IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
LUFKIN DIVISION

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U.S. DISTRICT COURT
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STEVEN REYNOLDS, on behalf of himself and others similarly situated,	§	
Plaintiffs,	§	
v.	§	**Civil Action No.** 9:02cv112
	§	Judge Hannah
UNIVERSAL ACCESS, INC., UNIVERSAL ACCESS GLOBAL HOLDINGS, INC., PATRICK C. SHUTT, ROBERT M. BROWN, ROBERT E. RAINONE, JR., GEORGE A. KING, ROBERT J. POMMER, SCOTT D. FEHLAN, and PAOLO GUIDI	§	**JURY TRIAL DEMANDED**
Defendants.		

ORIGINAL CLASS ACTION COMPLAINT

This is a securities class action on behalf of all purchasers of the common stock of Universal Access, Inc. or Universal Access Global holdings, Inc. (collectively "Universal Access" or the "Company") between May 10, 2001 and April 24, 2002 (the "Class Period"), against Universal Access and certain of its officers and directors seeking remedies under the Securities Act of the 1934 (the "Exchange Act").

Plaintiff, individually and on behalf of all others similarly situated, by his undersigned attorneys, makes the following allegations upon personal knowledge as to himself and upon information and belief as to all other matters, including published reports and news articles as follows:

JURISDICTION & VENUE

1. The claims asserted in this Complaint arise under sections 10(b) and 20(a) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78t(a)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated under the Exchange Act by the Securities and Exchange Commission ("SEC").

2. The Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331 and 1337 and section 27 of the Exchange Act. 15 U.S.C. § 78aa.

3. Venue is proper in this District pursuant to Section 27 of the Exchange Act, and 28 U.S.C. § 1391(b). Many of the acts charged in this Complaint, including the dissemination of materially false and misleading information, occurred in this District.

4. In connection with the acts alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone and wire communications, and the facilities of the national securities markets.

PARTIES

5. Plaintiff STEVEN REYNOLDS, as set forth in the accompanying certification, incorporated by reference herein, purchased the common stock of Universal Access at artificially inflated prices during the Class Period and has been damaged thereby.

6. Defendant UNIVERSAL ACCESS maintains its principal place of business at 233 South Wacker Drive, Suite 600, Chicago, Illinois, 60606, and an operating facility at 400 S. Akard, Dallas, Texas, 75201.

7. Defendant PATRICK C. SHUTT ("Shutt") is and was at all relevant times to this lawsuit the Chief Executive Officer and Chairman of Universal Access.

8. Defendant ROBERT M. BROWN ("Brown") was at all relevant times to this lawsuit the Chief Financial Officer of Universal Access.

9. Defendant ROBERT E. RAINONE, JR. ("Rainone") is and was at all relevant times to this lawsuit the President of Global Operations for Universal Access.

10. Defendant GEORGE A. KING ("King") is and was at all relevant times to this lawsuit the President of Client Services and Development for Universal Access.

11. Defendant ROBERT J. POMMER ("Pommer") is and was at all relevant times to this lawsuit the Vice Chairman of Universal Access.

12. Defendant SCOTT D. FEHLAN ("Fehlan") is and was at all relevant times to this lawsuit the General Counsel and Secretary of Universal Access.

13. Defendant PAOLO GUIDI ("Guidi") was at all times relevant to this lawsuit a member of the board of Universal Access and Chief Executive Officer and Chairman of Aleron.

14. Defendants Shutt, Brown, Rainone, King, Pommer, Fehlan, and Guidi are collectively referred to herein as the "Individual Defendants."

MOTIVE, OPPORTUNITY & KNOWLEDGE

15. As officers, directors and/or controlling persons of a publicly-held company whose common stock is registered with the SEC under the Exchange Act, traded on the NASDAQ, and governed by the provisions of the Exchange Act, the Individual Defendants had a duty to promptly disseminate accurate and truthful information with respect to the Company's operations, business, services, markets, management, earnings, present and future business prospects, to correct any previously issued statements from any source that had become untrue, and to disclose any trends that would materially

affect earnings and the present and future financial operating results of Universal Access, so that the market price of the Company's publicly traded securities would be based upon truthful and accurate information.

16. During the Class Period, each of the Individual Defendants was a senior executive and/or director of Universal Access and was thereby privy to confidential and proprietary information concerning Universal Access, its operations, finances, financial condition, and present and future business prospects. Defendants also had access to, and were aware of, material adverse non-public information concerning Universal Access, as discussed in detail below.

17. Because of their Board memberships and/or top executive and managerial positions with Universal Access, each of the Individual Defendants had access to adverse non-public information about its business, finances, products, markets, and present and future business prospects via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and Board of Directors meetings and committees thereof, and reports and other information provided to them in connection with such meetings. Because of their possession of such information, each of the Individual Defendants knew or recklessly disregarded adverse facts specified herein and intentionally concealed such adverse facts from the public.

18. The Individual Defendants, because of their positions of control and authority as officers and/or directors of the Company, were able to and did control the contents of the various quarterly reports, SEC filings, press releases, and presentations to securities analysts pertaining to the Company. Each of the Individual Defendants was provided with copies of Universal Access's management reports, press releases, and SEC filings

alleged herein to be misleading prior to, or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. As a result, each of the Individual Defendants is responsible for the accuracy of the public reports and releases detailed herein as "group published" information and are therefore responsible and liable for the representations contained therein.

19. Each of the Individual Defendants is liable as a direct participant or co-conspirator with respect to the wrongs complained of herein. In addition, the Individual Defendants, by reason of their stock ownership and their status as officers and/or directors of Universal Access, were "controlling persons" within the meaning of Section 20 of the Exchange Act and had the power and influence to cause the Company to engage in the unlawful conduct alleged in this Complaint. Because of their positions of control, the Individual Defendants were able to and did, directly or indirectly, control the conduct of Universal Access's business, the information contained in its fillings with the SEC, and public statements about its business.

