

DIVIDER

STATE OF NORTH DAKOTA
INFORMATION TECHNOLOGY DEPARTMENT
SFN 2053 (4-2002)

PU-2212-00-120
Universal Access, Inc.
Local Exchange/Interexchange
Public Convenience & Nece 00
Filed 3/17/2000 Closed 6/12/2000

Scott, Sandi L.
From: Bauske, Shelly A.
Sent: Tuesday, August 08, 2000 8:48 AM
To: Scott, Sandi L.
Subject: Money Received.....

Case No. PU-2212-00-120 - \$163.20 from Universal Access Inc.

54 **PU-2212-00-120** Pages: 0
08/08/2000
Universal Access, Inc.
\$163.20 received



Public Service Commission
State of North Dakota

COMMISSIONERS

Bruce Hagen
President
Susan E. Wefald
Leo M. Reinbold

June 20, 2000

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
e-mail: sab@oracle.psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

Executive Secretary
Jon H. Mielke

Mr. Lance J M Steinhart
Attorney for Universal Access Inc.
6455 E Johns Crossing Ste 285
Duluth GA 30097

RE: Case No. PU-2212-00-120
Universal Access Inc.
Local Exchange/Interexchange
Public Convenience & Necessity


Dear Mr. Steinhart:

Enclosed is a copy of the statement approved at the June 20, 2000 Public Service Commission meeting for the expenses incurred to date in Case No. PU-2212-00-120.

Under N.D.C.C. 49-21-01.7, these expenses are billed through the Valuation Fund and must be paid for by the Telecommunications Company involved.

Please make your check payable to the Public Service Commission.

Sincerely,


Gloria Geiger
Administrative Assistant
701-328-2401
Enc.

53 PU-2212-00-120

Pages: 2

06/20/2000

Public Service Commission -

Motion and statement for costs incurred

CC: Comm Legal PUD (3)

APPROVED:
DATE: 6-20-00
Clum

MOTION

June 20, 2000

Universal Access Inc.
Local Exchange/Interexchange
PC&N

PU-2212-00-120

I move the Commission bill Universal Access, Inc. in the total amount of \$163.20 for costs incurred to date in Case No. PU-2212-00-120, Universal Access, Inc., Local Exchange/Interexchange, PC&N.

ND Advertising Service, Inc. \$163.20

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Universal Access, Inc.
Local Exchange/Interexchange
Public Convenience & Necessity

Case No. PU-2212-00-120

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **12th day of June, 2000**, she deposited in the United States Mail, Bismarck, North Dakota, **one** envelope with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

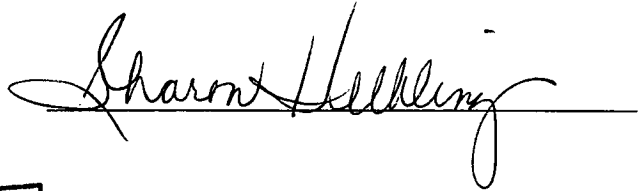
Order

The envelope was addressed as follows:

Lance J M Steinhart
6455 E Johns Crossing Ste 285
Duluth GA 30097
Cert. No. 7099 3220 0002 8476 7596

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me
this **12th day of June, 2000**.



Notary Public

SEAL



Public Service Commission
State of North Dakota

COMMISSIONERS

Bruce Hagen
President
Susan E. Wefald
Leo M. Reinbold

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
e-mail: sab@oracle.psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

Executive Secretary
Jon H. Mielke

June 12, 2000

Lance J M Steinhart
6455 E Johns Crossing Ste 285
Duluth GA 30097

Dear Mr. Steinhart:

Enclosed are Orders and original Certificates of Public Convenience and Necessity granting Maxcess, Inc. and Universal Access, Inc. authority to provide telecommunications services in North Dakota.

Please keep these original certificates in your files.

Sincerely,


Sharon Helbling
Public Utilities Division

Sdh

Enclosures

51 PU-2212-00-120
06/12/2000
Public Service Commission
Letter re approval & certificates

Pages: 1

CC: Comm Legal PUD (3)

APPROVED:
DATE: 6-8-00

KMF

MOTION

June 8, 2000

**Universal Access, Inc.
Local Exchange/Interexchange
Public Convenience & Necessity**

Case No. PU-2212-00-120

I move the Commission adopt the Order and issue Certificates of Public Convenience and Necessity to provide local exchange telecommunications services in all locations currently served by U S WEST Communications, Inc., and interexchange telecommunications services throughout North Dakota.

JRL/sdh

000120-7.doc

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Universal Access, Inc.
Local Exchange/Interexchange
Public Convenience & Necessity

Case No. PU-2212-00-120

ORDER

June 8, 2000

On March 17, 2000, Universal Access, Inc. (UAI), a Delaware Corporation, filed an application for a certificate of public convenience and necessity to provide facilities-based local exchange telecommunications services in all locations currently served by U S WEST Communications, Inc., and interexchange telecommunications services throughout North Dakota.

On March 20, 2000, the Public Service Commission's Director of Accounting filed a memorandum indicating that arrival has the financial ability to provide telecommunications service.

On March 29, 2000, the Commission issued a Notice of Opportunity for Hearing, which provided until May 5, 2000 for receiving comments or hearing requests. No requests for hearing were received. The notice indicated the following issues to be considered in this matter:

1. Fitness and ability of the applicant to provide service.
2. Adequacy of the proposed service.
3. The technical, financial and managerial ability of the applicant to provide service.

On April 4, 2000, the Rural Telephone Company Group filed Comments that were withdrawn on May 16, 2000.

UAI has been authorized to provide facilities-based telecommunications service in several states. UAI indicates that its management and key personnel have extensive telecommunications operational experience and technical expertise. The Commission finds UAI is fit, able, and has the technical, financial and managerial ability to provide service.

UAI intends to provide all forms of intrastate service including switched and non-switched local services, centrex, DSL, ISDN, and ancillary services as well as switched

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06/08/2000
Public Service Commission
Order

Pages: 2

CC: Comm Legal PUD (3)

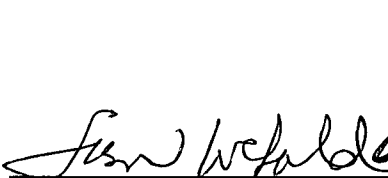


and dedicated interexchange services. The Commission finds UAI's proposed service is adequate.

Order

The Commission Orders:

1. The application of Universal Access, Inc. for certificates of public convenience and necessity to provide competitive facilities-based local exchange services in all locations currently served by U S WEST Communications, Inc., and interexchange telecommunications services throughout North Dakota is GRANTED.
2. UAI's certificate of public convenience and necessity shall require that it secure such approval from the local governing entity as required by state and federal law prior to providing service in any local territory.

PUBLIC SERVICE COMMISSION

		
Susan E. Wefald Commissioner	Bruce Hagen President	Leo M. Reinbold Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4386

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Alexander, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4387

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Belfield, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4388

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Bismarck, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4389

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Casselton, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4390

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Dickinson, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4391

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Emerado, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4392

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Fairmount, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4393

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Fargo, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4394

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Gardner, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4395

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Grafton, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4396

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Grand Forks, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4397

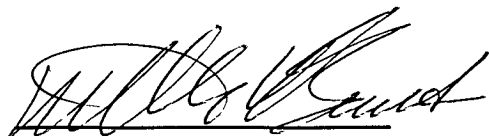
This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Gwinner, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION

today

Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4398

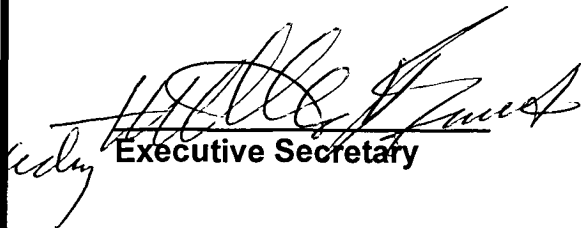
This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Hatton, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4399

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside Hillsboro, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4400

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Jamestown, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4401

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Kindred, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4402

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Larimore, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4403


This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Leonard, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4404

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Lisbon, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4405

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Mandan, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4406


This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Manvel, North Dakota local exchange area.


This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4407

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Mayville, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4408

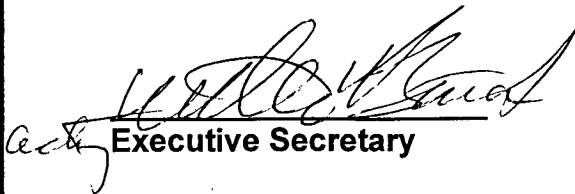
This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Minto, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4409

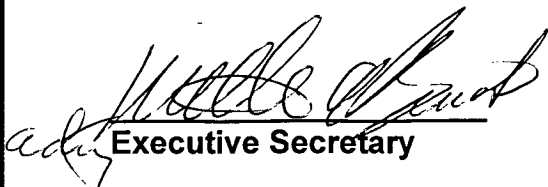
This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Northwood, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4410

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Pembina, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4411

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Reynolds, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4412


This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Thompson, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4413

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Valley City, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4414

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Wahpeton, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4415

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Watford City, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4416

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Williston, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4417

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the Wyndmere, North Dakota local exchange area.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4418


This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the suburban territory near Fairview, Montana, part of the Fairview local exchange area, but located in North Dakota and served from the Fairview, Montana local exchange central office.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4419

This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide local exchange telecommunications services inside the rural territory near Sidney, Montana, part of the Sidney local exchange area, but located in North Dakota and served from the Sidney, Montana local central office.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA

Certificate of Public Convenience and Necessity

Certificate Number 4426

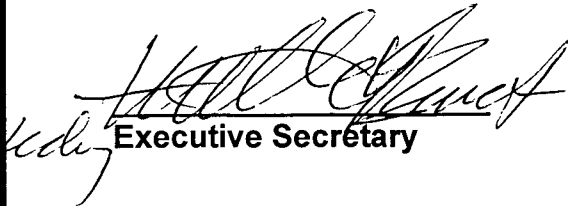
This is to certify that public convenience and necessity require, and permission is granted for Universal Access, Inc., a telecommunications public utility, to provide statewide interexchange (toll) telecommunications services, with facilities, in North Dakota.

This certificate is issued in Case No. PU-2212-00-120 and is conditioned upon Universal Access, Inc. securing the franchise or other authority of the proper municipal or other public authority for the exercise of these rights and privileges, and other conditions and limitations noted in the Order dated June 8, 2000.

Bismarck, North Dakota, June 8, 2000.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

INFORMAL AGENDA

May 25, 2000

- PU-1716-00-30 Qwest Communications Corporation
Local Exchange PC&N
Application
- PU-2245-00-94 Arrival Communications, Inc.
Local Exchange
Public Convenience and Necessity
- PU-2249-00-116 Maxcess, Inc.
Local Exchange/Interexchange
Public Convenience and Necessity
- PU-2212-00-120 Universal Access, Inc.
Local Exchange/Interexchange
Public Convenience and Necessity
- PU-1656-00-144 Touch America, Inc.
Local Exchange/Interexchange
Public Convenience and Necessity
- PU-401-00-204 Otter Tail Power Company
Imation Corporation Service Agreement
Approval
- PU-400-00-217 Northern States Power Company
Customer Energy Buyback Service
Tariff
- PU-401-00-228 Otter Tail Power Company
Released Energy Tariff
Approval

13 **PU-2212-00-120**

05/25/2000

Public Service Commission

Informal Hearing held

Pages: 0

CC: Comm Legal PUD (3)



LAW OFFICES OF

PRINGLE & HERIGSTAD, P.C.

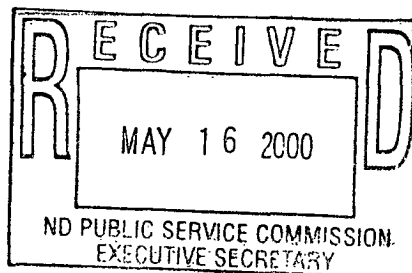
ROGER O. HERIGSTAD
MARK F. PURDY
JAN M. SEBBY
DONALD A. NEGAARD
JAMES E. NOSTDAHL
JOHN J. PETRIK
CAROL K. LARSON
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MICHAEL A. BOSH
BRENT M. OLSON
DENISE C. HAYS

OF COUNSEL
HERBERT L. MESCHKE

RETIRED
THOMAS A. WENTZ



May 15, 2000

Jon Mielke, Executive Secretary
Public Service Commission
600 E. Boulevard Ave.
Bismarck, ND 58505-0480

MAXCESS, INC. PC&N APPLICATION - CASE NO. PU-2249-00-116
UNIVERSAL ACCESS, INC. PC&N APPLICATION - CASE NO. PU-2212-00-120

On April 3, 2000, the Rural Telephone Company Group filed Comments in the above-referenced cases. The Comments were based on the erroneous belief that the applicants had requested a certificate of public convenience and necessity to provide facilities based local telecommunications services throughout North Dakota. Since the applicants are only seeking such a certificate for the areas currently served by US West, the Rural Telephone Company Group would ask that the Comments filed on behalf of the group on April 3, 2000 be withdrawn. Thank you.

Very truly yours,

Michael A. Bosh
Pringle & Herigstad, P.C.

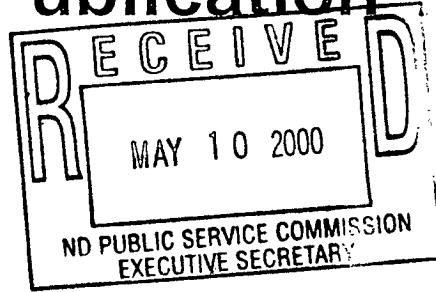
jb
cc: Lance J. M. Steinhart

12 **PU-2249-00-116** Pages: 1
05/16/2000
Rural Telephone Company Group by Michael A
Request to withdraw comments
CC: Comm Legal PUD (3)

12 **PU-2212-00-120** Pages: 1
05/16/2000
Rural Telephone Company Group by Michael A
Request to withdraw comments
CC: Comm Legal PUD (3)

Affidavit of Publication

State of North Dakota)
County of Burleigh)



Laurie Thiel

, being duly sworn, state as follows:

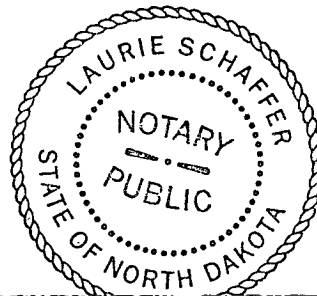
1. I am the designated agent, under the provisions and for the purposes of, Section 31-04-06, NDCC, for the newspapers listed on the attached exhibits.
2. The newspapers listed on the exhibits published the advertisement of:
maxcess/universad , 1 time(s)
as required by law or ordinance.
3. All of the listed newspapers are legal newspapers in the State of North Dakota and, under the provisions of Section 46-05-01, NDCC, are qualified to publish any public notice or any matter required by law or ordinance to be printed or published in a newspaper in North Dakota.

Signed: Laurie Thiel

Subscribed and sworn to before me this 4th day of May A.D. 2000

Laurie Schaffer

LAURIE SCHAFFER
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires DEC. 1, 2005



11 PU-2249-00-116 Pages: 11
05/10/2000
North Dakota Advertising Service, Inc.
Affidavit of Publication

CC: Comm Legal PUD (3)

11 PU-2212-00-120 Pages: 11
05/10/2000
North Dakota Advertising Service, Inc.
Affidavit of Publication

CC: Comm Legal PUD (3)

Case # PU-2212-00-120

Notice of Opportunity For Hearing
March 29, 2000

Bismarck	4-5
Devils Lake	4-5
Dickinson	4-5
Fargo	4-10
Grand Forks	4-5
Jamestown	4-5
Minot	4-5
Valley City	4-5
Wahpeton	4-5
Williston	4-5



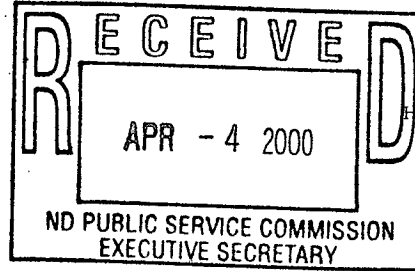
LAW OFFICES OF

PRINGLE & HERIGSTAD, P.C.

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MARK F. PURDY
JAN M. SEBBY
DONALD A. NEGAARD
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HERBERT L. MESCHKE
RETIRED
THOMAS A. WENTZ



April 3, 2000

Jon Mielke, Executive Secretary
Public Service Commission
600 E. Boulevard Ave.
Bismarck, ND 58505-0480

MAXCESS, INC. PC&N APPLICATION - CASE NO. PU-2249-00-116
UNIVERSAL ACCESS, INC. PC&N APPLICATION - CASE NO. PU-2212-00-120

On behalf of the "Rural Telephone Company Group," we file the enclosed Comments (original plus seven copies) regarding the applications for a certificate of public convenience and necessity to provide facilities based local telecommunications services "throughout North Dakota" filed by Maxcess, Inc. and Universal Access, Inc.

Very truly yours,

Michael A. Bosh
Pringle & Herigstad, P.C.

jb
encs.

10 **PU-2249-00-116** Pages: 1
04/04/2000
Rural Telephone Company Group by Michael Bc
Cover letter re Comments
CC: Comm Legal PUD (3)

10 **PU-2212-00-120** Pages: 1
04/04/2000
Rural Telephone Company Group by Michael Bc
Cover letter re Comments
CC: Comm Legal PUD (3)

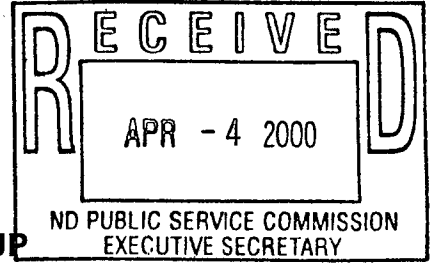
**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**Maxcess, Inc.
Local Exchange/Interexchange
Public Convenience & Necessity**

Case No. PU-2249-00-116

**Universal Access, Inc.
Local Exchange/Interexchange
Public Convenience & Necessity**

Case No. PU-2212-00-120



**COMMENTS
OF
RURAL TELEPHONE COMPANY GROUP**

The Rural Telephone Company Group (RTCG) is a group of telecommunications carriers, each of which is an "incumbent local exchange carrier" and a "rural telephone company" under the federal Telecommunications Act of 1996 (the Act) and each has legal interests in these cases under the Act.

The Rural Telephone Company Group includes:

- BEK Communications Cooperative and BEK Communications I Inc.
- Consolidated Telcom
- Dakota Central Telecommunications Cooperative and Dakota Central Telecom I
- Dickey Rural Telephone Cooperative and Dickey Rural Communications, Inc.
- Inter-Community Telephone Company and Inter-Community Telephone Company II
- Midstate Telephone Company and Midstate Communications, Inc.
- North Dakota Telephone Company
- Northwest Communications Cooperative
- Polar Communications Mutual Aid Corporation and Polar Telecommunications, Inc.
- Red River Rural Telephone Association and Red River Telecom, Inc.
- Reservation Telephone Cooperative
- SRT Communications, Inc.
- United Telephone Mutual Aid Corporation and Turtle Mountain Communications
- West River Telecommunications Cooperative

In PSC Case No. PU-453-96-83, AT&T applied for and was granted a certificate of public convenience and necessity to provide local telecommunications service throughout the State of North Dakota, subject to limitations in the Commission's Order:

"8. Public convenience and necessity requires the granting of a statewide certificate to AT&T to provide local service. However, the Commission's determination of the public interest with regard to the service territories of rural telephone companies is subject to any future proceedings under §251(f)(1) or (2) of the Act.

9. Granting AT&T's application for a statewide certificate is not a ruling that affects the rights of specific rural telephone company pursuant to 47 U.S.C. §251(f)."

In PSC Case No. PU-987-96-390, Sprint applied for and was granted a certificate of public convenience and necessity to provide local telecommunications service throughout the State of North Dakota, subject to limitations based on the precedent established in the AT&T case:

"One issue which has been addressed in other Certificate of Public Convenience and Necessity cases was raised by the intervener, NDATC. This issue concerns rural telephone companies and what effect the grant of a certificate would have on them. NDATC identified its interest in this proceeding, and the interests of its members, as a concern that the grant of a certificate of public convenience and necessity not defeat the rural protections provided by the Telecommunications Act of 1996.

The Commission agrees with NDATC that the question is important and must be addressed. This issue will apply to all certificate requests affecting any service area of any rural telephone company in North Dakota. It is the opinion of the Commission that in all such cases, any determination of public interest is subject to future proceedings regarding rural protections or exemptions.

In the instant case the Commission will adhere to the precedent established in the AT&T certificate case, Docket No. PU-453-96-83, on this issue. In AT&T, the Commission held that its determination of the public interest with regard to the service territories of rural telephone companies is subject to any future proceedings under Section 251(f)(1) or (2) of the Telecommunications Act of 1996 (47 U.S.C. §251(f)(1) or (2)). The Commission also held that granting the certificate on a statewide basis is not a ruling that affects the rights of specific rural telephone companies under 47 U.S.C. §251(f). Both Sprint and NDATC agree that the qualifications

expressed in the AT&T case appropriately apply to Sprint's request for a statewide certificate of public convenience and necessity. The inclusion of these conditions satisfies NDATC's concerns, and is not objectionable to Sprint."

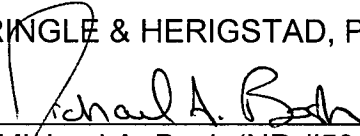
The AT&T precedent has been cited at least one time following the Sprint case, in Case No. PU-1693-97-269, where a statewide certificate was granted to Eclipse Communications Corp (a subsidiary of Western Wireless Corporation), subject to the rights of rural telephone companies under 47 U.S.C. 251(f).

In reliance on the precedent established by the Commission in the AT&T, Sprint and Eclipse/Western Wireless cases, the RTCG does not request intervention and does not request a hearing on these pending applications. The RTCG does request that any order issued to grant the pending applications should include limitations substantially the same as those in the AT&T, Sprint and Eclipse/Western Wireless cases, to preserve the "rural safeguard" rights of rural telephone companies under 47 U.S.C. 251(f).

Dated this 3rd day of April, 2000.

PRINGLE & HERIGSTAD, P.C.

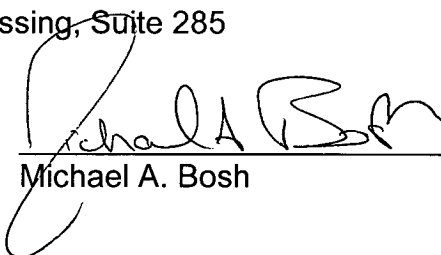
By


Michael A. Bosh (ND #5313)
Attorneys for RTCG
Bremer Bank Bldg., 2nd Floor
20 - 1st Street SW
P.O. Box 1000
Minot, ND 58702-1000

CERTIFICATE OF SERVICE

A true and correct copy of the foregoing Comments of Rural Telephone Company Group was, on the 3rd day of April, 2000, mailed to:

Lance J. M. Steinhart
Attorney at Law
6455 E. Johns Crossing, Suite 285
Duluth, GA 30097



Michael A. Bosh

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Maxcess, Inc.
Local Exchange/Interexchange
Public Convenience & Necessity

Case No. PU-2249-00-116

Universal Access, Inc.
Local Exchange/Interexchange
Public Convenience & Necessity

Case No. PU-2212-00-120

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **30th day of March, 2000**, she deposited in the United States Mail, Bismarck, North Dakota, **one** envelope with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

Notice of Opportunity for Hearing

The envelope was addressed as follows:

Lance J M Steinhart
6455 E Johns Crossing Ste 285
Duluth GA 30097
Cert. No. P443 354 780

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me
this **30th day of March, 2000**.





Notary Public

SANDRA L. SCOTT
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 11, 2004

SEAL

8 PU-2212-00-120 Pages: 1
03/30/2000
Public Service Commission
Affidavit of Service by Certified Mail

CC: Comm Legal PUD (3)

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Maxcess, Inc.
Local Exchange/Interexchange
Public Convenience & Necessity

Case No. PU-2249-00-116

Universal Access, Inc.
Local Exchange/Interexchange
Public Convenience & Necessity

Case No. PU-2212-00-???

AFFIDAVIT OF SERVICE BY ORDINARY MAIL OR E-MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **30th day of March, 2000**, she deposited in the United States Mail, Bismarck, North Dakota, envelopes by first class mail, fully prepaid, securely sealed, each containing a photocopy of:

Notice of Opportunity for Hearing

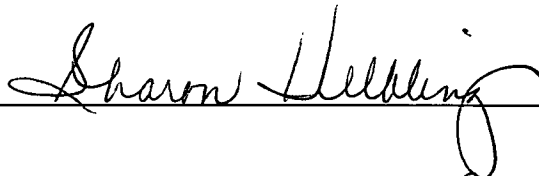
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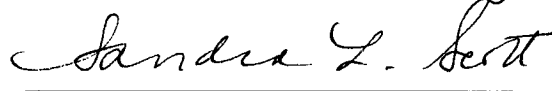
See Attached List

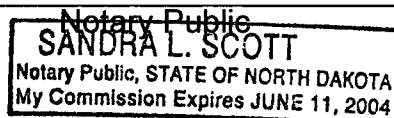
Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me
this **30th day of March, 2000**.

SEAL







7 PU-2212-00-120 Pages: 13
03/30/2000
Public Service Commission
Affidavit of Service by Ordinary Mail or E-Mail

CC: Comm Legal PUD (3)

PU-2249-00-116

Copies To:

State Library (8 copies)

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Timothy Kunkleman
U S WEST
1801 California St Rm 4630
Denver CO 80202

smacint@uswest.com
Scott Macintosh
U S WEST Communications Inc
PO Box 5508
Bismarck ND 58502-5508

jmunns@uswest.com
John Munn
U S WEST Communications Inc
1801 California Rm 5100
Denver CO 80202

saberry@uswest.com
Sharon Berry
U S WEST Communications Inc
409 1st Ave N
Fargo ND 58102-4802

sschwan@uswest.com
Suzy Schwandt
U S WEST Communications, Inc.
P O Box 5508
Bismarck ND 58502-5508

johng@unidial.com
John Greive
Unidial Communications Inc
1901 Eastpoint Pkwy
Louisville KY 40223

agallentine@usagl.com
Abbe McDonald-Gallentine
USA Global Link Inc
50 N 3rd St
Fairfield IA 52556

kander@ictc.com
Keith Anderson
Valley Communications Inc
P O Box 8
Nome ND 58062

tsusak@vocall.com
Tony Susak
VoCall Communications Corp
284 Sheffield St
Mountainside NJ 07092

bonniek@westriv.com
Bonnie Krause
West River Telecomm Coop
PO Box 467
Hazen ND 58545-0467

pihland@means.net
Paul Ihland
Wolverton Telephone Company
Wolverton MN 56594

Neil Talbot
81 Grand St
New York NY 10013

Myer Shark
2277 Gene Autry Tr Unit C
Palm Springs CA 92264

Myer Shark
2277 Gene Autry Trail Unit C
Palm Springs CA 92264

Myer Shark
Knollwood Place Apts #221
3630 Phillips Pkwy
St Louis Park MN 55426

Ann Faught
Absaraka Co-op Tele Co
Absaraka ND 58002

ACN Communications Services Inc
32991 Hamilton Ct
Farmington Hills MI 48334

Mark Waind
Altru Health System
1200 South Columbia Rd
Grand Forks ND 58201

John Summers
AmeriTel Pay Phones Inc
180 Northwest Oldham Pkwy
Lee's Summit MO 64081

Arch Paging
11437 Valley View Rd
Eden Prairie MN 55344

Leeann Brunnette
AT&T
321 E Walnut St
Des Moines IA 50309

Jack Medaris
Atlas Communications LTD
484 Norristown Rd Ste 123
Blue Bell PA 19422

Dorothy Jones
Bell Atlantic Communications Inc
1320 N Courthouse Rd 9th Fl
Arlington VA 22201

Bethany Management Services Inc
201 South University Dr
Fargo ND 58103

Jennifer Whitley
Business Discount Plan Inc
3780 Kilroy Arpt Wy
Long Beach CA 90806

Rachel Rothstein
Cable & Wireless Comm Inc
8219 Leesburg Pike
Vienna VA 22182

Scott Geston
Cable One of Fargo
P O Box 10624
Fargo ND 58106-0624

Choctaw Communications Inc
8400 S Gessner
Houston TX 77074

Robert Fallan
Coast International
14303 W 95th St
Lenexa KS 66215-5210

Comcast Telecommunications
1500 Market St
Philadelphia PA 19102

Molli Harper
Commnet Cellular Inc
8350 E Crescent Pkwy Ste 400
Englewood CO 80111

Murray Barr
Competitive Strategies Group Inc
70 East Lake St 7th Fl
Chicago IL 80112

D D D Calling Inc
5120 Woodway Ste 8020
Houston TX 77056

Robert Hill
Dakota Central Telecom I
PO Box 299
Carrington ND 58421-0299

Dickey Rural Communications Inc
PO Box 69
Ellendale ND 58436-0069

Easton Telecom Services Inc
4646 W Streetsboro
Richfield OH 44286

Excel Communications Inc
P O Box 650582
Dallas TX 75265

Lawrence Freedman
Fleischman & Walsh
1400 16th ST NW
Washington DC 20036

Ronald Rodemerck
Frontier Comm International
180 S Clinton Ave
Rochester NY 14646-0500

Lucille Nilson
Griggs County Telephone Company
Cooperstown ND 58425

GTE Communications Corp
5221 N O'Connor Blvd
Irving TX 75039

Elaine McElreath
Concert Communications Sales LLC
295 N Maple Ave Rm 5463A2
Basking Ridge NJ 07920

Robert Hill
Dakota Central Tele Coop
PO Box 299
Carrington ND 58421-0299

Darcy Delaney
DavelTel Inc
10120 Windhorst Rd
Tampa FL 33619

DSLnet Communications LLC
545 Long Wharf Dr
New Haven CT 06511

Eclipse Communications Corp
2001 NW Sammamish Rd #100
Issaquah WA 98027

Sue Weiske
FirstTel Inc
5710 LBJ Frwy Ste 215
Dallas TX 75240

Framco Inc
P O Box 388
Fargo ND 58107

Craig Brewerton
Geo Economics
PO Box 4272
Missoula MT 59806-4272

Group Long Distance Inc
6600 N Andrews Ave Ste 140
Ft Lauderdale FL 33309

HJN Telecom Inc
3235 Satellite Blvd Bldg 400 Ste 300
Duluth GA 30096

IdeaOne Telecom Group LLC
3239 39th St SW
Fargo ND 58104

Nanette Edwards
ITC DELTACOM INC
4092 Memorial Pkwy SW
Huntsville AL 35802-1382

Thomas K Crowe
Law Offices of Thomas K Crowe PC
2300 M St NW Ste 800
Washington DC 20037

LDM Systems Inc
430 Park Ave 5th Fl
New York NY 10022

Jan Lowe
Long Dist Consolidated Billing Co
145 S Livernois Rd #199
Rochester MI 48307-1837

Marilyn Foss
MCI WorldCom Inc
707 17th St Ste 3600
Denver CO 80202

McLeodUSA
P O Box 3177
Cedar Rapids IA 52406-3177

Midcontinent Communications
410 South Phillips Ave
Sioux Falls SD 57104

Gordon Wilhelmi
Midstate Communications Inc
PO Box 400
Stanley ND 58784-0400

Minnesota Independent Equal Access
Corp
10300 6th Avenue N
Plymouth MN 55441

Innovative Telecom Corp
1740 Massachusetts Ave
Boxborough MA 01719-2209

Larry Barnes
IXC/SSC-Regulatory Affairs
1122 S Capital of TX Hwy
Austin TX 78746-6426

LCI International Telecom Corp
4650 Lakehurst Ct
Dublin OH 43017

Level 3 Communications LLC
3555 Farnam St
Omaha NE 68131

Randy Valoue
Long Distance International Inc
4150 SW 28th Way
Ft Lauderdale FL 33312

MCImetro Access Transmission Services
1801 Pennsylvania Ave NW
Washington DC 20006

Carolyn Fodor
MIDCOM Communications Inc
26913 Northwestern Hwy #165
Southfield MI 48034

Mid-Rivers Telephone Coop Inc
P O Box 280
Circle MT 59215

Mark Wilhelmi
Midstate Telephone Co
PO Box 400
Stanley ND 58784-0400

Mike Strand
MITS
PO Box 5237
Helena MT 59604-5237

MVX Communications LLC
100 Rowland Way Ste 145
Novato CA 94945

Richard Thronson
Nemont Telephone Cooperative Inc
Scobey MT 59263

Net-tel Corporation
1023 31st St NW
Washington DC 20007

Dave Dircks
North Dakota Telephone Company
PO Box 180
Devils Lake ND 58301-0180

Patrick Delaney
Overlook Communications International
3125 North Meadow Pkwy #S110
Roswell GA 30076

Bryan Engle
Parcel Consultants Inc
150 Commerce Rd
Cedar Grove NJ 07009

Primus Telecommunications Inc
1700 Old Meadow Rd 3rd Fl
McLean VA 22102

Quintelco Inc
1 Blue Hill Plaza
Pearl River NY 10965

Dean Polkow
RCC Network Inc
PO Box 2000
Alexandria MN 56308-2000

Gene Sloan
Reservation Telephone Cooperative
Parshall ND 58770

Dave Croth s
NDATC
Box 1144
Mandan ND 58554-1144

Sharon Meinhart
NetLogix Telecom Inc
501 Bath St
Santa Barbara CA 93101

Nextel West Corp
2001 Edmund Halley Dr
Reston VA 20191-3436

Holly Sasser
Operator Communications Inc
3530 Forest Ln Ste 200
Dallas TX 75234-7910

Pamcomm
P O Box 5200
Sioux Falls SD 57117-5200

David Bryson
Phoenix Network Inc
555 17th St
Denver CO 80202

Jan Sebby
Pringle and Herigstad P C
PO Box 1000
Minot ND 58702-1000

Heather Troxell
Qwest Communications Corporation
4250 Fairfax Dr
Arlington VA 22203

RCN Long Distance Company
105 Carnegie Ctr
Princeton NJ 08540

Skyland Technologies Inc
P O Box 5237
Helena MT 59604-5237

Lisa Dabkowski
SNET America Inc
6 Devine St 1st Fl
North Haven CT 06743

Randy Burckhard
SRT Communications Inc
P O Box 789
Minot ND 58702-0789

Target Telecom Inc
1515 S Federal Hwy Ste 400
Boca Raton FL 33432-7451

Thomas Cirrito
Telco Communications
1100 Wilson Blvd Ste 1425
Arlington VA 22209-2297

Al Bosch
Tele-Beep Company
PO Box 7072
Bismarck ND 58502-7072

Liz Petroni
Teltrust Comm Services Inc
6322 S 3000 East
Salt Lake City UT 84121

Kenneth Carlson
Turtle Mountain Communications
PO Box 729
Langdon ND 58249-0729

Tim Kunkelman
U S WEST Communications Inc
1801 California St Rm 4630
Denver CO 80202

Giuseppe Vitale
UKI Communications Inc
500 N Rainbow Blvd Ste 300
Las Vegas NV 89107

Kenneth Carlson
United Telephone Mut Aid Corp
Langdon ND 58249

Andrew Jon
Sprint
8140 Ward Pkwy Flr 5E
Kansas City MO 64114

Harris Saele
T P C Inc
PO Box 180
Devils Lake ND 58301-0180

Regulatory Analyst
Technologies Management Inc
PO Drawer 200
Winter Park FL 32790-0200

Jack Medaris
Telco Partners Inc
484 Norristown Rd Ste 123
Blue Bell PA 19422

Tele-Tech Inc
2900 W 11th St
Sioux Falls SD 57104-3660

T-Netix Inc
67 Inverness Drive E
Englewood CO 80112

Judy Pepler
U S WEST Communications Inc
PO Box 5508
Bismarck ND 58502-5508

Dick Boyer
U S West Interprise America Inc
1999 Bdwy Rm 700
Denver CO 80202

Sam Billingsley
United States Advanced Network Inc
3000 Northwoods Pkwy Ste 140
Norcross GA 30071

Dennis Houston
Universal Network Services of ND
1572 North Batavia St Ste 1A
Orange CA 92867

Telecomm Dept
University of North Dakota
Box 8193
Grand Forks ND 58202-7141

USBG Inc
5601 W 120th St
Alsip IL 60658

Thomas Bandenburg
USN Communications Long Dist Inc
10 S Riverside Plaza Ste 401
Chicago IL 60606

Val-Ed Joint Venture LLP
150 2nd St SW
Perham MN 56573

Randy Houdek
Venture Communications Inc
PO Box 157
Highmore SD 57345-0157

Robert Barfield
West River Communications Inc
PO Box 467
Hazen ND 58545-0467

Doris Cooper
West River Long Distance Co
PO Box 467
Hazen ND 58545-0467

Robert Barfield
West River Telecomm Coop
PO Box 467
Hazen ND 58545-0467

Z-Tel Communications Inc
601 S Harbour Island Blvd Ste 220
Tampa FL 33602-5925

Helbling, Sharon D.

From: Helbling, Sharon D.
Sent: Thursday, March 30, 2000 11:14 AM
To: 'ndna'
Subject: Attached Notice of Opportunity for Hearing

Please have the attached Notice of Opportunity for Hearing published as a legal publication in the next issue of the ten North Dakota daily newspapers. In addition, could you also run it as a "News Item Only" article.

Please send the bill to the Public Service Commission, along with a tear sheet for billing purposes.

If you have any questions, please call me at 701-328-4076.

Thank you.

Sharon Helbling

1.doc

MOTION

March 29, 2000

APPROVED:
DATE: 3-29-00
KMF

**Maxcess, Inc.
Local Exchange/Interexchange
Public Convenience & Necessity**

Case No. PU-2249-00-116

**Universal Access, Inc.
Local Exchange/Interexchange
Public Convenience & Necessity**

Case No. PU-2212-00-120

I move the Commission issue a Notice of Opportunity for Hearing in the above applications for a Certificate of Public Convenience and Necessity to provide local exchange telecommunications services in all locations currently served by U S WEST Communications, Inc., and interexchange telecommunications services throughout North Dakota.

JRL/sdh

000120-2.doc

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

**Maxcess, Inc.
Local Exchange/Interexchange
Public Convenience & Necessity**

Case No. PU-2249-00-116

**Universal Access, Inc.
Local Exchange/Interexchange
Public Convenience & Necessity**

Case No. PU-2212-00-120

NOTICE OF OPPORTUNITY FOR HEARING

March 29, 2000

On March 16, 2000, Maxcess, Inc., a Florida Corporation, filed an application for a certificate of public convenience and necessity to provide facilities-based local exchange telecommunications services in all locations currently served by U S WEST Communications, Inc., and interexchange telecommunications services throughout North Dakota.

On March 17, 2000, Universal Access, Inc., a Delaware Corporation, filed an application for a certificate of public convenience and necessity to provide facilities-based local exchange telecommunications services in all locations currently served by U S WEST Communications, Inc., and interexchange telecommunications services throughout North Dakota.

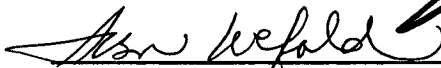
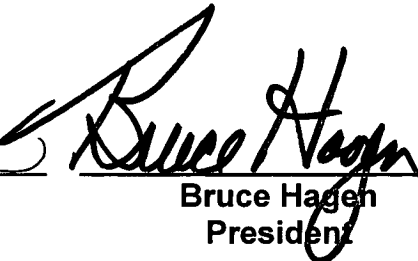

The issues to be considered in these matters are:

1. Fitness and ability of the applicant to provide service.
2. Adequacy of the proposed service.
3. The technical, financial and managerial ability of the applicant to provide service.

Those interested are invited to comment on these applications in writing. Persons desiring a hearing must file a written request identifying their interest in the proceeding and the reasons for requesting a hearing. Comments and requests for hearings must be received by **May 5, 2000**. If deemed appropriate, the Commission can determine these matters without hearings.

For more information contact the Public Service Commission, State Capitol, Bismarck, North Dakota 58505, 701-328-2400; or Relay North Dakota 1-800-366-6888 TTY. If you require any auxiliary aids or services, such as readers, signers, or Braille materials please notify Jon Mielke, Executive Secretary.

PUBLIC SERVICE COMMISSION

		
Susan E. Wefald Commissioner	Bruce Hagen President	Leo M. Reinbold Commissioner

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Universal Access, Inc.
Local Exchange/Interexchange
Public Convenience & Necessity

Case No. PU-2212-00-120

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **20th day of March, 2000**, she deposited in the United States Mail, Bismarck, North Dakota, **one** envelope with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

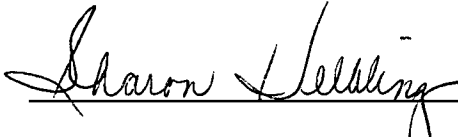
Staff Financial Memo


The envelope was addressed as follows:

Lance J M Steinhart
6455 E Johns Crossing Ste 285
Duluth GA 30097
Cert. No. P443 354 782

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me
this **20th day of March, 2000**.





Notary Public

SEAL

SANDRA L. SCOTT
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 11, 2004



Public Service Commission
State of North Dakota

Memorandum

COMMISSIONERS

Bruce Hagen
President
Susan E. Wefald
Leo M. Reinbold

To: Jon Mielke
From: Mike Diller *Mike Diller*
Date: March 20, 2000
Re: Universal Access, Inc.
Local Exchange/Interexchange PC&N
Case No. PU-2212-00-120

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
e-mail: msmail.sab@oracle.psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

RECEIVED

MAR 20 2000

Executive Secretary
Jon H. Mielke

NORTH DAKOTA
PUBLIC SERVICE
COMMISSION
EXECUTIVE SECRETARY

The following is written to provide the commission with a very limited financial analysis of this case regarding the applicant's financial ability to serve North Dakota. It appears from the applicant's audited financial statements that Universal Access has the equity necessary to provide service in North Dakota.

