | | |
|---|--|
| <input type="checkbox"/> Individual | <input type="checkbox"/> Corporation |
| <input type="checkbox"/> Foreign Corporation | <input type="checkbox"/> Foreign Partnership |
| <input type="checkbox"/> General Partnership | <input type="checkbox"/> Limited Partnership |
| <input checked="" type="checkbox"/> Other, <u>Limited Liability Company</u> | |

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 limited partnership statute (Chapter 620.160 FS), if applicable.

(b) Indicate if the individual or any of the partners 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.

(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 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: _____

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

**National Corporate Research, Ltd.
1406 Hays Street, Suite #2
Tallahassee, Florida 32301**

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

Fictitious name registration number: _____

- (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.

- (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 company, give reason why not.

No.

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

(a) The application;

Lance J.M. Steinhart, Regulatory Counsel
6455 East Johns Crossing, Suite 285
Duluth, GA 30097
770-232-9200

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

Toni Van Burkleo, CFO
NetworkIP, LLC
119 West Tyler Street, Suite 168
Longview, TX 75601
(903) 323-4564

(c) Tariff;

Lance J.M. Steinhart, Regulatory Counsel
6455 East Johns Crossing, Suite 285
Duluth, GA 30097
770-232-9200

(d) Complaints/Inquiries from customers;

Nichole Janner, Customer Service Manager
NetworkIP, LLC
119 West Tyler Street, Suite 168
Longview, TX 75601
(903) 323-4564

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.

Applicant is in the process of filing Applications throughout the United States.

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

Texas, New Jersey, Utah, Michigan, Montana

(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 company or other telecommunications entity, and the circumstances involved.

None.

12. What services will the applicant offer to other certificated 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: _____ | |

None.

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 14 (To whom, what amount, type of franchise, etc.).

Applicant will pay commissions to sales representatives.

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

- | | |
|---|--|
| <input checked="" type="checkbox"/> Residential customers | <input checked="" type="checkbox"/> Business customers |
| <input type="checkbox"/> PATS providers | <input type="checkbox"/> PATS station end-users |
| <input type="checkbox"/> Hotels & motels | <input type="checkbox"/> Hotel & motel guests |
| <input type="checkbox"/> Universities | <input type="checkbox"/> Univ. dormitory residents |
| <input type="checkbox"/> Other (specify): _____ | |

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?

Applicant's name and toll free number will appear on all end-users' bills.

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

The Company intends to direct bill customers utilizing real-time completed call detail information from its underlying carriers.

18. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide interexchange telecommunications services in Florida.

- A. Financial capability.

Regarding the showing of financial capability, the following applies:
The application should contain the applicant's financial statements for the most recent 3 years, including:

1. the balance sheet
2. income statement
3. statement of retained earning.

Further, a written explanation, which can include supporting documentation, regarding the following should be provided to show financial capability.

1. Please provide documentation that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.
2. Please provide documentation that the applicant has sufficient financial capability to maintain the requested service.
3. Please provide documentation that the applicant has sufficient financial capability to meet its lease or ownership obligations.

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

If available, the financial statements should be audited financial statements. If the applicant does not have audited financial statements, it shall be so stated. The unaudited financial statements should then be signed by the applicant's chief executive officer and chief financial officer. The signatures should affirm that the financial statements are true and correct.

B. Managerial capability.

See Attached.

C. Technical capability.

Applicant will use the network services of its underlying carrier to provide services to customers in the State of Florida.

19. Please submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.482 (example enclosed).

See Attached.

20. 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 mbs., 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 to 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

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

1 (or 101XXXX) + area code+ number or 1-800-XXX-XXXX

21. **Other:**

**** APPLICANT ACKNOWLEDGEMENT STATEMENT ****

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of \$50 is required.
2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.
3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.
4. **APPLICATION FEE:** A non-refundable application fee of \$250.00 must be submitted with the application.
5. **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 AAV service.
6. **ACCURACY OF APPLICATION:** By my signature below, I the undersigned owner or officer of the named utility in the application, attest to the accuracy of the information contained in this application and associated attachments. I have read the foregoing and declare that to the best of my knowledge and belief, the information is a true and correct statement. Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree.

UTILITY OFFICIAL:

Toni Van Burkleo
Signature

12/2/99
Date

Toni Van Burkleo

Chief Financial Officer 903-323-4500
Title Telephone No.

FL

**** 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.)**

UTILITY OFFICIAL:

Toni Van Burkleo

12/2/99

Date

Toni Van Burkleo

Chief Financial Officer

903-323-4500

Title

Telephone No.

LIST OF ATTACHMENTS

PROPOSED TARIFF

FINANCIAL INFORMATION

MANAGEMENT INFORMATION

STATEMENT OF FINANCIAL CAPABILITY

PROPOSED TARIFF

TITLE SHEETFLORIDA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service or facilities for Telecommunications Services furnished by NetworkIP, LLC ("NetworkIP"), with principal offices at 119 West Tyler Street, Suite 168, Longview, TX 75601. This tariff applies for telecommunications 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: December 6, 1999 Effective:
By: Toni Van Burkleo, CFO
 119 West Tyler Street, Suite 168
 Longview, TX 75601

TABLE OF CONTENTS

	Page
Title Sheet.....	1
Check Sheet.....	2
Table of Contents.....	3
Symbols.....	4
Tariff Format.....	5
Section 1 - Technical Terms and Abbreviations.....	6
Section 2 - Rules and Regulations.....	8
Section 3 - Description of Service.....	20
Section 4 - Rates.....	27

Issued: December 6, 1999 Effective:
By: Toni Van Burkleo, CFO
 119 West Tyler Street, Suite 168
 Longview, TX 75601

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

Issued: December 6, 1999

Effective:

By:

Toni Van Burkleo, CFO
119 West Tyler Street, Suite 168
Longview, TX 75601

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 pages 11 and 12 would be page 11.1.

