Attachment A
Designated Contact Persons

GTC Telecom

Designated contact persons for:

a. issues related to processing this application:
name: Lance J.M. Steinhart
title: Regulatory Counsel
mailing address: 6455 East Johns Crossing, Suite 285
Duluth, Georgia 30097
telephone number: 770-232-9200
facsimile number: 770-232-9208
e-mail address: lsteinhart@telecomcounsel.com

b. consumer issues
name: Azad Robb
title: Customer Service Manager
mailing address: 3151 Airway Avenue; Suite P-3
Costa Mesa, CA 92626
telephone number: 800-486-4030
facsimile number: 714-549-7707
e-mail address: arobb@teamgtc.com

c. customer complaint resolution
name: Azad Robb
title: Customer Service Manager
mailing address: 3151 Airway Avenue; Suite P-3
Costa Mesa, CA 92626
telephone number: 800-486-4030
facsimile number: 714-549-7707
e-mail address: arobb@teamgtc.com

d. technical and service quality issues
name: Jerry DeCiccio
title: Chief Financial Officer
mailing address: 3151 Airway Avenue; Suite P-3
Costa Mesa, CA 92626
telephone number: 714-549-7700
facsimile number: 714-549-7707
e-mail address: jdeciccio@teamgtc.com

e. "tariff" and pricing issues
name: Jerry DeCiccio
title: Chief Financial Officer
mailing address: 3151 Airway Avenue; Suite P-3
Costa Mesa, CA 92626
telephone number: 714-549-7700
facsimile number: 714-549-7707
e-mail address: jdeciccio@teamgtc.com

f. 9-1-1 issues

name:	Jerry DeCiccio
title:	Chief Financial Officer
mailing address:	3151 Airway Avenue; Suite P-3 Costa Mesa, CA 92626
telephone number:	714-549-7700
facsimile number:	714-549-7707
e-mail address:	jdeciccio@teamgtc.com

g. Security/law enforcement

name:	Jerry DeCiccio
title:	Chief Financial Officer
mailing address:	3151 Airway Avenue; Suite P-3 Costa Mesa, CA 92626
telephone number:	714-549-7700
facsimile number:	714-549-7707
e-mail address:	jdeciccio@teamgtc.com

Attachment B - Article of Incorporation and Certificate of Authority

See Attached

SECRETARY OF STATE

STATE OF NEVADA

CERTIFICATE OF EXISTENCE WITH STATUS IN GOOD STANDING

I, DEAN HELLER, the duly elected and qualified Nevada Secretary of State, do hereby certify that I am, by the laws of said State, the custodian of the records relating to filings by corporations, limited-liability companies, limited partnerships, and limited-liability partnerships pursuant to Title 7 of the Nevada Revised Statutes which are either presently in a status of good standing or were in good standing for a time period subsequent of 1976 and am the proper officer to execute this certificate.

I further certify that the records of the Nevada Secretary of State, at the date of this certificate, evidence, **GTC TELECOM** as a corporation duly organized under the laws of Nevada and existing under and by virtue of the laws of the State of Nevada since May 17, 1994, and is in good standing in this state.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Great Seal of State, at my office, in Carson City, Nevada, on December 7, 1998.

Dean Heller

Secretary of State

By S. L. Zaller

Certification Clerk

STATE OF NEVADA

SEP 03 1998

CERTIFICATE OF AMENDMENT TO ARTICLES OF INCORPORATION
of
BOBERNCO, INC.

No. C 4569-1998

DEAN HELLER SECRETARY OF STATE

Andy Berney certifies that:

1. The original articles were filed with the Office of the Secretary of State on December 31, 1997

2. As of the date of this certificate, 6,000,000 shares of stock of the corporation have been issued.

3. Pursuant to a shareholders meeting at which in excess of 51% voted in favor of the following amendment, the company hereby adopts the following amendments to the amendment of the Articles of Incorporation of this Corporation.

First: Name of Corporation

The name of the corporation is GTC Telecom (the "Corporation")

4. Pursuant to a meeting of the Board of Directors, it has been voted and approved a reverse split of 2:1, authorized to remain the same, issued and outstanding to change from 6,000,000 outstanding shares to 3,000,000 outstanding shares.

Andy Berney, President/Director

Caron Kelly/Director

State of Nevada)
)ss.
County of Clark)

On Sept 2, 1998, personally appeared before me, a Notary public, Andy Berney, and Caron Kelly who acknowledged that they executed the above instrument.

NINA S. DELISE
Notary Public, State of Nevada
Appointment No. 98-0712-1
My Appt. Expires Jan. 27, 2002

A Notary Public in and for said County and State.

