



DEPOSIT TREAS. REC. DATE

0268 FEB 19 '96

960197-TX

210 N. Park Ave.
P.O. Drawer 200
Winter Park, FL
32790-0200

February 15, 1996

Tel: 407-740-8575
Fax: 407-740-0613

Mr. Walter D'Haeseleer
Executive Director
Florida Public Service Commission
2450 Shumard Oak Boulevard
Gerald L. Gunter Building, Room 270
Tallahassee, FL 32399-0850

Re: Application of National Telecommunications of Florida, Inc. d/b/a NationalTel for Authority to Provide Alternative Local Exchange Service

Dear Mr. D'Haeseleer:

Enclosed is the original and six (6) copies of the application of National Telecommunications of Florida, Inc. d/b/a NationalTel for authority to provide alternative local exchange service. Also enclosed is a check for the application fee of \$250.

Please return a date stamped the copy of this cover letter in the self-addressed stamped envelope which has been provided for this purpose.

Any questions pertaining to this filing may be addressed to me at (407) 740-8575.

Yours truly,

Nanci Adler

Nanci Adler
Consultant to National Telecommunications

cc: Mark Mansour, National Telecom

File: National Telcom-FL LEC
TMS#: FL96000

MAIL ROOM

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FLORIDA PUBLIC SERVICE COMMISSION
DOCUMENT NUMBER-DATE

FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION
Division of Communications, Certification & Compliance Section
2450 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850
(904) 413-6600

APPLICATION FORM

for

**AUTHORITY TO PROVIDE ALTERNATIVE LOCAL EXCHANGE SERVICE
WITHIN THE STATE OF FLORIDA**

INSTRUCTIONS

1. This form is used for an original application for a certificate and for approval of sale, assignment, or transfer of an existing alternative local exchange certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee.
2. Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.
3. Use a separate sheet for each answer which will not fit the allotted space.
4. Any questions regarding completion, contact above.
5. Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of \$250 made payable to the Florida Public Service Commission at the above address.

**APPLICATION FORM FOR AUTHORITY TO PROVIDE
ALTERNATIVE LOCAL EXCHANGE SERVICE
WITHIN THE STATE OF FLORIDA**

1. This is an application for (check one):

(X) Original authority (new company)

() Approval of transfer (to another certificated company)

Example: a certificated company purchases an existing company and desires to retain the original certificate authority.

() Approval for transfer of control (to another certificated company)

Example: a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of applicant:

National Telecommunications of Florida, Inc.

3. A. National Mailing Address:

Street: 6363 N.W. 6th Way, Suite 1000
PO Box
City: Ft. Lauderdale
State: Florida
Zip: 33309
Phone: (305) 491-9300

B. Florida Mailing Address:

Street: 6363 N.W. 6th Way, Suite 1000
PO Box:
City: Ft. Lauderdale
State: Florida
Zip: 33309
Phone: (305) 491-9300

C. Physical Address of alternative local exchange service in Florida:

Name: National Telecommunications of Florida, Inc.
Street: 6363 N.W. 6th Way, Suite 1000
PO Box:
City: Ft. Lauderdale
State: Florida
Zip: 33309
Phone: (305) 491-9300

4. **Structure of organization:**

- Individual
- Corporation
- Foreign Corporation
- Foreign Partnership
- General Partnership
- Limited Partnership
- Joint Venture
- Other, Please explain _____

5. **If incorporated, please provide proof from the Florida Secretary of State that the applicant has authority to operate in Florida.**

Corporate charter number: S20405

6. **Name under which the applicant will do business (d/b/a):**

NationalTel

7. **If applicable, please provide proof of fictitious name: (d/b/a) registration.**

Fictitious name registration number: G95222000229

8. **If applicant is an individual, partnership, or joint venture, please give name and address of each legal entity.**

Not applicable

9. **State whether any of the officers, directors, or any of the ten largest stockholders have previously been adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.**

No officer, director or any of the ten largest stockholders have been adjudged bankrupt, mentally incompetent or found guilty of any felony or crime, nor are such actions pending.

10. **Please provide the following information for the person serving as ongoing liaison with the Commission, and if different, the liaison responsible for this application:**

Name: Mark A. Mansour
 Title: Vice President of Operations
 Street: 6363 N.W. 6th Way, Suite 1000
 City: Ft. Lauderdale
 State: Florida
 Zip: 33309
 Phone: (305) 491-9300
 Fax: (305) 491-9526
 Internet Address:

11. **Please list other states in which the applicant is currently providing or has applied to provide local exchange or alternative local exchange service.**

None

12. **Has the applicant been denied certification in any other state? Yes() No(X)**
If so, please list the state and reason for denial.

13. **Have penalties been imposed against the applicant in any other state: Yes() No(X)**
If so, please list the state and reason for penalty.

14. **Please indicate how a customer can file a service complaint with your company.**

Customers can file complaints either by telephone or letter. The company's toll-free 800 number for complaints is 800-881-9300. NationalTel's customer service department is open from 7:30 AM to 8:00 PM Monday through Friday. Off-hour coverage is provided so that on-call personnel may be contacted for emergencies. In addition, complaints may be filed to the company at 6363 N.W. 6th Way, Suite 1000, Ft. Lauderdale, FL 33309.

15. **Please complete and file a tariff in accordance with draft Commission Rule 25-24.830 and rules 25-9.001 through 25-9.010.**

See Exhibit I.

16. **Please provide all available documentation demonstrating that the applicant has the following capabilities to provide alternative local exchange service in Florida.**

- A. **Financial capability (Exhibit II)**
- B. **Managerial capability (Exhibit III)**
- C. **Technical capability (Exhibit IV)**

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange service in the State of Florida. I have read the foregoing and declare that to the best of my knowledge and belief, the information is true and correct.

I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders. Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree.

National Telecommunications of FL, Inc

Mark A. Mansour

Mark A. Mansour

Vice President of Operations

Date: 2/14/96

Address: 6363 N.W. 6th Way, Suite 1000
Ft. Lauderdale, FL 33309
Phone: (305) 491-9300

NATIONAL TELECOMMUNICATIONS OF FL, INC.

EXHIBIT I

TARIFF

TITLE PAGE

FLORIDA LOCAL EXCHANGE
TELECOMMUNICATIONS PRICE LIST

OF

NATIONAL TELECOMMUNICATIONS OF FLORIDA, INC.
D/B/A NATIONALTEL

This Price List contains the descriptions, regulations, and rates applicable to the furnishing of resold telecommunication services provided by National Telecommunications of Florida, Inc. d/b/a NationalTel ("NationalTel") with principal offices located at 6363 N.W. 6th Way, Suite 1000, Ft. Lauderdale, FL 33309. This Price List is applicable to local exchange services furnished within the State of Florida. This Price List is on file with the Florida Public Service Commission, and copies may be inspected, during normal business hours, at the Company's principal place of business.

ISSUED: February 15, 1996

EFFECTIVE:

ISSUED BY: John Mansour, Vice President
6363 N.W. 6th Way, Suite 1000
Ft. Lauderdale, Florida 33309

CHECK SHEET

This Price List contains the sheets listed below, each of which is effective as of the date shown on each sheet. Original and revised pages as named below comprise all changes from the original Price List.