B. Sheet Revision Numbers: Revision numbers also appear in the upper right corner of each sheet where applicable. These numbers are used to indicate the most current page version on file with the Commission. For example, 4th Revised Sheet 13 cancels 3rd Revised Sheet 13. Consult the Check Sheet for the sheets 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 Commission, 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 sheets are added, the Check Sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this sheet if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some sheets). The tariff user should refer to the latest Check Sheet to find out if a particular sheet is the most current on Commission file.

Issued: December 6, 1999

Effective:

By:

Toni Van Burkleo, CFO
119 West Tyler Street, Suite 168
Longview, TX 75601

Prepaid Calling Card - A card issued by the Company, containing an Authorization Code which identifies a specific Prepaid Account of Telecom Units, which enables calls to be processed, account activity to be logged, and balances to be maintained, on a prepayment basis.

Resp. Org - Responsible Organization or entity identified by an 800 service Customer that manages and administers records in the 800 database and management system.

Switched Access - The Customer gains entry to the Company's services by a transmission line that is switched through the local exchange carrier to reach the Company's point of presence.

Telecom Unit - A measurement of telecommunications service equivalent to one minute of usage between any two points within the State of Florida.

Telecommunications - The transmission of voice communications or, subject to the transmission capabilities of the services, the transmission of data, facsimile, signaling, metering, or other similar communications.

Underlying Carrier - The telecommunications carrier whose network facilities provide the technical capability and capacity necessary for the transmission and reception of Customer telecommunications traffic.

Issued: December 6, 1999

Effective:

By:

Toni Van Burkleo, CFO
119 West Tyler Street, Suite 168
Longview, TX 75601

SECTION 2 - RULES AND REGULATIONS**2.1 Undertaking of the Company**

This tariff contains the regulations and rates applicable to intrastate resale telecommunications services provided by NetworkIP for telecommunications between points within the State of Florida. Resale services are furnished subject to the availability of facilities and subject to the terms and conditions of this tariff in compliance with limitations set forth in the Commission's rules. The Company's services are provided on a statewide basis and are not intended to be limited geographically. The Company offers service to all those who desire to purchase service from the Company consistent with all of the provisions of this tariff. Customers interested in the Company's services shall file a service application with the Company which fully identifies the Customer, the services requested and other information requested by the Company. The Company 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 a service provided by the Company. The Customer shall be responsible for all charges due for such service arrangement.

- 2.1.1 The services provided by NetworkIP are not part of a joint undertaking with any other entity providing telecommunications channels, facilities, or services, but may involve the resale of the Message Toll Services (MTS) and Wide Area Telecommunications Services (WATS) of underlying common carriers subject to the jurisdiction of this Commission.

Issued: December 6, 1999

Effective:

By:

Toni Van Burkleo, CFO
119 West Tyler Street, Suite 168
Longview, TX 75601

-
- 2.1.2 The rates and regulations contained in this tariff apply only to the resale services furnished by NetworkIP and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other common carriers for use in accessing the services of NetworkIP.
- 2.1.3 The Company reserves the right to limit the length of communications, to discontinue furnishing services, or limit the use of service necessitated by conditions beyond its control, including, without limitation: lack of satellite or other transmission medium capacity; the revision, alteration or repricing of the Underlying Carrier's tariffed offerings; or when the use of service becomes or is in violation of the law or the provisions of this tariff.

2.2 Use and Limitations of Services

- 2.2.1 NetworkIP's services may be used for any lawful purpose consistent with the transmission and switching parameters of the telecommunications facilities utilized in the provision of services, subject to any limitations set forth in this Section 2.2.
- 2.2.2 The use of NetworkIP's services to make calls which might reasonably be expected to frighten, abuse, torment, or harass another or in such a way as to unreasonably interfere with use by others is prohibited.
- 2.2.3 The use of NetworkIP's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, schemes, false or invalid numbers, or false calling or credit cards is prohibited.

Issued: December 6, 1999 Effective:
By: Toni Van Burkleo, CFO
 119 West Tyler Street, Suite 168
 Longview, TX 75601

-
- 2.2.4 NetworkIP's services are available for use twenty-four hours per day, seven days per week.
- 2.2.5 NetworkIP does not transmit messages, but the services may be used for that purpose.
- 2.2.6 NetworkIP's services may be denied for nonpayment of charges or for other violations of this tariff subject to Section 2.5.1 herein.
- 2.2.7 Customers shall not use the service provided under this tariff for any unlawful purpose.
- 2.2.8 The Customer is responsible for notifying the Company immediately of any unauthorized use of services.

2.3 Liability of the Company

- 2.3.1 The Company shall not be liable for any claim, loss, expense or damage for any interruption, delay, error, omission, or defect in any service, facility or transmission provided under this tariff, if caused by an act of God, fire, war, civil disturbance, act of government, or due to any other causes beyond the Company's control.
- 2.3.2 The Company shall not be liable for, and shall be fully indemnified and held harmless by the Customer against any claim, loss, expense, or damage for defamation, libel, slander, invasion, infringement of copyright or patent, unauthorized use of any trademark, trade name or service mark, proprietary or creative right, or any other injury to any person, property or entity arising out of the material, data or information transmitted.
- 2.3.3 No agent or employee of any other carrier or entity shall be deemed to be an agent or employee of the Company.