RECEIVED
SEP 03 1998
SECRETARY OF STATE

FILED
IN THE OFFICE OF THE
SECRETARY OF STATE OF THE
STATE OF NEVADA

MAR 3 0 1998

No. 7569-94

CERTIFICATE OF AMENDMENT OF ARTICLES OF INCORPORATION

Bobernco, Inc.
(the Corporation)

We the undersigned. Andrew W. Berney (President/Director) and Caron A. Kelly (Secretary/Director) of the Corporation do hereby certify:

That the board of Directors of the Corporation at a meeting duly convened and held on Wednesday, April 30, 1997, adopted a resolution to amend the original articles as follows:

Article 4 is hereby amended and restated as follows:

4. The Capital Stock shall consist of 50,000,000 shares of common stock, $0.001 par value.

Additionally:

The currently issued and outstanding common stock of the corporation being 3,000,000 shares. is hereby FORWARD split on a 2 for 1 basis making the currently issued and outstanding stock of the corporation 6,000,000 shares.

The number of shares of the Corporation outstanding and entitled to vote on an amendment to the Articles of Incorporation are 3,000,000, that the said change(s) and amendment has been consented to and approved by a majority vote of the stockholders holding at least a majority of each class of stock outstanding and entitled to vote thereon.

Dated Wednesday, April 30, 1997

Bobernco, Inc.

Caron A. Kelly
Secretary

Attest:

Andrew W. Berney
President

State Of Nevada

ss.

County Of Clark

The undersigned Notary Public certified, deposes and states that Andrew W. Berney and Caron A. Kelly, personally appeared before me and executed the foregoing on behalf of the Corporation as its President and Secretary respectively, 25th day of March, 1998.

NOTARY PUBLIC
STATE OF NEVADA
County of Clark
BRIDGET E. RICHARDS
No: 96-4099-1
My Appointment Expires Sept. 5. 2000

By:
Notary Public in and for
said County and State

FILED
IN THE OFFICE OF THE
SECRETARY OF STATE OF THE
STATE OF NEVADA

MAY 17 1994

CHERYL A. LAU SECRETARY OF STATE

C17304-94

Receipt-C19526
Expedite-E57329

ARTICLES OF INCORPORATION

of

Bobernco, Inc.

Know all men by these present;

That the undersigned, have this day voluntarily associated ourselves together for the purpose of forming a corporation under and pursuant to the provisions of Nevada Revised Statutes 78.010. to Nevada Revised Statues 78.090 inclusive, as amended, and certify that;

1. The name of this corporation is:

Bobernco, Inc.

2. Offices for the transaction of any business of the Corporation, and where meetings of the Board of Directors and of Stockholders may be held, may be established and maintained in any part of the State of Nevada, or in any other state, territory, or possession of the United States.

3. The nature of the business is to engage in any lawful activity.

4. The Capital Stock shall consist of 3,000,000 shares of common stock, $0.001 par value.

5. The members of the governing board of the corporation shall be styled directors, of which there shall be no more than five. The Directors of this corporation need not be stockholders. The first Board of Directors is: Andrew W. Berney, whose address is 1700 E. Desert Inn Rd. Suite 100 Las Vegas, NV 89109.

6. This corporation shall have perpetual existence.

7. This Corporation shall have a president, a secretary, a treasurer, and a resident agent, to be chosen by the Board of Directors, any person may hold two or more offices.

8. The resident agent of this Corporation shall be Rayomd M. Girard 1700 E. Desert Inn Rd. Suite 100 Las Vegas, NV 89109.

9. The Capital Stock of the corporation, after the fixed consideration thereof has been paid or performed, shall not be subject to assessment, and the individual liable for the debts and liabilities of the Corporation, and the Articles of Incorporation shall never be amended as the aforesaid provisions.

10. No director or officer of the corporation shall be personally liable to the corporation of any of its stockholders for damages for breach of fiduciary duty as a director or officer involving any act or omission of any such director or officer provided, however, that the foregoing provision shall not eliminate or limit the liability of a director or officer for acts or omissions which involve intentional misconduct, fraud or a knowing violation of law, or the payment of dividends in violation of Section 78.300 of the Nevada Revised Statutes. Any repeal or modification of this Article of the Stockholders of the Corporation shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director of officer of the Corporation for acts or omissions prior to such repeal or modification.

11. Except to the extent limited or denied by Nevada Revised Statutes 78.265 Shareholders have a preemptive right to acquire unissued shares, treasury shares or securities convertible into such shares, of this corporation.

I, the undersigned, being the incorporator herein above named for the purpose of forming a corporation pursuant to the general corporation law of the State of Nevada, do make and file these Articles of Incorporation, hereby declaring and certifying that the facts within stated are true, and accordingly have hereunto set my hand this 17 day of May, 1994.

Andrew W. Berney

Andrew W. Berney
1700 E. Desert Inn Rd. Ste. 100
Las Vegas, NV 89109

State of NEVADA)
)ss
County of CLARK)

On 17 May, 1994, personally appeared before me, a notary public, personally known to me to be the person whose name is subscribed to the above instrument who acknowledged that he/she executed the instrument.

