Lance J.M. Steinhart, P.C.
Attorney At Law
1720 Windward Concourse
Suite 250
Alpharetta, Georgia 30005

Also Admitted in New York
and Maryland

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

May 20, 2002

VIA OVERNIGHT DELIVERY

Florida Public Service Commission
Attn: Walter D'Haeseleer
Competitive Markets & Enforcement
2540 Shumard Oak Blvd.
Gunter Bldg.
Tallahassee, Florida 32399
(850) 413-6600

020458-TI

Re: Cypress Communications Operating Company, Inc.

Dear Mr. D'Haeseleer:

Enclosed please find one original and six (6) copies of Cypress Communications Operating Company, Inc.'s Application for Authority to Provide Interexchange Telecommunications Service Within the State of Florida, along with an original and six (6) copies of Cypress Communications Operating Company, Inc.'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 Cypress Communications Operating Company, Inc.

Enclosures
cc: Deena K. Snipes

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND ON WHITE PAPER, A VOID PANTOGRAPH AND MICROPRINTING

CYPRESS COMMUNICATIONS, INC.
FIFTEEN PIEDMONT CENTER, SUITE 610
ATLANTA, GA 30305
PH.404-869-2500

Silicon Valley Bank
Santa Clara, CA 95054
90-4039-1211

Check No 055074

Check Date
05/17/2002

PAY *TWO HUNDRED FIFTY AND XX / 100

Check Amount
$******250.00*

TO THE ORDER OF
FLORIDA PUBLIC SERV COMMISSION
ATTN: FISCAL SERVICES
2540 SHUMARD OAK BLVD
TALLAHASSEE, FL 32

0003300

Authorized Signature

119.07(1)(z), Florida Statutes: Bank account numbers or debit, charge, or credit card numbers given to an agency for the purpose of payment of any fee or debt owing are confidential and exempt from subsection (1) and s.24(a), Art. 1 of the State Constitution . . .

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

DIVISION OF REGULATORY OVERSIGHT
CERTIFICATION SECTION

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

020458-TI

Instructions

- This form is used as an application for an original certificate and for approval of assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Page 16).

- Print or Type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.

- Use a separate sheet for each answer which will not fit the allotted space.

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

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

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

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

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

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

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

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

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

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

2. Name of company:

   Cypress Communications Operating Company, Inc.

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

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

   15 Piedmont Center, 3575 Piedmont Rd. Ste. 100

   Atlanta GA 30305

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

   None

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

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

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

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

(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.

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

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

7. Structure of organization;

( ) Individual	( ) Corporation
(x) Foreign Corporation	( ) Foreign Partnership
( ) General Partnership	( ) Limited Partnership
( ) Other ________________	

8. **<u>If individual,</u>** provide:

Name: Not Applicable
Title:
Address:
City/State/Zip:

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

9. **<u>If incorporated in Florida,</u>** provide proof of authority to operate in Florida:

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

10. **<u>If foreign corporation,</u>** provide proof of authority to operate in Florida:

    (a) **The Florida Secretary of State Corporate Registration number:**
    F000000002206

11. **<u>If using fictitious name-d/b/a,</u>** provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:

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

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

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

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

Name:______________________________

Title:______________________________

Address:______________________________
City/State/Zip:______________________________

Telephone No.:________________ **Fax No.:**____________
Internet E-Mail Address:________________________
Internet Website Address:________________________

14. **If a foreign limited partnership,** provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.

(a) **The Florida registration number:**____________________

15. Provide **F.E.I. Number** (if applicable): 58-2536853

16. Provide the following (if applicable):

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

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

Name:______________________________
Title:______________________________

Address:______________________________

City/State/Zip:______________________________

Telephone No.:________________ **Fax No.:**____________

(c) How is this information provided?

____

____

17. Who will receive the bills for your service?

(x) Residential Customers
( ) PATs providers
( ) Hotels & motels
( ) Universities
( ) Other: (specify)__________.

(x) Business Customers
( ) PATs station end-users
( ) Hotel & motel guests
( ) Universities dormitory residents

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

(a) The application:

Name: Lance J.M. Steinhart

Title: Regulatory Counsel

Address: 1720 Windward Concourse, Suite 250
City/State/Zip: Alpharetta, Georgia 30005

Telephone No.: (770) 232-9200 **Fax No.:** (770) 232-9208
Internet E-Mail Address: lsteinhart@telecomcounsel.com
Internet Website Address: __________

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

Name: Deena K. Snipes

Title: Manager of Legal & Business Affairs

Address: 15 Piedmont Center, Ste. 100
City/State/Zip: Atlanta GA 30305

Telephone No.: (404) 869-2500 **Fax No.:** (404) 869-2525
Internet E-Mail Address: dsnipes@cypresscom.net
Internet Website Address: www.cypresscom.net

(c) Complaints/Inquiries from customers:

Name: Dan Knafo

Title: Senior Vice President, Operations

Address: 15 Piedmont Center, Ste. 100
City/State/Zip: Atlanta GA 30305

Telephone No.: (404) 869-2500 **Fax No.:** (404) 869-2525
Internet E-Mail Address: dsnipes@cypresscom.net
Internet Website Address: www.cypresscom.net

19. List the states in which the applicant:

(a) has operated as an interexchange telecommunications company.

None.

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

None.

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

Colorado, Illinois, Pennsylvania, New York, Maryland, Indiana and Michigan

(d) has been denied authority to operate as an interexchange telecommunications company and the circumstances involved.

None

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

See 15 (b)

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

None

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

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

No

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

Yes, Applicant's parent company is currently certified as a shared tenant service provider, and had its certification to provide interexchange service cancelled per Rule 25-4.0161, F.A.C.

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

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

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

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

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

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

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

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

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

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

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

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

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

I.___x___ **Travel service**

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

j._______ **900 service**

k._______ **Operator services**

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

l. **Services included are:**

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

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

23. Submit the following:

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

B. **Technical capability;** give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.
Applicant will use the network services of its underlying carrier to provide services to customers in the State of Florida.

C. **Financial capability.**

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

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

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

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

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

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

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

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

THIS PAGE MUST BE COMPLETED AND SIGNED

APPLICANT ACKNOWLEDGMENT STATEMENT

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

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

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

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

UTILITY OFFICIAL:

Gregory P. McGraw
Print Name

[signature]
Signature

President & Chief Operating Officer
Title

5/17/02
Date

(404) 869-2500
Telephone No.

(404) 869-2525
Fax No.

Address: 15 Piedmont Center, 3575 Piedmont Rd. Ste. 100
Atlanta GA 30305

FL IXC App

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

THIS PAGE MUST BE COMPLETED AND SIGNED

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

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

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

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

UTILITY OFFICIAL:

Gregory P. McGraw	[signature]
Print Name	**Signature**
President & Chief Operating Officer	5/17/02
Title	**Date**
(404) 869-2500	(404) 869-2525
Telephone No.	**Fax No.**

Address: 15 Piedmont Center, 3575 Piedmont Rd. Ste. 100
Atlanta GA 30305

FL IXC App

THIS PAGE <u>MUST BE</u> COMPLETED AND SIGNED

AFFIDAVIT

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

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

UTILITY OFFICIAL:

Gregory P. McGraw
Print Name

Signature

President & Chief Operating Officer
Title

5/17/02
Date

(404) 869-2500
Telephone No.

(404) 869-2525
Fax No.

Address: 15 Piedmont Center, 3575 Piedmont Rd. Ste. 100
Atlanta GA 30305

FL IXC App

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 services begin?

____

____

____

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

____

____

____

UTILITY OFFICIAL:

Gregory P. McGraw	[signature]
Print Name	**Signature**
President & Chief Operating Officer	5/17/02
Title	**Date**
(404) 869-2500	(404) 869-2525
Telephone No.	**Fax No.**

Address: 15 Piedmont Center, 3575 Piedmont Rd. Ste. 100
Atlanta GA 30305

CERTIFICATE TRANSFER, OR ASSIGNMENT STATEMENT

LIST OF ATTACHMENTS

PROPOSED TARIFF

FINANCIAL INFORMATION

MANAGEMENT INFORMATION

STATEMENT OF FINANCIAL CAPABILITY

PROPOSED TARIFF

TITLE SHEET

FLORIDA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service or facilities for Telecommunications Services furnished by Cypress Communications Operating Company, Inc. ("Cypress"), with principal offices at 15 Piedmont Center, 3575 Piedmont Road, Suite 100, Atlanta, Georgia 30305. 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.

CHECK SHEET

The sheets of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom right-hand side of this sheet.

SHEET	REVISION
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original
15	Original
16	Original
17	Original
18	Original
19	Original
20	Original
21	Original
22	Original
23	Original
24	Original
25	Original
26	Original
27	Original
28	Original
29	Original

* Original or Revised Sheet Included in the most recent tariff filing

TABLE OF CONTENTS

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

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.

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

Access Line - An arrangement from a local exchange telephone company or other common carrier, using either dedicated or switched access, which connects a Customer's location to the Company's location or switching center.

Authorization Code - A numerical code, one or more of which may be assigned to a Customer, to enable the Company to identify the origin of the Customer so it may rate and bill the call. Automatic number identification (ANI) is used as the authorization code wherever possible.

Commission - Used throughout this tariff to mean the Florida Public Service Commission.

Customer - The person, firm, corporation or other legal entity which orders the services of the Company or purchases a Company Prepaid Calling Card and/or originates prepaid calls using such cards, and is responsible for the payment of charges and for compliance with the Company's tariff regulations.

Company or Cypress - Used throughout this tariff to mean Cypress Communications Operating Company, Inc., a Delaware Corporation.

Dedicated Access - The Customer gains entry to the Company's services by a direct path from the Customer's location to the Company's point of presence.

Holiday - New Year's Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. Holidays shall be billed at the evening rate from 8 a.m. to 11 p.m. After 11 p.m., the lower night rate shall go into effect.

Prepaid Account - An inventory of Telecom Units purchased in advance by the Customer, and associated with one and only one Authorization Code as contained in a specific Prepaid Calling Card.

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 a Toll-Free service Customer that manages and administers records in the toll free number 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.