Issued: December 6, 1999 Effective:
By: Toni Van Burkleo, CFO
 119 West Tyler Street, Suite 168
 Longview, TX 75601

- 2.3.4 The Company's liability, resulting in whole or in part from or arising in connection with the furnishing of service under this tariff, including but not limited to mistakes, omissions, interruptions, delays, errors, or other defects shall not exceed an amount equal to the charges provided for under this tariff for the long distance call for the period during which the call was affected. No other liability in any event shall attach to the Company, except as ordered by the Commission.
- 2.3.5 The Company shall not be liable for and shall be indemnified and saved harmless by any Customer or by any other entity from any and all loss, claims, demands, suits, or other action or any liability whatsoever, whether suffered, made, instituted, or asserted by any Customer or any other entity for any personal injury to, or death of, any person or persons, and for any loss, damage, defacement or destruction of the premises of any Customer or any other entity or any other property whether owned or controlled by the Customer or others.
- 2.3.6 The Company shall not be liable for any indirect, special, incidental, or consequential damages under this tariff including, but not limited to, loss of revenue or profits, for any reason whatsoever, including the breakdown of facilities associated with the service, or for any mistakes, omissions, delays, errors, or defects in transmission occurring during the course of furnishing service.
- 2.3.7 The remedies set forth herein are exclusive and in lieu of all other warranties and remedies, whether express or implied, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

Issued: December 6, 1999

Effective:

By:

Toni Van Burkleo, CFO
119 West Tyler Street, Suite 168
Longview, TX 75601

2.4 Responsibilities of the Customer

- 2.4.1 The Customer is responsible for placing any necessary orders and complying with tariff regulations. The Customer is also responsible for the payment of charges for services provided under this tariff.
- 2.4.2 The Customer is responsible for charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by NetworkIP on the Customer's behalf.
- 2.4.3 If required for the provision of NetworkIP's services, the Customer must provide any equipment space, supporting structure, conduit and electrical power without charge to NetworkIP.
- 2.4.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to NetworkIP and the Customer when required for NetworkIP personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of NetworkIP's services.
- 2.4.5 The Customer shall cause the temperature and relative humidity in the equipment space provided by Customer for the installation of NetworkIP's equipment to be maintained within the range normally provided for the operation of microcomputers.
- 2.4.6 The Customer shall ensure that the equipment and/or system is properly interfaced with NetworkIP's facilities or services, that the signals emitted into NetworkIP's network are of the proper mode, bandwidth, power and signal level for the intended use of the subscriber and in compliance with criteria set forth in this tariff, and that the signals do not

Issued: December 6, 1999**Effective:****By:****Toni Van Burkleo, CFO
119 West Tyler Street, Suite 168
Longview, TX 75601**

Section 2.4.6 Continued

damage equipment, injure personnel, or degrade service to other Customers. If the Federal Communications Commission or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with the telephone network, NetworkIP will permit such equipment to be connected with its channels without the use of protective interface devices. If the Customer fails to maintain the equipment and/or the system properly, with resulting imminent harm to NetworkIP equipment, personnel or the quality of service to other Customers, NetworkIP may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, NetworkIP may, upon written notice, terminate the Customer's service.

- 2.4.7 The Customer must pay NetworkIP for replacement or repair of damage to the equipment or facilities of NetworkIP caused by negligence or willful act of the Customer or others, by improper use of the services, or by use of equipment provided by Customer or others.
- 2.4.8 The Customer must pay for the loss through theft of any NetworkIP equipment installed at Customer's premises.
- 2.4.9 If NetworkIP installs equipment at Customer's premises, the Customer shall be responsible for payment of any applicable installation charge.
- 2.4.10 The Customer must use the services offered in this tariff in a manner consistent with the terms of this tariff and the policies and regulations of all state, federal and local authorities having jurisdiction over the service.

Issued: December 6, 1999**Effective:****By:**

Toni Van Burkleo, CFO
119 West Tyler Street, Suite 168
Longview, TX 75601

2.5 Cancellation or Interruption of Services

- 2.5.1 Without incurring liability, upon five (5) working days' (defined as any day on which the company's business office is open and the U.S. Mail is delivered) written notice to the Customer, NetworkIP may immediately discontinue services to a Customer or may withhold the provision of ordered or contracted services:
- 2.5.1.A For nonpayment of any sum due NetworkIP for more than thirty (30) days after issuance of the bill for the amount due,
- 2.5.1.B For violation of any of the provisions of this tariff,
- 2.5.1.C For violation of any law, rule, regulation, policy of any governing authority having jurisdiction over NetworkIP's services, or
- 2.5.1.D By reason of any order or decision of a court, public service commission or federal regulatory body or other governing authority prohibiting NetworkIP from furnishing its services.
- 2.5.2 Without incurring liability, NetworkIP may interrupt the provision of services at any time in order to perform tests and inspections to assure compliance with tariff regulations and the proper installation and operation of Customer and NetworkIP's equipment and facilities and may continue such interruption until any items of noncompliance or improper equipment operation so identified are rectified.

Issued: December 6, 1999**Effective:****By:****Toni Van Burkleo, CFO
119 West Tyler Street, Suite 168
Longview, TX 75601**

-
- 2.5.3 Service may be discontinued by NetworkIP without notice to the Customer, by blocking traffic to certain counties, cities or NXX exchanges, or by blocking calls using certain Customer authorization codes, when NetworkIP deems it necessary to take such action to prevent unlawful use of its service. NetworkIP will restore service as soon as it can be provided without undue risk, and will, upon request by the Customer affected, assign a new authorization code to replace the one that has been deactivated.
- 2.5.4 The Customer may terminate service upon verbal or written notice for the Company's standard month to month contract. Customer will be liable for all usage on any of the Company's service offerings until the Customer actually leaves the service. Customers will continue to have Company usage and be responsible for payment until the Customer or its agent notifies its local exchange carrier and changes its long distance carrier.