SHEET	REVISION
1	Original *
2	Original *
3	Original *
4	Original *
5	Original *
6	Original *
7	Original *
8	Original *
9	Original *
10	Original *
11	Original *
12	Original *
13	Original *
14	Original *
15	Original *
16	Original *
17	Original *
18	Original *
19	Original *
20	Original *
21	Original *
22	Original *

* Indicates new or revised sheet with this filing

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6363 N.W. 6th Way, Suite 1000
Ft. Lauderdale, Florida 33309

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SYMBOLS

The following are the only symbols used for the purposes indicated below:

- D - Delete or Discontinue
- I - Change Resulting in an Increase to a Customer's Bill
- M - Moved from another Price List Location
- N - New
- R - Change Resulting in a Reduction to a Customer's Bill
- T - Change in Text or Regulation but no Change in Rate or Charge.

When changes are made in any Price List sheet, a revised sheet will be issued canceling the Price List sheet affected. Changes will be identified on the revised sheet(s) through the use of the above mentioned symbols.

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Price List FORMAT

A. Sheet Numbering - Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the Price List. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.

B. Sheet Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the FPSC. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc. the FPSC follows in their Price List approval process, the most current sheet number on file with the Commission is not always the Price List pages in effect. Consult the check sheet for sheet currently in effect.

C. Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

- 2.
- 2.1.
- 2.1.1.
- 2.1.1.A.
- 2.1.1.A.1.
- 2.1.1.A.1.(a).

D. Check Sheets - When a Price List filing is made with the FPSC, an updated check sheet accompanies the Price List filing. The check sheet lists the sheets contained in the Price List, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on the check sheet if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some pages). The Price List user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the FPSC.

ISSUED: February 15, 1996

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SECTION 1.0 - TECHNICAL TERMS AND ABBREVIATIONS

1.1 Abbreviations

The following abbreviations are used herein only for the purposes indicated below:

C.O.	-	Central Office
FCC	-	Federal Communications Commission
FPSC	-	Florida Public Service Commission
IXC	-	Interexchange Carrier
LATA	-	Local Access and Transport Area
LEC	-	Local Exchange Carrier
MTS	-	Message Telecommunications Service
PBX	-	Private Branch Exchange

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6363 N.W. 6th Way, Suite 1000
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SECTION 1.0 - TECHNICAL TERMS AND ABBREVIATIONS, (Cont'd.)

1.2 Definitions

Answer Supervision - The transmission of the switch trunk equipment supervisory signal (off-hook or on-hook) to the Customer's point of termination as an indication that the called party has answered or disconnected.

Authorized User - A person, firm, corporation or other entity who is authorized by the Customer to be connected to the service of the Subscriber under the terms and regulations of this tariff.

Carrier or Company - Used throughout this tariff to refer to National Telecommunications, Inc. d/b/a NationalTel unless otherwise clearly indicated by the context.

Company - Used throughout this tariff to refer to National Telecommunications, Inc. d/b/a NationalTel unless otherwise clearly indicated by the context.

Customer - Any person, firm, partnership, corporation, or other entity which uses telecommunications services under the provisions and regulations of this tariff and is responsible for payment of charges.

Customer Designated Premises - The premises specified by the Customer for termination of services.

Day Rate Period - After 8:00 am to, but not including, 5:00 pm Monday through Friday.

ISSUED: February 15, 1996

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SECTION 1.0 - TECHNICAL TERMS AND ABBREVIATIONS, (Cont'd.)

1.2 Definitions (cont'd.)

End Office Switch - A switching system where exchange service Customer station loops are terminated for the purposes of interconnection to each other and to trunks.

End User - Any person, firm, corporation, partnership or other entity which uses the services of the Carrier under the provisions and regulations of this tariff. The End User is responsible for payment unless the charges for the services utilized are accepted and paid by another Customer.

Exchange - A group of lines in a unit generally smaller than a LATA established by the Company for the administration of communications service in a specified area. An Exchange may consist of one or more central offices together with the associated facilities used in furnishing communications service within that area.

Local Access and Transport Area (LATA) - A geographic area established by the U.S. District Court for the District of Columbia in Civil Action No. 82-0192 for the provision of administration of communication services. A LATA encompasses designated exchanges, which are grouped to serve common social, economic and other purposes.

Local Calling Area - A geographical area in which an End User may complete a call without incurring toll charges.

Serving Wire Center - A specified geographic point from which the vertical and horizontal coordinate is used in calculation of airline mileage.

ISSUED: February 15, 1996

EFFECTIVE:

ISSUED BY: John Mansour, Vice President
6363 N.W. 6th Way, Suite 1000
Ft. Lauderdale, Florida 33309

SECTION 2.0 - RULES AND REGULATIONS

2.1 Applicability of Tariff

This tariff is applicable to local exchange telecommunications services provided by NationalTel within the state of Florida.

2.2 Obligation of the Company

In furnishing facilities and service, the Company does not undertake to transmit messages, but furnishes the use of its facilities to its customers for communications.

The Company's obligation to furnish facilities and service is dependent upon its ability (a) to secure and retain, without unreasonable expense, suitable facilities.; (b) to secure and retain, without unreasonable expense, suitable space for its plant and facilities in the building where service is or will be provided to the customer; or (c) to secure reimbursement of all costs where the owner or operator of a building demands relocation or rearrangement of plant and facilities used in providing service therein.

The Company shall not be required to furnish, or continue to furnish, facilities or service where the circumstances are such that the proposed use of the facilities or service would tend to adversely affect the Company's plant, property or service.

The Company reserves the right to refuse an application for service made by a present or former customer who is indebted to the Company for service previously rendered pursuant to this Tariff until the indebtedness is satisfied.

ISSUED: February 15, 1996

EFFECTIVE:

ISSUED BY: John Mansour, Vice President
6363 N.W. 6th Way, Suite 1000
Ft. Lauderdale, Florida 33309

SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.3 Payment and Credit Regulations

- 2.3.1 The Customer is responsible for payment of all charges for services and equipment furnished to the Customer or to an Authorized User of the Customer by NationalTel. Payment responsibility includes all local and toll calls originating from the Customers' premises and for all calls charged to the Customer's line where any person answering the Customer's line agrees to accept such charges.

All charges due by the Customer are payable to the Company or to the Company's authorized billing agent. Any objections to billed charges must be reported to the Company or its billing agent within two months after receipt of bill. Adjustments to Customer's bills shall be made to the extent that circumstances exist which reasonably indicate that such changes are appropriate.

- 2.3.2 Customer bills for telephone service are due upon receipt, unless otherwise specified by this tariff or by contract.
- 2.3.3 In the event that the Company incurs fees or expenses, including attorney's fees, collecting, or attempting to collect, any charges owned to the Company, the Company may charge the Customer all such fees and expenses reasonably incurred.
- 2.3.4 The Company reserves the right to assess a return-check charge of \$15.00 whenever a check or draft presented for payment of service is not accepted by the institution on which it is written. This charge applies each time a check is returned to NationalTel by a bank for insufficient funds.

ISSUED: February 15, 1996

EFFECTIVE:

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SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.3 Payment and Credit Regulations, (cont'd.)

2.3.5 Deposits

The Company may require a Customer to deposit a sum equal to the total estimated local service and intraLATA toll charges for up to two month's of service. The fact that a deposit has been made shall in no way relieve the applicant or Customer from its obligations for prompt payment of the bill. Deposits will be collected and maintained in accordance with the rules of the FPSC.

2.3.6 Advance Payments

For Customers whom the Company determines an advance payment is necessary, the Company reserves the right to collect an amount not to exceed one (1) month's estimated charges as an advance payment for service. This will be applied against the next month's charges and a new advance payment may be collected for the next month.