SECTION 2 - RULES AND REGULATIONS

2.1 Undertaking of the Company

This tariff contains the regulations and rates applicable to intrastate interexchange telecommunications services provided by the Company for telecommunications between points within the State of Florida. 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 the Company 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.

2.1.2 The rates and regulations contained in this tariff apply only to the services furnished by the Company 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 the Company.

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 The Company'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 the Company'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 the Company'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.

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

2.2.5 The Company does not transmit messages, but the services may be used for that purpose.

2.2.6 The Company'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.

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.

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 the Company on the Customer's behalf.

2.4.3 If required for the provision of the Company's services, the Customer must provide any equipment space, supporting structure, conduit and electrical power without charge to the Company.

2.4.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to the Company and the Customer when required for Company personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of the Company'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 the Company'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 the Company's facilities or services, that the signals emitted into the Company'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 damage equipment, injure

Section 2.4.6 Continued

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, the Company 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 Company equipment, personnel or the quality of service to other Customers, the Company may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, the Company may, upon written notice, terminate the Customer's service.

2.4.7 The Customer must pay the Company for replacement or repair of damage to the equipment or facilities of the Company 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 Company equipment installed at Customer's premises.

2.4.9 If the Company 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.

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, the Company 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 the Company 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 the Company'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 the Company from furnishing its services.

2.5.2 Without incurring liability, the Company 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 the Company's equipment and facilities and may continue such interruption until any items of noncompliance or improper equipment operation so identified are rectified.

2.5.3 Service may be discontinued by the Company 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 the Company deems it necessary to take such action to prevent unlawful use of its service. The Company 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.

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

2.7 Deposit

The Company does not require deposits.

2.8 Advance Payments

The Company requires advance payments for recurring and non-recurring charges. This will be applied against the next month's charges, and if necessary, a new advance payment will be collected for the next month.

2.9 Payment and Billing

2.9.1 Service is provided and billed on a billing cycle basis, beginning on the date that service becomes effective. Billing is payable upon receipt.

2.9.2 The customer is responsible for payment of all charges for services furnished to the Customer, as well as to all persons using the Customer's codes, exchange lines, facilities, or equipment, with or without the knowledge or consent of the Customer. The security of the Customer's Authorization Codes, subscribed exchange lines, and direct connect facilities is the responsibility of the Customer. All calls placed using direct connect facilities, subscribed exchange lines, or Authorization Codes will be billed to and must be paid by the Customer. Recurring charges and non-recurring charges are billed in advance. Charges based on actual usage during a month and any accrued interest will be billed monthly in arrears.

2.10 Collection Costs

In the event Company is required to initiate legal proceedings to collect any amounts due to Company for regulated services, or for the enforcement of any other provision of this tariff or applicable law, Customer shall, in addition to all amounts due, be liable to Company for all reasonable costs incurred by Company in such proceedings and enforcement actions, including reasonable attorneys' fees, collection agency fees or payments, and court costs. In any such proceeding, the amount of collection costs, including attorneys' fees, due to the Company, will be determined by the court.

2.11 Taxes

All federal, state and local taxes, assessments, surcharges, or fees, including sales taxes, use taxes, gross receipts taxes, and municipal utilities taxes, are billed as separate line items and are not included in the rates quoted herein.

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

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:

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

3.1.3 Timing begins when the called party answers and two way communication is possible, as determined by standard industry methods generally in use for ascertaining answer, including hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. Timing for each call ends when either party hangs up.

3.1.4 The Company will not bill for uncompleted calls.

3.2 Customer Complaints and/or Billing Disputes

Customer inquiries or complaints regarding service or accounting may be made in writing or by telephone to the Company at:

15 Piedmont Center, 3575 Piedmont Road, Suite 100
Atlanta, Georgia 30305
(866) 834-3611

3.2 Continued

Any objection to billed charges should be reported promptly to the Company 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 <u>Level of Service</u>

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

3.4 <u>Billing Entity Conditions</u>

When billing functions on behalf of the Company 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. The Company's name and toll-free telephone number will appear on the Customer's bill.

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 Toll-Free Service

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.

3.5.4 Company Prepaid Calling Cards

This service permits use of Prepaid Calling Cards for placing long distance calls. Customers may purchase Company Prepaid Calling Cards at a variety of retail outlets or through other distribution channels. Company Prepaid Calling Cards are available at a variety of face values. Company Prepaid Calling Card service is accessed using the Company 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. The Company's processor tracks the call duration on a real time basis to determine the number of Telecom Units consumed. The total consumed Telecom Units and applicable taxes for each call are deducted from the remaining Telecom Unit balance on the Customer's Company 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.

When the balance is depleted, the Customer can either call the toll-free number on the back of the Company 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 Company Prepaid Calling Card is insufficient to continue the call.

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 Company 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 Company 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 a Company 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 the Company 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.

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.

SECTION 4 - RATES

4.1 1+ & 101XXXX Dialing

$0.15 per minute

A $4.95 per month per number service charge applies.
Billed in one minute increments

4.2 Travel Cards

$.199 per minute

A $.25 per call service charge applies.
Billed in one minute increments

4.3 Toll Free Service

$0.15 per minute

A $10.00 per month per number service charge applies.

Billed in one minute increments

4.4 Prepaid Calling Cards

$.499 Per Telecom Unit

$1.00 per call charge

4.5 Directory Assistance

$.95 per each number requested

4.6 Returned Check Charge

$25.00

4.7 Rate Periods and Billing Increments

<table>
<tr><th></th><th>Monday - Friday</th><th>Sat.</th><th>Sun.</th></tr>
<tr><td>8 a.m.
to
5 p.m.*</td><td>Daytime Rate Period</td><td rowspan="2"></td><td></td></tr>
<tr><td>5 p.m.
to
11 p.m.*</td><td>Evening Rate Period</td><td>Evening
Rate
Period</td></tr>
<tr><td>11 p.m.
to
8 a.m.*</td><td colspan="3">Night/Weekend Rate Period</td></tr>
</table>

* 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.

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 toll-free 800/888 type calls placed from a public or semi-public payphone.

4.12 Reconnection Charge

$25.00

FINANCIAL INFORMATION

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

February 21, 2002
Date of Report (Date of earliest event reported)

U.S. REALTEL, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	0-30401	36-4166222
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

15 PIEDMONT CENTER, SUITE 100, ATLANTA, GEORGIA	30305
(Address of principal executive offices)	(Zip Code)

(404) 869-2500
(Issuer's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

On March 1, 2002, Registrant filed its Current Report on Form 8-K describing its acquisition of Cypress Communications, Inc. Financial statements for the acquired business and pro forma information that were not available at the time of the initial filing of the Current Report on Form 8-K are provided in this Current Report on Form 8-K/A.

(a) Financial Statements of Businesses Acquired

The following historical financial statements and notes thereto are of Cypress Communications, Inc. and Subsidiaries prior to the consummation of the acquisition and are attached hereto at pages F-1 to F-21.

- Report of Independent Public Accountants
- Consolidated Balance Sheets as of December 31, 2000 and 2001
- Consolidated Statements of Operations for the years ended December 31, 2000 and 2001
- Consolidated Statements of Stockholders' (Deficit) Equity for the years ended December 31, 2000 and 2001
- Consolidated Statements of Cash Flows for the years ended December 31, 2000 and 2001
- Notes to Consolidated Financial Statements

(b) Unaudited Pro Forma Financial Information

The following unaudited pro forma condensed financial statements and notes thereto are attached hereto at pages PF-1 to PF-4.

- Unaudited Pro Forma Condensed Consolidated Balance Sheet as of December 31, 2001
- Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended December 31, 2001
- Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

(c) Exhibits

None.

CYPRESS COMMUNICATIONS, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Cypress Communications, Inc.:

We have audited the accompanying consolidated balance sheets of **CYPRESS COMMUNICATIONS, INC.** (a Delaware corporation) **AND SUBSIDIARIES** as of December 31, 2000 and 2001 and the related consolidated statements of operations, stockholders' equity, and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 Cypress Communications, Inc. and subsidiaries as of December 31, 2000 and 2001 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 11 to the financial statements, in February 2002, Cypress Communications, Inc. was acquired by U.S. Realtel, Inc. and Cypress Communications, Inc. became a wholly-owned subsidiary of U.S. Realtel, Inc. Certain liquidity matters related to U.S. Realtel, Inc. and U.S. Realtel, Inc.'s business plans with regard to such matters are described in Note 11.

Atlanta, Georgia
May 3, 2002

CYPRESS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2000 AND 2001

ASSETS

	2000	2001
CURRENT ASSETS:		
Cash and cash equivalents	$ 28,108,000	**$ 11,180,000**
Short-term investments	67,809,000	**22,577,000**
Accounts receivable, net of allowance for doubtful accounts of $470,000 and $415,000 in 2000 and 2001, respectively	2,499,000	**2,423,000**
Other receivables	397,000	**713,000**
Prepaid expenses and other	606,000	**259,000**
Total current assets	99,419,000	**37,152,000**
PROPERTY AND EQUIPMENT, net (Note 3, 10)	101,368,000	**27,190,000**
OTHER ASSETS:		
Real estate access rights, net (Notes 7 and 10)	121,117,000	**0**
Other intangible assets, net (Note 10)	6,743,000	**0**
Other	2,758,000	**1,192,000**
Total other assets	130,618,000	**1,192,000**
Total assets	$331,405,000	**$ 65,534,000**

LIABILITIES AND STOCKHOLDERS' EQUITY

	2000	2001
CURRENT LIABILITIES:		
Accounts payable	$ 4,081,000	**$ 593,000**
Accrued expenses and other (Note 2)	21,403,000	**9,425,000**
Current portion of capital lease obligations	195,000	**446,000**
Total current liabilities	25,679,000	**10,464,000**
LONG-TERM PORTION OF CAPITAL LEASE OBLIGATIONS	235,000	**335,000**
Total liabilities	25,914,000	**10,799,000**
COMMITMENTS AND CONTINGENCIES (Notes 8, 10, and 11)		
STOCKHOLDERS' EQUITY:		
Common stock, $.001 par value; 150,000,000 shares authorized; 4,854,000 and 4,926,000 shares issued and outstanding in 2000 and 2001, respectively	5,000	**6,000**
Additional paid-in capital	580,630,000	**569,827,000**
Deferred compensation	(19,663,000)	**(6,312,000)**
Other comprehensive income (loss)	345,000	**(47,000)**
Accumulated deficit	(255,826,000)	**(508,739,000)**
Total stockholders' equity	305,491,000	**54,735,000**
Total liabilities and stockholders' equity	$331,405,000	**$ 65,534,000**

The accompanying notes are an integral part of these consolidated balance sheets.

