213

Categories of Services for 214 Applications
(Streamline/Non-streamline)

- ☐ LIMITED/GLOBAL RESALE SERVICE
- ☐ LIMITED/GLOBAL FACILITIES-BASED SERVICE
- ☐ LIMITED/GLOBAL FACILITIES-BASED/RESALE SERVICE
- ☐ INDIVIDUAL FACILITIES-BASED SERVICE
- ☐ INTERCONNECTED PRIVATE LINE RESALE SERVICE
- ☐ INMARSAT AND MOBILE SATELLITE SERVICE
- ☐ INTERNATIONAL SPECIAL PROJECT
- ☐ SWITCHED RESALE SERVICE
- ☒ TRANSFER OF CONTROL
- ☐ ASSIGNMENT OF LICENSE
- ☐ PRO FORMA TRANSFER/ASSIGNMENT
- ☐ SPECIAL TEMPORARY AUTHORITY
- ☐ SUBMARINE CABLE LANDING LICENSE

Citizenship?

Description of Application: ______________________________

____

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____

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____

____

READ INSTRUCTIONS CAREFULLY BEFORE PROCEEDING

APPROVED BY OMB 3060-0589

FEDERAL COMMUNICATIONS COMMISSION

REMITTANCE ADVICE

PAGE NO. 1 OF 1

(1) LOCKBOX # 358115

SPECIAL USE

FCC USE ONLY

MAY 01 2000

Streamlined ITC-T/C-20000501-00273
ACCESS ONE COMMUNICATIONS CORP.

SECTION A - PAYER INFORMATION

(2) PAYER NAME (if paying by credit card, enter name exactly as it appears on your card)
Kelley Drye & Warren

(4) STREET ADDRESS LINE NO. 1
1200 19th Street, N.W.

(5) STREET ADDRESS LINE NO. 2
Suite 500

(6) CITY
Washington

(7) STATE
DC

(9) DAYTIME TELEPHONE NUMBER (include area code)
(202) 955-9600

(10) COUNTRY CODE (if not in U.S.A.)

**IF PAYER NAME AND THE APPLICANT NAME ARE DIFFERENT, COMPLETE SECTION B
IF MORE THAN ONE APPLICANT, USE CONTINUATION SHEETS (FORM 159-C)**

SECTION B - APPLICANT INFORMATION

(11) APPLICANT NAME (if paying by credit card, enter name exactly as it appears on your card)
Talk.com, Inc.

(12) STREET ADDRESS LINE NO. 1
12020 Sunrise Valley Drive

(13) STREET ADDRESS LINE NO. 2
Suite 250

(14) CITY
Reston

(15) STATE
VA

(16) ZIP CODE
20190

(17) DAYTIME TELEPHONE NUMBER (include area code)
(703) 391-3500

(18) COUNTRY CODE (if not in U.S.A.)

COMPLETE SECTION C FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEETS (FORM 159-C)

SECTION C - PAYMENT INFORMATION

FCC CALL SIGN/OTHER ID	PAYMENT TYPE CODE (PTC)	QUANTITY	FEE DUE FOR (PTC)	FCC USE ONLY
(19A)	(20A) C U T	(21A) 1	(22A) $	
(23A) FCC CODE 1	(24A) FCC CODE 2			
(19B)	(20B)	(21B)	(22B) $	
(23B) FCC CODE 1	(24B) FCC CODE 2			
(19C)	(20C)	(21C)	(22C) $	
(23C) FCC CODE 1	(24C) FCC CODE 2			
(19D)	(20D)	(21D)	(22D) $	
(23D) FCC CODE 1	(24D) FCC CODE 2			

SECTION D - TAXPAYER INFORMATION (REQUIRED)

(25) PAYER TIN 0 1 3 5 3 3 5 1 0 7

(26) COMPLETE THIS BLOCK ONLY IF APPLICANT NAME IN B-11 IS DIFFERENT FROM PAYER NAME IN A-2
APPLICANT TIN 2 3 - 2 8 2 7 7 3 6

SECTION E - CERTIFICATION

(27) CERTIFICATION STATEMENT
I, Peter A. Batacan (PRINT NAME), Certify under penalty of perjury that the foregoing and supporting information are true and correct to the best of my knowledge, infomation and belief. SIGNATURE

SECTION F - CREDIT CARD PAYMENT INFORMATION

(28) MASTERCARD / VISA

MASTERCARD/VISA ACCOUNT NUMBER:

EXPIRATION DATE: MONTH YEAR

I hereby authorize the FCC to charge my VISA or MASTERCARD for the service(s)/authorization(s) herein described.

AUTHORIZED SIGNATURE

DATE

KELLEY DRYE & WARREN LLP
A LIMITED LIABILITY PARTNERSHIP
1200 19TH STREET, N.W.
SUITE 500
WASHINGTON, D.C. 20036
(202) 955-9600

NEW YORK, NY
LOS ANGELES, CA
CHICAGO, IL
STAMFORD, CT
PARSIPPANY, NJ

BRUSSELS, BELGIUM
HONG KONG

AFFILIATE OFFICES
BANGKOK, THAILAND
JAKARTA, INDONESIA
MANILA, THE PHILIPPINES
MUMBAI, INDIA

FACSIMILE
(202) 955-9792
www.kelleydrye.com

WRITER'S DIRECT LINE
(202) 955-9774

WRITER'S E-MAIL
Pbatacan@kelleydrye.com

May 1, 2000

Federal Communications Commission
International Bureau - Telecommunications
P.O. Box 358115
Pittsburgh, PA 15251-5115

ATTN: J. Breck Blaylock

Re: Application of Talk.com, Inc. and Access One Communications Corp., for Transfer Control of Section 214 Authorizations

Dear Mr. Blaylock:

Talk.com, Inc. and Access One Communications Corp., by their attorneys, respectfully submit for filing the enclosed application for transfer of control of entity holding Section 214 authorizations to provide international telecommunications service pursuant to Section 214 of the Act and Section 63.18(e)(3) of the Commission's rules.

An original and five (5) copies of this filing are enclosed. Also included with this filing is a check for $780.00 made out to the Federal Communications Commission (FCC Fee Code CUT) and a completed FCC Form 159 (Remittance Advice). Please acknowledge receipt of this application on the duplicate copy enclosed for that purpose and return the stamped copy via the courier. Please do not hesitate to call the undersigned counsel at the above-referenced number if you have any questions regarding this matter.

Respectfully submitted,

Peter A. Batacan

Enclosures: Section 214 Application; check; FCC Form 159

DC01/BATAP/111896.1

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

Application of

Talk.com, Inc. And Access One Communications Corp. for Authority to Transfer Control of Entity Holding Section 214 Authorizations to Provide Telecommunications Services Between the United States and International Points	)))))))	 Docket No.

APPLICATION

Talk.com, Inc. ("Talk.com") and Access One Communications Corp. ("Access One") (collectively, hereinafter, the "Applicants"), by their attorneys and pursuant to Section 214 of the Communications Act of 1934, as amended ("the Act") and section 63.18 of the Commission's Rules, 47 C.F.R. §63.18, hereby respectfully request authority from the Federal Communications Commission ("Commission") to transfer control of the wholly-owned operating subsidiaries of Access One, The Other Phone Company d/b/a Access One ("OPCAO") and OmniCall, Inc. ("OmniCall"), to Talk.com through merger as described more fully below. As discussed below, OPCAO and OmniCall are currently certified to provide international telecommunications services between the United States and various points pursuant to Section 214 authorizations. Due to the timing of the Applicants' business plans, the Applicants respectfully request that the Commission process this Application in accordance with the Commission's streamlined processing procedures as set forth in Section 63.12 of the Commission's Rules.

1. The Applicants.

Access One

Access One is a privately held, New Jersey corporation with its headquarters at 3427 NW 55th Street, Fort Lauderdale, FL 33309. Through its subsidiaries, OPCAO and OmniCall, Access One provides a combination of facilities-based and resold local and resold long distance telecommunications services to approximately 20,000 small and medium-sized business customers and has 60,000 access lines in Georgia, Florida, North Carolina, Mississippi, South Carolina, Kentucky, Alabama, Tennessee and Louisiana. Access One had $150 million in revenue in its fiscal year ended October 31, 1999, and employs 150. OPCAO is authorized in each of these states to provide local and long distance telecommunications services. OPCAO is also authorized by the Federal Communications Commission to provide interstate and international telecommunications services.

In October, 1999, Access One acquired the stock of OmniCall. OmniCall is a South Carolina corporation, headquartered in Greenville, South Carolina, and it is now a wholly-owned subsidiary of Access One.[1] OmniCall is a provider of local and resold long distance telecommunications services. OmniCall is authorized to provide local and long distance telecommunications services in a number of states. OmniCall is also authorized by the Federal Communications Commission to provide interstate and international telecommunications services.

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1 Commission approval of the transfer of control of the international Section 214 authorization of OmniCall to Access One was issued under File No. ITC-214-19991207-00765.

Talk.com

Talk.com is a publicly-held Delaware corporation whose principal offices are located at 12020 Sunrise Valley Drive, Suite 250, Reston, Virginia 20190. Talk.com is publicly traded on the NASDAQ stock market under the symbol "TALK." Talk.com, primarily through its wholly-owned subsidiary, Talk.com Holding Corp., f/k/a Tel-Save, Inc., ("Talk.com-Sub"), provides telecommunications services to residential and business customers throughout the United States. Talk.com-Sub is authorized by the Federal Communications Commission to provide interstate and international telecommunications services.[2] It also is authorized to provide intrastate local and long distance services in numerous states.

Talk.com provides telecommunications services to business and residential customers throughout the United States, primarily through its e-commerce platform. Talk.com's telecommunications service offerings include long distance, outbound service, inbound toll-free service and dedicated private line services for data. Talk.com provides these services through the operation of its own telecommunications network, One Better Net. Talk.com believes that, with its approximately 1.5 million long distance online customers, it currently has the largest share of the e-commerce market for traditional long distance services. Talk.com's e-commerce platform is built around the company's advanced online web-enabled customer care, billing and information systems, which enable long distance customers to receive their phone bill online. Talk.com markets its telecommunications services through its marketing agreements with various partners including America Online, Inc. ("AOL"), Prodigy Communications

---

2 Talk.com-Sub received international Section 214 resale authority under FCC File No. I-T-C-92-061, by Order, Authorization and Certificate, DA 92-319, released March 20, 1992.