20. During the Class Period, Defendants, individually and in concert, directly and indirectly, engaged and participated in a continuous course of conduct to misrepresent the results of Universal Access's operations and to conceal adverse material information regarding Universal Access's finances, financial condition, and results of operations. Defendants employed devices, schemes, and artifices to defraud, and engaged in acts, practices, and a course of conduct as herein alleged in an effort to increase and maintain an artificially high market price for the common stock of Universal Access and to increase their own remuneration and personal wealth as a result. This included the formulation, making, and/or participation in the making of untrue statements of material

(b) Plaintiff's claims are typical of the claims of the other members of the Class, and Plaintiff and all members of the Class sustained damages as a result of Defendants' wrongful conduct complained of herein;

(c) Plaintiff is a representative party who will fairly and adequately protect the interests of the other members of the Class and has retained counsel competent and experienced in class action securities litigation. Plaintiff has no interests antagonistic to, or in conflict with, the Class he seeks to represent;

(d) A class action is superior to other available methods for the fair and efficient adjudication of the claims asserted herein, because joinder of all members is impracticable. Furthermore, because the damages suffered by the Individual Class Members may be relatively small, the expense and burden of individual litigation make it virtually impossible for the Class members individually to redress the wrongs done to them. The likelihood of individual Class members prosecuting separate claims is remote;

(e) Plaintiff anticipates no unusual difficulties in the management of this action as a class action; and

(f) The questions of law and fact common to the members of the Class predominate over any questions affecting any individual members of the Class.

23. The questions of law and fact that are common to Plaintiff and the Class include, among others:

(a) Whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) Whether the documents, releases, reports and/or statements disseminated to the investing public and to Universal Access common stock holders during the Class Period omitted or misrepresented material facts about the financial condition, business, and income of Universal Access;

(c) Whether Defendants have acted with knowledge or with reckless disregard for the truth in omitting to state and/or misrepresenting material facts;

(d) Whether, during the Class Period, the market price of Universal Access common stock was artificially inflated due to the non-disclosures and/or material misrepresentations complained of herein;

(e) Whether the Defendants participated in and pursued the common course of conduct complained of herein; and

(f) Whether the members of the Class have sustained damages and, if so, what is the proper measure thereof.

SUBSTANTIVE ALLEGATIONS

A. History of Universal Access's Business

24. Patrick C. Shutt and Robert J. Pommer started Universal Access in 1997 – a time when the demand for communications services was growing rapidly due to the proliferation of the Internet and data communications. In order to meet this growing demand, hundreds of communications companies were formed with the purpose of developing the necessary infrastructure to support this growing market. Also, existing

communications companies raised large amounts of money to fund aggressive expansion plans.

25. But, even today, no communications service provider has a ubiquitous network. In other words, no carrier can provide service to every potential customer without utilizing another service provider's network. Therefore, service providers are often required to purchase service from many other service providers in order to provision service to a customer, the end-user. This process is referred to in the industry as "off-net" provisioning and was the foundation of Universal Access's business.

26. In order to assist communications service providers with "off-net" provisioning, Universal Access negotiated volume discounts with various communications service providers in order to resell their services to other communication service providers. Universal Access purchased and augmented a database that contained information about the location and intersection points of these disparate networks. This purchased bandwidth and the database, together with a team of communications provisioning personnel, gave Universal Access the ability to efficiently provision end-to-end circuits on behalf of its customers.

27. During the last few years, it was very difficult to purchase large circuits between major cities in the United States. Universal Access bought as much capacity as possible and resold it at a profit. But as hundreds of communications service providers deployed massive networks, the market inefficiencies that Universal Access relied upon could not, and did not, last. By the end of 2000, the supply of communications services greatly exceeded the existing demand. Consequently, the demand for Universal Access's reseller services waned, and it became increasingly more difficult for Universal Access to hit its

revenue targets. The Individual Defendants therefore turned to fraud in order to keep their company's revenue growing.

28. During 2001, prices for all aspects of telecom services fell dramatically. Universal Access, without its own network, was trapped in its high cost contracts and unable to compete with the very companies that supply them with service. As these risks mounted, the Individual Defendants faced the possibility that their stock and options would become worthless. They needed a solution — a way to continue revenue growth and trick investors and analysts into thinking that they still had a viable business plan. Their solution was a new business plan called CORE. This departure in strategy was ***extremely*** risky — and not adequately disclosed to investors.

B. The New Business Strategy

29. During the first quarter of 2001, Individual Defendants completely reinvented Universal Access's business strategy without disclosing their intention to turn the company into the United States' largest "factoring" firm. The new strategy worked like this:

30. Suppose Carrier X had $1 million per month in circuit costs with a particular supplier. These monthly circuit costs would encompass hundreds of connections with various expiration dates. Universal Access would assume the liability for these circuits. As the contracts for the circuits expired, Universal Access planned to replace them with lower cost circuits from other providers and share a percentage of the savings with the customer. Carrier X would have the same costs for the first year or so, and Universal Access would get to count Carrier X's circuit costs as revenue as Carrier X continued to pay for their circuits — only now paying Universal Access instead of the supplier. This

amounted to $0.00 profit and 0% margin for Universal Access in the near term. Universal Access, however, appeared to have revenue growth.

31. This "revenue growth" was extremely risky. If Universal Access took on liability in the form of circuit costs, and its CORE customer then filed bankruptcy, Universal Access would be stuck with expenses with no corresponding revenue.

32. Universal Access concealed this new business strategy and its risks. Shutt, Brown, and the other Individual Defendants did this knowing that there was a substantial risk that their customers whose liabilities they were assuming would become insolvent and leave Universal Access holding the bag. But that was the only way that the Individual Defendants could continue to falsely "grow" Universal Access's stated revenue.

33. No Class Member would have invested in Universal Access if he or she had known how Universal Access was meeting its revenue projections. That is why the Individual Defendants went to great lengths to fraudulently conceal these facts and began to release false and misleading statements to the public.

34. Universal Access first spun the CORE initiative to investors in a May 10, 2001 press release.

> **Universal Access Reiterates Guidance Based on Success of CORE Initiative**
>
> CORE Strategy Providing Inroads to Top U.S. Telecom Providers
>
> **CHICAGO, May 10, 2001** - Universal Access Inc. (Nasdaq: UAXS), a leading provider of network infrastructure services, today reiterated its forecast for the second quarter ending June 30, 2001 and reaffirmed its revenue forecast for the year, profitability and cash flow targets. The company attributes this confidence to the success of its CORE initiative launched earlier this year.
>
> "CORE continues to gain momentum with the company's top 25 accounts, and the fundamentals of the business continue to grow stronger," said

Universal Access Chairman and CEO Patrick Shutt. "However, with the broad pressure on stocks, especially in the telecom industry, we do not believe the current market prices accurately reflect the long term value of our shares."

Shutt highlighted the achievements of CORE include:

- A 38% increase in revenue from the company's top 25 customers since CORE's launch in January
- New circuit sales for the first four months of 2001 were $3 million of monthly recurring revenue
- "What we are seeing is a growing recognition of what we can do for service providers and carriers," said Shutt. "The early results of CORE are proving what we have known all along. Telecom companies are spending significantly less on network infrastructure, while at the same time business and consumer demand has continued to increase. Universal Access is the go-to solution to deliver 'off-net' capacity to help our clients meet the needs of their customers."