NETTA GIRARD
Notary Public - State of Nevada
Appointment Recorded in Clark County
My Appointment Expires Nov. 3,

Netta Girard

Signature

RECEIVED
MAY 17 1994
Secretary of State

File Number 6042-152-8

State of Illinois
Office of
The Secretary of State

Whereas, APPLICATION FOR CERTIFICATE OF AUTHORITY TO TRANSACT BUSINESS IN THIS STATE OF
GTC TELECOM, (INC.)
INCORPORATED UNDER THE LAWS OF THE STATE OF NEVADA HAS BEEN FILED IN THE OFFICE OF THE SECRETARY OF STATE AS PROVIDED BY THE BUSINESS CORPORATION ACT OF ILLINOIS, IN FORCE JULY 1, A.D. 1984.

Now Therefore, I, Jesse White, Secretary of State of the State of Illinois, by virtue of the powers vested in me by law, do hereby issue this certificate and attach hereto a copy of the Application of the aforesaid corporation.

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, at the City of Springfield, this 31ST day of MARCH A.D. 1999 and of the Independence of the United States the two hundred and 23RD .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Jesse White

Secretary of State

C-212.3

Attachment C - Management & Technical Information

The directors and executive officers of the Company are as follows:

Name	Age	Positions
----	---	---------
Paul Sandhu	38	Chief Executive Officer, President, and Chairman of the Board
Eric Clemons	28	Director, Chief Operating Officer, Secretary and Treasurer
Gerald A. DeCiccio	42	Chief Financial Officer
Mark Fleming	40	Executive Vice President
Frank Naccarelli	44	Vice President of Sales
Clay T. Whitehead	57	Director

PAUL SANDHU is currently the Company's President and Chief Executive Officer. Mr. Sandhu has been with GenTel since its inception. Mr. Sandhu has over ten (10) years experience with start-up and emerging growth companies. Mr. Sandhu was Co-Founder, President and Co-Owner of Maximum Security ("Maximum"), a Security and surveillance company he started in 1992. While at Maximum, Mr. Sandhu actively managed a staff of over 200 employees. In 1997 Mr. Sandhu sold the business to his partner. Mr. Sandhu graduated from the University of Punjab in India with a degree in Engineering.

ERIC CLEMONS is currently the Company's Chief Operating Officer. Mr. Clemons has been with GTC since its inception. Mr. Clemons has over eight (8) years experience with sales and marketing organizations. Mr. Clemons most recently was Vice President of Marketing for Intelligent Electronic Communications managing a staff of 50 employees. Mr. Clemons has attended The Wharton School of Business executive management programs.

GERALD DECICCIO joined the Company in January 1999 as Chief Financial Officer. Mr. DeCiccio has over eighteen years experience in the financial and accounting field. Prior to joining GTC, Mr. DeCiccio was the Vice President of Finance and Administration for National Telephone & Communications, Inc., ("NT&C") a $150 million inter-exchange carrier and provider of communications products and services. While at NT&C, Mr. DeCiccio managed NT&C's finance, accounting, human resources and legal departments. Between 1995 and 1997, Mr. DeCiccio was the Corporate Controller for Newport Corporation, a $140 million multi-national manufacturer / distributor of laser and optics products. Prior to that, Mr. DeCiccio was the Director of Audit and Quality Systems for Sunrise Medical, Inc., a $750 million multi-national manufacturer / distributor of health care products. From 1980 to 1984, Mr. DeCiccio was a Supervising Senior Accountant for Ernst and Young. Mr. DeCiccio received his Bachelor of Science in Accounting from Loma Linda University, and his Masters of Science in Finance and Systems Technology from the University of Southern California. Mr. DeCiccio is a Certified Public Accountant in the State of California.

MARK FLEMING joined the Company in October 1998 as Executive Vice President. Mr. Fleming has sixteen years of business strategy, planning, and analysis experience within the competitive consumer products / services industries. For the past seven years, Mr. Fleming worked in the telecommunications industry, holding several finance and marketing management positions at MCI. Some of the key business / operational issues that Mr. Fleming managed while at MCI included pricing strategy, market positioning, new product development, sales channel and customer service performance reviews, capital investment decisions and overall business planning / analysis for Residential Markets and Local Services divisions. Mr. Fleming received his Bachelor of Arts degree in Business Administration from Principia College in 1980, and attained his Masters in Business Administration, with honors from the University of Southern California in 1986.

FRANK NACCARELLI joined GTC in March 1999 as its Vice President of Sales. In this role, he will be responsible for leading the Company's national sales efforts with large corporate accounts as well as the Company's Commercial Sales Agent Programs. Prior to joining the Company, Mr. Naccarelli worked with MCI/WorldCom. During his 20 year term with MCI/WorldCom, Mr. Naccarelli's duties involved responsibility for P & L management, and regional and national sales. Mr. Naccarelli received his Associates of Arts degree in Business Administration from the University of Pittsburgh in 1978.