The Telecommunications Act of 1996 established a national policy to create a competitive environment for telephone service. Universal Access is another company responding to the act.

I see no reason to deny Universal Access' request for a certificate of public convenience and necessity.

In accordance with the Commission's wishes, I have served this document on the applicant.

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

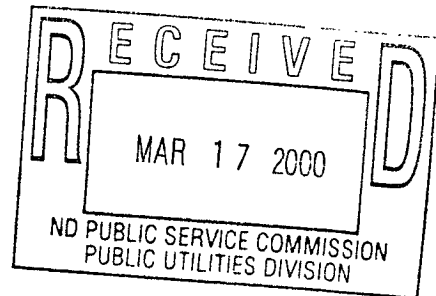
Also Admitted in New York
and Maryland

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

March 15, 2000

VIA FEDERAL EXPRESS

Mr. Jon Mielke
Executive Secretary
Public Service Commission
State Capitol
600 E. Boulevard
Bismarck, ND 58505-0480



Re: Universal Access, Inc.

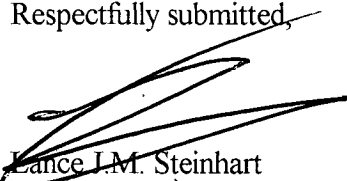
Dear Mr. Mielke:

Enclosed please find for filing an original and seven (7) copies of Universal Access, Inc.'s Application for a Certificate of Public Convenience and Necessity to Provide Telecommunications Services.

I have enclosed an extra copy of this letter to be date stamped and returned to me in the enclosed preaddressed-postage-prepaid envelope.

If you have any questions or if I may provide you with any additional information, please do not hesitate to contact me. Thank you.

Respectfully submitted,


Lance J.M. Steinhart
Attorney for Universal Access, Inc.

Enclosures
cc: Tina Tygielski

1 PU-2212-00-120 Pages: 150
03/17/2000
Universal Access, Inc.
Local Exchange/Interexchange PC&N filing

CC: Comm Legal PUD (3)

**PUBLIC SERVICE COMMISSION
STATE OF NORTH DAKOTA**

**In the matter of the Application of)
Universal Access, Inc)
for a Certificate of)
Public Convenience and Necessity to)
provide Telecommunications Services)**

Docket No. _____

The applicant, Universal Access, Inc. ("UAI") a corporation organized and existing under the laws of the State of Delaware with its principal place of business of 100 N. Riverside Plaza, Suite 2200, Chicago, IL 60606, does hereby represent and show the Commission as follows:

1. On December 21, 1999, the North Dakota Secretary of State issued to UAI a Certificate of Authority under the provisions of North Dakota law governing foreign corporations, giving it authority to do business in the State of North Dakota and a copy of such certificate is submitted with this application.

2. UAI was organized as a Delaware Corporation to engage in the business of offering telecommunications services, including local exchange and toll telephone service, and intends to offer these services throughout the United States. By this application, UAI requests a Certificate of Public Convenience and Necessity to provide local exchange along with other telecommunications services at all locations throughout the State of North Dakota that are currently served by US WEST Communications, Inc., and to provide interexchange services statewide.

3. On January 12, 2000, in Case No. PU-2212-99-668, the Commission issued Certificate of Registration No. 672 to Universal Access, Inc. to resell interexchange services in North Dakota, and issued Certificate of Registration No. 673 to Universal Access, Inc. to resell local exchange services in North Dakota.

The following exhibits are attached to this application and incorporated herein by this reference:

Exhibit 1: A copy of the Certificate of Authority of UAI issued by the State of North Dakota;

Exhibit 2: A certificate of Good Standing from the State of North Dakota;

Exhibit 3: Service Area Map

Exhibit 4: A copy of UAI's Form S-1 Registration Statement as filed with the Securities and Exchange Commission on December 17, 1999

Exhibit 5: Affidavit of Tina Tygielski

Exhibit 6: Biographical Information

3. All correspondence and notices regarding this application should be directed to Lance Steinhart, of the Law Office of Lance Steinhart, 6455 E. Johns Crossing, Suite 285, Duluth, GA 30097, whose telephone and fax numbers are 770-232-9200 and 770-232-9208 respectively.

4. The rate structure for providing local exchange and toll services is intended to be Competitive with the rates charged by the incumbent provider(s).

5. UAI is fit and has the experience and ability to provide the local exchange and toll services for which authority is sought herein. UAI intends to provide all forms of intrastate service including:

- A. Local Exchange Services that will enable customers to originate and terminate local calls in the local calling area served by other LECs.
- B. Switched local exchange services such as flat-rated and measure-rated local services; vertical services, Direct Inward and Outward Dialed trunks, carrier access, public and semi-public coin telephone services, and any other switched local services that currently exist or will exist in the future.
- C. Non-switched local services (e.g., private line) that currently exist or will exist in the future.
- D. Centrex and/or Centrex-like services that currently exist or will exist in the future.
- E. Digital subscriber line, ISDN, frame-relay, and other high capacity line services.
- F. Ancillary Services (911, directory listing, directory assistance, etc.).
- G. Interexchange (switched and dedicated services): 1+ and 101XXXX outbound dialing; 800/888 toll-free inbound dialing; and Postpaid calling cards; Directory Assistance; and Frame Relay and other data services.

6. UAI has the technical, financial and managerial ability to provide the indicated services.

7. By enacting the Telecommunications Act of 1996, Congress has established a national public policy of opening the local exchange to competition and increasing the level of competition in all other areas of telecommunications services. Congress perceived a need for such competition, and UAI hopes to meet this need to the ultimate benefit of North Dakota consumers.

8. Since UAI intends to provide local exchange telecommunications services in those geographic areas in North Dakota currently served by US West as illustrated in the exchange area maps, as currently exist, or as modified in the future, Applicant hereby requests a waiver of the requirement that it file a map of the area to be served

9. The Public Service Commission ("Commission") for the State of North Dakota has Authority to grant this application under the provision of Chapter 49-03.1 of the North Dakota Century Code and the Commission's Rules of Practice and Procedure.

WHEREFORE, UAI respectfully requests that a Certificate of Public Convenience and Necessity be issued for the services sought herein following appropriate notice; and further, UAI respectfully requests that the Certificate of Public Convenience and Necessity be issued without hearing, if appropriate, according to the applicable statutes and the rules and regulations of the Commission.

Dated this 15 of March, 2000.

Universal Access, Inc.

By: _____

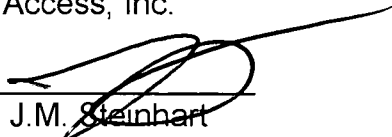
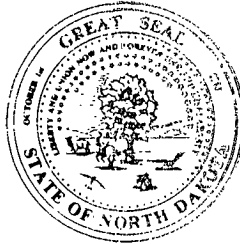

Lance J.M. Steinhart
Law Office of Lance Steinhart
6455 E. Johns Crossing, Suite 285
Duluth, GA 30097
Telephone No.: 770-232-9200
Facsimile No.: 770-232-9208
Attorney for Applicant

Exhibit 1: A copy of the Certificate of Authority of UAI issued by the State of North Dakota

State of North Dakota

SECRETARY OF STATE



CERTIFICATE OF AUTHORITY

OF

UNIVERSAL ACCESS, INC.

The undersigned, as Secretary of State of the State of North Dakota, hereby certifies that an application of

UNIVERSAL ACCESS, INC.

for a Certificate of Authority to transact business in this State, duly signed and verified pursuant to the provisions of the North Dakota Century Code, have been received in this office and are found to conform to law.

ACCORDINGLY the undersigned, as such Secretary of State, and by virtue of the authority vested in him by law, hereby issues this Certificate of Authority to

UNIVERSAL ACCESS, INC.

to transact business in this State under the name of

UNIVERSAL ACCESS, INC.

Issued: December 21, 1999

A handwritten signature in cursive script, reading "Alvin A. Jaeger".

Alvin A. Jaeger
Secretary of State

Exhibit 2: A certificate of Good Standing from the State of North Dakota

State of North Dakota

SECRETARY OF STATE



CERTIFICATE OF GOOD STANDING

OF

UNIVERSAL ACCESS, INC.

The undersigned, as Secretary of State of the State of North Dakota, hereby certifies that UNIVERSAL ACCESS, INC., a Delaware corporation, authorized to transact business in the State of North Dakota on December 21, 1999, and according to the records of this office as of this date, has paid all fees due this office as required by North Dakota statutes governing foreign corporations.

ACCORDINGLY the undersigned, as such Secretary of State, and by virtue of the authority vested in him by law, hereby issues this Certificate of Good Standing to

UNIVERSAL ACCESS, INC.

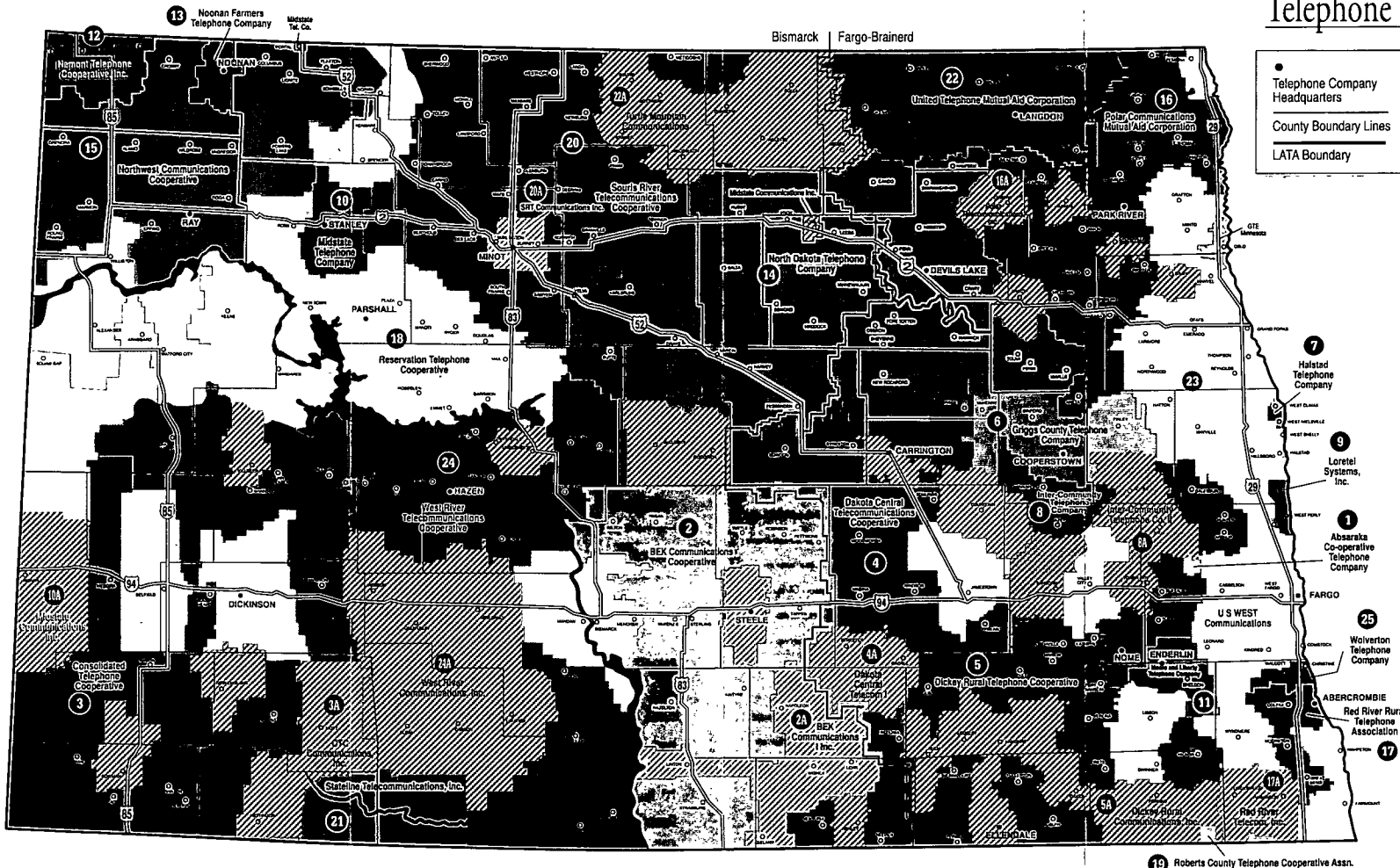
Issued: December 21, 1999

A handwritten signature in cursive script, reading "Alvin A. Jaeger".

Alvin A. Jaeger
Secretary of State

Exhibit 3: Service Area Map

Telephone Companies Service Area



● Telephone Company Headquarters
 _____ County Boundary Lines
 _____ LATA Boundary

Local Exchange Companies

- 1. Absaraka Co-operative Telephone Company (701) 896-3404
- 2. BEK Communications Cooperative (701) 475-2361
- 2A. BEK Communications I Inc.
- 3. Consolidated Telephone Cooperative (701) 225-6061
- 3A. CTC Communications, Inc.
- 4. Dakota Central Telecommunications Cooperative (701) 652-3184
- 4A. Dakota Central Telecom I
- 5. Dickey Rural Telephone Cooperative (701) 349-3687
- 5A. Dickey Rural Communications, Inc.
- 6. Griggs County Telephone Company (701) 797-3301
- 7. Halstad Telephone Company (218) 45
- 8. Inter-Community Telephone Company (701) 9c
- 8A. Inter-Community Telephone Co. II
- 9. Lorelei Systems, Inc. (218) 784-7171
- 10. Midstate Telephone Company (701) 628-2522
- 10A. Midstate Communications Inc.
- 11. Moore and Liberty Telephone Company (701) 437-3300
- 12. Nemont Telephone Cooperative, Inc. (406) 783-5654
- 13. Noonan Farmers Telephone Company (701) 925-5717
- 14. North Dakota Telephone Company (701) 662-1700
- 15. Northwest Communications Cooperative (701) 568-3331
- 16. Polar Communications Mutual Aid Corporation (701) 284-7221
- 16A. Polar Telecommunications, Inc.
- 17. Red River Rural Telephone Association (701) 553-8309
- 17A. Red River Telecom, Inc.
- 18. Reservation Telephone Cooperative (701) 862-3115
- 19. Roberts County Telephone Cooperative Assn. (605) 637-5211
- 20. Souris River Telecommunications Cooperative (701) 858-1200
- 20A. SRT Communications Inc.
- 21. Stateline Telecommunications, Inc. (605) 244-5236
- 22. United Telephone Mutual Aid Corporation (701) 256-5555
- 22A. Turtle Mountain Communications
- 23. U S WEST Communications (701) 241-3491
- 24. West River Telecommunications Cooperative (701) 748-2211
- 24A. West River Communications, Inc.
- 25. Wolverton Telephone Company (218) 995-2900

Exhibit 4: A copy of UAI's Form S-1 Registration Statement as filed with the Securities and Exchange Commission on December 17, 1999

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM S-1
 REGISTRATION STATEMENT**

Under
 The Securities Act of 1933

UNIVERSAL ACCESS, INC.

(Exact name of Registrant as specified in its charter)

Delaware
 (State or other jurisdiction of
 incorporation or organization)

4813
 (Primary Standard Industrial
 Classification Code Number)

36-4186543
 (I.R.S. Employer
 Identification Number)

100 North Riverside Plaza, Suite 2200
 Chicago, Illinois 60606
 (312) 660-5000

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Patrick C. Shutt
 President and Chief Executive Officer
 Universal Access, Inc.
 100 North Riverside Plaza, Suite 2200
 Chicago, Illinois 60606
 (312) 660-5000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Judith Mayer O'Brien, Esq.
 Donna Petkanics, Esq.
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 Professional Corporation
 650 Page Mill Road
 Palo Alto, CA 94304
 (650) 493-9300
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Copies to:
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 (312) 660-5000

John L. Savva, Esq.
 Sullivan & Cromwell
 1888 Century Park East
 Suite 2100
 Los Angeles, CA 90067
 (310) 712-6600

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, \$0.01 par value	\$115,000,000	\$30,360

(1) Estimated solely for the purpose of determining the registration fee pursuant to Rule 457 (o) promulgated under the Securities Act of 1933, as amended.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject To Completion. Dated December 17, 1999.

Shares



Universal Access

Common Stock

This is an initial public offering of shares of common stock of Universal Access, Inc.

Universal Access is offering _____ of the shares to be sold in the offering. The selling stockholders identified in this prospectus are offering an additional _____ shares. Universal Access will not receive any of the proceeds from the sale of the shares being sold by the selling stockholders.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between \$ _____ .00 and \$ _____ .00. Universal Access will apply to include the common stock for quotation on the Nasdaq National Market under the symbol "UAXS".

See "Risk Factors" beginning on page 7 to read about certain factors you should consider before buying shares of the common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	<u>Per Share</u>	<u>Total</u>
Initial public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to Universal Access	\$	\$
Proceeds, before expenses, to the selling stockholders	\$	\$

To the extent that the underwriters sell more than _____ shares, the underwriters have the option to purchase up to an additional _____ shares from Universal Access and _____ shares from selling stockholders, respectively, at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on _____, 2000.

Goldman, Sachs & Co.

Hambrecht & Quist

Robertson Stephens

Prospectus dated _____, 2000.

Description of cover artwork for edgar submission:

FRONT COVER:

CENTER: Universal Access logo. Picture of company employees interfacing with clients and utilizing databases to provision circuit; lower center text: "Universal Access is a global Internet infrastructure organization. We combine information management and multiple vendor interconnection facilities to create end-to-end network ubiquity."

Upper Right margin: text, Universal Access, Inc.: top to bottom pictures of silver and purple abstract images, silver background computer configurations "00110011", fiber image, Provisioning service identifier, Access service identifier, UTX facilities identifier, Corporate identifier, UIX database identifier, CAS service identifier.

INSIDE FRONT COVER - FOLDOUT

HEADLINE TEXT: "Universal Access", Corporate Identifier image and text: "Creating End-to-End Network Ubiquity"

DIAGRAMS: BACKGROUND OF WORLD MAP IS RUNNING BEHIND ALL IMAGES ACROSS ENTIRE INSIDE COVER LAYOUT

CENTER: Map of United States with cities highlighted in a network configuration.

UPPER LEFT: Picture of employees utilizing the databases and interfacing with clients; text: "Universal Information Exchange (UIX) our integrated web-based solution enables us to provide quoting, provisioning, network management and other services for bandwidth access through our proprietary databases of network availability and capacity from multiple vendors."

LOWER LEFT: Picture of a circuit made of segments from multiple vendors; text: "End-to-End Multiple Vendor Network Access;" End Customer Los Angeles - UTX--Vendor 1 DS-3 Local Loop - UTX--Vendor 2 DS-3 Long Haul - UTX--Vendor 3 DS-3 Long Haul - Vendor 4 - DS-3 Local Loop - End Customer Washington, D.C."

UPPER RIGHT: Diagram showing different kinds of circuits the Company can provision; text: "Universal Access provides buyers of transport capacity efficient and cost-effective circuit provisioning and installation across multiple vendor networks."

LOWER RIGHT: Diagram of UTX facility integrated into the UIX database; text: "Universal Transport Exchange (UTX): Washington, DC - The UTX facilities interconnect the networks of local, long haul and international communications providers allowing data to seamlessly pass between multiple carrier networks."

UPPER CENTER: Diagram of UIX databases overlaying United States map; text: "UIX - Quoting - Order Processing - Provisioning - Carrier Development - Network Management - Network Planning"

TENTATIVE>BOTTOM OF PAGE: logos of Universal Access clients and suppliers including Teleglobe, AboveNet, BCE Nexxia, GTE, and IDT as clients and Williams, BroadWing, MCIWorldcom and AT & T as suppliers.

REAR COVER

ENTIRE PAGE: Multiple pictures of globe overlaying page

UPPER LEFT TEXT TOP TO BOTTOM: "Sales Locations - Chicago Portland San Francisco San Jose Los Angeles Denver Dallas Boston New York Washington DC Miami"

PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information about us, the common stock being sold in this offering and our consolidated financial statements, including the notes to those statements, included elsewhere in this prospectus.

Our Business

We are a web-enabled, business-to-business intermediary that facilitates the provisioning, installation and servicing of dedicated, point-to-point communications links, commonly known as circuits, for service providers who buy network capacity, and transport suppliers who sell network capacity. We aggregate network information, operate facilities where communications networks can be physically interconnected, provide ongoing dedicated circuit access and offer client support services. Through these services, we provide our clients with an outsourced, integrated solution to the challenges they face within a fragmented network services market.

As an independent intermediary, we have been able to collect and aggregate network information from multiple transport suppliers. Our web-enabled Universal Information Exchange, or UIX, consists of several proprietary, interconnected databases containing capacity, availability, physical location and pricing information from over 35 transport suppliers and more than 75,000 physical sites. Through our UIX we provide our clients with point-to-point network connections efficiently and cost-effectively. In addition, we operate network interconnection facilities called Universal Transport Exchanges, or UTXs, where various transport suppliers can easily access the network connections of any other transport supplier in that facility. We also provide a single point of contact for network management services, including network monitoring, maintenance and restoration.

As of September 30, 1999, we provided services to over 75 clients, including AboveNet Communications (MFN), BCE Nexxia, Fiber Network Solutions, GTE Internetworking, IDT, and Teleglobe Communications, each of which represented at least 1% of our monthly recurring revenues as of September 30, 1999.

The Opportunity

The communications network services market is competitive, complex and fragmented. Domestic and international deregulation, combined with growth in Internet usage, has spawned a rapid increase in the number of transport suppliers and service providers as well as the strategies they employ to build networks and reach customers. This diversity of industry participants and business strategies has resulted in the development of multiple networks serving various geographic regions. In this multiple vendor landscape, network connectivity continues to be hindered by the fact that transport suppliers and service providers do not have access to pricing, capacity, availability and location information for the networks of other suppliers. Because transport suppliers compete with each other, they have little incentive to share this information or to locate their equipment within competitors' facilities. To date, we believe that major transport suppliers have not been able to effectively support end-to-end circuit connections on their own networks, or through efficient interconnection with other suppliers, to fully meet their customers' requirements.

This multiple vendor market environment causes a number of challenges, as outlined below.

Challenges for Service Providers

- significant time and expense related to quoting, provisioning and installing circuits;
- difficulty determining the availability of capacity in a timely manner, which may result in significant backlog of customer orders and possibly lost revenues; and
- inability to maintain, monitor and restore connections.

Challenges for Transport Suppliers

- inability to efficiently fulfill customer demand for point-to-point dedicated circuits due to the limited reach of their networks;
- costs associated with selling excess network capacity; and
- inability to provide a consistent level of service over multiple network segments.

Our Solution

Our integrated solution addresses these challenges and provides the following key benefits to our clients:

- *Outsourced Solution.* We provide a single point of contact for provisioning, installation and network management services. Our outsourced solution provides significant time, effort and cost savings to our clients who would otherwise be forced to independently analyze the capacity, availability and pricing of circuits from multiple vendors to construct and maintain circuits.
- *Efficient, Cost Effective Circuit Provisioning and Installation Across Multiple Vendor Networks.* We leverage the information contained in our UTX databases to provide efficient and cost-effective circuit provisioning and installation across geographically dispersed, multiple vendor networks.
- *Easily Extended Network Reach.* Our clients are able to easily extend the reach of their networks by purchasing dedicated, point-to-point circuits from us by accessing the networks of over 35 network transport suppliers.
- *Significant Source of Demand for Transport Capacity Suppliers.* We represent a significant source of demand for transport suppliers because we purchase a large volume of circuits. We believe our transport suppliers consider us to be a valuable partner because we provide them efficient access to the capacity requirements of our clients.
- *Ongoing Client Support.* We provide ongoing technical and administrative support during the planning, ordering, provisioning and installation processes.
- *Single Point of Contact for Network Management Services.* Through our network management service organization, we provide a single point of contact for 24-hour-a-day, seven-day-a-week network monitoring, maintenance and restoration across multiple vendor networks.

Our Strategy

Our objective is to facilitate the creation of a ubiquitous, global communications network by improving the overall efficiency of the market for transport capacity and infrastructure services. To achieve this objective, we intend to:

- *continue to enhance the Internet functionality of our UTX;*
- *continue to expand and populate our UTX databases with network information;*
- *continue to develop UTX facilities;*
- *aggregate network demand;*
- *expand UTX, UTX and client support services internationally; and*
- *enhance capabilities through acquisitions and partnerships.*

Corporate Information

Our principal executive offices are located at 100 North Riverside Plaza, Suite 2200, Chicago, Illinois 60606, and our telephone number is (312) 660-5000. Information contained on our website, www.universalaccess.net, does not constitute part of this prospectus. We were incorporated in Illinois in October 1997. We reincorporated in Delaware in June 1999.

Trademarks

Universal Access, the Universal Access logo, Universal Transport Exchange, Universal Information Exchange, UTX and UTX are service marks and ProVision and Stuff Software are trademarks of Universal Access. Each trademark, trade name or service mark of any other company appearing in this prospectus belongs to its holder.

The Offering

Shares offered by us	shares
Shares offered by the selling stockholders.....	shares
Shares to be outstanding after the offering (1)	shares
Use of proceeds	For general corporate purposes, including working capital, capital expenditures and potential acquisitions of complementary products, technologies and businesses.
Proposed Nasdaq National Market symbol.....	"UAXS"

(1) Based on the number of shares outstanding as of November 30, 1999. This number excludes:

- 13,000,000 shares of common stock reserved for issuance under our Amended 1998 Employee Stock Option Plan, of which 10,405,500 shares were subject to outstanding options with a weighted average exercise price of \$0.95 per share, and 994,500 shares were available for future grants;
- 1,943,400 shares of common stock issuable upon exercise of outstanding warrants at a weighted average exercise price of \$0.59 per share; and
- 11,000,000 shares available for issuance under our 1999 Stock Plan, 1999 Employee Stock Purchase Plan and 1999 Director Plan.

Except where we state otherwise, the information in this prospectus:

- gives effect to the conversion of all of our outstanding shares of preferred stock into shares of common stock upon the closing of this offering, and assumes that each share of Series E preferred stock converts into shares of common stock. For a description of the conversion terms of the Series E preferred stock, please read "Description of Capital Stock";
- assumes no exercise of the underwriters' option to purchase additional shares in this offering; and
- reflects a 500 for 1 forward stock split that our board approved on July 10, 1998, a 2 for 1 forward stock split that our board approved on February 17, 1999, a 3 for 2 forward stock split that our board approved on June 23, 1999 and a 2 for 1 forward stock split that our board approved and effected as a stock dividend on September 15, 1999.

Summary Financial Information

The pro forma statement of operations data give effect to the Pacific Crest Networks, Inc. and Stuff Software, Inc. acquisitions as if they had occurred on January 1, 1998. The pro forma financial data set forth below may not be indicative of our financial condition or results of operations had these acquisitions actually occurred on the dates assumed, nor do they purport to be indicative of our future financial position or results of operations.

Pro forma basic and diluted net loss per share have been calculated assuming the conversion of all outstanding preferred stock into common stock, as if the shares had converted immediately upon their issuance.

	Inception through December 31, 1997	Year Ended December 31, 1998	Pro Forma Year Ended December 31, 1998	Nine Months Ended September 30, 1998 1999		Pro Forma Nine Months Ended September 30, 1999
(In thousands, except per share data)						
Statement of operations data:						
Total revenues	\$ 77	\$ 1,629	\$ 2,294	\$ 730	\$ 8,583	\$ 9,220
Total operating expenses ..	246	2,884	4,466	1,529	17,996	19,447
Operating loss	(169)	(1,255)	(2,172)	(799)	(9,413)	(10,227)
Net loss	(170)	(1,374)	(2,336)	(807)	(9,059)	(9,873)
Pro forma basic and diluted net loss per share		\$ (0.05)			\$ (0.18)	
Shares used in computing pro forma basic and diluted net loss per share		30,069			51,513	

The pro forma balance sheet data as of September 30, 1999 gives effect to the acquisition of Stuff Software, Inc., the sale of 1,560,118 shares of preferred stock and warrants to purchase 40,000 shares of preferred stock on various dates subsequent to September 30, 1999 for aggregate proceeds of \$28.3 million and the conversion of all outstanding shares of preferred stock into common stock and all preferred stock warrants to common stock warrants upon the closing of the offering. The pro forma as adjusted balance sheet data as of September 30, 1999 also give effect to the sale of _____ shares of common stock by us in this offering at an assumed initial public offering price of \$ _____ per share, after deducting an assumed underwriting discounts and estimated offering expenses.

	Pro Forma September 30, 1999	Pro Forma As Adjusted September 30, 1999
(In thousands)		
Balance sheet data:		
Cash	\$49,064	
Total assets	68,692	
Total long-term debt, net of current portion	385	
Total stockholders' equity	56,811	

RISK FACTORS

An investment in our common stock involves a high degree of risk. Before you invest in our common stock, you should consider carefully the risks described below, together with all of the other information included in this prospectus. If any of the risks described below were to occur, our business, financial condition and results of operations could be materially adversely affected. In that case, the trading price of our common stock could decline and you could lose part or all of your investment.

If we fail to increase our revenues, we will be unable to achieve and maintain profitability.

We have incurred significant losses since inception and expect to continue to incur losses in the future. As of September 30, 1999, we had an accumulated deficit of \$11.3 million. Although our revenues have grown from \$335,000 in the quarter ended September 30, 1998 to \$4.3 million in the quarter ended September 30, 1999, we cannot be certain that our revenues will continue to grow, or that we will achieve sufficient revenues to achieve profitability. We expect to continue to incur significant and increasing expenses in order to:

- expand sales and marketing activities to increase market acceptance;
- expand our operational activities to further develop our business model;
- expand our administrative organization to support the anticipated growth of our business;
- expand and enhance our UNIX databases; and
- build out our UTX facilities.

As a result, we will need to generate significantly higher revenues to achieve and maintain profitability. If we fail to generate higher revenues, our business will suffer.

Our limited operating history makes forecasting difficult.

We have a limited operating history and, therefore, limited meaningful historical financial data upon which to base our planned operating expenses. Specifically, our UTX business model is relatively new, and we have not operated our UNIX databases in conjunction with our UTX facilities long enough to accurately predict trends in our business. Moreover, we have not built out enough UTX facilities to be able to test whether our strategy to utilize these facilities will work. Accordingly, we are subject to all of the risks that are associated with companies in an emerging industry and in an early stage of development, including:

- undercapitalization;
- cash shortages;
- the unproven nature of our business model;
- the new and unproven nature of the market for our services;
- the need to make significant expenditures and incur significant expenses as we develop our business, infrastructure and operations;
- the lack of sufficient clients and revenues to sustain our operations and growth without additional financing;
- difficulties in managing growth; and
- limited experience in providing some of the services that we offer or plan to offer.

If we are unsuccessful in addressing these risks, our business may be seriously harmed.

We have an unproven business model, and we cannot be sure that our services will be widely accepted.

Our business strategy is unproven. To be successful, we must convince prospective clients to entrust their network capacity data and transport requirements to a company without a long and proven track record. We are not aware of any companies that have a directly comparable business, and we cannot be sure that our services will be widely accepted.

Our ability to expand our client base may be limited by the following factors:

- the speed, reliability and cost effectiveness of our services;
- the willingness of clients to outsource their circuit provisioning;
- our ability to market our services effectively; and
- the growth of the Internet.

If the markets for our services fail to develop or grow more slowly than anticipated, if competitors enter the market or if we are unable to expand our client base, our business could be adversely affected.

Our ability to implement and maintain our UIX databases is unproven, and if we cannot increase the scope and accuracy of these databases as planned, our business will suffer.

To be successful, we must increase and update information about pricing, capacity, availability and location of circuits contained in our databases. Our ability to provision circuits and to provide ongoing dedicated line circuit access depends upon the information we collect from our transport suppliers regarding their networks, which we include in our UIX databases. Our suppliers are not obligated to provide us with this information and could decide to stop providing this information to us at any time. Moreover, we cannot be certain that the information that our suppliers share with us is completely accurate or current. If we cannot continue to maintain and expand our UIX databases as planned, our business will suffer.

The market for our UTX services is new and unproven, and we have limited experience providing our UTX services.

The market for our UTX services is new and unproven. If the market for these services fails to develop, or develops more slowly than we expect, our business will be harmed. The growth of this market depends on several uncertain events or occurrences including:

- our ability to remain a neutral intermediary between transport suppliers and the willingness of these suppliers to install their equipment in our UTX facilities;
- our ability to successfully and cost-effectively market our services to a sufficiently large number of clients; and
- the increased need for high speed communications network services.

To date, we have derived substantially all of our revenues from providing on-going circuit access, and we have only limited experience providing our UTX services. At November 30, 1999, we had two operational UTX sites and seven UTX clients. However, these clients may terminate their UTX contracts at any time, and if we fail to maintain our existing clients and to attract new clients for our UTX services, our business will be adversely affected.

Rapid expansion of our UTX facilities will cause a significant strain on our business.

One of our key strategies is to expand our business by opening additional UTX facilities in geographically diverse locations. As of November 30, 1999 we had operational UTX facilities in

Chicago and Santa Clara and UTX facilities under construction in San Francisco, Los Angeles, Miami, Dallas and Washington, D.C. We expect to open six additional facilities in the United States in 2000.

If we are unable to generate sufficient cash flows or raise sufficient funds, we may have to delay or abandon some or all of our development and expansion plans. A delay in the expansion of our UTX facilities may make it more difficult for us to respond to competitive pressures and establish our presence in the market.

It usually takes us at least six months to select an appropriate location for a new UTX facility, construct the facility, install equipment and communications network infrastructure and hire operations and sales personnel. We must incur these costs before we have clients who purchase our services to be delivered from the UTX facilities. If the demand does not develop as we anticipate, we will have fixed costs without corresponding revenue and our business will be harmed. Once a UTX facility becomes operational, we expect it to experience losses for at least one year.

Our ability to open UTX facilities is subject to a number of risks, including the following:

- the availability of appropriate space for these facilities on reasonable terms;
- competition for limited space in desirable locations from large, well-capitalized companies that may be more attractive tenants for potential landlords;
- construction delays;
- cost overruns;
- equipment and material delays; and
- inability to obtain necessary permits on a timely basis.

In addition, our costs will increase as we open additional UTX facilities. These increased costs include:

- leasing additional real estate;
- expenses associated with hiring, training and managing new employees;
- purchasing new equipment;
- implementing power and redundancy systems;
- implementing multiple communications connections; and
- depreciation expense.

An inability to establish additional UTX facilities as planned, to effectively manage our expansion or to attract sufficient clients to our UTX facilities would harm our business.

If we cannot successfully implement our network operations center, we will be unable to provide monitoring, maintenance and restoration services to our clients, and our business will suffer.

One of our primary business objectives is to provide our clients with network monitoring, maintenance and restoration services 24 hours a day, seven days a week through a network operations center. However, we have not fully developed this capacity and currently provide network management services through an outsourcing arrangement with a third party, until our own facility becomes operational. We recently acquired a network operations facility, but have not yet upgraded this facility or begun hiring employees, and we have only limited experience implementing services of this type. As a consequence, we cannot be sure that our efforts to provide these services will be successful. Our ability to implement this strategy will depend on many factors, including our ability to upgrade the facility, install new equipment and hire, train and manage employees.

If we fail to successfully implement a network operations center, we may not be able to monitor network operations effectively or troubleshoot circuits in a cost-effective manner, which would cause our business to suffer.

We face risks associated with our plan to expand international operations.

An important component of our strategy is to expand into international markets, such as Europe, Asia and South America. However, we have no experience operating internationally. The risks inherent in conducting our business internationally include:

- unexpected changes in regulatory requirements and trade barriers;
- unexpected changes in national and international (including European Union and World Trade Organization) regulatory requirements and trade barriers;
- challenges in staffing and managing foreign operations;
- differences in technology standards;
- employment laws and practices in foreign countries;
- longer payment cycles and problems in collecting accounts receivable;
- inability to obtain access to transport capacity;
- political instability;
- fluctuations in currency exchange rates and imposition of currency exchange controls; and
- potentially adverse tax consequences.

In addition, in order to expand internationally, we may enter into joint ventures or outsourcing agreements with third parties, acquire complementary businesses or operations, or establish and maintain new operations outside of the United States. We may not control or manage some or all of these operations. As a result, we may be required to depend on third parties for the management of these international operations. If these foreign operations are not successful, they could significantly damage our reputation, which would harm our business.

Competition in our industry is intense and growing, and we may be unable to compete effectively.

The market for the services we provide is highly fragmented. In addition, the market in which we operate is new, rapidly evolving and highly competitive. We believe that at this time no single competitor competes directly with us with respect to all of the services we offer; however, we currently or potentially compete with a variety of companies, including some of our transport suppliers, with respect to our products and services individually, including:

- national and local carriers, such as AT&T, Broadwing, MCI WorldCom and Williams Communications;
- companies that provide collocation facilities, such as AboveNet Communications (MFN), AT&T, Equinix, Exodus Communications, Frontier Global Center, and Intel;
- competitive local exchange carriers, such as AT&T, ELI, ICG Communications, MCI WorldCom, NextLink Communications, and Pathnet; and
- incumbent local exchange carriers, such as GTE and Sprint, and regional Bell operating companies such as BellSouth and SBC Communications.

We expect to face additional competition from new market entrants in the future as there are few substantial barriers to entry in our market. Significant new competitors could arise from increased consolidation and strategic alliances in the telecommunications industry. Other new entrants could

enter the market with a business model similar to ours. Our target markets may support only a limited number of competitors. Operations in such markets with multiple competitive providers may be unprofitable for one or more of such providers. Prices in both the long distance business and the data transmission business have declined significantly in recent years and are expected to continue to decline.

Moreover, while recent regulatory initiatives allow carriers such as us to interconnect with incumbent local exchange carrier facilities and to obtain unbundled network elements from incumbent local exchange carriers, certain initiatives also provide increased pricing flexibility for, and relaxation of regulatory oversight of, the incumbent local exchange carrier. This may present incumbent local exchange carriers with an opportunity to subsidize services that compete with our services with revenues generated from non-competitive services. This would allow incumbent local exchange carriers to offer competitive services at lower prices. Existing laws also restrict the regional Bell operating companies from fully competing with us in the market for interstate and international long distance telecommunications services, but also permit the Federal Communications Commission, the FCC, to lessen or remove some restrictions. If FCC decisions under existing law, or future amendments to Federal telecommunications laws, permit the regional Bell operating companies to compete fully with us in this market, our revenues from these services could be reduced if these companies are able to attract a substantial portion of our customers.

We must distinguish ourselves through the quality of our client service, our service offerings and brand name recognition. We may be unsuccessful in doing this.

Many of our potential competitors have certain advantages over us, including:

- substantially greater financial, technical, marketing and other resources, including brand or corporate name recognition;
- larger customer bases;
- longer operating histories; and
- more established relationships in the industry.

Our competitors may be able to use these advantages to:

- expand their offerings more quickly;
- adapt to new or emerging technologies and changes in customer requirements more quickly;
- take advantage of acquisitions and other opportunities more readily;
- enter into strategic relationships to rapidly grow the reach of their networks and capacity;
- devote greater resources to the marketing and sale of their services; and
- adopt more aggressive pricing and incentive policies, which could drive down margins.

If we are unable to compete successfully against our current and future competitors, our gross margins could decline and we could lose market share, either of which could materially and adversely affect our business.

We have a long circuit provisioning cycle, and if we have difficulties or delays in delivering circuits to our clients, our operating results will suffer.

It typically takes 30 to 90 days to provision a circuit for a client, and we do not begin to recognize revenue until a circuit has been installed and accepted by the client. Once we agree to provision a circuit for a client, we negotiate with one or more transport suppliers and manage the provisioning personnel and field technicians of multiple vendors. A client can withdraw its order with minimal liability at any time before accepting the circuit. We may experience difficulties in provisioning circuits if our transport suppliers run out of capacity, forcing us to look for alternative sources of

capacity at the last minute. If we are unable to provision a circuit in a timely manner or fail to obtain client acceptance of the circuit, we will be unable to recognize access revenues for that circuit, and our operating results would be adversely affected. Furthermore, the ability of our clients to cancel orders at any time before accepting the circuit may make it difficult for us to forecast revenue and plan our expenses accordingly.

The unpredictability of our quarterly results may adversely affect the trading price of our common stock.

Our revenues and operating results will vary significantly from quarter to quarter due to a number of factors, many of which we cannot control and any of which may cause our stock price to fluctuate. These factors include the following:

- uncertainty regarding timing for provisioning of circuits or failure to obtain client acceptance of circuits;
- timing of the completion of new UTX facilities;
- decisions by end-users to reallocate their information resources to other purposes, including year 2000 preparedness;
- costs related to acquisitions of technology or businesses;
- decisions by existing clients not to renew services on a timely basis when existing client contracts terminate;
- the amount of unused circuit capacity that we hold;
- general economic conditions as well as those specific to the Internet and related industries; and
- Internet growth and demand for Internet infrastructure.

In addition, we depend on decisions by our clients to expand their Internet infrastructure, which decisions in turn depend upon the success and expected demand for the services these clients offer.

We expect our operating expenses to increase significantly in future periods. Our operating expenses are largely based on anticipated revenue trends, and a high percentage of our expenses are, and will continue to be, fixed in the short term due in large part to our build out of our UTX facilities. As a result, fluctuations in our revenue for the reasons set forth above, or for any other reason, could cause significant variations in our operating results from quarter to quarter and could result in substantial operating losses.

Because of these factors, we believe that quarter-to-quarter comparisons of our operating results are not, and will not be, a good indication of our future performance. It is likely that, in some future quarters, our operating results may not meet the expectations of public market analysts and investors. In that event, the price of our common stock may fall.

Our facilities and the networks on which we depend may fail, which would seriously harm our business.