CYPRESS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 2001

	2000	**2001**
REVENUES	$ 13,724,000	**$ 18,731,000**
OPERATING EXPENSES:		
Cost of services, exclusive of depreciation expense	19,758,000	**24,620,000**
Sales and marketing, including noncash compensation expense of $862,000 and $702,000 in 2000 and 2001, respectively	17,314,000	**10,692,000**
General and administrative, including noncash compensation expense of $4,765,000 and $1,847,000 in 2000 and 2001, respectively	52,065,000	**29,686,000**
Amortization of real estate access rights	16,270,000	**11,713,000**
Depreciation and other amortization	9,724,000	**15,921,000**
Restructuring and impairment charges (Note 10)	64,746,000	**181,579,000**
Total operating expenses	179,877,000	**274,211,000**
OPERATING LOSS	(166,153,000)	**(255,480,000)**
INTEREST INCOME, net	9,236,000	**2,567,000**
LOSS BEFORE INCOME TAXES	(156,917,000)	**(252,913,000)**
INCOME TAX BENEFIT	0	**0**
NET LOSS	$(156,917,000)	**$(252,913,000)**

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

CYPRESS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 2001

	Common Stock		Additional Paid-In	Deferred	Other Comprehensive	Accumulated	Stockholders'	Comprehens
	Shares	**Amount**	**Capital**	**Compensation**	**Income (Loss)**	**Deficit**	**Equity**	**Loss**
BALANCE, December 31, 1999	276,000	$ 0	$132,741,000	$(27,124,000)	$ 0	$ (98,909,000)	$ 6,708,000	$
Sale of common stock	1,150,000	1,000	179,551,000	0	0	0	179,552,000	
Conversion of preferred stock (Note 4)	3,282,000	3,000	100,276,000	0	0	0	100,279,000	
Sale of common stock under ESPP	6,000	0	164,000	0	0	0	164,000	
Exercise of common stock options	30,000	0	250,000	0	0	0	250,000	
Issuance of restricted stock	50,000	0	3,000,000	(3,000,000)	0	0	0	
Purchase of SiteConnect (Note 5)	60,000	1,000	7,908,000	0	0	0	7,909,000	
Amortization of deferred compensation	0	0	0	5,412,000	0	0	5,412,000	
Issuance of warrants, net	0	0	161,789,000	0	0	0	161,789,000	
Forfeiture of unvested options	0	0	(5,049,000)	5,049,000	0	0	0	
Unrealized gain on short-term investments	0	0	0	0	436,000	0	436,000	436,00
Foreign currency translation adjustment	0	0	0	0	(91,000)	0	(91,000)	(91,00
Net loss	0	0	0	0	0	(156,917,000)	(156,917,000)	(156,917,00
Comprehensive loss								$(156,572,00
BALANCE, December 31, 2000	4,854,000	5,000	580,630,000	(19,663,000)	345,000	(255,826,000)	305,491,000	
Issuance of restricted stock	**66,000**	**1,000**	**703,000**	**(704,000)**	**0**	**0**	**0**	**$**
Amortization of deferred compensation	**0**	**0**	**0**	**2,549,000**	**0**	**0**	**2,549,000**	
Sale of common stock under ESPP	**6,000**	**0**	**0**	**0**	**0**	**0**	**0**	
Forfeiture of unvested options	**0**	**0**	**(11,506,000)**	**11,506,000**	**0**	**0**	**0**	
Unrealized loss on short-term investments	**0**	**0**	**0**	**0**	**(392,000)**	**0**	**(392,000)**	**(392,00**
Net loss	**0**	**0**	**0**	**0**	**0**	**(252,913,000)**	**(252,913,000)**	**(252,913,00**
Comprehensive loss								**$(253,305,00**
BALANCE, December 31, 2001	**4,926,000**	**$6,000**	**$569,827,000**	**$ (6,312,000)**	**$ (47,000)**	**$(508,739,000)**	**$ 54,735,000**	

The accompanying notes are an integral part of these consolidated statements

CYPRESS COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2000, AND 2001

	2000	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(156,917,000)	**$(252,913,000)**
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	25,994,000	**27,634,000**
Amortization of deferred compensation	5,627,000	**2,549,000**
Restructuring and impairment charges	64,746,000	**181,579,000**
Other	(849,000)	**780,000**
Changes in operating assets and liabilities:		
Accounts receivable, net	(677,000)	**152,000**
Prepaid expenses and other current assets	(1,610,000)	**2,185,000**
Other assets	(2,374,000)	**1,076,000**
Accounts payable and accrued expenses	8,259,000	**(13,506,000)**
Net cash used in operating activities	(57,801,000)	**(50,464,000)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(99,545,000)	**(10,613,000)**
Sales of property and equipment	0	**2,756,000**
(Purchases) sales of short-term investments, net	(66,524,000)	**44,299,000**
Cash acquired in acquisitions	295,000	**0**
Other	(252,000)	**0**
Net cash (used in) provided by investing activities	(166,026,000)	**36,442,000**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Investment in Cypress Canada by minority interest	2,450,000	**0**
Return of investment in Cypress Canada to minority interest	0	**(2,333,000)**
Proceeds from exercise of stock options	250,000	**0**
Proceeds from initial public offering, net of offering costs	179,875,000	**0**
Proceeds from employee stock purchase plan	164,000	**0**
Principal payments on capital lease obligations	(194,000)	**(451,000)**
Net cash provided by (used in) financing activities	182,545,000	**(2,784,000)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(85,000)	**(122,000)**
DECREASE IN CASH AND CASH EQUIVALENTS	(41,367,000)	**(16,928,000)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	69,475,000	**28,108,000**
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 28,108,000	**$ 11,180,000**
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 54,000	**$ 120,000**
Assets acquired under capital leases	$ 0	**$ 802,000**
Common stock issued to acquire SiteConnect (Note 5)	$ 7,901,000	**$ 0**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2000 AND 2001

1. Organization and Nature of Business

Cypress Communications, Inc. and its subsidiaries ("Cypress Communications" or the "Company") provide a full range of communications services to businesses in multi-tenant office buildings located in select major metropolitan markets within the United States. In February 2002, the Company was acquired by U.S. Realtel, Inc. ("U.S. Realtel") (Note 11). The Company's communications services include high speed Internet access and data services, local and long-distance voice services, feature-rich digital telephone systems, digital satellite business television, voicemail, e-mail, web site hosting, security/monitoring services, and other advanced communications services. The Company delivers these services over state-of-the-art fiber optic, digital, and broadband networks that Cypress Communications designs, constructs, owns, and operates inside large- and medium-sized office buildings.

Liquidity

The Company has experienced operating losses and generated negative cash flows from operations since its inception and has limited access to capital. At December 31, 2001, the Company has an accumulated deficit of $508.7 million and is subject to various commitments (Note 8). Upon acquisition by U.S. Realtel in February 2002, approximately $17 million of the Company's cash on hand was used by U.S. Realtel to repay certain short-term financing. Management of U.S. Realtel believes that by capitalizing on Cypress Communications' infrastructure and its customer base, while reducing Cypress Communications' operating costs, it will be able to improve operations at Cypress Communications. Management believes that its current cash on hand will be adequate to fund operations through at least December 31, 2002 and that it could reduce or delay expenditures, if necessary, to remain a going concern through at least December 31, 2002. There can be no assurance as to when or if the Company will achieve or maintain positive cash flows and, even if achieved, whether such operations will meet the Company's business and liquidity objectives. See note 11 regarding the financial condition and liquidity of U.S. Realtel.

Other Risk Factors

The Company faces certain other risk factors, including lack of abundant resources or financing, dependence on key personnel, dependence on third-party suppliers of equipment and communications services, dependence on relationships with certain property owners or operators, competition from other providers of communications services, and potential disruption of services due to system failures.

2. Summary Of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting using accounting principles generally accepted in the United States.

Certain prior year amounts have been reclassified to conform to the current year presentation.

The accompanying financial statements have been retroactively restated for the stocks splits discussed in Note 4.

Principles of Consolidation

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

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual amounts could differ from these estimates, and such differences could be material.

Revenue Recognition

The Company's revenues include recurring charges for local access, long-distance, equipment rental, Internet access, digital satellite business television, voicemail, inbound 800, and other enhanced voice and data services, which are recognized as services are provided. Revenues also include nonrecurring charges for installations and moves, adds, and changes. Installation fees represent the initial cost charged by Cypress Communications for installing voice phone lines, data lines, and Business TV in the tenant's premises. Move, add, and change ("MAC") charges are for the Company's labor and materials related to moving, adding, or changing a customer's services. Installation and certain MAC charges are recognized when the services are provided as they represent separate earnings process. Other MAC charges, which are not separate earnings process, are generally deferred and amortized over 24 months. At December 31, 2001, approximately $267,000 of deferred revenue is recorded in accrued expenses and other in the accompanying balance sheet. All related up front costs have been expensed as incurred.

Cash and Cash Equivalents

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

Short-Term Investments

Short-term investments generally mature between three months and five years from the purchase date. All short--term investments are classified as available for sale and are recorded at market using the specific identification method. Unrealized gains and losses are reflected in other comprehensive income. Realized gains and losses were not significant.

Foreign Currencies

Foreign operations relate only to the Company's operations in Canada, which ceased in 2001 (Note 6). Assets and liabilities recorded in foreign currencies are translated at the exchange rate in effect on the balance sheet date. Translation adjustments resulting from this process are charged or credited to other comprehensive income. Revenue and expenses are translated at average rates of exchange prevailing during the year. Gains and losses on foreign currency transactions are included in other expenses and were not significant.