CLAY T. WHITEHEAD is currently President of Clay Whitehead Associates, a strategic consulting and business development company which concentrates on the telecommunications and media industries. Clay Whitehead Associates primarily works with large companies to develop business projects in the areas of telecommunications and television. Mr. Whitehead has participated in the formation, strategy development, regulatory posture, and financing of a number of telecommunications businesses in the United States and internationally. Mr. Whitehead has also served as a special assistant to President Nixon, with policy responsibility for NASA, the Atomic Energy Commission, and the National Science Foundation. >From 1971 to 1974, he was director of the U.S. Office of Telecommunications Policy. From 1979 to 1983, Mr. Whitehead founded and was president of Hughes Communications, Inc., a subsidiary of Hughes Aircraft Company. Mr. Whitehead also currently serves on the board of directors for Prudential Funds.

Attachment D - ITAC & UTAC Membership Forms

See Attached

Attachment E – Financial Information

GTC TELECOM CORP.
BALANCE SHEETS

	December 31, 1999 (Unaudited)	June 30, 1999
ASSETS		
Current assets:		
Cash	$ 8,137	$ 500
Accounts receivable	486,417	16,889
Deposits	35,500	35,500
Prepaid expenses	22,005	23,319
Total current assets	552,059	76,208
Property and equipment, net of accumulated depreciation of $101,120 and $32,186 at December 31, 1999 and June 30, 1999, respectively	329,569	365,126
Deposits	600,110	150,000
Other assets	56,485	68,735
Total assets	$ 1,538,223	$ 660,069
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued expenses	2,076,638	688,178
Accrued payroll and related taxes	445,649	167,508
Current portion of obligation under capital lease	64,901	61,198
Notes payable	183,500	25,000
Deferred income	26,467	12,482
Total current liabilities	2,797,155	954,366
Long-term liabilities:		
Obligation under capital lease, net of current portion	99,293	132,697
Total liabilities	$ 2,896,448	$ 1,087,063
Contingencies		

Stockholders' deficit:		
Common stock, $0.001 par value; 50,000,000 shares authorized; 17,107,574 (unaudited) and 15,286,824 shares issued and outstanding at December 31, 1999 and June 30, 1999, respectively	17,108	15,287
Additional paid-in-capital	5,869,966	3,452,282
Accumulated deficit	(7,245,299)	(3,894,563)
Total stockholders' deficit	(1,358,225)	(426,994)
Total liabilities and stockholders' deficit	$ 1,538,223	$ 660,069

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

GTC TELECOM CORP.
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Six Months Ended December 31, 1999	Six Months Ended December 31, 1998	Three Months Ended December 31, 1999	Three Months Ended December 31, 1998
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues:				
Telecommunications	$ 844,429	$ 17,962	$ 705,564	$ 17,962
Internet services	16,957	-	16,727	-
Net revenues	861,386	17,962	722,291	17,962
Cost of sales:				
Telecommunications	699,139	8,331	574,185	8,331
Internet services	235,293	-	155,218	-
Third party verification	82,877	-	62,302	-
Total cost of sales	1,017,309	8,331	791,705	8,331
Gross profit/(loss)	(155,923)	9,631	(69,414)	9,631
Selling, general, and administrative expenses	3,169,260	1,189,666	2,079,996	1,009,155
Operating loss	(3,325,183)	(1,180,035)	(2,149,410)	(999,524)
Interest income/(expense)	(22,053)	50	(12,163)	50
Loss before provision for income taxes	(3,347,236)	(1,179,985)	(2,161,573)	(999,474)
Provision for income taxes	3,500	400	(407)	200
Net loss	(3,350,736)	(1,180,385)	(2,161,166)	(999,674)
Basic and diluted net loss per common share	$ (0.21)	$ (0.10)	$ (0.13)	$ (0.09)
Basic and diluted weighted average common shares outstanding	15,975,687	11,284,629	16,458,035	11,689,702