Corporation, Direct Merchants Bank, First USA Bank and CompuServe and on the Internet through Talk.com's website located at www.talk.com.

III. Request for Authority to Transfer Control of Access One to Talk.com.

On March 27, 2000, Talk.com announced that it had signed a definitive merger agreement ("Agreement") whereby Talk.com will acquire Access One. Under the terms of the Agreement, shareholders of Access One will receive approximately 14.3 million shares of Talk.com common stock valued, as of the date of the merger announcement, at approximately $200 million. Since OPCAO and OmniCall are wholly-owned by Access One, the acquisition of Access One by Talk.com will result in a transfer of ultimate control of OPCAO and OmniCall to Talk.com. Specifically, the transfer of control will be accomplished through a triangular merger whereby a special-purpose merger subsidiary of Talk.com, Aladdin Acquisition Corp. (the "Merger Sub"), will be merged with and into Access One and each share of the Merger Sub stock held by Talk.com will be converted into one share of Access One stock. Access One will be the surviving entity and will be a wholly-owned subsidiary of Talk.com. In addition, the outstanding Access One shares of the current shareholders will be cancelled and those shareholders will receive shares of Talk.com stock. Upon completion of the merger, former Access One shareholders will own approximately 18% of Talk.com's then-outstanding equity. A chart depicting the pre-merger structure of the Applicants and post-merger structure of the combined entity is attached hereto as Exhibit A.

After the consummation of the merger – although Talk.com then will own 100% of Access One – Access One, through its subsidiaries, OPCAO and OmniCall, will continue to operate under the same name and operating authority. OPCAO and OmniCall also will continue to operate under the same rates, services, and tariff. Thus, the transfer of control will be transparent to customers and will not have any adverse impact on them. After the merger, the Access One contact for customer and Commission inquiries will be: Ms. Elizabeth Stallings, Access One Communications Corporation, 3427 N.W. 55th Street, Fort Lauderdale, Florida, (800) 547-7101.[3]

Talk.com possesses all financial, managerial and technical qualifications to assume ultimate control of Access One. As of April 4, 2000, Talk.com had a market capitalization of $946,000,000. Talk.com had total revenues in 1999 of $517 million, total assets of $215,008,000, cash and cash equivalents of $78,937,000, and net income of $78,929,000.[4] Additionally, Talk.com is led by a highly-qualified team of management personnel, all of whom have extensive backgrounds in telecommunications.[5]

IV. Public Interest Analysis.

Approving the transfer of control of Access One from its current shareholders to Talk.com is in the public interest. The addition of Access One to Talk.com will enhance both Talk.com's and Access One's ability to compete in the market for telecommunications services. The Applicants will benefit from increased economies of scale that will permit them to operate more efficiently and thus to compete more effectively. The combination of Talk.com's high-volume, on-line distribution channels and its substantial existing long distance customer base with Access One's local network platform in the southeastern United States will make the combined entity a major provider of local and long-distance services across the entire Southeast

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3 Talk.com-Sub, of course, will not be affected by the merger and also will continue to operate exactly as it did before the merger was consummated.

4 Relevant excerpts from Talk.com's 1999 Annual Report, SEC Form 10-K, are attached hereto as Exhibit B.

5 Brief biographical statements concerning the senior management personnel of Talk.com are appended hereto as Exhibit C. Additional information on Talk.com is available on the Internet at www.talk.com.

and will allow it to provide services beyond that region. The merger will allow Talk.com to introduce new products and services and to respond to the competitive telecommunications environment. Over time, consumers will benefit from a greater number of product and service options as well as lower prices.

V. Streamlined Processing

The Applicants believe that this Application qualifies for streamlined processing procedures as set forth in Section 63.12 of the Commission's Rules. First, neither Applicant is affiliated with a foreign carrier in a destination market. Second, neither Applicant is affiliated with a dominant U.S. carrier whose international switched or private line services the Applicants seek to resell. Finally, the Applicants do not seek authority to provide switched basic services over private lines to any country not previously authorized by the Commission. The Applicants therefore request that the Commission accord this Application streamlined processing treatment.

VI. Section 63.18 Information

The Applicants submit the following information pursuant to section 63.18(e)(3) of the Commission's Rules:

(a) The name, address, and telephone number of the Applicants are as follows:

Access One Communications Corp. 3427 NW 55th Street Fort Lauderdale, FL 33309 (407) 313-1300	Talk.com, Inc. 12020 Sunrise Valley Drive Suite 250 Reston, VA 20190 (703) 391-3500

(b) Talk.com is a publicly-held Delaware corporation. Access One is a privately held New Jersey corporation.

(c) Correspondence concerning this Application should be sent to:

Brad E. Mutschleknaus
Peter A. Batacan
Kelley, Drye & Warren LLP
1200 19th Street, N.W.
Suite 500
Washington, D.C. 20036
(202) 955-9600 (phone)
(202) 955-9792 (fax)

Copies of any correspondence also should be sent to the following designated representatives of the Applicants:

For Access One:

Connie Wightman
Technologies Management, Inc.
210 N. Park Avenue
Winter Park, FL 32798

For Talk.com

George Vinall
Talk.com
12020 Sunrise Valley Drive
Suite 250
Reston, Virginia 20190

(d) OPCAO received global Section 214 resale authority under FCC File No. ITC-98-356, effective June 17, 1998. OmniCall received global Section 214 resale authority under File No. ITC-97-327, effective July 30, 1997. Talk.com received international Section 214 resale authority under File No. ITC-92-061, effective March 20, 1992.

(e) This Application is submitted pursuant to Section 63.18(e)(3).

(f) No response required.

(g) No response required.

(h) Based on information known to the company regarding beneficial ownership of Talk.com as of October 1, 1999, the following entities held 10 percent or greater of Talk.com's common stock issued and outstanding:

Massachusetts Financial Services Company
500 Boylston Street
Boston, Massachusetts 02116
State of Incorporation: Massachusetts
Principle Business: Investment Advisers
Percentage Interest: 11.81%

America Online, Inc.
22000 AOL Way
Dulles, Virginia 20166
State of Incorporation: Delaware
Principle Business: Internet Service and Content Provider
Percentage Interest: 10.59%

FMR Corporation
82 Devonshire Street
Boston, Massachusetts 02109
State of Incorporation: Massachusetts
Principle Business: Investment Advisers
Percentage Interest: 10.68%

There are no interlocking directorates with foreign carriers.

(i) As evidenced by the certification provided in Attachment A, Talk.com is not affiliated with any foreign carrier.

(j), (k), (l), (m)

Not applicable; Talk.com is not affiliated or otherwise related to any foreign carrier on any of the routes on which Talk.com or Access One seek to provide international telecommunications services.

(n) As evidenced by the certification provided in Attachment A, Talk.com has not agreed to accept special concessions directly or indirectly from any foreign carrier with respect to any U.S. international route where the foreign carrier possesses market power on the foreign end of the route and Talk.com will not enter into such agreements in the future.

(o) As evidenced by the certification provided in Attachment A, no party to this Application is subject to a denial of Federal benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988.

(p) The Applicants request streamlined processing for this Application pursuant to Section 63.12 of the Commission's Rules. This Application is eligible for streamlined processing because neither Applicant is affiliated with foreign carriers on any route, nor are the Applicants requesting authority to provide switched services over private lines to countries not previously authorized for this service.

VII. Conclusion

WHEREFORE, Talk.com and Access One respectfully request that the Commission authorize the transfer of control of Access One's subsidiaries from its current shareholders to Talk.com, Inc.

Respectfully submitted,

TALK.COM, INC.
ACCESS ONE COMMUNICATIONS CORP.

By: ______________________

Brad E. Mutschelknaus
Peter A. Batacan
KELLEY DRYE & WARREN LLP
1200 19th Street, N.W.
Suite 500
Washington, D.C. 20036
(202) 955-9600

Their Attorneys

Dated: May 1, 2000

ATTACHMENT A

CERTIFICATE

The undersigned hereby certifies, on behalf of Talk.com, Inc., with respect to the foregoing application for authority to transfer control of entity holding Section 214 authority to Talk.com, that:

1. Talk.com is not a foreign carrier and is not affiliated with any foreign carrier.

2. Talk.com has not agreed to accept special concessions directly or indirectly from any foreign carrier with respect to any U.S. international route where the foreign carrier possesses market power on the foreign end of the route and Z-Tel will not enter into such agreements in the future.

3. No party to this application is subject to a denial of Federal benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988, 21 U.S.C. § 853(a).

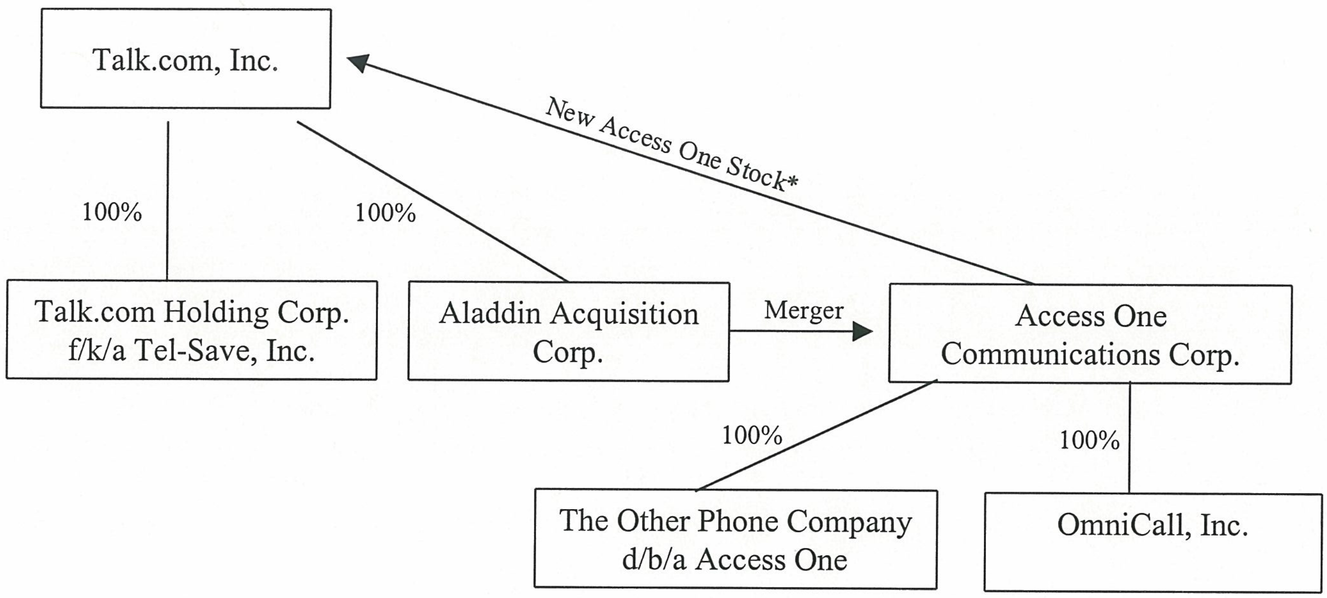
By: George Vinall

Title: E.V.P. Bus. Dev.