2.3.7 Taxes

All state and local taxes, including but not limited to gross receipts taxes, sales taxes, and municipal utilities taxes, or associated surcharges, are listed as separate line items and are not included in the rates listed in this tariff.

2.3.8 Disputed Charges

The Company will provide credit on charges disputed by Customer in writing that are verified as incorrect by Company. If objection in writing is not received by Company within a reasonable period of time after bill is rendered (as determined by current law and regulatory policy), the account shall be deemed correct and binding upon the Customer.

ISSUED: February 15, 1996

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6363 N.W. 6th Way, Suite 1000
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SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.4 Refunds or Credits for Service Outages or Deficiencies

2.4.1 Credit Allowance for Interruptions of Service

Credit allowances for interruptions of service which are not due to the Carrier's testing or adjusting, to the negligence of the Customer, or to the failure of channels, equipment or communications systems provided by the Customer, are subject to the general liability provisions set forth in Section 2.5 herein. No credit is issued for outages less than 1/2 hour in duration. Credit for outages greater than 1/2 in duration is issued for fixed recurring monthly charges only. No credit is given for usage-sensitive charges. Outage credits are calculated in thirty minute intervals. The amount of the credit is determined by pro-rating the monthly recurring charge for the time of the outage (in thirty-minute intervals). It shall be the obligation of the Customer to notify Carrier immediately of any interruption in service for which a credit allowance is desired by Customer. Before giving such notice, Customer shall ascertain that the trouble is not within his or her control, or is not in wiring or equipment, if any, furnished by Customer and connected to Carrier's terminal.

2.4.2 Inspection, Testing and Adjustment

Upon reasonable notice, the facilities provided by the Company shall be made available to the Company for such tests and adjustments as may be deemed necessary for maintenance in a condition satisfactory to the Company. No interruption allowance will be granted for the time during which such tests and adjustments are made.

ISSUED: February 15, 1996

EFFECTIVE:

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6363 N.W. 6th Way, Suite 1000
Ft. Lauderdale, Florida 33309

SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.5 Liability

- (A) The liability of the Company for any claim or loss, expense or damage (including indirect, special, or consequential damage) for any interruption, delay, error, omission, or defect in any service, facility or transmission provided under this tariff shall not exceed an amount equivalent to the proportionate charges to the Customer for the period of service or the facility provided during which such interruption, delay, error, omission, or defect occurs.
- (B) The Company shall not be liable for any claim or loss, expense, or damage (including indirect, special, or consequential damage), for any interruption, delay, error, omission, or other defect in any service facility, or transmission provided under this tariff, if caused by any person or entity other than the Company, by any malfunction of any service or facility provided by any other carrier, by any act of God, fire, war, civil disturbance, or act of government, or by any other cause beyond the Company's direct control.

ISSUED: February 15, 1996

EFFECTIVE:

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SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.5 Liability (con't.)

- (C) The Company shall not be liable for, and shall be fully indemnified and held harmless by Customer or other users of its service against any claim or loss, expense, or damage, (i) for defamation, invasion of privacy, infringement of copyright or patent, unauthorized use of any trademark, trade name, or service mark, unfair competition, interference with or misappropriation or violation of any contract, proprietary or creative right, or any other injury to any person, property, or entity arising from the material data, information, or content revealed to, transmitted, processed, handled, or used by Company under this tariff, or (ii) for connecting, combining, or adapting Company's facilities with Customer's apparatus or systems, or (iii) for any act or omission of the Customer, or (iv) for any personal injury or death of any person, or for any loss of or damage to Customer's premises or any other property, whether owned by Customer or others, caused directly or indirectly by the installation, maintenance, location, condition, operation, failure or removal of equipment or wiring provided by the Company if not directly caused by negligence of the Company.
- (D) When the facilities of other companies are used in establishing a connection, the Company is not liable for any act, error, omission, or interruption caused by the other company or their agents or employees. This includes the provision of a signaling system database by another company.

ISSUED: February 15, 1996

EFFECTIVE:

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2.6 Minimum Service Period

The minimum service period is one month (30 days).

2.7 Cancellation by Customer

No charge applies when the applicant cancels an application for service prior to the start of installation or special construction.

When an applicant cancels an application for service after the start of installation or special construction, the applicant shall pay a cancellation fee which is the lesser of 1) the costs incurred by the Carrier, or 2) the charge for the minimum period of the service ordered, plus applicable installation charges.

Customers of NationalTel may cancel service by providing thirty (30) days written notice to NationalTel. Customers are responsible for all charges, including fixed fees, which accrue up to the cancellation date.

ISSUED: February 15, 1996

EFFECTIVE:

ISSUED BY: John Mansour, Vice President
6363 N.W. 6th Way, Suite 1000
Ft. Lauderdale, Florida 33309

SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.8 Refusal or Discontinuance by Company

NationalTel may refuse or discontinue service under the following conditions provided that, unless otherwise stated, the Customer shall be given 15 days notice to comply with any rule or remedy any deficiency:

- (a) For failure of a Customer to make a deposits as required under this tariff;
- (b) For impersonation of another with fraudulent intent;
- (c) For nonpayment of any sum due;
- (d) For use of service in a manner reasonably to be expected to frighten, abuse, torment or harass another;
- (e) For any other violation of the Company's rules and regulations applying to Customer's contracts or the furnishing of service;
- (f) Without notice for abandonment of service;
- (g) Without notice for use of service in such a way as to impair or interfere with the service provided to other Customers;
- (h) Without notice for abuse or fraudulent use of service.

ISSUED: February 15, 1996

EFFECTIVE:

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Ft. Lauderdale, Florida 33309

SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.9 Use of Service

Service may be used for any lawful purpose for which it is technically suited.

2.10 Employee Concessions

[Reserved for Future Use]

2.11 Terminal Equipment

Company's facilities and service may be used with or terminated in Customer-provided terminal equipment or systems, such as PBXs, key systems, multiplexers, repeaters, signaling sets, teleprinters, handsets, or data sets. Such terminal equipment shall be furnished and maintained at the expense of the Customer, except as otherwise provided. Customer is responsible for all costs at his or her premises, including personnel, wiring, electrical power, and the like, incurred in the use of Company's service.

2.12 Applicable Law

This tariff shall be subject to and construed in accordance with Florida law.

ISSUED: February 15, 1996

EFFECTIVE:

ISSUED BY: John Mansour, Vice President
6363 N.W. 6th Way, Suite 1000
Ft. Lauderdale, Florida 33309

SECTION 2.0 - RULES AND REGULATIONS, (Cont'd.)

2.13 Cost of Collection and Repair

Customer is responsible for any and all costs incurred in the collection of monies due the Company including legal and accounting expenses. The Customer is also responsible for recovery costs of Company-provided equipment and any expenses required for repair or replacement of damaged equipment.

2.14 Restoration of Service

Restoration of service shall be accomplished in accordance with Florida PSC rules and regulations.

2.15 Tests, Pilots, Promotional Campaigns and Contests

The Company may conduct special tests or pilot programs and promotions at its discretion to demonstrate the ease of use, quality of service and to promote the sale of its services. The Company may also waive a portion or all processing fees or installation fees for winner of contests and other occasional promotional events sponsored or endorsed by the Company. From time to time the Company may waive all processing fees for a Customer.

2.16 Access to Customer's Premises

The customer shall be responsible for making arrangements or obtaining permission safe and reasonable access for Company employees or agents of the Company to enter the premises of the customer or any joint user or customer of the customer at any reasonable hour for the purpose of inspecting, repairing, testing or removing any part of the Company's facilities.