Property and Equipment

Property and equipment are stated at cost, except for assets determined to be impaired under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," ("SFAS No. 121") (Notes 3 and 10). Depreciation is computed using the straight-line method over the estimated useful lives of the assets (generally three to seven years). Leasehold improvements are depreciated over the lesser of the average lease term (or the term of the related license agreement) or the assets' useful lives. Depreciation expense was $9,003,000 and $15,025,000 for the years ended December 31, 2000 and 2001, respectively. Maintenance and repairs are charged to expense as incurred. Gains or losses on disposal of property and equipment are recognized in operations in the year of disposition.

Income Taxes

Income taxes have been provided for using the liability method in accordance with SFAS No. 109, "Accounting for Income Taxes" (Note 9). Deferred income taxes are recorded using enacted tax laws and rates for the years in which the taxes are expected to be paid. Deferred income taxes are provided for items when there is a temporary difference in recording such items for financial reporting and income tax reporting.

Intangibles

Goodwill and certain identifiable intangibles were recorded in connection with the Company's purchase of substantially all of the assets of MTS Communications Company, Inc. and the purchase of all of the outstanding common stock of SiteConnect, Inc. ("SiteConnect") (Notes 5 and 10). These costs are being amortized using the straight-line method over three to ten years.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets, including property and equipment and intangibles, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset should be assessed. An impairment is recognized when the undiscounted future net cash flows estimated to be generated by the asset are insufficient to recover the current carrying value of the asset. Estimates of future cash flows are based on many factors, including current operating results, expected market trends, and competitive influences. In 2000 and 2001, the Company recorded charges for property and equipment and real estate access rights impaired by management's decisions to reduce operations in certain buildings and markets and based on the results of impairment tests completed in accordance with SFAS No. 121 (Note 10). An impairment loss is recognized for the difference between the carrying value of the asset and its estimated fair value. Management believes that the remaining long-lived assets in the accompanying financial statements are appropriately valued as of December 31, 2000 and 2001. However, changes in the Company's business or cash flows may significantly impact the realizability of such assets in the future.

Fair Value of Financial Instruments

The carrying amounts reported in the balance sheets approximate the fair values for cash, short-term investments, and capital lease obligations.

Segment Reporting

The Company provides an integrated package of communication products to small- and medium-sized businesses and manages its business on an integrated basis.

Accrued Expenses and Other

Accrued expenses relate to the following at December 31 2000 and 2001:

	2000	**2001**
Restructuring (Note 10)	$ 7,267,000	**$ 5,260,000**
Network costs	2,610,000	**1,491,000**
Taxes	255,000	**732,000**
Compensation	3,179,000	**368,000**
Property and equipment additions	4,652,000	**0**
Liability to investor in Cypress Canada (Note 6)	2,450,000	**0**
Other	990,000	**1,574,000**
	$21,403,000	**$9,425,000**

Stock Compensation

The Company accounts for its stock-based compensation plans under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations and has adopted the disclosure option of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No.123") (Note 4).

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations," ("SFAS No. 141") effective July 1, 2001 and SFAS No. 142, "Goodwill and Other Intangible Assets," ("SFAS

No. 142") effective for the Company on January 1, 2002. SFAS No. 141 prohibits pooling-of-interests accounting for acquisitions initiated after June 30, 2001 and broadens the criteria for recording intangible assets separate from goodwill. SFAS No. 142 requires the Company to cease amortizing goodwill that existed at June 30, 2001 for all periods after December 31, 2001, and any goodwill resulting from acquisitions completed after June 30, 2001 will not be amortized. SFAS No. 142 also establishes a new method of testing goodwill for impairment. The Company adopted the provisions of SFAS No. 142 on January 1, 2002. The Company's goodwill and intangibles were determined to be impaired prior to adoption of this standard and were written down to zero (Note 10).

SFAS No. 143, "Accounting for Asset Retirement Obligations," ("SFAS No. 143") was issued in June 2001. SFAS No. 143 applies to legal obligations associated with the retirement of certain tangible long-lived assets. This statement is effective for fiscal years beginning after June 15, 2002. Accordingly, the Company will adopt this statement on January 1, 2003. The Company is currently assessing the impact of the adoption of SFAS No. 143 on its consolidated financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). SFAS No. 144 is effective for the Company effective January 1, 2002. SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. It supersedes SFAS No. 121 and requires that discontinued operations be measured at the lower of the carrying amount or fair value less cost to sell. The Company does not expect its adoption to have a material impact on the results of its operations or financial position.

3. Property and Equipment

Property and equipment consist of the following at December 31, 2000 and 2001:

	2000	**2001**
System infrastructure	$ 39,183,000	**$ 6,702,000**
System equipment	20,363,000	**12,914,000**
Computer and office equipment	11,503,000	**2,287,000**
Leasehold improvements	15,374,000	**2,498,000**
Undeployed equipment	26,682,000	**2,789,000**
	113,105,000	**27,190,000**
Less accumulated depreciation and amortization	(11,737,000)	**0**
	$101,368,000	**$27,190,000**

As discussed in Note 10, the Company recorded certain impairment charges in 2000 and 2001 related to property and equipment. As a result of these charges, property and equipment was recorded at their estimated fair value at December 31, 2001 and such amounts became their new cost bases.

Undeployed equipment includes excess equipment that the Company utilizes in its network as necessary. Additionally, the Company is actively trying to sell such equipment in connection with its restructuring (Note 10).

4. Capital Transactions

Stock Option Plans

In July 1997, the Company adopted the 1997 Management Option Plan (the "1997 Option Plan"). The 1997 Option Plan provides for the granting of either incentive stock options or nonqualified stock options to purchase shares of the Company's common stock to officers, directors, and key employees responsible for the direction and management of the Company. The options expire ten years after the date of grant and vest 20% upon the first anniversary of the date of grant and 5% each subsequent quarter measured from the first anniversary of the date of grant.

On December 21, 1999, the Company's board of directors adopted the 2000 Stock Option Plan (the "2000 Option Plan"), which was approved subsequently by the stockholders on December 23, 1999. All officers, directors, and key persons are eligible to participate in the 2000 Option Plan, subject to the discretion of a committee appointed by the board of directors. Under the 2000 Option Plan, the options expire ten years after the date of grant, and vest 25% upon the first anniversary of the date of grant, and 6.25% each subsequent quarter measured from the first anniversary of the date of grant. The board of directors reserved a combined 11.7 million shares for issuance under the 1997 Option Plan and the 2000 Option Plan.

A summary of the activity related to the option plans is as follows for the years ended December 31, 2000 and 2001:

	Weighted Average Shares	**Weighted Average Exercise Price**
Balance at December 31, 1999	582,000	$16.40
Granted	313,200	94.20
Forfeited	(97,400)	76.50
Exercised	(30,500)	8.40
Balance at December 31, 2000	767,300	41.50
Granted	**191,157**	**11.32**
Forfeited	**(572,073)**	**47.76**
Balance at December 31, 2001	**386,384**	**$ 9.78**

The following table summarizes information about the stock options outstanding at December 31, 2001:

Exercise Price	**Number of Options Outstanding at December 31, 2001**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise Price**	**Exercisable as of December 31, 2001**
		(In Years)		
$1.50 to $1.70	29,775	9.8	$ 1.60	0
$2.70 to $3.00	11,200	9.6	2.76	0
$4.40 to $5.00	20,850	9.4	4.70	0
$6.70 to $9.40	132,529	8.5	6.86	103,834
$10.70 to $12.80	192,030	8.1	12.07	78,688
	386,384			

The Company recorded deferred compensation of approximately $2.3 million in 1998 and approximately $26.3 million in 1999, which represents the difference between the exercise price per option and the fair value of the Company's common stock at the dates of grant. All options granted in 2000 and 2001 were made with exercise prices equal to the fair market value of the Company's common stock at the grant dates. Deferred compensation is amortized over the vesting period of the stock options, which is generally four or five years. In 2000 and 2001, the Company reversed approximately $5 million and $11.5 million, respectively, of deferred compensation related to the forfeiture of unvested options. In 2000 and 2001, the Company also reduced noncash compensation expense, which is recorded in sales and marketing and general and administrative expenses in the accompanying statements of operations, by approximately $539,000 and $165,000, respectively, as a result of these forfeitures. In connection with the acquisition of the Company in February 2001 by U.S. Realtel, the Company's option plans were terminated (Note 11).

Had compensation cost for the Company's stock-based compensation plans been determined consistent with SFAS No. 123, the Company's net loss would have been the pro forma amounts indicated below. The pro forma net loss is calculated using the Black-Scholes option pricing model using the following assumptions: risk-free interest rates of 6.35% for 2000 and 3.59% for 2001; expected life of 3.5 years for 2000 and 2001; dividend yield of 0%, expected volatility of 65% for 2000 and 50% for 2001. The weighted average fair value of options granted during the years ended December 31, 2000 and 2001 was $4.85 and $4.52 per option, respectively.

	2000	**2001**
Net loss, as reported	$(156,917,000)	**$(252,913,000)**
Net loss, pro forma	(158,436,000)	**(253,111,000)**

Shareholder Rights Plan

In December 1999, the Company approved a stockholder rights plan. Subject to certain limited exceptions, this plan entitled the stockholders to rights to acquire additional shares of the Company's common stock when a third party acquired 15% of the Company's common stock or commenced or announced its intent to commence a tender offer for at least 15% of the Company's common stock. This plan was amended in January 2002 to allow for the acquisition of the Company if the Company's board of directors approved the acquisition in advance. In January 2002, the Company's board approved the proposed merger with U.S. Realtel (Note 11) for all purposes under the stockholder rights plan, as amended. As a result, stockholders acquired no additional rights under the stockholder rights plan.

Employee Stock Purchase Plan

In December 1999, the board of directors and stockholders approved an employee stock purchase plan. Up to 90,000 shares of common stock may be issued under this plan. Under this plan, eligible employees may contribute up to 10% of their compensation toward the purchase of the Company's common stock at a price that is the lesser of 85% of the closing price on either the first or last day of each offering period. During 2000, employees purchased approximately 6,000 shares under this plan at an average price of $26.90 per share. During 2001, employees purchased approximately 6,000 shares under this plan at an average price of $0.48 per share. In July 2001, the employee stock purchase plan was suspended.