Date: 4/25/00

EXHIBIT A
Diagram of Merger Organization

Pre-Merger



* Aladdin stock held by Talk.com will be converted into Access One stock

Post-Merger

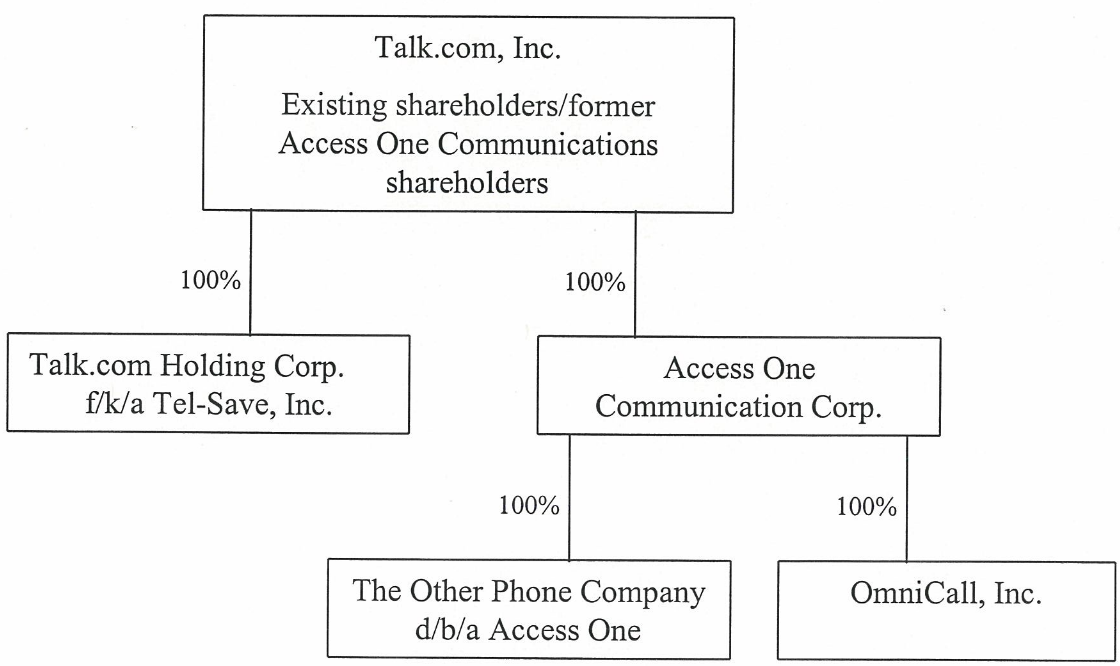


EXHIBIT B

Talk.com, Inc. Financial Statements

(from 1999 Form 10-K filed with SEC on March 23, 2000)

<PAGE>

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

TALK.COM INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

<PAGE>

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
and Stockholders of Talk.com Inc.

We have audited the accompanying consolidated balance sheets of Talk.com Inc. and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Talk.com Inc. and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

BDO Seidman, LLP

New York, New York
February 7, 2000

<PAGE>

TALK.COM INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT FOR SHARE DATA)

<TABLE>
<CAPTION>

	December 31, 1999	December 31, 1998
Assets		
<S>	<C>	<C>
Current:		
Cash and cash equivalents	$ 78,937	$ 3,063
Marketable securities	--	89,649
Accounts receivable, trade, net of allowance for uncollectible	59,501	46,587
Advances to partitions and notes receivable	3,600	1,870
Prepaid expenses and other current assets	8,855	8,600
Total current assets	150,893	149,769
Property and equipment, net	57,335	56,703
Intangibles, net	1,068	1,150
Other assets	5,712	64,938
Total assets	$ 215,008	$ 272,560
Liabilities, Contingent Redemption Value of Common Stock and Stockholders' Equity (Deficit)		
Current:		
Margin account indebtedness	$ --	$ 49,621
Accounts payable and accrued expenses:		
Trade	47,965	64,794
Partitions	1,676	4,380
Taxes and other	14,127	17,913
Total current liabilities	63,768	136,708
Convertible debt	84,985	242,387
Deferred revenue	21,000	28,400
Other liabilities	--	1,850
Total liabilities	169,753	409,345
Commitments and Contingencies		
Contingent redemption value of common stock	5,152	--
Stockholders' equity (deficit):		
Preferred stock, $.01 par value, 5,000,000 shares authorized; no shares outstanding	--	--
Common stock - $.01 par value, 300,000,000 shares authorized;	670	669
Additional paid-in capital	208,453	265,325
Deficit	(139,300)	(218,229)
Treasury stock	(29,720)	(184,550)
Total stockholders' equity (deficit)	40,103	(136,785)
Total liabilities, contingent redemption value of common stock and stockholders' equity (deficit)	$ 215,008	$ 272,560

</TABLE>

See accompanying notes to consolidated financial statements.

<PAGE>

TALK.COM INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT FOR PER SHARE DATA)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
<S>	<C>	<C>	<C>
Sales	$ 516,548	$ 448,600	$ 304,768
Cost of sales	320,751	361,957	294,484
Gross profit	195,797	86,643	10,284
General and administrative expenses	42,696	41,939	34,650
Promotional, marketing and advertising expenses	96,264	210,552	60,685
Significant other charges (income)	(2,718)	91,025	--
Operating income (loss)	59,555	(256,873)	(85,051)
Investment and other income (expense), net	(1,856)	(11,175)	50,715
Income (loss) before provision (benefit) for income taxes	57,699	(268,048)	(34,336)
Provision (benefit) for income taxes	--	40,388	(13,391)
Income (loss) before extraordinary gain	57,699	(308,436)	(20,945)
Extraordinary gain from extinguishment of debt	21,230	87,110	--
Net income (loss)	$ 78,929	$(221,326)	$ (20,945)
Income (loss) before extraordinary gain per share - Basic	$ 0.94	$ (5.20)	$ (0.33)
Extraordinary gain per share - Basic	0.35	1.47	--
Net income (loss) per share - Basic	$ 1.29	$ (3.73)	$ (0.33)
Weighted average common shares outstanding - Basic	61,187	59,283	64,168
Income (loss) before extraordinary gain per share - Diluted	$ 0.90	$ (5.20)	$ (0.33)
Extraordinary gain per share - Diluted	0.33	1.47	--
Net income (loss) per share - Diluted	$ 1.23	$ (3.73)	$ (0.33)
Weighted average common and common equivalent shares outstanding - Diluted	64,415	59,283	64,168

</TABLE>

See accompanying notes to consolidated financial statements.

<PAGE>

TALK.COM INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(IN THOUSANDS)

<TABLE>
<CAPTION>

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TREASURY STOCK SHARES	TREASURY STOCK AMOUNT	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, January 1, 1997	62,238	$ 622	$ 210,616	$ 24,042	(428)	$ (4,560)	$ 230,720
Net loss	--	--	--	(20,945)	--	--	(20,945)
Issuance of warrants to AOL	--	--	21,200	--	--	--	21,200
Issuance of common stock for acquired businesses	141	1	2,217	--	--	--	2,218
Exercise of common stock warrants	2,662	27	11,977	--	--	--	12,004
Exercise of common stock options	2,209	22	9,318	--	--	--	9,340
Purchase of common stock warrants	--	--	(4,400)	--	--	--	(4,400)
Issuance of common stock options for compensation	--	--	13,372	--	--	--	13,372
Acquisition of treasury stock	--	--	--	--	(3,520)	(71,959)	(71,959)
Issuance of treasury stock for acquired businesses	--	--	1,999	--	340	3,626	5,625
Income tax benefit related to exercise of common stock options and warrants	--	--	25,653	--	--	--	25,653
Balance, December 31, 1997	67,250	672	291,952	3,097	(3,608)	(72,893)	222,828
Net loss	--	--	--	(221,326)	--	--	(221,326)
Issuance of warrants to AOL	--	--	33,086	--	--	--	33,086
Exercise of common stock warrants	--	--	(3,620)	--	250	5,052	1,432
Exercise of common stock options	--	--	(41,493)	--	2,853	55,550	14,057
Exercise of AOL warrants	--	--	(7,693)	--	381	7,693	--
Retirement of common stock	(315)	(3)	(1,467)	--	--	--	(1,470)
Acquisition of treasury stock	--	--	--	--	(18,809)	(265,054)	(265,054)
Issuance of common stock and options for compenstion	--	--	(3,123)	--	895	13,224	10,101
Issuance of common stock for convertible debt	--	--	(2,317)	--	5,089	71,878	69,561
Balance, December 31, 1998	66,935	669	265,325	(218,229)	(12,949)	(184,550)	(136,785)
Net income	--	--	--	78,929	--	--	78,929
AOL investment	--	--	(3,730)	--	4,121	58,730	55,000
Exercise of common stock options	--	--	(47,313)	--	6,773	95,600	48,287
Exercise of common stock rights	38	1	651	--	--	--	652
Acquisition of treasury stock	--	--	--	--	(639)	(7,686)	(7,686)
Issuance of common stock for convertible debt	--	--	(1,328)	--	574	8,186	6,858
Contingent redemption value of common stock	--	--	(5,152)	--	--	--	(5,152)
Balance, December 31, 1999	66,973	$ 670	$ 208,453	$(139,300)	(2,120)	$ (29,720)	$. 40,103

</TABLE>

See accompanying notes to consolidated financial statements.