ISSUED: February 15, 1996

EFFECTIVE:

ISSUED BY: John Mansour, Vice President
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2.17 Credit Requirements

The Company reserves the right to deny or cancel service to entities which do not meet the Company's credit requirements or for whom credit information is not available.

ISSUED: February 15, 1996

EFFECTIVE:

ISSUED BY: John Mansour, Vice President
6363 N.W. 6th Way, Suite 1000
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SECTION 3.0 - BASIC SERVICE DESCRIPTION & RATES

3.1 Quality of Service Standards

NationalTel will offer local exchange services, including dial tone and local calling services, on a twenty-four hours a day, seven days a week basis.

NationalTel's services will provide service to meet the following standards:

- (a) At least 95% of all calls will receive dial tone within three (3) seconds;
- (b) At least 97% of all calls offered to any trunk group will not encounter an all-trunks busy condition;
- (c) Call completion rate for intra-office calls, inter-office calls, extended area calls and intraLATA toll calls will be at least 95%.
- (d) Overall transmission losses within each inter-toll trunk group will not vary more than plus or minus two (2) db.

ISSUED: February 15, 1996

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SECTION 3.0 - BASIC SERVICE DESCRIPTION & RATES (Cont'd.)

3.2 Basic Flat Rate Local Service

A one-time nonrecurring charge applies for installation of service. A flat-rate monthly recurring charge applies for each line established.

Nonrecurring connection charge: \$xx.xx

Monthly recurring charge, per line: \$xx.xx

3.3 Directory Assistance

Customers may obtain assistance, for a charge, in determining a telephone number by dialing local directory assistance. A directory assistance charge applies for each telephone number requested from the Directory Assistance Operator.

Per request: \$x.xx

*[actual rates to be provide after interconnection negotiations
are completed and prior to the provision of service]*

ISSUED: February 15, 1996

EFFECTIVE:

ISSUED BY: John Mansour, Vice President
 6363 N.W. 6th Way, Suite 1000
 Ft. Lauderdale, Florida 33309

3.4 Custom Calling Features

Custom Calling Features are offered on an optional basis where technically available. A monthly nonrecurring charge applies to each feature subscribed to by the Customer.

Monthly Recurring Charges:

3-Way Calling:	\$x.xx
Call Forwarding:	\$x.xx
Call Waiting:	\$x.xx
Speed Calling:	\$x.xx
Distinctive Ringing:	\$x.xx

*[actual rates to be provide after interconnection negotiations
are completed and prior to the provision of service]*

ISSUED: February 15, 1996

EFFECTIVE:

ISSUED BY: John Mansour, Vice President
6363 N.W. 6th Way, Suite 1000
Ft. Lauderdale, Florida 33309

NATIONAL TELECOMMUNICATIONS OF FL, INC.

EXHIBIT II

FINANCIAL CAPABILITY

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of
National Telecommunications of Florida, Inc., and NTC, Inc.:

We have audited the accompanying combined balance sheets of National Telecommunications of Florida, Inc., and NTC, Inc. (Florida S-corporations), as of March 31, 1994 and 1993, and the related combined statements of income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Companies' 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 financial statements referred to above present fairly, in all material respects, the financial position of National Telecommunications of Florida, Inc., and NTC, Inc., as of March 31, 1994 and 1993, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Arthur Andersen & Co.

San Antonio, Texas
June 15, 1994

NATIONAL TELECOMMUNICATIONS OF FLORIDA, INC., AND NTC, INC.

COMBINED BALANCE SHEETS - - MARCH 31, 1994 AND 1993

	<u>1994</u>	<u>1993</u>
ASSETS		
CURRENT ASSETS:		
Cash and temporary cash investments	\$ 1,372,730	\$ 1,052,233
Customer accounts receivable, net of allowance of \$248,642 (1994) and \$119,550 (1993)	6,318,699	3,153,618
Other	<u>85,678</u>	<u>82,773</u>
Total current assets	<u>7,777,107</u>	<u>4,288,624</u>
PROPERTY AND EQUIPMENT:		
Furniture and fixtures	32,001	24,359
Machinery and equipment	2,371,103	1,913,986
Leasehold improvements	43,439	43,439
Less- Accumulated depreciation	<u>(942,688)</u>	<u>(549,298)</u>
Net property and equipment	<u>1,503,855</u>	<u>1,432,486</u>
OTHER ASSETS, net	<u>483,418</u>	<u>443,717</u>
	<u>\$9,764,380</u>	<u>\$6,164,827</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 5,847,271	\$ 2,823,526
Accrued liabilities	260,060	703,220
Current portion of long-term debt	<u>304,219</u>	<u>250,000</u>
Total current liabilities	<u>6,411,550</u>	<u>3,776,746</u>
LONG-TERM DEBT, less current portion	<u>835,218</u>	<u>899,531</u>
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common shares, \$1 par value, 20,000 shares authorized, 400 shares issued and outstanding	400	400
Additional paid-in capital	1,300,325	1,300,325
Retained earnings	<u>1,216,887</u>	<u>187,825</u>
Total shareholders' equity	<u>2,517,612</u>	<u>1,488,550</u>
	<u>\$9,764,380</u>	<u>\$6,164,827</u>

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

NATIONAL TELECOMMUNICATIONS OF FLORIDA, INC., AND NTC, INC.

COMBINED STATEMENTS OF INCOME

FOR THE YEARS ENDED MARCH 31, 1994 AND 1993

	<u>1994</u>	<u>1993</u>
OPERATING REVENUES	<u>\$35,299,494</u>	<u>\$20,395,430</u>
OPERATING EXPENSES:		
Cost of services	24,692,576	12,929,908
Selling, general and administrative	7,042,905	4,109,155
Depreciation and amortization	<u>523,879</u>	<u>402,629</u>
	<u>32,259,360</u>	<u>18,441,692</u>
Income from operations	<u>3,040,134</u>	<u>1,953,738</u>
OTHER INCOME (EXPENSE):		
Interest income	24,334	14,601
Interest expense	(80,630)	(105,865)
Other	<u>20,949</u>	<u>61,922</u>
	<u>(35,347)</u>	<u>(29,342)</u>
Net income	<u>\$ 3,004,787</u>	<u>\$ 1,924,396</u>

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

NATIONAL TELECOMMUNICATIONS OF FLORIDA, INC. AND NTC, INC.

COMBINED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED MARCH 31, 1994 AND 1993

	<u>Common Shares</u>		<u>Additional</u>	<u>Retained</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Earnings</u>	<u>Shareholders'</u>
			<u>Capital</u>	<u>(Deficit)</u>	<u>Equity</u>
BALANCE, March 31, 1992	400	\$400	\$1,300,325	\$(1,086,571)	\$ 214,154
Distributions to shareholders	-	-	-	(650,000)	(650,000)
Net income	-	-	-	1,924,396	1,924,396
BALANCE, March 31, 1993	400	400	1,300,325	187,825	1,488,550
Distributions to shareholders	-	-	-	(1,975,725)	(1,975,725)
Net income	-	-	-	3,004,787	3,004,787
BALANCE, March 31, 1994	<u>400</u>	<u>\$400</u>	<u>\$1,300,325</u>	<u>\$ 1,216,887</u>	<u>\$ 2,517,612</u>

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

NATIONAL TELECOMMUNICATIONS OF FLORIDA, INC. AND NTC, INC.

COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 1994 AND 1993

	<u>1994</u>	<u>1993</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 3,004,787	\$ 1,924,396
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization	523,879	402,629
Loss on disposition of property and equipment	-	1,250
Changes in operating assets and operating liabilities	<u>(587,401)</u>	<u>(359,218)</u>
Net cash provided by operating activities	<u>2,941,265</u>	<u>1,969,057</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Installation costs and other	(170,189)	(224,693)
Purchase of equipment	<u>(464,759)</u>	<u>(234,925)</u>
Net cash used in investing activities	<u>(634,948)</u>	<u>(459,618)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term borrowings	258,717	1,250,000
Long-term debt payments	(268,812)	(125,000)
Principal payments on capital lease obligation	-	(1,325,527)
Distributions to shareholders	<u>(1,975,725)</u>	<u>(650,000)</u>
Net cash used in financing activities	<u>(1,985,820)</u>	<u>(850,527)</u>
INCREASE IN CASH DURING THE PERIOD	320,497	658,912
CASH AND CASH EQUIVALENTS, beginning of period	<u>1,052,233</u>	<u>393,321</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 1,372,730</u>	<u>\$ 1,052,233</u>

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

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NATIONAL TELECOMMUNICATIONS OF FLORIDA, INC., AND NTC, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1994 AND 1993

1. BASIS OF PRESENTATION AND ORGANIZATION:

The accompanying financial statements combine the accounts of National Telecommunications of Florida, Inc., and NTC, Inc. (collectively referred to as the Companies). The Companies are 100 percent owned by the same shareholders. All significant intercompany accounts and transactions have been eliminated in combination.

National Telecommunications of Florida, Inc. (NTF), was incorporated on December 19, 1990. NTF operates as a nonfacilities-based interexchange carrier engaged in reselling interstate and intrastate interexchange long distance services to approximately 8,000 customers primarily located in the State of Florida.

NTC, Inc. (NTC), was incorporated on December 27, 1990. NTC, a nonfacilities-based interexchange carrier, is engaged in wholesaling interstate and intrastate interexchange long distance service to approximately 20 customers comprised of local exchange and interexchange carriers. In addition, NTC provides transmission line service to NTF which enables NTF to process its customers' long distance calls.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the related assets or the applicable lease term, if less.

The estimated lives and primary lease terms used in computing depreciation and amortization are as follows:

Equipment and installation costs	3-7 years
Furniture and fixtures	3 years
Leasehold improvements	3-7 years

Expenditures for maintenance, minor installations and repairs are charged to expense as incurred. Major installation costs and improvements are capitalized.

Operating Revenues

The Companies recognize revenue based on customer usage of communication services during the reporting period after deducting amounts for volume discounts and unbillable calls. Also included in operating revenues are monthly charges billed to customers for the inclusion of additional phone services other than long distance usage.

Federal Income Taxes

The Companies have elected S Corporation status under the Internal Revenue Code. As such, income and expenses of the Companies are included in the tax returns of the individual shareholders for federal income tax purposes. Accordingly, no recognition has been given to federal income taxes in the accompanying financial statements.

Other Assets

Other assets include circuit installation costs which are stated at cost net of accumulated amortization. These costs are being amortized on a straight-line basis generally over seven years and consisted of the following at March 31, 1994 and 1993:

	<u>1994</u>	<u>1993</u>
Circuit installations, at cost	\$ 722,131	\$ 584,447
Less- Accumulated amortization	<u>(304,689)</u>	<u>(171,702)</u>
Circuit installation costs, net	<u>\$ 417,442</u>	<u>\$ 412,745</u>

Statements of Cash Flows

For purposes of determining cash flows, the Companies consider all temporary cash investments purchased with a maturity of three months or less to be cash equivalents.

In order to determine net cash provided by operating activities, net income has been adjusted by, among other things, changes in operating assets and operating liabilities, excluding changes in cash and temporary cash investments and current portions of long-term debt. Those changes, shown as an (increase) decrease in operating assets and an increase (decrease) in operating liabilities, are as follows:

	<u>Year Ended March 31</u>	
	<u>1994</u>	<u>1993</u>
Customer accounts receivable	\$(3,165,081)	\$(1,357,500)
Other	(2,905)	(41,915)
Accounts payable	3,023,745	858,557
Accrued liabilities	<u>(443,160)</u>	<u>181,640</u>
Total	<u>\$ (587,401)</u>	<u>\$ (359,218)</u>

Interest paid for the years ended March 31, 1994 and 1993, was \$74,303 and \$91,210, respectively.

Reclassifications

Certain reclassifications have been made to prior year balances to conform to current year financial statement presentation.

3. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS:

	<u>1994</u>	<u>1993</u>
Note payable due a bank; interest rate at prime (as defined) plus .5 percent, payable in monthly installments of \$20,833 plus interest through September 18, 1997, secured by substantially all the assets of NTF, shareholder guarantees and keyman life insurance policies	\$ 875,000	\$ 1,125,000
Note payable to a bank under a \$250,000 line of credit in 1993 and converted into a term note in 1994; interest rate at prime (as defined) plus .5 percent, payable in monthly installments of \$3,135 plus interest through September 18, 1997, secured by substantially all assets of NTF, shareholder guarantees and keyman life insurance policies	131,687	24,531

	<u>1994</u>	<u>1993</u>
Note payable to a bank under a \$250,000 line of credit; interest rate at prime (as defined) plus 1 percent, monthly interest payments on the outstanding principal through October 29, 1994, at which time NTF is to begin making monthly installments of 1/48th of the then principal balance outstanding, secured by substantially all assets of NTF, shareholder guarantees and keyman life insurance policies.	\$ 132,750	\$ -
Total long-term debt	1,139,437	1,149,531
Less- Current portion	<u>304,219</u>	<u>250,000</u>
	<u>\$ 835,218</u>	<u>\$ 899,531</u>

Scheduled maturities of current and long-term debt are as follows:

1995	\$ 304,219
1996	320,816
1997	320,816
1998	177,006
1999	<u>16,580</u>
	<u>\$1,139,437</u>

4. LEASES:

Operating Leases

NTF leases office space under noncancelable operating leases. Future minimum lease payments under these leases as of March 31, 1994, are as follows:

1995	\$335,419
1996	263,781
1997	142,683
1998	100,096
1999	<u>25,407</u>
Total	<u>\$867,386</u>

Total rental expense on operating leases was approximately \$340,000 and \$200,000 in 1994 and 1993, respectively, and is a component of selling, general and administrative expenses in the accompanying income statements.

5. COMMON STOCK:

NTF has authorized 10,000 shares of \$1 par value common stock of which 200 shares are issued and outstanding. NTC has authorized 10,000 shares of \$1 par value common stock of which 200 shares are issued and outstanding.

6. TRANSACTIONS WITH RELATED PARTIES:

In fiscal years 1994 and 1993, NTF paid a nonshareholder employee, who is also a relative of NTF's shareholders, approximately \$100,000 and \$50,000, respectively, and has treated such payments as a discretionary shareholder distribution in the accompanying combined financial statements.

7. STOCK OPTIONS:

In fiscal year 1994 and effective March 31, 1993, NTF granted stock options to an employee under a nonqualified stock option plan (the Plan). According to the Plan, options to purchase 50 shares of NTF's common stock were granted to the employee at an exercise price of \$400 per share which was defined by the Plan to be the fair market value of NTF's common stock at the date of grant. The employee shall vest in such options over an eight-year period ending March 31, 2001. As of March 31, 1994, no options have been exercised by the employee.

