

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

February 2, 2000

VIA OVERNIGHT DELIVERY

Mr. Dale Roberts
Chief A.L.J./Executive Secretary
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102

Re: Universal Access, Inc.

Dear Mr. Roberts:

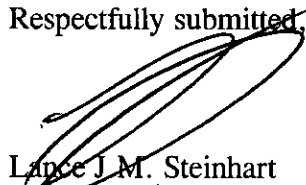
Enclosed please find an original and fourteen (14) copies of Universal Access, Inc.'s Application for Certificate of Service Authority to Provide Interexchange Telecommunications Services Within the State of Missouri.

I have also enclosed an extra copy of this letter to be date stamped and returned to me in the enclosed, self addressed, 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.

Please note that this Application is being submitted by myself and Judith A. Rau, Esq., Missouri Counsel, Bar # 24856.

Respectfully submitted


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

Enclosures

cc: Ms. Tina Tygielski
Office of Public Counsel

FILED³

FEB 08 2000

Missouri Public
Service Commission

TA-2000-483

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FILED²

FEB 8 2000

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

Missouri Public
Service Commission

In the matter of the)
application)
of Universal Access, Inc.)
for a certificate of)
service authority)
to provide interexchange)
telecommunications services)

Case No. TA-2000-483

APPLICATION

Universal Access, Inc., ("Applicant"), a Delaware corporation, files this verified application respectfully requesting that the Missouri Public Service Commission ("Commission") issue an order that:

- (a) grants Applicant a Certificate of Service Authority to provide interexchange telecommunications services pursuant to Chapter 392 of the Missouri Revised Statutes.
- (b) grants competitive status to Applicant.
- (c) waives certain Commission rules and statutory provisions pursuant to Section 392.420, RSMo Cum. Supp. 1992.

In support of its request, Applicant states:

1. The legal name and principal office or place of business of the Applicant are:

Universal Access, Inc.
100 N. Riverside Plaza, Suite 2200
Chicago, IL 60606
(312) 660-5000/Phone
(312) 660-5050/Facsimile

A copy of Applicant's Certificate Of Organization and certificate of authority from the Missouri Secretary of State to transact business in Missouri are attached hereto as Exhibit I.

2. The name and address of Applicant's in-state attorney is:

Judith A. Rau, Esq.
Rau & Rau
119 E. Mill Street
Waterloo, Illinois 62298

3. 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. Applicant proposes to provide switched and non-switched interexchange telecommunications services within Missouri including direct outbound dialing (1+ and 101XXXX), 800 and 888 (inbound Toll-Free), travel cards, and prepaid calling cards. Applicant proposes to provide service to prospective business and residential customers throughout the State of Missouri.

4. Applicant has the experience in the telecommunications industry and the technical and financial resources to provide telecommunications services within Missouri. A brief description of the qualifications and experience of the key management employees is attached hereto as Exhibit II. A copy of the Applicant's Audited Financial Statements for the nine months ended September 30, 1999, the year ended December 31, 1998 and the period from October 2, 1997 (inception) to December 31, 1997 respectively is attached hereto as Exhibit III.

5. Applicant's draft Tariff is attached as Exhibit IV. The proposed tariff contains the rules and regulations applicable to its customers, a description of the services offered, and a list of rates associated with such services.

6. Applicant requests classification as a competitive telecommunications company within the State of Missouri.

Applicant believes that its proposed services will be subject to sufficient competition to justify a lesser degree of regulation.

Granting of this application will allow greater price and service options for telephone users.

7. Applicant also requests, pursuant to Section 392.420 RSMo (Cum. Supp. 1992), that the Commission waive the application of the following rules and statutory provisions as it relates to the regulation of Applicant:

392.240(1) Rates-reasonable average return on investment.

392.270 Property valuation.

392.280 Depreciation rates.

392.290 Issuance of stocks and bonds.

392.310 Issuance of stocks and bonds.

392.320 Issuance of stocks and bonds.

392.330 Issuance of stocks and bonds.

392.340 Reorganization.

4 CSR 240-10.020	Income on depreciation fund investments.
4 CSR 240-30.010(2)(C)	Posting exchange rates at central offices.
4 CSR 240-32.030(1)(B)	Exchange boundary maps.
4 CSR 240-32.030(1)(C)	Record of access lines.
4 CSR 240-32.030(2)	Records kept within state.
4 CSR 240-32.050(3-6)	Telephone directories.
4 CSR 240-32.070(4)	Coin telephones.
4 CSR 240-33.030	Inform customers of lowest priced service.
4 CSR 240-33.040(5)	Finance Fee.
4 CSR 240-30.040	Uniform System of Accounts

The above-referenced rules and statutory provisions have been waived to other interexchange carriers in prior cases.