Our clients depend on our ability to provide ongoing dedicated circuit access. The operation of these circuits depends on the networks of third party transport suppliers, such as MCI WorldCom or Williams Communications. The networks of transport suppliers and clients who may use our UTX facilities, may be interrupted by failures in or damage to these facilities. Our facilities and the ongoing circuit access we provide may be interrupted as a result of various events, many of which we cannot control, including:

- fire;
- human error;

- earthquakes, floods and other natural disasters;
- train derailments or similar disasters along communications rights-of-way;
- power loss;
- telecommunications failures; or
- sabotage or vandalism.

We may be subject to legal claims and be liable for losses suffered by our clients for disruptions to circuits or damage to client equipment resulting from failures at our facilities or on the networks of third party providers. In addition, we may be subject to legal claims and be liable for losses suffered by clients and carriers who use our UTX facilities. Our contracts with our clients and with carriers who use our UTX facilities attempt to eliminate our liability for consequential or punitive damages and for damage to client equipment not caused by our gross negligence or willful acts. However, those provisions may not protect us from being held liable for those damages.

We generally provide outage credits to our clients if circuit disruptions occur. If our circuit failure rate is high, we may incur significant expenses related to circuit outage credits, which would reduce our revenues. We would also have to incur significant expenses in investigating and addressing the causes of such circuit failures, which would divert resources from the expansion of our services and cause our business to suffer. Clients may seek to terminate their contracts with us if there is a circuit failure. In addition, if our circuit failure rate is high, our reputation could be harmed, which would materially harm our business.

We depend on several large clients, and the loss of one or more of these clients, or a significant decrease in total revenues from any of these clients, could significantly reduce our revenue and income.

Historically, a substantial portion of our revenues has come from a limited number of clients. For example, for the year ended December 31, 1998 two clients accounted for approximately 29% of our total revenues, and for the nine months ended September 30, 1999, one client accounted for approximately 35% of our total revenues.

If we lose one or more large clients, or if one or more of our large clients reduces the services they purchase from us and we fail to add new clients, our results of operations could be seriously harmed.

Our clients may fail to pay or be unable to pay their obligations to us in a timely manner or at all, which could adversely affect our business.

Some of our clients may have limited operating histories and may have inadequate financial resources to meet all of their obligations. We recorded a substantial bad debt expense during the nine months ended September 30, 1999 primarily in connection with the failure by one of our clients to pay its bills. If other of our clients are unable to meet their obligations to us, we may incur additional bad debt expenses and our cash flows and results of operations may be harmed.

The regulatory framework under which we operate and new regulatory requirements or new interpretations of existing regulatory requirements could harm our business.

Our communications services are subject to both federal and state regulation. In providing our interstate and international communications services, we must comply with federal telecommunications laws and regulations prescribed by the FCC. At the state level, we are subject to state laws and to regulation by state public utility commissions. As we expand internationally, we will also become subject to regulation by foreign authorities and, in some markets, supra-national authorities, such as the European Union.

These laws and regulations are subject to frequent changes and different interpretations, and therefore, it is difficult for us to assess the impact of these factors on our operations. The current domestic and international trend is toward deregulation of telecommunications and Internet services. However, we cannot assure you that this trend will continue, and it is possible that changes in regulatory policies could limit our ability to compete in some markets. The implementation, modification, interpretation and enforcement of laws and regulations vary and can limit our ability to provide many of our services.

We will need to obtain authorization from the FCC and many state public utilities commissions to offer particular types of telecommunications services. Once we receive this authorization, we will have to comply with a variety of regulatory obligations on an ongoing basis. We cannot assure you that the FCC or state commissions will grant the required authority (or do so in a timely manner), or refrain from taking action against us if we are found to have violated any requirements of their rules. If authority is not obtained or if our schedules of prices, terms, and conditions are not filed, or are not updated, or otherwise do not fully comply with the rules of the FCC or state regulatory agencies, third parties or regulators could challenge our ability to offer our services. Such challenges could cause us to incur substantial legal and administrative expenses.

For additional information on governmental regulations affecting us, see "Business — Governmental Regulation."

Required regulatory approvals may interfere with or delay corporate transactions.

As a regulated company, we are required to obtain the approval of the FCC and certain state regulators before engaging in certain types of transactions, including mergers, acquisitions of other regulated companies, sales of all or substantial parts of our business, issuance of stock, and incurrence of debt obligations. The particular types of transactions that require approval differ in each jurisdiction. In several states, any transaction that results in a transfer of 10% or more of our voting stock may require prior approval. If we cannot obtain the required approvals, or if we encounter substantial delays in obtaining them, our ability to enter into transactions on favorable terms may be impaired.

Telecommunications regulations of other countries may restrict our operations.

We will be subject to the regulatory regimes in each of the countries in which we conduct business. Local regulations range from permissive to restrictive, depending upon the country. Changes to existing regulations of foreign countries may decrease the opportunities that are available for us to enter into those markets, or may increase our legal, administrative or operational costs, or may constrain our activities in other ways that we cannot necessarily anticipate. Any of these developments could impair our efforts to develop foreign operations.

We expect to face risks associated with acquired businesses.

Part of our expansion strategy includes acquiring businesses and technologies that we believe will complement our existing business. For example, in 1999 we acquired two companies, and we may acquire additional companies in the future. These acquisitions will likely involve some or all of the following risks:

- difficulty of assimilating acquired operations and personnel and information systems;
- potential disruption of our ongoing business;
- diversion of resources;
- possible inability of management to maintain uniform standards, controls, procedures and policies;
- possible difficulty of managing our growth;

- risks of entering markets in which we have little experience; and
- potential impairment of relationships with employees or clients.

We may need to complete these transactions in order to remain competitive. We cannot be sure that we will be able to obtain required financing for these transactions or that these transactions will occur.

We expect to require additional third-party financing, and if we cannot obtain this financing on commercially reasonable terms, our business will suffer.

Our ability to meet our planned growth will require substantial cash resources. We expect that the anticipated expansion of our UTX facilities, including the addition of six UTX facilities during the year 2000 (at an estimated average cost of \$3.2 million per facility), and our anticipated funding of negative cash flow from operating activities, will require substantial capital. In addition, part of our expansion strategy includes acquiring complementary businesses and technology, which may require us to raise additional funds. We do not expect to generate significant cash flow from operations in the near term. Accordingly, our ability to meet our additional future capital needs will depend upon our ability to renegotiate, extend or replace our credit facilities, obtain supplemental financing or raise additional capital. Additional debt financing may limit our financial and operating flexibility. We may not be able to renegotiate or replace our credit and equipment lease facilities on a timely basis, on acceptable terms or at all. Additional equity financing may not be available or may be dilutive to existing stockholders. If we are unable to obtain future financing when needed or on acceptable terms we may have to delay or abandon our development and expansion plans, which could materially adversely affect our growth and ability to compete.

We must expand our marketing and sales operations substantially to increase market awareness and sales of our services.

Our services require a sophisticated sales effort that targets key people within our prospective clients' organizations. This sales effort requires the efforts of select personnel as well as specialized system and consulting engineers within our organization. We have recently expanded our sales force and plan to hire additional marketing and sales personnel and system and consulting engineers, particularly individuals with experience in the telecommunications industry. Competition for these individuals is intense, and we may not be able to hire the number of qualified sales personnel and system and consulting engineers we need. In addition, we may substantially increase our budget as part of our marketing program. If we are unable to expand our marketing and sales operations, we may not be able to increase market awareness or sales of our products and services, which may prevent us from achieving and maintaining profitability.

If we do not expand our client support organization substantially, sales of our services may be significantly reduced.

We currently have a small client support organization and will need to increase our staff to support new clients and the expanding needs of existing clients. Our client support organization is responsible for providing our clients with technical and operational support, and for identifying and developing opportunities to provide additional services to our existing clients. Competition for qualified client support personnel is intense because few people have the necessary level of technical skills and experience in telecommunications provisioning and network management. If we fail to expand our client support organization, we may be limited in our ability to gain more business from existing clients, and we may be unable to obtain or maintain current information regarding our clients' and suppliers' communications networks, which could limit our ability to provision future circuits for our clients.

If we do not establish and maintain key client relationships, our revenues may decline.

Our success will depend upon our ability to develop and manage key client relationships in order to generate additional revenues from existing clients. Our ability to develop and manage our client relationships depends on, among other things:

- our ability to maintain the timeliness and quality of our provisioning services;
- our ability to deliver our clients additional services, such as network monitoring, maintenance and troubleshooting services;
- our ability to expand our client support organization with additional, qualified personnel; and
- performance by the transport suppliers with whom we contract to provide circuits to our clients.

If we fail to establish and maintain these client relationships, our revenues may stagnate or decline.

If we fail to manage expansion effectively, our business could be seriously harmed.

Our ability to successfully offer our services and implement our business plan in a rapidly evolving market requires an effective planning and management process. We continue to increase the scope of our operations and have substantially increased the number of our employees. At December 31, 1997, we had a total of five employees and at November 30, 1999, we had a total of 117 full-time employees. In addition, we plan to continue to hire a significant number of employees. This growth has placed, and our anticipated growth in future operations will continue to place, a significant strain on our management systems and resources. We expect that we will need to continue to improve our financial and managerial controls, reporting systems and procedures, and will need to continue to expand, train and manage our work force. Furthermore, we expect that we will be required to manage multiple relationships with various clients, suppliers and other third parties. We cannot be sure that we will be able to manage our expansion effectively.

We are still implementing our management information systems.

We are in the process of augmenting our management information systems to facilitate management of client orders, client service, billing and financial applications. Our business could be harmed if we fail to successfully and promptly:

- implement all applications of our management information systems;
- integrate all the client records and the billing, ordering, inventory, management, accounting and other financial information systems of the businesses we have acquired or may acquire into our management information systems;
- identify all of our information and processing needs;
- repair "bugs" and design defects that may exist in our management information systems;
- implement a wide area network connecting our main offices and our UTX facilities in different geographic locations; or
- maintain and upgrade our management information systems as necessary.

In addition, our business could suffer if the software which runs our information systems malfunctions.

We depend on our key personnel to manage our business effectively in a rapidly changing market, and if we are unable to retain our key personnel and hire additional personnel, our business could be harmed.

Our future success depends upon the continued services of our executive officers and other key sales, marketing and support personnel. In particular, we rely upon the services of our President and Chief Executive Officer, Patrick C. Shutt, and Chief Operating Officer, Robert J. Pommer, Jr. We do not have "key person" life insurance policies covering any of our employees.

In addition, we depend on the ability of a relatively new management team to effectively execute our strategies. We recently hired several of our key employees. Between June and September 1999, we hired our Executive Vice President of Marketing and Executive Vice President of Client Services. Because some members of our management team have worked together only for a short period of time, we need to integrate these officers into our operations.

We will need to hire additional personnel in our communications provisioning, sales, marketing and support areas in the future, and we believe our success depends, in large part, upon our ability to attract and retain these key employees. Competition for these persons is intense, especially in the communications provisioning area. In particular, we have experienced difficulty in hiring qualified network engineers, and we may not be successful in attracting and retaining these individuals. The loss of the services of any of our key employees, the inability to attract or retain qualified personnel in the future, or delays in hiring required personnel could harm our business.

We have limited ability to protect our proprietary information.

We have no patented technology that would preclude or inhibit competitors from entering our market. We rely on a combination of copyright, trademark, service mark and trade secret laws and contractual restrictions to establish and protect our intellectual property. We have no federally registered trademarks or service marks, although we have applied for registration of certain of our service marks. Even if registration is granted, we may be limited in the scope of services for which we may exclusively use our service marks. We enter into confidentiality agreements with our employees, consultants and partners, and we control access to, and distribution of, our proprietary information. Our intellectual property may be misappropriated or a third party may independently develop similar intellectual property. Moreover, the laws of certain foreign countries may not protect our intellectual property rights to the same extent as do the laws of the United States. Unauthorized use of any of our proprietary information could seriously harm our business.

We face a number of unknown risks associated with year 2000 problems.

The year 2000 computer problem refers to the potential for system and processing failures of date-related data as a result of computer-controlled systems using two digits rather than four to define the applicable year. For example, computer programs that have time-sensitive software may recognize a date represented as "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including a temporary inability to process transactions, send invoices or engage in similar normal business activities.

Our UNIX databases were designed for use in the year 2000 and beyond, and we believe they are year 2000 compliant. However, if year 2000 problems surface in our operation of the databases, our ability to implement our operations could be disrupted and our business could be seriously harmed.

If our suppliers, vendors, major distributors, partners, clients and service providers fail to correct their year 2000 problems, these failures could disrupt our operations, damage our relationships with our clients and harm our business. If a year 2000 problem occurs, it may be difficult to determine which party's products caused the problem. Due to the general uncertainty inherent in the year 2000 readiness of third-party suppliers and vendors, we are unable to determine at this time whether year 2000 failures could harm our business and our financial results.

Our clients' purchasing plans could be affected by year 2000 issues if they need to expend significant resources to fix their existing systems to become year 2000 compliant. This situation may reduce funds available to employ our services. In addition, some clients may wait to purchase our services until after the year 2000, which may reduce our revenues in the short term. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Year 2000 Compliance".

There has been no prior market for our common stock, and a public market may not develop or be sustained.

Prior to this offering, you could not buy or sell our common stock publicly. An active public market for our common stock may not develop or be sustained after this offering, and the market price might fall below the initial public offering price. The initial public offering price may bear no relationship to the price at which our common stock will trade upon completion of this offering. The initial public offering price will be determined based on negotiations between us and the representatives of the underwriters, based on factors that may not be indicative of future market performance. See "Underwriting".

Certain stockholders will continue to have substantial control over Universal Access after this offering and could delay or prevent a change in corporate control.

We anticipate that Internet Capital Group, Inc., funds affiliated with ComVentures and other stockholders, directors and officers will, in the aggregate, beneficially own approximately % of our outstanding common stock following the completion of this offering. In addition, Internet Capital Group, Inc. has indicated its intention to purchase additional shares in the public market after this offering. These stockholders, acting alone or together, would be able to influence significantly all matters requiring approval by our stockholders, including the election of directors and the approval of mergers or other business combination transactions. See "Principal and Selling Stockholders".

Provisions of our charter documents may have anti-takeover effects that could prevent a change in corporate control.

Provisions of our amended and restated certificate of incorporation, bylaws, and Delaware law could make it more difficult for a third party to acquire us, even if doing so would be a benefit to our stockholders. See "Description of Capital Stock".

There may be sales of a substantial amount of our common stock after this offering that could cause our stock price to fall.

Our current stockholders hold a substantial number of shares of our common stock, which they will be able to sell in the public market in the near future. All of the shares sold in this offering will be freely tradable. The remaining shares outstanding, based on the number of shares outstanding as of November 30, 1999, are restricted securities as defined in Rule 144 of the Securities Act of 1933. Approximately of these shares will be freely tradable beginning 180 days after the effective date of this offering, and the remainder will become freely tradable at various times thereafter. Sales of a substantial number of shares of our common stock after this offering, or market expectations that these sales may occur, could cause our stock price to fall. In addition, the sale of these shares could impair our ability to raise capital by selling additional common stock. See "Shares Eligible for Future Sale".

We expect to experience volatility in our share price which could negatively affect your investment.

The market price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control, including:

- quarterly variations in operating results;
- changes in financial estimates by securities analysts;
- changes in market valuations of Internet-related companies;
- announcements by us or our competitors of new products and services or of significant acquisitions, strategic partnerships or joint ventures;
- any loss of a major customer;
- additions or departures of key personnel;
- any deviations in net revenues or in losses from levels expected by securities analysts;
- future sales of common stock; and
- volume fluctuations, which are particularly common among highly volatile securities of Internet-related companies.

You will experience immediate and substantial dilution.

The initial public offering price is substantially higher than the book value per share of our outstanding common stock immediately after the offering. Accordingly, if you purchase common stock in the offering, you will incur immediate dilution of approximately \$. You will incur further dilution if outstanding stock options and warrants are exercised. See "Dilution".

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the information in this prospectus contains forward-looking statements that involve substantial risks and uncertainties. You can identify these statements by forward-looking words such as "may", "will", "expect", "anticipate", "believe", "estimate", "plan" and "continue" or similar words. You should read statements that contain these words carefully because they: (1) discuss our future expectations; (2) contain projections of our future results of operations or of our financial condition; or (3) state other "forward-looking" information. We believe that it is important to communicate our future expectations to our investors. However, there may be events in the future that we have not accurately predicted or which we cannot control. These events may include our future operating results, our ability to implement our business plan, our efforts to address Year 2000 issues and potential competition, among other things. The risk factors listed under "Risk Factors", as well as any cautionary language in this prospectus, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the _____ shares of common stock we are selling in the offering will be approximately \$ _____ million (or \$ _____ million if the underwriters' option to purchase additional shares as described in "Underwriting" is exercised in full), based on an assumed initial public offering price of \$ _____ per share and after deducting an assumed underwriting discount and estimated offering expenses payable by us. We will not receive any proceeds from the sale of shares by the selling stockholders.

We expect to use the net proceeds from this offering for working capital, capital expenditures and general corporate purposes. In addition, we may use a portion of the net proceeds to acquire complementary products, technologies or businesses; however, we currently have no commitments or agreements, nor are we involved in any negotiations, with respect to any such transactions. Pending use of the net proceeds of this offering, we intend to invest the net proceeds in interest-bearing, investment-grade securities.

DIVIDEND POLICY

We have never declared or paid any dividends on our capital stock. We currently expect to retain future earnings, if any, to operate and expand our business and do not expect to pay any cash dividends in the foreseeable future.

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 1999:

- on an actual basis;
- on a pro forma basis giving effect to the acquisition of Stuff Software, Inc., the sale of 1,557,385 shares of Series E Cumulative Convertible Preferred Stock and warrants to purchase 40,000 shares of Series E preferred stock on November 10, 1999, and the sale of 2,733 shares of Series D Cumulative Convertible Preferred Stock on December 6, 1999 for aggregate proceeds of \$28.3 million, and the conversion of all outstanding shares of preferred stock into common stock and all preferred stock warrants to common stock warrants upon the closing of the offering; and
- on a pro forma as adjusted basis to reflect the sale by us of _____ shares of common stock in the offering at an assumed initial public offering price of \$ _____ per share, after deducting an assumed underwriting discount and estimated offering expenses.

This information should be read in conjunction with our financial statements and the notes to those statements appearing elsewhere in this prospectus.

	September 30, 1999		
	Actual	Pro Forma	Pro Forma As Adjusted
	(In thousands)		
	(unaudited)		
Notes payable, net of current portion.....	\$ 131	\$ 131	\$ 131
Obligations under capital leases, net of current portion	254	254	254
Stockholders' equity:			
Preferred stock:			
Cumulative Convertible Series A — \$0.01 par value; 1,000,000 shares authorized, 772,331 shares issued and outstanding actual; no shares issued and outstanding pro forma and pro forma as adjusted	2,161	—	—
Series A preferred stock warrants	83	—	—
Cumulative Convertible Series B — \$0.01 par value; 2,400,000 shares authorized, 2,233,335 issued and outstanding actual; no shares issued and outstanding pro forma and pro forma as adjusted	5,448	—	—
Series B preferred stock warrants	500	—	—
Convertible Series C — \$0.01 par value; 667,000 shares authorized, 666,667 shares issued and outstanding actual; no shares issued and outstanding pro forma and pro forma as adjusted	1,941	—	—
Cumulative Convertible Series D — \$0.01 par value; 7,058,823 shares authorized, 6,039,964 shares issued and outstanding actual; no shares issued and outstanding pro forma and pro forma as adjusted	25,630	—	—
Cumulative Convertible Series E — \$0.01 par value; no shares authorized, no shares issued and outstanding actual; no shares issued and outstanding pro forma and pro forma as adjusted	—	—	—
Series E preferred stock warrants	—	—	—
Common stock, \$0.01 par value; 300,000,000 shares authorized; 31,925,000 shares issued and outstanding actual; _____ shares issued and outstanding pro forma; _____ shares issued and outstanding pro forma as adjusted	2,170	65,839	—
Common stock warrants	13	732	732
Additional paid-in-capital	4,750	4,750	4,750
Deferred stock option plan compensation	(1,569)	(1,569)	(1,569)
Accumulated deficit	(11,256)	(11,256)	(11,256)
Notes receivable — employees	(1,685)	(1,685)	(1,685)
Total stockholders' equity	28,186	56,811	—
Total capitalization	\$ 28,571	\$ 57,196	\$ _____

The table above does not reflect the exercise of any stock options outstanding at September 30, 1999. As of September 30, 1999, there were options outstanding to purchase a total of 10,074,000 shares.

The table above also does not reflect the exercise of any warrants. As of September 30, 1999 on a pro forma basis giving effect to the sale of warrants to purchase 40,000 shares of Series E Preferred Stock on November 10, 1999, there were Series A preferred stock warrants, Series B preferred stock warrants, Series E preferred stock warrants and common stock warrants outstanding to purchase an aggregate of common or common equivalent shares. If these warrants are exercised, there will be further dilution to new stockholders.

DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock after this offering. We calculate net tangible book value per share by dividing the net tangible book value (total assets less intangible assets and total liabilities) by the number of outstanding shares of common stock.

Our pro forma net tangible book value at September 30, 1999 was \$54.3 million, or \$ _____ per share, based on _____ shares of our common stock outstanding after giving effect to the acquisition of Stuff Software, Inc., the sale of 1,560,118 shares of preferred stock and warrants to purchase 40,000 shares of preferred stock on various dates subsequent to September 30, 1999 for aggregate proceeds of \$28.3 million and the conversion of all outstanding shares of preferred stock into common stock.

After giving effect to the sale of the _____ shares of common stock by us at an assumed initial public offering price of \$ _____ per share (less an assumed underwriting discount and estimated offering expenses payable by us), our pro forma net tangible book value at September 30, 1999 would be \$ _____ million, or \$ _____ per share. This represents an immediate increase in the pro forma net tangible book value of \$ _____ per share to existing stockholders and an immediate dilution of \$ _____ per share to new investors, or approximately _____ % of the assumed initial public offering price of _____ per share.

The following table illustrates this per share dilution:

Assumed initial public offering price per share		\$
Pro forma net tangible book value per share at September 30, 1999	\$	
Increase per share attributable to new investors		
Pro forma net tangible book value per share after this offering		
Dilution per share to new investors		\$

The following table shows on a pro forma basis at September 30, 1999, after giving effect to the conversion of all outstanding shares of our preferred stock into an aggregate of _____ shares of common stock upon the closing of this offering, the number of shares of common stock purchased from us, the total consideration paid to us and the average price paid per share by existing stockholders and by new investors purchasing common stock in this offering:

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing stockholders		%	\$	%	\$
New stockholders		%	\$	%	\$
Total		%	\$	%	\$

The computations in the tables above assume no exercise of any stock options outstanding at September 30, 1999. As of September 30, 1999, there were options outstanding to purchase a total of 10,074,000 shares of common stock at a weighted average exercise price of \$0.80 per share. If any of these options are exercised, there will be further dilution to new public investors.

The table above also does not reflect the exercise of any warrants. As of September 30, 1999 on a pro forma basis giving effect to the sale of warrants to purchase 40,000 shares of Series E Preferred Stock on November 10, 1999, there were Series A preferred stock warrants, Series B preferred stock warrants, Series E preferred stock warrants and common stock warrants outstanding to purchase an aggregate of _____ common or common equivalent shares. If these warrants are exercised, there will be further dilution to new stockholders.

SELECTED FINANCIAL DATA

The selected financial data set forth below should be read in conjunction with our financial statements and the notes to our financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations", included elsewhere in this prospectus. The statement of operations data for the period from inception through December 31, 1997, the year ended December 31, 1998 and the nine months ended September 30, 1999, and the balance sheet data as of December 31, 1997 and 1998 and September 30, 1999 are derived from, and are qualified by reference to, the audited financial statements included elsewhere in this prospectus.

The statement of operations data for the nine months ended September 30, 1998 are derived from the unaudited financial statements appearing elsewhere in this prospectus. The unaudited financial statements have been prepared on the same basis as the audited financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information set forth therein. The historical results are not necessarily indicative of operating results to be expected in the future.

Unaudited pro forma basic and diluted net loss per share have been calculated assuming the conversion into common stock of all preferred stock outstanding during the relevant period, as if the shares had converted immediately upon their issuance.

	Inception through December 31, 1997	Year Ended December 31, 1998	Nine Months Ended September 30, 1998 1999	
			(unaudited)	
	(In thousands, except per share data)			
Statement of operations data:				
Total revenues	\$ 77	\$ 1,629	\$ 730	\$ 8,583
Operating expenses:				
Cost of revenues	66	1,256	592	7,477
Operations and administration	180	1,516	890	7,144
Depreciation	—	47	1	290
Stock option plan compensation	—	65	46	3,085
Total operating expenses	246	2,884	1,529	17,996
Operating loss	(169)	(1,255)	(799)	(9,413)
Other income (expense):				
Interest expense	(1)	(27)	(8)	(19)
Interest income	—	8	—	373
Other expense	—	(100)	—	—
Total other income (expense)	(1)	(119)	(8)	354
Net loss	(170)	(1,374)	(807)	(9,059)
Accretion and dividends on redeemable and nonredeemable cumulative convertible preferred stock	—	(28)	—	(625)
Net loss applicable to common stockholders	\$ (170)	\$ (1,402)	\$ (807)	\$ (9,684)
Basic and diluted net loss per share	\$ (0.01)	\$ (0.05)	\$ (0.03)	\$ (0.31)
Shares used in computing basic and diluted net loss per share	23,799	29,063	28,631	30,867
Pro forma basic and diluted net loss per share		\$ (0.05)		\$ (0.18)
Shares used in computing pro forma basic and diluted net loss per share		30,069		51,513
			December 31,	September 30,
			1997	1998
				1999
Balance sheet data:				
Cash	\$ 1	\$ 844	\$21,703	
Working capital	(35)	(562)	13,928	
Total assets	100	1,969	40,009	
Total long-term debt, net of current portion	—	149	385	
Total stockholders' equity (deficit)	(34)	(1,282)	28,186	

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with "Selected Financial Data" and our financial statements and the notes to our financial statements included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors including the risks described in "Risk Factors" and elsewhere in this prospectus.

Overview

We commenced operations on October 2, 1997. To date, we have derived substantially all of our revenues from providing on-going, dedicated circuit access. Monthly recurring circuit revenues are generated under client contracts with terms ranging from 12 to 60 months. Contracts with our clients may be terminated by the client at any time. However, a client that cancels a contract is required to pay us substantially all of the amounts payable over the remaining term of the contract. Circuit charges are billed monthly in advance, and circuit revenues are recognized in the month that service is provided. Amounts billed in advance are recorded on the balance sheet as unearned revenue. At September 30, 1999, unearned revenue was \$1.5 million.

Monthly recurring UTX revenues are generated from leasing space in our UTX facilities. To date we have derived minimal revenue from UTX activities. Our UTX billing and revenue recognition policies are the same as those described above for circuits. In addition, we facilitate the provisioning, installation and servicing of point-to-point dedicated circuits for our clients. To date, we have not charged our clients for provisioning, installation or network management services.

At September 30, 1999, we had two operational UTX facilities and five UTX facilities under construction. Construction, equipment and facility leasing costs incurred in connection with the construction of a UTX facility are capitalized until the facility becomes operational. Once the facility becomes operational, these costs are amortized over the lesser of the term of the lease, ranging from seven to 15 years, or the estimated useful life of the equipment. At September 30, 1999, we had in excess of \$11.1 million of capitalized UTX construction costs. In addition, at September 30, 1999, we had outstanding commitments of approximately \$8.7 million with respect to UTX construction services and approximately \$28.5 million with respect to facility leases.

Our clients are communications service providers and transport suppliers, such as Internet service providers, competitive local exchange carriers, incumbent telecommunication service providers and other application and network service providers. Our largest two clients represented an aggregate of approximately 29% of total revenues for the year ended December 31, 1998. Our largest client represented approximately 35% of total revenues for the nine months ended September 30, 1999.

Cost of revenues consists primarily of amounts paid to transport suppliers for circuits. We have negotiated volume discounts and network route-specific discounts under contracts with the majority of our suppliers. These contracts generally have terms ranging from three to ten years and include minimum monthly purchase commitments. At September 30, 1999, these minimum purchase commitments totaled approximately \$500,000 per month. In addition, we are party to contracts that will impose additional minimum purchase commitments totaling approximately \$750,000 per month beginning at various points in 2000.

Operations and administration costs consist primarily of salaries and employee benefits, facilities expenses for our headquarters and sales offices, and sales and marketing expenses. We did not open our first sales offices until June 1999 at which time we began to significantly expand our sales and marketing staff. As a result, we have not historically segregated sales and marketing expenses from operations and administration expenses.

In July 1999, we acquired substantially all of the assets of Pacific Crest Networks in a transaction accounted for as a purchase. Intangible assets of approximately \$1.2 million were recorded in connection with the acquisition and are amortized over five years. In addition, in November 1999, we acquired substantially all of the assets of Stuff Software, Inc. Intangible assets of \$1.3 million will be recorded in connection with the acquisition and will be amortized over five years.

In each quarter since our inception, we have incurred operating losses and net losses and experienced negative cash flows from operations. At September 30, 1999, we had an accumulated deficit of \$11.3 million.

Results of Operations

Nine Months Ended September 30, 1998 Compared to Nine Months Ended September 30, 1999 Revenues

Revenues increased from \$730,000 for the nine months ended September 30, 1998 to \$8.6 million for the nine months ended September 30, 1999. Substantially all of our revenues consisted of circuit revenues in each of these periods. UTX revenues represented less than 3% of revenues during these periods. The increase in revenues was attributable to growth in the number of clients and to additional sales to existing clients, resulting from increased sales and marketing efforts.

Cost of Revenues

Cost of revenues increased from \$592,000 for the nine months ended September 30, 1998 to \$7.5 million for the nine months ended September 30, 1999. As a percentage of revenues, cost of revenues increased from 81% for the nine months ended September 30, 1998 to 87% for the nine months ended September 30, 1999. The increase in cost of revenues in absolute dollars was primarily attributable to an increase in the number of circuits purchased from transport suppliers. The increase in cost of revenues as a percentage of revenues was in part attributable to the fact that we deliberately reduced our margins on certain high capacity circuits in an effort to attract large clients, and in part attributable to \$350,000 of circuit charges incurred for circuits that are yet to be sold to clients.

Operations and Administration

Operations and administration expenses increased from \$890,000 for the nine months ended September 30, 1998 to \$7.1 million for the nine months ended September 30, 1999. The increase in operations and administration expenses was primarily attributable to an increase in personnel and continued expansion of our sales and marketing efforts. During the nine months ended September 30, 1999; we opened sales offices in Vienna, Virginia and San Jose, California. The number of our employees increased from 11 at September 30, 1998 to 107 at September 30, 1999. In addition, we increased our doubtful account expense from \$33,000 for the nine months ended September 30, 1998 to \$784,000 for the nine months ended September 30, 1999. Approximately one-half of the increase in doubtful account expense related to one substantial client account, which represented over four months of billings. We have revised our credit and collection procedures so that service is now discontinued within two months of non-payment. The remainder of this expense related to the creation of a general reserve for doubtful accounts. We expect total operations and administration expenses to continue to increase in absolute dollars as we continue to grow our revenues, but expect that operations and administration expenses will ultimately decrease as a percentage of revenues as we leverage our existing infrastructure. At November 30, the number of our employees totaled 117.

Depreciation

Depreciation expense includes depreciation of furniture, fixtures and equipment at our office facilities and of equipment at our UTX facilities. We expect depreciation expense to increase substantially in the future as we continue to place our UTX facilities into service.

Stock Option Plan Compensation

During 1998, we recorded a total of \$487,000 and during the nine months ended September 30, 1999, we recorded a total of \$1.4 million in deferred stock option plan compensation as a result of granting options to employees and non-employees with per share exercise prices deemed to be below the fair market value of our common stock at the date of grant. Deferred stock option plan compensation is amortized over the vesting period of the related options. Amortization expense totaled \$215,000 for the nine months ended September 30, 1999. We expect to recognize additional deferred stock option plan compensation expense of approximately \$1.6 million over the next four years, based upon options outstanding at September 30, 1999.

In addition, during the nine months ended September 30, 1999 we recorded \$2.9 million of stock option plan compensation expense, related to loans issued to three officers of the Company, in connection with exercise of stock options. We expect to recognize an additional \$1.9 million of stock option plan compensation during the three months ended December 31, 1999, related to these officer loans.

Interest Expense and Interest Income

Interest expense increased from \$8,000 for the nine months ended September 30, 1998 to \$19,000 for the nine months ended September 30, 1999. The increase was attributable to additional borrowings under a term loan and line of credit facility used for general working capital requirements and to fund capital expenditures.

Interest income totaling \$373,000 was generated during the nine months ended September 30, 1999 by investing a portion of the proceeds from our Series C and Series D preferred stock offerings in short-term money market instruments.

Income Taxes

From our inception through September 27, 1998, we elected to be treated as a subchapter S-corporation for income tax purposes. On September 27, 1998, we converted to a C-corporation. At December 31, 1998, we had approximately \$227,000 of federal and state net operating loss carryforwards, and we have incurred additional losses for tax purposes through September 30, 1999. These carryforwards may be available to offset future taxable income. Our federal and state net operating loss carryforwards expire at various dates beginning in 2018. Due to the uncertainty that we will generate future earnings sufficient to enable us to realize the benefit of these net operating loss carryforwards, we have recorded a valuation allowance for the full amount of our deferred tax asset. As a result, no income tax benefit has been recorded in our statement of operations. We assess the realizability of our deferred tax asset on an ongoing basis and adjust the valuation allowance based on this assessment. Additionally, Section 382 of the Internal Revenue Code of 1986, as amended imposes annual limitations on the use of net operating loss carryforwards if there is a change in ownership, as defined, within any three year period. The utilization of certain net operating loss carryforwards may be limited due to our capital stock transactions.

Period from inception to December 31, 1997 Compared to Year Ended December 31, 1998

Revenues

We commenced operations on October 2, 1997. Revenues increased from \$77,000 during the period ended December 31, 1997 to \$1.6 million during the year ended December 31, 1998. The increase in revenues was attributable to growth in the number of our clients.

Cost of Revenues

Cost of revenues increased from \$66,000 for the period ended December 31, 1997 to \$1.3 million for the year ended December 31, 1998. As a percentage of total revenues, cost of revenues

decreased from 86% for the period ended December 31, 1997 to 77% for the year ended December 31, 1998. The increase in cost of revenues in absolute dollars was attributable to an increase in the number of circuits purchased. The decrease in cost of revenues as a percentage of revenues was attributable to volume discounts negotiated with our transport suppliers, reflecting higher purchasing levels.

Operations and Administration

Operations and administration expenses increased from \$180,000 for the period ended December 31, 1997 to \$1.5 million for the year ended December 31, 1998. The increase was primarily attributable to growth in headcount and expansion of our corporate headquarters. Our employee headcount increased from five at December 31, 1997 to 20 at December 31, 1998.

Stock Option Plan Compensation

During 1998, we recorded a total of \$487,000 in deferred stock option plan compensation as a result of granting options to employees with per share exercise prices determined to be below the fair market value of our common stock at the date of grant. Amortization expense totaled \$25,000 for the year ended December 31, 1998. In addition, during 1998, we recorded \$40,000 of stock option plan compensation in connection with options issued to non-employees in exchange for services.

Interest Expense and Interest Income

Interest expense increased from \$1,000 for the period ended December 31, 1997 to \$27,000 for the year ended December 31, 1998. The increase was attributable to additional borrowings from stockholders and under a term loan used to fund our working capital needs.

Other Expense

Other expense totaled \$100,000 for the year ended December 31, 1998. The amount related to a settlement paid upon termination of an executed letter of intent to acquire a network access service provider.

Summary Quarterly Financial Data

The table below presents unaudited quarterly statement of operations data for each of the last eight quarters through September 30, 1999. This information has been derived from unaudited financial statements that have been prepared on the same basis as the audited financial statements included elsewhere in this prospectus and, in our opinion, includes all adjustments, consisting only of normal recurring adjustments, that are necessary for a fair presentation of the information.

	For the Three Months Ended							
	December 31, 1997	March 31, 1998	June 30, 1998	September 30, 1998	December 31, 1998	March 31, 1999	June 30, 1999	September 30, 1999
	(In thousands)							
Revenues	\$ 77	\$168	\$ 227	\$ 335	\$ 899	\$1,531	\$ 2,719	\$ 4,333
Operating expenses:								
Cost of revenues	66	125	194	273	664	1,285	2,316	3,876
Operations and administration	180	135	274	481	626	1,175	2,470	3,499
Depreciation.....	—	—	—	1	46	25	28	237
Stock option plan compensation	—	—	—	46	19	28	108	2,949
Total operating expenses ...	246	260	468	801	1,355	2,513	4,922	10,561
Operating loss	<u>\$ (169)</u>	<u>\$ (92)</u>	<u>\$ (241)</u>	<u>\$ (466)</u>	<u>\$ (456)</u>	<u>\$ (982)</u>	<u>\$ (2,203)</u>	<u>\$ (6,228)</u>

Our future revenues and operating results may vary significantly from quarter to quarter due to a number of factors, many of which we cannot control. These factors include those described in "Risk Factors" included elsewhere in this prospectus.

Liquidity and Capital Resources

We have financed our operations primarily through private placements as well as through borrowings from stockholders and financial institutions. Since inception through September 30, 1999, we have raised \$37.5 million in capital through private placements of common and convertible preferred stock. Our principal uses of cash are to fund operating losses, working capital requirements and capital expenditures. At September 30, 1999, we had \$21.7 million in cash and cash equivalents. Subsequent to September 30, 1999 we raised an additional \$28.3 million through private placements of convertible preferred stock.

At November 30, 1999 we had repaid all outstanding borrowings owed to stockholders and banks.

In March 1999, we entered into a credit agreement with a bank under which we may request the bank to issue letters of credit or we may borrow up to a total of \$4.0 million. The agreement provides that outstanding borrowings bear interest at the bank's prime rate and expires in April 2000. Letters of credit totaling \$1.7 million were outstanding under the agreement as of November 30, 1999.

In September 1999, we entered into a credit agreement with a bank under which we may request the bank to issue letters of credit or we may borrow up to a total of \$6.0 million. The agreement expires in August 2000. Outstanding borrowings under the agreement bear interest at rates ranging from the bank's prime rate to the bank's prime rate plus 3% and are secured by substantially all of our assets. The agreement requires that we maintain specified financial ratios. Letters of credit totaling \$411,000 were outstanding under the agreement as of November 30, 1999.

In December 1999, we entered into a credit agreement with a bank to borrow up to \$3.3 million. Outstanding borrowings bear interest at approximately 15% and are secured by specifically identified assets. The agreement expires in November 2002 and requires that we maintain an unrestricted cash balance of at least \$15 million.

Net cash used in operating activities increased from \$537,000 for the nine months ended September 30, 1998 to \$4.6 million for the nine months ended September 30, 1999. The increase in net cash used was primarily due to increased net losses and increased accounts receivable, partially offset by increased accounts payable, accrued expenses and unearned revenue. We anticipate that we will continue to require cash to support our future operating activities.

Net cash used in investing activities totaled \$54,000 for the nine months ended September 30, 1998 and related to purchases of property and equipment. Net cash used in investing activities totaled \$6.7 million for the nine months ended September 30, 1999, and related to purchases of property and equipment, funds advanced in exchange for notes receivable and the purchase of Pacific Crest Networks. We expect to increase our investments in equipment in the near term substantially as we increase our number of UTX facilities.

During the next fiscal year, we plan to spend at least \$37 million on capital expenditures, including approximately \$19 million on the construction of four UTX facilities.

Net cash provided by financing activities increased from \$1.4 million for the nine months ended September 30, 1998 to \$32.2 million for the nine months ended September 30, 1999. The increase was primarily due to the receipt of proceeds from the issuance of convertible preferred stock. Pending their use, we invested these proceeds primarily in marketable securities, with an original maturity of not greater than six months. We intend to continue investing surplus cash in similar securities.

In July 1999, we acquired substantially all of the assets of Pacific Crest Networks for \$1.1 million in cash and the assumption of debt, and 82,353 shares of Series D convertible preferred stock. In

October 1999, we acquired substantially all of the assets of Stuff Software, Inc. for \$930,000 in cash and 50,021 shares of common stock. The cash portion of these purchases was funded with proceeds from the issuance of convertible preferred stock.

Our future capital requirements will depend on a number of factors, including market acceptance of our services, the resources we devote to developing, selling and marketing our services and the rate at which we expand our UTX facilities. In addition, we plan to continue to evaluate possible investments in complementary businesses, products and technologies. Although we believe that the net proceeds from this offering, together with existing cash balances, will be sufficient to fund our operations for at least the next twelve months, we may require additional financing within this time frame. Additional funding may not be available on terms acceptable to us, or at all.

Qualitative and Quantitative Disclosures About Market Risk

Interest Rate Sensitivity

We maintain our cash equivalents and short-term investments primarily in a portfolio comprised of commercial paper, money market funds and investment grade debt securities. As of September 30, 1999, all of our investments had maturities of less than six months. Accordingly, we do not believe that our investments have significant exposure to interest rate risk.

Exchange Rate Sensitivity

We operate primarily in the United States, and all our revenues and expenses to date have been in US dollars. Accordingly, we have had no material exposure to foreign currency rate fluctuations.

Year 2000

Impact of the Year 2000 Computer Problem

The year 2000 computer problem refers to the potential for system and processing failures of date-related data as a result of computer-controlled systems using two digits rather than four to define the applicable year. For example, computer programs that have time-sensitive software may recognize a date represented as "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

State of Readiness

We are actively engaged in addressing year 2000 issues and have implemented a program to assess the year 2000 readiness of our hardware, software, facilities and operating systems. Our year 2000 assessment program includes:

- identifying all items to be assessed for year 2000 readiness;
- assessing the readiness of each item;
- validating year 2000 compliance with external suppliers; and
- where appropriate, testing year 2000 compliance and implementing corrective actions.