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

GTC TELECOM CORP.
STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended December 31, 1999	Six Months Ended December 31, 1998
Cash Flows From Operating Activities:		
Net loss	$ (3,350,736)	$(1,180,385)
Adjustments to reconcile net loss to net cash used in operating activities:		
Estimated fair market value of stock issued for services	906,397	158,850
Estimated fair market value of options granted to employees for compensation	58,323	20,813
Estimated fair market value of options and warrants granted to a director and consultants for services rendered	257,740	714,129
Estimated fair market value of stock issued to employees for compensation	-	5,225
Depreciation and amortization	81,184	3,200
Changes in operating assets and liabilities:		
Accounts receivable and prepaid expenses	(468,214)	(4,800)
Accounts payable and accrued expenses	1,388,460	85,058
Accrued payroll and related taxes	278,141	(4,567)
Deferred income	13,985	-
Net cash used in operating activities	(834,720)	(202,477)
Cash Flows From Investing Activities:		
Purchases of property and equipment	(33,377)	(6,208)
Purchase of other assets	-	(30,000)
Deposits	(450,110)	-
Net cash used in investing activities	(483,487)	(36,208)
Cash Flows From Financing Activities:		
Proceeds from sale of stock, net of offering costs of $145,225 and $48,083 for the six months ended December 31, 1999 and 1998, respectively	1,185,295	186,917
Borrowings on note payable to stockholder	48,500	-
Principal payments under capital lease	(29,701)	-
Borrowings on short term debt	110,000	-
Proceeds from exercise of stock options	11,750	11,350
Collection of stock subscription receivable, net of offering costs of $5,525	-	36,975

Net cash provided by financing activities	1,325,844	235,242
Net increase (decrease) in cash	7,637	(3,443)
Cash at beginning of period	500	3,892
Cash at end of period	$ 8,137	$ 449
Supplemental disclosures of cash flow information:		
Cash paid during the quarter for:		
Interest	$ 11,015	$ -
Income taxes	$ 3,504	$ -

Supplemental disclosures on non-cash flow investing and financing activities:

During the six months ended December 31, 1998, the Company issued 40,000 shares of restricted common stock pursuant to the conversion of a note payable in the amount of $80,000.

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

GTC TELECOM CORP.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - MANAGEMENT'S REPRESENTATION:

The management of GTC Telecom Corp. (the "Company" or "GTC") without audit has prepared the financial statements included herein. Certain information and note disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been omitted. In the opinion of the management of the Company, all adjustments considered necessary for fair presentation of the financial statements have been included and were of a normal recurring nature, and the accompanying financial statements present fairly the financial position as of December 31, 1999, the results of operations for the three and six months ended December 31, 1999 and cash flows for the six months ended December 31, 1999.

It is suggested that these financial statements be read in conjunction with the audited financial statements and notes for the year ended June 30, 1999, included in the Company's Form 10-KSB filed with the Securities and Exchange Commission on October 13, 1999. The interim results are not necessarily indicative of the results for a full year.

NOTE 2 - DESCRIPTION OF BUSINESS:

GTC is a single source provider of various telecommunication and internet related services. GTC was organized as a Nevada Corporation on May 17,1994 and is currently based in Costa Mesa California.

NOTE 3 -- ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

GOING CONCERN - The accompanying financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business. The Company has negative working capital, reduced cash levels, losses from operations through December 31, 1999 and a lack of operational history, among other matters, raise substantial doubt that its ability to continue as a going concern. The Company intends to fund operations through debt and equity financing arrangements which management believes may be insufficient to fund its capital expenditures, working capital, and other cash requirements for the fiscal year ending June 30, 2000. Therefore, the Company will be required to seek additional funds to finance its long term operations. The successful outcome of future activities cannot be determined at this time and there is no assurances that if achieved, the Company will have sufficient funds to execute its intended business plan or generate positive operating results.

The financial statements do not include any adjustments related to the recoverability and classification of assets carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

START-UP ACTIVITIES - The Company has adopted Statement of Position No. 98-5 ("SOP 98-5"), "Reporting the Costs of Start-Up Activities." SOP 98-5 requires that all non-governmental entities expense the costs of start-up activities, including organization costs as those costs are incurred. SOP 98-5 is effective for financial statements for fiscal years beginning after December 15, 1998. The adoption of this standard did not have a material effect on the Company's results of operations, financial position or cash flows.

COMPUTER SOFTWARE - The Company has adopted Statement of Position 98-1 ("SOP 98-1") "Accounting for the Cost of Computer Software Development or Obtained for Internal Use." The adoption of this Statement of Position did not have a material impact on the Company's results of operations, financial position or cash flows.

REVENUE AND RELATED COST RECOGNITION - The Company recognizes revenue during the month in which services or products are delivered, as follows:

TELECOMMUNICATIONS RELATED SERVICES

The Company's long distance telecommunications service revenues are generated when customers make long distance telephone calls from their business or residential telephones or by using any of the Company's telephone calling cards. Proceeds from prepaid telephone calling cards are recorded as deferred revenues when the cash is received, and recognized as revenue as the telephone service is utilized.

Telecommunication services cost of sales include the cost of long distance service provided by MCI/WorldCom ("MCI/WorldCom") and other carriers and costs paid for third party verification.

INTERNET RELATED SERVICES

Internet service revenues consist of monthly fees charged to subscribers for Internet access and are recognized in the period service access is provided.

Internet service cost of sales include the cost of providing internet access.