8. Applicant, pursuant to Section 386.570, Cum. Supp. 1992, will comply with all applicable Commission rules except those which are specifically waived by the Commission pursuant to a request filed by the Applicant.

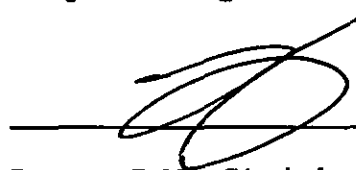
9. Correspondence or communications pertaining to this Application should be addressed to:

Lance J.M. Steinhart, Esq.
6455 East Johns Crossing, Suite 285
Duluth, Georgia 30097
(770) 232-9200
(770) 232-9208 (Fax)

10. Grant of this Application will further the public interest by expanding the availability of competitive telecommunications services in the State of Missouri. In addition, intrastate offering of these services is in the public interest because the services will provide Missouri customers with access to new technologies and service choices, and can permit customers to achieve increased efficiencies and cost savings. In particular, the public will benefit directly, through the use of the competitive services to be offered by Applicant, and indirectly, because the presence of Applicant in this market will increase the incentives for other telecommunications providers to operate more efficiently, offer more innovative services, reduce their prices, and improve their quality of service.

WHEREFORE, Applicant, Universal Access, Inc., respectfully requests that the Missouri Public Service Commission grant it a certificate of service authority to provide interexchange telecommunications services within the State of Missouri. Applicant also requests classification as a competitive telecommunications company. In addition Applicant requests a waiver of the above-referenced rules and statutory provisions.

Respectfully submitted,



Lance J.M. Steinhart, Esq.
Attorney at Law
6455 East Johns Crossing, Suite 285
Duluth, Georgia 30097
(770) 232-9200
Georgia Bar No. 678222

and



Judith A. Rau, Esq.
Rau & Rau
1007 Olive Street, 5th Floor
St. Louis, Missouri 63101
(314) 231-3323
Missouri Bar No. 24856

Attorneys for Applicant

STATE OF ILLINOIS

COUNTY OF COOK

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VERIFICATION

I, Tina Tygielski, being duly sworn, declare that I am the Director of Regulatory Affairs of Universal Access, Inc., the Applicant. I verify that, based upon information and belief, I have knowledge of the statements in the foregoing Application, and I declare that they are true and correct.

Tina Tygielski
Tina Tygielski

Sworn to before me, the undersigned Notary Public on this
6th day of JANUARY, ~~1999~~. 2000



Mary C. Pawlicki
Notary Public

MARY C. PAWLICKI
Print or Type Name

My commission expires: 3/10/00

ATTACHED EXHIBITS

Exhibit I	Missouri Secretary of State Authorization and Certificate of Organization
Exhibit II	Executive Officers' Qualifications and Experience
Exhibit III	Financial Information
Exhibit IV	Draft Tariff

Exhibit I
Missouri Secretary of State Authorization
and
Certificate of Organization

STATE OF MISSOURI



Rebecca McDowell Cook
Secretary of State

CORPORATION DIVISION - CERTIFICATE OF AUTHORITY

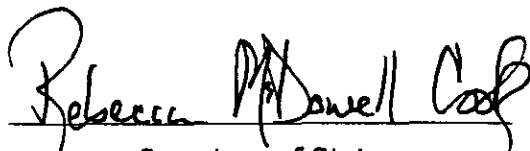
WHEREAS,
UNIVERSAL ACCESS, INC.

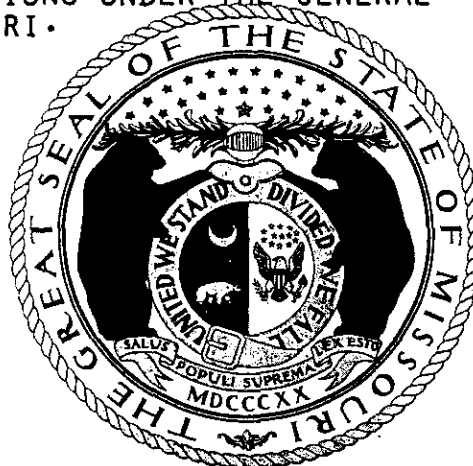
USING IN MISSOURI THE NAME
UNIVERSAL ACCESS OF MISSOURI, INC.