We have completed our assessment of our year 2000 readiness and our inventory and testing of certain internal systems. We are currently requesting confirmation of year 2000 compliance from our suppliers.

Based upon our year 2000 assessment, we do not believe that we have any significant systems that are not year 2000 compliant. We have represented to some of our customers that our computer systems will continue to process date data into and between the years 1999 and 2000 including leap year calculations.

The applications for our UNIX databases were developed internally within the last two years using year 2000 compliant equipment, operating systems and software development tools. We developed these databases and systems to be year 2000 compliant. We have obtained assurances from third parties or internally verified that the systems and equipment in our UTX facilities are year 2000 compliant.

We have used commercially available software to verify that our internally used hardware and software, including applications used for accounting, order entry and invoicing are year 2000 compliant.

Cost

Based on our assessments to date we believe that we will be able to manage our year 2000 transition without any material adverse effect on our business or results of operations. To date our costs of assessing our year 2000 readiness have not been material.

Risks

We believe that our most significant year 2000 risk is that third parties, such as transport suppliers and utility providers, do not fully address their year 2000 issues.

Failure of our transport suppliers to adequately address their year 2000 issues could result in circuit outages. We generally provide outage credits to our clients if circuit disruptions occur. A high circuit failure rate may result in lost revenues and lost customers and may divert resources from the expansion of our services and adversely affect our business and results of operations.

Failure of our internal systems to be ready for year 2000 could delay order processing, provisioning of circuits and issuing invoices.

Contingency Plan

We will continue to assess our year 2000 issues. We have developed a contingency plan in the event our efforts to identify year 2000 problems are not effective. This plan includes:

- temporary relocation of head office functions;
- using contract personnel to correct any problems;
- using alternative sources of transport capacity; and
- increasing work hours for our personnel.

Based upon our evaluation of these issues, we believe that year 2000 issues will not have a material impact on our financial condition or results of operation. However, we cannot assure you that we will not be affected by such issues. In addition, if any significant transport supplier, utility provider or other third party with whom we deal fails to ensure year 2000 compliance, our financial condition or results of operations could suffer.

BUSINESS

Overview

We are a web-enabled, business-to-business intermediary that facilitates the provisioning, installation and servicing of dedicated point-to-point communications links, commonly known as circuits, for service providers who buy network capacity, and transport suppliers who sell network capacity. We aggregate network information, operate facilities where communications networks can be physically interconnected, provide ongoing dedicated circuit access and offer client support services. Through these services, we provide our clients with an outsourced, integrated solution to the challenges they face within a fragmented network services market.

As an independent intermediary, we have been able to collect and aggregate network information from multiple transport suppliers. Our UIX consists of several proprietary, interconnected databases containing pricing, capacity, availability, location and interconnection information, currently from over 35 transport suppliers and more than 75,000 physical sites. Our UIX enables us to efficiently and cost-effectively facilitate the design, provisioning, installation and maintenance of circuits across multiple vendor networks for our clients. Our UTX facilities are physical sites where transport capacity suppliers and our clients lease space to locate communications equipment and interconnect with the networks of transport suppliers. Our UTX facilities enable our clients to more easily extend the geographic reach of their networks through interconnection. We also provide a single point of contact for network management services, including network monitoring, maintenance and restoration.

By aggregating network information, managing physical network interconnections and providing dedicated support services, we intend to improve the overall efficiency of the network infrastructure services market and, ultimately, create the foundation for a ubiquitous communications network.

Industry Background

Market Opportunity

The Internet is emerging as a global medium for communications and commerce. According to International Data Corporation (IDC), the number of Internet users will grow from 142 million at the end of 1998 to 502 million by 2003. Businesses in particular are becoming increasingly dependent on Internet enabled applications to facilitate transactions and are using the Internet for a variety of activities, including disseminating corporate information, advertising, sales, customer service, training and communications with business partners. Forrester Research estimates that U.S. business trade on the Internet will grow from \$43 billion in 1998 to \$1.3 trillion in 2003.

The growth in Internet usage, and in particular the adoption and use of the Internet by businesses, has created substantial global demand for additional network infrastructure and underlying transport capacity. We believe that the increased reliance by businesses on data-intensive applications, including data communications, electronic commerce, video and graphics, will continue to support this trend. In addition, we believe that the resulting demand for network capacity to transport data will accelerate as service providers increasingly offer high speed data access to businesses.

According to the Yankee Group, the U.S. market for Internet transport capacity and network infrastructure services will total \$56.8 billion by 2002. Network infrastructure services include network access, circuit provisioning and installation and network monitoring. Service providers currently rely on multiple transport suppliers who focus on any one or a combination of geographically dispersed network segments, including long-haul, local loop, cross connect and riser, to obtain these services. The ability of a service provider to obtain point-to-point dedicated circuits and infrastructure services quickly and efficiently across multiple geographically dispersed network segments is becoming increasingly difficult as the number of transport suppliers increases.

"Transport supplier" refers to an entity which supplies circuit capacity on a physical communications network infrastructure over which information is transmitted.

"Long haul" refers to network connections between cities or metropolitan areas.

"Local loop" refers to network connections within a city or a metropolitan area.

"Cross connect" refers to a physical connection between two network points within the same facility.

"Riser" refers to a vertical or horizontal conduit within a building which connects tenants with transport and network service providers located within the building.

"Provisioning" refers to the act of supplying communications circuits to users.

Fragmented Market

The market for transport capacity and infrastructure services is complex, competitive and fragmented due to the growth in the number of transport suppliers and service providers. This growth is attributed to the deregulation of the telecommunications industry beginning with the 1984 divestiture of AT&T and continuing with the Telecommunications Act of 1996. The Telecommunications Act of 1996 has spawned a rapid increase in the number of transport suppliers and service providers, including competitive local exchange carriers or CLECs, interexchange carriers or IXC, Internet service providers or ISPs, application service providers or ASPs, cable operators and public utility companies. Similar deregulation is occurring in international markets. The increase in the number of transport suppliers and service providers competing in and across different geographically dispersed network segments has impeded the development of seamless communications networks.

A "competitive local exchange carrier" or "CLEC" is a communications company authorized by local regulatory authorities to offer competing local communication services within an incumbent telecommunication supplier's territory.

An "interexchange carrier" or "IXC" is a communications company that offers service between local service areas in different geographic areas.

An "application service provider" or "ASP" is a company that offers individuals or enterprises access over the Internet to application programs and related services that would otherwise have to be located in their own personal or enterprise computers.

With the growth in Internet communications and commerce and the increasingly competitive market for transport capacity and infrastructure services, new entrants and incumbent transport suppliers have employed a variety of business strategies to compete. These strategies include building or acquiring additional network infrastructure, entering into interconnection agreements, reselling or exchanging network capacity and offering new services. As a result, multiple networks have developed serving various geographic regions and focusing on different network segments. In this competitive, multiple vendor landscape, we believe that to date, transport suppliers have not

been able to effectively support point-to-point circuit connections on their own networks, or through efficient interconnection with other suppliers, to fully meet their customers' requirements.

Compounding the problems associated with a fragmented, multiple-vendor landscape, transport suppliers and service providers have placed a higher priority on obtaining customers to build market share rather than on interconnecting their independently built networks. In addition, network connectivity continues to be hindered by the fact that transport suppliers and service providers do not have access to pricing, capacity, availability, and location information for the networks of other suppliers. Because transport suppliers compete with each other, they have little incentive to share this information or to locate their equipment within competitors' facilities in order to connect their networks.

Challenges for Service Providers

This fragmented market environment causes a number of challenges for telecommunications service providers, ISPs, ASPs and other buyers of capacity, including:

- significant time and expense related to quoting, provisioning and installing circuits across multiple vendor networks;
- lack of information about vendor networks, making it difficult to determine the availability of capacity in a timely manner, and which may result in significant backlog of customer orders, lost revenues and possibly lost customers; and
- inability to maintain, monitor and restore connections across multiple vendor networks.

Challenges for Transport Suppliers

This fragmented market environment also causes a number of challenges for IXC, local loop, and other transport suppliers, including:

- inability to efficiently fulfill customer demand for point-to-point dedicated circuits due to the limited reach of their networks and limited interconnections with other carrier networks;
- costs associated with selling excess network capacity on existing routes to multiple buyers; and
- inability to provide a consistent level of service due to the lack of information about and control over network segments in a multiple vendor landscape.

Our Solution

Our integrated solution addresses these challenges and provides the following key advantages:

Outsourced Solution. We provide clients with a single point of contact for provisioning, installation and network management services. Our outsourced solution provides significant time, effort and cost savings to our clients who would otherwise be forced to independently analyze the capacity, availability and pricing of circuits from multiple vendors to construct and maintain circuits.

Efficient, Cost Effective Circuit Provisioning and Installation Across Multiple Vendor Networks. We provide buyers of transport capacity efficient and cost-effective circuit provisioning and installation across multiple vendor networks. As an independent intermediary, we have been able to collect and aggregate network information from multiple transport suppliers. By leveraging this information, which is contained in our UX databases, we are able to provide our clients point-to-point solutions across geographically dispersed network segments efficiently and cost effectively.

Easily Extended Network Reach. Transport suppliers are able to easily extend the reach of their networks by purchasing access to dedicated, point-to-point circuits from us. We provide clients a single point of contact from which to access the networks of over 35 transport suppliers. In addition,

by locating in our UTX facilities, we believe that transport suppliers can access these networks faster and more cost-effectively, utilizing a cross connect circuit connection within our UTX facility rather than a local loop connection. With access to a greater number of circuit routes, our clients are better positioned to offer a broader range of point-to-point options to their customers. We currently have two operational UTX facilities in two cities in the United States and are in the process of constructing five additional sites.

Ongoing Client Support. Our approach to client support involves developing an understanding of our clients' business objectives, competitive environment, market initiatives and service needs by maintaining close contact with our clients through our Client Advocacy Services group. This group places highly trained technical personnel in the field that are responsible for understanding and rapidly responding to our clients' needs. Client Advocacy Services personnel provide technical and administrative support during the planning, ordering, provisioning and installation processes and are available for ongoing consultation.

Network Management Services. Through our network management service organization, we provide a single point of contact for 24-hour-a-day, seven-day-a-week network monitoring, maintenance and restoration across multiple vendor networks. Our organization interfaces with the network management organizations of our transport suppliers, which enables us to identify and isolate circuit outages and facilitate their restoration throughout each segment of a point-to-point circuit. Without these services a client would have to contact multiple vendors to determine the source of a circuit outage and to restore the circuit. Currently we provide these services in conjunction with an outsourcing arrangement with a third party until our own facility becomes operational.

Significant Source of Demand for Transport Suppliers. Through our UTX databases, we are able to match our clients' demand with the available capacity of transport suppliers. We represent a significant source of demand for transport suppliers because we purchase a large volume of circuits. We believe our transport suppliers consider us to be a valuable partner because we provide them efficient access to the capacity requirements of our clients. We believe that by working with us, transport suppliers can reduce their costs associated with selling excess network capacity on existing routes to multiple buyers.

Our Strategy

Our objective is to facilitate the creation of a ubiquitous, global communications network by improving the overall efficiency of the market for transport capacity and infrastructure services. To achieve this objective, we intend to:

Continue to Enhance Internet Functionality of Our UTX. We are currently developing the infrastructure to provide an enhanced, web-based interface that will enable our clients to obtain quotes, order circuits and receive dedicated monitoring and support services, all in real time. We believe these Internet initiatives will enhance the efficiency and reliability of our web-based services and will enable us to offer a more complete, e-commerce solution to our clients.

Continue to Expand and Populate Our UTX Databases. We plan to continue to gather data elements from our existing transport suppliers, including information about pricing, capacity, availability, location and interconnection information and other network elements for inclusion in our UTX databases. We also plan to add information to our UTX on the networks of domestic and international transport suppliers from whom we do not currently gather information. We believe that our UTX databases provide us with a competitive advantage and will become more difficult for a competitor to replicate as we enhance the data and functionality of our UTX over time.

Continue to Develop UTX Facilities. We plan to continue to construct additional UTX facilities in strategic locations within North America, Europe, Asia and South America. In addition, we intend to construct UTX facilities that are designed to meet the specific service requirements of major metropolitan areas, regional sites and high occupancy buildings. We believe these facilities will

provide our clients a convenient and cost-effective method to interconnect with multiple service providers and transport suppliers. We also believe that our UTX facilities represent a platform for offering new services to our clients and transport suppliers alike. For example, once a transport supplier places its network in our UTX facility, the supplier may utilize our UTX services to interconnect with other suppliers in that UTX facility to extend the geographic reach of its network.

Aggregate Network Demand. We intend to aggregate discrete circuits between network access points in order to optimize circuit configurations and realize network and economic efficiencies. We will use the information available in our UTX and the extensive connections in our UTX facilities to enable this aggregation.

Expand Internationally. A number of international markets, such as Europe, Asia and South America, have experienced deregulation similar to that in North America and are therefore experiencing problems associated with fragmentation of the transport capacity market. We plan to offer our UTX, UTX and client support services in international markets. We believe we can leverage our experience in the U.S. market to achieve a competitive advantage by being one of the first to address the network capacity constraints currently developing in international markets. Given the high rates of interconnection between our clients and emerging European suppliers, we believe that Europe represents our most compelling international opportunity at this time.

Enhance Capabilities Through Acquisitions and Partnerships. We plan to continue to acquire complementary businesses or technologies and to enter into strategic partnerships. For example, in 1999 we completed two acquisitions to expand and enhance the capabilities of our UTX databases.

Services

We offer our clients an integrated solution utilizing our UTX databases, our UTX facilities and our client support services.

Universal Information Exchange (UIX)

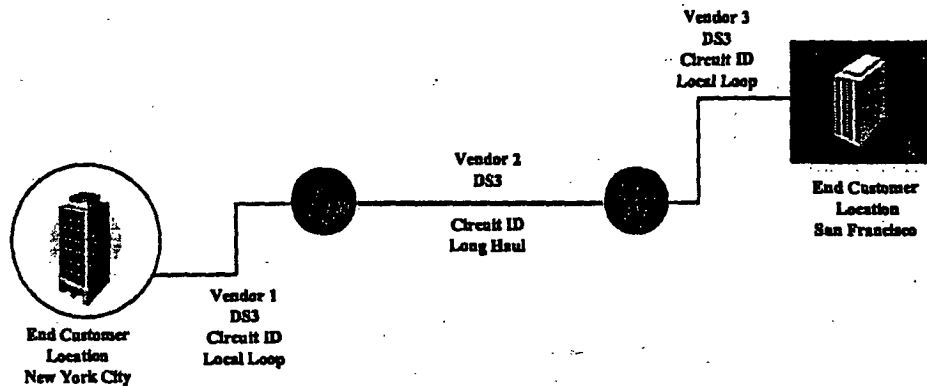
Our web-based UTX consists of several proprietary, interconnected databases containing capacity, availability, physical location and pricing information from over 35 transport suppliers and more than 75,000 physical sites. The UTX databases contain over 3.3 million data elements. We expect this number will grow as we continue to add information to our UTX about the networks of new transport suppliers. By utilizing our UTX we are able to provide our clients with a single point of contact for the provisioning and installation of circuits from multiple vendors, as well as circuit access and network monitoring. We believe our UTX enables us to provide these services more efficiently and cost-effectively than traditional transport suppliers.

We utilize our UTX to offer our clients a comprehensive range of services including:

Quoting. Our quoting system is a web-based system that enables clients to request and receive quotes for circuit configuration, provisioning and installation. We are generally able to provide a basic quote within 24 hours of our clients' request.

Order Processing. Clients can place orders online by directly entering information about their desired circuit, including capacity requirement, physical location, contract terms, technical specifications and special instructions.

Provisioning and Installation. Our UNIX contains information on the provisioning and installation processes of over 35 transport suppliers. By using this information we are able to work with the provisioning personnel and field technicians of multiple vendors to provide dedicated, point-to-point circuits to our clients. As part of our provisioning and installation service we provide our clients with a graphical design layout record showing critical network points and a weekly status update.



Circuit Access. We provide our clients with ongoing dedicated circuit access over the networks of multiple vendors through long term contracts, with terms typically ranging from 12 to 60 months. Our clients remit payment to us for this ongoing circuit access on a monthly recurring basis for the life of the contract.

A circuit can be delivered at different speeds and capacities. We currently are able to provide our clients circuit access at data rates ranging from DS-1 circuits carrying data at a rate of 1.536 million bits per second to OC-192 circuits carrying data at a rate of 192 OC-1 signals or 9.952 billion bits per second.

Billing. We compile the costs of multiple vendor circuit segments and present our clients with a single monthly invoice containing a single line item for each service. This eliminates the need for our clients to process multiple vendor bills and reduces our clients' processing time and costs.

Network Management Services. We provide 24-hour-a-day, seven-day-a-week network management services, offering a single point of contact for network monitoring, maintenance and restoration across multiple vendor networks. Through this single point of contact, we generate one client reference record of a problem, which we use to provide network management across multiple vendor networks and to provide our clients with reporting and trouble resolution. This single client reference record increases response time and decreases down time in a circuit outage.

Our organization interacts with the network management organizations of our transport suppliers, enabling us to identify and isolate circuit outages and to facilitate their restoration throughout each segment of a circuit. Without these services a client would have to contact multiple vendors to determine the source of a circuit outage and to restore the circuit. Currently, our network management services are partially outsourced through a third party until our own facility becomes operational.

Universal Transport Exchange (UTX)

Our UTX facilities provide interconnection points between multiple network service providers and transport suppliers. Network service providers and transport suppliers lease space in our facilities to place network equipment that may be connected to other network service providers and transport suppliers in the facility. Our UTX facilities may range in size from 500 square feet to 10,000 square feet.

Our facilities do not depend on any particular technology and are open to multiple competing network service providers and transport suppliers, such as local exchange carriers, interexchange carriers, competitive local exchange carriers, ISPs and ASPs. We are not aligned with or reliant upon any single or group of transport suppliers. We believe that our UTX clients are attracted to our neutral position, which both alleviates their competitive concerns and provides them a broader range of solutions.

As of November 30, 1999 we had operational UTX facilities in Chicago and Santa Clara, and UTX facilities under construction in Dallas, Los Angeles, Miami, San Francisco and Washington, D.C.

Our UTX facilities are integrated with our UTX databases. Our UTX facilities enable us to obtain additional information regarding available network capacity and points of access that is entered into our UTX databases. This additional information enables us to use our UTX databases to provide more efficient circuit provisioning and network monitoring services for our clients.

Client Support Services

Client Advocacy Services. We provide high quality client support services through our Client Advocacy Services organization. Our Client Advocacy Services personnel are highly trained field representatives with extensive knowledge of our services and an understanding of our client's business objectives. These representatives team with both our sales and provisioning organizations to meet client service expectations, and also provide technical assistance and field support during circuit testing and installation.

Carrier Development Services. Our development services personnel are responsible for managing our relationships with our existing transport suppliers and for identifying new relationships.

Sales and Marketing

Our sales and marketing efforts are focused on achieving broad market penetration and increasing brand name recognition. Our sales efforts target ISPs, telecommunications service providers and ASPs that we believe have the greatest need for transport capacity and infrastructure services.

Sales

We have developed a two-tiered sales strategy which is designed to (a) target new accounts through our direct sales representatives and (b) identify opportunities for additional sales to our existing client base through our account managers. As of November 30, 1999 our sales staff consisted of 17 direct sales representatives, including six account managers in 12 sales offices in the United States, including offices in California, Virginia, New York and Illinois. The direct sales force is divided into two geographic regions in the United States and is supervised by regional directors, each of whom has responsibility for all sales functions in his geographic region. The account management group is supervised by a director and targets larger clients, based on recurring monthly revenue.

A "local exchange carrier" (LEC) is a public telephone company in the U.S. that provides local service.

An "incumbent local exchange carrier" (ILEC) is one of the telephone companies, including the regional Bell operating companies, that were the dominant providers of local telecommunications services prior to the Telecommunications Act of 1996.

We have developed programs to attract and retain a highly skilled, motivated sales staff that possesses the necessary technical skills, consultative sales experience and knowledge of its assigned territory markets. These programs include technical and sales process training and instruction in consultative selling techniques. Our sales representatives and account managers are compensated through a combination of base salary and performance-based bonuses.

Marketing

We intend to use a variety of marketing programs and media to raise awareness of our services and solutions and to generate sales leads and opportunities, including:

- advertising in magazines and trade journals;
- participating in trade shows; and
- public relations campaigns.

We intend to increase marketing expenditures in future periods in an effort to stimulate demand for our services and build brand awareness.

Clients

As of September 30, 1999, we had more than 75 clients, including ISPs, CLECs, ILECs and ASPs. For the nine months ended September 30, 1999, AboveNet Communications (MFN) accounted for 35% of our revenues. For the year ended December 31, 1998, Carmen Associates accounted for approximately 16% of our revenues and GTE Internetworking accounted for approximately 13% of our revenues. The following is a list of all of our clients accounting for over 1% of our monthly recurring revenues generated under client contracts as of September 30, 1999:

AboveNet Communications (MFN)	Fiber Network Solutions
AIT/PrePay Worldwide	GTE Internetworking
Atlas Communications	IDT
BCE Nexxia	Internet 1st
Business Technology Services	InterXchange
Computer Enhancement Technologies	Kivex
Corecom, a division of NTL	Teleglobe Communications

Competition

The market for the services we provide is highly fragmented. We believe that at this time no single competitor competes directly with us with respect to all of the services we offer. However, we currently or potentially compete with a variety of companies with respect to our services on an individual basis. There are few substantial barriers to entry into our market, and we expect that we will face additional competition from existing and new global entrants in the future. We believe that any entrant in this market must grow rapidly and achieve a significant presence in the market in order to compete effectively. We believe that the principal competitive factors in this market include:

- the ability to access information regarding multiple vendor networks;
- the ability to provide connections to networks of multiple vendors;
- the ability to provide comprehensive network management services including troubleshooting and circuit restoration across multiple network environments;
- the ability to secure strategic relationships with carriers and clients;
- the ability to provide a high level of ongoing client service and support;
- the ability to locate interconnection facilities in strategic locations; and
- brand recognition.

We might not have the resources or expertise to compete successfully in the future. For additional information on the competitive risks that we face, you should read the section entitled "Risk Factors — Competition in our industry is intense and growing, and we may be unable to compete effectively".

Intellectual Property Rights

We rely on a combination of copyright, trademark, service mark and trade secret laws and contractual restrictions to establish and protect proprietary rights in our intellectual property. We have no patented technology that would preclude or inhibit competitors from entering our market. We have no federally registered trademarks or service marks, although we have applied for registration of certain of our service marks. Even if registration is granted, we may be limited in the scope of services for which we may exclusively use our service marks. We enter into confidentiality agreements with our employees, consultants and partners, and we control access to, and distribution of, our proprietary information. Our intellectual property may be misappropriated or a third party may independently develop similar intellectual property. Moreover, the laws of certain foreign countries may not protect our intellectual property rights to the same extent as do the laws of the United States. Unauthorized use of any of our proprietary information could seriously harm our business.

Government Regulation

We plan to offer communications common carrier services that will be subject to regulation by federal, state and local government agencies. Most data and Internet services are not subject to regulation, although communications services used for access to the Internet are regulated. We have obtained certain federal and state regulatory authorizations for our regulated service offerings, and are in the process of applying for additional authorizations.

The FCC will exercise jurisdiction over our facilities and services to the extent those facilities are used to provide, originate or terminate interstate domestic or international common carrier communications. State regulatory commissions will have jurisdiction over our services to the extent they are used to originate or terminate intrastate common carrier communications. Municipalities and other local government agencies may require carriers to obtain licenses or franchises regulating use of public rights-of-way to install and operate their networks. Many of the regulations issued by these regulatory bodies may change and are the subject of various judicial proceedings, legislative hearings and administrative proposals. In addition, federal, state and local authorities may seek to tax the services which we provide, which could impair the profitability of our business. We cannot predict the results of any changes.

As we expand our business to other countries, we will become subject to similar regulatory issues in each country in which we do business. Although the trend in regulation globally is towards less regulation of competitive telecommunications markets, regulations in particular countries may limit our service offerings or our ability to compete effectively.

Federal Regulation

The FCC regulates us as a non-dominant communications common carrier. The FCC's generally applicable regulations permit us to provide interstate domestic common carrier services without any further authorization, and we also have received authority from the FCC to provide international services between the United States and foreign countries. Our interstate domestic and international services are not subject to significant federal regulation, although we are required to file schedules of our prices, terms, and conditions, or tariffs with the FCC for our telecommunications services, and to pay regulatory fees and assessments based on our interstate and international telecommunications revenues. The FCC has the authority to condition, modify, cancel, terminate or revoke our licenses and authorizations for failure to comply with federal laws or the rules, regulations and policies of the FCC. The FCC may also impose fines or other penalties for violations. The FCC also imposes prior

approval requirements on transfers of control and assignments of authorizations. While we believe we are in compliance with applicable laws and regulations, we cannot assure you that the FCC or third parties will not raise issues with regard to our compliance.

International Services. The FCC has adopted rules for a multi-year transition to lower international settlements payments by U.S. common carriers. We believe that these rules are likely to lead to lower rates for certain international services and increased demand for these services, including capacity on the U.S. facilities that provide these services.

Local Competition Rules

The FCC's role with respect to local telephone competition arises principally from the Telecommunications Act of 1996. This Act preempts state and local laws to the extent that they prevent competitive entry into the provision of any telecommunications service and gives the FCC jurisdiction over important issues related to local competition.

Incumbent local exchange carriers, such as the regional Bell operating companies and affiliates of GTE and Sprint, are required to negotiate in good faith with competing carriers on rates, terms and conditions for interconnection, access to unbundled elements, resale, and other duties imposed by the Telecommunications Act. The Telecommunications Act provides procedures and timetables for negotiation, arbitration and approval of interconnection agreements. Arbitration decisions involving interconnection arrangements in several states have been challenged and appealed to Federal courts. We may experience difficulty in obtaining timely implementation of local interconnection agreements, and we can provide no assurance we will offer local services in these areas in accordance with our projected schedule, if at all.

The duties imposed on ILECs by the Telecommunications Act of 1996 include the following:

Interconnection. ILECs are required to provide interconnection for competing local telecommunications carriers at any technically feasible point, on rates, terms and conditions that are just, reasonable and nondiscriminatory.

Access to Unbundled Elements. ILECs are required to provide access to network elements on an unbundled basis at any technically feasible point, on rates, terms, and conditions that are just, reasonable, and nondiscriminatory. On November 5, 1999, the FCC, in response to a recent U.S. Supreme Court decision, released an Order revising its rules on the network elements that incumbents must make available, particularly those used in the provision of advanced services. Among other things, this Order confirms that dedicated transport, including dark fiber, is among the network elements that ILECs must provide on a unbundled basis. While we do not believe that these revisions will have significant impact on our business, other parties may request an appeal of this Order, which will create continued uncertainty.

Collocation. ILECs are required to provide physical collocation of equipment necessary for interconnection or access to unbundled network elements at the ILEC's premises, except that the ILEC may provide virtual collocation, if it demonstrates to the state regulatory commission that physical collocation is not practical for technical reasons, or because of space limitations. On March 18, 1999, the FCC adopted measures designed to facilitate a competitor's ability to access ILEC collocation space, including a requirement that ILECs make new collocation arrangements, for example, shared collocation and cageless collocation, available to competing carriers and a requirement that competitors be able to locate all equipment necessary for interconnection, among other things.

Transport and Termination Charges. ILECs and CLECs must enter into reciprocal arrangements for transport and termination of local telephone calls. State regulatory commissions, during arbitrations, should set symmetrical prices for these services based on forward-looking economic costs, using the Total Element Long Run Incremental Cost, or TELRIC, methodology.

Pricing Methodologies. State commissions are required to set arbitrated rates for interconnection and unbundled elements based on the ILEC's TELRIC, plus a reasonable share of forward-looking joint and common costs.

Resale. State commissions are required to identify which marketing, billing, collection, and other costs will be avoided, or that are avoidable, by ILECs when they provide services on a wholesale basis and to calculate the portion of the retail rates for those services that is attributable to the avoided and avoidable costs.

Access to Rights-of-way. Telecommunications carriers and utilities are required to provide nondiscriminatory access to their poles, ducts, conduits, and rights-of-way.

The Telecommunications Act of 1996 also eliminates previous prohibitions on the provision of long distance services by the regional Bell operating companies and GTE's telephone operating company subsidiaries. These companies are now generally permitted to compete in providing long distance services, except that the regional Bell operating companies will not be allowed to provide long distance service within the regions in which they also provide local exchange service, known as "in-region service," until they receive specific approval of the FCC on a state-by-state basis, based on satisfying several conditions, including a checklist of requirements intended to open local telephone markets to competition.

The FCC has not yet found that any regional Bell operating company has met these requirements, although an application by Bell Atlantic to provide long distance service in New York state is currently pending before it. If the FCC does permit regional Bell operating companies to provide long distance service in their local service regions before they meet our local interconnection needs, they would be able to offer integrated local and long distance services and could have a significant competitive advantage in marketing those services to their existing local clients.

ILEC Pricing Flexibility

In an Order issued in August 1999, the FCC granted the major local exchange carriers increased pricing flexibility upon demonstration of increased competition (or potential competition) in relevant markets. That process will give ILECs progressively greater flexibility in setting rates as competition develops, gradually replacing regulation with competition as the primary means of setting prices. This ruling will permit the ILECs to charge different rates for the same service in different geographic markets, and in some cases to negotiate customer-specific price terms. Although currently under appeal at the FCC and the District of Columbia Circuit Court, this FCC decision is likely to have a significant impact on the interstate access prices charged by the ILECs with which we compete, and hence on our operations, expenses, pricing and revenue. The ILECs' prices for these services will affect us both directly, as a customer buying services from the ILECs for resale to our customers, and indirectly, as a competitor.

Universal Service Reform

On May 8, 1997, the FCC issued an order to implement the provisions of the Telecommunications Act relating to the preservation of advancement of universal telephone service. All telecommunications carriers providing interstate telecommunications services, including us, must contribute to the universal service support fund. These contributions became due beginning in 1998 for all providers of interstate telecommunications services. Contributions are assessed based on interstate and international end user telecommunications. Contribution factors vary quarterly and carriers, including us, are billed monthly.

State Regulation

We will offer intrastate common carrier services and are subject to various state laws and regulations. Most public utility commissions require some form of certification or registration. We must

acquire such authority before commencing service. In most states, we are also required to file tariffs or price lists setting forth the terms, conditions and prices for services that are classified as intrastate. We are required to update or amend these tariffs when we adjust our rates or add new products and are subject to various other regulatory requirements, including payment of fees and filing of reports, in these states.

Many states also require prior approval for transfers of control of certified carriers, corporate reorganizations, acquisitions of telecommunications operations, assignment of carrier assets, carrier stock offerings and incurrence of significant debt obligations. Some states treat the transfer of only 10% of the voting stock of a regulated company, or its parent company, as a transfer of control that requires prior approval. The need to obtain these approvals may delay, and therefore may affect the terms of, major financing transactions in the future.

States generally retain the right to sanction a carrier or to revoke certification if a carrier violates relevant laws or regulations. If any state regulatory agency were to conclude that we are or were providing intrastate services without the appropriate authority, the agency could initiate enforcement actions, which could include the imposition of fines, a requirement to disgorge revenues, or the refusal to grant the regulatory authority necessary for the future provision of intrastate communications services.

We have applications pending to provide resold and network-based competitive local exchange and interexchange services in many states and plan to submit applications nationwide by the end of the year. We cannot be sure that we will receive the authorizations we seek currently or in the future.

Local Government Authorizations

In some municipalities, we may be required to pay license or franchise fees based on a percentage of gross revenue, as well as post performance bonds or letters of credit. In many markets, the incumbent providers do not pay these franchise fees or pay fees that are substantially less than those that we will be required to pay. To the extent that competitors do not pay the same level of fees as we do, we could be at a competitive disadvantage.

At present, we have no plans to construct transmission facilities (such as fiber optic lines) in public rights-of-way, but if we do so in the future we may become subject to more extensive local government regulations.

International Regulation

In some countries where we plan to operate, local laws or regulations limit or require prior government approval for the provision of international telecommunications service in competition with authorized carriers. For example, our provision of services over facilities using our own network or by purchasing minutes from other carriers for resale to our customers may be affected by increased regulatory requirements in a foreign jurisdiction. Also, local laws and regulations differ significantly among the jurisdictions in which we operate or plan to operate, and, within such jurisdictions, the interpretation and enforcement of these laws and regulations can be unpredictable. We cannot be sure that future regulatory, judicial, legislative or political changes will permit us to offer to residents of these countries all or any of its services or will not have a material adverse effect on us. In addition, we cannot be sure that regulators or third parties will not raise material issues regarding our compliance with applicable laws or regulations, or that governmental decisions will not harm our business.

In addition, the World Trade Organization Agreement, which reflects efforts to eliminate government-owned telecommunications monopolies throughout Asia, Europe and Latin America, may affect us. Although we believe that these deregulation efforts will create opportunities for new entrants in the telecommunications service industry, they also create enhanced opportunities for foreign telecommunications carriers to compete against us.

Legal Proceedings

We are not the subject of any material legal proceedings.

Employees

As of November 30, 1999, we had 117 full-time employees, none of whom was represented by a labor union. Our future performance depends, in significant part, upon the continued service of our key technical, sales and senior management personnel. All of our executive officers are subject to employment agreements for specific terms. For additional information on these employment agreements, please see "Management — Employment Agreements" and "— Change of Control Agreements". The loss of the services of one or more of our key employees could have a material adverse effect on our business, financial condition and results of operations. To date, we have not experienced any work stoppages, and we consider our relations with our employees to be good.

Facilities

Our headquarters are located in Chicago, Illinois, where we lease 19,106 square feet of office space under a lease expiring in December 2000. We anticipate that we will need to secure additional space for our headquarters within the next six months. We also currently lease office space for sales offices in 12 cities in the United States, and space for UTX facilities in seven cities in the United States. Our UTX leases expire on various dates between May 2009 and November 2014.

MANAGEMENT

Executive Officers And Directors

Our executive officers and directors and their ages, as of November 30, 1999, are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Patrick C. Shutt (1) (2)	32	President and Chief Executive Officer, Director
Robert J. Pommer, Jr. (1) (2)	32	Chief Operating Officer, Secretary, Director
Donna M. Shore	31	Chief Financial Officer, Treasurer
Holly A. Weller	47	Executive Vice President, Marketing
Kenneth A. Napier	53	Executive Vice President, Client Services
Scott D. Fehlan	31	General Counsel and Assistant Secretary
Mark A. Dickey	35	Senior Vice President, Sales and Marketing
George A. King	40	Senior Vice President, Corporate Development
Paolo Guidi	57	Director
Thomas Kapsalis (3)	64	Director
Robert A. Pollan (4)	39	Director
Joseph L. Schocken (2) (3) (4)	53	Director
Roland A. Van der Meer (2) (3) (4)	39	Director

- (1) Member of nominating committee
 (2) Member of option committee
 (3) Member of compensation committee
 (4) Member of audit committee

Patrick C. Shutt co-founded Universal Access in October 1997 and has served as our President and as one of our directors since our inception. Mr. Shutt has been our Chief Executive Officer since December 1998. Prior to founding Universal Access, from March 1996 to September 1997, Mr. Shutt was Senior Vice President of Operations at Arista Communications, a telecommunications agency firm. From February 1994 to March 1996, he was a sales manager with TCG, a telecommunications company. From October 1993 to February 1994, Mr. Shutt was the Vice President in charge of Business Development for Valuation Counselors, a business services company.

Robert J. Pommer, Jr. co-founded Universal Access in October 1997, has served as our Secretary since our inception and was our Treasurer from October 1997 to August 1999. Mr. Pommer has served as our Chief Operating Officer since December 1998 and as one of our directors since July 1998. Prior to founding Universal Access, from March 1996 to September 1997, Mr. Pommer was Vice President of Operations for Arista Communications, a telecommunications agency firm. From May 1994 to March 1996, he was a Manager for Strategic Accounts with TCG, a telecommunications company. From November 1993 to May 1994, Mr. Pommer was a consultant for Delta Communications, a telecommunications consulting firm.

Donna M. Shore has served as Chief Financial Officer and Treasurer since August 1999. From December 1998 to March 1999 she served as our Vice President of Finance and from March 1999 to August 1999 she served as our Senior Vice President of Finance. From May 1991 to May 1998, Ms. Shore worked for PricewaterhouseCoopers LLP, a public accounting firm, most recently as a manager in their mergers and acquisitions division.

Holly A. Weller has served as Executive Vice President of Marketing since July 1999. Prior to joining Universal Access, from December 1998 until July 1999, she was Vice President of Business Development and Marketing for Amteva Technologies, a computer software developer which was acquired by Cisco Systems, Inc., a manufacturer of network equipment. From July 1997 to August 1998, Ms. Weller was with ADC Wireless Systems, a telecommunications equipment manufacturer, as the Vice President of Marketing and Sales. From January 1995 until July 1997 she was the Vice

President and General Manager of the Wireless Data Group of Comcast Cellular Communications, a cellular communications company. Prior to January 1995, Ms. Weller spent 10 years working for NYNEX Corporation, a telephone company.

Kenneth A. Napier has served as Executive Vice President of Client Services since June 1999. Prior to joining us, from May 1997 to June 1999, Mr. Napier was Vice President of Business Development for Klein Technologies, Inc., a computer systems design company. From February 1991 to May 1997, he was a Senior Vice President of Strategic Development and a General Manager of Commercial Operations for Automation Research Systems, a computer systems engineering and computer management services company. From March 1988 to February 1991, he worked for Tracor, a computer systems design and integration company.

Mark A. Dickey has served as our Vice President of Sales since December 1998. From June 1996 to June 1998, Mr. Dickey was Director of Sales for USN Communications, an investment holding company. From April 1994 to May 1996, Mr. Dickey worked as a manager at TCG, a telecommunications company. From May 1992 to April 1994, Mr. Dickey was a sales manager with Cable and Wireless, a telephone communications company.

Scott D. Fehlan has served as our General Counsel and Assistant Secretary since September 1999. From January 1995 to May 1998, Mr. Fehlan was an associate, and from June 1998 to September 1999 he was a shareholder of Shefsky & Froelich Ltd., a law firm. From January 1993 to January 1995, he was an associate with Kirkland & Ellis, a law firm. Mr. Fehlan holds a J.D. from Yale Law School.

Thomas Kapsalis has served as one of our directors since October 1997. From October 1997 to February 1999, Mr. Kapsalis was our Chairman of the Board, Assistant Secretary and Assistant Treasurer. Since June 1986, Mr. Kapsalis has been Chairman of K&D Facilities Resource Corporation, a business consulting firm. Mr. Kapsalis has also been a member of the Cole Taylor Bank Advisory Board since September 1993.

George A. King has served as our Senior Vice President of Corporate Development since August 1999. From our inception to August 1999, Mr. King served as an advisor to the executive officer group. From our inception to February 1999, Mr. King was one of our directors. Prior to joining Universal Access, from February 1995 to November 1996, Mr. King was a Managing Director of Cambridge Partners, an investment banking firm. From December 1996 to August 1999, was a Senior Managing Director of Hudson AIPF, LLC, a financial advisory firm. From January 1994 to February 1995, Mr. King was a Vice President of Credit Suisse First Boston, an investment banking firm.

Robert A. Pollan has served as one of our directors since February 1999. Mr. Pollan has been a Managing Director of Internet Capital Group, an internet holding company, since June 1998. From August 1995 to June 1998, Mr. Pollan served as a Chief Technology Officer and Vice President of Business Development at General Electric Capital Corporation. From September 1991 to July 1995, Mr. Pollan was co-founder and Managing Director of OFF, Ltd., an advisory firm focused on the organizational and financial restructuring of industrial enterprises in Central Europe.

Joseph L. Schocken has served as one of our directors since October 1998. He founded Broadmark Capital Corporation, an investment banking firm, in November 1986 and serves as its Chairman. Mr. Schocken is also a director of Broadmark Asset Management Company, an asset management firm. Mr. Schocken is also the head of Broadmark Capital Corporation's Corporate Finance Group where he serves as an advisor to a number of Broadmark's clients and portfolio companies.

Roland A. Van der Meer has served as one of our directors since February 1999. In June 1987, Mr. Van der Meer founded and became a partner of ComVentures, a venture capital firm. From June 1993 to June 1997, Mr. Van der Meer was a partner at the venture capital firm of Partech International.

Paolo Guidi has served as one of our directors since August 1999. He has been the President and Chief Executive Officer of Teleglobe Communications Corporation, a provider of intercontinental telecommunications services, since February 1995. From July 1986 to February 1995, Mr. Guidi was employed by Sprint International Corporation, a provider of intercontinental telecommunications services, in various capacities, most recently as President.

Board Of Directors

Our board of directors currently consists of seven authorized members. When this offering is completed, our certificate of incorporation and bylaws will provide for a classified board of directors consisting of seven directors divided into three classes, each serving staggered three-year terms. As a result, a portion of our board of directors will be elected each year. To implement the classified structure, before this offering is completed, two of the nominees of our board of directors will be elected to one-year terms, two will be elected to two-year terms and three will be elected to three-year terms. Thereafter, directors will be elected for three-year terms. Messrs. _____ and _____ have been designated Class I Directors, whose terms expire at the 2000 annual meeting of stockholders. Messrs. _____ and _____ have been designated Class II Directors, whose terms expire at the 2001 annual meeting of stockholders. Messrs. _____, _____ and _____ have been designated Class III Directors, whose terms expire at the 2002 annual meeting of stockholders. This classification of our board of directors may delay or prevent a change in control of our company or in our management. See "Description of Capital Stock — Delaware Anti-Takeover Law and Certain Charter and Bylaw Provisions".