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TALK.COM INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income (loss)	$ 78,929	$(221,326)	$ (20,945)
Adjustment to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Unrealized loss on securities	--	--	1,865
Provision for bad debts	3,480	(235)	1,579
Depreciation and amortization	5,956	5,499	5,429
Vested AOL warrants and amortization of prepaid AOL marketing costs	--	71,665	58,185
Charge for customer acquisition costs	--	--	11,550
Significant other charges	--	55,034	--
Write-off of intangibles	--	--	23,032
Realization of deferred revenue	(7,400)	(7,400)	--
Compensation charges	--	8,402	13,372
Income tax benefit related to exercise of options and warrants	--	--	25,653
Valuation allowance for deferred tax assets	--	40,388	--
Extraordinary gain from extinguishment of debt	(21,230)	(87,110)	--
Increase (decrease) in:			
Accounts receivable, trade	(16,256)	(1,250)	(26,048)
Advances to partitions and notes receivable	(1,730)	24,241	(12,700)
Prepaid AOL marketing costs	--	--	(100,564)
Prepaid expenses and other current assets	(254)	(23,712)	(38,259)
Other assets	2,215	(49,127)	(20,769)
Increase (decrease) in:			
Accounts payable and accrued expenses	(23,457)	56,419	9,608
Deferred revenue	--	--	35,800
Other liabilities	(1,850)	(1,302)	--
Net cash provided by (used in) operating activities	18,403	(129,814)	(33,212)
Cash flows from investing activities:			
Acquisition of intangibles	--	(285)	(9,293)
Acquisition of Symetrics Industries, Inc.	--	(26,707)	--
Capital expenditures, net	(6,506)	(16,928)	(28,876)
Securities sold short	--	(21,087)	17,700
Due from broker	--	21,087	(20,220)
Sale (purchase) of marketable securities, net	89,649	122,620	(62,377)
Net cash provided by (used in) investing activities	83,143	78,700	(103,066)
Cash flows from financing activities:			
Repayment of margin account indebtedness	(49,621)	--	--
Proceeds from margin account indebtedness	--	49,621	--
Proceeds from sale of convertible debt	--	--	500,000
Acquisition of convertible debt	(72,304)	(86,301)	--
Proceeds from exercise of options and warrants	48,287	15,489	21,344
Purchase of common stock warrants	--	--	(4,400)
AOL investment	55,000	--	--
Retirement of common stock	--	(1,470)	--
Proceeds from exercise of common stock rights	652	--	--
Acquisition of treasury stock	(7,686)	(239,892)	(71,959)
Net cash (used in) provided by financing activities	(25,672)	(262,553)	444,985
Net increase (decrease) in cash and cash equivalents	75,874	(313,667)	308,707
Cash and cash equivalents, beginning of year	3,063	316,730	8,023
Cash and cash equivalents, end of year	$ 78,937	$ 3,063	$ 316,730

</TABLE>

See accompanying notes to consolidated financial statements.

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TALK.COM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 -- SUMMARY OF ACCOUNTING POLICIES

(a) Business

Talk.com Inc., a Delaware corporation, together with its consolidated subsidiaries (the "Company"), provides telecommunications services, primarily long distance, throughout the United States to increasing numbers of residential customers and to small and medium-sized businesses. The Company's long distance service offerings include outbound service, inbound toll-free 800 service and dedicated private line services for data. The Company sells these services through its relationships with marketing partners, its web site located at www.talk.com, as well as through partitions, which are independent marketing companies.

(b) Basis of financial statements presentation

The consolidated financial statements include the accounts of Talk.com Inc. and its wholly-owned subsidiaries and have been prepared as if the entities had operated as a single consolidated group since their respective dates of incorporation. All intercompany balances and transactions have been eliminated.

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain amounts relating to 1997 have been reclassified to conform to the current year presentation.

(c) Recognition of revenue

The Company recognizes revenue upon completion of telephone calls by end users. Allowances are provided for estimated uncollectible usage.

(d) Cash and cash equivalents

The Company considers all temporary cash investments purchased with a maturity of three months or less to be cash equivalents.

(e) Marketable securities

Securities bought and held principally for the purpose of selling them in the near term are classified as "trading securities" and are carried at market. Unrealized holding gains and losses (determined by specific identification) on investments classified as "trading securities" are included in earnings.

(f) Advances to partitions and notes receivable

The Company made advances to partitions to support their marketing activities. The advances are secured by partition assets, including contracts with end users and collections thereon.

(g) Property and equipment and depreciation

Property and equipment are recorded at cost. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings and building improvements	39 years
Switching equipment	15 years
Equipment and other	5-7 years

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TALK.COM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(h) Intangibles and amortization

Intangibles of $1,068,000 and $1,150,000 at December 31, 1999 and 1998, respectively, represent goodwill arising from a business acquisition. Amortization is computed on a straight-line basis over the estimated useful life of the intangible, which is 15 years.

(i) Deferred revenue

Deferred revenue is recorded for a non-refundable prepayment received in 1997 in connection with an amended telecommunications services agreement with Shared Technologies Fairchild, Inc. and is amortized over the five-year term of the agreement. This agreement is terminable by either party on thirty days notice. Termination by either party would accelerate recognition of the deferred revenue.

(j) Long-lived assets

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting For the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" as of January 1, 1996. Certain of the Company's long-lived assets were considered impaired at December 31, 1998 (Note 3). There was no additional impairment as of December 31, 1999.

(k) Income taxes

Since 1998, the Company has provided a full valuation allowance for deferred tax assets and liabilities for the estimated future tax effects attributable to temporary differences between the basis of assets and liabilities for financial and tax reporting purposes (Note 10).

(l) Net income (loss) per share

Basic earnings per share includes no dilution and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect, in periods in which they have a dilutive effect, the effect of common shares issuable upon exercise of stock options and conversion of convertible debt.

The computation of basic net income per share is based on the weighted average number of common shares outstanding during the period. In 1999, diluted earnings per share also includes the effect of 3,195,076 common shares, issuable upon exercise of common stock options and warrants.

All references in the consolidated financial statements with regard to average number of Common Stock and related per share amounts have been calculated giving retroactive effect to stock splits.

(m) Financial instruments and risk concentration

Financial instruments that potentially subject the Company to concentrations of credit risk are cash investments for which the Company believes no significant concentration of credit risk exists with respect to these cash investments and marketable securities.

The carrying values of accounts receivable, advances to partitions and notes receivable, accounts payable and accrued expenses approximate fair values. Convertible debt is recorded at face amount but such debt has traded in the open market at substantial discounts to face amount (Note 6). At December 31, 1999 the market value of the convertible debt was approximately 83% of face amount.

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TALK.COM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(n) Stock-based compensation

The Company accounts for its stock option awards under the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Under the intrinsic value based method, compensation cost is the excess, if any, of the quoted market price of the stock at grant date or other measurement date over the amount an employee must pay to acquire the stock. The Company makes pro forma disclosures of net income and earnings per share as if the fair value based method of accounting had been applied as required by SFAS No. 123, "Accounting for Stock-Based Compensation" (Note 10).

(o) Comprehensive income

The Company has no items of comprehensive income or expense. Accordingly, the Company's comprehensive income and net income are equal for all periods presented.

(p) New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which requires entities to recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. SFAS No. 133, as amended by SFAS No. 137, is effective for all fiscal years beginning after June 15, 2000. The Company anticipates that the new standard will have no effect on its financial statements.

NOTE 2 -- AOL AGREEMENTS

In conjunction with the initial Telecommunications Marketing Agreement (the "AOL Agreement") with AOL, the Company paid AOL a total of $100 million and issued two warrants to purchase shares of the Company's stock. The first warrant (the "First Warrant") provided for the purchase, at an exercise price of $15.50 per share, of up to 5,000,000 shares. The second warrant (the "Second Warrant") provided for the purchase, at an exercise price of $14.00 per share, of up to 7,000,000 shares, which was to vest, based on the number of subscribers to the Company's service. With the Second Warrant, as vesting occurred, the fair value of the incremental vested portion of the warrant was charged to expense in the consolidated statement of operations. In 1998, the Company issued a warrant to purchase 1,000,000 shares (the "Further Warrant") to AOL in exchange for a one year extension of the AOL Agreement. As of December 31, 1997 the Second Warrant was vested as to approximately 120,000 shares and $1,200,000 was charged to expense in the 1997 consolidated statement of operations.

The $100 million cash payment, the $20.0 million value of the First Warrant and $0.6 million of agreement related costs was accounted for as follows: (i) $35.9 million was charged to expense ratably over the period from the signing of the initial AOL agreement to December 31, 1997, as payment for certain exclusivity rights for that period; (ii) $13.2 million was treated as production of advertising costs and was charged to expense on October 9, 1997, which was the Commercial Launch Date; and (iii) $71.5 million, the balance of the cash payment and the value of the First Warrant and the initial AOL agreement related costs, represents the combined value of advertising and exclusivities which extend over the term of the AOL Agreement and was recognized ratably after the Commercial Launch Date as advertising services were received. For the year ended December 31, 1997, the Company recognized $57.0 million of expense, related to items discussed above, which is included in promotional, marketing and advertising expenses.

The Company has negotiated a number of amendments to its agreements with AOL based on the experience gained by the Company in the marketing and sale of telecommunications services to AOL subscribers since the inception of the agreements. A substantial amendment to the AOL agreement in January 1999 in which the Company agreed to fixed quarterly payments ranging from $10 to $15 million during the long distance exclusivity period of the agreement resulted in: the elimination of the Company's obligation to make bounty and profit-sharing payments to AOL; altering of the terms of the online and offline marketing arrangements between the Company and AOL; extension of the term of the AOL agreement, including the exclusivity period, until June 2003, although AOL can end the Company's long distance exclusivity period on or after June 2000 by foregoing the fixed

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TALK.COM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

quarterly payments described above; elimination of AOL's rights to receive further warrants to purchase Common Stock based upon customers gained from the AOL subscriber base; AOL's contribution of up to $4.0 million per quarter for offline marketing; and establishment of the framework for the Company to offer additional services and products to AOL subscribers. In 1998, as a result of the January 1999 amendment, the Company wrote off $37.6 million of prepaid AOL, CompuServe and other marketing-related expenses, included in significant other charges (Note 3).