Issued: December 6, 1999

Effective:

By:

Toni Van Burkleo, CFO
119 West Tyler Street, Suite 168
Longview, TX 75601

2.6 Credit Allowance - Interruption of Service

- 2.6.1 Credit may be given for disputed calls, on a per call basis.
- 2.6.2 Credit shall not be issued for unavailability of long distance services.
- 2.6.3 The Customer shall be credited for an interruption of two hours or more at the rate of 1/720th of any monthly service charges for each hour or major fraction thereof that the interruption continues.

Credit Formula:

$$\text{Credit} = \frac{A}{720} \times B$$

"A" - outage time in hours

"B" - monthly charge for affected activity

Issued: December 6, 1999

Effective:

By:

Toni Van Burkleo, CFO
119 West Tyler Street, Suite 168
Longview, TX 75601

2.12 Late Charge

A late fee will be charged on any past due balances as set forth in Section 4.10 of this tariff.

2.13 Returned Check Charge

A fee, as set forth in Section 4.6 of this tariff, will be charged whenever a check or draft presented for payment for service is not accepted by the institution on which it is written.

2.14 Location of Service

The Company will provide service to Customers within the State of Florida.

2.15 Sale of Telecommunications Services to Uncertified IXCs Prohibited

Customers reselling or rebilling the Company's telecommunications services must have a Certificate of Public Convenience and Necessity as an interexchange carrier from the Commission.

2.16 Reconnection Charge

A reconnection fee per occurrence as set forth in Section 4.12 of this tariff, will be charged when service is reestablished for Customers which have been disconnected due to non-payment. Payment of the reconnection fee and any other outstanding amounts will be due in full prior to reconnection of service

Issued: December 6, 1999

Effective:

By:

Toni Van Burkleo, CFO
119 West Tyler Street, Suite 168
Longview, TX 75601

SECTION 3 - DESCRIPTION OF SERVICE**3.1 Computation of Charges**

- 3.1.1 The total charge for each completed call may be a variable measured charge dependent on the duration, distance and time of day of the call. The total charge for each completed call may also be dependent only on the duration of the call, i.e. a statewide flat rate per minute charge. The variable measured charge is specified as a rate per minute which is applied to each minute. All calls are measured in increments as set forth in the Rates Section of this tariff. All calls are rounded up to the next whole increment.
- 3.1.2 Usage charges for all mileage sensitive products are based on the airline distance between rate centers associated with the originating and terminating points of the call. The airline mileage between rate centers is determined by applying the formula below to the vertical and horizontal coordinates associated with the rate centers involved. The Company uses the rate centers that are produced by Bell Communications Research in the NPA-NXX V&H Coordinates Tape and Bell's NECA Tariff No. 4.

Formula:

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

Issued: December 6, 1999

Effective:

By:

Toni Van Burkleo, CFO
119 West Tyler Street, Suite 168
Longview, TX 75601

3.2 Continued

Any objection to billed charges should be reported promptly to NetworkIP or its billing agent. Adjustments to Customers' bills shall be made to the extent that records are available and/or circumstances exist which reasonably indicate that such charges are not in accordance with approved rates or that an adjustment may otherwise be appropriate. A Customer who is unable to resolve a billing dispute with the Company may contact the Commission by telephone at 1-800-342-3552 to intervene in the billing dispute.

3.3 Level of Service

A Customer can expect end to end network availability of not less than 99% at all times for all services.

3.4 Billing Entity Conditions

When billing functions on behalf of NetworkIP or its intermediary are performed by local exchange telephone companies or others, the payment of charge conditions and regulations of such companies and any regulations imposed upon these companies by regulatory bodies having jurisdiction apply. NetworkIP's name and toll-free telephone number will appear on the Customer's bill.

Issued: December 6, 1999**Effective:****By:**

Toni Van Burkleo, CFO
119 West Tyler Street, Suite 168
Longview, TX 75601

3.5 Service Offerings**3.5.1 1+ Dialing**

This service permits Customers to originate calls via switched or dedicated access lines, and to terminate intrastate calls. The customer dials "1+" followed by "ten digits" or dials "101XXXX" followed by "1+ ten digits".

3.5.2 Travel Cards

The Customer utilizes an 11 digit "toll-free" access number established by the Company to access a terminal. Upon receiving a voice prompt, the Customer uses push button dialing to enter an identification code assigned by the Company, and the ten digit number of the called party.

3.5.3 800 Service (Toll-Free)

This service is inbound calling only where an 800, 888 or other toll-free prefix number rings into a Customer's premise routed to a specific telephone number or terminated over a dedicated facility.

Issued: December 6, 1999**Effective:****By:**

Toni Van Burkleo, CFO
119 West Tyler Street, Suite 168
Longview, TX 75601

3.5.4 NetworkIP Prepaid Calling Cards

This service permits use of Prepaid Calling Cards for placing long distance calls. Customers may purchase NetworkIP Prepaid Calling Cards at a variety of retail outlets or through other distribution channels. NetworkIP Prepaid Calling Cards are available at a variety of face values. NetworkIP Prepaid Calling Card service is accessed using the NetworkIP toll-free number printed on the card. The caller is prompted by an automated voice response system to enter his/her Authorization Code, and then to enter the terminating telephone number. NetworkIP's processor tracks the call duration on a real time basis to determine the number of Telecom Units consumed. The total consumed Telecom Units for each call is deducted from the remaining Telecom Unit balance on the Customer's NetworkIP Prepaid Calling Card.

All calls must be charged against Prepaid Calling Card that has a sufficient Telecom Unit balance. A Customer's call will be interrupted with an announcement when the balance is about to be depleted.