Our executive officers are appointed by our board of directors on an annual basis and serve until their successors have been elected and qualified. There are no family relationships among any of our directors, officers or key employees.

Board Committees

We established an audit committee and a compensation committee in August 1999. The audit committee consists of Messrs. Pollan, Schocken and Van der Meer. The audit committee reviews our internal accounting procedures and consults with and reviews the services provided by our independent accountants.

The compensation committee consists of Messrs. Kapsalis, Schocken and Van der Meer. The compensation committee reviews and recommends to our board of directors the compensation of all of our officers and directors, including stock compensation and loans and establishes and reviews general policies relating to the compensation and benefits of our employees.

We established an option committee consisting of Messrs. Pommer, Schocken, Shutt and Van der Meer in March 1999. The option committee reviews and approves equity grants pursuant to our stock option plans to our employees other than executive officers.

We established a nominating committee in February 1999, consisting of Messrs. Pommer and Shutt. The nominating committee reviews and approves the appointment of directors to our board of directors.

Compensation Committee Interlocks And Insider Participation

The members of our compensation committee are Messrs. Kapsalis, Schocken and Van der Meer. None of the members of the compensation committee is currently or has been, at any time since our formation, one of our officers or employees. None of our executive officers currently serves or in the past has served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board or compensation committee. Mr. Kapsalis is a holder of approximately 5.3% of our outstanding stock. He is also principal of K&D Consulting. We paid K&D Consulting \$3,000 per month from April 1999 to October 1999 for

management consulting services. Mr. Van der Meer is a partner of ComVentures, a holder of approximately 17.4% of our outstanding stock that has purchased shares of Series B preferred stock, Series C preferred stock and Series D preferred stock. Mr. Schocken is the chairman of Broadmark Capital Corporation, a holder of approximately 1.9% of our outstanding stock that has purchased shares of our common stock, Series A preferred stock and Series D preferred stock. Broadmark Capital Corporation provided financial services to us in connection with the placement of our Series A preferred stock and Series D preferred stock. As consideration for these services, we paid them approximately \$502,190 and issued them warrants for our common stock and our Series A preferred stock. In addition, they received options to purchase a total of 839,994 shares of our common stock from John Drummond, one of our 5% stockholders, Thomas Kapsalis, one of our 5% stockholders and a director, and Sam Zarcone, one of our 5% stockholders. See "Transactions with Related Parties and Insiders." Prior to the formation of the compensation committee, compensation decisions were made by our entire board of directors.

Director Compensation

Other than our stock option grant to Paolo Guidi in August 1999 which is described in "Transactions With Related Banks and Insiders — Option Grants to Executive Officers and Directors," we do not currently compensate our directors in cash for their service as members of our board of directors, although they are reimbursed for certain expenses in connection with attendance at board of director and committee meetings. Our 1999 Director Option Plan provides for the automatic grant of non-statutory stock options to nonemployee directors. For further information regarding the provisions of the 1999 Director Option Plan, see "— Incentive Stock Plans".

Limitations On Directors' Liability And Indemnification

Our certificate of incorporation will, upon the closing of this offering, limit the liability of directors to the maximum extent permitted by Delaware law. Delaware law provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except liability for:

- any breach of their duty of loyalty to the corporation or its stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions; or
- any transaction from which the director derived an improper personal benefit.

The limitation of liability does not apply to liabilities arising under the federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our certificate of incorporation and bylaws provide that we will indemnify our directors and officers and may indemnify our employees and other agents to the fullest extent permitted by law. We believe that indemnification under our bylaws covers at least negligence on the part of indemnified parties. Our bylaws also permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in their capacity as an officer, director, employee or other agent, regardless of whether the bylaws would permit indemnification.

We have entered into agreements to indemnify our directors and executive officers, in addition to the indemnification provided for in our bylaws. These agreements, among other things, provide for indemnification for judgments, fines, settlement amounts and certain expenses, including attorneys' fees incurred by the director, executive officer or controller in any action or proceeding, including any action by or, in our right, arising out of the person's services as a director, executive officer or controller of us, any of our subsidiaries or any other company or enterprise to which the person

provides services at our request. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers.

The limited liability and indemnification provisions in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty and may reduce the likelihood of derivative litigation against our directors and officers, even though a derivative action, if successful, might otherwise benefit us and our stockholders. A stockholder's investment in us may be adversely affected to the extent we pay the costs of settlement or damage awards against our directors and officers under these indemnification provisions.

At present, there is no pending litigation or proceeding involving any of our directors, officers or employees in which indemnification is sought, nor are we aware of any threatened litigation that may result in claims for indemnification.

Executive Compensation

The following table sets forth the compensation earned, awarded or paid for services rendered to us in all capacities for the fiscal year ended December 31, 1998 by our Chief Executive Officer and our next most highly compensated executive officer who earned more than \$100,000 in salary and bonus during the fiscal year ended December 31, 1998, whom we refer to in this prospectus collectively as the "named executive officers":

Summary Compensation Table

<u>Name and Principal Positions</u>	<u>Annual Compensation</u>		<u>Compensation Awards</u>		<u>All Other Compensation</u>
	<u>Salary</u>	<u>Bonus</u>	<u>Stock Awards</u>	<u>Securities Underlying Options</u>	
Patrick C. Shutt President and Chief Executive Officer	\$118,344	7,476	\$ —(1)	300,000	—
Robert J. Pommer, Jr. Chief Operating Officer and Secretary	\$112,003	7,476	—(1)	300,000	—

(1) In March 1998, Mr. Shutt and Mr. Pommer each purchased 150,000 fully vested shares of our common stock at a purchase price of .000033 per share under a stock purchase agreement. As of December 31, 1998, Mr. Shutt and Mr. Pommer each held 5,708,000 shares of our common stock which had an aggregate fair market value of \$1,512,620. No dividends were paid on this stock during fiscal year ended December 31, 1998.

Option Grants in Last Fiscal Year

The following table shows information regarding stock options granted to the named executive officers during the fiscal year ended December 31, 1998. The potential realizable value is based on the assumption that our common stock appreciates at the annual rate shown, compounded annually, from the date of grant until the expiration of the ten-year term. These numbers are calculated based on Securities and Exchange Commission requirements and do not reflect projections or estimates of future stock price growth. Potential realizable values are computed by:

- Multiplying the number of shares of common stock underlying each option by \$ _____ per share, the assumed initial public offering price per share;
- Assuming that the total stock value derived from that calculation compounds at the annual 0%, 5% or 10% rate shown in the table for the entire ten-year term of the option; and
- Subtracting from that result the total option exercise price.

Actual gains, if any, on stock option exercises will be dependent on the future performance of our common stock.

The percentage of total options granted is based on an aggregate of 3,504,000 options granted by us during the fiscal year ended December 31, 1998, to our employees including the named executive officers. Options were granted with an exercise price equal to the fair market value of our common stock, as determined in good faith by our board of directors at the time of the grants.

Individual Grants							
Name	Number of Securities Underlying Options Granted (#)	% of Total Options Granted to Employees During Period	Exercise Price Per Share	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Appreciation for Option Term		
					0%	5%	10%
Patrick C. Shutt.....	300,000 (1)	8.56%	\$0.0000033	July 10, 2008	\$	\$	\$
Robert J. Pommer, Jr. ..	300,000 (1)	8.56%	0.0000033	July 10, 2008			

(1) The fair market value of our common stock on the date of this grant was \$.067 per share. These options to purchase our common stock were fully vested on July 10, 1998.

AGGREGATE OPTION EXERCISES DURING LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

The following table presents information regarding the named executive officers, concerning option exercises for the year ended December 31, 1998 and exercisable and unexercisable options held as of December 31, 1998. The value of unexercised in-the-money options is based on a price of \$0.265 per share, the fair market value of our stock on December 31, 1998, as determined by our board of directors, minus the per share exercise price, multiplied by the number of shares underlying the option.

Name	Shares Acquired on Exercise	Number of Securities Underlying Unexercised Options at December 31, 1998		Value of Unexercised In-The-Money Options at December 31, 1998	
		Exercisable	Unexercisable	Exercisable	Unexercisable
Patrick C. Shutt	—	300,000	—	\$79,499	—
Robert J. Pommer, Jr.....	—	300,000	—	\$79,499	—

Incentive Stock Plans

1998 Employee Stock Option Plan

Our 1998 Employee Stock Option Plan, referred to as the "1998 Plan", was adopted by our board of directors on July 10, 1998 and approved by our stockholders on May 1, 1998. Our board of directors has decided that as of the effective date of this offering no further options will be granted under the 1998 Plan. However, the provisions of our 1998 Plan will continue to govern outstanding options issued under the 1998 Plan. Our 1998 Plan provides for the grant of incentive stock options, within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, referred to as the "Code", to our employees and for the grant of nonstatutory stock options to our employees, directors and consultants.

Number of Shares of Common Stock Available Under the 1998 Plan. The maximum number of shares that may be issued under the 1998 Plan is 13,000,000 shares of our common stock. As of November 30, 1999 options to purchase 10,405,500 shares of our common stock were outstanding under the 1998 Plan.

Administration of the 1998 Plan. Our board of directors or a committee appointed by our board of directors administers the 1998 Plan. The board or committee has the authority to determine the terms of the option grants under the 1998 Plan including the exercise price, the number of shares covered by each option, the vesting of options and the form of consideration payable upon exercise.

Options. The exercise price of incentive stock options granted under the 1998 Plan may not be lower than the fair market value, as determined by our board of directors on the date of grant, of our common stock and the term of an option may not exceed 10 years. If one of our stockholders owned 10% of the voting power of all classes of our outstanding capital stock and is granted an incentive stock option, the exercise price may not be lower than 110% of the fair market value on the date of grant and the term may be no longer than five years.

If an optionee's employment is terminated due to death or disability, he or she generally will have one year to exercise any of his or her outstanding options. If an optionee's employment is terminated due to retirement, he or she generally will have three years to exercise each outstanding option. If an optionee's employment is terminated for any other reason, he or she generally will have three months to exercise any options held by him or her; provided, however an optionee's options will terminate immediately upon his or her termination for cause.

Options granted under our 1998 Plan are not transferable other than by will, the laws of inheritance or pursuant to a qualified domestic relations order.

Adjustments upon Merger or Asset Sale. Our 1998 Plan provides that if we merge with or into another corporation or sell substantially all of our assets, the successor corporation will assume or substitute each option. If the outstanding options are not assumed or substituted by the successor corporation, the committee has the discretion to allow each option to be exercisable in full, including shares that would not otherwise be exercisable at the time of such merger or sale of assets. If the outstanding options are not assumed or substituted by the successor corporation and the committee chooses to accelerate the exercisability of outstanding options, all options will terminate if not exercised during the 30-day period prior to the merger or sale of assets.

1999 Stock Plan

Our board of directors adopted the 1999 Stock Plan, referred to as the "1999 Plan", in November 1999. The 1999 Plan will be submitted to our stockholders for their approval. Our 1999 Plan provides for the grant of incentive stock options, within the meaning of Section 422 of the Code, to our employees, and for the grant of nonstatutory stock options and stock purchase rights to our employees, directors and consultants.

Number of Shares of Common Stock Available under the 1999 Plan. As of November 30, 1999, a total of 10,000,000 shares of our common stock were reserved for issuance pursuant to the 1999 Plan, of which options to acquire no shares were issued and outstanding as of that date. Our 1999 Plan provides for annual increases in the number of shares available for issuance under our 1999 Plan on the first day of each fiscal year, beginning with our fiscal year 2001, equal to the lesser of 5% of the outstanding shares of common stock on the first day of fiscal year 2001, 10,000,000 shares of our common stock, or an amount determined by our board of directors.

Administration of the 1999 Plan. Our board of directors or a committee of our board of directors administers the 1999 Plan. In the case of options intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, the committee will consist of two or more "outside directors" within the meaning of Section 162(m) of the Code. The administrator has the authority to determine the terms of the options or stock purchase rights granted, including the exercise price, the number of shares subject to each option or stock purchase right, the exercisability of the options and the form of consideration payable upon exercise.

Options. The administrator determines the exercise price of options granted under the 1999 Plan, but with respect to nonstatutory stock options intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code and all incentive stock options, the exercise price must at least be equal to the fair market value of our common stock on the date of the grant. The term of an incentive stock option may not exceed ten years, except that with respect to any participant who owns 10% of the voting power of all classes of our outstanding capital stock, the term must not exceed five years and the exercise price must equal at least 110% of the fair market value on the grant date. The administrator determines the term of all other options.

No optionee may be granted an option to purchase more than 3,000,000 shares in any fiscal year; except that an optionee in his initial term of service may receive options to purchase up to an additional 2,000,000 shares.

After termination of the employment of one of our employees, directors or consultants, he or she may exercise vested options for the period of time subsequent to termination stated in the option agreement or for 3 months if a period is not stated in the option agreement. If termination of employment is due to death or disability, vested options will remain exercisable for 12 months or for the period stated in the option agreement. However, an option may never be exercised later than the expiration of its term.

Stock Purchase Rights. Stock purchase rights, which represent the right to purchase our common stock, may be issued under our 1999 Plan. The administrator determines the exercise price of stock purchase rights granted under our 1999 Plan. Unless the administrator determines otherwise, a restricted stock purchase agreement, an agreement between us and an optionee which governs the terms of stock purchase rights, will grant us a repurchase option that we may exercise upon the voluntary or involuntary termination of the purchaser's service with us for any reason, including death or disability. The purchase price for shares we repurchase will generally be the original price paid by the purchaser and may be paid by cancellation of any indebtedness of the purchaser to us. The administrator determines the rate at which our repurchase option will lapse.

Transferability of Options and Stock Purchase Rights. Our 1999 Plan generally does not allow for the transfer of options or stock purchase rights, and, during the lifetime of the optionee, only the optionee may exercise an option and stock purchase right. However, the administrator has the authority to allow for the transferability of options.

Adjustments upon Merger or Asset Sale. Our 1999 Plan provides that if we merge with or into another corporation or sell substantially all of our assets, the successor corporation will assume or substitute each option or stock purchase right. If the outstanding options or stock purchase rights are not assumed or substituted, the administrator will provide notice to the optionee that he or she has the right to exercise the option or stock purchase right as to all of the shares subject to the option or

stock purchase right, including shares which would not otherwise be exercisable, for a period of 15 days from the date of the notice. The option or stock purchase right will terminate upon the expiration of the 15-day period provided for in the notice.

Amendment and Termination of our 1999 Plan. Our 1999 Plan will automatically terminate in 2009, unless our board of directors terminates it sooner. However, our board of directors may amend, suspend or terminate the 1999 Plan provided it does not adversely affect any option previously granted under our 1999 Plan.

1999 Employee Stock Purchase Plan

Concurrently with this offering, we intend to establish an employee stock purchase plan. The employee stock purchase plan was adopted by our board in November 1999 and will be submitted to our stockholders for their approval.

Number of Shares of Common Stock Available under the Purchase Plan. A total of 500,000 shares of our common stock will be made available for issuance under the employee stock purchase plan. In addition, our employee stock purchase plan provides for annual increases in the number of shares available for issuance under the employee stock purchase plan on the first day of each fiscal year, beginning with our fiscal year 2001, equal to the lesser of 2% of the outstanding shares of our common stock on the first day of the fiscal year, 3,000,000 shares, or such other amount as our board of directors may determine.

Administration of the Purchase Plan. Our board of directors or a committee of our board administers the employee stock purchase plan. Our board of directors or its committee has full and exclusive authority to interpret the terms of the employee stock purchase plan.

Eligibility to Participate. Our employees are eligible to participate if they are customarily employed by us or any participating subsidiary for at least 20 hours per week and more than five months in any calendar year. However, an employee may not be granted an option to purchase stock under the employee stock purchase plan if such employee:

- immediately after grant will own stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock, or
- has rights to purchase stock under any of our employee stock purchase plans that accrue at a rate that exceeds \$25,000 worth of stock for each calendar year.

Offering Periods and Contributions. Our employee stock purchase plan is intended to meet the requirements of Section 423 of the Internal Revenue Code and contains consecutive, overlapping 24-month offering periods. Each offering period includes four 6-month purchase periods. The offering periods generally start on the first trading day on or after May 1st and November 1st of each year, except for the first such offering period which will commence on the first trading day on or after the effective date of this offering and will end on the last trading day on or before January 31, 2002.

Our employee stock purchase plan permits participants to purchase common stock through payroll deductions of up to 15% of their eligible compensation which includes a participant's base salary, wages, overtime pay, commissions, bonuses and other compensation remuneration paid directly to the employee. A participant may purchase a maximum of 3,000 shares during a 6-month purchase period, except as otherwise prohibited in the employee stock purchase plan.

Purchase of Shares. Amounts deducted and accumulated by the participant are used to purchase shares of our common stock at the end of each six-month purchase period. The price is 85% of the lower of the fair market value of our common stock at the beginning of an offering period or at the end of a purchase period. If the fair market value at the end of a purchase period is less than the fair market value at the beginning of the offering period, participants will be withdrawn from the current offering period following their purchase of shares on the purchase date and will be automatically re-enrolled in a new offering period. Participants may end their participation at any time

during an offering period, and will be paid their payroll deductions to date. Participation ends automatically upon termination of employment with us.

Transferability of Rights. A participant may not transfer rights granted under the employee stock purchase plan other than by will, the laws of descent and distribution or as otherwise provided under the employee stock purchase plan.

Adjustments upon Merger or Asset Sale. If we merge with or into another corporation or sell substantially all of our assets, a successor corporation may assume or substitute each outstanding option. If the successor corporation refuses to assume or substitute for the outstanding options, the offering period then in progress will be shortened, and a new exercise date will be set.

Amendment and Termination of the Purchase Plan. Our employee stock purchase plan will terminate in 2009. However, our board of directors may at any time and for any reason amend or terminate our employee stock purchase plan, except that, subject to certain exceptions described in the employee stock purchase plan, no such action may adversely affect any outstanding rights to purchase stock under our employee stock purchase plan.

1999 Director Option Plan

Our board of directors adopted the 1999 Director Option Plan in November 1999. The director plan has been submitted to our stockholders for their approval. Subject to stockholder approval, the director plan will become effective on the effective date of this offering. The director plan provides for the periodic grant of nonstatutory stock options to our non-employee directors.

Number of Shares Available under the Director Plan. As of November 30, 1999, a total of 500,000 shares were reserved for issuance under the director plan. No options will be granted under the director plan until the effective date of this offering.

Options. All grants of options to our non-employee directors under the director plan are automatic. We will grant each non-employee director an option to purchase 20,000 shares upon the later of (i) the effective date of the director plan, or (ii) when such person first becomes a non-employee director; however those directors who became non-employee directors by ceasing to be employee directors will not receive such an option grant. All non-employee directors who have been a director for at least 6 months will on the date of grant receive an option to purchase 5,000 shares on June 30th of each year.

All options granted under our director plan have a term of ten years and an exercise price equal to fair market value on the date of grant. Each 20,000-share option becomes exercisable as to 25% of the shares subject to the option on each anniversary of the date of grant, provided the non-employee director remains a director on such dates. Each annual 5,000-share option becomes exercisable as to 100% of the shares subject to the option on the first anniversary of the date of grant, provided the non-employee director remains a director on such dates.

After termination as a non-employee director, an optionee must exercise an option within the time set forth in his or her option agreement. If termination is due to death or disability, the option will remain exercisable for 12 months. In all other cases, the option will remain exercisable for a period of three months. However, an option may never be exercised later than the expiration of its term.

Transferability of Options. A non-employee director may not transfer options granted under our director plan other than by will or the laws of descent and distribution. Only the non-employee director may exercise the option during his or her lifetime.

Adjustments upon Merger or an Asset Sale. If we merge with or into another corporation or sell substantially all of our assets, the successor corporation will assume or substitute each option. If such assumption or substitution occurs, the options will continue to be exercisable according to the same terms as before the merger or sale of assets. Following such assumption or substitution, if a non-employee director is terminated other than by voluntary resignation, the option will become fully

exercisable, including as to shares for which it would not otherwise be exercisable and generally will remain exercisable for a period of three months. If the outstanding options are not assumed or substituted for, our board of directors will notify each non-employee director that he or she has the right to exercise the option as to all shares subject to the option for a period of 30 days following the date of the notice. The option will terminate upon the expiration of the 30-day period.

Amendment and Termination of the Director Plan. Unless terminated sooner, our director plan will automatically terminate in 2009. Our board of directors may amend, alter, suspend, or discontinue the director plan, but no such action may adversely affect any grant made under the director plan.

401(k) Plan

In 1999, we adopted the Universal Access, Inc. 401(k) Savings Plan and Trust, covering our eligible full-time employees located in the United States. The 401(k) plan is intended to meet the requirements of Sections 401(a) and 401(k) of the Internal Revenue Code, as amended, so that contributions to the 401(k) plan by employees, and the investment earnings thereon, are not taxable to employees until withdrawn from the 401(k) plan. Under the 401(k) plan, employees may elect to reduce their current eligible compensation by up to the lesser of 15% of their annual compensation or the statutorily prescribed annual limit (\$10,000 in 1999) and to have the amount of the reduction contributed to the 401(k) plan. The 401(k) plan does permit discretionary matching contributions to the 401(k) plan by us on behalf of participants in the 401(k) plan who have completed at least a year of service to us. To date, there have been no matching contributions.

Employment Agreements

From time to time, we have entered into employment agreements with our executive officers, including the executive officers listed in the "Summary Compensation Table."

Patrick Shutt. In September 1998, Patrick Shutt entered into an employment agreement with us. In February 1999 and August 1999, we amended our employment agreement with Mr. Shutt. Mr. Shutt is currently entitled to an annual salary of \$235,000 with an annual bonus of up to \$72,000 to be paid upon the completion of performance-based milestones. Mr. Shutt is also entitled to a car allowance of \$600 per month. Mr. Shutt's employment agreement is for a renewable one-year term.

Robert Pommer. In September 1998, Robert Pommer entered into an employment agreement with us. In February 1999 and August 1999 we amended our employment agreement with Mr. Pommer. Mr. Pommer is currently entitled to an annual salary of \$215,000 with an annual bonus of up to \$68,000 to be paid upon the completion of performance-based milestones. Mr. Pommer is also entitled to a car allowance of \$600 per month. Mr. Pommer's employment agreement is for a renewable one-year term.

Donna Shore. In November 1998, Donna Shore entered into an employment agreement with us. We amended our employment agreement with Ms. Shore in August 1999. Ms. Shore is currently entitled to an annual salary of \$175,000 with an annual bonus of up to \$60,000 to be paid upon the completion of performance-based milestones. Ms. Shore is also entitled to a car allowance of \$600 per month. Ms. Shore's employment agreement has an initial term of three years and is renewable for additional one-year terms.

Holly Weller. In August 1999, Holly Weller entered into an employment agreement with us. Ms. Weller is currently entitled to an annual salary of \$155,000 with a quarterly bonus of up to \$15,000 to be paid upon the completion of performance-based milestones. Ms. Weller's employment agreement is for a renewable one-year term.

Kenneth Napier. In July 1999, Kenneth Napier entered into an employment agreement with us. Mr. Napier is currently entitled to an annual salary of \$145,000 with an annual bonus to be paid at our discretion. Mr. Napier's employment agreement is for a renewable one-year term.

Scott Fehlan. In September 1999, Scott Fehlan entered into an employment agreement with us. Mr. Fehlan is currently entitled to an annual salary of \$155,000 with a quarterly bonus of up to \$10,000 to be paid upon the completion of performance-based milestones. Mr. Fehlan's employment agreement is for a renewable one-year term.

Mark Dickey. In November 1998, Mark Dickey entered into an employment agreement with us. Mr. Dickey is currently entitled to an annual salary of \$120,000 with a quarterly bonus to be paid at our discretion. Mr. Dickey's employment agreement is for a renewable one-year term.

George King. In August 1999, George King entered into an employment agreement with us. Mr. King is currently entitled to an annual salary of \$135,000 with an annual bonus to be paid at our discretion. Mr. King's employment agreement is for a renewable one-year term.

Our executive officers listed under "Management" have provisions in their employment agreements which provide that if we terminate their individual employment terms for any reason other than cause, death or total disability, or if their authority, duties or responsibilities with us have been substantially reduced, then we will provide them with health, life and disability insurance for the one-year period after their termination. In addition, other than for Mark Dickey, we must also pay them the balance of their base salaries and bonus for the lesser of six months or the remaining term of their employment terms. For Mark Dickey, we must pay him the balance of his base salary and bonus for the lesser of four months or the remaining term of his employment term.

Change of Control Arrangements

Excluding Mark Dickey's August 1999 option grant for 150,000 shares of our common stock, any unvested options to purchase shares held by our executive officers will fully vest if there is a change of control which results in both:

- any sale of all or substantially all of our assets, any merger of us with another company or any other corporate reorganization in which more than 50% of our voting power is transferred; and
- the officer no longer being employed by us or the successor entity under substantially similar terms and conditions that existed prior to the change of control.

TRANSACTIONS WITH RELATED PARTIES AND INSIDERS

Other than the employment agreements described under "Management" and the transactions described below, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we were or are to be a party in which the amount involved exceeds \$60,000, and in which any director, executive officer, holder of more than 5% of our common stock or any member of the immediate family of any of these people had or will have a direct or indirect material interest.

Transactions With Directors, Executive Officers And 5% Stockholders

Common Stock. The following table summarizes the private placement transactions in which we sold common stock or granted warrants to acquire common stock to our directors, executive officers, 5% stockholders and persons and entities affiliated with them.

<u>Purchaser</u>	<u>Dates of Purchase</u>	<u>Price Per Share</u>	<u>Shares of Common Stock</u>	<u>Warrants to Purchase Common Stock</u>
Patrick C. Shutt	October 7, 1997	\$0.000002	4,725,000	—
(executive officer, director and 5% stockholder)	March 1, 1998	\$ 0.00003	150,000	—
	August 4, 1999	\$ 1.5125	500,000	—
Robert J. Pommer, Jr.	October 7, 1997	\$0.000002	4,725,000	—
(executive officer, director and 5% stockholder)	March 1, 1998	\$ 0.00003	150,000	—
	August 4, 1999	\$ 1.5125	300,000	—
Donna M. Shore	August 4, 1999	\$ 1.375	200,000	—
(executive officer)				
Sam Zarcone (5% stockholder)	October 7, 1997	\$ 0.0025	4,050,000	—
(includes stock held as joint tenants with right of survivorship with his daughter, Giuseppina Zarcone, and individually)	March 1, 1998	\$ 0.00003	450,000	—
Giuseppina Zarcone (5% stockholder)	October 7, 1997	\$ 0.0025	4,050,000	—
(includes stock held as joint tenants with right of survivorship with her father, Sam Zarcone, and individually)	October 7, 1997	\$ 0.0025	4,050,000	—
Thomas Kapsalis	October 7, 1997	\$0.000004	4,725,000	—
(director and 5% stockholder)	March 1, 1998	\$ 0.00003	1,050,000	—
John D. Drummond (5% stockholder)	October 7, 1997	\$0.000004	4,725,000	—
(Mr. Drummond beneficially holds our stock in a family limited partnership and in a trust)				
George A. King	March 1, 1998	\$ 0.00003	900,000	—
(executive officer)				
Entities affiliated with Broadmark Capital Corporation	February 8, 1999	\$ 0.50	—	360,000
(Joseph L. Schocken, one of our directors, is the chairman of Broadmark Capital Corporation)				

For current information on the holdings of these individuals, see "Principal Stockholders".

Series A Preferred Stock. On several dates in 1998 and 1999, we sold our Series A preferred stock and granted warrants to acquire Series A preferred stock, each share of which is convertible

into six shares of common stock. The following includes all purchasers who are officers, directors, 5% stockholders and persons and entities affiliated with them:

<u>Purchaser</u>	<u>Dates of Purchase</u>	<u>Price Per Share</u>	<u>Shares of Series A Preferred Stock</u>	<u>Warrants to Purchase Series A Preferred Stock</u>
Entities affiliated with Broadmark Capital Corporation	September 15, 1998	\$3.00	33,334	—
(Joseph L. Schocken, one of our directors, is the chairman of Broadmark Capital Corporation)	September 15, 1998	\$3.00	—	33,333
	March 5, 1999	\$3.00	19,999	—
	March 8, 1999	\$3.00	—	43,900

Series B Preferred Stock. In February and April 1999, we sold Series B preferred stock and warrants to acquire Series B preferred stock, each share of which is convertible into six shares of common stock. The following includes all purchasers who are officers, directors, 5% stockholders and persons and entities affiliated with them:

<u>Purchaser</u>	<u>Dates of Purchase</u>	<u>Price Per Share</u>	<u>Shares of Series B Preferred Stock</u>	<u>Warrants to Purchase Series B Preferred Stock</u>
Entities affiliated with ComVentures	February 8, 1999	\$3.00	1,166,666	—
(5% stockholder; Roland Van der Meer, one of our directors, is a partner of ComVentures)	February 8, 1999	0.01	—	11,112
	February 8, 1999	0.01	—	222,223
Entities affiliated with Internet Capital Group	February 8, 1999	\$3.00	833,334	—
(5% stockholder; Robert Pollan, one of our directors, is a managing director of Internet Capital Group)	February 8, 1999	0.01	—	166,667

Series C Preferred Stock. In May, 1999, we sold our Series C preferred stock at a purchase price of \$3.00 per share. Each share of Series C preferred stock is convertible into three shares of common stock. The following includes all purchasers who are officers, directors, 5% stockholders and persons and entities affiliated with them:

<u>Purchaser</u>	<u>Dates of Purchase</u>	<u>Shares of Series C Preferred Stock</u>
Entities affiliated with ComVentures	May 13, 1999	325,001
(5% stockholder; Roland Van der Meer, one of our directors, is a partner in ComVentures)		
Entities affiliated with Internet Capital Group	May 13, 1999	325,000
(5% stockholder; Robert Pollan, one of our directors, is a managing director in Internet Capital Group)		

Series D Preferred Stock. On several dates in 1999, we sold our Series D preferred stock at a purchase price of \$4.25 per share. Each share of Series D preferred stock is convertible into three

shares of common stock. The following includes all purchasers who are officers, directors, 5% stockholders and persons and entities affiliated with them:

<u>Purchaser</u>	<u>Dates of Purchase</u>	<u>Shares of Series D Preferred Stock</u>
Entities affiliated with ComVentures (5% stockholder; Roland Van der Meer, one of our directors, is a partner in ComVentures) ...	August 25, 1999	823,529
Entities affiliated with Internet Capital Group (5% stockholder; Robert Pollan, one of our directors, is a managing director in Internet Capital Group)	June 30, 1999	3,764,706
Entities affiliated with Broadmark Capital Corporation (Joseph Schocken, one of our directors, is the chairman of Broadmark Capital Corporation)	September 30, 1999	37,332

Loans to Executive Officers

Patrick Shutt. In August 1999 we loaned \$756,250 to Patrick Shutt under a promissory note secured by a stock pledge agreement, in connection with his purchase of 500,000 shares of our common stock. This loan accrues interest at a rate of 6% and is due and payable on or before August 2004. The principal amount outstanding under his loan on November 30, 1999 was \$756,250.

Robert Pommer. In May 1999, we loaned \$200,000 to Robert Pommer under a promissory note secured by a stock pledge agreement. This loan accrues interest at an annual rate of 6% and will be due and payable in April 2004. In August 1999 we loaned \$453,750 to Robert Pommer under a non-recourse promissory note secured by a stock pledge agreement, in connection with his purchase of 300,000 shares of our common stock. This loan accrues interest at an annual rate of 6% and is due and payable on or before August 2004. The principal amount outstanding under his loans on November 30, 1999 was \$653,750.

Donna Shore. In August 1999 we loaned \$275,000 to Donna Shore, under a non-recourse promissory note secured by a stock pledge agreement, in connection with her purchase of 200,000 shares of our common stock. This loan accrues interest at a rate of 6% and is due and payable on or before August 2004. No principal amounts were outstanding under Ms. Shore's loan during fiscal year ended December 31, 1998. The principal amount outstanding under her loan on November 30, 1999 was \$275,000.

Option Grants to Executive Officers and Directors

Patrick Shutt. In July 1998 we granted to Patrick Shutt an option to purchase 300,000 shares of our common stock at an exercise price of \$0.0000033 per share. In August 1999 we granted to Mr. Shutt an option to purchase 500,000 shares of our common stock at an exercise price of \$1.5125 per share.

Robert Pommer. In July 1998 we granted to Robert Pommer an option to purchase 300,000 shares of our common stock at an exercise price of \$0.0000033 per share. In August 1999 we granted to Mr. Pommer an option to purchase 300,000 shares of our common stock at an exercise price of \$1.5125 per share.

Donna Shore. In November 1998 we granted to Donna Shore an option to purchase 450,000 shares of our common stock at an exercise price of \$0.001667 per share. In August 1999 we granted to Ms. Shore an option to purchase 200,000 shares of our common stock at an exercise price of \$1.375 per share.

Holly Weller. In August 1999 we granted to Holly Weller an option to purchase 500,000 shares of our common stock at an exercise price of \$1.375 per share.

Kenneth Napier. In June 1999 we granted to Kenneth Napier an option to purchase 400,000 shares of our common stock at an exercise price of \$0.27 per share. In August 1999 we granted to Mr. Napier an option to purchase 100,000 shares of our common stock at an exercise price of \$1.375 per share. In November 1999 we granted to Mr. Napier an option to purchase 50,000 shares of our common stock at an exercise price of \$6.10 per share.

Scott Fehlan. In September 1999 we granted to Scott Fehlan an option to purchase 500,000 shares of our common stock at an exercise price of \$2.79 per share.

Mark Dickey. In November 1998 we granted to Mark Dickey an option to purchase 450,000 shares of our common stock at an exercise price of \$0.001667 per share. In August 1999 we granted Mr. Dickey an option to purchase 150,000 shares of our common stock at an exercise price of \$1.375 per share.

George King. In August 1999, we granted to George King an option to purchase 100,000 shares of our common stock at an exercise price of \$2.11 per share. In November 1999, we granted Mr. King an option to purchase 25,000 shares of our common stock at an exercise price of \$6.10 per share.

Paolo Guidi. In August 1999, we granted to Paolo Guidi an option to purchase a total of 200,000 shares of our common stock at an exercise price of \$1.375 per share.

Other Transactions

We entered into an engagement letter agreement with Broadmark Capital Corporation in August 1998 and amended this agreement in October 1998 and in February 1999. Joseph Schocken, one of our directors, is the Chairman of Broadmark Capital Corporation. Broadmark Capital Corporation provided services to us in connection with the placement of our Series A preferred stock, Series B preferred stock and Series D preferred stock. As consideration for their services, we paid them approximately \$502,190 and we issued them warrants to purchase our common stock and our Series A preferred stock. In addition, they received options to purchase a total of 839,994 shares of our common stock from John Drummond, a 5% stockholder, Thomas Kapsalis, a 5% stockholder and a director, and Sam Zarcone, a 5% stockholder.

In April 1999, we entered into a consulting agreement with K&D Consulting for management consulting services. Thomas Kapsalis, one of our directors and 5% stockholder and John Drummond, a 5% stockholder, are principals of K&D Consulting. K&D Consulting was paid \$3,000 per month as consideration for their consulting services. The consulting agreement terminated on October 31, 1999.

Before we moved to our current location at 100 North Riverside Plaza, Chicago, Illinois, we leased real property located at 1021 West Adams Street, Chicago, Illinois from a corporation owned in part by Thomas Kapsalis, one of our directors and 5% stockholder, and John Drummond, a 5% stockholder. This lease was terminated in December 1998. The monthly rent on this lease was \$2,619.

In September 1998, we began making payments to LaSalle National Trust for a lease agreement between LaSalle National Trust and a company owned by Sam Zarcone for property located at 600-780 S. Federal Street, Chicago, Illinois.

Indemnification

We have entered into indemnification agreements with each of our directors and officers. These indemnification agreements and our certificate of incorporation and bylaws require us to indemnify our directors and officers to the fullest extent permitted by Delaware law.

All future transactions, including any loans from us to our officers, directors, principal stockholders or affiliates, will be approved by a majority of the board of directors, including a majority of the independent and disinterested members of the board of directors or, if required by law, a majority of disinterested stockholders, and will be on terms no less favorable to us than could be obtained from unaffiliated third parties.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock as of November 30, 1999, and as adjusted to reflect the sale of common stock offered by this prospectus, by:

- each of the individuals listed on the "Summary Compensation Table" above;
- each of our directors;
- each person (or group of affiliated persons) who is known by us to own beneficially 5% or more of our common stock; and
- all current directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options held by that person that are currently exercisable or exercisable within 60 days of September 30, 1999, are deemed issued and outstanding. These shares, however, are not deemed outstanding for purposes of computing percentage ownership of each other stockholder.

Except as indicated in the footnotes to this table and subject to applicable community property laws, each stockholder named in the table has sole voting and investment power with respect to the shares shown as beneficially owned by them. This table also includes shares owned by a spouse as community property.

The percentage of common stock outstanding as of November 30, 1999 is calculated in accordance with the rules of the Securities and Exchange Commission and assumes, for purposes of this calculation, that all outstanding preferred stock has been converted into common stock. This table assumes no exercise of the underwriters' over-allotment option. Unless otherwise indicated, the address of each of the individuals named below is: c/o Universal Access, Inc., 100 North Riverside Plaza, Suite 2200, Chicago, Illinois 60606.

<u>Name and Address of Beneficial Owner</u>	<u>Beneficial Ownership Prior to Offering</u>		
	<u>Number of Shares Beneficially Owned</u>	<u>Shares Issuable Pursuant to Options and Warrants Exercisable Within 60 Days of November 30, 1999</u>	<u>Percent Beneficially Owned</u> <u>Before</u> <u>After</u> <u>Offering</u> <u>Offering</u>
Directors, Executive Officers and 5% Stockholders			
Entities Affiliated with ComVentures (1)	13,008,738	—	17.39%
505 Hamilton Avenue Suite 305 Palo Alto, CA 94301			
Entities Affiliated with Internet Capital Group (2)	17,839,122	1,000,002	24.85%
435 Devon Park Drive Suite 800 Wayne, PA 19087			
John D. Drummond (3)	4,131,000	—	5.52%
Giuseppina Zarcone (4)	7,530,000	1,500	10.07%
Sam Zarcone (5)	3,930,000	—	5.25%
Patrick C. Shutt	5,375,000	300,000	7.56%
Robert J. Pommer	5,175,000	300,000	7.29%
Paolo Guidi	—	200,000	*
Teleglobe Communications 11440 Commerce Park Drive Reston, VA 20191			
Thomas Kapsalis	3,987,000	—	5.33%
Robert A. Pollan (2)	17,839,122	1,000,002	24.85%
Joseph L. Schocken (6)	431,994	1,039,266	1.94%
2800 One Union Square 600 University Street Seattle, WA 98101			
Roland A. Van der Meer (1)	13,008,738	—	17.39%
All directors and executive officers as a group (13 persons)	46,916,854	3,376,768	64.33%
Selling Stockholders			

* Less than 1% of the outstanding shares of common stock.

(1) Includes 12,390,375 shares held by Communication Ventures III, L.P. and 618,363 shares held by Communication Ventures III CEO & Entrepreneurs' Fund, L.P. Roland Van der Meer is one of our directors and is founder of ComVentures. Mr. Van der Meer disclaims beneficial ownership of the shares held by Communication Ventures III, L.P. and Communication Ventures III CEO & Entrepreneurs' Fund, except to the extent of his pecuniary interest therein.

(2) Includes 17,839,122 shares held by Internet Capital Group and a warrant to purchase 1,000,002 shares held by Internet Capital Group. Robert Pollan is a managing director of Internet Capital Group. Mr. Pollan disclaims beneficial ownership of the shares held by Internet Capital Group, except to the extent of his pecuniary interest therein.

- (3) Includes 2,631,000 shares held by John Drummond as Trustee for the John Drummond Declaration of Trust dated July 7, 1999 and 1,500,000 shares held by John Drummond Family Limited Partnership.
- (4) Includes 4,050,000 shares held by Giuseppina Zarcone and 3,480,000 shares held by Sam and Giuseppina Zarcone as joint tenants with right of survivorship.
- (5) Includes 450,000 shares held by Sam Zarcone and 3,480,000 held by Sam and Giuseppina Zarcone as joint tenants with right of survivorship.
- (6) Includes 431,994 shares held by Broadmark Investments, L.L.C. and warrants and options to purchase 624,120 shares held by Broadmark Investments, L.L.C. and warrants and options to purchase 415,146 shares held by Broadmark Capital Corporation. Mr. Schocken disclaims beneficial ownership of the shares held by Broadmark Investments, LLC and Broadmark Capital Corporation, except as to his pecuniary interest therein.

DESCRIPTION OF CAPITAL STOCK

General

We are authorized to issue 300,000,000 shares of common stock, \$0.01 par value, and 20,000,000 shares of undesignated preferred stock, \$0.01 par value. The following description of our capital stock does not purport to be complete and is subject to and qualified by our certificate of incorporation and amended and restated bylaws, which are included as exhibits to the Registration Statement of which this prospectus forms a part, and by the provisions of applicable Delaware law.

Common Stock

As of November 30, 1999, there were _____ shares of common stock outstanding, as adjusted to reflect the conversion of all outstanding shares of preferred stock into common stock (assuming no adjustment to the Series E preferred stock conversion ratio as discussed below), which were held of record by approximately 170 stockholders.