On January 5, 1999, pursuant to an Investment Agreement between AOL and the Company, AOL purchased a total of 4,121,372 shares of Common Stock of the Company for $55.0 million in cash and the surrender of rights to purchase 5,076,016 shares of Common Stock of the Company pursuant to various warrants held by AOL. AOL agreed to end further vesting under the outstanding performance warrant and retained vested warrants exercisable for 2,721,984 shares of Common Stock. (Notes 9 and 10).

NOTE 3 -- SIGNIFICANT OTHER CHARGES (INCOME)

Significant other income in 1999 includes a gain of $2.7 million on the sale of certain business units of TSFL Holdings, Inc. (formerly Symetrics Industries, Inc.).

Significant other charges in 1998 includes $91.0 million of expenses incurred in the fourth quarter of 1998 related to changes in the Company's basic business operations.

As discussed in Note 2 above, the Company negotiated substantial amendments to its agreements with AOL which, among other things, reduced the amount of online advertising to which the Company was entitled to over the remaining term of the agreement and eliminated payments and issuance of warrants to AOL for customer gains and profit sharing payments to AOL. The Company agreed to fixed quarterly payments ranging from $10 - $15 million per quarter during the exclusivity period of the agreement and AOL agreed to contribute up to $4.0 million per quarter for offline marketing. As a result of the amendments, the Company wrote off prepaid AOL, CompuServe and other marketing-related expenses of $37.6 million.

In connection with hiring a new Chairman and Chief Executive Officer and several other key executive personnel and severance payments relating to this change in management, the Company incurred $12.7 million of incentive and severance expense.

The Company acquired ADS Holdings, Inc. (formerly Symetrics, Inc.), a manufacturer of digital telephone switching equipment, in January 1998 for $18.6 million. The Company planned to complete development of the digital switch to provide state of the art features for use in the Company's operations as a competitive local exchange carrier. The Company allocated $21 million of the acquisition cost to purchased research and development expense in the first quarter of 1998 and continued to invest in additional research and development throughout 1998. In November 1997, the Company acquired Compco, Inc, a provider of communications software in the college and university marketplace for $13.7 million, which exceeded the net assets acquired by $10.6 million. In the fourth quarter of 1998, the Company decided to sell the assets of ADS Holdings, Inc. and to delay entry into the college and university marketplace. As a result, the assets of ADS Holdings, Inc. and Compco, Inc. were written down to expected realizable value. The Company recorded $15 million relating to the impairment of these assets and reclassified $22.2 million of research and development expense to significant other charges.

In the fourth quarter of 1998, the Company reconfigured its telecommunications network, OBN, to provide for fiber optic connections among its switches and incurred $3.5 million of expense.

The Company determined in the second quarter of 1997 to de-emphasize the use of direct marketing to solicit customers for the Company and to focus the majority of its existing direct marketing resources on customer service and support for the marketing operations of its carrier partitions, on a fee basis. The Company recognized fees of $8.1 million for the year ended December 31, 1997, included in other income, from the services net of related costs of $14.6 million for the year ended December 31, 1997.

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TALK.COM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

The Company recorded a one-time charge of $11.5 million as cost of sales in the quarter ended June 30, 1997, primarily as a result of the Company changing its accounting for customer acquisition costs to expense them in the period incurred versus the Company's prior treatment of capitalizing customer acquisition costs and amortizing them over a six month period.

In October 1997, the Company decided to discontinue its internal telemarketing operations which were primarily conducted through American Business Alliance (which was acquired by the Company in December 1996), as part of its restructuring of its sales and marketing efforts, and wrote-off, as cost of sales, approximately $23.0 million of intangible assets.

NOTE 4 -- MAJOR PARTITIONS

During 1997, one Partition accounted for approximately 13% of the Company's total sales. There were no Partitions that accounted for more than 10% of the Company's total sales in 1999 or 1998.

NOTE 5 -- PROPERTY AND EQUIPMENT

<TABLE>
<CAPTION>

	DECEMBER 31, 1999	DECEMBER 31, 1998
	(IN THOUSANDS)	
<S>	<C>	<C>
Land	$ 80	$ 80
Buildings and building improvements	2,801	2,639
Switching equipment	53,101	50,481
Equipment and other	14,791	11,067
	70,773	64,267
Less: Accumulated depreciation	(13,438)	(7,564)
	$57,335	$56,703

</TABLE>

NOTE 6 -- CONVERTIBLE DEBT

In September 1997, the Company sold $300 million of 4 1/2% Convertible Subordinated Notes that mature on September 15, 2002 (the "2002 Convertible Notes"). Interest on the 2002 Convertible Notes is due and payable semiannually on March 15 and September 15 of each year. The 2002 Convertible Notes are convertible, at the option of the holder thereof, at any time after December 9, 1997 and prior to maturity, unless previously redeemed, into shares of the Company's Common Stock at a conversion price of $24.5409 per share, as adjusted for the dilutive effect of the exercise of rights pursuant to the Company's rights offering (Note 9). The 2002 Convertible Notes are redeemable, in whole or in part, at the Company's option, at any time on or after September 15, 2000 at 101.80% of par prior to September 14, 2001 and 100.90% of par thereafter. During 1999 and 1998, the Company reacquired $80,650,000 and $152,458,000, respectively, principal amount of the 2002 Convertible Notes and $66,892,000 principal amount remained outstanding at December 31, 1999.

In December 1997, the Company sold $200 million of 5% Convertible Subordinated Notes that mature on December 15, 2004 (the "2004 Convertible Notes"). Interest on the 2004 Convertible Notes is due and payable semiannually on June 15 and December 15 of each year. The 2004 Convertible Notes are convertible, at the option of the holder thereof, at any time after March 5, 1998 and prior to maturity, unless previously redeemed, into shares of the Company's Common Stock at a conversion price of $25.3835 per share, as adjusted for the dilutive effect of the exercise of rights pursuant to the Company's rights offering (Note 9). The 2004 Convertible Notes are redeemable, in whole or in part at the Company's option, at any time on or after December 15, 2002 at 101.43% of par prior to December 14, 2003 and 100.71% of par thereafter. During 1999 and 1998, the Company reacquired $76,752,000 and $105,155,000, respectively, face amount of the 2004 Convertible Notes and $18,093,000 principal amount remained outstanding at December 31, 1999.

The 2002 Convertible Notes and 2004 Convertible Notes that were reacquired by the Company in 1998 were reacquired at an $87.1 million discount from face amount. This amount is reported as an extraordinary gain in the consolidated statement of operations.

During 1999, the Company (a) purchased from Mr. Daniel Borislow, a founder of the Company and its Chairman of the Board and Chief Executive Officer until he resigned on January 5, 1999, and two trusts for the

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benefit of Mr. Borislow's children, $85,857,000 aggregate principal amount of the Company's Convertible Notes for $72.3 million in cash; (b) exchanged the remaining $53.7 million principal amount of subordinated notes of Communication TeleSystems International d/b/a WorldxChange Communications, which were included in other assets at December 31, 1998, to a trust for the benefit of Mr. Borislow's children for $62,545,000 aggregate principal amount of the Company's Convertible Notes and (c) purchased $9,000,000 aggregate principal amount of the Company's Convertible Notes for $6.9 million in Common Stock.

The 2002 Convertible Notes and 2004 Convertible Notes that were reacquired by the Company during 1999 were reacquired at a $21.2 million discount from face amount. This amount is reported as an extraordinary gain in the consolidated statement of operations.

NOTE 7 -- RELATED PARTY TRANSACTIONS

On January 5, 1999, Mr. Daniel Borislow, a founder of the Company and its Chairman of the Board and Chief Executive Officer, resigned as a director and officer of the Company. The Company entered into various agreements and engaged in various transactions with Mr. Borislow and certain entities in which he or his family had an interest.

The Company paid $1.0 million to Mr. Borislow, assigned certain automobiles to him, and continued certain of his health and medical benefits and director and officer insurance. The Company also agreed that, so long as Mr. Borislow owns beneficially at least two percent (2%) of the Common Stock (on a fully diluted basis), Mr. Borislow and trusts for the benefit of his children would be entitled to: registration rights with respect to their shares of Common Stock, the right to require the Company to use a portion of proceeds from any public or private sale of debt securities, excluding borrowings from a commercial bank or other financial institution, by the Company to repurchase debt securities of the Company owned by Mr. Borislow or the trusts for the benefit of his children and the right to require the Company to use the proceeds from the exercise of stock options or rights to repurchase Common Stock owned by Mr. Borislow or the trusts for the benefit of his children. The Company also agreed that, so long as Mr. Borislow had such beneficial ownership, the Company would not, without the prior written consent of Mr. Borislow and subject to certain exceptions: (a) engage in certain significant corporate transactions, including the sale or encumbrance of substantially all of its assets, mergers and consolidations and certain material acquisitions, or, (b) for a period of 18 months from the agreement date, offer or sell any of its Common Stock unless and until Mr. Borislow and the trusts have sold or otherwise disposed of all of the shares of Common Stock held by him on the agreement date. In turn, Mr. Borislow terminated his employment with the Company and agreed not to compete with the Company for at least one year. Mr. Borislow also agreed to guarantee up to $20.0 million of the Company's obligations in connection with the AOL investment noted above.

Effective December 31, 1998, the Company, in exchange for a total of 783,706 shares of Common Stock, (i) sold to Jimlew Capital, L.L.C., a company owned by Mr. Borislow, (a) all of the capital stock of Emergency Transportation Corporation (a wholly owned subsidiary of the Company, the primary asset of which was an interest in a jet airplane), valued at approximately $8.7 million, and (b) all of the real property constituting the Company's facilities in New Hope, Pennsylvania, valued at approximately $2.0 million, and (ii) released Mr. Borislow from an obligation for approximately $4.7 million borrowed from the Company. Mr. Borislow agreed to lease to the Company a portion of the headquarters property at a base monthly rent of $12,500. The Company had previously determined that it would be desirable to dispose of these assets and accordingly believed that the ownership of these assets was not required for the continued operation of the Company's business. The subsidiary stock and the real property were valued based on the book value of these assets, which the management of the Company believes approximated the fair market value of these assets on the date of exchange. The Common Stock exchanged for the assets was valued at its market value on the date of the exchanges. On January 6, 2000, the Company repurchased the real property constituting the Company's facilities in New Hope, Pennsylvania for $2.5 million.