Stock Option Repricing

On February 16, 2001, the Company's board of directors approved a plan to reprice certain existing stock options having an exercise price of greater than $25.20 per share. Pursuant to the plan, options to purchase 156,679 shares of common stock, having an original weighted average exercise price of $102.50 per share, were repriced to an exercise price of $12.80 per share. In addition, options to purchase 161,950 shares of common stock held by certain executive officers of the Company, having an original weighted average exercise price of $50.10 per share, were converted into (i) options to purchase 91,000 shares of common stock at $12.80 per share and (ii) 49,670 shares of restricted common stock. The Company recorded deferred compensation of $529,000 for the restricted stock, which is being amortized over the three-year vesting period. The vesting schedules applicable to the employee stock options affected by this repricing and conversion did not change. The Company accounts for the repriced stock options under the variable accounting method. During 2001, Cypress Communications was not required to record any incremental compensation expense related to the repriced options, as the fair value of the Company's common stock was below $12.80 per share as of December 31, 2001.

Amendments to Certificate of Incorporation

In February 2000, the Company amended and restated its certificate of incorporation to, among other things, increase the total number of authorized common stock and preferred stock to 15,000,000 and 2,100,000, respectively. The amendment designated 100,000 shares of the preferred stock as Series Z Junior Participating Cumulative Preferred Stock.

In August 2001, the Company amended its second amended and restated certificate of incorporation to combine and reclassify each ten shares of existing common stock as one share of issued outstanding new common stock.

Stock Splits

In February 2000, a committee appointed by the Company's board of directors approved a 4.5-for-1 stock split with respect to its outstanding common stock. All shares of common stock and per-share amounts in the accompanying financial statements have been retroactively adjusted to reflect this split.

In August 2001, the Company's board of directors approved a 1-for-10 reverse stock split with respect to its outstanding common stock. All shares of common stock and per share amounts in the accompanying financial statements have been retroactively adjusted to reflect this split.

Initial Public Offering

On February 15, 2000, the Company completed its initial public offering. The Company sold an aggregate of 1,150,000 shares of common stock (including 150,000 shares which were issued upon the exercise of the underwriters' over-allotment option) at a per share price of $170, for an aggregate offering price of approximately $195.5 million. After deducting offering expenses, the Company received approximately $179.6 million in net proceeds from the initial public offering. Simultaneous with the closing of the Company's initial public offering, all outstanding shares of the Company's preferred stock automatically converted into 3,282,000 shares of common stock.

Executive Compensation

In May 2000, in connection with an executive compensation arrangement for the Company's new Chief Executive Officer ("CEO"), the Company issued the CEO an option to acquire 100,000 shares of common stock with an exercise price of $60 per share, the fair market value of the Company's common stock on the date of grant. These options vest 25% upon the first anniversary of the date of grant and 6.25% each subsequent quarter measured from the first anniversary of the date of grant. Additionally, in May 2000, the Company granted the new CEO 50,000 shares of restricted common stock, which vest five years from the grant date. In connection therewith, the Company recorded deferred compensation expense of $3 million, which is being amortized over the five-year vesting period. The Company also recorded charges of approximately $1.4 million, included in general and administration expense, in May 2000 related to the recruitment of the new CEO. This charge included $215,000 for the estimated fair value of a warrant issued to an executive search firm that allows the holder to purchase 11,667 shares of the Company's common stock at $110 per share. This warrant expires on May 30, 2003.

On February 16, 2001, Cypress Communications granted 16,500 shares of restricted common stock under an executive compensation agreement with its Chief Executive Officer and, in connection therewith, recorded deferred compensation expense of $175,000, which is being amortized over the vesting period of approximately four years. According to the terms of the agreement, one-half of the shares would vest if and when the Company's management established, and the Company's board of directors approved, a fully funded business plan. The vesting of the remaining half of the shares will be accelerated if the Company's closing sales price of common stock exceeds $60 dollars per share adjusted for stock split, stock dividend, or recapitalization. On March 21, 2001, one-half of the shares vested as a result of the Company's board of director's approval of the Company's fully funded business plan. For the year ended December 31, 2001, the Company recorded amortization expense of $105,000 for these restricted shares.

5. Acquisitions

In April 2000, the Company acquired all of the outstanding common stock of SiteConnect, a Seattle-based, in-building communications service provider, in exchange for an aggregate of 63,565 shares of the Company's common stock. The acquisition was accounted for as a purchase, and accordingly, the results of operations of SiteConnect have been included since the date of acquisition in the accompanying statements of operations. The allocation of the purchase price was as follows:

Current assets	$ 491,000
Property and equipment	602,000
Intangible assets:	
Real estate access rights	1,470,000
Customers	219,000
Goodwill	5,407,000
Current liabilities	(280,000)
Total	$7,909,000

The useful lives of the intangible assets acquired from SiteConnect are as follows:

Real estate access rights	Ten years
Customers	Three years
Goodwill	Ten years

See Note 10 regarding impairment charges recorded in 2001 related to these intangible assets.

6. Cypress Canada

In September 2000, Cypress Communications and e-ffinity properties, inc. formed Cypress Canada Communications Inc. ("Cypress Canada") to provide in-building communications services in Canada. Cypress Communications and e-ffinity owned 51% and 49%, respectively, of Cypress Canada. Cypress Canada was originally capitalized with a total of $5 million in cash contributed by Cypress Communications and e-ffinity based on each party's respective ownership percentage.

In January 2001, Cypress Communications and e-ffinity agreed to cease the operations of Cypress Canada and for Cypress Communications to return e-ffinity's original investment in the joint venture. As a result of this agreement, Cypress Communications recorded an accrued liability of $2,450,000 at December 31, 2000 for this expected payment and reflected 100% of the net loss of Cypress Canada in the Company's statement of operations for the year ended December 31, 2000. In 2001, this liability was settled in cash for $2,333,000 reflecting current exchange rates at that time.

7. Real Estate Access Rights

In November and December 1999, the Company entered into master license agreements and stock warrant agreements with several property owners and operators (the "1999 Warrant Program"). Under the terms of these agreements, the Company agreed to issue warrants to purchase up to an aggregate of approximately 1.1 million shares of the Company's common stock at a price of $40.22 per share. These warrants are exercisable for periods of five to ten years. The number of warrants earned was based on the gross leasable area of the buildings subject to the master license agreements. Upon the completion of a due-diligence period and the finalization of the building schedules in the master license agreements, the final number of warrants earned was determined and the warrants were nonforfeitable. As such, in accordance with Emerging Issues Task Force Issue 96-18, the Company recorded the fair value of these warrants as an intangible asset, real estate access rights, which is being amortized on a straight-line basis over the terms of the related license agreements, which are generally ten years. As of December 31, 1999, the Company had recorded approximately $23.4 million for the fair value of warrants earned through December 31, 1999. During 2000, the Company recorded an additional $163.4 million for the fair value of all remaining warrants earned under the 1999 Warrant Program.

In 2000, the Company entered into additional master license agreements and stock warrant agreements with certain property owners or operators (the "2000 Warrant Program"). During the three months ended June 30, 2000, the Company entered into agreements with four property owners and operators. Under the terms of these agreements, the Company agreed to issue warrants to purchase up to an aggregate of 64,209 shares of the Company's common stock at a weighted average exercise price of $111.10 per share. During the three months ended September 30, 2000, the Company entered into agreements with two property owners and operators. Under the terms of these agreements, the Company agreed to issue warrants to purchase up to an aggregate of 25,681 shares of the Company's common stock at a weighted average exercise price of $48.10 per share. The warrants under the 2000 Warrant Program are exercisable for a period of ten years. The exact number of shares of common stock underlying the warrants, which is based on the gross leasable area of the buildings set forth in the master license agreements, was determined upon the completion of a due-diligence period and the finalization of the building schedules. Warrants earned under the 2000 Warrant Program are forfeitable until a specific communications license agreement ("CLA") is signed for a particular building. As such, in accordance with EITF 96-18, the measurement date for valuing the warrants is the dates upon which the property owners and operators enter into a CLA with the Company. Upon signing a CLA, the fair value of the warrants attributable to such CLA is recorded as real estate access rights and is amortized over the terms of the related CLA, which is expected to be ten years. Through December 31, 2000, approximately $1 million has been recorded related to 36,606 warrants earned under the 2000 Warrant Program. No additional warrants were issued in 2001.

As of December 31, 2000, property owners had voluntarily returned warrants to purchase 19,274 shares of our common stock that were attributable to buildings that such owners failed to deliver in accordance with their master license agreements. The weighted average price of such returned warrants was $152.10 per share. The Company reduced its recorded real estate access rights by $2.9 million to reflect the returned warrants.

In December 2000 and during the year ended 2001, the Company recorded impairment charges in accordance with SFAS No. 121 of $47.7 million and $109.4 million, respectively, to write-off the value of real estate access rights (Note 10).

8. Commitments and Contingencies

Leases

The Company is obligated under several operating and capital lease agreements, primarily for office space and equipment. Future annual minimum rental payments under these leases as of December 31, 2001 are as follows:

	Operating	Capital
2002	3,007,000	$516,000
2003	3,124,000	327,000
2004	3,224,000	25,000
2005	2,836,000	16,000
2006	1,662,000	0
Thereafter	903,000	0
Total	14,756,000	884,000
Less amount representing interest and taxes		103,000
Present value of future minimum capital lease payments		781,000
Less current portion		(446,000)
Long-term portion		$335,000

Minimum commitments under operating leases above are net of cash due to the Company under subleases of $1,023,000, $ 772,000, $521,000, $438,000, $38,000, and $5,000 for 2002, 2003, 2004, 2005, 2006, and thereafter, respectively. Rental expense was $4,087,000 and $3,782,000 for the years ended December 31, 2000 and 2001, respectively.