8. EMPLOYEE BENEFITS:

Effective April 1, 1993, NTF adopted a 401(k) employee pension plan for its eligible employees. Annual contributions under this defined contribution plan are made at the discretion of NTF. NTF expensed approximately \$54,000 for contributions paid in 1994.

The Companies' present benefit structure does not provide for any postretirement benefits or postemployment benefits other than those described above.

9. COMMITMENTS AND CONTINGENCIES:

The Companies are subject to certain minimum usage levels over the terms of line agreements with three interexchange carriers. If such levels are not met, the Companies would be obligated to pay a fee based on the difference between the minimum usage level and actual usage. Since May 1993, the Companies have been utilizing services under two of such agreements which expire on November 30, 1995, and management anticipates exceeding the minimum usage level under these agreements in fiscal 1995. However, under the other line agreement, the Companies have not met the minimum usage levels since May 1993, and management of the Companies believe that such agreement has been terminated by the parties, although no formal termination notice has been given by either party. If such agreement is ultimately found to be in effect subsequent to May 1993, the Companies could be subject to an underutilization charge by the carrier of approximately \$450,000 as of March 31, 1994. Further, if such underutilization continues, such charge could increase over the original term of the agreement by \$540,000 per year. The original term of the agreement was for five years, terminating in December 1996. Management believes that such utilization charges will never be billed to, or paid, by the Companies.

NATIONAL TELECOMMUNICATIONS OF FLORIDA, INC., AND NTC, INC.

COMBINED BALANCE SHEETS - - MARCH 31, 1995 AND 1994

<u>ASSETS</u>	<u>1995</u>	<u>1994</u>
CURRENT ASSETS:		
Cash and temporary cash investments	\$ 2,994,939	\$ 1,372,730
Customer accounts receivable, net of allowance of \$426,916 (1995) and \$248,642 (1994)	6,911,689	6,404,377
Accounts receivable, other	70,387	-
Prepaid expenses	<u>73,959</u>	<u>39,292</u>
Total current assets	<u>10,050,974</u>	<u>7,816,399</u>
PROPERTY AND EQUIPMENT:		
Furniture and fixtures	65,162	32,001
Machinery and equipment	3,202,995	2,371,103
Leasehold improvements	44,118	43,439
Less- Accumulated depreciation	<u>(1,399,467)</u>	<u>(942,688)</u>
Net property and equipment	<u>1,912,808</u>	<u>1,503,855</u>
OTHER ASSETS, net	<u>553,733</u>	<u>444,126</u>
	<u>\$12,517,515</u>	<u>\$9,764,380</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 320,819	\$ 304,219
Accounts payable	6,383,635	5,736,669
Accrued liabilities	180,294	260,060
Customer deposits	<u>112,372</u>	<u>110,602</u>
Total current liabilities	<u>6,997,120</u>	<u>6,411,550</u>
LONG-TERM DEBT, less current portion	<u>508,129</u>	<u>835,218</u>
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common shares, \$1 par value, 20,000 shares authorized, 500 shares (1995) and 400 shares (1994) issued and outstanding	500	400
Additional paid-in capital	1,815,625	1,300,325
Retained earnings	<u>3,196,141</u>	<u>1,216,887</u>
Total shareholders' equity	<u>5,012,266</u>	<u>2,517,612</u>
	<u>\$12,517,515</u>	<u>\$9,764,380</u>

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

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED FROM THE COMPANY'S BOOKS AND RECORDS AFTER MAKING ALL NECESSARY ADJUSTMENTS THERETO, AND THEY REPRESENT THE FINAL STATEMENTS FOR THE PERIOD UNDER EXAMINATION.


NATIONAL TELECOMMUNICATIONS OF FLORIDA, INC., AND NTC, INC.

COMBINED STATEMENTS OF INCOME

FOR THE YEARS ENDED MARCH 31, 1995 AND 1994

	<u>1995</u>	<u>1994</u>
OPERATING REVENUES	<u>\$ 54,023,390</u>	<u>\$ 35,299,494</u>
OPERATING EXPENSES:		
Cost of services	38,251,002	24,692,576
Selling, general and administrative	9,857,067	7,042,905
Depreciation and amortization	<u>626,845</u>	<u>523,879</u>
	<u>48,734,914</u>	<u>32,259,360</u>
Income from operations	<u>5,288,476</u>	<u>3,040,134</u>
OTHER INCOME (EXPENSE):		
Interest income	62,499	24,334
Interest expense	(83,520)	(80,630)
Other	<u>27,739</u>	<u>20,949</u>
	<u>6,718</u>	<u>(35,347)</u>
Net income	<u>\$ 5,295,194</u>	<u>\$ 3,004,787</u>

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



NATIONAL TELECOMMUNICATIONS OF FLORIDA, INC., AND NTC, INC.

COMBINED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED MARCH 31, 1995 AND 1994

	<u>Common Shares</u>		<u>Additional</u>	<u>Retained</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Earnings</u>	<u>Shareholders'</u>
			<u>Capital</u>		<u>Equity</u>
BALANCE, March 31, 1993	400	\$400	\$1,300,325	\$ 187,825	\$ 1,488,550
Distributions to shareholders	-	-	-	(1,975,725)	(1,975,725)
Net income	-	-	-	3,004,787	3,004,787
BALANCE, March 31, 1994	400	400	1,300,325	1,216,887	2,517,612
Common stock issued for options exercised	100	100	515,300	-	515,400
Distributions to shareholders	-	-	-	(3,315,940)	(3,315,940)
Net income	-	-	-	5,295,194	5,295,194
BALANCE, March 31, 1995	<u>500</u>	<u>\$500</u>	<u>\$1,815,625</u>	<u>\$ 3,196,141</u>	<u>\$ 5,012,266</u>

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

NATIONAL TELECOMMUNICATIONS OF FLORIDA, INC., AND NTC, INC.

COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 1995 AND 1994

	<u>1995</u>	<u>1994</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 5,295,194	\$ 3,004,787
Adjustments to reconcile net income to net cash provided by operating activities-		
Provision for credit losses	1,103,617	627,575
Depreciation and amortization	626,845	523,879
Deferred compensation	493,400	-
Changes in operating assets and operating liabilities	<u>(1,147,013)</u>	<u>(1,214,976)</u>
Net cash provided by operating activities	<u>6,372,043</u>	<u>2,941,265</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Installation costs and other	(179,673)	(170,189)
Purchase of equipment	(865,732)	(464,759)
Acquisition of customer list	<u>(100,000)</u>	<u>-</u>
Net cash used in investing activities	<u>(1,145,405)</u>	<u>(634,948)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowings	-	258,717
Long-term debt payments	(310,489)	(268,812)
Proceeds from exercise of stock options	22,000	-
Distributions to shareholders	<u>(3,315,940)</u>	<u>(1,975,725)</u>
Net cash used in financing activities	<u>(3,604,429)</u>	<u>(1,985,820)</u>
INCREASE IN CASH DURING THE YEAR	1,622,209	320,497
CASH AND TEMPORARY CASH INVESTMENTS, beginning of year	<u>1,372,730</u>	<u>1,052,233</u>
CASH AND TEMPORARY CASH INVESTMENTS, end of year	<u>\$ 2,994,939</u>	<u>\$ 1,372,730</u>

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

NATIONAL TELECOMMUNICATIONS OF FLORIDA, INC., AND NTC, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1995 AND 1994

1. BASIS OF PRESENTATION AND ORGANIZATION:

The accompanying financial statements combine the accounts of National Telecommunications of Florida, Inc., and NTC, Inc. (collectively referred to as the Companies). The Companies are 100 percent owned by the same shareholders. All significant intercompany accounts and transactions have been eliminated in combination.