HAS COMPLIED WITH THE GENERAL AND BUSINESS CORPORATION LAW WHICH GOVERNS FOREIGN CORPORATIONS; BY FILING IN THE OFFICE OF THE SECRETARY OF STATE OF MISSOURI AUTHENTICATED EVIDENCE OF ITS INCORPORATION AND GOOD STANDING UNDER THE LAWS OF THE STATE OF DELAWARE.

NOW, THEREFORE, I, REBECCA MCDOWELL COOK, SECRETARY OF STATE OF THE STATE OF MISSOURI, DO HEREBY CERTIFY THAT SAID CORPORATION IS FROM THIS DATE DULY AUTHORIZED TO TRANSACT BUSINESS IN THIS STATE, AND IS ENTITLED TO ALL RIGHTS AND PRIVILEGES GRANTED TO FOREIGN CORPORATIONS UNDER THE GENERAL AND BUSINESS CORPORATION LAW OF MISSOURI.

IN TESTIMONY WHEREOF, I HAVE SET MY
HAND AND IMPRINTED THE GREAT SEAL OF
THE STATE OF MISSOURI, ON THIS, THE
4TH DAY OF NOVEMBER, 1999.


Secretary of State



\$155.00

State of Delaware
Office of the Secretary of State

PAGE 1

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "UNIVERSAL ACCESS, INC.", FILED IN THIS OFFICE ON THE TWENTY-FOURTH DAY OF JUNE, A.D. 1999, AT 9 O'CLOCK A.M.



Edward J. Freel
Edward J. Freel, Secretary of State

3048026 8100

AUTHENTICATION: 9874797

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 06/24/1999
991256599 - 3048026

**CERTIFICATE OF INCORPORATION
OF
UNIVERSAL ACCESS, INC.**

**ARTICLE 1
NAME**

The name of the Corporation is Universal Access, Inc.

**ARTICLE 2
REGISTERED OFFICE AND AGENT**

The address of the Corporation's registered office in the State of Delaware is 9 East Loockerman Street,, Dover, Delaware, Kent County. The name of the Corporation's registered agent at such address is National Registered Agents, Inc.

**ARTICLE 3
PURPOSE**

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law.

**ARTICLE 4
CAPITAL STOCK**

The Corporation is authorized to issue two classes of shares to be designated, respectively, "Preferred Stock" and "Common Stock." The number of shares of Preferred Stock authorized to be issued is Twenty Million (20,000,000) and the number of shares of Common Stock authorized to be issued is One Hundred Million (100,000,000). The Preferred Stock and the Common Stock shall each have a par value of \$0.01 per share.

**ARTICLE 5
BYLAWS**

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors shall have the power to adopt, amend or repeal the bylaws of the Corporation; provided, however, the Board of Directors may not repeal or amend any bylaw that the stockholders have expressly provided may not be amended or repealed by the Board of Directors.

ARTICLE 6 DIRECTORS

The number of directors of the Corporation shall be determined in the manner provided by the bylaws of the Corporation and may be increased or decreased from time to time in the manner provided therein. Elections of directors need not be by written ballot unless the bylaws of the Corporation so provide.

ARTICLE 7 AMENDMENTS TO CERTIFICATE OF INCORPORATION

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon the stockholders herein are granted subject to this reservation.

ARTICLE 8 INDEMNIFICATION

Each person who is or was a director or officer of the Corporation, and each person who serves or served at the request of the Corporation as a director or officer of another enterprise, shall be indemnified by the Corporation in accordance with and to the fullest extent authorized by the Delaware General Corporation Law as it may be in effect from time to time.

ARTICLE 9 LIMITATION OF DIRECTOR LIABILITY

To the full extent that the Delaware General Corporation Law (the "DGCL"), as it exists on the date hereof, permits the limitation or elimination of the liability of directors, a director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. In addition, if the DGCL is amended to authorize a further elimination or limitation of the personal liability of a director of the Company for monetary damages, then the liability of a director of the Company shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended. Any amendment to or repeal of this Article 10 shall not adversely affect any right or protection of a director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

ARTICLE 10 CUMULATIVE VOTING

At all elections for directors, every stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected and give one candidate as many votes as the number of directors multiplied by the number of his

shares shall equal, or to distribute them on the same principle among as many candidates as he shall see fit.