In order to continue the call, the Customer can either call the toll-free number on the back of the NetworkIP Prepaid Calling Card and "recharge" the balance on the card using a nationally recognized credit card, or the Customer can throw the card away and purchase a new one. Calls in progress will be terminated by the Company if the balance on the NetworkIP Prepaid Calling Card is insufficient to continue the call and the Customer fails to enter the number of another valid NetworkIP Prepaid Calling Card prior to termination.

Issued: December 6, 1999**Effective:****By:****Toni Van Burkleo, CFO
119 West Tyler Street, Suite 168
Longview, TX 75601**

Section 3.5.4 Continued

A card will expire on the date indicated on the card, or if no date is specified, 12 months from the date of first usage, or the date of last recharge, whichever is later. The Company will not refund unused balances.

A credit allowance for NetworkIP Prepaid Calling Card Service is applicable to calls that are interrupted due to poor transmission, one-way transmission, or involuntary disconnection of a call. To receive the proper credit, the Customer must notify the Company at the designated toll-free customer service number printed on the NetworkIP Prepaid Calling Card and furnish the called number, the trouble experienced (e.g. cut-off, noisy circuit, etc.), and the approximate time that the call was placed.

When a call charged to an NetworkIP Prepaid Calling Card is interrupted due to cut-off, one-way transmission, or poor transmission conditions, the Customer will receive a credit equivalent of one Telecom Unit.

Credit allowances for calls pursuant to NetworkIP Prepaid Card Service do not apply for interruptions not reported promptly to the Company or interruptions that are due to the failure of power, equipment or systems not provided by the Company.

Credit for failure of service shall be allowed only when such failure is caused by or occurs due to causes within the control of the Company.

The Company will block all calls beginning with the NPA "900" and NXX "976" calls, therefore such calls can not be completed.

Issued: December 6, 1999**Effective:****By:****Toni Van Burkleo, CFO
119 West Tyler Street, Suite 168
Longview, TX 75601**

3.5.5 Directory Assistance.

Access to long distance directory assistance is obtained by dialing 1 + (area code) + 555-1212. When more than one number is requested in a single call, a charge will be applicable for each number requested, whether or not the number is listed or published.

3.5.6 Emergency Call Handling Procedures

Emergency "911" calls are not routed to company, but are completed through the local network at no charge.

3.5.7 Promotional Offerings

The Company may offer approved special promotions of new or existing services or products for limited time periods as approved by the Commission. These promotions will include specific tariffed starting and ending dates. All such promotions will be offered on a completely non-discriminatory basis. All such tariffed promotions must be approved by the Commission and must state exactly what charges are being reduced or waived, who is eligible, and what Customers have to do to be eligible.

Issued: December 6, 1999

Effective:

By:

Toni Van Burkleo, CFO
119 West Tyler Street, Suite 168
Longview, TX 75601

4.5 Directory Assistance

\$.95 per each number requested

4.6 Returned Check Charge

\$25.00

4.7 Rate Periods

	Monday - Friday	Sat.	Sun.
8 a.m. to 5 p.m.*	Daytime Rate Period		Evening Rate Period
5 p.m. to 11 p.m.*	Evening Rate Period		
11 p.m. to 8 a.m.*	Night/Weekend Rate Period		

* To, but not including

When a message spans more than one rate period, total charges for the minutes in each rate period are calculated and the results for each rate period are totaled to obtain the total message charge. If the calculation results in a fractional charge, the amount will be rounded down to the lower cent.

Issued: December 6, 1999

Effective:

By:

Toni Van Burkleo, CFO
119 West Tyler Street, Suite 168
Longview, TX 75601

4.8 Rates Applicable for Hearing/Speech Impaired Persons

For intrastate toll messages which are communicated using a telecommunications device for the deaf (TDD) by properly certified business establishments or individuals equipped with TDDs for communications with hearing or speech impaired persons, the rates shall be evening rates for daytime calls and night rates for evening and night calls.

Intrastate toll calls received from the relay service, each local exchange and interexchange telecommunications company billing relay call will be discounted by 50 percent of the applicable rate for a voice nonrelay call except that where either the calling or called party indicates that either party is both hearing and visually impaired, the call will be discounted 60 percent off the applicable rate for voice nonrelay calls.

Florida Public Service Commission Rules and Regulations require the Company to provide the first 50 directory assistance calls initiated per billing cycle by handicapped persons free of charge.

4.9 Employee Concessions

The Company does not offer employee concessions.

4.10 Late Charge

1.5% monthly or the amount otherwise authorized by law, whichever is lower.

4.11 Payphone Dial Around Surcharge

A dial around surcharge of \$.35 per call will be added to any completed INTRAstate toll access code and subscriber 800/888 type calls placed from a public or semi-public payphone.

4.12 Reconnection Charge

\$25.00

Issued: December 6, 1999

Effective:

By:

Toni Van Burkleo, CFO
119 West Tyler Street, Suite 168
Longview, TX 75601

FINANCIAL INFORMATION

NETWORK, LLC
BALANCE SHEET
(UNAUDITED)
NOVEMBER 30, 1999

ASSETS

Current Assets

Cash & Short Term Investments

\$300,000.00

Total Current Assets

300,000.00

Other Assets

Total Other Assets

.00

Long Term Assets

Total Long Term Assets

.00

Fixed Assets

Total Fixed Assets

.00

Total Assets

300,000.00

LIABILITIES & MEMBER'S EQUITY

Current Liabilities

Total Current Liabilities

.00

Member's Equity

Member Contributions

300,000.00

Total Member's Equity

300,000.00

Total Liabilities and Member's Equity

\$300,000.00

NETWORK, LLC
 INCOME STATEMENT
 (UNAUDITED)