CORE Fosters Customer Alignment

The CORE initiative relies on closer alignment with customers to maximize the company's ability to provide a single, end-to-end source for all provisioning services. Under CORE, the company is targeting four types of opportunities that allow it to better penetrate each account:

- New Business - Expanding existing networks, building out new network capacity or connecting new customers. This type of revenue has accounted for most of Universal Access' growth prior to CORE.
- Backlog of circuits - Addressing backlogged circuits that are not generating revenue to help customers improve customer satisfaction, realize revenue faster, decrease operational expense and extend network reach without huge capital outlays.
- Transfer of existing circuits - Similar to assignment, but customer circuits in this category are out-of-term and can be acquired without a long negotiation process with the incumbent carrier, making it easy for the customer to make a quick decision. In addition, these circuits can potentially be re-groomed through Universal Access' UTX facilities to increase circuit margin.
- Maintaining Strong Balance Sheet

"Our confidence in our forecast is also bolstered by the continuing strength of our balance sheet," said CFO Bob Brown. At the end of April, the company's balance of cash, restricted cash and short term investments

> increased to $87.9 million from $84.1 million at March 31. Strong collections activity reduced accounts receivable to $13.2 million at April 30 from $17.1 million at March 31, and $1 million was invested in capital expenditures in the month.
>
> The company continues to project second quarter sequential revenue growth of 26% to 28% and expects to finish the year with revenues in a range of $155 to $160 million. Expectations for capital expenditures for the year are $32 to $34 million. SG&A expenses, which reached $21.5 million for the first quarter, is expected to increase only nominally through the rest of the year. Employee count at April 30 was 434 compared to 443 at March 31 and is expected to remain relatively flat for the remainder of the year. The company continues to expect to reach operating cash flow break even in Q1 2002 and to achieve positive EBITDA and operating cash flow in Q2 of 2002.
>
> The company also indicated that there are no current plans for any offerings under the shelf registration statement filed with the Securities and Exchange Commission on April 27, 2001. "As we stated at the time we announced the filing of the shelf, we believe that in today's economic environment, it is prudent to keep our cash position as flexible as possible," said CFO Bob Brown. "We filed the shelf to be opportunistic. In addition to covering potential selling shareholders, the shelf registration was sized to also allow us to move quickly on acquisitions or other strategic opportunities that may arise over the next two years. Our plan is fully funded to reach our profitability and cash flow targets."

35. As discussed below, this press release was materially false and misleading for several reasons. The Individual Defendants publicly released this fiction in an effort to arrest the downward slide in Universal Access's stock – and, most importantly, its related impact on the Individual Defendants' net worth. But before discussing the exact reasons why this press release was extremely misleading, one needs to understand the true state of affairs at Universal Access on May 10, 2001.

C. The Business Falters

36. By May of 2001, the Individual Defendants were fully aware that Universal Access was in trouble. The company was bleeding in excess of $15 million in cash per quarter. The company also was experiencing almost no growth in revenue, and it was becoming increasingly difficult to collect money from current customers. Hemorrhaging

cash, and with only $84 million in the bank, the Individual Defendants knew that the company would run out of money in 2002. The Individual Defendants therefore initiated efforts to reduce Universal Access's operating expenses and raise additional cash.

37. The cost-reducing measures included: (1) reducing in excess of 10% of Universal Access's personnel, primarily salespeople; (2) attempting to return in excess of $20 million of equipment to Nortel Networks; and (3) engaging a real estate broker, Cushman & Wakefield, to sub-lease a portion of its $5 million per year corporate office lease at its posh Sears Tower address, which was signed as recently as March of 2001.

38. Knowing that even these drastic measures would not save the company, the Individual Defendants engaged Shaun R. Wallace at Chase H&Q investment bank to ***raise additional cash***. On April 27, 2001, the Individual Defendants filed an S-3 registration statement in preparation for a public offering. When the investing public became aware of this filing, they called into question the company's health and the stock declined by 38%.

39. In a reaction to the falling price of Universal Access stock, the Individual Defendant's released the May 10, 2001 press release. But instead of explaining the true precarious state of Universal Access, the Individual Defendants, through the May 10 press release, shamelessly led the public to believe that the company was not experiencing any problems – which was a blatant lie.

D. The Truth Behind the May Release

40. The first half of the May 10, 2001 press release addresses Universal Access's CORE initiative. In this section, CEO Patrick Shutt states that due to the success of the CORE initiative "the fundamentals of the business continue to grow stronger." Patrick

Shutt was aware that, in fact, the opposite was true – the fundamentals of the business continued to look worse. And, instead of accurately describing the new business strategy and disclosing its inherent risks, Patrick Shutt provided a great deal of misleading information that led investors to believe that Universal Access was on track. Patrick Shutt intentionally used the CORE initiative to mislead the public about the true state of affairs at Universal Access.

41. In the second half of the May 10, 2000 press release, CFO Bob Brown reaffirmed Universal Access's revenue forecast for the year, profitability, and cash flow targets. Bob Brown intentionally misled the public by emphasizing the continuing strength of Universal Access's balance sheet when, in fact, he had already hired an investment bank to raise additional capital. Yet the press release states "there are no current plans for any offerings under the shelf registration statement filed with the Securities and Exchange Commission on April 27, 2001." That was simply a lie. The investment bankers had already been hired, and Universal Access was essentially on a road-show to attract new investors.

42. Bob Brown also intentionally misled the public by indicating success in collecting outstanding accounts receivables when, in fact, Bob Brown was seeing an increasing amount of delinquent and terminated contracts. Indeed, over sixty-five (65) customers cancelled their service and terminated their contracts with Universal Access in the last three quarters of 2001. That alarming trend was already apparent to the Individual Defendants in May 2001. Yet Universal Access did not disclose this to investors. Despite the fact that many of these companies had begun terminating their contracts because they were disappearing into bankruptcy, Brown and the other Individual

Defendants continued to mislead the investing public by touting the increased strength in Universal Access's receivables. Bob Brown reiterated 26% - 28% revenue growth for the second quarter of 2001 — figures he ***knew at the time he made the statement*** were not accurate.

43. Bob Brown also stated in the May press release that employee headcount would be maintained for the remainder of 2001 when, in fact, the Individual Defendants had already initiated efforts to drastically reduce headcount.