ARTICLE 11 PREEMPTIVE RIGHTS

Except as otherwise provided in Article 4, preemptive rights shall not exist with respect to shares of stock or securities convertible into shares of stock of the Corporation.


ARTICLE 12 BUSINESS COMBINATIONS WITH INTERESTED STOCKHOLDERS

The Corporation expressly elects not to be governed by Section 203 of the Delaware General Corporation Law.

ARTICLE 13 INCORPORATOR

The name and mailing address of the incorporator of the Corporation are as follows: Phillip J. McGovern, Shefsky & Froelich Ltd., 444 North Michigan Avenue, Suite 2500, Chicago, Illinois 60611.

THE UNDERSIGNED, being the incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the Delaware General Corporation Law, makes this Certificate of Incorporation, hereby declaring and certifying that the facts herein stated are true, and accordingly, has hereunto set his hand this 24th day of June, 1999.


Phillip J. McGovern, Incorporator

602552-2

State of Delaware
Office of the Secretary of State

PAGE 1

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "UNIVERSAL ACCESS, INC.", FILED IN THIS OFFICE ON THE TENTH DAY OF NOVEMBER, A.D. 1999, AT 4 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE KENT COUNTY RECORDER OF DEEDS.



Edward J. Freel

Edward J. Freel, Secretary of State

3048026 8100

AUTHENTICATION

0075566

**CERTIFICATE OF AMENDMENT
OF THE
CERTIFICATE OF INCORPORATION
OF
UNIVERSAL ACCESS, INC.**

Universal Access, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY:

1. The Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on June 24, 1999.

3. Article FOUR (4) of the Certificate of Incorporation be, and hereby is, amended as follows:

The Corporation is authorized to issue two classes of shares to be designated, respectively, "Preferred Stock" and "Common Stock." The number of shares of Preferred Stock authorized to be issued is Twenty Million (20,000,000) and the number of shares of Common Stock authorized to be issued is Three Hundred Million (300,000,000). The Preferred Stock and the Common Stock shall each have a par value of \$.01 per share.

In accordance with Section 242 of the Delaware General Corporation Law, the above statement of amendment has been duly approved by the board of directors and stockholders of the Corporation.

IN WITNESS WHEREOF, Universal Access, Inc. has caused this Certificate to be signed by Scott D. Fehlan, its Assistant Secretary, who does make this Certificate and declare and certify under penalty of perjury that this is the act and deed of the Corporation and that the facts stated therein are true, and accordingly has caused this Certificate to be executed this 10th day of November, 1999.

By: 
Scott D. Fehlan, Assistant Secretary

Exhibit II
Executive Officers' Qualifications and Experience

See attached Resumes

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 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.

Exhibit III
Financial Information

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	<u>—</u>	<u>(28)</u>	<u>—</u>	<u>(625)</u>
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	(210)	(946)	(537)	(4,645)
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	(1)	(265)	(54)	(6,743)
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	212	2,054	1,428	32,247
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	\$ 1	\$ 844	\$ 838	\$21,703

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	Common Stock		Common Stock	Additional	Deferred		Notes Receivable —	
	Shares	Amount	Warrants	Shares	Amount	Warrants	Paid-In Capital	Stock Option Plan Compensation	Accumulated Deficit	Employees and Series D Subscriptions Receivable	Total
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)	(1,572)	—	(1,282)
Accretion and dividends on Redeemable Series A Preferred Stock	—	—	—	—	—	—	—	—	(9)	—	(9)
Termination of mandatory redemption feature of Series A Preferred Stock	335,334	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	25,507	—	—	—	—	—	—	—	(156)	25,352
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	1,485	—	—	—	—	(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>\$ 683</u>	<u>31,925,000</u>	<u>\$2,170</u>	<u>\$13</u>	<u>\$4,750</u>	<u>\$(1,569)</u>	<u>\$(11,256)</u>	<u>\$(1,840)</u>	<u>\$28,186</u>

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).