Obligations Under License Agreements

The Company has entered into license agreements with property owners and/or operators of several office buildings whereby the Company has the right to provide communications services in these buildings. Under the terms of the agreements, the Company is generally obligated to pay a commission based on the greater of a base fee or a percentage of revenue earned in the related building or development. At December 31, 2001, the Company's aggregate minimum obligation under these agreements were as follows:

2002	$1,169,000
2003	1,164,000
2004	1,147,000
2005	539,000
2006	316,000
Thereafter	862,000
	$5,197,000

The commitments above exclude an estimated total of $2.4 million of potential obligations under license agreements in buildings in which the Company's communications network has not been constructed. In the opinion of management, such amounts will not be owed as the Company is not providing services in those buildings.

Obligations Under Communications Service Agreements

At December 31, 2001, the Company had contracts with several communications providers with minimum purchase obligations for leased voice and data transport, equipment collocation, and other services. As of December 31, 2001, approximate future minimum purchase commitments under these agreements were as follows:

2002	$2,109,000
2003	340,000
2004	213,000
2005	86,000
2006	4,000
Thereafter	9,000
	$2,761,000

The above amounts do not include minimum commitments with several communications providers for leased circuits that the Company is actively negotiating to terminate in connection with its restructuring (Note 10). The Company has accrued at December 31, 2001 approximately $3.1 million which represents management's estimate of potential amounts due under these agreements. However, the actual amounts due upon termination of these commitments may differ significantly from this amount.

Employee Benefit Plan

In 1997, the Company adopted a 401(k) defined contribution plan. Participants may elect to defer 15% of compensation up to a maximum amount determined annually pursuant to Internal Revenue Service regulations. The Company may provide matching contributions under this plan but has not done so in the periods presented.

Employment and Severance Agreements

The Company had an employment agreement with its former CEO that provided for severance compensation in the event a change in control terminates the CEO's employment within 24 months of such change in control. The agreement provided for a lump-sum severance payment of six times the executive's base salary and three times the value of any savings and retirement benefits, welfare, and fringe benefits provided to the CEO during the 12-month period prior to termination. In December 2001, this employment agreement was terminated, and the Company and the CEO entered into a new severance agreement. Under this agreement, the CEO continued to receive his base salary. Additionally, under certain conditions, the CEO was eligible for a separation payment of $400,000. In February 2002, the Company was acquired by U.S. Realtel (Note 11), and the CEO received this payment in accordance with the terms of this agreement.

In December 2001, the Company entered into severance arrangements with two officers of the Company. Under these arrangements, these officers earned severance payments totaling $360,000. Prior to December 31, 2001, $45,000 of such payments were made, and $315,000 was recorded in accrued expenses in the accompanying balance sheet at December 31, 2001. Such amounts were paid subsequent to December 31, 2001. See Note 11 for further discussion of severance arrangements paid in connection with the acquisition of the Company by U.S. Realtel.

Legal Proceedings

The Company is subject to legal proceedings and claims, including employment and other matters that arise in the ordinary course of business. There are no pending legal proceedings to which the Company is a party that management believes will have a material adverse effect on the financial position, results of operations, or cash flows of the Company.

9. Income Taxes

The income tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective income tax bases, which give rise to deferred tax assets and liabilities, are as follows as of December 31, 2000 and 2001:

	2000	2001
Deferred income tax assets:		
Net operating loss carryforwards	$41,217,000	**$125,023,000**
Allowance for doubtful accounts	183,000	**162,000**
Property and equipment	0	**4,497,000**
Accrued expenses	6,567,000	**2,051,000**
Real estate access rights	18,583,000	**31,885,000**
Other	250,000	**0**
Total deferred income tax assets	66,800,000	**163,618,000**
Deferred income tax liabilities:		
Property and equipment	(1,625,000)	**0**
Valuation allowance	(65,175,000)	**(163,618,000)**
Net deferred income taxes	$ 0	**$ 0**

The Company has provided a valuation allowance against its net deferred tax assets. The Company has estimated net operating loss carryforwards of approximately $328 million. The net operating loss carryforwards begin to expire in the year 2017 if not previously utilized. Additionally, use of the Company's net operating losses is limited due to certain ownership changes as defined in Section 382 of the Internal Revenue Code. Utilization of existing net operating loss carryforwards may be further limited in future years if significant ownership changes occur.

The components of the provision for income taxes for the years ended December 31, 2000 and 2001 are as follows:

	2000	2001
Current	$ 0	**$ 0**
Deferred	(58,798,000)	**(98,443,000)**
Increase in valuation allowance	58,798,000	**98,443,000**
Total income tax benefit	$ 0	**$ 0**

The differences between the federal statutory income tax rate and the Company's effective rate for the years ended December 31, 2000 and 2001 are as follows:

	2000	2001
Federal statutory rate	(34)%	**(34)%**
State income taxes, net of federal benefit	(5)	**(5)**
Permanent differences	1	**0**
Increase in valuation allowance	38	**39**
Effective rate	0%	**0%**

10. Restructuring and impairment Charges

In December 2000, the Company's board of directors approved a revised business strategy that included several initiatives that were designed to extend the Company's need for additional funding into the second quarter of 2002. The revised strategy included the Company's exit from several markets, as well as cost reductions through employee reductions and other measures. This strategy would focus the Company's retail operations in 13 markets including Atlanta, Boston, Chicago, Dallas, Denver, Houston, New Orleans, Phoenix, San Francisco, Seattle, Southern California (Los Angeles and Orange County), South Florida, and Washington D.C. The Company had originally targeted 28 metropolitan retail markets. The Company also decided to implement wholesale operations in all 28 markets where it had constructed in-building networks whereby the Company would sell access to its in-building networks to other communications providers. In December 2000, the Company recorded restructuring and impairment charges totaling $64.7 million as a result of this revised business plan.

In March 2001, the Company continued to revise its strategy and adopted a plan to further reduce its retail efforts to operate in seven major metropolitan markets including Atlanta, Boston, Chicago, Dallas, Houston, Southern

California (Los Angeles and Orange County), and Seattle. During 2001, the Company also adopted plans to exit service in 30 buildings in markets in which it was continuing retail operations, as well as adopted plans to rationalize its network capacity. As part of its restructurings in 2001, the Company reduced its workforce by approximately 400 employees. In connection with these further changes in business strategy, the Company recorded additional restructuring and impairment charges in 2001 as discussed further below.

A detail of the restructuring and impairment charges that the Company recorded in December 2000 related to its restructuring plans and asset impairments are as follows:

Impaired real estate access rights	$47,650,000
Impaired property and equipment	9,572,000
Circuit termination charges	5,104,000
Office space leases	2,056,000
Severance benefits and other	364,000
Total	$64,746,000

A detail of the restructuring and impairment charges that the Company recorded during the year ended December 31, 2001 related to its restructuring plans and asset impairments are as follows:

Impaired real estate access rights	$109,398,000
Impaired property and equipment	59,987,000
Impaired goodwill and other intangibles	5,847,000
Circuit termination charges	(1,351,000)
Office space leases	5,008,000
Severance benefits and other	2,690,000
Total	$181,579,000

Impairment charges recorded in accordance with SFAS No. 121 include the write off the net book value of real estate access rights related to the buildings in which the Company has suspended retail services. The Company also recorded impairment charges related to (i) property and equipment that the Company has not placed in service, no longer plans to use, and expects to sell at a discount from its net book value and (ii) property and equipment deployed in buildings in which the Company does not plan to provide retail services and that the Company believes has no salvage value or a value less than its carrying value. Property and equipment expected to be sold was written down to its estimated fair value based upon third-party quotes to purchase such property and equipment and based on amounts received upon the actual sale of excess equipment. Additionally, as discussed further below, at December 31, 2001, the Company recorded an additional impairment charge to write-off the remaining net book value of real estate access rights and other intangibles, and to record its property and equipment at estimated fair value at December 31, 2001, in accordance with the provisions of SFAS No. 121.

Restructuring charges include the Company's estimate of costs it may incur to terminate contracts it has with communications service providers to purchase circuits and connectivity, as well as charges for office space lease commitments in markets where the Company has exited or reduced retail operations, net of an estimate for sublease rentals. The restructuring charge also includes severance benefits for terminated employees. Restructuring costs were accrued in accordance with EITF 94-3.

In the December 2000 restructuring charge, the Company recorded a $2.1 million accrual for office space lease commitments in markets in which the Company suspended retail services, net of estimated sublease revenues. This accrual was based upon Company estimates that were considered most likely at the time. During 2001, the Company revised this estimate based on changes in expected sublease revenues and lease termination charges. Additionally, the Company recorded additional restructuring charges for excess office space, net of estimated sublease revenues, based on its 2001 restructuring plans. The total restructuring charges recorded in 2001 related to excess office space, including the revision of prior estimates, was $5,008,000.

In December 2000, the Company recorded a charge of $9.6 million related to property and equipment impaired as described above. In 2001, the Company recorded $30.4 million of charges for additional property and equipment impaired as a result of the Company's revised business plans, including amounts recorded to reflect the revision to the salvage value of certain previously expensed equipment. A portion of the 2001 property and equipment impairment charge relates to the $14 million write off of the net book value of a new billing, customer service, and provisioning system that the Company ceased development and implementation of in the third quarter of 2001.

The Company accrued approximately $5.1 million at December 31, 2000 for estimated costs to terminate excess circuit and connectivity contracts. During 2001, the Company recorded additional restructuring charges related to the estimated costs to terminate additionally identified excess circuit and connectivity contracts as a result of further reductions in markets and buildings served. The Company revised its original estimates for such costs based on actual invoices received and as a result recorded a net credit to restructuring charges of $1,351,000 for the year ended December 31, 2001. See Note 8 for additional discussion related to these commitments.

The Company's prospects and operations continued to decline through December 31, 2001, therefore the Company completed an impairment analysis in accordance with SFAS No. 121. Based on the results of this analysis, the Company determined that additional impairments existed at December 31, 2001. As a result, at December 31, 2001, the Company recorded additional impairment charges of $81.8 million to write-off the remaining book value of real estate access rights, an impairment charge of $5.9 million to write-off the remaining book value of goodwill and other intangibles, as well as a charge of $29.6 million to reduce property and equipment to its estimated fair market value. The Company estimated the fair value of its property and equipment based on an analysis that considered current market prices for such equipment and its expected usage of such property and equipment.