FOR THE ELEVEN PERIODS ENDED NOVEMBER 30, 1999

	PERIOD TO DATE		YEAR TO DATE	
	ACTUAL	%	ACTUAL	%
Revenue				
Total Revenue	\$.00	.0 %	.00	.0
Cost of Sales				
Total Cost of Sales	.00	.0	.00	.0
Gross Profit	.00	.0	.00	.0
Operating Expenses				
Total Operating Expenses	.00	.0	.00	.0
Net Inc (Loss) from Oper Before Inc Tax	\$.00	.0 %	.00	.0

BALANCE SHEET
(UNAUDITED)
SEPTEMBER 30, 1999

ASSETS

Current Assets

Cash & Short Term Investments	\$3,625,671.96
Accts Receivable, Net of Allow	2,769,663.07
Prepaid Expenses	76,136.04
Deposits	19,842.52
Notes Receivable - Current	443,750.00

Total Current Assets	6,935,063.59
-----------------------------	---------------------

Other Assets

Investment in Del Norte	425,882.55
-------------------------	------------

Total Other Assets	425,882.55
---------------------------	-------------------

Long Term Assets

Long Term Assets - LA	58,968.75
-----------------------	-----------

Total Long Term Assets	58,968.75
-------------------------------	------------------

Fixed Assets

Office Furniture & Fixtures	36,567.94
Equipment	3,088,064.63
Software	417,894.16
Leasehold Improvements	403,592.54
Accumulated Depreciation	(1,448,389.55)

Total Fixed Assets	2,497,729.72
---------------------------	---------------------

Total Assets	9,917,644.61
---------------------	---------------------

LIABILITIES & PARTNERS' EQUITY

Current Liabilities

Accounts Payable - Trade	3,746,972.64
A/P - Accruals	2,794,808.10
Other Liabilities	627,540.79
Customer Deposits Payable	347,410.19

Total Current Liabilities	7,516,731.72
----------------------------------	---------------------

Partners' Equity

Partners' Contributions	506,002.78
Retained Earnings	1,894,910.11

Total Partners' Equity	2,400,912.89
-------------------------------	---------------------

Total Liabilities and Partners' Equity	\$9,917,644.61
---	-----------------------

NETWORK ENHANCED TELECOM, LLP

INCOME STATEMENT

(UNAUDITED)

FOR THE NINE PERIODS ENDED SEPTEMBER 30, 1999

	PERIOD TO DATE		YEAR TO DATE	
	ACTUAL	%	ACTUAL	%
Revenue				
Sales - Service Bureau	\$5,860,147.84	99.9 %	51,895,956.23	99.9
Sales - Other	5,592.43	.1	45,593.22	.1
Total Revenue	5,865,740.27	100.0	51,941,549.45	100.0
Cost of Sales				
Telephone Services	4,625,216.52	78.9	43,845,022.97	84.4
Commissions	17,876.56	.3	201,158.30	.4
Bad Debt Expense	29,000.00	.5	226,339.72	.4
Total Cost of Sales	4,672,093.08	79.7	44,272,520.99	85.2
Gross Profit	1,193,647.19	20.3	7,669,028.46	14.8
Operating Expenses				
Admin Salaries & Benefits	105,567.53	1.8	1,005,198.49	1.9
Advertising	3,187.00	.1	22,684.05	.0
Automobile	556.79	.0	3,926.60	.0
Consulting	12,632.57	.2	92,066.96	.2
Contract Labor	.00	.0	30,548.71	.1
Customer Adjustments	8,469.05	.1	107,830.03	.2
Depreciation	96,867.77	1.7	797,501.50	1.5
Dues & Publications	.00	.0	7,912.25	.0
Employee Welfare	2,000.00	.0	6,761.27	.0
Emp. Seminar/Trade Show Fees	567.50	.0	8,557.27	.0
Equipment Expense	3,582.07	.1	46,780.21	.1
Freight	364.50	.0	25,887.35	.0
Insurance Expense	1,851.50	.0	22,417.00	.0
Interest Expense	23.57	.0	81.35	.0
Interest Income	(36,469.61)	(.6)	(217,705.18)	(.4)
Internet Expense	1,371.07	.0	13,912.69	.0
Janitorial Expense	650.00	.0	4,328.74	.0
Lease Expense - Equipment	15,379.49	.3	850,628.38	1.6
Legal & Professional	5,586.83	.1	41,226.11	.1
Licenses & Fees	20,117.05	.3	34,936.67	.1
(Gain)Loss on F/A Disposal	.00	.0	1,000.00	.0
Marketing Expense	8,789.60	.1	96,153.91	.2
Meals	2,123.96	.0	15,182.40	.0
Miscellaneous Expense	.00	.0	302.41	.0
Office Supplies	3,568.64	.1	38,091.80	.1
Pager Expense	236.72	.0	2,735.88	.0
Rent Expense	13,977.61	.2	87,611.18	.2
Repairs & Maintenance	193.11	.0	885.21	.0
Service Agreements	217,915.74	3.7	246,108.57	.5
Software Expense	45.00	.0	104.99	.0
Sales Tax on Fixed Assets	2,255.80	.0	76,603.99	.1
Taxes - Other	20,092.38	.3	130,339.85	.3
Telephone Expense	2,412.45	.0	48,977.31	.1
Travel and Entertainment	17,390.10	.3	77,628.27	.1
Utilities	2,354.00	.0	26,858.40	.1
Total Operating Expenses	533,659.79	9.1	3,754,064.62	7.2
Net Inc (Loss) from Oper Before Inc Tax	\$659,987.40	11.3 %	3,914,963.84	7.5

Financial Statements
Network Enhanced Telecom, LLP
Year ended December 31, 1998

Network Enhanced Telecom, LLP

Financial Statements

Year ended December 31, 1998

Contents

Report of Independent Auditors	1
Audited Financial Statements	
Balance Sheet	2
Statement of Income.....	3
Statement of Partners' Equity.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements	6

Report of Independent Auditors

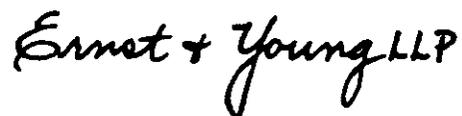
Partners
Network Enhanced Telecom, LLP

We have audited the accompanying balance sheet of Network Enhanced Telecom, LLP (the "Company"), as of December 31, 1998, and the related statements of income, partners' equity, and cash flow for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 Network Enhanced Telecom, LLP, at December 31, 1998, and the results of its operations and its cash flow for the year then ended in conformity with generally accepted accounting principles.