EARNINGS PER SHARE - The Company has adopted Statement of Financial Accounting Standards No. 128 ("SFAS 128"), "Earnings Per Share." Under SFAS 128, basic earnings per share is computed by dividing income available to common shareholders by the weighted-average number of common shares assumed to be outstanding during the period of computation. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Pro forma per share data has been computed using the weighted average number of common shares outstanding during the period assuming the Company was a C corporation since inception. Because the Company has incurred net losses, basic and diluted loss per share are the same as additional potential common shares would be anti-dilutive.

INCOME TAXES - The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes." Under SFAS 109, deferred tax assets and liabilities 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 bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided for significant deferred tax assets when it is more likely than not that such assets will not be recovered.

Reclassifications - Certain reclassifications have been made to prior year amounts to conform to current year presentation.

NEW ACCOUNTING PRONOUNCEMENTS - In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities on the balance sheet at their fair value. This statement, as amended SFAS 137, is effective for financial statements for all fiscal quarters of all fiscal years beginning after June 15, 2000. The Company does not expect the adoption of this standard to have a material impact on its results of operations, financial position or cash flows as it currently does not engage in any derivative or hedging activities.

NOTE 4 - OTHER ASSETS:

Other assets consist of PUC carrier certifications the Company must obtain in order to provide interstate and intrastate telephone service. Other assets are recorded at cost and are being amortized using the straight-line method over the useful life of 3 years. Amortization expense for the six months ended December 31, 1999 and 1998 is $12,250 and none, respectively.

NOTE 5 - NOTES PAYABLE:

Notes payable represents:

On December 31, 1999, the Company borrowed $60,000 for working capital purposes from a third party. All principal is due February 28, 2000 plus $6,000 of interest.

The Company borrowed monies from a stockholder for working capital purposes. The note payable accrues interest at 10% and is due July 22, 2000. As of December 31, 1999 and June 30, 1999, the note payable to stockholder was $73,500 and $25,000, respectively.

The Company borrowed $50,000 for working capital purposes from a third party. The note bears interest at 10%, was due on August 6, 1999 and is secured by the Company's receivables. The Company is in the process of renegotiating the terms of the Note.

NOTE 6 - COMMON STOCK ISSUANCES:

During the three and six months ended December 31, 1999, the Company sold an aggregate of 643,500 shares resulting in net proceeds to the Company of approximately $558,465, net of offering costs of $85,035 and 1,330,500 shares resulting in net proceeds to the Company of approximately $1,185,295, net of offering costs of $145,225, respectively, to 27 "accredited" investors under an ongoing Private Offering of 2,000,000 shares of the Company's Common Stock at a price of $1.00 per share. The offering was conducted without general solicitation or advertising and offered only to "accredited" investors pursuant to Rule 506 of Regulation D of the Securities Act of 1933.

In December 1999, the Company issued an aggregate of 282,575 shares to consultants and attorney's in exchange for consultation and legal services provided to the Company valued at approximately $545,150. These shares were subsequently registered on Form S-8 filed with the Securities and Exchange Commission on January 19, 2000.

During the three months ended December 31, 1999, Paul Sandhu ("Mr. Sandhu"), the Company's President & CEO, and Eric Clemons ("Mr. Clemons"), the Company's Chief Operating Officer, exercised options (previously granted pursuant to their employment contracts) to purchase a total of 50,000 shares of the Company's common stock for $11,750.

In October 1999, the Company issued 25,000 shares of "restricted" Common Stock valued at $25,000 to an outside consultant in exchange for investor relations services rendered. The issuance was an isolated transaction not involving a public offering pursuant to section 4(2) of the Securities Act of 1933.

On October 4, 1999, Mr. Sandhu and Mr. Clemons canceled 581,480 and 145,370, respectively, shares of the Company's common stock held by each of them. It was determined that these shares were not cancelled in a timely matter. As a result, these cancellations are reflected in the outstanding shares as of June 30, 1999 and December 31, 1999.

In September 1999, the Company issued an aggregate of 67,675 shares to consultants and attorney's in exchange for consultation and legal services provided to the Company valued at approximately $271,247. These shares were subsequently registered on Form S-8 filed with the Securities and Exchange Commission on October 6, 1999.

In September 1999, the Company issued 50,000 shares of "restricted" Common Stock valued at $50,000 to Dan Baer in consideration for deferment of rent owed by the Company from April 1999 to September 1999 for its headquarters and customer service operations in Costa Mesa, CA. The Company was required to pay a total of $42,360 deferred rent in nine payments beginning January 1, 2000 through September 1, 2000 in addition to its regular rent due each month under its lease. The issuance was an isolated transaction not involving a public offering pursuant to section 4(2) of the Securities Act of 1933.

In September 1999, the Company issued 15,000 shares of "restricted" Common Stock valued at $15,000 to the Cutler Law Group, the Company's securities counsel in exchange for legal services rendered. The issuance was an isolated transaction not involving a public offering pursuant to section 4(2) of the Securities Act of 1933.