E. The August Press Release

44. Instead of being honest about Universal Access's troubles and upholding their obligations to its shareholders, Shutt, Brown, and the other Individual Defendants chose to cover up the truth. Universal Access further misled investors in an August 30, 2001 press release:

> **UAXS Global Holdings Confirms Profitability Through Corporate Consolidation, $9.6M Customer Contract**
>
> Secured $30M Equity Commitment Letter for Potential Opportunities
>
> **Chicago - Aug. 30, 2001** - UAXS Global Holdings Inc. (NASDAQ: UAXS) announced today the company expects to become EBITDA positive in January 2002, free cash flow positive in Q1 of 2002 and net income positive in Q2 of 2002 due to continued growth in monthly recurring revenue (MRR) and significant reductions in SG&A expenses. While Q3-ending MRR is expected to be 11% above Q2 ending MRR, higher-than-expected disconnections early in the quarter are expected to result in flat quarter-over-quarter revenue growth. The company also has secured its first CORE transfer contract equaling $9.6 million of annualized revenue, as well as additional potential funding for strategic opportunities.
>
> * * *
>
> **New Quarterly Guidance**
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> UAXS Global Holdings expects to finish the quarter with approximately $11.1 million in MRR, an increase of approximately 11% over the second quarter. Although the company continues to experience strong penetration

of its customers, it also experienced higher-than-expected disconnects at the beginning of the quarter. Due to these higher disconnections plus revenue increases coming toward the end of the quarter, Q3 revenues are expected to be even with Q2.

UAXS Global Holdings expects to finish the fourth quarter of this year with an MRR of $12.5 million at a gross margin of approximately 32%. UAXS Global Holdings remains fully funded to profitability.

"We entered this year with an expectation that we would achieve $155 to $160 million in revenue and scaled the company to foster and accommodate that level of growth. However, with the market downturn in telecommunications, which is causing a higher levels of disconnections, we have scaled down our revenue estimates but still expect to finish 2001 with year-over-year growth of 135%," said Shutt. "Based on our continued confidence in Universal Access's future, a number of company executives, board members and I expect to increase our stake in the company' future through buying shares in the open market."

Another Major CORE Win

Universal Access also recently secured another CORE transfer contract worth approximately $9.6 million with a national ISP, of which $720,000 is expected to be in Equal Access revenues. The client also expects to purchase cabinet space in more than eight sites. The contract is expected to bring in an estimated $800,000 of MRR for Universal Access beginning in September.

* * *

Obtained Additional Funding for Strategic Opportunities

Also today, ComVentures, a prominent California-based venture capital firm and long-time equity partner in UAXS Global Holdings, has indicated that it is prepared to invest up to $30 million in the company, which could be used for potential strategic opportunities. Any potential investment will be subject to conditions including board approval and definitive agreements. UAXS Global Holdings is under no obligation to utilize any of these potential funds and has no immediate plans to use these funds.

"Today's restructuring and reduction in headcount, as well as our recent ISP win, will enable the company to become cash flow positive in Q1 of 2002 and net income positive in Q2 of 2002," stated Bob Brown, CFO, UAXS Global Holdings. "We remain strong even in today's tumultuous telecom marketplace."

45. Universal Access announced in this press release that it just secured $30 million in additional funding. Just a few months earlier in May, however, Brown had said that Universal Access was not planning to raise additional capital. Furthermore, Brown stated in this August press release that the additional capital was for strategic acquisitions, yet the true reason for the additional capital was that Universal Access was still bleeding cash and the fuse was getting short.

46. This press release was misleading for other reasons. The press release puts a large emphasis on Monthly Recurring Revenue ("MRR"). Many of the analysts following Universal Access raved about Universal Access's MMR. MMR is therefore an area where a fraudulent scheme would have the most effect on the stock price. That was the essence of CORE. When Universal Access closed the deal representing $9.6 million in MMR touted in this press release, it had, in essence, assumed the responsibility to pay someone else's bills. As discussed above, there are extreme risks in this scheme — risks that were never adequately disclosed to investors. And those risks would catch up to the Individual Defendants with the Aleron Deal.

F. The Aleron Deal

47. Aleron was a provider of IP bandwidth and operated a national OC48 network. In September 2001, Broadwing entered into an agreement to sell various communication services to Aleron. Broadwing sought to purchase various elements of the circuits it intended to sell to Aleron, including OC12 local access connectivity, from Universal Access. Paul Welch, a salesperson for Universal Access, provided Broadwing pricing and availability for the necessary services. Chris Keller, from Universal Access Client Services, and Jerry O'Neil, Managing Director of Universal Access, realized that

Broadwing was providing Aleron with services that Universal Access could sell directly. Mr. Keller and Mr. O'Neil notified Patrick Shutt and Robert Pommer of the situation setting a chain of events in motion.

48. In October of 2001, Paolo Guidi, ***CEO of Aleron and a director of Universal Access***, entered into talks with Robert Pommer, Vice Chairman of Universal Access. At the time, Universal Access was attempting to offset bad news relative to MFN, a major Universal Access customer who was threatening bankruptcy. Pommer and Guidi both understood that Aleron's business plan was grossly underfunded. Guidi needed a free network because Aleron was running out of cash. Pommer needed more revenue to offset the revenue that Universal Access expected to lose when MNF went bankrupt. Pommer and Guidi thus hatched a scheme to turn Aleron's liability for its OC48 network into revenue for Universal Access.

49. Basically, Universal Access would not only provide the OC12 local access circuits that Aleron had been seeking from Broadwing, but also accept a transfer of Aleron's liability for its long haul OC48 circuits, which Aleron had been obtaining from another carrier. Universal Access agreed to accept transfer of those circuits, and the obligation to pay the other carrier for them. Mr. Guidi agreed to cancel his order with Broadwing and enter into this arrangement with Universal Access with the understanding that Universal Access would ***delay collection efforts until Aleron could secure additional funding***. Thus, Shutt, Pommer, and Brown agreed to pay for Aleron's long-haul circuit until Aleron got funding, and then they touted this arrangement as ***revenue***.

50. This contract, but not the side agreement, was announced in a press release dated November 12, 2001 as a $13 million deal. Under the announced terms of the deal,

Aleron was to pay Universal Access approximately $1.15 million per month for use of the networks. These were essentially the same payments that Aleron was making before the deal, only now the money passed through Universal Access so Universal Access could book it as revenue.

51. Even though everyone involved in the deal, including Pommer, Shutt, Brown, and Guidi, knew that Aleron's payments were contingent and that Aleron would never make them, they decided to reiterate previous revenue guidance based on the contract.