Effective December 31, 1998, the Company, in exchange for a total of 498,435 shares of Common Stock and $10,007,000 aggregate principal amount of the Company's Convertible Notes, released certain officers, directors and employees from obligations for approximately $9.8 million and $9.0 million, respectively, borrowed from the Company.

Also during 1999, in addition to the transactions between the Company and Mr. Borislow or the trusts for his children involving the 2002 and 2004 Convertible Notes, which transactions are described in Note 6 and

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included in this Note by this reference, the Company purchased from Mr. Borislow approximately 639,000 shares of Common Stock for approximately $7.7 million with proceeds from the exercise of stock options by other employees pursuant to the agreements with Mr. Borislow as described above.

At December 31, 1998, executive officers of the Company had outstanding loans from the Company of $4,237,000 which were repaid during the first quarter of 1999.

NOTE 8 -- LEGAL PROCEEDINGS

On June 16, 1998, a purported shareholder class action was filed in the United States District Court for the Eastern District of Pennsylvania against the Company and certain of its officers alleging violation of the securities laws in connection with certain disclosures made by the Company in its public filings and seeking unspecified damages. Thereafter, additional lawsuits making substantially the same allegations were filed by other plaintiffs in the same court. At this point, no classes have been certified. A motion to dismiss was recently granted as to certain officers of the Company and denied as to the Company. There are currently no officers of the Company who are a party to these actions. The Company believes the allegations in the complaints are without merit and intends to defend the litigations vigorously. The Company also is a party to certain legal actions arising in the ordinary course of business.

The Company believes that the ultimate outcome of the foregoing actions will not result in liability that would have a material adverse effect on the Company's financial condition or results of operations.

NOTE 9 -- STOCKHOLDERS' EQUITY

(a) Stock Splits

On January 3, 1997, the Company's Board of Directors approved a two-for-one split of the Common Stock in the form of a 100% stock dividend. The additional shares resulting from the stock split were distributed on January 31, 1997 to all stockholders of record at the close of business on January 17, 1997. This stock split has been reflected in the financial statements for all periods presented.

(b) Authorized Shares

During 1997, the Board of Directors and stockholders approved the increase in the number of authorized shares of the Common Stock to 300,000,000 shares.

(c) Contingent Redemption Value of Common Stock

On January 5, 1999, pursuant to an Investment Agreement between AOL and the Company, AOL acquired 4,121,372 shares of Common Stock for $55.0 million in cash and the surrender of rights to acquire up to 5,076,016 shares of Common Stock pursuant to various warrants held by AOL. Under the terms of the Investment Agreement with AOL, the Company has agreed to reimburse AOL for losses AOL may incur on the sale of any of the 4,121,372 shares during the period from June 1, 1999 through September 30, 2000. The Company has the first right to purchase any of the 4,121,372 shares of Common Stock at the market value on the day that AOL notifies the Company of its intent to sell any of the shares plus an amount, if any, equal to the Company's reimbursement obligation described below. The reimbursement amount would be determined by multiplying the number of shares, if any, that AOL sells during the applicable period by the difference between the purchase price per share paid by AOL, or $19 per share, and the price per share that AOL sells the shares for, if less than $19 per share. The reimbursement amount may not exceed $14 per share for 2,894,737 shares or $11 per share for 1,226,635 shares. Accordingly, the maximum amount payable to AOL as reimbursement on the sale of AOL's shares would be approximately $54.0 million plus AOL's reasonable expenses incurred in connection with the sale. The Company has the option of issuing a six-month 10% note payable to AOL to satisfy the reimbursement amount or other amounts payable on exercise of its first refusal rights. Assuming AOL were to sell all of its shares subject to the Company's reimbursement obligation at the closing price of Common Stock as of December 31, 1999, the reimbursement amount would be approximately $5.2 million. At December 31, 1999, the Company recorded $5.2 million for the contingent redemption value of this Common Stock with a corresponding reduction in additional paid-in capital. AOL also has the right on termination of long distance exclusivity under the AOL marketing

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agreements to require the Company to repurchase the warrants to purchase 2,721,984 shares of Common Stock of the Company held by AOL for an aggregate price of $36.3 million, which repurchase price can be paid in Common Stock, cash or a quarterly amortization, two-year promissory note of the Company. AOL can end the Company's long distance exclusivity period on or after June 30, 2000 by foregoing certain fixed quarterly payments. The Company has pledged the stock of its subsidiaries and has agreed to fund an escrow account of up to $35 million from 50% of the proceeds of any debt financing, other than a bank, receivable or other asset based financing of up to $50 million, to secure its obligations under the Investment Agreement with AOL. AOL has agreed that it will subordinate its security interests to permit the securitization of certain future financings by the Company. Mr. Borislow has agreed to guarantee up to $20,000,000 of the Company's reimbursement obligations under the Investment Agreement with AOL.

(d) Restriction on Future Sales of Common Stock

As previously reported, the Company was subject to certain restrictions under a registration rights agreement between the Company and Mr. Borislow that could have affected the Company's ability to raise capital and engage in other types of financing transactions. As of December 31, 1999, Mr. Borislow and the two trusts for the benefit of Mr. Borislow's children, which have the ability to distribute Common Stock to Mr. Borislow, held less than an aggregate of 2% of the outstanding Common Stock. Accordingly, the Company believes that the restrictions no longer apply to the Company.

(e) Stockholders Rights Plan

On August 19, 1999, the Company adopted a Stockholders Rights Plan designed to deter coercive takeover tactics and prevent an acquirer from gaining control of the Company without offering a fair price to all of the Company's stockholders.

Under the terms of the plan, preferred stock purchase rights were distributed as a dividend at the rate of one right for each share of Common Stock of the Company held as of the close of business on August 30, 1999. Until the rights become exercisable, Common Stock issued by the Company will also have one right attached. Each right will entitle holders to buy one three-hundredth of a share of Series A Junior Participating Preferred Stock of the Company at an exercise price of $55. Each right will thereafter entitle the holder to receive upon exercise Common Stock (or, in certain circumstances, cash, property or other securities of the Company) having a value equal to two times the exercise price of the right.

The rights will be exercisable only if a person or group acquires beneficial ownership of 20% or more of Common Stock or announces a tender or exchange offer which would result in such person or group owning 20% or more of Common Stock, or if the Board of Directors declares that a 15% or more stockholder has become an "adverse person" as defined in the plan.

The Company, except as otherwise provided in the plan, will generally be able to redeem the rights at $0.001 per right at any time during a ten-day period following public announcement that a 20% position in the Company has been acquired or after the Company's Board of Directors declares that a 15% or more stockholder has become an "adverse person." The rights are not exercisable until the expiration of the redemption period. The rights will expire on August 19, 2009, subject to extension by the Board of Directors.

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TALK.COM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

NOTE 10 -- STOCK OPTIONS, WARRANTS AND RIGHTS

(a) Stock Options

The Company has non-qualified stock option agreements with most of its key employees.

In 1997, 1998 and 1999, the Company granted certain employees and non-employee directors of the Company 2,801,000, 5,535,000 and 3,549,500, respectively, non-qualified options to purchase shares of Common Stock. These options generally become exercisable from one to three years from the date of the grant. In 1997, the Company recognized $13,371,785 of compensation expenses related to the grant of options and the purchase by an executive officer of shares of Common Stock of the Company's stock at prices below the quoted market price at date of grant and purchase date, respectively. In 1998, the Company recognized $3.3 million of compensation expenses relating to the grant of 650,000 options to purchase shares of the Company's Common Stock at prices below the quoted market price at the dates of grant or issuance and the issuance of 135,000 shares of the Company's stock.

SFAS No. 123, "Accounting for Stock-Based Compensation," requires the Company to provide pro forma information regarding net income and earnings per share as if compensation cost for the Company's stock options had been determined in accordance with the fair value-based method prescribed in SFAS No. 123. The Company estimates the fair value of each stock option at the grant date by using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 1997, 1998 and 1999, respectively: no dividends paid for all years; expected volatility of 55.8% in 1997, 65% in 1998 and 108% in 1999; weighted average risk-free interest rates of 5.49% for 1997, 4.59% for 1998, 5.38% for the first six months of 1999, and 5.85% for the latter six months of 1999; and expected lives of 1 to 10 years.