July 14, 1999



Network Enhanced Telecom, LLP

Balance Sheet

December 31, 1998

ASSETS

CURRENT ASSETS:

Cash	\$ 500
Short-term investments	250,000
Note receivable from a partner (<i>Note 4</i>)	333,750
Accounts receivable	730,980
Receivables from employees	2,225
Prepaid expenses and deposits	248,717
Total current assets	<u>\$ 1,566,172</u>

LONG-TERM ASSETS 63,750

PROPERTY AND EQUIPMENT, NET (*Note 3*) 2,653,139

TOTAL ASSETS \$ 4,283,061

LIABILITIES AND PARTNERS' EQUITY

CURRENT LIABILITIES:

Accounts payable – trade	\$ 222,544
Accrued telecommunication expenses	979,396
Commissions payable (<i>Note 7</i>)	408,333
Other accrued expenses	1,436,839
Total current liabilities	<u>3,047,112</u>

PARTNERS' EQUITY 1,235,949

TOTAL LIABILITIES AND PARTNERS' EQUITY \$ 4,283,061

See accompanying notes.

Network Enhanced Telecom, LLP

Statement of Income

Year ended December 31, 1998

REVENUES:	
Service bureau revenues	\$ 21,869,783
COSTS AND EXPENSES:	
Costs of operations:	
Telephone services	17,532,490
Commissions	745,055
Bad debt expense	205,391
Depreciation	650,888
Selling, general, and administrative	1,003,540
Total costs and expenses	<u>20,137,364</u>
OPERATING INCOME	1,732,419
OTHER INCOME (EXPENSE):	
Interest expense	(905)
Interest income	23,432
Total other income (expense)	<u>22,527</u>
NET INCOME	<u>\$ 1,754,946</u>

See accompanying notes.

Network Enhanced Telecom, LLP

Statement of Partners' Equity

Year ended December 31, 1998

BALANCE, DECEMBER 31, 1997	\$ -
Net income	1,754,946
Contributions	506,003
Distributions	(1,025,000)
BALANCE, DECEMBER 31, 1998	<u>\$ 1,235,949</u>

See accompanying notes.

Network Enhanced Telecom, LLP

Statement of Cash Flows

Year ended December 31, 1998

OPERATING ACTIVITIES:	
Net income	\$ 1,754,946
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	650,888
Bad debt expense	205,391
Changes in operating assets and liabilities:	
Accounts receivable	(936,371)
Receivables from employees	(2,225)
Other assets	(312,467)
Accounts payable – trade	222,544
Accrued telecommunication expenses	979,396
Commissions payable	408,333
Other accrued expenses	<u>1,436,839</u>
Net cash provided by operating activities	\$ 4,407,274
INVESTING ACTIVITIES:	
Loans for note receivable	(500,000)
Proceeds from note receivable	166,250
Purchase of short-term investments	(250,000)
Additions to property and equipment	<u>(2,858,024)</u>
Net cash used in investing activities	\$ (3,441,774)
FINANCING ACTIVITIES	
Contributions from partners	60,000
Distributions paid to partners	<u>(1,025,000)</u>
Net cash used in financing activities	\$ (965,000)
NET INCREASE IN CASH	500
Cash at beginning of year	<u>-</u>
Cash at end of year	<u>\$ 500</u>
NON-CASH TRANSACTIONS	
Property and equipment contributed by a partner	<u>\$ 446,003</u>

See accompanying notes.

Network Enhanced Telecom, LLP

Notes to Financial Statements

December 31, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Network Enhanced Telecom, LLP (the "Company") was formed on January 1, 1998. The Company is a facilities-based e.telcom company which sells telecommunications services and other enhanced services to wholesale distributors of prepaid telecommunication services throughout the continental United States and Mexico.

Revenues

Revenues are recognized when a call is placed. Accounts receivable include revenues generated from processing origination and termination minutes through the Company's facilities and web-based processing systems.

Short-Term Investments

Short-term investments represents a certificate of deposit with a maturity date less than twelve months from December 31, 1998.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the double declining balance method over the estimated useful lives of the related assets, which range primarily from five to seven years.

Federal Income Taxes

Federal income taxes are not provided, as the Company has elected the Limited Liability Partnership ("LLP") status under the Internal Revenue Code, with profits and losses reported by the partners in their individual income tax returns.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Network Enhanced Telecom, LLP

Notes to Financial Statements (continued)

2. SIGNIFICANT CUSTOMERS

Sales to certain customers exceeded 10% of total prepaid service bureau revenues for the year. The percentages of prepaid service bureau revenues represented by these customers are as follows:

Customer A	48%
Customer B (a related party)	18%

3. PROPERTY AND EQUIPMENT

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

Equipment	\$ 2,709,598
Computer software	397,989
Construction in progress	196,440
Total	<u>3,304,027</u>
Less accumulated depreciation	(650,888)
Net property and equipment, at cost	<u>\$ 2,653,139</u>

4. NOTE RECEIVABLE FROM A PARTNER

At December 31, 1998, the Company had a \$333,750 note receivable from a partner, due on demand, unsecured, bearing interest at the rate of 8% per annum.