52. In the Third Quarter of 2001, Universal Access also agreed to purchase asynchronous transfer mode ("ATM") equipment from Aleron for $3,000,000.00 *if* Aleron was able to raise additional funds to pay for services provided by Universal Access. ATM is a technology with which Universal Access had no prior experience, and it was uncertain as to whether the company was capable of utilizing this equipment. But if Aleron failed to get funding, which was highly likely, Universal Access would keep this equipment as payment on the CORE contract — even though Universal Access had no real use for it. That way, even if the deal failed, Universal Access could book some revenue that it desperately needed to meet its forecasts, and Guidi could keep the ATM equipment out of the Aleron's bankruptcy estate.

53. Even though the ATM transfer was a scam to keep Aleron's creditors from getting the equipment, Universal Access touted it in a November 12, 2001 press release as a positive "strategic move."

> **Universal Access Chosen by Aleron as its Outsourced Network Service Provider - $11.4M First Year Revenue**
>
> Universal Acquires ATM Network - Extending Company's Vision to Wholesale Customers
>
> **CHICAGO - November 12, 2001** - In a ***strategic move***, Aleron, an industry leader in high-performance Internet connectivity, data

transmission and value-added network applications, chose Universal Access (NASDAQ: UAXS) as its outsourced network services provider. Universal Access, which specializes in connectivity services for clients worldwide, will provide procurement, provisioning and network management services for off-net circuits carrying data and value-added services to Aleron's customers throughout the United States.

In addition, Universal Access will support Aleron's need for ATM connectivity through the purchase of its ATM network. "ATM is a natural progression for Universal Access. As we strive to meet the needs of our wholesale customers, extending our offering to include ATM services is becoming critical. The Aleron network mirrors our deployment enabling or allowing Universal Access to easily integrate the new ATM switching network into existing network facilities," stated Patrick Shutt, CEO, Universal Access.

* * *

"Our ATM services for the wholesale market will focus on implementation of higher-speed backbone services for ISPs, aggregation of DSL, RBOC service interconnection and services required by next generation ATM-based integrated services providers," said Shutt.

"ATM continues to show strong revenue growth, driven by ISP and large business customers. ATM's growth is closely linked to the growth of IP, as ATM is often the underlying infrastructure for IP backbones" Ron Kaplan, senior research analyst, IDC.

* * *

This is another example of the traction gained through the Universal Access Core/Transfer service offering. Through this transfer, Universal Access offers Aleron:

Improved efficiency, elimination of multi-vendor management, streamlined billing, one-call resolution of network issues and lower costs; Continued delivery of end-to-end circuit provisioning services for new orders to deliver faster speed to revenue, elimination of provisioning headaches, single-source delivery and extended network reach without capital expenditures.

54. Although Shutt and the other Individual Defendants discussed CORE "improving efficiency" and "eliminating multi-vendor management," they never said that it also involved a shift of all the business and financial risks of the underlying contract to Universal Access. Once all of the customer's contracts are transferred to Universal

Access, Universal Access has to pay the monthly bill — whether the CORE customers pay Universal Access or not. Instead of coming clean and disclosing that MFN was a major customer and posed a significant risk to Universal Access's revenue projections and recognizing appropriate reserves for doubtful accounts related to MFN, Pommer, Guidi, Shutt, and Brown created another scam to manufacture revenue using Aleron.

55. The Aleron deal had the effect that Pommer and Guidi intended. On November 9, 2001, Universal Access's stock closed at $2.61. Within days of November 12, 2001 announcement of the Aleron deal, the stock was trading at $4.34 — a sixty-six percent increase. The November 12, 2001 press release did not include the following material information:

- Paolo Guidi's relationship to both companies;
- Aleron's under-funded status at the time of the release;
- The side agreement that Aleron would not pay under the terms of the contract unless it raised additional capital; and
- Universal Access's acceptance of liability under the terms of Aleron's OC48 contract.

When the truth about Aleron began to emerge, the stock price fell more than forty percent in one day to $1.51.

56. Despite the fact that the Aleron deal was a pass-through scam instead of real revenue, and despite the fact that any payments from Aleron were contingent on Aleron raising additional money, Universal Access issued a press release on January 9, 2002 stating that the company was performing better than expected.

Universal Access Q4 Revenues Exceeded $35 Million; Achieved Positive EBITDA for December

CHICAGO, Jan. 9 /PRNewswire/ -- Universal Access Global Holdings Inc. (Nasdaq: UAXS - news) today announced that revenues for its fourth quarter ended December 31, 2001 exceeded $35 million, above the company's previous guidance of $33 million. Based on these higher revenues, the company also generated positive EBITDA (excluding non-cash compensation charges) for the month of December, a month earlier than projected. For the full year 2001, the company's revenues exceeded its $120 million forecast, which represented a 135% increase over 2000.

"We are very excited to announce that Universal Access achieved positive EBITDA for December, a full month ahead of schedule," said Patrick Shutt, Chairman and CEO of Universal Access. "This company benchmark reflects successful execution in all facets of the company's operations as we continue to deploy our model. It is the recognition of our benefits of outsourcing, speed to revenue, SG&A cost containment and ability to reduce network costs that is generating traction with carriers still working through a difficult telecom market.

57. Universal Access issued this press release even though Aleron had yet to pay for any services, and it was clear to the Individual Defendants that Aleron had still not found any funding. But that did not matter to the Individual Defendants. The Aleron deal allowed Universal Access to claim positive Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA") a month earlier than projected.

58. Due to the incestuous relationship Shutt, King, and Rainone had developed with Guidi, they decided to conceal the fact that he is or was a director of Universal Access in both the Universal Access website and press releases. The Universal Access website listed the following people as directors on March 29, 2002:

- Carolyn Katz – Providence Equity Partners
- Kevin Powers – Unemployed
- Roland Van der Meer – ComVentures
- Edward H. West – COO, CFO Internet Capital Group
- Robert Pommer – Vice Chairman Founder UAXS

- Patrick Shutt – Chairman & CEO Universal Access

59. Universal Access's most recent 14(a) proxy statement, however, also included Paolo Guidi, Chairman & CEO of Aleron, as a director. Guidi also appeared as a director on Universal Access's website. As of March 2002, Universal Access had removed Paolo Guidi from the website in order to reduce the risk of shareholders realizing Guidi's conflict of interest in a transaction that transferred substantial risks to Universal Access in a last ditch effort to save Aleron.