Under the accounting provisions of SFAS No. 123, the Company's net income (loss) and earnings (loss) per share would have been reduced (increased) to the pro forma amounts indicated below.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1999 (IN THOUSANDS, EXCEPT FOR PER SHARE DATA)		
	1999	1998	1997
<S>	<C>	<C>	<C>
NET INCOME (LOSS):			
As reported	$78,929	$(221,326)	$(20,945)
Pro forma	$68,851	$(244,487)	$(30,942)
BASIC EARNINGS (LOSS) PER SHARE:			
As reported	$ 1.29	$ (3.73)	$ (0.33)
Pro forma	$ 1.13	$ (4.12)	$ (0.48)
DILUTED EARNINGS (LOSS) PER SHARE:			
As reported	$ 1.23	$ (3.73)	$ (0.33)
Pro forma	$ 1.07	$ (4.12)	$ (0.48)

</TABLE>

<PAGE>

TALK.COM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

The following tables contain information on stock options for the three-year period ended December 31, 1999:

<TABLE>
<CAPTION>

	OPTIONS SHARES	EXERCISE PRICE RANGE PER SHARE	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>
Outstanding, December 31, 1996	8,983,800	$ .32-$12.00	$ 6.54
Granted	2,801,000	$5.67-$22.06	$16.02
Exercised	(2,208,812)	$ .32-$12.78	$ 4.25
Cancelled	(690,000)	$5.67-13.25	$11.98
Outstanding, December 31, 1997	8,885,988	$ .32-$22.06	$ 9.26
Granted	5,535,000	$5.75-$10.44	$ 7.18
Exercised	(2,853,178)	$ .32-13.63	$ 4.93
Cancelled	(1,337,000)	$5.75-17.50	$13.01
Outstanding, December 31, 1998	10,230,810	$4.08-$14.00	$ 7.34
Granted	3,549,500	$8.75-$17.25	$11.63
Exercised	(6,773,378)	$4.08-12.78	$ 7.13
Cancelled	(158,000)	$5.75-11.69	$ 9.67
Outstanding, December 31, 1999	6,848,932	$4.58-$17.25	$ 9.72

<CAPTION>

EXERCISABLE AT:	OPTIONS SHARES	EXERCISE PRICE RANGE PER SHARE	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>
1997	3,866,987	$ .32-$14.50	$7.24
1998	4,571,475	$4.08-$12.78	$7.39
1999	2,541,095	$4.58-$14.00	$7.67

<CAPTION>

OPTIONS GRANTED:	WEIGHTED AVERAGE FAIR VALUE
<S>	<C>
1997	$6.99
1998	$4.83
1999	$9.71

</TABLE>

The following table summarizes information about stock options outstanding at December 31, 1999:

<TABLE>
<CAPTION>

	$4.58-$7.00	$7.01-$10.00	$10.01-$13.00	$13.01-$17.25
<S>	<C>	<C>	<C>	<C>
OUTSTANDING OPTIONS:				
Number outstanding at December 31, 1999	1,767,617	1,595,315	2,543,000	943,000
Weighted-average remaining Contractual life (years)	3.68	8.33	6.53	9.86
Weighted-average exercise price	$ 6.17	$ 9.03	$ 10.51	$ 15.38
EXERCISABLE OPTIONS:				
Number outstanding at December 31, 1999	1,483,450	604,312	433,333	20,000
Weighted-average exercise price	$ 6.25	$ 9.00	$ 10.37	$ 14.00

</TABLE>

<PAGE>

TALK.COM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(b) AOL Warrants

On January 5, 1999, after the repurchase from AOL of warrants to purchase 5,076,016 shares of Common Stock, warrants to purchase 2,721,984 shares of Common Stock were held by AOL and were outstanding and currently exercisable, with exercise prices from $14.00 to $22.25 and a weighted average exercise price of $17.03. AOL has the right, commencing on termination of the long distance exclusivity under the AOL marketing agreement up until January 5, 2003, to require the Company to repurchase all or any portion of these warrants at prices (the "Put Prices") ranging from $10.45 to $16.82 per warrant ($36,324,002 aggregate amount). In the event AOL requires repurchase of the warrants, the Company at its election may pay AOL in cash or in shares of Common Stock based on the then current market price for such stock. The Company may also elect to issue a 10% two-year note for a defined portion of the repurchase price. The Company can require AOL to exercise its warrants at any time the market price of Common Stock equals or exceeds two times the then call amount for such warrants. The call amount of a warrant is the Put Price for the warrant increased at a semi-annually compounded rate of 5% on January 5, 1999 and on each six month anniversary thereafter. The Company has certain reimbursement obligations in the event that it requires AOL to exercise its warrants.

(c) Other Warrants

At December 31, 1996, the Company had warrant agreements with certain partitions and the underwriter for its IPO. All warrants were issued with exercise prices equal to or above the market price of the underlying stock at the date of the grant. These warrants are accounted for based on their fair value. At December 31, 1996, 3,712,000 warrants were outstanding with exercise prices ranging from $4.67 to $5.73 and an average weighted exercise price of $5.00 and 600,000 which were currently exercisable at a weighted exercise price of $5.73. The remaining warrants were exercisable over a one to two year period beginning in January 1997. In January 1997, 800,000 of these warrants were purchased by the Company and recorded as a reduction in additional paid-in capital and 2,662,000 warrants were exercised. The 250,000 warrants issued to the underwriter for the Company's IPO that were outstanding at December 31, 1997 were exercised in 1998.

(d) Rights

The Board of Directors had approved an offering of up to 3,523,285 shares of its Common Stock, $.01 par value, to holders of record of Common Stock and holders of record of options or warrants to purchase Common Stock at the close of business on December 31, 1998. The shares were offered pursuant to nontransferable rights to subscribe for and purchase shares of Common Stock at a price of $17.00 per share. Holders of record on the record date, were eligible to receive one such nontransferable right for every 20 shares of Common Stock or underlying options or warrants held on the record date, as applicable. As of December 31, 1999, 38,325 rights totaling $651,525 were exercised, and 652,547 rights totaling $11,093,299 were exercised in 2000. These rights expired on February 12, 2000.

NOTE 11 -- INCOME TAXES

The Company reports the effects of income taxes under SFAS No. 109, "Accounting for Income Taxes". The objective of income tax reporting is to recognize (a) the amount of taxes payable or refundable for the current year and (b) deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the financial statements or tax returns. Under SFAS No. 109, the measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realized. Realization of deferred tax assets is determined on a more-likely-than-not basis.

The Company considers all available evidence, both positive and negative, to determine whether, based on the weight of that evidence, a valuation allowance is needed for some portion or all of a net deferred tax asset. Judgment is used in considering the relative impact of negative and positive evidence. In arriving at these judgments, the weight given to the potential effect of negative and positive evidence is commensurate with the extent to which it can be objectively verified.

<PAGE>

TALK.COM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

The Company had net deferred tax assets of approximately $40.4 million at December 31, 1997. The Company determined that no valuation allowance was necessary at December 31, 1997 because, among other factors, income, which it believed would be indicative of future operations, had been generated in recent years, with the exception of 1997. The loss incurred in 1997 was primarily attributable to amortization of the AOL marketing agreement.

During 1998, the Company continued to incur significant promotional, marketing and advertising expenses attributable to its efforts to increase the customer base. Moreover, competitive factors intensified during the period making gains in subscriber base more costly and more time consuming. Accordingly, the Company provided a valuation allowance against its deferred tax assets at December 31, 1998. The valuation allowance also eliminated the net deferred tax asset that had been recognized in previous periods. The valuation allowance increased the net loss for the period by approximately $40.4 million. The Company has continued to provide a valuation allowance against its deferred tax assets at December 31, 1999.

The provision (benefit) for income taxes for the years ended December 31, 1999, 1998 and 1997 consisted of the following:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
		(IN THOUSANDS)	
<S>	<C>	<C>	<C>
Current:			
Federal	$ --	$ --	$ --
State and local	--	--	--
Total current:	--	--	--
Deferred:			
Federal	--	34,140	(11,111)
State and local	--	6,248	(2,280)
Total deferred	--	40,388	(13,391)
	$ --	$ 40,388	$(13,391)

</TABLE>

A reconciliation of the Federal statutory rate to the provision (benefit) for income taxes is as follows:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,					
	1999		1998		1997	
			(IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Federal income taxes computed at the statutory rate	$ 27,625	35.0%	$(63,328)	(35.0)%	$(12,018)	(35.0)%
Increase (decrease):						
State income taxes less Federal benefit	3,157	4.0	(7,780)	(4.3)	(1,482)	(4.3)
Valuation allowance for deferred tax assets existing at beginning of year	--	--	40,388	22.3	--	--
Valuation allowance changes affecting the provision for income taxes	(31,000)	(39.3)	68,612	37.9	--	--
Other	218	.3	2,496	1.4	109	.3
Total provision (benefit) for income taxes	$ --	--	$ 40,388	22.3%	$(13,391)	(39.0)%

</TABLE>

<PAGE>

TALK.COM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Deferred tax (assets) liabilities at December 31, 1999, 1998 and 1997 are comprised of the following elements:

<TABLE>
<CAPTION>

<S>	YEAR ENDED DECEMBER 31, 1999 (IN THOUSANDS) <C>	1998 <C>
Net operating loss carryforwards	$ (71,000)	$ (65,000)
Deferred revenue taxable currently	(8,000)	(11,000)
Compensation for options granted below market price	(1,000)	(6,000)
Allowance for uncollectible accounts	(3,000)	(7,000)
Federal and state taxes resulting from cash to accrual basis for tax reporting	--	--
Warrants issued for compensation	(9,000)	(18,000)
Depreciation and amortization	8,000	5,000
Accruals not currently deductible	(2,000)	(5,000)
Unrealized loss on investments	--	(3,000)
Net capital loss carryforwards	(8,000)	(5,000)
Deferred tax (assets) liabilities, net	(94,000)	(115,000)
Less valuation allowance	94,000	115,000
Net deferred tax	$ --	$ --

</TABLE>

The Company has net operating loss carryforwards for tax purposes and other deferred tax benefits that are available to offset future taxable income. Only a portion of the net operating loss carryforwards are attributable to operating activities. The remainder of the net operating loss carryforwards are attributable to tax deductions related to the exercise of stock options.

In accounting for income taxes, the Company recognizes the tax benefits from current stock option deductions after utilization of net operating loss carryforwards from operations (i.e., net operating loss carryforwards determined without deductions for exercised stock options) to reduce income tax expense. Because stock option deductions are not recognized as an expense for financial reporting purposes, the tax benefit of stock option deductions must be credited to additional paid-in capital with an offsetting income tax expense recorded in the statement of operations.

The Company's deferred tax asset related to operations, net capital loss carryforwards and exercised stock options amounted to $70.0 million, $8.0 million and $16.0 million, respectively at December 31, 1999.

At December 31, 1999, a valuation allowance has been provided against the deferred tax assets since management cannot predict, based on the weight of available evidence, that it is more likely than not that such assets will be ultimately realized.

Internal Revenue Code Section 382 provides for the limitation on the use of net operating loss carryforwards in years subsequent to a more than 50% cumulative change in ownership. A more than 50% cumulative change in ownership occurred on August 31, 1998, resulting in annual limitations of approximately $42.0 million on the utilization of net operating loss carry forwards as of that date. Of the Company's net operating loss carryforwards of $183.1 million at December 31, 1999, $68.6 million are subject to this annual limitation subsequent to 1999. The remaining net operating loss carryforwards of $114.5 million are not subject to this limitation.