National Telecommunications of Florida, Inc. (NTF), was incorporated on December 19, 1990. NTF operates as a nonfacilities-based interexchange carrier engaged in reselling interstate and intrastate interexchange long distance services to approximately 12,000 customers primarily located in the State of Florida.

NTC, Inc. (NTC), was incorporated on December 27, 1990. NTC, a nonfacilities-based interexchange carrier, is engaged in wholesaling interstate and intrastate interexchange long distance service to approximately 20 customers comprised of local exchange and interexchange carriers. In addition, NTC provides transmission line service to NTF which enables NTF to process its customers' long distance calls.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Property and Equipment

Property and equipment is stated at cost. Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of the related assets or the applicable lease term, if less.

The estimated lives and primary lease terms used in computing depreciation and amortization are as follows:

Machinery, equipment and installation costs	3 - 7 years
Furniture and fixtures	3 years
Leasehold improvements	3 - 7 years

Expenditures for maintenance, minor installations and repairs are charged to expense as incurred. Major installation costs and improvements are capitalized.

Operating Revenues

The Companies recognize revenue based on customer usage of communication services during the reporting period after deducting amounts for volume discounts and unbillable calls. Also included in operating revenues are monthly charges billed to customers for the inclusion of additional phone services other than long distance usage.

Federal Income Taxes

The Companies have elected S Corporation status under the Internal Revenue Code. As such, income and expenses of the Companies are included in the tax returns of the individual shareholders for federal income tax purposes. Accordingly, no recognition has been given to federal income taxes in the accompanying financial statements.

Other Assets

Other assets include circuit installation costs which are stated at cost net of accumulated amortization. These costs are being amortized on a straight-line basis generally over five years and consisted of the following at March 31, 1995 and 1994:

	<u>1995</u>	<u>1994</u>
Circuit installations, at cost	\$ 871,767	\$ 722,131
Less- Accumulated amortization	<u>(452,260)</u>	<u>(304,689)</u>
Circuit installation costs, net	<u>\$ 419,507</u>	<u>\$ 417,442</u>

Also included in other assets is an intangible asset of \$100,000 established by NTF for the acquisition of a customer list from a third-party carrier in October 1994. The asset is being amortized on a straight-line basis over three years. Amortization expense as of March 31, 1995, was \$16,667.

Combined Statements of Cash Flows

For purposes of determining cash flows, the Companies consider all temporary cash investments purchased with a maturity of three months or less to be cash equivalents.

In order to determine net cash provided by operating activities, net income has been adjusted by, among other things, changes in operating assets and operating liabilities, excluding changes in cash and temporary cash investments and current portions of long-term debt. Those changes, shown as an (increase) decrease in operating assets and an increase (decrease) in operating liabilities, are as follows:

	<u>Year Ended March 31</u>	
	<u>1995</u>	<u>1994</u>
Customer accounts receivable	\$(1,610,929)	\$(3,762,005)
Accounts receivable, other	(70,387)	-
Prepaid expenses	(34,667)	(33,556)
Accounts payable	646,966	3,023,745
Accrued liabilities and other	<u>(77,996)</u>	<u>(443,160)</u>
Total	<u>\$ (1,147,013)</u>	<u>\$ (1,214,976)</u>

Interest paid for the years ended March 31, 1995 and 1994, was \$83,520 and \$74,303, respectively.

Reclassifications

Certain reclassifications have been made to prior year balances to conform to current year financial statement presentation.

3. LONG-TERM DEBT:

	<u>March 31</u>	
	<u>1995</u>	<u>1994</u>
Note payable to a bank; interest rate at prime (as defined) minus .5 percent, payable in monthly installments of \$20,833 plus interest through September 18, 1997, secured by substantially all the assets of NTF, shareholder guarantees and keyman life insurance policies.	\$ 625,000	\$ 875,000

	<u>1995</u>	<u>1994</u>
Note payable to a bank; interest rate at prime (as defined) minus .5 percent, payable in monthly installments of \$3,135 plus interest through July 18, 1997, secured by substantially all assets of NTF, shareholder guarantees and keyman life insurance policies.	\$ 87,791	\$ 131,687
Note payable to a bank; interest rate at prime (as defined) minus .5 percent, payable in monthly installments of \$2,766, plus interest through September 24, 1998, secured by substantially all assets of NTF, shareholder guarantees and keyman life insurance policies.	<u>116,157</u>	<u>132,750</u>
Total long-term debt	828,948	1,139,437
Less- Current portion	<u>320,819</u>	<u>304,219</u>
	<u>\$ 508,129</u>	<u>\$ 835,218</u>

Scheduled maturities of current and long-term debt are as follows:

1996	\$ 320,819
1997	320,819
1998	170,739
1999	16,571
2000	-
Thereafter	<u>-</u>
	<u>\$ 828,948</u>

4. OPERATING LEASES:

NTF leases office space under noncancelable operating leases. Future minimum lease payments under these leases as of March 31, 1995, are as follows:

1996	\$ 345,329
1997	238,459
1998	194,368
1999	101,155
2000	63,606
Thereafter	<u>-</u>
	<u>\$ 942,917</u>

Total rental expense for operating leases was approximately \$410,000 and \$340,000 in 1995 and 1994, respectively, and is a component of selling, general and administrative expenses in the accompanying income statements.

5. COMMON SHARES:

NTF has authorized 10,000 shares of \$1 par value common stock of which 250 shares are issued and outstanding. NTC has authorized 10,000 shares of \$1 par value common stock of which 250 shares are issued and outstanding.

6. STOCK OPTIONS:

Effective March 31, 1993, the Companies granted stock options to an employee under a nonqualified stock option plan (the Plan). According to the Plan, options to purchase 50 shares of NTF's and NTC's common stock were granted to the employee at an exercise price of \$400 and \$40 per share, respectively.

In 1995, the Plan was amended by the board of directors of NTF and NTC to accelerate the vesting requirements defined by the Plan. As such, the employee became vested in all 50 shares per company as of June 30, 1994, and concurrently exercised his options to purchase all 50 shares per company for \$22,000. The aggregate compensation expense related to these options was \$493,400 based on the difference between the fair market value of the stock at the exercise date and the exercise price of the options, and is included in selling, general and administrative expenses in the accompanying combined statement of income for the fiscal year March 31, 1995.

7. EMPLOYEE BENEFITS:

Effective April 1, 1993, NTF adopted a 401(k) employee pension plan for its eligible employees. Annual contributions under this defined contribution plan are made at the discretion of NTF. NTF expensed approximately \$73,000 and \$54,000 for contributions paid in 1995 and 1994, respectively.

The Companies' present benefit structure does not provide for any postretirement benefits or postemployment benefits other than those described above.

8. COMMITMENTS AND CONTINGENCIES:

The Companies are subject to certain minimum usage levels over the terms of line agreements with three interexchange carriers. If such levels are not met, the Companies would be obligated to pay a fee based on the difference between the minimum usage level and actual usage. Since May 1993, the Companies have been utilizing services under two of such agreements which expire on November 30, 1995, and management anticipates exceeding the minimum usage level under these agreements in fiscal 1996. However, under the third line agreement, the Companies have not met the minimum usage levels since May 1993, and management of the Companies believe that such agreement has been terminated by the parties, although no formal termination notice has been given by either party. If such agreement is ultimately found to be in effect subsequent to May 1993, the Companies could be subject to an underutilization charge by the carrier of approximately \$990,000 as of March 31, 1995. Further, if such underutilization continues, such charge could increase over the original term of the agreement by \$540,000 per year. The original term of the agreement was for five years, terminating in December 1996. Management believes that such utilization charges will never be billed to, or paid, by the Companies.