G. Other Undisclosed Shady Deals and At-Risk Contracts

60. In addition to the Aleron deal, Universal Access has many other shady deals and at-risk contracts that it has not disclosed to investors. These included deals and/or contracts with Worldcom, Level 3, Global Crossing ("GX"), and MetroMedia ("MFN") — companies that the Defendants knew were on the verge of bankruptcy or major restructuring.

61. Despite subjective awareness of imminent disaster Worldcom, Level 3, GX, and MFN, Shutt and Brown continued to release extremely positive press releases to boost the stock.

> **Universal Access Announces Third Quarter Results Highlighting Strong Growth in Recurring Revenues and Reaffirming Positive EBITDA in the First Quarter of 2002**
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> **CHICAGO, IL, October 30, 2001** - Universal Access Global Holdings Inc. (Nasdaq: UAXS) today announced results for the quarter and nine months ended September 30, 2001.
>
> **Third Quarter 2001 Financial Highlights**
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> - Revenues were $30.7 million, 119% above the third quarter a year ago
> - Monthly Recurring Revenues (MRR) grew 11% to $11.1 million with a 32.5% gross margin

- Won a major CORE account transfer with WAM!NET generating over $1 million of MRR
- Reduced SG&A 19% from Q2 and exited Q3 with an operating cash burn rate of less than $700,000 per month
- Ended the quarter with $55.1 million in cash

"The many positive factors that contributed to the quarter's results further proved the validity of our model and bolster our confidence in achieving profitability early next year," said Patrick Shutt, Chairman and CEO of Universal Access. "Despite a difficult industry environment which has challenged many of our customers and vendors, and generated higher disconnect levels early in the quarter, we were able to significantly increase revenues from our major customers. In September, we closed a major CORE transfer with WAM!NET, which represents our fourth million dollar per month customer. At the same time, our team generated strong increases in MRR from many of our top customers, including MCI/Worldcom/UUNET, Cable & Wireless, AT&T, Level 3, BCE/Teleglobe, Broadwing, Microsoft and Touch America. We also successfully restructured our costs to reduce our SG&A and cash burn rates."

Third Quarter Financial Results

For the third quarter ended September 30, 2001, total revenues increased to $30.7 million, a 119% increase versus $14.0 million from the comparable period in 2000. Gross profit for the third quarter expanded to $10.0 million, up 170% from $3.7 million in the third quarter of 2000. Gross margin increased 620 basis points (bps) to 32.5% from 26.3% in the prior year period. The net loss for the third quarter was $64.5 million or ($0.70) per share. Before restructuring and other one-time charges and non-cash stock option compensation charges, the net loss for the quarter was $12.1 million or ($0.13) per share.

* * *

Outlook

"The third quarter's results solidified our ability to meet our objectives of achieving positive EBITDA in January 2002, positive free cash flow in the first quarter of 2002 and positive EPS in the second quarter of 2002," said CFO Bob Brown. "Continued revenue growth from CORE customers and a lower, more normalized rate of disconnections as we experienced in September and thus far in October, keep us on-track to achieve year-over-year revenue growth of 135%."

Other Highlights

- Customer Wins - In addition to increased MRR from most existing CORE customers, the company also achieved several large customer wins in the quarter. In support of new initiatives, Microsoft significantly expanded its relationship with Universal Access, the company achieved a major CORE transfer with WAM!NET and received a transfer of PathNet circuits following its bankruptcy filing.

62. Despite actual awareness that Level 3, Worldcom, MFN, and GX were heading for bankruptcy or restructuring, Shutt and Brown continued to make positive announcements based on revenue with these companies without disclosing the risks that they posed for Universal Access. They also continued to record the entire amount of CORE transfers as revenue even though it is merely pass-through money.

63. Universal Access's problems with its business plan and its customers continued into 2002, but Universal Access continued to conceal the news from investors. GX filed Chapter 11 on January 28, 2002. There was no word on this to investors. And by the end of 2001, MFN had less than $37 million in cash with an interest payment due on March 15, 2002 of over $30 million. But despite these problems, Patrick Shutt continued to reiterate guidance on Universal Access's 2002 numbers. There was no warning that if MFN filed for bankruptcy protection, Shutt's numbers would be completely wrong.

64. And, the customers discussed above are not the only ones that Shutt and Brown knew were in trouble. Brown keeps a list of customers that are likely to go under. The companies on this list represent a whopping $61,054,453 in annual revenue — ***HALF*** of Universal Access' total revenue — that the company itself considers at-risk. This has never been publicly disclosed to investors.

65. Despite having maintained the at-risk contract list himself, Brown participated in the preparation of the February press release to "Reiterate 2002 Guidance."

Universal Access Reiterates 2002 Guidance

CHICAGO, Feb. 22 /PRNewswire-FirstCall/ -- Universal Access (Nasdaq: UAXS - news) today reiterated its revenue and profitability guidance for the year.

"Despite challenging industry conditions, our sales pipeline continues to be very strong, in excess of $25 million of monthly recurring revenues (MRR)," said Patrick Shutt, Chairman and CEO. "As a result, we remain confident in our 2002 guidance: MRR to grow to $19 to $20 million at year end; to generate positive EBITDA for the first quarter of this year; to achieve positive operating cash flow in the first quarter; and to achieve positive EPS at a point in the second quarter. While delayed from what we had expected, the large customer announcement we referred to on our call is also still pending."

"We are reiterating our guidance for 2002, and we remain fully funded to free cash flow and profitability," added CFO Bob Brown. "The industry's difficulty in growing revenues and reducing costs remains a significant opportunity driver for us, as we represent an easy and no-cost answer to both of those problems."

66. Despite actual knowledge that several of its customers could not pay, Shutt and the other Individual Defendants continued to make materially false and misleading announcements to investors that sent the stock price to artificially high levels.

H. Williams Communications and Capacity Swapping

67. The SEC recently began an investigation into various "capacity swapping" transactions conducted by Williams Communications ("Williams"), many of these transactions include Universal Access. In late 2000 and early 2001, various meetings took place in person and over the telephone between representatives from Williams and Universal Access.

68. Frank Aluenta, Vice President of Universal Access, engineered several deals with Williams where both companies simply traded services in order to falsely record the transactions as revenue. Mr. Aluenta in coordination with Brown, Shutt, and Pommer

created these various "sham" transactions to fraudulently boost Universal Access's revenue.

69. Evidence of the nature of these transactions was clear when Mr. Shutt explained to the Universal Access sales representative assigned to the Williams account, Pete Ulman, that no commission would be paid because the deal was put together to help "pump up both companies numbers to help elevate the stock price." Mr. Shutt added, "You will get paid when you get to exercise your options."