Impaired real estate access rights, goodwill and other intangibles, and property and equipment charges are noncash charges. Circuit termination charges, office space leases, and severance benefits are charges expected to be paid in cash. Restructuring charges were accrued as follows:

	2000	**2001**	Total
Circuit termination charges	$5,104,000	**$(1,351,000)**	$ 3,753,000
Office space leases	2,056,000	**5,008,000**	7,064,000
Severance and other	364,000	**860,000**	1,224,000
Total	$7,524,000	**$4,517,000**	$12,041,000

Cash payments related to these accruals are as follows:

	2000	**2001**	Total Amount
Circuit termination charges	$ 0	**$ 669,000**	$ 669,000
Office space leases	0	**4,900,000**	4,900,000
Severance and other	257,000	**955,000**	1,212,000
Total	$257,000	**$6,524,000**	$6,781,000
Net accrual at December 31, 2001			$5,260,000

11. SUBSEQUENT EVENTS

Acquisition of the Company

In January 2002, the Company entered into a definitive agreement providing for the sale of the Company to U.S. RealTel. Pursuant to the agreement, U.S. RealTel initiated a tender offer for all the outstanding shares of common stock of the Company, including the associated rights to purchase preferred stock, at $3.50 per share net to the seller, in cash. The transaction, which was subject to 90% of the shares outstanding being tendered and not withdrawn, as well as other customary and legal closing conditions, was completed on February 25, 2002 with approximately 94% of the shares tendered for cash payments of approximately $15 million. The acquisition of the remaining shares was completed immediately after the closing of the tender through the short-form merger of a wholly owned subsidiary of U.S. RealTel with and into the Company, with Cypress Communications surviving as a wholly owned subsidiary of U.S. RealTel.

The merger agreement provided that at the date of closing, each then-outstanding option to purchase shares of Cypress Communications common stock under any option plan, program or arrangement of Cypress Communications ("Option"), whether or not such Option is then exercisable or vested, was converted into an obligation of Cypress Communications to pay to the option holder a cash amount equal to the product of (i) the excess, if any, of the offer price over the applicable per share exercise price of such Option and (ii) the number of shares subject to such Option.

All warrants and other equity interests of the Company, other than the Options discussed above, the outstanding warrants held by property owners and operations (Note 7) and the warrant issued in connection with the hiring of the Company's former CEO (Note 4), were canceled as of the closing date. Each restricted stock award of Cypress Communications was, immediately prior to the initial expiration date of the offer, vested to permit the holders of such restricted stock awards to tender the shares in the tender offer.

In connection with the merger and resulting change of control, the Company paid out severance of $400,000 to the Company's former CEO under a severance and separation arrangements that existed at December 31, 2001 (Note 8). Additionally, in February 2002, the Company entered into severance arrangements with certain other officers and employees of the Company. Under these arrangements, the Company paid out severance of approximately $400,000 upon the change of control resulting from the acquisition of the Company by U.S. Realtel.

U.S. Realtel Liquidity Issues

In March 2002, U.S. Realtel decided to discontinue its operations in Latin America, which represented the majority of its consolidated revenues for the year ended December 31, 2001 and U.S. Realtel continues to have cumulative losses since inception and negative cash flows from operations. U.S. Realtel's Latin America assets are currently held for disposition or in the process of liquidation. In 2001, operating costs associated with U.S. Realtel's efforts to develop its markets in Argentina and Brazil, its corporate burn rate, which included existing commitments entered into prior to the sale of the certain old North American operations, and a declining economy in Argentina, all negatively affected its cash position during 2001. Disposition of its international operations and its efforts to develop its telecommunications services business may continue to impact U.S. Realtel's cash position and may cause a further decrease in U.S. Realtel's cash position during 2002.

U.S. Realtel's management believes that the acquisition of Cypress Communications and its plans to improve Cypress Communication's operations will ultimately result in additional positive cash flows for U.S. Realtel. Additionally, U.S. Realtel is pursuing other potential acquisitions, which could provide additional cash flows, as well as various sources of debt and/or equity financing to support such acquisitions and to fund its working capital requirements. There can be no assurance as to when, or if at all, U.S. Realtel will be able to affect such transactions or improvements in operations and, even if affected, whether such plans will allow it to achieve its business and liquidity objectives.

Employment Agreements

In February 2002, Cypress entered into one-year employment agreements, to continue year to year unless terminated sooner, with Charles B. McNamee and Gregory P. McGraw. Pursuant to the employment agreement, Mr. McNamee will serve as Chief Executive Officer of Cypress Communications and will receive an annualized salary of $200,000, in addition to options to purchase 900,000 shares of U.S. Realtel's common stock. Pursuant to the employment agreement, Mr. McGraw will serve as President and Chief Operating Officer of Cypress Communications and will receive an annualized salary of $200,000, in addition to options to purchase 900,000 shares of U.S. Realtel's common stock. Under these employment agreements, Mr. McNamee and Mr. McGraw will also be eligible for certain bonuses.

U.S. REALTEL, INC.

INDEX TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma condensed consolidated financial statements is presented herein:

The accompanying unaudited pro forma condensed consolidated financial statements illustrate the effect of the acquisition of the outstanding capital stock of Cypress Communications, Inc. and Subsidiaries ("Cypress") by a wholly-owned subsidiary of U.S. RealTel, Inc. ("US RealTel"). In accordance with the terms of the purchase agreement the acquisition was completed in February 2002 through a tender offer and subsequently the subsidiary was eliminated through a short form merger. The purchase price was $3.50 per outstanding share of common stock of Cypress. The total purchase price was approximately $17,937,000 including options to purchase shares of Cypress under any option plan in the amount of $58,000 and expenses in connection with the acquisition of approximately $696,000. As a result of the acquisition, US RealTel acquired 100% of Cypress assets including cash and telecommunications infrastructure. Also, US RealTel assumed all of the liabilities of Cypress, which includes operating lease commitments, primarily related to former office space, and license agreements with property owners and/or operators of several office buildings. The Company obtained financing to purchase the shares and complete the merger through a loan from a private entity affiliated with a director of the Company. In connection with the purchase, the Company issued a promissory note in the aggregate principal amount of approximately $16.4 million and warrants to purchase up to 850,000 shares of US RealTel common stock at an exercise price of $1 per share. The promissory note had a closing fee of $875,000 and commission fee of $58,000, and carried interest at 7% per annum. The warrants are exercisable through February 2007. US RealTel repaid this promissory note, including interest and closing fee, in February 2002 from Cypress's cash. The interest paid on the promissory note was not significant.

The transaction will be accounted for under the purchase method of accounting. During the upcoming year, Cypress will be considered the predecessor, and therefore, future reporting will include prior year financial statements for Cypress as well as US RealTel.

The unaudited pro forma condensed consolidated financial statement of operations consolidates the historical statements of operations of US RealTel and Cypress. The unaudited pro forma condensed consolidated balance sheet gives effect to the merger, including the write down of Cypress fixed assets to fair value and the extraordinary gain resulting from the application of purchase accounting, as if it occurred on December 31, 2001. The unaudited pro forma condensed consolidated statement of operations gives effect to the merger as if it occurred on January 1, 2001. The historical financial statements have been derived from the respective audited consolidated historical financial statements of US RealTel and Cypress.

The unaudited pro forma condensed consolidated financial statements are presented for illustrative purposes only and are not indicative of the operating results or financial position that would have actually occurred if the acquisition had been consummated as of the dates indicated, nor is it necessarily indicative of the future operating results or financial position of the consolidated company.

The unaudited pro forma combined condensed financial statements should be read in conjunction with the historical financial statements and related notes of U.S. RealTel and Cypress.

U.S. REALTEL, INC

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED

BALANCE SHEET

AS OF DECEMBER 31, 2001

	HISTORICAL		PRO FORMA				
	US REALTEL	CYPRESS	ADJUSTMENTS		DISCONTINUED OPERATIONS		CONSOLIDATED
ASSETS							
CURRENT ASSETS							
Cash and Short-term investments	$ 2,061,000	$ 33,757,000	$ (17,663,000)	(1)	$ (16,000)	(3)	$ 17,206,000
			(933,000)	(2)			
Other current assets	174,000	3,395,000			(75,000)	(3)	3,494,000
TOTAL CURRENT ASSETS	2,235,000	37,152,000	(18,596,000)		(91,000)		20,700,000
PROPERTY AND EQUIPMENT, NET	55,000	27,190,000	(27,190,000)	(1)	(47,000)	(3)	8,000
OTHER ASSETS	92,000	1,192,000	(1,192,000)	(1)	(7,000)	(3)	4,000
			(81,000)	(1)			
	$ 2,382,000	$ 65,534,000	$ (47,059,000)		$ (145,000)		$ 20,712,000
LIABILITIES AND STOCKHOLDERS' EQUITY							
CURRENT LIABILITIES	$ 563,000	$ 10,464,000	$ 193,000	(1)	$ (147,000)	(3)	$ 11,073,000
DEFERRED INCOME	88,000	--			(88,000)	(3)	--
LONG TERM DEBT	50,000	335,000					385,000
STOCKHOLDERS' EQUITY							
Common stock	6,000	6,000	(6,000)	(1)			6,000
Additional paid-in capital	19,599,000	569,827,000	754,000	(2)			20,353,000
			(569,827,000)	(1)			
Deferred compensation	--	(6,312,000)	6,312,000	(1)			--
Accumulated deficit	(19,294,000)	(508,739,000)	8,416,000	(1)	2,260,000	(3)	(10,305,000)
			(1,687,000)	(2)			
			508,739,000	(1)			
Accumulated other comprehensive income	2,170,000	(47,000)	47,000	(1)	(2,170,000)	(3)	--
	2,481,000	54,735,000	(47,252,000)		90,000		10,054,000
Less: Treasury Stock	(800,000)	--	--		--		(800,000)
TOTAL STOCKHOLDERS' EQUITY	1,681,000	54,735,000	(47,252,000)		90,000		9,254,000
	$ 2,382,000	$ 65,534,000	$ (47,059,000)		$ (145,000)		$ 20,712,000