	<u>Year Ended</u> <u>December 31, 1998</u>	<u>Nine Months Ended</u> <u>September 30, 1999</u>
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):

	<u>December 31,</u> <u>1997</u>	<u>1998</u>	<u>September 30,</u> <u>1999</u>
Furniture and fixtures	\$—	\$119	\$ 654
UTX equipment	—	85	10,963
Computer hardware	—	—	2,109
Other equipment	<u>1</u>	<u>62</u>	<u>73</u>
		266	13,799
Less: Accumulated depreciation and amortization	<u>—</u>	<u>(47)</u>	<u>(287)</u>
Property and equipment, net	<u>\$ 1</u>	<u>\$219</u>	<u>\$13,512</u>

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)
Information for the Nine-Month Period Ended
September 30, 1998 is Unaudited

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
	<u>151</u>
Valuation allowance	<u>(151)</u>
Total	<u>\$ —</u>

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	<u>\$29,342</u>

UNIVERSAL ACCESS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)
Information for the Nine-Month Period Ended
September 30, 1998 is Unaudited

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)
Information for the Nine-Month Period Ended
September 30, 1998 is Unaudited

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)
Information for the Nine-Month Period Ended
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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)
Information for the Nine-Month Period Ended
September 30, 1998 is Unaudited

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</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	—	—	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</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	—	—	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)
Information for the Nine-Month Period Ended
September 30, 1998 is Unaudited

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>\$0.045</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	\$ 0.0000006	\$ 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)
Information for the Nine-Month Period Ended
September 30, 1998 is Unaudited

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 December 31, 1997</u>	<u>Year Ended December 31, 1998</u>	<u>Nine Months Ended September 30, 1998</u>	<u>1999</u>
Net loss applicable to common Stockholders (in thousands)	<u>\$ (170)</u>	<u>\$ (1,402)</u>	<u>\$ (807)</u>	<u>\$ (9,684)</u>
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, 1998</u>	<u>September 30, 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

UNIVERSAL ACCESS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)
Information for the Nine-Month Period Ended
September 30, 1998 is Unaudited

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	(335,334)	(912)	(36)
Balance at September 30, 1999	—	\$ —	\$ —

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.

UNIVERSAL ACCESS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)
Information for the Nine-Month Period Ended
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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.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the)	
application of)	
Universal Access, Inc.)	
for a certificate of service)	Case No.
authority to provide)	
interexchange)	
telecommunications services)	

ENTRY OF APPEARANCE

COMES NOW Lance J. M. Steinhart, Attorney at Law and pursuant to rule 4 CSR 240-2.040 herewith files his Entry of Appearance on behalf of Applicant Universal Access, Inc., in connection with the above-styled proceeding. With respect to his entry, Mr. Steinhart hereby advises the Commission that he is a member in good standing of the State Bar of Georgia and the New York State Bar and is admitted to practice before District Courts. He also is on inactive status with the State Bar of Maryland. Neither the undersigned nor any member of his firm is disqualified to appear in any court. I also hereby designate Judith A. Rau, of the law firm of Rau & Rau, 119 E. Mill Street, Waterloo, Illinois 62298 to serve as our local Missouri counsel in this matter.




Lance J. M. Steinhart, Esq.
Attorney at Law
6455 East Johns Crossing, Suite 285
Duluth, Georgia 30097
(770) 232-9200
(770) 232-9208 (Fax)
Georgia Bar No. 678222

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the)	
application of)	
Universal Access, Inc.)	
for a certificate of service)	Case No.
authority to provide)	
interexchange)	
telecommunications services)	

ENTRY OF APPEARANCE

COMES NOW Judith A. Rau of the Law Firm of Rau & Rau, and pursuant to rule 4 CSR 240-2.040, herewith files her Entry of Appearance as local Missouri counsel on behalf of Applicant Universal Access, Inc., in connection with the above-styled proceeding.



Judith A. Rau, Esq.
Rau & Rau
119 E. Mill Street
Waterloo, Illinois 62298
(618) 939-7186
Missouri Bar No. 24856

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

February 7, 2000

VIA OVERNIGHT DELIVERY

Mr. Dale Roberts
Chief A.L.J./Executive Secretary
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102

Re: Universal Access, Inc.

FILED²
FEB 8 2000
Missouri Public
Service Commission

TA-2000-483

Dear Mr. Roberts:

Enclosed please find an original and six (6) copies of Universal Access, Inc.'s tariff bearing an issue date of February 8, 2000 and an effective date of March 25, 2000. .

I have also enclosed an extra copy of this letter to be date stamped and returned to me in the enclosed, self addressed, 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.

Respectfully submitted,



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

Enclosures

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