Our Amended Certificate of Designations provides that each share of Series E preferred stock will be initially convertible into three shares of common stock upon the completion of this offering. However, the Series E conversion ratio for the Series E preferred stock will be multiplied by the lesser of 3.75 and X, where X equals the greater of (A) 1 or (B) the quotient obtained by dividing (i) \$750,000,000 by (ii) the product of (x) the number of shares of common stock outstanding immediately before this offering is completed (on a fully diluted and as converted basis, without taking into account additional shares of common stock that would be issuable to Series E preferred stock as a result of this adjustment) and (y) the initial public offering price per share in this offering.

The following examples illustrate the effect that this adjustment to the Series E preferred stock's conversion ratio would have on the number of shares of our common stock outstanding upon completion of this offering, based on the _____ shares of common stock outstanding on an as-converted and fully-diluted basis as of _____, 1999:

- If the initial public offering price per share is \$ _____ (the midpoint of the assumed range as set forth in this prospectus), then the conversion ratio would be multiplied by _____. As a consequence, each share of Series E preferred stock would be convertible into _____ shares of common stock, and we would have an aggregate of _____ shares of common stock outstanding upon completion of this offering.
- If the initial public offering price per share is \$ _____ or greater, no adjustment would be made to the conversion ratio. As a consequence, each share of Series E preferred stock would be convertible into three shares of common stock, and we would have an aggregate of _____ shares of common stock outstanding upon completion of this offering.
- If the initial public offering price per share is \$ _____ or less, then the conversion ratio would be multiplied by 3.75. As a consequence, each share of Series E preferred stock would be convertible into 11.25 shares of common stock, and we would have an aggregate of _____ shares of common stock outstanding upon completion of this offering.

The holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Subject to preferences that may be applicable to any outstanding preferred stock, the holders of common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the board of directors out of funds legally available for that purpose. See "Dividend Policy". In the event of a liquidation, dissolution or winding up of Universal Access, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding. The common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are

fully paid and nonassessable, and the shares of common stock to be issued upon the closing of this offering will be fully paid and nonassessable.

Preferred Stock

The board of directors has the authority, without action by the stockholders, to designate and issue preferred stock in one or more series and to designate the rights, preferences and privileges of each series, any or all of which may be greater than the rights of the common stock. We cannot state the actual effect of the issuance of any shares of preferred stock upon the rights of holders of the common stock until the board of directors determines the specific rights of the holders of the preferred stock. However, the effects might include, among other things, restricting dividends on the common stock, diluting the voting power of the common stock, impairing the liquidation rights of the common stock and delaying or preventing a change in control of Universal Access without further action by the stockholders. We have no present plans to issue any shares of preferred stock.

Warrants

At November 30, 1999, there were the following warrants outstanding:

- a warrant to purchase a total of 360,000 shares of common stock which will expire on February 8, 2004, unless earlier exercised;
- a warrant to purchase a total of 199,998 shares of common stock which will expire on September 20, 2003, unless earlier exercised; and
- a warrant to purchase a total of 1,000,002 shares of common stock which will expire on February 8, 2004, unless earlier exercised;
- a warrant to purchase a total of 263,400 shares of common stock which will expire on March 8, 2004, unless earlier exercised; and
- a warrant to purchase a total of _____ shares of common stock (assuming no adjustment to the Series E preferred stock conversion ratio) which will expire on November 10, 2004, unless earlier exercised.

All five of these warrants will remain outstanding after the completion of this offering and may be exercised on a "net" basis. If a warrant is exercisable on a "net" basis, instead of paying the exercise price in cash, the holder may instruct us to retain a number of shares that has a fair market value at the time of exercise equal to the aggregate exercise price.

Registration Rights

As of November 30, 1999 the holders of _____ shares of common stock, as converted, and the holders of warrants and options to purchase _____ shares of common stock, as converted, or their permitted transferees are entitled to certain rights with respect to registration under the Securities Act of the shares held by them at any time after 180 days following the closing of this offering. Subject to limitations specified in the agreements, these registration rights include the following:

- Piggyback Registration Rights: We must allow the holders of registrable securities to register all or, any portion of the holder's registrable securities concurrently with any registration statement we file. These rights are subject to the right of the underwriter to reduce the number of shares proposed to be registered in view of market conditions.
- S-3 Registration Rights: The holders of at least twenty percent of the then outstanding registrable securities may require us to register all or a portion of their registrable securities on Form S-3 when use of this form becomes available to us.

- Demand Registration Rights: If at any time prior to February 5, 2007, we receive a registration request from at least a majority of the holders of Series B and Series D preferred stock who have registration rights, then we must prepare, file and use our best efforts to effect up to two registration statements.

We will bear all registration expenses other than underwriting discounts and commissions for holders exercising piggyback rights and S-3 registration rights.

Delaware Anti-Takeover Law And Certain Charter And Bylaw Provisions

Certain provisions of Delaware law and our certificate of incorporation and bylaws could make it more difficult to acquire us by means of a tender offer, a proxy contest or otherwise to remove incumbent officers and directors. These provisions, summarized below, are expected to discourage certain types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to first negotiate with us. We believe that the benefits of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

We are subject to Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date the person became an interested stockholder, unless (with certain exceptions) the "business combination" or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years prior to the determination of interested stockholder status, did own) 15% or more of a corporation's voting stock. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by the board of directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

Our certificate of incorporation and bylaws require that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of the stockholders and may not be effected by a consent in writing. In addition, special meetings of our stockholders may be called only by the board of directors or certain of our officers. Our certificate of incorporation and bylaws also provide that, beginning upon the closing of this offering, our board of directors will be divided into three classes, with each class serving staggered three-year terms, and that certain amendments of the certificate of incorporation and of the bylaws require the approval of holders of at least 66 $\frac{2}{3}$ % of the voting power of all outstanding stock. These provisions may have the effect of deterring hostile takeovers or delaying changes in control or management of Universal Access.

Transfer Agent And Registrar

The transfer agent and registrar for the common stock is Norwest Shareholder Services.

SHARES ELIGIBLE FOR FUTURE SALE

Immediately prior to this offering, there was no public market for our common stock. Future sales of substantial amounts of common stock in the public market could adversely affect the market price of the common stock.

Upon completion of this offering, we will have outstanding _____ shares of common stock, assuming the issuance of _____ shares of common stock offered by us and no exercise of options after November 30, 1999, and assuming no exercise of the underwriters' option to purchase additional shares in the offering. All of the _____ shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act; provided, however, that if shares are purchased by "affiliates" as that term is defined in Rule 144 under the Securities Act, their sales of shares would be subject to certain limitations and restrictions that are described below.

The remaining _____ shares of common stock held by existing stockholders were issued and sold by us in reliance on exemptions from the registration requirements of the Securities Act. Of these shares, all _____ shares will be subject to "lock-up" agreements described below on the effective date of this offering. On the effective date of this offering, shares not subject to the lock-up agreements described below will not be eligible for sale pursuant to Rule 144(k). All of the directors and officers as well as stockholders collectively holding more than _____ % of the outstanding common stock have entered into lock-up agreements with the underwriters that provide that the shares set forth in the table below will become eligible for sale on the dates set forth in the table below, subject in most cases to the limitations of Rule 144. In addition, holders of stock options could exercise such options and sell certain of the shares issued upon exercise as described below.

<u>Relevant Dates</u>	<u>Approximate Shares Eligible for Future Sale</u>	<u>Comment</u>
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- (1) Assumes no exercise of underwriters' option to purchase additional shares in the offering.
 - (2) Assumes effective date of _____, 2000.
 - (3) Assumes quarterly results are released on _____

Our officers, directors and stockholders have agreed not to sell or otherwise dispose of any of their shares until the third business day following the public release of our earnings for the full fiscal quarter next following the fiscal quarter in which the date of this prospectus falls, at which time they may sell or otherwise dispose of 10% of their shares. The remaining 90% of their shares may be sold or otherwise disposed of on the date that is 180 days after the date of this prospectus. Goldman, Sachs & Co., however, may in its sole discretion, at any time without notice, release all or any portion of the shares subject to lock-up agreements.

Rule 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned shares of our common stock for at least one year

would be entitled to sell, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding, which will equal approximately shares immediately after this offering; or
- the average weekly trading volume of the common stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales under Rule 144 are also subject to certain other requirements regarding the manner of sale, notice filing and the availability of current public information about us.

Rule 144(k)

Under Rule 144(k), a person who is not deemed to have been one of our "affiliates" at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years, including the holding period of any prior owner other than an "affiliate", is entitled to sell such shares without complying with the manner of sale, notice filing, volume limitation or notice provisions of Rule 144. Therefore, unless otherwise restricted, "144(k) shares" may be sold immediately upon the completion of this offering.

Rule 701

In general, under Rule 701, any of our employees, directors, officers, consultants or advisors who purchases shares from us in connection with a compensatory stock or option plan or other written agreement before the effective date of this offering is entitled to resell such shares 90 days after the effective date of this offering in reliance on Rule 144, without having to comply with certain restrictions, including the holding period, contained in Rule 144.

The SEC has indicated that Rule 701 will apply to typical stock options granted by an issuer before it becomes subject to the reporting requirements of the Securities Exchange Act of 1934, along with the shares acquired upon exercise of such options (including exercises after the date of this prospectus). Securities issued in reliance on Rule 701 are restricted securities and, subject to the contractual restrictions described above, beginning 90 days after the date of this prospectus, may be sold by persons other than "affiliates", as defined in Rule 144, subject only to the manner of sale provisions of Rule 144 and by "affiliates" under Rule 144 without compliance with its one year minimum holding period requirement.

UNDERWRITING

Universal Access, the selling stockholders and the underwriters for the offering (the "Underwriters") named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each Underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co., FleetBoston Robertson Stephens Inc. and Hambrecht & Quist LLC are the representatives of the Underwriters.

<u>Underwriters</u>	<u>Number of Shares</u>
Goldman, Sachs & Co.	
FleetBoston Robertson Stephens Inc.	
Hambrecht & Quist LLC	

Total	
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If the Underwriters sell more shares than the total number set forth in the table above, the Underwriters have an option to buy up to an additional _____ shares from us to cover such sales. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the Underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following tables show the per share and total underwriting discounts and commissions to be paid to the Underwriters by us and the selling stockholders. Such amounts are shown assuming both no exercise and full exercise of the Underwriters' option to purchase _____ additional shares.

Paid by Universal Access

	<u>No Exercise</u>	<u>Full Exercise</u>
Per Share	\$	\$
Total.....	\$	\$

Paid by Selling Stockholders

	<u>No Exercise</u>	<u>Full Exercise</u>
Per Share	\$	\$
Total.....	\$	\$

Shares sold by the Underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the Underwriters to securities dealers may be sold at a discount of up to \$ _____ per share from the initial public offering price. Any such securities dealers may resell any shares purchased from the Underwriters to certain other brokers or dealers at a discount of up to \$ _____ per share from the initial public offering price. If all the

shares are not sold at the initial offering price, the representatives may change the offering price and the other selling terms.

Universal Access, its directors, officers, employees, and certain stockholders have agreed with the Underwriters not to sell, contract to sell, pledge, grant an option to purchase, make a short sale or otherwise dispose of any of our common stock or securities convertible into or exchangeable for shares of our common stock during the period from the date of this prospectus continuing through the lock-up period, except with the prior written consent of Goldman, Sachs & Co. At any time beginning on the third business day following the public release of our earnings for the full fiscal quarter next following the fiscal quarter in which the date of this prospectus falls, each stockholder may sell, contract to sell, pledge, grant an option to purchase, make a short sale or otherwise dispose of up to 10% of his or her shares owned as of the date of this prospectus. Each stockholder may sell, contract to sell, pledge, grant an option to purchase, make a short sale or otherwise dispose of his or her remaining shares at any time on or following the date which is 180 days after the date of this prospectus. This agreement does not apply to any existing employee benefit plans. See "Shares Available for Future Sale" for a discussion of certain transfer restrictions.

Prior to the offering, there has been no public market for the shares. The initial public offering price will be negotiated among Universal Access and the representatives. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be our historical performance, estimates of our business potential and earnings prospects, an assessment of our management and the consideration of the above factors in relation to market valuation of companies in related businesses.

Universal Access will apply for quotation of the common stock on the Nasdaq National Market under the symbol "UAXS".

In connection with the offering, the Underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Underwriters of a greater number of shares than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the common stock while the offering is in progress.

The Underwriters also may impose a penalty bid. This occurs when a particular Underwriter repays to the Underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such Underwriter in stabilizing or short covering transactions.

These activities by the Underwriters may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. These transactions may be effected on the Nasdaq National Market, in the over-the-counter market or otherwise.

The Underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

Universal Access and the selling stockholders estimate that the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately \$

Universal Access and the selling stockholders have agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

WHERE YOU MAY FIND ADDITIONAL INFORMATION

We filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act for the shares of common stock in this offering. This prospectus does not contain all of the information in the registration statement and the exhibits and schedule that were filed with the registration statement. For further information with respect to Universal Access and our common stock, we refer you to the registration statement and the exhibits and schedule that were filed with the registration statement. Statements contained in this prospectus about the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and we refer you to the full text of the contract or other document filed as an exhibit to the registration statement. A copy of the registration statement and the exhibits and schedule that were filed with the registration statement may be inspected without charge at the public reference facilities maintained by the Securities and Exchange Commission at the SEC's Public Reference Room at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and copies of all or any part of the registration statement may be obtained from the SEC upon payment of the prescribed fee. Information on the operations of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The Securities and Exchange Commission maintains a World Wide Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Securities and Exchange Commission. The address of the site is <http://www.sec.gov>.

Upon completion of this offering, Universal Access will become subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934, and, in accordance with the requirements of the Securities Exchange Act of 1934, will file periodic reports, proxy statements and other information with the Securities and Exchange Commission. These periodic reports, proxy statements and other information will be available for inspection and copying at the regional offices, public reference facilities and web site of the Securities and Exchange Commission referred to above.

VALIDITY OF COMMON STOCK

The validity of the shares of common stock offered hereby will be passed upon for Universal Access by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California and for the underwriters by Sullivan & Cromwell, Los Angeles, California. As of the date of this prospectus, WS Investment Company 99B, an investment partnership composed of certain current and former members of and persons associated with Wilson Sonsini Goodrich & Rosati, Professional Corporation, and certain other members and employees of Wilson Sonsini Goodrich & Rosati beneficially own 105,894 shares of our common stock.

EXPERTS

The financial statements as of December 31, 1997 and 1998 and September 30, 1999 and for the period from October 7, 1997 (inception) to December 31, 1997, the year ended December 31, 1998 and the nine month period ended September 30, 1999 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Stockholders of Universal Access, Inc.

In our opinion, the accompanying balance sheet and the related statements of operations, of cash flows and of changes in stockholders' (deficit) equity present fairly, in all material respects, the financial position of Universal Access, Inc. at December 31, 1997 and 1998 and September 30, 1999, and the results of its operations and its cash flows for the period from October 2, 1997 (date of inception) through December 31, 1997, the year ended December 31, 1998 and the nine month period ended September 30, 1999, in conformity with generally accepted accounting principles. 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 of these statements in accordance with generally accepted auditing standards, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICEWATERHOUSECOOPERS LLP

Chicago, Illinois
December 10, 1999

UNIVERSAL ACCESS, INC.
BALANCE SHEET
(In thousands, except share data)

	December 31,		September 30,	Pro Forma September 30,
	1997	1998	1999	1999
				(Unaudited)
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1	\$ 844	\$ 21,703	
Accounts receivable, net	44	657	2,666	
Prepaid expenses and other current assets	—	15	142	
Security deposits	54	85	360	
Other receivables	—	—	255	
Total current assets	99	1,601	25,126	
Restricted cash	—	149	149	
Property and equipment, net	1	219	13,512	
Intangible assets, net	—	—	1,204	
Other	—	—	18	
Total assets	\$ 100	\$ 1,969	\$ 40,009	
LIABILITIES, REDEEMABLE CUMULATIVE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' (DEFICIT) EQUITY				
Current liabilities:				
Accounts payable	\$ 56	\$ 577	\$ 8,401	
Regulatory taxes payable	—	28	911	
Accrued expenses and other current liabilities	2	47	222	
Unearned revenue	—	381	1,461	
Notes payable — shareholders	76	126	—	
Notes payable	—	—	54	
Current obligations under capital leases	—	—	149	
Unissued Series A	—	1,004	—	
Total current liabilities	134	2,163	11,198	
Notes payable	—	149	131	
Obligations under capital leases, net of current portion	—	—	254	
Security deposits payable	—	—	240	
Total liabilities	134	2,312	11,823	
Commitments and contingencies (Note 7)				
Series A Redeemable Cumulative Convertible Preferred Stock, no par value; 1,000,000 shares authorized; 335,334 shares issued and outstanding plus accrued dividends of \$20 (liquidation value of \$903) (Note 12)	—	903	—	
Series A warrants (Note 12)	—	36	—	
Total redeemable cumulative convertible preferred stock	—	939	—	
Stockholders' (deficit) equity:				
Preferred Stock:				
Series A Cumulative Convertible, \$.01 par value; 1,000,000 shares authorized; 772,331 shares issued and outstanding plus accrued dividends of \$150 (liquidation value of \$2,161)	—	—	2,161	—
Series A Warrants	—	—	83	—
Series B Cumulative Convertible, \$.01 par value; 2,400,000 shares authorized; 2,233,335 shares issued and outstanding plus accrued dividends of \$215 (liquidation value of \$5,448)	—	—	5,448	—
Series B warrants	—	—	500	—
Series C Convertible, \$.01 par value; 667,000 shares authorized; 666,667 shares issued and outstanding (liquidation value of \$1,941)	—	—	1,941	—
Series D Cumulative Convertible, \$.01 par value; 7,058,823 shares authorized; 6,039,964 shares issued and outstanding plus accrued dividends of \$278 (liquidation value of \$25,785)	—	—	25,785	—
Series D Cumulative Convertible subscriptions receivable	—	—	(155)	—
Common stock, \$.01 par value; 300,000,000 shares authorized; 23,799,000, 30,300,000 and 31,925,000 shares issued and outstanding; 70,078,889 September 30, 1999 pro forma shares issued and outstanding	136	225	2,170	37,350
Common stock warrants	—	—	13	596
Additional paid-in-capital	—	487	4,750	4,750
Deferred stock option plan compensation	—	(422)	(1,569)	(1,569)
Accumulated deficit	(170)	(1,572)	(11,256)	(11,256)
Notes receivable — employees	—	—	(1,685)	(1,685)
Total stockholders' (deficit) equity	(34)	(1,282)	28,186	28,186
Total liabilities, redeemable cumulative convertible preferred stock and stockholders' (deficit) equity	\$ 100	\$ 1,969	\$ 40,009	\$ 40,009

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

UNIVERSAL ACCESS, INC.
STATEMENT OF OPERATIONS
(In thousands, except per share data)

	From Inception to December 31, 1997	For the Year Ended December 31, 1998	For the Nine Months Ended September 30, 1998 1999	
			(Unaudited)	
Revenues:				
Circuit access	\$ 77	\$ 1,589	\$ 718	\$ 8,368
Universal Transport Exchange	—	40	12	215
Total revenues	<u>77</u>	<u>1,629</u>	<u>730</u>	<u>8,583</u>
Operating expenses:				
Cost of revenues	66	1,256	592	7,477
Operations and administration	180	1,516	890	7,144
Depreciation	—	47	1	290
Stock option plan compensation	—	65	46	3,085
Total operating expenses	<u>246</u>	<u>2,884</u>	<u>1,529</u>	<u>17,996</u>
Operating loss	<u>(169)</u>	<u>(1,255)</u>	<u>(799)</u>	<u>(9,413)</u>
Other (expense) income:				
Interest expense	(1)	(27)	(8)	(19)
Interest income	—	8	—	373
Other expense	—	(100)	—	—
Total other (expense) income	<u>(1)</u>	<u>(119)</u>	<u>(8)</u>	<u>354</u>
Net loss	(170)	(1,374)	(807)	(9,059)
Accretion and dividends on redeemable and nonredeemable cumulative convertible preferred stock	—	(28)	—	(625)
Net loss applicable to common stockholders	<u>\$ (170)</u>	<u>\$ (1,402)</u>	<u>\$ (807)</u>	<u>\$ (9,684)</u>
Basic and diluted net loss per share ..	\$ (0.01)	\$ (0.05)	\$ (0.03)	\$ (0.31)
Shares used in computing basic and diluted net loss per share	23,799	29,063	28,631	30,867
Unaudited pro forma basic and diluted net loss per share		\$ (0.05)		\$ (0.18)
Shares used in computing unaudited pro forma basic and diluted net loss per share		30,069		51,513

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

UNIVERSAL ACCESS, INC.
STATEMENT OF CASH FLOWS
(In thousands)

	From Inception to December 31, 1997	For the Year Ended December 31, 1998	For the Nine Months Ended September 30,	
			1998	1999
			(Unaudited)	
Cash flows from operating activities:				
Net loss	\$(170)	\$(1,374)	\$ (807)	\$(9,059)
Adjustments to reconcile net loss to net cash used for operating activities:				
Depreciation	—	47	1	230
Amortization	—	—	—	60
Stock option plan compensation	—	65	46	3,085
Stock issued for services	—	—	—	110
Provision for doubtful accounts	4	42	32	513
Changes in operating assets and liabilities:				
Accounts receivable	(48)	(655)	(275)	(2,420)
Prepaid expenses and other current assets ...	—	(15)	(42)	(673)
Security deposits	(54)	(31)	(20)	240
Accounts payable	56	521	300	1,142
Accrued expenses and other current liabilities	2	73	14	1,047
Unearned revenue	—	381	214	1,080
Net cash used for operating activities	<u>(210)</u>	<u>(946)</u>	<u>(537)</u>	<u>(4,645)</u>
Cash flows from investing activities:				
Purchase of Pacific Crest Networks, Inc.	—	—	—	(907)
Purchase of property and equipment	(1)	(265)	(54)	(5,836)
Net cash used for investing activities	<u>(1)</u>	<u>(265)</u>	<u>(54)</u>	<u>(6,743)</u>
Cash flows from financing activities:				
Proceeds on line of credit	—	378	378	750
Payments on line of credit	—	(378)	—	(900)
Proceeds from notes payable	76	199	50	100
Payments on notes payable	—	—	—	(267)
Payments on capital lease obligations	—	—	—	(15)
Disbursements under note receivable — employee	—	—	—	(200)
Proceeds from unissued Series A Preferred Stock	—	1,004	—	—
Proceeds from issuance of Series A Preferred Stock	—	875	875	122
Proceeds from issuance of Series B Preferred Stock	—	—	—	4,565
Proceeds from issuance of Series C Preferred Stock	—	—	—	1,941
Proceeds from issuance of Series D Preferred Stock	—	—	—	24,892
Proceeds from issuance of common stock	136	89	89	—
Proceeds from issuance of Series A Preferred Stock warrants	—	36	36	47
Proceeds from issuance of Series B Preferred Stock warrants	—	—	—	1,197
Proceeds from issuance of common stock warrants	—	—	—	13
Proceeds from exercise of Series B Preferred Stock warrants	—	—	—	2
Cash deposit to collateralize note payable, net	—	(149)	—	—
Net cash provided by financing activities	<u>212</u>	<u>2,054</u>	<u>1,428</u>	<u>32,247</u>
Net increase in cash and cash equivalents	1	843	837	20,859
Cash and cash equivalents, beginning of period	—	1	1	844
Cash and cash equivalents, end of period	<u>\$ 1</u>	<u>\$ 844</u>	<u>\$ 838</u>	<u>\$21,703</u>

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

UNIVERSAL ACCESS, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' (DEFICIT) EQUITY
(In thousands, except share data)

	Preferred Stock		Preferred Stock Warrants	Common Stock		Common Stock Warrants	Additional Paid-In Capital	Deferred Stock Option Plan Compensation	Accumulated Deficit	Notes Receivable — Employees and Series D Subscriptions Receivable	Total
	Shares	Amount		Shares	Amount						
Balance at October 2, 1997	—	\$ —	\$ —	—	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Issuance of common stock	—	—	—	23,799,000	136	—	—	—	—	—	136
Net loss	—	—	—	—	—	—	—	—	(170)	—	(170)
Balance at December 31, 1997	—	—	—	23,799,000	136	—	—	—	(170)	—	(34)
Issuance of common stock	—	—	—	6,201,000	89	—	—	—	—	—	89
Issuance of Series A Preferred Stock	—	—	—	—	—	—	—	—	—	—	—
Issuance of Series A Preferred Stock Warrants	—	—	—	—	—	—	—	—	—	—	—
Exercise of stock options	—	—	—	300,000	—	—	—	—	—	—	—
Deferred stock option plan compensation	—	—	—	—	—	—	487	(487)	—	—	—
Stock option plan compensation	—	—	—	—	—	—	—	65	—	—	65
Net loss	—	—	—	—	—	—	—	—	(1,374)	—	(1,374)
Accretion and dividends on Redeemable Series A Preferred Stock	—	—	—	—	—	—	—	—	(28)	—	(28)
Balance at December 31, 1998	—	—	—	30,300,000	226	—	487	(422)	(1,672)	—	(1,282)
Accretion and dividends on Redeemable Series A Preferred Stock	—	—	—	—	—	—	—	—	(9)	—	(9)
Termination of mandatory redemption feature of Series A Preferred Stock	336,334	912	36	—	—	—	—	—	—	—	948
Issuance of Series A Preferred Stock	436,997	1,126	—	—	—	—	—	—	—	—	1,126
Issuance of Series A Preferred Stock warrants	—	—	47	—	—	—	—	—	—	—	47
Issuance of Series B Preferred Stock	2,000,000	4,534	—	—	—	—	—	—	—	—	4,534
Issuance of Series B Preferred Stock warrants	—	—	1,197	—	—	—	—	—	—	—	1,197
Issuance of Series C Preferred Stock	666,667	1,941	—	—	—	—	—	—	—	—	1,941
Issuance of Series D Preferred Stock	6,039,964	26,507	—	—	—	—	—	—	—	(165)	26,352
Issuance of common stock	—	—	—	325,000	460	—	—	—	—	—	460
Issuance of common stock warrants	—	—	—	—	—	13	—	—	—	—	13
Issuance of common stock options by certain shareholders	—	—	—	—	—	—	31	—	—	—	31
Exercise of Series B Preferred Stock warrants	233,336	699	(697)	—	—	—	—	—	—	—	2
Exercise of common stock options	—	—	—	1,300,000	1,486	—	—	—	—	(1,485)	—
Note receivable — employee	—	—	—	—	—	—	—	—	—	(200)	(200)
Deferred stock option plan compensation	—	—	—	—	—	—	1,362	(1,362)	—	—	—
Stock option plan compensation	—	—	—	—	—	—	2,870	215	—	—	3,085
Net loss	—	—	—	—	—	—	—	—	(9,059)	—	(9,059)
Dividends on Series A Preferred Stock	—	123	—	—	—	—	—	—	(123)	—	—
Dividends on Series B Preferred Stock	—	215	—	—	—	—	—	—	(215)	—	—
Dividends on Series D Preferred Stock	—	278	—	—	—	—	—	—	(278)	—	—
Balance at September 30, 1999	<u>9,712,297</u>	<u>\$35,335</u>	<u>\$ 583</u>	<u>31,925,000</u>	<u>\$2,170</u>	<u>\$13</u>	<u>\$4,760</u>	<u>\$(1,669)</u>	<u>\$(11,256)</u>	<u>\$(1,840)</u>	<u>\$28,186</u>

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

UNIVERSAL ACCESS, INC.
NOTES TO FINANCIAL STATEMENTS
Information for the Nine-Month Period Ended
September 30, 1998 is Unaudited

Note 1 — Summary of Significant Accounting Policies

The Company

Universal Access, Inc. (the "Company" or "UAI"), was organized and commenced operations on October 2, 1997 for the purpose of facilitating the provisioning, installation and servicing of dedicated, point-to-point communication circuits for service providers who buy network capacity and transport suppliers who sell network capacity. UAI's primary services include providing dedicated circuit access and leasing space in the Company's Universal Transport Exchanges, or UTXs, where transport suppliers can access the network connections of other transport suppliers. UAI operated as a subchapter S-Corporation until September 27, 1998, at which time it converted to a C-Corporation.

Basis of Presentation

The accompanying interim financial statements for the nine months ended September 30, 1998 and the related notes have not been audited. However, they have been prepared in conformity with the accounting principles stated in the audited financial statements for the period from October 2, 1997 through December 31, 1997, the year ended December 31, 1998 and the nine month period ended September 30, 1999 and include all adjustments, which were of a normal and recurring nature, which in the opinion of management are necessary to present fairly the financial position of UAI and results of operations and cash flows for the periods presented. The operating results for the interim periods are not necessarily indicative of results expected for the full years.

Unaudited Pro Forma Balance Sheet

Upon the closing of UAI's initial public offering, all of the shares of preferred stock outstanding as of September 30, 1999 will automatically convert into 38,153,889 shares of common stock and all preferred stock warrants outstanding as of September 30, 1999 will automatically convert into warrants to purchase an aggregate of 1,463,400 shares of common stock. These conversions have been reflected in the unaudited pro forma balance sheet as of September 30, 1999.

Net Loss Per Share

Basic net loss per share is computed using the weighted average number of shares of common stock outstanding. Diluted loss per share does not differ from basic loss per share since potential common shares from conversion of preferred stock, stock options and warrants are anti-dilutive for all periods presented. Pro forma basic and diluted net loss per share have been calculated assuming the conversion of all shares of preferred stock outstanding during each period presented into common shares, as if the shares had converted immediately upon their issuance.

Revenue Recognition

Circuit access and Universal Transport Exchange services are billed monthly in advance under contracts with terms ranging from twelve to sixty months. UAI recognizes revenue in the month in which the service is provided. Advance billings are recorded by the Company as unearned revenue. UAI recognizes revenue from one-time fees for installation and maintenance when the related services are performed.

UNIVERSAL ACCESS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)
Information for the Nine-Month Period Ended
September 30, 1998 is Unaudited

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, money market funds and all investments with an initial maturity of three months or less. All cash equivalents are recorded at cost.

Accounts Receivable

The allowance for doubtful accounts was \$4,000, \$46,000 and \$553,000 at December 31, 1997 and 1998 and September 30, 1999, respectively.

Financial instruments that could potentially subject UAI to concentration of credit risk primarily include accounts receivable. As of September 30, 1999, two customers, represented 49% of accounts receivable. During the nine months ended September 30, 1999, one customer represented 35% of total revenues. As of December 31, 1998, two customers represented 38% of total accounts receivable and an aggregate of 29% of total revenues during 1998. As of December 31, 1997, three customers represented 94% of total accounts receivable and 81% of total revenues during 1997. If any of these individually significant customers are unable to meet their financial obligations, results of operations of the Company could be adversely affected.

Stock-Based Compensation

The Company accounts for stock-based awards to employees using the intrinsic value method as prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, no compensation expense is recorded for options issued to employees in fixed amounts and with fixed exercise prices at least equal to the fair market value of the Company's common stock at the date of grant. The Company has adopted the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," through disclosure only (Note 10). All stock-based awards to non-employees are accounted for at their fair value in accordance with SFAS No. 123.

Comprehensive Income

SFAS No. 130 requires that a full set of general purpose financial statements include the reporting of "comprehensive income." Comprehensive income is comprised of two components: net income and other comprehensive income, with other comprehensive income being comprised of foreign currency items, minimum pension liability adjustments and unrealized gains and losses on certain investments in debt and equity securities. During the periods ended December 31, 1997 and 1998 and September 30, 1999, comprehensive income was comprised solely of net income. As a result, the adoption of SFAS No. 130 had no impact on the Company's financial statements.

Property and Equipment

Property and equipment are stated at cost with depreciation and amortization provided for using the straight-line method. Leasehold improvements are amortized over the life of the lease. Depreciable lives used by the Company for its classes of assets are as follows:

Furniture and fixtures	3 years
UTX equipment	7 years
Computer hardware and other equipment	3 years

UNIVERSAL ACCESS, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
Information for the Nine-Month Period Ended
September 30, 1998 is Unaudited

Repairs and maintenance, which do not significantly increase the life of the related assets, are expensed as incurred.

Intangible Assets

The excess of purchase price over net assets of acquired businesses is allocated among the identifiable intangible assets purchased and goodwill. Intangible assets are amortized on a straight-line basis over their estimated useful lives, generally five years.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets, including property, equipment and intangibles, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company estimates the future cash flows expected to result from the asset, and if the sum of the expected undiscounted future cash flows is less than the carrying amount of the long-lived asset, the Company recognizes an impairment loss by reducing the depreciated cost of the long-lived asset to its estimated fair value. To date, the Company has not recognized impairment losses on any long-lived assets.

Income Taxes

On September 27, 1998, UAI changed status from an S-Corporation to a C-Corporation. As of this date, the Company established a deferred tax asset which reflects the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts. The deferred tax asset was recorded net of a valuation allowance to reduce the deferred tax asset to an amount that is more likely than not to be realized.

Prior to September 27, 1998, all attributes for federal income taxes passed through to the stockholders. Accordingly, no income tax provision or deferred tax amounts were recorded prior to this date. Had the Company been a C-Corporation from October 2, 1997 (inception) to December 31, 1998, no income taxes would have been due since the Company incurred losses during this time period.

Note 2 — Stock Splits and Dividend

The Company effected a 500-for-1 common stock split in July 1998, a 2-for-1 common stock split in February 1999, a 3-for-2 common stock split in June 1999 and declared a 1-for-1 stock dividend in September 1999. All share and per share amounts have been retroactively restated to reflect such splits and the dividend.

Note 3 — Acquisitions

On July 30, 1999, UAI acquired substantially all of the assets and liabilities of Pacific Crest Networks, Inc ("PCN") in exchange for \$833,000 in cash, \$224,000 in the assumption of debt, and

UNIVERSAL ACCESS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)
Information for the Nine-Month Period Ended
September 30, 1998 is Unaudited

82,353 shares of Series D Preferred Stock with a fair market value of \$4.25 per share. Assets purchased included all property and equipment, cash accounts, receivables, software, customer lists and intellectual property. Also, as part of purchase, UAI assumed certain liabilities of PCN including \$276,000 of accounts payable, \$418,000 of obligations under capital leases, and obligations under operating leases and vendor contracts. This acquisition was accounted for under the purchase method of accounting. UAI assigned \$1,245,000 to identifiable intangible assets and goodwill and is amortizing this amount on a straight-line basis over a period of five years, which represents the estimated useful lives of these intangible assets.

The following unaudited pro forma information presents the results of operations as if the PCN acquisition had occurred at the beginning the periods shown after taking into account the effect of certain adjustments and eliminations. This summary is not necessarily indicative of what the results of operations of UAI and PCN would have been if they were a single entity during such periods, nor does it purport to represent results of operations for any future periods (in thousands).

	Year Ended December 31, 1998	Nine Months Ended September 30, 1999
Revenues	\$2,180	\$9,107
Net loss	2,159	9,754
Basic and fully diluted loss per share	0.07	0.32

On November 1, 1999, UAI acquired substantially all of the assets of Stuff Software, Inc. ("SSI") in exchange for \$930,000 in cash and 50,021 shares of UAI common stock with an estimated fair market value of \$6.10 per share. Assets purchased include accounts receivable, customer lists, software and intellectual property. This acquisition was accounted for under the purchase method of accounting. SSI developed software and databases for the telecommunications industry. UAI will use the assets acquired from SSI to further enhance the development of Universal Information Exchange services.

Note 4 — Property and Equipment

Property and equipment consists of the following, stated at cost (in thousands):

	December 31,		September 30,
	1997	1998	1999
Furniture and fixtures	\$—	\$119	\$ 654
UTX equipment	—	85	10,963
Computer hardware	—	—	2,109
Other equipment	1	62	73
		266	13,799
Less: Accumulated depreciation and amortization	—	(47)	(287)
Property and equipment, net	\$ 1	\$219	\$13,512

At September 30, 1999, \$510,000 of the gross amount of computer hardware is subject to capital leases. Accumulated amortization on this equipment was \$20,000 at September 30, 1999.

UNIVERSAL ACCESS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)
Information for the Nine-Month Period Ended
September 30, 1998 is Unaudited

Note 5 — Notes Payable

Notes payable are summarized as follows (in thousands):

	<u>December 31,</u>		<u>September 30,</u>
	<u>1997</u>	<u>1998</u>	<u>1999</u>
Note payable — Bank (interest at 7.5%)	\$—	\$149	\$111
Notes payable to shareholders (weighted average interest at 9.7%)	76	126	—
Note payable (interest at 10%)	—	—	20
Note payable — City of Eugene, OR (interest at 7%) ..	—	—	54
Notes payable	<u>\$76</u>	<u>\$275</u>	<u>\$185</u>

In November 1997 and March 1998, the Company entered into separate note payable agreements with two of its shareholders in the original principal amounts of \$76,000 and \$50,000, respectively. The notes payable bear interest at rates of 8.25% and 12%, respectively, and are due upon demand. The note with the original principal amount of \$76,000 is collateralized by a \$63,000 security deposit. The \$50,000 note payable is unsecured.

In November 1998, the Company entered into a 36-month term loan agreement with a bank, in the original principal amount of \$149,000, for the purchase of office furniture and equipment. The note payable is collateralized by the Company's property and equipment, cash deposits and money market accounts with the Bank. The Company is required to maintain a balance in their money market account of an amount not less than the original principal of the note.

In connection with the July 30, 1999 purchase of PCN, UAI assumed the following debt: \$150,000 note payable with a bank; \$20,000 note payable to an individual and a \$54,000 note payable to the City of Eugene, OR. The \$150,000 note payable to the bank was paid in full prior to September 30, 1999. The other notes remain outstanding at September 30, 1999.

The \$20,000 note payable bears interest at a rate of 10% payable monthly. The entire principal is due on December 17, 2000. The note can be prepaid by the Company at any time without penalty.

The \$54,000 City of Eugene, OR note payable bears interest at 7%. The entire balance was due on August 1, 1999. As of September 30, 1999, the Company had not paid this balance.

The Company executed unsecured promissory notes with a shareholder dated December 29, 1998, in the original aggregate principal amount of \$100,000. The notes bear interest at a rate of 10% per year and are due upon demand, after March 31, 1999. The Company did not receive the proceeds of these promissory notes until after December 31, 1998; as such the notes payable were offset by the proceeds receivable at that date for presentation purposes.

At September 30, 1999, the Company has two line of credit arrangements to borrow up to a total of \$10,000,000. The line of credit arrangements permit borrowings of \$6,000,000 and \$4,000,000 and expire in August of 2000 and April of 2000, respectively. The available line of credit is reduced by the amount of outstanding letters of credit. As of September 30, 1999, UAI has outstanding letters of credit of \$2,108,000, resulting in a total available line of credit of \$7,892,000.

UNIVERSAL ACCESS, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
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Note 6 — Income Taxes

There is no current provision or benefit for income taxes recorded for the period from September 27, 1998, the date of C-Corporation conversion, to December 31, 1998, as the Company has generated net operating losses for income taxes purposes for which there is no carryback potential. There is no deferred provision or benefit for income taxes recorded as the Company is in a net deferred tax asset position for which a full valuation allowance has been recorded due to uncertainty of realization.

The components of the deferred income tax asset are as follows (in thousands):

	December 31, 1998
Net operating loss	\$ 93
Stock option plan compensation	18
Allowance for doubtful accounts	19
Other	21
	151
Valuation allowance	(151)
Total	\$ —

At December 31, 1998, the Company had federal and state net operating loss carryforwards of \$227,000. The Company incurred taxable losses of \$5,318,000 during the nine months ended September 30, 1999, which may be available to offset future taxable income. These federal and state net operating loss carryforwards expire at various dates beginning in 2018. Due to the uncertainty that UAI will generate future earnings sufficient to realize the benefit of these net operating loss carryforwards, a valuation allowance for the full amount of the deferred tax asset has been recorded. Additionally, Section 382 of the Internal Revenue Code imposes annual limitations on the use of net operating loss carryforwards if there is a change in ownership, as defined, within any three-year period. The utilization of certain net operating loss carryforwards may be limited due to the Company's capital stock transactions.

Note 7 — Commitments and Contingencies

The Company leases UTX facilities, office facilities and certain equipment over periods ranging from two to fifteen years. Total rent expense for the years ended December 31, 1997 and 1998 and the nine months ended September 30, 1999 was \$0, \$46,000 and \$463,000, respectively. Future rentals for operating leases are as follows at September 30, 1999 (in thousands):

October 1, 1999 to December 31, 1999	\$ 487
2000	2,480
2001	2,307
2002	2,332
2003	2,402
2004	2,485
Thereafter	16,849
Total minimum lease payments	\$29,342

UNIVERSAL ACCESS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)
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In addition to the leases, the Company has entered into leased line agreements with telecommunications vendors for high-capacity bandwidth. These leases are cancelable at any time with a maximum 30-day notice. The Company, in turn, contracts with customers for the use of the leased high-capacity bandwidth. The customer contracts generally provide for cancellation penalties equal to the sum of all payments due through the remainder of the contract, less 6%.

The Company also leases certain equipment under capital leasing arrangements with periods ranging from two to five years. Future minimum lease payments as of September 30, 1999 related to the capital leasing arrangements are as follows (in thousands):

October 1, 1999 to December 31, 2000.....	\$ 53
2000.....	250
2001.....	168
2002.....	<u>1</u>
Total minimum capital lease payments.....	472
Less: imputed interest.....	<u>(69)</u>
Present value of minimum capital lease payments.....	403
Less: current portion.....	<u>(149)</u>
Long-term capital lease obligations.....	<u>\$ 254</u>

The Company also has entered into non-cancelable agreements with various telecommunications vendors to purchase minimum amounts of network services on a monthly basis. The total amount of these purchase commitments at September 30, 1999 are as follows (in thousands):

October 1, 1999 to December 31, 1999.....	\$ 1,548
2000.....	11,356
2001.....	18,065
2002.....	18,043
2003.....	16,025
2004.....	15,001
Thereafter.....	<u>34,250</u>
Total minimum purchase commitments.....	<u>\$114,288</u>

In November of 1999, UAI entered into an additional agreement with a telecommunications vendor that requires UAI to purchase a minimum of \$250,000 per month, beginning in May 2000 and continuing for a period of seven years.