During the six months ended December 31, 1998, pursuant to third party agreements, the Company granted options and issued warrants to purchase the Company's restricted common stock. Total expense of $632,707 and $714,129 was recognized in the three- and six-month periods ended December 31, 1998, respectively.

During the six months ended December 31, 1998, the Company issued 80,000 shares of restricted common stock, valued at $80,000 (estimated by the Company to be $1.00 per share) to outside consultants for services rendered.

During the six months ended December 31, 1998, the Company issued 7,300 shares of common stock, valued at $32,850 to outside consultants for services rendered.

During the six months ended December 31, 1998, the Company issued 235,000 shares of restricted common stock pursuant to a private placement memorandum of $186,917, net of offering costs of $48,083.

During the six months ended December 31, 1998, the Company issued 40,000 shares of restricted common stock pursuant to the conversion of a note payable in the amount of $80,000.

On August 31, 1998, the Company (which at the time was designated Bobernco, Inc., a Nevada corporation) acquired all of the outstanding common stock of GenTel Communications, Inc., a Colorado corporation in a business combination described as a "reverse acquisition." As part of the reorganization, the Company issued 8,986,950 shares of its Common Stock to the shareholders of

GenTel in exchange for all of the outstanding shares of Common Stock of GenTel. Such shares include the shares owned by officers and directors of the Company.

During the three months ended September 30, 1998, the Company issued 11,000 shares of restricted common stock, valued at $5,225 (estimated by the Company to be $0.475 per share) to employees in lieu of salary.

NOTE 7 - OPTIONS AND WARRANTS:

On September 20, 1999, the Company's Board of Directors approved the GTC Telecom Corp. 1999 Omnibus Stock Option Plan (the "Option Plan"), effective October 1, 1999. An aggregate of 750,000 shares of common stock are reserved for issuance under the Plan during the year October 1, 1999 to September 30, 2000. For each subsequent year beginning October 1, 2000, there shall be reserved for issuance under the Plan that number of shares equal to 10% of the outstanding shares of common stock on July 1 of that year. The exercise price for each option shall be equal to 25% to 100% of the fair market value of the common stock on the date of grant, as defined, and shall vest over a five year period. The Company registered 750,000 shares underlying the options pursuant to its 1999 Stock Option Plan on Form S-8 filed with the Securities and Exchange Commission on October 6, 1999.

On October 18, 1999, the Company's Board of Directors granted, pursuant to the Option Plan, an aggregate of 73,000 Incentive Stock Options (as defined by the Plan), exercisable at $2.9375 per share (the fair market value of the Company's Common Stock on the day of grant) to certain employees of the Company and an aggregate of 360,000 Non-statutory Stock Options (as defined by the Option Plan), exercisable at $1.10 per share, to the officers of the Company, resulting in $661,500 of compensation expense charged to the Company over a five year period. Total expense of $33,075 was recognized during the three and six months ended December 31, 1999.

On October 20, 1999, the Company granted options to purchase 526,000 shares of restricted Common Stock, at an exercise price of $1.00 per share, to John M. Eger, a director of the Company. A total of approximately $257,740 of compensation expense was recorded at the date of grant in October 1999.

During the six months ended December 31, 1998, pursuant to various consulting and outside service provider agreements, the Company issued to various consultants, options to purchase 750,000 shares of the Company's restricted common stock at an exercise price ranging from $0.01 to $1.00 per share (the Company estimated the fair market value per share to be $1.00 on the date of each grant). The options vest on the date of grant over a pre-determined vesting schedule and are exercisable through November 2004. Total expense of $150,000 was recognized during the six months ended December 31, 1998.

Consulting expense recognized in the three- and six- month periods ended December 31, 1999, was $12,624 and $25,248, respectively.

NOTE 8 - CONTRACTS:

In an effort to reduce the monthly minimum usage fees of its Internet Service

Provider Access, on December 29, 1999 the Company entered into a one year agreement with Ziplink, Inc. for the Company's Internet Service Provider Access service. Pursuant to the Agreement, the Company is subject to a monthly minimum commitment of $500. In addition, GTC is committed to pay an additional set-up fee of $100. GTC is currently in the process of negotiating an early termination of the agreement with Level 3. Unless the Company is able to negotiate the termination of the agreement with Level 3 on more favorable terms, the Company will be committed to continue to pay Level 3's minimum usage fees of $36,000 per month until July 2000, or an aggregate of $252,000 over the remaining term of the contract.

On December 9, 1999, the Company entered into a consulting agreement with a third party to assist the Company in its marketing efforts. Pursuant to the Agreement, the Company is subject to the following:

1. Payment for consulting services of: (i) $8,000 each month for the calendar months of December 1999 and January 2000, (ii) $10,000 each month for calendar months February and March 2000, (iii) $12,000 each month for calendar months April and May 2000, and (iv) $1.00 retainer for each calendar month thereafter through January 2001. The payment for consulting services may be terminated by the Company or by LaRae given thirty (30) days written notice.