<PAGE>

TALK.COM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

NOTE 12 -- STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
		(IN THOUSANDS)	
<S>	<C>	<C>	<C>
Supplemental disclosure of cash flow information:			
Cash paid for interest	$4,218	$28,695	$915

</TABLE>

During 1999, the Company issued 574,482 shares of Common Stock with a value of approximately $6.9 million (Note 6), in connection with the repurchase of the Company's Convertible Notes.

Also, during 1999, the Company assigned to a trust for the benefit of Mr. Borislow's children the Company's interest in $53,700,000 principal amount of subordinated notes of Communications TeleSystems International d/b/a WorldXChange Communications, in exchange for $62,545,000 aggregate principal amount of the Company's Convertible Notes (Note 6).

In addition, the Company recorded $5.2 million for the contingent redemption value of the AOL warrant with a corresponding reduction in additional paid in capital.

During 1998, the Company, in exchange for a total of 783,706 shares of Common Stock, sold certain assets to Mr. Borislow and released Mr. Borislow from an obligation borrowed from the Company (Note 7). The Company also, in exchange for a total of 498,435 shares of Common Stock and $10,007,000 aggregate principal amount of the Company's Convertible Notes, released certain officers, directors and employees from obligations borrowed from the Company (Note 7). In connection with the repurchase of the Company's Convertible Notes, the Company issued 5,084,483 shares of Common Stock with a value of approximately $69.5 million.

During 1997, the Company recorded an asset of $20,000,000 in connection with the issuance of warrants to AOL (Note 2). In connection with the acquisition of Compco in 1997, the Company issued 339,982 shares of Common Stock with a value of $5,625,000.

NOTE 13 -- QUARTERLY FINANCIAL DATA (UNAUDITED)

<TABLE>
<CAPTION>

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	(IN THOUSANDS, EXCEPT FOR PER SHARE DATA)			
<S>	<C>	<C>	<C>	<C>
1999				
Sales	$110,572	$117,139	$140,027	$148,811
Gross profit	35,874	43,721	54,551	61,652
Operating income	12,355	14,979	15,579	16,642
Income before extraordinary gain	12,334	14,038	14,646	16,682
Net income	31,331	14,038	16,879	16,682
Income before extraordinary gain per share - Diluted	0.20	0.22	0.23	0.25
Net income per share - Diluted	0.50	0.22	0.27	0.25
1998				
Sales	$ 91,146	$111,098	$122,525	$123,831
Gross profit	14,566	18,040	22,736	31,301
Operating loss	(63,702)	(30,049)	(96,047)	(67,075)
Loss before extraordinary gain	(41,795)	(96,154)	(92,296)	(78,191)
Net loss	(41,795)	(96,154)	(41,734)	(41,643)
Loss before extraordinary gain per share - Diluted	(0.65)	(1.49)	(1.58)	(1.56)
Net loss per share - Diluted	(0.65)	(1.49)	(0.71)	(0.83)

</TABLE>

<PAGE>

TALK.COM INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

NOTE 14 - EMPLOYEE BENEFIT PLANS

During 1999, the Company established an Employee Savings Plan that permits eligible employees to contribute funds on a pre-tax basis. The Plan qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Eligible employees may contribute up to 6% of their compensation (subject to Internal Revenue Code limitations). The Plan allows employees to choose among a variety of investment alternatives. The Company does not contribute to the Plan. No administration costs were incurred during 1999.

<PAGE>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10 THROUGH 13

Information required by Part III (Items 10 through 13) of this Form 10-K is incorporated by reference to the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on May 18, 2000 which will be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year to which this Form 10-K relates.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this Annual Report on Form 10-K.

1. Consolidated Financial Statements:

The Consolidated Financial Statements filed as part of this Form 10-K are listed in the "Index to Consolidated Financial Statements" in Item 8.

2. Consolidated Financial Statement Schedule:

The Consolidated Financial Statement Schedule filed as part of this report is listed in the "Index to S-X Schedule."

Schedules other than those listed in the accompanying Index to S-X Schedule are omitted for the reason that they are either not required, not applicable or the required information is included in the Consolidated Financial Statements or notes thereto.

EXHIBIT C

Biographies of Executive Officers Of Talk.com, Inc.

(*from 1999 Form 10-K filed with SEC on March 23, 2000*)

<PAGE>

EXECUTIVE OFFICERS

The executive officers of the Company as of March 20, 2000 were as follows:

<TABLE>
<CAPTION>

NAME	AGE	POSITION
<S>	<C>	<C>
Gabriel Battista	55	Chairman of the Board, Chief Executive Officer, President and Director
Michael Ferzacca	42	Executive Vice President - Sales
Janet C. Kirschner	46	Controller
Aloysius T. Lawn, IV	41	Executive Vice President - General Counsel and Secretary
Edward B. Meyercord, III	34	Executive Vice President - Chief Financial Officer and Treasurer
Vincent W. Talbert	32	Executive Vice President - Marketing
George Vinall	44	Executive Vice President - Business Development

</TABLE>

GABRIEL BATTISTA. Mr. Battista joined the Company as its President, Chairman and Chief Executive Officer in January of 1999. Prior to joining the Company, Mr. Battista served as Chief Executive Officer of Network Solutions Inc., an Internet domain name registration company. Prior to joining Network Solutions, Mr. Battista served both as CEO and as President and Chief Operating Officer of Cable & Wireless, Inc., a telecommunications provider. His career also included management positions at US Sprint, GTE Telenet and General Electric Information Services. Mr. Battista serves as a director of Axent Technologies, Inc., Capitol College, Systems & Computer Technology Corporation (SCT), Online Technologies Group, Inc. (OTG) and VIA Net.works.

MICHAEL FERZACCA. Mr. Ferzacca joined the Company in January of 1999. He was formerly Executive Vice President, Sales and Marketing for Pacific Gateway Exchange (a telecommunications company) before joining the Company. Prior to that, Mr. Ferzacca served in various roles at Cable & Wireless USA, a telecommunications provider, including manager of the Alternative Channels Division and Co-Chief Operating Officer.

JANET C. KIRSCHNER. Mrs. Kirschner joined the Company in November 1999. Prior to joining the company, Mrs. Kirschner spent 16 years in corporate accounting with Bell Atlantic as a director in senior level positions, including corporate tax, internal auditing, financial systems implementation and business controls. Before her tenure with Bell Atlantic, she served six years as a manager and senior accountant for PriceWaterhouseCoopers, formerly Coopers & Lybrand. Mrs. Kirschner is a Certified Public Accountant.

ALOYSIUS T. LAWN, IV. Mr. Lawn joined the Company in January 1996 and currently serves as Executive Vice President - General Counsel and Secretary. Prior to joining Talk.com, from 1985 through 1995, Mr. Lawn was an attorney in private practice.

EDWARD B. MEYERCORD, III. Mr. Meyercord currently serves as the Executive Vice President - Chief Financial Officer and Treasurer of the Company. He joined the Company in September of 1996 as the Executive Vice President, Marketing and Corporate Development. Prior to joining the Company, Mr. Meyercord served as Vice President in the Global Telecommunications Corporate Finance Group at Salomon Brothers, Inc., based in New York and prior to Salomon Brothers he worked in the corporate finance department at Paine Webber Incorporated.

VINCENT W. TALBERT. Mr. Talbert joined the Company in the spring of 1999. Before joining the Company, Mr. Talbert was Senior Vice President of Internet marketing for First USA Bank where he was both the co-founder and co-leader of the Internet Marketing Group. Prior to First USA, Mr. Talbert worked for Citibank in its Credit Card Division.

GEORGE VINALL. Mr. Vinall joined the Company in January of 1999 as Executive Vice President - Business Development. Prior to joining the Company, he served as President of International Protocol LLC, a telecommunication consulting business, as General Manager of Cable & Wireless Internet Exchange, an international internet service provider, and as Vice President, Regulatory & Government Affairs of Cable and Wireless North America, a telecommunications provider.

KELLEY DRYE

FACSIMILE TRANSMISSION

TO	Justin Connor
FIRM	FCC - International Bureau
CITY	Washington, D.C.
FAX	(202) 418-2824
PHONE	(202) 418-1476
NO. OF PAGES	3 (including this page)
DATE	May 10, 2000

KELLEY DRYE & WARREN LLP
1200 19TH STREET, N.W.
SUITE 500
WASHINGTON, D.C. 20036
(202) 955-9600
FAX (202) 955-9792

MESSAGE Please deliver to Mr. Connor. The information requested regarding Talk.com/Access One Transfer of Control application is attached.

FROM	Peter A. Batacan
PHONE	(202) 955-9774
E-MAIL	pbatacan@kelleydrye.com
TIMEKEEPER ID	01880
CLIENT NO.	011506-0003

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IF PROBLEMS OCCUR DURING TRANSMISSION PLEASE CALL (202) 955-9600.

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May 10, 2000

Via Facsimile (202) 418-2824

Justin Connor, Esq.
International Bureau
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Application of Talk.com, Inc. and Access One Communications Corp. for Consent to Transfer of Control of International Section 214 Authorizations

Dear Mr. Connor:

Per your inquiry regarding the above-referenced application (the "Application"), this letter is to provide supplemental ownership information as required by Section 63.18(h) relating to direct or indirect ownership interests in excess of 10 percent of the stock of Talk.com.

As reported in the Application, Massachusetts Financial Services Company directly holds 11.81 percent of the stock of Talk.com. Sun Life Financial Services of Canada, Inc. ("Sun Life") owns 80 percent of the stock of Massachusetts Financial Services Company. Sun Life is a corporation organized in Canada. The address of Sun Life is 150 King Street West, Toronto, Canada. The principal business of Sun Life is financial services. Sun Life is a widely held public corporation and no individual or entity directly or indirectly owns or controls in excess of 50 percent of the stock of Sun Life.

As reported in the Application, America Online, Inc., directly holds 10.59 percent of the stock of Talk.com. No entity owns or controls 50 percent or greater of the stock of America Online, Inc.

As reported in the Application, FMR Corporation directly holds 10.68 percent of the stock of Talk.com. No entity owns or controls in excess of 50 percent or greater of the stock of FMR Corporation.

Please do not hesitate to contact me, if you require any additional information regarding this matter.

Respectfully submitted,

Peter A. Batacan

Counsel to Talk.com, Inc.