UAI has standby letters of credit which have been issued on its behalf totaling \$2,108,000 securing performance of certain contracts with carriers and landlords. These letters of credit expire in April 2000.

Note 8 — Related Party Transactions

During 1998, UAI entered into certain transactions with shareholders and directors for the lease of office space and pager equipment. Rent expense for these leases approximated \$65,000 in 1998.

During 1998 and the nine months ended September 30, 1999, UAI paid Broadmark Capital Corporation ("Broadmark"), an entity for which a member of the UAI Board of Directors serves as Chairman, certain consideration in exchange for services rendered related to the sale of preferred

UNIVERSAL ACCESS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)
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stock. During the nine months ended September 30, 1999, UAI paid cash amounts of \$162,000, \$200,000 and \$140,000 to Broadmark in connection with the sale of Series A, B and D Cumulative Convertible Preferred Stock, respectively. These amounts were recorded as issuance costs, and deducted from the gross proceeds of the respective preferred stock series. During the nine months ended September 30, 1999, UAI issued to Broadmark 360,000 common stock warrants with an exercise price of \$.50 in connection with services rendered related to the issuance of Series B Cumulative Convertible Preferred Stock ("Series B Preferred Stock"). UAI also issued to Broadmark 77,233 Series A Cumulative Convertible Preferred Stock Warrants ("Series A Warrants") in connection with services rendered related to the issuance of Series A Cumulative Convertible Preferred Stock. UAI issued 33,333 and 43,900 Series A Warrants in 1998 and the nine months ended September 30, 1999, respectively. The common stock warrants and the Series A Warrants were valued at \$13,000 and \$83,000, respectively, using the Black-Scholes valuation model. UAI issued \$36,000 of the Series A Warrants in 1998 and \$47,000 of the Series A Warrants in the nine months ended September 30, 1999. Also, in connection with services rendered related to the sale of Series B Preferred Stock, UAI caused options to purchase 840,000 shares of common stock at \$.50 per share to be granted by certain principal shareholders of the Company's common stock. The 840,000 common stock options granted by the principal shareholders were valued at \$31,000 using the Black-Scholes valuation model. This amount was recorded as paid-in capital.

On May 27, 1999, UAI executed a full-recourse promissory note in connection with a loan to an officer of the Company for a principal amount of \$200,000 with a per annum interest rate of 6%. The promissory note will become immediately due and payable on April 30, 2004.

On August 4, 1999, three of the Company's officers were granted options to purchase a total of 1,000,000 shares of common stock at exercise prices ranging from \$1.38 to \$1.51 per share. These stock options vested immediately and were exercised on the date of grant. In connection with the exercise, the UAI board of directors authorized loans to these officers, pursuant to non-recourse promissory notes for a total amount of \$1,485,000 with an annual interest rate of 6%. The promissory notes will become immediately due and payable on August 4, 2004. During the nine months ended September 30, 1999, UAI recorded \$2,870,000 of stock option plan compensation expense related to the issuance of these notes receivable. UAI estimates that an additional \$1.9 million of stock option compensation expense will be recognized in the three months ended December 31, 1999 related to these notes receivable.

Note 9 — Industry Segment and Geographic Information

From its inception through September 30, 1999, substantially all of the Company's identifiable assets were located in the United States. During that same period, substantially all of the Company's revenues were derived from sales to customers based in the United States. The Company currently operates under one operating segment. Operating activities of this segment primarily consist of the provision of dedicated circuit access and related Universal Transport Exchange and Universal Information Exchange services.

Note 10 — Employee Benefit Plans and Employment Agreements

Employee Savings and Benefit Plans

As of January 1, 1999, UAI implemented a retirement savings plan pursuant to Section 401(k) of the Internal Revenue Code, which covers substantially all of the Company's employees. Employer

UNIVERSAL ACCESS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)
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contributions to the retirement savings plan are discretionary. For the nine months ended September 30, 1999, no employer contributions were made to the retirement savings plan.

Employment Agreements

UAI has entered into employment agreements with several of its key employees which have initial terms ranging from one to three years, after which they are renewable for additional one-year periods. The employment agreements entitle the employee to receive certain severance payments for termination of employment without cause, as defined by the agreements.

Stock Option Plans

In July of 1998, UAI's Board of Directors adopted the 1998 Employee Stock Option Plan (the "1998 Plan") for the Company's directors, officers, employees and key advisors. The total number of shares of UAI no par value Common Stock (the "Common Stock") reserved for issuance under the Plan is 13,000,000. Awards granted under the plan are at the discretion of the Company's Board of Directors, or a compensation committee appointed by the Board of Directors, and may be in the form of either incentive or nonqualified stock options. At September 30, 1999, 1,326,000 shares of Common Stock were available for additional awards under the plan. In November 1999, UAI's Board of Directors adopted the 1999 Stock Plan and the 1999 Director Option Plan. Upon an qualified initial public offering, no further options will be granted under the 1998 Plan.

If the Company had elected to recognize compensation cost based on the fair value of the options as prescribed by Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation", the following results would have occurred using the Black-Scholes option-pricing model with the listed assumptions:

	Year Ended December 31, 1998	Nine Months Ended September 30, 1999
Pro forma net loss (in thousands)	\$1,375	\$9,506
Pro forma basic and diluted net loss per share	0.05	0.31
Volatility	0%	0%
Dividend yield	0%	0%
Risk-free interest rate	5%	5%
Expected life in years	5.00	4.34

The Company recognized \$65,000 and \$3,085,000 of option plan compensation expense during the year ended December 31, 1998 and the nine months ended September 30, 1999, respectively, and expects to recognize additional expense of approximately \$1,569,000 over the next four years relating to such options as they vest. The \$3,085,000 of option plan compensation expense for the nine months ended September 30, 1999 consisted of \$215,000 related to the amortization of deferred stock option plan compensation and \$2,870,000 related to the options exercised in exchange for notes receivable as described in Note 8.

The vesting term of options granted under the Plan shall be fixed by the Board of Directors, or compensation committee elected by the Board of Directors, but in no case shall be exercisable for more than 10 years after the date the option is granted. For option grants to persons owning 10% of the voting power of all outstanding classes of UAI capital stock, the exercise price may not be lower

UNIVERSAL ACCESS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)
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than 110% of the fair market value on the date of the grant and the option term may not exceed 5 years.

The following information relates to stock options with an exercise price which was less than the fair market value of the underlying stock on the date of grant:

	<u>Year Ended December 31, 1998</u>		<u>Nine Months Ended September 30, 1999</u>	
	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>
Balance at beginning of period	—	—	2,850,000	\$ 0.0008
Granted	3,450,000	\$ 0.000654	2,355,500	0.228221
Exercised	(600,000)	0.000003	—	—
Forfeited	—	—	(155,500)	0.370418
Balance at end of period	<u>2,850,000</u>	<u>\$ 0.0008</u>	<u>5,050,000</u>	<u>\$ 0.095045</u>
Weighted average fair value of options granted during the period	\$ 0.14		\$ 0.63	

The following information relates to stock options with an exercise price which equaled the fair market value of the underlying common stock on the date of grant:

	<u>Year Ended December 31, 1998</u>		<u>Nine Months Ended September 30, 1999</u>	
	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>
Balance at beginning of period	—	—	648,000	\$0.0880
Granted	654,000	\$0.0910	4,622,000	1.6938
Exercised	—	—	(200,000)	1.3750
Forfeited	(6,000)	0.3800	(46,000)	1.1630
Balance at end of period	<u>648,000</u>	<u>\$0.0880</u>	<u>5,024,000</u>	<u>\$1.5042</u>
Weighted average fair value of options granted during the period	\$ 0.02		\$ 0.37	

UNIVERSAL ACCESS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)
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The following information relates to stock options with an exercise price which was greater than the fair value of the underlying stock on the date of grant:

	<u>Year Ended</u> <u>December 31, 1998</u>		<u>Nine Months Ended</u> <u>September 30, 1999</u>	
	<u>Number of</u> <u>Shares</u>	<u>Weighted</u> <u>Average</u> <u>Exercise</u> <u>Price</u>	<u>Number of</u> <u>Shares</u>	<u>Weighted</u> <u>Average</u> <u>Exercise</u> <u>Price</u>
Balance at beginning of period	—	—	—	\$ —
Granted	—	—	800,000	1.5125
Exercised	—	—	(800,000)	1.5125
Forfeited	—	—	—	—
Balance at end of period	=	=	=	=
Weighted average fair value of options granted during the period			\$ 0.19	

The following information relates to stock options as of September 30, 1999:

	<u>Exercise Prices</u>					
	<u>\$0.000003</u> <u>to \$0.0017</u>	<u>\$0.065</u> <u>to \$0.11</u>	<u>\$0.2533</u> <u>to \$0.27</u>	<u>\$1.38</u> <u>to \$1.83</u>	<u>\$2.11</u> <u>to \$2.79</u>	<u>\$3.21</u> <u>to \$4.25</u>
Stock Options Outstanding						
Number	2,850,000	582,000	3,292,000	1,594,000	1,404,000	352,000
Weighted average exercise price	\$0.000006	\$ 0.07	\$ 0.27	\$ 1.38	\$ 2.73	\$ 3.26
Weighted average remaining contractual life (years)	3.98	3.81	4.56	4.84	4.95	4.96
Stock Options Exercisable						
Number	882,000	181,000	—	300,000	100,000	176,000
Weighted average exercise price	\$ 0.000001	\$ 0.07	—	\$ 1.38	\$ 2.11	\$ 2.79

During 1998, 600,000 stock options were issued to non-employees for services rendered during 1998. These options were issued with an exercise price of \$0.000003, were immediately exercisable, and comprised \$40,000 of the \$65,000 stock option plan compensation expense recognized during 1998. During 1998, all options issued to non-employees were exercised.

The above disclosures include 200,000 options granted on August 4, 1999 to a non-employee director.

UNIVERSAL ACCESS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)
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Note 11 — Net Loss Per Share

The following is a reconciliation of the numerators and denominators used in computing basic and diluted net loss per share.

	<u>Period Ended</u> <u>December 31,</u> <u>1997</u>	<u>Year Ended</u> <u>December 31,</u> <u>1998</u>	<u>Nine Months Ended</u> <u>September 30,</u>	
			<u>1998</u>	<u>1999</u>
Net loss applicable to common Stockholders (in thousands)	\$ (170)	\$ (1,402)	\$ (807)	\$ (9,684)
Basic and diluted weighted average common shares outstanding	<u>23,799,000</u>	<u>29,063,000</u>	<u>28,631,000</u>	<u>30,867,000</u>
Basic and diluted net loss per share	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>	<u>\$ (0.03)</u>	<u>\$ (0.31)</u>

The Company had securities outstanding which could potentially dilute basic earnings per share in the future, but were excluded in the computation of diluted net loss per share in the periods presented, as their effect would have been anti-dilutive. Such outstanding securities consist of the following at December 31, 1998 and September 30, 1999. There were no potentially dilutive securities outstanding from inception through December 31, 1997.

	<u>December 31,</u> <u>1998</u>	<u>September 30,</u> <u>1999</u>
Series A cumulative convertible preferred stock	335,334	772,331
Series A cumulative convertible preferred stock warrants	33,333	77,233
Series B cumulative convertible preferred stock	—	2,233,335
Series B cumulative convertible preferred stock warrants	—	166,667
Series C convertible preferred stock	—	666,667
Series D cumulative convertible preferred stock	—	6,039,964
Common stock options	3,498,000	10,074,000
Common stock warrants	—	360,000

Note 12 — Convertible Preferred Stock and Warrants

During 1998, UAI issued 335,334 shares of Series A Redeemable Cumulative Convertible Preferred Stock ("Series A Preferred Stock") for gross proceeds of \$1,006,000. Additionally, UAI received cash and accepted subscription documents for 385,830 shares of Series A Redeemable Cumulative Convertible Preferred Stock ("Unissued Series A Preferred Stock") for gross proceeds of \$1,157,000. As of December 31, 1998, the Company had authorized 1,000,000 shares of Series A Preferred Stock. On February 8, 1999, UAI issued 436,997 shares of Series A Preferred Stock for gross proceeds of \$1,311,000. Included in this issuance were the 385,830 shares related to the amount presented as Unissued Series A Preferred Stock at December 31, 1998.

In connection with the 1998 sale of Series A Preferred Stock, UAI issued warrants (the "Series A Warrants") to purchase an additional 33,333 shares of Series A Preferred Stock at \$3.00 per share. These warrants were valued at \$36,000 using the Black-Scholes valuation model. In connection with

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NOTES TO FINANCIAL STATEMENTS (Continued)
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the February 1999 sale of Series A Preferred Stock UAI issued warrants to purchase 43,900 shares of Series A Preferred Stock at \$3.00 per share. These warrants were valued at \$47,000 using the Black-Scholes option valuation model. The Series A Warrants are exercisable for a period of five years after the issuance date. The Series A Preferred Stock is shown net of the fair value of the Series A Warrants.

As of December 31, 1998, the holders of Series A Preferred Stock had the right to demand the Company to redeem one-third of the shares originally purchased on each of the fourth, fifth, and sixth anniversaries of the closing and UAI had the right to redeem not less than all of the outstanding Series A Preferred Stock between the third and sixth anniversaries of the closing. All redemptions were to be made at amount equal to the sum of the original purchase price of the Series A Preferred Stock plus accumulated but unpaid dividends. On February 3, 1999, the Series A Preferred Stock holders approved an amended Certificate of Designations, Rights and Preferences whereby this mandatory redemption feature was terminated.

Changes in redeemable cumulative convertible preferred stock and redeemable cumulative convertible preferred stock warrants are as follows (in thousands, except share amounts):

	Redeemable Cumulative Convertible Preferred Stock		Redeemable Cumulative Convertible Preferred Stock Warrants
	Shares	Amount	
Balance at December 31, 1997	—	\$ —	\$ —
Issuance of Series A Preferred Stock	335,334	875	—
Issuance of Series A Preferred Stock warrants	—	—	36
Accretion and dividends on Redeemable Series A Preferred Stock	—	28	—
Balance at December 31, 1998	335,334	903	36
Accretion and dividends on Redeemable Series A Preferred Stock	—	9	—
Termination of mandatory redemption feature of Series A Preferred Stock	<u>(335,334)</u>	<u>(912)</u>	<u>(36)</u>
Balance at September 30, 1999	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>

On February 8, 1999, UAI issued 2,000,000 shares of Series B Redeemable Cumulative Convertible Preferred Stock ("Series B Preferred Stock") for gross proceeds of \$6,000,000. In conjunction with the issuance of the Series B Preferred Stock, the Company issued warrants to purchase an additional 400,002 shares of Series B Preferred Stock (the "Series B Warrants") at an exercise price of \$0.01 per share and warrants to purchase 360,000 shares of Common Stock at \$.50 per share, and caused options to purchase 840,000 shares of Common Stock at \$.50 per share to be granted by certain principal shareholders of the Company's Common Stock. The 840,000 common stock options granted by the principal shareholders were valued at \$31,000 using the Black-Scholes valuation model. This amount was recorded as additional paid-in capital. Series B Preferred Stock is convertible into Common Stock on a 6-for-1 basis. During the six month period ended June 30, 1999, 233,335 of the Series B Warrants were exercised.

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NOTES TO FINANCIAL STATEMENTS (Continued)

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On April 30, 1999, UAI issued 666,667 shares of Series C Convertible Preferred Stock ("Series C Preferred Stock") for gross proceeds of \$1,950,000.

During the period from June 30, 1999 to September 30, 1999, UAI issued 5,957,611 shares of Series D Cumulative Convertible Preferred Stock ("Series D Preferred Stock") for gross proceeds of \$25,319,847. The Company also issued 82,353 shares valued at \$4.25 per share in connection with the purchase of certain assets of PCN (see Note 3). The Company also issued 2,733 shares of Series D Preferred Stock on December 6, 1999 for gross proceeds of \$50,014.

On November 10, 1999, UAI issued 1,557,385 shares of Series E Cumulative Convertible Preferred Stock ("Series E Preferred Stock") and warrants to purchase an additional 40,000 shares of Series E Preferred Stock for gross proceeds of \$28.5 million. Series E Preferred Stock is convertible into Common stock on a 3-for-1 basis. The conversion ratio for the Series E Preferred Stock will be multiplied by the lesser of 3.75 or the quotient of \$750 million divided by the product of the number of fully diluted shares of common stock outstanding immediately before an initial public offering multiplied by the initial public offering per share price (such quotient is not to be less than 1).

Upon liquidation or dissolution, shareholders of Preferred Stock will be distributed available assets up to the sum of the original purchase price plus accumulated but unpaid dividends. This distribution has preference over any distribution to common stock holders.

Holders of the Company's Preferred Stock are entitled to cumulative dividends (payable in cash or stock at the Company's discretion) and have the right to convert their shares at any time into shares of UAI Common Stock as follows:

	<u>Annual Dividend Rate</u>	<u>Conversion Ratio</u>	
Series A	8%	6-to-1	
Series B	5%	6-to-1	
Series C	None	3-to-1	
Series D	6%	3-to-1	
Series E	1.4%	3-to-1	(subject to adjustment)

A qualified initial public offering of at least \$1 per share triggers a mandatory conversion of all outstanding Preferred Stock into Common Stock, and of all outstanding Preferred Stock Warrants into warrants to purchase Common Stock at the above conversion ratios.

The holders of the Preferred Stock and the holders of Common Stock vote as one class, subject to certain provisions. Each share of Preferred Stock is entitled to cast the number of votes equal to the number of Common Shares into which their preferred stock is convertible.

Note 13 — Common Stock

At September 30, 1999, UAI had authorized 300,000,000 shares of \$.01 par value Common Stock and 31,925,000 shares were issued and outstanding.

The Company has a sufficient number of authorized Common Stock shares available to issue upon the conversion of the outstanding preferred stock, warrants and stock options.

UNIVERSAL ACCESS, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
Information for the Nine-Month Period Ended
September 30, 1998 is Unaudited

As of September 30 1999, Common Stock shares reserved for issuance are as follows:

	September 30, 1999
Series A cumulative convertible preferred stock	4,633,986
Series A cumulative convertible preferred stock warrants	463,398
Series B cumulative convertible preferred stock	13,400,010
Series B cumulative convertible preferred stock warrants	1,000,002
Series C convertible preferred stock	2,000,001
Series D cumulative convertible preferred stock	18,119,892
Common stock options	10,074,000
Common stock warrants	360,000

Note 14 — Supplemental Cash Flow Disclosure

On July 30, 1999, UAI acquired certain assets and assumed certain liabilities from Pacific Crest Networks, Inc. Assets acquired included \$510,000 of computer hardware subject to capital leases, and liabilities assumed included \$418,000 of obligations under capital leases.

On August 4, 1999, UAI executed notes receivable with three of the Company's officers in consideration for the exercise of stock options as described in Note 8.

On August 12, 1999, UAI issued 325,000 shares of common stock in exchange for UTX equipment. The common stock had a fair market value of \$1.42 per share on the date of issuance.

On September 15, 1999, UAI agreed to issue 35,294 shares of Series D Preferred Stock at a price below fair market value in exchange for services. UAI recorded \$110,000 of operations and administration expense related to this transaction.

At September 30, 1999, \$6.4 million of equipment purchases were included in accounts payable.

At September 30, 1999, UAI had issued \$155,000 of Series D Preferred Stock for which the Company did not receive the related cash until October 1999.

No amounts were paid for income taxes in 1997, 1998 or the nine months ended September 30, 1999. UAI paid interest of \$0, \$0 and \$18,000 in 1997, 1998 and the nine months ended September 30, 1999, respectively.

Note 15 — Subsequent Event (Unaudited)

On December 15, 1999, UAI entered into a credit agreement with a bank, to borrow up to \$3.3 million. Outstanding borrowings bear interest at approximately 15% and are collateralized by specifically identified assets. This agreement expires in November 2002 and requires that we maintain an unrestricted cash balance of at least \$15.0 million.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
Pacific Crest Networks, Inc. d/b/a. The Pond

In our opinion, the accompanying balance sheets and the related statements of operations, of cash flows, and of changes in stockholders' equity (deficit) present fairly, in all material respects, the financial position of Pacific Crest Networks, Inc. at December 31, 1997 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. 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 of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICEWATERHOUSECOOPERS LLP

Chicago, Illinois
July 30, 1999

PACIFIC CREST NETWORKS, INC.
D/B/A THE POND
BALANCE SHEET
(In thousands, except share data)

	<u>December 31,</u>		<u>June 30,</u>
	<u>1997</u>	<u>1998</u>	<u>1999</u>
			(unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 12	\$ —	\$ —
Accounts receivable:			
Trade, net of allowance of \$6, \$1 and \$7.	34	43	97
Other	—	5	—
Other current assets	—	10	3
Total current assets	46	58	100
Property and equipment, net	160	725	804
Other assets, net	6	4	1
Total assets	<u>\$ 212</u>	<u>\$ 787</u>	<u>\$ 905</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
Current liabilities:			
Bank overdraft	\$ —	\$ 1	\$ 31
Accounts payable	25	87	186
Accrued expenses	3	42	—
Notes payable	18	64	54
Current obligations under capital leases	21	185	142
Note payable, shareholder	—	158	369
Due to shareholders	6	—	—
Line of credit, bank	—	150	150
Customer deposits	40	6	9
Total current liabilities	113	693	941
Obligations under capital leases, net of current portion	25	342	298
Notes payable, net of current portion	62	20	20
Due to Universal Access, Inc.	—	—	341
Total liabilities	<u>200</u>	<u>1,055</u>	<u>1,600</u>
Commitments (Note 5)			
Stockholders' equity (deficit):			
Common stock, no par value; 100,000,000 shares authorized; 5,800,000, 13,449,275 and 13,449,275 shares issued and outstanding at December 31, 1997, 1998, and June 30, 1999, respectively	100	108	108
Additional paid-in capital	73	321	321
Accumulated deficit	(161)	(697)	(1,124)
Total stockholders' equity (deficit)	12	(268)	(695)
Total liabilities and stockholders' equity (deficit)	<u>\$ 212</u>	<u>\$ 787</u>	<u>\$ 905</u>

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

**PACIFIC CREST NETWORKS, INC.
D/B/A THE POND**

**STATEMENT OF OPERATIONS
(In thousands)**

	Year Ended December 31,		Six Months Ended June 30,	
	<u>1997</u>	<u>1998</u>	<u>1998</u>	<u>1999</u>
			(unaudited)	
Revenues	<u>\$370</u>	<u>\$ 551</u>	<u>\$ 260</u>	<u>\$ 424</u>
Costs and operating expenses:				
Cost of revenues	54	206	85	298
Operations and administration	298	498	160	418
Stock option compensation	20	248	232	—
Depreciation and amortization	<u>33</u>	<u>91</u>	<u>20</u>	<u>86</u>
Total operating expenses	<u>405</u>	<u>1,043</u>	<u>497</u>	<u>802</u>
Operating loss	(35)	(492)	(237)	(378)
Interest expense	<u>11</u>	<u>44</u>	<u>6</u>	<u>49</u>
Net loss	<u><u>\$(46)</u></u>	<u><u>\$ (536)</u></u>	<u><u>\$(243)</u></u>	<u><u>\$(427)</u></u>

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

**PACIFIC CREST NETWORKS, INC.
D/B/A THE POND**

**STATEMENT OF CASH FLOWS
(In thousands)**

	Year Ended December 31,		Six Months Ended June 30,	
	1997	1998	1998	1999
			(unaudited)	
Cash flows from operating activities:				
Net loss	\$(46)	\$(536)	\$(243)	\$(427)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Stock option compensation	20	248	232	—
Depreciation	27	38	12	36
Amortization	6	53	8	50
Provision for doubtful accounts	6	(5)	—	6
Loss on disposition of assets	—	1	—	—
Changes in operating assets and liabilities:				
Accounts receivable	(11)	(4)	(5)	(60)
Other assets	(3)	(15)	(4)	15
Accounts payable	8	62	48	99
Accrued expenses	6	39	(3)	(42)
Customer deposits	24	(34)	3	3
Net cash provided by (used in) operating activities ..	<u>37</u>	<u>(153)</u>	<u>48</u>	<u>(320)</u>
Cash flows used in investing activities:				
Purchases of property and equipment	(30)	(106)	(23)	(165)
Proceeds from disposal of equipment	—	2	—	—
Net cash used in investing activities	<u>(30)</u>	<u>(104)</u>	<u>(23)</u>	<u>(165)</u>
Cash flows from financing activities:				
Bank overdraft	—	1	—	30
Payments on capital leases	(17)	(70)	(15)	(87)
Proceeds from issuance of notes payable	—	20	—	—
Payments on notes payable	(21)	(16)	(8)	(10)
Proceeds from note payable to Universal Access, Inc.	—	—	—	341
Proceeds from notes payable to and advances from shareholders	6	156	—	211
Payments on notes payable to and advances from shareholders	—	(4)	—	—
Proceeds from line of credit, bank	—	150	—	—
Proceeds from exercise of stock options	—	8	—	—
Net cash provided by (used in) financing activities ..	<u>(32)</u>	<u>245</u>	<u>(23)</u>	<u>485</u>
Net increase (decrease) in cash and cash equivalents	(25)	(12)	2	—
Cash and cash equivalents, beginning of year	37	12	12	—
Cash and cash equivalents, end of year	<u>\$ 12</u>	<u>\$ —</u>	<u>\$ 14</u>	<u>\$ —</u>

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

**PACIFIC CREST NETWORKS, INC.
D/B/A THE POND**

**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands, except share data)**

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	\$1 Stated Value	Shares	Amount			
Balance at December 31, 1996 ...	90,000	\$ 90	580,000	\$ 10	\$ —	\$ (115)	\$ (15)
Conversion of preferred stock to common stock	(90,000)	(90)	5,220,000	90	—	—	—
Stock option plan compensation ..	—	—	—	—	20	—	20
Conversion of shareholder loan to additional paid-in capital	—	—	—	—	53	—	53
Net loss	—	—	—	—	—	(46)	(46)
Balance at December 31, 1997 ...	—	—	5,800,000	100	73	(161)	12
Stock option plan compensation ..	—	—	—	—	248	—	248
Common stock issued upon exercise of stock options	—	—	7,649,275	8	—	—	8
Net loss	—	—	—	—	—	(536)	(536)
Balance at December 31, 1998 ...	—	—	13,449,275	108	321	(697)	(268)
Net loss (unaudited)	—	—	—	—	—	(427)	(427)
Balance at June 30, 1999 (unaudited)	—	\$ —	13,449,275	\$108	\$321	\$(1,124)	\$(695)

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

PACIFIC CREST NETWORKS, INC.
D/B/A THE POND
NOTES TO FINANCIAL STATEMENTS
Information for the Six-Month Periods Ended
June 30, 1998 and 1999 is Unaudited

Note 1 — Description of the Company

Pacific Crest Networks, Inc. (the "Company" or "PCN"), an Oregon Corporation, was originally organized in 1995 as Cascade Communications Group ("Cascade"), a partnership, for the purpose of providing internet access services. In May 1996, the partners of Cascade formed a new corporation, Pacific Crest Interactive, Inc., and assigned all of the assets and liabilities of Cascade to the new corporation. During 1997, Pacific Crest Interactive continued to provide internet access services; however, it also began to focus on the development and deployment of broadband network access and introduced its core broadband network products in 1998. In October 1998, the Company changed its name to Pacific Crest Networks, Inc. The Company presently provides internet access services to the general public and high-speed broadband network technologies and data transport services primarily to internet service providers and business customers. During 1998, all of the Company's customers were located in the State of Oregon, and in 1999, operations were expanded to the State of Washington.

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation

The accompanying interim financial statements as of June 30, 1999 and for the six months ended June 30, 1998 and 1999 and the related notes have not been audited. However, they have been prepared in conformity with the accounting principles stated in the audited financial statements for the years ended December 31, 1997 and 1998 and include all adjustments, which were of a normal and recurring nature, which in the opinion of management are necessary to present fairly the financial position of the Company and results of operations and cash flows for the periods presented. The operating results for the interim periods are not necessarily indicative of results expected for the full years.

Revenue Recognition

Substantially all revenue for services is billed and recognized in the same month that service is provided. Certain excess usage charges are billed to customers in the month following service. The Company records the excess usage charges in the month they are earned.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, money market funds and all investments with an initial maturity of three months or less. All cash equivalents are recorded at cost.

Stock-Based Compensation

The Company accounts for stock-based awards to employees using the intrinsic value method as prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, no compensation expense is recorded for options issued to employees in fixed amounts and with fixed exercise prices at least equal to the fair market value of the Company's common stock at the date of grant. The Company has adopted the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," through disclosure only (Note 7). All stock-based awards to non-employees are accounted for at their fair value in accordance with SFAS No. 123.

**PACIFIC CREST NETWORKS, INC.
D/B/A THE POND**

**NOTES TO FINANCIAL STATEMENTS (Continued)
Information for the Six-Month Periods Ended
June 30, 1998 and 1999 is Unaudited**

Comprehensive Income

SFAS No. 130 requires that a full set of general purpose financial statements include the reporting of "comprehensive income." Comprehensive income is comprised of two components: net income and other comprehensive income, with other comprehensive income being comprised of foreign currency items, minimum pension liability adjustments and unrealized gains and losses on certain investments in debt and equity securities. During the years ended December 31, 1997 and 1998, comprehensive income was comprised solely of net income. As a result, the adoption of SFAS No. 130 had no impact on the Company's financial statements.

Property and Equipment

Property and equipment are stated at cost with depreciation provided for under the straight-line method. Leasehold improvements are amortized over the remaining life of the lease. Depreciable lives used by the Company for its classes of assets are as follows:

Furniture and fixtures	7 years
Computer hardware	5 years
Computer software	3 years

Certain property and equipment has been acquired through capital leasing arrangements. This property and equipment is recorded at the present value of total lease payments using the rate of interest implicit in the lease. The recorded amount is then amortized over the lesser of the useful life of the related asset or the term of the lease.

Income Taxes

Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for tax carryforwards. Deferred tax assets are offset by a valuation allowance to the extent it is more likely than not that the future tax benefit of the deferred tax asset will not be realized.

The Company has established a net deferred tax asset which reflects the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts. The deferred tax asset was recorded net of a valuation allowance to reduce the deferred tax asset to an amount that is more likely than not going to be realized.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**PACIFIC CREST NETWORKS, INC.
D/B/A THE POND**

**NOTES TO FINANCIAL STATEMENTS (Continued)
Information for the Six-Month Periods Ended
June 30, 1998 and 1999 is Unaudited**

Note 3 — Property and Equipment

Property and equipment not subject to capital leases consists of the following:

	December 31,	
	1997	1998
Office equipment and furniture	\$ 4,000	\$ 14,000
Leasehold improvements	4,000	9,000
Computer hardware	131,000	210,000
Computer software	8,000	14,000
	147,000	247,000
Less: accumulated depreciation	(37,000)	(72,000)
Property and equipment, not subject to capital leases, net	\$110,000	\$175,000

Property and equipment subject to capital leases consists of the following:

	December 31,	
	1997	1998
Office equipment and furniture	\$18,000	\$ 18,000
Computer hardware	38,000	573,000
Computer software	—	16,000
	56,000	607,000
Less: accumulated amortization	(6,000)	(57,000)
Property and equipment subject to capital leases, net	\$50,000	\$550,000

Amortization expense on capital leases was \$6,000 and \$51,000 for the years ended December 31, 1997 and 1998, respectively.

Note 4 — Debt

Debt is summarized as follows:

	December 31,	
	1997	1998
Current:		
Notes payable	\$18,000	\$ 64,000
Notes payable, shareholders	—	158,000
Due to shareholders	6,000	—
Line of credit, bank	—	150,000
Total current debt	24,000	372,000
Notes payable, noncurrent	62,000	20,000
Total debt	\$86,000	\$392,000

During 1998, the Company issued an unsecured note payable to an unrelated individual for \$20,000. The note bears interest at a rate of 10% payable monthly. The entire principal is due on December 17, 2000. The note can be prepaid by the Company at any time without penalty.

**PACIFIC CREST NETWORKS, INC.
D/B/A THE POND**

**NOTES TO FINANCIAL STATEMENTS (Continued)
Information for the Six-Month Periods Ended
June 30, 1998 and 1999 is Unaudited**

During 1998, the Company obtained an unsecured line of credit of \$400,000 from a shareholder. At December 31, 1998, the balance outstanding was \$158,000. The line of credit does not bear interest and all outstanding borrowings are due on December 31, 1999 or upon the sale of the Company. An interest rate on the borrowings was imputed at a rate of 12%, which represents management's estimate of the Company's unsecured borrowing rate. Interest expense on this note was \$2,000 in 1998. The imputed interest is included in the balance of the note since the Company intends to repay the shareholder the principal balance plus all imputed interest.

During 1997, two shareholders advanced funds to the Company. As of December 31, 1997, the balance of the outstanding borrowings was \$6,000. During 1998, \$4,000 of this balance was paid in full, and the remaining \$2,000 was added to the \$158,000 note payable described above. These borrowings were not subject to any written agreement. The Company did not record imputed interest on these borrowings since the estimated interest charges were insignificant.

In August 1998, the Company issued a \$150,000 note payable to a Bank. This note bears interest at a rate of prime plus 3% with interest payments due monthly. The interest rate at December 31, 1998 was 10.75%. The entire balance of this note is due upon demand with an established final maturity of August 1, 1999. The note is collateralized by substantially all of the assets of the Company. Further, the entire principal balance of the note and accrued interest are personally guaranteed by the three stockholders of the Company.

In September 1996, the Company entered into a business loan agreement with the City of Eugene, Oregon in the amount of \$100,000. The note bears interest at 7%. The Company is currently paying monthly interest and principal payments of approximately \$2,000 with a final principal payment of \$51,000 due on August 1, 1999. This loan is collateralized by substantially all of the assets of the Company. In addition, a stockholder of the Company personally guaranteed the entire loan balance and accrued interest and also pledged certain personal real property as collateral.

Debt maturities are as follows:

1999	\$372,000
2000	<u>20,000</u>
	<u>\$392,000</u>

Note 5 — Commitments

The Company leases office facilities over periods of up to three years. Total rent expense during 1997 and 1998 was \$17,000 and \$32,000, respectively. Future rentals for operating leases at December 31, 1998 are as follows:

1999	\$39,000
2000	24,000
2001	<u>12,000</u>
Total minimum operating lease payments	<u>\$75,000</u>

**PACIFIC CREST NETWORKS, INC.
D/B/A THE POND**

**NOTES TO FINANCIAL STATEMENTS (Continued)
Information for the Six-Month Periods Ended
June 30, 1998 and 1999 is Unaudited**

The Company also leases certain equipment under capital leasing arrangements with periods ranging from two to five years. Future minimum lease payments as of December 31, 1998 related to the capital leasing arrangements are as follows:

1999	\$ 247,000
2000	233,000
2001	<u>151,000</u>
Total minimum capital lease payments	631,000
Less: imputed interest	<u>(104,000)</u>
Present value of minimum capital lease payments	527,000
Less: current portion	<u>(185,000)</u>
Long-term capital lease obligations	<u>\$ 342,000</u>

The Company has entered into non-cancellable contracts with certain vendors whereby such vendors provide the Company network access, domain name service and certain other services. Commitments under these contracts are as follows as of December 31, 1998:

1999	\$204,000
2000	106,000
2001	65,000
2002	43,000
2003	25,000
Thereafter	<u>1,000</u>
	<u>\$444,000</u>

Note 6 — Income Taxes

There is no current provision or benefit for income taxes recorded for the years ended December 31, 1997 and 1998, as the Company has generated net operating losses for income tax purposes for which there is no carryback potential. There is no deferred provision or benefit for income taxes recorded as the Company is in a net asset position for which a full valuation allowance has been recorded due to the uncertainty of realization.

The components of the net deferred income tax asset are as follows:

	<u>December 31,</u>	
	<u>1997</u>	<u>1998</u>
Net operating loss carryforwards	\$ 53,000	\$210,000
Basis of property and equipment	(10,000)	(45,000)
Other	<u>2,000</u>	<u>4,000</u>
Net deferred tax asset	45,000	169,000
Less: valuation allowance	<u>(45,000)</u>	<u>(169,000)</u>
Total	<u>\$ —</u>	<u>\$ —</u>

At December 31, 1997 and 1998, the Company had a federal and state net operating loss carryforwards of \$131,000 and \$518,000, respectively. The net operating losses will expire in 2016

**PACIFIC CREST NETWORKS, INC.
D/B/A THE POND**

**NOTES TO FINANCIAL STATEMENTS (Continued)
Information for the Six-Month Periods Ended
June 30, 1998 and 1999 is Unaudited**

through 2018 for federal purposes, and 2011 through 2013 for state purposes. Upon cumulative ownership changes of more than 50% over a three year period (see Note 10), certain limitations apply to the amount of net operating loss that can be deducted from taxable income in each future year. The net operating loss carryforward limitation in each year in the carryforward period approximates the product of the fair market value of the Company immediately before ownership transfer multiplied by the long-term federal interest rate.

Note 7 — Stock Options

During 1997 and 1998, the Company's Board of Directors granted stock options to two individuals who were both employees of the Company and members of the Board of Directors. The Company does not have a formal stock option plan, nor are there any shares specifically reserved for stock option grants. All options issued had an exercise price of \$.001, were immediately exercisable, and expired three years after the date of grant.

During 1997 and 1998, the Company calculated compensation cost based on the fair value of the underlying Common Stock on the date of grant. The fair value of the Common Stock was deemed to represent the fair value of the stock options, since the exercise price of the stock options was de minimis.

During 1997 and 1998, the Company recognized stock option plan compensation expense of \$20,000 and \$248,000, respectively.

The following summarizes stock option activity:

	Number of Shares
Balance at December 31, 1996	—
Granted	664,444
Balance at December 31, 1997	664,444
Granted	6,984,831
Exercised	(7,649,275)
Balance at December 31, 1998	—

The weighted average fair value of all options granted during 1997 and 1998 was \$.0305 and \$.0354, respectively.

As set forth in Note 2, the Company accounts for stock based awards to employees in accordance with APB 25. Compensation cost would remain unchanged had the Company elected to recognize compensation cost in accordance with SFAS 123.

Note 8 — Preferred Stock Conversion

Effective January 1, 1997, the sole shareholder of the Company converted all of the issued and outstanding preferred stock to common stock. This action was authorized by the Company's Board of Directors at a conversion rate equal to the initial issuance price of the common stock.

PACIFIC CREST NETWORKS, INC.
D/B/A THE POND
NOTES TO FINANCIAL STATEMENTS (Continued)
Information for the Six-Month Periods Ended
June 30, 1998 and 1999 is Unaudited

Note 9 — Supplemental Cash Flow Disclosures

	<u>1998</u>	<u>1997</u>
Interest paid	<u>\$ 27,000</u>	<u>\$11,000</u>
Property and equipment acquired subject to capital leases ...	<u>\$551,000</u>	<u>\$56,000</u>

Note 10 — Subsequent Event

On July 30, 1999, substantially all of the assets and liabilities of the Company were sold to Universal Access, Inc. ("UAI") in exchange for \$833,000 in cash, \$224,000 of debt assumed by UAI, and 82,353 shares of UAI Series D Convertible Preferred Stock ("Series D"). The Series D had a per share value of \$4.25 on the date of sale. Assets sold included all property and equipment, cash, accounts receivable, software, customer lists and intellectual property. Also, as part of the sale, UAI assumed certain liabilities of the Company including \$276,000 of accounts payable, obligations under leases and vendor contracts, and advances made by UAI to the Company during 1999.

REPORT OF INDEPENDENT ACCOUNTANTS

**Information for the Nine Month Periods Ended
September 30, 1998 and 1999 is Unaudited**

To the Board of Directors and
Stockholders of Stuff Software, Inc.

In our opinion, the accompanying balance sheet and the related statements of operations, of changes in stockholders' deficit and of cash flows present fairly, in all material respects, the financial position of Stuff Software, Inc. at December 31, 1997 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. 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 of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICEWATERHOUSECOOPERS LLP
Chicago, Illinois
October 1, 1999

STUFF SOFTWARE, INC.