9. SUBSEQUENT EVENT:

In May 1995, NTF purchased a telephone switch for \$2,214,000. The purchase was financed through a term note payable to a financial services company. The amount financed will be paid over a 60-month period with monthly payments of principal of \$36,900 and interest to begin on or about August 1, 1995, and payable on the first day of each month thereafter through July 1, 2000. The note bears interest at 2.70 percent plus a 30-day commercial paper rate and is secured by the telephone switch and a guarantee from NTC, Inc. Scheduled maturities of the term note are as follows:

1996	\$ 295,200
1997	442,800
1998	442,800
1999	442,800
2000	442,800
Thereafter	<u>147,600</u>
	<u>\$2,214,000</u>

NATIONAL TELECOMMUNICATIONS OF FL, INC.

EXHIBIT III

MANAGERIAL CAPABILITY

Managerial Capability

NationalTel employs a team of experienced managerial personnel who have successfully operated long distance telecommunications companies for over a decade. The company's key managerial personnel have considerable experience and a proven track record.

James Mansour, President

James Mansour has operated NationalTel since its inception in 1990. Prior to the founding of National Telecommunications of Florida, Inc., James Mansour successfully operated National Telecommunications of Austin for six years before the company was sold to another interexchange carrier (LDDS). Mr. Mansour oversees the day-to-day operations of the company which currently employs 105 people in eight cities. Mr. Mansour was instrumental in the company's growth from a start-up reseller to its current position as the 17th largest long distance company in the nation. James Mansour earned a Juris Doctorate Degree from the Tulane Law School and a B.B.A. Degree in accounting from Milsaps College.

John Mansour, Vice President

John Mansour is a co-founder and co-principal of NationalTel where he is currently responsible for all aspects of network operations including the supervision of technical personnel, negotiation of carrier contracts, analysis of access costs, and establishment of rate structures for the company's products. John Mansour previously held positions with National Telecommunications of Austin, Inc. as the company's Director of Network Operations, Director of Regulatory Affairs and Director of Carrier Sales. His twelve years of telecommunications experience provides the company with solid management and strategic planning capabilities. Mr. Mansour holds a B.A. Degree from the University of Arkansas.

Mark Mansour, Vice President of Operations

Mark Mansour joined NationalTel in March 1991 as the Director of MIS and Billing. Prior to joining the company, he served as Director of Operations for Delta Textile where he directed all aspects of manufacturing, distribution, sales and marketing for this small textile manufacturing company. Mark

Mansour's experience also includes positions with Burlington Industries and Wal-Mart Stores, Inc. Mr. Mansour was responsible for the development and installation of NationalTel's complete integrated billing/customer service/network management system. In his current position, he is responsible for billing, payroll, human resources, customer service, credit and collections, MIS, product development, marketing and sales.

NATIONAL TELECOMMUNICATIONS OF FL, INC.

EXHIBIT IV

TECHNICAL CAPABILITY

Technical Capabilities

The company initially intends to provide local exchange services by reselling the transmission facilities of the incumbent local exchange carrier or other facilities-based providers. NationalTel has a great deal of resale experience and has the technical capabilities provide local exchange services on a resold basis. Calls will be switched at the company's centralized switching and control center in Orlando using a DMS 500 Northern Telecom switch. Remote switching (line side trunking) will be used in key metropolitan areas.

NationalTel has provided interexchange long distance services in Florida since 1991. The company has a proven track record of providing high-quality telecommunications services to Florida consumers. NationalTel's switching system is a fully redundant digital switch with battery back-up for power outages. The company employs individuals with considerable technical expertise as described below.

Jeanette Prues, Network Director

Jeanette Prues has twenty-eight years of technical telecommunications experience, including fifteen years with Southern Bell and thirteen years interexchange carrier experience. As Network Director, Ms. Prues is responsible for the design and installation coordination of the company's network including traffic analysis and database administration. Prior to joining NationalTel in 1991, Ms. Prues was employed by SouthTel, a Florida based long distance carrier as SouthTel's Network Manager. In her positions with Southern Bell from 1968 to 1984, Ms. Prues was employed as a Network Manager and Traffic Manager. Her accomplishments include the installation and maintenance of DSC DEX 400 and DEX SCP. In addition to network management, she has considerable traffic engineering, forecasting and cost analysis experience. Technical training classes include: Bell System Traffic Engineering, Dimension PBX Maintenance and Administration, and DSC Communications DEX 200, DEX 400, DEX SCP maintenance, administration and data base.

Bruce Johanson

Bruce Johanson is responsible for technical maintenance of NationalTel's switching system. Prior to joining NationalTel, Mr. Johanson was employed by Northern Telecom as a field technician responsible for installing, testing and commissioning network switches, including DMS 250 and DMS 100 switches. Mr. Johanson's experience includes working with local exchange carriers such as Southern Bell, South Central Bell, General Telephone and Centel providing technical assistance for DMS 100/200 and related cross-connect systems, signal transfer points and ISDN/SS7 applications. In addition to his work at Northern Telecom, Mr. Johanson has held technical positions with US Sprint, Starnet Corporation, General Electric, ITT and Southern Bell. Technical training classes include NTI DMS 100/200 Maintenance, Systems Translations, Logutil Reporting System, ISDN Technical Overview, STP Operations and Maintenance, DMS 250 Maintenance, Siemens 192-232 EPABX, Southern Bell Installation & Repair. Mr. Johanson holds an FCC General Radiotelephone license from the FCC.



DEPOSIT TREAS. REC. DATE

D268 FEB 19 '96

210 N. Park Ave.
P.O. Drawer 200
Winter Park, FL
32790-0200

February 15, 1996

Tel: 407-740-8575
Fax: 407-740-0613

Mr. Walter D'Haeseleer
Executive Director
Florida Public Service Commission
2450 Shumard Oak Boulevard
Gerald L. Gunter Building, Room 270
Tallahassee, FL 32399-0850

960197-TX

Re: Application of National Telecommunications of Florida, Inc. d/b/a NationalTel for Authority to Provide Alternative Local Exchange Service

Dear Mr. D'Haeseleer:

Enclosed is the original and six (6) copies of the application of National Telecommunications of Florida, Inc. d/b/a NationalTel for authority to provide alternative local exchange service. Also enclosed is a check for the application fee of \$250.

Please return a date stamped the copy of this cover letter in the self-addressed stamped envelope which has been provided for this purpose.

Any questions pertaining to this filing may be addressed to me at (407) 740-8575.

Yours truly,

Nanci Adler

Nanci Adler

Consultant to National Telecommunications of Florida, Inc.

DOCUMENT NUMBER - DATE
01957 FEB 19 96
FPSC-RECORDS/REPORTING

NATIONAL TELECOMMUNICATIONS OF FLORIDA, INC.
8363 N.W. 5TH WAY, STEF 1000
FORT LAUDERDALE, FL 33309

February 16, 1996

PAY TO THE ORDER OF

Florida Public Service Commission \$250.00
Two hundred fifty and 00/100 DOLLARS

Florida Union National Bank
Florida Public Service Commission
Lauderdale, Florida
24-hour Information Service
800-735-1012

Nanci Adler