SEE ACCOMPANYING NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

U.S. REALTEL, INC

UNAUDITED PRO FORMACONDENSED CONSOLIDATED

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2001

	HISTORICAL		PRO FORMA				
	US REALTEL	CYPRESS	ADJUSTMENTS		DISCONTINUED OPERATIONS		CONSOLIDATED
REVENUES	$ 282,000	$ 18,731,000	$ --		$ (253,000)	(5)	$ 18,760,000
DIRECT COSTS	165,000	24,620,000	(3,073,000)	(4)	(143,000)	(5)	21,569,000
REVENUES – NET	117,000	(5,889,000)	3,073,000		(110,000)		(2,809,000)
OPERATING EXPENSES	6,397,000	249,591,000	(942,000)	(4)	(3,235,000)	(5)	251,811,000
OPERATING LOSS	(6,280,000)	(255,480,000)	4,015,000		3,125,000		(254,620,000)
OTHER INCOME / (EXPENSE)							
Other	189,000	2,567,000	(1,687,000)	(6)	17,000	(5)	1,086,000
Exchange loss	(2,145,000)	--	--		2,145,000	(5)	--
TOTAL OTHER INCOME / (EXPENSE)	(1,956,000)	2,567,000	(1,687,000)		2,162,000		1,086,000
Income/(loss) from continuing operations	$ (8,236,000)	$ (252,913,000)	$ 2,328,000		$ 5,287,000		$(253,534,000)
Loss from continuing operations per Common Share - Basic and Diluted	$ (1.32)						$ (40.59)
Weighted Average Common Shares Outstanding	6,245,600						6,245,600

SEE ACCOMPANYING NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Reference is made to the introduction paragraph to the pro forma combined condensed financial statement on page PF-1.

The total acquisition costs of approximately $17.9 millions paid for the acquisition of Cypress have been allocated on a preliminary basis to assets and liabilities. It is anticipated that the transaction will generate negative goodwill. These allocations are subject to transactions that occurred during the month of January 2002. Since the acquisition will be recorded for accounting purposes as of February 1, 2002, the impact of any of these transactions could be material.

NET BOOK VALUE		$ 54,735,000
ACQUISITION COSTS		
Purchase price	17,241,000	
Expenses in connection with the acquisition	696,000	17,937,000
NEGATIVE GOODWILL – BEFORE ASSET ALLOCATION		36,798,000
ASSET ALLOCATION		
Property and equipment	27,190,000	
Other assets	1,192,000	28,382,000
EXTRAORDINARY GAIN		$ 8,416,000

Reclassifications have been made to the historical financial statements to conform to the presentation of the consolidated companies.

The adjustments to the unaudited pro forma condensed consolidated balance sheet as of December 31, 2001 are as follows:

(1) To reflect the acquisition of Cypress under FAS 141 and 142. The promissory note issued upon completion of the purchase was paid subsequent to the acquisition. To reflect the payment of all acquisition costs, including $81,000, which had been paid and capitalized prior to the acquisition and $193,000, which remains unpaid. To reflect the elimination of all long-term assets of Cypress in an aggregate amount of 28,382,000 as a result of the allocation of the negative goodwill resulting from the acquisition. To reflect the elimination of all equity accounts of Cypress. To reflect the extraordinary gain associated with the acquisition in the amount of $8,416,000.

(2) To reflect the payment of the loan fees and commissions on the promissory note in the amount of $933,000 and to record the fair value of $754,000 for the 850,000 warrants issued. The warrants associated with the promissory note may have a potential dilution impact on earnings per share in the future.

(3) To adjust for the removal of the Latin American operations (discontinued operations) of US RealTel, which occurred subsequent to the acquisition.

The adjustments to the unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2001 are as follows:

(4) To reflect the reduction in depreciation of property and equipment as the result of the elimination of all long-term assets of Cypress.

(5) To adjust for the removal of the Latin American operations (discontinued operations) of US RealTel for the year ended December 31, 2001

(6) To reflect, as interest expense, the effect of the issuance of warrants in connection with the financing valued at a fair value of approximately $754,000 and the payment of loan fees and commissions in the amount of $933,000.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Current Report on Form 8-K to be signed on its behalf by the undersigned hereunto duly authorized.

U.S. REALTEL, INC.

By: /s/ Perry H. Ruda

Perry H. Ruda
President

MANAGEMENT INFORMATION

Charles B. McNamee *Director, Chief Executive Officer and Secretary*

Charlie McNamee co-founded a telecom acquisition group that was successful in acquiring Cypress Communications, Inc., parent company of Cypress Communications Operating Company, Inc. in February 2002. Mr. McNamee has joined Cypress Communications, Inc. and Cypress Communications Operating Company, Inc. as its Chief Executive Officer. Mr. McNamee brings more than 25 years of senior telecom management experience focused on start-ups, turnarounds & operations for both private and publicly held companies. Prior to Cypress, McNamee was Vice President of Network Operations with LGC Wireless, President, Business Development for U.S. RealTel, CEO of Tie Communications, and Founder and President, RealCom Office Communications, a national shared tenant services company. He also held various senior management positions in sales, finance & operations at ROLM Corporation, an IBM Company. He began his career with Price Waterhouse Coopers as senior auditor and CPA. McNamee earned his MBA in Accounting & Finance from Michigan State University and a B.A. in Economics from the University of Michigan and is on the board of directors of eBuilding Solutions, Inc.

Gregory P. McGraw *Director, President, Chief Operating Officer, Treasurer and Assistant Secretary*

Gregory McGraw co-founded the telecom acquisition group that was successful in acquiring Cypress Communications, Inc., parent company of Cypress Communications Operating Company, Inc. in February 2002. Upon closing of the merger, Mr. McGraw was named President and Chief Operating Officer of Cypress Communications, Inc. and Cypress Communications Operating Company, Inc. Mr. McGraw held executive roles for over 20 years focused on external growth strategies, turnarounds & new business development for Convergent Communications, Tie Communications, Telemate.Net Software, RealCom Office Communications and ROLM, an IBM Company. Mr. McGraw was more recently the Executive Vice President and Corporate Development Officer at Convergent, a publicly-traded broadband, internet, data & voice integration services company where he led the acquisition efforts and growth of $200+ million in acquired revenue as well as additional equity placements, organizational and financial restructurings. Mr. McGraw was the former Vice President Marketing and later Chief Financial Officer at Tie Communications and also held senior marketing, business development, CIO and finance roles at RealCom Office Communications, Telemate.Net and ROLM. Mr. McGraw has a B.S. in Business Administration, with a minor in Public Accounting, from George Mason University in Virginia.

Ross J. Mangano has served as chairman of the board since February 2002, as well as a director of Cypress Communications, Inc., in February 2002. Mr. Mangano has served as a director of U.S. RealTel, a public company, since October 1998 and as its chairman of the board since February 2002. Mr. Mangano has served as the chairman of the board of directors of Cerprobe, a public company, since February 1992 and as a director of Cerprobe since February 1998. Mr. Mangano has served as the president of Oliver Estate, Inc., an investment management company located in South Bend, Indiana, since 1996. Prior to that time, Mr. Mangano served in various management positions with Oliver Estate, Inc. since 1971. Mr. Mangano also is an investment analyst for Oliver Estate, Inc. Mr. Mangano has served on the board of directors of BioSante Pharmaceuticals, Inc. a public company located in Lincolnshire, Illinois, since July 1999 and Orchard Software Company, a privately held company which develops software for the medical industry located in Carmel, Indiana, since August 1998.

Salvatore Collura, Senior Vice President, Field Operations
Sam Collura has nearly 25 years of sales and operations management experience in the telecommunications industry. He joined Cypress in February 2002 to provide leadership skills in field sales and operations. Most recently, he was the Executive Vice President of the Voice Division for Convergent Communications, and prior to that he was a regional VP/GM for Tie Communications. Mr. Collura held various regional and national positions in sales and general management during his 17 years at Tie and consistently earned top sales honors and awards. Mr. Collura earned a BS in Economics from the University of Nebraska at Lincoln.

Peter Gould, Director of Corporate Development
Peter brings over 25 years of commercial real estate development and business development experience to Cypress Communications, including experience working with telco clients and building owners in contract negotiations. His diverse background includes being a Founder and General Partner of a multi use historic development comprised of over a quarter million square feet of office, hospitality, and residential properties. Most recently, he has held executive roles focused on the telecom industry's need for critical access to office buildings and other commercial venues for qServe, Inc., U.S. RealTel, Teligent and Advance Radio Telecom.

Dan Knafo, Senior Vice President, Network Operations
Dan Knafo joined Cypress Communications in February 2002 from its parent, U.S. RealTel, Inc. where he served as Chief Operating Officer. Prior to that he was Senior Vice President for a national and international wireless consulting firm specializing in RF engineering, site acquisition, zoning administration and construction management. He was directly responsible for over 130 employees located throughout the United States and Latin American. He brings 13 years experience to the company. He earned an MBA from Nova University.

Edgardo Vargas, Vice President and Controller
Ed joined Cypress Communications in February 2002 from its parent, U.S. RealTel, Inc. Prior to U.S. RealTel, he served as Finance Director and Corporate Controller for two international telecommunications companies specializing in wireless services in Latin America. Ed is a former Manager of Price Waterhouse Coopers with over seven years of public accounting practice. He is a Certified Public Accountant and has a Bachelor's degree in Business Administration. He has over 11 years of professional experience in accounting and telecommunications.

STATEMENT OF FINANCIAL CAPABILITY

Applicant 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 Applicant's stated financial capability, a copy of Form 8K filed with the SEC dated February 21, 2002, which contains consolidated financial statements for Cypress Communications, Inc. and Subsidiaries for the years ended December 31, 2000 and December 31, 2001 respectively is attached to its application. Cypress is a wholly-owned subsidiary of Cypress Communications, Inc. Cypress currently has no operations. Applicant intends to fund the provision of service through internally generated cash flow. Applicant also has the ability to borrow funds, if required, based upon its financial capabilities, to provide service in the State of Florida. In addition, the parent company will provide necessary funding to Applicant.