BALANCE SHEET
(In thousands)

Information for the Nine-Month Periods Ended
September 30, 1998 and 1999 is Unaudited

	<u>December 31,</u>		<u>September 30,</u>
	<u>1997</u>	<u>1998</u>	<u>1999</u>
			(Unaudited)
ASSETS			
Current assets:			
Cash	\$ 1	\$ 5	\$ 6
Accounts receivable, net	11	16	16
Total current assets	<u>12</u>	<u>21</u>	<u>22</u>
Total assets	<u>\$ 12</u>	<u>\$ 21</u>	<u>\$ 22</u>
 LIABILITIES AND STOCKHOLDERS' DEFICIT			
Current liabilities:			
Unearned revenue	\$ 29	\$ 41	\$ 58
Total current liabilities	<u>29</u>	<u>41</u>	<u>58</u>
Stockholders' deficit:			
Common stock, \$.01 par value; 1,000 shares authorized issued and outstanding	—	—	—
Additional paid-in capital	5	5	5
Accumulated deficit	<u>(22)</u>	<u>(25)</u>	<u>(41)</u>
Total stockholders' deficit	<u>(17)</u>	<u>(20)</u>	<u>(36)</u>
Total liabilities and stockholders' deficit	<u>\$ 12</u>	<u>\$ 21</u>	<u>\$ 22</u>

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

STUFF SOFTWARE, INC.
STATEMENT OF OPERATIONS
(In thousands)

**Information for the Nine-Month Periods Ended
September 30, 1998 and 1999 is Unaudited**

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	<u>1997</u>	<u>1998</u>	<u>1998</u>	<u>1999</u>
			(Unaudited)	
Revenues	\$ 70	\$114	\$ 56	\$113
Operating expenses:				
Cost of revenues	(9)	(6)	(5)	(4)
Operations and administration	<u>(20)</u>	<u>(23)</u>	<u>(16)</u>	<u>(33)</u>
Total operating expenses	<u>(29)</u>	<u>(29)</u>	<u>(21)</u>	<u>(37)</u>
Operating income	<u>41</u>	<u>85</u>	<u>35</u>	<u>76</u>
Interest expense	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>—</u>
Net income	<u>\$ 40</u>	<u>\$ 84</u>	<u>\$ 34</u>	<u>\$ 76</u>

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

STUFF SOFTWARE, INC.
STATEMENT OF CASH FLOWS
(In thousands)

Information for the Nine-Month Periods Ended
September 30, 1998 and 1999 is unaudited

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	<u>1997</u>	<u>1998</u>	<u>1998</u>	<u>1999</u>
			(Unaudited)	
Cash flows from operating activities:				
Net income	\$ 40	\$ 84	\$ 34	\$ 76
Adjustments to reconcile net income to net cash provided by operating activities:				
Changes in operating assets and liabilities:				
Accounts receivable	(5)	(5)	(2)	—
Unearned revenue	<u>13</u>	<u>12</u>	<u>6</u>	<u>17</u>
Net cash provided by operating activities	<u>48</u>	<u>91</u>	<u>38</u>	<u>93</u>
Cash flows from financing activities:				
Distributions to stockholders	<u>(50)</u>	<u>(87)</u>	<u>(34)</u>	<u>(92)</u>
Net (decrease) increase in cash	(2)	4	4	1
Cash, beginning of period	<u>3</u>	<u>1</u>	<u>1</u>	<u>5</u>
Cash, end of period	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 6</u>

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

STUFF SOFTWARE, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT
(In thousands, except share data)

Information for the Nine-Month Periods Ended
September 30, 1998 and 1999 is Unaudited

	<u>Common Stock</u>		<u>Additional</u>		
	<u>Shares</u>	<u>Par</u>	<u>Paid-in</u>	<u>Accumulated</u>	<u>Total</u>
		<u>Value</u>	<u>Capital</u>	<u>Deficit</u>	
Balance at December 31, 1996.....	1,000	\$—	\$5	\$(12)	\$ (7)
Distributions to stockholders	—	—	—	(50)	(50)
Net income	—	—	—	40	40
Balance at December 31, 1997.....	1,000	—	5	(22)	(17)
Distributions to stockholders	—	—	—	(87)	(87)
Net income	—	—	—	84	84
Balance at December 31, 1998.....	1,000	—	5	(25)	(20)
Distributions to stockholders (unaudited) ...	—	—	—	(92)	(92)
Net income (unaudited)	—	—	—	76	76
Balance at September 30, 1999 (unaudited)	<u>1,000</u>	<u>\$—</u>	<u>\$5</u>	<u>\$(41)</u>	<u>\$(36)</u>

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

STUFF SOFTWARE, INC.
NOTES TO FINANCIAL STATEMENTS
Information for the Nine Month Periods Ended
September 30, 1998 and 1999 is Unaudited

Note 1 — Summary of Significant Accounting Policies

The Company

Stuff Software, Inc. (the "Company") operates as a Florida Subchapter S Corporation. From its inception through November 30, 1998, Stuff Software, Inc. operated as a sole proprietorship. The November 30, 1998 reorganization is reflected retroactively throughout the financial statements for all periods presented. The Company develops software and databases for use in the area of telecommunications cost and benefit analysis.

Basis of Presentation

The accompanying interim financial statements as of September 30, 1999 and for the nine months ended September 30, 1998 and 1999 and the related notes have not been audited. However, they have been prepared in conformity with the accounting principles stated in the audited financial statements for the years ended December 31, 1997 and 1998 and include all adjustments, which were of a normal and recurring nature, which in the opinion of management are necessary to present fairly the financial position of the Company and results of operations and cash flows for the periods presented. The operating results for the interim periods are not necessarily indicative of results expected for the full years.

Revenue Recognition

Services are billed annually, monthly, and quarterly in advance. Stuff Software recognizes revenue in the month in which the service is provided. Advance billings are recorded by the Company as unearned revenue. Stuff Software recognizes revenue from one-time fees for special projects when the related services are performed.

Accounts Receivable

Financial instruments that could potentially subject Stuff Software to concentration of credit risk primarily include accounts receivable. As of December 31, 1998, three customers represented 43% of total accounts receivable and no customer represented more than 10% of total revenues during 1998. As of December 31, 1997, no customer represented more than 10% of total accounts receivable and no customer represented more than 10% of total revenues during 1997. If any of these individually significant customers are unable to meet their financial obligations, results of operations of the Company could be adversely affected.

Comprehensive Income

SFAS No. 130 requires that a full set of general purpose financial statements include the reporting of "comprehensive income." Comprehensive income is comprised of two components: net income and other comprehensive income, with other comprehensive income being comprised of foreign currency items, minimum pension liability adjustments and unrealized gains and losses on certain investments in debt and equity securities. During the years ended December 31, 1997 and 1998, comprehensive income was comprised solely of net income. As a result, the adoption of SFAS No. 130 had no impact on the Company's financial statements.

STUFF SOFTWARE, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)
Information for the Nine Month Periods Ended
September 30, 1998 and 1999 is Unaudited

Advertising Costs

The Company expenses advertising costs as incurred. For the years ended December 31, 1997 and 1998, advertising expense totaled \$5,000 and \$6,000, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 — Income Taxes

Stuff Software, Inc. changed status from a sole proprietor to a S-Corporation on November 30, 1998. For both a sole proprietorship and a S-Corporation, all attributes for federal and state income taxes pass through to the stockholder. Accordingly, no income tax provision or deferred tax amounts have been recorded.

Note 3 — Industry Segment and Geographic Information

During the years ended December 31, 1997 and 1998, substantially all of the Company's identifiable assets were located in the United States. During that same period, substantially all of the Company's revenues were derived from sales to customers based in the United States.

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following unaudited pro forma combined financial information assumes the acquisition of Pacific Crest Networks, Inc. d/b/a The Pond ("Pacific Crest Networks" or "PCN") and Stuff Software, Inc. ("Stuff Software") by Universal Access, Inc. ("Universal Access" or "UAI") accounted for on the purchase method of accounting and are based on the respective historical financial statements and the notes thereto, which are included in this Registration Statement. The unaudited pro forma combined balance sheet gives effect to the Stuff Software acquisition as if it had occurred on September 30, 1999 and combines UAI's September 30, 1999 balance sheet with the September 30, 1999 unaudited balance sheet of Stuff Software. The unaudited pro forma statements of operations give effect to the acquisitions as if they had occurred on January 1, 1998. The unaudited pro forma combined statement of operations for the year ended December 31, 1998 combines UAI's historical results for the year ended December 31, 1998 with the historical results of Pacific Crest Networks and Stuff Software for that same year. The unaudited pro forma combined statement of operations for the nine months ended September 30, 1999 combines UAI's unaudited historical results for the nine months ended September 30, 1999 with the unaudited historical statement of operations of Stuff Software for that same period, and the unaudited historical statement of operations of Pacific Crest Networks for the period from January 1, 1999 to July 30, 1999, the acquisition date.

There were no material differences between the accounting policies of UAI and those of Pacific Crest Networks and Stuff Software. Certain financial statement balances of Pacific Crest Networks have been reclassified to conform with UAI's financial statement presentation.

The unaudited pro forma information included herein is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred had the acquisitions been consummated at the beginning of the periods presented, nor is it necessarily indicative of future operating results or financial position.

These pro forma financial statements are based on, and should be read in conjunction with, the historical financial statements and the related notes thereto of Universal Access, Pacific Crest Networks and Stuff Software included in this Registration Statement.

PRO FORMA COMBINED BALANCE SHEET
(Unaudited)
(In thousands)
As of September 30, 1999

	Universal Access, Inc.	Stuff Software, Inc.	Pro Forma Adjustments	Pro Forma Combined
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 21,703	\$ 6	\$ (965) (2)	\$ 20,744
Accounts receivable, net	2,666	16	—	2,682
Prepaid expenses and other current assets	142	—	—	142
Security deposits	360	—	—	360
Regulatory taxes receivable	255	—	—	255
Total current assets	25,126	22	(965)	24,183
Restricted cash	149	—	—	149
Property and equipment, net	13,512	—	—	13,512
Intangible assets, net	1,204	—	1,306 (1)	2,510
Other	18	—	—	18
Total assets	\$ 40,009	\$ 22	\$ 341	\$ 40,372
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				
Current liabilities:				
Accounts payable	\$ 8,401	\$ —	\$ —	\$ 8,401
Regulatory taxes payable	911	—	—	911
Accrued expenses and other current liabilities	222	—	—	222
Unearned revenue	1,461	58	—	1,519
Notes payable	54	—	—	54
Current obligations under capital leases	149	—	—	149
Total current liabilities	11,198	58	—	11,256
Note payable	131	—	—	131
Obligations under capital leases, net of current portion	254	—	—	254
Security deposits payable	240	—	—	240
Total liabilities	11,823	58	—	11,881
Stockholders' equity (deficit):				
Preferred stock:				
Cumulative Convertible Series A	2,161	—	—	2,161
Cumulative Convertible Series A warrants	83	—	—	83
Cumulative Convertible Series B	5,448	—	—	5,448
Convertible Series B warrants	500	—	—	500
Convertible Series C	1,941	—	—	1,941
Cumulative Convertible Series D	25,785	—	—	25,785
Cumulative Convertible Series D subscriptions receivable	(155)	—	—	(155)
Common stock	2,170	—	305 (3)	2,475
Common stock warrants	13	—	—	13
Additional paid-in-capital	4,750	5	(5) (4)	4,750
Deferred stock option plan compensation	(1,569)	—	—	(1,569)
Accumulated deficit	(11,256)	(41)	41 (4)	(11,256)
Notes receivable — employees	(1,685)	—	—	(1,685)
Total stockholders' equity (deficit)	28,186	(36)	341	28,491
Total liabilities and stockholders' equity (deficit)	\$ 40,009	\$ 22	\$ 341	\$ 40,372

The accompanying notes are an integral part of these unaudited pro forma combined financial statements.

PRO FORMA COMBINED STATEMENT OF OPERATIONS
(Unaudited)
(In thousands, except per share data)
Year Ended December 31, 1998

	Universal Access, Inc.	Pacific Crest Networks, Inc. d/b/a The Pond	Stuff Software, Inc.	Pro Forma Adjustments	Pro Forma Combined
Revenues:					
Circuit access	\$ 1,589	\$ 551	\$ —	\$ —	\$ 2,140
UTX	40	—	—	—	40
Other	—	—	114	—	114
Total revenues ...	<u>1,629</u>	<u>551</u>	<u>114</u>	<u>—</u>	<u>2,294</u>
Operating expenses:					
Cost of revenues	1,256	206	6	—	1,468
Operations and administration	1,516	498	23	—	2,037
Depreciation and amortization	47	91	—	510 (5)	648
Stock option plan compensation	65	248	—	—	313
Total operating expenses	<u>2,884</u>	<u>1,043</u>	<u>29</u>	<u>510</u>	<u>4,466</u>
Operating (loss) income	<u>(1,255)</u>	<u>(492)</u>	<u>85</u>	<u>(510)</u>	<u>(2,172)</u>
Other income (expense):					
Interest expense	(27)	(44)	(1)	—	(72)
Interest income	8	—	—	—	8
Other expense	(100)	—	—	—	(100)
Total other income (expense)	<u>(119)</u>	<u>(44)</u>	<u>(1)</u>	<u>—</u>	<u>(164)</u>
Net (loss) income	(1,374)	(536)	84	(510)	(2,336)
Accretion and dividends on redeemable cumulative convertible preferred stock	<u>(28)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(28)</u>
Net (loss) income applicable to common stockholders	<u><u>\$ (1,402)</u></u>	<u><u>\$ (536)</u></u>	<u><u>\$ 84</u></u>	<u><u>\$ (510)</u></u>	<u><u>\$ (2,364)</u></u>
Basic and diluted net loss per share	\$ (0.05)				\$ (0.08) (6)
Shares used in computing basic and diluted net loss per share	29,063				29,113 (6)

The accompanying notes are an integral part of these unaudited pro forma combined financial statements.

PRO FORMA COMBINED STATEMENT OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

Nine Months Ended September 30, 1999

	Universal Access, Inc.	Pacific Crest Networks, Inc. d/b/a The Pond(7)	Stuff Software, Inc.	Pro Forma Adjustments	Pro Forma Combined
Revenues:					
Circuit access.....	\$ 8,368	\$ 524	—	\$ —	\$ 8,892
UTX	215	—	—	—	215
Other	—	—	113	—	113
Total revenues	<u>8,583</u>	<u>524</u>	<u>113</u>	<u>—</u>	<u>9,220</u>
Operating expenses:					
Cost of revenues	7,477	380	4	—	7,861
Operations and administration ...	7,144	580	33	—	7,757
Depreciation and amortization ..	290	113	—	341 (5)	744
Stock option plan compensation ..	3,085	—	—	—	3,085
Total operating expenses ..	<u>17,996</u>	<u>1,073</u>	<u>37</u>	<u>341</u>	<u>19,447</u>
Operating (loss) income ..	<u>(9,413)</u>	<u>(549)</u>	<u>76</u>	<u>(341)</u>	<u>(10,227)</u>
Other income (expense):					
Interest expense	(19)	—	—	—	(19)
Interest income	373	—	—	—	373
Total other income (expense)	<u>354</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>354</u>
Net (loss) income.....	(9,059)	(549)	76	(341)	(9,873)
Accretion and dividends on redeemable and nonredeemable cumulative convertible preferred stock	<u>(625)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(625)</u>
Net (loss) income applicable to common stockholders.....	<u><u>\$ (9,684)</u></u>	<u><u>\$ (549)</u></u>	<u><u>\$ 76</u></u>	<u><u>\$ (341)</u></u>	<u><u>\$ (10,498)</u></u>
Basic and diluted net loss per share	\$ (0.31)				\$ (0.34) (6)
Shares used in computing basic and diluted net loss per share ..	30,867				30,917 (6)

The accompanying notes are an integral part of these unaudited pro forma combined financial statements.

**NOTES TO UNAUDITED PRO FORMA
COMBINED FINANCIAL STATEMENTS**

- (1) To record the acquisition of Stuff Software. The purchase price is comprised of the following components:

	SSI
	(in thousands)
Cash	\$ 930
Transaction costs	35
Issuance of preferred stock	—
Issuance of common stock	305
Assumption of PCN debt	—
Total purchase price	1,270
Fair value of net tangible liabilities acquired	36
Fair value of intangible assets acquired	\$1,306

Intangible assets acquired include customer lists, software, copyrights, business name and domain name. Excess purchase price not specifically assigned to tangible or intangible assets was allocated to goodwill.

- (2) This adjustment represents cash due to Stuff Soft of \$930,000 plus transaction costs of \$35,000.
- (3) UAI issued 50,021 shares of common stock with a fair value of \$6.10 per share in conjunction with the purchase of SSI.
- (4) To eliminate additional-paid-capital and accumulated deficit of SSI.
- (5) To record amortization expense on acquired intangibles. All identifiable intangible assets and goodwill are being amortized on a straight-line basis over a period of five years.
- (6) To reflect the pro forma basic and diluted net loss per share based on pro forma net loss and the issuance of 50,021 additional shares of common stock to SSI related to the purchase.
- (7) This column includes PCN results of operations from January 1, 1999 to July 30, 1999, the date UAI acquired PCN.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

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Through and including _____, 2000 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

Shares

Universal Access, Inc.

Common Stock



UniversalAccess™

**Goldman, Sachs & Co.
Hambrecht & Quist
Robertson Stephens**

Representatives of the Underwriters

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses Of Issuance And Distribution

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by Universal Access in connection with the sale of Common Stock being registered. All amounts are estimates except the SEC registration fee and the NASD filing fee.

SEC registration fee	\$30,360
NASD filing fee	12,000
Nasdaq National Market listing fee	
Printing and engraving costs	
Legal fees and expenses	
Accounting fees and expenses	
Blue Sky fees and expenses	
Transfer Agent and Registrar fees	
Miscellaneous expenses	
Total	\$

Item 14. Indemnification Of Directors And Officers

Section 145 of the Delaware General Corporation Law permits a corporation to include in its charter documents, and in agreements between the corporation and its directors and officers, provisions expanding the scope of indemnification beyond that specifically provided by the current law.

Article VIII of Universal Access' Restated Certificate of Incorporation provides for the indemnification of directors to the fullest extent permissible under Delaware law.

Article VI of Universal Access' Bylaws provides for the indemnification of officers, directors and third parties acting on behalf of Universal Access if such person acted in good faith and in a manner reasonably believed to be in and not opposed to the best interest of Universal Access, and, with respect to any criminal action or proceeding, the indemnified party had no reason to believe his or her conduct was unlawful.

Universal Access has entered into indemnification agreements with its directors and executive officers, in addition to indemnification provided for in Universal Access' Bylaws, and intends to enter into indemnification agreements with any new directors and executive officers in the future.

Item 15. Recent Sales Of Unregistered Securities

During the past three years, Universal Access has issued unregistered securities to a limited number of persons as described below. The common stock share information presented below has been adjusted to give effect to the five hundred-for-one stock split of the Registrant's common stock approved by the board of directors of the Registrant on July 10, 1998, the two-for-one stock split of the Registrant's common stock approved by the board of directors of the Registrant on February 17, 1999, the three-for-two stock split of the Registrant's common stock approved by the board of directors of the Registrant on June 23, 1999 and the two-for-one stock split, effected as a stock dividend, of the Registrant's common stock approved by the board of directors of the Registrant on September 15, 1999. Our Series A and Series B Preferred Stock are convertible into 6 shares of our

common stock. Our Series C, Series D and Series E Preferred Stock are convertible into 3 shares of our common stock.

1. From inception through September 30, 1999 (the latest practical date), we granted stock options to purchase an aggregate of 11,881,500 shares of our common stock at exercise prices ranging from \$.000003 to \$4.25 per share to our employees, consultants, and directors pursuant to our 1998 Stock Plan.
2. From inception through September 30, 1999 (the latest practical date), we issued and sold an aggregate of 1,600,000 shares of our common stock to employees, consultants and directors for an aggregate consideration of \$1,485,001 pursuant to the exercise of options granted under the 1998 Stock Plan.
3. During September 1998 and December 1998 and during January, February and March of 1999, we sold an aggregate of 772,331 shares of Series A Preferred Stock for \$3.00 per share to private investors for an aggregate purchase price of \$2,316,993.
4. On February 8, 1999, we issued three warrants to purchase an aggregate of 400,002 shares of our Series B Preferred Stock at an exercise price of \$.01 per share to Communications Ventures III, L.P., Communications Venture III CEO & Entrepreneurs' Fund, L.P. and Internet Capital Group in connection with the Series B Preferred Financing.
5. On February 8, 1999 we sold 2,000,000 shares of Series B Preferred Stock for \$3.00 per share to private investors for an aggregate purchase price of \$6,000,000.
6. On May 13, 1999 we sold 666,667 shares of Series C Preferred Stock for \$3.00 per share to private investors for an aggregate purchase price of \$2,000,001.
7. From June 30, 1999 through September 30, 1999 we sold an aggregate of 5,957,611 shares of Series D Preferred Stock at a purchase price of \$4.25 per share to private investors for an aggregate purchase price of \$25,319,846.
8. On July 31, 1999, in connection with our acquisition of assets from Pacific Crest Network, Inc. we issued 82,353 shares of Series D Preferred Stock with a fair market value of \$4.25 per share for an aggregate valuation of \$350,000.
9. On November 1, 1999, in connection with our acquisition of assets from Stuff Software, Inc., we issued 50,021 shares of our common stock with a fair market value of \$6.10 per share for an aggregate valuation of \$305,128.
10. On November 10, 1999 we sold 1,557,385 shares of Series E Preferred Stock at a purchase price of \$18.30 per share to private investors for an aggregate purchase price of \$28,500,146.
11. On December 6, 1999 we sold 2,733 shares of Series D Preferred Stock at a purchase price of \$18.30 per share to a private investor for an aggregate purchase price of \$50,014.

Broadmark Capital Corporation provided services to us in connection with the placement of our Series A Preferred Stock, Series B Preferred Stock and Series D Preferred Stock. As consideration for their services, we paid them approximately \$502,190 and we issued them warrants to purchase 360,000 shares of our common stock and 77,233 shares of our Series A Preferred Stock. In addition, they received options to purchase a total of 839,994 shares of our common stock from three of our stockholders.

We issued Advanced Equities a warrant to purchase 40,000 shares of Series E Preferred Stock with an exercise price of \$18.30 per share in connection with the November 1999 sale of our Series E Preferred Stock.

Except as indicated above, none of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering, and Universal Access believes that

each transaction was exempt from the registration requirements of the Securities Act by virtue of Section 4(2) thereof, Regulation D promulgated thereunder or Rule 701 pursuant to compensatory benefit plans and contracts relating to compensation as provided under such Rule 701. The recipients in such transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were affixed to the share certificates and instruments issued in such transactions. All recipients had adequate access, through their relationships with Universal Access to information about Universal Access.

Item 16. Exhibits And Financial Statement Schedules

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1	Form of Underwriting Agreement.
3.1	Certificate of Incorporation of the Registrant.
3.2	Amended and Restated Bylaws of the Registrant.
4.1*	Form of Registrant's Common Stock certificate.
4.2*	Warrant to purchase shares of Common Stock of the Registrant issued to Broadmark Capital Corporation.
4.3*	Form of warrant to purchase shares of Series A Cumulative Convertible Preferred Stock of the Registrant issued to Broadmark Capital Corporation.
4.4*	Form of warrant to purchase shares of Series B Cumulative Convertible Preferred Stock of the Registrant issued to Internet Capital Group.
4.5	Amended and Restated Registration and Informational Rights Agreement, dated June 28, 1999.
4.6	Amended and Restated Registration and Informational Rights Agreement, dated June 30, 1999.
4.7	Registration Rights Agreement, dated November 10, 1999.
4.8*	Form of warrant to purchase shares of Series E Cumulative Convertible Preferred Stock of the Registrant issued to Advanced Equities.
5.1*	Opinion of Wilson Sonsini Goodrich & Rosati Professional Corporation.
10.1	Form of Indemnification Agreement entered into by the Registrant with each of its directors and executive officers.
10.2	Amended 1998 Employee Stock Option Plan and forms of agreements thereunder.
10.3	1999 Employee Stock Option Plan and forms of agreements thereunder.
10.4	1999 Director Option Plan and forms of agreements thereunder.
10.5	1999 Employee Stock Purchase Plan.
10.6	Form of Private Line Service Contract.
10.7	Master Loan and Security Agreement with Charter Financial, Inc. dated December 15, 1999.
10.8	Lease Agreement with One Hundred North Riverside, Inc., dated October 30, 1998.
10.8.1	Amended Lease Agreement with One Hundred North Riverside, Inc., dated July 26, 1999.
10.9	Sublease Agreement with Morton International, Inc. dated May 15, 1999, for property located at 100 N. Riverside Plaza, 22nd Floor-East, Chicago, Illinois.
10.10	Lease Agreement with Dallas Carrier Associates, Ltd. dated May 20, 1999, for property located at 400 S. Akard Street, Dallas, Texas.
10.11	Lease Agreement with Telecom Center LA, LLC dated March 31, 1999, for property located at 530 W. Sixth Street, Los Angeles, California.

<u>Exhibit Number</u>	<u>Description of Document</u>
10.12	Lease Agreement with EWE Office Investments II, Ltd., as amended on July 20, 1999, for property located at 200 S.E. First Street, Miami, Florida.
10.13	Lease Agreement with Lafayette Business Park, LLC dated April 1, 1999, for property located at 1900 Lafayette Street, Santa Clara, California.
10.14	Lease Agreement with The Cambay Group Inc. dated March 19, 1999, for property located at 200 Paul Avenue, San Francisco, California.
10.15	Lease Agreement with 1120 Vermont Avenue Associates dated March 19, 1999, for property located at 1120 Vermont Avenue, N.W., Washington, D.C.
10.16	Lease Agreement with 601 West Associates LLC dated September 23, 1999, for property located at 601 W. 26th Street, New York, New York.
10.17	License Agreement for Use of Telecommunications Conduit and Conduit Interconnection Room with One Wilshire Arcade Imperial, Ltd. dated July 6, 1999, for property located at One Wilshire Building, 624 S. Grand Avenue, Los Angeles, California.
10.18†	Master Service Agreement with IXC Communications Services, Inc. dated November 6, 1997.
10.18.1†	Amendment No. 1, dated March 23, 1999, to Master Service Agreement.
10.18.2†	Amendment No. 2, dated July 19, 1999, to Master Service Agreement.
10.19†	Carrier Services Agreement with Williams Communications, Inc. d/b/a Williams Network Services, dated June 29, 1998.
10.19.1†	Amendment No. 1, dated March 12, 1999, to Carrier Services Agreement.
10.19.2†	Amendment No. 2, dated July 1, 1999, to Carrier Services Agreement.
10.20†	Capacity Agreement with GTE Telecom Incorporated dated August 20, 1999.
10.21*	Employment Agreement with Patrick C. Shutt, dated September 15, 1998.
10.22*	Employment Agreement with Robert J. Pommer, Jr., dated September 15, 1998.
10.23*	Employment Agreement with Donna M. Shore, dated November 16, 1998.
10.24*	Employment Agreement with Holly A. Weller, dated August 4, 1999.
10.25*	Employment Agreement with Kenneth A. Napier, dated July 1, 1999.
10.26*	Employment Agreement with Mark A. Dickey, dated November 16, 1998.
10.27*	Employment Agreement with Scott D. Fehlan, dated September 9, 1999.
10.28*	Employment Agreement with George A. King, dated August 27, 1999.
10.29	Promissory Note held by the Registrant for Robert Pommer dated May 28, 1999.
10.30	Lease Agreement with Lafayette Business Park, LLC dated August 31, 1999, for property located at 1940 Lafayette Street, Santa Clara, California.
10.31†	Terms and Conditions for Delivery of Service with Level 3 Communications, LLC dated November 17, 1999.
10.31.1†	Addendum, dated November 17, 1999, to Terms and Conditions for Delivery of Service.
21.1	Subsidiaries of Registrant.
23.1	Consent of independent accountants.
23.2*	Consent of Counsel. Reference is made to Exhibit 5.1.
24.1	Power of Attorney (see page II-5).
27.1	Financial Data Schedule.

* To be filed by amendment.

† Confidential treatment requested.

(b) Financial Statement Schedules

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings

Universal Access hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification by Universal Access for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of Universal Access pursuant to the provisions referenced in Item 14 of this Registration Statement or otherwise, Universal Access has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by Universal Access of expenses incurred or paid by a director, officer, or controlling person of Universal Access in the successful defense of any action, suit or proceeding) is asserted by a director, officer or controlling person in connection with the securities being registered hereunder, Universal Access will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Universal Access hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of Prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of Prospectus filed by Universal Access pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of Prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ ROBERT A. POLLAN</u> Robert A. Pollan	Director	December 17, 1999
<u>/s/ JOSEPH L. SCHOCKEN</u> Joseph L. Schocken	Director	December 17, 1999
<u>/s/ PAOLO GUIDI</u> Paolo Guidi	Director	December 17, 1999

Exhibit 5: Affidavit of Tina Tygielski

**PUBLIC SERVICE COMMISSION
STATE OF NORTH DAKOTA**

**In the matter of the Application of)
Universal Access, Inc)
for a Certificate of)
Public Convenience and Necessity to)
provide Telecommunications Services)**

Docket No. _____

AFFIDAVIT OF TINA TYGIELSKI

INTRODUCTION

My name is Tina Tygielski. My business address is 100 N. Riverside Plaza; Suite 2200; Chicago, Illinois. I am the Director of Regulatory Affairs of Universal Access, Inc. ("UAI"). I have served as Director of Regulatory Affairs of Universal Access, Inc. since March 1999. Previously, I worked with American Teletronics Long Distance, Inc., a long distance reseller, as Manager of Regulatory Affairs. I was with American Teletronics for 5 years and was responsible for obtaining and maintaining reseller IXC certifications nationwide. I have also worked at Aon Corporation as Manager of Regulatory Affairs for one year managing the insurance department review of service agreements.

As Director of Regulatory Affairs of UAI, I am responsible for UAI's relations with other telecommunications carriers along with overseeing UAI's regulatory responsibilities and relations. These duties include the negotiation and administration of Interconnection Agreements, compliance with regulatory requirements, and providing strategic guidance on ILEC and regulatory issues.

The purpose of my affidavit is to demonstrate the fitness of the applicant UAI to operate as a facilities-based CLEC in the areas of North Dakota currently served by US West Communications, Inc. ("US West"). As described in UAI's Application, UAI's purposes to provide a range of facilities-based, high capacity local exchange services, including but not limited to: data services, switched and dedicated trunks, digital subscriber line, and exchange access services. UAI may also offer local services by utilizing the switching and transport capacity of other existing telecommunications providers pursuant to negotiated or tariffed arrangements.

Local exchange telecommunications services will initially be offered on a resale basis by purchasing unbundled network elements from incumbent local exchange carriers ("ILEC"). Applicant's initial services will involve private line, dedicated access data transmission services. The Applicant, in the future, also intends to provide facilities-based service, utilizing its own telecommunications equipment collocated in the ILECs' central offices. Applicant may also lease dedicated transport services from the ILECs. Applicant will also lease space to its customers at its neutral transport exchange sites to connect its equipment to the facilities of other carriers.. UAI will be engaged in interconnection negotiations with US West in the near future, and will obtain Commission approval of any agreement negotiated.

DESCRIPTION AND QUALIFICATIONS OF UAI

UAI is a corporation organized under the laws of the State of Delaware. UAI is qualified to conduct business within the State of North Dakota as a foreign business entity. Applicant commenced offering services in 1997 and currently provides non-regulated dedicated data circuits on a private basis primarily to Internet Service Providers and secondarily to Market Data Providers and telecommunications resellers nationwide. Applicant intends to expand its services offerings to include interexchange and local exchange services, both as a reseller and as a facilities-based provider. Local exchange telecommunications services will initially be offered on a resale basis by purchasing unbundled network elements from incumbent local exchange carriers ("ILEC"). Applicant is currently authorized to provide local exchange and interexchange services in California, Colorado, Florida, Georgia Illinois, Massachusetts, Montana, Nevada, New Jersey, New York, North Dakota, Oregon, Texas and Washington, and interexchange services only in Iowa, Idaho, Indiana, Michigan, New Hampshire, North Carolina, Pennsylvania, Utah, Wisconsin and Wyoming. Applicant is in the process of applying for authorization to provide competitive local exchange and interexchange services in the 48 contiguous states, Alaska and Hawaii. Applicant has not been denied authority for any of the services for which it seeks authority in this Application. UAI is well-qualified, managerially, technically and financially to provide the competitive local exchange services for which authority is requested in its Application.

The senior management of UAI has great depth in the telecommunications industry and offer extensive telecommunications business technical and managerial expertise. Biographical information on key members of UAI's management team is attached hereto as Exhibit 6 to our application.

UAI has sufficient financial capability to provide the requested telecommunications services in North Dakota and the financial capability to maintain those services. UAI will fund its local exchange operations in North Dakota with a combination of (i) internal capital, (ii) proceeds from the sale of equity interests, and (iii) capital raised from other sources. Further, it should be emphasized that UAI's initial business plan calls for it to provide primarily high-speed DSL data based telecommunications and telephone services using the ILEC's unbundled network elements in conjunction with its own facilities collocated at the ILEC's central offices, which will not require the extensive outlay of capital that standalone facilities and trunking would require. Applicant's proposed competitive local exchange service is economically feasible and in the public interest.

UAI's management team will adhere to a strict and high standard of service policies and procedures which will ensure continued quality service. As a new entrant in the North Dakota telecommunications market, UAI will be able to win over a keep customers only through consistent application of those policies and procedures. Additionally, UAI will maintain a customer service department. Customer service representatives will be trained in all areas of customer complaints and services and will be held to the highest standards of accountability and ethics. Customers will be able to reach UAI's customer service department via a toll-free number 24 hours a day, seven days a week.

PUBLIC CONVENIENCE AND NECESSITY

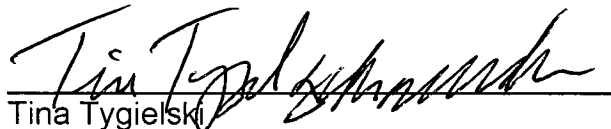
A decision by the Commission to grant UAI authority to provide competitive local exchange telecommunications services is in the public interest. UAI is well qualified to operate as such a service provider in North Dakota. Consumers of telecommunications services in North Dakota will receive the benefits of downward pressure on prices, increased choice, improved quality of service and customer responsiveness, innovative service offerings, and access to increasingly advanced telecommunications technology. The market incentives for new and existing providers of telecommunications services will be improved through an increase in the diversity of suppliers and competition within the local exchange telecommunications market. Granting UAI's Application would enhance this development of competition in the local exchange market and provide the consumers of North Dakota with all of the benefits described above.

The grant of UAI's application will preserve and advance universal service, safeguard the rights of consumers, protect the public health, safety and welfare, and promote the public interest. UAI is an alternative, competitive carrier which intends to initially provide high-speed data products targeted toward small and medium size businesses. UAI will thus give customers in North Dakota a real choice for their high-speed data needs, which they currently are lacking. UAI will offer customers low-cost, high-speed connectivity alternatives to existing data lines.

CONCLUSION

UAI's Application and my Affidavit in support thereof demonstrate that UAI possesses all the requisite qualifications to be a competitive local exchange service provider in North Dakota, and that the grant of this request is in the public interest.

Universal Access, Inc.

A handwritten signature in black ink, appearing to read "Tina Tygielski", written over a horizontal line.

Tina Tygielski
Its: Director of Regulatory Affairs

VERIFICATION

STATE OF ILLINOIS

COUNTY OF COOK

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)
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Case No. PU-_____

I, Tina Tygielski, do on oath depose and state that the facts contained in the foregoing statement are true and correct to the best of my knowledge and belief.

Tina Tygielski

Tina Tygielski
Its: Director of Regulatory Affairs

Subscribed and sworn to me
this 16th day of MARCH, 2000.

Mary C. Pawlicki
Notary Public



Exhibit 6: Biographical Information

MANAGEMENT

Executive Officers And Directors

Our executive officers and directors and their ages, as of November 30, 1999, are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Patrick C. Shutt (1) (2)	32	President and Chief Executive Officer, Director
Robert J. Pommer, Jr. (1) (2)	32	Chief Operating Officer, Secretary, Director
Donna M. Shore	31	Chief Financial Officer, Treasurer
Holly A. Weller	47	Executive Vice President, Marketing
Kenneth A. Napier	53	Executive Vice President, Client Services
Scott D. Fehlan	31	General Counsel and Assistant Secretary
Mark A. Dickey	35	Senior Vice President, Sales and Marketing
George A. King	40	Senior Vice President, Corporate Development
Paolo Guidi	57	Director
Thomas Kapsalis (3)	64	Director
Robert A. Pollan (4)	39	Director
Joseph L. Schocken (2) (3) (4)	53	Director
Roland A. Van der Meer (2) (3) (4)	39	Director

(1) Member of nominating committee

(2) Member of option committee

(3) Member of compensation committee

(4) Member of audit committee

Patrick C. Shutt co-founded Universal Access in October 1997 and has served as our President and as one of our directors since our inception. Mr. Shutt has been our Chief Executive Officer since December 1998. Prior to founding Universal Access, from March 1996 to September 1997, Mr. Shutt was Senior Vice President of Operations at Arista Communications, a telecommunications agency firm. From February 1994 to March 1996, he was a sales manager with TCG, a telecommunications company. From October 1993 to February 1994, Mr. Shutt was the Vice President in charge of Business Development for Valuation Counselors, a business services company.

Robert J. Pommer, Jr. co-founded Universal Access in October 1997, has served as our Secretary since our inception and was our Treasurer from October 1997 to August 1999. Mr. Pommer has served as our Chief Operating Officer since December 1998 and as one of our directors since July 1998. Prior to founding Universal Access, from March 1996 to September 1997, Mr. Pommer was Vice President of Operations for Arista Communications, a telecommunications agency firm. From May 1994 to March 1996, he was a Manager for Strategic Accounts with TCG, a telecommunications company. From November 1993 to May 1994, Mr. Pommer was a consultant for Delta Communications, a telecommunications consulting firm.

Donna M. Shore has served as Chief Financial Officer and Treasurer since August 1999. From December 1998 to March 1999 she served as our Vice President of Finance and from March 1999 to August 1999 she served as our Senior Vice President of Finance. From May 1991 to May 1998, Ms. Shore worked for PricewaterhouseCoopers LLP, a public accounting firm, most recently as a manager in their mergers and acquisitions division.

Holly A. Weller has served as Executive Vice President of Marketing since July 1999. Prior to joining Universal Access, from December 1998 until July 1999, she was Vice President of Business Development and Marketing for Amteva Technologies, a computer software developer which was acquired by Cisco Systems, Inc., a manufacturer of network equipment. From July 1997 to August 1998, Ms. Weller was with ADC Wireless Systems, a telecommunications equipment manufacturer, as the Vice President of Marketing and Sales. From January 1995 until July 1997 she was the Vice

President and General Manager of the Wireless Data Group of Comstar Cellular Communications, a cellular communications company. Prior to January 1995, Ms. Weller spent 10 years working for NYNEX Corporation, a telephone company.

Kenneth A. Napier has served as Executive Vice President of Client Services since June 1999. Prior to joining us, from May 1997 to June 1999, Mr. Napier was Vice President of Business Development for Klein Technologies, Inc., a computer systems design company. From February 1991 to May 1997, he was a Senior Vice President of Strategic Development and a General Manager of Commercial Operations for Automation Research Systems, a computer systems engineering and computer management services company. From March 1988 to February 1991, he worked for Tracor, a computer systems design and integration company.

Mark A. Dickey has served as our Vice President of Sales since December 1998. From June 1996 to June 1998, Mr. Dickey was Director of Sales for USN Communications, an investment holding company. From April 1994 to May 1996, Mr. Dickey worked as a manager at TCG, a telecommunications company. From May 1992 to April 1994, Mr. Dickey was a sales manager with Cable and Wireless, a telephone communications company.

Scott D. Fehlan has served as our General Counsel and Assistant Secretary since September 1999. From January 1995 to May 1998, Mr. Fehlan was an associate, and from June 1998 to September 1999 he was a shareholder of Shefsky & Froelich Ltd., a law firm. From January 1993 to January 1995, he was an associate with Kirkland & Ellis, a law firm. Mr. Fehlan holds a J.D. from Yale Law School.

Thomas Kapsalis has served as one of our directors since October 1997. From October 1997 to February 1999, Mr. Kapsalis was our Chairman of the Board, Assistant Secretary and Assistant Treasurer. Since June 1986, Mr. Kapsalis has been Chairman of K&D Facilities Resource Corporation, a business consulting firm. Mr. Kapsalis has also been a member of the Cole Taylor Bank Advisory Board since September 1993.

George A. King has served as our Senior Vice President of Corporate Development since August 1999. From our inception to August 1999, Mr. King served as an advisor to the executive officer group. From our inception to February 1999, Mr. King was one of our directors. Prior to joining Universal Access, from February 1995 to November 1996, Mr. King was a Managing Director of Cambridge Partners, an investment banking firm. From December 1996 to August 1999, was a Senior Managing Director of Hudson AIPF, LLC, a financial advisory firm. From January 1994 to February 1995, Mr. King was a Vice President of Credit Suisse First Boston, an investment banking firm.

Robert A. Pollan has served as one of our directors since February 1999. Mr. Pollan has been a Managing Director of Internet Capital Group, an internet holding company, since June 1998. From August 1995 to June 1998, Mr. Pollan served as a Chief Technology Officer and Vice President of Business Development at General Electric Capital Corporation. From September 1991 to July 1995, Mr. Pollan was co-founder and Managing Director of OFR, Ltd., an advisory firm focused on the organizational and financial restructuring of industrial enterprises in Central Europe.

Joseph L. Schocken has served as one of our directors since October 1998. He founded Broadmark Capital Corporation, an investment banking firm, in November 1986 and serves as its Chairman. Mr. Schocken is also a director of Broadmark Asset Management Company, an asset management firm. Mr. Schocken is also the head of Broadmark Capital Corporation's Corporate Finance Group where he serves as an advisor to a number of Broadmark's clients and portfolio companies.

Roland A. Van der Meer has served as one of our directors since February 1999. In June 1987, Mr. Van der Meer founded and became a partner of ComVentures, a venture capital firm. From June 1993 to June 1997, Mr. Van der Meer was a partner at the venture capital firm of Partech International.

Paolo Guidi has served as one of our directors since August 1999. He has been the President and Chief Executive Officer of Teleglobe Communications Corporation, a provider of intercontinental telecommunications services, since February 1995. From July 1986 to February 1995, Mr. Guidi was employed by Sprint International Corporation, a provider of intercontinental telecommunications services, in various capacities, most recently as President.

PM-2249-00-116; PU-2212-00-120

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SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
Rance J M Steinhart
6455 6 Johns Crossing St. 285
Duluth Ga 30097

4a. Article Number
P 443 354 780

4b. Service Type:

- Registered Certified
- Express Mail Insured
- Return Receipt for Merchandise COD

7. Date of Delivery
4-7-00

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)
X (Rance J M Steinhart)

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