5. NOTES PAYABLE AND CREDIT

The Company maintains a bank line of credit for \$250,000. As of December 31, 1998 the Company had no borrowings against the line of credit.

Network Enhanced Telecom, LLP

Notes to Financial Statements (continued)

6. LEASES

Rent expense for 1998 was \$21,552. The Company entered into a lease agreement in February 1999 to lease office space for a new site in Los Angeles, California under a non-cancelable operating lease. Future minimum payments for this lease are as follows:

1999	\$ 88,700
2000	91,361
2001	94,102
2002	96,927
2003	99,832
Thereafter	446,085
Total minimum lease payments	<u>\$ 917,007</u>

7. COMMISSIONS PAID

In August of 1998, the Company entered into an agreement with a third-party agent to pay a one-time commission related to his marketing services. This agreement included \$700,000 of commissions to be paid to this agent over twelve months beginning in August of 1998. No additional commissions are expected to be paid to this agent for further services. The remaining commission due as of December 31, 1998 of \$408,333 is reflected as a current liability on the balance sheet.

8. YEAR 2000 COMPLIANCE (Unaudited)

The Company has undertaken a review of its computer systems, operational equipment, and software to identify the systems that may be impacted by the Year 2000 problem. Since most of the Company's equipment was new when purchased, and was purchased in 1998 and subsequent years, the majority of equipment and software was already Year 2000 compliant when purchased.

The Company is engaged in an effort to identify and address Year 2000 date-related issues and their impact on its products, services, and information technology environment. To facilitate this effort, the Company has contacted its vendors regarding the readiness of each component that comprises its network and support systems. The Company's prepaid calling card platform is comprised of an integration of products and equipment from various vendors. A review of each vendor's documentation shows that each component has been certified as being Year 2000 compliant.

Network Enhanced Telecom, LLP

Notes to Financial Statements (continued)

8. YEAR 2000 COMPLIANCE (Unaudited) (continued)

To date, costs incurred by the Company related solely to the Year 2000 problem have been minimal. In the opinion of management, the costs to complete the Year 2000 compliance program will not have a material effect on the Company's financial position, cash flow, or results of operations.

MANAGEMENT INFORMATION

NETWORK ENHANCED TELECOM, LLP
Biographical Sketches for Senior Management

Peter R. Patullo, age 39

Chief Executive Officer

Mr. Pattullo is the President and Chief Executive Officer for Network Enhanced Telecom, LLP (NET). He also serves as Chief Technology Officer for Network Operator Services Inc. and its subsidiaries. Mr. Pattullo joined Network Operator Services, Inc., in May 1997, subsequently founding and managing NET in December 1997. He served over fourteen years at Nortel in a full range of positions. Mr. Pattullo has nineteen years of experience in telecommunications customer service, product management, maintenance, operations and support.

Toni L. Van Burkleo, CPA, age 44

Chief Financial Officer

Ms. Van Burkleo joined Network Enhanced Telecom, LLP in December of 1998. She previously served as the CFO and Controller for Network Operator Services since June of 1993. Prior to that time she was in private practice as a CPA, consulting with clients on accounting software for personal computers and was a management consultant with Coopers & Lybrand in Dallas in their Energy Systems and Services division. Ms. Van Burkleo manages the financial functions of the Company including preparation of financial information for NET and selected customers. Ms. Van Burkleo received her BBA in Accounting from Baylor University, Waco, Texas.

Scott Reskey, age 43

Vice President, Operations

Mr. Reskey joined Network Enhanced Telecom in October 1998. Prior to joining the Company, he was employed by Sprint Long Distance (1986-1998) in various technical and management positions within Field and Network Operations, including Technical Support and Network Management & Control. Mr. Reskey is responsible for the day-to-day operation and management of the network.

Jet Thomas, age 40

Director of Network Operations

Mr. Thomas joined Network Enhanced Telecom in August of 1998 after working with Network Operator Services since July of 1993, where he served as their Director of Network Operations also. He was previously employed by Valu-Line of Longview as Network Manager. Prior to this time, he was a technician with Southwestern Bell Telephone. Mr. Thomas manages the switch and facility network for the Company, including deployment of new technologies for Network Operator Services, Inc. and its affiliates. Mr. Thomas attended Texas Baptist College and received his BA in Business from Arkansas State University, Jonesboro, Arkansas.

Darren Burns, age 34

Vice President of Sales/Marketing

Mr. Burns joined Network Enhanced Telecom in August of 1998 after working with Network Operator Services, Inc. since late 1988, where he was Director of Information Systems. He was previously a customer engineer for Memorex Telex Corporation in their Telecommunications Division. Mr. Burns has been involved in various aspects of the telecommunications industry for thirteen years. Mr. Burns is responsible for business development and marketing for NET. Mr. Burns is a graduate of LeTourneau University with a BA in Business Management.

STATEMENT OF FINANCIAL CAPABILITY

NetworkIP, LLC has sufficient financial capability to provide the requested service in the State of Florida and has sufficient financial capability to maintain the requested service and to meet its lease or ownership obligations. In support of NetworkIP, LLC's stated financial capability, a copy of its Balance Sheet as of November 30, 1999 and Income Statement for the period ended November 30, 1999 and a copy of its parent company's Audited Financial Statements for the year ended December 31, 1998 and unaudited Balance Sheet as of September 30, 1999 and Income Statement for 9 months ended September 30, 1999 is attached to its application. NetworkIP, LLC intends to fund the provision of service through internally generated cash flow. NetworkIP, LLC also has the ability to borrow funds, if required, based upon its financial capabilities, and the parent company is committed to providing any necessary capital if needed to provide service in the State of Florida.