2. Issue to the marketing company, up to 20,000 shares of the Company's Common Stock for each billed customer brought to the Company by the marketing company by February 29, 2000, subject to a minimum of 5,000 customers. As of December 31, 1999, no shares have been issued or earned pursuant to this agreement.

3. In addition, the Company may issue an additional 20,000 shares of Common Stock and grant warrants to purchase 200,000 shares of the Company's Common Stock at $2,57 per share if certain customer thresholds are met, as defined. As of December 31, 1999, no additional shares have been issued or earned and no additional warrants have been granted

On November 13, 1999, the Company entered into an agreement with an Internet Services Provider ("ISP") whereby the ISP will provide Digital Subscriber Line ("DSL") services for the Company. The agreement provides for no minimum monthly revenue commitment and shall continue for one year and is automatically renewed on a month-to-month basis unless terminated by the Company or by the ISP given thirty (30) days written notice.

In connection with the Company's ongoing Private Offering, the Company entered into a revised Investment Banking Agreement with Transglobal Capital Corporation ("TCC"), a licensed NASD broker on August 1, 1999. As part of this Agreement, TCC agreed to provide the Company with consulting services and to assist the Company in raising capital. In return, the Company agreed to compensate TCC with a 13% commission on gross proceeds received in connection with the July 20, 1999 private offering. In addition, the Company agreed to issue TCC options to purchase up to 200,000 shares of the Company's Common Stock at an exercise price of $1.10 per share based upon 10% of the total proceeds raised by TCC. As of December 31, 1999, no options have been granted.

Beginning in August 1999, the Company entered into negotiations with MCI/WorldCom ("MCI/WorldCom"), its major supplier of long distance network transmission services, in an effort to lower its network transmission costs. As a result of these negotiations, MCI/WorldCom agreed to amend the existing contract between the Company and MCI/WorldCom whereby MCI/WorldCom agreed to reduce the Company's network transmission costs by approximately 40%. Additionally, under the terms of the amendment, the minimum monthly purchase requirement was increased to $12,000 per month and the total minimum purchase requirement increased to $288,000. All remaining material terms of the contract remain the same.

NOTE 9 - SUBSEQUENT EVENTS:

Beginning January 17, 2000, the Company leased an additional 2,934 square feet for continued expansion of its customer service operation at a monthly rental rate of $6,295 and for the Company to pay the first three and one-half months rent.The addendum is coterminous with the Company's June 1, 1998 lease and will automatically expire on May 31, 2001, unless previously terminated by the Company or by the lessor given ninety (90) days written notice.

With this addendum, the Company leases a total of 8,621 square feet of office space for its headquarters and customer service operations in Costa Mesa, California at a monthly rental rate of $18,182.

In consideration of the lease addendum, the Company has agreed to issue 45,000 shares of restricted Common Stock valued at approximately $41,100 in lieu of rent owed from January 17, 2000 through June 2000. The issuance was an isolated transaction not involving a public offering pursuant to section 4(2) of the Securities Act of 1933.

In January 2000, the Company issued 7,000 shares of the Company's common stock valued at approximately $13,125 in exchange for consultation services.

In January 2000, the Company borrowed $200,000 for working capital purposes from a third party The note is payable in full on February 28, 2000 plus interest equal to $20,000. If all unpaid principal and interest is not paid by February 28, 2000, the balance accrues interest of 2% per month with no predetermined due date.

In January 2000, the Company issued 155,000 shares of restricted Common Stock valued at approximately $155,000 in lieu of rent owed by the Company from April 1999 through June 2000 for its headquarters and Customer Services operations in Costa Mesa, California.

In January 2000, the Company entered into an agreement with a third party to market the Company's products and services. The agreement requires the Company to pay a monthly commission for each customer minute charged and collected from the third party's efforts. In addition, the Company agreed to issue warrants to purchase up to 1,000,000 shares of the Company's Common Stock at $1.88 per share, at the rate of one share per customer brought to the Company by the marketing company, subject to a minimum of 250,000 customers. No warrants have been granted or earned as of the date of this filing.

In January 2000, the Company entered into an agreement with an outside consultant for investor and public relations services. Pursuant to the agreement, the Company is required to issue common stock in an amount equivalent to $200,000 for one year's services based on the closing bid price on January 28, 2000 of $3.53125 per share. In addition, the Company issued options to purchase 60,000 shares of the Company's common stock. The options will be granted over the following schedule:

1) 20,000 shares at 100% of the closing bid price on January 28, 2000, 2) 20,000 shares at 200% of the closing bid price on January 28, 2000 and, 3) 20,000 shares at 300% of the closing bid price on January 28, 2000.