I. The March Press Release on Aleron

70. On March 22, 2002, just one month after reiterating its revenue and profitability targets, Universal Access issued a press release withdrawing that revenue guidance as well as revising its profitability target for 2002. The stated reason for the press release was Aleron's recent bankruptcy filing; however, the Individual Defendants had known for months that Aleron was going to file bankruptcy, and in fact, they had been planning for it through transfers of assets, such as Aleron's ATM network, to Universal Access to keep them out of Aleron's bankruptcy estate.

71. The March 22 press release states:

> **Universal Access Revises 2002 Guidance**
>
> CHICAGO, March 22 /PRNewswire-FirstCall/ -- With Aleron's recent filing for bankruptcy, the possibility of an additional filing by one other customer and recently prolonged customer closing cycles, Universal Access (Nasdaq: UAXS - news) today felt it prudent to withdraw revenue guidance as well as revise its profitability target for 2002. The company now anticipates re-establishing positive EBITDA in the second half of 2002 but believes it is premature to provide further guidance for the year. The company emphasized that it has a sound cash position and minimal debt.
>
> Aleron's bankruptcy is expected to reduce the company's first quarter 2002 reported revenues by approximately $4.8 million, and actions that

may be taken by one other customer that has recently threatened bankruptcy could reduce revenues by another $1.1 million per month. Universal Access believes that other than these two customers, ***the remaining base of its top 25 customers is diversified and stable.*** Executives note that the top 25 accounts include many large service providers such as Microsoft, and large national and international carriers such as AT&T and BCE. However, given the environment and recent customer filings and statements, the company will also further increase bad debt reserves to a level it believes is adequate in light of the further deterioration of credit in the sector.

The telecom industry has been shaken by a number of restructurings, bankruptcies and overall financial distress. This environment has prolonged sales closing cycles from historical norms, also affecting new revenues that were expected for the quarter. However, the industry's difficulty in growing revenues and reducing costs should ultimately provide a significant opportunity for Universal Access' primary business of off-net connectivity as well as the recently announced outsourcing services.

Universal Access will continue to optimize its cost control measures throughout the company to enhance bottom line results. Management has stated that the company's cash position is sound, it has limited debt, remains fully funded to anticipated profitability and expects to re-establish positive EBITDA in the second half of 2002.

As shown above, the remaining customer base was anything but stable — and Brown and Shutt knew it.

72. While some of the truth began to emerge in March, Shutt, Brown, and the other Individual Defendants continued to intentionally misrepresent Universal Access's financial condition. Shutt and Brown knew that the March press release would send the stock price lower, and they needed a way to support the stock and keep it artificially inflated. They achieved this goal by improperly recognizing revenue from a contract with TeleGlobe that Universal Access had not actually landed.

J. TeleGlobe and 2001 Revenue

73. During the third and fourth quarters of 2001, Patrick Shutt repeatedly reported to analysts and others that Universal Access was about to land a big contract. He did not reveal that the contract that was under negotiation was with TeleGlobe. Universal Access did enter into a contract in 2001 with TeleGlobe — but it was only a fraction of the contract that Shutt had touted to investors. Due to Universal Access's failure to enter into a binding contract for the entire amount contemplated, Universal Access faced missing its revenue projections. Nevertheless, Shutt insisted that the entire amount of the contract be recognized in 2001. This fraud allowed Universal Access to meet its 2001 revenue projections. However, Shutt failed to get the contract signed.

74. In the face of the swift and punishing market reaction to Defendants' conduct, and with their fraud no longer able to remain concealed, Brown resigned as CFO in April 2002.

75. Investors, meanwhile, were left unaware that Universal Access met its 2001 revenue projections by fraudulently recognizing and misrepresenting fictitious revenue.

STATUTORY SAFE HARBOR

76. The statutory safe harbor providing for forward-looking statements under certain circumstances does not apply to any of the false forward-looking statements pleaded in this Complaint. None of the forward-looking statements pleaded herein were sufficiently identified as a "forward-looking statement" when made. Nor did meaningful cautionary statements identifying important factors that could cause actual results to differ materially from that in the forward-looking statements accompany those statements.

77. To the extent that the statutory safe harbor does apply to any forward-looking statements pleaded, the Defendants are liable for those false forward-looking statements because at the time each of those statements was made, Defendants ***actually knew the forward-looking statements were false when made.***

APPLICABILITY OF THE PRESUMPTION OF RELIANCE FRAUD ON THE MARKET THEORY

78. At all relevant times, the Class Members were reasonable in assuming that the market for Universal Access common stock was an efficient market for the following reasons, among others:

(a) Universal Access stock met the requirements for listing, and was listed and actively traded, on the NASDAQ National Market ("NASDAQ"), a highly efficient market;

(b) As a regulated issuer, Universal Access filed periodic reports with the SEC and the NASD;

(c) Universal Access stock was followed by major brokerage firms' securities analysts who distributed reports to the sales force and certain customers of their respective brokerage firms; and

(d) These analysts reports were publicly available and entered the public marketplace.

79. As a result, the market for Universal Access securities promptly digested current information that was not fraudulently concealed and that publicly-available information was reflected in Universal Access's stock price. Under these circumstances, all purchasers of Universal Access stock during the Class Period suffered similar injury through their purchase of artificially inflated prices and a presumption of reliance applies.

COUNT I
VIOLATION OF SECTION 10(b) OF THE SECURITIES EXCHANGE ACT AND RULE 10b-5 THEREUNDER

80. Plaintiff repeats and realleges each and every allegation above as if set forth in full herein.

81. Throughout the Class Period, Defendants, singly and in concert, directly or indirectly, engaged in a common plan, scheme and course of conduct described herein, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and a course of business which operated as a fraud upon Plaintiff and the other members of the Class; made various false statements of material facts and omitted to state material facts to make the statements made not misleading to Plaintiff and the other members of the Class; and employed manipulative or deceptive devices and contrivances in connection with the purchase and sale of Universal Access stock.

82. The purpose and effect of Defendants' plan, scheme, and course of conduct was to artificially inflate the price of Universal Access stock and to artificially maintain the market price of Universal Access securities.

83. Defendants acted with scienter throughout the Class Period, in that they either had actual knowledge of the misrepresentations and omissions of material fact set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and disclose the true facts, even though such facts were available to them. Defendants' scienter is demonstrated by

- Failing to disclose the level of risk involved in CORE;
- Failing to disclose the number of Universal Access customers that Brown, Shutt, and the other Individual Defendants had identified as at-risk;

- Failing to disclose the true extent of customer cancellations and defaults;
- Failing to recognize an appropriate allowance for doubtful accounts;
- Failing to disclose the extent of Universal Access's exposure if Worldcom, Level 3, GX, or MFN declared bankruptcy;
- Recognizing pass-through money from CORE transfers as revenue;
- Recognizing revenue from Aleron and similar deals as revenue without reasonable assurance that any money would ever be collected and while actually conspiring with Aleron's management to defraud Aleron's creditors by transferring Aleron's assets in anticipation of its bankruptcy;
- Misrepresenting the company's success in collecting receivables when sixty-five customers had defaulted or terminated their contracts;
- Misrepresenting that Universal Access would achieve positive EBITDA and free cash flow in the first quarter of 2002 when Brown and Shutt were subjectively aware at the time they made such statements that many of the Universal Access's largest customers (representing half of Universal Access's total annual revenue) were at risk of default;
- Covering up fraud by removing Paolo Guidi's biographical information from the company's website;
- Recognizing revenue from "capacity swaps" with Williams and other service providers when such transactions had no real economic substance; and
- Recognizing unearned revenue from an incomplete contract with TeleGlobe in order to fraudulently meet 2001 revenue projections.

84. As a result of the foregoing, the market price of Universal Access securities was artificially inflated during the Class Period. In ignorance of the falsity of the reports and statements and the deceptive and manipulative devices and contrivances employed by the Defendants, Plaintiff and the other members of the Class relied, to their damage, on the reports and statements described above and/or the integrity of the market price of Universal Access stock during the Class Period in purchasing Universal Access common stock at prices which were artificially inflated as a result of Defendants' false and misleading statements.

85. Had Plaintiff and the other members of the Class known of the material adverse information which defendants did not disclose, they would not have purchased Universal Access common stock at the artificially inflated prices that they did.

86. Defendants' concealment of this material information served only to harm Plaintiff and the other members of the Class who purchased Universal Access common stock in ignorance of the financial risk to them as a result of such nondisclosures.

87. As a result of the wrongful conduct alleged herein, Plaintiff and other members of the Class have suffered damages in an amount to be established at trial.

88. By reason of the foregoing, Defendants have violated Section 10(b) of the Securities Exchange Act and Rule 10b-5 promulgated thereunder and are liable to the Plaintiff and the other members of the Class for the substantial damages which they suffered in connection with their purchase of Universal Access common stock during the Class Period.

COUNT II
VIOLATION OF SECTION 20(a)
OF THE SECURITIES EXCHANGE ACT

89. Plaintiff repeats and realleges each and every allegation above as if set forth in full herein.

90. During the Class Period, each of the Individual Defendants, by virtue of his office or offices at, and/or directorship of Universal Access and his specific acts, was a controlling person of Universal Access within the meaning of Section 20(a) of the Securities Exchange Act.

91. Each of the Individual Defendants' position made him privy to, and provided him with actual knowledge of, the material facts that Universal Access concealed from Plaintiff and the other members of the Class during the Class Period.

92. Each of the Individual Defendants had the power and influence to cause Universal Access to engage in the unlawful conduct and practices complained of herein by causing Universal Access to disseminate the false and misleading information referred to above.

93. By virtue of the foregoing, the Individual Defendants have violated Section 20(a) of the Securities Exchange Act.

94. By virtue of the conduct alleged above, Defendants are liable to the Plaintiff and the other members of the Class for the substantial damages that they suffered in connection with their purchase of Universal Access Common stock during the Class Period.

AFFIDAVIT OF STEVEN REYNOLDS

1. I, STEVEN REYNOLDS, have reviewed the Complaint and have authorized the filing of same;

2. I did not purchase the securities that are the subject of the Complaint at the direction of plaintiff's counsel or in order to participate in any private action arising under this title;

3. I am willing to serve as a class representative and provide testimony at deposition and trial if necessary;

4. My transaction(s) in Universal Access, Inc. during the time period from May 10, 2001 through April 24, 2002 inclusive are set forth below:

Date	Purchase(s) or Sales(s)	Amount	Price
2/8/02	Purchase	100 Shares	4.59
2/11/02	Purchase	100 Shares	4.38
3/25/02	Purchase	100 Shares	1.59

5. During the previous three years, I ~~have~~ have not been a lead plaintiff in any securities fraud class actions.

6. I will not accept any payment for serving as a class representative beyond my pro rata share of any recovery, except as ordered or approved by the Court with respect to an award for reasonable costs and expenses (including lost wages).

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 2 day of May, 2002, at Forest, Va. 24551 (city/state)

STEVEN REYNOLDS

TOTAL P.02

PRAYER FOR RELIEF

95. WHEREFORE, Plaintiff, on his own behalf and on behalf of the other members of the Class, demands judgment against the Defendants as follows:

A. Determining that this action is properly maintainable as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure;

B. Certifying Plaintiff as the Class Representative and his counsel as Class Counsel;

C. Declaring and determining that Defendants violated the federal securities laws by reason of their conduct as alleged herein;

D. Awarding monetary damages against all Defendants, jointly and severally, in favor of Plaintiff and the other members of the Class for all losses and damages suffered as a result of the acts and transactions complained of herein, including punitive damages where appropriate, together with prejudgment interest from the date of the wrongs to the date of the judgment herein;

E. Awarding Plaintiff the costs, expenses, and disbursements incurred in this action, including reasonable attorneys' and experts' fees; and

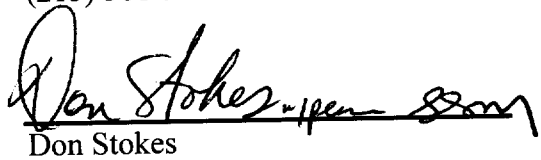
F. Awarding Plaintiff and the other members of the Class such other and further relief as the Court may deem just and proper in light of all the circumstances of this case.

May 7, 2002.

Respectfully submitted,

MILBERG WEISS BERSHAD HYNES & LERACH LLP
Steven G. Schulman
Samuel H. Rudman
One Pennsylvania Plaza
New York, NY 10119
(212) 594-5300

LAW OFFICES BERNARD M. GROSS, P.C.
Deborah R. Gross
1500 Walnut Street
Philadelphia, PA 19102
(215) 561-3600



Don Stokes
State Bar No. 19268000
STOKES LAW FIRM
109 E. Houston
Marshall, Texas 75670
(903) 938-5252

Attorneys for Plaintiff